



सत्यमेव जयते

State Finance Audit Report of the Comptroller and Auditor General of India for the year ended March 2020



लोकहितार्थं सत्यनिष्ठा

Dedicated to Truth in Public Interest



Government of Karnataka
Report No. 1 of the year 2021

**State Finance Audit Report of the
Comptroller and Auditor General of India**

for the year ended 31 March 2020

**Government of Karnataka
Report No. 01 of the year 2021**

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PREFACE

1. This Report has been prepared for submission to the Governor of Karnataka under Article 151 of the Constitution of India for being placed in the Karnataka Legislature.
2. Chapters 1 of this report contains the basis and approach to State Finances Audit Report, structure of the Report, structure of Government Accounts, budgetary processes, trends in key fiscal parameters like revenue surplus, fiscal deficit, *etc.* and fiscal correction path.
3. Chapters 2 and 3 of the Report contain audit findings on matter arising from an examination of the Finance Accounts and Appropriation Accounts respectively, of the State Government for the year ended 31 March 2020. Information has been obtained from the Government of Karnataka, wherever necessary.
4. Chapter 4 provides an overview and status of the State Government's compliance with various financial rules, procedures and directives during the financial year 2019-20.
5. The Report has been prepared by taking into account the recommendations of the Public Accounts Committee (5th Report-July 2015) to the Action Taken Report of the State Government in response to its earlier recommendations (13th Report-December 2011) to the Report on State Finances for the year ending 31 March 2010.
6. The Reports containing the findings of performance audit and audit of transactions in various departments and observations arising out of audit of Statutory Corporations, Boards and Government Companies, Local Bodies, Panchayat Raj Institutions and the report containing observations on Revenue Receipts are presented separately.

Executive Summary

Back ground

The Government of Karnataka prioritised fiscal reforms and consolidation by enacting the first Medium Term Fiscal Plan (MTFP) for the period 2000-05, based on the parameters of fiscal correction laid down by the Eleventh Finance Commission (EFC). MTFP became a rolling annual document and the fiscal targets and policies set out in MTFP were dovetailed with the annual budgetary exercise. Karnataka was the first State to enact (September 2002) the Karnataka Fiscal Responsibility Act (KFRA), providing statutory backing to MTFP. The KFRA aims at ensuring fiscal stability and sustainability, enhancing the scope for improving social and physical infrastructure and human development by achieving revenue surplus, reducing fiscal deficit, removing impediments for effective conduct of fiscal policy and prudent debt management through limits on borrowings, debt and deficits and greater transparency in fiscal operations by the use of medium-term fiscal framework.

The Report

Based on the audited accounts of the Government of Karnataka for the year ended 31 March 2020, this Report provides an analytical review of the finances of the State Government. The Report is structured in four chapters.

Chapter 1 - Overview: This Chapter describes the basis and approach to the Report and the underlying data, provides an overview of structure of Government Accounts, budgetary processes, macro-fiscal analysis of key indices and State's fiscal position including the deficits/surplus.

Chapter 2 – Finances of the State – This Chapter provides a broad perspective of the finances of the State, analyses the critical changes in major fiscal aggregates relative to the previous year, overall trends during the period from 2015-16 to 2019-20, debt profile of the State and key Public Account transactions, based on the Finance Accounts of the State.

Chapter 3 – Budgetary Management – This Chapter is based on the Appropriation Accounts of the State and reviews the appropriations and allocative priorities of the State Government. It reports on deviations from Constitutional provisions and highlight issues affecting transparency.

Chapter 4 – Quality of Accounts and Financial Reporting Practices - This Chapter provides an overview and status of compliance of the departments of the State Government with various financial rules, procedures and directions during the current year.

The Report also includes appendices of additional data collected from several sources in support of these findings. A glossary of selected terms is given at the end of the Report.

Audit findings

Fiscal position

The fiscal position of the State is viewed in terms of three key fiscal parameters – Revenue Surplus, Fiscal Deficit and the ratio of Outstanding Debt to GSDP.

The State recorded Revenue Surplus during 2015-16 to 2019-20. During 2019-20, the Revenue Surplus was ₹1,185 crore. The State was successful in containing the Fiscal Deficit below three *per cent* of GSDP in last five years. During 2019-20, the Fiscal Deficit was 2.25 *per cent*.

During this period, the outstanding debt of the State remained between 17.54 and 19.86 *per cent* of GSDP, which was consistently below the norm of 25.00 *per cent* of GSDP prescribed by the Karnataka Fiscal Responsibility Act, 2002.

(Chapter 1)

Finances of the State

The State Government registered an increase of 6.34 *per cent* in its Revenue Receipts during 2019-20 compared to the previous year.

The ratio of the State's tax revenue to GSDP decreased from 7.23 *per cent* in 2015-16 to 6.02 *per cent* in 2019-20. Own tax revenue contributed a major part (58 *per cent*) of the revenue receipts. Ratio of non-tax revenue to revenue receipts reduced from 4.51 *per cent* in 2015-16 to 4.38 *per cent* during 2019-20. Its ratio to GSDP was insignificant (0.45 *per cent* in 2019-20), implying the need for mobilising non-tax revenue. The Performance Grants to Panchayat Raj Institutions (PRIs) and Urban Local Bodies (ULBs) for the year 2019-20 were not released by GoI till the end of 31 March 2020.

Revenue Expenditure

Expenditure under general services and economic services registered growth of 14 and 9 *per cent* respectively over the previous year, while the growth under social services decreased by two *per cent*. Eighty-two *per cent* of revenue expenditure consisted of committed expenditure on salaries, devolutions to local bodies, interest payments, pensions, subsidies, administrative expenses, grants-in-aid and financial assistance. Expenditure on subsidies during the year increased by 14 *per cent* when compared to the previous year.

Quality of Expenditure

The share of capital expenditure to total expenditure (18.52 *per cent*) during the year 2019-20 decreased by 0.72 *per cent* when compared to the previous year (19.24 *per cent*). However, in absolute terms, the capital expenditure increased marginally by ₹453 crore. The return from investment as on 31 March 2020 in Companies/Corporations was negligible (₹53.64 crore). The investment included ₹41,989 crore (62 *per cent*) in Companies/Corporations under loss.

Funds and other Liabilities

Green Tax Cess of ₹14.55 crore along with relevant expenditure (₹0.14 crore) was not transferred to Green Tax Fund during the year. Non-transfer of expenditure (₹268.45 crore) to Forest Development Fund resulted in

overstatement of revenue expenditure. The Guarantee Redemption Fund was not revived.

Debt Sustainability

Open Market Loans had a major share (59 *per cent*) in the total fiscal liabilities of the State. The net debt available to the State during the year 2019-20 (₹24,510 crore) increased by 38 *per cent* when compared to the previous year. During 2018-19 and 2019-20, the burden of interest payment to revenue receipts had crossed the XIV FC recommendation of 9.15 *per cent*.

Cash balances

The cash balance of the State during the year increased by 57 *per cent* due to increased market borrowings.

(Chapter 2)

Budgetary Management

During 2019-20, against the total provision of ₹2,63,804.67 crore, expenditure incurred was ₹2,33,978.23 crore. This resulted in unspent provision of ₹29,826.44 crore (11 *per cent*) which was 29.35 *per cent* more than the supplementary budget indicating the inadequate control over the execution and monitoring of budget.

During the year, 51 *per cent* of the savings were not surrendered. The controlling officers did not provide explanations for 46 *per cent* of the savings to the Principal Accountant General (A&E) for variations in expenditure *vis-à-vis* allocation.

The Gender Budget document merely quantified the allocation earmarked for schemes having a gender component. In spite of pointing out in the earlier reports, the lack of gender-disaggregated data persisted.

Significant policy initiatives of the Government such as training centers for Prosthetics and Orthotics certification courses, supply Milk to all School going children to enhance the nutrition level under Ksheera Bhagya Scheme *etc.*, were not fulfilled during the year due to non-completion of preparatory activities relating to these initiatives.

Supplementary provision of ₹340.97 crore in 21 cases was unnecessary and ₹10,217.37 crore made under 24 cases proved excessive.

Re-appropriation of funds in 48 cases was made injudiciously, resulting in either un-utilised provision of funds or excess expenditure over provision.

Excess expenditure of ₹2,409.53 crore relating to the period 2012-13 to 2017-18 required to be regularised under Article 205 of the Constitution.

An amount of ₹28.73 crore was misclassified under revenue/capital sections affecting the fiscal indicators *viz.*, revenue surplus.

(Chapter -3)

Quality of Accounts and Financial Reporting Practices

During the period 2016-20, 10 Government Companies/Corporations did not remit the interest earned (₹803.99 crore) on the Government grants to the Government Account in contradiction of the instructions issued by the Finance department.

Out of 2,109 AC bills drawn during 2019-20, 426 bills (20 *per cent*) were pending for want of NDC bills. Fourteen Departments had not furnished information relating to institutions for which grants of ₹25 lakh or more was released by them.

Retention of large sums of money in Personal Deposit (PD) Accounts, non-closure of in-operative PD Accounts, non-reconciliation of balances in such in-operative PD Accounts and non-transferring the unspent balances to Consolidated Fund were against the principles of Legislative financial control.

(Chapter – 4)

Chapter – 1

Overview

Chapter 1 - Overview

1.1 Introduction

This chapter provides a brief profile of the State and describes the basis and approach to the Report. The underlying data provides an overview of the structure of Government Accounts, budgetary processes, macro-fiscal analysis of key indices and State's fiscal position including the deficits/surplus.

1.2 Profile of the State

• Social Indicators

Karnataka is the sixth largest State in terms of geographical area (1,91,791 Sq. km) and the eighth largest by population. The State's population was 6.11 crore (2011 census) and recorded a decadal growth of about 16 *per cent* (2001-11). The percentage of population below the poverty line was 20.90¹ compared to the All India Average of 21.90 (2011-12). Literacy rate grew from 66.64 *per cent* to 75.36 *per cent* during the period 2001-11. The State has 30 districts and 176 taluks.

• Economic Indicators

The Gross State Domestic Product (GSDP) in 2019-20 at market prices was ₹16,99,115 crore, with a growth rate of 10.02 *per cent* over the previous year. GSDP growth rate of Agriculture, Industries and Service Sectors were 7.7 *per cent*, 5.9 *per cent* and 11.5 *per cent* respectively during 2019-20 over previous year.

The per-capita GSDP was ₹2,53,444 against the National per capita GDP of ₹1,50,927. The net per capita income of the State at current prices was ₹2,31,246 against the country average of ₹1,35,050² (as of March 2020 - Economic Survey, Government of Karnataka, 2019-20). General and financial data relating to the State is given in **Appendix 1.1**.

1.2.1 Gross State Domestic Product of the State

GSDP is the market value of all officially recognized goods and services produced within the boundaries of the State in a given period of time.

It is important to understand changes in sectoral contribution to the GSDP since they indicate changing structure of economy. Economic activity is generally divided into Primary, Secondary and Tertiary sectors, which correspond to the Agriculture, Industry and Service sectors. The trends in the annual growth of National GDP and that of the State, at current prices are indicated in **Table 1.1** and the growth rate of GDP and GSDP at current prices and constant prices is depicted in **Chart 1.1**.

¹ As per Economic Survey of Karnataka 2019-20.

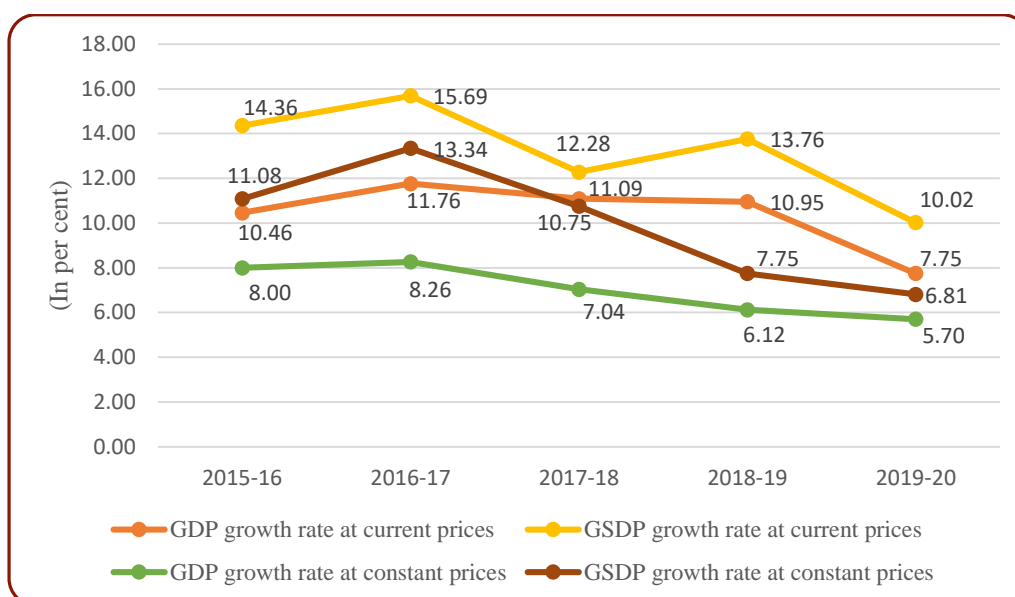
² The difference between per capita income of the State and National's average during 2019-20 was ₹96,196.

Table 1.1 Trends in GSDP compared to the National GDP

Year	2015-16	2016-17	2017-18	2018-19	2019-20
India's GDP* (₹ in crore)	1,37,71,875	1,53,91,665	1,70,98,304	1,89,71,234	2,04,42,233
Growth rate (in per cent)	10.46	11.76	11.09	10.95	7.75
State's GSDP# (₹ in crore)	10,45,168	12,09,136	13,57,579	15,44,399	16,99,115
Growth rate (in per cent)	14.36	15.69	12.28	13.76	10.02

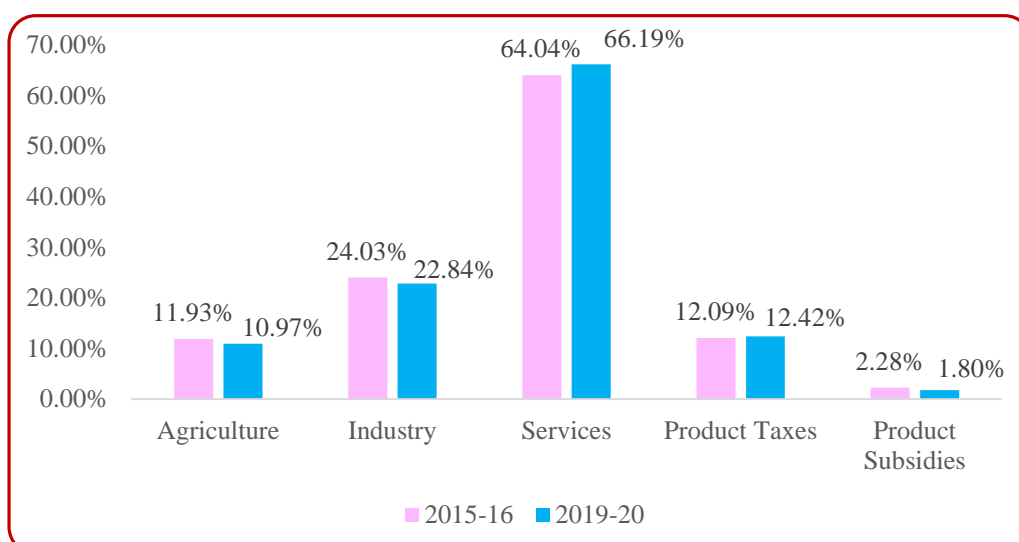
Source: *All India GDP figures from Economic Survey 2019-20, Government of Karnataka.
#GSDP figures are as available on 31.07.2020 in the website of Ministry of Statistics and Programme Implementation.

Chart 1.1: Growth of India's GDP and State's GSDP



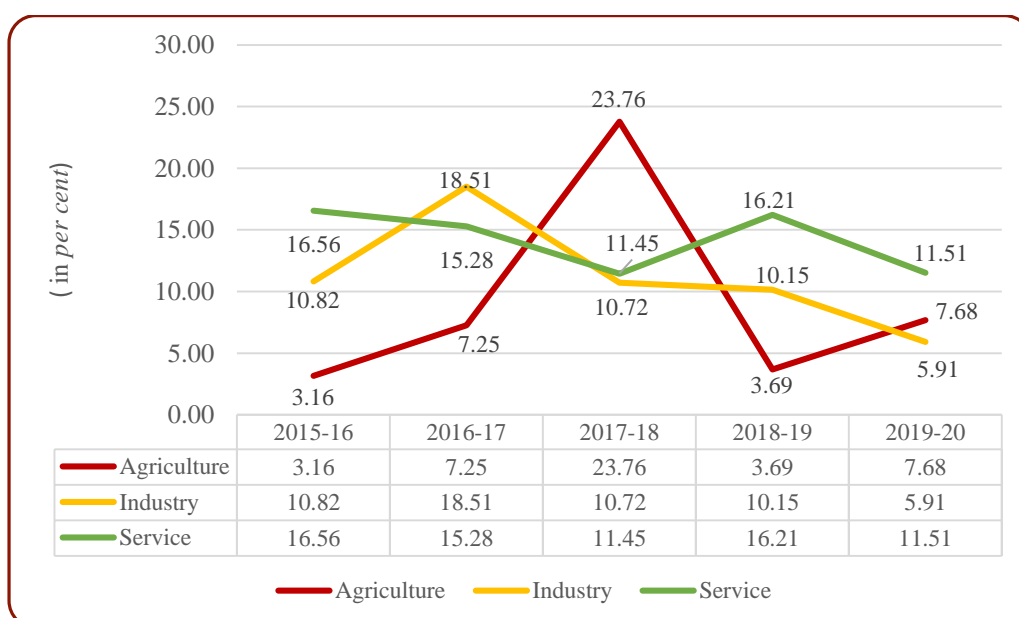
As seen from the table and chart, the Karnataka's GSDP growth rate at current prices and constant prices is more than that of nation's growth rate. However, during 2019-20 it registered the lowest growth rate in five years.

Chart 1.2 reveals that during 2015-16 and 2019-20, while there was a marginal decrease in the relative share of both Agriculture and Industry to GSDP, there was only a marginal increase in the relative share of Services sector.

Chart 1.2: Change in Sectoral contribution to GSDP (2015-16 and 2019-20)

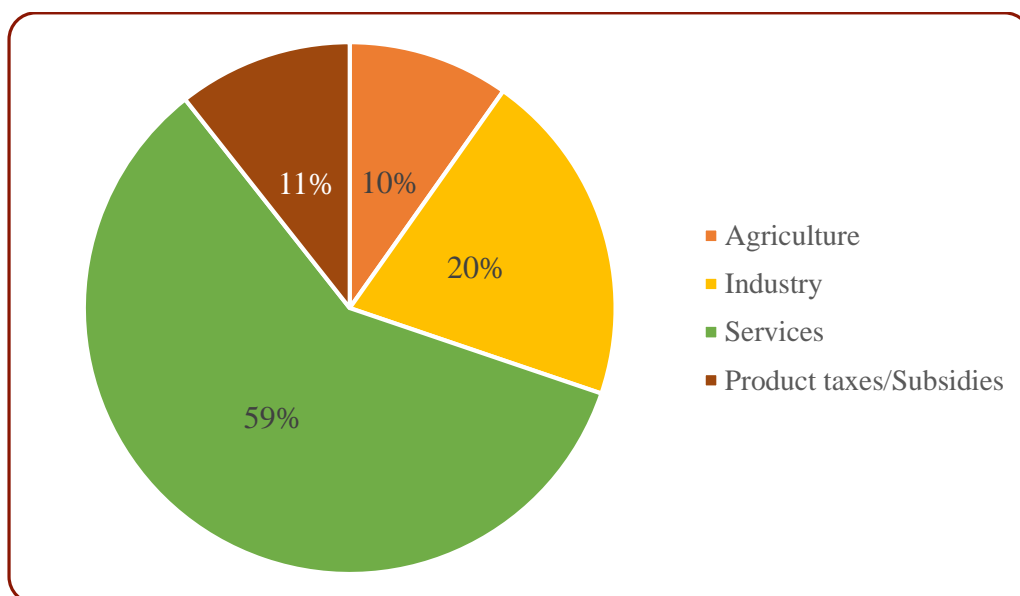
Source: Directorate of Economics and Statistics, Government of Karnataka

However, when compared to previous year, it shows a different scenario. During 2019-20, there was a decline in the growth rate of Industry and Service sectors and a significant increase in Agriculture sector as can be seen in **Chart 1.3**.

Chart 1.3: Sectoral growth in GSDP

The sectoral contribution to GSDP of the State during 2019-20 is given in **Chart 1.4**.

Chart 1.4: Sectoral contribution to GSDP during 2019-20



1.3 Basis and Approach to State Finance Audit Report

The State Finance Audit Report (SFAR) is prepared under Article 151 (2) of the Constitution of India, which states that the reports of the Comptroller and Auditor General of India (CAG) relating to the accounts of a State are to be submitted to the Governor of the State, who shall cause them to be laid before the Legislature of the State.

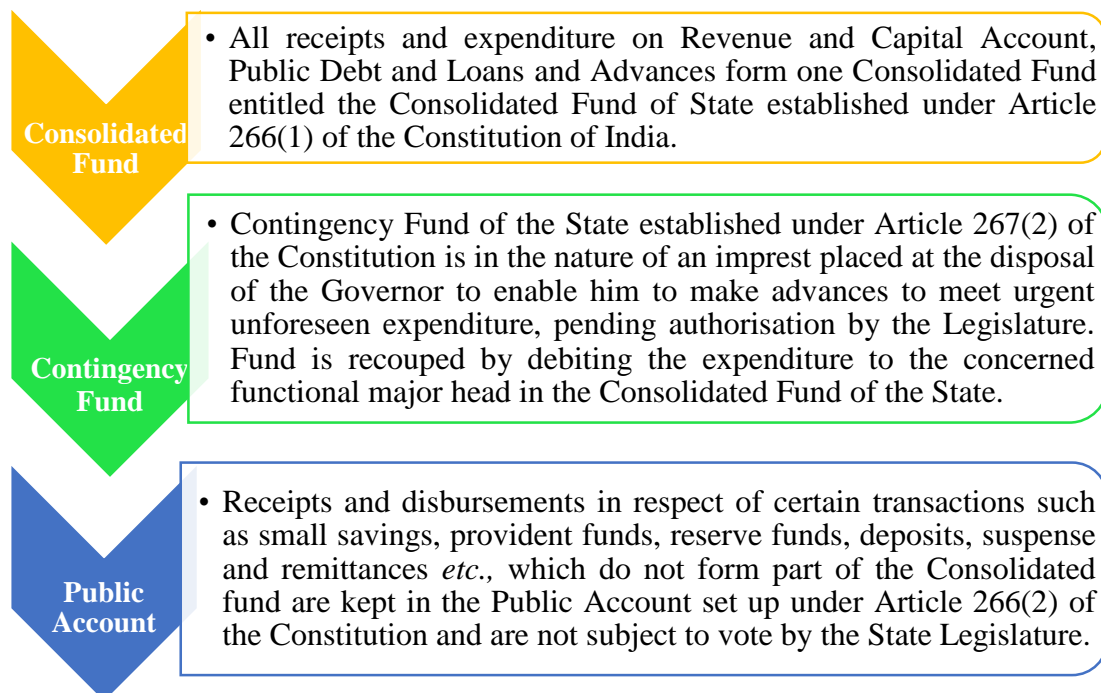
Principal Accountant General (Accounts & Entitlements) {PAG (A&E)} prepares the Finance Accounts and Appropriation Accounts of the State annually, from initial and subsidiary accounts rendered by the treasuries, offices and other departments responsible for maintaining initial accounts and the statements received from the Reserve Bank of India (RBI). These accounts are audited independently by the PAG (Audit) and certified by the CAG.

Finance Accounts and Appropriation Accounts of the State constitute the core data for this report. Other sources include the following.

- The State's Budget for assessing the fiscal parameters and allocative priorities *vis-à-vis* projections, as well as for evaluating the effectiveness of budget's implementation and compliance with the relevant rules and prescribed procedures;
- Results of audit carried out by the Office of the PAG (Audit);
- Other financial data obtained from various Government departments and organisations and
- GSDP data and other State related Statistics from Directorate of Economics and Statistics, Government of Karnataka (GoK).
- Recommendations of XIV Finance Commission (FC).
- Karnataka Fiscal Responsibility Act (KFRA) 2002.
- Guidelines of the Government of India (GoI).

1.4 Structure of Government Accounts

The Accounts of the State Government are kept in three parts:

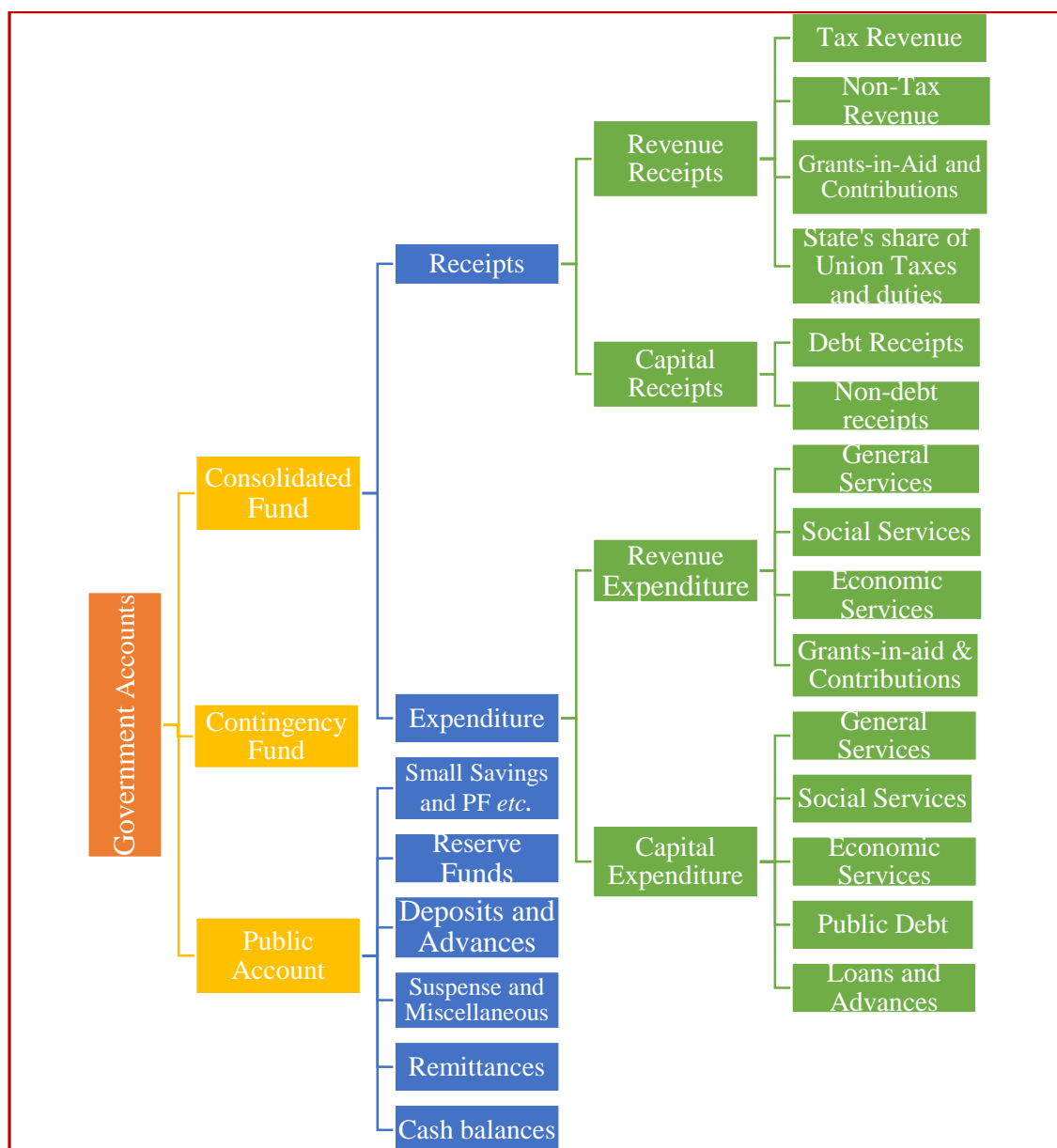


The Budget is to be presented to both the Houses of the Legislature of the State, in terms of Article 202 of the Constitution of India. The 'Annual Financial Statement' constitutes the main budget document. It includes,

- **Revenue receipts** consists of tax revenue, non-tax revenue, share of Union taxes/duties, and grants from GoI.
- **Revenue expenditure** consists of all those expenditures of the Government, which do not result in creation of physical or financial assets. It relates to those expenses incurred for the normal functioning of the Government departments and various services, interest payments on debt incurred by the Government, and grants given to various institutions (even though some of the grants may be meant for creation of assets).
- **Capital receipts** consist of:
 - **Debt receipts:** market loans, bonds, loans from financial institutions, Net transaction under ways and means advances, loans and advances from Central Government, *etc.*;
 - **Non-debt receipts:** proceeds from disinvestment, recoveries of loans and advances.
- **Capital expenditure** includes expenditure on the acquisition of land, building, machinery, equipment, investment in shares, and loans and advances by the Government to the Public Sector Undertakings (PSUs) and other parties.

The layout of the Finance Accounts has been shown in **Appendix 1.2** and the pictorial depiction of the structure of Government Accounts is given in **Chart 1.5**.

Chart 1.5: Pictorial depiction of the structure of Government Accounts



1.5 Budgetary Processes

In terms of Article 202 of the Constitution of India, the Governor of State shall cause to be laid before the State Legislature, a statement of the estimated receipts and expenditure of the State for the year 2019-20, in the form of an Annual Financial Statement. In terms of Article 203, the statement is submitted to the State Legislature in the form of Demands for Grants/Appropriations. On approval, the Appropriation Bill is passed by the Legislature under Article 204 to provide for appropriation of the required money out of the Consolidated Fund. In the State of Karnataka, the budget documents include documents like Gender Budget and document for district wise and scheme wise allocation to Panchayat Raj Institutions (PRIs) and Urban Local Bodies (ULBs) etc.

The State Budget Manual prescribes the process of budget formulation and guides the State Government in monitoring its expenditure activities. Results of audit scrutiny of budget and implementation of other budgetary initiatives of the State Government are included in **Chapter 3** of this Report.

1.6 Snapshot of Finances

The **Table 1.2** provides the details of actual financial results *vis-à-vis* Budget Estimates for the year 2019-20 *vis-à-vis* actual of 2018-19.

Table 1.2: Actual financial results *vis-à-vis* Budget Provisions

(₹ in crore)					
Sl. No.	Components	2018-19 (Actuals)	2019-20 (Budgetary provisions)	2019-20 (Actuals)	Percentage of Actual to Budgetary Provisions
Section A: Revenue Receipts					
1	Tax Revenue*	96,830	79,895	1,02,363	128.12
2	Non-Tax revenue	6,773	8,055	7,681	95.36
3	Share of Union Taxes and Duties	35,895	61,656	30,919	50.15
4	Grants-in-aid and Contributions	25,481	32,257	34,480	106.89
5	Revenue Receipts (1+2+3+4)	1,64,979	1,81,863	1,75,443	96.47
Section B: Capital Receipts					
6	Recoveries of Loans and Advances	31	195	203	103.59
7	Miscellaneous Capital Receipts	(-)6	80	45	56.25
8	Public Debt Receipts	41,914	48,601	50,459	103.82
9	Capital Receipts (6+7+8)	41,939	48,876	50,707	103.75
10	Total Receipts (5+9)	2,06,918	2,30,739	2,26,150	98.01
Section C: Expenditure/Disbursement					
11	Revenue Expenditure	1,64,300	1,81,605	1,74,258	95.95
12	Interest Payments	16,614	19,060	19,903	104.42
13	Capital Expenditure	34,659	40,080	35,530	88.65
14	Loan and Advances	4,487	2,503	4,069	162.56
15	Public Debt Repayment	11,083	9,964	10,180	102.17
16	Total Expenditure (11+13+14)	2,03,446	2,24,188	2,13,857	95.39
Section D: Fiscal Indicators					
17	Revenue Surplus/Deficit (5-11)	679	258	1,185	459.30
18	Fiscal Deficit {(5+6+7)-16}	38,442	42,050	38,166	90.76
19	Primary Deficit (18-12)	21,828	22,990	18,263	79.44

*Tax Revenue Includes Major Heads 0005 – CGST (₹8,773.82 crore), 0006 – SGST (₹42,147.23 crore) and 0008 – IGST (Nil).

The State increased its revenue surplus by limiting its revenue expenditure (₹1,74,258 crore) well within its budgetary projection of ₹1,81,605 crore.

1.7 Snapshot of Assets and Liabilities of the Government

Government accounts capture the financial liabilities of the Government and the assets created out of the expenditure incurred. The liabilities consist mainly of internal borrowings, loans and advances from GoI, receipts from public account and reserve funds, and the assets comprise mainly the capital outlay and loans and advances given by the State Government and cash balances. The growth rate components of Assets and Liabilities is given in **Table 1.3** and the detailed summarised position of Assets and Liabilities as on 31 March 2020 compared with the corresponding position as on 31 March 2019 is given in **Appendix 1.3**.

Table 1.3: Summarised position of Assets and Liabilities

(₹ in crore)

Liabilities					Assets				
		2018-19	2019-20	Per cent increase			2018-19	2019-20	Per cent increase
Consolidated Fund									
A	Internal Debt	1,79,309	2,20,337	22.88	a	Gross Capital Outlay	2,70,270	3,05,798	13.15
B	Loans and Advances from GoI	14,658	13,908	(-).5.12	b	Loans and Advances	24,981	28,847	15.48
	Contingency Fund	80	80	-		Contingency Fund	-	-	-
Public Account									
A	Small Savings, Provident Funds etc.	31,024	35,179	13.39	a	Advances	7	7	-
B	Deposits	28,385	31,559	11.18	b	Remittance	690	1,038	50.43
C	Reserve Funds	32,872	37,599	14.38	c	Suspense and Miscellaneous	-	-	-
D	Suspense and Miscellaneous	6,660	5,297	(-).20.47		Cash balance (including investment in Earmarked Fund)	22,004	34,463	56.62
E	Remittances	-	-	-		Total	3,17,952	3,70,153	16.42
	Cumulative Excess of Receipts over expenditure	24,964	26,194	4.93		Deficit in Revenue Account	-	-	-
Total		3,17,952	3,70,153	16.42	Total		3,17,952	3,70,153	16.42

Source: Finance Accounts

The growth rate of assets in Consolidated Fund decreased from 15 *per cent* in 2018-19 to 13 *per cent* in 2019-20, while that of Liabilities exclusive of off-budget borrowings increased from 19 *per cent* in 2018-19 to 22 *per cent* in 2019-20. The Finance Accounts reflected an amount of ₹2,20,337 crore as internal debt outstanding at the end of 2019-20 after taking into account the difference of ₹388.58 crore in the accounts of LIC, GIC, NABARD, NCDC *etc.* The cash balance of the State at the end of the year was ₹34,463 crore. The increase in the cash balance was 57 *per cent* over the previous year.

1.8 Fiscal parameters

The three key fiscal parameters – revenue, fiscal and primary deficits indicate the extent of overall fiscal imbalances during a specified period.

The nature of deficit is an indicator of the extent of prudence in fiscal management. Further, the ways in which the deficit is financed and the application of resources raised are important pointers to its fiscal health. This section presents trends, nature and magnitude and the manner of financing these deficits and the assessment of actual levels of revenue and fiscal deficits *vis-à-vis* targets set under KFRA for the financial year 2019-20.

1.8.1 Trends in Deficit/Surplus

The trend of surplus and deficits of key fiscal parameters over the five-year period from 2015-16 to 2019-20 is depicted in **Chart 1.6** and trend in surplus and deficit relative to GSDP is given in **Chart 1.7**.

Chart 1.6: Trends in deficit parameters

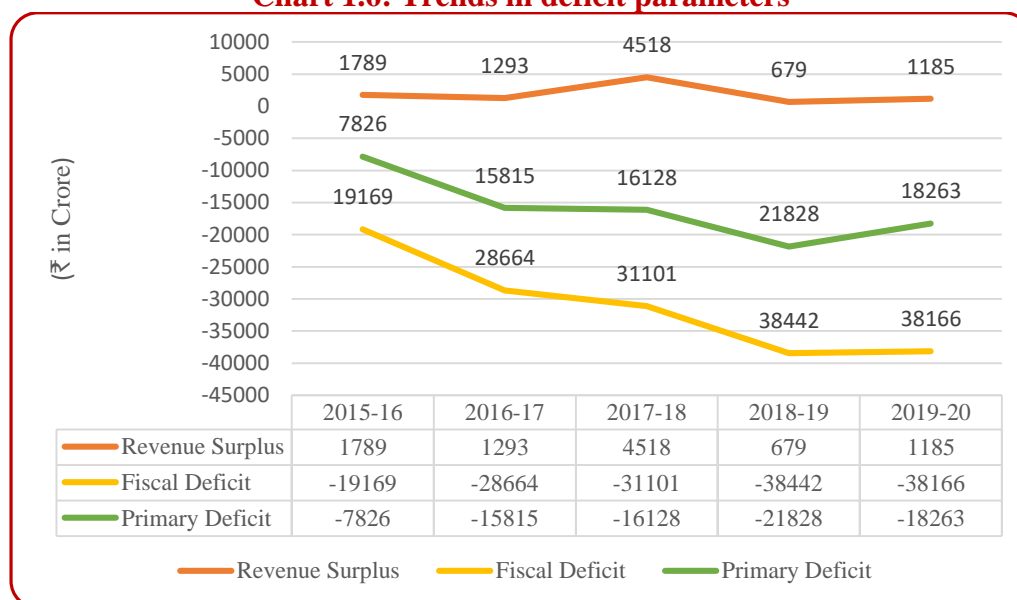
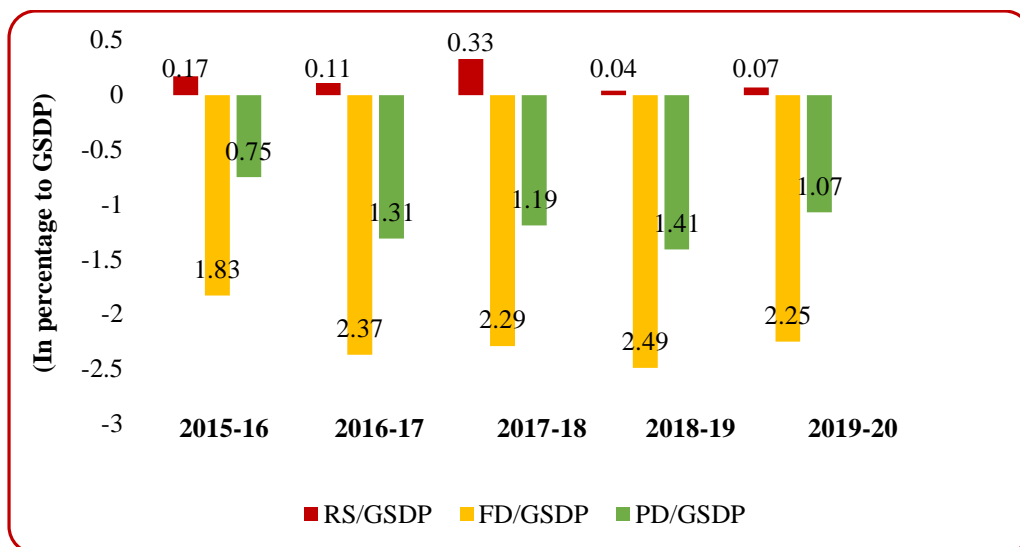


Chart 1.7: Trends in Surplus/Deficit relative to GSDP



Increase in revenue surplus during 2019-20 is on account of increase in revenue receipts by 0.28 per cent³ over revenue expenditure. During 2019-20, Fiscal Deficit decreased by ₹276 crore, as capital expenditure increased marginally by 1.16 per cent (₹453 crore).

1.8.2 Trends in Fiscal Liabilities and its ratio to GSDP

Table 1.4 gives details of the composition of outstanding fiscal liabilities of the State and its ratio to GSDP during the years 2015-16 to 2019-20.

Table 1.4: Trends in Fiscal Liabilities and its ratio to GSDP

(₹ in crore)

Liabilities	2015-16	2016-17	2017-18	2018-19	2019-20
Internal Debt	1,09,545	1,32,489	1,48,581	1,79,309	2,20,337
GoI Loans	13,002	13,794	14,555	14,657	13,908
Public Account	53,076	64,788	69,922	76,410	85,172
Off-budget borrowings	7,699	10,248	13,173	14,862	18,103
Total Fiscal Liabilities	1,83,322	2,21,319	2,46,231	2,85,238	3,37,520
Total Liabilities to GSDP (in per cent)	17.54	18.30	18.14	18.47	19.86
Target (in per cent)	25.00	25.00	25.00	25.00	25.00

The fiscal liabilities of the State increased by 84 per cent from ₹1,83,322 crore in 2015-16 to ₹3,37,520 crore in 2019-20. Internal debt constituted 65 per cent and Public Account borrowings 25 per cent of the total fiscal liabilities during 2019-20. The total liabilities to GSDP is on an increasing trend from 17.54 per

³ Growth rate of Revenue Receipts and Revenue Expenditure for 2019-20 is 6.34 per cent and 6.06 per cent respectively. The difference between these two is 0.28 per cent.

cent in 2015-16 to 19.86 per cent in 2019-20 but well within the maximum mandated under the KFRA/Medium Term Fiscal Plan (MTFP).

As the Fiscal Deficit and Debt/GSDP ratio are well within the State FRBM targets, it provides more fiscal space for the State to borrow and enhance its capital expenditure. However, during the year 2019-20, though the State borrowed 18.59 per cent (internal debt including Off-budget Borrowing) more than the previous year, its capital expenditure has increased by 1.14 per cent only over the previous year.

1.9 Fiscal situation of the State

The KFRA, 2002 as amended from time to time was enacted with the objective of achieving inter-generational equity in fiscal management and long-term macro-economic stability.

1.9.1 KFRA targets on key fiscal parameters and achievements thereon

The KFRA, 2002 envisaged sufficient revenue surplus and prudential debt management through limits on borrowings, debt and deficits. The targets for revenue and fiscal deficits along with their actual levels are given in **Table 1.5**.

Table 1.5: Compliance with provisions of KFRA

Fiscal Parameters	KFRA target	Achievement				
		2015-16	2016-17	2017-18	2018-19	2019-20
Revenue Surplus (₹ in crore)	To maintain Revenue Surplus	1,789	1,293	4,518	679	1,185
		√	√	√	√	√
Fiscal Deficit (as percentage of GSDP)	3.00 per cent	19,169 (1.83)	28,664 (2.37)	31,101 (2.29)	38,442 (2.49)	38,166 (2.25)
		√	√	√	√	√
Ratio of total outstanding debt to GSDP (in per cent)	25.00 per cent	17.54	18.30	18.14	18.47	19.86
		√	√	√	√	√

By an amendment to KFRA, 2002 in February 2014, the scope of total liabilities as defined under Section-2(g) was amplified to include the borrowings by PSUs and Special Purpose Vehicles⁴ (SPVs) and other equivalent instruments, where the principal and/or interest are to be serviced out of the State Budget. The State Government has been amending the KFRA from time to time keeping in view the parameters prescribed by successive Finance Commissions (FC). The State Government has recorded revenue surplus since 2004-05 and the fiscal deficit and debt-GSDP ratio was within the limit of three per cent and 25 per cent of GSDP as prescribed under the Act.

⁴ Borrowings by PSUs and SPVs are Off-budget borrowings

1.9.2 Actuals vis-à-vis projections of Medium Term Fiscal Plan for 2019-20

As per the KFRA, the State Government has to lay before the State Legislature, a Five-Year Fiscal Plan along with the Annual Budget. The MTFP has set forth a five-year rolling target for the prescribed fiscal indicators.

Table 1.6 indicates the variation between the projections made for 2019-20 in MTFP and actuals for the year.

Table 1.6: Actuals vis-à-vis projection in MTFP for 2019-20

(₹ in crore)				
Sl. No.	Fiscal Variables	Projection as per MTFP 2018-22	Actuals (2019-20)	Variation (in per cent)
1	Own Tax Revenue	1,20,898	1,02,363	(-) 15.33
2	Non-Tax Revenue	8,592	7,681	(-) 10.60
3	Share of Central Taxes	41,070	30,919	(-) 24.72
4	Grants-in-aid from GOI	17,263	34,480	(+) 99.73
5	Revenue Receipts (1+2+3+4)	1,87,823	1,75,443	(-) 6.59
6	Revenue Expenditure	1,87,633	1,74,258	(-) 7.13
7	Total Debt	3,37,756	3,37,520	(-) 0.07
8	GSDP	15,70,206	16,99,115	(+) 8.21
9	Revenue Deficit (-)/Surplus (+) (5-6)	190	1,185	(+) 523.68
10	Fiscal Deficit (-)/Surplus (+)	45,536	38,166	(-) 16.18
11	Debt-GSDP ratio (per cent)	20.51	19.86	(-) 0.65
12	GSDP growth rate at current prices (per cent)	11.51	10.02	(-) 1.49

As can be seen from the above table, the projections made in MTFP relating to all the key fiscal parameters i.e. Revenue Surplus, Fiscal Deficit and Debt-GSDP ratio improved during 2019-20. However, projection relating to growth rate of GSDP was not met, with lower growth than that was projected in the MTFP.

1.10 Impact of certain transactions on fiscal indicators during 2019-20

Scrutiny of certain transactions during 2019-20 revealed that, revenue surplus and fiscal deficit were affected by certain accounting adjustments as brought out in Para xxviii of Notes to Accounts of Finance Accounts and as detailed in **Table 1.7**.

Table 1.7: Impact of certain transactions during 2019-20

(₹ in crore)

Sl. No.	Nature of transaction	Revenue Surplus		Fiscal Deficit	
		Over-statement	Under-statement	Over-statement	Under-statement
1	Booking of capital expenditure instead of revenue expenditure	28.73	-	-	-
2	Non-transfer of Green Tax cess to Reserve Fund	14.55	-	-	14.55
3	Non-transfer of expenditure to Karnataka Forest Development Fund	-	268.45	268.45	-
4	Non-adjustment of interest against Reserve Fund and Deposits bearing interest	48.17	-	-	48.17
5	Write back of unspent PRI grants	1,732.64	-	-	1,732.64
Total		1,824.09	268.45	268.45	1,795.36

Source: Notes to Accounts 2019-20

The above transactions are discussed below:

- Expenditure of ₹28.73 crore relating to grants-in-aid salaries and general expenses in Department of Kannada and Culture was booked under capital instead of revenue expenditure which is discussed in **paragraph 3.6.2.2 of Chapter 3**;
- Green Tax Cess of ₹14.55 crore collected under Consolidated Fund of the State was not transferred to the fund account in Reserve Fund, which is discussed in **paragraph 2.6.2 (b) of Chapter 2**;
- Under Karnataka Forest Development Fund, expenditure of ₹268.45 crore was not transferred from Consolidated Fund to the fund account in Public Account which is explained in detail in **paragraph 2.6.2 (d) of Chapter 2**. During the Exit Conference (February 2021) the Finance Department stated that since a case was pending in the Court, the related expenditure could not be transferred to the fund account and it also stated that after consultation with the department concerned regarding the outcome of the case, suitable action would be taken.
- The State Government was required to pay interest on the un-invested balances lying under Reserve Funds and Deposits bearing interest. The un-invested balances at the beginning of the year was ₹833.30 crore. The interest liability on Reserve Funds at 5.8 per cent (average interest rate for Ways and Means Advances) and at 6 per cent for Deposits and Advances bearing interest worked out to ₹48.17 crore, was not provided. In reply (February 2021), the Finance Department stated that interest payment of ₹2.43 crore towards the fund balance of ₹41.98 crore under Reserve Fund (NDRF) for 2017-18 was provided in 2020-21. However, the reply is silent about the interest payments towards balances under other Reserve funds and Deposits.

- In respect of Sl. No. 5, the State Government through an order in December 2016 had stipulated that the adjustment of unspent balances of a particular year would be done in the budget of the year next to the immediately succeeding year. Accordingly, the State Government in February 2020 had approved the write back of unspent amount of ₹511.04 crore in respect of Zilla Panchayats and ₹1,221.60 crore in respect of Taluk Panchayats related to the year 2017-18 from the Public Account (Major Head 8448), which led to suppression of expenditure during the current year. This has resulted in overstatement of revenue surplus and understatement of fiscal deficit to the extent of ₹1,732.64 crore. In the Exit Conference (February 2021) the Finance Department stated that the accounting procedure for write back would be discussed with PAG(Audit) and PAG(A&E) during the first quarter of the next financial year and a decision would be taken.

Chapter – 2

Finances of the State

Chapter 2 - Finances of the State

2.1 Introduction

This chapter provides a broad perspective of the finances of the State, analyses the critical changes in major fiscal variables relative to the previous year, overall trends during the five-year period from 2015-16 to 2019-20, debt sustainability of the State and key Public Account transactions based on the Finance Accounts of the State.

2.2 Major changes in key fiscal aggregates *vis-à-vis* 2019-20

Table 2.1 presents a bird's eye view of the major changes in key fiscal aggregates of the State during 2019-20, *vis-à-vis* the previous year (2018-19). Details are given in **Appendix 2.1**. The details of receipts and disbursement for 2019-20 as well as the overall fiscal position during preceding four years is detailed in **Appendix 2.2**.

Table 2.1: Changes in key fiscal aggregates in 2019-20 compared to 2018-19

Revenue Receipts	<ul style="list-style-type: none"> ✓ Revenue receipts of the State increased by 6.34 <i>per cent</i>. ✓ Own Tax receipts of the State increased by 5.71 <i>per cent</i>. ✓ Own Non-tax receipts increased by 13.41 <i>per cent</i>. ✓ State's share of Union Taxes and Duties decreased by 13.86 <i>per cent</i>. ✓ Grants-in-Aid from Government of India increased by 35.32 <i>per cent</i>.
Revenue Expenditure	<ul style="list-style-type: none"> ✓ Revenue expenditure increased by 6.06 <i>per cent</i>. ✓ Revenue expenditure on General Services increased by 14.46 <i>per cent</i>. ✓ Revenue expenditure on Social Services decreased by 2.30 <i>per cent</i>. ✓ Revenue expenditure on Economic Services increased by 9.01 <i>per cent</i>. ✓ Expenditure on Grants-in-Aid increased by 18.43 <i>per cent</i>.
Capital Expenditure	<ul style="list-style-type: none"> ✓ Capital expenditure increased by 2.51 <i>per cent</i>. ✓ Capital expenditure on General Services decreased by 5.80 <i>per cent</i>. ✓ Capital expenditure on Social Services decreased by 6.15 <i>per cent</i>. ✓ Capital expenditure on Economic Services increased by 6.33 <i>per cent</i>.

Loans and Advances	<ul style="list-style-type: none"> ✓ Recoveries of Loans and Advances increased by 554.84 per cent. ✓ Disbursement of Loans and Advances decreased by 9.32 per cent.
Public Debt	<ul style="list-style-type: none"> ✓ Public Debt Receipts increased by 20.39 per cent. ✓ Repayment of Public Debt decreased by 8.15 per cent.
Public Account	<ul style="list-style-type: none"> ✓ Public Account Receipts increased by 7.52 per cent. ✓ Disbursement of Public Account increased by 4.68 per cent.
Cash Balance	<ul style="list-style-type: none"> ✓ Cash balance increased by ₹12,459 crore (56.62 per cent) during 2019-20 compared to previous year.

Each of the above indicators are analysed in the succeeding paragraphs.

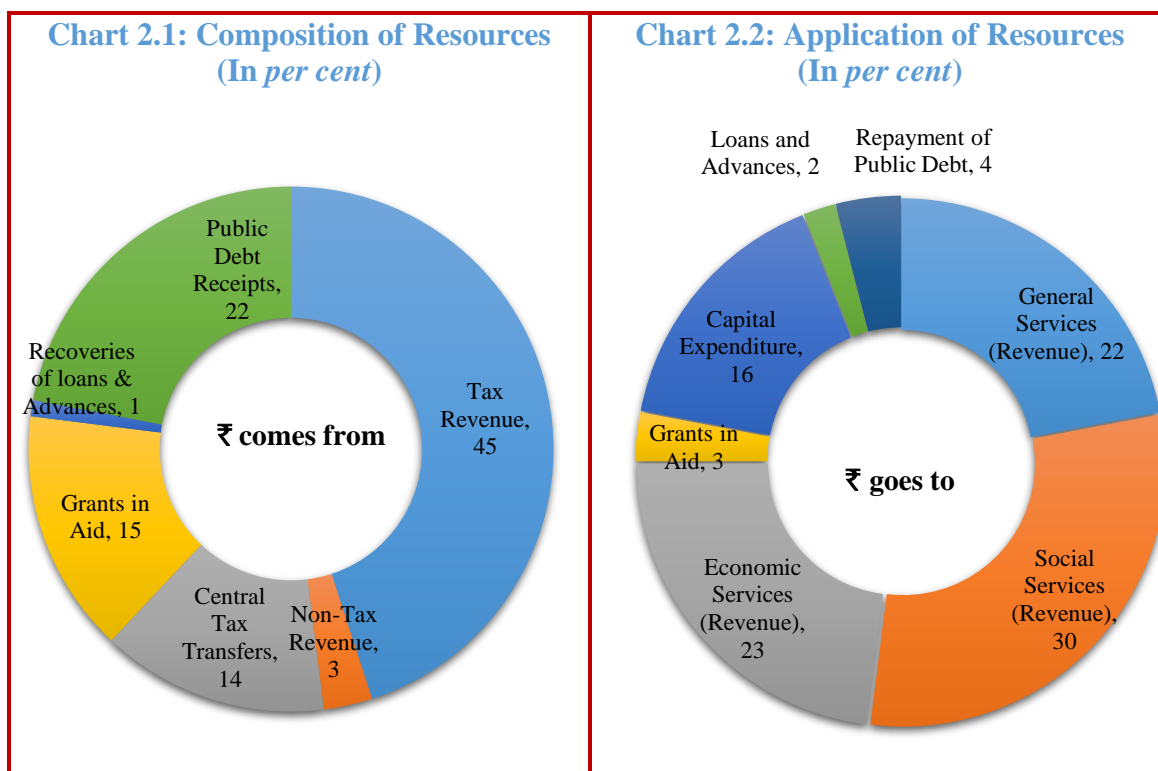
2.3 Sources and Application of funds

Table 2.2 compares the sources and application of funds of the State during 2018-19 with 2019-20, while **Chart 2.1** and **Chart 2.2** give the details of receipts into and expenditure from the Consolidated Fund during 2019-20 in terms of percentages.

Table 2.2: Details of Sources and Application of funds during 2018-19 and 2019-20

		(₹ in crore)		
	Particulars	2018-19	2019-20	Increase/ Decrease
Sources	Opening Cash Balance with RBI	26,184	22,004	(-) 4,180
	Revenue Receipts	1,64,979	1,75,443	10,464
	Recoveries of Loans and Advances	31	203	172
	Public Debt Receipts (Net)	30,831	40,279	9,448
	Public Account Receipts (Net)	3,431	10,346	6,915
	Total	2,25,456	2,48,275	22,819
Application	Revenue Expenditure	1,64,300	1,74,258	9,958
	Capital Expenditure	34,659	35,530	871
	Disbursement of Loans and Advances	4,487	4,069	(-) 418
	Closing Cash Balance with RBI	22,004	34,463	12,459
	Total	2,25,450	2,48,320	22,869

Source: Finance Accounts



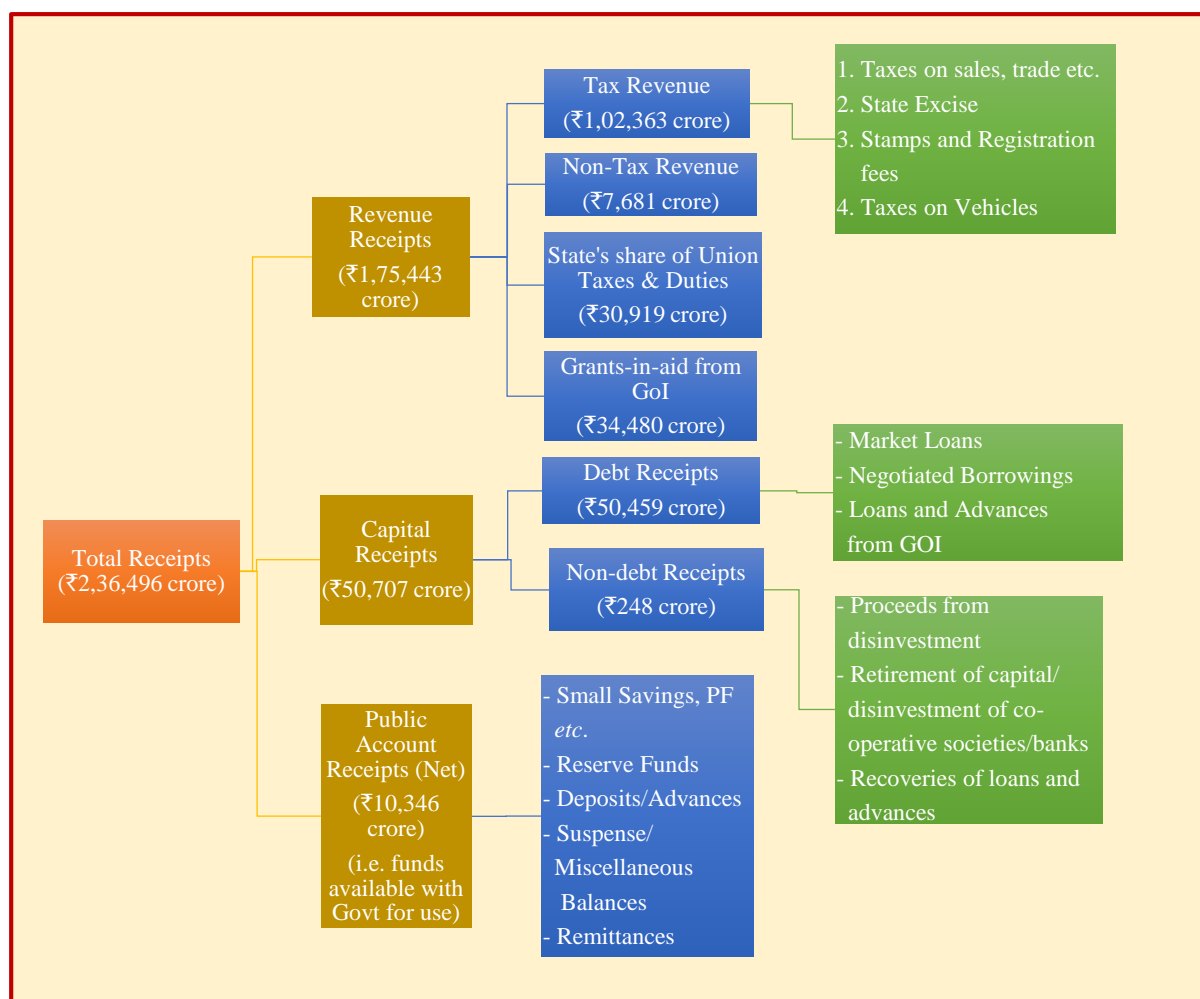
2.4 Resources of the State

The resources of the State consist of Revenue receipts, Capital receipts and Net Public Account receipts. The composition of these are already discussed in **Para 1.4 of Chapter 1**. The components and sub components of overall receipts of the State during 2019-20 is shown in **Chart 2.3**.

2.4.1 Revenue Receipts

The GoK's fiscal position is largely influenced by the revenue side. On an average, 62 *per cent* of the revenue came from the State's own resources during the period 2015-16 to 2019-20. The balance was transfers from GoI in the form of the State's share of taxes and duties and Grants-in-aid contributions. Though tax revenues have been growing in terms of value, as a percentage share of revenue receipts, they have declined from 64 to 58 *per cent* during 2015-16 to 2019-20. On the other hand, the State has not improved revenues on the non-tax front, which were between four and five *per cent* of revenue receipts during 2015-16 to 2019-20.

Chart 2.3: Composition of receipts of the State during 2019-20



2.4.2 Trends and growth of Revenue Receipts

Table 2.3 provides trends in Revenue Receipts as well as revenue buoyancy with respect to GSDP over the five-year period 2015-16 to 2019-20. Further, trends in Revenue Receipts relative to GSDP and composition of Revenue Receipts are given in **Chart 2.4** and **Chart 2.5** respectively.

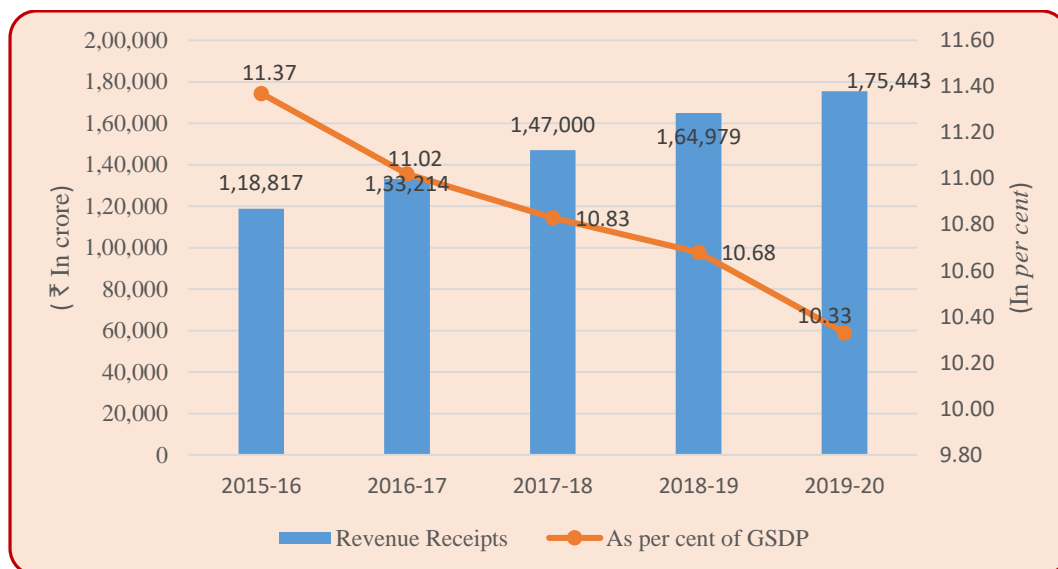
Table 2.3: Trends and growth in Revenue Receipts

Parameters	2015-16	2016-17	2017-18	2018-19	2019-20
Revenue Receipts (RR) (₹ in crore)	1,18,817	1,33,214	1,47,000	1,64,979	1,75,443
Rate of growth of RR (<i>per cent</i>)	14.09	12.12	10.35	12.23	6.34
Own Tax Revenue	75,550	82,956	87,130	96,830	1,02,363
Non-tax revenue	5,355	5,795	6,477	6,773	7,681
Rate of growth of Own Revenue (Own tax and Non-tax revenue) (<i>per cent</i>)	8.06	9.70	5.47	10.68	6.22
Gross State Domestic Product (GSDP) (₹ in crore)	10,45,168	12,09,136	13,57,579	15,44,399	16,99,115
Rate of growth of GSDP (<i>per cent</i>)	14.36	15.69	12.28	13.76	10.02
RR/GSDP (<i>per cent</i>)	11.37	11.02	10.83	10.68	10.33

Parameters	2015-16	2016-17	2017-18	2018-19	2019-20
Buoyancy ratios ⁵					
Revenue Buoyancy ⁶ w.r.t GSDP	0.98	0.77	0.84	0.89	0.63
State's own revenue buoyancy ⁷ w.r.t GSDP	0.56	0.62	0.45	0.78	0.62

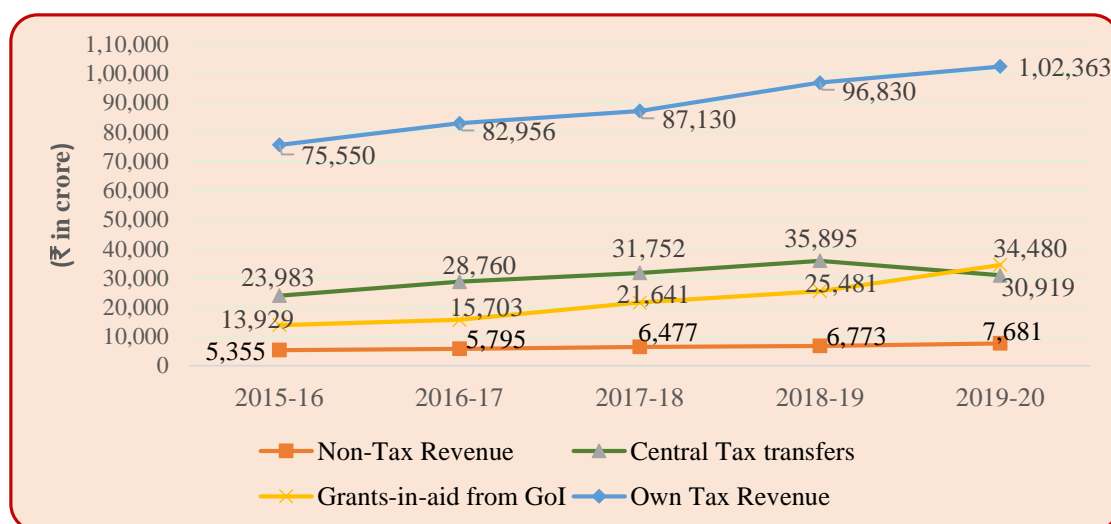
Source: Finance Accounts and Economic Survey of GoK

Chart 2.4: Trends of Revenue Receipts



Source: Finance Accounts and Economic Survey of GoK

Chart 2.5: Trends of components of Revenue Receipts



⁵ Buoyancy ratio indicates the elasticity or degree of responsiveness of a fiscal variable with respect to a given change in the base variable. For instance, revenue buoyancy with respect to GSDP at 0.63 implies that Revenue Receipts tend to increase by 0.63 percentage points, if the GSDP increases by one *per cent*.

⁶ Revenue buoyancy refers to the growth rate of revenue receipts to growth rate of GSDP.

⁷ Own revenue buoyancy refers to growth rate of tax revenue and non-tax revenue to growth rate of GSDP. It excludes devolution from GoI.

General trends relating to Revenue Receipts of the State are as follows:

- Revenue Receipts increased by 47.66 per cent from ₹1,18,817 crore in 2015-16 to ₹1,75,443 crore in 2019-20 at an annual average growth rate of 11.03 per cent.
- About 62 per cent of the Revenue Receipts during 2019-20 came from the State’s own resources, while Central Tax Transfers and Grants-in-Aid together contributed 38 per cent. This is indicative of the fact that Karnataka’s fiscal position is largely influenced by own resources only.
- During the current year, the increase of 6.34 per cent (₹10,464 crore) in Revenue Receipts was marginally higher than the marginal increase of 6.06 per cent (₹9,958 crore) in Revenue Expenditure, leading to increase in Revenue Surplus over the previous year.
- The revenue buoyancy of the State decreased from 0.98 in 2015-16 to 0.63 in 2019-20 with inter year variations, as extraneous factors such as implementation of GST (in 2017-18), poor growth of GSDP impacted the actual receipts in different components of revenue.

2.4.3 State’s Own Resources

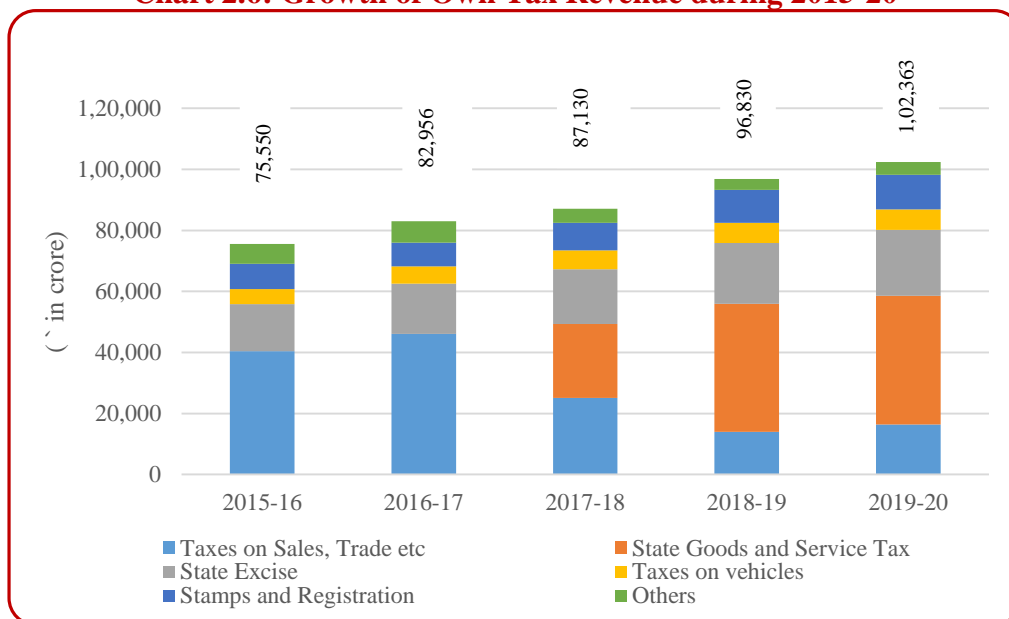
State’s performance in mobilization of additional resources should be assessed in terms of its own resources comprising revenue from its Own Tax and Non-Tax sources.

Gross collections in respect of major Tax and Non-Tax revenue and their relative share in GSDP during 2015-20 are given in **Appendix 2.2**.

a) Own Tax Revenue

Trends of Own Tax Revenue of the State during the five-year period 2015-20 is given in **Chart 2.6**.

Chart 2.6: Growth of Own Tax Revenue during 2015-20



Source: Finance Accounts

The component-wise details of State's Own Tax Revenue collected during 2015-20 are given in **Table 2.4**.

Table 2.4: Components of State's own tax revenue during 2015-20

(₹ in crore)

Revenue Head	2015-16	2016-17	2017-18	2018-19	2019-20	Sparkline
Taxes on Sales, Trade etc.	40,449	46,105	25,093	14,003	16,424	
State Goods and Service Tax	0	0	24,182	41,956	42,147	
State Excise	15,333	16,484	17,949	19,944	21,584	
Taxes on Vehicle	5,001	5,594	6,209	6,568	6,763	
Stamps and Registration Fees	8,215	7,806	9,024	10,775	11,308	
Land Revenue	181	209	195	144	203	
Other Taxes	6,371	6,758	4,478	3,440	3,934	
Total	75,550	82,956	87,130	96,830	102,363	

Source: Finance Accounts

Own Tax Revenue of the State increased by ₹26,813 crore from ₹75,550 crore in 2015-16 to ₹1,02,363 crore in 2019-20 at an annual average growth rate of 7.86 per cent. During the current year, the major contributors of Tax Revenue were Goods and Service Tax (41 per cent), State Excise (21 per cent), Taxes on Sales, Trade etc., (16 per cent) and Stamps and Registration Fees (11 per cent).

- **State Goods and Services Tax**

Actual collection of revenue under State Goods and Service Tax (SGST) during 2018-19 and 2019-20 is given in **Table 2.5**.

Table 2.5: SGST receipts of Government of Karnataka

(₹ in crore)

State Goods and Service Tax	2018-19	2019-20	Increase/Decrease
Tax	22,266	24,645	2,379
Apportionment of Taxes from IGST	5,559	331	(-)5,228
Others	14,131	17,171	3,040
SGST collection	41,956	42,147	191

Source: Finance Accounts

As per the GST (Compensation to States) Act, 2017, States will be compensated for the shortfall in revenue arising on account of implementation of the Goods and Services Tax considering an annual growth of 14 per cent from the base year, for a period of 5 years. The Centre levies the Integrated GST (IGST) on interstate supply of goods and services, and apportions the State's share of tax to the State where the goods or services are consumed.

During 2019-20, the SGST collections was ₹42,147.23 crore, an increase of ₹191.20 crore (0.46 *per cent*) over 2018-19. In addition, the State received ₹8,773.82 crore as its share of net proceeds out of CGST. During 2019-20, the net proceeds out of IGST was Nil. The total receipts under GST during 2019-20 were ₹50,921.05 crore⁸. The State received compensation of ₹14,496.90 crore on account of loss of revenue arising out of the implementation of GST during 2019-20.

Against projected revenue of ₹61,046.04 crore for the period 2019-20, actual taxes collected by the State (pre GST taxes and SGST) including IGST apportionment and GST compensation for the year 2019-20 received aggregated to ₹61,209.97 crore. GST compensation received in excess was ₹163.93 crore.

- **Lack of access to GST data**

The GoI's decision to provide access to Pan-India data at GSTN premises was conveyed on 22 June 2020. Further, administrative action to implement the decision was at different stages of implementation. The accounts for the year 2019-20 have, therefore, been certified on the basis of test audit, as was being done when records were being maintained manually, pending full implementation of the GoI's decision to provide audit access to GSTN data.

- b) Non-Tax revenue**

Non-tax receipts (fees, user charges, interest receipts, *etc.*) are generally raised through non-statutory mandates. The sources of non-tax receipts included receipts from fiscal services like interest receipts from outstanding advances, dividends and profits from equity investments, royalty fees for allowing use of assets held as custodian like minerals, forests and wild life, or other such services and user charges for various social and economic services provided through the apparatus of the Government.

The share of non-tax revenue in revenue receipts was between four to five *per cent* during the period 2015-16 to 2019-20. As percentage of GSDP, it was less than one during the years 2015-20. The reason for stagnation include non-revision of user charges periodically. The return on investment which forms a part of dividends and profits under non-tax revenue was very poor during 2019-20 (₹53.64 crore), which is discussed in detail in **paragraph 2.5.4.1**.

The component wise details of non-tax revenue collected during 2015-20 is given in **Table 2.6**.

⁸Under Major Heads 0005 – CGST (₹8,773.82 crore), 0006 – SGST (₹42,147.23 crore) and 0008 – IGST (Nil).

Table 2.6: Components of State's non-tax revenue

(₹ in crore)

Revenue Head	2015-16	2016-17	2017-18	2018-19	2019-20	Sparkline
Interest Receipts	1,293	1,200	1,178	1,112	895	
Dividend and Profits	69	83	79	38	54	
Non-ferrous Mining and Metallurgical Industries	2,004	2,419	2,747	3,027	3,629	
Other non-tax receipts	1,989	2,093	2,473	2,596	3,103	
a) Medical and Public Health	261	153	364	330	599	
b) Other Administrative Services	269	131	271	253	305	
c) Forestry and Wild Life	168	292	314	309	267	
d) Education, Sports and Culture	160	193	176	200	183	
e) Police	172	176	253	241	308	
f) Roads and Bridges	56	62	103	105	71	
g) Others	903	1,086	992	1,158	1,370	
Total	5,355	5,795	6,477	6,773	7,681	

Source: Finance Accounts

As opined by the XIII FC and as brought out in reports of the Comptroller and Auditor General of India since 2009-10, user charges are to be revised regularly in order to improve the State's finances. The Expenditure Reforms Commission (ERC), in its fourth report (June 2011) felt that the Government should articulate a clear policy on user charges. In this regard, the Finance Department in its circular (November 2018) instructed all Administrative Departments to conduct a thorough review of all non-tax revenue sources and intimate action to revise the rates of non-tax revenues.

In spite of such recommendations in the past few years, the non-tax revenue was meagre during 2019-20 also.

In the Economic Survey for 2019-20, it was admitted that non-tax revenues are an important fiscal challenge faced by the State. The State has one of the lowest non-tax revenues to GSDP ratios in the country. It was also stated that in many departments, the revision of user charges, fees & fines and other such non-tax receipts has not taken place for many years. Efforts should be made to increase non-tax receipts under Forestry and Wild Life, Roads and Bridges, Animal Husbandry etc., which have recorded low receipts during 2019-20.

2.4.4 Transfers from Centre

GoI transfers share of the State Government in Union Taxes and Duties such as Corporation Tax, Income Tax, Service Tax, Union Excise Duties etc. The trends in these tax transfers during 2015-16 to 2019-20 are given in **Table 2.7**

Table 2.7: Trends in Central Tax transfers

Head	(₹ in crore)				
	2015-16	2016-17	2017-18	2018-19	2019-20
Central Goods and Services Tax (CGST)	-	-	447.56	8,858.76	8,773.82
Integrated Goods and Service Tax (IGST)	-	-	3,204.72	707.00	-
Corporation Tax	7,547.57	9,211.05	9,721.29	12,481.94	10,542.17
Taxes on Income other than Corporation Tax	5,252.47	6,401.72	8,208.94	9,192.40	8,260.51
Customs	3,830.22	3,962.25	3,203.80	2,544.18	1,959.84
Union Excise duties	3,181.60	4,524.54	3,348.80	1,690.77	1,362.62
Service Tax	4,153.56	4,639.22	3,617.15	331.65	-
Taxes on Wealth	1.65	21.08	(-) 0.29	4.58	0.46
Other Taxes on Income and Expenditure	0.15	-	-	65.01	-
Other Taxes and Duties and Commodities and Services	16.12	0.08	(-) 0.01	18.54	19.58
Total	23,983.34	28,759.94	31,751.96	35,894.83	30,919.00
Percentage of increase over previous year	63.66	19.92	10.40	13.05	(-) 13.86
Percentage of Central Tax transfers to Revenue Receipts	20.19	21.59	21.60	21.76	17.62

Source: Finance Accounts

The XIV FC recommended that the State's share in the net proceeds of Central Taxes (excluding Service Tax) and net proceeds of Service Tax be fixed at 4.713 per cent and 4.822 per cent, respectively. However, it was noticed that the actual devolution varied marginally⁹. During 2019-20, out of the total net collection of Union taxes of ₹6,49,749.99 crore, the net devolution of State's share was ₹30,919.00 crore. During 2019-20, there was no devolution to the State towards IGST and Service Tax.

The actual devolution of State's share in Union taxes and duties *vis-à-vis* XIV FC recommendations are detailed in **Table 2.8**.

⁹ Out of the total devolution of ₹30,919 crore, the share of Corporation Tax, Customs Duty and Union Excise duties was 4.75 per cent, Income tax and Wealth Tax was at 4.77 per cent, CGST was 4.76 per cent and Other Taxes and Duties was at 4.80 per cent.

Table 2.8: State's share in Union taxes and duties: Actual devolution vis-à-vis XIV FC recommendations

(₹ in crore)

Year	To be transferred as per XIV FC recommendations	Actual tax devolution	Difference
1	2	3	4=(3-2)
2015-16	23,983.34	23,983.34	Nil
2016-17	28,759.94	28,759.94	Nil
2017-18	31,801.73	31,751.96	(-) 49.77
2018-19	35,831.46	35,894.83	63.37
2019-20	30,622.71	30,919.00	296.29

Source: Reports of FFC and Finance Accounts

As seen from the above table, there is hardly any difference in the share of Union taxes and duties received by the State during the period from 2015-16 to 2019-20 against the percentage of devolution to be transferred as per XIV FC recommendations.

2.4.5 Grants-in-aid from Government of India

Grants-in-aid from GoI increased by 148 per cent from ₹13,929 crore in 2015-16 to ₹34,480 crore in 2019-20 as shown in **Table 2.9**.

Table 2.9: Grants-in-aid from GoI

(₹ in crore)

Head	2015-16	2016-17	2017-18	2018-19	2019-20
Non-Plan grants*	5,548	7,045	-	-	-
Grants for State Plan schemes*	8,105	8,102	-	-	-
Grants for Central Plan schemes*	139	116	-	-	-
Grants for Centrally Sponsored schemes	137	440	11,617	10,393	12,214
Other transfers/ Grants to States ¹⁰	-	-	7,316	11,714	17,593
Finance Commission Grants	-	-	2,708	3,374	4,673
Total	13,929	15,703	21,641	25,481	34,480
Percentage of increase over the previous year	(-) 4.73	12.74	37.81	17.74	35.32
Percentage of GIA to Revenue Receipts	11.72	11.79	14.72	15.44	19.65

Source: Finance Accounts

*There are no figures since the nomenclature of plan and non-plan grants was removed with effect from the year 2017-18 and replaced by Grants for CSS, Finance Commission Grants and Other Grants to States.

¹⁰ It includes Grants towards contribution to National Disaster Response Fund and Compensation for loss of revenue arising out of implementation of GST.

As compared to the previous year, there was an increase of ₹8,999 crore during 2019-20. The increase was mainly under Other transfer/Grants to States (₹5,879 crore).

a) Fourteenth Finance Commission Grants

As per the terms of reference of the XIV FC constituted by the President under Article 280 of the Constitution on 2 January 2013, the Commission shall make recommendations in respect of measures needed to augment the Consolidated Fund of the State to supplement the resources of the Panchayats and Municipalities in the State.

• **Grants to Panchayat Raj Institutions/Urban Local Bodies**

The recommendations and transfer to PRIs and ULBS during 2015-16 to 2019-20 as recommended by XIV FC is shown in **Table 2.10**.

Table 2.10: Transfer of recommended and actual release of grants during 2015-16 to 2019-20

(₹ in crore)

Year	Type of Grant	PRIs			ULBs			SDRF		
		Recom- mended	Actual	Short -fall	Recom- mended	Actual	Short -fall	Recom- mended	Actual	Short- fall(-)/ Excess (+)
2015-16	Basic Grants	1,002.85	972.36	30.49	562.08	562.08	-	249.00	207.00	(-)42.00
	Performance Grants	-	-	-	-	-	-	-	-	-
2016-17	Basic Grants	1,388.62	1,368.21	20.41	778.29	778.29	-	261.00	217.50	(-)43.50
	Performance Grants	182.15	179.45	2.70	229.70	229.70*	-	-	-	-
2017-18	Basic Grants	1,604.42	1,580.18	24.24	899.25	899.25	-	305.00	228.75	(-)76.25
	Performance Grants	206.13	-	206.13	259.94	256.16#	3.78	-	-	-
2018-19	Basic Grants	1,856.02	1,841.54	14.48	1,040.27	1,040.27	-	288.00	288.00	-
	Performance Grants	234.08	-	234.08	295.20	-	295.20	-	-	-
2019-20	Basic Grants	2,507.88	2,504.13	3.75	1,405.62	1,405.62	-	302.00	507.00	205.00
	Performance Grants	306.51	-	306.51	386.54	-	386.54	-	-	-
Total	Basic Grants	8,359.79	8,266.42	93.37	4,685.51	4,685.51	-	1,405.00	1,448.25	43.25
	Performance Grants	928.87	179.45	749.42	1,171.38	485.86	685.52	-	-	-

Source: XIV FC Report and Finance Accounts

*These grants were released during 2017-18. #These grants were released during 2019-20.

As against the recommendation of ₹8,359.79 crore and ₹4,685.51 crore in respect of Basic grant of PRIs and ULBs for the XIV FC period (2015-16 to 2019-20), there was shortfall to the extent of ₹93.37 crore in respect of PRIs. However, in respect of Performance grants, against the recommendation of

₹928.87 crore and ₹1,171.38 crore for PRIs and ULBs, the State received only ₹179.45 crore (19 per cent) and ₹485.86 crore (41 per cent) only.

During 2019-20, while there was a shortfall of ₹3.75 crore in respect of Basic Grants for PRIs, the entire recommended amount of ₹1,405.62 crore towards Basic Grants to ULBs was received. However, the Performance Grants to PRIs and ULBs were not released by GoI till the end of March 2020.

In the Exit Conference (February 2021) the Finance Department stated that claim for Performance Grants for the years 2018-19 and 2019-20 were submitted to GoI. It also stated that the Finance Ministry had communicated (October 2020) that the performance grants recommended for the above years were not released to any States due to multiple reasons and budgetary constraints.

- **Releases under Disaster Relief**

As per the recommendations of the XIV FC, contribution towards State Disaster Response Fund (SDRF) between GoI and State Government is in the ratio of 90:10 respectively of the total yearly allocation in the form of a revenue grant. GoI implemented this recommendation from 2018-19. The XIV FC had recommended ₹1,405 crore as Central share to the SDRF for the period 2015-16 to 2019-20. While there was a short fall of ₹161.75 crore in the first three years, the State received full recommended amount during 2018-19. During 2019-20, against the recommended amount of ₹302.00 crore as Central share, the State received ₹507.00 crore, ₹205.00 crore more than the recommended amount towards flood relief. The contributions from GoI (₹507.00 crore) together with the State's contribution (₹369.00 crore) are transferred to SDRF account in the Public Account.

2.4.6 Capital receipts

Capital receipts of the State Government consist of public debt receipts, non-debt receipts like proceeds from disinvestment (under miscellaneous capital receipts) and recoveries of loans and advances. The net public debt receipts after discharging of public debt plus other capital receipts is the net Capital receipts. The composition of Capital receipts and trend in growth during the period 2015-16 to 2019-20 are shown in **Table 2.11**.

Table 2.11: Trends in growth and composition of Capital receipts

(₹ in crore)					
Sources of State's Receipts	2015-16	2016-17	2017-18	2018-19	2019-20
Net Public Debt Receipts	16,962	23,736	16,853	30,831	40,279
Miscellaneous Capital Receipts	352	27	4	(-) 6	45
Recovery of Loans and Advances	60	100	137	31	203
Net Capital Receipts	17,374	23,863	16,994	30,856	40,527
Rate of growth of Capital Receipts (per cent)	1.27	37.35	(-) 28.79	81.57	31.34
Rate of growth of Net Public Debt Receipts (per cent)	(-) 0.59	39.94	(-) 29.00	82.94	30.64

Source: Finance Accounts

Net Capital receipts increased from ₹17,374 crore in 2015-16 to ₹40,527 crore in 2019-20 (133 *per cent*). Debt receipts had a predominant share in Capital receipts which were between 98 and 100 *per cent* during 2015-16 to 2019-20. Out of this, the recovery towards loans and advances was very meagre during the period. Recovery amounted to less than one *per cent* of the outstanding loans and advances as at the end of 2019-20. The increase in recovery of loans and advances during the year 2019-20 included book adjustment of ₹144.18 crore being the dues of Electricity Supply Companies (ESCOMs), treated as subsidy on revenue account.

Market borrowings had a major share in Public Debt receipts comprising 96 *per cent*, followed by negotiated loans (three *per cent*) and GoI loans (one *per cent*). Loans from GoI comprised other loans¹¹ only. During the five-year period 2015-16 to 2019-20, 24.19 *per cent* of Public Debt receipts were utilized for repayment of Public Debt taken in earlier years and the remaining 75.81 *per cent* was utilized for other purposes.

2.4.7 State's performance in mobilization of resources

State's performance in mobilization of resources is assessed in terms of its own resources comprising own-tax and non-tax sources. The budget presented by the State Government indicates projections/estimations of revenue and expenditure for a particular fiscal year. Deviations from budget estimates are indicative of non-attainment/ non-optimisation of desired fiscal objectives, due to a variety of factors, some of which are within the control of the Government while some are beyond its control. **Table 2.12** presents tax and non-tax receipts *vis-à-vis* assessment of XIV FC and Budget projections during 2019-20.

Table 2.12: Tax and non-tax receipts *vis-à-vis* projections during 2019-20

	XIV FC assessment	Budget Estimates	Actual	Percentage variation of actual over	
	(₹ in crore)			Budget Estimates	XIV FC assessment
Own Tax-revenue	1,34,901	79,895	1,02,363	28.12	(-) 24.12
Non-Tax revenue	10,392	8,055	7,681	(-) 4.65	(-) 26.09

Source: XIV FC Report and Finance Accounts

As seen from the above table, the XIV FC assessment in respect of own tax revenue and non-tax revenue were not achieved with variation being 24 to 26 *per cent*. However, the variation of actuals over budget projections of own tax revenue was 28 *per cent* more than the estimate indicating substantial attainment of the desired objective. The performance in respect on non-tax revenue remained lack-lustre.

2.5 Application of Resources

Analysis of the allocation of expenditure at the State Government level assumes significance since major expenditure responsibilities are entrusted to them. Within the framework of fiscal responsibility legislations, there are budgetary constraints in raising public expenditure financed by deficit or borrowings. It

¹¹ Other loans include back to back external loans

is, therefore, important to ensure that the ongoing fiscal correction and consolidation process at the State level is not at the cost of expenditure, especially the expenditure directed towards development of social and economic sectors.

Prudent fiscal management should aim at creating savings by raising revenue receipts in excess of revenue expenditures. Use of borrowed funds for either directly revenue yielding activities or indirectly productive uses creates returns by way of tax or non-tax revenues which can be used for debt servicing and repayment of loans.

2.5.1 Growth and composition of expenditure

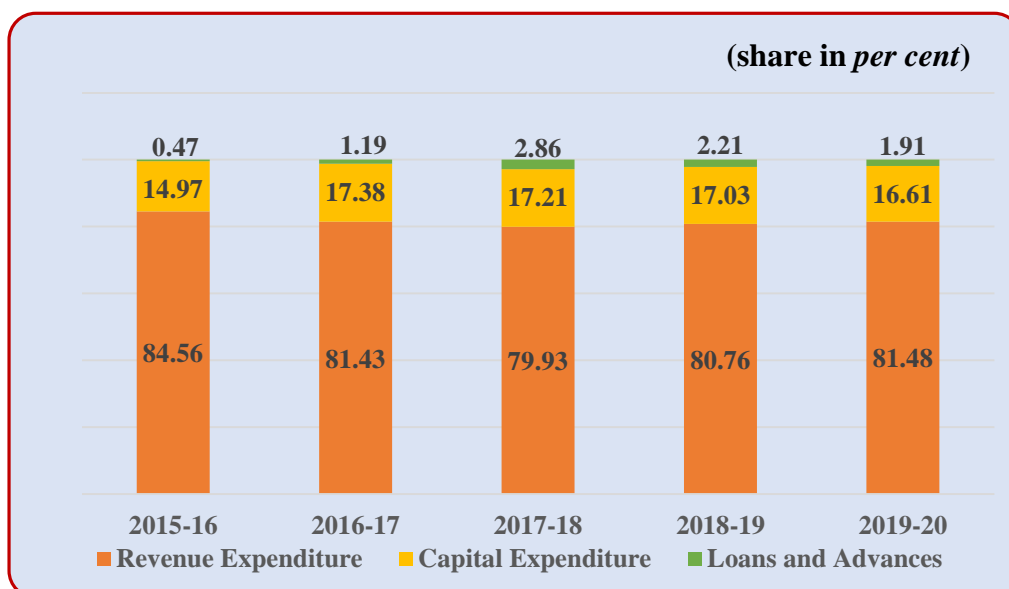
The basic parameters of total expenditure, its composition under revenue, capital and loans and advances and comparison with GSDP over a five-year period of 2015-16 to 2019-20 are furnished in the **Table 2.13**.

Table 2.13: Total expenditure – Trends and composition

Parameters	2015-16	2016-17	2017-18	2018-19	2019-20
	(₹ in crore)				
Total Expenditure (TE)	1,38,398	1,62,005	1,78,242	2,03,446	2,13,857
Revenue Expenditure (RE)	1,17,028	1,31,921	1,42,482	1,64,300	1,74,258
Capital Expenditure (CE)	20,713	28,150	30,667	34,659	35,530
Loans and Advances	657	1,934	5,093	4,487	4,069
As percentage of GSDP					
TE/GSDP	13.24	13.40	13.13	13.17	12.59
RE/GSDP	11.20	10.91	10.50	10.64	10.26
CE/GSDP	1.98	2.33	2.26	2.24	2.09
Loans and Advances/GSDP	0.06	0.16	0.38	0.29	0.24

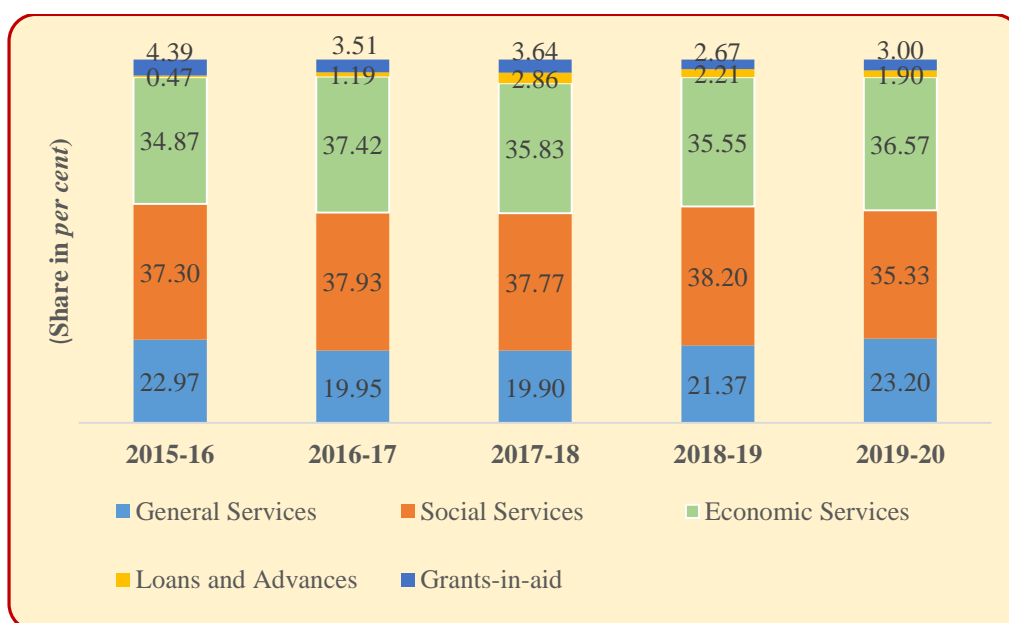
During the period 2015-16 to 2019-20, on an average, 82 *per cent* of the total expenditure was on revenue account. During 2019-20 it was 81 *per cent* and the share of capital expenditure (including loans and advances) was 19 *per cent*. The share of revenue expenditure, capital expenditure and loans and advances for the years 2015-16 to 2019-20 is given in **Chart 2.7**.

Chart 2.7: Total Expenditure – Trends in share of its components



The trends of total expenditure by activities under General, Social, Economic, Loans and Advances and Grants-in-aid are given in **Chart 2.8**.

Chart 2.8: Total expenditure – Expenditure by activities



The relative share of these components exhibited stability during the period from 2015-16 to 2019-20 with marginal inter year variations.

2.5.2 Revenue Expenditure

Revenue Expenditure is incurred to maintain the current level of services and payment for the past obligation.

Revenue expenditure comprises wages and salaries, interest payments, pensions, expenditure on operation and maintenance of capital works, subsidies and transfers to local bodies, co-operatives, Non-Government Organisations (NGOs) and others. Expenditure can also be classified into various functional

categories such as administrative services, social services and economic services. Expenditure on social and economic services is incurred to create physical infrastructure and human resource development and, therefore, is considered productive, whereas expenditure on general administration and debt servicing is considered unproductive.

The overall Revenue expenditure, its rate of growth, its ratio to Total Expenditure and buoyancy *vis-à-vis* GSDP and Revenue receipts are indicated in **Table 2.14** and the sectoral distribution of Revenue expenditure pertaining to 2019-20 is given in **Chart 2.9**.

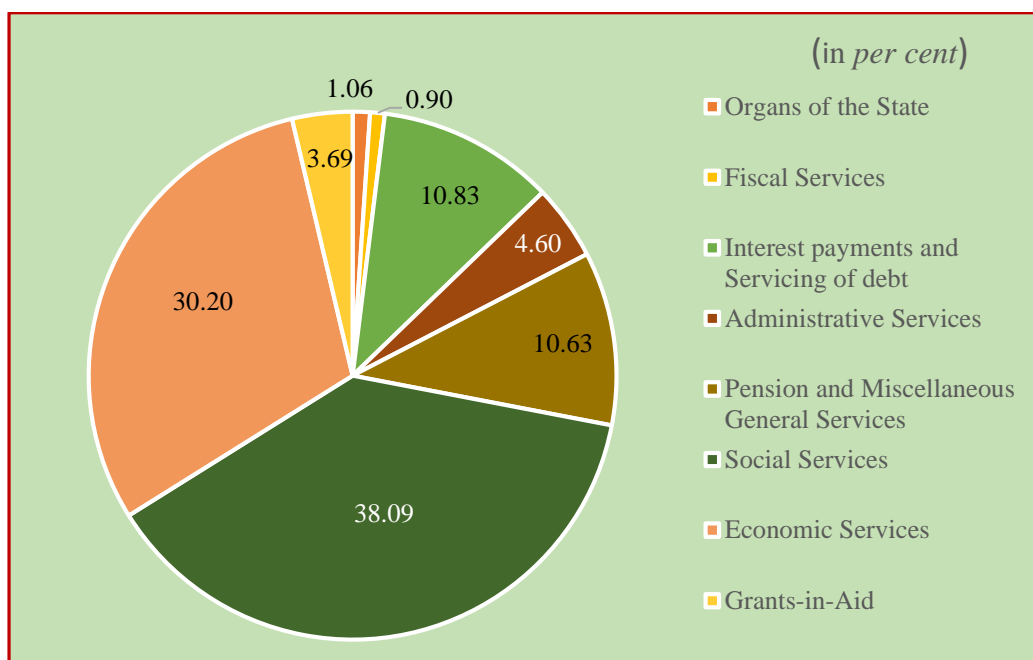
Table 2.14: Revenue Expenditure – Basic Parameters

(₹ in crore)					
Parameters	2015-16	2016-17	2017-18	2018-19	2019-20
Total Expenditure (TE)	1,38,398	1,62,005	1,78,242	2,03,446	2,13,857
Revenue Expenditure (RE)	1,17,028	1,31,921	1,42,482	1,64,300	1,74,258
Rate of Growth of RE (per cent)	12.95	12.73	8.01	15.31	6.06
RE as percentage of TE	84.56	81.43	79.94	80.76	81.48
RE/GSDP (per cent)	11.20	10.91	10.50	10.64	10.26
RE as percentage of RR	98.49	99.03	96.93	99.59	99.32
Buoyancy of RE with					
GSDP (ratio)	0.90	0.81	0.65	1.11	0.60
Revenue Receipts (ratio)	0.92	1.05	0.77	1.25	0.96

Source: Finance Accounts of respective years.

Revenue expenditure increased from ₹1,17,028 crore in 2015-16 to ₹1,74,258 crore in 2019-20, an increase of 49 *per cent*. Compared to the previous year, the increase was six *per cent*, due to increase in salary expenditure (12.48 *per cent*), interest payments (19.80 *per cent*), pensions (19.83 *per cent*) and devolution to local bodies (Three *per cent*) etc.

Chart 2.9: Sector-wise distribution of revenue expenditure



During 2019-20, Revenue Expenditure as a percentage of GSDP had dipped, although it witnessed an increase of ₹9,958 crore (6.06 per cent) over the previous year. Revenue Expenditure was lower by ₹13,375 crore vis-à-vis the assessment made in the MTFP (2018-22) (₹1,87,633 crore).

2.5.2.1 Major changes in Revenue Expenditure

Table 2.15 details significant variations under various Heads of Account with regard to Revenue Expenditure of the State during the current year and the previous year.

Table 2.15: Variation in Revenue Expenditure during 2019-20 compared to 2018-19

Major Heads of Account	2018-19	2019-20	Increase (+)/ Decrease (-) In crore and per cent
2075-Miscellaneous General Services	118.58	123.07	4.49 (3.79)
2215-Water Supply and Sanitation	3,075.32	1,736.33	(-) 1,338.99 (-43.54)
2216-Housing	3,006.74	3,223.01	216.27 (7.19)
2225-Welfare of Scheduled Castes, Scheduled Tribes, Other Backward Classes and Minorities	8,487.81	7,167.25	(-) 1,320.56 (-15.56)
2236-Nutrition	1,889.29	1,890.21	0.92 (0.05)
2501-Special Programme for Rural Development	216.87	261.18	44.31 (20.43)
2505-Rural Employment	1,992.79	1,818.52	(-) 174.27 (-8.75)
2515-Other Rural Development Programme	4,776.82	5,179.96	403.14 (8.44)
2575-Other Special Areas Programme	302.57	225.81	(-) 76.76 (-25.37)

The revenue expenditure under Water Supply and Sanitation declined during the year, primarily due to decrease under 102-Rural Water Supply Programme. Similarly, under Welfare of Scheduled Castes, Scheduled Tribes, it recorded a decrease during 2019-20 compared to the previous year due to decline in expenditure relating to Welfare of Scheduled Castes and Scheduled Tribes.

2.5.2.2 Object Head-wise Expenditure

Finance Accounts depict transactions only up to the Minor Head level. Therefore, out of 117 object heads listed, a drill down view of budgetary allocation and extent of expenditure (above ₹100 crore) incurred on the actual items in 22 Object Head Levels are given in **Table 2.16**.

Table 2.16: Object Head-wise expenditure vis-à-vis budget authorization

Head	Budget	Expenditure	Utilisation percentage
Salaries*	14,974.69	14,561.07	97.24
Daily Wages	183.07	179.61	98.11
Grants for creation of Capital Assets	2,559.50	2,348.50	91.76
Contract/Outsource	843.33	743.02	88.11
General Expenses	1,087.98	1,002.65	92.16
Other Expenses	15,346.18	13,404.24	87.35
Building Expenses	294.24	273.04	92.79
Grants-in-Aid Salaries	5,346.09	5,282.39	98.81
Grants-in-Aid General	3,390.20	3,095.89	91.32
Subsidies	17,621.23	17,538.92	99.53
Scholarships and Incentives	336.94	165.00	48.97
Capital Expenses	895.58	668.39	74.63
Major Works	945.75	925.31	97.84
Transport Expenses	396.94	378.64	95.39
Maintenance Expenditure	3,283.51	3,069.54	93.48
Materials and Supplies	518.46	510.94	98.55
Pension and Retirement benefits	18,667.76	18,644.72	99.88

*Includes object heads Consolidated Salary, pay of officers, pay of staff, Interim Relief, Dearness Allowance, Other allowances, medical allowance and reimbursement of medical expenses.

Out of total budgetary allocation of ₹2,63,804.67 crore, the actual expenditure on various Object Heads during 2019-20 was ₹2,33,978.23 crore (88.69 per cent). Out of the 17 Object Heads mentioned above, none of the object heads had spent their budgetary allocation in full, while 14 object heads utilized more than 90 per cent of their allocation, the balance three, Scholarships and Incentives, Contract/Outsource and Capital Expenses had utilised around 49 per cent, 88 per cent and 75 per cent respectively. The low degree of utilization in respect of “Scholarships and Incentives” has the implication of depriving students of these benefits.

2.5.2.3 Committed Expenditure

Most of the revenue expenditure is in the nature of committed expenditure on salaries, interest, pension, subsidy etc. In addition to these, expenditure on

certain other items such as pensions under social security schemes, subsidies arising under various schemes of the Government, Grants-in-aid & financial assistance, administrative expenses, devolution to local bodies *etc.*, are treated as committed expenditure in MTFP 2020-24. Expenditure on these components covering the period 2015-16 to 2019-20 is depicted in **Table 2.17** and **Chart 2.10**. An upward trend in committed expenditure affects the manoeuvrability of the State in prioritising expenditure and increasing capital investments to meet growing needs of social and economic infrastructure.

Table 2.17: Components of Committed Expenditure

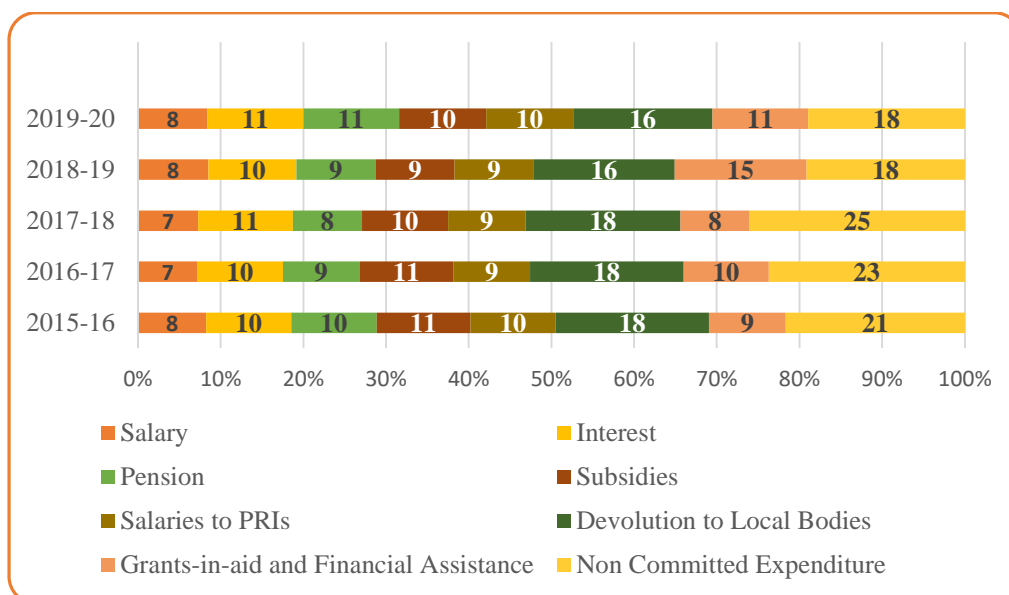
(₹ in crore)					
Components	2015-16	2016-17	2017-18	2018-19	2019-20
Salaries	9,166	9,790	10,546	13,315	14,561
Salaries of PRIs (GIA)	11,608	11,918	12,412	14,709	16,960
Interest Payments#	11,343	12,850	14,973	16,614	19,903
Pensions	11,251	11,295	11,684	15,109	18,404
Subsidies@	13,149	14,387	14,148	15,400	17,534
Grants-in-aid and financial assistance	10,840	13,163	11,812	24,888	19,023
Devolution to local bodies*	21,163	23,466	25,131	26,720	27,514
Social Security Pensions	2,247	2,503	4,055	5,460	7,243
Administrative Expenses	1,958	1,966	2,404	2,136	2,467
Total^	92,725	1,01,338	1,07,165	1,34,351	1,43,609
As percentage of Revenue Receipts (RR)					
Salaries	7.71	7.35	7.17	8.07	8.30
Salaries of PRIs (GIA)	9.77	8.95	8.44	8.92	9.67
Interest Payments	9.55	9.65	10.18	10.07	11.34
Pensions	9.47	8.48	7.95	9.16	10.49
Subsidies	11.07	10.80	9.62	9.33	9.99
Grants-in-aid and financial assistance	9.12	9.88	8.04	15.08	10.84
Devolution to local bodies	17.81	17.61	17.10	16.20	15.68
Social Security Pensions	1.89	1.88	2.76	3.31	4.13
Administrative Expenses	1.65	1.47	1.64	1.29	1.41
Total	78.04	76.07	72.90	81.43	81.85
As percentage of Revenue Expenditure (RE)					
Salaries	7.83	7.42	7.40	8.10	8.36
Salaries of PRIs (GIA)	9.92	9.03	8.71	8.96	9.73
Interest Payments	9.69	9.74	10.51	10.11	11.42
Pensions	9.62	8.56	8.20	9.20	10.56
Subsidies	11.24	10.91	9.93	9.37	10.06
Grants-in-aid and financial assistance	9.26	9.98	8.29	15.15	10.92
Devolution to local bodies	18.08	17.79	17.64	16.26	15.79
Social Security Pensions	1.92	1.90	2.84	3.32	4.16
Administrative Expenses	1.67	1.49	1.69	1.30	1.41
Total	79.23	76.82	75.21	81.77	82.41

#includes interest on off-budget borrowings.

@excludes subsidies in the form of financial assistance.

^Does not include Daily wages and wages to Contract/Outsourced employees.

*includes non-salary component of PRIs and other expenditure related to PRIs and ULBs.

Chart 2.10: Share of Committed Expenditure in Revenue Expenditure

As can be seen from the above, committed expenditure constituted 75 to 82 *per cent* of revenue expenditure during 2015-16 to 2019-20. The non-committed expenditure ranged between 18 to 25 *per cent* during 2015-20. During 2019-20 the balance revenue expenditure available for other social and economic services was 18 *per cent* and as a percentage of total expenditure it was 14 *per cent*.

2.5.2.4 Salaries and Wages

Expenditure on salaries increased from ₹20,774 crore in 2015-16 to ₹31,521 crore in 2019-20. It grew by 12 *per cent* over the previous year. It includes salaries of PRIs but does not include salaries relating to ULBs. Thus the expenditure on salaries is under stated. It accounted for 18 *per cent* of revenue expenditure during 2019-20, an increase of one *per cent* over the previous year. It was noticed that the Finance Accounts captured data on salaries only in respect of the State Sector, whereas the salary expenditure in case of PRIs (₹16,960 crore) was not captured. Since the salaries in respect of PRIs are released as Grants-in-aid, the total salary expenditure is not reflected in the Finance Accounts. During 2019-20, expenditure on Daily wages and Contract/Outsourced employees accounted for ₹922.63 crore, an increase of ₹209 crore over previous year.

On this being pointed by audit in the previous SFARs, Finance Department in its UO note (January 2020) stated that a new object head '005 – ZP Sector Salary' was created for financial year 2020-21 to account for the salary expenditure of district sector.

2.5.2.5 Pensions

The expenditure on pension during 2019-20 was ₹18,404 crore, a substantial increase of ₹3,295 crore in expenditure over the previous year.

• **New Pension System**

Defined Contribution Pension Scheme known as New Pension Scheme (NPS), for all employees who joined the State Government service on or after 01 April 2006, became fully operational from 01 April 2010. A dedicated NPS Cell has been created under the Directorate of Treasuries to operationalise NPS in the State. The State Government has adopted NPS architecture designed by the Pension Fund Regulatory Development Authority (PFRDA) and has appointed the National Securities Depository Limited (NSDL) as the Central Record Keeping Agency (CRA) for NPS. Axis Bank is the Trustee Bank in charge of operation of Pension Funds.

The details of the scheme and contributions made by State Government and employees as furnished by Commissioner of Treasuries (September 2020) are given below.

- The number of officials allotted Permanent Retirement Account Number (PRAN) under Government sector and autonomous bodies sector was 2,29,281 and 25,616 respectively;
- During 2019-20, the employee contribution (regular and backlog¹²) was ₹868.83 crore and the Government contribution¹³ was ₹1,293.55 crore.
- During the year, ₹1,902.14 crore which included an opening balance of ₹4.67 crore was transferred to NSDL/ Trustee bank, (Employees' and Employer's contribution) as at the end of 31 March 2020 and
- During 2019-20, ₹1.80 crore was paid from the Consolidated Fund as 'New Contributory Pension Schemes – Extension of benefit to the cases of persons/ families who retired/died while in service' and are covered under New Defined Pension Scheme.

As per the information received from the NPS Cell amount transferred to NSDL during 2019-20 was ₹1,902.14 crore whereas as per PAG(A&E) records the amount was ₹1,897.57 crore. The difference of ₹4.57 crore needs to be reconciled as per the instructions contained in the Government Order (May 2017).

2.5.2.6 Interest Payments

Interest payments¹⁴ increased by ₹8,560 crore (75 per cent) from ₹11,343 crore in 2015-16 to ₹19,903 crore in 2019-20. When compared to 2018-19, the interest payment increased by 19.80 per cent. Interest payments during 2019-20 constituted interest on internal debt (₹15,085 crore), interest on small savings, provident fund etc., (₹2,747 crore), interest on loans and advances from the Central Government (₹684 crore), interest on off-budget borrowings (₹1,384 crore) and interest on other obligations (₹3 crore).

¹² Refers to the contribution the employee had to make from the date of his entry into service to the date of implementation of the scheme.

¹³ Till 31 March 2020, the employee contribution was ₹4,316.58 crore and the matching contribution made by State Government was ₹4,791.79 crore.

¹⁴ For 2019-20, for interest payments, XIV FC made an assessment of ₹17,168 crore, while the State Government projected ₹19,060 crore and ₹18,990 crore in its budget and MTFP respectively. However, the actual interest payment was ₹19,903 crore.

The interest on internal debt increased by 22 *per cent* from ₹12,359 crore in 2018-19 to ₹15,085 crore in 2019-20, on account of increase in payment of interest on market loans by ₹2,790 crore (27 *per cent*). The interest on small savings, provident funds *etc.*, increased by ₹390 crore from ₹2,358 crore during 2018-19 to ₹2,747 crore in 2019-20, mainly on account of increase under interest on State Provident funds (20 *per cent*) and insurance (14 *per cent*).

2.5.2.7 Subsidies

There was a significant increase in expenditure on subsidies during the year 2019-20 as can be seen from the details given in **Table 2.18**. Subsidies as a percentage of Revenue Receipts increased from nine *per cent* in 2018-19 to 10 *per cent* in 2019-20. In absolute terms, expenditure on subsidies increased from ₹15,400 crore in 2018-19 to ₹17,534 crore in 2019-20.

Table 2.18: Expenditure on subsidies during 2015-16 to 2019-20

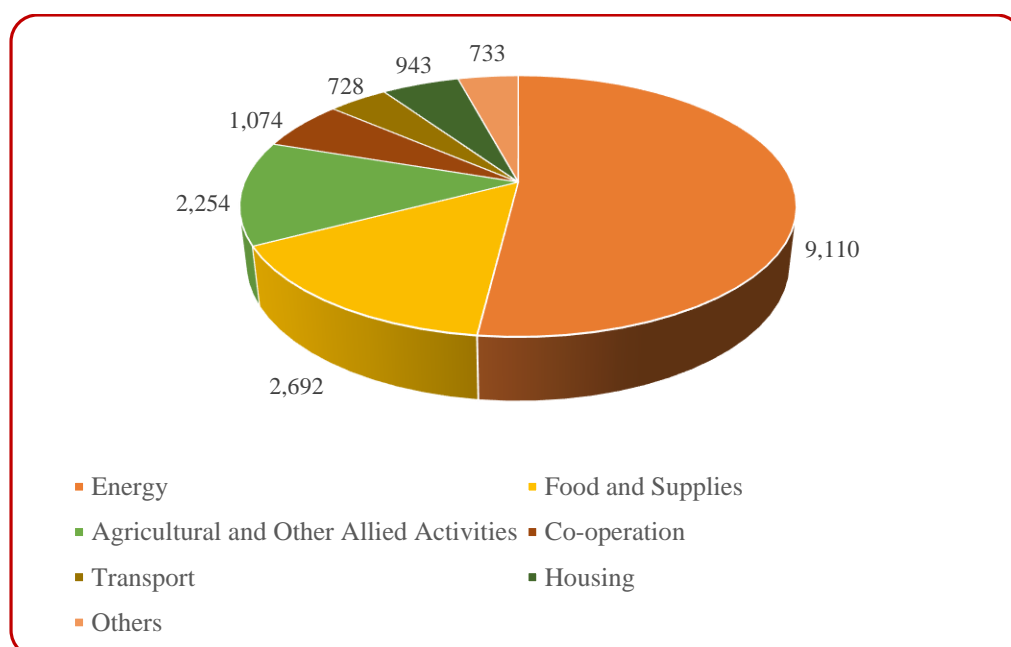
	2015-16	2016-17	2017-18	2018-19	2019-20
Subsidies (₹ in crore)	13,149	14,387	14,148	15,400	17,534
Subsidies as <i>per cent</i> of Revenue Receipts	11.07	10.80	9.62	9.33	9.99
Subsidies as <i>per cent</i> of Revenue Expenditure	11.24	10.91	9.93	9.37	10.06

Source: Finance Accounts

The four largest subsidy components were power subsidy provided for supply of free electricity to farmers for usage of agricultural pump sets, food subsidy, interest subsidy for crop loans and transport. The details for the last five years are given in **Appendix 2.3** and for 2019-20 is shown in **Chart 2.11**.

Chart 2.11: Subsidies during 2019-20

(₹ in crore)



• **Subsidies in the form of financial assistance, incentives etc.**

Subsidies provided by the State Government could be of two kinds, one where the State explicitly provides for expenditure in nature of subsidy and the other where grants are provided for certain schemes of the Government. These subsidies can be indirect, in kind or take the shape of tax concessions.

These subsidies in the form of financial assistance increased from ₹3,913 crore in 2015-16 to ₹4,048 crore during 2019-20. They mainly include financial assistance for supply of seeds, weaver's package, Ashraya scheme, micro/drip irrigation, minimum floor price scheme, housing for weaker sections, house sites for rural landless etc. These subsidies extended during 2015-16 to 2019-20 are detailed in **Appendix 2.4**. Thus the expenditure on subsidies is higher than that actually shown. Thus, the actual subsidy would be ₹21,582 crore instead of ₹17,534 crore.

Recommendation: *Expenditure on subsidies which is increasing steadily, requires utmost attention by the State Government.*

2.5.2.8 Financial Assistance to Local Bodies and Other Institutions

The quantum of assistance provided by way of grants to local bodies and other institutions during 2015-16 to 2019-20 is presented in **Table 2.19** and **Table 2.20**.

Table 2.19: Financial Assistance to Local Bodies

		(₹ in crore)				
Name of the Institution		2015-16	2016-17	2017-18	2018-19	2019-20
Panchayat	Raj	26,694.94	29,697.94	31,054.63	35,897.61	38,049.61
Urban	Local	6,076.05	5,685.58	6,489.76	5,425.31	6,424.72
Total		32,770.99	35,383.52	37,544.39	41,322.92	44,474.33

Source: Finance Accounts

As a sequel to the recommendations of the XI FC, grants are released to PRIs under three distinct programme minor heads namely 196, 197 and 198. The assistance to PRIs increased from ₹26,695 crore in 2015-16 to ₹38,050 crore in 2019-20, while the assistance to ULBs increased from ₹6,076 crore in 2015-16 to ₹6,425 crore in 2019-20.

Out of the total devolution of ₹38,050 crore to PRIs during 2019-20, ₹16,960 crore (45 per cent) was towards salaries as the State Government's functions viz., education, water supply and sanitation, housing, health and family welfare etc., were transferred to PRIs. It also included XIV FC grants released to the State Government (₹2,504.13 crore).

The assistance to ULBs increased by ₹999 crore over the previous year which includes salary component also. Out of ₹6,424.72 crore assistance to ULBs, ₹1,330.39 crore (21 per cent) was towards creation of capital assets. It also included XIV FC grants released to the State Government (₹1,661.78 crore).

Table 2.20: Financial Assistance to Other institutions

	(₹ in crore)				
Name of the Institution	2015-16	2016-17	2017-18	2018-19	2019-20
Educational Institutions (including Universities)	1,406.50	1,449.75	1,293.70	1,081.29	1,405.90
Co-operative Societies and Co-operative Institutions	1,023.13	1,009.47	1,191.32	1,477.76	1,275.78
Other institutions and bodies (including Statutory Bodies)	4,820.87	6,656.29	7,067.08	6,720.59	7,446.88
Total	7,250.50	9,115.51	9,552.10	9,279.64	10,128.56

Source: Finance Accounts

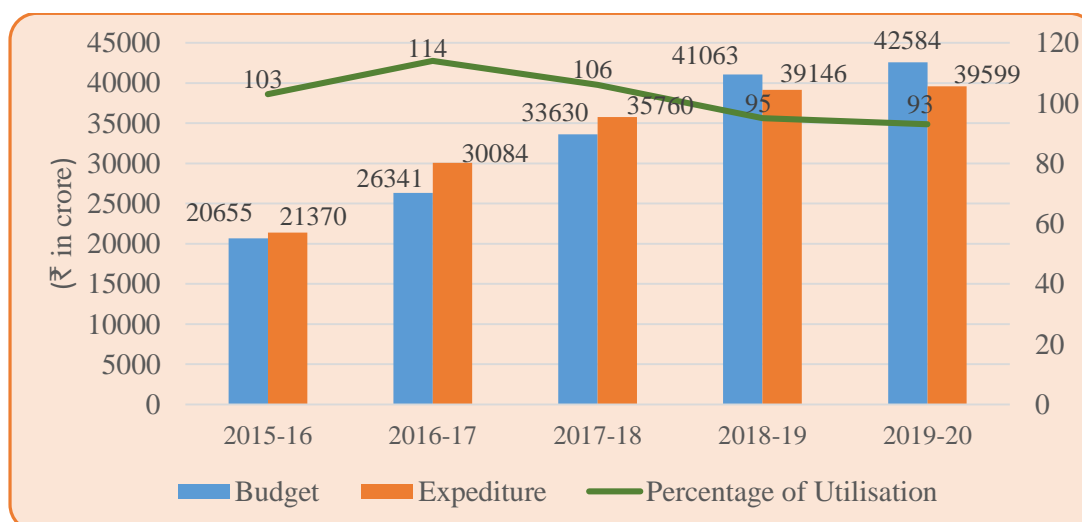
During 2019-20, Assistance to other institutions (₹7,447 crore) included assistance to Statutory bodies and Development Authorities (₹1,875 crore), NGOs (₹2,305 crore), PSUs (₹13 crore) and others (₹3,254 crore). The assistance to Co-operatives decreased by ₹202 crore and for other institutions increased by ₹726 crore as compared to the previous year. The assistance to educational institutions increased by ₹325 crore during 2019-20.

2.5.3 Capital Expenditure

Capital Expenditure includes primarily expenditure on creation of fixed infrastructure assets, such as buildings, roads, bridges, etc. Capital Expenditure is met from budgetary support and extra budgetary resources/off-budget. Of late, the infrastructure requirements have increased manifold and SPVs have been set up to carry out bulk of Capital Expenditure.

Capital Expenditure (including Disbursement of Loans and Advances) of the State showed an increase from ₹21,370 crore in 2015-16 to ₹39,146 crore in 2018-19. During 2019-20, the Capital Expenditure increased by ₹453 crore from previous year and was at ₹39,599 crore. Details of Capital Expenditure vis-à-vis budget during the five-year period 2015-16 to 2019-20 are given in **Chart 2.12**.

Chart 2.12: Trend of Capital Expenditure (inclusive of Loans and Advances) over the five-year period from 2015-16 to 2019-20



As seen from the above chart, the actual expenditure is more than the estimated Capital Expenditure during 2015-16 to 2017-18. However, during 2018-19 and 2019-20, the actual Capital Expenditure was less than the estimate by five *per cent* and eight *per cent* respectively. **Table 2.21** highlights the cases of significant increase or decrease in various Heads of Account in Capital Expenditure during 2019-20 *vis-à-vis* the previous year.

Table 2.21: Capital Expenditure during 2019-20 compared to 2018-19

(₹ in crore)

Major Heads of Account	2018-19	2019-20	Increase (+)/ Decrease (-) in amount	Variation in percentage
4059-Capital Outlay on Public Works	536.12	420.86	(-)115.26	(-)21.50
4202-Capital Outlay on Education, Sports, Art and Culture	1,107.31	1,203.17	95.86	8.66
4210-Capital Outlay on Medical and Public Health	1,107.97	821.96	(-)286.01	(-)25.81
4215-Capital Outlay on Water Supply and Sanitation	1,612.29	2,255.91	643.62	39.92
4217-Capital Outlay on Urban Development	2,153.63	1,764.52	(-)389.11	(-)18.07
4225-Capital Outlay on Welfare of Scheduled Castes, Scheduled Tribes, Other Backward Classes and Minorities	3,422.37	2,783.45	(-)638.92	(-)18.67
4701-Capital Outlay on Medium Irrigation	9,963.87	10,862.48	898.61	9.02
4702-Capital Outlay on Minor Irrigation	1,990.67	2,268.59	277.92	13.96
4711-Capital Outlay on Flood Control Projects	55.50	98.19	(42.69)	76.92
4801-Capital Outlay on Power Projects	627.85	858.35	230.50	36.71
5054-Capital Outlay on Roads and Bridges	8,327.05	8,343.98	16.93	0.20
5055-Capital Outlay on Road Transport	399.38	389.17	(-)10.21	(-)2.56

The above table reveals that major Capital Expenditure was incurred on Medium Irrigation (31 *per cent*) followed by Roads and Bridges (23 *per cent*).

The Expenditure Reforms Commission (ERC) of the State Government, in its first report (February 2010) had recommended that capital investments be stepped up and protected from fiscal uncertainties through prudent allocations. It had also recommended maintaining the capital expenditure (excluding debt servicing) at five per cent of GSDP. However, the ratio of capital expenditure to GSDP was only two to three per cent during 2015-16 to 2019-20.

In reply, the Finance Department stated that (February 2021) the Capital Expenditure can be increased if there is substantial increase in the revenue surplus which can be achieved only by compressing the Revenue Expenditure. As reducing the Revenue Expenditure was not viable, the Capital Expenditure was at 2-3 per cent.

2.5.4 Quality of Capital Expenditure

In the post KFRA framework, the Government is expected to keep its fiscal deficit (borrowing) at low levels and still meet its capital expenditure/investment (including loans and advances) requirements. In addition, the State Government needs to initiate measures to earn adequate return on its investments rather than bearing the same in the form of subsidy at the cost of borrowed funds and take requisite steps to infuse transparency in financial operations. This section presents the broad financial analysis of investments and other Capital Expenditure undertaken by the Government during 2019-20 *vis-à-vis* previous years.

2.5.4.1 Investments in Companies, Corporations and other bodies

As on 31 March 2020, the Government had invested ₹67,817 crore in 87¹⁵ Government Companies (₹60,319 crore), Nine Statutory Corporations (₹2,764 crore), 44 Joint Stock Companies (₹4,137 crore) and Co-operative Institutions, Local bodies and Regional Rural Banks (₹597 crore). During 2019-20, the Government invested ₹1,298.43 crore as equity in Government Companies (working) (₹40.49 crore), Joint Stock Companies (₹1,104.00 crore), Statutory Corporations (₹100.00 crore), and Co-operative institutions (₹53.94 crore). The investment under Statutory Corporations and Government Companies were spread under various sectors¹⁶.

During 2019-20, the investment account was reduced under 'Co-operative Institutions' by ₹1.00 crore, due to retirement of Government investment in the share capital of institutions, the proceeds of which stand accounted under 'Miscellaneous Capital Receipts'. Also, it was decreased proforma by ₹885.70 crore due to conversion of investment into Capital Expenditure by Karnataka Road Development Corporation Limited (KRDCL) pertaining to 2014-15.

• Return on Investment

The details of investment as well as its return for the last five years are indicated in **Table 2.22**. It is evident from the table that the return on investment is negligible.

¹⁵includes investment of ₹68 crore in 16 non-working Government Companies.

¹⁶Irrigation (₹36,779 crore), Power (₹10,375.11 crore), Infrastructure (₹4,819 crore), Financing (₹3,455 crore), Transport (₹1,513 crore), Social (₹1,997 crore), Housing (₹1,451 crore), Industries (₹1,048 crore), Construction (₹2 crore) and Other sectors (₹118 crore).

Table 2.22: Return on Investment

	(₹ in crore)				
	2015-16	2016-17	2017-18	2018-19	2019-20
Investments at the end of the year (₹ in crore)	61,335.89	63,115.06	65,145.88	66,518.28	67,816.71
Return (₹ in crore)	69.40	82.50	78.83	38.30	53.64
Return (in per cent)	0.11	0.13	0.12	0.10	0.10
Average rate of interest on Government borrowings (per cent)	6.53	6.35	6.40	6.25	6.39
Difference between interest rate and return on investment (per cent)	6.43	6.25	6.30	6.15	6.29

Source: Finance Accounts

Though the State Government had accepted (July 2011) that the return on these investments was meagre, it stated that it would not shy away from investing in social infrastructure involving long gestation and pay back periods. The PAC while agreeing (December 2011) with the reply had noted that the Finance Department had not initiated any mechanism to evaluate the expected yields in financial terms. Hence it had recommended for framing guidelines for the same. The Government further stated that efforts would be made to ensure due returns. Despite PAC's recommendations and our consistent observations for the past ten years, no guidelines had been framed. Further, audit found that MTFPs placed before the Legislature did not contain a road map for ensuring proper return on investments.

- **Investment in loss making companies**

The above investment included ₹41,989.34 crore (62 per cent) in the following Companies/Corporations, which have significant losses and where the investments were substantial (**Table 2.23**).

Table 2.23: Investments made in loss making Companies

	(₹ in crore)			
Company/Corporation	Cumulative loss at the end of 2016-17	Cumulative loss at the end of 2017-18	Cumulative loss at the end of 2018-19	Investment made up to 2019-20
Statutory Corporations				
North West Karnataka Road Transport Corporation (NWKRTC)	720.50	792.48	881.55	266.85
North Eastern Karnataka Road Transport Corporation (NEKRTC)	509.11	542.42	610.65	183.43
Karnataka State Financial Corporation Limited (KSFC)	412.70	391.20	386.17	1,178.41

Company/Corporation	Cumulative loss at the end of 2016-17	Cumulative loss at the end of 2017-18	Cumulative loss at the end of 2018-19	Investment made up to 2019-20
Government Companies				
Krishna Bhagya Jala Nigama Limited (KBJLN)	2,448.13	2,587.22	2,811.73	23,745.34
Karnataka Neeravari Nigama Limited (KNNL)	2,971.09	3,492.46	4,469.21	13,034.03
Mysore Sugar Company Limited (MSCL)	416.67	289.42	460.89	335.78
Mysore Paper Mills Limited (MPML)*	425.95	425.95	425.95	237.37
Hubli Electricity Supply Company Limited (HESCOM)	2,505.48	2,645.76	1,955.76	1,240.55
Gulbarga Electricity Supply Company Limited (GESCOM)	864.94	1,349.58	1,002.44	963.69
Chamundeswari Electricity Supply Company Limited (CESCOM)	612.82	611.06	875.74	803.89
Total	11,887.39	13,127.55	13,880.09	41,989.34

Source: Finance Accounts

Up to 2019-20, the Government invested ₹41,989.34 crore in these companies and the cumulative loss accounted for is ₹13,880.09 crore. The Finance Department in its reply (Feb 2021) stated that investment in certain Companies (Irrigation and Energy Sector) was inevitable despite companies accumulating loss as it results in creation of infrastructure and employment.

PAC in its 5th Report (July 2015) recommended to assess the viability of the loss making Companies/Corporations and also to identify the Companies/Corporations not functioning in the core areas for closure as recommended by XIII FC. However, the State Government had not initiated any such action. During 2019-20, Government invested ₹156.00 crore, ₹104.06 crore and ₹64.00 crore in HESCOM, GESCOM and CESCOM respectively despite the fact that they are loss making companies. The Finance Department in its reply stated that the concerned departments would be requested to take necessary action.

In respect of Mysore Sugar Company Limited, the Department of Commerce and Industries in its reply (September 2020) stated that, due to lack of working capital, the company was incurring losses. During 2015-16 and 2016-17 crushing of sugarcane was stopped. To protect the interest of farmers in the region, and to revive the other ancillary units in the region and to pay the salaries/wages/pensions to the employees, Government had released ₹57.00 crore for 2017-18 and 2018-19, of which ₹17.00 crore is to be treated as loan. It was also stated that there is a proposal to lease the Company to a private management under Lease Rehabilitate Operate and Transfer (LROT) for 40 years and to give voluntary retirement to 208 out of total 285 permanent staff.

The Finance Department in its reply (February 2021) has stated that the Government had extended financial support to the company and not invested

any amount in the company. However, as seen in Finance Accounts, the total investment in the company was ₹335.78 crore.

2.5.4.2 Loans and advances by the State Government

In addition to investments in Companies, Corporations and Co-operative Institutions, the Government also provided loans and advances to many institutions. **Table 2.24** presents the position of outstanding loans and advances as on 31 March 2020 and interest receipts *vis-à-vis* interest payments during the last five years.

Table 2.24: Quantum of loans disbursed and recovered during the last five years

	(₹ in crore)				
	2015-16	2016-17	2017-18	2018-19	2019-20
Opening balance of the loans outstanding	13,216	13,813	15,578	20,525	24,981
Amount advanced during the year	657	1,935	5,092	4,487	4,069
Amount recovered during the year	60	100	137	31	203
Closing balance of the loans outstanding	13,813	15,648	20,533	24,981	28,847
Net addition	597	1,835	4,955	4,456	3,866
Interest received	264	145	99	108	357
Interest receipts as <i>per cent</i> to outstanding loans and advances	1.91	0.93	0.48	0.43	1.24
Interest payments as <i>per cent</i> to outstanding liabilities	6.19	5.81	6.08	5.82	5.90
Difference between interest receipts and interest payments (<i>per cent</i>)	(-) 4.28	(-) 4.88	(-) 5.60	(-) 5.39	(-) 4.66

Source: Finance Accounts

- The outstanding loans as on 31 March 2020 aggregated ₹24,981 crore. Interest spread of Government borrowings which was (-) 4.28 during 2015-16 increased to (-) 4.66 during 2019-20, which meant that the State's borrowings were more expensive than the loans advanced by it.
- Out of total loans advanced during 2019-20 (₹4,069 crore), Social Services accounted for ₹1,061 crore, Economic Services for ₹3,002 crore and the remaining ₹6 crore to Government Servants. Within the Social Services, Urban Development received major share ₹1,056.15 crore (26 *per cent*) and in Economic Services it was Power projects ₹2,500.00 crore (61 *per cent*) followed by Industry and Minerals ₹488.89 crore (12 *per cent*).
- Detailed accounts of recovery of loans in respect of 21 institutions are maintained by office of the Principal Accountant General (Accounts & Entitlement) (PAG) (A&E) and 842 institutions by Heads of Departments/Chief Controlling Officers of the GoK.

- In respect of loan accounts maintained by PAG (A&E), the recovery of loans and advances aggregating ₹9,231.55 crore (Principal: ₹4,856.60 crore and Interest: ₹4,374.85 crore) were overdue as on 31 March 2020 (**Appendix 2.5**).
- However, the information in respect of overdue principal and interest in respect of loans maintained by the Heads of Departments/Chief Controlling Officers contained in Statement No.7 of Finance Accounts of 2019-20 is incomplete, as only 16¹⁷ out of 842 institutions, had furnished the required information.
- Indian Government Accounting Standards (IGAS)-3 requires disclosure of loans that were sanctioned without specific terms and conditions governing such loans. Out of the 62 loans valued at ₹5,463.87 crore sanctioned by the State Government in 2019-20, 41 loans valued at ₹5,025.37 crore were sanctioned without specifying any terms and conditions. Details are available as additional disclosures under Statement No.18 of the Finance Accounts.

The Finance Department in its circular (August 2018) had stated that the State Government has revised the terms and conditions and other procedural aspects that had to be followed by departments relating to loans sanction vide GO dated November 2013. All departments were instructed to adhere to the instructions delineated in general loan GO issued by the Finance Department in November 2013. Since the loans sanctioned during 2019-20 did not specify the terms and conditions, it indicated that the department did not adhere to the instructions. This in turn would lead to poor monitoring as well as less recovery of loans.

The meagre recovery of loans as well as sanction of loans without specifying terms and conditions has been pointed out since 2006-07. The State Government has issued circulars time and again on revision of terms and conditions. However, it had not prepared any road map for recovery of loans/interest or enforced any measures for non-compliance to its circulars by the various departments.

The FMRC in continuation of its suggestion in the previous year to recover loans as per the repayment schedule advised (February 2020) Finance Department to have regular meetings with the administrative departments at Secretary level to ensure timely recovery of loans.

2.5.4.3 Investments in Government companies/Corporations and budgetary support

The State Public Sector Undertakings (SPSUs) in Karnataka which consists of State Government Companies and Statutory Corporations are established to carry out activities of commercial nature keeping in view the welfare of the people. The GoK has a financial stake in these companies which is mainly in the form of

¹⁷In 2018-19, 19 out of 842 institutions have furnished the information

- Share Capital and Loans :Share capital contribution and financial assistance by way of loans
- Special financial support :budgetary support by way of grants and subsidies.
- Guarantees :for repayment of loans with interest availed by the SPSUs from financial institutions.

It also occupies important place in the State's economy as the turnover (₹ 70,599.16 crore¹⁸) of these PSUs was about five *per cent* of the GSDP of the State for 2018-19.

The figures in respect of equity, loans and guarantees outstanding as per the records of the SPSUs should agree with that of the figures appearing in the Finance Accounts of the State. In case the figures do not agree, the PSUs concerned and the Finance Department should carry out reconciliation of the differences. The position in this regard as on 31 March 2019 is given in the **Table 2.25**.

Table 2.25: Equity, loans and guarantees outstanding as per Finance Accounts vis-à-vis records of SPSUs

(₹ in crore)

Sl. No.	Outstanding in respect of	Amount as per		Difference
		Finance Accounts	SPSUs	
1	Equity	56,774.34	70,010.43	(-)13,236.09
2	Loans	5,096.29	4,651.29	445.00
3	Guarantees	20,973.69	18,758.09	2,215.60

Source: Report of the C&AG on PSU – 2018-19

There were differences in respect of nine Power Sector PSUs and 87 Other PSUs. The major differences were observed in eight¹⁹ companies. The Government and the PSUs should take concrete steps to reconcile the differences. The details of stake of the State Government in the SPSUs are brought out in the subsequent paragraphs.

(i) Share Capital in the SPSUs

As per the Report of the C&AG of India on PSUs for the year ended 2019, there are 114²⁰ PSUs in the State under the audit jurisdiction of the C&AG. The State Government invested ₹70,013.64 crore in these PSUs as at the end of March 2019 as furnished by PSUs in their latest finalized accounts.

However, as per the Finance Accounts, there are 96 Government Companies and Statutory Corporations where the Government has invested ₹60,297 crore as at the end of 2019-20.

¹⁸ Latest finalized accounts as of September 2019.

¹⁹ Equity: Karnataka Minorities Development Corporation Limited, Karnataka State Industrial Infrastructure and Development Corporation Limited, Krishna Bhagya Jala Nigam Limited, Karnataka Neeravari Nigam Limited, Cauvery Neeravari Nigama Limited, Vishveswaraya Jala Nigam Limited, Loans: Rajiv Gandhi Housing Corporation Limited, Vishveswaraya Jala Nigam Limited and The Mysore Paper Mills Limited.

²⁰ Statutory corporations-6, non-working Government companies-13, working Government companies - 95

In addition to the investments, during 2018-19, while the Central Government has given Grants/Subsidies amounting to ₹2,326.44 crore, the State Government has given ₹14,135.95 crore to these 114 SPSUs.

(ii) Disinvestment/Closure of SPSUs

The State Government approved and adopted (February 2001) a comprehensive policy on public sector reforms and privatization of PSUs in the State. Accordingly, seven companies were dissolved/amalgamated at the end of September 2019. Further out of 103 PSUs (other than Power Sector), the Government issued closure orders for 13 PSUs which were non-working.

(iii) Returns from Government Companies/Corporations

During 2014-15 to 2018-19, the number of PSUs which earned profits ranged between 44 and 47, out of which only 10 to 17 PSUs had declared dividend. During 2018-19, against the profit of ₹1,972.16 crore earned by these entities, ₹34.89 crore was paid by them as dividend. The dividend payment as percentage of paid up capital was very nominal and was 0.31 *per cent* during 2018-19.

The profitability of a PSU is traditionally assessed through return on investment²¹, return on equity²² and return on capital employed²³.

- The return on the State Government funds (at PV) infused in the eight Power Sector PSUs in the State was less than the return based on historical cost. The returns were in the decreasing trend and was lowest in the year 2016-17.
- While the returns on equity in the eight Power Sector PSUs was nil in 2017-18 and 2018-19, the return on the capital employed was 12.11 *per cent* during 2018-19.
- All the PSUs other than the Power Sector had negative return on investment during 2014-15 to 2018-19.
- Similarly, the returns on equity in the PSUs other than Power Sector was negative as the PSUs incurred losses in all the five years.
- The return on capital employed of the PSUs other than Power Sector was on a declining trend and was at 1.36 *per cent* during 2018-19 indicating that the profitability was not commensurate with the capital employed.

(iv) Losses incurred by the Government companies/Corporations

During 2018-19, 43 SPU's incurred loss of ₹4,498.16 crore. Out of this, the Power Sector PSUs incurred an overall loss of ₹587.33 crore. In respect of the balance loss, the major contributor was Karnataka Neeravari Nigam Limited.

(v) Erosion of capital in SPU's

Net worth is a measure of what an entity is worth to the owners. A negative net worth indicates that the entire investment by the owners has been wiped out by accumulated losses. As at the end of 2018-19, capital worth ₹3,697.61 crore of 24 SPU's was eroded.

21 Measures the profit or loss made in a fixed year relating to the amount of money invested in the form of equity and long term loans and is expressed as a percentage of profit to total investment.

22 Measure of performance calculated by dividing net profit by shareholder's funds.

23 Financial ratio that measures the company's profitability and the efficiency with which its capital is used and is calculated by dividing the company's earnings before interest and taxes by capital employed.

While the overall net worth of eight Power Sector PSUs was positive during the last five years ended 2018-19, the net worth of two PSUs (₹635.12 crore) was eroded.

Similarly, the overall net worth of PSUs other than Power Sector was positive during the last five years. However, the net worth of 26 PSUs (₹3,061.46 crore) was eroded as at 31 March 2019.

(vi) Analysis of Long term loans

Assessment of the ability of the SPUs to service the debt owned by the them to the Government, banks and other financial institutions through Interest coverage ratio and Debt Turnover ratio revealed the following:

- As at 31 March 2019, out of the eight Power Sector PSUs, seven had interest burden. Of these, three had interest coverage ratio of less than one.
- The debt-turnover ratio of eight Power Sector PSUs had not improved as the compounded annual growth rate of turnover was less than that of Debt during 2014-15 to 2018-19.
- As at 31 March 2019, 42 out of 46 PSUs had interest ratio of less than one, indicating that these PSUs could not generate sufficient revenues to meet expenses on interest.
- The debt-turnover ratio of working PSUs of other than Power Sector had not improved as the compounded annual growth rate of Turnover was less than that of Debt during 2014-15 to 2018-19.

(vii) Accountability framework and submission of accounts by PSUs and its audit

The process of audit of Government Companies are governed by respective provisions of Section 619 of the Companies Act, 1956 and Sections 139 and 143 of the Companies Act, 2013 (Act). The C&AG of India appoints the statutory auditors of the Government Company. Further, as per sub-section 7 of Section 143 of the Act, the C&AG may, in case of any Company covered under sub-section (5) or sub-section (7) of Section 139, if considered necessary, by an order, cause test audit to be conducted of the accounts of such Company.

The financial statements of the Government Companies are audited by Statutory Auditors, who are appointed by the CAG. These financial statements are subject to supplementary audit to be conducted by CAG within 60 days from the date of receipt of the Audit Report. However, CAG is sole auditor for four Statutory Corporations and conducts supplementary audit in respect of two Statutory Corporations.

During 2018-19, out of 11 PSUs under Power Sector, two accounts from two PSUs were in arrears. In respect of 95 working PSUs other than Power Sector, 78 accounts from 50 working PSUs were in arrears. The arrears ranged between 1 to 6 years. The State Government had made net investment of ₹6,779.04 crore in 28 out of 52 PSUs during the years for which accounts were not finalized. Hence, audit could not ensure on its accounting and utilization.

2.5.4.4 Capital locked in incomplete projects

Locking up of funds in incomplete works, which includes works stopped due to reasons like litigation, etc., impinge negatively on the quality of expenditure.

The year wise age profile of the incomplete projects as on 31 March 2020 is shown in **Table 2.26** and the department-wise information is given in **Table 2.27**.

Table 2.26: Age profile of incomplete projects which are more than one crore as on 31 March 2020 (₹ in crore)				Table 2.27: Department wise profile of incomplete projects which are more than one crore as on 31 March 2020 (₹ in crore)			
To the end of the Year	No. of incomplete projects	Estimated cost	Expenditure	Works under	No. of incomplete projects	Estimated cost	Expenditure
2012-13	4	7.10	7.36	Roads and Bridges	856	3,847.79	1,942.89
2013-14	4	12.79	9.90				
2014-15	20	128.60	126.46	Irrigation	76	140.37	104.36
2015-16	31	179.01	87.14	Buildings	39	136.10	95.41
2016-17	94	278.52	243.00	Others	7	233.81	198.40
2017-18	62	255.72	208.67	Total	978	4,358.06	2,341.06
2018-19	398	1,952.51	1,080.35				
2019-20	365	1,542.81	578.17				
Total	978	4,358.06	2,341.06				

Source: Finance Accounts

Against the initial budgeted cost of ₹4,358.06 crore in respect of 978 works, stipulated to be completed on or before March 2020, the progressive expenditure was ₹2,341.06 crore. The delay in the projects is in the range of greater than five years (28), less than five years but greater than one year (585) and less than one year (365). No reasons for delay in completion of the works was given by the Public Works, Ports & Inland Water Transport and Irrigation departments.

Out of 978 projects which were incomplete as on 31.03.2020, 20 per cent of the projects remained incomplete for more than three years. FMRC advised (July 2018) that in order to minimize escalation of time and cost, projects which were nearing completion were to get funds on priority. However, audit noticed that the number of incomplete projects had increased from 878 as on 31 March 2019 to 978 as on 31 March 2020. This was mainly due to increase in the number of projects under Roads and Bridges.

Further, the funds borrowed for implementation of these projects during the respective years proved futile and the State had to share the extra burden in terms of servicing of debt and interest liabilities. Effective steps need to be taken to complete all these above projects without further delay to avoid cost overrun due to time overrun.

In the Exit Conference (February 2021) the Finance Department stated that the observation was noted and the issue would be examined.

2.5.5 Expenditure priorities

The expenditure responsibilities relating to the social sector and economic infrastructure, are largely State subjects. Enhancing human development levels requires the States to step up their expenditure on key social services like education, health, etc. Low fiscal priority (ratio of expenditure category to aggregate expenditure) is attached to a particular sector, if the allocation given to that particular head of expenditure is below the General Category States' (GCS)/national average. The higher the ratio of these components to total

expenditure, the quality of expenditure is considered to be better. **Table 2.28** analyses the fiscal priority of the State Government with regard to development expenditure, social expenditure and capital expenditure relative to GCS and neighboring States in the current year 2019-20.

Table 2.28: Fiscal priority of the States in 2019-20

(in per cent)

	AE/ GSDP	CE/ AE	DE/AE	Education/ AE	Health/ AE
GCS	15.15	12.97	65.42	15.91	5.21
Kerala*	13.39	7.39	46.06	16.40	6.59
Tamilnadu	13.01	10.68	60.38	16.20	5.13
Andhra Pradesh	15.94	7.89	68.39	17.18	4.86
Telangana	13.86	12.55	72.27	9.33	5.14
Maharashtra	11.77	10.75	63.66	18.47	4.34
Madhya Pradesh	19.93	16.19	57.96	15.93	4.70
Karnataka	12.59	18.52	73.80	12.96	4.28

Source: Economic Advisor

* The GSDP figures of Kerala has been obtained from AG Kerala

AE: Aggregate Expenditure, CE: Capital Expenditure, DE: Development Expenditure (includes total expenditure under social and economic sectors)

Source: For GSDP, data as available on 31.07.2020 in the website of Ministry of Statistics and Programme Implementation (MoSPI).

Comparative analysis for the year 2019-20 revealed the following:

- The ratio of CE and DE to AE of the State was higher than the ratio of GCS which indicated that Quality of expenditure was better.
- The ratio of capital expenditure to AE is higher than all the neighboring States, the reason being less AE with respect to GSDP (12.59 per cent).
- Adequate priority needs to be given to both Health as well as Education sector as the expenditure under both the sectors are below its neighboring States and GCS.
- The trend of rate of expenditure under Education and Health to AE for the year 2014-15 to 2019-20 shows that the priority to Education had decreased up to 2018-19 and there was no significant variance in priority towards Health. However, during 2019-20, while there was slight increase in Education, there was decrease in priority towards Health sector.
- The DE/AE ratio of the State was highest when compared to its neighbouring States and also GCS. This was mainly due to higher ratio of Economic Service Sector/AE.

2.6 Public Account

Receipts and disbursements in respect of certain transactions, such as Small Savings, Provident Fund, Reserve Funds, Deposits, Suspense, Remittances *etc.*, which do not form part of the Consolidated Fund are kept in the Public Account set up under Article 266(2) of the Constitution and are not subject to vote by the State Legislature. The Government acts as a banker/trustee for custody of public money, since these transactions are mere pass through transactions.

2.6.1 Net Public Account balances

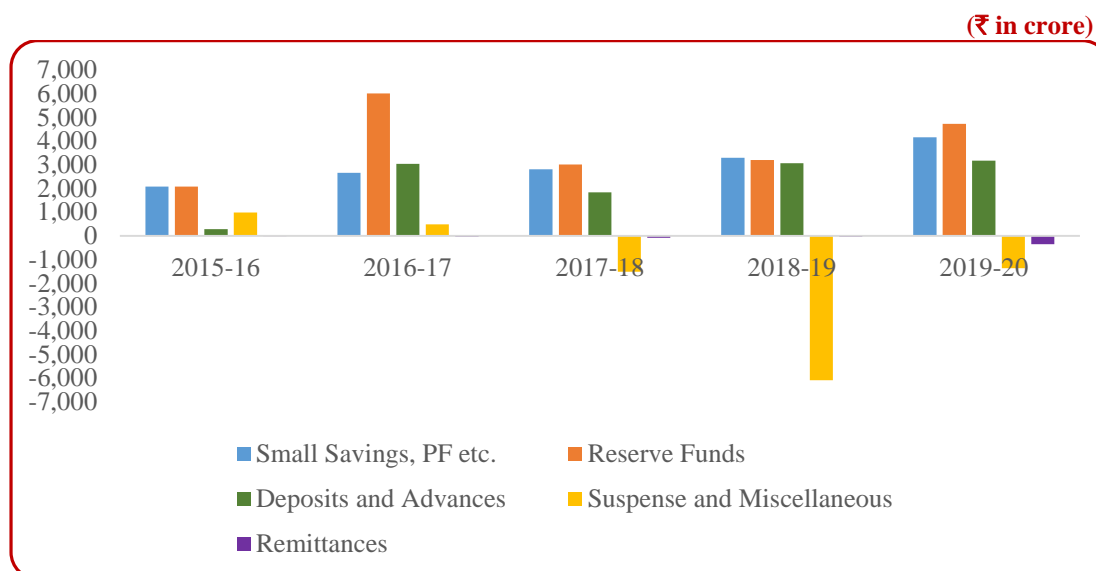
The net transactions under Public Account covering the period 2015-16 to 2019-20 are indicated in **Table 2.29** and the yearly changes in composition of Public Account balances are depicted in **Chart 2.13**.

Table 2.29: Component-wise net balances in Public Account as of 31 March of the year

		(₹ in crore)				
Sector	Sub Sector	2015-16	2016-17	2017-18	2018-19	2019-20
I. Small Savings, Provident Funds, etc.	Small Savings, Provident Funds, etc.	2,086	2,657	2,811	3,292	4,156
J. Reserve Funds	(a) Reserve Funds bearing Interest	-	1,236	(-) 1,194	393	839
	(b) Reserve Funds not bearing Interest	2,081	4,777	4,212	2,804	3,889
K. Deposits and Advances	(a) Deposits bearing Interest	14	48	(-) 3	62	99
	(b) Deposits not bearing Interest	270	2,994	1,837	3,006	3,074
	(c) Advances	-	-	-	-	-
L. Suspense and Miscellaneous	(a) Suspense	(-) 4	87	17	(-) 15	178
	(b) Other Accounts	995	404	(-) 1,526	(-) 6,072	(-) 1,542
	(c) Accounts with Governments of Foreign Countries	-	-	-	-	-
	(d) Miscellaneous	-	-	-	-	-
M. Remittances	(a) Money Orders and other remittances	(-) 18	(-) 20	(-) 51	(-) 81	(-) 263
	(b) Inter-Governmental Adjustment Account	1	(-) 18	(-) 25	42	(-) 84
Total		5,425	12,165	6,078	3,431	10,346

Note: +ve denotes debit balance and -ve denotes credit balances

Chart 2.13: Yearly changes in composition of Public Account balances



The net receipts from the Public Account increased from ₹5,425 crore in 2015-16 to ₹10,346 crore in 2019-20. The increase in net balance during 2019-20 (₹6,915 crore) over the previous year is due to increase under Small Savings, PF etc. and Reserve Funds not bearing interest. Net availability of funds under Reserve Funds, Small Savings and Provident Fund had a major share in financing the fiscal deficit. Under Suspense and Miscellaneous, there was decrease in transactions relating to un-encashed cheques, which amounted to ₹1,543 crore during 2019-20, when compared to ₹6,072 crore during 2018-19.

2.6.2 Reserve Funds

Reserve Funds are created for specific and well defined purposes under the Sector 'J' in the accounts of the State Government (Public Account). These funds are fed by contributions or grants from the Consolidated Fund of India or the State or from outside agencies. The contributions are treated as expenditure under the Consolidated Fund. The expenditure relating to the fund is initially accounted for under the Consolidated Fund itself for which the vote of the Legislature is obtained. At the end of the year, at the time of closure of accounts, the expenditure relating to the fund is transferred to Public Account. The funds may further be classified as 'Funds carrying interest' and 'Funds not carrying interest'.

Analysis of certain major reserve funds having a bearing on the liability position of the Government, its funding and expenditure are detailed below.

a) Consolidated Sinking Fund

The GoK constituted a Consolidated Sinking Fund in 2012-13 for the amortisation of all loans as recommended by the XII FC and transferred ₹1,000 crore towards its corpus in 2012-13. The fund is administered by the RBI which had invested the corpus in GoI Securities. As per Government notification (February 2013), the State Government may make minimum annual contributions to the fund at 0.50 per cent of the outstanding liabilities (excluding off-budget borrowings) at the end of the previous financial year. During 2019-

20, against the requirement of ₹1,351.88 crore, the State Government contributed ₹350.00 crore to the Fund under Major Head 2048 – Contribution to Consolidated Sinking Fund.

The XIV FC in its report had also analysed that the Consolidated Sinking Fund is an integral part of prudent fiscal management. It creates a cushion to meet repayment obligations in times of fiscal/market stress, as it boosts investor confidence and thereby facilitates borrowings in the primary market at a reasonable cost even in normal times. The balance under the fund at the end of the year was at ₹3,120 crore as per books of accounts. During 2019-20, ₹452.45 crore being the accrued interest was further invested in Government Securities. However, the interest of ₹1,220.73 crore accrued on the investment made during 2012-13 to 2019-20 did not pass through the Government books and stands reinvested in Consolidated Sinking Fund. The State Government has initiated action to account for the interest under Consolidated Fund in consultation with PAG (A&E).

b) Green Tax

The GoK vide the Karnataka Motor Vehicles Taxation (Amendment) Act, 2002 introduced collection of a Cess called ‘Green Tax’²⁴ to control air pollution.

Vide para 1.3.1.1 of the Report of the Comptroller and Auditor General of India on State Finances for the year ending 31 March 2016, on ‘Improper accounting and non-utilisation of Green Tax Cess collections’, it was stated that the green tax cess collected is to be accounted under revenue receipt head ‘0041-00-102-0-11 – Green Tax’ and expenditure under ‘2401-00-001-0-07-Implementation of measures to control air pollution and other such activities’. A Reserve Fund to transfer the Green tax cess collected is opened under Development and Welfare Funds – ‘8229-00-200-0-63 – Green Tax’.

During the year 2019-20, ₹14.55 crore has been collected under the revenue receipt head and expenditure incurred for the implementation of measures to control air pollution and other such activities was ₹0.14 crore. Thus, green tax cess collected along with the relevant expenditure needs to be transferred to Green Tax Fund in Public Account. However, neither the revenue receipts of green tax cess collections nor its corresponding expenditure have been transferred to the Public Account.

c) State Disaster Response Fund

The SDRF constituted under Disaster Management Act, 2005, is operative from 2010-11 under Reserve Fund bearing interest. As per the guidelines the accretions to the SDRF together with the income earned on the investment of the SDRF are to be invested in one or more of instruments *viz.*, Central Government dated securities, auctioned treasury bills and interest earning deposits and certificates of deposits with Scheduled Commercial Banks.

²⁴ Green Tax Cess is cess on old vehicles which have completed fifteen years in respect of two wheelers and non-transport vehicles and seven years in respect of transport vehicles at the time of renewal of Certificate of Registration in addition to the tax levied at the rates specified for the purpose of implementation of various measures to control air pollution.

Natural Calamities such as drought, flood, cyclone, earthquake, fire *etc.*, qualify for relief under this scheme.

The XIV FC recommended that the contribution to the fund is to be in the ratio of 90:10 between GoI and the State Government respectively. This was implemented with delay from 2018-19 onwards. However, during 2019-20, the contribution from GoI and the State Government was more than actual ratio of 90:10. During 2019-20, an aggregate amount of ₹876 crore was transferred to the fund account (contribution from GoI of ₹507 crore and the State's contribution of ₹369 crore to the SDRF).

In addition, ₹2,905.28 crore, GoI contribution from National Disaster Response Fund (NDRF) was transferred to the fund account. The entire balance of ₹4,215.90 crore (OB of ₹434.62 crore *plus* ₹3,781.28 crore received during the year) was released to the Deputy Commissioners of the districts under the Major Head '2245 - Relief on account of Natural Calamities' which was shown as expenditure met out the SDRF. The balance in the fund as on 31 March 2019 was Nil. The details of expenditure under 2245 - Relief on Account of Natural Calamities during 2019-20 is detailed in **Table 2.30**.

Table 2.30: Details of expenditure charged to Relief on Account of Natural Calamities

(₹ in crore)		
Major Head of Account 2245- Relief on Account of Natural Calamities	Minor Head of Account	Expenditure during 2019-20
02-Floods, Cyclones <i>etc.</i>	101-Gratuitous Relief	10.00
	Sub-Total	10.00
05-State Disaster Response Fund	Transfers to Reserve Funds and Deposit Accounts – SDRF	3,781.28
	901-Deduct-Amount met from State Disaster Response Fund	(-) 4,215.90
	Sub-Total	(-) 434.62
80-General	101-Centre for Training in Disaster preparedness	6.02
	102-Management of Natural Disasters, Contingency Plans in Disaster Prone Areas	4,904.55
	911-Deduct-Recoveries of Overpayments	-
	Sub-Total	4,910.57
	Grand Total	4,475.95

Further, the State Government had to pay interest of ₹24.25 crore on the opening balance (₹434.62 crore) of SDRF at the rate applicable to overdrafts (5.58 *per cent* for 2019-20) and credit the same on a half yearly basis by a charge to Major Head '2049-Interest Payments'. The Finance Department in its reply (February 2021) stated that a token provision for interest payment was made in the Supplementary Estimate II.

d) Forest Development Fund

Revenue realised from Forest Development Tax is credited as revenue of the Government and an equal amount is transferred to the Karnataka Forest Development Fund (KFDF) maintained under the Public Account. Actual expenditure incurred on certain works related to conservation and development of forest is transferred to KFDF under the head of account 8229-00-200-0-04 through accounting adjustments.

There was a balance of ₹2,973.47 crore as on 1 April 2019 and during the year 2019-20, an amount of ₹0.26 crore was credited to the fund. However, expenditure of ₹268.45 crore incurred during the year had not been transferred to the fund. The balance in the fund was ₹2,973.73 crore at the end of March 2020.

e) Consumer Welfare Fund

State Consumer Welfare Fund has been established under Rule 3 of the Karnataka State Consumer Welfare Fund Rules, 2005, under Reserve Fund (not bearing interest) under the Major Head '8229-00-123-Consumer Welfare Fund' in the Public Account.

According to the provisions contained in these rules, the fund shall be credited with the seed money released by the GoI, assistance/grants provided by the Central Government for strengthening consumer movement in the State, matching grants or any other assistance by the State Government and the Court fee accrued with the District and State Consumer fora, any penalty paid by the manufacturers of consumer products or service providers and any income from the investment of the fund balances and any other amount received by the State Government for the purpose of the fund. The accumulation in the fund shall be utilised by the State Government for the welfare of the consumers.

During 2019-20, receipts amounting to ₹0.30 crore accounted under the Head 1456-00-800-0-01 were to be transferred to the fund account. Though provision was also made in the budget under HOA '3456-00-797-0-04-261' for transfer of receipts, no amount was transferred to the fund. Even though expenditure of ₹0.30 crore had been booked during the year, the same was not transferred to the fund. The opening and closing balances at the credit of the fund remained at ₹1.43 crore. In spite of being pointed by audit in previous SFARs, no action was initiated to transfer the receipts and expenditure to the fund account.

Impact of transactions of Reserve Funds

The impact/result of the transactions of the above reserve funds during 2019-20 is given below.

- Shortfall in contribution to the Consolidated Sinking Fund had resulted in overstatement of revenue surplus and also understatement of fiscal deficit;
- Non-transfer of both receipts and expenditure to the Green Tax Fund in Public Account resulted in overstatement of revenue receipts/expenditure;
- Transferring only the receipts, without transferring the corresponding expenditure to Forest Development Fund had resulted in overstatement of

revenue expenditure, fiscal deficit and understatement of revenue surplus and

- The unspent balances in the Personal Deposit accounts of the Deputy Commissioners for SDRF were not reflected in the accounts but merged with the general balances. These unspent balances resulted in understatement of the fund account in Public Account and had also resulted in overstatement of expenditure towards calamity relief in the Consolidated Fund.

2.6.3 In-operative Reserve Funds

As at the end of 31 March 2020, out of 50 Reserve Funds, 26 remained inoperative (80 inoperative Reserve Funds with nil balance were closed during the year 2019-20 with the concurrence of Finance Department). Of these 26 inoperative reserve funds, three reserve funds had zero balance, 13 reserve funds had a credit balance of ₹3,138.01 crore and 10 reserve funds had a debit balance of ₹2,470.14 crore as on 31 March 2020. The impact on accounts is that the asset of the Government has increased by ₹667.87 crore (net) under reserve funds. It is appreciable that the State Government had taken initiative to close 80 inoperative Reserve Funds, however, further action needs to be taken to reconcile and close the remaining 26 inoperative funds.

2.6.4 Karnataka Real Estate Regulatory Authority Fund

Real Estate Regulatory Authority (RERA) came into existence as per the Real Estate (Regulation and Development) Act, 2016, which aims to enhance accountability and transparency with respect to housing transactions and real estate. In Karnataka, the Karnataka Real Estate Regulation and Development Rules 2017 was approved and notified on 10 July 2017.

As per the Government Order dated 14 July 2017, fund under Interest bearing Deposit head 8343-00-120-0-02 Real Estate Regulatory Fund has been opened to account the transactions under Real Estate (Regulation and Development). The accumulation in the fund shall be utilised by the State Government for meeting the expenditure relating to the salaries and allowances and administrative expenses in respect of the Authority and the Appellate Tribunal and any other expenses of the authority in connection with the discharge of its functions and for the purposes of this Act.

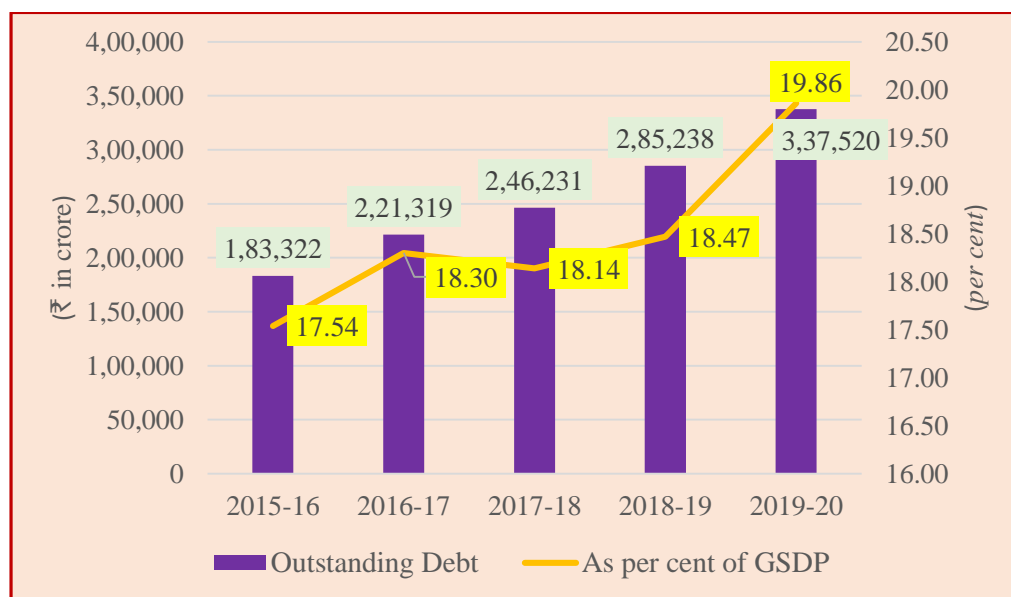
Though the fund came into operation from 2017-18, the fees collected (₹9.07 crore) and expenditure incurred (₹3.72 crore) during 2019-20 was transferred to the fund for the first time. However, the receipts collected and expenditure incurred during the period 2017-18 and 2018-19 were not transferred. The closing balance at the credit of the fund was ₹5.35 crore as on 31 March 2020.

2.7 Debt Management

Debt Management is the process of establishing and executing a strategy for managing the Government's debt in order to raise the required amount of funding, achieve its risk and cost objectives and to meet any other sovereign debt management goals that the Government may have set through enactment or any other annual budget announcements. The total outstanding debt and its

percentage to GSDP during the period 2015-16 to 2019-20 is depicted in **Chart 2.14**.

Chart 2.14: Outstanding Debt and its percentage to GSDP during 2015-20



As seen from the chart above, though the Outstanding debt and its *per cent* to GSDP is on an increasing trend during the period 2015-16 to 2019-20, they are within the target as prescribed under KFRA (25.00 *per cent*) as well as XIV FC recommendations (24.08 to 26.22 *per cent*).

2.7.1 Debt profile components

Total Debt of the State Government typically comprises Internal Debt of the State (Market loans, ways and means advances from RBI, special securities issued to National Small Savings Fund and loans from financial institutions, etc.), loans and advances from the GoI, Public Account Liabilities and Off-budget borrowings.

The component wise details of Debt, their rate of growth, ratio of these liabilities to GSDP is shown in **Table 2.31** and the buoyancy of fiscal liabilities with respect to revenue receipts and own resources are brought out in **Appendix 2.2**. The fiscal liabilities of the State increased by 84 *per cent* from ₹1,83,322 crore in 2015-16 to ₹3,37,520 crore in 2019-20. The composition of overall debt during 2019-20 is presented in **Chart 2.15** and the details of Internal Debt taken *vis-à-vis* repayment made during 2015-16 to 2019-20 is shown in **Chart 2.16**.

Table 2.31: Component wise debt trends

		(₹ in crore)				
		2015-16	2016-17	2017-18	2018-19	2019-20
Outstanding Overall Debt		1,83,322	2,21,319	2,46,231	2,85,238	3,37,520
Public Debt	Internal Debt	1,09,545	1,32,489	1,48,581	1,79,309	2,20,337
	Loans from GoI	13,002	13,794	14,555	14,657	13,908
Liabilities on Public Account		53,076	64,788	69,922	76,410	85,172

	2015-16	2016-17	2017-18	2018-19	2019-20
Off-budget Borrowings	7,699	10,248	13,173	14,862	18,103
Rate of growth of Outstanding debt (percentage)	11.59	20.73	11.26	15.84	18.33
GSDP	10,45,168	12,09,136	13,57,579	15,44,399	16,99,115
Debt/GSDP (per cent)	17.54	18.30	18.14	18.47	19.86
Total Debt Receipts	21,072	31,156	25,122	41,914	50,459
Total Debt Repayments	4,110	7,420	8,269	11,083	10,180
Total Debt available	16,962	23,736	16,853	30,831	40,279
Debt Repayments/Debt Receipts (percentage)	19.50	23.82	32.92	26.44	20.17

Source: Finance Accounts

- The rate of growth of outstanding debt was 18.33 per cent during 2019-20, being 2.49 per cent increase over the previous year (15.84 per cent);
- Though there was decrease in Debt Repayment/Debt Receipts ratio, there was increase in total debt receipts by ₹8,545 crore due to increase in market loans during 2019-20 and
- Increase in total debt available to the State was mainly due to increase in receipt under Internal Debt from ₹40,470 crore in 2018-19 to ₹49,473 crore in 2019-20 (**Appendix 2.2**) and off-set by decrease of ₹769 crore under Loans and Advances from GoI.

Chart 2.15: Breakup of overall debt at the end of financial year 2019-20

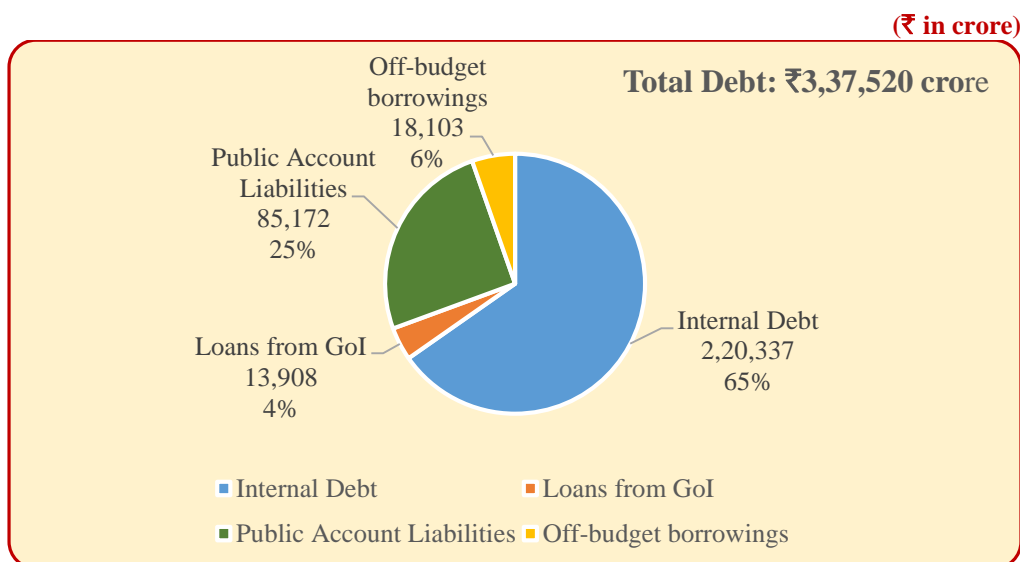
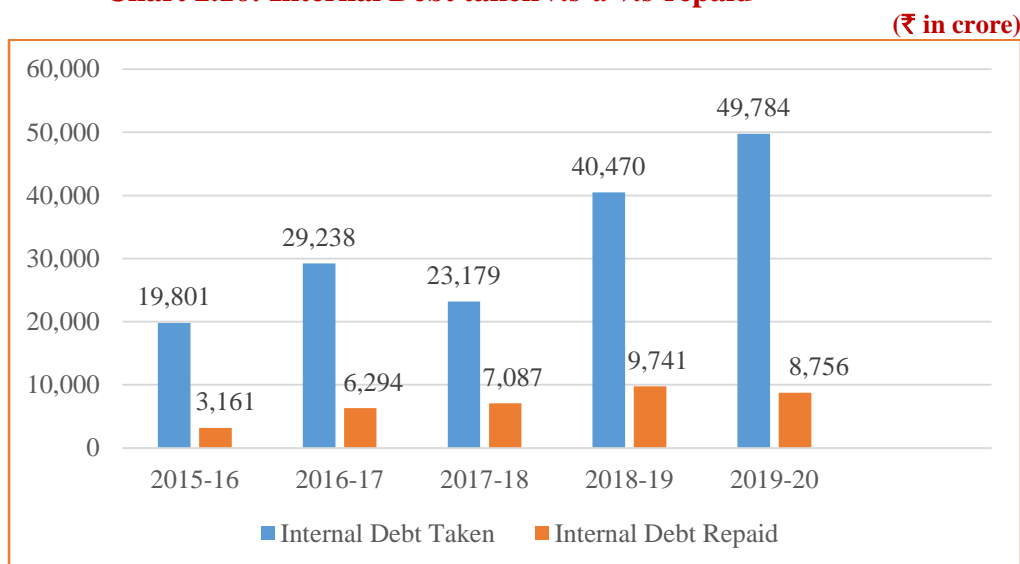


Chart 2.16: Internal Debt taken vis-à-vis repaid

Out of the total outstanding debt, internal debt consisting of market borrowings, loans from NABARD, LIC, GIC and special securities issued to NSSF of Central Government constituted 65.28 *per cent* (₹2,20,337 crore). Public Account liabilities account for 25.24 *per cent*, loans from GoI comprise 4.12 *per cent* and off-budget borrowings 5.36 *per cent*.

The internal Debt which is a part of Consolidated Fund liabilities increased from ₹1,09,545 crore in 2015-16 to ₹2,20,337 crore in 2019-20, an increase of 101 *per cent*. The loans and advances from GoI showed an increase of seven *per cent* from ₹13,002 crore in 2015-16 to ₹13,908 crore in 2019-20 with inter-year variations. However, it decreased during 2019-20 by ₹749 crore (five *per cent*) over the previous year.

2.7.1.1 Off-budget borrowings

The borrowings of the State Government are governed by Article 293 (1) of the Constitution of India. The State stood as guarantor for loans availed by Government Companies/ Corporations/ Societies. These Companies/ Corporations/ Societies borrowed funds from the market/ financial institutions for implementation of various State Plan programme projected outside the State budget. The borrowings of these concerns ultimately turn out to be the liabilities of the State Government termed 'Off-budget borrowings' (OBB) and the Government had been repaying the loans availed of by these Companies/ Corporations/ Societies including interest through regular budget provision under capital account.

During 2019-20, capital expenditure of ₹39,599 crore included ₹1,194.23 crore towards servicing of principal amount of off-budget borrowings. **Table 2.32** gives the entity-wise position of borrowings till the end of 2019-20.

Table 2.32: Entity-wise position of off-budget borrowings

Company/ Corporation/ Board	Outstanding off budget borrowing	Borrowings during 2019-20	Repayment during 2019-20		Closing Balance
			Principal	Interest	
Krishna Bhagya Jala Nigam Limited	7,086.95	1,505.49	193.04	668.92	8,399.40
Karnataka Neeravari Nigam Limited	2,988.83	1,265.00	520.92	272.61	3,732.91
Karnataka Road Development Corporation Limited	114.14	1.00	14.50	12.11	100.64
Rajiv Gandhi Rural Housing Corporation Limited	892.18	400.00	159.12	78.16	1,133.06
Karnataka State Police Housing and Infrastructure Development Corporation	5.39	---	3.08	0.41	2.31
Cauvery Neeravari Nigam Limited	2,235.00	500.00	50.00	194.70	2,685.00
Visvesvaraya Jala Nigam Limited	1,539.07	764.00	253.57	156.84	2,049.50
Total	14,861.56	4,435.49	1,194.23	1,383.75	18,102.82

Taking into account the off-budget borrowings of the State, the total liabilities at the end of March 2020 worked out to ₹3,37,520 crore. The rate of outstanding liabilities (including off-budget borrowings) to GSDP works out to 19.86 per cent at the end of the year.

2.7.2 Composition of fiscal deficit and its financing pattern

The financing pattern of fiscal deficit has undergone a compositional shift as reflected in **Table 2.33** and the financing pattern of fiscal deficit for the year 2019-20 is shown in **Table 2.34**. Breakdown of fiscal deficit reveals the extent of various borrowings resorted to by the State to meet its requirement of funds over and above revenue and non-debt receipts. The component wise trends of the debt are depicted in **Chart 2.17**.

Table 2.33: Components of fiscal deficit and its financing pattern

Particulars		(₹ in crore)				
		2015-16	2016-17	2017-18	2018-19	2019-20
Composition of Fiscal Deficit		-19,169	-28,664	-31,101	-38,442	-38,166
1	Revenue Surplus	1,789	1,293	4,518	679	1,185
2	Net Capital Expenditure	20,361	28,123	30,663	34,665	35,485
3	Net Loans and Advances	597	1,834	4,956	4,456	3,866
Financing pattern of Fiscal Deficit*						
1	Market Borrowings	14,914	24,026	17,348	32,183	42,499
2	Loans from GoI	321	791	761	103	-749
3	Special Securities issued to NSSF	1,563	-1,573	-1,573	-1,595	-1,628
4	Loans from Financial Institutions	164	491	316	141	156

Particulars		2015-16	2016-17	2017-18	2018-19	2019-20
5	Small Savings, PF etc.	2,086	2,657	2,812	3,292	4,156
6	Deposits and Advances	284	3,041	1,833	3,068	3,174
7	Suspense and Miscellaneous	990	491	-1,509	-6,087	-1,364
8	Remittances	-17	-38	-76	-40	-347
9	Reserve Funds	2,081	6,013	3,019	3,197	4,728
10	Overall Deficit	22,386	35,899	22,931	34,262	50,625
11	Increase/Decrease in cash balance	-3,217	-7,235	8,170	4,180	-12,459
12	Gross Fiscal Deficit	19,169	28,664	31,101	38,442	38,166

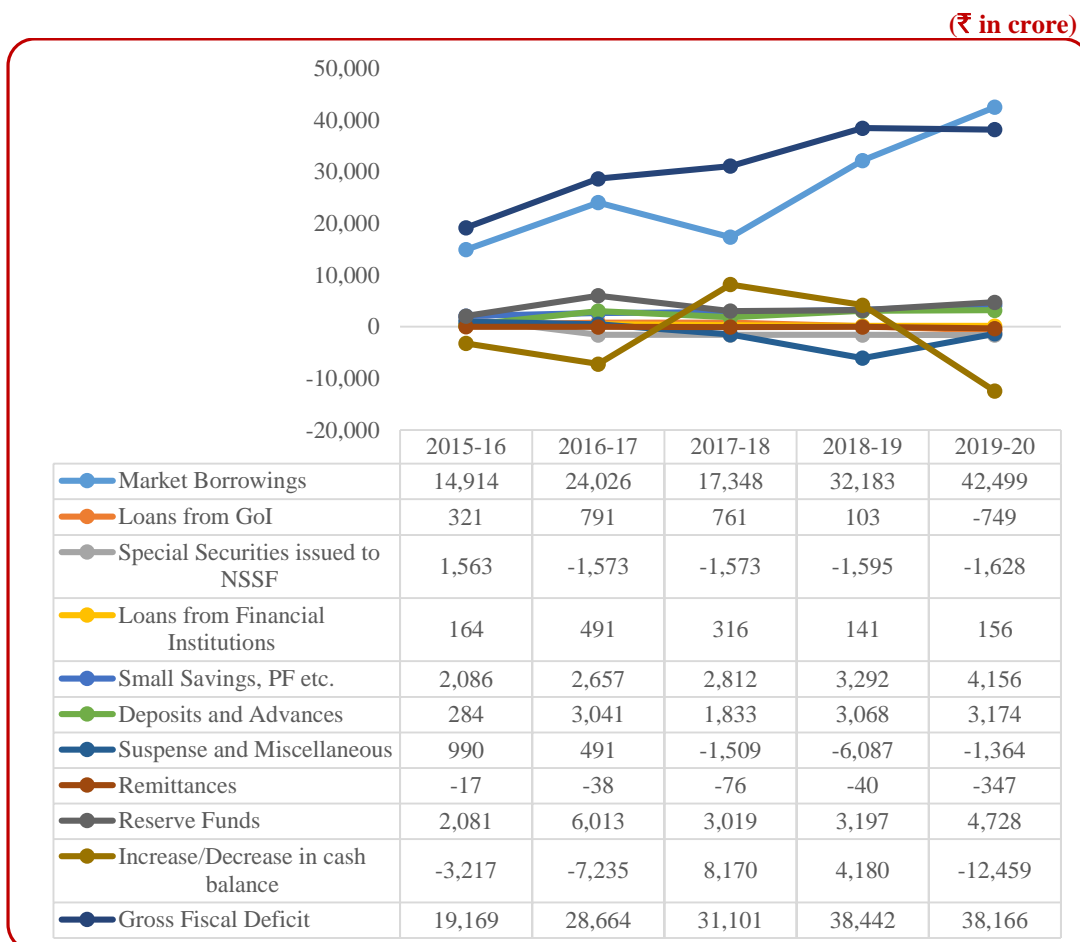
Source: Finance Accounts

*All these figures are net disbursement/outflows during the year.

Table 2.34: Receipts and Disbursements under components financing the fiscal deficit during 2019-20

Particulars		Receipt	Disbursement	Net
1	Market Borrowings	48,499	6,000	42,499
2	Loans from GoI	675	1,424	-749
3	Special Securities issued to NSSF	-	1,628	-1,628
4	Ways and Means advances from RBI	310	310	-
5	Loans from Financial Institutions	974	818	156
6	Small Savings, PF etc.	8,331	4,175	4,156
7	Deposits and Advances	60,643	57,469	3,174
8	Suspense and Miscellaneous	1,77,493	1,78,857	-1,364
9	Remittances	46	393	-347
10	Reserve Fund	9,126	4,398	4,728
11	Overall Deficit	3,06,097	2,55,472	50,625
12	Increase/Decrease in cash balance	22,004	34,463	-12,459
13	Gross Fiscal Deficit	3,28,101	2,89,935	38,166

Chart 2.17: Component wise debt trends



Since the State had attained revenue surplus in 2004-05 itself, the surplus on revenue account along with market borrowings, loans from GoI etc., were utilised to finance capital expenditure. During 2019-20, there was increase in loans from financial institutions, Small Savings, PF etc., Deposits and advances and Reserve Funds, Suspense and Miscellaneous balances which comprised transactions relating mainly to cheques and bills over the previous year. There was decrease in loans from GoI. Out of the market borrowings of ₹42,499 crore, fiscal deficit was financed to the extent of only ₹30,040 crore and the balance of ₹12,459 remained in the cash balance of the State.

2.7.3 Debt profile: Maturity and Repayment

Debt maturity and repayment profile indicates commitment on the part of the Government for debt repayment or debt servicing. The maturity profile of Public Debt is shown in **Table 2.35**.

Table 2.35: Maturity profile of Public Debt

Year of Maturity	Maturity Profile	Amount			Per cent of total Public Debt
		Internal Debt	Loans and Advances from GoI	Total	
By 2020-21	0-1 year	9,379.96	694.53	10,074.49	4.30
Between 2021-22 & 2022-23	2-3 years	25,175.21	1,390.82	26,566.03	11.34
Between 2023-24 & 2024-25	4-5 years	38,332.71	1,052.32	39,385.03	16.82
Between 2025-26 & 2026-27	5-6 years	51,456.69	456.29	51,912.98	22.16
Between 2027-28 & 2028-29	6-7 years	57,148.57	316.29	57,464.86	24.53
2029-30 onwards	Above 7 years	38,843.78	9,998.25	48,842.03	20.85
Total		2,20,336.92	13,908.50	2,34,245.42	-

The maturity profile of the public debt as on 31 March 2020 indicates that out of the outstanding public debt of ₹2,34,245.42 crore, 46.69 per cent belonged to the maturity bracket of 5-7 years (₹1,09,377.84 crore) and 20.85 per cent (₹48,842.03 crore) in the maturity bracket of more than seven years, indicating no short term redemption pressure.

2.8 Debt Sustainability Analysis (DSA)

Debt is considered sustainable if the borrower, in this case the State, is in a position to service its debt now and in future. Apart from the magnitude of the debt of the State Government, it is important to analyse various indicators that determine the debt sustainability of the State. Debt sustainability indicators accordingly seek to assess the credit worthiness and the liquidity position of the State by examining their ability to service the debt through timely interest payments and repay debt out of current and regular sources of revenue.

This section assesses the sustainability of debt of the State Government in terms of debt/GSDP ratio, fiscal deficit, burden of interest payments (measured by ratio of interest payments to revenue receipts) and maturity profile of the State Government debt.

Table 2.36 shows the debt sustainability of the State according to these indicators for the five-year period beginning from 2015-16.

Table 2.36: Trends in Debt Sustainability indicators

Debt Sustainability Indicators	2015-16	2016-17	2017-18	2018-19	2019-20
Outstanding Public Debt* (₹ in crore)	1,22,547	1,46,283	1,63,136	1,93,966	2,34,245
Rate of growth of Outstanding Public Debt (per cent)	16.06	19.37	11.52	18.90	20.77
GSDP (₹ in crore)	10,45,168	12,09,136	13,57,579	15,44,399	16,99,115
Rate of growth of GSDP (per cent)	14.36	15.69	12.28	13.76	10.02
Debt/GSDP (per cent)	11.73	12.10	12.02	12.56	13.79
Fiscal Deficit/GSDP (per cent)	1.83	2.37	2.29	2.49	2.25
Interest Payment (₹ in crore)	11,343	12,850	14,973	16,614	19,903
Average interest rate on Outstanding public debt (per cent)	9.94	9.56	9.68	9.30	9.30
Interest payments to Revenue Receipts ratio	9.55	9.65	10.18	10.07	11.34
Percentage of Debt repayment to Debt Receipt	19.50	23.82	32.92	26.44	20.17
Net Debt available to the State# (₹ in crore)	8,060	13,609	5,005	17,766	24,510
Net Debt available as per cent to Debt Receipts (per cent)	38.25	43.68	19.92	42.39	48.57
Debt Stabilisation (Quantum Spread ²⁵ + Primary Deficit)	-2,409	-6,847	-11,886	-13,177	-16,576

Source: Finance Accounts

*Outstanding Public Debt is the sum of outstanding balances under the heads 6003-Internal Debt and 6004-Loans and Advances from Government of India.

#Net debt available to the State Government is calculated as excess of Public Debt receipts over Public Debt repayment and interest payments on Public Debt.

The fiscal consolidation roadmap recommended by the XIV FC had set the following targets relating to debt sustainability –

- Debt-GSDP ratio should be less than 26.22 per cent;
- Fiscal Deficit to GSDP should be less than 3.25 per cent and
- Interest payments to Revenue Receipts should be less than 9.15 per cent.

²⁵ Quantum Spread is Interest Spread as percentage of debt stock. Interest Spread is the difference of rate of growth of GSDP and Average interest rate on Outstanding public debt.

An analysis of the **Table 2.36**, in the five-year period from 2015-16 to 2019-20 revealed the following.

- The ratio of Debt to GSDP has been stable and well below the 26.22 *per cent* recommended by XIV FC and below the target ceiling for debt of 25.00 *per cent* set in KFRA;
- Fiscal Deficit to GSDP ratio is stable and well below the XIV FC recommendation of 3.25 *per cent* during 2015-16 to 2019-20;
- The burden of interest payment to Revenue receipts was above the norm recommended by XIV FC. During 2015-16 to 2019-20, the IP/RR ratio was between 9.55 and 11.34 *per cent*, against the XIV FC recommendation of 8.62 to 9.15 *per cent*.
- The growth rate of outstanding public debt is higher than the GSDP growth, indicating higher debt to GSDP ratio;
- The percentage of Public debt repayment to Public debt receipts during 2015-16 to 2019-20 is between 19.50 and 32.92 *per cent*;
- Increase in net debt available to the State was mainly due to increase in receipts under Internal Debt from ₹40,470 crore in 2018-19 to ₹49,784 crore in 2019-20 and off-set by decrease in Loans and Advances from GoI and
- The negative sum of quantum spread and primary deficit indicates the tendency towards unstable debt.

2.8.1 Utilisation of borrowed funds

Borrowed funds should ideally be used to fund capital creation and developmental activities. Using borrowed funds for meeting current consumption and repayment of interest on outstanding loans is not sustainable. The details of utilisation of borrowed funds during the period 2015-16 to 2019-20 is given in **Table 2.37**.

Table 2.37: Utilisation of borrowed funds

(₹ in crore)						
Sl. No	Year/Particulars	2015-16	2016-17	2017-18	2018-19	2019-20
1	Total Borrowings	21,072	31,156	25,122	41,914	50,459
2	Repayment of earlier borrowings (Principal)	411	7,440	8,269	11,083	10,180
3	Net Capital Expenditure	20,361	28,123	30,663	34,665	35,485
4	Net Loans and Advances	597	1,834	4,956	4,456	3,866
5	Net availability of borrowed funds (5=1-2-3-4)	-3,996	-6,221	-18,766	-8,290	928

From the above Table, it is noticed that for the period 2015-16 to 2018-19 borrowed funds were insufficient to service the Capital expenditure (including

loans and advances). During 2019-20, the borrowed funds were sufficient for the Capital expenditure. This indicated that the Government had borrowed more than the requirement.

2.8.2 Status of Guarantees – Contingent Liabilities

Guarantees are contingent liabilities on the Consolidated Fund of the State in case of default by the borrower for whom the guarantee was extended. The Karnataka Ceiling on Government Guarantees Act, 1999 provides for a cap on outstanding guarantees extended by the Government as on first day of April of any year at 80 per cent of the State's revenue receipts of the second preceding year. The details of the last five years are shown in **Table 2.38**.

Table 2.38: Guarantees given by the State Government

Guarantees	(₹ in crore)				
	2015-16	2016-17	2017-18	2018-19	2019-20
Maximum amount guaranteed to the end of 31 March of a year	18,358	21,115	24,025	30,719	35,694
Outstanding amount of guarantees including interest at the end of the year	13,324	15,392	18,416	24,091	26,830

Source: Finance Accounts

The outstanding guarantees on 1 April of each year were within the prescribed limit. The outstanding guarantees amounting to ₹26,830 crore at the end of the year 2019-20 (principal + interest) included guarantees extended to 161 institutions/ companies under various sectors²⁶.

Against the total estimated guarantee commission of ₹469.49 crore receivable as reported by the State Government, only ₹205.21 crore was received during 2019-20. The guarantee commission received includes book adjustment made by the State Government towards the guarantee commission payable to it by different entities²⁷ by way of subsidies/grants-in-aid/financial assistance.

In MTFP (2016-20) presented before the Legislature, the Government had stated that since the guarantees resulted in increase in contingent liability, they should be examined in the same manner as a proposal for a loan, taking into account, *inter alia*, the credit-worthiness of the borrower, the amount and risks sought to be covered by a sovereign guarantee, the terms of the borrowing, the justification and public purpose to be served, probabilities that various commitments will become due and possible costs of such liabilities, *etc.* The utility of having a functional Guarantee Reserve Fund and Guarantee Policy is under consideration with the State Government.

²⁶ Irrigation (₹16,866 crore), Co-operation (₹1,342 crore), Finance (₹1,362 crore), Power (₹4,075 crore), Housing (₹2,189 crore), Transport (₹310 crore) and other sectors (₹686 crore)

²⁷ Rajiv Gandhi Rural Housing Corporation Limited (₹10.24 crore), Karnataka Road Development Corporation Limited (₹2.54 crore), Power Company of Karnataka Limited (₹37.46 crore), Krishna Bhagya Jala Nigam Limited (₹12.01 crore), Karnataka Neeravari Nigam Limited (₹18.52 crore), Visvesvaraya Jala Nigam Limited (₹10.36 crore), Karnataka State Co-operative Marketing Federation Limited (₹8.12 crore) and KEONICS (₹2.03 crore)

The PAC also recommended (July 2015) that suitable efforts should be made to operate and continue the Guarantee Reserve Fund.

The Government has made a provision of ₹50.00 crore in the budget 2020-21 for the operation of the Guarantee Reserve Fund.

2.8.2.1 Study on Guarantee Commission

Karnataka Ceiling of Government Guarantee Act, 1999 stipulates that the Government shall charge minimum of one *per cent* as guarantee commission which shall not be waived under any circumstances. A review on Guarantee commission dues and its monitoring was conducted for the period from 2014-15 to 2019-20 in respect of three departments Co-operative, Housing and Urban Development through test check of guarantees issued. The observations are brought out in subsequent paragraphs.

• Non-updation of database on Guarantees

The existence of complete database about guarantees is prerequisite for effective monitoring of guarantees. The Asset Liability Monitoring (ALM) section in the Directorate of Pensions, Small Savings maintains the database of guarantees. Information from this database is furnished to Finance Department during the preparation of Statement No. 9 of Finance Accounts. However, Government Orders sanctioning guarantees were not marked to ALM section by the Expenditure Sections and Investment Sections and hence, the database was not updated. There was no account of cancelled/withdrawn/expired guarantees, year wise in the records maintained by the ALM section. This resulted in incomplete and lack of up to date information in the ALM section.

• Working of Asset & Liability Monitoring (ALM) Section

The ALM was constituted by Government of Karnataka vide Government Order (GO) dated 21 April 2010 with a mandate to track the Government Assets and Liabilities including guarantees. The section is responsible for developing a model for Risk Based Classification of guarantees. The task requires expertise to identify and analyze relationships between various financial parameters. It is also responsible for ensuring repayment of loans guaranteed by GoK and undertaking suitable remedial action in cases of default by the borrowers. There is no mechanism to direct the borrowers to update the ALM section as and when debt servicing transactions occur.

The fact of issue of a new guarantee during the year is not known to ALM until the end of the year when ALM seeks information about the outstanding principal and interest, payments made during the year and guarantee commission paid during the year from the borrowers as part of an annual exercise to collect material for Statement No. 9. This information is consolidated in ALM Directorate with regard to Guarantee Commission dues and there is no monitoring mechanism in place for the details furnished by the Administrative departments. Thus ALM section is not aware of a default in debt servicing or failure to pay Guarantee Commission until the end of the year.

• Non furnishing of details of guaranteed loans availed

As per Finance Department GO dated 26 February 2018 all Companies, Co-operative institutions, Boards and Corporations availing Guaranteed Loans

from various financial institutions under Government guarantees are required to furnish the details of Guaranteed loans availed, outstanding Guaranteed loans and guarantee commission dues and all other relevant information including copies of Block Guarantee Deeds and Agreement letters to the Directorate of Pensions, Small Savings, ALM Cell, Bengaluru every year since the same is included in the Finance Accounts and also the Budget document. However, this is not being done.

- **Avoidable payment of additional interest to the bank – ₹0.53 crore**

Bank of India, the bankers for M/s Karnataka State Co-operative Marketing Federation Ltd. (KSCOMF) prescribed that ₹300.00 crore was to be kept outstanding as on 01/04/2019 (reduced amount) in the loan account of guaranteed loans. But KSCOMF had an outstanding balance of ₹378.00 crore as on that date, resulting in the bank levying additional interest to the tune of ₹0.53 crore on the amount over and above the prescribed balance in March 2020. Non-adherence to the terms and conditions of the bank in maintaining the prescribed outstanding balances by KSCOMF resulted in the bank levying additional interest. This could have been avoided.

- **Understatement/Overstatement of Guarantee Commission dues**

It was observed in following cases (Table 2.39) that there were differences in the guarantee commission dues as furnished by the entities and that with FD/ALM section as on 31 March 2020.

Table 2.39: Variation in Guarantee Commission dues

			(₹in crore)		
Name of the entity			As furnished by entity	As per FD/ALM section	Difference
Karnataka State Co-operative Agriculture and Rural Development Bank Limited (KSCARDB)			130.29	118.56	11.73
Karnataka State Co-operative Marketing Federation Limited (KSCOMF)			13.63	11.87	1.76
Dakshina Kannada Sahakari Sakkare Kharkhane			12.52	-	12.52
Karnataka Urban Water Supply and Drainage Board (KUWS&DB)			24.41	21.41	2.80

Non-reconciliation of guaranteed loans and guarantee commission dues between the entities and Finance Department/Directorate of ALM could result in possible understatement/overstatement of figures in Finance Account.

- **Non adherence to payment terms**

The Guarantee Commission dues are not being worked out on the closing balances of Principal and Interest – month wise as prescribed in GO dated 17 September 2002 of Finance Department. Wherever the month-wise closing balances of Principal and interest of the guaranteed loans are not made available, ALM has furnished the guarantee commission dues on the year wise closing balances. The month-wise closing balances of the guaranteed loans were not

made available to audit either in the case of Karnataka State Co-operative Agriculture and Rural Development (KSCARD) Bank Limited nor Government Sugar factories.

The GO also stipulates that the payment of guarantee commission shall be made once in six months but none of the institutions in the sectors verified have adhered to the payment terms prescribed. The Administrative departments and Directorate of Pensions, Small Savings and Asset –Liability Monitoring (ALM) have neither maintained a Demand Collection Balances (DCB) register to monitor the outstanding dues from every institution nor issued demand notices periodically. Monitoring lapses has resulted in huge outstanding amounts of guarantee commission dues (₹264.28 crore receivable as on 31 March 2020 as per ALM records).

- **Conclusion**

- There were no benchmarks prescribed for guidance to the Administrative departments/ FD at the time of finalization of guarantees.
- Absence of policy on Government guarantees and procedures to implement the same gave rise to lack of accountability in giving guarantees and inconsistencies in management of guarantee commission receivables
- Ineffective sharing of information between various wings of FD and Administrative departments affected accuracy of disclosures regarding guarantees.

- **Recommendations**

- Government may announce policy prescriptions on guarantees to be given.
- Strict rules may be enforced to ensure prompt repayment of guaranteed loans and payment of guarantee commission dues at the prescribed intervals.
- The Database on guarantees may be updated at regular intervals and cross checked at the time of finalization of the Statements. ALM department may be given the authority to access basic records and ensure the correctness of the details furnished.
- Benchmarks are required to be prescribed for the guidance of the Administrative departments at the time of processing the guarantees.

The Finance Department in its reply (February 2021) stated that necessary action would be initiated to update the database on Guarantees by ALM Section.

2.8.3 Management of Cash Balances

As per an agreement with the Reserve Bank of India (RBI), State Governments have to maintain a minimum daily cash balance with the Bank. If the balance falls below the agreed minimum on any day, the deficiency is made good by taking ordinary Ways and Means Advances (WMA)/Special Ways and Means Advances (SWMA)/Overdrafts (OD) from time to time. The limit for ordinary WMA to the State Government are revised by the RBI from time to time.

- The Reserve Bank of India grants Normal and Special Ways and Means Advances. Limit for Normal Ways and Means Advances to the State was raised from ₹ 937.50 crore during April 2015 to ₹ 1,985 crore with effect from 01 February 2016. Since March 1999, the limits for Special Ways and

Means Advance of the State Government are linked exclusively to their holdings of Government of India Securities. These advances carry interest at such rates as may be fixed by the RBI from time to time.

- During the year 2019-20, State Government has availed Special Ways and Means Advances for two days in July 2019 to the extent of ₹310.49 crore, which has since been repaid. For the Special Ways and Means Advance availed, ₹0.05 crore being the interest has been debited by RBI during August 2019.

It is not desirable that State Government take recourse to market loans despite having large cash balances leading to further accretion to cash balances without putting it to productive use. **Table 2.40** depicts the cash balances and investments made by the State Government during 2019-20.

Table 2.40: Cash Balances and their investment

(₹ in crore)

	Opening balance on 1 April 2019	Closing balance on 31 March 2020
A. General Cash Balance		
Cash in treasuries	-	-
Deposits with Reserve Bank of India	989.96	1,659.20
Deposits with other Banks	-	-
Remittances in transit – Local	0.01	0.01
Sub Total	989.97	1,659.21
Investments held in Cash Balance Investment Account	5,139.28	13,634.21
Total (A)	6,129.25	15,293.42
B. Other Cash Balances and Investments		
Cash with departmental officers viz, PWP&IWT department officers, Forest department, DCs	2.09	2.09
Permanent Advances for contingent expenditure with departmental officers	1.87	2.18
Investment of Earmarked funds	15,870.66	19,165.44
Total (B)	15,874.62	19,169.71
Total (A+B)	22,003.87	34,463.13
Interest realised	936.47	535.10

Source: Finance Accounts

The cash balance of the State at the end of the year was ₹34,463 crore. The increase in the cash balance was 57 per cent over the previous year. Cash Balances of the State Government at the end of the current year increased significantly by ₹12,459 crore from ₹22,003.87 crore in 2018-19 to ₹34,463.13 crore in 2019-20. The surplus cash balance was mainly due to market borrowings of ₹48,499 crore during 2019-20.

State Government invests its surplus cash balance in short and long-term GoI Securities and Treasury Bills. The profits derived from such investments are credited as receipts under the head '0049-Interest Receipts'. The State Government has earned an interest of ₹535 crore during 2019-20 with an average interest rate of 2.31 per cent for 14-day Treasury bills and 5.42 per cent

for 91-day Treasury bills against an average rate of 6.38 *per cent* per annum at which the borrowings were made.

In addition to the Treasury bills, cash balance is also invested in Earmarked funds *viz.*, Consolidated Sinking Fund, Development and Welfare Funds *etc.* Out of the investment of ₹19,165 crore in earmarked funds, ₹3,119 crore was invested in the Consolidated Sinking Fund, ₹16,021 in Development and Welfare Funds and balance was invested in General and Other Reserve Funds (₹25 crore). The cash balance investments of the State during the five-year period 2015-16 to 2019-20 are given in **Table 2.41**.

Table 2.41: Cash Balance Investment Account (Major Head-8673)

(₹ in crore)

Year	Opening Balance	Closing Balance	Increase (+)/ Decrease(-)	Interest earned
2015-16	17,962.31	16,917.13	(-)1,045.18	1,028.15
2016-17	16,917.13	23,977.48	7,060.35	1,054.16
2017-18	23,977.48	12,655.49	(-)11,321.99	1,078.30
2018-19	12,655.49	5,139.28	(-)7,516.21	936.47
2019-20	5,139.28	13,634.21	8,494.93	535.10

Source: Finance Accounts

The trend analysis of the cash balance investment of the State Government during 2015-20 revealed that investment increased significantly during 2016-17 and 2019-20.

Chart 2.18 compares the balances available in the Cash Balance Investment Account and the Market Loans taken by the State during the period 2015-20. Market Loans were taken at higher interest rates whereas investment in Treasury Bills yielded interest at lower rates.

Chart 2.18: Market Loans *vis-à-vis* Cash Balance

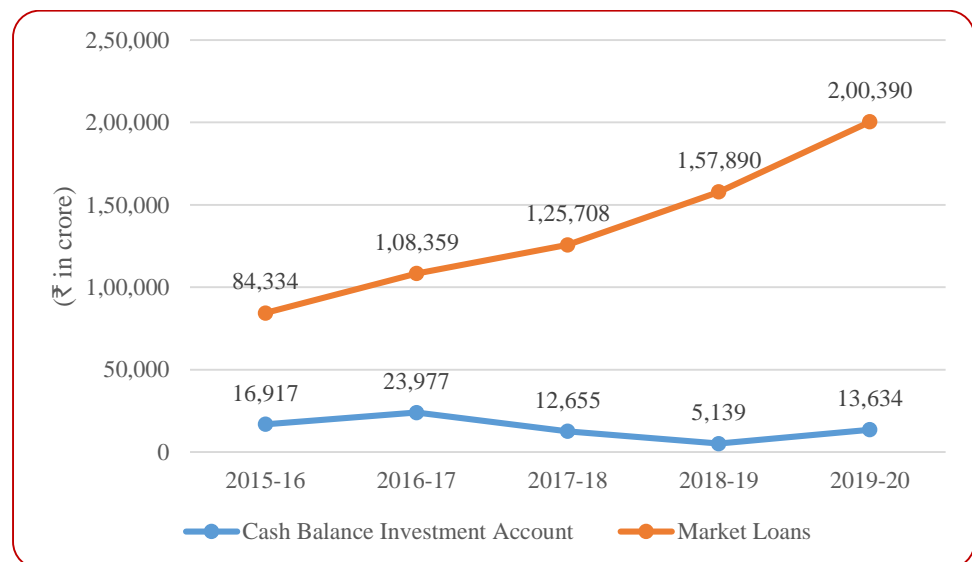


Chart 2.19 compares the month-wise Cash Balance Investment Account with the market loans obtained by the State. **Chart 2.20** compares month-wise movement of Cash balances and net Cash Balance Investments during the year.

Chart 2.19: Month wise movement of Cash Balance Investment Account and market loans during 2019-20

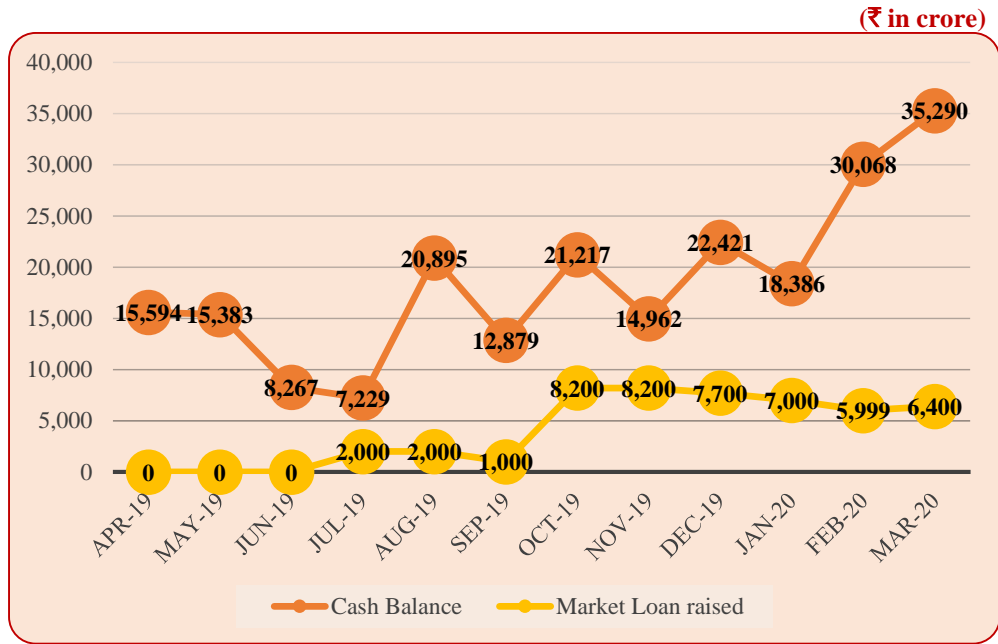
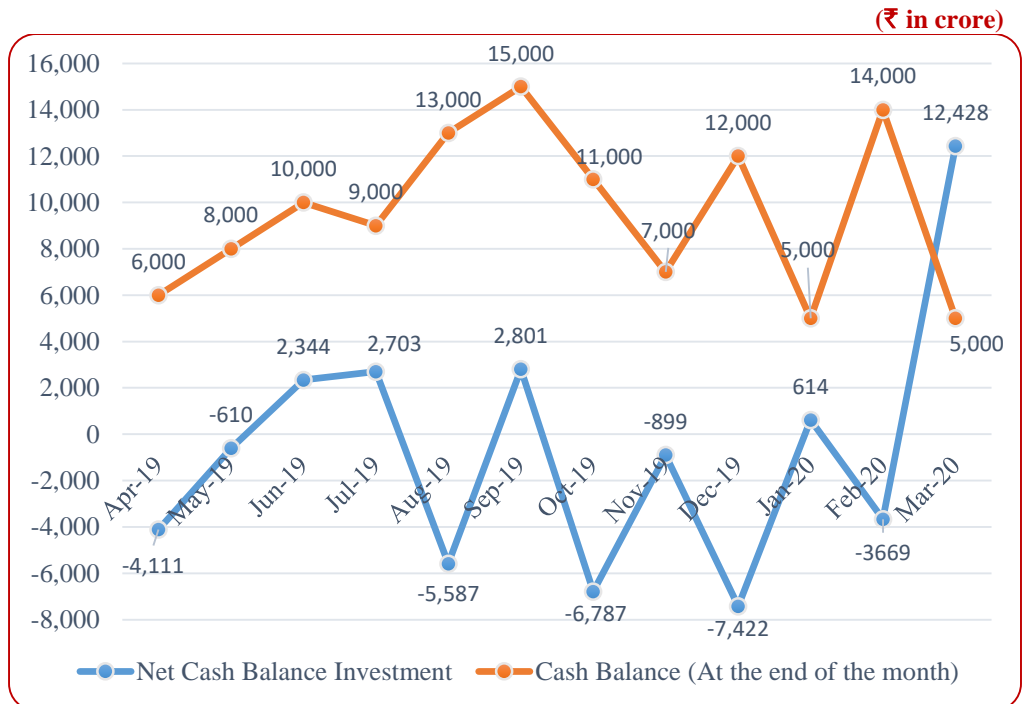


Chart 2.20: Month-wise movement of Cash Balances and Net Cash Balance Investments during the year



The preceding chart indicates that the State Government had taken recourse to market loans on several occasions during the year despite having large cash balances leading to further accretion to cash balances without putting it to productive use. During the year 2019-20, the State Government raised ₹48,499 crore from the market, while at the same time, the cash balance increased significantly from ₹5,139 crore to ₹13,634 crore, indicating that much of the borrowing was avoidable.

Further, borrowings are normally resorted to, to invest in capital projects and creation of assets. The increase in Capital Expenditure of the State during 2019-20 compared to the previous years, as brought out in Paragraph 2.4.3 has been minimal. Therefore, there appears to be no rationale for borrowing at a higher rate of interest, while the cash balances were comfortable throughout the year. Further, at the end of the year, the Government had invested about 60 *per cent* of the cash balance in the earmarked funds including those at RBI (**Table 2.40**). To achieve the 60 *per cent* investment target throughout the year, the State Government's monthly cash balance was sufficient and there was no need for additional borrowings. Thus, the borrowings especially the market loans could have been avoided and the resultant interest burden could also be averted.

Successive Finance Commissions and RBI have been reiterating that there should be an effort by State with large balances towards utilizing their existing cash balances before resorting to fresh borrowings and to manage their cash balance more efficiently.

During the exit conference (February 2021), the Finance Department stated that the cash balance at the end of March 2020 was ₹13,654 crore and not ₹34,463 crore. The cash balance as stated by the State Government relates only to cash balance investment account while that pointed out by Audit is ₹34,463 crore which is as per the Finance Accounts and is inclusive of investment made in earmarked funds and others. Audit noticed that even the cash held in the cash balance investment account had increased from ₹5,139.28 crore to ₹13,634.21 crore (165 *per cent*). Further, from the investment account, the State Government had earned an interest of ₹535 crore during 2019-20 with an average interest rate of 2.31 *per cent* for 14-day Treasury bills, whereas during the year, the State Government had to make interest payment of ₹ 19,903 crore at an average rate of 6.38 *per cent* per annum on the borrowings it made. Thus, increase in the borrowings despite retaining huge cash in the Investment Account is an issue which the State Government may consider looking into. The Finance Department further stated that since revenue collection during April and May 2020 was less due to Covid – 19 lock down, it anticipated that it had to avail borrowings during the last quarter of 2019-20.

2.9 Conclusion and Recommendations

State's own resources

Though the State Government registered an increase of 6.34 *per cent* in its Revenue receipts during 2019-20, the growth rate of Revenue Receipts showed a declining trend during 2015-16 to 2019-20. Own tax revenue contributed major part (58 *per cent*) of the revenue receipts of the State. However, the ratio of State's tax revenue to GSDP showed a declining trend. Also, there was no

improvement in the ratio of non-tax revenue to GSDP and it continued to be less than one *per cent* of GSDP during 2015-16 to 2019-20 also.

Recommendation: *Non-tax revenues require significant thrust by rationalising user charges and budgeting the interest receipts realistically as recommended by the Expenditure Reforms Commission and the Revenue FMRC (MTFP 2020-24). Efforts needs to be made for efficient enforcement of recovery of non-tax revenues and for revision of the user charges.*

Revenue expenditure

During 2019-20 there was decline in the growth under the social sector over the previous year (two *per cent*) and the share of expenditure on social services to total revenue expenditure also decreased from 41 *per cent* in 2018-19 to 38 *per cent* in 2019-20. The growth in expenditure on economic services increased marginally by nine *per cent* during 2019-20.

Eighty-two *per cent* of revenue expenditure comprised committed expenditure on salaries, interest payments, pensions, subsidies, Grants-in-aid and financial assistance, administrative expenditure and devolution to local bodies. The expenditure on health sector decreased during 2019-20 when compared to the previous year.

Recommendations: *Since the costs of salary, pension and interest are inflexible, the expenditure on subsidies, Grants-in-aid other than to local bodies, which are increasing steadily, requires utmost attention from the State Government through better targeting of beneficiaries.*

Quality of expenditure

The share of capital expenditure to total expenditure remained at 19 *per cent* during the current year. The percentage of developmental expenditure to total expenditure decreased from 76 *per cent* in 2018-19 to 74 *per cent* in 2019-20. Funds aggregating ₹2,341 crore were locked up in incomplete projects at the end of 2019-20.

The return from investment of ₹67,817 crore as of 31 March 2020 in Companies/Corporations was negligible (₹53.64 crore). The investment included ₹41,989 crore (62 *per cent*) to Companies/Corporations which were under continuous loss.

Recommendations: *The State Government should formulate guidelines for quick completion of incomplete projects and strictly monitor reasons for time and cost overrun with a view to take corrective action. In addition, it should give priority to works nearing completion.*

The State Government should review the working of State Public Sector Undertakings incurring huge losses and take appropriate action for disinvestment/revival/closure.

Funds and other Liabilities

Reserve funds of the State *viz.*, corpus fund of Guarantee Redemption Fund was not created. During the year, Green Tax collections of ₹14.55 crore were not transferred to fund account.

Recommendations: Rules with regard to administration and investment pattern of various reserve funds are required to be framed.

Debt sustainability

Open Market Borrowings had a major share (59 per cent) in the total fiscal liabilities of the State. The burden of interest payments measured by interest payments to revenue receipts ratio (IP/RR) has crossed the target laid by XIV FC of 10 per cent during 2017-18 to 2019-20 as it ranged between 9.15 per cent and 11.34 per cent. The net debt available to the State during 2019-20 (₹24,510 crore) increased by 38 per cent when compared to the previous year.

Recommendations: The State Government needs to make medium term corrections on the expenditure side to moderate committed expenditure.

Position of Cash Balance

The cash balance of the State at the of the year increased by 57 per cent over the previous year due to excess market borrowings.

Recommendations: Maintaining idle cash balance is not prudent cash management. Hence, Government needs to limit the market borrowings to its requirement.

Chapter – 3

Budgetary Management

Chapter 3 - Budgetary Management

3.1 Introduction

This chapter is based on the audit of Appropriation Accounts of the State. It reviews allocative priorities of the Government, reports on deviations from Constitutional provisions and highlights issues affecting transparency. It also contains a detailed analysis of Gender Budgeting.

3.2 Budget Process

The Karnataka Budget Manual prescribes the procedure to be followed for preparation of budget estimates and subsequent action relating to authorization of expenditure. The Budget is prepared by the Finance Department on the basis of the proposals received from the Heads of the departments. The Finance Department consolidates the Estimates embodying the decision of Government and prepares;

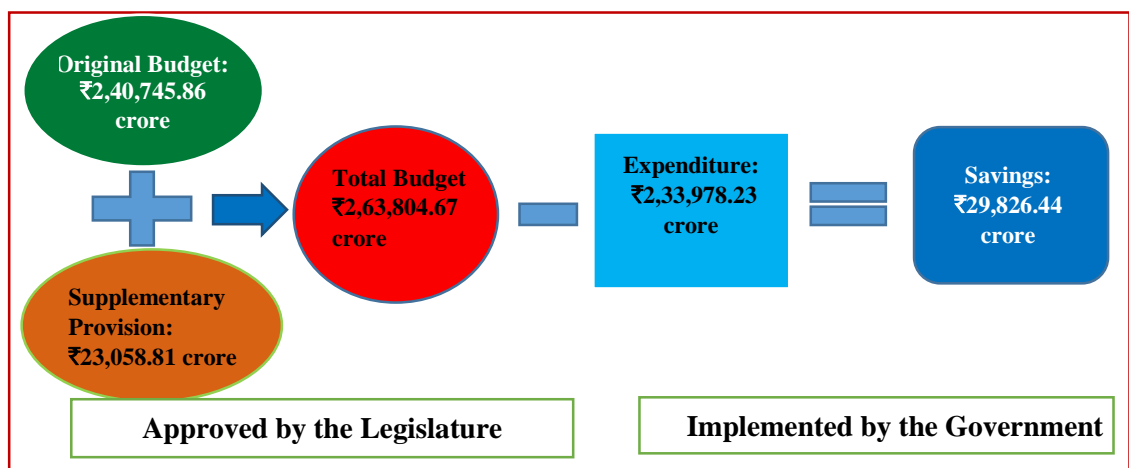
- i) Summary statement of the financial position for the budgeted year.
- ii) Detailed Estimates of receipts; and
- iii) Statements of demands for grants followed by detailed estimates of expenditure.

These estimates include both voted and charged expenditure to be met from the Consolidated Fund of the State. The annual budget is tabled in both the houses of the State Legislature by the Finance Minister each year.

The total amount approved by the State Legislature including the original and supplementary budgets, expenditure and savings during 2019-20 is depicted in **Chart 3. 1.**

Chart 3.1: Summary of Budget and Expenditure of Karnataka for 2019-20

(₹ in crore)



Source: Appropriation Accounts

3.3 Review of Gender budgeting in Karnataka

3.3.1 Introduction

A gender sensitive budget not only aims at examining the budgetary resource allocation through a gender lens, but also strives to examine the entire policy process *viz.*, formulation of legislation, policies, plans, programmes and schemes, implementation and execution thereof, monitoring, review, audit and impact assessment.

3.3.2 Gender Budgeting in Karnataka

A Gender Budget statement was introduced for the first time as part of the Expenditure Budget in the Union²⁶ in the year 2005-06. Government of Karnataka has been placing the Gender Budget document in the Legislature since 2007-08. The Gender Budget Cell in the Fiscal Policy Institute (FPI) prepares the GB document in co-ordination with various departments, Non-Government Organisations and experts. The Department of Women and Child Development is the nodal agency for monitoring and evaluation of Gender Budgeting in collaboration with the Planning Department.

The Gender Budget document has categorized schemes as A, B and C Categories.

- (i) Category A is women specific schemes with 100 *per cent* allocations for women;
- (ii) Category B is pro-women schemes with allocations more than 30 *per cent* and less than 100 *per cent*;
- (iii) Category C is Gender neutral with allocations less than 30 *per cent*.

The GB document also divides the services offered into beneficiary²⁷ oriented and non-beneficiary²⁸ oriented.

The State Finance Audit Reports (SFARs) since 2009-10 has included observations on gender budgeting relating to more realistic classification of schemes, lack of gender disaggregated data and improvement of the monitoring process. The Public Accounts Committee (PAC), in its 13th Report on SFAR 2009-10 recommended (December 2011) strengthening of the Gender Budget Cell, giving priority to the analysis of data collected from the departments and proper identification of schemes in Category A and B.

²⁶ Subsequent to the formulation of National Policy for the Empowerment of Women in 2001, Ministry of Finance constituted (2003) an Expert Group on Classification of Government Transactions which was also called Ashok Lahiri Committee. One of the terms of reference was examining the feasibility and suggest general approach to Gender Budgeting. The said committee in turn constituted (September 2003) a sub-group for preparing a frame work of Gender Budgeting.

²⁷ These are individual and household based schemes which benefit women or girls directly and are measured as coverage of percentage of women/girl beneficiaries to total beneficiaries.

²⁸ These are household and community based schemes and are measured in terms of percentage of women against total population of the targeted area.

3.3.3 Audit findings on Gender Budgeting in Karnataka

For the current study, records of FPI relating to Gender Budgeting, Gender Budget documents and records of Labour and Skill Development Department for five years from 2015-16 to 2019-20 were reviewed. The study focused on:

- Planning and formulation of Policy.
- Analysis of the Gender Budget documents.
- Gender Budgeting process in Labour and Skill Development Department.

The observations in each of the above focus area is discussed in subsequent paragraphs.

(i) Planning and Policy formulation

(a) Process in preparation of Gender Budget document

The Gender Budget Handbook issued (October 2015) by the Government of India, Ministry of Women and Child Development recommends Debbie Budlender's Five Step Framework as one of the tools for the implementation of Gender Budgeting (**Box-1**).

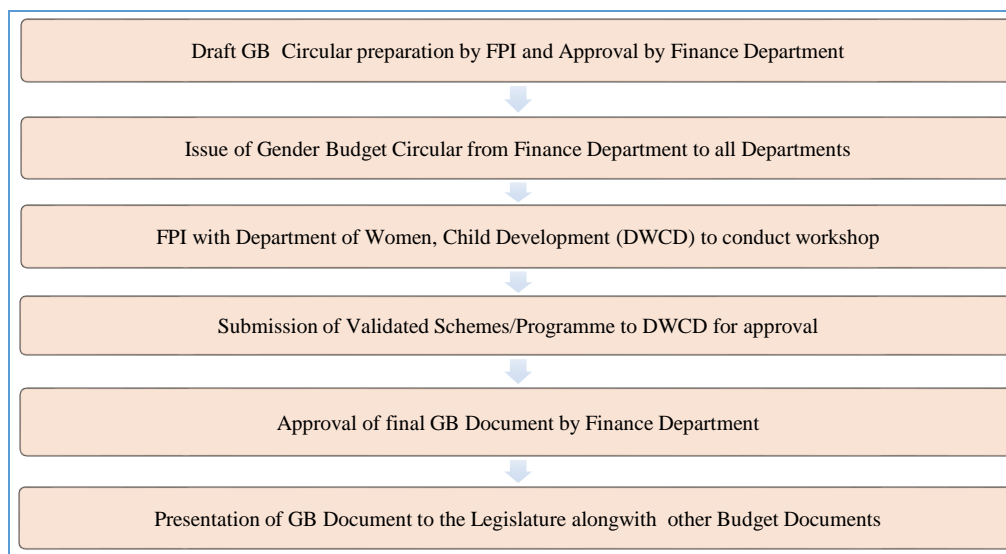
Box-1: The five-step framework for Gender Budgeting

- Step 1:** An analysis of the situation for women, men, girls and boys in a given sector.
- Step 2:** An assessment of the extent to which the sector's policy addresses the gender issues and gaps described in the first step.
- Step 3:** An assessment of the adequacy of budget allocations to implement the gender-sensitive policies and programmes identified in step 2.
- Step 4:** Monitoring whether the money was spent as planned, what was delivered and to whom.
- Step 5:** An assessment of the impact of the policy/programme/scheme and the extent to which the situation described in step 1 has changed.

Source: GB Handbook, October 2015

However, there was no evidence to suggest that the State adopted such five-step framework for Gender Budgeting. The procedure followed by the State is indicated in **Chart-3.2**.

Chart 3.2: Gender Budgeting process in Karnataka



Source: *Facilitating Gender Audit, A guide for Auditors, trainers and researchers by FPI*

The circular issued by Finance Department every year prescribes a format in which the Administrative Departments are to furnish information for all the schemes listed under Category A and Category B of the Gender Budget document of the previous year along with number of male and female beneficiaries under each scheme. The format includes a brief write up on the performance such as scope of the scheme, budget allocation and expenditure for the previous years, number of beneficiaries who have availed the benefit of the scheme, *etc.* Hence, Gender Budgeting in Karnataka starts with Step 3 of the Five Step Framework. Further, as discussed in paragraph 3.3.3 (ii) (d), Step 4 and 5 of the Five Step Framework also was not followed in the State.

This clearly indicates that the Departments did not make any effort to understand needs and priorities of women, the extent to which the sector's policies addressed the gender issues or gaps, whether any new activities were required to reduce the gender gap *etc.* Thus, Gender Budgeting is reduced to a mere allocation exercise.

(b) Gender Disaggregated Data

Availability of gender disaggregated data²⁹ helps to assess the differences in the situations of women and men and changes in them. Data is needed for policy formulation, planning, monitoring and evaluating the effectiveness. Audit observed that gender disaggregated data was not available for Category B schemes which accounted for more than 75 *per cent* of the GB allocation. This makes impact on the assessment of the actual expenditure towards women virtually impossible.

²⁹ Data collected and tabulated separately for women and men). Gender Statistics allow for the measurement of differences between women and men on various social and economic dimensions. *e.g.* It involves asking the “who” questions in an agricultural household survey: who provides labour, who makes the decisions, who owns and controls the land and other resources.

Recommendation: Departments should formulate the schemes in line with field level requirements. In addition, gender disaggregated data needs to be generated in order to make the Gender Budget document serve as a tool for policy makers.

(ii) Analysis of Gender Budget Document

Analysis of the Gender Budget Documents for the years 2015-16 to 2019-20 revealed procedural inaccuracies which are discussed below.

(a) Gender Budget Allocation

Gender Budget document is the only document which quantifies the allocation earmarked for women across different departments. The total allocation under Category A and Category B schemes is indicated in **Table 3.1**.

Table 3.1: Category-wise allocation during 2015-16 to 2019-20

Year	(₹ in crore)					
	Total allocation for the year	Total Category A allocation	Total Category B allocation	30% of Category B allocation	Percentage of Category A to total allocation	Percentage of Category B (30%) to total allocation
2015-16	1,47,963.84	5,617.10	55,834.26	16,750.28	3.79	11.32
2016-17	1,72,097.16	5,047.45	61,066.96	18,320.09	2.93	10.64
2017-18	1,94,917.19	5,901.83	82,156.54	24,646.96	3.02	12.64
2018-19 (July 2018)	2,24,110.77	6,049.41	95,975.37	28,792.61	2.70	12.84
2019-20	2,40,745.86	5,100.95	1,20,868.97	36,260.69	2.11	15.06

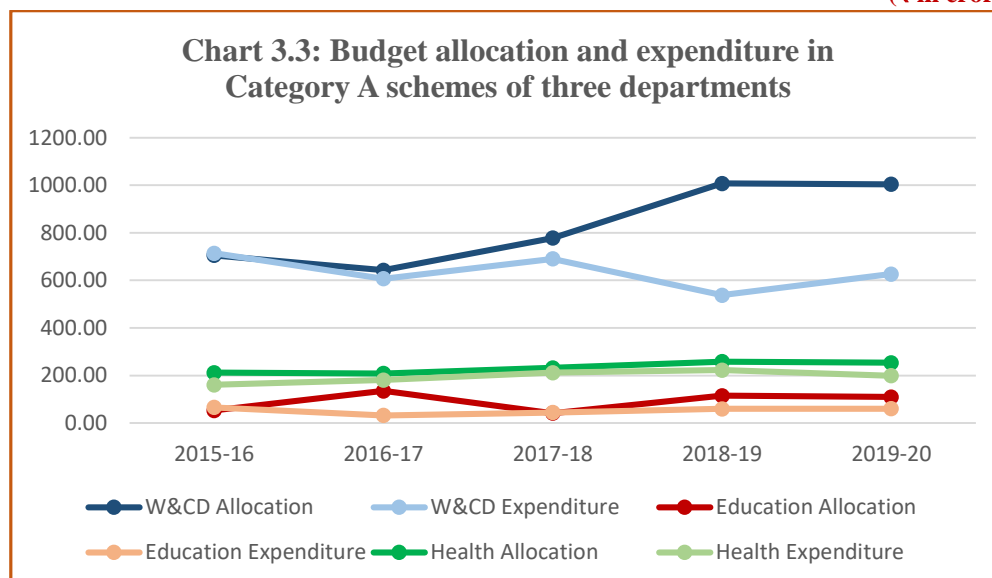
Source: GB documents for the years 2016-17 to 2020-21

From the Table, it can be seen that though there was inter year variation in allocation under Category A (in absolute terms), the percentage of Category A allocations to total allocation showed a decreasing trend except for a minor increase in 2017-18.

Further analysis showed the following:

- The budget allocation in respect of three major departments / sectors viz., Health, Education and Women and Child Development are indicated in the **Chart-3.3**.

(₹ in crore)



Source: GB documents

The allocation for the Women and Child Development Department increased from 2016-17 onwards with a slight dip in 2019-20 from the previous year. However, it was noticed that the actual on-ground expenditure in all the years except in 2015-16 was less than the allocation. During 2018-19 and 2019-20, the percentage of expenditure against the provision under Women and Child Development Sector (Category A) was 53 and 65 *per cent* respectively. In respect of both Education and Health Sectors, there was no increase in the allocation for women specific schemes in the last five years. The information depicted above needs to be seen in the following context;

- The sex ratio in Karnataka was 973 as per 2011 Census (growth of 0.8 *per cent* over a decade) and there was a continuous decline of sex ratio at birth based on registered cases from 971 to 896 during the period 2012-2016.
- The Maternal Mortality rate³⁰ was in a decreasing trend during 2001 to 2017 and was at 97 during the period 2015-17.
- Forty-five *per cent* of women aged 15-49 years were anemic.

The literacy rate of women in Karnataka as on July 2018³¹ and the gender gap in the literacy rate was 70.5 and 12.9 *per cent* respectively.

- There was decrease in allocations for women specific schemes during 2019-20 when compared to the previous year. Some of the schemes which had a significant decrease in allocation is indicated in **Table 3.2** below. In these cases, the amount allocated was less than the previous years' expenditure. In addition, it was observed that the expenditure during 2019-20 was equal to the allocation or had exceeded it.

³⁰ Men and Women in India, 2019 issued by Ministry of Statistics and Programme Implementation, GoI.

³¹ Men and Women in India, 2019 issued by Ministry of Statistics and Programme Implementation, GoI.

Table 3.2: Decrease in allocation for women specific schemes

(₹ in crore)

Name of the Scheme	Allocation		Decrease in percentage
	2018-19	2019-20	
New Pension system for Anganwadi workers	15.12	10.00	34
Suraksha Scheme	0.50	0.01	98
Ujjwala Scheme	3.78	1.00	74
Interest subsidy for women through KSFC	32.94	10.00	70
Training of Anganwadi workers	10.00	1.00	90
Pradhana Manthri Mathru Vandana Yojane	100.00	10.00	90

Source: GB documents

- Further analysis of the Gender Budget document showed that higher allocations did not always guarantee higher spending on women. For example, in respect of SABALA scheme (a scheme for empowerment of Adolescent Girls), though the allocation was increased from ₹4.23 crore in 2018-19 to ₹9.00 crore in 2019-20, the expenditure during 2019-20 was only ₹0.76 crore (8.44 per cent). Similarly, in respect of Mathrushree scheme (a scheme aimed at improving the nutritional and health status of pregnant and lactating mothers), though the allocation increased from ₹350 crore in 2018-19 to ₹470 crore in 2019-20, the expenditure during 2019-20 was ₹78.24 crore (16.64 per cent). Government may review all such women specific schemes in order to analyse implementation as well as impact.
- Around 99 per cent of allocation under Category A schemes was concentrated in six out of 29 grants viz., Social Welfare, Women and Child Development, Health and Family Welfare, Revenue, Housing and Education as detailed in **Table 3.3**.

Table 3.3: Year wise allocation in six grants under Category A

(₹ in crore)

Grants	2015-16	2016-17	2017-18	2018-19	2019-20
Social Welfare	127.00	141.00	334.00	213.97	90.75
Women and Child Development	705.45	642.72	778.03	1,007.53	1,004.33
Revenue	957.57	1,098.55	1,098.06	1,320.04	1,385.73
Housing	3,554.83	2,795.44	3,392.35	3,114.20	2,237.44
Education	52.87	135.28	41.20	114.53	109.14
Health and Family Welfare	211.49	208.15	231.77	258.36	253.68
Total	5,609.21	5,021.14	5,875.41	6,028.63	5,081.07
Total Allocation under Category A	5,617.10	5,047.45	5,901.83	6,049.41	5,100.95
Percentage to total allocation	99.85	99.47	99.55	99.65	99.61

Source: GB documents

Even though sectors such as Agriculture Textile and Food Industries, Police, Transport, *etc.*, employ women, no schemes were formulated specifically for women.

- The Expert Group constituted by GoI (2003) had recommended capturing financial data for Gender Budget under four clusters *viz.*, protective, regulatory, economic and social services which were to be based on the nature and objective of the programme. However, the State Government did not implement this recommendation.

In the absence of exact quantum of allocations under Category B schemes, audit compared the proportion of allocations of Category A schemes under social and economic services sector as shown in **Table 3.4**.

Table 3.4: Allocation between Social and Economic Services under Category A

(₹ in crore)

Year	Sector-wise allocation (Percentage in brackets)	
	Social Services	Economic Services
2015-16	5,609.21 (99.85)	7.89 (0.15)
2016-17	5,021.14 (99.47)	26.31 (0.53)
2017-18	5,875.41 (99.55)	26.42 (0.45)
2018-19	6,028.63 (99.65)	20.78 (0.35)
2019-20	5,081.07 (99.61)	19.88 (0.39)

Source: GB documents

While the social services constituted more than 99 *per cent* of the total allocation under Category A, the economic services accounted for less than one *per cent*. This indicated that schemes for training and skill development, provision for credit, infrastructure, marketing *etc.*, which are critical to women's independence and autonomy did not receive adequate focus.

(b) Categorisation of schemes

As discussed in Paragraph 3.3.2, the GB document categorized its schemes/programme as Women Specific Schemes, Pro Women Schemes and Gender Neutral Schemes. Analysis of the categorisation indicated the following:

- Schemes which were not specific to women were reported under Category A. For example, 'Pradhan Mantri Awas-Urban' which was applicable to both male and female, 'Mass Marriage (Adarsh Vivah Yojana)' scheme which envisages cash incentive to couples for encouraging simple marriage *etc.* was categorised as Category 'A' though these schemes were not exclusively for the benefit of women.
- Schemes which did not impact women's social position, her empowerment, her economic independence were also included under Category A such as Women's Colleges, Universities at Vijayapur, Mysuru *etc.* under Education department, State Homes and Reception Centre under Women and Child Development department and Project for Agricultural Training of Farm Women and Youth under Agriculture department. The entire allocation under these schemes was towards the salary expenditure of teaching and non-teaching staff alone.

- The GB document lacked consistency in classifying the schemes as beneficiary and non-beneficiary oriented schemes both under Category A as well as under Category B. In 2019-20 GB document, while ‘Hostels for disabled females’ under Category A was classified as a beneficiary oriented scheme, ‘Working women’s hostels’ was classified as a non-beneficiary oriented scheme. Similarly, under Category B, ‘Directorate of AYUSH’ was classified as beneficiary oriented whereas ‘Directorate of Health and Family Welfare’ was classified as non-beneficiary oriented.
- The GB documents were not comparable across any point of time as the category of the scheme was changed without any justification or disclosure. For instance, Dr. B R Ambedkar Niwas Scheme, PMAY (Urban) were classified under Category B in GB 2018-19 whereas the same schemes were classified under Category A in GB 2019-20. Similarly, many schemes like Family Pensions, Payment to Karnataka Pensioners *etc.*, under Category B of Grant 3-Finance were changed from beneficiary oriented in GB 2019-20 to non-beneficiary oriented in 2020-21.

(c) Incorrect reporting

- In the absence of gender disintegrated data, schemes included under Category B reported entire allocation instead of the allocation meant for women. As a result, the allocation in the GB document under Category B was overstated.
- Further, the Expert Group had recommended matrices to collate the economic classification of gender specific expenditure programme of both Category A and B schemes which helped in understanding the structure of gender specific programme i.e., whether the major part of the allocations was towards committed expenditure in the form of wages and salaries or was a discretionary component.

Audit observed that though the programme and schemes had various components, such as, expenditure towards administrative costs and equipment required for the delivery of benefit to women, the State Government had not adopted these matrices for data collation and representation in budget documents. In the absence of details of the break-up between different heads of expenditure, the entire cost including administrative costs was shown as a benefit to women. This gives an incorrect impression of increased benefit for advancement of women.

(d) Monitoring Mechanism

Taking note of challenges and limitations in the implementation of Gender Budgeting, the State Government constituted a Task Force in June 2013 (reconstituted in September 2015) to review the practice of gender budgeting, identification of the gaps, providing examples of alternative ways of analyzing information and furnish recommendations for reform. The Task Force was to monitor and suggest improvements in the implementation of Gender Budgeting. The Task Force, however, met only two times³² during 2015-16 to 2019-20. Further, the Task Force was to review annual plans of various departments from

³² 11.05.2017 and 13.06.2017

the perspective of gender content. It, however, did not review any annual plans during 2015-16 to 2019-20.

During the deliberations in the Task Force Committee meeting (13 June 2017), it was decided that all beneficiary schemes under Category 'A' and Category 'B' of the GB document be reviewed in the State level meetings chaired by the Chief Secretary. A review of the minutes of such meetings showed that the meetings had focused only on progress of expenditure rather than overall schemes outcome/impact. There was no evidence of having undertaken any benefit incidence analysis.

Besides, the Sub-group constituted by the Expert Committee had also recommended (October 2003) that periodical gender audits of Government plans, policies and programme could be conducted for evaluation of the progress. However, the Government was yet to take up any gender audit of government policies and programme (February 2020).

The Director, FPI, stated (March 2020) that Gender Audit is a new tool to assess the outcome of the allocation made in the Gender Budget at the ground level. FPI completed a project last year to develop Gender Audit Tool Kit under the financial assistance of UN Women which was yet to be implemented. Thus, Step 4 and 5 of the Five Step Framework was not being implemented in the State.

(iii) Gender Budgeting process in Grant no. 23-Labour and Skill Development

The Grant No.23- Labour and Skill Development consists of three departments viz., Department of Labour, Department of Industrial Training and Employment and Department of Skill Development and Entrepreneurship and Livelihood. The departments were responsible for the protection of labour rights and skill development for gainful employment. One of the objectives of the Labour Department was to create a conducive environment and cater to special needs for women workers in workplaces.

Review of the GB documents for the years 2015-16 to 2019-20 reflected that the departments had not formulated any women specific policies. The number of schemes (excluding zero allocation) which were pro-women under Category B are detailed in **Table 3.5**.

Table 3.5: Details of schemes and allocation of Grant No.23 under Category B

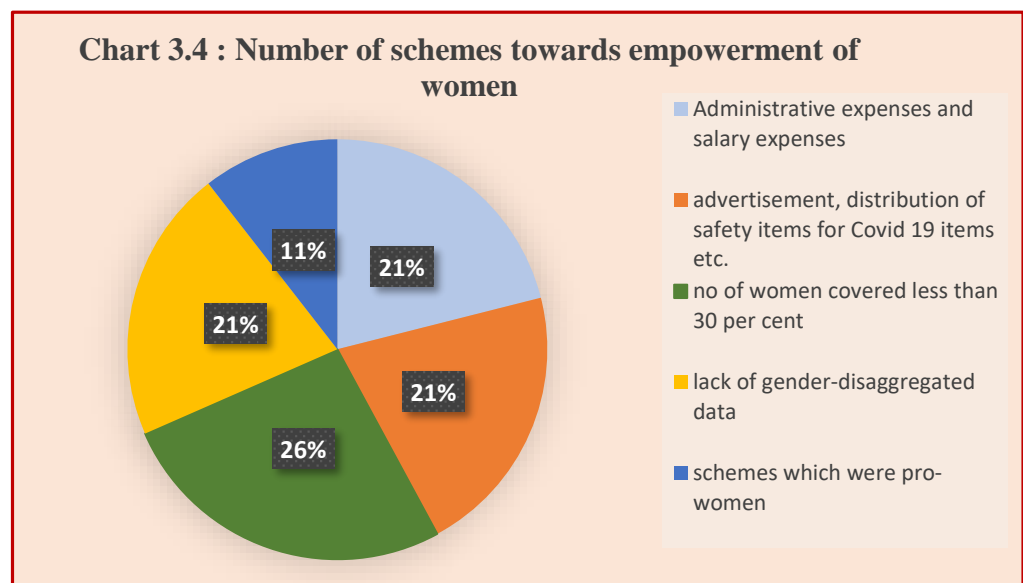
Year	No of schemes		Allocation (₹ in crore)	
	Beneficiary oriented	Non-beneficiary oriented ³³	Beneficiary oriented	Non-beneficiary oriented ³⁴
2015-16	12	6	504.85	372.33
2016-17	11	6	390.26	348.94
2017-18	14	9	758.77	791.49
2018-19	13	15	376.29	689.51
2019-20	16	16	792.56	469.56

Source: GB documents for the years 2016-17 to 2020-21

³³ Schemes under third classification 'beneficiary and non-beneficiary oriented schemes' under both Category A and B have been included under non-beneficiary oriented.

From the table it is seen in that during 2018-19 and 2019-20, the allocation in the Category B schemes has reduced when compared to 2017-18. Audit reviewed the gender budgeting aspects of 18 (**Appendix 3.1**) Category B schemes selected on the basis of the higher quantum of allocation in the GB document and the observations are as follows:

- None of the steps of the Five Step Framework were applied by the department.
- Out of 19 schemes test checked in Audit, except for two, the inclusion of the balance in the Category B of the Gender Budget was questionable as the expenditure in some of the schemes was towards administrative expenses or for other purposes which do not relate to empowerment of women, *etc.* The details are indicated in the **Chart 3.4** below.



From the chart, it is evident that only 11 *per cent* of the pro-women schemes actually delivered benefits to women such as Pradhana Mantri Kowshalya Vikas Yojane, Skill Development Mission *etc.*,

- Though women make a large contribution in the unorganized sector, the department did not make concrete efforts to address gender specific concerns such as provision of crèches in the Garment Industry, dedicated toilets, health insurance for Agarbathi Industries/Condiments Industry *etc.*, invest in their skills, provide access to new technologies *etc.* However, the entire allocation was towards Category B schemes.
- The Ashadeep scheme was implemented (2017-18) to encourage private sector industries / companies to provide employment opportunity to the persons belonging to SC & ST categories so as to ensure social justice. Against ₹40 crore and ₹3.25 crore released during 2017-18 and 2018-19 respectively, the actual expenditure incurred was only ₹0.10 crore during 2018-19. The expenditure incurred was towards Information, Education and Communication activities. However, the entire release was shown as expenditure in the GB document. During 2019-20, an amount of ₹4.33 crore was released towards the scheme and an expenditure of ₹15.21 crore was

incurred. Hence, out of ₹47.58 crore released towards the scheme, the actual expenditure incurred was ₹15.31 crore. Out of this, ₹0.36 crore was incurred towards women beneficiaries for payment of stipend and Employees State Insurance/Employee Provident Fund contribution. This constituted only two *per cent* of the total expenditure. Thus, inclusion of such schemes under 'Category B' of GB document was not justified.

- In order to strengthen institutional mechanisms for skill development and increase access to quality and market-relevant training for youth across the country, SANKALP scheme was launched during January 2018. The scheme was introduced in the GB document and provision was made during the year 2019-20 under Category B. However, no amount was released.

Though the allocation in the GB document under Category B of Grant 23 is increasing over the years, it is not translated into a higher investment for women due to non-identification of women specific schemes. The Department did not focus its policies and schemes and thereby allocation towards achieving its objective of creating a decent workplace and catering to special needs of women in the workplaces. In addition, the reflection of entire cost including administrative expenses was misleading.

(iv) Conclusion

The study indicates that the Karnataka Budget is enhancing its allocations towards Gender Budgeting every year which is a good sign. Given the gender gap, health status, literacy rate and overall socio-economic conditions of women, the State apart from enhancing the allocation needs to do a lot more to holistically empower them. Despite being pointed out in SFAR since 2009-10 to 2018-19 and recommendations of the PAC (December 2011), the gender process lacked overall analysis, gender disaggregated data and monitoring mechanism. The efforts of the Government stagnated at bringing out GB documents that only attempted to quantify the allocations earmarked for women and girls across different departments. The State Government needs to generate gender disaggregated data to assess policy impact and formulate need based policies. In addition, evaluation of policies and allocations needs to be done along with the benefit incidence of various schemes and allocations in order to understand the progress being made. Further, the GB documents prepared had methodological inaccuracies which need to be corrected for it to serve as a tool for policy making.

In the Exit Conference (February 2021) the Finance Department stated that the issues brought out in the report would be examined and the action would be taken thereof.

3.4 Major policy pronouncements in the budget and their actual funding for ensuring implementation.

The Government announced major policy initiatives in the Budget 2019-20 (February 2019). An Action Taken Report was brought out along with the budget documents for 2020-21.

In total, the State Government initiated 32 new policies in respect of Departments of Women and Child Development, Animal Husbandry and Veterinary Services, Tourism and Forest, Ecology and Environment. Audit

undertook a study on the action taken by the Government in respect of 28 initiatives. The action initiated by the Government concerning major policies is summarized in **Appendix 3.2**.

Out of the 28 initiatives, action in case of nine initiatives was still in the preliminary stage. While one initiative was dropped, action was yet to be initiated in respect of 13 initiatives. Hence, there was progress in respect of five initiatives only.

Some of the initiatives which could have been implemented based on the importance of criticality/materiality which are still in the nascent stage are detailed in **Table 3.6**.

Table 3.6: Important initiatives where action was yet to be taken

SI No.	Budgetary Assurance	Action taken
1	Proposal to start training centers for Prosthetics and Orthotics certification courses	The Government gave administrative approval in May 2020 to start the course from 2020-21 onwards.
2	Proposal to supply milk to all school going children to enhance the nutrition level under Ksheera Bhagya Scheme	The Government is yet to approve the proposal.
3	Proposal to establish Continuous Noise Quality Monitoring Stations in 10 Corporation areas, excluding Bengaluru.	The proposal is yet to be implemented.
4	Proposal to extend support for manufacturing Kyasanur Forest Disease Vaccines.	The proposal is still in its nascent stage.

3.5 Appropriation Accounts

Appropriation Accounts are accounts of the expenditure of the Government for each financial year, compared with the amounts of grants voted and appropriations charged for different purposes as specified in the schedules appended to the Appropriation Act passed under Article 204 and 205 of the Constitution of India. Appropriation Accounts are on a Gross basis. These Accounts depicts the original budget provision, supplementary grants, surrenders and re-appropriations distinctly and indicate actual capital and revenue expenditure on various specified services *vis-à-vis* those authorized by the Appropriation Act in respect of both Voted and *Charged* items of the budget. Appropriation Accounts thus facilitate understanding of utilisation of funds, the management of Finances and monitoring of budgetary provisions and are, therefore, complementary to the Finance Accounts³⁴.

³⁴ Finance Accounts provides broad perspective of finances of GoK during the financial year which is dealt in the Chapter 1 and 2 of this Report.

3.5.1 Summary of total provisions, actual disbursements and savings during 2019-20

The summarised position of budget provision including supplementary budget, actual expenditure and savings/excess during 2019-20 under 29 grants/appropriation with its further bifurcation into revenue/capital and voted/charged is given in **Table 3.7**.

Table 3.7: Summarised position of actual expenditure vis-à-vis original/supplementary provision

(₹ in crore)

Nature of expenditure		Original grant/ Appropriation	Supplementary grant/ Appropriation	Total	Actual expenditure	Unspent Provision (-) / Excess over provision (+)	Amount surrendered	Amount surrendered on 31 March	Per cent of savings surrendered on 31 March
V o t e d	I Revenue	1,62,464.81	15,628.45	1,78,093.26	1,60,084.08	18,009.18	10,134.66	10,134.66	100
	II Capital	40,034.82	4,184.14	44,218.96	36,374.94	7,844.02	2,601.47	2,601.47	100
	III Loans and Advances	4,898.26	2,532.37	7,430.63	5,463.87	1,966.76	0.60	0.60	100
	Total Voted	2,07,397.89	22,344.96	2,29,742.85	2,01,922.89	27,819.96	12,736.74	12,736.74	100
C h a r g e d	IV Revenue	22,184.69	403.00	22,587.69	2,0678.70	1,908.99	1,653.68	1653.68	100
	V Public Debt Repayment	1,198.92	0.36	1,199.28	1,194.85	4.43	0.03	0.03	100
	VI Capital	9,964.36	310.49	10,274.85	10,181.79	93.06	94.25	94.25	100
	Total Charged	33,347.97	713.85	34,061.82	32,055.34	2,006.48	1,747.96	1,747.96	100
Grand Total	2,40,745.86	23,058.81	2,63,804.67	2,33,978.23	29,826.44	14,484.70	14,484.70	100	

Source: Appropriation Accounts

During the year 2019-20, as against the provision of ₹2,63,804.67 crore, expenditure of ₹2,33,978.23 crore was incurred resulting in the unspent provision of ₹29,826.44 crore (11 per cent) under 29 grants/appropriation.

3.5.2 Voted and Charged disbursements

Summarized position of Voted and Charged disbursements for the period from 2015-16 to 2019-20 is shown in **Table 3.8**.

Table 3.8: Voted and Charged disbursements for the period from 2015-16 to 2019-20

(₹ in crore)

Year	Disbursements		Savings (percentage of savings)	
	Voted	Charged	Voted	Charged
2015-16	1,31,707.53	17,542.30	10,863.92(8)	6,558.11(37)
2016-17	1,51,848.04	21,196.98	11,750.35(8)	1,256.97(6)
2017-18	1,67,845.36	24,474.88	16,547.66(10)	611.60(2)
2018-19	1,89,840.99	30,693.11	23,265.27(12)	1,873.70(6)
2019-20	2,01,922.89	32,055.34	27,819.96(14)	2,006.48(6)

Source: Appropriation Accounts

During the period 2015-16 to 2019-20, the unspent provision under voted section was between eight to fourteen per cent whereas under charged section the same was between two to six per cent except in the year 2015-16 where the savings was 37 per cent. This was due to error in the budgeting between voted

and *charged* sections as brought out in the report on State Finances for the year ending 31 March 2016.

3.6 Audit of Appropriation

Audit of appropriation by the CAG seeks to ascertain whether the expenditure actually incurred under various grants is in accordance with the authorization given under the Appropriation Act and that the expenditure required to be charged under the provisions of the Constitution (Article 202) is so charged. It also ascertains whether the expenditure incurred is in conformity with the laws, relevant rules, regulations and instructions.

3.6.1 Financial Accountability and Budget Review

3.6.1.1 Errors in Budgeting

Misclassification of transactions between voted/*charged* is characterized by lack of application of rules of classification of transactions under relevant heads. In addition, the classification of transactions to the correct object code is essential to know the nature of expenditure and for future budgeting.

(a) Error in making provision under voted/*charged* sections

During the year 2019-20, provisions were made erroneously under voted/*charged* sections instead of *charged*/voted section in the following cases as detailed in the **Table 3.9**.

Table 3.9: Error in Budgeting under voted/*charged* sections

(₹ in crore)

Sl No	Grant No	Head of account	Budget Provision	Remarks
1	Grant No.3 – Finance	2071-01-104-2-06-240 Debt Servicing (C)	1.53	Debt charges of Government of Karnataka are deemed to be guaranteed by the State. Hence they are to be charged. However, the Debt servicing in the table was towards belated payment of interest on DCRG and Assistance to Municipal Corporations. Hence, the expenditure was in the nature of voted.
2	Grant No.19 – Urban Development	3604-00-191-1-51-240 Debt Servicing (C)	675.91	

Source: Appropriation Accounts

The Finance Department replied (March 2020) that said misclassification was rectified during 2019-20. However as observed the misclassification persisted during 2019-20 also.

The Finance Department replied (February 2021) that the observations made were corrected in Financial Year 2020-21.

(b) Error in provisioning of Funds under 2049- Interest Payments

As per instructions contained in Note (3) below Major Head 6003 in the List of Major and Minor Heads (LMMH), the unclaimed balances of Compensation and other Bonds are usually retained in Government Accounts for 20 years from the date of their maturity after which the balances are transferred to revenue by a credit to the head of account '0075 – Miscellaneous General Services – Other

Receipts'. Repayments of these amounts subsequently claimed are to be debited to the head '2075 – Miscellaneous General Services – Other Expenditure'.

During the year 2019-20, a provision of ₹0.10 crore for such claim was made under '2049 – Interest payments' which was incorrect.

(c) Incorrect budgeting

During the year 2019-20, under Grant No.05 – Home and Transport, a provision/expenditure of ₹80.97 crore was made under the Head of Account 3055-00-190-0-03-240 – Debt Servicing to Bengaluru Metropolitan Transport Corporation (BMTC) for repayment of loan and payment of interest for purchase of 1,500 buses. The amount released as per sanction orders during 2019-20 is detailed in **Table 3.10**.

Table 3.10: Amount released to BMTC

(₹ in crore)		
Installment No.	GO No. and Date	Amount
I	TD 41 TCB 2019 Bengaluru dated 11.07.2019	20.24
II	TD 41 TCB 2019 Bengaluru dated 20.11.2019	6.23
III	TD 41 TCB 2019 Bengaluru dated 30.12.2019	18.02
IV	TD 41 TCB 2019 Bengaluru dated 25.02.2020	17.75
Total		62.24

Thus, out of ₹80.97 crore released by the Government, ₹62.24 crore relates to servicing of the debt and an excess of ₹18.73 crore was paid to BMTC. On this being pointed out (May 2019), the Government vide GO No.TD 01 TCB 2020, Bengaluru, dated 18.03.2020 stated that, out of the amount provided in the budget under object head '240 - Debt Servicing' (₹80.97 crore), ₹18.73 crore was towards Subsidy paid to the BMTC. This was incorrect as the amount released towards Debt Servicing was a *charged* expenditure. Utilizing ₹18.73 crore towards Subsidy, which requires the voting of the Legislature, results not only in misclassification of nature of expenditure but lacks transparency. Further, since the Government did not stand as guarantee to the BMTC for the debt availed, the amount should have been released as a Grants-in-Aid (Object Head 103 – GIA General) to the BMTC instead of booking it under '240 – Debt Servicing'.

While accepting the observation (September 2020), the department stated that during the year 2019-20 there was a reduction in the amount of subsidy released to the BMTC and the BMTC requested for an additional amount of subsidy since the number of concession/free bus passes had increased. Hence, the Government Order was issued to treat the excess amount of ₹18.73 crore as 'subsidy'. Further, it stated that as re-appropriation was not possible between voted and charged expenditure and also there was lack of time to surrender the excess amount and to obtain supplementary provision, the decision was taken. It also stated that for the year 2020-21, the provision is made under the Head of Account 5055-00-190-0-00-211 - Investment in the Corporation.

In the Joint Entry Conference (December 2020), the Finance Department accepted the observation and stated that releasing ₹18.73 crore as 'subsidy' under the object head 240 – debt servicing was not correct and will be avoided in future.

3.6.2 Comments on integrity of budgetary and accounting process

3.6.2.1 Additional amount released through executive orders

Article 266(3) of the Constitution of India prohibits withdrawal of money from the Consolidated Fund of the State unless relevant Appropriation Acts under the Article 204 and 205 of the Constitution are passed by the Legislature.

During the year 2019-20, audit observed that ₹3,518.84 crore covering 19 grants under capital/revenue section (this is only illustrative), (**Appendix 3.3**) was released through 78 executive orders which were later regularized through the Supplementary Demands. It was observed that the expenditure incurred out of these additionalities included mainly expenditure on routine items *viz.*, Major Works, Other Expenses, Furniture and Fixture, Transport Expenses, Advances, Grants-in-aid, *etc.*, which did not qualify as emergent/unforeseen expenditure and could have waited for placement of supplementary demands. The PAC in its fifth report (Fourteenth Assembly) had recommended that sanctioning of additionality through executive instructions should be limited to the emergent cases (July 2015). However, incurring of expenditure without the authority of the Legislature continued despite the PAC's recommendations.

The details of additional amount released through executive orders for the period 2017-18 to 2019-20 are shown in **Table 3.11**.

Table 3.11: Additional amounts released through executive orders during 2017-20

(₹ in crore)			
Year	No. of grants covered	No. of cases	Amount
2017-18	20	128	3,747.77
2018-19	19	77	3,940.35
2019-20	19	78	3,518.84

Source: Appropriation Accounts

3.6.2.2. Misclassification of capital expenditure as revenue expenditure

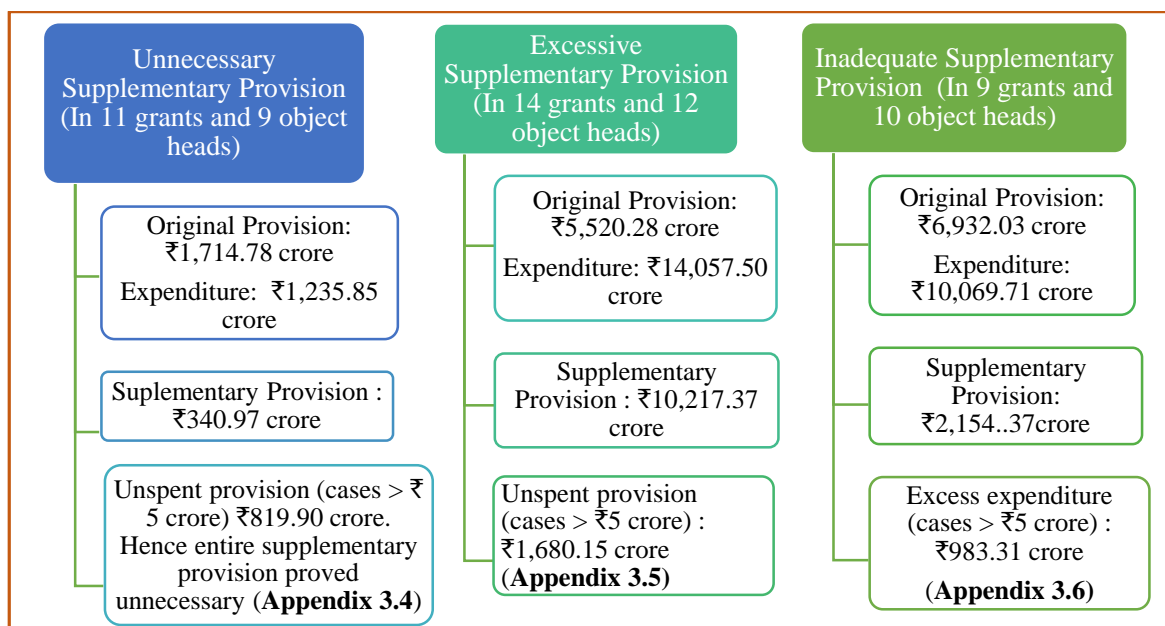
Misclassification between revenue and capital expenditure has a bearing on revenue account and the fiscal indicator *viz.*, revenue surplus. During the year 2019-20, under grant 25 – Kannada and Culture (Head of Account – 4202-04-800-1-08-101 – GIA Salaries and 103 – GIA General) ₹28.73 crore was classified under capital section. As the expenditure was a grant, classifying it under capital section was incorrect. This resulted in understatement of revenue expenditure.

In the Exit Conference (February 2021), the Finance Department, while accepting the observation stated that from the financial year 2020-21, Grant-in-aid to Border Area Development Authority was not provided under Capital Head.

3.6.2.3 Unnecessary /Excessive/Inadequate supplementary grants

Test check cases of supplementary provisions (more than ₹five crore) showed instances of unnecessary/excessive/inadequate provisions (**Appendix 3.4**, **Appendix 3.5**, and **Appendix 3.6**) as detailed in **Chart 3.5**.

Chart 3.5: Unnecessary/Excessive/Inadequate Supplementary provision



Source: Appropriation Accounts

The supplementary estimates should be more realistic and prepared as per actual need to avoid unnecessary/excessive provisions.

3.6.2.4 Re-appropriation of funds

A grant or appropriation for disbursement is distributed among functional head/sub-head /detailed head/object head. The competent executive authority may approve re-appropriation of funds between the primary units of appropriation within a grant or appropriation before the close of the financial year to which such grant or appropriation relates. Re-appropriation means the transfer, by a competent authority, of saving from one unit of grant/appropriation to meet excess expenditure under another unit within the same voted grant or charged appropriation. Re-appropriation of funds should be made only when it is known or anticipated that the appropriation for the unit from which funds are to be transferred will not be utilized in full or will result in unspent provision in the unit of appropriation.

During 2019-20, 512 re-appropriation orders for an amount ₹9,015.59 crore were issued, as against 350 re-appropriation orders for ₹9,611.05 crore issued during 2018-19. Review of the orders/cases revealed the following.

(a) Unnecessary/Excessive/inadequate re-appropriation of Funds

In test checked cases of re-appropriation of funds during 2019-20, it was observed that there were cases of unnecessary/excessive/inadequate re-appropriation of funds (Appendix 3.7) as detailed below:

- In 20 cases under 11 grants, additional funds of ₹336.35 crore provided through re-appropriation (cases more than ₹two crore) proved unnecessary as it resulted in unspent provision (cases more than ₹ two crore) of ₹585.34 crore.

- In 19 cases under eight grants, additional funds of ₹1,549.24 crore provided through re-appropriation (cases more than ₹5 crore) proved excessive as it resulted in unspent provision (cases more than ₹5 crore) of ₹276.45 crore.
- In four cases under four grants, additional funds of ₹333.50 crore provided through re-appropriation (cases more than ₹2 crore) proved inadequate as it resulted in in excess expenditure (cases more than ₹1 crore) of ₹141.15 crore.
- In five cases, under four grants, withdrawal of ₹167.20 crore through re-appropriation (cases more than ₹0.45 crore) resulted finally in excess expenditure (cases more than ₹0.50 crore) of ₹163.77 crore.

(b) Defective re-appropriation

Article 309, 312 and 315(a) of Karnataka Financial Code (KFC) inter alia stipulated that no re-appropriation should be made from one grant voted by the Legislature to another, from voted items of expenditure to charged items of expenditure, from capital head to revenue head and vice versa, if the re-appropriation statement is not self-balanced and not in the prescribed form (Form 22A of KFC). During the year 2019-20, 24 re-appropriation orders for ₹6.84 crore were not accepted by PAG (A&E) for the reasons indicated in **Appendix 3.8**.

3.6.2.5 Unspent provisions against allocation/large savings/surrenders

(a) Grants having large savings (savings above ₹100 crore) during 2019-20

There were 33 cases of unspent provisions, each exceeding ₹100 crore and above under 21 grants/appropriation, which aggregated ₹28,725.63 crore. Large unspent provisions, i.e., more than ₹1,000 crore were in the areas of Agriculture and Horticulture, Finance, RDPR, Co-operation, Social Welfare, Urban Development, Public Works and Water Resources as indicated in the **Appendix 3.9**.

As per Rule 264 of the Karnataka Budget Manual (KBM), all savings anticipated by the Controlling Officers should be reported with full details and reasons to the Finance Department immediately after they are foreseen. However, it was observed that the reasons were either not appropriately explained or not furnished by the departments.

(b) Surrender of Savings

Rule 66(1) of General Financial Rules (GFR), 2017 states that departments are required to surrender all the anticipated savings noticed in grants/appropriation controlled by them to Finance Department by the stipulated date. During 2019-20, there was total unspent provision of ₹29,826.44 crore which was around 11 *per cent* of the total provision. Out the total savings, the amount surrendered was ₹14,484.69 crore (49 *per cent*). The balance of ₹15,341.75 crore (51 *per cent*) was not surrendered.

In case of 12 grants/appropriations, the entire unspent provision, aggregating ₹5,369.27 crore was not surrendered (**Appendix 3.10**). Further, in 49 cases in 28 grants/appropriations, there was only partial surrender and around 41 *per cent* (₹9,986.90 crore) of the total unspent provision (₹24,457.10 crore) was not surrendered. (**Appendix 3.11**). The surrenders were substantial as 50 *per cent* of the above provision was surrendered which included 100 *per cent* surrenders

in 23 cases (₹2,653.60 crore) (**Appendix 3.12**). Besides, in 18 grants where surrender of funds was in excess of ₹5 crore, ₹11,374.87 crore was surrendered on the last two working days of the financial year indicating inadequate financial control (**Appendix 3.13**).

3.6.2.6 Excess expenditure and its regularisation

As per Article 204 of the Constitution of India, no money shall be withdrawn from the Consolidated Fund except under appropriation made by law by the State Legislature. Article 205 stipulates that the Government should get the excess expenditure over a grant/appropriation regularised by the State Legislature. Although no time frame for regularization of expenditure was prescribed under the Article, the regularization of excess expenditure is done after the completion of discussion of the Appropriation Accounts by the PAC. During the year 2019-20, there were no cases of grants/appropriations, where expenditure exceeded the provision and required regularization.

Excess expenditure aggregating to ₹2,409.53 crore for the years from the year 2012-13 to 2017-18 is yet to be regularized as detailed in **Appendix 3.14**. For the years 2018-19 and 2019-20, it was observed that there was no excess expenditure under the grants/appropriations indicating strict action initiated by the Government to avoid excess expenditure.

The Finance Department in its reply (February 2021) stated that action has been initiated during June 2020 and comments from concerned departments where excess expenditure needs to be regularised has been called for. It also stated that on receipt of the same, excess expenditure for the said financial years would be regularized through prescribed channels.

3.6.3 Comments on effectiveness of budgetary and accounting process

3.6.3.1 Missing/incomplete explanation for variation from budget

Apart from showing the expenditure against the approved budget, Appropriation Accounts also provide explanation for cases where the expenditure varies significantly from the budgeted provision including supplementary provision.

The threshold levels for inclusion of detailed comments in the Appropriation Accounts are as per the limits approved by the PAC. These norms are effective from the financial year 1983-84.

The norms for selection of sub-heads for comments and for detailed comments in Appropriation Accounts are as shown in **Table 3.12**:

Table 3.12: Norms for selection for comments in Appropriation Accounts

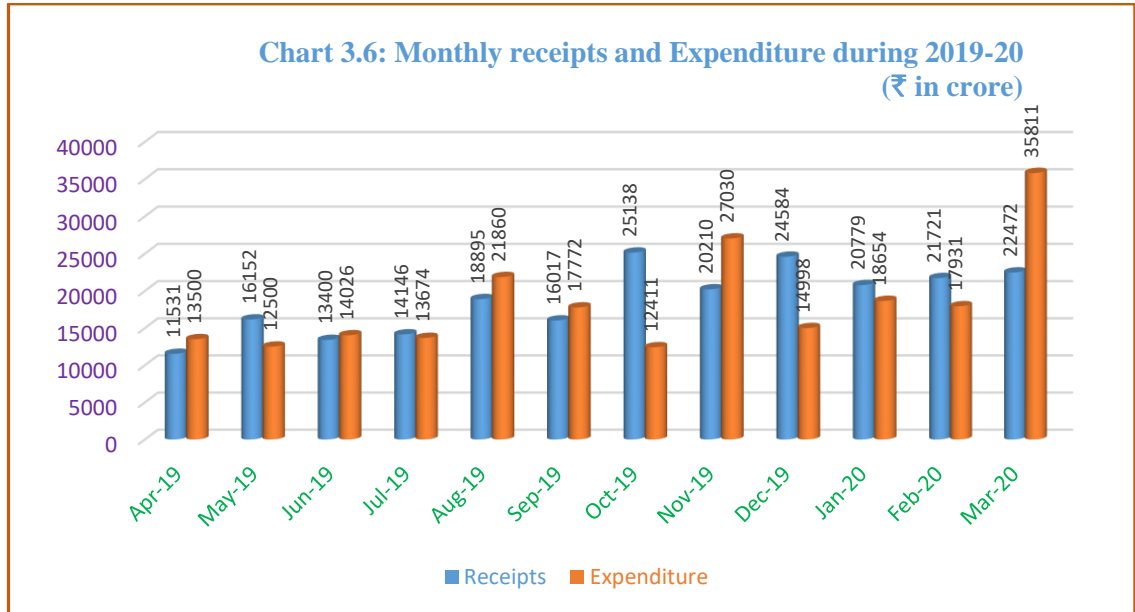
Savings	Comments are to be made if overall saving is more than two <i>per cent</i> of Grants/Appropriation and also if saving is more than 10 <i>per cent</i> under any Sub-head.
Excess	Comments are to be made if the overall excess is more than 10 <i>per cent</i> of the Grant/Appropriation and also if excess is more than ₹2 lakh under any sub-head.

Source: Appropriation Accounts

In the Audit of Appropriation Accounts of 2019-20, it was noticed the Controlling Officers have not provided explanation/specific reasons for the variations in the expenditure *vis-à-vis* budgeted allocation in about 46 per cent of the savings. Of the 29 grants/appropriations, in 27 grants/appropriations specific reasons for variation for an amount of ₹13,811.08 crore was not furnished by the Controlling Officers of Government Departments. The grant-wise details are shown in **Appendix 3.15**.

3.6.3.2 Rush of Expenditure during 2019-20

The monthly flow of receipts to the State's exchequer and disbursements during 2019-20 is given in **Chart 3.6**.



Source: Monthly Civil Accounts-2019-20

It was observed that the State Government incurred an expenditure of ₹35,811 crore constituting 16 per cent of the total expenditure of ₹2,20,167 crore (including public debt expenditure) in March 2020 alone.

Major cases where more than 50 per cent of the total expenditure was incurred in March 2020 alone are detailed in **Table 3.13**.

Table 3.13: Quantum of Expenditure in March

(₹ in crore)

Major Head/Description	1 st Qtr	2 nd Qtr	3 rd Qtr	4 th Qtr	Total Expenditure	Expenditure in March	Expenditure in March as a percentage of TE
4220-Capital Outlay on Information and Publicity	0.00	0.00	0.73	3.16	3.89	2.92	75
4402-Capital Outlay on Soil and Water Conservation	0.00	0.00	0.00	23.69	23.69	19.45	82
4705-Capital Outlay on Command Area Development	3.62	21.00	17.28	71.57	113.47	65.46	58
4711-Capital Outlay on Flood Control Project	3.80	5.37	12.40	76.60	98.19	69.29	71
5452-Capital Outlay on Tourism	2.70	40.44	49.46	189.58	283.18	148.49	52
5465-Investment in General Financial and Trading Institutions	43.69	29.41	45.02	417.82	535.94	266.65	50
6801-Loans for Power Projects	0.00	0.00	0.00	2,500.00	2,500.00	2,500.00	100

Source: Monthly Civil Accounts-2019-20

As seen from the table above, a substantial quantum of expenditure was incurred by the Government at the fag end of the year. The Government should ensure that the amount released during the fag end of the year is expended for the purpose for which it was released.

3.7 Outcome of review of selected Grants

A review of Budgetary Procedures followed and methodology employed for control over expenditure in respect of two selected grants over a three-year period from 2017-18 to 2019-20 showed the following:

3.7.1 Review of Grant No.18 – Commerce and Industries

3.7.1.1 Introduction

The main objective of the Department of Commerce and Industries is to promote investment in Large and Mega Industries and Micro, Small and Medium Enterprises in the State by providing necessary facilities, incentives and concessions, technical assistance, skill development, marketing assistance etc. The objectives are implemented through various schemes/programme by the District Industrial Centre, Karnataka Industrial Area Development Board,

Technical Consultancy Services Organisation *etc.* The grant 18 covers the following major heads:

2851	Village and Small Industries
2852	Industries
2853	Non-Ferrous Mining and Metallurgical Industries
4851	Capital Outlay on Village and Small Industries
4852	Capital Outlay on Iron and Steel Industries
4860	Capital Outlay on Consumer Industries
6851	Loans for Village and Small Industries
6852	Loans for Iron and Steel Industries
6860	Loans for Consumer Industries
6885	Other Loans to Industries and Minerals

3.7.1.2 Budget and Expenditure

The overall position of budget provisions, actual disbursements and savings under the grant for the last three years (2017-18 to 2019-20) is detailed in **Table 3.14**.

Table 3.14: Budget and expenditure

(₹ in crore)					
Year	Section	Budget Provision	Total	Expenditure	Unutilised provision and its percentage
2017-18	Revenue Original (V)	828.96	1,008.08	874.61	133.47 (13)
	Supplementary	179.12			
	Capital Original (V)	920.99	1,059.69	1,018.54	41.15 (4)
	Supplementary	138.70			
2018-19	Revenue Original (V)	835.87	1,188.87	1,056.74	132.13 (11)
	Supplementary	353.00			
	Capital Original (V)	1,462.51	1,505.91	929.63	576.28 (38)
	Supplementary	43.40			
2019-20	Revenue Original (V)	1,094.02	1,302.79	1,063.14	239.65 (18)
	Supplementary	208.77			
	Capital Original (V)	1,088.00	1,113.77	697.59	416.18 (37)
	Supplementary	25.77			

Source: Appropriation Accounts

During 2017-18 to 2019-20 as a percentage of total provision, unutilized provision ranged between 11 and 18 *per cent* under Revenue Section and between 4 and 38 *per cent* under Capital Section.

3.7.1.3 Persistent savings

Scrutiny of Appropriation Accounts for the years 2017-18 to 2019-20 showed that there were persistent savings under three heads of accounts during the above period which is indicative of poor budgetary monitoring or shortfall in performance or both.

It was observed that budget allocations remained unutilized every year indicating non-achievement of the projected financial outlays in the respective years. The budget allocations were made without considering the previous years' expenditure as required under Rule 110 of the KBM, which resulted in persistent savings under the heads of Accounts as shown in **Table 3.15** below.

Table 3.15: Persistent Savings

(₹ in crore)

Sl. No.	Head of Account	Savings		
		2017-18	2018-19	2019-20
1	2853-02-102-0-15-059-Other Expenses	56.55	19.47	14.23
2	4851-00-104-0-05-211-Investment	0.90	0.50	1.00
3	6852-02-190-4-02-394-Loans	5.00	3.50	5.00

Source: Grant Register

In respect of Sl.No.2, the Department replied (September 2020) that due to litigation, there was delay in identification of site for construction of Kalagrama. As a result, proposal to refund the provision was sent to the Government. However, in respect of Sl.No.1 and 3, the reply is awaited.

3.7.1.4 Blocking up of Government funds outside Government Accounts

Withdrawal of the money from the Consolidated Fund of the State without actual requirement is not a prudent fiscal practice. Charging of expenditure without actual utilisation for the purpose for which it was released results in distortion of fiscal indicators in the relevant financial years.

The Department of Commerce and Industries releases grants to various Institutes and Boards for implementing many schemes.

On review of funds released to two organisations, it was observed that during the period from 2017-18 to 2019-20, though ₹151.74 crore was shown as expenditure in the Consolidated Fund, ₹91.77 crore remained unspent and was parked in the Savings Bank Accounts of the implementing Agencies. This resulted in overstatement of expenditure to the tune of ₹91.77 crore. Individual observations are discussed below.

(a) Karnataka Institute of Leather Technology

Karnataka Institute of Leather Technology (KILT) was established (1983-84) with an objective of generating employment by facilitating the growth of leather industries in the State and to provide highly skilled human resources to the leather industries. In order to fulfil its objectives, it conducts various long-term and short-term training courses in Leather and Fashion Technology.

A total amount of ₹9.39 crore was released under various Heads of Account during 2017-18 to 2019-20 towards construction of buildings, training activities etc. Against the release, an amount of ₹ 7.30 crore was incurred as expenditure leaving a balance of ₹2.09 crore. With an opening balance of ₹1.76 crore at the beginning of 2017-18 and ₹0.17 crore interest earned during 2017-18 to 2019-20, the closing balance of KILT was ₹4.02 crore. The un-utilised amount was kept in a savings Bank Account resulting in blocking of Government Funds. Further, it was noticed that KILT had paid ₹0.02 crore towards income tax out of the interest earned.

In reply, Department stated (September 2020) that since there was delay in implementing the project, as per the advice (July 2019) of the Governing Council, the unutilized amount was kept in a Fixed Deposit. It further stated that it would take action to claim the Tax Deducted at Source while filing the Income Tax returns for the year 2019-20.

(b) Karnataka State Small Industries Development Corporation Limited

Karnataka State Small Industries Development Corporation Limited is the industrial investment and promotional agency of the Government of Karnataka with an objective to promote and develop small scale industries in the State.

During 2017-18 to 2019-20 against the total release of ₹186.29 crore, ₹147.44 crore was incurred towards subsidy, providing infrastructure, *etc.* The balance of ₹38.85 crore along with opening balance of ₹48.90 crore at the beginning of 2017-18 was kept in the Savings Bank Account of the Corporation which resulted in blocking up of Government Funds.

3.7.1.5 Rush of Expenditure

Rule 62 (3), GFR, 2017 states that rush of expenditure particularly in the closing month of the financial year shall be avoided as it is regarded as breach of financial propriety. Further, as per paragraph 6 of the instructions issued by the Department of Finance, GoK dated 09 September 2004, - regarding releases, drawl and accounting of funds, the Administrative Department and the Heads of departments were to plan expenditure for the remaining part of the financial year with due diligence and within the available grants. Bunching of bills and rush of expenditure in the month of March was to be avoided. Administrative Orders were to be issued well in advance after obtaining necessary approvals at the required levels for expenditure likely to be incurred in February and March. However, it was noticed that the percentage of expenditure in the Heads of account detailed in **Table 3.16** ranged from 32 *per cent* to 100 *per cent* during March and 50 *per cent* to 100 *per cent* during the last quarter of the year 2019-20.

Table 3.16: Rush of Expenditure

(₹ in crore)

Head of Account	Total Expenditure	Expenditure during the last Quarter and its percentage	Expenditure during the month of March and its percentage
2851-00-102-0-84-102-GIA Asset Creation	2.50	2.50 (100)	1.09 (44)
2851-00-102-0-85-102- GIA Asset Creation	1.35	1.35 (100)	1.35(100)
2851-00-103-0-62-422-SCSP	21.90	15.04 (69)	11.53 (53)
2851-00-103-0-62-423- Tribal Sub plan	13.22	10.31 (78)	8.97 (68)
2851-00-104-0-19-106-Subsidies	1.15	1.15 (100)	0.90 (78)
2852-80-102-0-04-059-Other Expenses	5.00	2.50 (50)	2.50 (50)
2853-02-102-0-14-059-Other expenses	0.20	0.20 (100)	0.20 (100)
2853-02-102-0-15-059-Other expenses	28.05	27.51 (98)	17.51 (62)
4851-00-102-0-19-132-Capital expenses	2.40	1.90 (79)	0.90 (38)
4851-00-190-0-20-211-Investment	54.94	54.94 (100)	17.47 (32)

Source: Grant Register

The Finance Department replied (February 2021) that periodic instructions were being issued to the departments to plan balanced expenditure in order to avoid rush at the end of the year. However, the departments continued to incur heavy expenditure during the closing of the year.

The Finance Department should review the pattern of expenditure and take corrective measures to avoid rush of expenditure at the end of the financial year.

3.7.2 Review of Grant No.21 – Water Resources

3.7.2.1 Introduction

Grant No.21 covers the budget and expenditure pertaining to the Water Resources Department including that of Minor Irrigation Department responsible for providing drinking water and irrigation facilities to the farmers in the State of Karnataka.

3.7.2.2 Budget and Expenditure

The overall position of budget provisions, actual disbursements and savings under the grant for the last three years is as given in **Table 3.17**.

Table 3.17: Budget and Expenditure

(₹ in crore)

Year	Section	Budget Provision	Total	Expenditure	Unutilized Provision and its (%)
2017-18	Revenue Original(v)	1,081.88	1,081.88	911.99	169.89
	Supplementary	0.00			(16)
	Revenue Original(c)	952.97	952.97	933.47	19.50
	Supplementary	0.00			(2)
	Capital Original(v)	12,072.87	12,588.74	9,950.54	2,638.20
	Supplementary	515.87			(21)
	Capital Original(c)	345.34	345.34	345.34	0.00
	Supplementary	0.00			
2018-19	Revenue Original(v)	1,032.98	1,039.03	913.72	125.31
	Supplementary	6.05			(12)
	Revenue Original(c)	1,291.39	1,291.39	1,152.87	138.52
	Supplementary	0.00			(11)
	Capital Original(v)	10,979.69	11,453.92	10,906.46	547.46
	Supplementary	474.23			(5)
	Capital Original(c)	1,235.28	1,235.28	1,148.71	86.57
	Supplementary	0.00			(7)
2019-20	Revenue Original(v)	1,077.07	1,090.40	799.87	290.53
	Supplementary	13.33			(27)
	Revenue Original(c)	1,498.19	1,498.19	1,317.19	181.00
	Supplementary	0.00			(12)
	Capital Original(v)	12,065.70	13,402.32	12,291.48	1,110.84
	Supplementary	1,336.62			(8)
	Capital Original (c)	1,017.27	1,017.63	1,017.26	0.37
	Supplementary	0.36			(0)

Source: Appropriation Accounts

During the year 2017-18 to 2019-20, unutilized provision under revenue voted section ranged between 12 to 27 per cent and in charged section it ranged between 2 to 12 per cent. Under capital voted section unutilized provision ranged between 5 to 21 per cent and in capital charged section it ranged up to seven per cent.

3.7.2.3 Non-appointment of Internal Financial Advisor.

Government appoints an Internal Financial Advisor (IFA) for a Department or a Group of Departments in consultation with the Finance Department. As per Notification issued (July 1982), IFA is responsible for ensuring that the budget estimates are properly framed, the time schedule is scrupulously followed, and to examine and advice on all new schemes, new expenditure *etc.* During the review of departmental records in 2019-20, it was noticed that the Water Resource and Minor Irrigation Department is functioning without an Internal Financial Advisor.

The department stated (February 2021) that since there was no IFA, a proposal to create the post of IFA was sent to Finance Department in September 2015 and action in this regard was yet to be taken.

3.7.2.4 Delay in submission of Budget Proposal

The budget circular issued for preparation of the budget prescribes due dates for submission of proposals by estimating officers. For the period 2017-2020, it was observed that the concerned departments did not adhere to the due dates. The details of budget proposals submitted by the concerned department are as shown in **Table 3.18**.

Table 3.18: Delay in submission of Budget proposal

Year	Due Date for Submission	Water Resource Department		Minor Irrigation Department	
		Date on which sent	Delay in no. of days	Date on which sent	Delay in no. of days
2017-18	30 th November 2016	28-02-2017	89	28-02-2017	89
2018-19	30 th November 2017	22-01-2018	52	22-01-2018	52
2019-20	30 th November 2018	21-01-2019	50	21-01-2019	50

From the table, it is evident that there was considerable delay in submission of Budget proposal by the Water Resource as well as Minor Irrigation Department. A departure from the prescribed dates in the submission of the estimates may upset the entire Budget programme of the Finance Department and may involve a possibility of an item not being adequately provided for or being omitted altogether.

3.7.2.5 Anticipated savings not surrendered/partially surrendered

As per para 264 of the KBM, 1975, the spending Departments are required to surrender grants/appropriations or portions thereof to the Finance Department as and when savings are anticipated. Further, surrender of funds should be done as soon as these are foreseen without waiting for the end of the financial year, to enable the Finance Department to efficiently redeploy the anticipated savings on other needy schemes. At the close of each financial year during the period 2017-18 to 2019-20, out of savings of ₹5,308.19 crore, an amount of ₹372.09 crore only was surrendered resulting in non-surrender of remaining ₹4,936.10 crore (93 *per cent* of the savings of ₹5,308.19 crore), details of which are given in **Table 3.19**.

Table 3.19: Anticipated savings not surrendered/partially surrendered Revenue

Revenue (₹ in crore)						
Year	Savings			Amount Surrendered		
	Voted	Charged	Total	Voted	Charged	Total
2017-18	169.89	19.50	189.39	10.60	0.00	10.60
2018-19	125.31	138.52	263.83	15.21	0.00	15.21
2019-20	290.53	181.00	471.53	19.05	0.00	19.05
Total	585.73	339.02	924.75	44.86	0.00	44.86

Capital (₹ in crore)

Year	Savings			Amount Surrendered		
	Voted	Charged	Total	Voted	Charged	Total
2017-18	2,638.20	0.00	2638.20	19.27	0.00	19.27
2018-19	547.46	86.57	634.03	31.12	0.00	31.12
2019-20	1,110.85	0.36	1,111.21	276.84	0.00	276.84
Total	4,296.51	86.93	4,383.44	327.23	0.00	327.23

Source: Grant Register

3.7.2.6 Persistent savings

As per para 110 of the KBM, due notice was to be taken of the past performance, the stage of formulation/implementation of various schemes, the institutional capacity of the implementing agencies to implement the scheme as scheduled, the constraints on spending by the spending agencies and, most importantly, the quantum of Government assistance lying with the recipients unutilized/unaccounted for *etc.*, with a view to minimizing the surrender of funds available at a later stage. Persistent savings during 2017-20, as detailed below indicate that the provisions of para 110 of the KBM were not being observed. The Head-wise details of persistent savings are shown in **Table 3.20**.

Table 3.20: Persistent Saving

Table 3.20: Persistent Saving (₹ in crore)				
Sl. No	Head of Account / Nomenclature	2017-18	2018-19	2019-20
1	2700-05-001-0-01-059 – Other Expenses	9.90	9.90	9.90
2	2701-80-001-0-21 -014- Other Allowance	3.17	3.17	11.03
3	2702-02-005-0-15-180– Machinery and Equipment	5.93	11.04	9.45
4	2702-03-101-0-02 -200 – Maintenance Expenditure	12.28	9.31	21.04
5	2705-00-201-0-01-102 GIA – Asset creation	13.10	3.10	4.93
6	4701-73-800-0-01-139 – Major Works	169.32	120.80	155.67
7	4701-74-800-0-01-139 – Major Works	68.78	61.45	48.25
8	4701-80-800-0-10-059 – Other Expenses	51.69	20.49	85.52
9	4701-80-800-0-13-059 – Other Expenses	177.71	10.00	1.00
10	4705-00-800-0-01-133 – Special Development Plan	80.66	73.53	47.69

Source: Grant Register

3.7.2.7 Release of fund for debt servicing to Cauvery Neeravari Nigam Ltd., (CNNL) under the Head of account pertaining to Krishna Bhagya Jala Nigam Ltd. (KBJNL)

The budget requirement of the department consists of provision for four major companies viz., Krishna Bhagya Jala Nigam Limited (KBJNL), Karnataka Neeravari Nigam Limited (KNNL), Cauvery Neeravari Nigam Limited (CNNL) and Vishveswaraya Jala Nigam Limited (VJNL). These were established in 1994, 1998, 2003 and 2016 respectively to implement projects under the irrigation sector. These companies borrow funds from the market/financial institutions outside the State Budget.

Though the funds for implementation of the State plan programme were to be mobilized by these companies outside the State budget, the borrowings of these companies are the liabilities of the State Government which stood as guarantor for loans availed. The State Government has been repaying the off-budget borrowings of these companies including interest, through regular budget (Revenue and Capital) on approval by the Legislature. The borrowings by these companies have been shown in the overview of budget regularly under off-budget borrowings.

On scrutiny of budget documents for the years 2017-20, it was noticed in audit that the Government has been releasing the funds towards debt servicing of M/s CNNL under the head of account 2701-80-190-0-01-240 which pertains to M/s KBJNL, though the beneficiary entities had been submitting their requirement of funds separately to the Finance Department. Though these two companies have been distinctly indicated in the Overview of the Budget, bunching of debt servicing for these companies results in lack of transparency.

3.7.2.8 Mis-classification of establishment expenditure under Capital Heads

As per Rule 84 of GFR 2017, significant expenditure incurred with the object of acquiring tangible assets of a permanent nature (for use in the organization and not for sale in the ordinary course of business) or enhancing the utility of existing assets, shall broadly be defined as Capital expenditure. Subsequent charges on maintenance, repair, upkeep and working expenses, which are required to maintain the assets in a running order as also all other expenses incurred for the day to day running of the organisation, including establishment and administrative expenses shall be classified as Revenue expenditure. Capital and Revenue expenditure shall be shown separately in Accounts. However, it was observed that the budget provisions were obtained under capital section for incurring expenditure on salaries. Booking of expenditure to capital account on salaries for the period 2017-20 amounting to ₹16.05 crore not only inflated the capital expenditure but also suppressed the expenditure of salaries on revenue account as detailed in **Table 3.21**.

Table 3.21: Misclassification of salary expenditure under capital head

(₹ in crore)					
Sl.No	Major Head	2017-18	2018-19	2019-20	Total
1	4700	4.95	5.82	0.00	10.77
2	4701	1.50	1.82	1.96	5.28
Total		6.45	7.64	1.96	16.05

Source: Grant Register

In the exit conference (February 2021), the Finance department accepted the observation and stated that such mistakes will be avoided in future.

3.7.2.9 Rush of Expenditure

As per paragraph 6 of instruction issued by Finance Department dated 09 September 2004, regarding releases, drawl and accounting of funds, the Administrative Departments and the heads of Departments were to plan expenditure with due diligence and within the available grants. Bunching of bills and rush of expenditure in the month of March was to be avoided. Administrative orders were to be issued well in advance after obtaining approvals for expenditure likely to be incurred in February and March. It was observed that there was rush of expenditure in the last quarter especially in the month of March and the object-head wise details of expenditure where the percentage of expenditure during last quarter and March is huge compared to the total expenditure incurred during 2019-20 are detailed in **Table 3.22**.

Table 3.22: Rush of expenditure during 2019-20

(₹ in crore)

Sl. No	Head of Account and Nomenclature	Total Expenditure	Expenditure during last quarter		Expenditure during March	
			Amount	%	Amount	%
1	2700-09-101-0-01-200 Maintenance	111.51	61.95	56	61.95	56
2	2705-00-204-0-01-101 GIA Salaries	15.40	6.67	43	6.67	43
3	2711-02-103-0-01-200– Maintenance	4.89	4.45	91	2.00	41
4	4701-74-800-0-01-139 Major Works	11.75	11.75	100	11.75	100
5	4702-00-101-0-10-423 Tribal Sub Plan	4.34	3.71	85	2.14	49
6	4702-00-101-1-07-139- Major Works	208.00	135.69	65	88.60	43
7	4702-00-101-1-16-132 Capital Expenses	28.30	21.22	75	21.22	75

Source: Grant Register

The overall percentage of expenditure during March ranged from 41 to 100 per cent and during the last quarter it was 43 to 100 per cent. Bunching of expenditure in the last quarter of the financial year is inconsistent with prudent financial management.

The Finance Department in its reply stated (February 2021) that the Heads of the Departments were delegated with the powers of releasing the funds up to three quarters in the month of April itself and necessary instructions were given to prepare action plans and get approvals at the earliest.

3.8 Conclusion

- The budgeting exercise carried out by the State Government needs to be more realistic as 11 *per cent* of the total provision remained unutilised. The total expenditure incurred during the year was three *per cent* less than the original budget and the supplementary budget constituted 10 *per cent* of the original budget. Further, 51 *per cent* of the unspent provision, was not surrendered.
- Though Article 264 of the KBM specified furnishing reasons for savings, Departments had not furnished reasons for 46 *per cent* of the savings;
- There were cases of misclassification between revenue and capital sections which affect fiscal indicators;
- The gender budget document merely quantified the allocation earmarked for schemes having a gender component and even this was not done methodically. In spite of pointing out in earlier State Finance Audit Reports, lack of gender-disaggregated data and monitoring of gender budget persisted;
- Significant policy initiatives of the Government were not fulfilled during the year due to non-completion of the preparatory activities;
- Excess expenditure relating to the period 2012-13 to 2017-18 required to be regularized under Article 205 of the Constitution and
- Supplementary grants/appropriations as well as re-appropriation were obtained without adequate justification as large amount remained unutilized.

3.9 Recommendations

- *Budgetary control should be strengthened in all the departments to avoid cases of provision remaining un-utilized.*
- *Top priority should be accorded to regularize the excess expenditure from the year 2012-13 by bringing those cases before PAC.*
- *Unnecessary/Excessive supplementary provision should be avoided.*
- *The re-appropriation orders should be issued in conformity with the provisions of the KFC.*

Chapter – 4

Quality of Accounts and Financial Reporting Practices

Chapter 4 - Quality of Accounts and Financial Reporting

A sound internal financial reporting system based on compliance with financial rules and accurate accounts is one of the attributes of good governance. This chapter provides an overview and status of compliance with various financial rules, procedures and directives during the current year.

A. Observations relating to completeness of accounts

4.1 Funds outside Consolidated Fund or Public Account of the State

- **Non remittance of interest earned out of Government grants**

The Government releases funds to Companies, Corporations, Autonomous Bodies including Statutory Boards and Regional Societies in the form of paid up share capital of the organization concerned, grants, subsidies, reimbursement of expenditure, loans and funds released for schemes, *etc.*

The Finance Department, GoK vide Government Order (GO) No. FD 53 BGL, 2003, Bangalore dated 3 July 2003 directed all Corporation/Companies/Autonomous Bodies *etc.*, to remit interest earned on Government funds received by them to the Government account by crediting the head of account "0049 Interest Receipts". It also emphasised that the interest so earned shall not be used for any expenditure by the institutions. This was reiterated vide its Circular no FD 24 TAR, 2019 letter dated 27 August 2019.

Audit observed that ten Companies/Corporations in contravention to the above instructions did not remit the interest earned amounting to ₹803.99 crore to Government. The details of interest earned and its treatment during 2016-17 to 2019-20 are indicated in the **Table 4.1**:

Table 4.1: Details of interest earned and its treatment

Name of the Institutions	Interest earned				Treatment of the interest amount
	2016-17	2017-18	2018-19	2019-20	
D. Devaraj Urs Backward Classes Development Corporation	-	23.50	22.28	18.87	During 2019-20, the interest earned for the period from 2016-17 to 2019-20 was shown as Payables to Government but was not paid.
Tumakuru Machine Tool Park	-	1.54	4.50	3.09	
Visvesvaraya Jala Nigam Limited	0.38	16.30	23.66	38.41	Accounted as income in their books of accounts.
Karnataka Renewable Energy Development Limited	2.75	0	0	0.02	

(₹ in crore)

Name of the Institutions	Interest earned				Treatment of the interest amount
	2016-17	2017-18	2018-19	2019-20	
Dr.B.R Ambedkar Development Corporation Limited	4.39	16.24	6.00	0.16	Accounted as income in their books of accounts.
Karnataka Neeravari Nigam Limited	15.65	34.45	42.22	48.68	
Karnataka Bhovi Development Corporation	0.48	3.57	3.74	7.44	
Krishna Bhagya Jala Nigam Limited	58.32	80.79	148.51	133.88	
The Karnataka Fisheries Development Corporation limited	3.28	3.50	1.88	1.21	
Karnataka Thanda Development Corporation Ltd	7.73	7.77	10.42	8.38	Out of Interest earned (₹34.30 crore) ₹15.92 crore was utilised towards salary and Administrative expenses by the Corporation.
Total	92.98	187.66	263.21	260.14	803.99

In addition, audit noticed the following

- The Karnataka Neeravari Nigam Limited requested (December 2019) the Finance Department to permit utilisation of the interest amount towards salary expenses, administrative expenses, court cases related to land acquisition expenses *etc.*, which was turned down by the Finance Department (June 2020) with the directions to remit the interest to the Government accounts. However, the interest was not remitted to Government Account.
- The Karnataka Fisheries Development Corporation Ltd. stated in their reply (January 2021) that the Corporation does not receive any amount/fee for maintenance of grants received from Government. Hence, the Corporation was utilising the interest earned towards Administrative cost, Compliance cost, Monitoring cost, Record keeping cost, tendering cost *etc.* Further, Corporation also stated that since the grant release order was silent about the treatment of interest earned out of grants, Corporation accounted the interest earned as its income in their books of accounts. However, this was in contradiction to the Finance Department's circular dated 3 July 2003 and 27 August 2019 which emphasized that the interest earned out of grants in bank accounts were required to be remitted to the Government Account.
- The Visveshwaraya Jala Nigam Limited stated (October 2020) that the interest earned was utilized towards salary and office maintenance expenses as the Nigam does not generate any income of its own to meet these expenses and had to depend on Government grants.

The Government should take action on remittance of interest earned on Government grants by the Companies/Corporations which in turn helps in increase of non-tax Revenue of the State.

In the Exit Conference (February 2021) while accepting the observation, the Finance Department requested the Audit to furnish the details of the PSUs for taking further action.

B. Observation relating to transparency

4.2 Delay in submission of Utilisation Certificates

Rule 161(5) of the Karnataka Financial Code(KFC), 1958 stipulates Utilisation Certificates (UCs) should be obtained by the departmental officers from the Grantees in respect of grants provided for specific purposes and these should be forwarded to the AG (A&E) after verification within 18 months from the date of their sanction unless specified otherwise. Audit observed that 51 UCs aggregating ₹182.49 crore were in arrears as on due year 2019-20 as detailed in **Table 4.2**. The status of year wise break up of outstanding UCs is given in **Table 4.3**.

Table 4.2: Pendency of Utilisation Certificate during 2019-20

(₹ in crore)

Year	Opening Balance		Addition		Clearance		Due for Submission	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount
2019-20	110	764.81	79	737.13	138	1,319.45	51	182.49

Source: PAG(A&E)

Table 4.3: Year wise break up of Outstanding UCs

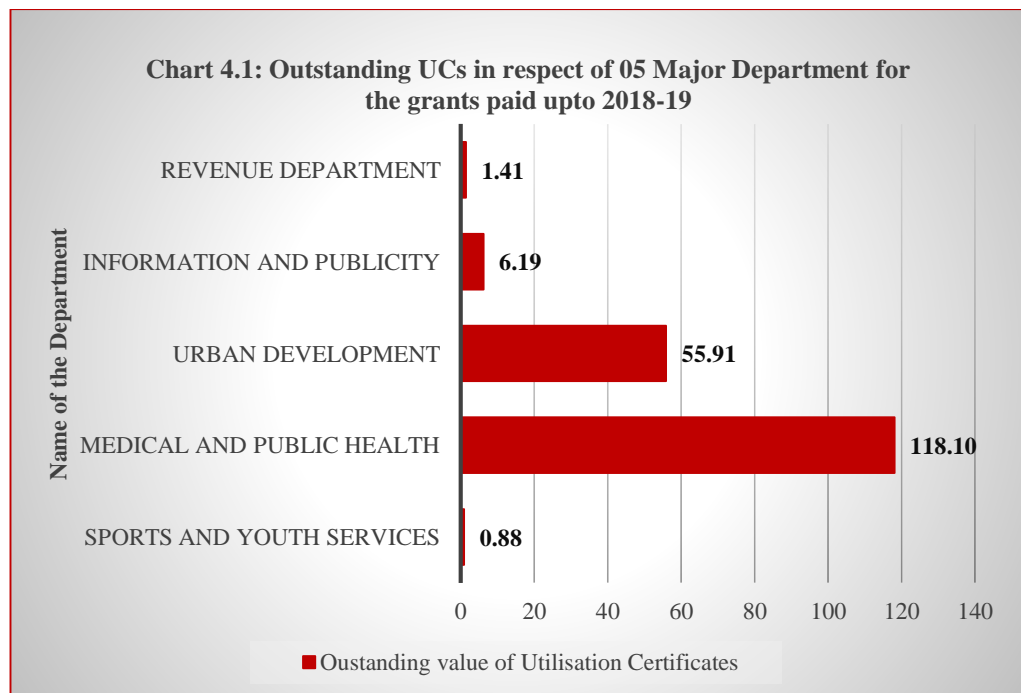
(₹ in crore)

Year	Number of UCs	Amount
2002-03	3	1.41
2007-08	3	0.30
2010-11	3	1.00
2011-12	3	1.14
2012-13	3	1.50
2013-14	4	25.86
2014-15	1	3.75
2015-16	2	1.85
2016-17	8	30.38
2017-18	2	3.51
2018-19	19	111.79
Total	51	182.49

Source: PAG(A&E)

Further, under Rule 161(5) the form of UC required to be submitted clearly indicates that the grant unutilised in a year should be surrendered or adjusted towards the grants payable in the subsequent year. Since the UCs in the above cases were not submitted, complete utilisation of grants released could not be ascertained. Despite the pending UCs, the grants were released to the institutions indicating lack of control over sanctioning of grants. Hence, Government needs to review all such UCs pending for more than a year before release of further grants.

₹ in crore)



Source: PAG(A&E)

As seen in **Chart 4.1**, majority of cases of non-submission of UCs related to the Medical and Public Health Department (64 per cent) and the Urban Development Department (31 per cent). Pendency in submission of UCs not only indicates absence of assurance on utilisation of grants released for intended purposes but also lack of monitoring of utilisation of grants released to the grantees by the departments. Major Head wise and Department-wise details of outstanding UCs separately for each year is detailed in **Appendix 4.1**

In reply (February 2021), the Finance Department stated that the instructions for submission of pending UCs would be issued to the departments concerned.

4.3 Abstract Contingent Bills

Under Rule 36 of the Manual of Contingent Expenditure, 1958, the Controlling and Disbursing Officers are authorized to draw sums of money by preparing Abstract Contingent (AC) bills by debiting service heads and are required to present Non-payment Detailed Contingent (NDC) bills (vouchers in support of final expenditure) to the PAG(A&E) through the treasuries before the 15th of the month following the month to which the bill relates. Controlling officers should also ensure that no amounts are drawn from the treasury through AC bills unless required for immediate disbursement. Detailed bills aggregating to ₹96.68 crore, drawn on 1,959 AC bills, were pending at the end of March 2020 as detailed in **Table 4.4**.

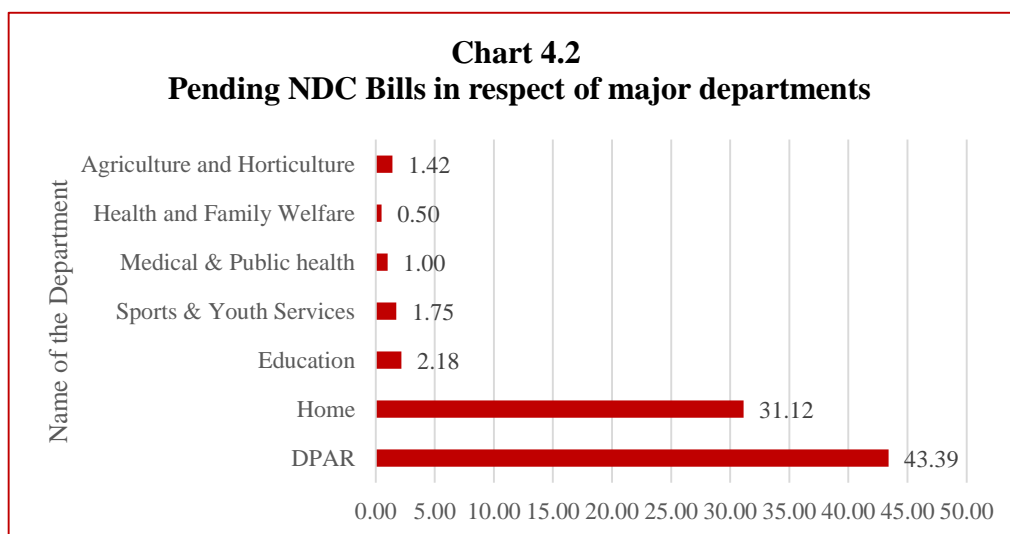
Table 4.4: Year wise progress in submission of NDC bills against the AC bills
(₹ in crore)

Year	Opening Balance		Addition		Clearance		Closing Balance	
	No	Amount	No	Amount	No	Amount	No	Amount
Upto 2017-18	3,272	84.81	3,094	90.03	3,090	90.84	3,276	84.00
2018-19	3,276	84.00	2,286	188.64	3,467	179.37	2,095	93.27
2019-20*	2,095	93.27	2,109	182.90	2,245	179.49	1,959	96.68

*Excluding Bills for the Month of March 2020

Source- Finance Accounts

(₹ in crore)



Source: PAG(A&E)

Chart 4.2 reveals that 45 per cent of the outstanding NDC bills pertain to DPAR department (Elections) - Major Head 2015 (₹43.39 crore), 32 per cent relate to Home department (Police) - Major Head 2055 (₹31.12 crore).

The withdrawal of money on an AC bill is accounted for against the functional Major Head in the Consolidated Fund. Unless the accounts are settled within the time allotted, the expenditure stands inflated. Instructions were issued by the Finance Department to all Principal Secretaries/Secretaries to Government (August 2012) for settlement of accounts within the stipulated period, failing which action will be taken to stop the salary of the Drawing and Disbursing Officer (DDO) concerned. However, it was observed that the practice of drawal of salary by DDOs, who had substantial bills pending against them continued, indicating poor compliance with the instructions of the Finance Department.

Bills in support of the claim for the amounts drawn on AC bills should be submitted within the period stipulated in the Manual of Contingent Expenditure.

In reply (February 2021), the Finance Department stated that timely instructions to all Departments to clear the pending NDC bills were regularly issued requesting them to settle all the outstanding AC bills.

4.4 Personal Deposit Accounts

Rule 286 of the KFC,1958 provides for opening of Personal Deposit (PD) accounts with permission from the Government in cases where the ordinary system of accounting is not suitable for transactions. PD accounts created by debit to the Consolidated Fund of the State should be closed at the end of the financial year. However, this rule is not strictly followed in the State as significant balances are carried forward to the subsequent year which are discussed in paragraphs below. Administrators of the accounts should intimate the Treasury Officer about the balance to be transferred to the Consolidated Fund. For continuation of PD accounts beyond the period of their currency, administrators are required to seek the permission of the Finance Department. Periodical reconciliation of PD accounts with treasury accounts is the responsibility of the administrators concerned.

4.4.1 Trends in the closing balance of PD Account

The closing balances in the 76 PD Accounts during the last five years *i,e* from 2015-16 to 2019-20 is indicated in **Table 4.5**.

Table 4.5: Funds kept in PD Accounts

(₹ in crore)

Year	Opening Balance	Receipts/Deposits	Withdrawals	Closing balance
2015-16	2,428.29	6,368.39	6,061.07	2,735.61
2016-17	2,735.61	5,516.51	5,310.01	2,942.12
2017-18	2,942.12	4,191.46	4,395.06	2,741.52
2018-19	2,741.52	5,350.98	4,007.36	4,085.14
2019-20	4,085.14	6,557.67	6,221.25	4,221.56

Source- Finance Accounts

During the year 2019-20, out of ₹6,557.67 crore credited to PD Account, ₹643.60 crore was transferred to PD accounts during March 2020. The balance in deposit accounts showed an increase of three *per cent* during 2019-20 when compared to 2018-19.

The credit balance in respect of some of the PD accounts of the administrators having high balances as at the end of 2019-20 are shown in **Table 4.6**.

Table 4.6: Closing balances in PD Accounts

(₹ in crore)

Sl.No	Administrator	Amount
1	Personal Deposits - General	474.89
2	PD Accounts of Deputy Commissioners	8,689.59
3	PD Accounts of Director, Department of Scheduled Tribes	368.66
4	PD Account of the Commissioner, Department of Collegiate Education, Bangalore	197.41

Source- DDR Ledger

4.4.2 Inoperative and non-reconciled PD Accounts

As per Article 286A of the KFC, the State Government is required to close all PD accounts remaining inoperative for considerable period of time. As brought out in Notes to Accounts of Finance Accounts 2020, out of 76 PD accounts, 23 PD accounts (13 PD accounts with a credit balance of ₹4.13 crore and eight PD accounts with a debit balance of ₹1.13 crore and two PD accounts with Nil balance) were inoperative for more than three years (**Appendix 4.2**). Action may be taken by the administrators to analyse and duly reconcile the balances, close the accounts and write back the unspent balances to the Consolidated Fund of the State.

In reply (February 2021), the Finance Department stated that departments were requested to reconcile the balances in PD Accounts and propose for closure of PD accounts which remained inoperative for long period.

C. Observation relating to measurement

4.5 Outstanding balances under suspense and DDR heads

4.5.1 Balances under Major Suspense and DDR heads

The accounts of the Government are kept on cash basis. Certain intermediary/adjusting heads of accounts known as ‘Suspense Heads’ are operated in Government accounts to reflect transactions of receipts and payments, which cannot be booked to a final head of account due to lack of information as to their nature, or for other reasons. These heads of accounts are finally cleared by minus debit or minus credit when the amounts are booked to their respective final heads of accounts. If these amounts remain un-cleared, the balances under the suspense heads would accumulate and would not reflect the Government’s receipts and expenditure accurately. The balances under certain major suspense heads of accounts, as recorded in the ledger maintained by PAG (A&E), are indicated in **Table 4.7**

Debt, Deposit and Remittances (DDR) are heads of account for such transactions where the Government, as a custodian of public money, receives and holds such money in trust.

The accuracy of the State Finance Accounts 2019-20, was adversely affected by factors such as

- (i) Large number of transactions under suspense heads awaiting final classification and
- (ii) Increased magnitude and quantum of adverse balances under DDR heads. On a general review of the transactions, the following were observed:

Table 4.7: Balances under Suspense and Remittance Head

(₹ in crore)

Minor Head	2017-18		2018-19		2019-20	
	Dr	Cr	Dr	Cr	Dr	Cr
Major Head 8658-Suspense						
101-PAO Suspense	189.66	0.25	288.08	16.93	270.30	10.86
Net	Dr. 189.41		Dr. 271.15		Dr. 259.44	
102-Suspense Account-Civil	17.37	175.77	17.76	296.45	18.14	414.95
Net	Cr. 158.40		Cr.278.69		Cr. 396.81	
107-Cash Settlement Suspense Account	20.53		20.53		20.53	
Net	Dr. 20.53		Dr. 20.53		Dr. 20.53	
110- Reserve Bank Suspense-Central Accounts Office	44.53	151.18	91.41	183.28	17.59	154.67
Net	Cr. 106.65		Cr. 91.87		Cr.137.08	
112- Tax Deducted at source (TDS) suspense	0.74	68.41	204.16	233.34	0.74	32.77
Net	Cr.67.67		Cr.29.18		Cr.32.03	
123- A.I.S Officers Group Insurance Scheme	1.19		9.30		1.00	
Net	Dr. 1.19		Dr.9.30		Dr.1.00	
8782-Cash Remittances						
102- Public Works into Remittances into treasury	81.72	-	82.61	-	82.61	-
Net	Dr. 81.72		Dr.82.61		Dr.82.61	
103-Forest Remittance into Treasury	12.13	-	12.13	-	12.13	-
Net	Dr.12.13		Dr.12.13		Dr.12.13	

Source- DDR Ledger

The Finance Accounts reflect the net balances under these heads. The outstanding balances are worked out by aggregating the outstanding debit and credit separately. The implications of the balances under these heads are discussed in the succeeding paragraphs:

- **Pay and Accounts Office Suspense**

This head is intended for settlement of transactions between the AG and the various separate Pay and Accounts Offices (PAO) of GoI. The transactions initially recorded under this head in the books of the AG are cleared on receipt of the Cheque/Demand Drafts from the PAO and on the issue of Cheque/Demand Draft in respect of amounts received in the State Treasuries on behalf of the PAO. Outstanding debit balance under this head would mean that payments were made by the AG on behalf of a PAO, which were yet to be recovered. Outstanding credit balance would mean that payments have been received by the AG on behalf of a PAO, which were yet to be paid. The net debit balance under this head showed a decreasing trend. On

clearance/settlement of this, the cash balance of the State Government will increase. The transactions mainly related to National Highways, and payments made by the State Government to Central Government Civil Pensioners.

- **Suspense Account (Civil)**

Transactions where full particulars of the classification are not available, or where the relevant vouchers/schedules in support thereof are not available or where there is some discrepancy between the figures reported in the treasury schedules of payment/cash accounts and those appearing in the supporting vouchers, schedules, *etc.* constitute the major portion of outstanding figure under this head. Transactions taking place at state treasuries on behalf of Railways, Defence and Postal and Telegraph Department are also initially classified under this head, pending settlement of claims by these authorities. The net credit balance under this head increased by ₹118.12 crore during the year. In so far as accounts with Railways (₹3.15 crore) and accounts with Defence (₹1.57 crore) are concerned, the cash balance will increase on clearance. There is no impact on cash balance in respect of the rest.

- **Reserve Bank Suspense, Central Accounts Office**

This head is operated for recording inter-governmental transactions where monetary settlement between the cash balances of two Governments is done by sending advice to the Central Accounts Section of the RBI. This head is cleared by transferring the amount to the final head of account on receipt of intimation of the monetary settlement having been carried out by the RBI. The main transactions, which get settled through this suspense head are grants/loans received from the GoI and their repayments, discharge of securities and interest paid thereon by the Public Debt offices of RBI, and payments made by the Director General of Supplies and Disposals for materials supplied to Government Departments. During 2019-20, the credit balance under this head was ₹137.08 crore, and has increased by ₹45.21 crore compared to previous year.

4.5.2 Adverse Balances under DDR Heads

Adverse balances are negative balances appearing under those heads of accounts, where there should not be a negative balance. For example, against the accounting head of any loan or advance, a negative balance will indicate more repayment than the original amount advanced. **Table 4.8** indicates adverse balance under Public Debt and Loans & Advances.

Table 4.8: Adverse balance under DDR Heads

(₹ in crore)

Sl. No.	Head of account	Description	Amount	Reason
Public Debt				
1	6003-00-108-0-01	Internal debt of the State Government-Loans from National Co-operative Development Corporation Ltd.,	Dr.1,74.40	Due to non-accounting of loan receipts from National Co-operative Development Corporation Ltd., in the Government accounts; whereas repayments were made through the Government accounts.
2	6004-03 & 6004-04	Loans and Advances from Central Government under Central Plan Scheme and Centrally Sponsored Scheme	Dr.10.36	This was on account of write-off of Central Loans on the recommendations of XIII FC (balances outstanding as per books of accounts as on 31 March 2010). The excess payments made during 2010-12 to various PAOs are to be adjusted against the dues of the Finance Ministry, GoI.
Total			Dr.1,84.76	
Loans and Advances				
3	6202,6215, 6217, 6401, 6402, 6405, 6408, 6435 6505, 6506, 6701, 7475 & 7615	Loans to State Institutions	Cr. 90.06	Adverse balance is due to misclassification, which is under reconciliation.
4	7610	Loans and Advances to Government servants	Cr. 6.24	Adverse balance is due to misclassification, which is under reconciliation.
Total			Cr. 96.30	

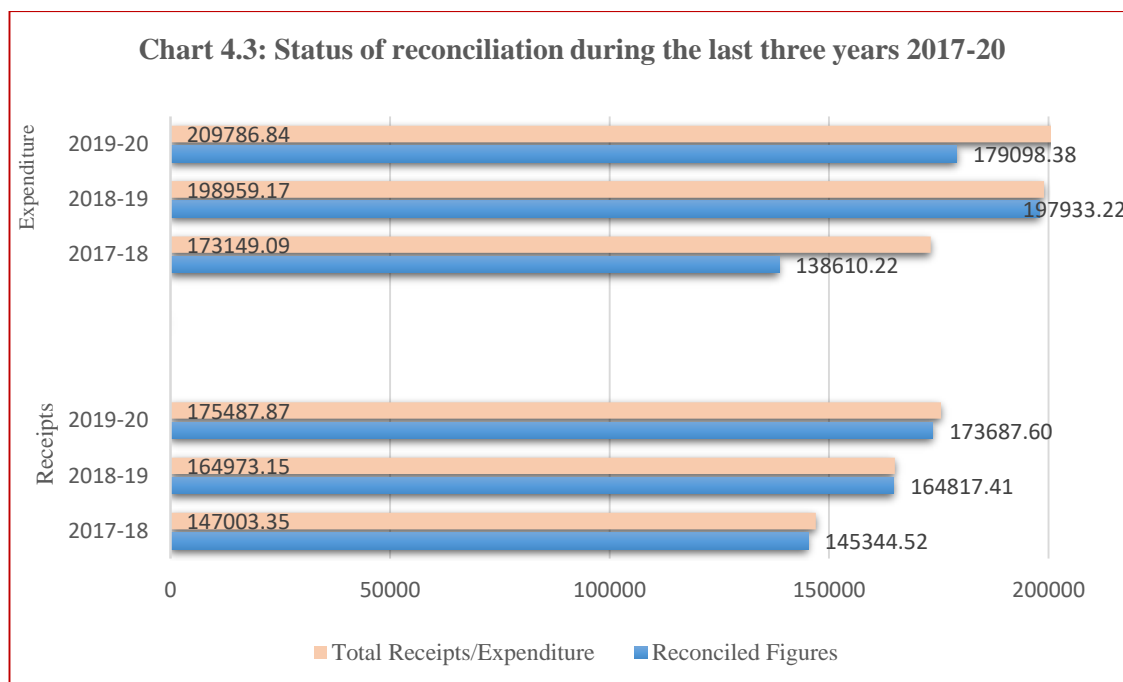
Source- Finance Accounts

The Finance Department in its reply (February 2021), stated that the subject is under correspondence with PAG(A&E) and necessary action would be taken for clearance of balances at the earliest.

4.6 Non-reconciliation of Departmental figures

To exercise effective budgetary control over revenue/expenditure and to ensure accuracy in accounts, all Controlling Officers are required to reconcile every month, the receipts and expenditure recorded in their books with the figures accounted for by the AG (A&E). The details of last three years from 2017-20 revenue and expenditure reconciliation is indicated in **Chart 4.3**

(₹ in crore)



Excludes loans and advances

Source- Finance Accounts

The details relating to the number of Controlling Officers and the extent of reconciliation during the last three years are given in **Table 4.9**.

Table 4.9: Status of Reconciliation of Receipts and Expenditure figures

(₹ in crore)

Year	Total No. of Controlling officers	Fully reconciled	Partially Reconciled	Not reconciled at all	CCOs not transacted during the month	Total Amount	Reconciled Amount	Percent -age
Receipts								
2017-18	80	66	0	14	-	1,47,003.35	1,45,344.52	98.87
2018-19	92	84	04	04	-	1,64,973.15	1,64,817.41	99.90
2019-20	101	75	18	08	-	1,75,487.87	1,73,687.60	98.97
Expenditure								
2017-18	194	159	18	17	-	1,73,149.09	1,38,610.22	80.05
2018-19	331	299	05	26	01	1,98,959.17	1,97,933.22	99.48
2019-20	322	245	50	27	-	2,09,786.84	1,79,098.38	85.37

Source- Report on MCA and Finance Accounts

As indicated in the **Table 4.9** reconciliation of expenditure which had increased to 99 per cent during 2018-19 when compared to 2017-18 (80 per cent) decreased during 2019-20 (85 per cent). No reconciliation was carried out in respect of receipts and disbursements under loans and advances. Necessary action for reconciliation in respect of receipts and expenditure under loans and advances is required to be taken.

4.7 Reconciliation of cash balance

There should be no difference between cash balance of the State as per books of Accounts of the AG(A&E) and the cash balances as reported by RBI.

As on March 2020, there was a difference of {₹1,671.31 crore (Dr.)}, between the figures reflected in the accounts {₹1,659.20 crore (Dr.)} and that intimated by the RBI {₹12.11 crore (Dr.)}. The difference pertains to pension payments which is due to non-reporting and non-reconciliation of figures by the Agency Banks. It is under reconciliation in the office of PAG(A&E).

The Finance Department in its reply (February 2021) stated that the difference in pension payments were due to the introduction of new module for Pension Payments introduced by RBI during the middle of 2019-20. It also stated that once the Pension Payment Module is completely rolled out, issues would be resolved.

D. Observation relating to disclosure

4.8 Compliance with Accounting Standards

The Government Accounting Standards Advisory Board(GASAB) set up in the office of the CAG with the support of the GoI is entrusted with the responsibility of formulating and proposing accounting and financial reporting standards for Government departments and organisations. On the advice of the CAG of India, the President of India has so far notified three Indian Government Accounting Standard (IGAS).

The details of IGAS and compliance with these by GoK for the year 2019-20 are discussed in **Table 4.10**.

Table 4.10: Compliance to Accounting Standards.

Sl No	Accounting Standards	Essence of IGAS	Status	Impact of deficiency
1	IGAS-1: Guarantees given by the Government-Disclosure requirement	The standard is set out to disclose the norms in respect of Guarantees given by Government in their respective Financial statements along with the maximum amount of guarantees given during the year, addition, deletions (Other than Invoked during the year), outstanding at the beginning and end of the year and Guarantee commission or fee.	Complied	Guarantees disclosure has been complied with the standard.
2	IGAS- 2 Accounting and Classification of Grants-in-Aid	It states that grants-in-aid should be classified under revenue expenditure under the accounts of grantor and revenue receipts in the accounts of grantee.	Not Complied	The Grants-in-Aid given to institutions amounting to ₹38.73 crore was classified under capital heads instead of revenue head. This resulted in non-compliance which led to over statement to revenue surplus and capital expenditure.

Sl No	Accounting Standards	Essence of IGAS	Status	Impact of deficiency
3	IGAS -3 Loans and Advances made by Government	This Standard relates to recognition, measurement, valuation and reporting in respect of loans and advances made by the Government in its Financial Statements to ensure complete, accurate and uniform accounting practices.	Partly Complied	The State government complied with the format prescribed by the Standard. However, the information in this regard is incomplete, since the details of all the outstanding principal and interest in respect of loans and advances have not been provided to the PAG (A&E).

In reply for the point at Sl. No.2, the Finance Department stated (February 2021) that the provision given to institutions were shifted from capital heads to revenue from 2020-21.

For the point at Sl No.3, the Finance Department stated (February 2021) that the complete compliance with this standard would be achieved only with the efficient channelling and recording of loans between the concerned departments and PAG(A&E). With the introduction of Khajane-2 ALM Module, the book-keeping, maintenance, registration and disbursement of all loans by/from the State Government would be possible.

4.9 Submission of Accounts and placing of Separate Audit Reports of Autonomous Bodies in the Legislature

Several Autonomous Bodies were set up by the State Government in the fields of Village and Small Industries, Urban Development, *etc.* The audit of accounts of 12 autonomous bodies in the State was entrusted to the CAG under Sections 19 and 20 of the CAG's (DPC) Act, 1971.

The status of entrustment of audit, rendering of accounts, issuing of Separate Audit Reports and their placement before the State Legislature is indicated in **Appendix 4.3**. As seen from the appendix, one Separate Audit Report in respect of eight autonomous bodies and two Separate Audit Reports in respect of two autonomous bodies were due for placement in the Legislature. Accounts for the year 2006-07 were rendered for the first time by the Karnataka Text Book Society during 2018-19.

4.10 Departmental Commercial Undertakings/Corporations/Companies

The departmental undertakings of certain Government Departments performing activities of commercial and quasi-commercial nature are required to prepare proforma accounts in the prescribed format annually, showing the working results of financial operations, so that the Government can assess their working. The finalized accounts of departmentally managed commercial and quasi commercial undertakings reflect their overall financial health and efficiency. In the absence of timely finalization of accounts, the investment of the Government remains outside the scrutiny of Audit/State Legislature.

Consequently, corrective measures, if any, required for ensuring accountability and improving efficiency cannot be taken in time. Besides, the delay renders the system vulnerable to the risk of fraud and leakage of public money.

The Heads of Departments in the Government are to ensure that the undertakings prepare and submit accounts to the AG for audit within a specified time-frame. Out of the nine undertakings, which are closed/transferred/converted into co-operative federations, proforma accounts in respect of two undertakings were due from 1969-70. The position of arrears in preparation of proforma accounts by the undertakings is given in **Appendix 4.4**.

In reply to the audit observation at Para 3.4 of the report on State Finances for the year ending March 2016, the Finance Department stated (March 2018) that in the meeting held on 18 August 2015, the departments were instructed to continue to furnish proforma accounts to AG and to send comprehensive proposals to Finance Department to close the units.

4.11 Non-Submission of details of grants/ loans given to bodies and authorities

Under Section 14 of the CAG's (DPC) 1971 whenever anybody or authority is substantially financed by grants or loans from Consolidated Fund of the State, the CAG shall, subject to the provisions of any law for the time being in force applicable to the body or authority, as the case may be, audit all such receipts and expenditure of that body or authority and report the receipts and expenditure audited by him. Under Section 15 of the CAG's (DPC) 1971, where any grant or loan is given for any specific purpose, the CAG shall scrutinize the procedures by which sanctioning authority satisfies itself as to the fulfilment of the conditions.

The institutions/bodies/authorities, which are audited under the above sections needs to be identified and the heads of the Government Departments are required to furnish to audit every year information about the institutions to which financial assistance of ₹25 lakh or more was given, the purpose for which assistance was granted and the total expenditure of the institutions.

Fourteen Departments did not furnish the information pertaining to 1121 institutions receiving grants aggregating ₹25 lakh or more for periods ranging from two years to more than 20 years, as detailed in **Appendix 4.5**. As seen from the appendix, the major defaulter was the Department of Education.

Instructions were issued by the Finance Department (December 2017) to the Secretaries of Administrative Departments to furnish the required information to the AG directly. However, there was no improvement in compliance. Though the Finance Department during March 2020 had stated that they would instruct the department to furnish the necessary information to the AG, it is seen that the number of departments not furnishing the information has increased when compared to previous year

4.12 Timelines and Quality of Accounts

The accounts of the State Government are compiled by the Pr. Accountant General (A&E) from the initial accounts rendered by 34 Treasuries, 05 Others, 103 Public Works Divisions and 103 Forest Divisions, apart from RBI advices. There are often delays in rendition of monthly accounts. Due to the failure of

the account rendering units to furnish accounts on time, some accounts are excluded from the Monthly Civil Accounts by the PAG (A&E). The details are given in **Table 4.11**.

Table 4.11: Number of accounts excluded from Monthly Civil Accounts during 2019-20

Section/ Group	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Treasuries	-	-	-	-	-	-	-	-	-	-	-	-
Others	02	-	04	03	01	-	02	02	01	-	-	-
Public Works Division	02	01	01	01	01	01	-	-	-	01	-	-
Forest Division	-	-	-	-	-	-	-	-	-	-	-	-

Source: Report on MCA

From the **Table 4.11**, it is evident that though there was delay in rendering monthly accounts in the first three quarters by two section/groups of the department, the state Government monitored and ensured that rendition of accounts by all the accounts rendering units to the PAG (A&E) was done on time during the last quarter of the year.

4.13 Misappropriation, losses, thefts etc.

There were 14 cases of misappropriation, losses *etc.* involving Government money amount to ₹17.40 crore as at the end of 2019-20 on which final action is pending. The department wise break up of pending cases is given below in **Table 4.12** and age wise break up is indicated in **Appendix 4.6**.

Table 4.12: Pending cases of misappropriation, losses and thefts etc.

(₹ in crore)

Name of Department	Cases of misappropriation/ losses/ thefts of Government material		Reasons for the delay in final disposal of pending cases of misappropriation, losses, thefts etc.					
			Awaiting departmental and criminal investigation		Departmental action initiated but not finalised		Criminal proceedings finalised but recovery of the amount pending	
	No. of cases	Amt	No. of cases	Amt	No. of cases	Amt	No. of cases	Amt
Public Works	02	11.80	-	-	02	11.80	-	-
Home	05	1.72	-	-	05	1.72	-	-
Labour	01	0.03	-	-	01	0.03	-	-
Social Welfare	01	3.26	-	-	01	3.26	-	-
Education	01	0.29	-	-	01	0.29	-	-
Animal Husbandry and Fisheries	01	0.06	-	-	01	0.06	-	-
Agriculture and Horticulture	01	0.02	-	-	01	0.02	-	-
Law	01	0.20	-	-	01	0.20	-	-
Health and Family Welfare	01	0.02	-	-	01	0.02	-	-
Total	14	17.40	-	-	14	17.40	-	-

Source: PAG(Audit I) and AG(Audit II)

4.14 Follow up action on State Finance Audit Report

The Report of CAG of India on State Finances for the year 2009-10 was discussed by the PAC during the period May 2011 to August 2011. The report containing the recommendations was placed before the Legislature in December 2011. Compliance to the recommendations of the PAC, the Action Taken Note was placed before the PAC for its consideration during September 2014. The PAC discussed the Action Taken Note furnished by the Government and made further recommendations which were placed before the Legislature in July 2015.

Important issues meriting attention of the PAC on the State Finances *viz.*, regularisation of excess expenditure from 2012-13 to 2017-18, revision of enhancing the monetary limits for selection of comments in Appropriation Accounts have been brought to the knowledge of the August body for their consideration.

4.15 Conclusion

The interest earned on the grants given by the Government to certain Government Companies/Corporations were not remitted to Government Account in spite of instructions issued by the Finance Department.

The closing balances in the Personal Deposit accounts showed an increasing trend for the past two years. Retention of such large sums of money was against the principle of Legislative financial control. In addition, there was increase in the number of inoperative PD accounts. Non-reconciliation of balances in such inoperative PD accounts and not transferring the unspent balances lying in such PD accounts to the Consolidated Fund of State is fraught with risk of misuse of public funds, fraud and misappropriation.

Non clearance of balances under suspense heads would not reflect Government's receipt and expenditure accurately under correct heads of account. Further, there were adverse balances in certain DDR heads which required remedial action for clearance.

More than 20 *per cent* of the AC bills drawn during the year were pending for want of NDC bills.

In spite of the Finance Department issuing instructions to Administrative Departments to furnish information to audit about the Institutions which were substantially financed by the Government, there was increase in number of Institutions not furnishing the required information. This points to inadequate internal controls and deficient monitoring mechanism of the State Government.

4.16 Recommendations

- *The government should ensure adjustment of Abstract Contingent bills within the stipulated period.*
- *Cleaning up of balances in the PD Accounts which have outlived their utility needs to be examined and steps need to be taken for review of the status of PD accounts and closure of inoperative ones after reconciliation of balances and in consultation with the Administrators and Treasury.*
- *Review of suspense heads needs to be done to bring the transaction to final heads in the accounting year itself.*
- *Government needs to ensure that all administrative departments furnish the information to the office of PAG(Audit) about the institution which have been substantially financed by the government.*

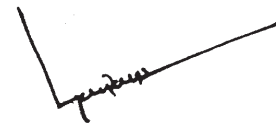
Bengaluru
The



(E P Nivedita)
Principal Accountant General (Audit I)
Karnataka

Countersigned

New Delhi
The



(Girish Chandra Murmu)
Comptroller and Auditor General of India

Appendices

Appendix 1.1

State Profile

(Reference: Paragraph 1.2; Page 1)

A		General Data					
Sl. No.	Particulars					Figures	
1	Area					1,91,791 sq.km	
2	Population						
	a.	As per 2001 Census				5.29 crore	
	b.	As per 2011 Census				6.11 crore	
3	¹ Density of Population (2011 Census) (All India Density = 382 persons per Sq. Km)					319 persons per sq.km	
4	² Population below poverty line (2011 Census) (All India Average= 21.90 %)					19.60 per cent	
5	³ Literacy (2011 Census) (All India Average = 73.00 %)					75.36 per cent	
6	⁴ Infant Mortality (per 1,000 live births) (All India Average = 33 per 1,000 live births)					25 per 1,000 live births	
7	⁵ Life Expectancy at birth (All India Average = 69.0 years)					69.20 years	
8	Human Development Index ¹ (2012) (India = 0.587)					0.611	
9	⁷ Gross State Domestic Product (GSDP) 2019-20 at current price (in crore)					16,99,115	
10	Per capita GSDP (2019-20) (Rupee)	Karnataka				2,53,444	
		All India Average				1,50,927	
11	Per capita GSDP CAGR (2010-11 to 2019-20)	Karnataka				14.95	
		General Category States ²				-	
12	GSDP CAGR (2010-11 to 2019-20)	Karnataka				16.83	
		⁵ General Category States				-	
13	⁸ Population Growth (2010-20)	Karnataka				9.70	
		⁶ General Category States				-	
B		Financial Data					
Particulars		Figures in per cent					
CAGR		General Category States*			Karnataka		
		2010-11 to 2018-19	2014-15 to 2018-19	2018-19 to 2019-20	2010-11 to 2018-19	2014-15 to 2018-19	2018-19 to 2019-20 [^]
a.	of Revenue Receipts.	13.65	12.71	2.08	13.91	12.19	6.34
b.	of Own Tax Revenue.	12.21	10.42	2.12	12.23	8.38	5.71
c.	of Non-Tax Revenue.	11.19	9.67	23.44	9.17	9.63	13.41
d.	of Total Expenditure.	13.87	12.22	4.09	14.45	13.22	5.12
e.	of Capital Expenditure.	14.64	12.35	(-)3.86	12.66	15.28	1.16
f.	of Revenue Expenditure on Education.	11.58	9.37	11.81	10.17	6.71	13.21
g.	of Revenue Expenditure on Health.	15.43	13.23	9.48	17.14	13.42	(-)0.36
h.	of Salary and Wages.	10.78	10.35	9.51	11.30	8.97	12.46
i.	of Pension.	14.14	14.27	9.74	17.82	10.54	21.81

Source: Financial data is based on Finance Accounts

*GC states figures is adopted from the information sent by Economic Advisor, O/o the CAG, New Delhi.

[^] 2018-19 to 2019-20 figures is arrived by considering the Finance Accounts for the year ended March 2020.¹Human Development Index is a composite index comprising of life expectancy, education and per-capita income.² States other than 11 States termed as Special Category States (Arunachal Pradesh, Assam, Himachal Pradesh, Jammu & Kashmir, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, Tripura and Uttarakhand).

The development indicators relating to the major infrastructures are as follows:

- (i) Surfaced roads per 100 sq. km (2018-19) is **39.36 km.**
- (ii) Unsurfaced roads per 100 sq. km (2018-19) is **0.41 km.**
- (iii) Percentage of villages electrified (2018-19) is **99.97.**
- (iv) Grossed cropped area (2017-18) is **119.94 hectares.**
- (v) Number of Primary schools (2019-20) is **62,319.**
- (vi) Number of Primary health centers is **2,359.**
- (vii) Beds per lakh population (2018-19) is **108.**

1. *Economic Survey, Government of Karnataka 2019-20.*
2. *Economic Survey 2019-20 (GOI), Vol II, Page No. A 168-169, Table 9.8.*
3. *Economic Survey 2019-20 (GOI), Vol. II, Page A 164, Table 9.4*
4. *Economic Survey 2019-20 (GOI), Vol. II, Page A 160, Table 9.1.*
5. *Economic Survey 2019-20 (GOI), Vol. II, Page A 160, Table 9.1.*
6. *Economic Survey Government of Karnataka 2019-20.*
7. *GSDP estimate figures as available on 31.07.2020 in the website of MoSPI, Government of India.*
8. *Census of India 2001 (Population Projection 2001-2026, Table 14, Page 104 to 115).*

Note: All India average of General Category States has been calculated on the basis of figures provided by 16 General Category States such as Andhra Pradesh including Telangana, Bihar, Chhattisgarh, Gujarat, Haryana, Jharkhand, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Odisha, Punjab, Rajasthan, Tamilnadu, Uttar Pradesh and West Bengal.

Appendix 1.2

Structure of Government Accounts

(Reference: Paragraph 1.4; Page 6)

The Layout of Finance Accounts of the State Government is detailed below:

Finance Accounts is prepared in two volumes with Volume-I presenting the summarised financial statements of Government and Volume-II presenting the detailed statements. The layout is detailed below. Further, Volume II contains details such as comparative expenditure on salaries and subsidies by major head, grants-in-aid and assistance given by the State Government, externally aided projects, expenditure on plan scheme, direct transfer of Central scheme funds to implementing agencies, summary of balances, financial results of irrigation schemes, commitments on incomplete public works contracts and maintenance expenditure which are brought out in various appendices.

Statement number	Layout
1	Statement of Financial Position
2	Statement of Receipts and Disbursements
3	Statement of Receipts (Consolidated Fund)
4	Statement of Expenditure (Consolidated Fund)
5	Statement of Progressive Capital Expenditure
6	Statement of Borrowings and Other Liabilities
7	Statement of Loans and Advances given by the Government
8	Statement of Investments of the Government
9	Statement of Guarantees given by the Government
10	Statement of Grants-in-aid given by the Government
11	Statement of Voted and Charged Expenditure
12	Statement on Sources and Application of funds for expenditure other than on Revenue Account
13	Summary of Balances under Consolidated Fund, Contingency Fund and Public Account
14	Detailed Statement of Revenue and Capital Receipts by Minor Heads
15	Detailed Statement of Revenue Expenditure by Minor Heads
16	Detailed Statement of Capital Expenditure by Minor Heads and Subheads
17	Detailed Statement of Borrowings and other Liabilities
18	Detailed Statement on Loans and Advances given by the Government
19	Detailed Statement of Investments of the Government
20	Detailed Statement of Guarantees given by the Government
21	Detailed Statement of Contingency Fund and other Public Account Transactions
22	Detailed Statement on Investment of Earmarked Balances

Appendix 1.3

Summarised Financial position of Government of Karnataka as on 31 March 2020

(Reference: Paragraph 1.7; Page 8)

				(₹ in crore)
As on 31.03.2019		LIABILITIES		As on 31.03.2020
1,79,309.31		Internal Debt		2,20,336.92
	1,57,889.80	Market Loans bearing interest	2,00,389.03	
	0.64	Market Loans not bearing interest	0.86	
	105.14	Loans from Life Insurance Corporation of India	72.50	
	4,325.13	Loans from other Institutions	4,513.85	
	16,988.60	Loans from RBI - Special Securities issued to National Small Savings Fund of the Central Government	15,360.68	
14,657.49		Loans and Advances from Central Government		13,908.50
	0.07	Pre 1984-85 Loans	0.07	
	40.37	Non-Plan Loans	35.33	
	11,241.18	Loans for State Plan Schemes	9,820.72	
	6.56	Loans for Central Plan Schemes	7.89	
	(-)18.25	Loans for Centrally Sponsored Plan Schemes	(-)18.25	
	3,387.56	Other Loans	4,062.74	
80.00		Contingency Fund		80.00
31,023.42		Small Savings, Provident Funds, etc.		35,179.15
32,871.47		Reserve Funds		37,599.04
28,385.41		Deposits		31,559.22
6,660.36		Suspense and Miscellaneous balances		5,296.95
2,92,987.46		Total		3,43,959.78
		ASSETS		
2,70,269.76		Gross Capital Outlay on Fixed Assets		3,05,798.20
	66,518.28	Investments in shares of Companies, Corporations etc.	67,816.71	
	2,03,751.48	Other Capital Outlay	2,37,981.49	
24,980.59		Loans and Advances		28,847.23
	2,981.08	Loans for Power Projects	5,336.90	
	21,913.40	Other Development Loans	23,424.71	
	86.11	Loans to Government Servants and Miscellaneous Loans	85.62	
690.50		Remittances		1,037.95
6.94		Other Advances		6.94
22,003.87		Cash		34,463.13
	---	Cash in treasuries	---	
	3.96	Departmental Cash Balance including Permanent Advances	4.27	
	989.96	Deposits with Reserve Bank of India	1,659.20	
	0.01	Remittances in Transit	0.01	
	5,139.28	Cash Balance Investments	13,634.21	
	15,870.66	Investment from earmarked funds	19,165.44	
(-)24,964.20		Surplus on Government Accounts		(-)26,193.67
	(-)24,294.39	Accumulated Surplus	(-)24,964.21	
	(-)678.81	Deduct Revenue Surplus	(-)1,185.39	
	---	Deduct Other adjustments	---	
	(+)9.00	Deduct Capital Receipts	(-)44.07*	
2,92,987.46		Total		3,43,959.78

*The amount excludes ₹ 1.00 crore being the retirement of capital/disinvestment in respect of co-operatives.

Appendix 2.1

Abstract of Receipts and Disbursements

(Reference: Paragraph 2.2; Page 17)

(₹ in crore)

Receipts			Disbursements		
2018-19		2019-20	2018-19		2019-20
Part A: Abstract of Receipts and Disbursements for the year 2019-20					
Section-A: Revenue					
1,64,978.66	I. Revenue receipts	1,75,442.79	1,64,299.85	I. Revenue expenditure	1,74,257.40#
96,829.71	Tax revenue	1,02,362.79	42,655.05	General Services	48,823.84
6,772.87	Non-tax revenue	7,681.47		Social Services	
35,894.83	State's share of Union Taxes & Duties	30,919.00	23,424.22	Education, Sports, Art and Culture	26,517.81
25,481.25	Grants for Central and Centrally Sponsored Schemes	34,479.53	8,369.26	Health and Family Welfare	8,338.53
10,393.44	Centrally Sponsored Schemes	12,213.55	8,610.97	Water Supply, Sanitation, Housing and Urban Development	7,132.91
3,373.89	Finance Commission Grants	4,672.91	181.63	Information and Broadcasting	148.12
11,713.92	Other transfer/grants to State/UT with Legislature	17,593.07	8,487.81	Welfare of Scheduled Castes, Scheduled Tribes, Other Backward Classes and minorities	7,167.25
			519.87	Labour and Labour Welfare	525.01
			18,186.34	Social Welfare and Nutrition	16,327.50
			154.25	Others	215.68
			67,934.35	Total Social Services	66,372.81
				Economic Services	
			20,304.58	Agriculture and Allied Activities	21,668.56
			7,001.37	Rural Development	7,276.64
			306.16	Special Areas Programmes	226.42
			2,059.35	Irrigation and Flood Control	2,103.15
			10,061.40	Energy	12,264.40
			1,486.30	Industry and Minerals	1,473.35
			3,695.73	Transport	3,566.77
			84.65	Science, Technology and Environment	65.54
			3,285.61	General Economic Services	3,991.21
			48,285.14	Total Economic Services	52,636.04
			5,425.31	Grants-in-aid and Contribution	6,424.71
			678.81	II Revenue surplus carried over to Sec.-B	1,185.39
1,64,978.66		1,75,442.79	1,64,978.66	Total	1,75,442.79

Receipts			Disbursements		
2018-19		2019-20	2018-19		2019-20
Section B – Capital and others					
26,184.05	II. Opening Cash Balance including Permanent Advances & Cash Balance Investments & Investments from earmarked funds	22,003.87			
(-) 5.51	III. Miscellaneous Capital receipts	45.07	34,659.32	III. Capital Outlay	35,529.44*
			827.41	General Services	778.92
				Social Services	
			1,107.31	Education, Sports, Art and Culture	1,203.17
			1,107.97	Health and Family Welfare	821.96
			4,023.85	Water Supply, Sanitation, Housing and Urban Development	4,244.78
			45.19	Information and Broadcasting	3.89
			3,422.37	Welfare of Scheduled Castes, Scheduled Tribes, Other Backward Classes and Minorities	2,783.45
			66.44	Social Welfare and Nutrition	75.07
			20.42	Other Social Services	59.49
			9,793.56	Total Social Services	9,191.81
				Economic Services	
			214.52	Agriculture and Allied Activities	321.16
			66.82	Rural Development	64.80
			1,162.89	Special Areas Programmes	1,190.16
			12,095.67	Irrigation and Flood Control	13,342.73
			627.85	Energy	858.35
			616.14	Industry and Minerals	450.35
			8,858.80	Transport	8,896.81
			395.66	General Economic Services	434.35
			24,038.35	Total Economic Services	25,558.71
31.23	IV. Recoveries of Loans and Advances	202.44	4,487.22	IV. Loans and Advances	4,069.08
14.74	From Power Projects	144.18	1,500.00	For Power Projects	2,500.00
3.87	From Government Servants	5.14	11.08	To Government Servants	6.04
12.62	From Others	53.12	2,976.14	To Others	1,563.04
41,914.06	V. Public Debt receipts	50,459.01	11,082.62	V. Public Debt repayment	10,180.39
40,469.67	Internal debt other than Ways and Means Advances and Overdraft	49,473.26	9,741.03	Internal debt other than Ways and Means Advances and Overdraft	8,445.65

Receipts			Disbursements		
2018-19		2019-20	2018-19		2019-20
---	Ways and Means Advances from Reserve Bank of India	310.49	--	Ways and Means Advances from Reserve Bank of India	310.49
1,444.39	Loans and Advances from the Central Government	675.26	1,341.59	Repayment of Loans and Advances to Central Government	1,424.25
---	VI. Contingency Fund (Recoupment)	---	---	VI. Contingency Fund Disbursements	---
2,37,759.98	VII. Public Account Receipts	2,55,637.80	2,34,329.59	VII. Public Account Disbursements	2,45,291.54
7,135.54	Small Savings and Provident Funds, etc.	8,330.44	3,843.25	Small Savings and Provident Funds, etc.	4,174.71
4,547.07	Reserve Funds	9,125.73	1,350.22	Reserve Funds	4,398.15
57,756.86	Deposits and Advances	60,642.69	54,689.35	Deposits and Advances	57,468.88
1,68,284.37	Suspense and Miscellaneous	1,77,492.99	1,74,371.32	Suspense and Miscellaneous	1,78,856.40
36.14	Remittances	45.95	75.45	Remittances	393.40
678.81	VIII. Revenue Surplus carried over from Sec.-A	1,185.39	22,003.87	VIII. Cash Balance at the end of 31-03-2020	34,463.13
			0.01	Cash in Treasuries and Local Remittances	0.01
			989.96	Deposits with Reserve Bank	1,659.20
			3.96	Departmental Cash Balances including Permanent Advances	4.27
			5,139.28	Cash Balance Investment	13,634.21
			15,870.66	Investment from Earmarked Funds	19,165.44
3,06,562.62	Total	3,29,844.07	3,06,562.62	Total	3,29,844.07

Includes expenditure on interest payment in respect of off-budget borrowings etc., under various service heads (₹1,383.75 crore borrowed through Special Purpose Vehicles – General Services (₹0.41 crore), Social Services (₹78.16 crore) and Economic Services (₹1,305.18 crore).

*Includes expenditure of ₹1,194.23 crore on account of off-budget borrowings.

Appendix 2.2

Time series data on the State Government Finances (Reference: Paragraph 2.2, 2.4.3, 2.7.1; Page 17, 22, 59 & 60)

(₹ in crore)

	2015-16	2016-17	2017-18	2018-19	2019-20
Part A: Receipts					
1. Revenue Receipts	1,18,817	1,33,214	1,47,000	1,64,979	1,75,443
Rate of growth	14.09	12.12	10.35	12.23	6.34
(i) Tax Revenue	75,550(64)	82,956(62)	87,130(59)	96,830(59)	1,02,363(58)
Rate of growth	7.65	9.80	5.03	11.13	5.71
State Goods and Service Tax	-	-	24,182(28)	41,956(43)	42,147(41)
Taxes on Agricultural Income	12(-)	1(-)	15(-)	-	1(-)
Taxes on Sales, Trade, etc.	40,449(53)	46,105(56)	25,093(29)	14,003(15)	16,424(16)
State Excise	15,333(20)	16,484(20)	17,949(21)	19,944(21)	21,584(21)
Taxes on Vehicles	5,001(7)	5,594(7)	6,209(7)	6,568(7)	6,763(7)
Stamps and Registration fees	8,215(11)	7,806(9)	9,024(10)	10,775(11)	11,308(11)
Land Revenue	181(-)	209(-)	195(-)	144(-)	203(-)
Taxes on Goods and Passengers	3,125(4)	3,306(4)	1,279(1)	28(-)	65(-)
Taxes and Duties on Electricity	1,170(2)	1,451(2)	1,485(2)	2,334(2)	2,693(3)
Other Taxes on Income and Expenditure	840(1)	901(1)	964(1)	1,057(1)	1,140(1)
Other Taxes and Duties on Commodities and Services	1,224(2)	1,099(1)	736(1)	21(-)	34(-)
(ii) Non Tax Revenue	5,355(4)	5,795(4)	6,477(4)	6,773(4)	7,681(4)
Rate of growth	14.23	8.22	11.77	4.57	13.41
Interest receipts	1,293	1,200	1,178	1,112	895
Dividend and profits	69	83	79	38	54
Nonferrous Mining and Metallurgical Industries	2,004	2,419	2,747	3,027	3,629
Medical and Public Health	261	153	364	330	599
Other Administrative Services	269	131	271	253	305
Forestry and Wild Life	168	292	314	309	267
Education, Sports and Culture	160	193	176	200	183
Police	172	176	253	241	308
Roads and Bridges	56	62	103	105	71
Other non-tax receipts	903	1,086	992	1,158	1,370
(iii) State's share of Union taxes and duties	23,983(20)	28,760(22)	31,752(22)	35,895(22)	30,919(18)
Rate of growth	63.66	19.92	10.40	13.05	(-13.86)
(iv) Grants-in-aid from Government of India	13,929(12)	15,703(12)	21,641(15)	25,481(15)	34,480(20)
Rate of growth	(-4.73)	12.74	37.81	17.74	35.32
Non-Plan grants	5,548	7,045	-	-	-
Grants for State Plan schemes	8,105	8,102	-	-	-
Grants for Central plan schemes	139	116	-	-	-
Grants for Centrally sponsored schemes	137	440	11,617	10,393	12,214
Other transfers/Grants to States	-	-	7,316	11,714	17,593
Finance Commission Grants	-	-	2,708	3,374	4,673
2. Capital Receipts					
(i) Miscellaneous Capital Receipts	352	27	4	(-6)	45
(ii) Recoveries of Loans and Advances	60	100	137	31	203
(iii) Public Debt Receipts	21,072	31,156	25,122	41,914	50,459
Rate of growth of Public Debt Receipts	(-3.67)	47.85	(-19.37)	66.84	20.39
Internal Debt (excluding Ways and	19,801(94)	29,238(94)	23,179(92)	40,470(97)	49,473(98)

	2015-16	2016-17	2017-18	2018-19	2019-20
Means Advances and Overdrafts)					
Net transactions under Ways and Means Advances and Overdrafts	---	---	---	---	310(1)
Loans and Advances from Government of India	1,271(6)	1,918(6)	1,943(8)	1,444(3)	675(1)
3.Total Revenue and Non-debt capital receipts (1+2(i)+2(ii))	1,19,229	1,33,341	1,47,141	1,65,004	1,75,691
4. Total Receipts in the Consolidated Fund (3+2(iii))	1,40,301	1,64,497	1,72,263	2,06,919	2,26,150
5. Contingency Fund Receipts	---	---	---	---	---
6. Public Account Receipts	1,60,519	1,79,318	2,00,615	2,37,760	2,55,638
7. Total Receipts of the State (4+5+6)	3,00,820	3,43,815	3,72,878	4,44,679	4,81,787
Part B: Expenditure/Disbursements					
8. Revenue Expenditure	1,17,028	1,31,921	1,42,482	1,64,300	1,74,258
Rate of growth	12.95	12.73	8.01	15.31	6.06
Plan	40,009(34)	47,962(36)	-	-	-
Non Plan	77,019(66)	83,959(64)	-	-	-
General Services (including interest payments)	30,799(26)	31,265(24)	34,484(24)	42,655(26)	48,824(28)
Social Services	46,307(40)	54,549(41)	58,652(41)	67,935(41)	66,373(38)
Economic Services	33,846(29)	40,421(31)	42,856(30)	48,285(29)	52,636(30)
Grants-in-aid and contributions	6,076(5)	5,686(4)	6,490(5)	5,425(4)	6,425(4)
9. Capital Expenditure	20,713	28,150	30,667	34,659	35,530
Plan	20,316(98)	27,684(98)	-	-	-
Non Plan	397(2)	466(2)	-	-	-
General Services	991(5)	1,060(4)	977(3)	827(2)	779(2)
Social Services	5,314(26)	6,897(24)	8,677(28)	9,794(28)	9,192(26)
Economic Services	14,408(69)	20,193(72)	21,013(69)	24,038(70)	25,559(72)
10. Disbursements of Loans and Advances	657	1,934	5,093	4,487	4,069
Plan	558	1,929	-	-	-
Non Plan	99	5	-	-	-
General Services	---	---	---	---	---
Social Services	327	1,674	1,178	2,441	1,061
Economic Services	239	254	3,910	2,035	3,002
Miscellaneous Loans	91	6	5	11	6
11.Total Capital Expenditure (9+10)	21,370	30,084	35,760	39,146	39,599
Rate of growth	5.80	40.78	18.87	9.47	1.15
12. Total Expenditure (8+9+10)	1,38,398	1,62,005	1,78,242	2,03,446	2,13,857
Rate of growth	11.78	17.06	10.02	14.14	5.11
13. Repayment of Public Debt	4,110	7,420	8,269	11,083	10,180
Internal Debt (excluding Ways and Means Advances and Overdrafts)	3,161(77)	6,294(85)	7,087(80)	9,741(88)	8,446(83)
Net transactions under Ways and Means Advances and Overdraft	---	---	---	---	310(3)
Loans and Advances from Government of India	949(23)	1,126(15)	1,182(14)	1,342(12)	1,424(14)
14. Appropriation to Contingency Fund	---	---	---	---	---
15. Total disbursement out of Consolidated Fund (12+13+14)	1,42,508	1,69,425	1,86,511	2,14,528	2,24,037
16. Contingency Fund disbursements	---	---	---	---	---
17. Public Account disbursements	1,55,095	1,67,154	1,94,537	2,34,330	2,45,292
18.Total disbursement by the State (15+16+17)	2,97,603	3,36,579	3,81,048	4,48,858	4,69,329

Part C: Surplus/Deficit					
19. Revenue Deficit (-)/ Revenue Surplus(+) (1-8)	1,789	1,293	4,518	679	1,185
20. Fiscal Deficit (3-12)	19,169	28,664	31,101	38,442	38,166
21. Primary Deficit (20-22)	7,826	15,814	16,128	21,828	18,263
Primary Surplus (22-20)	---	---	---	---	---
Part D: Other data					
22. Interest Payments (included in revenue expenditure)	11,343	12,850	14,973	16,614	19,903#
23. Financial Assistance to local bodies etc.	40,021	44,499	47,096	50,603	54,603
24. Ways and Means Advances/ Overdraft availed (days)					
Ways and Means Advances availed (days)	---	---	---	---	2
Overdraft availed (days)	---	---	---	---	---
25. Interest on Ways and Means Advances/Overdraft	---	---	---	---	0.05
26. Gross State Domestic Product * (GSDP)	10,45,168	12,09,136	13,57,579	15,44,399	16,99,115
27. Rate of growth	14.36	15.69	12.28	13.76	10.02
28. Outstanding Fiscal Liabilities (inclusive of off-budget borrowings)	1,83,322	2,21,319	2,46,231	2,85,238	3,37,520
29. Rate of growth	11.59	20.73	11.26	15.84	18.33
30. Outstanding guarantees (year-end) (including interest)	13,324	15,392	18,416	24,091	26,830
31. Maximum amount guaranteed (year-end)	18,358	21,115	24,025	30,719	35,694
32. Number of incomplete projects	346	341	236	881	978
33. Capital blocked in incomplete projects	1,495	2,027	967	3,128	4,359
Part E: Fiscal Health indicators					
I Resource Mobilization					
Revenue Receipts/GSDP	11.37	11.02	10.83	10.68	10.33
Own Tax Revenue/GSDP	7.23	6.86	6.42	6.27	6.02
Own Non-Tax Revenue/GSDP	0.51	0.48	0.48	0.44	0.45
Central Transfers/GSDP	3.63	3.68	3.93	3.97	3.85
Non-tax revenue to Revenue Receipts	4.51	4.35	4.41	4.11	4.38
Rate of growth of State's Own Tax	8.06	9.70	5.47	10.68	6.22
II Expenditure Management					
Total Expenditure/GSDP	13.24	13.40	13.13	13.17	12.59
Revenue Receipts/Total Expenditure	85.85	82.23	82.47	81.09	82.04
Revenue Expenditure/Total Expenditure	84.56	81.43	79.94	80.76	81.48
Expenditure on Social Services/Total Expenditure	37.54	38.96	38.43	39.41	35.83
Expenditure on Economic Services/Total Expenditure	35.04	37.57	38.03	36.55	37.97
Capital Expenditure/Total Expenditure	15.44	18.57	20.07	19.24	18.52
Capital Expenditure on Social and Economic Services/Total Expenditure	14.66	17.91	19.51	18.83	18.15
III Management of Fiscal Imbalances					
Revenue Surplus (Deficit)/GSDP	0.17	0.11	0.33	0.04	0.07
Fiscal Deficit/GSDP	1.83	2.37	2.29	2.49	2.25
Primary Deficit (surplus)/GSDP	0.75	1.31	1.19	1.41	1.07
Primary Revenue Balance (in crore)	13,132	14,143	19,491	17,293	21,088

Primary Revenue Balance/GSDP	1.26	1.17	1.44	1.12	1.24
IV Management of Fiscal Liabilities					
Fiscal Liabilities (inclusive of off-budget borrowings)/GSDP	17.54	18.30	18.14	18.47	19.86
Fiscal Liabilities/Revenue Receipts	154.29	166.14	167.50	172.89	192.38
Fiscal Liabilities/Own Resources	226.59	249.37	263.05	275.32	306.71
V Other Fiscal Health Indicators					
Return on Investment (₹ in crore)	69.40	82.50	78.83	38.30	53.64
Financial Assets/Liabilities	1.09	1.08	1.10	1.00	1.00
Revenue Buoyancy** w.r.t					
GSDP	0.98	0.77	0.84	0.89	0.63
States' Own Tax	1.84	1.24	2.06	1.10	1.11
State's own tax Buoyancy w.r.t GSDP	0.53	0.62	0.41	0.81	0.57
Buoyancy of total expenditure with					
GSDP	0.82	1.09	0.82	1.03	0.52
Revenue receipts	0.84	1.41	0.97	1.16	0.82
Buoyancy of revenue expenditure with					
GSDP	0.90	0.81	0.65	1.11	0.60
Revenue receipts	0.92	1.05	0.10	2.53	0.96
Buoyancy of capital expenditure with					
GSDP	0.40	2.60	1.54	0.69	0.12
Revenue receipts	0.41	3.36	1.82	0.77	0.18
Buoyancy ratio of fiscal liabilities with					
GSDP	0.81	1.32	0.92	1.15	1.83
Revenue Receipts	0.82	1.71	1.09	1.30	2.89
Own Resources	1.44	2.14	2.06	1.48	2.95

Source: Finance Accounts

Figures in brackets represent percentages (rounded) to total of each sub-heading

Includes expenditure on interest payment in respect of off-budget borrowings etc., under various service heads (₹1,383.75 crore borrowed through Special Purpose Vehicles – General Services (₹0.41 crore), Social Services (₹78.16 crore) and Economic Services (₹1,305.18 crore).

*GSDP figures adopted in previous audit report are, 2015-16 (₹10,45,182 crore), 2016-17(₹11,55,912 crore), 2017-18 (₹13,25,443 crore) and 2018-19 (₹14,08,112 crore).

**Buoyancy ratio indicates the elasticity or degree of responsiveness of a fiscal variable with respect to a given change in the base variable. For instance, revenue buoyancy at 0.4 implies that revenue receipts tend to increase by 0.4 percentage points, if the GSDP increases by one per cent.

Appendix 2.3

Department wise share of Subsidies

(Reference: Paragraph 2.5.2.7; Page 39)

(₹ in crore)

Departments	2015-16	2016-17	2017-18	2018-19	2019-20	Remarks
Energy	8,693	8,647	7,957	7,593	9,110	It includes financial assistance to ESCOMS for supply to IP sets, Bhagya Jyothi and Kutira Jyothi consumers. It includes book adjustment of ₹2,758 crore of which ₹2,321 crore was tax dues retained by ESCOMS against power subsidy due
Food & Supplies	2,196	1,854	1,917	2,404	2,692	It includes subsidy towards Annabhagya for BPL and APL beneficiaries.
Agricultural and Other Allied Activities	31	1,335	1,455	2,336	2,254	It includes subsidy towards crop husbandry, fisheries, forestry and wild life etc.
Co-operation	765	818	778	777	1,074	Represents waiver of overdue loans, both principal and interest.
Transport	749	799	757	820	728	Subsidy is towards fare concession extended to students, freedom fighters, physically challenged etc. It includes book adjustment of ₹174.86 crore of motor vehicle tax dues of transport corporations adjusted as subsidy towards concession value of bus passes issued to students.
Housing	223	402	362	459	943	Subsidy is towards Ashraya scheme.
Others	492	532	922	1,011	733	It includes subsidy under Social Welfare, Industries and Commerce department etc.
Total	13,149	14,387	14,148	15,400	17,534	

Source: Finance Accounts

Appendix 2.4

Subsidies in the form of financial assistance, incentives etc.

(Reference: Paragraph 2.5.2.7; Page 40)

(₹ in crore)

Sl. No.	Head of Account	Scheme Description	2015-16	2016-17	2017-18	2018-19	2019-20
1	2202-01-109-0-03	Vidya Vikasa Scheme	230.11	407.06	501.15	466.27	538.08
2	2202-02-107-0-05	Bicycles to VIII standard students	189.66	0.00	0.00	0.00	0.00
3	2216-02-101-0-07	Vajpayee Urban Housing Scheme	100.00	100.00	336.62	250.00	93.75
4	2216-02-102-0-02	Housing for weaker section	15.00	11.00	1.00	0.00	0.00
5	2216-03-102-0-01	House sites for rural landless	5.00	0.00	0.00	0.00	0.00
6	2216-03-104-0-01	Ashraya	1,668.24	1,251.55	944.42	654.00	1,461.35
7	2235-02-102-0-25	Bhagya Lakshmi	473.35	338.40	301.90	294.27	294.30
8	2401-00-103-0-15	Supply of seeds and other inputs (Agricultural inputs and Quality Control)	554.66	677.57	213.20	559.95	590.85
9	2401-00-108-1-15	Micro Irrigation(National Mission for sustainable Agriculture)	200.89	326.56	94.85	440.37	429.57
10	2401-00-108-2-30	National Mission for sustainable Agriculture (Drip Irrigation)	171.96	36.97	288.47	364.54	337.19
11	2405-00-103-0-20	Matsya Ashraya	0.00	26.28	15.00	4.00	0.00
12	2425-00-108-0-57	Yashaswini	109.56	170.43	190.79	99.75	0.00
13	2851-00-103-0-62	Weavers package	99.93	114.54	38.75	114.76	127.15
14	2851-00-103-0-69	Weavers Package- KHDC	30.01	24.00	6.02	9.39	20.00
15	2852-80-103-0-59	Refund of sales tax to Eligible industries	0.00	89.41	80.00	299.46	155.26
16	3475-00-107-0-20	Minimum Floor Price Scheme	64.23	140.00	306.00	220.30	0.00
Total			3,912.60	3,713.77	3,318.17	3,777.06	4,047.50

Source: Consolidated Abstract of major heads

Appendix 2.5

Detailed Loan Accounts maintained by Principal Accountant General (A&E)

(Reference: Paragraph 2.5.4.2; Page 47)

(₹ in crore)

Sl. No.	Head of Account/Institutions	Arrears as on 31 March 2020	
		Principal	Interest
1	6215-01-190-2-86: Bangalore Water Supply and Sewerage Board	4,474.85	3,312.19
2	6215-01-190-1-00: Karnataka Urban Water Supply and Drainage Board	211.35	622.95
3	6216-02-201-1-00: Karnataka Housing Board	23.61	95.45
4	6217-60-191-1-03: Bangalore Development Authority (for repayment of HUDCO Loans)	17.17	34.74
5	6220-01-190-1-00: Karnataka State Film Industries Development Corporation	0.41	1.84
6	6401-00-113-2-00: Karnataka Agro Proteins Limited	0.70	3.76
7	6401-00-103-2-00: Karnataka State Seeds Corporation Limited	2.88	6.34
8	6401-00-103-3-00: Karnataka State Co-operative Oil Seeds Growers Federation	0.75	7.32
9	6851-00-200-0-00: Leather Industries Development Corporation	1.26	4.38
10	6852-02-190-3-00: Dandeli Steel and Ferro Alloys Limited	0.31	1.39
11	6853-02-190-1-00: Hutti Gold Mines Company Limited	0.30	1.73
12	6858-01-190-3-00: Karnataka Implements and Machinery Company	1.10	5.27
13	6858-02-190-1-00: Electro Mobile India Limited	0.61	2.78
14	6858-02-190-0-01: Chamundi Machine Tools	0.18	0.35
15	6858-01-190-2-00: New Government Electric Factory	67.47	201.09
16	6859-01-190-0-01: Karnataka Telecommunication Limited	1.65	6.54
17	6860-04-190-2-01: Mysore Sugar Company	47.00	34.15
18	6860-60-212-1-00: Karnataka Soaps and Detergents Limited	2.25	15.74
19	6860-60-600-3-00: Mysore Tobacco Company Limited	1.34	12.47
20	6885-01-190-3-00: Karnataka State Finance Corporation	0.40	0.78
21	7452-80-190-1-00: Karnataka State Tourism Development Corporation	1.01	3.62
Total		4,856.60	4,374.85

Source: Finance Accounts

Appendix 3.1

List of schemes under Grant number 23 checked in study of Gender Budgeting

(Reference: Paragraph 3.3.3(iii); Page 91)

(₹ in crore)

Sl. No.	Scheme and Head of Account	Allocations				
		2015-16	2016-17	2017-18	2018-19	2019-20
1	2230-01-001-0-01 Commissioner of Labour	0.00	0.00	0.00	4.26	4.78
2	2230-01-101-0-01 Enforcement of Labour Laws	0.00	0.00	0.00	0.00	28.57
3	2230-01-103-6-01 Child Labour Rehabilitation	4.54	4.88	5.20	5.00	4.00
4	2230-01-277-0-01 State Institute for Labour studies in association with National Law School	1.00	1.00	1.00	0.75	2.00
5	2230-01-111-0-05 Karnataka State Un-organised Workers Social Security Board	1.14	0.00	0.00	0.00	20.69
6	2230-01-800-0-04/(upto 2017-18) 2230-01-104-0-01(from 2018-19) Contribution to New Pension System for Un-organised workers	7.00	1.00	1.00	0.50	0.00
7	2230-01-101-0-05 Ashadeep scheme	0.00	0.00	5.00	4.33	4.33
8	2230-01-103-4-00 Karnataka Labour Welfare Fund Contribution	2.25	2.40	6.00	5.00	7.18
9	4250-00-203-0-01/(upto 2017-18) 4250-00-203-0-07(from 2018-19) Construction of ITIs (NABARD and non-NABARD)	30.00	0.00	82.04	44.14	98.92
10	2230-03-101-0-26(upto 2016-17) 2230-03-101-0-49(from 2017-18) Upgradation of ITIs into Centre for Excellence	28.42	10.00	12.21	3.07	0.01
11	2230-01-277-0-02/(upto 2016-17) 2230-01-277-0-03(from 2017-18) Skill Development Initiative	0.00	0.70	0.25	0.25	0.12
12	2230-02-101-0-01(upto 2016-17) 2230-02-101-0-10(upto from 2017-18) General Employment Exchanges	6.91	7.38	8.05	7.55	8.93
13	2230-02-001-0-01(upto 2016-17) 2230-02-001-0-03(from 2017-18) Director of Employment and Training	137.20	144.90	395.75	215.58	220.31
14	2230-02-800-0-02 Unspent SCP-TSP amount as per the SCP/TSP Act, 2013	0.00	0.00	6.94	11.62	33.58
15	2230-03-101-0-38 (upto 2016-17) 2230-03-101-0-54(from 2017-18) Modular Training	10.00	2.01	2.00	0.00	0.00
16	2230-02-101-0-13 Sankalp	0.00	0.00	0.00	0.00	0.50
17	2230-03-101-0-59 Pradhan Mantri Kowshalya Vikas Program	0.00	0.00	52.48	21.00	10.00
18	2230-02-101-0-09 Skill Development Mission	0.00	0.00	220.00	55.00	108.53
19	2230-03-003-0-02 Vidyapeethas- Comprehensive Skill Development Institutions	0.00	0.00	0.00	2.48	2.48

Source :GB document

Appendix 3.2

Major policy initiatives in the Budget 2019-20

(Reference: Paragraph 3.4; Page 93)

Sl No	Budgetary Assurance	Action Taken as per Action Taken Report	Audit Analysis
Department of Women and Child Development			
1	With a view to provide training to the staff at all the levels of the Department, a State Level Training Centre will be established at Ballari and Divisional Level Training Centres will be opened at Mysuru, Belagavi and Kalaburagi and Chitradurga in Bengaluru Division. ₹5 crore will be allocated for this purpose during 2019-20.	Administrative approval has been accorded vide GO No. WCD 12 ICD 2019 dated 12.07.2019.	Only Administrative approval was accorded. The finance department expressed its inability to sanction new posts. As such the training centres were not established (September 2020).
2	In view of the increasing density of population in urban areas, it is essential to open new Anganawadi Centres. Therefore, it is proposed to open 100 new Anganawadi Centres in urban areas during the year.	Administrative approval has been accorded vide GO No. WCD 87 ICD 2019 dated 13.08.2019.	100 new Anganawadi Centres have been identified under the supervision of in-charge Anganawadi worker during 2019-20. Budget for these centres will be released during 2020-21 only.
3	As there is no Balamandira for Girls in Chickmagaluru district, a significant number of girls are being admitted to the Balamandiras of other districts. Therefore, a new Balamandira for Girls will be started in Chickmagaluru district during this year.	Administrative approval has been accorded vide GO No. WCD 35 MaBhaBa 2019 dated 17.07.2019.	The Balamandira for Girls at Chickmagaluru has been started in rented building. Construction of new building has not commenced as land for the same is yet to be allotted by DC. Further, establishment authorization from office of AG (A&E) was issued only in July 2020 and DDO code from treasury is yet to be received.
4	₹3 crore is provided to convert the Juvenile Special Courts of 10 districts in the State into Child Friendly Courts.	Administrative approval has been accorded vide GO No. WCD 38 MaBhaBa 2019 dated 03.08.2019.	Work in respect of 3 Juvenile Special Courts had completed. Work has started in respect of one court and tendering process is under progress in 2 courts. In respect of 4 courts, funds are yet to be released by the Government
5	Training programme for teachers of the hearing impaired and mentally challenged children will be conducted at the training centre of the Department with Private Partnership.	GO No. WCD 31 PHP 2019 dated 16.08.2019 has been issued for implementation of this programme.	Though administrative approval has been accorded in August 2019, due to administrative issues the programme was delayed. As the financial year is over, Government has not agreed to the proposal of the department (May 2020).
6	It is proposed to distribute mechanized two-wheeler vehicles (retrofitted) free of cost to 2,000 physically challenged beneficiaries. ₹15 crore is provided for this purpose during 2019-20.	Administrative approval has been accorded vide GO No. WCD 29 PHP 2019 dated 18.12.2019.	Out of proposed 2,000 vehicles to be purchased, only 1,566 vehicles (BS-6) were purchased and 230 vehicles were distributed in six districts (August 2020).

Sl No	Budgetary Assurance	Action Taken as per Action Taken Report	Audit Analysis
7	Our Government is committed to provide oppressed women a life with self-reliance and self-respect by ensuring security in their life. In this background, necessary support will be given to establish manufacturing units by providing entrepreneurship and skill development training to 1,000 oppressed women. ₹11.50 crore is provided for this purpose. Steps will be taken to provide reservation to oppressed women in the housing schemes of the State Government.	The proposal is under process.	An amount of ₹1.50 crore had been released to 30 districts for providing training to 1,000 oppressed women. No action has been taken for establishing manufacturing units as the Government withdrew the proposal and did not release ₹10 crore for the same (June 2020).
8	A grant of ₹2 crore for the development of Adishakthi Matheyara Vrudhashrama, Mayasandra (T B Extension) in Turuvekere Taluk of Tumukuru district.	This scheme is transferred from Kannada and Culture Department and is under process.	The programme has not been implemented as there is a provision for release of maximum of ₹0.08 crore only for the maintenance of old age home and no provision for construction of new old age home in the guidelines. Department stated that the programme would be implemented in 2020-21, if special grant is allocated for the scheme (August 2020).
Department of Animal Husbandry and Veterinary Services			
9	“Well equipped Mobile veterinary Vehicles” will be deployed at an expenditure of ₹2 crore in 15 districts to provide special emergency service at the door step of farmers to care for the diseased livestock by utilizing the services of specialist veterinary doctors.	Administrative approval has been accorded vide GO No. AHD 08 PaPaYo 2019 dated 11.07.2019.	15 Veterinary Ambulance vehicles have been purchased during January and March 2020. Department stated that the vehicles could not be lifted from Pune to Bengaluru due to Corona pandemic lockdown (August 2020).
10	With a view to empower poor families economically and to supply nutritious food to the public, encouragement will be given to 10,000 poor unemployed youth to take-up “country poultry farming”(Nati Koli Sakanike) at an expenditure of ₹5 crore during 2019-20.	Administrative approval has been accorded vide GO No. AHD 11 PaPaYo 2019 dated 11.07.2019.	Out of proposed 10,000 unemployed youth to be taken up country poultry farming, the scheme was implemented for only 8,052 beneficiaries. The scheme could not be further implemented due to Covid 19 Pandemic lockdown (August 2020).
11	A laboratory will be setup for genetic improvement (Twinning) of indigenous sheep. This would enable shepherds to earn more profit in future. ₹2 crore has been earmarked for this scheme during 2019-20.	Proposal is under process.	The scheme has been dropped (August 2020).

Department of Tourism			
Sl No	Budgetary Assurance	Action Taken as per Action Taken Report	Audit Analysis
12	Badami will be developed as a world famous tourist place and handicraft market to introduce the rich heritage of the Chalukyas. World class facilities will be provided here. For this purpose, ₹25 crore is provided in the year 2019-20.	Administrative approval has been accorded vide GO No. TD 279 TTT 2018 dated 20.12.2019.	Even though Administrative approval has been accorded in December 2019, Karnataka Housing Board is yet to start the tendering process for the construction of Tourism Plaza.
13	For sightseeing of world famous tourist places in Hampi and Mysuru, 6 Double Decker open buses from KSTDC will be launched in line with London Big Bus. For this, ₹5 crore is provided.	GO No. TD 242 TTC 2018 dated 20.06.2019 has been issued.	The work of body building for the Double Decker busses entrusted to M/s KMS Coach Builders Private Limited is in progress.
14	Coastal tourism will be developed in Sasihittalu of Penambur. For this purpose a grant of ₹7 crore is provided.	Proposal is under process.	An amount of ₹5 crore has been released to PWP&IWTD in February 2020. Coastal Regulatory Zone (CRZ) is yet to give clearance for the project.
Department of Forest, Ecology and Environment			
15	17 Continuous Water Quality Monitoring Stations will be established to measure the quality of water of 17 polluted water banks identified by the Central Pollution Control Board and 3 Continuous Water Quality Monitoring Stations will be established at a total cost of ₹9 crore at Bellandur, Agara and Varthur lakes as directed by the National Green Tribunal	Finance Department has approved the proposals.	Government had not released funds for these schemes nor allowed Karnataka State Pollution Control Board to draw the funds deposited in the treasury for implementing these schemes. Hence, all the three schemes were not implemented during 2019-20.

Appendix 3.3

Cases of incurring expenditure, which are not covered by the Budget, but released by FD as additionalities

(Reference: Paragraph 3.6.2.1; Page 97)

SI No	Grant No./Nomenclature	No. of cases	(₹in crore)
			Amount
1	01-Agriculture and Horticulture	6	326.32
2	02-Animal Husbandry and Fisheries	9	137.19
3	03-Finance	1	3.60
4	04- Department of Personnel and Administrative Reforms	8	20.48
5	05- Home and Transport	2	8.90
6	08-Forest, Ecology and Environment	1	2.00
7	11-Women and Child Development	5	37.95
8	14-Revenue	5	2,491.83
9	17-Education	1	2.39
10	19-Urban Development	1	8.00
11	20-Public Works	1	50.00
12	21-Water Resources	2	7.20
13	22-Health and Family Welfare	6	203.31
14	23-Labour and Skill Development	3	130.38
15	25-Kannada and Culture	2	13.83
16	26- Planning, Statistics, Science and Technology	1	15.00
17	27-Law	19	56.11
18	28-Parliamentary Affairs and Legislation	4	1.30
19	29-Debt Servicing	1	3.05
Total		78	3,518.84

Source: Appropriation Accounts

Appendix 3.4

Unnecessary Supplementary Provision

(Reference: Paragraph 3.6.2.3; Page 97)

(₹ in crore)

Sl. No	Grant No./ Nomenclature	Head of Account	Original	Supple- Mentary	Total	Expen- diture	Unspent Provision
1	1 –Agriculture and Horticulture	2401-00-108-1-15-423 Tribal Sub Plan	27.00	5.83	32.83	26.91	5.92
2		2401-00-110-0-07-423 Tribal Sub Plan	75.00	11.46	86.46	74.52	11.94
3		2401-00-119-4-06-133 Special Development Plan	24.51	9.36	33.87	23.03	10.84
4		2401-00-800-1-70-014 Other Allowance	4.64	12.24	16.88	0	16.88
5	4- DPAR	2052-00-090-0-27-014 Other Allowance	8.10	5.94	14.04	0	14.04
6		3451-00-090-2-04-059 Other Expenses	100.00	11.00	111.00	59.10	51.90
7	05- Home and Transport	2055-00-001-0-07-014 Other Allowance	75.65	74.23	149.88	0	149.88
8	07- RDPR	2515-00-800-0-19-014 Other Allowance	2.94	5.84	8.78	0	8.78
9	10- Social Welfare	2225-01-796-0-02-059 Other Expenses	534.22	5.00	539.22	528.92	10.30
10		2225-03-001-0-05-103 GIA - General	248.39	6.00	254.39	119.65	134.74
11	14- Revenue	2053-00-093-0-01-014 Other Allowance	15.79	24.59	40.38	0	40.38
12		2250-00-103-5-12-0-103 GIA - General	70.80	10.00	80.80	69.75	11.05
13		4059-80-051-0-52-386 Construction	20.00	10.00	30.00	9.95	20.05
14	17- Education	2202-01-197-1-01-451 Davanagere	373.52	9.51	383.03	314.71	68.32
15	20- Public Works	2059-80-800-0-07-014 Other Allowance	6.35	16.96	23.31	0	23.31
16	21-Water Resources	2701-80-001-0-21-014 Other Allowance	3.17	7.86	11.03	0	11.03
17		4701-73-800-0-01-139 Major works	70.80	36.62	107.42	0	107.42

Sl. No	Grant No./ Nomenclature	Head of Account	Original	Supple- Mentary	Total	Expen- diture	Unspent Provision
18	22-Health and Family Welfare	2210-01-800-0-07-014 Other Allowance	16.75	38.64	55.39	0	55.39
19	27- Law	2014-00-102-0-02-180 Machinery and Equipment	16.25	9.15	25.40	0.86	24.54
20		2014-00-102-0-14-014 Other Allowance	11.64	20.74	32.38	0	32.38
21		2014-00-105-0-01-180 Machinery and Equipment	9.26	10.00	19.26	8.45	10.81
		Total	1,714.78	340.97	2,055.75	1,235.85	819.90

Source: Grant Register

Appendix 3.5
Excessive Supplementary Provision
(Reference: Paragraph 3.6.2.3; Page 97)

(₹ in crore)

Sl. No.	Grant No.	Head of Account	Original Provision	Supple-mentary	Total	Expenditure	Unspent Provision
1	01	2401-00-102-0-08-106 - Subsidies	125.94	38.67	164.61	154.10	10.51
2		2401-00-800-1-05-100 - Financial Assistance/ Relief	0.00	1,500.00	1,500.00	1,486.98	13.02
3		2401-00-800-1-53-106 - Subsidies	39.30	142.96	182.26	169.98	12.28
4		2401-00-800-1-57-059 - Other Expenses	3.96	9.07	13.03	4.31	8.72
5		2401-00-800-1-57-103- GIA General	78.10	77.17	155.27	119.07	36.20
6		2401-00-800-1-57-106- Subsidies	63.19	27.33	90.52	77.03	13.49
7	02	4403-00-101-0-11-059 - Other Expenses	23.06	30.00	53.06	47.29	5.77
8	03	2071-01-117-0-01-251 - Pension and Retirement Benefits	900.00	335.22	1,235.22	1,187.21	48.01
9	05	2055-00-108-0-01-003 - Pay Staff	952.52	145.00	1,097.52	1,071.28	26.24
10		2055-00-108-0-01-014 - Other Allowances	288.36	30.13	318.49	313.05	5.44
11		2055-00-116-0-03-059 - Other Expenses	4.18	278.88	283.06	4.83	278.23
12	07	5054-03-337-0-75-059 - Other Expenses	498.18	1,800.00	2,298.18	1,744.36	553.82
13	08	2406-01-102-1-03-139 - Major Works	200.00	90.00	290.00	268.45	21.55
14	10	4225-02-794-0-01-059 - Other Expenses	142.23	48.96	191.19	155.63	35.56
15	11	2235-02-102-0-40-059 - Other Expenses	0.01	24.50	24.51	13.95	10.56
16		2235-02-102-0-43-059 - Other Expenses	0.01	129.71	129.72	65.76	63.96
17	14	2245-80-102-0-01-059 - Other Expenses	536.00	4,478.88	5,014.88	4,879.43	135.45
18	17	2202-01-111-0-01-059 - Other Expenses	137.50	94.00	231.50	214.24	17.26
19	20	5054-03-337-0-18-154 - Improvements	500.00	250.00	750.00	505.63	244.37
20	21	4702-00-101-3-01-139 - Major Works	632.66	145.30	777.96	746.60	31.36
21		4702-00-101-5-01-139 - Major Works	175.00	285.00	460.00	453.09	6.91
22		4702-00-800-8-00-133 - SDP	50.00	60.00	110.00	98.21	11.79
23	23	2501-01-198-6-03-300 - Lumpsum ZP	150.00	181.59	331.59	250.71	80.88
24	26	4515-00-800-0-03-132 - Capital Expenses	20.08	15.00	35.08	26.31	8.77
Total			5,520.28	10,217.37	15,737.65	14,057.50	1,680.15

Source: Grant Registers

Appendix 3.6

Inadequate Supplementary Provision

(Reference: Paragraph 3.6.2.3 Page 97)

(₹ in crore)

Sl. No	Grant	Head of Account	Provision			Expenditure	Excess uncovered
			Original	Supplementary	Total		
1	01	2401-00-108-2-30-106 - Subsidy	177.63	61.96	239.59	244.69	5.10
2		2401-00-800-1-53-059 – Other Expenses	25.50	5.21	30.71	41.82	11.11
3	05	2055-00-109-1-01-003 – Pay Staff	1,585.45	138.56	1,724.01	1,734.71	10.70
4	06	5465-01-190-3-05-132 - Capital Expenses	131.49	85.00	216.49	309.29	92.80
5	10	2225-02-794-0-03-059 - Other Expenses	8.63	15.58	24.21	41.41	17.20
6		4225-01-796-0-01-132 – Capital Expenses	770.00	68.63	838.63	850.93	12.30
7	16	2216-03-104-0-01-106 - Subsidies	421.63	490.50	912.13	943.38	31.25
8	17	2202-01-197-1-01-408 - Chikkamagaluru	249.51	12.97	262.48	273.24	10.76
9		2202-01-197-1-01-418 - Ballari	334.79	27.17	361.96	430.29	68.33
10		2202-01-197-6-01-418 -Bellari	72.87	6.08	78.95	83.96	5.01
11		2202-02-196-0-01-418 -Ballari	52.67	8.69	61.36	70.91	9.55
12		2202-02-197-0-01-418 -Ballari	107.94	5.37	113.31	128.94	15.63
13	20	5054-04-337-0-01-154 - Improvement	1,005.30	250.00	1,255.30	1,648.76	393.46
14		5054-04-337-0-02-436 – NABARD Works	248.37	50.00	298.37	337.94	39.57
15	21	4701-80-190-5-00-132 – Capital Expenses	1,137.88	500.00	1,637.88	1,764.08	126.20
16		4702-00-800-0-01-132 – Capital Expenses	50.00	50.00	100.00	110.99	10.99
17	22	2210-01-110-1-22-034 – Contract/Outsource	41.96	38.84	80.80	87.94	7.14
18		2210-03-800-0-18-059 – Other Expenses	496.17	318.81	814.98	913.91	98.93
19		2210-05-105-1-50-103 – GIA General	9.23	11.00	20.23	28.23	8.00
20		2210-06-001-0-01-059 –Other Expenses	5.01	10.00	15.01	24.29	9.28
Total			6,932.03	2,154.37	9,086.40	10,069.71	983.31

Source: Grant Registers

Appendix 3.7

Unnecessary/Excessive/In-sufficient Re-appropriation

(Reference: Paragraph 3.6.2.4(a); Page 98)

(₹ in crore)

Sl. No.	Grant	Head of Account	Provision (Including Supplementary)	Reappropriation (+)	Total	Expenditure	Savings (-)
1	03	2071-01-115-1-55-251 – Pension and Retirement Benefit	113.78	2.00	115.78	113.59	2.19
2		2071-01-115-2-02-251 – Pension and Retirement Benefit	160.00	4.00	164.00	157.81	6.19
3	05	2055-00-108-0-01-003 – Pay Staff	1,097.52	36.20	1,133.72	1,071.28	62.44
4		2056-00-001-0-01-051 – General Expenses	1.00	2.35	3.35	0.69	2.66
5	10	2225-03-102-0-13-059 – Other Expenses	28.00	5.20	33.20	26.20	7.00
6		2225-03-277-2-61-051 – General Expenses	20.00	3.00	23.00	17.59	5.41
7		2225-03-277-3-05-059 – Other Expenses	7.00	2.61	9.61	6.93	2.68
8	11	2235-02-101-0-99-422 SCSP	1.65	3.00	4.65	1.47	3.18
9	12	3452-80-104-0-01-059 – Other Expenses	35.26	7.90	43.16	33.13	10.03
10	17	2202-02-109-0-13-003 – Pay Staff	34.53	156.00	190.53	30.14	160.39
11		2203-00-112-0-02-011 – Dearness Allowance	21.78	5.24	27.02	21.62	5.40
12	18	2853-02-001-0-01-002 – Pay Officer	15.04	2.53	17.57	12.69	4.88
13	20	4711-02-103-2-00-139 – Major Works	9.80	19.60	29.40	9.76	19.64
14		5054-03-101-0-02-132 – Capital Expenses	110.80	10.00	120.80	109.20	11.60
15	21	4701-73-800-0-01-139 – Major Works	107.42	48.25	155.67	0.00	155.67
16	22	2210-01-110-1-21-200 – Maintenance Expenditure	26.80	10.00	36.80	20.97	15.83
17		2210-01-110-1-22-059 – Other Expenses	35.53	2.80	38.33	26.68	11.65
18		2210-01-110-1-22-195 – Transport Expenses	5.06	5.00	10.06	4.62	5.44
19	23	2230-02-001-0-0-423 – Tribal Sub Plan	2.70	5.40	8.10	1.18	6.92
20		2501-01-198-6-03-300 – Lumpsum ZP	331.58	5.17	336.75	250.71	86.04
Total			2,165.25	336.35	2,501.60	1,916.26	585.34

Excessive Re-appropriation							
Sl No	Grant	Head of Account	Provision (Including Supplementary))	Re-appropriation (+)	Total	Expenditure	Savings (-)
1	01	2401-00-110-0-07-106 - Subsidy	608.10	97.11	705.21	680.28	24.93
2	05	2055-00-104-0-01-003 – Pay Staff	315.08	47.96	363.04	354.89	8.15
3		2055-00-109-1-01-003 – Pay Staff	1,724.00	59.45	1,783.45	1,734.71	48.74
4		2055-00-118-0-01-002 – Pay Officer	9.58	8.90	18.48	11.89	6.59
5	06	5465-01-190-3-05-132 – Capital Expenses	216.49	103.00	319.49	309.29	10.20
6	07	2215-01-001-1-03-003 Pay- Staff	42.37	12.87	55.24	49.39	5.85
7	10	2225-02-794-0-05-059 – Other Expenses	330.42	16.71	347.13	330.92	16.21
8		2225-03-800-0-07-059 – Other Expenses	60.00	84.79	144.79	126.29	18.50
9	11	2235-02-103-0-61-059 – Other Expenses	7.40	47.10	54.50	49.34	5.16
10	17	2202-01-197-1-01-300 – Lumpsum ZP	244.06	39.04	283.10	258.74	24.36
11		2202-03-103-2-01-003 – Pay Staff	56.80	27.98	84.78	75.33	9.45
12		2202-03-104-1-01-101 GIA - Salaries	733.59	426.18	1,159.77	1,141.41	18.36
13	20	3054-03-337-0-05-200 - Maintenance	335.17	22.00	357.17	346.11	11.06
14		3054-04-337-1-10-200 -Maintenance	355.94	15.42	371.36	356.87	14.49
15		4059-80-051-0-29-386 - Construction	110.00	12.00	122.00	115.17	6.83
16		5054-03-337-0-17-154 - Improvement	250.00	102.73	352.73	327.79	24.94
17		5054-03-337-0-17-160 Renewals	23.20	14.00	37.20	27.50	9.70
18		5054-04-337-0-01-154 - Improvement	1,255.30	400.00	1,655.30	1,648.76	6.54
19		5054-04-337-0-01-160 - Renewals	57.00	12.00	69.00	62.61	6.39
Total			6,734.50	1,549.24	8,283.74	8,007.29	276.45

Inadequate re-appropriation							
Sl.No.	Grant	Head of Account	Provision (Including Supplementary)	Reappropriation (+)	Total	Expenditure	Excess (+)
1	05	2055-00-109-1-01-041 – Travel Expenses	60.00	12.00	72.00	82.38	10.38
2	10	2225-01-197-1-01-418 - Ballari	30.42	3.50	33.92	38.08	4.16
3	18	6852-02-800-0-01-394 - Loan	350.00	38.00	388.00	414.99	26.99
4	20	5054-03-337-0-84-172 - Roads	321.95	280.00	601.95	701.57	99.62
Total			762.37	333.50	1,095.87	1,237.02	141.15
Injudicious Re-appropriation							
1	7	2215-01-001-1-03-002 Pay - Officer	29.46	8.00	21.46	22.06	0.6
2	7	2515-00-198-1-12-300 Lumpsum ZP	452.23	0.75	451.48	452.23	0.75
3	17	2202-02-109-0-13-002 Pay - Officers	719.55	156.00	563.55	723.92	160.37
4	25	2205-00-102-4-01-059 – Other Expenses	9.70	2.00	7.7	9.04	1.34
5	28	2011-02-102-0-05-059– Other Expenses	2.80	0.45	2.35	3.06	0.71
Total			1,213.74	167.20	1,046.54	1,210.31	163.77

Source: Grant Register

Appendix 3.8 Cases of Defective Re-Appropriation Orders

(Reference: Paragraph 3.6.2.4(b); Page 99)

(₹ in crore)

Sl. No.	Grant No.	Government Order No.	Date	Amount	Issuing Authority	Reasons for rejection
1	01	No.HoR-A/2019-20	10.03.2020	0.20	Director of Horticulture, Bengaluru	Form 22 A not self-Balanced
2	05	TC/ASI/AUI/RA/2019-20	18.03.2020	0.03	Commissioner. Transport and Road Safety Department, Shanthinagar, Bengaluru	
3		FD 452 BRS 2019	21.03.2020	3.00	Deputy Secretary to Government, Finance Department, Vidhana Soudha, Bengaluru	Due to lack of funds
4	10	MWD 85 2020	19.02.2020	0.10	Deputy Secretary to Government, Minority Welfare, Huz and Wakf department, Bengaluru	Form 22 A not self-Balanced
5	12	No.FTS/03/Acts	20.02.2020	0.01	Director, Government Flying Training School, Bengaluru	
6		DYSS/14	28.02.2020	0.10	Commissioner, Department of Youth Services and Sports, Bengaluru	Original Budget provision differs
7		I&P/Rep/2019-20/	05.03.2020	0.05	Commissioner, Information and Publicity Department, Bengaluru	
8		DYSS/30	10.03.2020	0.10	Commissioner, Department of Youth Services and Sports, Bengaluru	Form 22 A not self-Balanced
9	15	DIT 13/ACT/Misc/507	10.02.2020	0.04	Director of Information Technology and Bio-Technology, Bengaluru`-27	
10	17	KashiEi Budget/RA18/	25.09.2019	0.10	Commissioner, Department of Collegiate Education, Bengaluru	Form 22 A not self-Balanced
11	18	MGD HUND/RA/2019-20	27.01.2020	0.10	Director, Mines and Geology Department, Bengaluru	
12		18OSK//EAP/42/2019-20/1462	10.02.2020	0.02	Commissioner for Cane Development and Director of Sugar, Bengaluru -09	Insufficient Balance
13		KJE/Accts/A2/updt/19-20	05.03.2020	0.03	Commissioner for Textiles Development and Director of Handlooms and Textiles, Bengaluru	Form 22 A not self-Balanced
14	19	TPD 74/SFC 2020	06.03.2020	0.07	Under Secretary to Government, Town Planning, Bengaluru	Form 22 A not self-Balanced
15		SEC/29/Act/2018-19	25.02.2020	0.03	Secretary, SEC,KSCSB, Cunningham Road, Bengaluru -52	
16	22	No.MD 222 MMC	07.01.2020	0.49	Under Secretary to Government, Health and Family Welfare Department	Form 22 A not self-Balanced
17		MD 572 MMC	10.03.2020	0.47	Under Secretary to Government, Health and Family Welfare Department	
18	23	SDEL 63 ITI 2019	23.04.2019	0.26	Deputy Secretary to Government, Skill Development, Entrepreneurship and Livelihood Department, Bengaluru	Form 22 A not self-Balanced
19		SDEL 12 ELSE 2019	30.04.2019	0.49	Under Secretary to government, Skill Development, Entrepreneurship and Livelihood Department, Bengaluru	
20		ACT-2/Misc/CR-30/2019-20/851	03.03.2020	0.10	Director, Factories and Boilers, Department,	Insufficient Balance

Sl. No.	Grant No.	Government Order No.	Date	Amount	Issuing Authority	Reasons for rejection
					Bengaluru	
21	27	FD 150 BRS 2019	18.12.2019	0.65	Deputy Secretary to Government (FR&BCC), Finance Department, Bengaluru	Re-appropriation between Voted and Charged
22	28	DT/33/RA/19-20	16.08.2019	0.03	Director, Department of Translation, Podium block, Bengaluru	Form 22 A not self-Balanced
23		KVP/15/RA/2019-20	22.01.2020	0.15	Secretary, Karnataka Legislative Council, Bengaluru	Budget provision differs from the amount sanctioned
24		KLAS/LPS-3/77/RA/2020	07.03.2020	0.22	Under Secretary to Government, Karnataka Legislative Assembly Secretariat, Bengaluru	
TOTAL				6.84		

Source: PAG(A&E)

Appendix 3.9

Grants/appropriations with unspent provisions of ₹100 crore and above

(Reference: Paragraph 3.6.2.5(a); Page 99)

Sl No	Grant	Original	Supplementary	Total	Expenditure	(₹ in crore)
						Saving
	1 - Agriculture and Horticulture					
1	Revenue voted	6544.06	2142.34	8686.40	7507.85	1178.55
2	Capital voted	497.75	0.30	498.05	69.46	428.59
	2-Animal Husbandry and Fisheries					
3	Revenue voted	2786.56	93.69	2880.25	2710.87	169.38
	3 - Finance					
4	Revenue voted	28751.71	346.04	29097.75	22774.5	6323.25
	4 - Department of Personnel and Administrative Reforms					
5	Revenue voted	1022.55	55.68	1078.23	973.94	104.29
	5 - Home and Transport					
6	Revenue voted	7180.33	713.15	7893.48	7317.22	576.26
7	Capital voted	879.58	0.00	879.58	778.34	101.24
	7 - Rural Development and Panchayat Raj					
8	Revenue voted	10990.10	225.18	11215.28	9743.27	1472.01
9	Capital voted	3909.09	1800.00	5709.09	4485.69	1223.40
	9 - Co-operation					
10	Revenue voted	7831.75	0.01	7831.76	6532.04	1299.72
	10 - Social Welfare					
11	Revenue voted	8454.51	81.48	8535.99	7384.92	1151.07
12	Capital voted	2876.39	157.59	3033.98	2783.45	250.53
	11 - Women and Child Welfare					
13	Revenue voted	5174.59	180.64	5355.23	4644.69	710.54
	12 - Information, Tourism and Youth Services					
14	Revenue voted	457.50	5.00	462.50	336.40	126.10
	14 - Revenue					
15	Revenue voted	10110.17	7847.30	17957.47	17554.41	403.06
	16 - Housing					
16	Revenue voted	2410.74	1154.77	3565.51	3097.89	467.62
	17 - Education					
17	Revenue voted	26932.80	636.80	27569.60	26944.60	625.00
18	Capital voted	1218.26	10.00	1228.26	1104.85	123.41
	18 - Commerce and Industries					
19	Revenue voted	1094.02	208.77	1302.79	1063.14	239.65
20	Capital voted	1088.00	25.77	1113.77	697.59	416.18

Sl No	Grant	Original	Supplementary	Total	Expenditure	Saving
19 - Urban Development						
21	Revenue voted	8980.87	997.20	9978.07	9037.88	940.19
22	Revenue charged	675.91	0.00	675.91	0.00	675.91
23	Capital Voted	8,771.57	35.00	8,806.57	5,425.80	3,380.77
20 - Public Works						
24	Revenue voted	3218.82	17.18	3236.00	2639.32	596.68
25	Capital voted	7757.60	550.00	8307.60	6919.12	1388.48
21 - Water Resources						
26	Revenue voted	1077.07	13.33	1090.40	799.87	290.53
27	Revenue charged	1498.19	0.00	1498.19	1317.19	181.00
28	Capital voted	12065.70	1336.62	13402.32	12291.48	1110.84
22 - Health and Family Welfare						
29	Revenue voted	8284.58	472.21	8756.79	8000.79	756.00
30	Capital voted	1063.76	8.59	1072.35	821.98	250.37
23-Labour and Skill Development						
31	Revenue voted	1194.25	196.96	1391.21	1168.30	222.91
26 - Planning, Statistics, Science and Technology						
32	Capital voted	1858.37	42.75	1901.12	1253.14	647.98
29 - Debt Servicing						
33	Revenue charged	19410.31	353.23	19763.54	18869.42	894.12
Total		2,06,067.46	19,707.58	2,25,775.04	1,97,049.41	28,725.63

Source: Appropriation Accounts

Appendix 3.10

Statement of various grants/appropriation in which unspent provision occurred but no part of which was surrendered

(Reference: Paragraph 3.6.2.5(b); Page 99)

			(₹ in crore)
Sl. No.	Grant No.	Section	Unspent Provision
1	3	Finance	
		Capital - Voted	19.32
2	4	Department of Personnel and Administrative Reforms	
		Capital - Voted	6.12
3	6	Infrastructure Development	
		Revenue - Voted	0.15
4		Capital - Voted	41.56
5	9	Co-operation	
		Capital - Voted	3.08
6	10	Social Welfare	
		Capital - Voted	250.53
7	14	Revenue	
		Capital - Voted	75.46
8		Capital - Charged	4.04
9	17	Education	
		Revenue - Voted	625.00
10	19	Urban Development	
		Capital - Voted	3,380.77
11	21	Water Resources	
		Revenue Charged	181.00
12		Capital Charged	0.37
13	23	Labour and Skill Development	
		Capital - Voted	53.62
14	25	Kannada and Culture	
		Capital - Voted	80.27
15	26	Planning , Statistics, Science and Technology	
		Capital -Voted	647.98
Total			5,369.27

Source: Appropriation Accounts

Appendix 3.11

Surrender of Unspent Provision

(Reference: Paragraph 3.6.2.5(b); Page 99)

(₹ in crore)

Sl. No	Grant/Section	Amount of unspent provision	Amount surrendered	Amount not surrendered
	01 Agriculture and Horticulture			
1	Revenue-Voted	1,178.55	935.53	243.02
2	Capital-Voted	428.59	424.78	3.81
	02 Animal Husbandry and Fisheries			
3	Revenue-Voted	169.38	49.70	119.68
4	Capital-Voted	18.26	5.77	12.49
	03 Finance			
5	Revenue-Voted	6,323.26	6,266.87	56.39
6	Revenue-Charged	6.67	5.87	0.80
	04 Department of Personnel and Administrative Reforms			
7	Revenue-Voted	104.29	16.02	88.27
8	Revenue-Charged	56.52	3.04	53.48
	05 Home and Transport			
9	Revenue- Voted	576.26	293.38	282.88
10	Revenue-Charged	0.02	0.02	0.00
11	Capital-Voted	101.24	8.10	93.14
	07 Rural Development and Panchayat Raj			
12	Revenue-Voted	1,472.01	306.76	1,165.25
13	Capital-Voted	1,223.40	80.00	1,143.40
	08 Forest, Ecology and Environment			
14	Revenue - Voted	86.43	80.75	5.68
15	Revenue-Charged	19.81	0.07	19.74
16	Capital-Voted	50.35	0.35	50.00
	09 Co-operation			
17	Revenue-Voted	1,299.72	24.20	1,275.52
	10 Social Welfare			
18	Revenue- Voted	1,151.07	1.06	1,150.01
	11 Women and Child Development			
19	Revenue-Voted	710.54	354.16	356.38
20	Capital- Voted	14.58	4.58	10.00
	12 Information, Tourism and Youth Services			
21	Revenue- Voted	42.50	0.26	42.24
22	Capital- Voted	126.37	27.87	98.50
	13 Food and Civil Supplies			
23	Revenue-Voted	92.80	69.15	23.65
	14 Revenue			
24	Revenue-Voted	403.06	1.00	402.06
	15 Information Technology			
25	Revenue-Voted	66.57	11.03	55.54
	16 Housing			
26	Revenue- Voted	467.63	419.77	47.86
27	Capital - Charged	0.03	0.03	0.00

Sl. No.	Grant/Section	Amount of unspent provision	Amount surrendered	Amount not surrendered
17	Education			
28	Capital-Voted	123.40	15.69	107.71
18	Commerce and Industries			
29	Revenue-Voted	239.65	120.33	119.32
30	Capital-Voted	416.18	327.89	88.29
19	Urban Development			
31	Revenue-Voted	940.19	159.30	780.89
32	Revenue-Charged	675.91	675.91	0.00
20	Public Works			
33	Revenue-Voted	596.68	471.33	125.35
34	Revenue-Charged	27.81	27.81	0.00
35	Capital-Voted	1,388.49	1,307.60	80.89
21	Water Resources			
36	Revenue-Voted	290.53	19.05	271.48
37	Capital-Voted	1,110.85	276.84	834.01
22	Health and Family Welfare			
38	Revenue-Voted	755.93	435.86	320.07
39	Capital-Voted	250.37	122.60	127.77
23	Labour and Skill Development			
40	Revenue-Voted	222.91	2.42	220.49
24	Energy			
41	Revenue- Voted	5.99	3.98	2.01
25	Kannada and Culture			
42	Revenue-Voted	28.54	2.86	25.68
26	Planning, Statistics, Science and Technology			
43	Revenue-Voted	83.33	0.48	82.85
27	Law			
44	Revenue-Voted	61.67	61.68	0.00
45	Revenue-Charged	46.17	46.15	0.02
28	Parliamentary Affairs and Legislation			
46	Revenue-Voted	14.46	27.73	0.00
47	Revenue-Charged	0.95	0.97	0.00
29	Debt Servicing			
48	Revenue-Charged	894.12	893.84	0.28
49	Capital -Charged	93.06	94.25	0.00
Total		24,457.10	14,484.69	9,986.90

Source: Appropriation Accounts

Appendix 3.12

Results of substantial surrenders made during the year

(Reference: Paragraph 3.6.2.5(b); Page 100)

(₹ in crore)

Sl No	Grant No. /Nomenclature	Name of the Section (Head of Account)	Provision	Amount surrendered	Percentage of surrender	Remarks
1	01-Agriculture and Horticulture	2401-00-102-0-28-059 – Other Expenses	162.59	150.23	92	Due to non-implementation of new projects announced in Budget
2		2401-00-102-0-29-059 - Other Expenses	395.00	395.00	100	Due to non-implementation of new projects/programme announced in budget
3		2401-00-102-0-28-422 - SCSP	75.00	75.00	100	Due to non-implementation of new projects/programme announced in budget
4		2401-00-102-0-29-423 - TSP	30.00	30.00	100	Due to non-implementation of new projects/programme announced in budget
5		2401-00-119-1-05-059 - Other Expenses	15.00	15.00	100	No specific reasons furnished
6		4401-00-102-0-01-059 - Other Expenses	10.00	10.00	100	Due to non-implementation of new projects announced in Budget
7		4401-00-108-0-01-132 - Capital Expenses	111.87	111.87	100	Due to non-implementation of new projects announced in Budget
8		4401-00-108-0-01-422 - SCSP	24.32	24.32	100	No specific reasons furnished
9		4401-00-108-0-02-423- TSP	103.50	103.50	100	No specific reasons furnished
10		4401-00-108-0-02-422 - SCSP	22.50	22.50	100	No specific reasons furnished
11		4401-00-113-0-01-059 - Other Expenses	10.00	10.00	100	No specific reasons furnished
12		4401-00-102-0-01-059 - Other Expenses	100.00	76.31	76	Due to non-implementation of new projects
13		4851-00-107-1-01-132 - Capital Expenses	25.00	25.00	100	No specific reasons furnished
14		4851-00-107-1-03-436 - NABARD Works	10.63	10.44	98	No specific reasons furnished

Sl No	Grant No. /Nomenclature	Name of the Section (Head of Account)	Provision	Amount surrendered	Percentage of surrender	Remarks
15	03-Finance	2070-00-800-0-11-014 - Other Allowances	112.00	88.41	79	Due to non-availability of land
16		2071-01-115-1-11-251 - Pension and Retirement Benefit	30.00	28.94	96	Due to non-filling up of vacant post
17		2071-01-115-1-14-251 - Pension and Retirement Benefit	80.00	61.25	77	No specific reasons furnished
18		2071-01-115-1-53-251 - Pension and Retirement Benefit	22.37	16.62	77	No specific reasons furnished
19		2071-01-115-3-21-251 - Pension and Retirement Benefit	35.00	32.55	74	No specific reasons furnished
20		2071-01-200-0-06-251 - Pension and Retirement Benefit	11.90	11.90	100	No specific reasons furnished
21		2071-01-200-0-05-251 - Pension and Retirement Benefit	35.76	32.30	90	No specific reasons furnished
22		2235-04-101-0-01-100 - Financial Assistance	5,475.00	4,075.00	74	No specific reasons furnished
23		2235-04-101-0-01-422 - SCSP	700.00	700.00	100	No specific reasons furnished
24		2235-04-101-0-01-423 -TSP	325.00	325.00	100	No specific reasons furnished
25	05-Home and Transport	2055-00-116-0-03-059 - Other Expenses	283.06	248.24	88	No specific reasons furnished
26	07-RDPR	2515-00-198-6-12-300 – Lumpsum ZP	306.51	306.51	100	Due to non-completion of tender process owing to shortage of time and technical reasons for purchase
27	12-Information, Tourism and Youth Services	5452-01-800-0-10-436 - NABARD Works	38.39	27.87	73	Due to non-release of expected central share of funds

Sl No	Grant No. /Nomenclature	Name of the Section (Head of Account)	Provision	Amount surrendered	Percentage of surrender	Remarks
28	15-Information and Technology	3451-00-090-2-08-059 - Other Expenses	11.00	11.00	100	No specific reasons furnished
29	16-Housing	2216-02-800-0-04-032 – Grants for creation of Capital Assets	34.51	27.75	80	Due to shifting of office of Karnataka State Remote Sensing Technology Centre under the control of DPAR(e-governance) w.e.f.01.04.2019.
30		2216-02-800-0-04-422 - SCSP	125.29	113.08	90	Due to non-release of central funds but funds released directly
31		2216-02-800-0-04-423 -TSP	90.20	87.28	92	Due to non-release of central funds but funds released directly
32	18-Commerce and Industries	2851-00-102-0-84-102 - GIA Asset creation	56.84	54.34	96	Due to non-release of central funds but funds released directly
33	20-Public Work	4860-04-190-1-00-211 - Investment	100.00	100.00	100	Due to non-formation of beneficiary unit.
34		3054-04-337-1-10-422 - SCSP	70.00	70.00	100	No specific reasons furnished
35		3054-04-337-1-10-423 -TSP	30.00	30.00	100	No specific reasons furnished
36		5051-02-211-0-01-059 - Other Expenses	35.00	34.32	98	Due to stay order of Hon'ble High Court of Karnataka in respect of Sagarmala Project, Karwar Port breakwater construction and delay in tender process of Mangalore Port Coastal Berth construction
37		5051-80-190-0-03-422- SCSP	178.00	178.00	100	No specific reasons furnished
38		5051-80-190-0-03-423- TSP	72.00	72.00	100	No specific reasons furnished
39		22-Health and Family Welfare	2210-01-200-0-04-422 - SCSP	14.00	14.00	100
40	4210-01-110-1-01-423 -TSP		12.49	10.54	84	No specific reasons furnished
41	27-Law	2014-00-102-0-02-180- Machinery and Equipment	25.40	24.54	97	No specific reasons furnished
42	28- Parliamentary Affairs and Legislation	2011-02-101-0-11-059 - Other Expenses	21.25	16.06	76	No specific reasons furnished
43	29-Debt Servicing	2049-03-117-0-01-240 - Debt Servicing	13.00	13.00	100	No specific reasons furnished
Total			9,439.38	7,869.67	83	

Source: Appropriation Accounts

Appendix 3.13

Cases of surrendered of funds in excess of ₹ five crore on 30 and 31 March 2020

(Reference: Paragraph 3.6.2.5(b); Page 100)

(₹ in crore)

Sl. No.	Grant No./Nomenclature	No. of cases	Total Provision	Amount surrendered	Percentage to total provision
1	1 Agriculture and Horticulture	17	3,743.72	417.15	11
2	2 Animal Husbandry and Fisheries	2	1,302.06	42.05	3
3	3 Finance	29	23,862.37	6,168.30	26
4	5 Home and Transport	3	372.47	261.21	70
5	7 RDPR	1	306.51	306.51	100
6	8 Forest, Ecology and Environment	2	75.08	27.27	36
7	11 Women and Child Development	5	514.40	264.21	51
8	12 Information, Tourism and Youth Services	1	38.39	27.87	73
9	13 Food and Civil Supplies	1	2701	51.31	2
10	16 Housing	4	750	418.51	56
11	18 Commerce and Industries	8	790.41	492.94	62
12	19 Urban Development	1	386.54	130.38	34
13	20 Public Works	27	7,181.35	1,409.33	20
14	21 Water Resources	1	23.15	14.58	63
15	22 Health and Family Welfare	19	1,517.45	276.62	18
16	27 Law	4	102.84	62.94	61
17	28 Parliamentary Affairs and Legislation	2	41.25	21.66	53
18	29 Debt Servicing	9	3,849.61	982.03	26
Total		136	47,558.60	11,374.87	24

Source: Pr.AG(A&E)

Appendix 3.14

Excess Expenditure over Provision requiring regularization

(Reference: Paragraph 3.6.2.6; Page 100)

(Amount in ₹)

Year	Grant No./Description	Excess required to be regularised as commented in the AA/AR	Remarks
2012-13	08-Forest, Ecology and Environment <i>Revenue Charged</i>	4,94,02,43,684	Excess expenditure of ₹209.51 crore was on account of transfer of Forest Development Tax to Public Account. The receipt was more than anticipated collection. Further, an amount of ₹284.51 crore, which was misclassified, remained as revenue of Commercial Tax Department and was transferred to Public Account on rectification of misclassification.
2013-14	08-Forest, Ecology and Environment <i>Revenue Charged</i>	3,55,38,75,841	Excess expenditure was on account of transfer of Forest Development Tax to Forest Development Fund in Public Account. The receipt was more than the anticipated collection.
	26-Planning, Statistics, Science and Technology Capital Voted	20,41,65,300	Withdrawal of budget provision in the budget presented in July 2013 in respect of certain heads for which, budget was included in the Vote on Account presented during February 2013.
2014-15	08-Forest, Ecology and Environment <i>Revenue Charged</i>	1,88,75,14,849	Excess expenditure was on account of transfer of Forest Development Tax to Forest Development Fund in Public Account. The receipt was more than the anticipated collection and also due to erroneous budgeting.
	10-Social Welfare <i>Revenue Charged</i>	6,36,000	No specific reasons furnished for the excess
2015-16	01 – Agriculture and Horticulture Capital Voted	7,93,05,365	This was due to error in budgeting. Provision was made under Grant No.18 instead of Grant No.1. However, expenditure was classified under Grant No.1.
	05 – Home and Transport Revenue Voted	44,94,34,163	No specific reason furnished for the excess.
	06 – Infrastructure Development <i>Revenue Charged</i> Capital Voted	17,08,292 4,94,81,312	This was due to error in budgeting. Provision provided under Voted category instead of under <i>Charged</i> category. However expenditure was accounted correctly.
	19 – Urban Development <i>Capital Charged</i>	8,04,77,000	
2016-17	01 –Agriculture and Horticulture Capital Voted	1,76,74,83,304	This was due to shifting of expenditure (₹186.01 crore) from revenue head (MH 2401) to capital head (MH 4401). Requisite provision was not made through Supplementary Provision

Year	Grant No./Description	Excess required to be regularised as commented in the AA/AR	Remarks
	05 – Home and Transport Capital Voted	55,36,88,503	This was due to issue of re-appropriation orders between revenue and capital.
	14 –Revenue Revenue Voted	6,32,06,33,666	This was due to release of GOI's contribution of ₹1,235.52 crore towards NDRF on the last day of Financial year, which was transferred to fund account during 2016-17 itself.
	20 – Public Works Revenue Voted	59,81,01,797	This was due to transfer of actual receipts collected under Ports, Light Houses and Shipping to Port Development Fund. The provision made for transfer was less than the actual collection. The excess was also due to entire GOI grants(received on last day of March 2017) credited to Consolidated Fund of the State towards Central Road fund was transferred to Deposit Account of subvention from Central Road fund under Public Account.
	29– Debt Servicing Capital Charged	1,61,41,83,927	This was due to the provisions for discharge of debts, not being made scientifically based on requirement of funds, but made as per the actuals of previous years, without consultation from the beneficiary departments of such loans, assistance from the funding agencies.
2017-18	03 – Finance Revenue -Charged	11,99,37,383	This was due to the settlement of claims towards reimbursement of pension paid to retired High Court Judges from CPAO, MOF, GOI.
	08 – Forest, Ecology and Environment Revenue- Charged	80,98,05,156	This was due to the error in budgeting wherein the provision of ₹85 crore was made erroneously under voted category instead of charged category for transfer of Forest Development Fees to KFDF. However, expenditure was accounted correctly under charged category.
	24 – Energy Capital - Voted	12,94,95,000	This was due to adjustment of EAP loans of ₹12.95crore as provided in GO dated 31.03.2018 even though no funds were provided in the Budget for 2017-18.
	29– Debt Servicing Capital Charged	93,51,25,086	This was due to non-provisioning in the budget to cover the repayment of Principal and Interest in respect of EAP Loans released on Back to Back basis which were initially repaid and accounted by Controller of Aid Accounts and Audit, MOF, New Delhi for eventual transfer to State Government through RBI clearance memos as accounted by PAG(A&E).
Total		24,09,52,95,328	

Source: Appropriation Accounts.

Appendix 3.15

Grant-wise details under which reasons for savings not intimated

(Reference: Paragraph 3.6.3.1; Page 101)

(₹ in crore)

Sl. No.	Grant Number	Amount
1	1 – Agriculture and Horticulture	163.17
2	2 – Animal Husbandry and Fisheries	39.26
3	3 - Finance	31.45
4	4 – Department of Personnel and Administrative services	140.23
5	5 – Home and Transport	237.72
6	6 – Infrastructure Development	41.56
7	7 – Rural development and Panchayat Raj	2,265.14
8	8 – Forest, Ecology and Environment	50.00
9	9 – Co-operation	1,270.05
10	10 – Social Welfare	1,307.11
11	11 – Women and Child Development	358.39
12	12 – Information, Tourism and Youth Services	124.19
13	13 – Food and Civil Supplies	15.00
14	14 - Revenue	411.51
15	15 – Information Technology	55.48
16	16 - Housing	48.34
17	17 - Education	581.88
18	18 – Commerce and Industries	143.82
19	19 – Urban Development	3,975.83
20	20 – Public Works	134.12
21	21 – Water Resources	1,114.09
22	22 – Health and Family Welfare	246.82
23	23 – Labour and Skill Development	224.69
24	25 – Kannada and Culture	101.67
25	26 – Planning, Statistics, Science and Technology	728.39
26	28 – Parliamentary Affairs and Legislations	1.07
27	29 – Debt Servicing	0.10
Total		13,811.08

Source: Appropriation Accounts

Appendix 4.1

Major Head and Department-wise details of outstanding UCs separately for each year

(Reference: Paragraph 4.2; Page 118)

Sl. No.	Head of Account	Department	Year	Number of UCs	Amount (₹ in crore)
1	2204	Sports and Youth Services	2018-19	1	0.88
			Total	1	0.88
2	2210	Medical & Public Health	2014-15	1	3.75
			2015-16	2	1.85
			2016-17	8	30.38
			2017-18	2	3.51
			2018-19	16	78.61
			Total	29	118.10
3	2217	Urban Development	2013-14	1	23.61
			2018-19	2	32.30
			Total	3	55.91
4	2220	Information & Publicity	2007-08	3	0.30
			2010-11	3	1.00
			2011-12	3	1.14
			2012-13	3	1.50
			2013-14	3	2.25
			Total	15	6.19
5	2245	Relief on account of Natural Calamities	2002-03	3	1.41
			Total	3	1.41
Total				51	182.49

Source: Pr.AG(A&E)

Appendix 4.2

Balances remaining under operative/in-operative PD accounts

(Reference: Paragraph 4.4.2; Page 121)

(Amount in ₹)

Sl. No.	P.D. Account Nomenclature	Balance as per the Books of AG (A&E)	Remarks
Credit Balances			
1	Cash Order Deposits	10,228.81	Prior to 2000
2	Sugar Surcharge	7,14,048.55	Prior to 1993-94
3	Scholarship Account of BC & Minorities	22,99,172.30	
4	Special DC, DRDS, Mandya	4,49,156.07	1994-95 onwards
5	PD Account of Deputy Commissioner, Dharwad	5,95,047.31	Information not available
6	PD Account of Permanent & Temporary Deposits	28,31,395.86	Information not available
7	Ram Kumar Jalal Memorial Fund	195.00	1994-95 onwards
8	PD Accounts of Ration Shop Depot	49,936.00	1994-95 onwards
9	PD Accounts of Bagalkot Town Development Authority	49,41,519.93	Information not available
10	Assistant Register of Co-operative Society, Shivamogga	10,000.00	Information not available
11	Special Land Acquisition Officer, SCR Project Karnataka	2,76,96,190.00	Information not available
12	PD Account of Superintendent of Central Prison Kalaburgi	52,684.00	Information not available
13	PD Account of Land Compensation	16,82,557.60	Information not available
Total		4,13,32,131.43	
Debit Balances			
1.	Harijan Development Welfare Fund	5,18,350.71	Information not available
2.	PD, Maharaja College of Education	9,052.00	2008-09 onwards
3.	Chief Minister's Drought Relief Fund	82,45,390.20	Prior to 2000
4.	PD Accounts of Asha Kiran	26,350.00	1994-95 onwards
5.	PD A/c pf Municipal Commissioner, Tumukuru	23,72,940.16	Prior to 2000
6.	Deposits of Private Estate under Commercial Management	75.00	Prior to 2000
7.	PD Accounts of Joint Labour Commissioner	26,059.44	Prior to 2000
8.	Deposits of District Consumer Forum	1,24,360.00	Information not available
Total		1,13,22,577.51	
Nil Closing Balance			
1.	Deputy Registrar, Bidar	0.00	Prior to 2000
2.	ARCS, Vijayapura	0.00	Prior to 2000

Source: Pr.AG(A&E)/DDR Ledger

Appendix 4.3

Status of submission of accounts of Autonomous Bodies and placement of Audit Reports before the State Legislature

(Reference: Paragraph 4.9; Page 127)

Sl. No	Name of the Autonomous Body	Section under DPC Act	Period of entrustment	Year up to which accounts rendered	Year up to which audit report issued	Placement of audit reports before the Legislature
1	Karnataka Urban Water Supply & Drainage Board, Bengaluru	19 (3)	2015-16 to 2019-20	2018-19	2017-18	2016-17 Dt. 10-10-2019
2	Karnataka Slum Development Board, Bengaluru	19 (3)	2017-18 to 2021-22	2018-19	2018-19	2017-18 Dt.10-10-2019
3	Bengaluru Water Supply and Sewerage Board, Bengaluru	19 (3)	2017-18 to 2021-22	2018-19	2017-18	2017-18 Dt.18-03-2020
4	Karnataka Housing Board, Bengaluru	19 (3)	2016-17 to 2020-21	2017-18	2017-18	2016-17 Dt.11-12-2018
5	Bengaluru Development Authority, Bengaluru	19 (3)	2015-16 to 2019-20	2018-19	2017-18	2016-17 Dt.10-10-2019
6	Karnataka State Legal Services Authority, Bengaluru	19 (2)	As per Act	2018-19	2017-18	2015-16 Dt.11-12-2018
7	Karnataka State Human Rights Commission, Bengaluru	19 (2)	As per Act	2018-19	2018-19	2016-17 Dt.11-12-2018
8	Karnataka Industrial Areas Development Board, Bengaluru	19 (3)	2014-15 to 2018-19	2018-19	2018-19	2017-18 Dt.18-02-2020
9	Karnataka State Khadi and Village Industries Board, Bengaluru	19 (3)	2017-18 to 2021-22	2018-19	2018-19	2017-18 Dt. 18-02-2020
10	Karnataka Bio Diversity Board, Bengaluru	20(1)	2014-15 to 2018-19	2019-20	2018-19	2017-18 Report placed on 18-02-2020
11	Karnataka Building and Other Construction Workers Welfare Board, Bengaluru	19(2)	As per Act	2016-17	2015-16	Not placed
12	Karnataka Text Book Society, Bengaluru	19(3)	Up to 2020-21	2006-07	2006-07	Nil

Source: Pr. AG (Audit-I) & Pr. AG (Audit-II)

Appendix 4.4

Position of arrears in finalization of proforma accounts by the departmentally managed Commercial and Quasi-Commercial Undertakings
(Reference: Paragraph 4.10; Page 128)

Sl. No.	Undertaking	Accounts finalized up to	Investment as per the last accounts finalized	Remarks
1	Chamarajendra Technical Institute Mysuru	1984-85	-	Proforma accounts due from 1985-86
2	Government Saw Mills, Joida	1968-69	-	Proforma accounts due from 1969-70.Undertaking closed w.e.f. 27-04-1971.
3	Dasara Exhibition Committee, Mysuru	1980-81	-	Proforma accounts due from 1981-82 to 1995-96.
4	Bengaluru Dairy, Bengaluru	1973-74	-	Company stands transferred to Karnataka Milk Producers Co-operative Federation Limited from November 1984.
5	Government Milk Supply Scheme, Hubballi-Dharwad	1980-81	-	Proforma accounts due from 1981-82 to 1984-85 (31.01.1985). Transferred to KDDC.
6	Government Milk Supply Scheme, Mysuru	1968-69	-	Proforma accounts due from 1969-70 to 30.11.1975. Transferred to KDDC w.e.f 01.12.1975
7	Government Milk Supply Scheme, Belagavi	1974-75	-	Proforma accounts due from 1977-78 to 1984-85. Transferred to KDDC w.e.f 01.12.1975
8	Government Milk Supply Scheme, Kalaburgi	1982-83	-	Proforma accounts due from 1983-84 to 1984-85 (up to 31.01.1985). Transferred to KDDC.
9	Government Milk Supply Scheme, Bhadravathi	1980-81	-	Proforma accounts due from 1983-84 to 1984-85 (up to 14.02.1985). Transferred to KDDC.
10	Government Milk Supply Scheme, Mangaluru	1982-83	-	Proforma accounts due from 1983-84 & 1984-85 (up to 14.02.1985). Transferred to KDDC.
11	Government Milk Supply Scheme, Kudige	1972-73	-	Proforma accounts due from 1973-74 & 1974-75 (up to 30.11.1975). Transferred to KDDC

Sl. No.	Undertaking	Accounts finalized up to	Investment as per the last accounts finalized		Remarks
12	Vaccine Institute, Belagavi		1992-93	-	Proforma accounts due from 1993-94.
13	Government Silk Filature, Kollegal		2015-16	1.69	Information not available
14	Government Silk Filature, Chamarajanagar		2015-16	1.68	
15	Government Silk Filature, Santhemarahalli		2016-17	1.24	
16	Government Silk Filature, Mamballi		2015-16	2.38	
17	Government Silk Twisting and Weaving Factory, Mudigundam		2015-16	1.81	
18	Government Central Workshop, Madikeri		2008-09	0.07	Proforma accounts due from 2009-10
19	Karnataka Government Insurance Department, Bengaluru		-	No Capital Account	Information not available

Source: Pr. AG (Audit-I) & Pr. AG (Audit-II)

Appendix 4.5

Non-receipt of information pertaining to institutions substantially financed by the Government

(Reference: Paragraph 4.11; Page 128)

Sl. No.	Department	Number of Institutions	Years for which information not received
1	Education	1,058	1994-95 to 2019-20
2	Medical Education	25	2013-14 to 2019-20
3	Commerce & Industries	8	2003-04 to 2019-20
4	Health & Family Welfare	2	2016-17 to 2019-20
5	Labour & Skill Development	1	2013-14 to 2019-20
6	Endowments	2	2012-13 to 2019-20
7	IT, BT Science & Technology	5	2014-15 to 2019-20
8	Co-operation	1	1994-95 to 2019-20
9	Kannada & Culture	1	2016-17 to 2019-20
10	Law & Justice	3	2014-15 to 2019-20
11	Youth Services & Sports Department	4	1999-20 to 2019-20
12	Social Welfare	7	2003-04 and 2014-15 to 2019-20
13	Women & Child Development	2	2016-17 to 2019-20
14	Information and Public relations	2	2016-17 to 2019-20

Source: Pr.AG(Audit-I)

Appendix 4.6

Department-wise/ duration-wise breakup of the cases of theft and miss-appropriation

(Reference: Paragraph 4.13; Page 129)

(₹ in Lakh)

Department	<5years		<15 years		<20 years		<25 years		>25 years		Total	
	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.
Medical Education	-	-	-	-	-	-	-	-	-	-	-	-
Animal Husbandry and Fisheries	01	6.25	-	-	-	-	-	-	-	-	01	6.25
Health and Family Welfare	01	2.21	-	-	-	-	-	-	-	-	01	2.21
Home	02	83.44	-	-	02	22.90	01	66.05	-	-	05	172.39
Labour	01	3.10	-	-	-	-	-	-	-	-	01	3.10
Law and Parliamentary Affairs	01	20.00	-	-	-	-	-	-	-	-	01	20.00
Social Welfare	01	325.28	-	-	-	-	-	-	-	-	01	325.28
DPAR	-	-	-	-	-	-	-	-	-	-	-	-
Revenue	-	-	-	-	-	-	-	-	-	-	-	-
Agriculture and Horticulture	01	1.47	-	-	-	-	-	-	-	-	01	1.47
PWP & IWTD	02	1,180.08	-	-	-	-	-	-	-	-	02	1,180.08
Education	01	28.75	-	-	-	-	-	-	-	-	01	28.75
Total	11	1,650.58	-	-	02	22.90	01	66.05	-	-	14	1,739.53

Source: PAG (Audit I) and AG(Audit II)

Glossary

Basis of calculation	
Buoyancy of a parameter	Rate of Growth of the parameter/GSDP Growth Rate
Buoyancy of a parameter (X) With respect to another parameter (Y)	Rate of Growth of parameter (X)/ Rate of Growth of parameter (Y)
Rate of Growth (ROG)	$[(\text{Current year Amount}/\text{Previous year Amount})-1]*100$
Development expenditure	Social services + economic services
Average interest rate of Outstanding Debt	$[\text{Interest payments}/(\text{opening balance of Public debt} + \text{closing balance of Public Debt}/2)]$
Interest received as <i>per cent</i> to Loans Outstanding	$\text{Interest received} [(\text{Opening balance} + \text{Closing balance of Loans and Advances})/2*100]$
Revenue Deficit/Revenue Surplus	Revenue Receipt – Revenue Expenditure
Fiscal Deficit	Revenue Expenditure + Capital Expenditure + Net Loans and Advances – Revenue Receipts – Miscellaneous Capital Receipts
Primary Deficit	Fiscal Deficit – Interest payments
Balance from Current Revenue (BCR)	Revenue Receipts <i>minus</i> all Plan Grants and Non-Plan Revenue Expenditure excluding expenditure recorded under the major head 2048 – Appropriation for reduction of avoidance of debt.

Abbreviations

Sl. No.	Abbreviation	Full Form
1	AC Bill	Abstract Contingent Bill
2	AE	Aggregate Expenditure
3	ALM	Asset Liability Monitoring
4	AYUSH	Ayurveda, Yoga and Naturopathy, Unani, Siddha and Homeopathy
5	BMTC	Bengaluru Metropolitan Transport Corporation
6	BPL	Below Poverty Line
7	C&AG	Comptroller and Auditor General of India
8	CAGR	Compounded Annual Growth Rate
9	CAPEX	Capital Expenditure
10	CE	Capital Expenditure
11	CESCOM	Chamundeswari Electricity Supply Company
12	CGST	Central Goods and Service Tax
13	CHCs	Community Health Centres
14	CMRRD	Chief Minister's Rural Road Development Fund
15	CNNL	Cauvery Neeravari Nigam Limited
16	CPAO	Central Pay and Accounts Office
17	CPS	Central Plan Schemes
18	CRA	Central Record keeping Agency
19	CRF	Central Road Fund
20	CSF	Consolidated Sinking Fund
21	CSS	Centrally Sponsored Schemes
22	DC	Deputy Commissioner
23	DCB	Demand Collection Balances
24	DCPS	Defined Contribution Pension Scheme
25	DDOs	Drawing and Disbursing Officers
26	DDR	Debt, Deposit and Remittances
27	DE	Development Expenditure
28	DPAR	Department of Personnel and Administrative Reforms
29	DPC	Duties, Power and Conditions of Service
30	DSA	Debt Sustainability Analysis
31	EAP	Externally Assisted Project
32	EFC	Eleventh Finance Commission
33	ERC	Expenditure Reforms Commission
34	ESCOMs	Electricity Supply Companies
35	FD	Finance Department
36	FMRC	Fiscal Management Review Committee
37	FPI	Fiscal Policy Institute
38	GASAB	Government Accounting Standards Advisory Board
39	GB	Gender Budget
40	GCS	General Category States
41	GCU's	Government Commercial Undertakings
42	GDP	Gross Domestic Product
43	GESCOM	Gulbarga Electricity Supply Company
44	GIA	Grants-In-Aid
45	GFR	General Financial Rules
46	GIC	General Insurance Corporation
47	GOI	Government of India
48	GOK	Government of Karnataka

49	GOs	Government Orders
50	GP	Gram Panchayat
51	GSDP	Gross State Domestic Product
52	GST	Goods and Service Tax
53	HESCOM	Hubli Electricity Supply Company
54	HOA	Head of Account
55	HRMS	Human Resource Management System
56	IFA	Internal Financial Advisor
57	IGAS	Indian Government Accounting Standard
58	IGST	Integrated Goods and Service Tax
59	ITI	Industrial Training Institute
60	KBJNL	Krishna Bhagya Jala Nigam Limited
61	KFC	Karnataka Financial Code
62	KFDF	Karnataka Forest Development Fund
63	KFRA	Karnataka Fiscal Responsibility Act
64	KIADB	Karnataka Industrial Area Development Board
65	KILT	Karnataka Institute of Leather Technology
66	KNNL	Karnataka Neeravari Nigam Limited
67	KRDCL	Karnataka Road Development Corporation Limited
68	KSFCL	Karnataka State Financial Corporation Limited
69	KSCARDB	Karnataka State Co-operative Agriculture and Rural Development Bank
70	KSCOMF	Karnataka State Co-operative Marketing Federation
71	KSSIDCL	Karnataka State Small Industries Development Corporation Limited
72	KUWSDB	Karnataka Urban Water Supply and Drainage Board
73	LIC	Life Insurance Corporation
74	LMMH	List of Major and Minor Heads
75	LROT	Lease Rehabilitate Operate and Transfer
76	MCE	Manual of Contingent Expenditure
77	MOF	Ministry of Finance
78	MTFP	Medium Term Fiscal Plan
79	NABARD	National Bank for Agriculture and Rural Development
80	NCDC	National Co-operative Development Corporation
81	NDC Bill	Non-Payment Detailed Contingent Bill
82	NDRF	National Disaster Response Fund
83	NGOs	Non – Government Organisations
84	NPIC	New Pension Implementation Cell
85	NPS	New Pension Scheme
86	NSDL	National Securities Depository Limited
87	NSSF	National Small Savings Fund
88	OBB	Off-Budget Borrowings
89	OD	Over Draft
90	PAC	Public Accounts Committee
91	PAG (A&E)	Principal Accountant General (Accounts and Entitlement)
91A	PAG (Audit)	Principal Accountant General (Audit)
92	PAO	Pay and Accounts Office
93	PD	Personal Deposit
94	PF	Provident Fund
95	PFRDA	Pension Fund Regulatory Development Authority
96	PF	Provident Fund
97	PMAY	Pradhan Mantri Awas Yojane
98	PRAN	Permanent Retirement Account Number
99	PRIs	Panchayat Raj Institutions
100	PSUs	Public Sector Undertakings

101	PWP&IWT	Public Works, Port and Inland Water Transport
102	RBI	Reserve Bank of India
103	RDPR	Rural Development and Panchayat Raj
104	RE	Revenue Expenditure
105	RERA	Real Estate Regulatory Authority
106	RR	Revenue Receipts
107	SCSP	Special Component Sub Plan
108	SDRF	State Disaster Response Fund
109	SDL	State Development Loans
110	SE	Supplementary Estimate
111	SFAR	State Finance Audit Report
112	SGST	State Goods and Service Tax
113	SLAO	Special Land Acquisition Officer
114	SPVs	Special Purpose Vehicles
115	SWMA	Special Ways and Means Advances
116	TBs	Treasury Bills
117	TE	Total Expenditure
118	TFC	Twelfth Finance Commission
119	TP	Taluk Panchayat
120	TSP	Tribal Sub Plan
121	UC	Utilisation Certificate
122	ULB	Urban Local Bodies
123	VJNL	Visvesvaraya Jala Nigam Limited
124	WMA	Ways and Means Advances
125	XII FC	Twelfth Finance Commission
126	XIII FC	Thirteenth Finance Commission
127	XIV FC	Fourteenth Finance Commission
128	ZP	Zilla Panchayat

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