

A reliable financial reporting mechanism aids exercise of controls on utilisation of funds. This Chapter provides an overview and status of compliance to various financial rules, procedures and directives during the year.

### 3.1 Personal Deposit Accounts

#### 3.1.1 Personal Deposit Account framework

Personal Deposits (PD) are maintained in the Treasuries in the nature of banking accounts. These are commonly known as Personal Ledger (PL) Accounts or Personal Deposit Accounts. PD Accounts are established in two ways:

- Under statutory provisions of the Government or created under any law or rule having the force of law by transferring funds from the Consolidated Fund of the State for discharging liabilities of the Government arising out of special enactments.
- Personal Deposit Accounts may also be opened in favour of specified Government Officers, by transferring fund from the Consolidated Fund of the State for discharging the liabilities of the State Government in respect of execution of various projects, schemes etc.

Ordinarily, Government sanctions the opening of a banking deposit or of PD Account after consultation with the Principal Accountant General (A&E). Except where the PD Accounts are created by law or rules having the force of law for discharging liabilities arising out of special enactments, other PD Accounts shall be closed at the end of the financial year.

As per the Telangana Financial Code, the purpose of PD Accounts is to enable the Drawing Officers to incur expenditure pertaining to a scheme, for which funds are placed at their disposal, by transfer from the Consolidated Fund of the State.

As per Article 271 (iii) (4)<sup>1</sup> of the Telangana Financial Code, Personal Deposit Accounts shall be closed at the end of the financial year by minus debit of the balance to the relevant service head in the Consolidated Fund of the State<sup>2</sup>. The account may be opened again in the following year, if necessary, in the usual manner<sup>3</sup>.

---

<sup>1</sup> Memo. No. 1596/Accts./5y-4, Dt. 31-12-1959

<sup>2</sup> except, where personal deposits are created by Law or rules having the force of law for discharging the liabilities arising out of special enactments

<sup>3</sup> Personal Deposit Accounts in connection with the working of schemes of commercial and quasi-commercial nature and schemes whose transactions spread over more than one financial year, need not be closed at the end of the financial year. Such Deposit Accounts should be closed when the need for them ceases

(i) The Government Orders (April 2000), however, stipulated that the funds released during a particular financial year shall lapse by 31 March of the next financial year. **This was at variance with the provisions of the Telangana Financial Code, which stipulated that Personal Deposit Accounts, created by transferring funds by debit to the Consolidated Fund should be closed at the end of the financial year.**

Government stated (March 2019) that these orders of April 2000 were issued in view of the fact that the release of funds sometimes happen at the end of the financial year and hence the executing agencies could not spend funds before close of the financial year.

As per the data furnished by the DTA, it was noted that an amount of ₹824.81 crore, in the PD accounts with 145 PD Administrators, which was due to lapse by end of next financial year was yet to be lapsed as of March 2018. DTA replied that most of these amounts pertain to Chief Planning Officers (CPO) and DDOs of Colleges *etc.* The accounts of CPO contain Constituency Development Fund, MPLADS *etc.*, where transactions will happen based on the stipulation in the respective scheme. It was evident that **the Government Orders of April 2000 were also not being complied with.**

(ii) Article 202 of the Constitution of India provides for Legislative financial control over public expenditure through the annual financial statement/Budget. Not transferring the unspent balances lying in PD accounts to Consolidated Fund before the closure of the financial year violates Legislative intent, which is to ensure that funds approved by it for the financial year are spent during the financial year itself. Such a practice also entails the risk of misuse of public funds, fraud and misappropriation. **An amount of ₹22,875 crore was transferred from Consolidated Fund to the Deposit Accounts in 2017-18, of which ₹3,655 crore was in the month of March 2018. It was noted in audit that an amount of ₹2,300 crore transferred as loans to the PD accounts of two institutions in March 2018 were not expended as of February 2019** (refer to **Box 3.1 of Paragraph 3.1.3** for further details).

(iii) Government also issued Orders<sup>4</sup> in 2005 regarding mechanism of opening of PD accounts. These orders specified that PD accounts are to be opened in the name of Designated Drawing Officers (known as PD Administrators) based on the request forwarded through Administrative Department. On receipt of Government Orders for opening of a PD account, the Director of Treasuries and Accounts (DTA) authorises the District Treasury Officer (Urban), Hyderabad, to assign a PD account number to the PD Administrator and notify the Principal Accountant General (Accounts & Entitlements). **As such, prior concurrence of PAG (A&E) was not being sought. The Government stated (March 2019) that above orders were issued to avoid delay in getting permission.**

(iv) Government orders of June 2005 stipulated certain conditions in case of Personal Deposit account proposed in favour of an Officer of the State Government, so as to

<sup>4</sup> G.O.Ms.No.140 of Finance (BG) Department, dated 2 June 2005,

exclude the possibility of budgetary resources getting diverted to Personal Deposit Account. It was noted that a sum of ₹1,915 crore, transferred from the Consolidated Fund during 2017-18, was held by eight<sup>5</sup> Departmental officers, each PD Account holding a balance of more than ₹100 crore as of March 2018.

### 3.1.2 Status of PD accounts in Telangana

**Table 3.1: Details of PD accounts**

Sl. No.	Description	No. of Accounts	Amount (₹ in crore)
1	Number of PD accounts existing at the beginning of the year	28,087	9,438.71
2	New PD accounts opened during the year	1,143	4,729.70
3	PD accounts closed during the year	556	--
4	PD accounts existing at the end of the year	28,674	15,837.67

*Source: Information furnished by Director of Treasuries and Accounts (DTA)*

The above information was at variance with the Finance Accounts, which shows 27,722 PD accounts with a closing balance of ₹12,093.83 crore. A total of 10,122 PD Administrators were operating these accounts.

The Government, based on the recommendations of the Cabinet sub-committee, issued orders<sup>6</sup> (April 2000) classifying all the Deposit Accounts into three categories as shown in **Table 3.2**:

**Table 3.2: Categories of Deposit Accounts**

Category A	Category B	Category C
Non-lapsable Deposit Accounts	Lapsable Deposits as per Codal Provisions such as Security Deposits, Civil Deposits, Court Deposits	Lapsable Deposits as per Government Orders before completion of subsequent financial year such as those pertaining to Government Schemes / Activities
Receipts: (i) Own sources like taxes, operational receipts and (ii) devolution / transfers from the State Government	Receipts - Securities collected for specific purposes, etc.	Receipts - Transfers from Consolidated Fund of the State

*Source: Government order of April 2000 on Deposit accounts*

The Category wise PD accounts and the closing balance to the end of March 2018 are detailed in **Table 3.3**.

<sup>5</sup> (i) Director of Municipal Administration: ₹100.06 crore; (ii) Commissioner of Industries: ₹284.68 crore, (iii) Chief Planning Officer, Warangal (Urban): ₹255.07 crore; (iv) Chief Planning Officer, Siddipet: ₹498.09 crore, (v) Chief Planning Officer, Sangareddy: ₹193.08 crore; (vi) Secretary to Government, CM relief Fund: ₹312.13 crore; (vii) Chief Planning Officer, Warangal (Rural): ₹107.26 crore; (viii) District Treasury Office, Ranga Reddy district: ₹164.97 crore

<sup>6</sup> G.O. Ms. No.43 of Finance and Planning Department, dated 22 April 2000

**Table 3.3: Category wise details**

Sl. No.	Description	No. of Accounts	Closing balance (₹ in crore)
1	Category A	27,831	6,030.08
2	Category B	187	733.93
3	Category C	656	9,073.66
<b>Total</b>		<b>28,674</b>	<b>15,837.67</b>

Source: Information Furnished by DTA

As can be seen, majority of the amount as of March 2018 was in Category 'C'.

### 3.1.3 Operation of PD accounts

The following were observed in operation of PD accounts.

- (i) The Receipts under PD accounts are either credited into PD accounts by debit to Consolidated Fund or remitted from other sources. Expenditure is incurred from out of the available balances under PD accounts. As such there should not be any adverse balance in PD accounts. There were, however, 89 PD accounts with *adverse balances* (i.e., those with minus balances) as shown in **Table 3.4**. DTA stated (January 2019) that the adverse balances were due to posting errors and were being rectified.

**Table 3.4: Adverse balances in PD accounts**

Sl. No	Description	Number of Accounts	Amount involved (₹ in crore)
1	Opening Balance	47	(-) 1.69
2	Closing Balance	35	(-) 84.38
3	Receipts	5	(-) 10.46
4	Expenditure	2	(-) 0.07

Source: Information furnished by DTA

- (ii) As per Article 271 of Telangana Financial Code, PD accounts not operated for a considerable period and where there is reason to believe that the need for the account has ceased, the same should be closed. There were 701 non-operational PD accounts<sup>7</sup> with 'Nil' balances in 2017-18. The DTA stated (November 2018) that the PD administrators opened multiple accounts due to bifurcation of districts, which were identified and kept under inactive mode.

**As noted above, opening of PD Accounts was based on an Order from the Government, however, opening of multiple accounts by PD administrators indicates lack of monitoring and control and conveys that PD accounts are being opened as a matter of routine.**

<sup>7</sup> Category A: 404, Category B: 80, and Category C: 188. Information of category was not available in respect of others

Further, there were no transactions in 949 PD accounts with a closing balance of ₹14.23 crore in 2017-18. As a result, ₹14.23 crore remained unutilised throughout the year. Further, as per information furnished by Director of Treasuries and Accounts, 1,170 PD Accounts with an outstanding balance of ₹315.43 crore were inoperative for more than three years as on 31 March 2018. Review of these accounts for appropriate action was not available on record.

(iii) Out of the total expenditure of ₹14,899.98 crore for the month of March 2018 an amount of ₹3,655.01 crore (24.53 per cent) was transferred from Consolidated Fund to the PD accounts. An amount of ₹3,194 crore out of this was transferred into category 'C' PD accounts. **This indicates that amounts are being transferred to PD accounts to avoid lapse of funds.** The DTA replied (October 2018) that expenditure was being incurred in 2018-19, which is a further confirmation of the fact that the amounts, though shown as expenditure in 2017-18 from out of the Consolidated Fund, were actually lying in the PD accounts.

### Box 3.1 : Unspent balances in PD accounts

#### Case Study 1: Chief Planning Officer (CPO), Mahaboobnagar - Category C

The PD account had an opening balance of ₹36.34 crore. The account was credited (April 2017 to March 2018) with an additional ₹85.33 crore<sup>8</sup> from the Consolidated Fund during the year. An amount of ₹85.07 crore, however, remained unspent at the end of the year as the expenditure incurred during the year was only ₹36.60 crore.

#### Case Study 2: Managing Directors of Telangana State Schedule Castes Cooperative Development Corporation (SCCDCL) and Telangana Scheduled Tribes Cooperative Finance Corporation (TRICOR)- Category C

The two Corporations receive money from the Consolidated Fund and utilise it for payment of various subsidies. The two Corporations received ₹2,147 crore and ₹1,421 crore respectively in 2017-18. The two PD Administrators were able to disburse only ₹353 crore (16 per cent) and ₹204 crore (14 per cent) respectively and the closing balance in the two PD accounts in 2017-18 was ₹1,794 crore and ₹1,217 crore respectively as major amounts of ₹1,500 crore and ₹800 crore respectively were released in March 2018 making it amply clear that the Government had transferred the funds at the fag end of the year to avoid lapse of funds. Both the PD Administrators informed (March 2019) that the amount of ₹1,500 crore and ₹800 crore were still in the PD Accounts.

**Such irregular transfers and balances inflate the figures of expenditure in the Consolidated Fund as also the liability of the Government.**

<sup>8</sup> (i) Special Development Fund for welfare and Development Activities (₹48.64 crore), (ii) Constituent Development Programme (₹30.47 crore), (iii) Crucial Balancing Fund (₹4.70 crore) and (iv) Land Records Up gradation Programme (₹1.50 crore)

### 3.1.3.1 Non-obtaining of Certificates of Acceptance of Balance

As per Article 126 of Account Code (Volume II) and Government Orders, the administrators operating Personal Deposit Accounts in the Treasury are required to verify quarterly balances in the deposit accounts and furnish a Certificate of Acceptance of balance to the Treasury after reconciling the differences, if any.

Inspection of Treasury offices by Principal Accountant General (A&E) revealed that in respect of six DTOs and twelve STOs, receipt of 1,281 Certificate of Acceptance of balance were pending from various PD Administrators to the end of December 2017. There is a risk of over payment if balances are not reconciled timely.

### 3.1.4 Lapsing of unutilised amounts under Category 'B'

As per the provisions contained in Article 271(iii) of Telangana Financial Code Volume I, all Deposits which fall under category 'B' if unclaimed for more than three complete financial years should be lapsed and credited to Government Account. Inspection of Treasury offices by Principal Accountant General (A&E) revealed that in respect of twelve DTOs and seventeen STOs, deposits amounting to ₹52.91 crore under revenue and other deposits heads falling under Category "B", which had remained unclaimed for more than three financial years were not lapsed to Government account.

### 3.1.5 PD accounts pertaining to Local Bodies

As per para 16.1 of Treasuries and Accounts Functionary Manual, funds of Local Bodies are deposited under "Deposit of Local Funds" in Public Account. Departmental officers of the Government, however, were also operating heads of accounts meant for Local Funds. For instance, Chief Planning Officer (CPO), Adilabad, who was a Government Officer, also operated 'Deposit for Local Fund' Account (*i.e.*, Major Head: 8338 - Deposits bearing interest) meant for local bodies. Similarly, Deposits of Local Funds – not bearing interest (Major Head: 8448) was also operated by others<sup>9</sup>.

**Opening PD Accounts as a matter of routine with weak accounting controls, transferring funds to PD Accounts to avoid lapse and keeping large balances in the PD accounts without lapsing within the stipulated period entails dilution of legislative controls, inflation of expenditure figures and overstating of the liabilities of the Government and enhances the risk of misuse and misappropriation of funds.**

**Recommendation 12: Government may put in place a mechanism to review Category 'C' PD accounts and lapse the unspent balances by the Treasury Officers concerned as stipulated in the Government Orders. Transferring money to PD accounts from the Consolidated Fund of the State at the fag end to avoid lapse of funds should be avoided.**

<sup>9</sup> Besides departmental officers, Public Sector Undertakings like Hyderabad Growth Corridor Limited; and Autonomous Bodies like District Rural Development Agency, District Water Management Agency, Drought Prone Area Programme *etc.*, were also operating these PD accounts



### 3.2 Opaqueness in accounts

Minor Head - 800 relating to Other Receipts and Other Expenditure is intended to be operated only when the appropriate minor head has not been provided in the accounts. Routine operation of Minor Head 800 is to be discouraged, as it renders the accounts opaque. Transactions under this Minor Head during the years 2017-18 and 2016-17 are detailed in **Table 3.5**:

**Table 3.5: Receipts and Expenditure under Minor Head 800**

Year	Receipts <sup>10</sup> (₹ in crore)	No. of Major Heads under which Minor Head 800 is operated	Receipts under Minor Head 800 (₹ in crore (per cent)	Expenditure <sup>11</sup> (₹ in crore)	No. of Major Heads under which Minor Head 800 is operated	Expenditure under Minor Head 800 - ₹ in crore (per cent)
2016-17	82,818	45	3,287 (4)	1,14,803	45	14,156 (12)
2017-18	88,824	47	3,555 (4)	1,09,267	45	13,214 (12)

Source: Finance Accounts

Further, it was observed that the entire receipts (₹433.69 crore) under 12 Major Heads were booked under Minor Head-800 (Other Receipts). Similarly, more than 50 per cent of the total expenditure under nine Major Heads was booked under Minor Head – 800 (Other Expenditure).

Instances where a substantial proportion (10 per cent or more of the receipts / expenditure under the major head concerned) of the receipts / expenditure are classified under Minor Head 800 – Other Receipts / Expenditure are in **Annexure B and C of Notes to Accounts (Finance Accounts – Volume I)**. Though the issue has been continuously reported in the previous reports of the Comptroller and Auditor General of India, there has been little improvement. **The fact that such substantial proportion of the receipts / expenditure under the concerned Major Head are booked under Minor Head 800 is a cause for concern, since it severely impacts transparency.**

### 3.3 Compliance to Indian Government Accounting Standards

As per Article 150 of the Constitution of India, the President of India may, on the advice of the Comptroller and Auditor General of India, prescribe the form of accounts of the Union and of the States. In accordance with this provision, the President of India has so far notified three Indian Government Accounting Standards (IGAS). Compliance to these Accounting Standards by Government of Telangana in 2017-18 and deficiencies therein are detailed in **Table 3.6**:

<sup>10</sup> Revenue Receipts

<sup>11</sup> Includes both Revenue and Capital

**Table 3.6: Compliance to Accounting Standards**

Sl. No.	Accounting Standard	Compliance by State Government	Deficiencies noticed in compliance
1	<b>IGAS 1: Guarantees Given by the Government – Disclosure requirements</b>	Not complied (Statements 9 and 20 of Finance Accounts)	Detailed information like number of guarantees for each institution was not furnished. The Statements are incomplete to that extent. ( <i>Refer to paragraph 1.7.2</i> for further audit findings on Guarantees)
2	<b>IGAS 2: Accounting and Classification of Grants-in- Aid</b>	Not complied (Statement 10 of Finance Accounts)	(i) Certain Grants-in-Aid classified under Capital Section ( <i>Refer to Table 1.4 of paragraph 1.3.1</i> for further audit findings on impact of classifying Grants in Aid under Capital Section) (ii) No information was available in respect of Grants-in-Aid given in kind by the State Government.
3	<b>IGAS 3: Loans and Advances made by Governments</b>	Not complied (Statement 18 of Finance Accounts)	Details not confirmed by the State Government. Detailed information of overdue Principal and interest was not furnished. Confirmation of balances of individual Loanee was not furnished. ( <i>Refer to paragraph 1.6.4</i> for further audit findings on Loans and Advances)

Source: Indian Government Accounting Standards and Finance Accounts

### 3.4 Non-submission of Annual Accounts by Autonomous Bodies

Certification of accounts of Autonomous Bodies (ABs) set up by the State Government is conducted under Sections 19 or 20 of “Comptroller and Auditor General of India (Duties, Powers and Conditions of Service Act) 1971” (CAG’s DPC Act).

The ABs coming under the audit purview as per Section 19 or 20 of CAG’s DPC Act are required to submit the annual accounts to audit before 30 June every year. In respect of 22 ABs which were to render annual accounts to C&AG, there were delays in submission of accounts ranging from one to 10 years and above (**Table 3.7**).

**Table 3.7: Age-wise details of delay in submission of Annual Accounts of Autonomous Bodies**

Sl. No	Delay in Number of Years	No. of Bodies/ Authorities
1	1	8
2	2-3	8
3	4-5	1
4	6-7	0
5	8-9	4
6	10 and above	1
<b>Total</b>		<b>22</b>

Paragraphs 1.7.4 and 1.8.4 of this Report highlight the need for State Government to ensure that Autonomous Bodies like Hyderabad Metropolitan Water Supply and Sewerage Board (HMWSSB) and Hyderabad Metropolitan Development Authority (HMDA), which receive loans or guarantees from the Government, prepare and submit their annual accounts timely.



### 3.5 Non-submission of Utilisation Certificates

The Government gives grants to various bodies for specific purposes. The financial rules stipulate that where Grants-in-Aid are given for specific purposes, departmental officers concerned should obtain Utilisation Certificates (UCs) from grantees, which after verification, should be forwarded to the Principal Accountant General (A&E), to ensure that the funds have been utilised for intended purposes. Non-submission/delay in submission of the Utilisation Certificates (UCs) weakens the control on utilization and provides scope for mis-utilisation / misappropriation / diversion of funds.

During the year 2017-18, Government released ₹26,499.06 crore<sup>12</sup> as Grants-in-Aid, for which UCs were received in respect of 96 per cent of the grants. 16 UCs<sup>13</sup> involving an amount of ₹1,264.61 crore pertaining to 2017-18 were yet to be received (August 2018). In respect of two schemes, UCs pertaining to earlier years were awaited from 2014-15 as shown in Table 3.8.

**Table 3.8: Schemes for which UCs pertaining to earlier period not received**

(₹ in crore)

S. No	Scheme	Grants-in –aid received	UCs submitted	Balance
1	Mission for integrated development of Horticulture			
	2014-15	52.93	36.40	16.53
	2015-16	58.75	47.60	11.15
	2016-17	25.00	36.20*	(-) 11.20
	<b>Total</b>			<b>16.48</b>
2	National Mission on Oil Seeds and Oil Palm			
	2014-15	261.33	149.13	112.20
	2015-16	260.60	71.35	189.25
	<b>Total</b>			<b>301.45</b>

Source: Information furnished by Commissioner of Horticulture

\* UCs for higher amounts inclusive of earlier years, breakup of which is not provided

#### Box 3.2: Case Study – Submission of UC without actual utilisation

Government created (27 March 2015) a trust viz., “The Telangana State Advocates Welfare Trust (TSAWT)” for promotion of welfare of advocates practicing in the State. Advocate General of State Government acts as Chairman of the Trust. Secretaries of Finance and Law Departments are its trustees.

The Government sanctioned and released (27 March 2015) ₹100 crore as Grants-in-Aid to the Telangana Advocates Welfare Fund. The fund, however, was not utilised due to non-finalisation of guidelines (December 2017) and was lying in a fixed

<sup>12</sup> Out of this, ₹23,552.52 crore was released under the “Other detailed Head 312- other Grants-in-Aid” and ₹77.93 crore under other detailed head 319 – creation of capital assets.

<sup>13</sup> Except where the sanction order specified otherwise, UCs in respect of Grants-in-Aid drawn during 2017-18 become due only in 2018-19

deposit in Andhra Bank. The interest of ₹10 crore earned on the fund was deposited (May 2017) in another fixed deposit in the same bank for one year.

**Although the funds remained unspent, UC was furnished to the effect that the amount would be utilised.**

### 3.6 Non-submission of Detailed Contingent bills

Financial Rules<sup>14</sup> permit drawal of advances on Abstract Contingent bills (AC bills) for the purpose of meeting contingent expenditure for specified purposes. Treasury rules<sup>15</sup> and Government orders<sup>16</sup> stipulate that all advances drawn on AC bills should be adjusted by submitting the Detailed Contingent bills (DC Bills) with supporting vouchers within one month. 2,164 AC bills amounting to ₹280.45 crore, however, remain un-adjusted due to non-submission of DC bills as shown in **Table 3.9**.

**Table 3.9: Year-wise details of AC bills pending adjustment**

Year	As of March 2017		As of March 2018	
	No. of AC Bills	Amount (₹ in crore)	No. of AC Bills	Amount (₹ in crore)
Up to 2014	1,463	242.72	641	81.64
2014-15	531	107.32	349	99.00
2015-16	688	51.52	393	39.38
2016-17	803	73.27	447	42.40
2017-18	--	--	334	18.03
<b>Total</b>	<b>3,485</b>	<b>474.83</b>	<b>2,164</b>	<b>280.45</b>

Source: Principal Accountant General (A&E), Telangana

Though the number of AC bills awaiting adjustment as of March 2018 decreased in comparison to previous year, 641 AC bills amounting to ₹81.64 crore pertaining to the period prior to bifurcation of the State was still pending. This includes 89 bills amounting to ₹5.72 crore pending for more than a decade.

Further, only six Departments account for 1,798 AC bills amounting to ₹244.39 crore, in which DC bills for more than ₹10 crore are awaited as of March 2018 (**Table 3.10**).

<sup>14</sup> Article 99 of Telangana Financial code

<sup>15</sup> SR18 below TR 16

<sup>16</sup> GO No.391, dt.22-03-2002 and 507, dt.10-04-2002

**Table 3.10: Departments in which major amounts were pending adjustment**

Sl. No.	Department/Office/Institute	AC Bills	Amount (₹ in crore)
1	Revenue Department	999	102.34
2	Agriculture & Co-operation, Consumer Affairs, Food and Civil Supplies	89	47.33
3	Youth Advancement Tourism & Culture Department	89	31.99
4	Home	341	29.22
5	Municipal Administration and Urban Development	46	21.58
6	Education	234	11.93
	<b>Total</b>	<b>1,798</b>	<b>244.39</b>

Source: Principal Accountant General (A&E), Telangana

\*includes DC bills pertaining to the period prior to bifurcation dealt by PAO, Hyderabad, Telangana

**Non-submission of DC bills within the prescribed time is a breach of financial discipline and enhances risk of misappropriation of public money and is an unhealthy practice.**

### **3.7 Un-reconciled Receipts and Expenditure**

Government Orders<sup>17</sup> and Financial Rules<sup>18</sup> stipulate that expenditure recorded in the records of Chief Controlling Officers (CCOs) of Departments is to be reconciled with the books of the Principal Accountant General (Accounts & Entitlements) every month. Reconciliation enables the CCOs to exercise effective control over budget and expenditure. It also ensures accuracy of the accounts.

A sum of ₹41,816.30 crore of receipts, *i.e.*, 47 *per cent* of Revenue Receipts (₹88,824 crore) remained un-reconciled in 2017-18. Similarly, expenditure of ₹37,961 crore *i.e.*, 35 *per cent* of total expenditure<sup>19</sup> remained un-reconciled. Non-reconciliation impacts the assurance that all the receipts/expenditures have been taken to the final head of account properly.

- There were four CCOs who did not reconcile receipts of ₹3,000 crore or more. The total of such un-reconciled receipts by the four CCOs was ₹40,481.85 crore (**Table 3.11**).

<sup>17</sup> GO Ms .No. 507 of Finance(TFR)Department dated 10 April 2002

<sup>18</sup> Article 9 of State Financial Code

<sup>19</sup> Total expenditure (₹ 1,09,267 crore) includes Revenue and Capital excludes Loans and Advances, interest payments and loans to Government servants

**Table 3.11: CCOs with highest un-reconciled receipts**

Sl. No.	Name of the CCO	Amount (₹ in crore)
1	Commissioner of Commercial taxes	23,636.54
2	Commissioner, Prohibition & Excise	9,421.33
3	Commissioner and Inspector General of Stamps & Registration	4,199.58
4	Commissioner of Industries	3,224.40
<b>Total</b>		<b>40,481.85</b>

Source: Information obtained from Principal Accountant General (A&E), Telangana

- Similarly four CCOs did not reconcile expenditure of more than ₹3,000 crore (Table 3.12).

**Table 3.12: CCOs with highest un-reconciled expenditure**

Sl. No.	Name of the CCO	Amount (₹ in crore)
1	Secretary, Energy Department	4,662.66
2	School Education HOD, Director of School education	4,539.83
3	Chief Engineer, Kaleshwaram Project	4,519.07
4	Commissioner, Social Welfare, D.S. Samkshema Bhavan	3,942.93
<b>Total</b>		<b>17,664.49</b>

Source: Information obtained from Principal Accountant General (A&E), Telangana

### 3.8 Adverse balances under Debt, Deposit and Remittance Heads

Transactions relating to Debt, Deposit and Advances comprise receipts and payments in respect of which Government becomes liable to repay the moneys received or has a claim to recover amounts paid.

**Chart 3.1: Debt, Deposits and Remittances**

Debt	Deposits	Remittances
<ul style="list-style-type: none"> <li>• Government is a Debtor</li> <li>• Transactions impact current year as well as future years when Government has to repay the debts</li> </ul>	<ul style="list-style-type: none"> <li>• Government acts as temporary custodian of funds</li> <li>• Transactions impact current year as well as future years when deposits are due for repayment or are withdrawn by Depositor</li> </ul>	<ul style="list-style-type: none"> <li>• Embraces all transactions, which are taken to merely adjusting Heads of Accounts</li> <li>• Debits or Credits are eventually cleared by corresponding contra entries</li> </ul>

Source: Comptroller and Auditor General of India's Manual of Standing Orders (Accounts and Entitlements)

A review of Debt, Deposit and Remittance heads showed adverse balances amounting to (-) ₹319.01 crore under Internal Debt<sup>20</sup> of the State Government to the end of March 2018 as shown in **Table 3.13**.

**Table 3.13: Adverse Balances under Internal Debt**

Sl. No.	Item	Head of Account	Amount (₹ in crore)
<b>Internal Debt of the State Government (Major Head 6003) – Loans from other institutions (Minor Head 109)</b>			
1	Loans from Power Finance Corporation	6003-109-13	(-) 148.90
2	Loans from Telangana Transco Bonds	6003-109-12	(-) 148.68
3	Loans from Rural Electrification Corporation Limited (REC) for villages, hamlets and Dalit Basties	6003-109-22	(-) 15.36
4	Loans from State Water and Sanitary Mission	6003-109-18	(-) 6.07
<b>Total</b>			<b>(-) 319.01</b>
<b>Impact:</b> Adverse balances under loan heads indicate that either repayment was more than the loans availed or debt taken by the Government was not accounted but repayments made by Government were accounted for. Presence of adverse balances under Internal Debt understates the liabilities of the Government.			

Source: Finance Accounts

In addition, there were adverse balances in other heads as detailed below:

- There were adverse balances aggregating to ₹864.56 crore under Deposit Heads<sup>21</sup> as shown in **Table 3.14**.

**Table 3.14: Adverse Balances under Deposits**

Sl. No.	Item	Head of Account	Amount (₹ in crore)
<b>Deposits bearing interest</b>			
1	Other Deposits	8342	(-) 89.22
<b>Deposits not bearing interest</b>			
2	Civil Deposits	8443	(-) 94.71
3	Deposit of Local Funds	8448	(-) 171.12
4	Other Deposits	8449	(-) 509.51
<b>Total</b>			<b>(-) 864.56</b>
Negative balance indicates that the expenditure is more than the amount deposited.			

Source: Finance Accounts

<sup>20</sup> Article 293 of the Constitution of India empowers the State Government to borrow funds within the territory of India, upon the security of the Consolidated Fund of the State within such limits as may vary from time to time, to be fixed by an Act of the State Legislature

<sup>21</sup> Government receives deposits for various purposes by or on behalf of various public bodies and members of the public. Government sometimes decides to set aside sums from the revenues of a year or a series of years, to be accumulated in a fund. The balance at the credit of such a fund is held as a deposit and expended on specified objects

- Further, there were adverse balances under Loans and Advances aggregating ₹205.33 crore to the end of March 2018.

### 3.9 Functioning of Treasuries / Pay and Accounts Offices

The following deficiencies / irregularities were noticed during 2017-18 with regard to functioning of Treasuries (including PAO, Hyderabad in respect of receipt of vouchers).

**Table 3.15: Deficiencies noticed in functioning of treasuries**

Sl. No.	Rule / Orders / Instructions of Government	Observation	No. of cases	Amount (₹ in crore)
1	As per Subsidiary Rule 18(e) under Treasury Rule 18 of Treasury Code, all payments are to be supported by vouchers / cheques containing full details of the corresponding transaction.	Vouchers not received from Treasuries	2,845	284.81
2		Vouchers not received from PAO, Hyderabad	2,832	639.60
3	As per Government Memo No.351/81/DCM-II/2012 (Finance Department), dated 04 August 2012, cheques for drawal of funds exceeding ₹10 lakh each from Personal Deposit Accounts should be countersigned by the Secretary to Government in Finance Department.	Drawal of cheques exceeding ₹10 lakh without counter-signature of Finance Secretary	299	2,074.47
4	As per Subsidiary Rule 2 to Treasury Rule 16 of Treasury Code, Fully Vouched Contingent Bill Form 58 is used for payment of services already availed or goods received.	Drawal of funds on Form 58 fully vouched contingent bills without enclosing vouchers	87	1,023.00

Source: Information furnished by Principal Accountant General (A&E) and Resident Audit Officer, Abids

### 3.10 Follow up action on Audit Reports

As per the instructions issued by Finance and Planning Department in November 1993, administrative Departments are required to submit Explanatory Notes within three months of presentation of Audit Reports to Legislature, without waiting for any notice or call from Public Accounts Committee, duly indicating action taken or proposed to be taken.



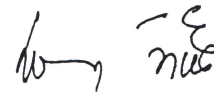
Finance Department furnished (July 2018) Explanatory Notes (EN) for Audit Report on State Finances for the year 2016-17. Finance Department, however, did not furnish EN for Audit Reports on State Finances for the years 2015-16 and 2014-15 as of January 2019.



**(REBECCA MATHAI)**  
**Principal Accountant General (Audit)**  
**Telangana**

**Hyderabad**  
**The**

**Countersigned**



**(RAJIV MEHRISHI)**  
**Comptroller and Auditor General of India**

**New Delhi**  
**The**

