



सत्यमेव जयते

State Finance Audit Report of the Comptroller and Auditor General of India for the year ended March 2022



SUPREME AUDIT INSTITUTION OF INDIA
लोकहितार्थ सत्यनिष्ठा
Dedicated to Truth in Public Interest



Government of Karnataka
Report No.02 of the year 2023

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

for the year ended 31 March 2022

**Government of Karnataka
Report No. 02 of the year 2023**

Table of Contents		
	Paragraph Number	Page No.
Preface		ix
Executive Summary		xi
Chapter 1 – Overview		
Introduction	1.1	1
Profile of the State	1.2	1
Gross State Domestic Product of the State	1.2.1	1
Basis and Approach to State Finance Audit Report	1.3	4
Structure of Government Accounts	1.4	5
Budgetary Processes	1.5	6
Snapshot of Finances	1.6	7
Snapshot of Assets and Liabilities of the Government	1.7	8
Fiscal Parameters	1.8	9
Trends in Deficit/Surplus	1.8.1	9
Trends in Fiscal Liabilities and its ratio to GSDP	1.8.2	10
Fiscal situation of the State	1.9	11
KFRA targets on key fiscal parameters and achievements thereon	1.9.1	11
Actuals <i>vis-à-vis</i> projections of Medium Term Fiscal Plan for 2021-22	1.9.2	13
Impact of certain transactions on major fiscal indicators during 2021-22	1.10	13
Chapter 2 – Finances of the State		
Introduction	2.1	17
Major changes in key fiscal aggregates <i>vis-à-vis</i> 2020-21	2.2	17
Sources and Application of funds	2.3	18
Resources of the State	2.4	19
Revenue Receipts	2.4.1	19
Trends and growth of Revenue Receipts	2.4.2	20
State's Own Resources	2.4.3	22
Transfers from Centre	2.4.4	27
Grants-in-aid from Government of India	2.4.5	27
Capital Receipts	2.4.6	30
State's performance in mobilization of resources	2.4.7	30
Application of Resources	2.5	31
Growth and composition of expenditure	2.5.1	31
Revenue Expenditure	2.5.2	32
Capital Expenditure	2.5.3	43
Quality of Capital Expenditure	2.5.4	45
Expenditure priorities	2.5.5	50
Public Account	2.6	51
Net Public Account balances	2.6.1	51
Reserve Funds	2.6.2	52
In-operative Reserve Funds	2.6.3	56
Compensatory Afforestation Fund Management and Planning Authority (CAMPA)	2.6.4	56

Table of Contents		
	Paragraph Number	Page No.
Debt Management	2.7	57
Debt profile components	2.7.1	58
Composition of fiscal deficit and its financing pattern	2.7.2	62
Debt Profile: Maturity and Repayment	2.7.3	63
Debt Sustainability Analysis	2.8	64
Utilisation of borrowed funds	2.8.1	66
Status of Guarantees – Contingent Liabilities	2.8.2	67
Management of Cash Balances	2.8.3	68
Conclusion and Recommendations	2.9	72
Chapter 3 - Budget Management		
Introduction	3.1	77
Budget Process	3.2	77
Gender Budgeting in Karnataka	3.3	78
Child Budget	3.4	79
Appropriation Accounts	3.5	80
Summary of total provisions, actual disbursements and savings during 2021-22	3.5.1	80
Voted and <i>Charged</i> disbursements	3.5.2	81
Audit of Appropriation	3.6	81
Financial Accountability and Budget review	3.6.1	81
Comments on integrity of budgetary and accounting process	3.6.2	82
Comments on effectiveness of budgetary and accounting process	3.6.3	88
Outcome of review of selected Grants	3.7	89
Review of Grant No.07 – Rural Development and Panchayati Raj	3.7.1	90
Review of Grant No.20 - Public Works	3.7.2	93
Conclusion	3.8	96
Recommendations	3.9	96
Chapter 4 - Quality of Accounts and Financial Reporting Practices		
Non remittance of interest earned out of Government grants	4.1	99
Delay in submission of Utilisation Certificates	4.2	100
Abstract Contingent Bills	4.3	101
Delay in submission of Non-payment Detailed Contingent Bills	4.3.1	102
Delay in remittance of unspent amount	4.3.2	103
Drawal of funds to avoid lapse of grants	4.3.3	103
Inadmissible vouchers of NDC bills	4.3.4	104
Parking of Funds in PD account for two years	4.3.5	104
Splitting of bills to avoid approval for amount in excess of the limit prescribed	4.3.6	105
Utilisation of AC bills drawn under object head-051 General Expenses	4.3.7	105
Personal Deposit Accounts	4.4	105
Trends in the closing balance of PD Accounts	4.4.1	105
Inoperative and non-reconciled PD Accounts	4.4.2	106

Table of Contents		
	Paragraph Number	Page No.
Outstanding balances under suspense and DDR heads	4.5	106
Balances under Major Suspense and DDR heads	4.5.1	106
Adverse Balances under DDR Heads	4.5.2	109
Non-reconciliation of Departmental figures	4.6	110
Reconciliation of cash balance	4.7	111
Compliance with Accounting Standards	4.8	111
Submission of Accounts and placing of Separate Audit Reports of Autonomous Bodies in the Legislature	4.9	112
Departmental Commercial Undertakings/ Corporations/ Companies	4.10	112
Non-submission of details of grants/ loans given to bodies and authorities	4.11	113
Timelines and Quality of Accounts	4.12	113
Misappropriation, losses, thefts etc.	4.13	113
Follow up action on State Finance Audit Report	4.14	115
Conclusion	4.15	115
Recommendations	4.16	115
Chapter 5 - State Public Sector Enterprises		
Definition of Government Companies	5.1	119
Mandate of Audit	5.2	119
SPSEs and their contribution to the GSDP of the State	5.3	119
Investment in SPSEs and Budgetary support	5.4	120
Equity holding and Loans in SPSEs	5.4.1	120
Market Capitalisation of equity investment in SPSEs	5.4.2	121
Disinvestment, Restructuring and Privatisation	5.4.3	121
Power Distribution Companies	5.4.4	121
Returns from SPSEs	5.5	122
Profit earned by SPSEs	5.5.1	122
Dividend paid by SPSEs	5.5.2	122
Debt Servicing	5.6	123
Interest Coverage Ratio	5.6.1	123
Performance of listed SPSEs vis-a-vis private companies	5.7	124
Return on Capital Employed	5.7.1	124
Return on Equity by SPSEs	5.7.2	124
SPSEs incurring losses	5.8	125
Losses incurred	5.8.1	125
Erosion of Capital in SPSEs	5.8.2	125
Audit of SPSEs	5.9	126
Appointment of statutory auditors of SPSEs by C&AG	5.10	126
Submission of accounts by SPSEs	5.11	126
Need for timely submission	5.11.1	126
Timeliness in preparation of accounts by SPSEs	5.11.2	127
Timeliness in preparation of accounts by Statutory Corporations	5.11.3	127
C&AG's oversight - Audit of accounts and supplementary audit	5.12	128

Table of Contents		
	Paragraph Number	Page No.
Financial reporting framework	5.12.1	128
Audit of accounts of Government Companies by statutory auditors	5.12.2	128
Supplementary Audit of accounts of Government Companies	5.12.3	128
Result of C&AG's oversight role	5.13	129
Audit of accounts of Government Companies under Section 143 of the Companies Act, 2013	5.13.1	129
Amendment of Financial Statements	5.13.2	129
Revision of Auditors Report	5.13.3	129
Significant comments of the C&AG issued as supplement to the statutory auditors' reports on Government Companies	5.13.4	129
Statutory Corporations where C&AG is the sole auditor	5.13.5	129
Management letters	5.14	130
Conclusion	5.15	130
Recommendations	5.16	131

Table of Contents		
Appendix Number	Subject	Page Number
1.1	State Profile	135
1.2	Structure of Government Accounts	137
1.3	Summarised Financial position of Government of Karnataka as on 31 March 2022	138
2.1	Abstract of Receipts and Disbursements	139
2.2	Time series data on the State Government Finances	142
2.3	Department wise share of subsidies	146
2.4	Subsidies in the form of financial assistance, incentives <i>etc.</i>	147
2.5	Detailed Loan Accounts maintained by Accountant General (A&E)	148
3.1	Category wise/department wise budget allocation/expenditure for Child Budget	149
3.2	Cases of incurring expenditure, which are not covered by the Budget, but released by FD as additionalities	150
3.3	Unnecessary Supplementary Provision	151
3.4	Excessive Supplementary Provision	152
3.5	Inadequate Supplementary Provision	154
3.6	Unnecessary/Excessive/Inadequate/Injudicious Re-appropriation	156
3.7	Cases of Defective Re-appropriation Orders	159
3.8	Grants/appropriations with unspent provisions of ₹100 crore and above	162
3.9	Statement of various grants/appropriation in which unspent provision occurred but no part of which was surrendered	163
3.10	Surrender of Entire Unspent Provision	164
3.11	Surrender of Unspent Provision	165
3.12	Results of substantial surrenders made during the year	167
3.13	Cases of surrender of funds in excess of five crore on 30 and 31 March 2022	173
3.14	Excess expenditure over provision requiring regularisation	174
3.15	Grant-wise details under which reasons for savings not intimated	176
3.16	Rush of Expenditure during the month of March	177
3.17	Rush of Expenditure during the month of March	178
4.1	Major head and Department-wise details of outstanding UCs separately for each year	179
4.2	Balances remaining under operative/in-operative PD accounts	180
4.3	Status of submission of accounts of Autonomous bodies and placement of Audit Reports before the State Legislature	181

4.4	Position of arrears in finalisation of proforma accounts by the departmentally managed Commercial and Quassi-Commercial Undertakings	182
4.5	Non-receipt of information pertaining to institutions substantially financed by the Government	184
4.6	Department-wise/duration-wise breakup of cases of theft and miss-appropriation	185
5.1	List of State Public Sector Enterprises under jurisdiction of Audit in Karnataka	186
5.2	Impact of the Comments on the Profitability of Government Companies	190
5.3	Impact of Comments on Financial Position of Government Companies	191
5.4	Details of SPSEs whose Net worth has eroded as per their latest finalized accounts	192
	Glossary	194
	Abbreviations	195

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. Chapter 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 2022. 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 2021-22.
5. Chapter 5 discusses the financial performance of State Public Sector Enterprises and the impact of comments issued as a result of supplementary audit of the Financial Statements of these State Public Sector Enterprises
6. 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.
7. 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

Background

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 2022, this Report provides an analytical review of the finances of the State Government. The Report is structured in five 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 2017-18 to 2021-22, 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.

Chapter 5 – State Public Sector Enterprises: Discusses the financial performance of State Public Sector Enterprises and the impact of comments issued as a result of supplementary audit of the Financial Statements of these State Public Sector Enterprises.

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/Deficit, Fiscal Deficit and the ratio of Outstanding Debt to GSDP.

The State which had recorded Revenue Surplus since 2004-05 saw revenue deficit for the first time during 2020-21. The Revenue deficit continued during 2021-22 also and was ₹13,666 crore. The State was successful in containing the Fiscal Deficit below three *per cent* of GSDP in 2017-18 to 2019-20 and below four *per cent* during 2020-21 and 2021-22.

During this period, the outstanding debt (including off budget borrowings) of the State which remained between 18.47 and 24.03 *per cent* of GSDP in the first four years (below the norm of 25.00 *per cent* of GSDP prescribed by the Karnataka Fiscal Responsibility Act, 2002) and increased to 26.71 *per cent* during 2021-22.)

(Chapter 1)

Finances of the State

The State Government registered an increase of 24.92 *per cent* in its Revenue Receipts during 2021-22 when compared to the previous year.

The ratio of the State's Tax revenue to GSDP which was almost constant during 2017-18 to 2019-20, had decreased to 5.61 *per cent* during 2020-21. It once again increased during 2021-22 and was at 7.01 *per cent*. Own-Tax revenue contributed a major part (62 *per cent*) of the revenue receipts. Ratio of non-Tax revenue to revenue receipts increased from 4.41 *per cent* in 2017-18 to 6.02 *per cent* during 2021-22. The non-Tax revenue though has increased, its ratio to GSDP remained insignificant (0.68 *per cent* in 2021-22), implying the need for mobilizing non-Tax revenue. During 2021-22, the State's share of Union Taxes and Duties increased by 53.42 *per cent* when compared to previous year.

Revenue Expenditure

Share of Expenditure under social service (38 *per cent*) increased by three *per cent* during 2021-22 when compared to previous year (35 *per cent*). As a result, the share of general services and economic services decreased by one *per cent* each during 2021-22 when compared to previous year. The committed expenditure on salaries, devolutions to local bodies, interest payments, pensions, subsidies, administrative expenses, grants-in-aid and financial assistance, which was 85 *per cent* of revenue expenditure during 2020-21 decreased to 80 *per cent* during 2021-22. During 2017-18 to 2021-22, while devolution to local bodies as a percentage of revenue receipts was on a decreasing trend, the subsidies as a percentage to revenue receipts was on an increasing trend and it increased from 10 *per cent* in 2017-18 to 14 *per cent* during 2021-22.

Quality of Expenditure

The share of capital expenditure (including loans and advances) to total expenditure (19.92 *per cent*) during the year 2021-22 decreased by 1.54 *per cent* when compared to the previous year (21.45 *per cent*). The return from investment which was negligible in the previous years (0.1 *per cent*) increased to 0.5 *per cent* during 2021-22 and received a return of ₹349.77 crore. The investment included ₹42,194.32 crore (57 *per cent*) in Companies/Corporations under loss.

Funds and other Liabilities

During the year, Green Tax Cess of ₹13.84 crore and Road Safety Cess of ₹91.32 crore was not transferred to Green Tax Fund and Road Safety Cess Fund respectively. Against the requirement of 10 *per cent* of receipts to be transferred to National Compensatory Afforestation Fund, entire receipts for the years 2019-20 to 2021-22 were transferred to National Fund, thereby incurring loss to the extent of ₹347.13 crore.

Debt Sustainability

Open Market Loans had a major share (67 *per cent*) in the total fiscal liabilities (including off-budget borrowings) of the State. The net debt available to the State during the year 2021-22 (₹26,593 crore) decreased by 36 *per cent* when compared to the previous year. The burden of interest payment which was on an increasing trend up to 2020-21, decreased slightly during 2021-22.

Cash balances

The cash balance (including investment of Earmarked funds and deposits with RBI) of the State at the end of the year increased by 35 *per cent* over the previous year due to excess market borrowings.

(Chapter 2)

Budgetary Management

During 2021-22, against the total provision of ₹2,93,185.31 crore, expenditure incurred was ₹2,82,335.70 crore. This resulted in unspent provision of ₹10,849.61 crore (4 *per cent*). Out of this 55 *per cent* of the savings were surrendered.

The controlling officers did not provide explanations for the 49 *per cent* of the savings to the Principal Accountant General (A&E) for variations in expenditure *vis-à-vis* allocation.

Under 21 Grants, 68 Executive orders were issued for incurring additional expenditure of ₹8,489.40 crore without approval of Legislature. These executive orders were later regularized through the supplementary demands. The number of cases where additional amount released through executive orders and also the amount involved, increased during 2021-22 when compared to previous year.

Supplementary provision of ₹385.04 crore in nine cases was unnecessary and ₹12,245.37 crore made under 30 cases proved excessive.

Re-appropriation of funds in 52 cases was made injudiciously, resulting in either un-utilised provision of funds or excess expenditure over provision.

Excess expenditure of the previous year was required to be regularized under Article 205 of the Constitution. Though Public Accounts Committee in the meeting deliberated on regularization of excess expenditure for the period 2012-13 to 2017-18, it is yet to place its recommendation to the State Legislature.

An amount of ₹316.55 crore was misclassified under revenue/capital sections affecting the fiscal indicators *viz.*, revenue deficit.

(Chapter -3)

Quality of Accounts and Financial Reporting Practices

During 2021-22, the outstanding Utilisation Certificates increased when compared to previous year. The outstanding Utilisation Certificates at the end of 2021-22 was 132 amounting to ₹325.50 crore.

During 2021-22, the number of outstanding Abstract Contingent bills decreased by 38 *per cent* when compared to previous year. In terms of amount, it decreased by 49 *per cent*. Review of Abstract Contingent Bills of two major heads showed that apart from delay in submission of NDC bills, there were instances of drawal of funds through AC bills for avoiding lapse of budgetary grants, submission of inadmissible vouchers, splitting of bills *etc.*

Twenty-one Department had not furnished information relating to institutions for which grants of ₹25 lakh or more was received 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. The closing balances of PD accounts which was ₹3,989.23 crore in 2020-21 increased to ₹4,105.61 crore during 2021-22.

(Chapter – 4)

State Public Sector Enterprises

As on 31 March 2022 there were 125 State Public Sector Enterprises (SPSEs) including 6 Statutory Corporations and 119 Government companies. Out of 119 Government Companies 13 are inactive. These SPSEs have a capital investment of ₹97,053.87 crore and long-term loans of ₹93,885.59 crore.

Out of 125 SPSEs, 50 SPSEs(excluding five inactive) earned profit during 2021-22. Three SPSEs contributed around 63 *per cent* of the total profit of ₹2,608.22 crore.

The Return on Capital which measures a company's profitability and the efficiency with which its capital is employed decreased from 3.61 *per cent* in 2019-20 to 1.18 *per cent* during 2021-22.

As on 31 March 2022, 54 SPSEs had accumulated losses. Out of this, the net worth of 34 SPSEs had been completely eroded by accumulated losses and their net worth was either zero or in negative.

SPSEs were not adhering to the prescribed timeline regarding submission of their Financial Statement as per the Companies Act, 2013. As a result, 204 accounts of 86 Government companies were in arrears. Also, six accounts of four statutory corporations were in arrears.

(Chapter – 5)

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 India 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 line¹ was 20.90 compared to the All-India average of 21.90 (2011-12). Literacy rate was 75.36 *per cent* (2011 Census). The State has 31 districts and 227 taluks as of March 2022.

• Economic Indicators

The Gross State Domestic Product (GSDP) in 2021-22 at market prices was ₹17,21,336 crore (₹17,30,991 crore in 2020-21), with a growth rate of (-)0.56 *per cent* over the previous year. GSDP growth rate of Agriculture, Industries and Service sectors were 14.69 *per cent*, 18.73 *per cent* and 15.96 *per cent* respectively during 2021-22 over previous year.

The per-capita GSDP of the State was ₹2,59,803 against the National per capita GDP of ₹1,45,680. The net per capita income of the State at current prices was ₹2,78,786 against the country's National per capita GDP average of ₹1,50,326 (as of March 2022 - Economic Survey, Government of Karnataka (GoK), 2021-22). 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 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 India 2021-22.

Table 1.1 Trends in GSDP compared to the GDP

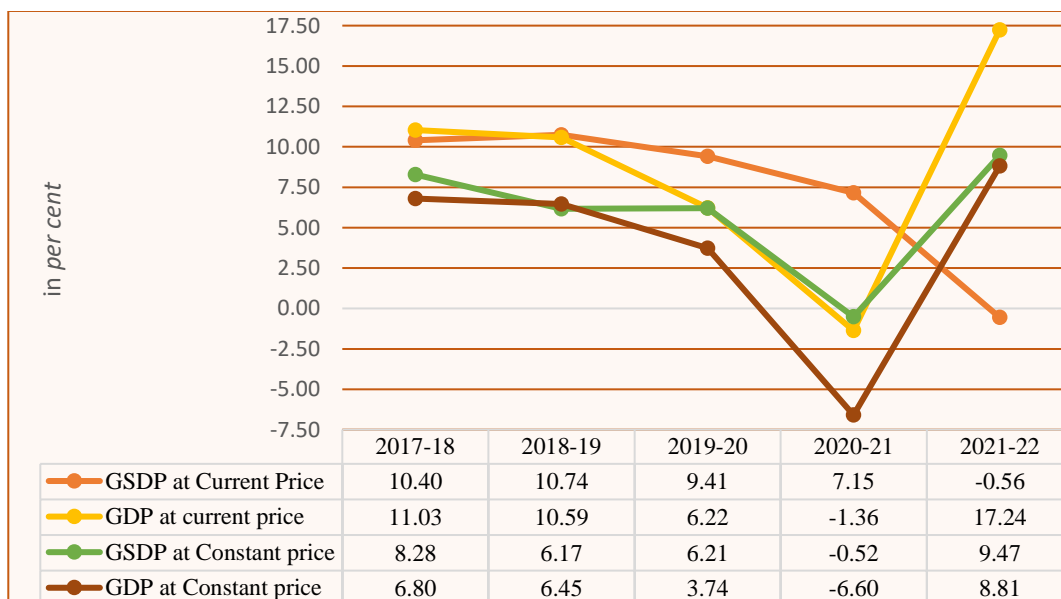
Year	2017-18	2018-19	2019-20	2020-21	2021-22
GDP* (₹ in crore)	1,70,90,042	1,88,99,668	2,00,74,855	1,98,00,914	2,32,14,703
Growth rate (in per cent)	11.03	10.59	6.22	(-)-1.36	17.24
GSDP# (₹ in crore)	13,33,240	14,76,496	16,15,457	17,30,991	17,21,336
Growth rate (in per cent)	10.40	10.74	9.41	7.15	(-)-0.56

Source: *All India GDP figures and GSDP (2017-18 to 2020-21) from Economic Survey 2021-22, GoK.

#GSDP figures 2021-22, as per Ministry of Statistics and Programme Implementation.

Note: This is pertinent to mention here that due to negative growth in GSDP when compared to previous year, the key fiscal parameters as a percentage of GSDP in the year 2021-22 has increased.

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

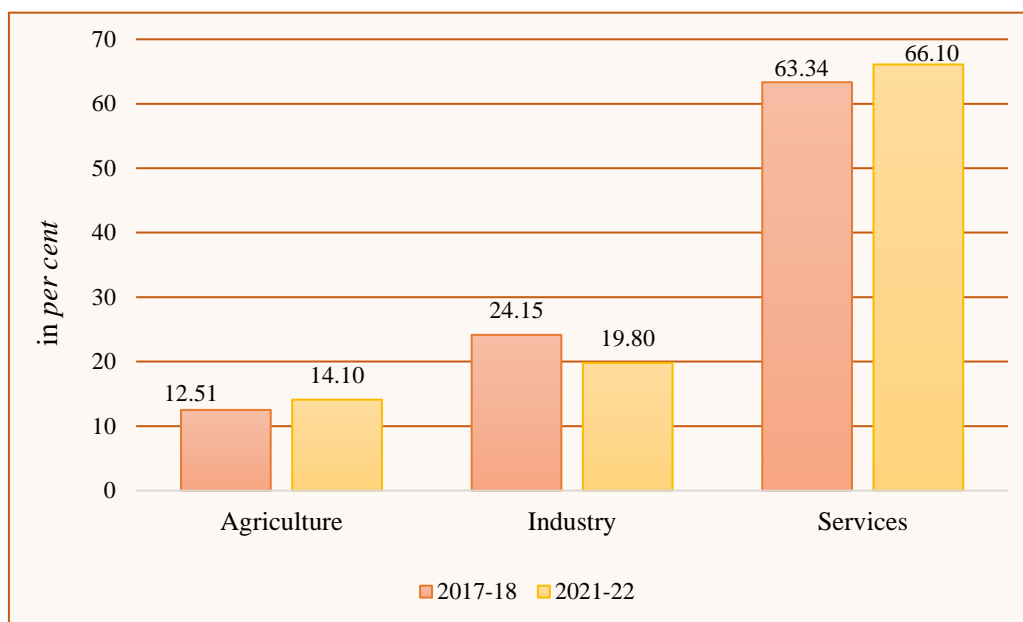


Source: All India GDP figures and GSDP (2017-18 to 2020-21) from Economic Survey 2021-22, GoK.

GSDP figures 2021-22, as per Ministry of Statistics and Programme Implementation.

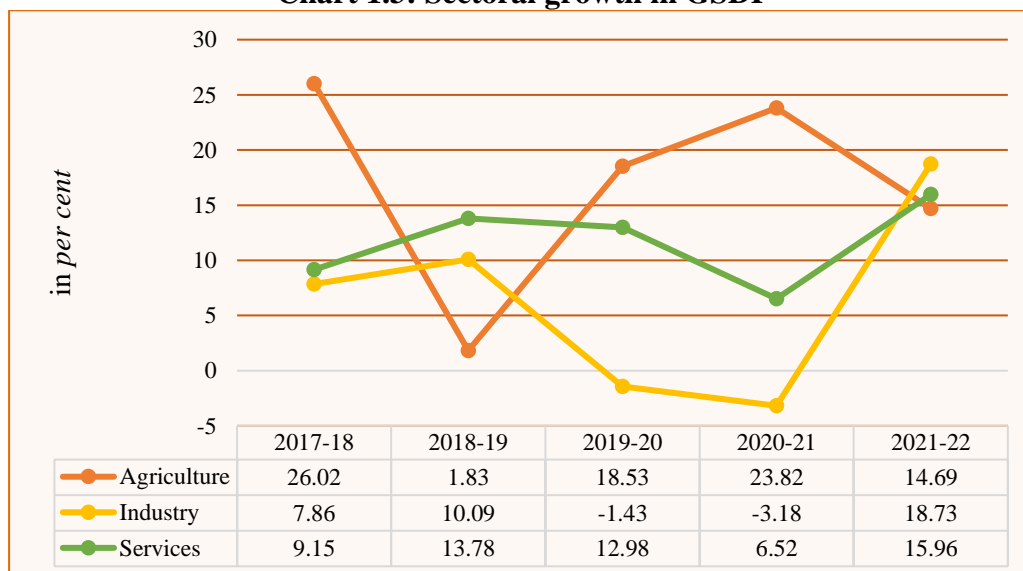
As seen from the **Table 1.1 and Chart 1.1**, the Karnataka's GSDP growth rate at current prices was more than that of nation's growth rate in most of the years up to 2020-21. However, during 2021-22, the GSDP at current prices is negative when compared to previous year. In respect of GSDP at constant price, the State growth rate is more than the GDP at constant price except in 2018-19. The Directorate of Economics and Statistics, GoK has estimated GSDP at current prices as ₹20,49,379 crore. All the sectorial contribution are based on this estimate. Hence the sectorial analysis discussed below are based on this data.

Chart 1.2 depicts the change in the sectorial contribution during 2017-18 and 2021-22. From the chart, we can see that while there was a decrease in the relative share of Industry when compared to 2017-18, there was an increase in the relative share of Agriculture and Service Sector.

Chart 1.2: Change in Sectoral contribution to GSVA (2017-18 and 2021-22)

Source: Economic Survey of Karnataka 2021-22

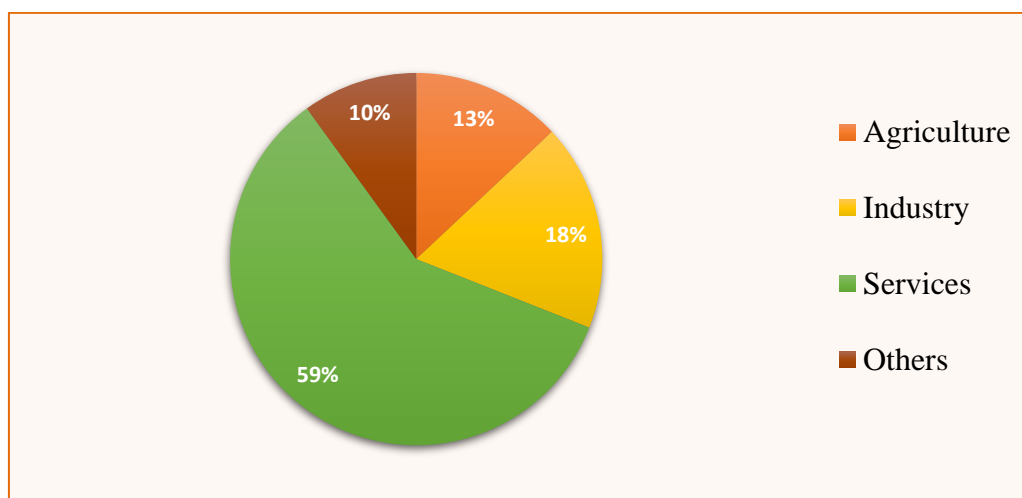
The trend in Sectoral growth for the period 2017-18 and 2021-22 is indicated in **Chart 1.3**. From the Chart, it can be seen that the growth rate in Agricultural sector which was on an increasing trend since 2019-20 slightly decreased in 2021-22. Meanwhile growth rate under Industry and Service sectors which were in decreasing trend has increased during 2021-22.

Chart 1.3: Sectoral growth in GSDP

Source: Directorate of Economics and Statistics, GoK

The decline in growth rate in Agriculture Sector was mainly due to decline in the growth rate in Livestock, Forestry & Logging and also lower rate in crop sector due to failure of food grain production caused by the floods in Karnataka. The increase in the growth rate in Construction and Air Transport sectors contributed to the overall increase in the Industrial and Service sectors respectively when compared to previous year (2020-21). The sectoral contribution to GSDP of the State during 2021-22 is given in **Chart 1.4**.

Chart 1.4: Sectoral contribution to GSDP during 2021-22



Source: Directorate of Economics and Statistics, GoK

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 (C&AG) 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.

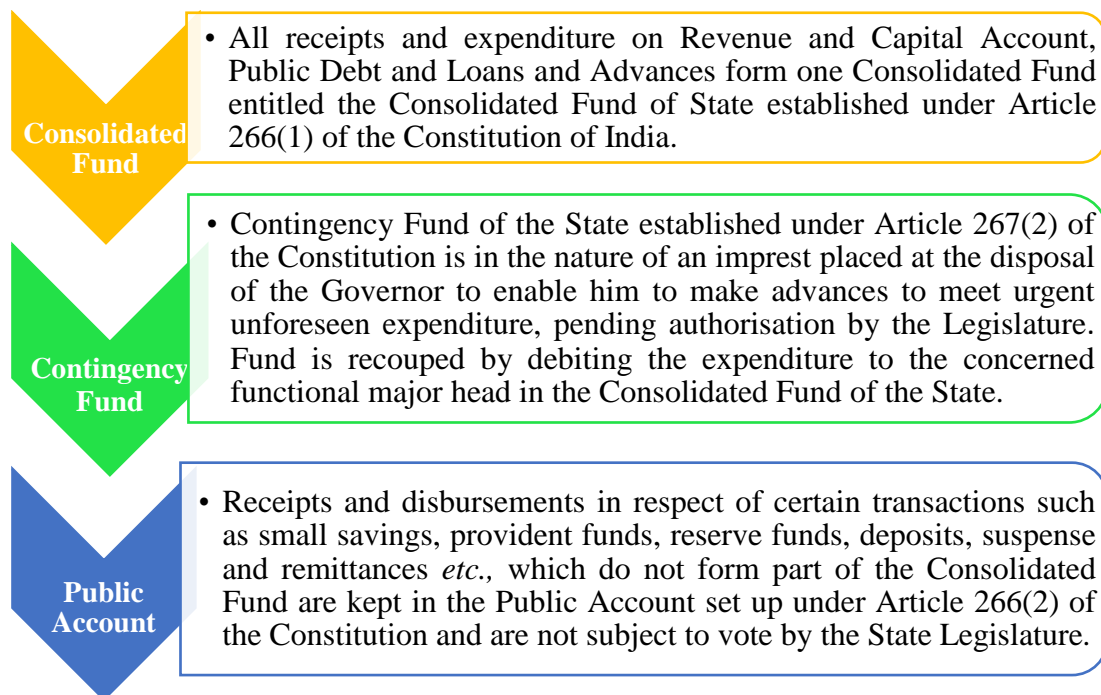
Accountant General (Accounts & Entitlements) {AG (A&E)} prepares the Finance Accounts and Appropriation Accounts of the State annually, from initial and subsidiary accounts rendered by the treasuries, offices and other departments responsible for maintaining initial accounts and the statements received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

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 Pr.AG (Audit I) and Pr.AG (Audit II);
- Other financial data obtained from various Government departments and organizations;
- GSDP data and other State related Statistics from Directorate of Economics and Statistics, Government of Karnataka (GoK);
- Recommendations of XV Finance Commission (FC);
- Karnataka Fiscal Responsibility Act (KFRA) 2002; and
- Guidelines of the GoI.

1.4 Structure of Government Accounts

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

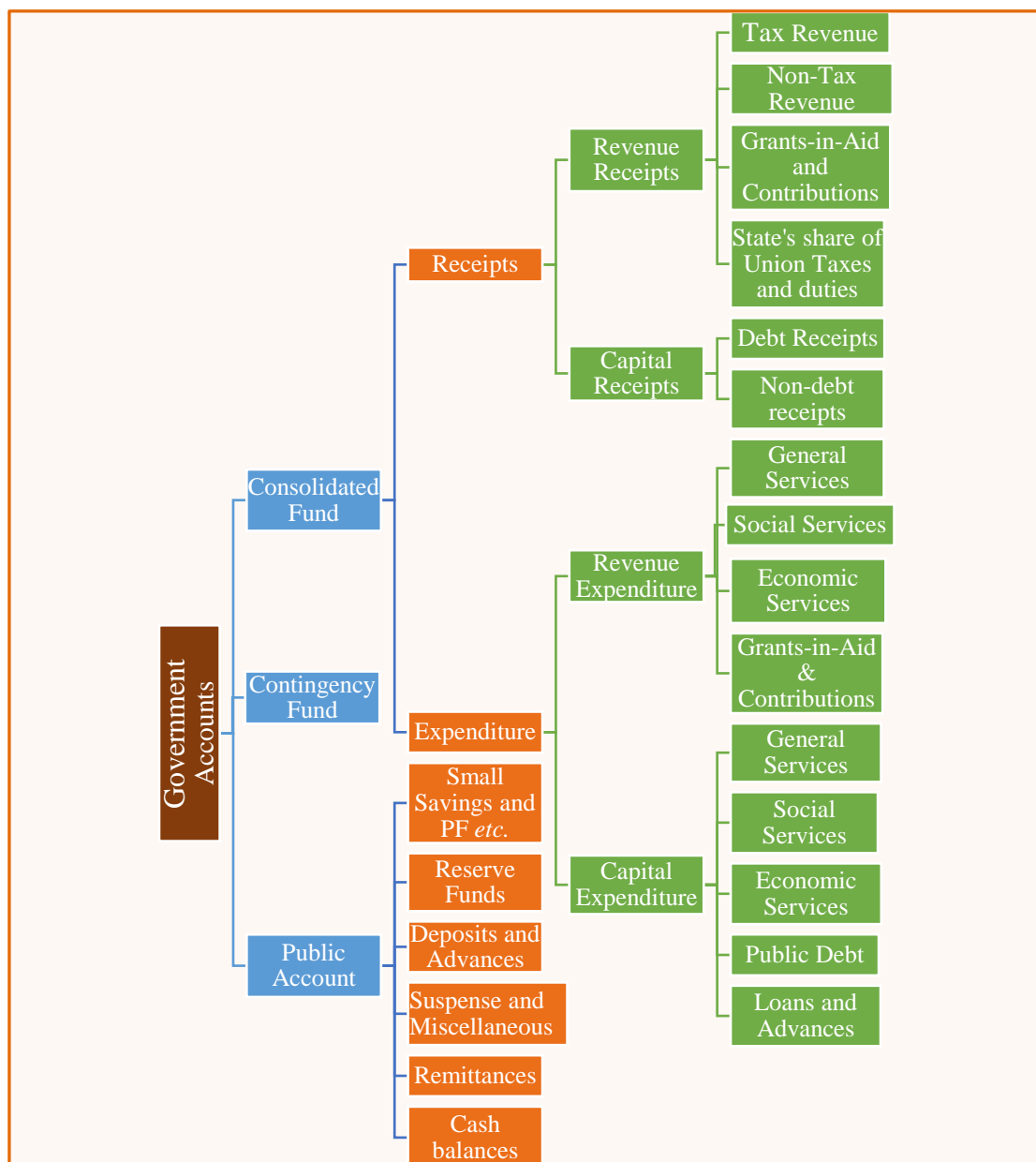


The Budget is to be presented to both the Houses of the Legislature of the State, in terms of Article 202 of the Constitution of India. The 'Annual Financial Statement' constitutes the main budget document. It includes,

- **Revenue receipts** consists of tax revenue (Own tax revenue plus share of union taxes/duties), non-tax revenue 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 entities.

The layout of the Finance Accounts is 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 2021-22, 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 (detailed in **Chapter 3-Paragraph 3.3**), Child Budget (detailed in **Chapter 3-Paragraph 3.4**) 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 2021-22 *vis-à-vis* actuals of 2020-21.

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

(₹ in crore)					
Sl. No.	Components	2020-21 (Actual)	2021-22 (Budgetary provision)	2021-22 (Actual)	Variation of Actual to Budgetary Provision
Section A: Revenue Receipts					
1	Tax Revenue	1,18,746	1,35,767	1,54,023*	13.45
i	Own Tax Revenue	97,052	1,11,494	1,20,739	8.29
ii	Share of Union Taxes and Duties	21,694	24,273	33,284	37.12
2	Non-tax Revenue	7,894	8,258	11,777	42.61
3	Grants-in-Aid and Contributions	30,076	28,246	29,962^	6.08
4	Revenue Receipts (1+2+3)	1,56,716	1,72,271	1,95,762	13.64
Section B: Capital Receipts					
5	Recoveries of Loans and Advances	270	91	127	39.56
6	Miscellaneous Capital Receipts	45	40	6	(-)85.00
7	Public Debt Receipts^^	84,528	71,332	80,641	13.05
8	Capital Receipts (5+6+7)	84,843	71,463	80,774	13.03
9	Total Receipts (4+8)	2,41,559	2,43,734	2,76,536	13.46
Section C: Expenditure/Disbursement					
10	Revenue Expenditure	1,76,054	1,87,405	2,09,428	11.75
11	Interest Payments#	23,433	27,161	26,276	(-)3.26
12	Capital Expenditure	45,406	41,358	47,874	15.76
13	Loan and Advances	2,669	2,879	4,209	46.20
14	Public Debt Repayment	11,016	14,565	13,972	(-)4.07
15	Transfer to Contingency Fund	-	-	420	
16	Total Disbursement out of Consolidated Fund (10+12+13+14+15)	2,35,145	2,46,207	2,75,903	12.06
Section D: Fiscal Indicators					
17	Revenue Deficit (-) (4-10)	19,338	15,134	13,666	9.70
18	Fiscal Deficit (-) {(4+5+6)-(10+12+13+15)}	67,098	59,240	66,036	11.47
19	Primary Deficit (-) (18-11)	43,665	32,079	39,760	23.94

Source: Finance Accounts, Annual Financial Statement and MTFP 2019-23

*Tax Revenue Includes Major Heads 0005 – Central Goods and Service Tax (₹9,158.36 crore), 0006 – State Goods and Service Tax (₹49,929.02 crore) and 0008 – Integrated Goods and Service Tax (Nil).

Includes Interest on Off Budget borrowings.

^includes compensation of ₹8,976.43 crore for loss of revenue arising out of implementation of GST

^^ Effective Public Debt Receipts for the year 2020-21 and 2021-22 would be ₹72,121 crore and ₹62,532 crore respectively, as the Department of Expenditure, GoI had decided that GST compensation of ₹12,407 crore in 2020-21 and ₹18,109 crore in 2021-22 given to the State as back-to-back loan under Debt Receipts would not be treated as debt of the State for any norms which may be prescribed by the Finance Commission.

The total receipts under Goods and Service Tax (GST) during 2021-22 were ₹59,087.38 crore. The State received total compensation of ₹27,085.34 crore on account of loss of revenue arising out of the implementation of GST during 2021-22. Out of this, ₹8,976.43 crore was received by the State as grants under Revenue Receipts. However, due to inadequate balance in GST compensation fund during the year 2021-22, the State also received back-to-back loan of ₹18,108.91 crore under Debt Receipts of the State Government with repayment obligations from the cess collected in GST compensation fund and not from any other resources of the State.

The total State's Revenue Receipts (₹1,95,762 crore) received was more by 13.64 per cent when compared to Budgetary provision (₹1,72,271 crore). However, Revenue Expenditure (₹2,09,428 crore) was also more by 11.75 per cent when compared to Budgetary provision (₹1,87,405 crore). Due to excess receipt of revenue than projected, the revenue deficit decreased by ₹1,468 crore more than projected in the budget (₹15,134 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, 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 summarised position of Assets and Liabilities as on 31 March 2022 compared with the corresponding position as on 31 March 2021 is given in **Appendix 1.3**.

Table 1.3: Summarised position of Assets and Liabilities

(₹ in crore)

Liabilities					Assets				
	2020-21	2021-22	Per cent increase/decrease		2020-21	2021-22	Per cent increase/decrease		
Consolidated Fund									
A	Internal Debt	2,81,140	3,29,042	17.04	a	Gross Capital Outlay	3,51,201	3,99,069	13.63
B	Loans and Advances from GoI	26,617	45,385*	70.51	b	Loans and Advances	31,246	35,329	13.06
	Contingency Fund	80	500	525		Contingency Fund	-	-	-
Public Account									
A	Small Savings, Provident Funds etc.	38,811	42,333	9.07	a	Advances	7	7	-
B	Deposits	30,874	33,682	9.10	b	Remittance	1,073	1,207	12.49
C	Reserve Funds	43,873	53,046	20.91	c	Suspense and Miscellaneous	-	-	-
						Cumulative Excess of Receipts over expenditure	-	7,188	-
D	Suspense and Miscellaneous	2,377	2,224	(-).6.44		Cash balance (including	47,143	63,412	34.51

Liabilities				Assets				
	2020-21	2021-22	Per cent increase/decrease		2020-21	2021-22	Per cent increase/decrease	
				investment in Earmarked Fund)				
E	Remittances	-	-	-	Total	4,30,670	5,06,212	17.54
	Cumulative Excess of Receipts over expenditure	6,898	-	-	Deficit in Revenue Account	-	-	-
	Total	4,30,670	5,06,212	17.54	Total	4,30,670	5,06,212	17.54

Source: Finance Accounts

* Effective Loans and Advances for GoI would be ₹14,869 crore as the Department of Expenditure, GoI had decided that GST compensation of ₹12,407 and ₹18,109 crore given to the state as back-to-back loan during 2020-21 and 2021-22 respectively under Debt Receipt would not be treated as debt of the State for any norms which may be prescribed by the Finance Commission.

The growth rate of assets in Consolidated Fund (Loans and Advances) increased from eight per cent in 2020-21 to 13 per cent in 2021-22, while that of Liabilities exclusive of off-budget borrowings decreased from 28 per cent in 2020-21 to 17 per cent in 2021-22. The Finance Accounts reflected an amount of ₹3,29,042 crore as internal debt outstanding at the end of 2021-22 after taking into account the difference of ₹396.04 crore in the accounts of LIC, GIC, NABARD, NCDC etc. The cash balance (including investment of Earmarked funds and deposits with RBI) of the State at the end of the year was ₹63,412 crore. The increase in the cash balance (including investment of Earmarked funds and deposits with RBI) was 35 per cent over the previous year.

1.8 Fiscal parameters

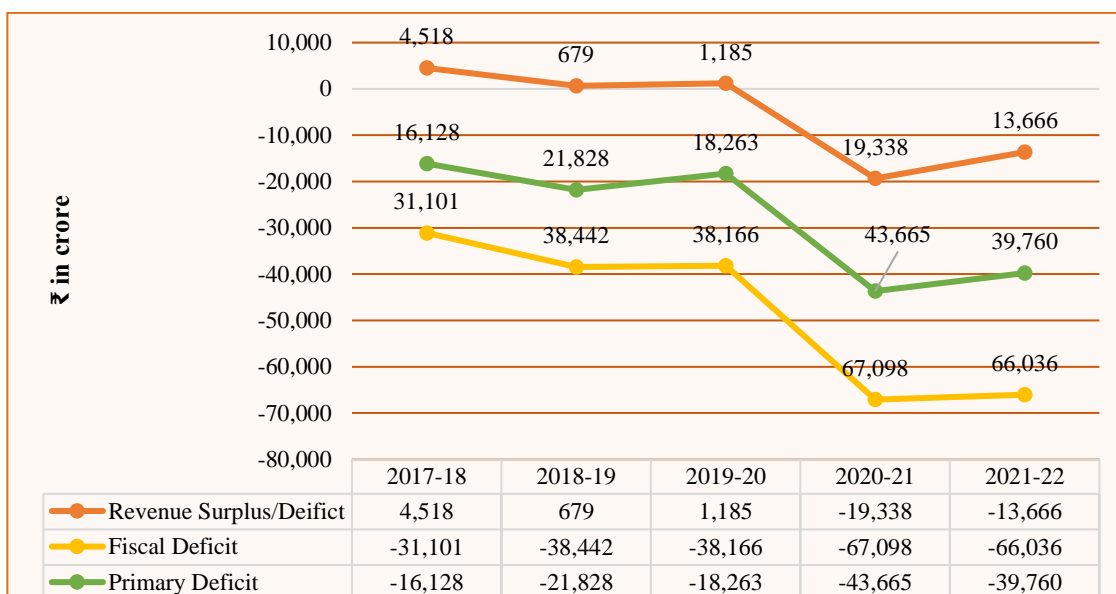
The three key fiscal parameters – revenue, fiscal and primary deficits indicate the extent of overall fiscal imbalances during a specified period.

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 2021-22.

1.8.1 Trends in Deficit/Surplus

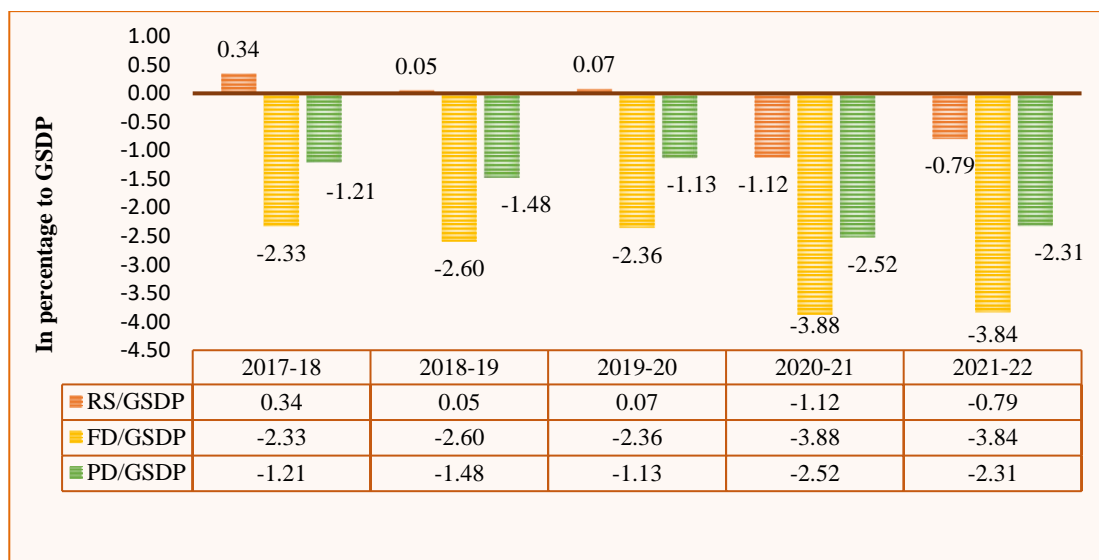
The trend of surplus and deficits of key fiscal parameters over the five-year period from 2017-18 to 2021-22 is depicted in **Chart 1.6** and trend in surplus and deficit relative to GSDP is given in **Chart 1.7**.

Chart 1.6: Trends in deficit parameters



Source: Finance Accounts

Chart 1.7: Trends in Surplus/Deficit relative to GSDP



Source: Directorate of Economics and Statistics, GoK, and Finance Accounts

During 2021-22, the revenue deficit and fiscal deficit was less than the previous year on account of increase in Revenue receipts during the year when compared to previous year. The growth of Revenue receipts over previous year was 24.92 per cent against Expenditure growth of 18.96 per cent.

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 2017-18 to 2021-22.

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

Liabilities	(₹ in crore)				
	2017-18	2018-19	2019-20	2020-21	2021-22
Internal Debt	1,48,581	1,79,309	2,20,337	2,81,140	3,29,042
GoI Loans	14,555	14,657	13,908	26,617	45,385*
Public Account	69,922	76,410	85,172	89,748	99,147
Off-budget borrowings	13,173	14,862	18,103	18,421	16,682
Total Fiscal Liabilities	2,46,231	2,85,238	3,37,520	4,15,926	4,90,256
Total Liabilities to GSDP (in per cent)	18.47	19.32	20.89	24.03	26.71*
Target (in per cent)	25.00	25.00	25.00	25.00	25.00

Source: Finance Accounts

* Effective Loans and Advances for GoI would be ₹14,869 crore as the Department of Expenditure, GoI had decided that GST compensation of ₹12,407 crore and ₹18,109 crore given to the State as back-to-back loan during 2020-21 and 2021-22 respectively under Debt Receipt would not be treated as debt of the State for any norms which may be prescribed by the Finance Commission.

This is pertinent to mention here that due to negative growth in GSDP when compared to previous year, the total liabilities as a percentage of GSDP in the year 2021-22 has increased. The ratio of total outstanding Debt to GSDP (26.71 per cent) has been arrived at after excluding GST compensation of ₹12,407 and ₹18,109 crore given to the State as back-to-back loan during 2020-21 and 2021-22 respectively under Debt Receipts form the total outstanding liabilities as the Department of Expenditure, GoI had decided that it would not be treated as debt of the State for any norms which may be prescribed by the Finance Commission.

The fiscal liabilities of the State increased by 87 per cent from ₹2,46,231 crore in 2017-18 to ₹4,90,256 crore in 2021-22 and by 18 per cent over the previous year. Internal debt which includes market borrowings constituted 67 per cent and Public Account constituted 20 per cent of the total fiscal liabilities during 2021-22. The rate of total liabilities to GSDP was on an increasing trend from 18.47 per cent during 2017-18 to 26.71 per cent during 2021-22. However, during 2021-22 it exceeded the maximum mandated under the KFRA/Medium Term Fiscal Plan (MTFP). This was mainly due to internal debt of the State.

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 targets of KFRA

Fiscal Parameters	KFRA target	Achievement				
		2017-18	2018-19	2019-20	2020-21	2021-22
Revenue Surplus/Deficit (₹ in crore)	To maintain Revenue Surplus up to 2019-20.	4,518	679	1,185	(-)19,338	(-)13,666
	Revenue Surplus may not be attained during	√	√	√	State saw Revenue Deficit	

Fiscal Parameters	KFRA target	Achievement				
		2017-18	2018-19	2019-20	2020-21	2021-22
	2020-21 & 2021-22 due to covid 19 and slow recovery of the economy respectively.					
Fiscal Deficit (as percentage of GSDP)	3.00 per cent (upto 2019-20)	31,101 (2.33)	38,442 (2.60)	38,166 (2.36)	67,098 (3.88)	66,036 (3.84)
	5.00 per cent (2020-21 and 4.00 per cent (2021-22))	√	√	√	√	√
Ratio of total outstanding debt to GSDP (in per cent)	25.00 per cent (up to 2021-22) Debt to GSDP ratio may increase (2021-22)	18.47	19.32	20.89	24.03	26.71*
		√	√	√	√	The Ratio exceeded

* The back-to-back Loan (₹30,516 crore) received from GoI during 2020-21 and 2021-22 in lieu of GST compensation has not been considered as Debt for working out the indicator.

The ratio of total outstanding Debt to GSDP (26.71 per cent) has been arrived at after excluding GST compensation of ₹12,407 and ₹18,109 crore given to the State as back-to-back loan during 2020-21 and 2021-22 respectively under Debt Receipts form the total outstanding liabilities as the Department of Expenditure, GoI had decided that it would not be treated as debt of the state for any norms which may be prescribed by the Finance Commission.

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 Vehicles² (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) and also based on the fiscal situation.

During the year 2021-22, the State Government amended the KFRA to raise the fiscal deficit from three per cent to four per cent of the estimated Gross State Domestic Product. In addition, the State envisaged revenue deficit due to slow recovery of the economy to the Pre covid level. It also envisaged total liabilities to exceed 25 per cent of the estimated GSDP.

The State Government recorded revenue surplus from 2004-05 to 2019-20 and the fiscal deficit and debt-GSDP ratio was well within the limit of three/five per cent and 25 per cent of GSDP as prescribed under the Act. During 2020-21 and 2021-22, the State witnessed Revenue deficit. The revenue deficit was met out of the borrowed funds. During 2020-21, while the fiscal deficit, debt-GSDP ratio were within the limit of five per cent and 25 per cent of GSDP respectively, the fiscal deficit was within the prescribed limit of four per cent during 2021-22. However, the debt/GSDP exceeded the 25 per cent of the estimated GSDP. Due to negative growth in GSDP when compared to previous year, the Fiscal deficit and total liabilities as a percentage of GSDP in the year 2021-22 has increased.

² Borrowings by PSUs and SPVs are Off-budget borrowings

1.9.2 Actuals vis-à-vis projections of Medium Term Fiscal Plan for 2021-22

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 2021-22 in MTFP and actuals for the year.

Table 1.6: Actuals vis-à-vis projection in MTFP for 2021-22

(₹ in crore)

Sl. No.	Fiscal Variables	Projection as per MTFP 2019-23	Actuals (2021-22)	Variation (in per cent)
1	Own Tax Revenue	1,46,600	1,20,739	(-)17.64
2	Non-Tax Revenue	8,078	11,777	45.79
3	Share of Central Taxes	31,164	33,284	6.80
4	Grants-in-aid from GoI	15,843	29,962	89.12
5	Revenue Receipts (1+2+3+4)	2,01,686	1,95,762	(-)2.94
6	Revenue Expenditure	2,00,713	2,09,428	4.34
7	Total Debt	4,27,056	4,90,256	14.80*
8	GSDP	20,12,532	17,21,336	(-)14.47
9	Revenue Deficit (-) / Surplus (+) (5-6)	973	(-)13,666	(-)1,304.62
10	Fiscal Deficit (-)/ Surplus (+)	58,363	66,036	13.15
11	Debt-GSDP ratio (per cent)	21.22	26.71**	5.49
12	GSDP growth rate at current prices (per cent)	11.5	(-)0.56	10.94

Source: Finance Accounts and MTFP 2019-23

*Effective total debt would be ₹4,59,740 crore as the Department of Expenditure, GoI had decided that GST compensation of ₹12,407 and ₹18,109 crore given to the State as back-to-back loan during 2020-21 and 2021-22 respectively under Debt Receipt would not be treated as debt of the State for any norms which may be prescribed by the Finance Commission and therefore, the effective variation would be 7.65 per cent.

**The back-to-back Loan (₹30,516 crore) received during 2020-21 and 2021-22 from GoI in lieu of GST compensation has not been considered as Debt for working out the indicator.

As seen from the above table, none of the projection made in MTFP relating to all the key fiscal parameters³ were met on account of lower growth in revenue Receipts than that projected in the MTFP.

1.10 Impact of certain transactions on major fiscal indicators during 2021-22

Scrutiny of certain major transactions during 2021-22 revealed that revenue deficit and fiscal deficit were affected by certain accounting adjustments as brought out in Paragraph 9 of Notes to Accounts of Finance Accounts and as detailed in **Table 1.7**.

³ Fiscal indicators like revenue surplus/deficit, fiscal deficit, Debt-GSDP ratio and GSDP growth rate at current prices.

Table 1.7: Impact of certain major transactions during 2021-22
(₹ in crore)

Sl. No.	Nature of transaction	Revenue Deficit		Fiscal Deficit	
		Over-statement	Under-statement	Over-statement	Under-statement
1	Booking of capital expenditure instead of revenue expenditure		187.98		
1a	Booking of capital expenditure instead of revenue expenditure (Grants in Aid)		81.00		
2	Booking of Revenue expenditure instead of Capital expenditure	47.57			
3	Non-transfer of receipts under Green Tax Cess to Reserve Fund		13.84		13.84
4	Non-transfer of receipts under Road Safety Cess		91.31		91.31
5	Interest Adjustment	5.02			
Total		52.59	374.13		105.15

Source: Notes to Accounts 2021-22 and Post audit analysis

The above transactions are discussed below:

- Expenditure of ₹187.98 crore under Capital head were utilized towards expenditure of revenue nature which is discussed in **paragraph 3.6.2.2 of Chapter 3**;
- In addition, expenditure of ₹81.00 crore relating to Grants-in-aid-General in Department of Women and Child Development was booked under capital instead of revenue expenditure which is discussed in **paragraph 3.6.2.2 of Chapter 3**;
- Expenditure of ₹47.57 crore under Revenue head were utilized towards expenditure of Capital nature which is discussed in **paragraph 3.6.2.2 of Chapter 3**;
- Green Tax Cess (₹13.84 crore) and Road safety Cess (₹91.31 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) &(c) of Chapter 2**;
- The State Government was required to pay interest on the un-invested balance lying under Reserve Funds and Deposits bearing interest. The un-invested balances at the beginning of the year was ₹11.47 crore under Other Deposits-Defined contribution Pension scheme of Government Employees and ₹1,146.00 crore under Reserve Funds-State Compensatory Afforestation Fund. The interest liability on Defined contribution Pension scheme of Government Employees and State Compensatory Afforestation Fund as per Ministry of Environment, Forest & Climate Change is at 7.1 and 3.35 *per cent* respectively and total interest due worked out to ₹39.20 crore. Instead of ₹39.20 crore, ₹44.22 crore was provided which resulted in over statement of Revenue deficit to the extent of ₹5.02 crore.

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 2017-18 to 2021-22, 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* 2020-21

Table 2.1 presents a bird's eye view of the major changes in key fiscal aggregates of the State during 2021-22, *vis-à-vis* the previous year (2020-21). Details are given in **Appendix 2.1**. The details of receipts and disbursement for 2021-22 as well as the overall fiscal position during preceding four years are shown in **Appendix 2.2**.

Table 2.1: Changes in key fiscal aggregates during 2021-22 compared to 2020-21

Revenue Receipts	<ul style="list-style-type: none"> ✓ Revenue Receipts of the State increased by 24.92 <i>per cent</i>. ✓ own-Tax Receipts of the State increased by 24.41 <i>per cent</i>. ✓ Own non-Tax Receipts increased by 49.19 <i>per cent</i>. ✓ State's share of Union Taxes and Duties increased by 53.42 <i>per cent</i>. ✓ Grants-in-Aid from GoI decreased marginally by 0.38 <i>per cent</i>.
Revenue Expenditure	<ul style="list-style-type: none"> ✓ Revenue Expenditure increased by 18.96 <i>per cent</i>. ✓ Revenue Expenditure on General Services increased by 13.91 <i>per cent</i>. ✓ Revenue Expenditure on Social Services increased by 29.29 <i>per cent</i>. ✓ Revenue Expenditure on Economic Services increased by 12.51 <i>per cent</i>. ✓ Expenditure on Grants-in-aid increased by 16.46 <i>per cent</i>.
Capital Expenditure	<ul style="list-style-type: none"> ✓ Capital Expenditure increased by 5.44 <i>per cent</i>. ✓ Capital Expenditure on General Services decreased by 22.06 <i>per cent</i>. ✓ Capital Expenditure on Social Services increased by 14.56 <i>per cent</i>. ✓ Capital Expenditure on Economic Services increased by 3.22 <i>per cent</i>.
Loans and Advances	<ul style="list-style-type: none"> ✓ Recoveries of Loans and Advances decreased by 52.96 <i>per cent</i>. ✓ Disbursement of Loans and Advances increased by 57.70 <i>per cent</i>.

Public Debt	<ul style="list-style-type: none"> ✓ Public Debt Receipts decreased by 4.60 per cent ✓ Repayment of Public Debt increased by 26.83 per cent.
Public Account	<ul style="list-style-type: none"> ✓ Public Account Receipts increased by 20.50 per cent. ✓ Disbursement of Public Account increased by 17.62 per cent.
Cash Balance	<ul style="list-style-type: none"> ✓ Cash Balance (including investment of Earmarked funds and deposits with RBI) increased by ₹16,269.18 crore (34.51 per cent).

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

2.3 Sources and Application of funds

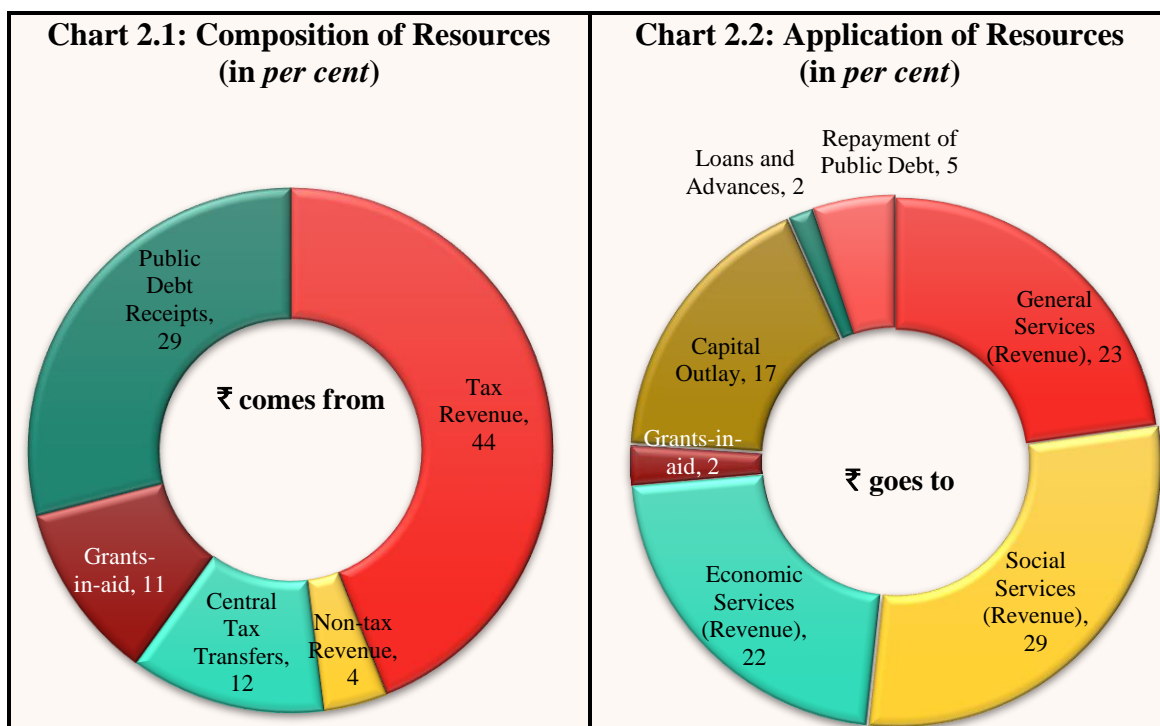
Table 2.2 compares the sources and application of funds of the State during 2020-21 with 2021-22, while **Chart 2.1** and **Chart 2.2** give the details of receipts and expenditure from the Consolidated Fund during 2021-22 in terms of percentages.

Table 2.2: Details of Sources and Application of funds during 2020-21 and 2021-22

				(₹ in crore)		
	Particulars	2020-21	2021-22	Increase/ Decrease		
Sources	Opening Cash Balance (including investment of Earmarked funds and deposits with RBI)	34,463	47,143	12,680		
	Revenue Receipts	1,56,716	1,95,762	39,046		
	Recoveries of Loans and Advances	270	127	(-143)		
	Public Debt Receipts (Net) *	73,512	66,669	(-6,843)		
	Public Account Receipts (Net)	6,264	15,217	8,953		
	Total		2,71,225	3,24,918	53,693	
Application	Revenue Expenditure	1,76,054	2,09,428	33,374		
	Capital Expenditure	45,406	47,874	2,468		
	Disbursement of Loans and Advances	2,669	4,209	1,540		
	Closing Cash Balance (including investment of Earmarked funds and deposits with RBI)	47,143	63,412	16,269		
	Total		2,71,272	3,24,923	53,651	

Source: Finance Accounts

* Effective Public Debt Receipts (Net) would be ₹61,105 crore in 2020-21 and ₹48,560 crore in 2021-22 as the Department of Expenditure, GoI had decided that GST compensation of ₹12,407 crore in 2020-21 and ₹18,109 crore in 2021-22 given to the State as back-to-back loan under Debt Receipts would not be treated as debt of the state for any norms which may be prescribed by the Finance Commission.



Source: Finance Accounts

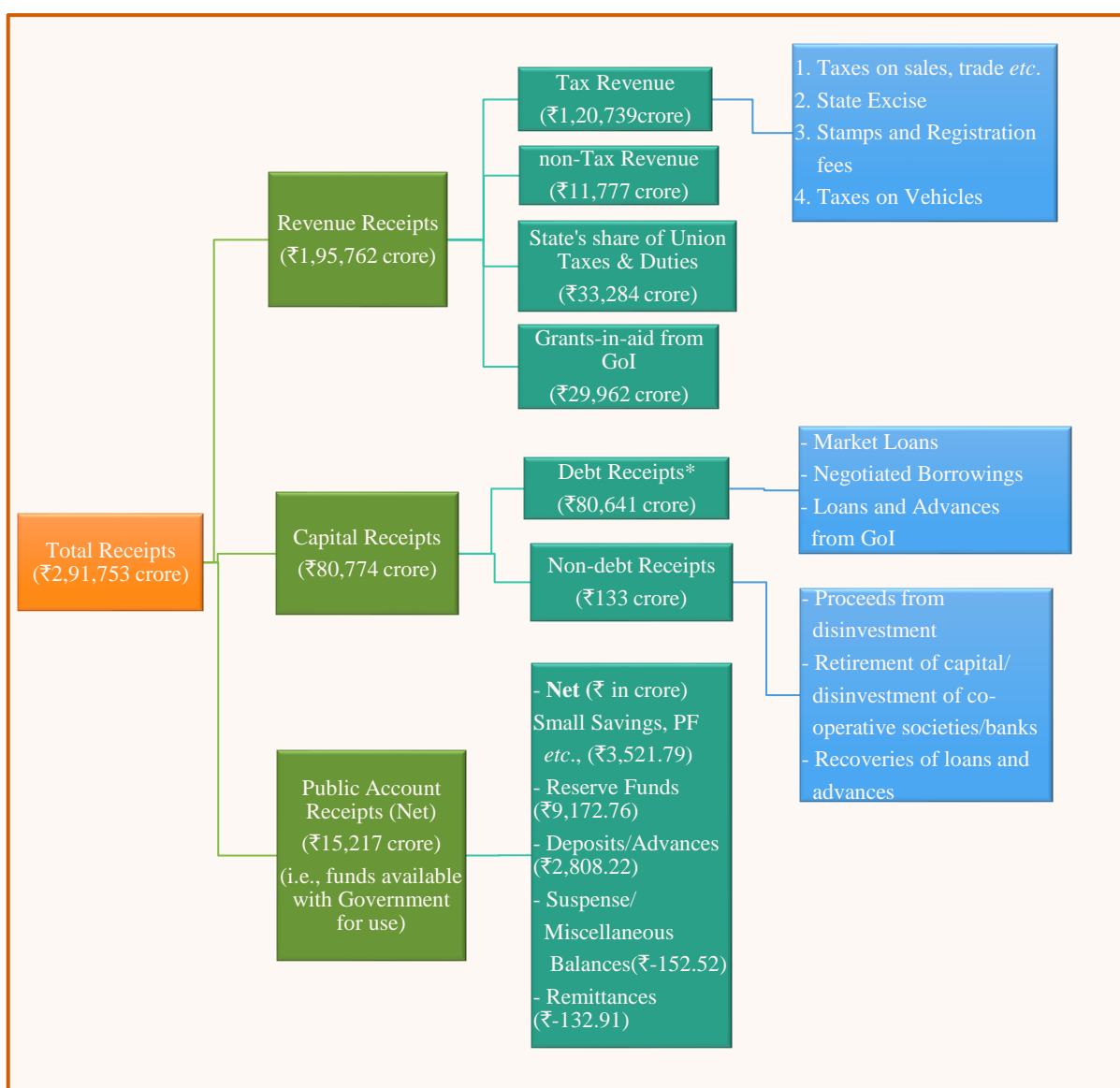
2.4 Resources of the State

The resources of the State consist of Revenue Receipts, Capital Receipts and Net Public Account Receipts. The composition of these is already discussed in **Para 1.4 of Chapter 1**. The components and subcomponents of overall receipts of the State during 2021-22 are 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, 65 per cent of the revenue came from the State's own resources during the period 2017-18 to 2020-21. During 2021-22, the State own resources constituted 68 per cent of the total Revenue Receipts. The balance was transferred from GoI in the form of the State's share of taxes and duties and Grants-in-aid contributions. Tax Revenue has increased in terms of value by ₹23,687 crore and rate of growth by 24.41 when compared with previous year but it has remained at 62 per cent when compared as a percentage share of Revenue Receipts. On the other hand, the State has improved revenues on the non-Tax in terms of value by ₹3,883 crore. The non-Tax revenue which was four to five per cent of Revenue Receipts during 2017-18 to 2020-21, increased to six per cent during 2021-22.

Chart 2.3: Composition of receipts of the State during 2021-22



* Effective Debt Receipts would be ₹62,532 crore as the Department of Expenditure, GoI had decided that GST compensation of ₹18,109 crore given to the state as back-to-back loan under Debt Receipts would not be treated as debt of the State for any norms which may be prescribed by the Finance Commission and thus, the effective Capital Receipts stand at ₹62,665 crore and effective Total Receipts stand at ₹2,73,644 crore.

Finance department in its reply (January 2023) stated that own-Tax Revenue remained at 62 per cent of the total Revenue Receipts as compensation for loss of revenue arising out of implementation of GST have been accounted under other transfers/grants to States from GoI. Else, it would account to 66 per cent of Revenue Receipts.

However, since the compensation period ended during 2021-22, State needs to take measures to increase its revenue collection to combat revenue deficit.

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 2017-18 to 2021-22. Further, trends

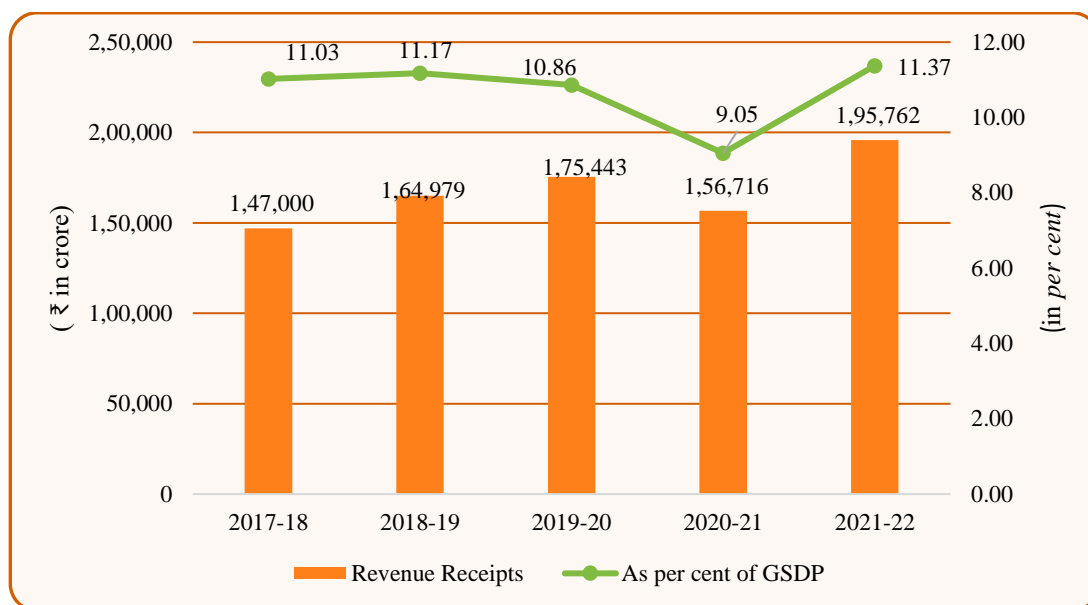
in Revenue Receipts relative to GSDP and composition of Revenue Receipts are given in **Chart 2.4** and **Chart 2.5** respectively.

Table 2.3: Trends and growth in Revenue Receipts

Parameters	2017-18	2018-19	2019-20	2020-21	2021-22
Revenue Receipts (RR) (₹ in crore)	1,47,000	1,64,979	1,75,443	1,56,716	1,95,762
Rate of growth of RR (per cent)	10.35	12.23	6.34	(-)10.67	24.92
own-Tax Revenue (₹ in crore)	87,130	96,830	1,02,363	97,052	1,20,739
non-Tax Revenue (₹ in crore)	6,477	6,773	7,681	7,894	11,777
Rate of growth of own Revenue (own-Tax and non-Tax revenue) (per cent)	5.47	10.68	6.22	(-)4.63	26.27
GSDP (₹ in crore)	13,33,240	14,76,496	16,15,457	17,30,991	17,21,336
Rate of growth of GSDP (per cent)	10.40	10.74	9.41	7.15	(-)0.56
RR/GSDP (per cent)	11.03	11.17	10.86	9.05	11.37
Buoyancy ratios⁴					
Revenue Buoyancy ⁵ w.r.t GSDP	1.00	1.14	0.67	(-)1.49	(-)44.50
State's own revenue buoyancy ⁶ w.r.t GSDP	0.53	0.99	0.66	(-)10.64	(-)46.91

Source: Finance Accounts and Economic Survey of GoK

Chart 2.4: Trends of Revenue Receipts



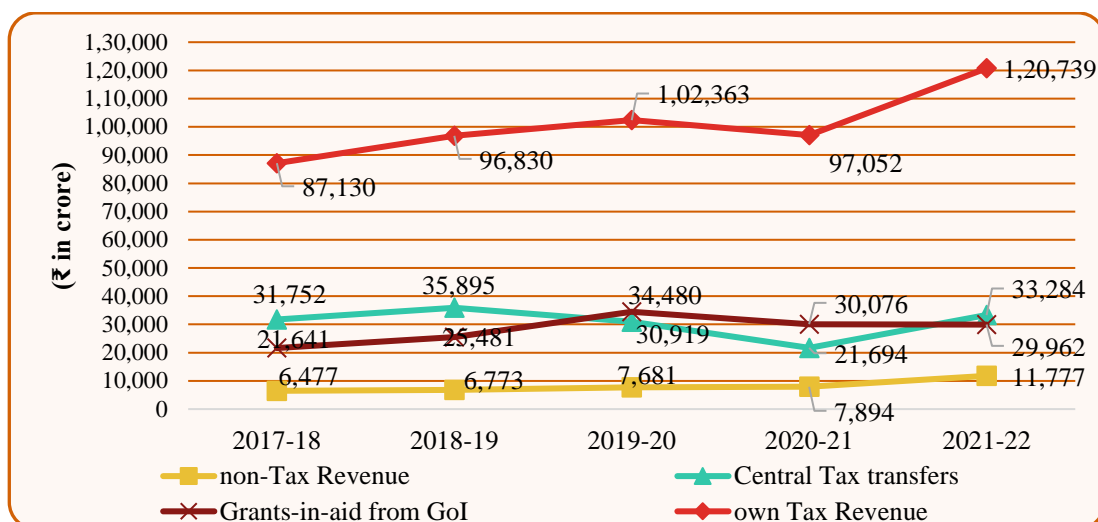
Source: Finance Accounts and Economic Survey of GoK

⁴ 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.

⁵ Revenue buoyancy refers to the growth rate of Revenue Receipts to growth rate of GSDP.

⁶ Own revenue buoyancy refers to growth rate of Tax Revenue and non-Tax revenue to growth rate of GSDP. It excludes devolution from GoI.

Chart 2.5: Trends of components of Revenue Receipts



Source: Finance Accounts

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

- Revenue Receipts increased by 33.17 per cent from ₹1,47,000 crore in 2017-18 to ₹1,95,762 crore in 2021-22. During 2021-22, the Revenue Receipt increased by 18.96 per cent when compared to previous year.
- About 68 per cent of the Revenue Receipts during 2021-22 came from the State’s own resources, while Central tax transfers and Grants-in-aid together contributed 32 per cent. This is indicative that Karnataka’s fiscal position is largely influenced by own resources.
- During the year 2021-22, the increase of 24.92 per cent (₹39,046 crore) in Revenue Receipts was mainly due to an increase of 24.41 per cent, 49.19 per cent and 53.42 per cent in own-Tax Revenue, non-Tax Revenue and States share of Union Taxes respectively.
- The revenue buoyancy of the State, which was positive in the first three years turned negative during 2020-21 and 2021-22. While in 2020-21, this was due to negative growth rate in Revenue Receipts, during 2021-22, it was due to negative growth rate in GSDP.

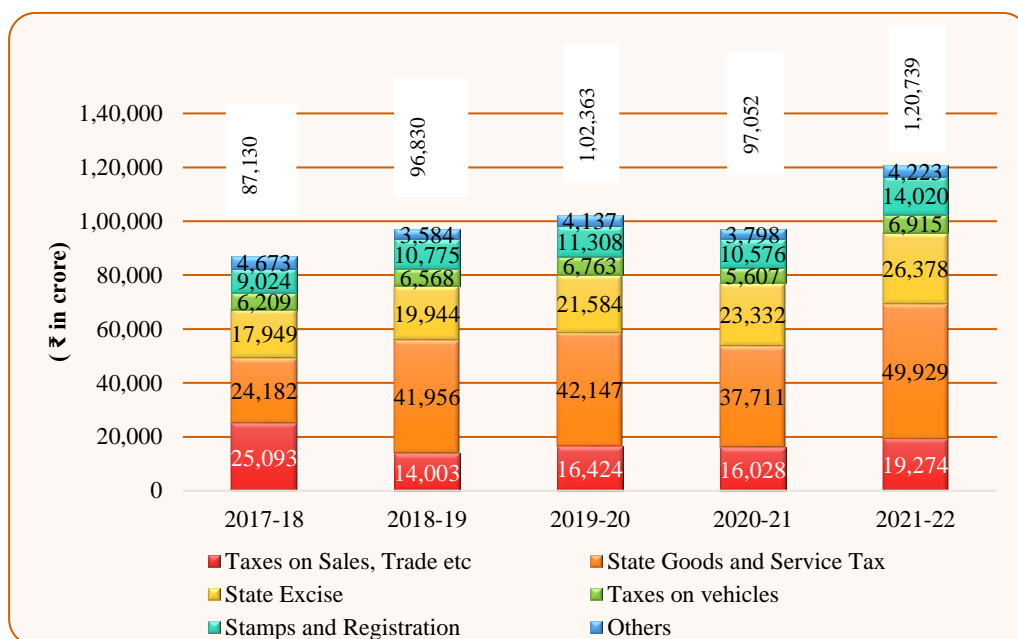
2.4.3 State’s Own Resources

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 2017-22 are given in **Appendix 2.2**.

a) Own-Tax Revenue

Trends of own-Tax Revenue of the State during the five-year period 2017-18 to 2021-22 are given in **Chart 2.6**.

Chart 2.6: Growth/Decline of own-Tax Revenue during 2017-22

Source: Finance Accounts

The component wise details of State's own-Tax Revenue collected during 2017-18 to 2021-22 are given in **Table 2.4**.

Table 2.4: Components of State's own-Tax Revenue during 2017-22

(₹ in crore)

Components of State's Own Tax Revenue						
Revenue Head	2017-18	2018-19	2019-20	2020-21	2021-22	Sparkline
Taxes on Sales, Trade etc.	25,093	14,003	16,424	16,028	19,274	
State Goods and Service Tax	24,182	41,956	42,147	37,711	49,929	
State Excise	17,949	19,944	21,584	23,332	26,378	
Taxes on Vehicle	6,209	6,568	6,763	5,607	6,915	
Stamps and Registration Fees	9,024	10,775	11,308	10,576	14,020	
Land Revenue	195	144	203	184	181	
Other Taxes	4,478	3,440	3,934	3,614	4,042	
Total	87,130	96,830	1,02,363	97,052	1,20,739	

Source: Finance Accounts

Own-Tax Revenue of the State increased by ₹33,609 crore from ₹87,130 crore in 2017-18 to ₹1,20,739 crore in 2021-22. The growth rate of own-Tax Revenue which was negative during 2020-21 due to COVID 19 Pandemic imposed lockdown, increased during 2021-22. This resulted in a positive growth rate of own-Tax Revenue. During the current year, the major contributors of Tax Revenue were Goods and Service Tax (41 per cent), State Excise (22 per cent), Taxes on Sales, Trade etc., (16 per cent) and Stamps and Registration Fees (12 per cent).

The Fiscal Management Review Committee (FMRC) (February 2022) constituted under the Chairmanship of Chief Secretary while reviewing the fiscal position of the State, acknowledged the improvement in GST collection of the State in 2021-22. It further noticed that the GST collections has shown huge increase since the enactment of the Act. The Committee advised to adopt the IT Services and to undertake necessary Tax reforms in other Tax Departments to further mobilize the Tax revenues.

State Goods and Services Tax

Actual collection of revenue under State Goods and Service Tax (SGST) during 2020-21 and 2021-22 are shown in **Table 2.5**.

Table 2.5: SGST receipts of Government of Karnataka

			(₹ in crore)
State Goods and Service Tax	2020-21	2021-22	Increase/ Decrease
Tax	19,003	24,084	5,081
Apportionment of Taxes from IGST	3,430	3,099	(-331)
Others	15,278	22,746	7,468
Total SGST collection	37,711	49,929	12,218

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 GST considering an annual growth of 14 *per cent* from the base year, for a period of five years. During 2020-21 and 2021-22, the compensation was provided partly as grants and partly as back-to-back loans.

During 2021-22, the SGST collections was ₹49,929.02 crore, an increase of ₹12,128 crore (32.40 *per cent*) over 2020-21. This included Advance Apportionment of IGST amounting to ₹3,099.36 crore. In addition, the State received ₹9,158.36 crore as its share of net proceeds out of CGST. Hence, the total receipts under GST during 2021-22 were ₹59,087.38 crore⁷. The State received total compensation of ₹27,085.34 crore on account of loss of revenue arising out of the implementation of GST during 2021-22. Out of this, ₹8,976.43 crore was received by the State as grants under Revenue Receipts. However, due to inadequate balance in GST compensation fund during the year 2021-22, the State also received back-to-back loan of ₹18,108.91 crore under debt receipts of the State Government with repayment obligations from the cess collected in GST compensation fund and not from any other resources of the State.

Against projected revenue of ₹79,335.44 crore for the period 2021-22, actual taxes collected by the State (pre-GST taxes and SGST) including IGST apportionment and GST compensation for the year 2021-22 aggregated to ₹76,949.86 crore. GST compensation received in short was ₹2,385.58 crore.

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

⁷Under Major Heads 0005 – CGST (₹9,158.36 crore), 0006 – SGST (₹49,929.02 crore) and 0008 – IGST (Nil).

assets held as custodian like minerals, forests and wildlife, or other such services and user charges for various social and economic services provided through the apparatus of the Government.

While the share of non-Tax revenue in Revenue Receipts during 2017-18 to 2019-20 was four *per cent*, it increased to five *per cent* during 2020-21 and six *per cent* during 2021-22. Even though there was a marginal increase in share to Revenue Receipts but in terms of value the non-Tax revenue had increased by 49.19 *per cent* when compared to previous year. The major increase was mainly under non-ferrous Mining & Metallurgical Industries and dividends and pProfits by 62.03 *per cent* and 332.10 *per cent* respectively. As percentage of GSDP, the State has one of the lowest non-Tax revenues to GSDP ratios in the Country. The ratio continued to be less than one *per cent* as in the previous years.

The Finance Department in reply to Public Accounts Committee (PAC) in respect of State Finance Audit Report(SFAR) of the C&AG of India for the year ended March 2021 stated that it has emphasized the need for periodical revision of non-Tax revenues and has issued circular once again during June 2022.

The component wise details of non-Tax revenue collected during 2017-18 to 2021-22 **Table 2.6**.

Table 2.6: Components of State's non-Tax Revenue

						(₹ in crore)
Revenue Head	2017-18	2018-19	2019-20	2020-21	2021-22	Sparkline
Interest Receipts	1,178	1,112	895	920	1,315	
Dividend and Profits	79	38	54	81	350	
Non-ferrous Mining and Metallurgical Industries	2,747	3,027	3,629	3,893	6,308	
Other non-tax receipts	2,473	2,596	3,103	3,000	3,804	
a) Medical and Public Health	364	330	599	419	522	
b) Other Administrative Services	271	253	305	388	417	
c) Forestry and Wild Life	314	309	267	276	281	
d) Education, Sports and Culture	176	200	183	175	287	
e) Police	253	241	308	367	500	
f) Roads and Bridges	103	105	71	50	60	
g) Others	992	1,158	1,370	1,325	1,737	
Total	6,477	6,773	7,681	7,894	11,777	

Source: Finance Accounts

The increase under non-ferrous Mining & Metallurgical Industries was mainly due to increase in Royalties. The increase under dividends and Profits was on account of action initiated by the State Government to collect Dividends not less than 30 *per cent* of the Profits earned by the PSUs. Though the non-Tax revenue under royalties have increased during the current year, this could have increased further by implementing new technologies for curbing illegal mining activities as discussed below:

Loss of non-Tax Revenue on account of illegal mining

Illegal mining as defined under Rule 2(1)(c) of the Minerals (Other than Atomic and Hydrocarbons Energy Minerals) Concession Rules, 2016 means any reconnaissance or prospecting or mining operation undertaken by any person or a company in any area without holding a mineral concession. In addition, raising, transporting or causing to raise or transport any mineral by a person without prospecting license, mining lease or composite license or in contravention of the rules made under section 23C is unlawful and hence illegal. Analysis of Demand, Collection and Balance (DCB) register of Department of Mines and Geology revealed the following:

- During 2018-19, the Department Mines and Geology had quantified the extraction outside the lease area through drone survey in respect of all minerals. Subsequent quantification of extraction outside the lease area is done through the district inspectors during their inspection. Scrutiny of the DCB registers of all districts indicated that there was extraction of minerals viz., various granites, ordinary building stone, sand etc., outside the lease area and there was dispatch of minerals without valid permit. The details of illegal extraction and dispatch of minerals are indicated in the **Table 2.7** below.

Table 2.7 Details of extraction outside the lease area and dispatch of minerals without permit as per DCB register.

Year	Details	Quantity in metric tonnes
Up to 2017-18	Extraction outside the lease area	5,50,15,120.300
	Dispatch without permit	Not Available
2018-19	Extraction outside the lease area	2,53,95,590.000
	Dispatch without permit	4,36,50,178.293
2019-20	Extraction outside the lease area	23,53,857.000
	Dispatch without permit	54,41,134.890
2020-21	Extraction outside the lease area	1,92,774.700
	Dispatch without permit	37,93,750.020

From the **Table-2.7**, it is evident that there is extraction of about 8,29,56,835 tonnes of minerals outside the lease area and about 5,28,85,063.203 tonnes of minerals dispatched without permit. On account of this, the State has lost non-Tax revenue. As the DCBs for the year 2021-22 was not available with the Department, audit assessed the loss of revenue for the year 2020-21 which works out to ₹1,18,17,870⁸. In addition, there is shortfall in collection to the District Mineral Fund. The Department though had levied penalty and issued notices, it had not taken any further action to collect the royalties and penalties.

The FMRC while appreciating the increase in non-Tax Revenue recommended to look into other avenues from mining and dividend income to further increase the collection of non-Tax Revenue.

-
- ⁸ Grey Grantie: 867 Metric Ton(MT) * ₹350 PMT= ₹3,03,450
 - Building Stone:187334 MT * ₹60 PMT= ₹ 1,12,40,040
 - Ordinary sand: 4573 MT* ₹60 PMT= ₹2,74,380
 - Total** **₹1,18,17,870**
-

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 2017-18 to 2021-22 are shown in **Table 2.8**.

Table 2.8: Trends in Central Tax transfers

(₹ in crore)					
Head	2017-18	2018-19	2019-20	2020-21	2021-22
Central Goods and Services Tax (CGST)	447.56	8,858.76	8,773.82	6,236.01	9,158.36
Integrated Goods and Service Tax (IGST)	3,204.72	707.00	-	-	-
Corporation Tax	9,721.29	12,481.94	10,542.17	6,656.01	9,823.19
Taxes on Income other than Corporation Tax	8,208.94	9,192.40	8,260.51	6,837.75	9,623.93
Customs	3,203.80	2,544.18	1,959.84	1,110.05	2,573.81
Union Excise Duties	3,348.80	1,690.77	1,362.62	714.26	1,539.33
Service Tax	3,617.15	331.65	-	119.03	528.33
Taxes on Wealth	(-) 0.29	4.58	0.46	-	2.63
Other Taxes on Income and Expenditure	-	65.01	-	-	0.07
Other Taxes and Duties and Commodities and Services	(-) 0.01	18.54	19.58	21.00	33.93
Total	31,751.96	35,894.83	30,919.00	21,694.11	33,283.58
Percentage of increase over previous year	10.40	13.05	(-) 13.86	(-)29.84	53.42
Percentage of Central Tax transfers to Revenue Receipts	21.60	21.76	17.62	13.84	17.00

Source: Finance Accounts

The XV FC recommended the State's share in the net proceeds of Central Taxes to be fixed at 3.647 *per cent*. During 2021-22, out of the total share of the States in divisible pool of Union Taxes and Duties of ₹16,06,318 crore, the net devolution of State's share was ₹33,283.58⁹ crore. This also included Service Tax of ₹528.33 crore.

2.4.5 Grants-in-aid from Government of India

Grants-in-aid from GoI, which had increased from ₹21,641 crore in 2017-18 to ₹34,480 crore in 2019-20, saw a decreasing trend since 2020-21. It decreased to ₹30,076 crore during 2020-21 and to ₹29,962 crore in 2021-22 as shown in **Table 2.9**.

⁹ Out of the total devolution of ₹33,283.58 crore, the share of Corporation Tax 3.92 *per cent*, Customs Duty 3.97*per cent*, Union Excise Duties 4.29 *per cent*, Income tax 3.67 *per cent*, Service Tax 4.43 *per cent*, CGST was 3.62 *per cent*, Other Taxes on Income and Expenditure 3.68 *per cent* and Other Taxes and Duties was at 3.75 *per cent*.

Table 2.9: Grants-in-aid from GoI

Head	2017-18	2018-19	2019-20	2020-21	2021-22
Grants for Centrally Sponsored schemes	11,617	10,393	12,214	9,852	12,659
Other transfers/ Grants to States ¹⁰	7,316	11,714	17,593	14,667	11,064
Finance Commission Grants	2,708	3,374	4,673	5,557	6,239
Total	21,641	25,481	34,480	30,076	29,962
Percentage of increase/decrease over the previous year	37.81	17.74	35.32	(-)12.77	(-)0.38
Percentage of GIA to Revenue Receipts	14.72	15.44	19.65	19.19	15.31

Source: Finance Accounts

As compared to the previous year, there was a decrease of ₹114 crore during 2021-22. There was an increase of ₹2,807 crore and ₹682 crore under Grants for Centrally sponsored schemes and Finance Commission respectively. The decrease was under other transfer/Grants to States (₹3,603 crore).

a) Fifteenth Finance Commission Recommendations

As per the terms of reference of the XV FC constituted by the President under Article 280 of the Constitution on 27 November 2017, to give recommendations for vertical and horizontal devolution of taxes for five years (2020-2025), the Commission has submitted two reports. While the first report has the recommendation for the financial year 2020-21, the second and final report gives recommendation for the period 2021-22 to 2024-25. The second and final report recommended the following for the State.

- Inter se shares of Karnataka in the net proceeds of the taxes (divisible pool) is 3.647 per cent.
- Grants in aid for revenue deficit ₹1,631 crore.
- Empowering local bodies - ₹1,171 crore for Urban Local Bodies (ULBs) and ₹2,377 crore for Rural Local bodies (RLBs).
- Disaster Risk Management ₹1,054 crore.
- Health grants ₹551.53 crore

While net proceeds of tax are discussed in **Paragraph 2.4.4** the remaining grants received are discussed below.

1. Grants in aid for revenue deficit

The XV FC has recommended revenue deficit grants to State assessed with post devolution deficit. Based on this, the State would receive revenue deficit grants of ₹1,631 crore for the year 2021-22. The State has received the entire amount.

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

2. Grants to Rural Local Bodies/Urban Local Bodies

The recommendations and transfer to RLBs and ULBs during 2021-22 as recommended by XV FC are shown in **Table 2.10**.

Table 2.10: Recommended and actual release of grants during 2021-22
(₹ in crore)

Year	Type of Grant	RLB			ULBs			SDRMF		
		Recom- mended	Actual	Short- fall (-)/ Excess (+)	Recom- mended	Actual	Short- fall (-)/ Excess (+)	Recom- mended	Actual	Short- fall (-)/ Excess (+)
2020-21	Basic Grants	1,608.50	1,608.50	0	1,549	1,549	-	1,054	1,054	-
	Tied Grants	1,608.50	1,608.50	0						
2021-22	Basic Grants	950.80	949.30	1.50	1,171	890	281	1,054	1,054	-
	Tied Grants	1,426.20								
Total	Basic Grants	2,559.30	2,557.80	1.50	2,720	2,439	281	2,108	2,108	-
	Tied Grants	3,034.70	1608.50	-						

Source: XV FC Report and Finance Accounts

Out of the total grant of ₹2,377 crore recommended for RLBs, 40 per cent was towards Basic grants and 60 per cent towards tied grants for sanitation and maintenance of ODF status (30 per cent), supply of drinking water, rainwater harvesting and water recycling (30 per cent).

The grants towards ULBs (₹1,171 crore) include grants for million plus cities (₹421 crore) and other than million plus cities (₹750 crore). The grants for million plus cities are given in two instalments for air quality improvement and meeting service benchmarks. The grants for other than million plus cities are given in two equal parts, one as basic grant and another as tied grants towards drinking water and solid waste management. During 2021-22, there was shortfall in receipts of grants of ₹1.50 crore and ₹281 crore under RLBs and ULBs respectively against the recommendations.

3. Releases under Disaster Relief

As per the recommendation of XV FC, the disaster mitigation along with disaster response is the State Disaster Risk Management Fund (SDRMF). During 2021-22, the allocation to the State was ₹1,054 crore with ₹791 crore being the Central share and ₹263 crore being the State share. The State received full recommended amount during 2021-22. The GoI as well as State contribution were transferred to Fund account under Public Account.

4. Health Grants

The XV FC had recommended grant of ₹551.53 crore during 2021-22 for Health Sector at the RLB and ULB levels to support diagnostic infrastructure facility in the primary health care center and public health center, provide infrastructure to sub center, Primary Health Centre and Community Health Centre and for establishment of wellness center *etc.* During 2021-22, there was no shortfall in receipt of Health grants.

2.4.6 Capital Receipts

Capital Receipts of the State Government consists 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 2017-18 to 2021-22 are shown in **Table 2.11**.

Table 2.11: Trends in growth and composition of Capital Receipts

(₹ in crore)					
Sources of State's Receipts	2017-18	2018-19	2019-20	2020-21	2021-22
Net Public Debt Receipts	16,853	30,831	40,279	73,512	66,669
Miscellaneous Capital Receipts	4	(-) 6	45	45	06
Recovery of Loans and Advances	137	31	203	270	127
Net Capital Receipts	16,994	30,856	40,527	73,827	66,802
Rate of growth of Capital Receipts (<i>per cent</i>)	(-) 28.79	81.57	31.34	82.17	(-)9.52
Rate of growth of Net Public Debt Receipts (<i>per cent</i>)	(-) 29.00	82.94	30.64	82.51	(-)9.31

Source: Finance Accounts

During 2021-22, effective net Public Debt Receipts would be ₹48,560 crore (₹61,105 crore during 2020-21) as the Department of Expenditure, GoI had decided that GST compensation of ₹18,109 crore (₹12,407 crore during 2020-21) given to the state during 2021-22 as back-to-back loan under Debt Receipts would not be treated as debt of the state for any norms which may be prescribed by the FC.

Net Capital Receipts increased from ₹16,994 crore in 2017-18 to ₹66,802 crore in 2021-22. When compared to previous year, there was decrease in net Capital Receipts. This was mainly due to decrease in Market Borrowings by the State. Debt Receipts had a predominant share in Capital Receipts and were around 99 *per cent* during 2017-18 to 2021-22. 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 2021-22.

Market borrowings had a major share in Public Debt Receipts comprising 73 *per cent*, followed by negotiated loans (two *per cent*), GoI loans (25 *per cent*) and Loans from GoI comprised other loans¹¹ also. During the last four years *i.e.*, 2017-18 to 2020-21, 23.14 *per cent* of Public Debt Receipts were utilised for repayment of Public Debt taken in earlier years and the remaining 76.86 *per cent* was utilised for other purposes. However, during 2021-22, 17.33 *per cent* of the Public Debt receipts were utilised towards repayment of Public Debt taken in earlier years.

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

¹¹ Other loans include back-to-back external loans

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 XV FC and Budget projections during 2021-22.

Table 2.12: Tax and non-Tax receipts *vis-à-vis* projections during 2021-22

	XV FC assessment	Budget Estimates	Actual (₹ in crore)	Percentage variation of actual over	
				Budget Estimates	XV FC assessment
own-Tax revenue	1,04,835	1,11,494	1,20,739	8.29	15.17
non-Tax revenue	7,738	8,258	11,777	42.61	52.20

Source: XV FC Report and Finance Accounts.

As seen from the table, the variation of actuals over budget projection and XV FC of own-Tax revenue was eight *per cent* and 15 *per cent* respectively and non-Tax Revenue was 43 *per cent* and 52 *per cent* respectively, more than the estimate indicating substantial attainment of the desired objective.

2.5 Application of Resources

Analysis of the allocation of expenditure at the State Government level assumes significance since major expenditure responsibilities are entrusted with them. The expenditure is to be within the framework of fiscal responsibility legislations. It 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 Expenditure. Use of borrowed funds for either directly revenue yielding activities or indirectly productive uses create returns by way of tax or non-Tax Revenues that 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, Loans and Advances and comparison with GSDP over a five-year period of 2017-18 to 2021-22 are furnished in the **Table 2.13**.

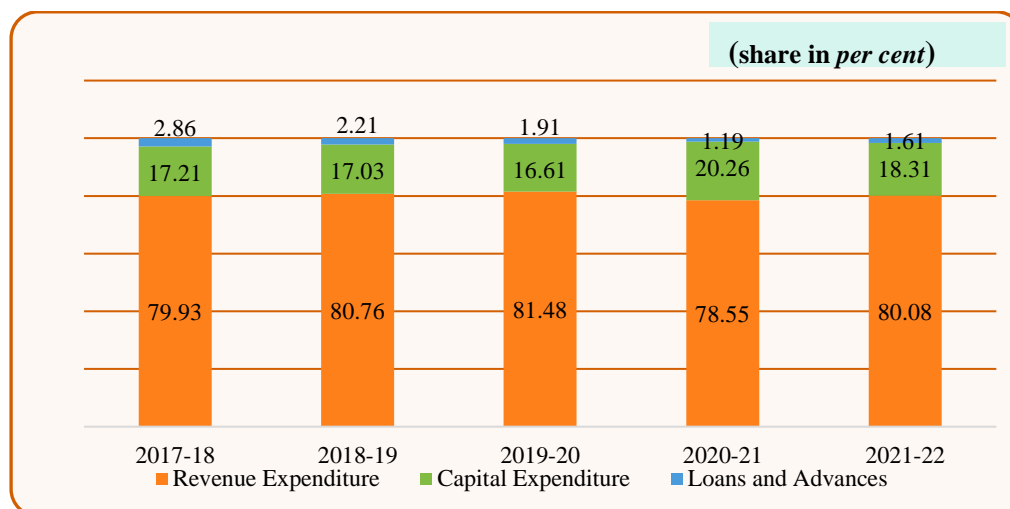
Table 2.13: Total expenditure – Trends and composition

Parameters	(₹ in crore)				
	2017-18	2018-19	2019-20	2020-21	2021-22
Total Expenditure (TE)	1,78,242	2,03,446	2,13,857	2,24,129	2,61,511
Revenue Expenditure (RE)	1,42,482	1,64,300	1,74,258	1,76,054	2,09,428
Capital Expenditure (CE)	30,667	34,659	35,530	45,406	47,874
Loans and Advances	5,093	4,487	4,069	2,669	4,209
As percentage of GSDP					
TE/GSDP	13.37	13.78	13.24	12.95	15.19
RE/GSDP	10.69	11.13	10.79	10.17	12.17
CE/GSDP	2.30	2.35	2.20	2.62	2.78
Loans and Advances/GSDP	0.38	0.30	0.25	0.15	0.24

Source: Finance Accounts.

During the period 2017-18 to 2021-22, on an average, 80 per cent of the total expenditure was on revenue account. During 2021-22, it was 80 per cent and the share of Capital Expenditure (including Loans and Advances) was 20 per cent. The share of Revenue Expenditure, Capital Expenditure and Loans and Advances for the years 2017-18 to 2021-22 are shown in **Chart 2.7**.

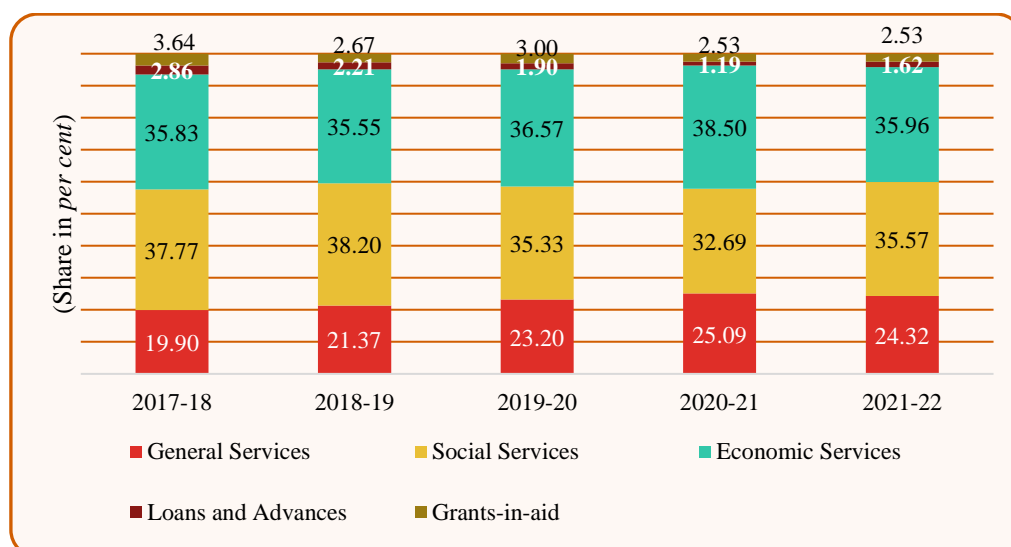
Chart 2.7: Total Expenditure – Trends in share of its components



Source: Finance Accounts.

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

Chart 2.8: Total expenditure – Expenditure by activities



Source: Finance Accounts.

From the **Chart 2.8**, it can be seen that the relative share of General Services is on increasing trend (marginally) since 2018-19. The other components exhibited stability during the period from 2017-18 to 2021-22 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 Organizations (NGOs) and others. Expenditure is also classified into various functional categories such as General 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 Services 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**. The Buoyancy of Revenue Expenditure with GSDP was negative for the first time (during 2021-22) due to negative growth in GSDP. The sectoral distribution of Revenue Expenditure pertaining to 2021-22 are shown in **Chart 2.9**.

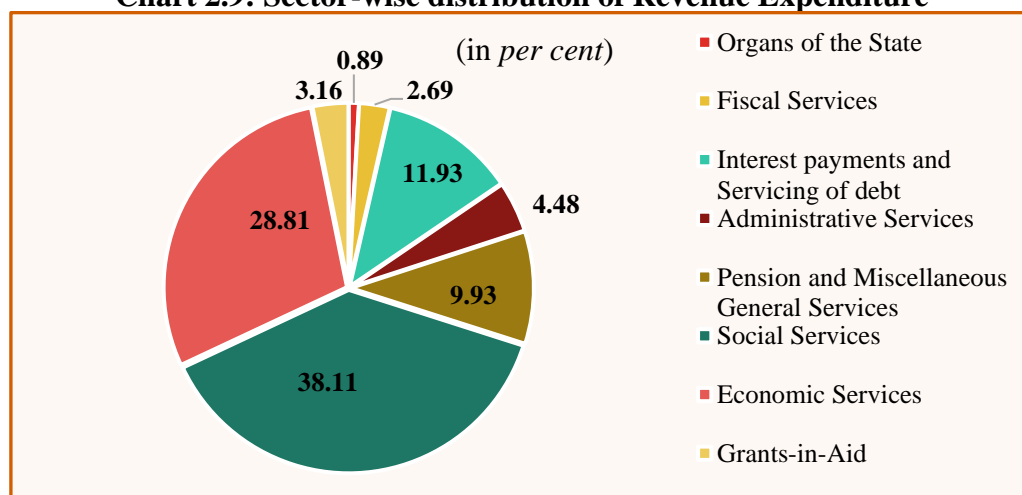
Table 2.14: Revenue Expenditure – Basic parameters

Parameters	2017-18	2018-19	2019-20	2020-21	2021-22
Total Expenditure (TE)	1,78,242	2,03,446	2,13,857	2,24,129	2,61,511
Revenue Expenditure (RE)	1,42,482	1,64,300	1,74,258	1,76,054	2,09,428
Rate of Growth of RE (per cent)	8.01	15.31	6.06	1.03	18.96
RE as percentage of TE	79.94	80.76	81.48	78.55	80.08
RE/GSDP (per cent)	10.69	11.13	10.79	10.17	12.17
RE as percentage of RR	96.93	99.59	99.32	112.34	106.98
Buoyancy of RE with					
GSDP (ratio)	0.77	1.43	0.64	0.14	(-)33.86
Revenue Receipts (ratio)	0.77	1.25	0.96	0.10	0.76

Source: Finance Accounts of respective years.

Revenue Expenditure increased from ₹1,42,482 crore in 2017-18 to ₹2,09,428 crore in 2021-22, an increase of 50 per cent. Compared to the previous year, the increase was 19 per cent, due to increase in interest payments (12.13 per cent), subsidies (53.10 per cent), pensions (9.14 per cent), salaries (15.39 per cent) etc.

Chart 2.9: Sector-wise distribution of Revenue Expenditure



Source: Finance Accounts.

During 2021-22, Revenue Expenditure, as a percentage of GSDP, has increased due to two factors namely increase in growth rate of Revenue Expenditure and decrease in GSDP. In absolute terms there was increase in Revenue Expenditure by ₹33,374 crore (18.96 per cent) over the previous year. Revenue Expenditure was higher by ₹8,715 crore vis-à-vis the assessment made in the MTFP (2019-23) (₹2,00,713 crore). During 2021-22, the rate of RE/RR had decreased from 112.34 in 2020-21 to 106.98 due to increase in growth rate of Revenue Receipts when compared to Revenue Expenditure.

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 2021-22 compared to 2020-21

(₹ in crore)

Major Heads of Account	2020-21	2021-22	Increase (+)/ Decrease (-)	per cent
2202- General Education	22,907.10	27,600.96	4,693.86	20.49
2408- Food, Storage and Warehousing	3,162.28	6,718.68	3,556.40	112.46
2215-Water Supply and Sanitation	1,495.56	4,821.96	3,326.40	222.42
2801-Power	14,276.92	17,444.93	3,168.01	22.19
2049- Interest Payments	21,920.39	24,983.61	3,063.22	13.97
2515-Other Rural Development Programmes	6,970.56	5,767.03	(-)1,203.53	(-)17.27
2041- Taxes on Vehicles	731.90	264.89	(-)467.00	(-)63.81
2401- Crop Husbandry	6,606.43	6,182.86	(-)423.57	(-)6.41
2425- Co-operation	2,215.60	1,948.05	(-)267.55	(-)12.08
2701- Medium Irrigation	1,402.62	1,215.72	(-)186.90	(-)13.33

Source-Finance Accounts

While the percentage of Revenue Expenditure under Other Rural Development programmes, Taxes on Vehicles, Crop Husbandry, Co-operation and Medium Irrigation declined during the year when compared to previous year, it increased majorly under General Education, Food, Storage and Warehousing, Water Supply and Sanitation, Power and Interest payments.

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 17 Object Head levels are given in **Table 2.16**.

Table 2.16: Object Head-wise expenditure vis-à-vis budget authorization
(₹ In crore)

Head	Budget	Expenditure	Utilisation percentage
Salaries*	17,789.03	17,058.10	95.89
Daily Wages	188.47	174.31	92.49
Grants for creation of Capital Assets	1,495.40	1,449.22	96.91
Contract/Outsource	1,190.18	1,155.35	97.07
General Expenses	1,266.66	1,237.59	97.70
Other Expenses	14,078.98	13,326.63	94.66
Building Expenses	350.73	344.72	98.29
Grants-in-Aid Salaries	5,013.59	4,919.17	98.12

Head	Budget	Expenditure	Utilisation percentage
Grants-in-Aid General	3,187.42	3,185.19	99.93
Subsidies	28,219.84	28,218.94	100.00
Scholarships and Incentives	621.54	617.44	99.34
Capital Expenses	2,481.49	2,840.59	114.47
Major Works	3,132.13	3,127.67	99.86
Transport Expenses	446.25	442.01	99.05
Maintenance Expenditure	4,087.07	4,076.85	99.75
Materials and Supplies	430.98	358.94	83.28
Pension and Retirement benefits	21,099.91	21,099.35	100.00

Source-Finance Accounts

*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 ₹2,93,185.31 crore, the actual expenditure on various Object Heads during 2021-22 was ₹2,82,335.70 crore (96.30 per cent). Out of the 17 (including salaries) Object Heads mentioned above, one of the Object Head had exceeded their budgetary allocation, while 14 Object Heads utilised more than 80 to 90 per cent of their allocation, the balance two, subsidies and pension and retirement benefits had utilised 100 per cent.

2.5.2.3 Committed Expenditure

Most of the Revenue Expenditure is in the nature of committed expenditure. In MTFP 2022-26, committed expenditure are classified as non-scheme based committed expenditure and scheme based committed expenditure. Scheme based committed expenditure constitutes subsidies, social security pension, financial assistance, grants-in-aid and devolution to local bodies. On the other hand, non-scheme based committed expenditure constitutes salaries, interest payments, pension, and administrative expenses. Expenditure on these components covering the period 2017-18 to 2021-22 is depicted in **Table 2.17** and **Chart 2.10**. An upward trend in committed expenditure affects the maneuverability of the State in prioritising expenditure and increasing capital investments to meet growing needs of social and economic infrastructure.

The FMRC also noted increase in committed expenditure, thereby resulting in less space for diverting the funds to developmental expenditure. Hence, it suggested expenditure rationalization by implementing the recommendations made by the Karnataka Administrative Reform Commission – 2¹² (KARC-2) in its reports submitted to the Government such as improving revenues of Gram Panchayats, Municipalities, ULBs, Authorities *etc.*, avoid wastage of Government resources by setting up ‘Cut Waste Task Force’ like various datastore maintained by different departments to identify eligible beneficiaries for implementation of various Pension schemes *etc.*

¹² The KFRC-2 was established for periodic recommendation for restricting of department and rationalization of Staff strength at all levels of Government identification of unnecessary cadre/staffs in Departments and possibility of merging of departments due to use of technology.

Table 2.17: Components of Committed Expenditure

(₹ in crore)

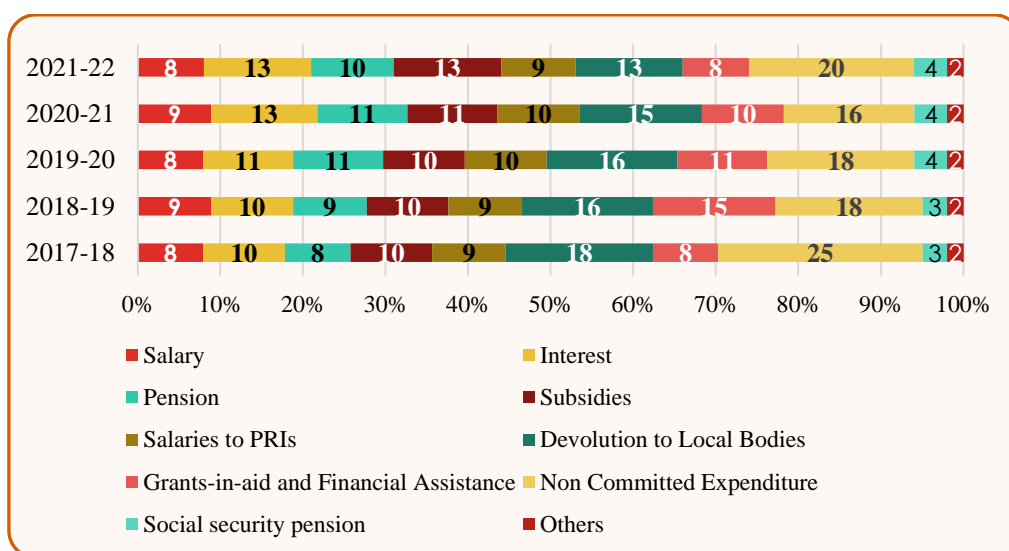
Components	2017-18	2018-19	2019-20	2020-21	2021-22
Salaries	10,546	13,315	14,561	14,783	17,058
Salaries of PRIs (GIA)	12,412	14,709	16,960	17,250	18,502
Interest Payments#	14,973	16,614	19,903	23,433	26,276
Pensions	11,684	15,109	18,404	18,936	20,666
Subsidies@	14,148	15,400	17,534	18,432	28,219
Grants-in-aid and financial assistance	11,812	24,888	19,023	18,312	16,916
Devolution to local bodies*	25,131	26,720	27,514	26,537	27,949
Social Security Pensions	4,055	5,460	7,243	7,603	7,908
Administrative Expenses	2,404	2,136	2,467	2,610	2,530
Daily wages and Contract/outsourced	567	714	923	1,080	1,330
Total	1,07,732	1,35,065	1,44,532	1,48,978	1,67,354
As percentage of Revenue Receipts (RR)					
Salaries	7.17	8.07	8.30	9.43	8.71
Salaries of PRIs (GIA)	8.44	8.92	9.67	11.01	9.45
Interest Payments	10.18	10.07	11.34	14.95	13.42
Pensions	7.95	9.16	10.49	12.08	10.56
Subsidies	9.62	9.33	9.99	11.76	14.41
Grants-in-aid and financial assistance	8.04	15.08	10.84	11.68	8.64
Devolution to local bodies	17.10	16.20	15.68	16.93	14.28
Social Security Pensions	2.76	3.31	4.13	4.85	4.04
Administrative Expenses	1.64	1.29	1.41	1.67	1.29
Daily wages and Contract/outsourced	0.39	0.43	0.53	0.69	0.68
Total	73.29	81.86	82.38	95.05	85.48
As percentage of Revenue Expenditure (RE)					
Salaries	7.40	8.10	8.36	8.40	8.15
Salaries of PRIs (GIA)	8.71	8.96	9.73	9.80	8.83
Interest Payments	10.51	10.11	11.42	13.31	12.55
Pensions	8.20	9.20	10.56	10.76	9.87
Subsidies	9.93	9.37	10.06	10.47	13.47
Grants-in-aid and financial assistance	8.29	15.15	10.92	10.40	8.08
Devolution to local bodies	17.64	16.26	15.79	15.07	13.35
Social Security Pensions	2.84	3.32	4.16	4.32	3.78
Administrative Expenses	1.69	1.30	1.41	1.48	1.21
Daily wages and Contract/outsourced	0.40	0.43	0.53	0.61	0.64
Total	75.61	82.20	82.94	84.62	79.93

Source: Finance Accounts

#includes interest on off-budget borrowings.

@excludes subsidies in the form of financial assistance

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

Chart 2.10: Share of Committed Expenditure in Revenue Expenditure

Source: Finance Accounts.

As can be seen from the above, committed expenditure ranged between 76 and 85 *per cent* of Revenue Expenditure during 2017-18 to 2021-22. The non-committed expenditure ranged between 16 and 25 *per cent* during 2017-18 to 2021-22. During 2021-22, the Revenue Expenditure available for other social and economic services was 20 *per cent* and as a percentage of total expenditure, it was 16 *per cent*.

2.5.2.4 Salaries and Wages

Expenditure on salaries increased from ₹22,958 crore in 2017-18 to ₹35,560 crore in 2021-22. It grew by 11 *per cent* over the previous year. It accounted for 17 *per cent* of Revenue Expenditure during 2021-22. It includes salaries of PRIs but does not include salaries relating to ULBs. Thus, the expenditure on salaries was understated. During 2021-22, expenditure on Daily wages and Contract/Outsourced employees accounted for ₹1,329.66 crore, an increase of ₹249.89 crore over previous year.

In reply to the SFAR of the C&AG of India for the year ended March 2021, Finance Department stated (December 2021) that funds released to ULBs were in nature of Grants-in-Aid and since Finance Accounts capture expenditure up to minor head only, salaries of ULBs are not exhibited separately. It further stated that action would be taken to capture the salary expenditure of ULB from the financial year 2022-23 onwards.

2.5.2.5 Pensions

The expenditure on pension during 2021-22 was ₹20,666 crore, a marginal increase of ₹1,730 crore over the previous year expenditure.

- **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 was 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 (August 2022) are given below:

- The number of officials allotted Permanent Retirement Account Number (PRAN) under Government sector and autonomous bodies sector was 2,54,282 and 35,676 respectively;
- During 2021-22, ₹0.61 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 (2071-01-104-2-07)’ and are covered under New Defined Pension Scheme;
- During 2021-22, the employee contribution (regular and backlog¹³) was ₹6,517.75 crore and the Government contribution was ₹7,836.94 crore;
- During the year 2021-22, total contribution to Defined Contribution Pensions Scheme was ₹2,776.34 crore. As against the contribution of ₹2,776.34 crore, Government transferred ₹2,777.08 crore to the Public Account under Major head 8342-117- Defined Contribution Pensions Scheme.

In the MTFP 2022-26, new systemic reform undertaken in the NPS module has been brought out. The NPS module under Khajane 2, the Integrated Financial Management System which manages the financial burden, and all financial related activities of the State Government envisages interaction with various stakeholders viz., Human Resource Management System, Department of Treasuries, Agency banks, Trustee bank and Central Record Keeping Agency (CRA). Some of the reforms undertaken in NPS during 2021-22 are:

- Generic Integration: In case of any changes in the rate of contribution, this feature is developed to integrate the same in PRAN account.
- Withdrawal of Corpus from PRAN account and surrendering it to Government by nominee of deceased employee in case he opts for family pension.
- In case of reverting back to old pension system, the employee contribution and earnings would be transferred to GPF account of the employee.
- During 2021-22, backlog payment of 17,733 employees has been completed.
- A new process called Partial Subscriber Contribution File(SCF) upload has been affected to overcome the rejection of SCF due to error.

2.5.2.6 Interest Payments

Interest payments increased by ₹11,303 crore (75 per cent) from ₹14,973 crore in 2017-18 to ₹26,276 crore in 2021-22. When compared to 2020-21, the interest payment increased by 12.13 per cent. Interest payments during 2021-22 constituted interest on internal debt (₹21,549 crore), interest on small savings, provident fund etc., (₹2,973 crore), interest on Loans and Advances from the

¹³ 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.

Central Government (₹418 crore), interest on off-budget borrowings (₹1,292 crore), interest on Reserve Funds (₹43 crore) and interest on other obligations (₹1 crore).

The interest on internal debt increased by 16 *per cent* from ₹18,627 crore in 2020-21 to ₹21,549 crore in 2021-22, on account of increase in payment of interest on market loans by ₹3,107 crore (18 *per cent*). The interest on Loans and Advances from Central Government decreased by ₹114 crore from ₹532 crore during 2020-21 to ₹418 crore in 2021-22, mainly on account of decrease under interest of Loans for State/Union Territory Plan scheme (21 *per cent*).

2.5.2.7 Subsidies

There was an increase in expenditure on subsidies during the year 2021-22 as can be seen from the details given in **Table 2.18**. While subsidies as a percentage of Revenue Receipts increased from 12 *per cent* in 2020-21 to 14 *per cent* in 2021-22, as percentage of Revenue Expenditure increased from 10 *per cent* in 2020-21 to 13 *per cent* in 2021-22.

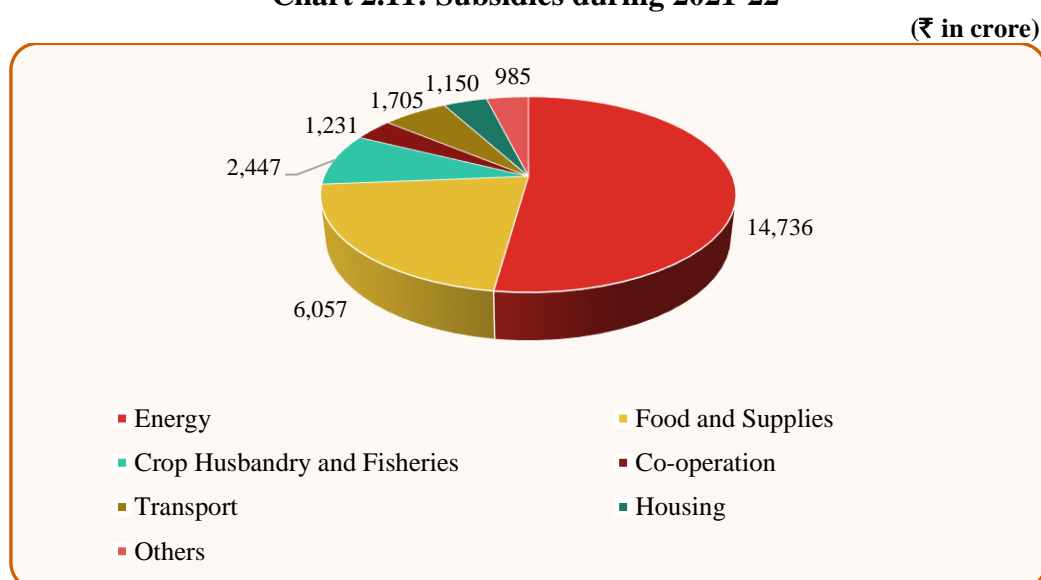
Table 2.18: Expenditure on subsidies during 2017-18 to 2021-22

	2017-18	2018-19	2019-20	2020-21	2021-22
Subsidies (₹ in crore)	14,148	15,400	17,534	18,432	28,219
Subsidies as <i>per cent</i> of Revenue Receipts	9.62	9.33	9.99	11.76	14.41
Subsidies as <i>per cent</i> of Revenue Expenditure	9.93	9.37	10.06	10.47	13.47

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, transport and interest subsidy for crop loans. The details for the last five years are shown in **Appendix 2.3** and for 2021-22 the same is shown in **Chart 2.11**.

Chart 2.11: Subsidies during 2021-22



Source: Finance Accounts.

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

Subsidies provided by the State Government could be of two kinds *i.e* Explicit¹⁴ and Implicit subsidy. Implicit subsidy is one where the State 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 ₹3,318 crore in 2017-18 to ₹3,698 crore during 2021-22. They mainly include financial assistance for supply of seeds, weaver’s package, Ashraya scheme, micro/drip irrigation, minimum floor price scheme, Vajpayee Urban Housing Scheme *etc.* These subsidies extended during 2017-18 to 2021-22 are detailed in **Appendix 2.4**. Thus, if the subsidies in the form of financial assistance were taken into account, the actual expenditure on subsidies would increase to ₹31,917 crore. The Economic Survey 2021-22 states that there is a need to assess the entire grant of State investment in different State Public Sector Enterprises (SPSEs) as the returns from the PSEs is less than one *per cent*. Since the investments are made from the borrowings the holding cost at seven *per cent* work out to ₹4,946 crore which is in the form of implicit subsidy.

2.5.2.8 Financial Assistance to Local Bodies and Other Institutions

- **Local Bodies**

The quantum of assistance provided by way of grants to local bodies and other institutions during 2017-18 to 2021-22 is presented in **Table 2.19** and **Table 2.20**.

Table 2.19: Financial Assistance to Local Bodies

(₹ in crore)					
Name of the Institution	2017-18	2018-19	2019-20	2020-21	2021-22
Panchayat Raj Institutions	31,054.63	35,897.61	38,049.61	38,106.18	39,835.19
Urban Local Bodies	6,489.76	5,425.31	6,424.72	5,681.04	6,615.83
Total	37,544.39	41,322.92	44,474.33	43,787.22	46,451.02

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 ₹31,054.63 crore during 2017-18 to ₹39,835.19 crore during 2021-22 and ULBs increased from ₹6,489.76 crore during 2017-18 to ₹6,615.83 crore during 2021-22.

Out of the total devolution of ₹39,835 crore to PRIs during 2021-22, ₹18,502 crore (46 *per cent*) was towards salaries. The higher allocation towards Salaries mainly due to the State Government’s functions *viz.*, education, water supply and sanitation, housing, health and family welfare *etc.*, were transferred to PRIs. It also included ₹1,655.61 crore XV FC grants released to the Zilla Panchayats

¹⁴ Explicit subsidy is that which provides for expenditure in the form of a subsidy or interest subvention for certain schemes of the Government. It was stressed that the challenge lies in ensuring that these subsidies do not become a permanent source of additional support and thereby deter these sectors from undertaking reforms.

(₹79.36 crore), Gram Panchayats (₹1,411.40 crore) and Taluk Panchayats (₹164.85 crore).

The assistance to ULBs increased by ₹934.79 crore over the previous year which includes salary component also. Out of ₹6,615.83 crore assistance to ULBs, ₹1,070.00 crore (16 per cent) was towards creation of capital assets. It also includes XIV FC grants released to the State Government (₹1,029.50 crore).

• **Other Institutions**

During 2021-22, assistance to other institutions (₹8,590.60 crore) included assistance to Statutory bodies and Development Authorities (₹2,564 crore), NGOs (₹1,902 crore), PSUs (₹34 crore) and others (₹4,090 crore) which are detailed in **Table 2.20**. The assistance to Co-operatives and other institutions increased by ₹220 crore and ₹934 crore respectively and for Education Institutions there was a marginal decrease of ₹six crore as compared to the previous year.

Table 2.20: Financial Assistance to Other institutions

Name of the Institution	₹ in crore)				
	2017-18	2018-19	2019-20	2020-21	2021-22
Educational Institutions (including Universities)	1,293.70	1,081.29	1,405.90	1,140.43	1,134.75
Co-operative Societies and Co-operative Institutions	1,191.32	1,477.76	1,275.78	1,186.04	1,405.67
Other institutions and bodies (including PSUs, NGOs & Statutory Bodies)	7,067.08	6,720.59	7,446.88	7,656.90	8,590.60
Total	9,552.10	9,279.64	10,128.56	9,983.37	11,131.02

Source: Finance Accounts

The devolutions to the local bodies were analysed with respect to the recommendations made by Fourth State Finance Commission and the findings are discussed below:

The Articles 243 (I) and (Y) of the Constitution of India read with the section 267 of the Karnataka Grama Swaraj and Panchayat Raj Act 1993 as amended in 2015 and section 503C of the Karnataka Municipal Corporation Act, 1976 and section 302B of Karnataka Municipalities Act, 1964 provided for the formation of State Finance Commission (SFC) to address the financial issues confronted by the PRIs and ULBs. The SFCs have to look after the fiscal problems of both PRIs and ULBs. Before this mechanism came into existence, the State Governments used to transfer funds to local bodies based on State laws and discretion. The Governor of a state shall within one year from the 73rd (1992) amendment to the Constitution under Article 243(I), and thereafter at the expiry of every fifth year constitute SFC to review the financial position of panchayats and similarly, the SFC constituted under Article 243 (Y) of the 74th amendment shall also review the financial position of the municipalities and make recommendations to the Governor.

The Governor of Karnataka has, so far, appointed four SFCs. The details of the SFCs are given in **Table 2.20(a)**.

Table-2.20(a) : Details of Various Finance Commissions constituted in the State

Details	First SFC	Second SFC	Third SFC	Fourth SFC
Date of Constitution	10 June 1994	25 October 2000	28 August 2006	21 December 2015
Date of Submission	August 1996	December 2002	December 2008	May 2018
Award period	1997-98 to 2001-02	2006-07 to 2010-11	2011-12 to 2015-16 (extended upto 2017-18)	2018-19 to 2022-23

Since there was delay in constitution of Fourth SFC, the period of Third SFC was extended upto 2017-18. The recommendations of the Fourth Finance Commission are:

- The allocation of financial resources between the State and the local bodies in the first instance and among the PRIs and the ULBs and among these bodies *inter se* in the later stages of devolution. The actual devolutions are to be based on the Non Loan Net Own Revenue Receipts (NLNORR) allocations with base year as 2018-19 and thereafter every year.
- In the first level devolution which is relative share of State and local bodies in NLNORR, the shares of the State and the local bodies are to be in the ratio of 52:48 in NLNORR.
- In the second level devolution which is relative shares of RLBs and ULBs, out of the share of local bodies at 48 *per cent*, as determined in the first level, one *per cent* is to be an additional grant to BBMP. In the remaining 47 *per cent*, the relative shares of PRIs and ULBs are to be in the ratios of 75:25. This works out to 35.25 *per cent* rounded off to 35 *per cent* to PRIs and 11.75 *per cent* rounded off to 12 *per cent* to ULBs in the NLNORR.
- The third level devolution is inter-se sharing of funds among PRIs tier-wise and among ULBs class-wise and the fourth level devolution is inter-se sharing among each unit in each tier of PRIs and each unit in each class of ULBs.

The first level and second level devolutions are indicated in the **Table 2.20(b)** below.

Table 2.20(b): Relative share of local bodies in NLNORR

Particulars	₹ in crore)			
	2018-19	2019-20	2020-21	2021-22
NLNORR*	1,14,357.00	1,24,540.90	1,18,735.26	1,41,492.43
Devolutions to PRIs [#]	33,845.99	35,545.48	34,889.18	38,179.59
Devolutions to ULBs [#]	4,383.25	4,762.94	4,271.55	5,586.32
Total devolutions	38,229.24	40,308.42	39,160.73	43,765.91
Share of local bodies in NLNORR (in <i>per cent</i>)	33.43	32.36	32.98	30.93

*The cess and collection charges have not been considered for calculating NLNORR. Further, the compensation received as back-to-back loans during 2020-21 and 2021-22 has not been considered.

[#] Devolutions from XIII, XIV and XV Finance Commission has not been included.

From the table, it is noticed that the share of the local bodies in NLNORR was on an average 32.43 *per cent* which was much below the recommendation of Fourth SFC of 48 *per cent*.

2.5.2.9 COVID-19 Expenditure

Government accounts are presented under a six-tier classification, with Object Head representing purpose/object of expenditure. During on set of COVID-19 pandemic, the budget year of 2019-20 was almost over and budget of 2020-21 was already placed. Hence budget and expenditure towards COVID-19 was impossible. However, during 2020-21 also, no separate object head was designated towards COVID-19. As a result, the allocation as well as expenditure towards COVID-19 was not captured in accounts.

Analysis of funds released and utilised during 2019-20 to 2021-22 for control of COVID-19 in the Department of Health and Family Welfare Services, Medical Education and Revenue are indicated in **Table 2.20 (c)**.

Table 2.20 (c): Details of funds released and utilised for control of COVID-19 during 2019-20 to 2021-22.

(₹ in crore)				
Sl.No.	Department	Source/Implementing Agency	Fund released	Fund utilised
1	Health and Family Welfare Service	National Health Mission, State Govt – Health and Family Welfare, Karnataka State Medical Supplies Corporation Limited, Suvarna Arogya Suraksha Trust	4,547.06	4,037.30
2	Medical Education	State, Chief Minister's Relief Fund, Kalyana Karnataka Region Development Board, National Health Mission	1,132.86	1,120.87
3	Revenue	Central and State Share	1,958.58	1,958.58
Grand Total			7,638.50	7,116.75

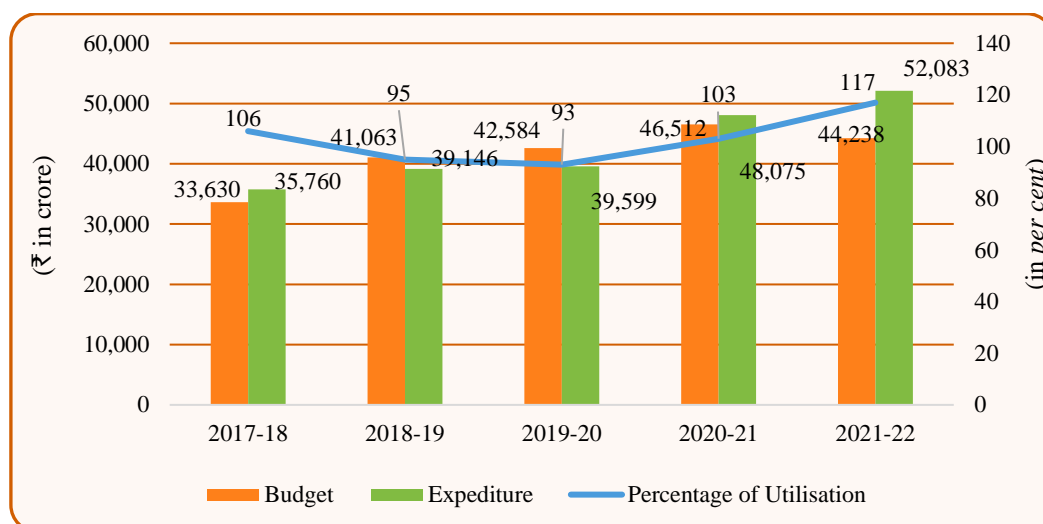
Source: Information furnished by HFW/ME

From the table, it is seen that 92 *per cent* of the amount released have been utilised towards control of COVID 19. The balance ₹521.75 crore which were released to the Departments are remaining unspent with concerned DDOs of the Department.

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 ₹35,760 crore in 2017-18 to ₹48,075 crore in 2020-21. During 2021-22, the Capital Expenditure increased by ₹4,008 crore from previous year and was at ₹52,083 crore.

Chart 2.12: Trend of Capital Expenditure (inclusive of Loans and Advances) over the five-year period from 2017-18 to 2021-22

Source: Finance Accounts

As seen from the above chart, the actual expenditure was more than the estimated Capital Expenditure during 2017-18, 2020-21 and 2021-22. During 2018-19 and 2019-20, the actual Capital Expenditure was less than the estimate by five per cent and seven per cent respectively. **Table 2.21** highlights the cases of significant increase or decrease in various Heads of Account in Capital Outlay during 2021-22 *vis-à-vis* the previous year.

Table 2.21: Capital Expenditure during 2021-22 compared to 2020-21
(₹ in crore)

Major Heads of Account	2020-21	2021-22	Increase (+)/ Decrease (-) in amount	Variation in percentage
4059-Capital Outlay on Public Works	838.53	778.26	(-)60.27	(-)7.19
4202-Capital Outlay on Education, Sports, Art and Culture	1,167.87	1,634.07	466.2	39.92
4210-Capital Outlay on Medical and Public Health	2,099.44	2,574.84	475.4	22.64
4215-Capital Outlay on Water Supply and Sanitation	3,211.90	1,967.79	(-)1,244.11	(-)38.73
4217-Capital Outlay on Urban Development	3,332.11	4,541.04	1,208.93	36.28
4225-Capital Outlay on Welfare of Scheduled Castes, Scheduled Tribes, Other Backward Classes and Minorities	1,163.80	1,952.86	789.06	67.80
4701-Capital Outlay on Medium Irrigation	14,993.82	16,361.95	1,368.13	9.12
4702-Capital Outlay on Minor Irrigation	2,585.90	2,512.53	(-)73.37	(-)2.84
4711-Capital Outlay on Flood Control Projects	157.74	142.09	(-)15.65	(-)9.92

Major Heads of Account	2020-21	2021-22	Increase (+)/ Decrease (-) in amount	Variation in percentage
4801-Capital Outlay on Power Projects	650.12	200.00	(-)450.12	(-)69.24
5054-Capital Outlay on Roads and Bridges	10,548.97	9,806.83	(-)742.14	(-)7.04
5055-Capital Outlay on Road Transport	368.59	312.72	(-)55.87	(-)15.16

Source: Finance Accounts

The above table reveals that variation in Capital Expenditure was under Capital Expenditure on Welfare of Scheduled Castes, Scheduled Tribes, Other Backward Classes and Minorities (67.80 per cent) followed by Education, Sports, Art and Culture (39.92 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 2017-18 to 2021-22.

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 2021-22 *vis-à-vis* previous years.

2.5.4.1 Investments in Companies, Corporations and other bodies

As on 31 March 2022, the Government had invested ₹70,657.43 crore in 91¹⁵ Government Companies (₹61,059.93 crore), Nine Statutory Corporations (₹3,070.55 crore), 44 Joint Stock Companies (₹6,070.66 crore) and Co-operative Institutions, Local bodies and Regional Rural Banks (₹456.29 crore). During 2021-22, the Government invested ₹2,400.75 crore as equity, in Government Companies (working) (₹329.25 crore), Joint Stock Company (₹1,933.37 crore), Statutory Corporations (₹136.50 crore) and Co-operation Institutions and Local Bodies (₹1.63 crore). The investment under Statutory Corporations and Government Companies were spread under various sectors¹⁶.

During 2021-22, the investment account was reduced under 'Co-operative Institutions' by ₹0.48 crore, due to withdrawal of Government investment in the

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

¹⁶Irrigation (₹36,779.37 crore), Power (₹12,025.66 crore), Infrastructure (₹4,933.65 crore), Finance (₹3,641.80 crore), Transport (₹1,670.21 crore), Housing (₹1,450.97 crore), Industries (₹1,288.27 crore) and Other sectors (₹8,836.50 crore).

share capital of institutions, the proceeds of which stand accounted under 'Miscellaneous Capital Receipts'.

- **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.

Table 2.22: Return on Investment

	2017-18	2018-19	2019-20	2020-21	2021-22
Investments as at the end of the year (₹ in crore)	65,145.88	66,518.28	67,816.71	68,256.68	70,657.43
Return (₹ in crore)	78.83	38.30	53.64	80.70	349.77
Return (in per cent)	0.12	0.10	0.10	0.12	0.49
Average rate of interest on Government borrowings (per cent)	6.40	6.25	6.39	6.22	6.00
Difference between interest rate and return on investment (per cent)	6.30	6.15	6.29	6.10	5.51

Source: Finance Accounts

The Return on investment increased from ₹78.83 crore in 2017-18 to ₹349.77 crore in 2021-22 and it has increased by 333.42 per cent when compared to previous year. The increase was mainly under Karnataka State Minerals Corporation Limited (₹140.61 crore), Karnataka Rural Infrastructure Development limited (₹86.49 crore), The Hutti Gold Mines Company Limited (₹33.12 crore) etc.,

In reply to SFAR of the C&AG of India for the Year ending March 2021, the Finance Department had stated (December 2021) that similar process as in line with the Union Government for collection of dividends from the PSUs earning profit would be followed. As a first step, it stated that department of Public Enterprises had issued guidelines (November 2021) for payment of dividends not less than 30 per cent of the profits earned by the PSUs. As a result, there was increase in the dividend collected. The FMRC also expressed optimism about the dividend income from PSUs.

- **Investment in loss making companies**

The above investment included ₹42,194.32 crore (60 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

Statutory Company/Corporation	(₹ in crore)			
	Cumulative loss at the end of 2018-19	Cumulative loss at the end of 2019-20	Cumulative loss at the end of 2020-21	Investment made up to 2021-22
North Western Karnataka Road Transport Corporation (NWKRTC)	881.55	1,068.00	1,068	266.85
Kalyana Karnataka Road Transport Corporation (KKRTC)	610.65	699.92	699.92	183.43
Karnataka State Financial Corporation Limited (KSFC)	386.17	361.35	318.46	1,328.41

Statutory Company/Corporation	Cumulative loss at the end of 2018-19	Cumulative loss at the end of 2019-20	Cumulative loss at the end of 2020-21	Investment made up to 2021-22
Government Companies				
Krishna Bhagya Jala Nigama Limited (KBJNL)	2,811.73	2,946.51	3,419.93	23,745.34
Karnataka Neeravari Nigama Limited (KNNL)	4,469.21	5,149.92	6,333.94	13,034.03
Mysore Sugar Company Limited (Mysugar)	460.89	460.89	463.89	335.78
Mysore Paper Mills Limited (MPM)	425.95	425.95	519.50	237.37
Hubli Electricity Supply Company Limited (HESCOM)	1,955.76	2,637.98	5,128.24	1,269.18
Gulbarga Electricity Supply Company Limited (GESCOM)	1,002.44	1,995.03	3,112.65	978.14
Chamundeswari Electricity Supply Company Limited (CESCOM)	875.74	1,242.37	1,965.56	815.79
Total	13,880.09	16,987.92	23,030.09	42,194.32

Source: Finance Accounts

Up to 2021-22, the Government invested ₹42,194.32 crore in these companies and the cumulative loss accounted for is ₹23,030.09 crore.

Finance department in its reply (January 2023) stated that the investment are mainly under the Irrigation, Power and Infrastructure sector, even though they are incurring continuous loss. However, continuation of investment is inevitable as they contribute to increased agriculture production, rural employment and better industrial growth.

Further, it stated that due to instruction issued to PSUs to pay dividend at 30 per cent of profit, there was increase in dividend collection during 2021-22. The action initiated by the Finance Department towards increase in the dividend received is appreciated.

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 2022 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)				
	2017-18	2018-19	2019-20	2020-21	2021-22
Opening balance of the loans outstanding	15,578	20,525	24,981	28,847	31,247
Amount advanced during the year	5,092	4,487	4,069	2,669	4,209
Amount recovered during the year	137	31	203	270	127
Closing balance of the loans outstanding	20,533	24,981	28,847	31,246	35,329
Net addition	4,955	4,456	3,866	2,399	4,082
Interest received	99	108	357	278	309

Source: Finance Accounts

- The outstanding loans as on 31 March 2022 aggregated ₹35,329 crore. The interest in arrears as at the end March 2021 in respect of loans maintained by AG(A&E) was ₹4,904.26 crore. During 2021-22, the interest received was ₹309 crore which works out to 6.30 *per cent* of the interest due of the loans maintained by AG(A&E). The interest in arrears as on March 2022 in respect of loans maintained by AG(A&E) was ₹5,478.54 crore. However, the interest in arrears in respect of loans maintained by State Government was not available.
- Out of total loans advanced during 2021-22 (₹4,209 crore), Social Services accounted for ₹2,770 crore (66 *per cent*), Economic Services for ₹1,435 crore (34 *per cent*) and the remaining ₹4 crore to Government Servants. Within the Social Services, Water supply, Sanitation, Housing and Urban Development received major share of ₹2,767 crore and in Economic Services it was for Industry and Minerals ₹1,266 crore.
- Detailed accounts of recovery of loans in respect of 21 institutions are maintained by Office of the AG(A&E) and for 842 institutions it is maintained by Heads of Departments/Chief Controlling Officers of the GoK.
- The recovery of Loans and Advances which was on increasing trend during 2019-20 to 2020-21, once again decreased during 2021-22.
- In respect of loan accounts maintained by AG(A&E), the recovery of Loans and Advances aggregating ₹10,908.42 crore (Principal: ₹5,429.88 crore and Interest: ₹5,478.54 crore) were overdue as on 31 March 2022 (**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 2021-22 was incomplete, as only 13¹⁷ 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 65 loans valued at ₹4,206.81 crore sanctioned by the State Government during 2021-22, 47 loans valued at ₹2,893.02 crore were sanctioned without specifying any terms and conditions. Details are available as additional disclosures under Statement No.18 of the Finance Accounts.

Analysis of issue of terms and condition for three years as indicated in **Table 2.25** revealed that terms and condition with respect to more than 50 *per cent* of the loans advanced during 2019-20 and 2020-21 where yet to be issued as at the end of March 2022.

¹⁷In 2020-21, eight out of 842 institutions have furnished the information

Table 2.25: Details of Loans given by State Government from 2019-20 to 2021-22

(Amount in ₹)

Year	Total number of loans	Total Amount	Terms and conditions awaited at the year end		Terms and conditions awaited as on March 2022	
			Number of loans	Amount	Number of loans	Amount
2019-20	62	5,46,386.66	42	5,02,536.81	29	3,48,525.61
2020-21	66	4,06,395.41	50	2,81,789.22	31	1,69,819.52
2021-22	65	4,20,681.45	47	2,89,302.55	-	-

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

2.5.4.3 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 2022 are 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 2022 (₹ in crore)				Table 2.27: Department wise profile of incomplete projects which are more than one crore as on 31 March 2022 (₹ in crore)			
To the end of the Year	No. of incomplete projects	Estimated cost	Expenditure	Works under	No. of incomplete projects	Estimated cost	Expenditure
Up to 2012-13	9	17.68	14.78	Roads and Bridges	928	4,496.93	3,115.07
2013-14	5	13.30	8.79				
2014-15	10	21.44	20.61	Irrigation	215	1,267.62	834.68
2015-16	20	189.33	97.51	Buildings	25	106.11	93.90
2016-17	48	120.16	108.40	Others	40	67.70	43.86
2017-18	46	254.71	216.61	Total	1,208	5,938.36	4,087.51
2018-19	256	1,430.18	1,037.89				
2019-20	328	1,953.30	1,331.12				
2020-21	308	1,353.35	939.65				
2021-22	178	584.91	312.15				
Total	1,208	5,938.36	4,087.51				

Source: Finance Accounts

Against the initial budgeted cost of ₹5,938.36 crore in respect of 1,208 works, stipulated to be completed on or before March 2022, the progressive expenditure was ₹4,087.51 crore. The delay in the projects was in the range of more than five years (92), less than five years but greater than one year (938) and less than one year (178). No reasons for delay in completion of the works were given by the Public Works, Ports & Inland Water Transport and Irrigation Departments.

Out of 1,208 projects, which were incomplete as on 31 March 2022, 60 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 1,133 as on 31 March 2021 to 1,208 as on 31 March 2022. This was mainly due to increase in the number of projects under Roads and Bridges and Irrigation.

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.

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 State's (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 2021-22.

Table 2.28: Fiscal priority of the States in 2021-22

	(in per cent)				
	AE/ GSDP	CE/ AE	DE/AE	Education/ AE	Health & Family Welfare/ AE
GCS	15.84	14.41	66.74	14.66	6.20
Kerala	18.10	10.44	50.95	15.27	7.32
Tamilnadu	14.27	13.80	64.22	13.02	6.45
Andhra Pradesh	14.78	10.42	66.69	14.39	6.34
Telangana	15.17	21.44	73.91	8.14	4.19
Maharashtra	12.43	12.32	62.06	17.13	5.30
Madhya Pradesh	19.25	19.53	74.34	13.55	5.63
Karnataka	15.19	19.92	73.14	11.53	5.87

Source: Finance Accounts

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

Comparative analysis for the year 2021-22 revealed the following

- The ratio of CE and DE to AE of the State was higher than the ratio of GCS, which indicated that the State had better quality of expenditure when compared to other GCS.
- The ratio of capital expenditure to AE of the State was higher than all the neighboring States except Telangana.
- The DE/AE ratio of the State was higher when compared to its neighbouring States (except Telangana and Madhya Pradesh).

- Adequate priority needs to be given to Education sector, as the ratio of expenditure under the sector to AE is less than all neighboring States (except Telangana) and GCS.
- Though the ratio of expenditure towards Health to AE has increased during 2021-22 when compared to previous years, priority needs to be given to Health sector as its ratio is less when compared to the ratio of GCS and its neighbouring States *viz.*, Kerala, Tamil Nadu and Andhra Pradesh.

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

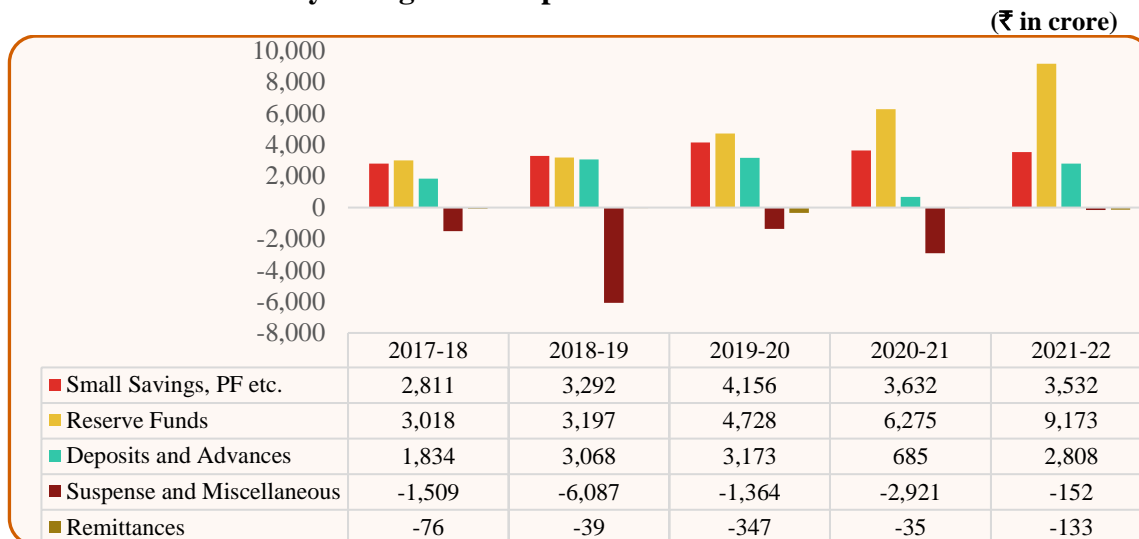
The net transactions under Public Account covering the period 2017-18 to 2021-22 are indicated in **Table 2.29** and the yearly changes in composition of Public Account balances are depicted in **Chart 2.13**.

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

		(₹ in crore)				
Sector	Sub Sector	2017-18	2018-19	2019-20	2020-21	2021-22
I. Small Savings, Provident Funds, etc.	Small Savings, Provident Funds, <i>etc.</i>	2,811	3,292	4,156	3,632	3,522
J. Reserve Funds	(a) Reserve Funds bearing Interest	(-) 1,194	393	839	(-)99	(-)46
	(b) Reserve Funds not bearing Interest	4,212	2,804	3,889	6,374	9,219
K. Deposits and Advances	(a) Deposits bearing Interest	(-) 3	62	99	16	(-)18
	(b) Deposits not bearing Interest	1,837	3,006	3,074	(-)702	2,826
	(c) Advances	-	-	-	-	-
L. Suspense and Miscellaneous	(a) Suspense	17	(-) 15	178	(-)242	(-)60
	(b) Other Accounts	(-) 1,526	(-) 6,072	(-) 1,542	(-)2,679	(-)93
	(c) Accounts with Governments of Foreign Countries	-	-	-	-	-
	(d) Miscellaneous	-	-	-	-	-
M. Remittances	(a) Money Orders and other remittances	(-) 51	(-) 81	(-) 263	(-)53	-
	(b) Inter-Governmental Adjustment Account	(-) 25	42	(-) 84	17	(-)133
Total		6,078	3,431	10,346	6,264	15,217

Source: Finance Accounts

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

Chart 2.13: Yearly changes in composition of Public Account balances

Source: Finance Accounts.

The net receipts from the Public Account increased from ₹6,078 crore in 2017-18 to ₹15,217 crore in 2021-22. The increase in net balance during 2021-22 (₹8,953 crore) over the previous year was due to increase under Deposits and Advances (Deposits not bearing interest) and Reserve Funds (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 uncashed cheques, which amounted to ₹93 crore during 2021-22, when compared to ₹2,679 crore during 2020-21.

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 (CSF) 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 2021-22, against the minimum requirement of ₹1,854.44 crore, the State Government

contributed ₹3,780 crore to the Fund under Major Head 2048 – Contribution to CSF. The balance under the fund at the end of the year March 2022 was at ₹8,600 crore as per books of accounts.

b) Green Tax

The GoK vide the Karnataka Motor Vehicles Taxation (Amendment) Act, 2002 introduced collection of a Cess called ‘Green Tax’¹⁸ to control air pollution.

Vide paragraph 1.3.1.1 of the SFAR of the C&AG of India 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 ‘2041-00-001-0-07-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 2021-22, no amount was transferred/booked to the Fund. Receipts amounting to ₹13.84 crore accounted during the year 2021-22 (₹10.86 crore during 2020-21) were also not transferred to the fund. The closing balance at the credit of the Fund was ₹50.17 crore as on 31 March 2022.

Finance department in its reply (January 2023) stated that Green Tax Cess amount of ₹10.86 crore and ₹13.84 crore collected during 2020-21 and 2021-22 respectively under revenue Receipt Head 0041-00-102-0-11 and expenditure of ₹0.18 crore and ₹8.95 crore incurred during 2020-21 and 2021-22 respectively under Revenue Expenditure Head 2041-00-001-0-07-059 has been transferred (January 2023) to Green Tax Fund.

However, the Finance Department needs to transfer the receipts collected as well as expenditure incurred in the same year as it would affect the fiscal parameters of the year.

c) Road Safety Cess

GoK vide the Karnataka State Road Safety Authority Act, 2017 has provided for the constitution of a Road Safety Authority for the implementation of Road Safety programmes and for the establishment of a Road Safety Fund. Road Safety Cess is levied and collected once at the time of vehicle registration at different rates for different class of motor vehicles

The collection of Road Safety Cess which is initially accounted as Revenue Receipts under the head of account 0041-00-102-0-12-Road Safety Cess needs to be subsequently transferred to the Reserve Fund specially created for the purpose under the head of account 8229-00-200-0-64-Road Safety Fund through adjustment entries. There was no transaction during the year 2021-22. However, receipts amounting to ₹91.31 crore in 2021-22 and ₹87.65 crore in 2020-21 accounted but were not transferred to the fund. The closing balance at the credit of the fund remains at ₹469.58 crore as on 31 March 2022.

¹⁸ 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.

The Finance Department while giving reply to the PAC for the SFAR of the C&AG of India for the year ended March 2021 had stated that transfer of receipts and expenditure from the consolidated fund to Reserve fund depends on the fiscal position at the end of the year. However, as per Karnataka Road Safety Authority Act, 2017, the State shall contribute to the fund every year. Hence, non-transfer of part of receipts to the Green Tax and Road safety cess Fund in Public Account resulted in overstatement of Revenue Receipts and understatement of revenue deficit.

Finance department in its reply (January 2023) stated that they have accorded for the transfer of the amount collected for 2020-21 and 2021-22 under Road Safety Cess and also the expenditure incurred to Road Safety Fund. However, the Government order is yet to be issued.

d) State Disaster Response Fund (SDRF)

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

The sharing pattern of 75:25 between GoI and State Government of XIV FC continues in the XV FC period also. During 2021-22, an aggregate amount of ₹843.20 crore was to be transferred to the fund account being the contribution from GoI and GoK which is ₹632.40 crore (75 *per cent* of ₹843.20 crore) and ₹210.80 crore (25 *per cent* of ₹843.20) respectively. However, against requirement of ₹632.40 crore, GoI transferred ₹632.80 crore *i.e.*, ₹0.40 crore excess. As a result, the State reduced its contribution by ₹0.40 crore to the fund and transferred ₹210.40 crore.

In addition, during 2021-22, the State received an amount of ₹1,623.30 crore as GoI contribution from National Disaster Response Fund (NDRF).

The entire contribution of ₹2,466.50 crore (₹843.20 crore and ₹1,623.30 crore) was released to the Deputy Commissioners of the districts under the Major Head '2245-Relief on account of Natural Calamities'. The balance under this fund was ₹2.42 crore. The balance amount was the interest earned at the rate of eight *per cent* received during 2020-21 for the unused amount of ₹41.98 crore in the Fund account during 2017-18.

e) State Disaster Mitigation Fund (SDMF)

The fund has been constituted in November 2013 under Section 48(c) of the Disaster Management Act 2005, in the Public Account under the Reserve Fund bearing interest in the Major Head 8121 General and Other Reserve Funds. SDMF provide funds for projects which are of State-level significance, protecting assets, ecosystems and settlements, promoting a regional approach to mitigation *etc.*, within the State.

SDMF created under the Reserve Fund is an interest-bearing Reserve Fund. State Government is to pay interest for the amount not invested in the identified

interest-bearing instruments to the SDMF at the rate applicable to overdrafts under overdraft Regulation Guidelines of the RBI. The unspent balance in this account at the end of the financial year 2021-22 is the opening balance of the account of the financial year 2021-22 and so on till 2025-26. The aggregate size of the SDMF in each financial year commencing from Financial Year 2020-21 has been recommended by the XV FC. The contribution to the Fund is in the ratio of 75:25 by GoI and GoK.

During the year 2021-22, the total contribution to SDMF was ₹210.80 crore with ₹158.10 crore being GoI share and ₹52.70 crore being GoK share. Against this the State received ₹158.20 crore as GoI share. Hence, the State reduced its contribution by ₹0.10 crore. The entire amount of ₹210.80 crore was transferred to the Fund account and no expenditure was met under the Major Head '2245 – Relief on Account of Natural Calamities'. The details of expenditure/receipts under SDRF/SDMF 2021-22 are shown in **Table 2.30**.

Table 2.30: Details of expenditure/receipts under SDRF/SDMF

	Minor Head of Account	(₹ in crore) Expenditure during 2021-22
05-State Disaster Response Fund	Opening Balance	2.42
	Transfers to Reserve Funds and Deposit Accounts – SDRF	843.20
	Transfers to Reserve Funds and Deposit Accounts – NDRF	1,623.30
	Deduct-Amount met from-SDRF	(-)843.20
	Deduct-Amount met from-NDRF	(-)1,623.30
	Transfers of interest in respect of unutilised amount under SDRF during 2017-18	-
	Closing Balance	2.42
10-State Disaster Mitigation Fund	Opening Balance	26.30
	Transfers to Reserve Funds and Deposit Accounts – SDMF	210.80
	Deduct-Amount met from-SDMF	-
	Closing Balance	237.10

Source: XV Finance Commission and Ledger

The balance in the SDRF and SDMF as on 31 March 2022 was ₹2.42 crore and ₹237.10 crore respectively.

f) 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 8342-00-120-0-02 - Real Estate Regulatory Fund was 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 RERA and the Appellate Tribunal and any other expenses

of RERA in connection with the discharge of its functions and for the purposes of this Act.

During 2021-22, GoK created (April 2021) a new non-interest bearing Reserve Fund called Real Estate Authority Regulatory Reserve Fund under HoA 8235-00-200-0-22. As a consequent the balance under the former deposit was transferred to the new Reserve Fund.

During the year 2021-22, an amount of ₹58.14 crore (including ₹44 crore pertaining to 2020-21) was transferred to the fund (from the Consolidated Fund out of the fees collected under HOA 0216-02-800-0-01 - RERA) and an expenditure of ₹12.65 crore was booked to the fund. However, the receipts collected, and expenditure incurred during the period 2017-18 and 2018-19 were not transferred. In spite of being pointed by audit in previous year SFAR, no action was initiated to transfer the receipts and expenditure to the fund account. The closing balance at the credit of the fund was ₹58.19 crore as on 31 March 2022.

Though the Finance Department had replied in the previous year that receipts and expenditure relating to years 2017-18 and 2018-19 would be transferred to the fund after reconciliation, action in this regard is yet to be initiated.

2.6.3 In-operative Reserve Funds

As at the end of 31 March 2022, out of 52 reserve funds, 19 remained inoperative. Of these 19 inoperative reserve funds, 12 reserve funds had a credit balance of ₹731.67 crore and seven reserve funds had a debit balance of ₹33.07 crore as on 31 March 2022.

Action is required to be taken for closure of such in-operative funds after due reconciliation and credit the balance to the Consolidated Fund.

2.6.4 Compensatory Afforestation Fund Management and Planning Authority (CAMPA).

Subsequent to enactment of Compensatory Afforestation Act(CAF), 2016, the State Compensatory Afforestation Fund(SCAF) - Karnataka was created (February 2019) under Section 4 of the CAF Act, 2016. In addition, the Ministry of Environment, Forest and Climate Change in exercise of powers conferred under Section 30 of the CAF Act, 2016 framed CAF (Accounting Procedure) Rules, 2018 to regulate the manner of crediting amount to the National Fund (NCAF) and State Fund (SCAF) in each year. In continuation to the Rules, the Ministry in order to maintain transparency and uniformity in reporting issued (28 January 2019) opening of standard Heads of Accounts for NCAF and SCAF for all the States.

As per the CAF (Accounting Procedure) Rules, 2018

i. Consequent upon issue of notification for establishment of respective SCAF by the concerned State Governments in terms of sub-section (1) of section 4 of the Act, State share (90 *per cent* of the amount with ad hoc Authority) so credited to the National Compensatory Afforestation Deposits under Major Head 8336-Civil Deposits, shall be transferred to SCAF as per each State share.

ii. The amount received by the State Governments from the User Agencies shall be credited in 'State Compensatory Afforestation Deposits' at Minor Head level below 'Major Head 8336-Civil Deposit' in Public Account of State.

iii. Out of the amount credited under 8336-Civil Deposit, 90 *per cent* shall be transferred to the Major Head 8121 in Public Account of State and 10 *per cent* credited into the NCAF on yearly basis as per subsection (4) of section 3 of the Act; provided that, the credit of 10 *per cent* Central share of funds should be ensured on monthly basis so that the same is transferred to the NCAF.

iv. The applicable rate of interest on balances available under 'State Compensatory Afforestation Deposits' under '8336-Civil Deposits' and SCAF under 8121- General and other Reserve Funds shall be as per the rate declared by the Central Government on year-to-year basis.

In line with the CAF (Accounting Procedure) Rules, 2018, the Ministry transferred (29 August 2019) ₹13,50,37,43,189 from NCAF to SCAF-Karnataka. During 2019-20, 2020-21 and 2021-22 though expenditure amounting to ₹7.08 crore, ₹170.16 crore and ₹299.99 crore respectively were transferred to the fund account, no receipts were transferred. In addition, interest amounting to ₹42.86 crore and ₹43.22 crore for the years 2019-20 and 2020-21 was credited during 2020-21 and 2021-22 respectively leaving a closing balance of ₹889.23 crore in the SCAF.

From the records of the Department of Forest, we noticed that the Department had received ₹385.70 crore from the user agencies during 2019-20 to 2021-22 as detailed below in the table:

Table 2.31: Details of Amount Transferred

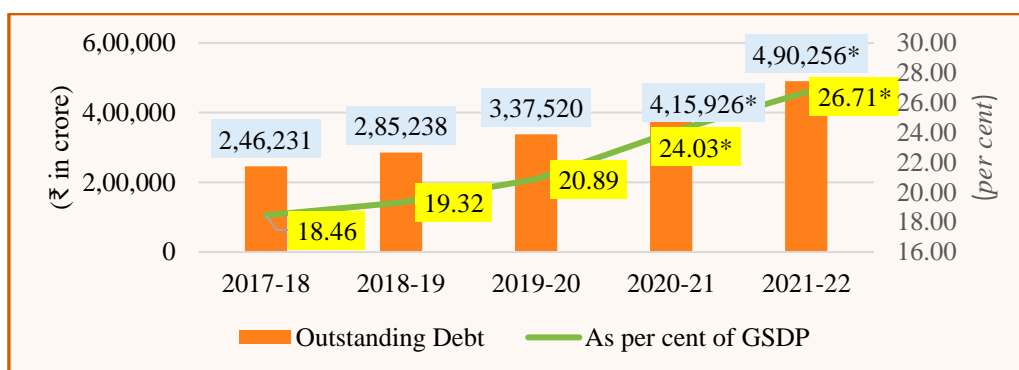
(Amount in ₹)	
Year	Amount
2019-20	45,66,59,270
2020-21	92,94,92,532
2021-22	247,08,28,968
Total	3,85,69,80,770

Contrary to the provisions at (iii) mentioned above, the State instead of retaining 90 *per cent* of the money in SCAF and transferring 10 *per cent* to the NCAF, transferred the entire amount to NCAF which is not in order. Due to this incorrect accounting procedure, the State has transferred SCAF receipts amounting to ₹347.13 crore to NCAF, which should have been accounted in SCAF.

Finance department in its reply (January 2023) stated that the issue of transfer of ₹385.69 crore to NCAF is under correspondence (September 2022) with CEO National Authority (CAMPA). However, the reply is silent on the accounting of the SCAF.

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. Total outstanding debt and its percentage to GSDP during the period 2017-18 to 2021-22 are depicted in **Chart 2.14**.

Chart 2.14: Outstanding Debt and its percentage to GSDP during 2017-18 to 2021-22

Source: Finance Accounts.

* The back-to-back Loan (₹12,407 crore in 2020-21 and ₹18,109 crore in 2021-22) received from GoI in lieu of GST compensation has not been considered as Debt for working out debt-GSDP ratio.

As seen from the chart above, the outstanding debt and its *per cent* to GSDP was on an increasing trend from 18.46 *per cent* during 2017-18 to 24.03 *per cent* during 2020-21 and they were within the target as prescribed under (25 *per cent*). However, during 2021-22, it exceeded the maximum mandated under the KFRA/Medium Term Fiscal Plan (MTFP) and was 26.71 *per cent*. This was mainly due to increase in internal debt of the State.

The FMRC while reviewing the borrowings of the State Government suggested Finance Department to take necessary measures to reduce the committed expenditure and simultaneously increase State revenues in order to bring down the debt level within the financial norms prescribed by KFRA.

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 are shown in **Table 2.32** 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 87 *per cent* from ₹2,46,231 crore in 2017-18 to ₹4,90,256 crore in 2021-22. The composition of overall debt during 2021-22 is presented in **Chart 2.15** and the details of internal debt taken *vis-à-vis* repayment made during 2017-18 to 2021-22 is shown in **Chart 2.16**.

Table 2.32: Component wise debt trends

		(₹ in crore)				
		2017-18	2018-19	2019-20	2020-21	2021-22
Outstanding Overall Debt		2,46,231	2,85,238	3,37,520	4,15,926	4,90,256
Public Debt	Internal Debt	1,48,581	1,79,309	2,20,337	2,81,140	3,29,042
	GOI Loans	14,555	14,657	13,908	26,617	45,385*
Liabilities on Public Account		69,922	76,410	85,172	89,748	99,147
Off-budget Borrowings		13,173	14,862	18,103	18,421	16,682

	2017-18	2018-19	2019-20	2020-21	2021-22
Rate of growth of Outstanding debt (percentage)	11.26	15.84	18.33	23.23	10.53
GSDP	13,33,240	14,76,496	16,15,457	17,30,991	17,21,336
Debt/GSDP (per cent)	18.46	19.32	20.89	24.03	26.71*
Total Debt Receipts	25,122	41,914	50,459	84,528	80,641
Total Debt Repayments	8,269	11,083	10,180	11,016	13,972
Total Debt available	16,853	30,831	40,279	73,512	66,669
Ratio of Debt Redemption	79.97	57.54	51.17	35.63	53.84

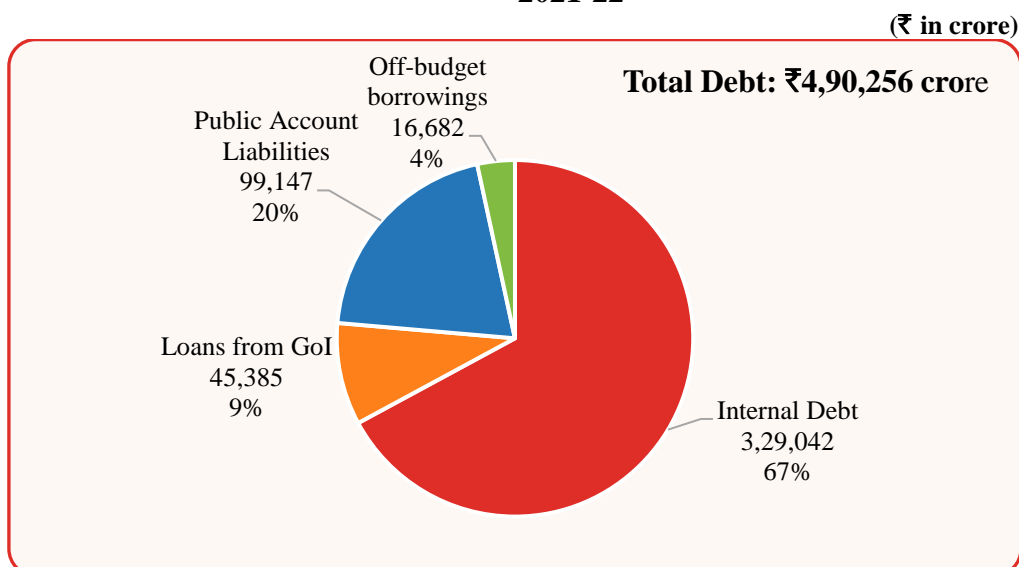
Source: Finance Accounts

*Effective Loans and Advances for GoI would be ₹14,869 crore as the Department of Expenditure, GoI had decided that GST compensation of ₹12,407 crore and ₹18,109 crore given to the State as back-to-back loan during 2020-21 and 2021-22 respectively under Debt Receipt would not be treated as debt of the State for any norms which may be prescribed by the Finance Commission.

Effective outstanding overall debt would be ₹4,59,740 crore as the Department of Expenditure, GoI has decided that GST compensation of ₹12,407 crore in 2020-21 and ₹18,109 crore in 2021-22 given to the State as back-to-back loan under debt receipts would not be treated as debt of the State for any norms which may be prescribed by the Finance Commission. From the **Table 2.32**, we noticed the following.

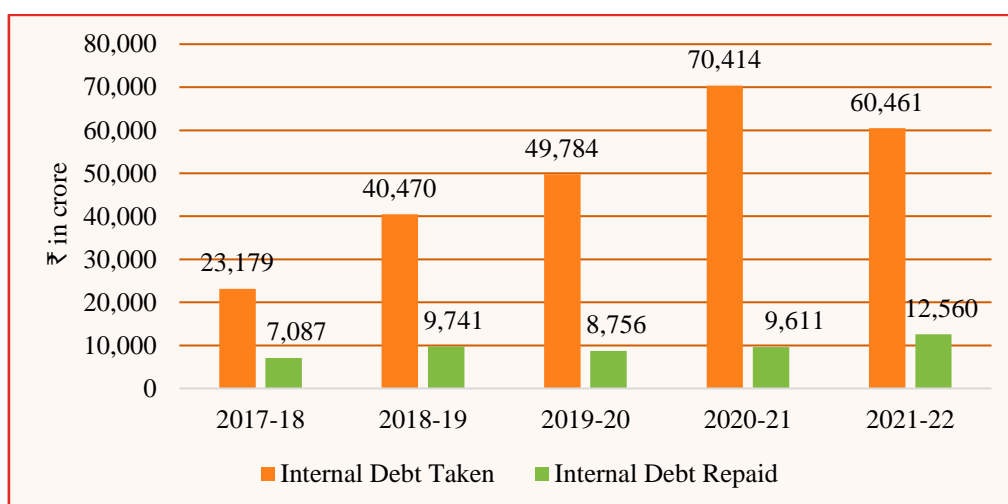
- The debt redemption ratio was in decreasing trend since 2018-19 and exceeded the KFRA (Debt/GSDP ratio) during 2021-22;
- During 2021-22 total debt available to the State decreased by ₹6,843 crore when compared to previous year. This was on account of decrease in internal public debt receipts as well as increase in repayment of debt.

Chart 2.15: Breakup of overall debt at the end of financial year 2021-22



Source: Finance Accounts.

Note: Effective Loans and Advances for GoI would be ₹14,869 crore as the Department of Expenditure, GoI had decided that GST compensation of ₹12,407 crore and ₹18,109 crore given to the State as back-to-back loan during 2020-21 and 2021-22 respectively under Debt Receipt would not be treated as debt of the State for any norms which may be prescribed by the Finance Commission. The effective outstanding debt would be ₹4,59,740 crore.

Chart 2.16: Internal Debt receipts vis-à-vis repayment

Source: Finance Accounts.

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 67.12 per cent (₹3,29,042 crore). Public Account liabilities account for 20.22 per cent, loans from GoI comprise 9.26 per cent and off-budget borrowings 3.40 per cent.

The internal debt which is a part of Consolidated Fund liabilities increased from ₹1,48,581 crore in 2017-18 to ₹3,29,042 crore in 2021-22, an increase of 121 per cent. The Loans and Advances from GoI showed an increase of two per cent from ₹14,555 crore in 2017-18 to ₹14,869 crore (excluding back to back loan of ₹30,516 crore received from GOI in lieu of GST compensation) in 2021-22 with inter-year variations.

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/ Boards. These Companies/ Corporations/ Boards 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). In the State, these are disclosed in the Budget Overview and also in the MTFPs.

The trend of OBB during 2017-18 to 2021-22 is detailed in **Table 2.33(a)**. Though State's OBB was in an increasing trend during the period 2017-18 to 2019-20, it saw a decreasing trend since 2020-21. During 2021-22, the OBBs decreased by ₹695 crore when compared to previous year.

In the State, the Government had been repaying the loans availed of by these Companies/ Corporations/ Societies including interest through regular budget provision under capital account. During 2021-22, Capital Expenditure of ₹52,083 crore included ₹4,089.27 crore towards servicing of principal amount of off-budget borrowings. The interest payment during the year was ₹1,292.26 crore. **Table 2.33** gives the entity-wise position of borrowings as at the end of 2021-22.

Table 2.33: Entity-wise position of off-budget borrowings

(₹ in crore)

Company/ Corporation/ Board	Outstanding off budget borrowing	Borrowings during 2021-22	Repayment during 2021-22		Closing Balance
			Principal	Interest	
Krishna Bhagya Jala Nigam Limited	7,601.86	500.00	1,849.72	535.01	6,252.14
Karnataka Neeravari Nigam Limited	3,723.55	1,150.00	1,200.74	259.02	3,672.81
Karnataka Road Development Corporation Limited	211.74	200.00	18.50	13.60	393.24
Rajiv Gandhi Rural Housing Corporation Limited	1,490.79	0.00	263.07	113.78	1,227.72
Cauvery Neeravari Nigam Limited	2,785.00	250.00	267.50	196.66	2,767.50
Visvesvaraya Jala Nigam Limited	1,951.43	250.00	394.28	131.30	1,807.15
Skill Development	657.00	0.00	95.46	42.89	561.54
Total	18,421.37	2,350.00	4,089.27	1,292.26	16,682.10

Source: Finance Accounts

All the seven entities mentioned in the above table do not have their own source of revenue and are incurring losses. The cumulative loss of these companies are around ₹10,332.89 crore.

Taking into account the OBBs of the State, the total liabilities at the end of March 2022 worked out to ₹4,90,256 crore. The rate of outstanding liabilities (including OBBs) to GSDP works out to 26.71 per cent at the end of the year, which was excluding back-to-back loan of ₹30,516 crore received from GoI in lieu of GST compensation. Often, the State Government encouraged the entities to take loans to implement Government's own scheme as they do not attract adverse scrutiny for breach of the limits placed on fiscal deficit or on outstanding debt. The position of the fiscal deficit and outstanding debt to GSDP of the State for the year 2017-18 to 2021-22 is indicated below.

Table 2.33 (a) :-Impact of Off Budget Borrowing on Fiscal Indicators

Year	GSDP	Off Budget Borrowing	Fiscal Deficit	Fiscal Deficit + Off Budget Borrowing	Fiscal Deficit/ GSDP	(Fiscal Deficit + Off Budget Borrowing)/ GSDP	Outstanding debt/GSDP
2017-18	13,33,240	3,500.23	31,101	34,601	2.33	2.59	18.46
2018-19	14,76,496	3,523.65	38,442	41,966	2.60	2.84	19.32
2019-20	16,15,457	4,435.49	38,166	42,601	2.36	2.64	20.89
2020-21	17,30,991	3,045.10	67,098	70,143	3.38	4.05	24.03
2021-22	17,21,336	2,350.00	66,036	68,386	3.84	3.97	26.71

However, in the State it can be seen that in almost all the years the fiscal indicators are well within the prescribed limits and the OBBs form part of the budget documents. In this scenario the State can avail these OBB as part of State's borrowings thereby cleaning up its extra budgetary borrowings.

The XV FC has opined that these are implicit contingent liabilities, outside the framework of standard guarantee that can eventually devolve heavily on State Government. Hence, it was recommended to observe strict discipline by resisting

further additions to the stock of off-budget borrowing as it is against the norm of fiscal transparency and detrimental to fiscal sustainability. Further, it was stated that these obligations need to be cleared in time bound manner. But it has recommended that the resources for clearing should not be from the regular inflow of tax and non-Tax but additional resources should be mobilized by the Government. This could include monetization of assets.

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 2.34**. 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 2.34: Components of fiscal deficit and its financing pattern
(₹ in crore)

Sl. No.	Particulars	2017-18	2018-19	2019-20	2020-21	2021-22
	Composition of Fiscal Deficit	(-) 31,101	(-) 38,442	(-) 38,166	(-) 67,098	(-) 66,036
1	Revenue Surplus/Deficit	4,518	679	1,185	(-)19,338	(-)13,666
2	Net Capital Outlay	30,663	34,665	35,485	45,361	47,868
3	Net Loans and Advances	4,956	4,456	3,866	2,399	4,082
4	Appropriation to Contingency Fund	-	-	-	-	420
Financing pattern of Fiscal Deficit*						
1	Market Borrowings	17,348	32,183	42,499	61,900	49,000
2	Loans from GoI	761	103	(-)749	12,709	18,767
3	Special Securities issued to NSSF	(-)1,573	(-)1,595	(-)1,628	(-)1,628	(-)1,628
4	Loans from Financial Institutions	316	141	156	531	529
5	Small Savings, PF etc.	2,812	3,292	4,156	3,632	3,522
6	Deposits and Advances	1,833	3,068	3,174	(-)685	2,808
7	Suspense and Miscellaneous	(-)1,509	(-)6,087	(-)1,364	(-)2,921	(-)153
8	Remittances	(-)76	(-)40	(-)347	(-)35	(-)133
9	Reserve Funds	3,019	3,197	4,728	6,275	9,173
10	Overall Deficit	22,931	34,262	50,625	79,778	81,885
11	Appropriation to Contingency Fund	-	-	-	-	420
12	Increase(-)/Decrease(+) in cash balance	8,170	4,180	(-)12,459	(-)12,680	(-)16,269
13	Gross Fiscal Deficit	31,101	38,442	38,166	67,098	66,036

Source: Finance Accounts

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

The State had attained revenue surplus since 2004-05 and the surplus on revenue account along with market borrowings, loans from GoI etc., were utilised to finance capital expenditure. However, since 2020-21, State witnessed Revenue deficit due to COVID-19 pandemic, which resulted in utilisation of borrowing towards Revenue Expenditure. There was increase in market borrowing loans from GoI, Deposits and Advances and Reserve Funds and decrease in Small Savings, PF etc., Suspense and Miscellaneous balances which comprised transactions relating mainly to cheques and bills over the previous year. The financing pattern of fiscal deficit for the year 2021-22 is shown in **Table 2.35**.

Table 2.35: Receipts and Disbursements under components financing the fiscal deficit during 2021-22

(₹ in crore)				
Sl.No.	Particulars	Receipt	Disbursement	Net
1	Market Borrowings	58,999.96	10,000.00	48,999.96
2	Loans from GoI	20,179.38	1,411.75	18,767.63
3	Special Securities issued to NSSF	-	1,627.92	(-)1,627.92
4	Ways and Means advances from RBI	-	-	-
5	Loans from Financial Institutions	1,461.46	931.88	529.58
6	Small Savings, PF etc.	8,881.95	5,360.16	3,521.79
7	Deposits and Advances	73,546.49	70,738.26	2,808.23
8	Suspense and Miscellaneous	2,33,480.36	2,33,633.44	(-)153.08
9	Remittances	(-)1.09	131.82	(-)132.91
10	Reserve Fund	12,405.51	3,232.74	9,172.77
11	Overall Deficit	4,08,954.02	3,27,067.97	81,886.05
12	Increase/Decrease in cash balance	47,143.18	63,412.36	(-)16,269.18
13	Appropriation to Contingency Fund	420	-	420
14	Gross Fiscal Deficit	4,56,517.20	3,90,480.33	66,036.87

Source: Finance Accounts

During 2021-22, the major contributors for financing the fiscal deficit are through Market Borrowings and Loans from GoI.

2.7.3 Debt profile: Maturity and Repayment

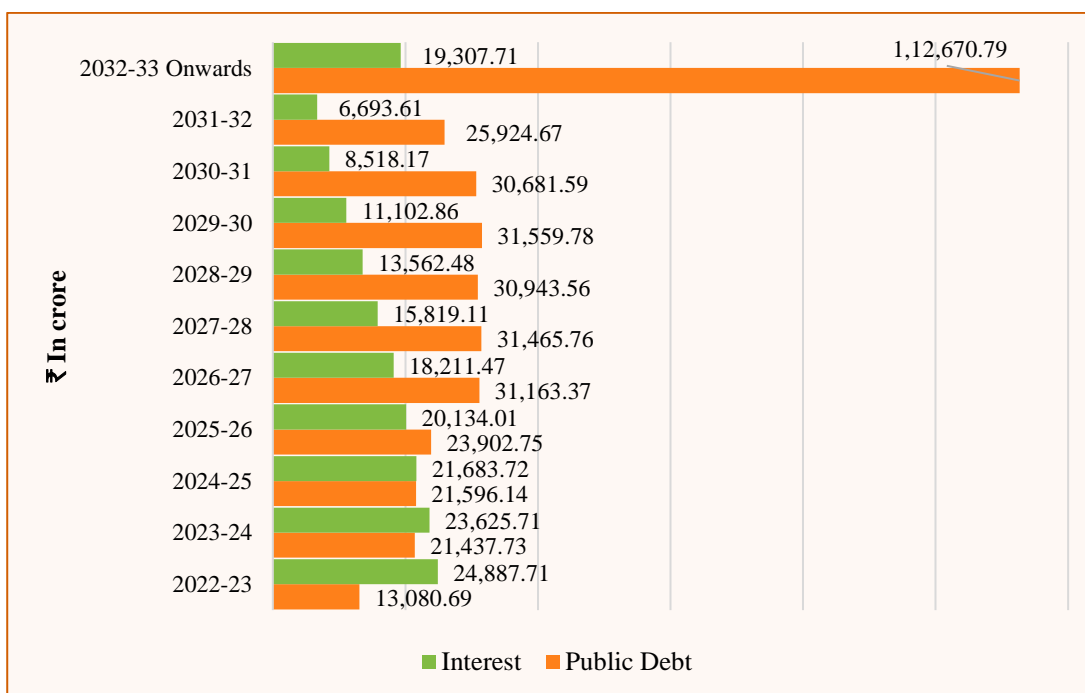
Debt maturity and repayment profile indicates commitment on the part of the Government for debt repayment or debt servicing. The repayment of Principal and Interest (variable) of the outstanding Public debt is shown in **Table 2.36 and Chart 2.17**.

Table 2.36: Maturity profile of Public Debt

Year of Maturity	Amount		
	Public Debt	Interest	Total
2022-23	13,080.69	24,887.71	37,968.40
2023-24	21,437.73	23,625.71	45,063.44
2024-25	21,596.14	21,683.72	43,279.86
2025-26	23,902.75	20,134.01	44,036.76
2026-27	31,163.37	18,211.47	49,374.84
2027-28	31,465.76	15,819.11	47,284.87
2028-29	30,943.56	13,562.48	44,506.04
2029-30	31,559.78	11,102.86	42,662.64
2030-31	30,681.59	8,518.17	39,199.76
2031-32	25,924.67	6,693.61	32,618.28
2032-33	11,263.28	4,978.61	16,241.89
2033-34	12,726.10	4,201.93	16,928.03
2034-35	11,217.45	3,301.85	14,519.30
2035-36	8,181.43	2,502.41	10,683.84
2036-37	8,057.51	1,955.04	10,012.55
2037-38 on wards	61,225.02	2,367.87	63,592.89
Total	3,74,426.83	1,83,546.56	5,57,973.39

Source: Finance Accounts

Chart 2.17: Maturity profile of Public Debt



The maturity profile of the Public Debt as on 31 March 2022 indicates that out of the outstanding public debt of ₹3,74,426.81 crore, 29.70 per cent belongs to the maturity bracket of 1-6 years (₹1,11,180.67 crore) and 40.21 per cent (₹1,50,575.36 crore) in the maturity bracket of 6-10 years and 30.09 per cent (₹1,12,670.78 crore) in the maturity bracket of more than ten years. The State has acknowledged that even though the additional borrowing was necessary for the State to meet its expenditure component, it would burden the State with debt repayment in the near future. Even though FMRC has suggested to reduce its committed expenditure, with the committed expenditure being a major share in the share of expenditure, the raising debt level would eventually result increasing its interest payments which is part of committed expenditure. As seen from the **Table 2.36**, upto year 2025-26, the repayment of interest exceeds the principle. In the next two years, though it is decreasing, it is more than 50 per cent of the principle.

2.8 Debt Sustainability Analysis

Public Debt of the Government refers to all financial liabilities of the Government, irrespective of whom they are owned. Debt is considered sustainable if 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 and burden of interest payments (measured by ratio of interest payments to Revenue Receipts).

Table 2.37 indicates the time series data on different variables and the debt sustainability of the State according to these indicators for the five-year period beginning from 2017-18.

Table 2.37: Trends in Debt Sustainability indicators

Debt Sustainability Indicators	2017-18	2018-19	2019-20	2020-21	2021-22
Outstanding Public Debt* (₹ in crore)	1,63,136	1,93,966	2,34,245	3,07,758	3,74,427**
Rate of growth of Outstanding Public Debt (per cent)	11.52	18.90	20.77	31.38	11.75
GSDP (₹ in crore)	13,33,240	14,76,496	16,15,457	17,30,991	17,21,336
Rate of growth of GSDP (per cent)	10.40	10.74	9.41	7.15	(-)0.56
Debt/GSDP (per cent)	10.40	10.74	9.41	7.15	19.98
Fiscal Deficit/GSDP (per cent)	2.33	2.60	2.36	3.88	3.84
Interest Payment (₹ in crore)	14,973	16,614	19,903	23,433	26,276
Average interest rate on Outstanding public debt (per cent)	7.64	7.30	7.30	7.05	6.74
Interest payments to Revenue Receipts percentage	10.18	10.07	11.34	14.95	13.42
Percentage of Debt repayment to Debt Receipt	32.92	26.44	20.17	13.03	22.34
Net Debt available to the State (₹ in crore)	16,853	30,831	40,279	41,946	26,593#
Net Debt available as per cent to Debt Receipts	67.08	73.56	79.82	58.16	42.53
Debt Stabilisation (Quantum Spread ¹⁹ + Primary Deficit)	(-)11,121.33	(-)13,680.96	(-)13,635.33	(-)32,368.09	(-)64,865.50

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 and does not include back-to-back loans received from GoI as GST compensation.

^The back-to-back Loan (₹30,516 crore) received from GoI in lieu of GST compensation has not been considered as Debt for working out the indicator.

** Includes ₹30,516 crore of back to back loans received in lieu of GST compensation during 2020-21 and 2021-22.

Effective outstanding public debt for 2020-21 and 2021-22 would be ₹2,95,351 crore and ₹3,43,911 crore respectively. As the Department of Expenditure, GoI had decided that GST compensation of ₹12,407 crore in 2020-21 and ₹18,109 crore in 2021-22 given to the State as back-to-back loan under debt receipts would not be treated as debt of the State for any norms which may be prescribed by the Finance Commission. The outstanding public debt of the State have increased from ₹1,63,136 crore to ₹3,74,427 crore.

¹⁹ 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. If the Quantum Spread together with primary deficit is zero, debt-GSDP ratio would be constant, or debt would stabilize eventually. If it is negative, debt-GSDP would be rising and in case if it is positive, debt-GSDP would eventually tally.

The fiscal consolidation roadmap recommended by the XIV and XV FC had set the following targets relating to debt sustainability for the year 2017-18 to 2021-22.

- Debt-GSDP ratio should be less than 26.22 and 32.60 *per cent* respectively.
- Fiscal Deficit to GSDP should be less than 3.25 (upto 2019-20) and four (upto 2024-25) *per cent* respectively and

An analysis of the **Table 2.37**, in the five-year period from 2017-18 to 2021-22 revealed that due to negative growth in GSDP when compared to previous year, the Fiscal deficit and total liabilities as a percentage of GSDP in the year 2021-22 has increased. Further, the following has also been observed:

- The ratio of Debt to GSDP has been stable and well below the 26.22 *per cent* and 32.60 *per cent* recommended by XIV FC and XV FC respectively. However, it exceeded the target ceiling for debt of 25.00 *per cent* as per KFRA;
- Fiscal Deficit to GSDP ratio is stable and well below the XIV FC and XV FC recommendation during 2016-17 to 2020-21;
- The ratio of interest payment to Revenue Receipts during 2017-18 to 2021-22 is in an increasing trend between 10.07 and 14.95 *per cent*. The increase in ratio indicates the interest burden on Revenue Receipts
- The growth rate of outstanding public debt is higher than the GSDP growth, indicating higher debt to GSDP ratio. Due to negative growth in GSDP when compared to previous year, public debt as a percentage of GSDP in the year 2021-22 has increased;
- The percentage of public debt repayment to Public debt receipts during 2017-18 to 2021-22 is between 13.03 and 32.92 *per cent*. The ratio which was least in 2020-21 mainly due to increase in public debt receipts saw an increase and was 27.69 *per cent* during 2021.22. This was mainly due to increase in repayment as well as decrease in availing borrowings when compared to previous year. Decrease in net debt available to the State was mainly due to decrease in receipts under internal debt. The internal debt which had increased from ₹40,470 crore in 2018-19 to ₹49,473 crore in 2019-20 and to ₹70,414 crore (excluding back to back loan of ₹12,407 crore) in 2020-21 decreased to ₹60,462 crore (excludes back to back loan of ₹18,109 crore) during 2021-22.
- 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. However, during 2021-22, though this was tremendous growth in Revenue Receipts, it was not sufficient to cover the Revenue Expenditure. As a result, part of the borrowed funds were utilised towards Revenue Expenditure. The details of utilisation of borrowed funds during the period 2017-18 to 2021-22 are given in **Table 2.38**.

Table 2.38: Utilisation of borrowed funds

(₹ in crore)						
Sl. No	Year/Particulars	2017-18	2018-19	2019-20	2020-21	2021-22
1	Total Borrowings	25,122	41,914	50,459	84,528*	80,641*
2	Repayment of earlier borrowings (Principal)	8,269	11,083	10,180	11,016	13,972
3	Net Capital Outlay	30,663	34,665	35,485	45,361	47,868
4	Net Loans and Advances	4,956	4,456	3,866	2,399	4,082
5	Net availability of borrowed funds (5=1-2-3-4)	(-)18,766	(-)8,290	928	25,752	14,719

Source: Finance Accounts

* During 2020-21 and 2021-22, total borrowings are inclusive of Back to Back loan. GoI had decided that GST compensation of ₹12,407 crore and ₹18,109 crore given to the State as back-to-back loan during 2020-21 and 2021-22 respectively under Debt Receipt would not be treated as debt of the State for any norms which may be prescribed by the Finance Commission.

From the above Table, it is noticed that for the period 2017-18 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. During 2020-21 and 2021-22, due to GST compensation of ₹12,407 crore and ₹18,109 crore respectively released as back to back loans, there was increase in net availability of borrowed funds. Further, as the State witnessed Revenue Deficit, the portion of the borrowings during 2020-21 and 2021-22 was utilised towards Revenue Expenditure.

Finance department in its reply (January 2023) stated that borrowings are based on actual requirements.

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 2.39**.

Table 2.39: Guarantees given by the State Government

(₹ in crore)						
Guarantees	2017-18	2018-19	2019-20	2020-21	2021-22	
Maximum amount guaranteed to the end of 31 March of the year	24,025	30,719	35,694	45,104	49,467	
Outstanding amount of guarantees including interest at the end of the year	18,416	24,091	26,830	32,733	33,192	

Source: Finance Accounts

The outstanding guarantees on 1 April of each year were within the prescribed limit. The outstanding guarantees amounting to ₹33,192 crore at the end of the

year 2021-22 (principal + interest) included guarantees extended to 152 institutions/ companies under various sectors²⁰.

Against the total estimated guarantee commission of ₹565.39 crore receivable as reported by the State Government, only ₹329.41 crore was received during 2021-22. The guarantee commission received includes book adjustment made by the State Government towards the guarantee commission payable to it by different entities by way of subsidies/grants-in-aid/financial assistance.

As per the recommendation of XII FC the State Government had setup guaranteed Redemption Fund in 1999-2000 with a corpus of ₹one crore. However, since there are no transaction the PAC in its report recommended (July 2015) that suitable efforts should be made to operate and continue the Guarantee Reserve Fund. Though State provided ₹50 crore in 2020-21 and 2021-22 for the operation of the Guarantee Reserve Fund, no expenditure was incurred. Hence, the fund remained inoperative.

2.8.3 Management of Cash Balances

As per an agreement with the Reserve Bank of India (RBI), State Government has to maintain a minimum daily cash balance of ₹2.63 crore 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 limits for ordinary WMA to the State Government are revised by the RBI from time to time.

- The RBI grants Normal and Special Ways and Means Advances. Limit for Normal Ways and Means Advances to the State was raised from ₹1,985 crore which was with effect from 01 February 2016 to ₹3,176 crore during April 2020. 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 2021-22, the State Government had not availed ²¹any over drafts or ways and means advances from RBI as it maintained a balance far more than the prescribed minimum balance required during the entire year.
- 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 2021-22.

²⁰ Irrigation (₹14,495 crore), Co-operation (₹1,208 crore), Finance (₹1,026 crore), Power (₹12,970 crore), Housing (₹2,003 crore), Transport (₹608 crore) and other sectors (₹785 crore)

²¹ As per the annexure to Statement Number 2, Finance Accounts Vol 1.

Table 2.40: Cash Balances and their investment

(₹ in crore)

	Opening balance on 1 April 2021	Closing balance on 31 March 2022
A. General Cash Balance		
Cash in treasuries	-	-
Deposits with Reserve Bank of India	1,583.33	1,518.39
Deposits with other Banks	-	-
Remittances in transit – Local	0.01	0.01
Sub Total	1,583.34	1,518.40
Investments held in Cash Balance Investment Account	21,744.33	31,973.89
Total (A)	23,327.67	33,492.29
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	3.18	3.55
Investment of Earmarked funds	23,810.24	29,914.43
Total (B)	23,815.51	29,920.07
Total (A+B)	47,143.18	63,412.36
Interest realised	627.42	899.44

Source: Finance Accounts

Cash with treasuries/departments, Deposits with RBI and Remittance in transit form cash and cash equivalent. 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 ₹29,914.43 crore in earmarked funds, ₹8,600 crore was invested in the Consolidated Sinking Fund, ₹21,289 crore in Development and Welfare Funds and balance was invested in General and Other Reserve Funds (₹25 crore).

The increase in the General cash balance was 44 per cent over the previous year. The General cash balances of the State Government at the end of the year increased significantly by ₹10,164.62 crore from ₹23,327.67 crore in 2020-21 to ₹33,492.29 crore in 2021-22.

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 ₹899 crore during 2021-22 with an average interest rate of 1.17 per cent for 14-day Treasury bills and 3.46 per cent for 91-day Treasury bills against an average rate of 6.38 per cent per annum at which the borrowings were made.

The cash balance investments of the State during the five-year period 2017-18 to 2021-22 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
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

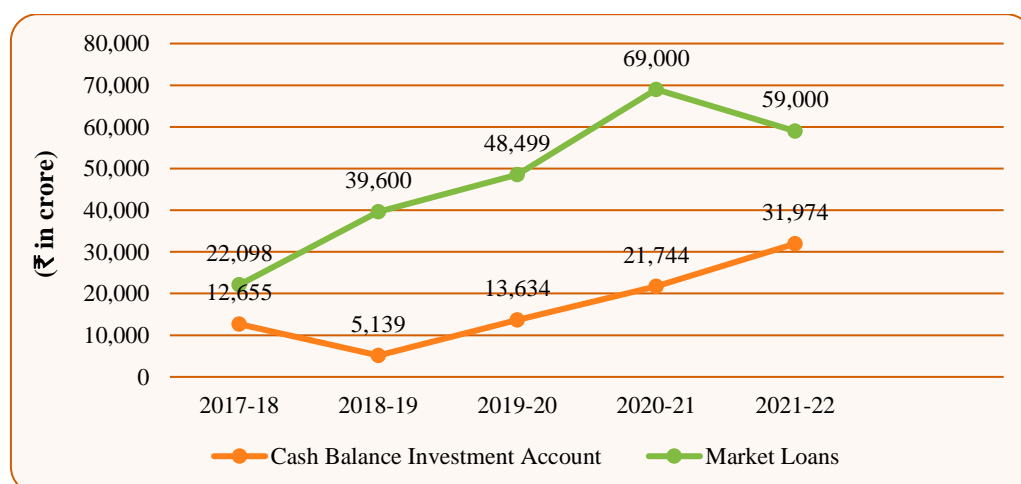
Year	Opening Balance	Closing Balance	Increase (+)/ Decrease(-)	Interest earned
2019-20	5,139.28	13,634.21	8,494.93	535.10
2020-21	13,634.21	21,744.33	8,110.12	627.42
2021-22	21,744.33	31,973.89	10,229.56	899.44

Source: Finance Accounts

The trend analysis of the cash balance investment of the State Government during 2017-18 to 2021-22 revealed that investment increased significantly from 2019-20 to 2021-22.

Chart 2.18 compares the balances available in the Cash Balance Investment Account and the Market Loans raised by the State during the period 2017-18 to 2021-22. 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 Investment Account

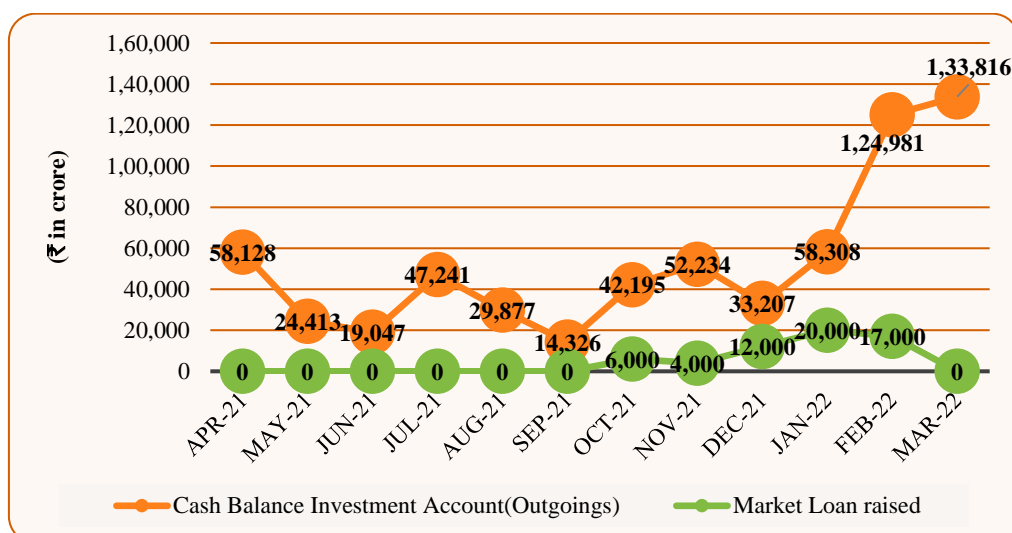


Source: Finance Accounts.

From the **Chart 2.18**, it is evident that during the last three years *i.e.*, 2019-20 to 2021-22, there was increase in Cash Balance Investment Account, which is attributable to the balances remaining out of the borrowings. In view of the increasing cash balances year after year, the State Government instead of resorting to market loans at higher rate could optimally utilise the available cash balance to meet its expenditure liabilities. Such prudent cash management might reduce the debt burden in the near future.

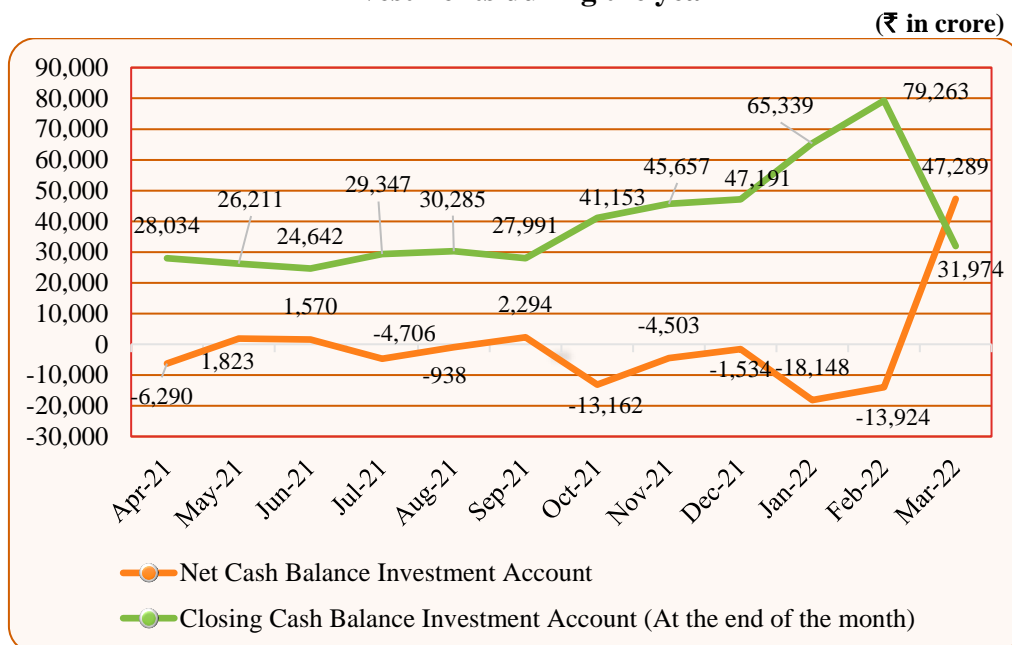
Chart 2.19 also compares the outgoings of Cash Balance Investment Account with the Market Loans obtained by the State. **Chart 2.20** compares month-wise movement of Cash balances and net Cash Balance Investments during the year.

Chart 2.19: Month wise movement of Cash Balance Investment Account (Outgoings) and market loans during 2021-22



Source: Office of the AG(A&E).

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



Source: Office of the AG(A&E).

The State Government in its MTFP 2022-26 stated that it opted for open market borrowings based on the expenditure requirement, cash availability and debt repayment profile. Hence, in 2021-22, it stated that the State availed borrowing from 3rd quarter to meet the regular expenditure commitments.

Finance department in its reply (January 2023) while acknowledging that it has maintained a cash balance of ₹12,169 crore and has invested ₹20,000 crore in 91 days Treasury bills at the end of the FY 2021-22, stated that second wave impact of covid pandemic resulted in decrease in State's own revenue collections in first quarter of 2021-22 and to manage the committed liabilities of the State, it was necessary for the State to maintain sufficient cash balance atleast to clear the liabilities for a month. Hence, ₹20,000 crore was invested in treasury bills.

Requirement of buffer of ₹20,000 crore was not acceptable as seen from the Revenue receipts and Revenue Expenditure for the month of April and May 2021, there was an excess expenditure of around ₹3,500 crore which could have been met out of the cash balance threshold of previous year itself.

2.9 Conclusion and Recommendations

State's own resources

While the State Government registered an increase of 24.92 *per cent* in its Revenue Receipts during 2021-22, when compared to previous year, it showed growth rate of 11.58 *per cent* when compared to 2019-20. The growth rate of Revenue Receipts was on an increasing trend except during 2019-20 and 2020-21 due to Covid 19 pandemic lockdown. own-Tax revenue contributed major part (62 *per cent*) of the Revenue Receipts of the State and the ratio of State's tax revenue to GSDP increased when compared to 2020-21. The State witnessed a growth rate in non-Tax revenue (49.19 *per cent*) during 2021-22. Despite considerable increase in own-Tax and non-Tax Revenue during the current year, the State witnessed a revenue deficit of ₹13,666 crore.

Recommendation: The State Government should put a significant thrust through regular and periodical monitoring of the revenues which were either falling in full arrears or were short-realised thereby ensuring that the KFRA target of attaining Revenue Surplus can be achieved.

Revenue expenditure

During 2021-22, there was increase in the Revenue Expenditure under the social sector over the previous year (29 *per cent*) and the share of expenditure on social services to total revenue expenditure also increased from 35 *per cent* in 2020-21 to 38 *per cent* in 2021-22. The growth in expenditure on economic services increased by 16 *per cent* during 2021-22.

Eighty *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.

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. It may look into rationalizing expenditure by implementing the recommendation of Karnataka Administrative Reform Commission 2.

Quality of expenditure

The share of capital expenditure (including Loans and Advances) to total expenditure was 20 *per cent* during the current year. Funds aggregating ₹4,087 crore were locked up in incomplete projects at the end of 2021-22.

The return from investment of ₹70,657 crore as of 31 March 2022 in Companies/Corporations was negligible (₹349.77 crore). The investment included ₹42,194 crore (60 *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

During the year, Green Tax and Road Safety collections of ₹13.84 crore and ₹91.31 crore respectively was not transferred to fund account. Against the requirement of 10 per cent of receipts to be transferred to National Compensatory Afforestation Fund(NCAF), entire receipts were accounted for and transferred to NCAF . Due to this incorrect accounting procedure, the State had transferred SCAF receipts amounting to ₹347.13 crore to NCAF, which should have been accounted in SCAF.

Recommendations: Rules with regard to administration and investment pattern of various reserve funds are required to be framed. In addition, action to initiate/maintain proper accounting of Compensatory Afforestation Fund should be put in place in Khajane-2 application so that the State's dues are retained in the State Government's Accounts only.

Debt sustainability

Open Market Borrowings had a major share (68 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) is in an increasing trend and is 13.42 per cent during 2021-22. The net debt available to the State during 2021-22 (₹26,593 crore) decreased by 36.6 per cent when compared to the previous year.

Recommendations: As reviewed by FMRC, the State Government needs to make medium term corrections on the expenditure side to moderate committed expenditure and simultaneously mobilize State revenues to bring down the debt level.

Position of Cash Balance

The cash balance (including investment of Earmarked funds and deposits with RBI) of the State at the end of the year increased by 35 per cent over the previous year.

Recommendations: Maintaining idle cash balance is not prudent cash management. Hence, Government needs to borrow based on its requirement.

Chapter – 3

Budgetary Management

Chapter 3 - Budgetary Management

3.1 Introduction

Effective financial Management ensures decisions taken at the policy level are implemented successfully at the administrative level without wastage or diversion of funds. 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.

3.2 Budget Process

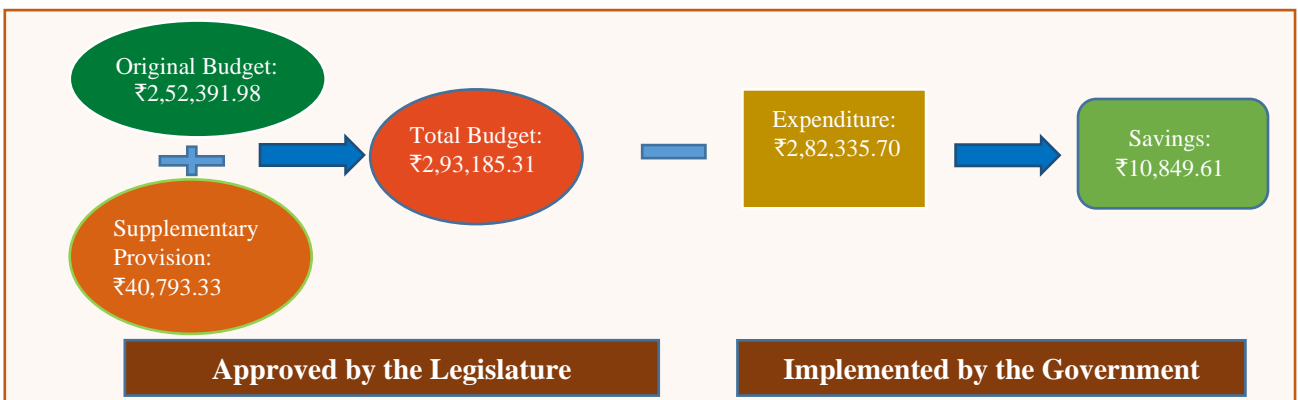
The Karnataka Budget Manual (KBM) prescribes the procedure to be followed for preparation of budget estimates and subsequent action relating to authorization of expenditure. The Budget is prepared by the Finance Department on the basis of the proposals received from the Heads of the departments. The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

- 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 2021-22 is depicted in **Chart 3.1**.

Chart 3.1 Summary of Budget and Expenditure of Karnataka for 2021-22
(₹ in crore)



3.3 Gender Budgeting in Karnataka

Gender Budget is considered worldwide as a significant policy tool to promote, directly or indirectly, various indicators and indices relating to gender development through allocation of budgetary resources on programmes and schemes. The gender indicators point towards the need for targeted or desired attainment levels to eliminate or reduce gender gaps and gender inequalities, especially in areas like health, education, empowerment, protection, participation *etc.*

A Gender Budgeting Statement was introduced for the first time as a part of the expenditure budget in the Union in the year 2005-06. GoK is placing the Gender Budget document in the Legislature since 2007-08. A Gender Budget Cell in the Fiscal Policy Institute prepares the Gender Budget in co-ordination with various departments, non-Government Organizations 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.

In the SFAR of the C&AG for the year ending March 2020 (Paragraph 3.3), a review of Gender Budgeting in Karnataka was taken up and the audit findings on planning and formulation of policy, analysis of Gender budget documents, Gender Budgeting Processes were brought out in detail. The Finance Department replied that the issues brought out in the report would be examined and the action would be taken thereof.

The total allocation earmarked for women across different departments for the period 2017-18 to 2021-22 under Category A (women specific schemes with 100 *per cent* allocation) and Category B (pro-women schemes with allocations more than 30 *per cent* and less than 100 *per cent*) along with their percentage to total allocation is indicated in **Table 3.1**.

Table 3.1 – Category-wise allocation during 2017-18 to 2021-22

(₹ in crore)

Year	Budget Provision (Original)	Total Category 'A' allocation	Total Category 'B' allocation	30 <i>per cent</i> of Category 'B' allocation	Percentage of Category 'A' to total allocation	Percentage of Category 'B' to total allocation
2017-18	1,94,917.19	5,901.83	82,156.54	24,646.96	3.03	12.64
2018-19	2,24,110.77	6,049.41	95,975.37	28,792.61	2.70	12.85
2019-20	2,40,745.86	5,100.95	1,20,868.97	36,260.69	2.12	15.06
2020-21	2,44,733.57	4,732.34	1,10,170.20	33,051.06	1.93	13.50
2021-22	2,52,391.98	5,415.17	1,30,178.14	39,053.44	2.15	15.47

Source: Gender Budget

From the above table it is evident that percentage of the Category 'A' allocation to total allocation showed decreasing trend up to 2020-21, but there was an increase in 2021-22. Though there was increase in allocation when compared to previous year, the allocation was almost at par with 2019-20 allocation.

3.4 Child Budget

The Child Budget Statement (CBS) is policy tool to identify and classify the allocations and expenditure on children (0-18 years) within the annual budget of GoK. This statement gives information on how much budgetary resource is allocated and spent on child development programme in various departments of the State. GoK decided (August 2019) to prepare the CBS from the Financial Year 2020-21 onwards.

The allocation and expenditure in the different categories of Child Centric Programmes /Schemes during 2020-21 and 2021-22 are shown in the **Table 3.2**. The Table also indicates the percentage of allocation of Child Centric Programmes to total budget allocation (Original) of ₹2,44,733.57 crore during 2020-21 and ₹2,52,391.98 crore during 2021-22.

Table 3.2: Details of allocation under Child Centric Programme/Schemes
(₹ in crore)

SI No.	Category	Allocation		Expenditure		Percentage of Allocation to total Budget allocation	
		2020-21	2021-22	2020-21	2021-22	2020-21	2021-22
1	100% Child Centric Programme	11,881.94	12,402.13	10,321.61	12,071.41	4.86	4.91
2	Less than 100% Child Centric Programme	18,892.79	18,433.01	16,950.08	17,065.39	7.72	7.30
3	100% Child Centric Non-programme	15,421.42	18,917.05	13,869.29	18,757.53	6.30	7.50
4	Less than 100% Child Centric Non-programme	4,888.13	9,711.88	4,418.79	9,590.56	2.00	3.85
Total		51,084.28	59,464.07	45,559.77	57,483.89	20.87	23.56

Source: Grant Register

As seen from the table, there is an increase in allocation under all categories except programmes less than 100% Child Centric Programme when compared to previous years. Despite the focus on Child Budget, the Child Centric allocation as a *per cent* of GSDP was only 2.83 and 3.45 *per cent* during 2020-21 and 2021-22 respectively.

The category wise/department wise budget allocation and expenditure during 2021-22 are shown in **Appendix 3.1**.

It is pertinent to mention that several deficiencies were observed in one of the schemes for Women and Child Welfare, which was featured in the C&AG's Compliance Audit Report for the year ended March 2021, GoK, wherein the Department of Women and Child Welfare failed to productively implement the hostel facilities for working women with children day care facilities. The observations included absence of action plan, non-allotment of hostels, non-construction of the hostels, deficiencies in infrastructure facilities, accessibility issues *etc.* The programme mentioned above for women and child welfare is a one off case and the Government should proactively look into other such schemes where

the intended benefits could not be extended to the targeted women and child beneficiaries. Unless the provisions and allocations for gender and child budgeting are translated into effective implementation of the schemes followed by robust monitoring mechanism, the entire objective of gendering budgeting would remain defeated.

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. Expenditure in 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 Accounts²².

3.5.1 Summary of total provisions, actual disbursements and savings during 2021-22

The summarised position of budget provision including supplementary budget, actual expenditure and savings/excess during 2021-22 under 29 grants/appropriation with its further bifurcation into revenue/capital and voted/*charged* is given in **Table 3.3**.

Table 3.3: Summarized position of actual expenditure *vis-à-vis* original/supplementary provision

(₹ in crore)

Nature of expenditure		Original grant/ Appropriation	Supplementar y grant/ Appropriation	Total	Actual expenditure	Unspent Provision (-) / Excess over provision (+)	Amount surrendered	Amount surrende red on 31 March	Per cent of savings surrender ed on 31 March
Voted	I Revenue	1,59,578.56	30,672.79	1,90,251.35	1,82,498.21	(-)7,753.14	4,478.14	4,478.14	100
	II Capital	40,260.49	8,258.14	48,518.63	46,717.27	(-)1,801.36	360.89	360.89	100
	III Loans and Advances	3,279.26	1,768.13	5,047.39	5,029.46	(-)17.93	13.13	13.13	100
	Total Voted	2,03,118.31	40,699.06	2,43,817.37	2,34,244.94	(-)9,572.43	4,852.16	4,852.16	100
Charg ed	IV Revenue	31,121.20	5.37	31,126.57	30,516.87	(-)609.70	479.17	479.17	100
	V Public Debt Repayment	14,564.78	0.00	14,564.78	13,971.54	(-)589.24	593.10	593.10	100
	VI Capital	3,587.69	88.90	3,676.59	3,602.35	(-)74.24	74.24	74.24	100
	Total Charged	49,273.67	94.27	49,367.94	48,090.76	(-)1,277.18	1,146.51	1,146.51	100
Grand Total		2,52,391.98	40,793.33	2,93,185.31	2,82,335.70	(-)10,849.61	5,998.67	5,998.67	100

Source: Appropriation Accounts

²² 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.

During the year 2021-22, as against the provision of ₹2,93,185.31 crore, expenditure of ₹2,82,335.70 crore was incurred resulting in the unspent provision of ₹10,849.61 crore (around four *per cent*) under 29 grants/appropriation.

3.5.2 Voted and Charged disbursements

Summarized position of Voted and *Charged* disbursements for the period from 2017-18 to 2021-22 is shown in **Table 3.4**.

Table 3.4: Voted and Charged disbursement for the period from 2017-18 to 2021-22

Year	Disbursements		Savings (percentage of savings)	
	Voted	Charged	Voted	Charged
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)
2020-21	2,03,425.05	39,269.44	21,330.51(11)	1,195.73(3)
2021-22	2,34,244.94	48,090.76	9,572.43(4)	1,277.18(3)

(₹ in crore)

Source: Appropriation Accounts

During the period 2017-18 to 2020-21, the unspent provision under voted section was more than 10 *per cent*. However, it reduced to four *per cent* in 2021-22. In the charged section the same was between two to six *per cent* during 2017-18 to 2021-22.

3.6 Audit of Appropriation

Audit of appropriation by the C&AG seeks to ascertain whether the expenditure actually incurred under various grants is in accordance with 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

(a) Discrepancy in depiction of budget provisions and wrong classification.

The Budget documents of the State Government for the year 2021-22 did not depict the budget provision and correct classification of expenditure in respect to the provision of ₹8.66 crore made under Grant No.12 for the scheme towards construction of various temples. The same classification 2250-00-103-5-12-103 was allotted to two different Grants (*i.e.* Grant No. 12 and 14) with same Scheme/Sub scheme under Major Head 2250. However, entire provision under Grant No. 12 was surrendered subsequently.

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 2021-22 audit, it was observed that ₹8,489.40 crore covering 21 grants under capital/revenue section (this is only illustrative), (**Appendix 3.2**) was released through 68 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.*, subsidies, major works, other expenses, general expenses, improvements, contract/outsourced *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 emergent cases (July 2015). However, it is observed that incurring the expenditure first without the authority of Legislature and later obtaining the approval in the supplementary demands was continuing despite the PAC's recommendations.

The details of additional amount released through the executive orders for the period 2019-20 to 2021-22 are shown in **Table 3.5**.

Table 3.5: Additional amounts released through executive orders during 2019-20 to 2021-22

(₹ in crore)			
Year	No. of grants covered	No. of cases	Amount
2019-20	19	78	3,518.84
2020-21	10	36	5,281.70
2021-22	21	68	8,489.40

Source: Appropriation Accounts

During 2021-22, the number of cases and the amount, where the additional amount released through executive orders showed an increase compared to the previous year. Drawing the amount through executive order and later obtaining the authority of the Legislature is not a good practice.

In reply to the State Finance Audit Report of the C&AG of India for the year ended 31 March 2021, Finance Department stated that subsidy to agricultural input, payment of examination fee, salary for outsourced/ contract employees cannot be postponed until approval of supplementary provision and hence release through Executive orders was inevitable. But since the details of number of contract employees employed are available, the process of budget estimate needs to be more strengthened.

3.6.2.2. Misclassification of capital expenditure as revenue expenditure and vice-versa

Misclassification of transactions as revenue/capital are characterised by lack of application of rules of classification of transactions under relevant heads.

Misclassification between revenue and capital expenditure has a bearing on revenue account and the fiscal indicator viz., revenue surplus/deficit.

- During 2021-22, revenue expenditure amounting to ₹87.98 crore were shown as capital expenditure even though the expenditure were of revenue in nature as detailed below.

Head of Account	Nature of expenditure	Amount (₹ in crore)
4202-01-201-1-07-200 Maintenance Expenditure	Maintenance and repair of toilets of primary and secondary schools	50.00
4070-00-800-0-07-132 Capital Expenses	Repair of pipelines, purchase of linens, clearing of debris etc., in the Government Guest houses	0.50
4202-01-203-2-01-180 Machinery and Equipment	Distribution of tablet PCs to the students coming under collegiate education and technical education department	23.78
5051-02-201-0-12-180 Machinery and Equipments	Payment of tug service rental bill of Karwar harbor	2.00
4210-04-107-2-01-180 Machinery and Equipment	Purchase of VTM kits	11.70

- Similarly, capital expenditure amounting to ₹47.57 crore were classified as revenue expenditure.

Head of Account	Nature of expenditure	Amount (₹ in crore)
2055-00-116-0-01-180 Machinery and Equipment	Purchase of Equipment for Ballari and Hubballi Regional Forensic Science Laboratory (RFSL)	7.50
2055-00-116-0-03-051 General Expenses	Setting up of Cyber Forensic Lab cum Training Centre towards implementation of CCPWC and other facilities under Nirbhaya Fund	35.07
2204-00-104-0-32-059 Other expenses	Construction of Gym and purchase of Gym Equipment	5.00

- As per IGAS-2, the grants-in-aid distributed by the granting institution to grantees shall be classified as revenue expenditure in the financial statement of the grantor irrespective of the purpose for which the funds were distributed. However, during 2021-22, it was noticed ₹181.00 crore which were in the nature of grants-in-aid were treated as capital expenditure which was contradictory to IGAS-2.

Head of Account	Institution	Nature of expenditure	Amount (₹ in crore)
4235-02-101-1-01-200 Maintenance expenditure	Samarthanam Trust	Construction of Vikalachetana Snehi Building at Hubli and Dharwad	1.00
4202-01-203-1-01-422 SCSP	Dr.BR Ambedkar school of Economics	For civil works in Dr.BR Ambedkar school of Economics	80.00

Head of Account	Institution	Nature of expenditure	Amount (₹ in crore)
5055-00-102-3-01-100 Financial Assistance	Bangalore Metropolitan Transport Corporation	Purchase of Buses	100.00

Finance department in its reply (January 2023) stated that the Transport Corporations give service to the public on behalf of Government. Hence, the assets owned by Corporations which are funded by Government actually belong to Government. Therefore, expenditures incurred towards the purchase of Buses for BMTC are also the capital assets of the Government. The reply is not acceptable as the funds was released as financial assistance under capital and not as capital expenses.

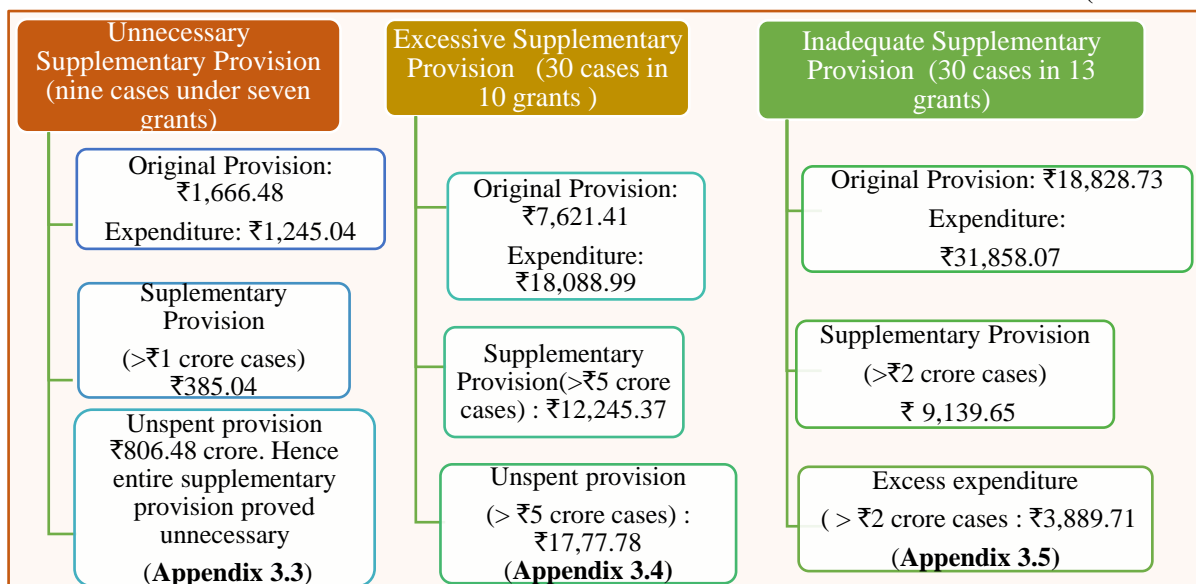
Finance department in its reply (January 2023) stated that Dr. B.R. Ambedkar School of Economics being a Government aided public body, the assets generated for such bodies are also the capital assets of the Government. The reply is not acceptable as the grants for creation of capital asset are released under revenue in respect of other government aided universities and the same analogy needs to be applied to the said institutions.

3.6.2.3 Unnecessary /Excessive/Inadequate supplementary grants

Test checked cases of supplementary provisions showed instances of unnecessary/excessive/inadequate provisions (**Appendix 3.3, Appendix 3.4. and Appendix 3.5**) as detailed in **Chart 3.2**.

Chart 3.2: Unnecessary/Excessive/Inadequate Supplementary provision*

(₹ in crore)



* Re-appropriation orders have not been considered for working out the unnecessary/ excessive/ inadequate supplementary provision.

From the above, it was noticed that there were instances where supplementary provision provided were unnecessary/excessive as original provisions were enough

to take care of the expenditure. Further, it was also noticed that under certain heads of accounts, the total provision including supplementary provision was insufficient resulting in excess expenditure.

In reply to the State Finance Audit Report of the C&AG of India for the year ended 31 March 2021, Finance Department stated that various changes occur subsequent to placement of supplementary estimates *viz.*, non filling of vacant posts, delay in completion of works *etc.*, which are beyond the control of department. Hence, the changes resulted in supplementary estimates becoming unnecessary, excessive and inadequate.

The State Government should ensure that supplementary estimates are made based on requirements, making it more realistic and place in the Legislature every year thereby ensuring that such Unnecessary/Excessive/Inadequate Supplementary do not recur.

3.6.2.4 Re-appropriation of funds

A grant or appropriation for disbursement is distributed by functional head/sub-head /detailed head/object head under which it is accounted for. 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 utilised in full or will result in unspent provision in the unit of appropriation.

During 2021-22, 708 re-appropriation orders for an amount ₹16,695.58 crore were issued, as against 464 re-appropriation orders for ₹5,531.05 crore issued during 2020-21. 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 2021-22, it was observed that there were cases of unnecessary/ excessive/inadequate re-appropriation of funds (**Appendix 3.6**) as detailed below:

- In 11 cases under eight grants, additional funds of ₹90.45 crore were provided through re-appropriation (cases more than ₹three crore) which proved unnecessary, as it resulted in unspent provision (cases more than ₹three crore) of ₹137.44 crore.
- In 20 cases under nine grants, additional funds (cases more than ₹three crore) of ₹1,258.69 crore provided were excessive resulting in unspent provision (cases more than ₹three crore) of ₹365.18 crore.
- In two cases under two grants, additional funds of ₹32.90 crore provided through re-appropriation (cases more than ₹one crore) were insufficient as it resulted in excess expenditure of ₹10.83 crore.

- In 18 cases, under one grant, injudicious withdrawal of ₹23.81 crore through re-appropriation, where the original provision itself was insufficient, resulted in excess expenditure of ₹23.79 crore.

The Finance Department has to monitor that all the Heads of the Departments follow the instructions issued by them in order to avoid unnecessary/excessive Re-appropriation of funds.

Finance Department in its reply (January 2023) stated that the re appropriations are made analyzing the demands of the departments. However, the savings in the funds remained due to changes at the fag end of the year.

(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 such grant, 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 2021-22, 49 re-appropriation orders for ₹8.00 crore (**Appendix 3.7**) were not accepted by AG (A&E) for the reasons like difference in budget provisions, Form 22A not self-balanced and insufficient balance.

3.6.2.5 Unspent provisions against allocation/large savings/surrenders

(a) Grants having large savings (savings above ₹100 crore and above) during 2021-22.

There were 25 cases of unspent provisions, each exceeding ₹100 crore and above under 20 grants/appropriation, which aggregated ₹10,070.32 crore. Large unspent provisions, *i.e.*, more than ₹500 crore were in the areas of Revenue Voted under Home and Transport, Rural Development and Panchayat Raj, Revenue, Education, Health and Family Welfare and Revenue Charged under Debt Servicing as indicated in the **Appendix 3.8**.

As per Rule 264 of the Karnataka Budget Manual (KBM), all savings anticipated by the Controlling Officers should be reported by them 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 furnished by the departments.

(b) Surrender of Savings

Rule 66(1) of GFR, 2017 states that departments are required to surrender all the anticipated unspent provision noticed in grants/appropriation controlled by them to Finance Department by the stipulated date. During 2021-22, there was total unspent provision of ₹10,849.61 crore which was around 3.70 *per cent* of the total provision. Out of this, the amount surrendered was ₹5,998.67 crore (55 *per cent*).

The observation in Grant wise analysis of unspent provision is detailed below:

- In case of six grants/appropriations, the entire unspent provision, aggregating ₹1,539.29 crore was not surrendered (**Appendix 3.9**). These savings/unspent provisions are against the budget estimates and not against the actual releases and hence the savings/unspent provision of ₹1,539.29 crore. Since the actual release against these grants could not be ascertained by Audit, the savings/unspent provision could, therefore, be notional in nature.
- In case of 15 grants/appropriations, the entire unspent provision, aggregating ₹330.50 crore was surrendered (**Appendix 3.10**).
- Further, in 28 grants/appropriations, there was only partial surrenders. In these grants against unspent provision of ₹8,979.80 crore, ₹5,668.18 crore was surrendered leaving ₹3,311.62 crore as not surrendered. (**Appendix 3.11**).
- Detailed analysis of grants/ appropriations, where surrenders were made revealed that there were substantial surrenders (more than 50 *per cent* including 100 *per cent* surrenders) in 79 cases (₹2,620.45 crore) (**Appendix 3.12**).
- Besides, in 24 grants where surrender of funds was in excess of ₹five crore, ₹4,537.48 crore (76 *per cent* of the total surrender) was surrendered on the last two working days of the financial year indicating inadequate financial control (**Appendix 3.13**).

In reply to the State Finance Audit Report of the C&AG of India for the year ended 31 March 2021, Finance Department stated that all department have been requested (June 2022) to monitor utilisation and surrender anticipated savings.

3.6.2.6 Excess expenditure and its regularization

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 regularized by the State Legislature. Although no timeframe 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 2021-22, there was no excess expenditure incurred over provision. Excess expenditure aggregating to ₹2,825.43 crore for the years from 2012-13 to 2017-18 and 2020-21 is yet to be regularized as detailed in **Appendix 3.14**. For the years 2018-19, 2019-20 there was no excess expenditure under the grants/appropriations.

The PAC in the meeting held during July 2022 deliberated on regularization of the Excess expenditure of ₹2,409.53 crore for the period from 2012-13 to 2017-18 and is yet to place its recommendation to the State Legislature.

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 below:

Savings	Comments are to be made if overall saving is more than two <i>per cent</i> of Grants/Appropriation and 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 ₹two lakh under any sub-head.

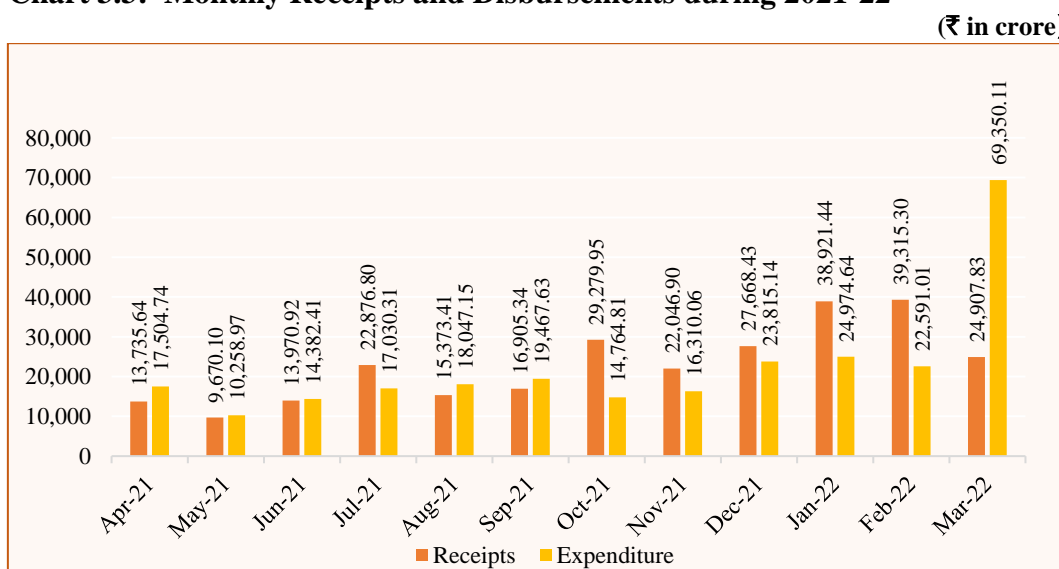
Source: Appropriation Accounts

In the Audit of Appropriation Accounts of 2021-22, 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 49 *per cent* of the savings. Of the 29 grants/appropriations, in 24 grants/appropriations specific reasons for variation for an amount of ₹5,326.22 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 2021-22

The monthly flow of receipts to the State's exchequer and disbursements during 2021-22 is given in **Chart 3.3**.

Chart 3.3: Monthly Receipts and Disbursements during 2021-22



Source: Monthly Civil Accounts

It was observed that the State Government incurred an expenditure of ₹69,350.11 crore constituting 26 per cent of the total expenditure of ₹2,68,496.98 crore (including public debt expenditure) during March 2022 alone.

Major cases where more than 50 per cent of the total expenditure was incurred in March 2022 alone are detailed in **Table 3.6**.

Table 3.6: Quantum of Expenditure in March 2022

(₹ 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
4210-Capital Outlay on Medical and Public Health	222.45	199.90	409.91	1,742.57	2574.84	1,467.02	56.98
4401-Capital Outlay on Crop Husbandry	2.10	2.71	2.02	59.10	65.92	56.20	85.26
4515-Capital Outlay on Other Development Programmes	14.00	22.50	44.11	225.53	306.13	161.51	52.76
5465-Investment in General Financial and Trading Institutions	88.25	78.27	96.85	1,205.75	1,469.12	1,020.43	69.46
6217-Loans for Urban Development	329.51	443.13	69.08	1,146.55	1,988.27	1,014.75	51.04

Source: Monthly Civil Accounts

As seen from the table, a substantial quantum of expenditure was incurred by the Government at the fag end of the year indicating inadequate control over expenditure. In the MTFP 2022-26, it has been stated that due to persistent review of expenditure in the monthly Karnataka Development Programme meetings, skewed expenditure observed in the last quarter of every year has been avoided to some extent. However, it is noticed that the expenditure in the last quarter was in an increasing trend in the last three years. The percentage of expenditure in the last quarter which was 31 per cent in 2019-20 increase to 39 per cent and 41 per cent during 2020-21 and 2021-22 respectively.

3.7 Outcome of review of selected Grants

Budgetary Procedures followed and methodology employed for control over expenditure in the following two grants were reviewed.

1. Grant No. 07 - Rural Development and panchayat Raj
2. Grant No.20 - Public Works

The two grants were selected based on the highest percentage of savings in both revenue and capital heads over a three-years period from 2019-20 to 2021-22, which had not been reviewed in previous five years. Audit findings are detailed in the subsequent paragraph.

3.7.1 Review of Grant No.07-Rural Development and Panchayat Raj

3.7.1.1 Introduction

Rural Development and Panchayat Raj Department is responsible for sustainable and inclusive growth of overall rural development along with empowerment of Panchayath Raj Institutions.

3.7.1.2 Budget and Expenditure

The overall position of budget provisions, actual disbursements and savings under the grants for the last three years (2019-20 to 2021-22) are given in **Table 3.7**.

Table 3.7: Budget and Expenditure

Year	Section	Budget Provision		Total	Expenditure	Unutilised provision and its percentage
		Original	Supplementary			
2019-20	Revenue (Voted)	10,990.11	225.18	11,215.29	9,743.27	1,472.02(13)
	Capital (Voted)	3,909.09	1,800.00	5,709.09	4,485.69	1,223.40(21)
2020-21	Revenue (Voted)	12,115.66	55.40	12,171.06	11,155.33	1,015.73(8)
	Capital (Voted)	3,479.55	1,293.90	4,773.45	4,275.20	498.24(10)
2021-22	Revenue (Voted)	12,162.69	2,734.96	14,897.65	13,323.74	1,573.91(11)
	Capital (Voted)	3,873.21	1,067.86	4,941.07	3,732.15	1,208.92(24)

Source: Appropriation Accounts

As seen from the table above, the unutilised provision under revenue section ranged between eight *per cent* and 13 *per cent* and under capital section it ranged between 10 *per cent* and 24 *per cent*.

3.7.1.3 Anticipated savings not surrendered/partially surrendered

As per 264 of the KBM 1975, the spending departments are required to surrender grants/appropriations or portion 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. During the period under review, out of the total savings of ₹6,992.21crore (₹4,061.65 crore under revenue and ₹2,930.56 crore under capital), ₹1,063.50 crore was surrendered under revenue and ₹80 crore was surrendered under capital section. Balance savings of ₹5,848.71crore (₹2,998.15 crore under revenue and ₹2,930.56 crore under capital) (84 *per cent*) was not surrendered. The details are shown in **Table 3.8**.

Table 3.8 : Anticipated savings not surrendered/partially surrendered

Year	Revenue			Capital		
	Savings	Amount surrendered	Amount not surrendered	Savings	Amount surrendered	Amount not surrendered
2019-20	1,472.01	306.76	1,165.25	1,223.40	80.00	1,143.40
2020-21	1,015.73	9.93	1,005.80	498.24	0.00	498.24
2021-22	1,573.91	746.81	827.10	1,208.92	0.00	1,208.92
Total	4,061.65	1,063.50	2,998.15	2,930.56	80.00	2,850.56

Source: Appropriation Accounts

However, reason for savings and reasons for not surrendering was not on record.

3.7.1.4 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 unutilised/unaccounted for *etc.*, with a view to minimizing the surrender of funds available at a later stage. Persistent savings were noticed as detailed in **Table 3.9** indicate that the provisions of para 110 of the KBM were not being observed.

Table 3.9: Persistent savings

(₹ in crore)				
Sl No	Head of Account	2019-20	2020-21	2021-22
1	2215-01-198-2-02 Gram Panchayats (Borewells)	10.16	9.64	5.86
2	2215-01-198-6 Assistance to Taluk Panchayats	520.20	254.18	416.01
3	2515-00-196-6 Zilla Panchayats	19.52	0.00	39.49
4	2515-00-197-1 Taluk Panchayats	201.80	378.24	358.24
5	2515-00-800-0-19-014 Other Allowance	8.78	23.92	30.00
6	4702-00-101-1 Water Tanks, Construction of new tanks, pickups, <i>etc.</i>	91.35	47.13	7.17
7	5054-03-337-0-74 Road works in rural areas NABARD	9.99	4.79	195.07

Source: Grant Register

3.7.1.5 Parking of Funds outside Consolidated Fund to avoid lapse of grants.

Charging of expenditure without actual utilisation in the current financial results in distortion of fiscal indicators in the relevant financial years.

During 2021-22, the Budgetary Estimates and Revised Estimates under 4215-01-102-2-01 is as indicated in the **Table 3.10** below.

Table 3.10: Details of Grants, Expenditure and transfers to Bank Account

(₹ in crore)

Head of Account	Budget Estimate	Revised Estimate	Expenditure	Savings *	Deposited in the account (Shown as Expenditure)
4215-01-102-2-01-132 - Capital Expenses	514.85	514.85	513.14	1.71	63.82
4215-01-102-2-01-133 - Special Development Plan & Aspirational Taluk	371.61	371.61	368.68	2.93	32.76

Head of Account	Budget Estimate	Revised Estimate	Expenditure	Savings *	Deposited in the account (Shown as Expenditure)
4215-01-102-2-01-422 - SCSP	302.95	75.74	75.43	0.31	2.77
4215-01-102-2-01-423 - Tribal Sub plan	60.59	15.14	15.45	-0.31	0.41
Total	1,250.00	977.34	972.70	4.64	99.76

* Savings have been worked on the Revised Estimate.

Against the Estimate, the expenditure as at the end of March 2022 was ₹972.70 crore. However, from the records (GO dated 30-03-2022), it was noticed that ₹99.76 crore was drawn from the treasury and deposited in the Jal Jeevan Mission Karnataka Escrow account to avoid lapse of grant. Hence, the actual Capital expenditure indicated was overstated to the extent of ₹99.76 crore.

3.7.1.6 Transfer of Funds to avoid lapse of Budgetary Grants.

The Zilla Panchayat (ZP), Kolar (September 2019) approved various departmental civil works to be executed through the Executive Engineer (EE), Panchayat Raj Engineering Division (PRED), Kolar. The estimated cost of the works was ₹1.21 crore.

Audit observed that the EE, PRED, Kolar vide letter (Jan 2020) requested Chief Executive Officer (CEO), Zilla Panchayat, Kolar to draw the amount of ₹1.21 crore from the Treasury and deposit the same in Deposit Contribution Account or with KRIDL for such time till tendering is done. In response CEO, ZP, Kolar approved and instructed (March 2020) EE, PRED, Kolar to transfer an amount of ₹1.07 crore comprising of 10 works to KRIDL, Kolar.

Subsequently EE, KRIDL Kolar submitted (August 2020) a proposal to CEO, ZP, Kolar for approval of estimates to execute the works. However, the CEO, ZP, Kolar vide OM (October 2020) stated that as per ZP General Body, the said works were to be executed through the EE, PRED, Kolar and intimated (November 2020) the EE, KRIDL Kolar to return the grant of ₹1.07 crore to the EE, PRED, Kolar.

Accordingly, the EE, KRIDL returned only the principal amount of ₹1.07 crore in December 2020.

In view of the above, it is evident that the grants were transferred to the KRIDL to avoid lapse of grants.

Further, the Finance Department vide Government Order (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 emphasized that the interest so earned shall not be used for any expenditure by the institutions. This was reiterated vide its circular in August 2019. But in contradiction to that EE, KRIDL Kolar had retained the funds for nine months and returned only the principal of ₹1.07 crore and not the interest earned on it to EE, PRED, Kolar.

3.7.1.7 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 the expenditure 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. 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 as detailed in **Appendix 3.16**. As seen from the Appendix, the percentage of expenditure during last quarter ranged from 50 to 100 *per cent* and during March was between 48 and 100 *per cent* indicating breach of financial propriety.

3.7.2 Review of Grant No.20 – Public Works

3.7.2.1 Introduction

The Public Works, Ports and Inland Water Transport Department is the Administrative Department and in charge of all matters relating to Public Works, Ports and Inland Water Transport. The department is entrusted with an objective to plan, design, construct and maintain a safe, technically sound and cost-effective road network for socio-economic growth of the State; efficient and high quality public buildings and minor ports; and need based inland water transport.

A review of budgetary procedure and control over expenditure in the Grant No. 20- Public Works, showed the following:

3.7.2.2 Budget and Expenditure

The overall position of budget provision, actual disbursement and saving is given in **Table 3.11**.

Table 3.11 : Budget and Expenditure

Year	Section	Budget Provision		Total	Expenditure	Unutilised provision and its percentage
		Original	Supplementary			
2019-20	Revenue(Voted)	3,218.82	17.18	3,236.00	2,639.32	596.68(18)
	Revenue(Charged)	39.81	0.00	39.81	12.00	27.81(70)
	Capital (Voted)	7,757.60	550.00	8,307.60	6,919.12	1,388.48(17)
	Capital (Charged)	14.50	0.00	14.50	14.50	0.00(0)
2020-21	Revenue(Voted)	2,857.32	0.06	2,857.38	2,646.37	211.01(7)
	Revenue(Charged)	53.49	0.00	53.49	11.83	41.66(78)
	Capital (Voted)	8,170.51	1,732.00	9,902.51	9,043.17	859.34(9)
	Capital (Charged)	16.50	0.00	16.50	16.50	0.00(0)
2021-22	Revenue(Voted)	2,786.89	1.33	2,788.22	2,673.69	114.53(4)
	Revenue(Charged)	51.73	0.00	51.73	23.10	28.63(55)
	Capital (Voted)	7,048.69	870.01	7,918.70	7,917.20	1.50(0)
	Capital (Charged)	18.50	0.00	18.50	18.50	0.00(0)

Source: Appropriation Accounts

As seen from the table above, the unutilised provision under revenue section ranged from four to 70 per cent and under capital section, it ranged up to 17 per cent.

3.7.2.3 Anticipated savings not surrendered/partially surrendered

As per 264 of the KBM 1975, the spending departments are required to surrender grants/appropriations or portion 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. During the period 2019-20 to 2021-22 out of the total savings of ₹3,269.64 crore (₹1,020.32 crore under revenue and ₹2,249.32 crore under capital), ₹595.66 crore was surrendered under revenue and ₹1,496.13 crore was surrendered under capital section. Balance savings of ₹1,177.85 crore (₹424.66 crore under revenue and ₹753.19 crore under capital) (36 per cent) was not surrendered. The details are shown in **Table 3.12**.

Table 3.12 : Anticipated savings not surrendered/partially surrendered

(₹ in crore)

Year	Revenue			Capital		
	Savings	Amount surrendered	Amount not surrendered	Savings	Amount surrendered	Amount not surrendered
2019-20	624.49	499.14	125.35	1,388.48	1,307.59	80.89
2020-21	252.67	27.61	225.06	859.34	187.33	672.01
2021-22	143.16	68.91	74.25	1.50	1.21	0.29
Total	1,020.32	595.66	424.66	2,249.32	1,496.13	753.19

Source: Appropriation Accounts

3.7.2.4 Persistent Savings

As per Para 110 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 unutilised/unaccounted for etc., with a view to minimizing the surrender of funds available at a later stage. Persistent savings during 2019-20 to 2021-22, as detailed in **Table 3.13** indicate that the provisions of para 110 of the KBM were not being observed.

Table 3.13: Persistent savings

(₹ in crore)

Sl No	Head of Account	2019-20	2020-21	2021-22
1	2059-80-001-0-09 Execution (C & B North)	17.37	15.34	1.67
2	2059-80-053-1 Buildings (Special Repairs)	23.20	20.14	2.90
3	2059-80-800-0-07-014 Other Allowance	23.31	8.60	18.60
4	3054-80-190-0-01-240 Karnatka Road Development Corporation Ltd. (Charged) Debt Servicing	27.81	41.66	28.63

Sl No	Head of Account	2019-20	2020-21	2021-22
5	3054-80-797-0-02 Transfer of grants from Calamity Relief Fund to Deposit Head subventions	125.43	73.01	57.10

Source: Grant Register

3.7.2.5 Incorrect remittance of Independent Engineering Consultant charges reimbursed by concessionaire in Karnataka State Highway Improvement Project (KSHIP)

As per Article 21 of Concessionaire Agreement, the Authority shall appoint a consulting engineering firm within 90 days from the date of Agreement. Further remuneration, cost and expenses of the Independent Engineer shall initially be paid by the Authority and one half of such remuneration, cost and expenses shall be reimbursed by the Concessionaire to the Authority within 15 days of receiving a statement of expenditure from the Authority. On review of receipts pertaining to concessionaire's share of Independent Engineering consultant (IEC) charges (50 per cent of the total invoice amount) an amount of ₹11 crore was received during the year 2021-22. This amount was, however, incorrectly remitted to revenue Receipt Head pertaining to road cutting charges and other receipts. As the receipts towards IEC charges is not a revenue, it should have been remitted to Capital Head as Recovery of overpayment (ROP). Incorrect remittance of IEC charges thus led to boosting up of expenditure and revenue to the tune of ₹11.28 crore.

3.7.2.6 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 the expenditure 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. 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 2021-22 are detailed in **Appendix 3.17**.

As seen from the Appendix, the percentage of expenditure during last quarter ranged from 51 to 97 per cent and during March was between 57 to 100 per cent indicating breach of financial propriety.

To conclude, in both the Grants, persistent savings, anticipated savings not surrendered, rush of expenditure, etc., were noticed. This is indicative of the fact that due care towards budgetary preparation for these two grants are not taken by the Government by prioritizing the programmes/schemes, which are leading to persistent savings over years. These cases as pointed out in the above Grants Review are indicative in nature. The Government should proactively look for similar instances in other grants too and take immediate corrective measures in view of fiscal prudence in the State.

3.8 Conclusion

- The budgetary exercise carried out by the State Government was near to realistic as only *four per cent* of the total provision remained unutilised. The supplementary provision constituted 16.16 *per cent* of the original budget. There were cases of unnecessary, excessive and inadequate supplementary provision that resulted in savings/excess expenditure. Further, 45 *per cent* of the unspent provision was not surrendered;
- Excess expenditure of the previous year was required to be regularized under Article 205 of the Constitution. Though Public Accounts Committee in the meeting deliberated on regularization of excess expenditure for the period 2012-13 to 2017-18, it is yet to place its recommendation to the State Legislature;
- Re-appropriations were obtained without adequate justification resulting in savings/excess. In 49 cases, the re-appropriation orders issued were defective and hence were rejected; and
- Misclassification of ₹268.98 crore revenue expenditure as capital expenditure and ₹47.57 crore of capital expenditure as revenue expenditure resulted in understatement of revenue expenditure to the tune of ₹221.41 crore and understatement of revenue deficit to that extent.

3.9 Recommendations

- *An appropriate control mechanism needs to be instituted by the Government to identify anticipated savings and surrender it within the specified timeframe so that the funds can be utilised for other development purposes.*
- *The Government should ensure that the re-appropriation orders are issued in conformity with the provisions of Karnataka Financial Code.*
- *Expenditure at the fag end of the year to avoid lapsing of funds should clearly be avoided.*

Chapter – 4

Quality of Accounts and Financial Reporting Practices

Chapter 4 - Quality of Accounts and Financial Reporting Practices

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 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, re-imburement of expenditure, loans and funds released for schemes, *etc.*

The Finance Department vide Government Order (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 in August 2019.

Audit observed that the Companies/Corporations in contravention to the above instructions did not remit the interest earned amounting to ₹12.82 crore to Government. The details of interest earned and its treatment during 2019-20 to 2021-22 are indicated in the **Table 4.1**:

Table 4.1: Details of interest earned and its treatment

(₹ in lakhs)

Name of the Institution	Interest earned				Treatment of the interest amount
	2019-20	2020-21	2021-22	Total	
Department of IT & BT.	412.16	310.58	161.20	883.94	The interest earned for the period from 2019-20 to 2021-22 was not remitted to Government and an approval received for utilising the same in the future.
Department of Science & Technology	59.52	137.01	167.46	363.99	The interest earned for the period from 2019-20 to 2021-22 was not remitted to Government and proposal sent to the Government for utilising the same in the future.

Name of the Institution	Interest earned				Treatment of the interest amount
	2019-20	2020-21	2021-22	Total	
Bangalore Bio-innovation Centre	15.75	7.73	10.24	33.72	The interest earned for the period is partially utilised for purpose to which original grant released and balance is in the account.
Total	487.43	455.32	338.90	1,281.65	

The Government should take action in respect of Departments to remit the interest earned on Government grants, as it would help to increase the non-Tax Revenue of the State.

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 132 UCs aggregating ₹325.50 crore were in arrears as on due year 2021-22 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 2021-22

(₹ 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
2020-21	51	182.49	396	1,239.80	410	1,383.66	37	38.63
2021-22	37	38.63	356	1,335.69	261	1,048.82	132	325.50

Source: Office of the AG(A&E)

Table 4.3: Year wise break up of Outstanding UCs

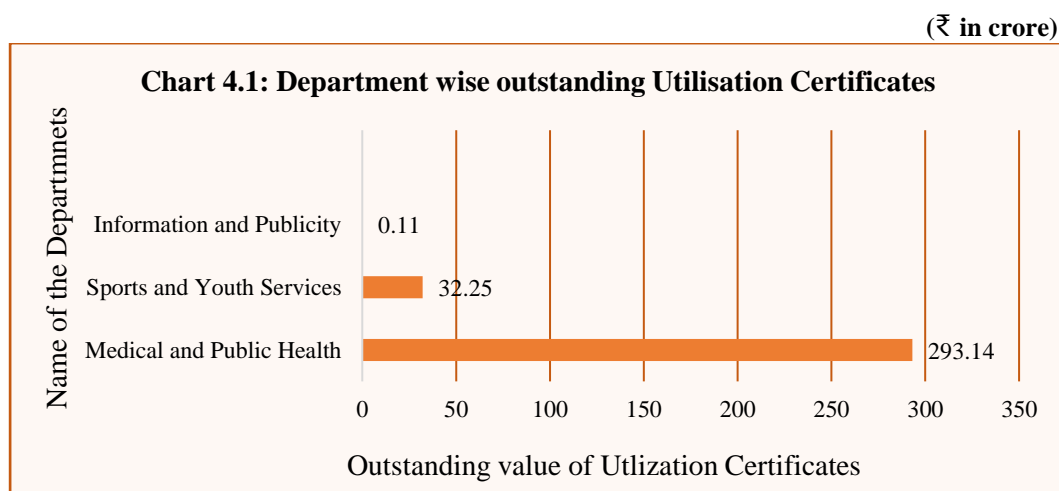
(₹ in crore)

Due Year	Number of UCs	Amount
2012-13	01	0.11
2017-18	01	0.76
2019-20	02	1.75
2020-21	22	31.54
2021-22	106	291.34
Total	132	325.50

Source: Office of the AG(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. The number of outstanding UCs of 37 amounting to ₹38.63 crore in the year 2020-21 has increased to 132 amounting to ₹325.50 crore in the year 2021-22 and hence, the amount of outstanding UCs showed an increase of 742 per cent during 2021-22 when compared to 2020-21. However, since the UCs in the above 132 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.



Source: Office of the AG(A&E)

From **Chart 4.1**, it can be seen that as in previous year, majority of cases of non-submission of UCs related to the Medical and Public Health Department (90.06 per cent) and the Sports and Youth Services (9.91 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**

4.3 Abstract Contingent Bills

Under Rule 37(b)(3) of the Manual of Contingent Expenditure(MCE), 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 AG(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 ₹63.89 crore, drawn on 1,376 AC bills, were pending at the end of March 2022 as detailed in **Table 4.4**.

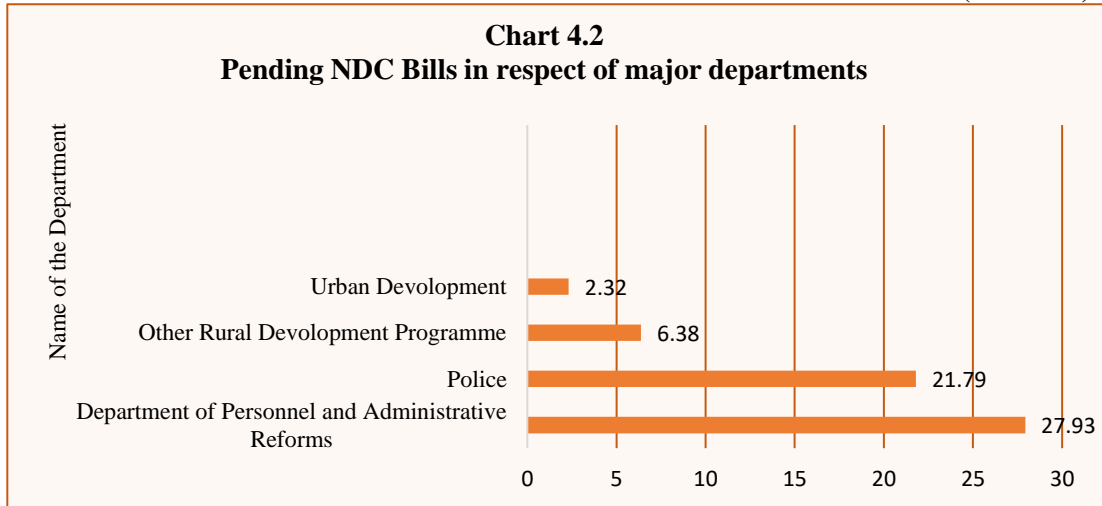
Table 4.4: Year wise progress in submission of NDC bills against the AC bills
(₹ in crore)

Year	Opening Balance		Addition		Clearance		Closing Balance	
	No	Amount	No	Amount	No	Amount	No	Amount
Up to 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
2020-21	1,959	96.68	2,247	153.46	1,985	123.80	2,221	126.34
2021-22	2,221	126.34	2,577	154.00	3,422	216.45	1,376	63.89

Source- Finance Accounts

*Excluding Bills for the Month of March 2022

(₹ in crore)



Source: Office of the AG(A&E)

Chart 4.2 reveals that 44 per cent of the outstanding NDC bills pertained to DPAR (Elections) - Major Head 2015 (₹27.93 crore-200 Bills), 34 per cent relate to Home Department (Police) - Major Head 2055 (₹21.79 crore - 282 Bills).

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. In reply to the audit observation at Paragraph 4.3 of the report on State Finances for the year ending March 2021, the Finance Department (December 2021) stated that all the Administrative departments would be instructed to comply with the instructions. In compliance to this, there is a considerable decrease in outstanding AC Bills (50 per cent) during 2021-22.

The outstanding AC Bills of Home Department (Police and Prisons) ranged between 16.44 and 72.12 per cent in the last five years (2017-21). A review of AC Bills drawn by 61 Drawing and Disbursing officers (DDOs) of Police (Major Head 2055) and by 18 DDOs of Prisons (Major Head 2056) under Home Department for the period 2017-18 to 2021-22 was conducted during July -August 2022 and the details of AC Bills are given in **Table 4.5**.

Table 4.5: Details of AC Bills drawn under 2055(Police) and 2056-(Prisons) for the period from 2017-2022.

Head of Account/Department	No. of AC Bills Drawn	No of NDC Bills delayed	(₹ in crore)
			Amount of NDC Bills delayed
2055/Home(Police)	4,085	1,043	141.09
2056/Home(Prisons)	408	157	1.17

Important points noticed during the review are brought out in the succeeding paragraphs.

4.3.1 Delay in submission of Non-payment Detailed Contingent Bills

According to Rule 37(3) of the MCE, DDO's are required to send NDC bills in respect of AC bills drawn by them to their Controlling Officers before the closure of the first week of the following month in which AC bills are drawn for onward transmission to AG(A&E) by the 15th of the same month. On a test check of 70 DDO's of the Police Department it was observed that for 61 DDO's, out of 4,091

AC bills for the period 2017-22, 1,047 NDC bills of ₹140.83 crore had not been submitted timely. The delay ranged from two months to one year.

On a test check of 20 DDO's of the Prison Department it was observed that in respect of 18 DDO's, there was delay in submission of 157 NDC bills out of 408 AC bills amounting to ₹1.17 crore during the period 2017-22. The delay ranged between two months to one year.

AC Bills are charged as expenditure in accounts. If AC bills have not been adjusted by submission of NDC bills confirming actual expenditure, expenditure is overstated or unaccounted in the accounts. The expenditure shown in Finance Accounts cannot be asserted as correct or as final. This leads to poor accountability for Government funds.

When substantial amounts of money is drawn on AC bill and kept unadjusted for long period, may increase the risk of mis-appropriation and other financial irregularities.

The Prison Department in its reply (November 2022) stated that due to shortage of manpower/vacant posts, technical errors in bills, rejection of bills by treasury, non availability of internet *etc.*, have caused delay in submission of NDC Bills.

4.3.2 Delay in remittance of unspent amount

The department draws AC bills for recruitment of Personnel, purchase of fuel, purchase of materials, purchases and repair of arms, purchase of LPG cylinders, payment of wages to prisoners *etc.*

On a test check of AC bills and NDC bills it was observed that an amount of ₹0.24 crore in Police Department and ₹0.09 crore in Prison Department, which remained unspent was remitted to Government after a delay of 160 days to 705 days.

No money should be drawn from the treasury unless it is required for immediate disbursement. Delay in remittance of unspent amount of AC bills resulted in blocking of Government funds.

The Prison Department in its reply (November 2022) while reiterating that the unspent amount has been refunded, have not furnished reasons for the delay in the remittance.

4.3.3 Drawal of funds to avoid lapse of grants

The Government Order (August 2020) issued by the Police Department specifies limits for purchase of fuel (Petro card) and this limitation depends on number of vehicles. As per the limit, Office of the Superintendent of Police, Mandya, could draw AC bills for ₹15 lakh each time at an interval of 15 days. On scrutiny of AC bills and NDC bills, it was observed that in the month of March 2022, the office had drawn two AC bills for ₹15 lakh each in advance for the month of April 2022 to avoid lapse of grants.

Similarly, in the Office of the Director General and Inspector General of Police (DG&IGP) of Prison Department, Bengaluru, it was observed that for purchase of fuel, two AC bills of ₹5.68 lakh each were drawn in the month of March 2022 in advance for the month of April 2022 to avoid lapse of grant.

Drawal of funds in advance for the next year through AC bills in the month of March is suggestive of the fact that withdrawals were made merely to avoid lapse of grants and points towards fiscal indiscipline.

The Prison Department in its reply (November 2022) stated that AC Bills for the month of April 2022 was drawn in advance keeping in view that there would be delay in release of funds during the beginning of the financial year.

4.3.4 Inadmissible vouchers of NDC bills

According to Rule 37(3) of the manual DDO's are required to send NDC bill in respect of AC bills drawn by them to their Controlling Officers before the closure of the first week of the following month in which AC bills are drawn for onward transmission to AG(A&E) by the 15th of the same month.

On a scrutiny of NDC bills of Police Department, it was observed that 17 vouchers attached to the NDC bills pertained to the period prior to drawl of AC bills and hence were inadmissible.

Similarly, in Prison Department it was observed that 325 vouchers attached to NDC bills pertained to the period prior to the drawal of AC bills.

The Prison Department in its reply (November 2022) stated that as Gas cylinders were not available on credit and also due to delay in sanction for drawal of AC bills, submission of vouchers prior to drawl of AC bills was inevitable. As this constitutes inadmissible vouchers, a system needs to be put in place to sanction drawal of AC bills well in advance.

4.3.5 Parking of Funds in PD account for two years

As per Article 286A of KFC, Personal Deposit (PD) accounts are created by transferring funds from the Consolidated Fund for discharging liabilities of the Government /department arising out of special enactments. PD accounts created by debit to the Consolidated Fund should be closed by intimating the balances in the PD accounts as on 31st March each year to Treasury Officer for transferring such balances to the Consolidated Fund. The continuation of PD account is subject to such permission obtained from the Government.

On a scrutiny of AC bills and NDC bills drawn by the DG&IGP Prison, Bengaluru, it was observed that 25 AC bills were drawn towards purchase of fuels and expenditure towards Jailor and Warden recruitment. The AC bill of ₹1.50 crore for recruitment of Jailor and Warden was drawn (March 2018) and kept in PD account of Central Prison, Bengaluru. This was in violation of KFC provisions.

However, while submitting (April 2018) the NDC bills for ₹1.50 crore, vouchers were submitted for ₹1,41,60,550/- and balance of ₹8,39,450/- remained unspent. Audit observed that the Treasury had accepted the NDC bills without checking for the unspent amount. The unspent amount was remitted back (February 2020) after a delay of almost two years.

The Prison Department in its reply (November 2022) stated that due to work pressure there was a delay in remittance of unspent balance. The reply is not acceptable as the unspent balance is required to be remitted back along with submission of NDC Bills.

4.3.6 Splitting of bills to avoid approval for amount in excess of the limit prescribed

DDO's are required to obtain permission of Finance Department for drawal of AC bills for amounts exceeding ₹two lakh in the Police Department.

On Scrutiny of AC bills, Audit observed that a DDO in Police Department, Bengaluru drew ₹eight lakhs in four AC bills each for ₹two lakh in the month of December 2019 for photocopy of court papers with regard to investigation of bomb blast.

In Prisons Department, Bengaluru, a DDO drew ₹49.50 lakhs in three AC bills (March 2018) for payment of wages to prisoners.

In both the cases, the departments had not taken approval of Finance Department for drawing of AC bills beyond their limit prescribed. The treasury officers had passed the bill in clear violation of instructions of Finance Department. Departments should follow the financial propriety and prudence.

4.3.7 Utilisation of AC bills drawn under object head -051 General Expenses

The Office of the Commissioner of Police, Mysuru has power to draw AC bills for various purposes like, recruitment, purchase of fuel (Petro card), Other Expenses.

On a scrutiny of AC bills pertaining to Office of the Commissioner of Police, Mysuru, it was observed that, the office had drawn (April 2021) an AC bill for ₹15 lakh under the Object Head 051 General Expenses under the Major Head 2055. On cross verifying the corresponding NDC bills, it was observed that vouchers in support of the NDC bill were for purchase of fuels. Since, there was specific Object Head 195 Transport Expenses for purchase of fuel, drawing amount under 051 General Expenses resulted in diversion of funds.

4.4 Personal Deposit Accounts

Article 286 of the KFC,1958 provides for opening of 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 Accounts

The closing balances in the PD Accounts for the period from 2017-18 to 2021-22 is indicated in **Table 4.6**.

Table 4.6: Funds kept in PD Accounts

Year	(₹ in crore)			
	Opening Balance	Receipts/Deposits	Withdrawals	Closing balance
2017-18	2,942.12	4,194.46	4,395.06	2,741.52
2018-19	2,741.52	5,350.98	4,007.36	4,085.14

Year	Opening Balance	Receipts/Deposits	Withdrawals	Closing balance
2019-20	4,085.14	6,557.67	6,221.25	4,421.56
2020-21	4,421.56	4,711.16	5,143.49	3,989.23
2021-22	3,989.23	4,787.13	4,670.75	4,105.61

Source- Finance Accounts

Out of the 71 PD Accounts which existed in 2020-21, during the year 2021-22, while 11 PD Accounts were opened, four PD Accounts with a balance of ₹0.47crore were closed and hence, 78 PD Accounts existed as at the end of the year. During the year 2021-22, out of ₹4,787.13 crore credited to PD Accounts, ₹1,471.75 crore was transferred to PD accounts during March 2022. The closing balance in deposit accounts showed minimal increase during 2021-22 from that of 2020-21. The closing balances included unutilised XIV and XV FC grants of ₹1,054.58 crore released to ULBs' (excluding Bruhat Bengaluru Mahanagara Palike). This accounted around 26 per cent of the closing balance.

The net closing balance in respect of some of the PD accounts of the administrators having high balances as at the end of 2021-22 are shown in **Table 4.7**. This was offset by some of the PD accounts which had negative balances.

Table 4.7: Closing balances in PD Accounts

Sl.No	Administrator	Amount
1	Personal Deposits - General	346.00
2	PD Accounts of Deputy Commissioners	8,591.97
3	PD Accounts of Director, Department of Scheduled Tribes	351.46
4	Personal Deposit Assistant Commissioner under the Revenue Department	244.66

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. During the year 2021-22, out of 78 PD accounts, 21 PD accounts (12 PD accounts with a credit balance of ₹50.67 crore and seven PD accounts with a debit balance of ₹2.02 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.

Finance Department in its reply (January 2023) stated that 58 inoperative PD Accounts have been closed by Finance Department (November 2022). However, this needs to be reconciled with AG(A&E) and final action need to be taken.

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 AG (A&E), are indicated in **Table 4.8**.

Table 4.8: Balances under Suspense and Remittance Head

Minor Head	2019-20		2020-21		2021-22	
	Dr	Cr	Dr	Cr	Dr	Cr
Major Head 8658-Suspense						
101-PAO Suspense	270.30	10.86	283.51	3.40	273.17	4.07
Net	Dr.259.44		Dr.280.11		Dr.269.10	
102-Suspense Account-Civil	18.14	414.95	18.42	378.75	16.94	372.49
Net	Cr.396.81		Cr.360.33		Cr.355.55	
110- Reserve Bank Suspense- Central Accounts Office	17.59	154.67	72.61	53.35	172.52	35.49
Net	Cr.137.08		Dr.19.26		Dr.137.03	
Major Head 8782-Remittances						
102-1 Public Works remittances into treasury	82.61	0.00	82.61	0.00	82.61	0.00
Net	Dr.82.61		Dr.82.61		Dr.82.61	
103-1 Forest remittances	12.13	0.00	12.13	0.00	12.13	0.00
Net	Dr.12.13		Dr.12.13		Dr.12.13	

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 2021-22 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.

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 an increase in 2020-21 from 2019-20. However, it decreased in the year 2021-22 and 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 Telecommunication Department are also initially classified under this head, pending settlement of claims by these authorities. The net credit balance under this head decreased by ₹4.78 crore during the year. In so far as accounts with Railways (₹3.14 crore) and accounts with Defence (₹0.39 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 2021-22, the debit balance under this head was ₹137.03 crore and has increased by ₹117.77 crore compared to previous year.

- **Public Works Remittance into Treasury**

This head is operated to watch whether the Treasury acknowledges amounts remitted by the divisional officers of Public Works. The debit balance of ₹82.61 crore at the end of year 2021-22 is due to non-reconciliation by the Division Offices with the Treasury and these differences could lead to non-detection of cases of defalcation, which may result in loss to Government.

- **Forest Remittances into Treasury**

Collection for Forest Revenues by the divisions and their remittance to the Government Accounts at treasury initially takes place under this head. The debits under this head gets cleared by credits appearing in the treasury accounts when the remittances are acknowledged and accounted by the treasury officers. Due to time lag between actual realisation of revenue and its remittance into the treasury, the debits appearing in the division accounts under this head would continue to appear till remittance made is finally accounted in the Treasury Accounts. There is a debit balance of ₹12.13 crore at the end of 2021-22 under this head.

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 4.9** indicates adverse balance under Public Debt and Loans & Advances. The balance under Public Debt, Head of Account (HoA) 6003-00-108-0-01 – Internal debt of the State Government Loans from National Co-operative Development Corporation Ltd. increased by ₹40.83 crore in the year 2021-22 as compared to year 2020-21 and under the Loans and Advances, HoA 7610 – Loans and Advances to Government servants, the balance increased by ₹1.85 crore in the year 2021-22 as compared to year 2020-21. Hence, necessary action for clearing the adverse balances in respect of Public Debt and Loans and Advances is required to be taken.

Table 4.9: Adverse balance under DDR Heads

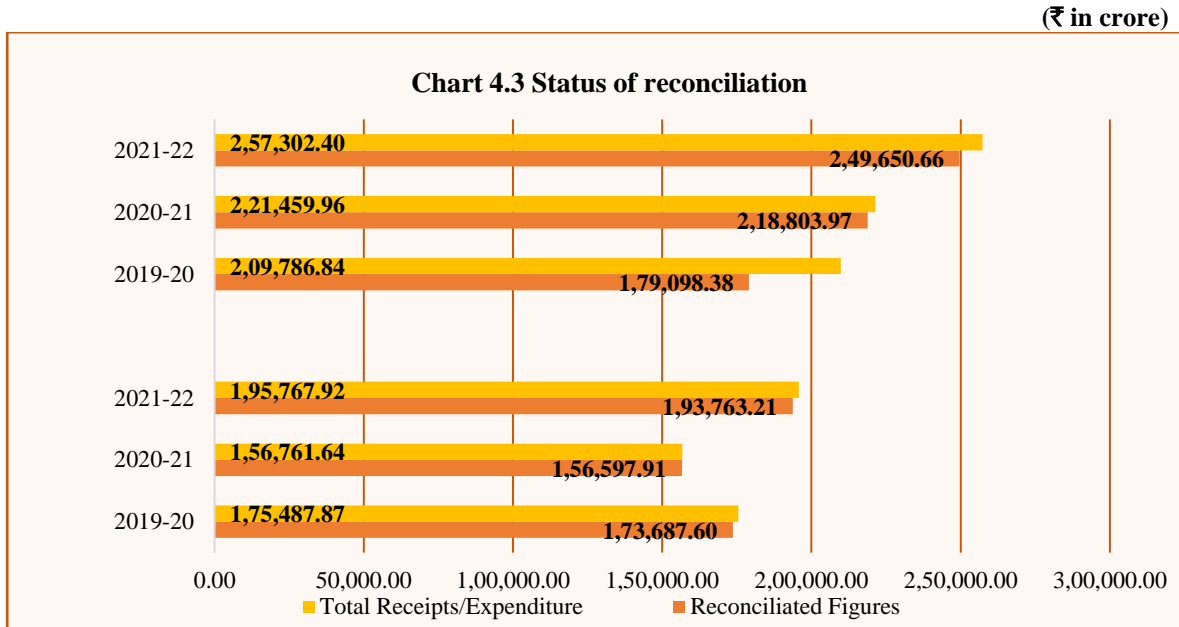
(₹ in crore)

Sl. No.	HoA	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.174.40	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.184.76	
Loans and Advances				
3	6202, 6215, 6217, 6401, 6402, 6405, 6408, 6435 6505, 6506, 6701, 7475 & 7615	Loans to State Institutions	Cr.89.65	Adverse balance is due to misclassification, which is under reconciliation.
4	7610	Loans and Advances to Government servants	Cr.10.23	
Total			Cr.99.88	

Source- Office of the AG(A&E)

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 2019-20 revenue and expenditure reconciliation is indicated in **Chart 4.3**



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 4.10**.

Table 4.10: Status of Reconciliation of Receipts and Expenditure figures

(₹ in crore)

Year	Total No. of Controlling Officers	Fully reconciled	Partially Reconciled	Not reconciled at all	Controlling Officers not transacted during the month	Total Amount	Reconciled Amount	Percentage
Receipts								
2019-20	101	75	18	8	0	1,75,487.87	1,73,687.60	98.97
2020-21	101	86	-	15	0	1,56,761.64	1,56,597.91	99.90
2021-22	103	71	20	12	0	1,95,767.92	1,93,763.21	98.98
Expenditure								
2019-20	322	245	50	27	0	2,09,786.84	1,79,098.38	85.37
2020-21	322	289	-	33	0	2,21,459.96	2,18,803.97	98.80
2021-22	333	260	42	31	0	2,57,302.40	2,49,650.66	97.03

Source- Report on MCA and Finance Accounts

As indicated in the table above, during 2021-22, there was decrease in reconciliation of both Receipts and Expenditure though marginal. 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 for the financial year as on 30 June of the following year as per the provisions made at para 3.65 in Report of the Working Group on Accounting and Reconciliation procedure of the State Government transactions by RBI.

As of March 2022, there was a difference of {₹1,544.56 crore (Dr.)}, between the figures reflected in the accounts {₹1,518.38 crore (Dr.)} and that intimated by the RBI {₹26.17 crore (Dr.)} and the difference reduced by ₹81,900(Dr.) only after the reconciliation done in the month of May 2022. The difference pertains to non-reporting and non-reconciliation of figures by the Agency Banks. It is under reconciliation in the office of AG (A&E).

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 C&AG with the support of the GoI is entrusted with the responsibility of formulating and proposing accounting and financial reporting standards for Government departments and organizations. On the advice of the C&AG 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 2021-22 are discussed in **Table 4.11**.

Table 4.11: 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 even if it involves creation of assets, except in cases specifically authorized by the President on the advice of the C&AG of India.	Not Complied	The Additional grant provided to Samantharam Trust for construction of Vikalchetana Snehi building should have been Grants-in-aid instead of Capital Head. This resulted in non-compliance which led to over statement to revenue surplus and capital expenditure.

SI 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.	Partially 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 AG (A&E).

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 14 autonomous bodies in the State was entrusted to the C&AG under Sections 19 and 20 of the C&AG's (DPC) Act, 1971.

The status of entrustment of audit, rendering of accounts, issuing of Separate Audit Reports (SAR) and their placement before the State Legislature is indicated in **(Appendix 4.3)**. As seen from the Appendix, one SAR in respect of four Autonomous Bodies, two SAR in respect of four Autonomous Body, No SAR in respect of four Autonomous Body were due for placement in the Legislature and in respect of two Autonomous Bodies, No SAR have been placed yet in Legislature.

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 timeframe. 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**.

As seen in the Appendix an investment of ₹8.87 crore has been made in the six undertakings as per the accounts finalized up to 2008-09 in respect of one undertaking, 2015-16 in respect of four undertakings and 2016-17 in respect of one undertaking.

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

Under Section 14 of the C&AG's (DPC) 1971 whenever anybody or authority is substantially financed by grants or loans from Consolidated Fund of the State, the C&AG 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 C&AG's (DPC) 1971, where any grant or loan is given for any specific purpose, the C&AG 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.

Twenty-one Departments did not furnish the information pertaining to 1,086 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.

Though, in reply to the audit observation, the Finance Department stated (December 2021) that the concerned departments have been requested to furnish information to Audit Office, it is seen that the number of institutions not furnishing the information increased when compared to previous year.

4.12 Timelines and Quality of Accounts

The accounts of the State Government are compiled by the AG (A&E) from the initial accounts rendered by 34 Treasuries, 3 Others, 103 Public Works Divisions and 103 Forest Divisions, apart from RBI advices. Though there was delay in rendering Monthly accounts in the first three quarters by some of the sections of the department, the State Government has monitored and ensured timely rendering of accounts. This timely submission of accounts continued during 2021-22 and as a result, the AG (A&E) excluded no accounts from the Monthly Civil Accounts.

4.13 Misappropriation, losses, thefts etc.

There were 61 cases of misappropriation, losses *etc.* involving Government money amounting to ₹37.37 crore as at the end of 2021-22 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 lakhs)

Name of the 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	Amount	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
Animal Husbandry and Veterinary Services	04	643.70	04	643.70	-	-	-	-
Food and Civil Supplies	01	525.00	01	525.00	-	-	-	-
Medical Education	02	1.98	02	1.98	-	-	-	-
Forest	02	0.73	02	0.73	-	-	-	-
Home	11	220.31	05	180.96	05	34.94	01	4.41
Health and Family Welfare	10	1.59	10	1.59	-	-	-	-
Labour	01	0.89	-	-	01	0.89	-	-
Social Welfare	01	9.48	01	9.48	-	-	-	-
Public Works	02	1,180.18	-	-	02	1,180.18	-	-
Horticulture	01	1.47	01	1.47	-	-	-	-
RDPR	01	1.04	01	1.04	-	-	-	-
Karnataka Soaps & Detergents Ltd.	01	499.21	-	-	-	-	01	499.21
Karnataka Handloom Development Corporation	01	12.50	-	-	-	-	01	12.50
Karnataka State Coir Development Corporation	07	28.83	-	-	-	-	07	28.83
Bangalore Electricity Supply Company Ltd.	05	182.73	02	27.33	01	80.09	02	75.31
Chamundeswari Electricity Supply Corporation Ltd.	02	99.30	-	-	01	44.85	01	54.45
Gulbarga Electricity Supply Company Ltd.	03	224.75	01	34.34	01	97.88	01	92.53
Hubli Electricity Supply Company Ltd.	03	92.09	02	60.91	01	31.18	-	-
Archelogy, Museums and Heritage	01	3.38	-	-	01	3.38	-	-
Urban Development Department	01	2.02	01	2.02	-	-	-	-
Fisheries	01	6.25	-	-	01	6.25	-	-
Total	61	3,737.43	33	1,490.55	14	1,479.64	14	767.24

Source: Office of the Pr.AG(Audit I) and Pr.AG(Audit II)

4.14 Follow up action on State Finance Audit Report

The Report of C&AG of India on State Finances for the year 2019-20 was discussed by the PAC in July 2022. The similar paras and important points of State Finance Audit Report for the years 2012-13 to 2018-19 were also taken up in PAC. It deliberated on regularization of the Excess expenditure of ₹2,409.53 crore for the period from 2012-13 to 2017-18. The recommendations of the PAC is yet to be placed in the State Legislature.

4.15 Conclusion

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

Non-submission of Utilisation Certificate (UCs) which was on a decreasing trend since 2019-20 has increased once again during 2021-22. The 37 UCs amounting to ₹38.63 crore which were outstanding as at the end of 2020-21 increased to 132 amounting to ₹325.50 crore.

However, the pending non-payment Detailed Contingent bills (NDC) reduced by 38 *per cent* when compared to previous year. Review of Abstract Contingent Bills (AC) of two major heads showed that apart from delay in submission of NDC bills, there were instances of drawal of funds through AC bills for avoiding lapse of budgetary grants, submission of inadmissible vouchers, splitting of bills *etc.*

The closing balance in the Personal Deposit accounts which had showed slight decrease during 2020-21 increased during 2021-22. Retention of such large sums of money was against principle of Legislative financial control.

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 control as well as monitoring mechanism in the State Government.

4.16 Recommendations

- *The Government may ensure timely submission of Utilisation Certificates (UCs) by the departments in respect of the grants released for specific purposes and also devise a module in its Integrated Financial Management System, Khajane-2, in line with Expenditure Advance Transfer Module of Public Financial Management System to monitor the ultimate utilisation of funds.*
- *The Government should ensure adjustment of Abstract Contingent (AC) bills within the stipulated period and responsibility should be fixed on the defaulting officials for non-submission.*
- *Government may also consider adopting a module similar to Expenditure Advance Transfer (EAT) available in Public Financial Management System (PFMS) to address the problem of pending UCs and AC bills.*
- *Cleaning up of balances in the PD Accounts which have outlived its utility needs to be examined and steps taken to close such PD Accounts after reconciliation of balances and in consultation with the Administrators and Treasury.*

Chapter – 4

Quality of Accounts and Financial Reporting Practices

Chapter 4 - Quality of Accounts and Financial Reporting Practices

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 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, re-imburement of expenditure, loans and funds released for schemes, *etc.*

The Finance Department vide Government Order (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 in August 2019.

Audit observed that the Companies/Corporations in contravention to the above instructions did not remit the interest earned amounting to ₹12.82 crore to Government. The details of interest earned and its treatment during 2019-20 to 2021-22 are indicated in the **Table 4.1**:

Table 4.1: Details of interest earned and its treatment

(₹ in lakhs)

Name of the Institution	Interest earned				Treatment of the interest amount
	2019-20	2020-21	2021-22	Total	
Department of IT & BT.	412.16	310.58	161.20	883.94	The interest earned for the period from 2019-20 to 2021-22 was not remitted to Government and an approval received for utilising the same in the future.
Department of Science & Technology	59.52	137.01	167.46	363.99	The interest earned for the period from 2019-20 to 2021-22 was not remitted to Government and proposal sent to the Government for utilising the same in the future.

Name of the Institution	Interest earned				Treatment of the interest amount
	2019-20	2020-21	2021-22	Total	
Bangalore Bio-innovation Centre	15.75	7.73	10.24	33.72	The interest earned for the period is partially utilised for purpose to which original grant released and balance is in the account.
Total	487.43	455.32	338.90	1,281.65	

The Government should take action in respect of Departments to remit the interest earned on Government grants, as it would help to increase the non-Tax Revenue of the State.

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 132 UCs aggregating ₹325.50 crore were in arrears as on due year 2021-22 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 2021-22

(₹ 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
2020-21	51	182.49	396	1,239.80	410	1,383.66	37	38.63
2021-22	37	38.63	356	1,335.69	261	1,048.82	132	325.50

Source: Office of the AG(A&E)

Table 4.3: Year wise break up of Outstanding UCs

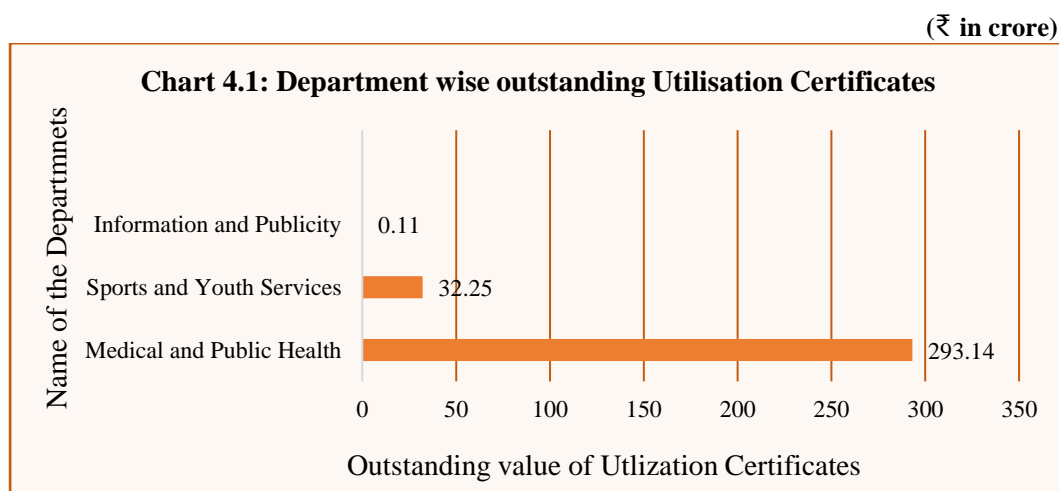
(₹ in crore)

Due Year	Number of UCs	Amount
2012-13	01	0.11
2017-18	01	0.76
2019-20	02	1.75
2020-21	22	31.54
2021-22	106	291.34
Total	132	325.50

Source: Office of the AG(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. The number of outstanding UCs of 37 amounting to ₹38.63 crore in the year 2020-21 has increased to 132 amounting to ₹325.50 crore in the year 2021-22 and hence, the amount of outstanding UCs showed an increase of 742 per cent during 2021-22 when compared to 2020-21. However, since the UCs in the above 132 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.



Source: Office of the AG(A&E)

From **Chart 4.1**, it can be seen that as in previous year, majority of cases of non-submission of UCs related to the Medical and Public Health Department (90.06 per cent) and the Sports and Youth Services (9.91 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**

4.3 Abstract Contingent Bills

Under Rule 37(b)(3) of the Manual of Contingent Expenditure(MCE), 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 AG(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 ₹63.89 crore, drawn on 1,376 AC bills, were pending at the end of March 2022 as detailed in **Table 4.4**.

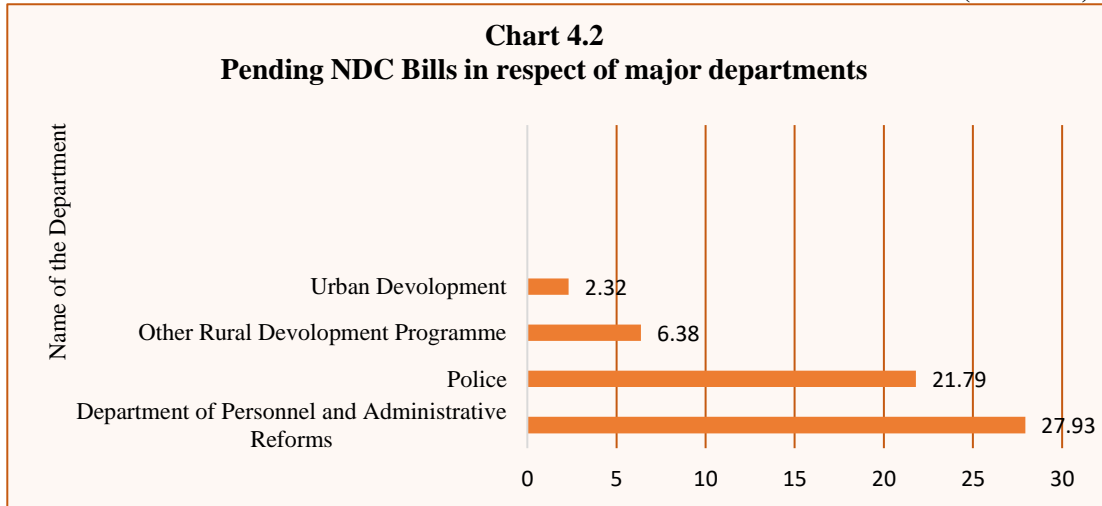
Table 4.4: Year wise progress in submission of NDC bills against the AC bills
(₹ in crore)

Year	Opening Balance		Addition		Clearance		Closing Balance	
	No	Amount	No	Amount	No	Amount	No	Amount
Up to 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
2020-21	1,959	96.68	2,247	153.46	1,985	123.80	2,221	126.34
2021-22	2,221	126.34	2,577	154.00	3,422	216.45	1,376	63.89

Source- Finance Accounts

*Excluding Bills for the Month of March 2022

(₹ in crore)



Source: Office of the AG(A&E)

Chart 4.2 reveals that 44 per cent of the outstanding NDC bills pertained to DPAR (Elections) - Major Head 2015 (₹27.93 crore-200 Bills), 34 per cent relate to Home Department (Police) - Major Head 2055 (₹21.79 crore - 282 Bills).

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. In reply to the audit observation at Paragraph 4.3 of the report on State Finances for the year ending March 2021, the Finance Department (December 2021) stated that all the Administrative departments would be instructed to comply with the instructions. In compliance to this, there is a considerable decrease in outstanding AC Bills (50 per cent) during 2021-22.

The outstanding AC Bills of Home Department (Police and Prisons) ranged between 16.44 and 72.12 per cent in the last five years (2017-21). A review of AC Bills drawn by 61 Drawing and Disbursing officers (DDOs) of Police (Major Head 2055) and by 18 DDOs of Prisons (Major Head 2056) under Home Department for the period 2017-18 to 2021-22 was conducted during July -August 2022 and the details of AC Bills are given in **Table 4.5**.

Table 4.5: Details of AC Bills drawn under 2055(Police) and 2056-(Prisons) for the period from 2017-2022.

Head of Account/Department	No. of AC Bills Drawn	No of NDC Bills delayed	(₹ in crore)
			Amount of NDC Bills delayed
2055/Home(Police)	4,085	1,043	141.09
2056/Home(Prisons)	408	157	1.17

Important points noticed during the review are brought out in the succeeding paragraphs.

4.3.1 Delay in submission of Non-payment Detailed Contingent Bills

According to Rule 37(3) of the MCE, DDO's are required to send NDC bills in respect of AC bills drawn by them to their Controlling Officers before the closure of the first week of the following month in which AC bills are drawn for onward transmission to AG(A&E) by the 15th of the same month. On a test check of 70 DDO's of the Police Department it was observed that for 61 DDO's, out of 4,091

AC bills for the period 2017-22, 1,047 NDC bills of ₹140.83 crore had not been submitted timely. The delay ranged from two months to one year.

On a test check of 20 DDO's of the Prison Department it was observed that in respect of 18 DDO's, there was delay in submission of 157 NDC bills out of 408 AC bills amounting to ₹1.17 crore during the period 2017-22. The delay ranged between two months to one year.

AC Bills are charged as expenditure in accounts. If AC bills have not been adjusted by submission of NDC bills confirming actual expenditure, expenditure is overstated or unaccounted in the accounts. The expenditure shown in Finance Accounts cannot be asserted as correct or as final. This leads to poor accountability for Government funds.

When substantial amounts of money is drawn on AC bill and kept unadjusted for long period, may increase the risk of mis-appropriation and other financial irregularities.

The Prison Department in its reply (November 2022) stated that due to shortage of manpower/vacant posts, technical errors in bills, rejection of bills by treasury, non availability of internet *etc.*, have caused delay in submission of NDC Bills.

4.3.2 Delay in remittance of unspent amount

The department draws AC bills for recruitment of Personnel, purchase of fuel, purchase of materials, purchases and repair of arms, purchase of LPG cylinders, payment of wages to prisoners *etc.*

On a test check of AC bills and NDC bills it was observed that an amount of ₹0.24 crore in Police Department and ₹0.09 crore in Prison Department, which remained unspent was remitted to Government after a delay of 160 days to 705 days.

No money should be drawn from the treasury unless it is required for immediate disbursement. Delay in remittance of unspent amount of AC bills resulted in blocking of Government funds.

The Prison Department in its reply (November 2022) while reiterating that the unspent amount has been refunded, have not furnished reasons for the delay in the remittance.

4.3.3 Drawal of funds to avoid lapse of grants

The Government Order (August 2020) issued by the Police Department specifies limits for purchase of fuel (Petro card) and this limitation depends on number of vehicles. As per the limit, Office of the Superintendent of Police, Mandya, could draw AC bills for ₹15 lakh each time at an interval of 15 days. On scrutiny of AC bills and NDC bills, it was observed that in the month of March 2022, the office had drawn two AC bills for ₹15 lakh each in advance for the month of April 2022 to avoid lapse of grants.

Similarly, in the Office of the Director General and Inspector General of Police (DG&IGP) of Prison Department, Bengaluru, it was observed that for purchase of fuel, two AC bills of ₹5.68 lakh each were drawn in the month of March 2022 in advance for the month of April 2022 to avoid lapse of grant.

Drawal of funds in advance for the next year through AC bills in the month of March is suggestive of the fact that withdrawals were made merely to avoid lapse of grants and points towards fiscal indiscipline.

The Prison Department in its reply (November 2022) stated that AC Bills for the month of April 2022 was drawn in advance keeping in view that there would be delay in release of funds during the beginning of the financial year.

4.3.4 Inadmissible vouchers of NDC bills

According to Rule 37(3) of the manual DDO's are required to send NDC bill in respect of AC bills drawn by them to their Controlling Officers before the closure of the first week of the following month in which AC bills are drawn for onward transmission to AG(A&E) by the 15th of the same month.

On a scrutiny of NDC bills of Police Department, it was observed that 17 vouchers attached to the NDC bills pertained to the period prior to drawl of AC bills and hence were inadmissible.

Similarly, in Prison Department it was observed that 325 vouchers attached to NDC bills pertained to the period prior to the drawal of AC bills.

The Prison Department in its reply (November 2022) stated that as Gas cylinders were not available on credit and also due to delay in sanction for drawal of AC bills, submission of vouchers prior to drawl of AC bills was inevitable. As this constitutes inadmissible vouchers, a system needs to be put in place to sanction drawal of AC bills well in advance.

4.3.5 Parking of Funds in PD account for two years

As per Article 286A of KFC, Personal Deposit (PD) accounts are created by transferring funds from the Consolidated Fund for discharging liabilities of the Government /department arising out of special enactments. PD accounts created by debit to the Consolidated Fund should be closed by intimating the balances in the PD accounts as on 31st March each year to Treasury Officer for transferring such balances to the Consolidated Fund. The continuation of PD account is subject to such permission obtained from the Government.

On a scrutiny of AC bills and NDC bills drawn by the DG&IGP Prison, Bengaluru, it was observed that 25 AC bills were drawn towards purchase of fuels and expenditure towards Jailor and Warden recruitment. The AC bill of ₹1.50 crore for recruitment of Jailor and Warden was drawn (March 2018) and kept in PD account of Central Prison, Bengaluru. This was in violation of KFC provisions.

However, while submitting (April 2018) the NDC bills for ₹1.50 crore, vouchers were submitted for ₹1,41,60,550/- and balance of ₹8,39,450/- remained unspent. Audit observed that the Treasury had accepted the NDC bills without checking for the unspent amount. The unspent amount was remitted back (February 2020) after a delay of almost two years.

The Prison Department in its reply (November 2022) stated that due to work pressure there was a delay in remittance of unspent balance. The reply is not acceptable as the unspent balance is required to be remitted back along with submission of NDC Bills.

4.3.6 Splitting of bills to avoid approval for amount in excess of the limit prescribed

DDO's are required to obtain permission of Finance Department for drawal of AC bills for amounts exceeding ₹two lakh in the Police Department.

On Scrutiny of AC bills, Audit observed that a DDO in Police Department, Bengaluru drew ₹eight lakhs in four AC bills each for ₹two lakh in the month of December 2019 for photocopy of court papers with regard to investigation of bomb blast.

In Prisons Department, Bengaluru, a DDO drew ₹49.50 lakhs in three AC bills (March 2018) for payment of wages to prisoners.

In both the cases, the departments had not taken approval of Finance Department for drawing of AC bills beyond their limit prescribed. The treasury officers had passed the bill in clear violation of instructions of Finance Department. Departments should follow the financial propriety and prudence.

4.3.7 Utilisation of AC bills drawn under object head -051 General Expenses

The Office of the Commissioner of Police, Mysuru has power to draw AC bills for various purposes like, recruitment, purchase of fuel (Petro card), Other Expenses.

On a scrutiny of AC bills pertaining to Office of the Commissioner of Police, Mysuru, it was observed that, the office had drawn (April 2021) an AC bill for ₹15 lakh under the Object Head 051 General Expenses under the Major Head 2055. On cross verifying the corresponding NDC bills, it was observed that vouchers in support of the NDC bill were for purchase of fuels. Since, there was specific Object Head 195 Transport Expenses for purchase of fuel, drawing amount under 051 General Expenses resulted in diversion of funds.

4.4 Personal Deposit Accounts

Article 286 of the KFC,1958 provides for opening of 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 Accounts

The closing balances in the PD Accounts for the period from 2017-18 to 2021-22 is indicated in **Table 4.6**.

Table 4.6: Funds kept in PD Accounts

Year	(₹ in crore)			
	Opening Balance	Receipts/Deposits	Withdrawals	Closing balance
2017-18	2,942.12	4,194.46	4,395.06	2,741.52
2018-19	2,741.52	5,350.98	4,007.36	4,085.14

Year	Opening Balance	Receipts/Deposits	Withdrawals	Closing balance
2019-20	4,085.14	6,557.67	6,221.25	4,421.56
2020-21	4,421.56	4,711.16	5,143.49	3,989.23
2021-22	3,989.23	4,787.13	4,670.75	4,105.61

Source- Finance Accounts

Out of the 71 PD Accounts which existed in 2020-21, during the year 2021-22, while 11 PD Accounts were opened, four PD Accounts with a balance of ₹0.47crore were closed and hence, 78 PD Accounts existed as at the end of the year. During the year 2021-22, out of ₹4,787.13 crore credited to PD Accounts, ₹1,471.75 crore was transferred to PD accounts during March 2022. The closing balance in deposit accounts showed minimal increase during 2021-22 from that of 2020-21. The closing balances included unutilised XIV and XV FC grants of ₹1,054.58 crore released to ULBs' (excluding Bruhat Bengaluru Mahanagara Palike). This accounted around 26 per cent of the closing balance.

The net closing balance in respect of some of the PD accounts of the administrators having high balances as at the end of 2021-22 are shown in **Table 4.7**. This was offset by some of the PD accounts which had negative balances.

Table 4.7: Closing balances in PD Accounts

Sl.No	Administrator	Amount
1	Personal Deposits - General	346.00
2	PD Accounts of Deputy Commissioners	8,591.97
3	PD Accounts of Director, Department of Scheduled Tribes	351.46
4	Personal Deposit Assistant Commissioner under the Revenue Department	244.66

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. During the year 2021-22, out of 78 PD accounts, 21 PD accounts (12 PD accounts with a credit balance of ₹50.67 crore and seven PD accounts with a debit balance of ₹2.02 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.

Finance Department in its reply (January 2023) stated that 58 inoperative PD Accounts have been closed by Finance Department (November 2022). However, this needs to be reconciled with AG(A&E) and final action need to be taken.

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 AG (A&E), are indicated in **Table 4.8**.

Table 4.8: Balances under Suspense and Remittance Head

Minor Head	2019-20		2020-21		2021-22	
	Dr	Cr	Dr	Cr	Dr	Cr
Major Head 8658-Suspense						
101-PAO Suspense	270.30	10.86	283.51	3.40	273.17	4.07
Net	Dr.259.44		Dr.280.11		Dr.269.10	
102-Suspense Account-Civil	18.14	414.95	18.42	378.75	16.94	372.49
Net	Cr.396.81		Cr.360.33		Cr.355.55	
110- Reserve Bank Suspense- Central Accounts Office	17.59	154.67	72.61	53.35	172.52	35.49
Net	Cr.137.08		Dr.19.26		Dr.137.03	
Major Head 8782-Remittances						
102-1 Public Works remittances into treasury	82.61	0.00	82.61	0.00	82.61	0.00
Net	Dr.82.61		Dr.82.61		Dr.82.61	
103-1 Forest remittances	12.13	0.00	12.13	0.00	12.13	0.00
Net	Dr.12.13		Dr.12.13		Dr.12.13	

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 2021-22 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.

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 an increase in 2020-21 from 2019-20. However, it decreased in the year 2021-22 and 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 Telecommunication Department are also initially classified under this head, pending settlement of claims by these authorities. The net credit balance under this head decreased by ₹4.78 crore during the year. In so far as accounts with Railways (₹3.14 crore) and accounts with Defence (₹0.39 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 2021-22, the debit balance under this head was ₹137.03 crore and has increased by ₹117.77 crore compared to previous year.

- **Public Works Remittance into Treasury**

This head is operated to watch whether the Treasury acknowledges amounts remitted by the divisional officers of Public Works. The debit balance of ₹82.61 crore at the end of year 2021-22 is due to non-reconciliation by the Division Offices with the Treasury and these differences could lead to non-detection of cases of defalcation, which may result in loss to Government.

- **Forest Remittances into Treasury**

Collection for Forest Revenues by the divisions and their remittance to the Government Accounts at treasury initially takes place under this head. The debits under this head gets cleared by credits appearing in the treasury accounts when the remittances are acknowledged and accounted by the treasury officers. Due to time lag between actual realisation of revenue and its remittance into the treasury, the debits appearing in the division accounts under this head would continue to appear till remittance made is finally accounted in the Treasury Accounts. There is a debit balance of ₹12.13 crore at the end of 2021-22 under this head.

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 4.9** indicates adverse balance under Public Debt and Loans & Advances. The balance under Public Debt, Head of Account (HoA) 6003-00-108-0-01 – Internal debt of the State Government Loans from National Co-operative Development Corporation Ltd. increased by ₹40.83 crore in the year 2021-22 as compared to year 2020-21 and under the Loans and Advances, HoA 7610 – Loans and Advances to Government servants, the balance increased by ₹1.85 crore in the year 2021-22 as compared to year 2020-21. Hence, necessary action for clearing the adverse balances in respect of Public Debt and Loans and Advances is required to be taken.

Table 4.9: Adverse balance under DDR Heads

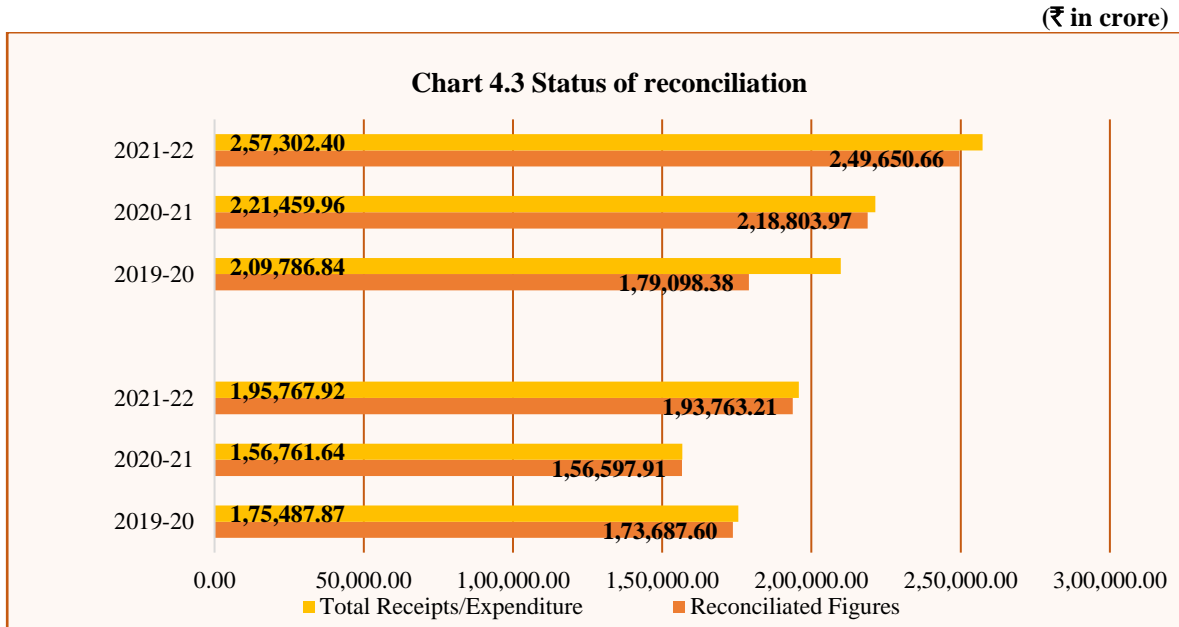
(₹ in crore)

Sl. No.	HoA	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.174.40	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.184.76	
Loans and Advances				
3	6202, 6215, 6217, 6401, 6402, 6405, 6408, 6435 6505, 6506, 6701, 7475 & 7615	Loans to State Institutions	Cr.89.65	Adverse balance is due to misclassification, which is under reconciliation.
4	7610	Loans and Advances to Government servants	Cr.10.23	
Total			Cr.99.88	

Source- Office of the AG(A&E)

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 2019-20 revenue and expenditure reconciliation is indicated in **Chart 4.3**



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 4.10**.

Table 4.10: Status of Reconciliation of Receipts and Expenditure figures

(₹ in crore)

Year	Total No. of Controlling Officers	Fully reconciled	Partially Reconciled	Not reconciled at all	Controlling Officers not transacted during the month	Total Amount	Reconciled Amount	Percentage
Receipts								
2019-20	101	75	18	8	0	1,75,487.87	1,73,687.60	98.97
2020-21	101	86	-	15	0	1,56,761.64	1,56,597.91	99.90
2021-22	103	71	20	12	0	1,95,767.92	1,93,763.21	98.98
Expenditure								
2019-20	322	245	50	27	0	2,09,786.84	1,79,098.38	85.37
2020-21	322	289	-	33	0	2,21,459.96	2,18,803.97	98.80
2021-22	333	260	42	31	0	2,57,302.40	2,49,650.66	97.03

Source- Report on MCA and Finance Accounts

As indicated in the table above, during 2021-22, there was decrease in reconciliation of both Receipts and Expenditure though marginal. 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 for the financial year as on 30 June of the following year as per the provisions made at para 3.65 in Report of the Working Group on Accounting and Reconciliation procedure of the State Government transactions by RBI.

As of March 2022, there was a difference of {₹1,544.56 crore (Dr.)}, between the figures reflected in the accounts {₹1,518.38 crore (Dr.)} and that intimated by the RBI {₹26.17 crore (Dr.)} and the difference reduced by ₹81,900(Dr.) only after the reconciliation done in the month of May 2022. The difference pertains to non-reporting and non-reconciliation of figures by the Agency Banks. It is under reconciliation in the office of AG (A&E).

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 C&AG with the support of the GoI is entrusted with the responsibility of formulating and proposing accounting and financial reporting standards for Government departments and organizations. On the advice of the C&AG 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 2021-22 are discussed in **Table 4.11**.

Table 4.11: 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 even if it involves creation of assets, except in cases specifically authorized by the President on the advice of the C&AG of India.	Not Complied	The Additional grant provided to Samantharam Trust for construction of Vikalchetana Snehi building should have been Grants-in-aid instead of Capital 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.	Partially 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 AG (A&E).

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 14 autonomous bodies in the State was entrusted to the C&AG under Sections 19 and 20 of the C&AG's (DPC) Act, 1971.

The status of entrustment of audit, rendering of accounts, issuing of Separate Audit Reports (SAR) and their placement before the State Legislature is indicated in **(Appendix 4.3)**. As seen from the Appendix, one SAR in respect of four Autonomous Bodies, two SAR in respect of four Autonomous Body, No SAR in respect of four Autonomous Body were due for placement in the Legislature and in respect of two Autonomous Bodies, No SAR have been placed yet in Legislature.

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 timeframe. 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**.

As seen in the Appendix an investment of ₹8.87 crore has been made in the six undertakings as per the accounts finalized up to 2008-09 in respect of one undertaking, 2015-16 in respect of four undertakings and 2016-17 in respect of one undertaking.

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

Under Section 14 of the C&AG's (DPC) 1971 whenever anybody or authority is substantially financed by grants or loans from Consolidated Fund of the State, the C&AG 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 C&AG's (DPC) 1971, where any grant or loan is given for any specific purpose, the C&AG 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.

Twenty-one Departments did not furnish the information pertaining to 1,086 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.

Though, in reply to the audit observation, the Finance Department stated (December 2021) that the concerned departments have been requested to furnish information to Audit Office, it is seen that the number of institutions not furnishing the information increased when compared to previous year.

4.12 Timelines and Quality of Accounts

The accounts of the State Government are compiled by the AG (A&E) from the initial accounts rendered by 34 Treasuries, 3 Others, 103 Public Works Divisions and 103 Forest Divisions, apart from RBI advices. Though there was delay in rendering Monthly accounts in the first three quarters by some of the sections of the department, the State Government has monitored and ensured timely rendering of accounts. This timely submission of accounts continued during 2021-22 and as a result, the AG (A&E) excluded no accounts from the Monthly Civil Accounts.

4.13 Misappropriation, losses, thefts etc.

There were 61 cases of misappropriation, losses *etc.* involving Government money amounting to ₹37.37 crore as at the end of 2021-22 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 lakhs)

Name of the 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	Amount	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
Animal Husbandry and Veterinary Services	04	643.70	04	643.70	-	-	-	-
Food and Civil Supplies	01	525.00	01	525.00	-	-	-	-
Medical Education	02	1.98	02	1.98	-	-	-	-
Forest	02	0.73	02	0.73	-	-	-	-
Home	11	220.31	05	180.96	05	34.94	01	4.41
Health and Family Welfare	10	1.59	10	1.59	-	-	-	-
Labour	01	0.89	-	-	01	0.89	-	-
Social Welfare	01	9.48	01	9.48	-	-	-	-
Public Works	02	1,180.18	-	-	02	1,180.18	-	-
Horticulture	01	1.47	01	1.47	-	-	-	-
RDPR	01	1.04	01	1.04	-	-	-	-
Karnataka Soaps & Detergents Ltd.	01	499.21	-	-	-	-	01	499.21
Karnataka Handloom Development Corporation	01	12.50	-	-	-	-	01	12.50
Karnataka State Coir Development Corporation	07	28.83	-	-	-	-	07	28.83
Bangalore Electricity Supply Company Ltd.	05	182.73	02	27.33	01	80.09	02	75.31
Chamundeswari Electricity Supply Corporation Ltd.	02	99.30	-	-	01	44.85	01	54.45
Gulbarga Electricity Supply Company Ltd.	03	224.75	01	34.34	01	97.88	01	92.53
Hubli Electricity Supply Company Ltd.	03	92.09	02	60.91	01	31.18	-	-
Archelogy, Museums and Heritage	01	3.38	-	-	01	3.38	-	-
Urban Development Department	01	2.02	01	2.02	-	-	-	-
Fisheries	01	6.25	-	-	01	6.25	-	-
Total	61	3,737.43	33	1,490.55	14	1,479.64	14	767.24

Source: Office of the Pr.AG(Audit I) and Pr.AG(Audit II)

4.14 Follow up action on State Finance Audit Report

The Report of C&AG of India on State Finances for the year 2019-20 was discussed by the PAC in July 2022. The similar paras and important points of State Finance Audit Report for the years 2012-13 to 2018-19 were also taken up in PAC. It deliberated on regularization of the Excess expenditure of ₹2,409.53 crore for the period from 2012-13 to 2017-18. The recommendations of the PAC is yet to be placed in the State Legislature.

4.15 Conclusion

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

Non-submission of Utilisation Certificate (UCs) which was on a decreasing trend since 2019-20 has increased once again during 2021-22. The 37 UCs amounting to ₹38.63 crore which were outstanding as at the end of 2020-21 increased to 132 amounting to ₹325.50 crore.

However, the pending non-payment Detailed Contingent bills (NDC) reduced by 38 *per cent* when compared to previous year. Review of Abstract Contingent Bills (AC) of two major heads showed that apart from delay in submission of NDC bills, there were instances of drawal of funds through AC bills for avoiding lapse of budgetary grants, submission of inadmissible vouchers, splitting of bills *etc.*

The closing balance in the Personal Deposit accounts which had showed slight decrease during 2020-21 increased during 2021-22. Retention of such large sums of money was against principle of Legislative financial control.

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 control as well as monitoring mechanism in the State Government.

4.16 Recommendations

- *The Government may ensure timely submission of Utilisation Certificates (UCs) by the departments in respect of the grants released for specific purposes and also devise a module in its Integrated Financial Management System, Khajane-2, in line with Expenditure Advanced Transfer Module of Public Financial Management System to monitor the ultimate utilisation of funds.*
- *The Government should ensure adjustment of Abstract Contingent (AC) bills within the stipulated period and responsibility should be fixed on the defaulting officials for non-submission.*
- *Government may also consider adopting a module similar to Expenditure Advance Transfer (EAT) available in Public Financial Management System (PFMS) to address the problem of pending UCs and AC bills.*
- *Cleaning up of balances in the PD Accounts which have outlived its utility needs to be examined and steps taken to close such PD Accounts after reconciliation of balances and in consultation with the Administrators and Treasury.*

Chapter – 5

State Public Sector Enterprises

Chapter 5 – State Public Sector Enterprises

This chapter discusses the financial performance of Government Companies, Statutory Corporations and Government controlled Other Companies as revealed from their accounts. Impact of significant comments issued as a result of supplementary audit of the Financial Statements of these State Public Sector Enterprises (SPSEs) conducted by the C&AG of India for the year 2021-22 (or of earlier years which were finalised during the current year) has also been discussed.

5.1 Definition of Government Companies

A Government Company is defined in Section 2(45) of the Companies Act, 2013 as a company in which not less than 51 *per cent* of the paid-up share capital is held by Central Government, or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments, and includes a company which is a subsidiary of a Government Company.

Besides, any other company²³ owned or controlled, directly or indirectly, by the Central Government, or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments are referred to in this Report as Government Controlled Other Companies.

5.2 Mandate of Audit

Audit of Government Companies and Government Controlled Other Companies is conducted by the C&AG of India under the provisions of Section 143(5) to 143(7) of the Companies Act, 2013 read with Section 19 of the C&AG's (Duties, Powers and Conditions of Service) Act, 1971 and the Regulations made thereunder. Under the Companies Act, 2013, the C&AG appoints the Chartered Accountants as statutory auditors for Companies and gives directions on the manner in which the accounts are to be audited. In addition, C&AG has the right to conduct a supplementary audit. The statutes governing some Statutory Corporations require their accounts to be audited only by C&AG.

5.3 SPSEs and their contribution to the GSDP of the State

SPSEs consist of State Government Companies and Statutory Corporations. SPSEs are established to carry out activities of commercial nature keeping in view the welfare of people and occupy an important place in the State economy. As on 31 March 2022, there were 125 SPSEs in Karnataka, including six

²³ Companies (Removal of Difficulties) Seventh Order, 2014 issued by Ministry of Corporate Affairs *vide* Gazette Notification dated 4 September 2014.

Statutory Corporations²⁴ and 119 Government Companies (including thirteen²⁵ inactive government companies²⁶) under the audit jurisdiction of the C&AG. The names of these SPSEs are given in **Appendix 5.1**. Of these Government Companies, one SPSE (The Mysore Paper Mills Limited) was listed on the stock exchange. The inactive SPSEs have investment of ₹607.78 crore towards capital (₹160.21 crore) and long term loans(₹447.57 crore). This is a critical area as the investments in inactive PSUs do not contribute to the economic growth of the State.

A ratio of turnover of the SPSEs to the GSDP shows the extent of activities of the SPSEs in the State economy. The details of turnover of SPSEs and GSDP for a period of three years ending 31 March 2022 are given in **Table-5.1** below:

Table-5.1: Details of turnover of SPSEs vis-à-vis GSDP of Karnataka
(₹ in crore)

Particulars	2019-20	2020-21	2021-22
Turnover	74,922.04	77,607.61	77,381.94
GSDP of Karnataka	16,15,457	17,30,991	17,21,336
Percentage of Turnover to GSDP of Karnataka	4.64	4.48	4.50

It can be seen from the table above that the turnover of these SPSEs recorded increase during 2021-22 as compared to 2019-20 by 3.28 *per cent* as per their latest audited accounts available in respective years. However, the contribution of SPSEs in GSDP is marginal.

5.4 Investment in SPSEs and Budgetary support

5.4.1 Equity holding and Loans in SPSEs

The sector-wise Total Equity, Equity Contribution by State Government and Long Term Loans including the loans given by State Government as on 31 March 2022 is given below in **Table-5.2**.

Table-5.2: Sector-wise investment²⁷ in SPSEs

Name of Sector	Total Equity	State Government Equity	Total Long Term Loans	State Government Loans	Total Equity and Long Term Loans
Power	18,087.07	14,320.64	65,577.58	1,607.01	83,664.65
Finance	2,805.16	2,710.31	1,159.93	72.72	3,965.09
Service	1,213.20	1,163.08	1,562.82	4.00	2,776.02
Infrastructure	74,155.95	73,173.13	23,205.47	8,622.71	97,361.42
Others	792.49	698.23	2,379.79	1,608.67	3,172.28
Total	97,053.87	92,065.39	93,885.59	11,915.11	190,939.46

Source: Latest Financial Statements of SPSEs.

The thrust of SPSEs investment was mainly on Infrastructure and power

²⁴ Karnataka State Road Transport Corporation, North Western Karnataka Road Transport Corporation, Kalyana Karnataka Road Transport Corporation (*Previously North Eastern Karnataka Road Transport Corporation*), Bangalore Metropolitan Transport Corporation, Karnataka State Financial Corporation and Karnataka State Warehousing Corporation.

²⁵ Karnataka Agro Industries Corporation Limited, The Mysore Tobacco Company Limited, Karnataka Pulpwood Limited, The Karnataka State Veneers Limited, The Mysore Match Company Limited, The Mysore Lamp Works Limited, Mysore Cosmetics Limited, The Mysore Chrome Tanning Company Limited, NGEF Limited, Karnataka Telecom Limited, The Mysore Acetate and Chemicals Company limited, Bangalore Suburban Rail Company Limited and Vijayanagar Steel Limited.

²⁶ Inactive government company means a company which has not been carrying on any business or operation, or has not made any significant accounting transaction, or has not filed financial statements and annual returns during last two financial years.

²⁷ Investment includes equity and long term loans.

sector. These sectors have received 50.99 per cent (₹97,361.42 crore) and 43.82 per cent (₹83,664.65 crore) of total investment of ₹1,90,939.46 crore.

5.4.2 Market Capitalisation of equity investment in SPSEs

One SPSE (The Mysore Paper Mills Limited) has got its shares listed in Bombay Stock Exchange.

5.4.3 Disinvestment, Restructuring and Privatisation

During the year 2021-22, there was no case of privatisation of SPSEs.

5.4.4 Power Distribution Companies

As on 31 March 2022, there were 11 Power Sector PSUs (including one subsidiary - KPC Gas Power Corporation Private Limited, one Joint Venture - Raichur Power Corporation Limited and one Associate Company -PCKL). The State Government has been providing financial support to Power Sector PSUs in various forms through the annual budget. As of March 2022, the budgetary outgo towards equity, loans, grants/subsidies, loans written off and interest waived in respect of Power Sector PSUs for the past three years are as shown in **Table-5.3:**

Table-5.3: Details regarding budgetary support to Power Sector PSUs by State Government

Sl. No	Particulars	2019-20		2020-21		2021-22	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1	Equity Capital	6	884.69	4	537.33	7	793.14
2	Loans Given	4	2,500.00	0	0	1	150.00
3	Grants/Subsidy Provided	6	2,864.19	4	5,035.88	4	12,908.94
4	Total		6,248.88		5,573.21		13,852.08
5	Waiver of Loans and interest	0	0	0	0	0	0
6	Guarantees issued	1	0.33	4	7,250.00	4	3,617.14
7	Guarantee Commitment	5	3,969.08	6	10,764.30	6	12,919.08

As on 31 March 2022, the activity-wise investment (equity and long term loans) in 11 Power Sector PSUs was ₹83,664.65 crore as detailed in the **Table-5.4:**

Table-5.4: Activity wise Investment in Power Sector PSUs

Sl. No	Activity	No of PSUs	Investment		
			Equity	Long Term Loans	Total
1	Power Generation	3	8,572.18	31,123.06	39,695.24
2	Power Transmission	1	2,218.67	8,420.92	10,639.59
3	Power Distribution	5	7,295.67	23,268.79	30,564.46
4	Others	2	0.55	2764.81	2765.36
	Total	11	18,087.07	65,577.58	83,664.65

This investment accounts for 4.86 per cent of the GSDP of the State during 2021-22, where loan component alone accounts for nearly 3.81 per cent. It has been observed that one of the key indicators of financial distress of the DISCOMs is mounting power purchase dues towards the Generation Companies. The delayed payments by DISCOMs are considered as one of the major reasons for financial stress. To overcome this distress, GoI had launched the Late Payment Surcharge Rules, 2022, which had enabled the Distribution companies to pay the dues in equated monthly installments. The overdue

amount for generating companies engaged in conventional generation in Karnataka was ₹20,182.39 crore²⁸ as of March 2021. It is observed that cumulative overdue amount payable to generating companies at the end of December 2022²⁹ was ₹19,133.49 crore³⁰, which is indicative of the fact that over a period of 21 months, the overdue amount was reduced by 5.20 per cent.

The GoK extended no loans during the period 2019-20 to 2021-22 to the Generation Companies hence no amount was recovered at the end of March 2022. Since, the loan component to the Generation Companies account was nil, there is no impact on the fiscal deficit of the State.

5.5 Returns from SPSEs

5.5.1 Profit earned by SPSEs

The number of SPSEs that earned profit was 55 (including five inactive Government companies) in 2021-22 as compared to 50 in 2020-21. The profit earned decreased to ₹2,608.22 crore in 2021-22 from ₹2,987.00 crore in 2020-21. The Return on Equity (RoE) of the 55 profit earned SPSEs also decreased to 6.70 per cent in 2021-22 as compared to 8.53 per cent in 50 SPSEs in 2020-21. The RoE in all the 125 SPSEs including 50 loss making (of these, eight were inactive Government companies) was (-) 14.50 per cent in 2021-22.

The details of top three SPSEs which contributed maximum profit are summarised in **Table-5.5** below:

Table-5.5: Top three SPSEs which contributed maximum profit

Name of SPSE	Net profit earned (₹ in crore)	Percentage of Profit to total SPSEs profit
Karnataka Power Transmission Corporation Limited (KPTCL)	828.61	31.77
Karnataka State Minerals Corporation limited (KSMCL)	472.66	18.12
Karnataka State Investment and Infrastructure Development Corporation(KSIIDC)	332.46	12.75
Total	1633.73	62.64

Source: Latest Financial Statements of SPSEs.

During 2021-22, net profit of ₹1,633.73 crore constituting 62.64 per cent of total profit of SPSEs was contributed by these three SPSEs.

5.5.2 Dividend paid by SPSEs

The State Government through circular (November 2021) formulated guidelines³¹ according to which the Board of Directors of SPSEs' which are

²⁸ Represent dues towards State Generating Companies, viz. Karnataka Power Corporation Limited (KPCL): ₹17,934.97 crore and Raichur Power Corporation Limited (RPCL): ₹2,247.42 crore (Amounts are taken as per the books of KPCL/RPCL).

²⁹ The LPS Rules, 2022 came into effect from 3 June 2022 and ESCOMs paid ₹1,048.90 crore under LPS during August 2022 to December 2022.

³⁰ Represents dues to KPCL (₹17,170.23 crore) and RPCL (₹1,963.26 crore). This amount does not include dues accumulated during April 2021 to December 2022 and repayments received outside LPS during that period.

³¹ Guidelines (May 2003) according to which Government nominees on the Boards of Public Enterprises or Joint Ventures, where the State Government had equity holding, should insist on the declaration of minimum dividend of 20 per cent on shareholding. In case payment of

wholly owned or partially financed by the GoK shall decide the payment of dividend in a particular year after considering its operational and financial performance and on the advice of the GoK not less than 30 percent of the profit after tax. The dividend paid by SPSEs, where equity was infused by GoK is shown in **Table-5.6** below:

Table-5.6: Dividend Payout of SPSEs

(₹ in crore)				
Year	No. of SPSEs which declared dividend	Paid Up Capital	Net Profit	Dividend Declared
1	2	3	4	5
2019-20	16	198.51	566.62	49.78
2020-21	16	208.65	583.28	59.01
2021-22	18	222.15	1,116.45	189.35

Source: Latest Financial Statement of SPSEs.

16 SPSEs paid/declared dividend during 2018-19 and 2019-20, while 18 SPSEs paid/declared dividend during 2021-22. SPSEs in Power Sector had not declared/paid dividend.

5.6 Debt Servicing

5.6.1 Interest Coverage Ratio

Interest coverage ratio is used to determine the ability of a company to pay interest on outstanding debt and is calculated by dividing a company's earnings before interest and taxes (EBIT) by interest expenses of the same period. The lower the ratio, the lesser is the ability of the company to pay interest on debt. An interest coverage ratio of below one indicates that the company was not generating sufficient revenues to meet its expenses on interest. The details of interest coverage ratio in SPSEs which had interest burden are given below in **Table-5.7**.

Table-5.7: Interest coverage ratio of SPSEs

Year	Interest (₹ in crore)	Earnings before interest and tax (EBIT) (₹ in crore)	Number of SPSEs having liability of loans from Government, and other financial institutions	Number of companies having interest coverage ratio more than 1 ³²	Number of companies having interest coverage ratio less than 1 ³³
2019-20	8,055.29	4,948.43	54	20	21
2020-21	9,285.89	5,041.69	52	15	24
2021-22	9,887.90	1,873.97	52	17	23

Source: Latest Financial Statement of SPSEs.

It was observed that 17 SPSEs had interest coverage ratio of more than one, 23 SPSEs had interest coverage ratio of less than one during 2021-22 and for the remaining 12 SPSEs interest coverage ratio could not be calculated due to nil value either in interest expenses or EBIT. Thus, 23 SPSEs were not generating sufficient revenues to meet their expenses on interest.

dividend to this extent was not possible, dividend payout must constitute at least 20 per cent of profit after tax.

³² This doesn't include PSUs which have loan liability but interest coverage ratio couldn't be calculated due to nil value either in interest expenses or EBIT.

³³ This doesn't include PSUs which have loan liability but interest coverage ratio couldn't be calculated due to nil value either in interest expenses or EBIT.

5.7 Performance of listed SPSEs vis-a-vis private companies

One SPSE (The Mysore Paper Mills Limited) in Karnataka is listed, and there are no operations at present.

5.7.1 Return on Capital Employed

Return on Capital Employed (RoCE) is a ratio that measures a company's profitability and the efficiency with which its capital is employed. RoCE is calculated by dividing a company's EBIT by the capital employed³⁴. The details of RoCE during the period from 2019-20 to 2021-22 are given below in **Table-5.8**.

Table-5.8: Return on Capital Employed

Year	EBIT (₹ in crore)	Capital Employed (₹ in crore)	ROCE (in per cent)
2019-20	4,948.43	1,37,115.15	3.61
2020-21	5,041.69	1,45,117.01	3.47
2021-22	1,873.97	1,58,153.43	1.18

Source: Latest Financial Statement of SPSEs.

It was observed that RoCE was positive during 2019-20 to 2021-22. However, RoCE had declined from 3.61 per cent in 2019-20 to 1.18 per cent in 2021-22.

5.7.2 Return on Equity by SPSEs

Return on Equity (RoE) is a measure of financial performance to assess how effectively a company's assets are being used to create profits. RoE is calculated by dividing net income (i.e. net profit after taxes) by shareholders' fund. It is expressed as a percentage and can be calculated for any company if net income and shareholders' fund are both positive numbers.

Shareholders' fund is calculated by adding paid up capital and free reserves minus net of accumulated losses and deferred revenue expenditure and reveals how much would be left for a company's stakeholders if all assets were sold and all debts paid. A positive shareholders fund reveals that the company has enough assets to cover its liabilities while negative shareholder equity means liabilities exceed assets.

The details of Shareholders' fund and RoE relating to the SPSEs are given below in **Table-5.9**.

Table-5.9: Return on Equity relating to SPSEs where funds were infused by the State Government

Year	Net Income (₹ in crore)	Shareholders' Fund (₹ in crore)	ROE (Percentage)
2019-20	-3,911.89	59,698.86	-
2020-21	-5,259.47	54,429.18	-
2021-22	-8,839.63	60,956.73	-

As the SPSEs did not earn profit during 2019-20 to 2021-22, RoE could not be calculated.

³⁴ Capital Employed = Paid up Share capital + Free Reserves and surplus + Long term loans less Accumulated losses less Deferred Revenue Expenditure.

5.8 SPSEs incurring losses

5.8.1 Losses incurred

There were 50 SPSEs³⁵ that incurred losses as per their latest finalised accounts at the end of March 2022. The losses incurred by these SPSEs increased to ₹11,447.85 crore as per their latest finalised accounts from ₹6,642.55 crore in 2019-20 as given below in **Table-5.10**.

Table-5.10: Number of SPSEs that incurred losses during 2019-20 to 2021-22

(₹ in crore)				
Year	No of loss making SPSEs	Net loss for the year	Accumulated loss	Net Worth ³⁶
Statutory Corporations				
2019-20	4	(-) 641.72	(-) 2,315.17	(-) 1,646.26
2020-21	5	(-) 985.32	(-) 3,141.26	(-) 2,464.55
2021-22	4	(-) 1282.43	(-) 3877.52	(-) 2981.46
Government Companies				
2019-20	41	(-) 6,000.83	(-) 20,676.61	26,238.01
2020-21	45	(-) 7,261.15	(-) 26,567.37	21,844.26
2021-22	46	(-) 10165.42	(-) 32,951.29	25000.29
Total				
2019-20	45	(-) 6,642.55	(-) 22,991.78	24,591.75
2020-21	50	(-) 8,246.47	(-) 29,708.63	19,379.71
2021-22	50	(-)11447.85	(-)36828.81	(-) 22,018.83

In 2021-22, out of total loss of ₹11,447.85 crore incurred by 50 SPSEs, significant loss of ₹7,907.43 crore was contributed by four SPSEs³⁷.

5.8.2 Erosion of Capital in SPSEs

As on 31 March 2022, there were 54 SPSEs with accumulated losses of ₹37,893.24 crore. Of these 54 SPSEs, 39 SPSEs incurred losses amounting to ₹11,378.58 crore and 15 SPSEs had not incurred loss, even though they had accumulated loss of ₹562.98 crore as per their latest accounts finalised. Two out of 54 SPSEs was under liquidation³⁸.

The net worth of 34 out of 54 SPSEs had been completely eroded by accumulated loss and their net worth was either zero or negative and the details are indicated in **Appendix 5.4**. The net worth of these 34 SPSEs was (-) ₹17,912.56 crore against equity investment of ₹9,095.51 crore as on 31 March 2022. Out of 34 SPSEs, whose capital had been eroded (being zero or negative net worth), seven SPSEs had earned profit of ₹5.87 crore during 2021-22. In 26 out of 34 SPSEs whose capital had been eroded, Government loans outstanding as on 31 March 2022 amounted to ₹42,567.68 crore.

Further, out of the total equity and loans in the 34 companies, 96.25 per cent of equity and 52.82 per cent of loan constituted in Power and Transport sectors.

³⁵ 50 SPSEs include eight non-working SPSEs

³⁶ Net worth means the sum total of the paid-up share capital and free reserves and surplus less accumulated loss and deferred revenue expenditure. Free reserves mean all reserves created out of profits and share premium account but do not include reserves created out of revaluation of assets and write back of depreciation provision.

³⁷ Bangalore Electricity Supply Company Limited (BESCOM), Hubli Electricity Supply Company Limited (HESCOM), Raichur Power Corporation Limited (RPCL) and Gulbarga Electricity Supply Company Limited (GESCOM).

³⁸ The Karnataka State Veneers Limited (KSVL) and Mysore Cosmetics Limited (MCL).

State Governments are the sole owners of the Power sector entities and the Government Departments undertakings of the State provide public transport services. The financial health of the power sector entity especially directly affects the fiscal position of the States. Since these two sectors contributed to majority of the losses in SPSEs, the XIV FC in addition to recommending to address the inefficiencies in the SPSEs suggested for establishment of State Electricity Regulatory Commission Fund for providing financial autonomy to the State Electricity Regulatory Commission and setting up of independent regulatory authority for Transport sector. In respect of other SPSEs, it upheld the recommendation of XIII FC to draw a road map for closure of non-working companies.

5.9 Audit of SPSEs

C&AG appoints the statutory auditors of a Government Company and Government Controlled Other Company under Section 139 (5) and (7) of the Companies Act, 2013. C&AG has a right to conduct a supplementary audit and issue comments upon or supplement the Audit Report of the statutory auditor. Statutes governing some Corporations require that their accounts be audited by the C&AG and a report be submitted to the Legislature.

5.10 Appointment of statutory auditors of SPSEs by C&AG

Sections 139 (5) of the Companies Act, 2013 provides that the statutory auditors in case of a Government Company or Government Controlled Other Company are to be appointed by the C&AG within a period of 180 days from the commencement of the financial year.

The statutory auditors of the above Companies for the year 2021-22 were appointed by the C&AG during August/September 2021.

5.11 Submission of accounts by SPSEs

5.11.1 Need for timely submission

According to Section 394 of the Companies Act, 2013, Annual Report on the working and affairs of a Government Company is to be prepared within three months of its Annual General Meeting³⁹ (AGM). As soon as may be after such preparation, the Annual Report must be laid before Legislature, together with a copy of the Audit Report and comments of the C&AG upon or as supplement to the Audit Report. Almost similar provisions exist in the respective Acts regulating Statutory Corporations. This mechanism provides the necessary Legislative control over the utilisation of public funds invested in the Companies from the Consolidated Fund of State.

Section 96 of the Companies Act, 2013 requires every company to hold AGM of the shareholders once in every calendar year. It is also stated that not more than 15 months shall elapse between the date of one AGM and that of the next. Further, Section 129 of the Companies Act, 2013 stipulates that the audited Financial Statements for the financial year have to be placed in the said AGM for their consideration.

³⁹ In case of the first AGM, it shall be held within a period of nine months from the date of closing of the first financial year of the company and in any other case within a period of six months, from the date of closing of the financial year *i.e.* 30 September

Section 129 (7) of the Companies Act, 2013 also provides for levy of penalty like fine and imprisonment on the persons including directors of the company responsible for non-compliance with the provisions of Section 129 of the Companies Act, 2013.

The annual accounts of various SPSEs were pending as on 30 September 2022⁴⁰, as detailed in the following paragraph.

5.11.2 Timeliness in preparation of accounts by SPSEs

As of 31 March 2022, there were 119 Government Companies under the purview of C&AG's audit. Of these, accounts for the year 2021-22 were due from 118 Government Companies. However, only 32 Government Companies submitted their accounts (including accounts of previous years) for audit by C&AG by 30 September 2022. Accounts of 86 Government Companies were in arrears for various reasons. Details of arrears in submission of accounts of Government Companies are given in **Table-5.11**:

Table-5.11: Details of arrears in submission of accounts of Government Companies

Sl. No.	Particulars	No. of Government Companies
1	Total number of Companies under the purview of C&AG's audit as on 31.03.2022	119
2	Less: New Companies from which accounts for 2021-22 were not due ⁴¹	01
3	Number of companies from which accounts for 2021-22 were due	118
4	Number of companies which presented the accounts for the year 2021-22 for C&AG's audit by 30 September 2022.	32 ⁴²
5	Number of accounts in arrears (86 Government Companies)	204
6	Break- up of Arrears	
	(i) Under Liquidation	72
	(ii) Defunct	15
	(iii) Others	117
7	Age-wise analysis of arrears against 'Others' category	
	(i) One year (2021-22)	56
	(ii) Two years (2020-21 and 2021-22)	22
	(iii) Three years and more	39

Since the State Government had made investment in form of equity and loans in the PSUs whose accounts had been falling in arrears, the non-finalisation of accounts by these companies would lead to the Government investments remaining outside the oversight of Audit as well as the State Legislature thereby making them highly susceptible to instances of fraud and misappropriation.

5.11.3 Timeliness in preparation of accounts by Statutory Corporations

Audit of six Statutory Corporations is conducted by the C&AG. Of which, C&AG is the sole auditor for four Statutory Corporations, while for other two Statutory Corporations, C&AG conducts supplementary audit after audit by statutory auditors. Of the four Statutory Corporations where C&AG is the sole auditor, none of the corporations and one corporation where C&AG conducts supplementary audit submitted their accounts for the year 2021-22 before 30

⁴⁰ Due date of holding AGM of Companies for the financial year 2021-22 is 30 September 2022 as per The Companies Act, 2013.

⁴¹ Bangalore Solid Waste Management Ltd (Formed in May 2021)

⁴² Represents number of accounts received and certified by C&AG for 2021-22.

September 2022. As on 30 September 2022, six accounts from six Statutory Corporations (four accounts where C&AG is sole auditor and two accounts where C&AG conducts supplementary audit) were pending.

5.12 C&AG's oversight - Audit of accounts and supplementary audit

5.12.1 Financial reporting framework

Companies are required to prepare the Financial Statements in the format laid down in Schedule III to the Companies Act, 2013 and in adherence to the mandatory Accounting Standards prescribed by the Central Government, in consultation with National Advisory Committee on Accounting Standards. The Statutory Corporations are required to prepare their accounts in the format prescribed under the rules, framed in consultation with the C&AG and any other specific provision relating to accounts in the Act governing such Corporations.

5.12.2 Audit of accounts of Government Companies by statutory auditors

The statutory auditors appointed by the C&AG under Section 139 of the Companies Act, 2013, conduct audit of accounts of the Government Companies and submit their report thereon in accordance with Section 143 of the Companies Act, 2013.

The C&AG plays an oversight role by monitoring the performance of the statutory auditors in audit of Public Sector Undertakings with the overall objective that the statutory auditors discharge the functions assigned to them properly and effectively. This function is discharged by exercising the power to:

- issue directions to the statutory auditors under Section 143 (5) of the Companies Act, 2013; and
- supplement or comment upon the statutory auditor's report under Section 143 (6) of the Companies Act, 2013.

5.12.3 Supplementary Audit of accounts of Government Companies

The prime responsibility for preparation of Financial Statements in accordance with the financial reporting framework prescribed under the Companies Act, 2013 or other relevant Act is of the management of an entity.

The statutory auditors appointed by the C&AG under Section 139 of the Companies Act, 2013 are responsible for expressing an opinion on the Financial Statements under Section 143 of the Companies Act, 2013 based on an independent audit in accordance with the Standard Auditing Practices of Institute of Chartered Accountants of India and directions given by the C&AG. The statutory auditors are required to submit the Audit Report to the C&AG under Section 143 of the Companies Act, 2013.

The certified accounts of selected Government Companies along with the report of the statutory auditors are reviewed by C&AG by carrying out a supplementary audit. Based on such review, significant audit observations, if any, are reported under Section 143 (6) of the Companies Act, 2013 to be placed before the AGM.

5.13 Result of C&AG's oversight role

5.13.1 Audit of accounts of Government Companies under Section 143 of the Companies Act, 2013

98 Financial Statements for the year 2021-22 and previous years from 90 Government Companies were received and audited by C&AG by 30 September 2022. Of which, 69 Financial Statements of Government Companies were reviewed in audit by the C&AG and Non Review Certificate was issued for 29 Government Companies. The results of the review are detailed below:

5.13.2 Amendment of Financial Statements

Ten Government Companies amended their Financial Statements as a result of supplementary audit conducted by the C&AG before laying the same in the AGM. The financial impact of amendments was ₹383.77 crore on the profitability and ₹542.60 crore on assets and liabilities.

5.13.3 Revision of Auditors Report

The statutory auditors' reports on 41 Financial Statements were revised as a result of supplementary audit of the Financial Statements conducted by the C&AG.

5.13.4 Significant comments of the C&AG issued as supplement to the statutory auditors' reports on Government Companies

Subsequent to the audit of the Financial Statements for the year 2021-22 and previous years by statutory auditors, the C&AG conducted supplementary audit of the Financial Statements of 60 Government Companies by 30 September 2022.

Some of the significant comments issued on Financial Statements of Government Companies, the financial impact of which was ₹1.78 crore on the profitability and ₹237.14 crore on assets/liabilities, have been detailed in **Appendix 5.2** and **Appendix 5.3**.

5.13.5 Statutory Corporations where C&AG is the sole auditor

Some of the significant comments issued by the C&AG on the accounts of Statutory Corporations where C&AG is the sole auditor, the financial impact of which was ₹15.17 crore on the profitability are detailed below:

North Western Karnataka Road Transport Corporation (2020-21)

- Non-provision towards compensation payable as per the revised compensation payable under Section 163A (up to August 2019) and Section 164(1) (from September 2019) of the Motor Vehicles Act for third party fatal accidental deaths (144 accidental deaths) resulted in understatement of liabilities, expenditure and loss by ₹6.48 crore.
- Charging of depreciation in respect of 12 premium buses considering the life of the bus being 5.60 lakh kms instead of 10 lakh kms as stated in the accounting policy resulted in overstatement of depreciation on passenger vehicles, expenditure and consequent loss for the year by ₹ 90.64 lakh and depreciation reserve by a similar extent.

- Charging depreciation at 50 per cent of actual rate of depreciation in the first year of addition of the asset as per the accounting policy without charging balance 50 per cent of the actual rate in the final year resulted in understatement of depreciation and loss for the year by ₹ 81.21 lakh.

Kalyana Karnataka Road Transport Corporation (2020-21)

- Non-provision towards compensation payable as per the revised compensation payable under Section 163A (up to August 2019) and Section 164(1) (from September 2019) of the Motor Vehicles Act for third party fatal accidental deaths (159 accidental deaths during June 2018 to March 2021) resulted in understatement of liabilities, expenditure and loss by ₹7.27 crore.
- Non-provision for the compensation payable in respect of 19 Motor Vehicle Accident Claim cases awarded before the end of March 2021 has resulted in understatement of liability towards MVC claims by ₹1.51 crore and understatement of loss for the year to that extent.

5.14 Management letters

One of the objectives of financial audit is to establish communication, on audit matters arising from the audit of Financial Statements, between the auditor and those charged with the responsibility of governance of the corporate entity.

The material observations on the Financial Statements of Public Sector Enterprises were reported as comments by the C&AG under Section 143 (5) of the Companies Act, 2013. Besides these comments, irregularities or deficiencies observed by C&AG in the financial reports or in the reporting process, were also communicated to the Management through 'Management Letter' for taking corrective action. During the year, C&AG issued Management Letters to 27 SPSEs on the deficiencies related to accounting treatment and policies, non-compliance to accounting standards on disclosures and non-compliance to assurances to audit on rectification of errors, etc.

5.15 Conclusion

- As on 31 March 2022, there were 125 SPSEs including six Statutory Corporations. Out of 125 SPSEs, there were 13 inactive SPSEs. Of these, four SPSEs have commenced liquidation process, closure process had not yet started for eight SPSEs, and closure order for one SPSE (NGEF Limited) were withdrawn by the Government Karnataka⁴³.
- Out of the total profit of ₹2,608.22 crore earned by SPSEs, 62.64 per cent was contributed by only three SPSEs. Out of total loss of ₹11,447.85 crore incurred by 50 SPSEs, loss of ₹7,907.43 crore was contributed by four SPSEs.
- SPSEs were not adhering to the prescribed timeline regarding submission of their Financial Statements as per the Companies Act, 2013. As a result, 204 accounts of 86 Government Companies were in arrears.

⁴³ The Government of Karnataka (GoK) decided to withdraw the closure orders of NGEF as there were no arrears of loan and proposed for utilisation of land and other valuable properties of the Company for public projects. Based on the application from GoK, the Hon'ble High Court of Karnataka admitted (June 2017) for withdrawal of closure orders passed earlier.

5.16 Recommendations

- *State Government may ensure timely submission of Financial Statements of SPSEs, as in the absence of finalisation of accounts, government investments in such SPSEs remain outside the oversight of the State Legislature.*
- *The inactive SPSEs are neither contributing to State economy nor meeting the intended objectives. The State Government needs to take a decision regarding commencement of liquidation process in respect of inactive SPSEs.*

Bengaluru

The

(Shanthi Priya S)

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 %)		20.90 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)		23 per 1,000 live births					
7	⁵ Life Expectancy at birth (All India Average = 69.4 years)		69.4 years					
8	⁶ Human Development Index [#] (2012) (India = 0.587)		0.611					
9	⁷ Gross State Domestic Product (GSDP) 2021-22 at current price (in crore)		17,21,336					
10	Per capita GSDP (2021- 22) (Rupee)	Karnataka	2,78,786					
		All India Average	1,46,087					
11	Per capita GSDP/GDP CAGR (2012-13 to 2021-22)	Karnataka	11.78					
		All India	6.84					
12	GSDP/GDP CAGR (2012-13 to 2021-22)	Karnataka	12.76					
		All India	10.11					
13	Population Growth (2012-22)	Karnataka	8.99					
		All India	12.12					
B		Financial Data						
		Particulars	Figures in per cent					
		CAGR	General Category States*			Karnataka		
			2016-17 to 2019-20	2019-20 to 2020-21	2020-21 to 2021-22	2016-17 to 2019-20	2019-20 to 2020-21	2020-21 to 2021-22 [^]
a	of Revenue Receipts.	8.68	(-)4.12	25.60	7.13	(-)10.67	24.92	
b	of Own Tax Revenue.	9.15	(-)4.06	25.62	5.40	(-)5.19	24.41	
c	of Non-Tax Revenue.	15.41	(-)34.63	45.46	7.30	2.77	49.19	
d	of Total Expenditure.	6.99	4.99	13.96	7.19	4.80	16.68	
e	of Capital Expenditure.	(-)4.95	(-)2.09	25.59	7.11	21.40	8.34	
f	of Revenue Expenditure on Education.	9.26	(-)0.90	11.47	7.19	(-)8.30	19.84	
g	of Revenue Expenditure on Health & Family Welfare.	11.86	15.29	19.71	7.96	17.15	30.73	
h	of Salary and Wages.	9.86	2.83	11.23	10.77	1.59	15.07	
i	of Pension.	15.01	6.48	11.88	12.98	2.89	9.14	

Source: Financial data is based on Finance Accounts

[#] Human Development Index is a composite index comprising of life expectancy, education and per-capita income.^{*} GC states figures is adopted from the information sent by Economic Advisor, O/o the CAG, New Delhi.[^]2019-20 to 2020-21 figures is arrived by considering the Finance Accounts for the year ended March 2021.

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

- (i) Surfaced roads per 100 sq. km (2021-2022) is **46.97 km.**
- (ii) Unsurfaced roads per 100 sq. km (2021-22) is **0.65 km.**
- (iii) Percentage of households with electricity (2021-22) is **99.10.**
- (iv) Grossed cropped area (2021-22) is **138.31 hectares.**
- (v) Number of Primary schools (2021-22) is **65,029.**
- (vi) Number of Primary health centers is **2,359.**

1. *Road Statistics 2021-22, Public Works Department (GOK).*
2. *Road Statistics 2021-22, Public Works Department (GOK).*
3. *Economic Survey, Government of Karnataka 2021-22, Table 1.21*
4. *Economic Survey, Government of Karnataka 2021-22, Page 189, Para 7.5.1.*
5. *Economic Survey, Government of Karnataka 2021-22, Page 401, Table 12.8.*
6. *Economic Survey, Government of Karnataka 2021-22, Page 389*

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 5)

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 2022

(Reference: Paragraph 1.7; Page 8)

				(₹ in crore)
As on 31.03.2021		LIABILITIES		As on 31.03.2022
2,81,140.19		Internal Debt		3,29,041.81
	2,62,289.02	Market Loans bearing interest	3,11,289.80	
	0.86	Market Loans not bearing interest	0.04	
	40.06	Loans from Life Insurance Corporation of India	7.85	
	5,077.48	Loans from other Institutions	5,639.28	
	13,732.77	Loans from RBI - Special Securities issued to National Small Savings Fund of the Central Government	12,104.84	
26,617.37		Loans and Advances from Central Government		45,385.00[^]
	0.07	Pre 1984-85 Loans	0.07	
	30.35	Non-Plan Loans	25.34	
	8,420.61	Loans for State Plan Schemes	7,013.92	
	7.89	Loans for Central Plan Schemes	7.89	
	(-)18.25	Loans for Centrally Sponsored Plan Schemes	(-)18.25	
	--	Loans for Centrally Sponsored Schemes	0.03	
	18,176.70	Other Loans	38,356.00	
80.00		Contingency Fund		500
38,811.09		Small Savings, Provident Funds, etc.		42,332.89
43,873.08		Reserve Funds		53,045.85
30,874.07		Deposits		33,682.31
2,377.03		Suspense and Miscellaneous balances		2,224.32
4,23,772.83		Total		5,06,212.18
		ASSETS		
3,51,201.00		Gross Capital Outlay on Fixed Assets		3,99,069.27
	68,256.68	Investments in shares of Companies, Corporations etc.	70,657.43	
	2,82,944.32	Other Capital Outlay	3,28,411.84	
31,246.53		Loans and Advances		35,329.29
	5,103.42	Loans for Power Projects	5,185.88	
	26,055.22	Other Development Loans	30,053.61	
	87.89	Loans to Government Servants and Miscellaneous Loans	89.80	
1,073.33		Remittances		1,206.25
6.94		Other Advances		6.94
47,143.18		Cash		63,412.36
		Cash in treasuries		-
	5.27	Departmental Cash Balance including Permanent Advances	5.64	
	1,583.33	Deposits with Reserve Bank of India	1,518.39	
	0.01	Remittances in Transit	0.01	
	21,744.33	Cash Balance Investments	31,973.89	
	23,810.24	Investment from earmarked funds	29,914.43	
(-)6,898.15		Surplus on Government Accounts		7,188.07
	(-)26,193.67	Accumulated Surplus	(-)6,898.15	
	(+)19,337.50	Deduct Revenue Surplus/Add Revenue Deficit	(+)13,666.23	
		Deduct Other adjustments		
			420.00	
	(-)41.98	Deduct Capital Receipts	(-)0.01	
4,23,772.83		Total		5,06,212.18

*The amount excludes ₹0.48crore being the retirement of capital/disinvestment in respect of co-operatives.

[^] Effective Loans and Advances for GoI would be ₹14,869 crore as the Department of Expenditure, GoI had decided that GST compensation of ₹12,407 crore and ₹18,109 crore given to the State as back-to-back loan during 2020-21 and 2021-22 respectively under Debt Receipt would not be treated as debt of the state for any norms which may be prescribed by the Finance Commission.

Appendix 2.1

Abstract of Receipts and Disbursements

(Reference: Paragraph 2.2; Page 17)

(₹ in crore)

Receipts			Disbursements		
2020-21		2021-22	2020-21		2021-22
Part A: Abstract of Receipts and Disbursements for the year 2021-22					
Section-A: Revenue					
1,56,716.41	I. Revenue receipts	1,95,761.84	1,76,053.91 #	I. Revenue expenditure	2,09,428.04#
97,052.54	Tax revenue	1,20,738.79	55,017.93	Total General Services	62,669.05
7,893.84	Non-tax revenue	11,777.04		Social Services	
21,694.11	State's share of Union Taxes & Duties	33,283.58	24,315.52	Education, Sports, Art and Culture	29,140.26
30,075.92	Grants for Central and Centrally Sponsored Schemes	29,962.43	9,768.46	Health and Family Welfare	12,769.90
9,851.89	Centrally Sponsored Schemes	12,659.36	5,787.61	Water Supply, Sanitation, Housing and Urban Development	11,207.12
5,557.00	Finance Commission Grants	6,239.03	203.99	Information and Broadcasting	215.53
14,667.03	Other transfer/grants to State/UT with Legislature	11,064.04	6,292.79	Welfare of Scheduled Castes, Scheduled Tribes, Other Backward Classes and minorities	7,573.54
			586.71	Labour and Labour Welfare	996.66
			14,504.39	Social Welfare and Nutrition	17,716.82
			266.45	Others	184.09
			61,725.92	Total Social Services	79,803.92
				Economic Services	
			16,686.91	Agriculture and Allied Activities	19,917.55
			9,144.02	Rural Development	8,121.35
			159.69	Special Areas Programmes	218.48
			2,182.79	Irrigation and Flood Control	1,978.82
			14,277.18	Energy	17,445.23
			1,735.64	Industry and Minerals	1,681.63
			4,545.09	Transport	4,605.46
			58.23	Science, Technology and Environment	44.82
			4,839.47	General Economic Services	6,325.91
			53,629.02	Total Economic Services	60,339.25
			5,681.04	Grants-in-aid and Contribution	6,615.82
			(-)19,337.50	II Revenue Deficit carried over to Sec.-B	(-)13,666.23
1,56,716.41		195761.84	1,56,716.41	Total	1,95,761.84

Receipts			Disbursements		
2020-21		2021-22	2020-21		2021-22
Section B – Capital and others					
34,463.13	II. Opening Cash Balance including Permanent Advances & Cash Balance Investments & Investments from earmarked funds	47,143.18			
45.23	III. Miscellaneous Capital receipts	6.08	45,406.05*	III. Capital Outlay	47,874.34*
			1,206.29	Total General Services	939.79
				Social Services	
			1,167.87	Education, Sports, Art and Culture	1,634.07
			2,099.44	Health and Family Welfare	2,574.84
			6,830.52	Water Supply, Sanitation, Housing and Urban Development	6,843.87
			(-)3.60	Information and Broadcasting	0.50
			1,163.80	Welfare of Scheduled Castes, Scheduled Tribes, Other Backward Classes and Minorities	1,952.86
			167.86	Social Welfare and Nutrition	72.82
			121.20	Other Social Services	149.42
			11,547.09	Total Social Services	13,228.38
				Economic Services	
			640.73	Agriculture and Allied Activities	851.87
			86.53	Rural Development	306.13
			1,574.52	Special Areas Programmes	2,114.80
			17,785.17	Irrigation and Flood Control	19,075.59
			650.12	Energy	200.00
			480.99	Industry and Minerals	144.06
			11,016.83	Transport	10,142.79
			417.78	General Economic Services	870.93
			32,652.67	Total Economic Services	33,706.17
269.87	IV. Recoveries of Loans and Advances	126.70	2,669.17	IV. Loans and Advances	4,209.46
233.48	From Power Projects	67.55	-	For Power Projects	150.00
7.09	From Government Servants	6.42	4.80	To Government Servants	4.51
29.30	From Others	52.73	2,664.37	To Others	4,054.95
84,527.94**	V. Public Debt receipts	80,640.80**	11,015.81	V. Public Debt repayment	13,971.54
70,413.86	Internal debt other than Ways and Means Advances and Overdraft	60,461.42	9,610.60	Internal debt other than Ways and Means Advances and Overdraft	12,559.79

Receipts			Disbursements		
2020-21		2021-22	2020-21		2021-22
	Ways and Means Advances from Reserve Bank of India		--	Ways and Means Advances from Reserve Bank of India	
14,114.08	Loans and Advances from the Central Government	20,179.38	1405.21	Repayment of Loans and Advances to Central Government	1,411.75
-----	VI. Contingency Fund	420	---	VI. Contingency Fund Disbursements	420.00
2,72,457.35	VII. Public Account Receipts	3,28,313.19	2,66,191.81	VII. Public Account Disbursements	3,13,096.05
8,472.64	Small Savings and Provident Funds, etc.	8,881.95	4,840.70	Small Savings and Provident Funds, etc.	5,360.16
8,313.71	Reserve Funds	12,405.50	2,039.66	Reserve Funds	3,232.74
63,574.70	Deposits and Advances	73,546.48	64,259.84	Deposits and Advances	70,738.26
1,92,098.47	Suspense and Miscellaneous	2,33,480.35	1,95,018.39	Suspense and Miscellaneous	2,33,633.07
(-)2.17	Remittances	(-)1.09	33.22	Remittances	131.82
(-)19,337.50	VIII. Revenue Deficit carried over from Sec.- A	(-)13,666.23	47,143.18	VIII. Cash Balance at the end of 31-03-2021	63,412.36
			0.01	Cash in Treasuries and Local Remittances	0.01
			1,583.33	Deposits with Reserve Bank	1,518.39
			5.27	Departmental Cash Balances including Permanent Advances	5.64
			21,744.33	Cash Balance Investment	31,973.89
			23,810.24	Investment from Earmarked Funds	29,914.43
3,72,426.02	Total	4,42,983.75	3,72,426.02	Total	4,42,983.75

Includes expenditure on interest payment in respect of off-budget borrowings etc., under various service heads (₹1,292.26 crore borrowed through Special Purpose Vehicles- Social Services (₹156.67 crore) and Economic Services (₹1,135.59 crore).

*Includes expenditure of ₹4,089.27 crore on account of off-budget borrowings.

** Effective Public Debts would be ₹62,531.89 crore as the Department of Expenditure, GoI had decided that GST compensation of ₹18,108.91 crore given to the state as back-to-back loan under Debt Receipts would not be treated as debt of the state for any norms which may be prescribed by the Finance Commission.

\$There is a difference in actual Revenue Deficit (₹13,666.20 crore) and Revenue deficit ₹13,666.23 crore mentioned in Finance Accounts 2021-22 due to rounding off. For calculation purpose ₹13,666.20 crore is considered.

Appendix 2.2

Time series data on the State Government Finances

(Reference: Paragraph 2.2, 2.4.3, 2.7.1; Page 17,22,58)

(₹ in crore)

	2017-18	2018-19	2019-20	2020-21	2021-22
Part A: Receipts					
1. Revenue Receipts	1,47,000	1,64,979	1,75,443	1,56,716	1,95,762
Rate of growth	10.35	12.23	6.34	(-)10.67	24.92
(i) Tax Revenue	87,130(59)	96,830(59)	1,02,363(58)	97,052(62)	1,20,739(62)
Rate of growth	5.03	11.13	5.71	(-)5.19	24.41
State Goods and Service Tax	24,182(28)	41,956(43)	42,147(41)	37,711(39)	49,929(41)
Taxes on Agricultural Income	15(-)	-	1(-)	---	-
Taxes on Sales, Trade, etc.	25,093(29)	14,003(15)	16,424(16)	16,028(17)	19,274(16)
State Excise	17,949(21)	19,944(21)	21,584(21)	23,332(24)	26,378(22)
Taxes on Vehicles	6,209(7)	6,568(7)	6,763(7)	5,607(6)	6,915(6)
Stamps and Registration fees	9,024(10)	10,775(11)	11,308(11)	10,576(11)	14,020(12)
Land Revenue	195(-)	144(-)	203(-)	184(-)	181(-)
Taxes on Goods and Passengers	1,279(1)	28(-)	65(-)	16(-)	18(-)
Taxes and Duties on Electricity	1,485(2)	2,334(2)	2,693(3)	2,433(2)	2,724(2)
Other Taxes on Income and Expenditure	964(1)	1,057(1)	1,140(1)	1,127(1)	1,269(1)
Other Taxes and Duties on Commodities and Services	736(1)	21(-)	34(-)	38(-)	31
(ii) Non Tax Revenue	6,477(4)	6,773(4)	7,681(4)	7,894(5)	11,777(6)
Rate of growth	11.77	4.57	13.41	2.77	49.19
Interest receipts	1,178	1,112	895	920	1,315(11)
Dividend and profits	79	38	54	81	350(3)
Nonferrous Mining and Metallurgical Industries	2,747	3,027	3,629	3,893	6,308(54)
Medical and Public Health	364	330	599	419	522(4)
Other Administrative Services	271	253	305	388	417(4)
Forestry and Wild Life	314	309	267	276	282(2)
Education, Sports and Culture	176	200	183	175	287(2)
Police	253	241	308	367	500(4)
Roads and Bridges	103	105	71	50	61(1)
Other non-tax receipts	992	1,158	1,370	1,325	1,735(15)
(iii) State's share of Union taxes and duties	31,752(22)	35,895(22)	30,919(18)	21,694(14)	33,284
Rate of growth	10.40	13.05	(-)13.86	(-)29.84	53.42
(iv) Grants-in-aid from Government of India	21,641(15)	25,481(15)	34,480(20)	30,076(19)	29,962(15)
Rate of growth	37.81	17.74	35.32	(-)12.77	(-)0.38
Grants for State Plan schemes	-	-	-	-	-
Grants for Central plan schemes	-	-	-	-	-
Grants for Centrally sponsored schemes	11,617	10,393	12,214	9,852	12,659(42)
Other transfers/Grants to States	7,316	11,714	17,593	14,667	11,064(37)
Finance Commission Grants	2,708	3,374	4,673	5,557	6,239(21)
2. Capital Receipts					
(i) Miscellaneous Capital Receipts	4	(-)6	45	45	6
(ii) Recoveries of Loans and Advances	137	31	203	270	127
(iii) Public Debt Receipts	25,122	41,914	50,459	84,528[#]	80,641
Rate of growth of Public Debt Receipts	(-)19.37	66.84	20.39	67.52	(-)4.60
Internal Debt (excluding Ways and Means Advances and Overdrafts)	23,179(92)	40,470(97)	49,473(98)	70,414(83)	60,462(75)
Net transactions under Ways and	---	---	310(1)	-	-

	2017-18	2018-19	2019-20	2020-21	2021-22
Means Advances and Overdrafts					
Loans and Advances from Government of India	1,943(8)	1,444(3)	675(1)	14,114(17)	20,179(25)
3.Total Revenue and Non-debt capital receipts (1+2(i)+2(ii))	1,47,141	1,65,004	1,75,691	1,57,031	1,95,895
4. Total Receipts in the Consolidated Fund (3+2(iii))	1,72,263	2,06,919	2,26,150	2,41,559	2,76,536
5. Contingency Fund Receipts	---	---	---	---	420
6. Public Account Receipts	2,00,615	2,37,760	2,55,638	2,72,457	3,28,313
7. Total Receipts of the State (4+5+6)	3,72,878	4,44,679	4,81,787	5,14,016	6,05,269
Part B: Expenditure/Disbursements					
8. Revenue Expenditure	1,42,482	1,64,300	1,74,258	1,76,054	2,09,428
Rate of growth	8.01	15.31	6.06	1.03	18.96
General Services (including interest payments)	34,484(24)	42,655(26)	48,824(28)	55,018(31)	62,669(30)
Social Services	58,652(41)	67,935(41)	66,373(38)	61,726(35)	79,804(38)
Economic Services	42,856(30)	48,285(29)	52,636(30)	53,629(30)	60,339(29)
Grants-in-aid and contributions	6,490(5)	5,425(4)	6,425(4)	5,681(4)	6,616(3)
9. Capital Expenditure	30,667	34,659	35,530	45,406	47,874
General Services	977(3)	827(2)	779(2)	1,206(3)	940(2)
Social Services	8,677(28)	9,794(28)	9,192(26)	11,547(25)	13,228(28)
Economic Services	21,013(69)	24,038(70)	25,559(72)	32,653(72)	33,706(70)
10. Disbursements of Loans and Advances	5,093	4,487	4,069	2,669	4,209
General Services	---	---	---	-	-
Social Services	1,178	2,441	1,061	1,393	2,770(66)
Economic Services	3,910	2,035	3,002	1,271	1,435(34)
Miscellaneous Loans	5	11	6	5	4
11. Total Capital Expenditure (9+10)	35,760	39,146	39,599	48,075	52,083
Rate of growth	18.87	9.47	1.15	21.40	8.34
12. Total Expenditure (8+9+10)	1,78,242	2,03,446	2,13,857	2,24,129	2,61,511
Rate of growth	10.02	14.14	5.11	4.80	16.68
13. Repayment of Public Debt	8,269	11,083	10,180	11,016	13,972
Internal Debt (excluding Ways and Means Advances and Overdrafts)	7,087(80)	9,741(88)	8,446(83)	9,611(87)	12,560(90)
Net transactions under Ways and Means Advances and Overdraft	---	---	310(3)	---	-
Loans and Advances from Government of India	1,182(14)	1,342(12)	1,424(14)	1,405(13)	1,412(10)
14 Appropriation to Contingency Fund	---	---	---	---	420
15. Total disbursement out of Consolidated Fund (12+13+14)	1,86,511	2,14,528	2,24,037	2,35,145	2,75,903
16. Contingency Fund disbursements	---	---	---	---	-
17. Public Account disbursements	1,94,537	2,34,330	2,45,292	2,66,193	3,13,096
18.Total disbursement by the State (15+16+17)	3,81,048	4,48,858	4,69,329	5,01,338	5,88,999
Part C: Surplus/Deficit					
19. Revenue Deficit (-)/ Revenue Surplus(+) (1-8)	4,518	679	1,185	(-19,338)	(-)13,666
20. Fiscal Deficit (3-12)	31,101	38,442	38,166	67,098	66,036
21. Primary Deficit (20-22)	16,128	21,828	18,263	43,665	39,760
Primary Surplus (22-20)	----	---	---	-	-
Part D: Other data					
22. Interest Payments (included in revenue expenditure)	14,973	16,614	19,903	23,433	26,276#

	2017-18	2018-19	2019-20	2020-21	2021-22
23. Financial Assistance to local bodies etc.	47,096	50,603	54,603	53,771	57,582
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)	13,33,240	14,76,496	16,15,457	17,30,991	17,21,336
27. Rate of growth	10.40	10.74	9.41	7.15	(-)0.56
28 Off Budget Borrowings during the year	3,500.23	3,523.65	4,435.49	3,045.10	2,350
28.(a) Outstanding Fiscal Liabilities (inclusive of off-budget borrowings)	2,46,231	2,85,238	3,37,520	4,15,926^^	4,90,256
29. Rate of growth	11.26	15.84	18.33	23.23	10.53
30. Outstanding guarantees (year-end) (including interest)	18,416	24,091	26,830	32,733	33,193
31. Maximum amount guaranteed (year-end)	24,025	30,719	35,694	45,104	49,467
32. Number of incomplete projects	236	881	978	1,133	1208
33. Capital blocked in incomplete projects	967	3,128	4,359	6,469	5,938
Part E: Fiscal Health indicators					
I Resource Mobilization					
Revenue Receipts/GSDP	11.03	11.17	10.86	9.05	11.37
Own Tax Revenue/GSDP	6.54	6.56	6.34	5.61	7.01
Own Non-Tax Revenue/GSDP	0.49	0.46	0.48	0.46	0.68
Central Transfers/GSDP	4.00	4.16	4.04	2.99	3.67
Non-tax revenue to Revenue Receipts	4.41	4.11	4.38	5.04	6.02
Rate of growth of State's Own Tax	5.47	10.68	6.22	4.63	26.27
II Expenditure Management					
Total Expenditure/GSDP	13.37	13.78	13.24	12.95	15.19
Revenue Receipts/Total Expenditure	82.47	81.09	82.04	69.92	74.86
Revenue Expenditure/Total Expenditure	79.94	80.76	81.48	78.55	80.08
Expenditure on Social Services/Total Expenditure	38.43	39.41	35.83	33.31	36.63
Expenditure on Economic Services/Total Expenditure	38.03	36.55	37.97	39.06	36.51
Capital Expenditure/Total Expenditure	20.07	19.24	18.52	21.45	19.92
Capital Expenditure on Social and Economic Services/Total Expenditure	19.51	18.83	18.15	20.91	19.56
III Management of Fiscal Imbalances					
Revenue Surplus (Deficit)/GSDP	0.34	0.05	0.07	1.12	0.79
Fiscal Deficit/GSDP	2.33	2.60	2.36	3.38	3.84
Primary Deficit (surplus)/GSDP	1.21	1.48	1.13	2.52	2.31
Primary Revenue Balance (in crore)	19,491	17,293	21,088	4,095	12,610
Primary Revenue Balance/GSDP	1.46	1.17	1.31	0.24	0.73
IV Management of Fiscal Liabilities					
Fiscal Liabilities (inclusive of off-budget borrowings)/GSDP	18.46	19.32	20.89	24.03	26.71
Fiscal Liabilities/Revenue Receipts	167.50	172.89	192.38	265.40	234.85
Fiscal Liabilities/Own Resources	263.05	275.32	306.71	396.32	346.93

	2017-18	2018-19	2019-20	2020-21	2021-22
V Other Fiscal Health Indicators					
Return on Investment (₹ in crore)	78.83	38.30	53.64	80.70	349.78
Financial Assets/Liabilities	1.10	1.00	1.00	1.00	1.00
Revenue Buoyancy** w.r.t					
GSDP	1.00	1.14	0.67	(-)1.49	(-)44.50
States' Own Tax	2.06	1.10	1.11	(-)2.06	0.94
State's own tax Buoyancy w.r.t GSDP	0.48	1.04	0.61	(-)0.73	(-)46.91
Buoyancy of total expenditure with					
GSDP	0.96	1.32	0.54	0.67	(-)29.79
Revenue receipts	0.97	1.16	0.82	0.45	0.67
Buoyancy of revenue expenditure with					
GSDP	0.75	1.33	0.65	0.10	(-)33.86
Revenue receipts	0.10	2.53	0.96	0.10	0.76
Buoyancy of capital expenditure with					
GSDP	1.76	0.82	0.12	2.00	(-)14.89
Revenue receipts	1.82	0.77	0.18	2.00	0.33
Buoyancy ratio of fiscal liabilities with					
GSDP	1.05	1.38	1.98	2.17	(-)18.80
Revenue Receipts	1.09	1.30	2.89	2.18	0.42
Own Resources	2.06	1.48	2.95	5.05	0.40

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 (₹1,292.26 crore borrowed through Special Purpose Vehicles- Social Services (₹156.67 crore) and Economic Services (₹1,135.59 crore).

*GSDP figures adopted in previous audit report are 2017-18 (₹13,36,914 crore), 2018-19 (₹14,90,624 crore), (2019-20 ₹16,28,928 crore) and 2020-21 (₹18,03,609 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

^The back to back Loan ₹12,407 crore in 2020-21 and ₹18,109 crore in 2021-22 received from GoI in lieu of GST compensation has not been considered as Debt for working out the indicator

Effective Public Debts would be ₹62,531.89 crore as the Department of Expenditure, GoI had decided that GST compensation of ₹18,108.91 crore given to the state as back-to-back loan under Debt Receipts would not be treated as debt of the state for any norms which may be prescribed by the Finance Commission.

^^ Effective Outstanding Fiscal Liabilities would be ₹4,59,740 crore as the Department of Expenditure, GoI had decided that GST compensation of ₹12,407 crore in 2020-21 and ₹18,109 crore in 2021-22 given to the state as back-to-back loan under Debt Receipts would not be treated as debt of the state for any norms which may be prescribed by the Finance Commission.

Appendix 2.3

Department wise share of Subsidies

(Reference: Paragraph 2.5.2.7; Page 39)

(₹ in crore)

Departments	2017-18	2018-19	2019-20	2020-21	2021-22	Remarks
Energy	7,957	7,593	9,110	9,139	14,736	It includes financial assistance to ESCOMS for supply to IP sets, Bhagya Jyothi and Kutira Jyothi consumers.
Food & Supplies	1,917	2,404	2,692	2,324	6,057	It includes subsidy towards Annabhagya for BPL and APL beneficiaries.
Agricultural and Other Allied Activities	1,455	2,336	2,254	2,774	2,447	It includes subsidy towards crop husbandry, fisheries, forestry, Soil and Water Conservation and wild life <i>etc.</i>
Co-operation	778	777	1,074	1,231	1,026	Represents waiver of overdue loans, both principal and interest.
Transport	757	820	728	1,529	1,705	Subsidy is towards fare concession extended to Students.
Housing	362	459	943	450	1,150	Subsidy is towards Ashraya scheme.
Others	922	1,011	733	985	1,098	It includes interest subsidy for Crop loan and Self help group.
Total	14,148	15,400	17,534	18,432	28,219	

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	2017-18	2018-19	2019-20	2020-21	2021-22
1	2202-01-109-0-03	Vidya Vikasa Scheme	501.15	466.27	538.08	266.98	248.83
2	2216-02-101-0-07	Vajpayee Urban Housing Scheme	336.62	250.00	93.75	150.00	250.00
3	2216-02-102-0-02	Housing for weaker section	1.00	0.00	0.00	0.00	0.00
4	2216-03-104-0-01	Ashraya	944.42	654.00	1,461.35	600.00	1,600.00
5	2235-02-102-0-25	Bhagya Lakshmi	301.90	294.27	294.30	46.82	97.26
6	2401-00-103-0-15	Supply of seeds and other inputs (Agricultural inputs and Quality Control)	213.20	559.95	590.85	550.38	491.63
7	2401-00-108-1-15	Micro Irrigation(National Mission for sustainable Agriculture)	94.85	440.37	429.57	632.85	401.27
8	2401-00-108-2-30	National Mission for sustainable Agriculture (Drip Irrigation)	288.47	364.54	337.19	386.31	349.12
9	2405-00-103-0-20	Matsya Ashraya	15.00	4.00	0.00	0.00	0.00
10	2425-00-108-0-57	Yashaswini	190.79	99.75	0.00	0.00	0.00
11	2851-00-103-0-62	Weavers package	38.75	114.76	127.15	260.10	135.00
12	2851-00-103-0-69	Weavers Package- KHDC	6.02	9.39	20.00	40.00	15.00
13	2852-80-103-0-59	Refund of sales tax to Eligible industries	80.00	299.46	155.26	195.00	50.00
14	3475-00-107-0-20	Minimum Floor Price Scheme	306.00	220.30	0.00	60.00	60.00
Total			3,318.17	3,777.06	4,047.50	3,188.44	3,698.11

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 48)

(₹ in crore)

Sl. No.	Head of Account/Institutions	Arrears as on 31 March 2022	
		Principal	Interest
1	6215-01-190-2-86: Bangalore Water Supply and Sewerage Board	4,926.33	4,315.17
2	6215-01-190-1-00: Karnataka Urban Water Supply and Drainage Board	311.35	677.83
3	6216-02-201-1-00: Karnataka Housing Board	23.61	100.41
4	6217-60-191-1-03: Bangalore Development Authority (for repayment of HUDCO Loans)	17.17	38.40
5	6220-01-190-1-00: Karnataka State Film Industries Development Corporation	0.41	1.94
6	6401-00-113-2-00: Karnataka Agro Proteins Limited	0.70	3.95
7	6401-00-103-2-00: Karnataka State Seeds Corporation Limited	2.88	7.10
8	6401-00-103-3-00: Karnataka State Co-operative Oil Seeds Growers Federation	0.75	7.52
9	6851-00-200-0-00: Leather Industries Development Corporation	1.26	4.71
10	6852-02-190-3-00: Dandeli Steel and Ferro Alloys Limited	0.31	1.47
11	6853-02-190-1-00: Hutti Gold Mines Company Limited	0.30	1.81
12	6858-01-190-3-00: Karnataka Implements and Machinery Company	1.10	5.56
13	6858-02-190-1-00: Electro Mobile India Limited	0.61	2.94
14	6858-02-190-0-01: Chamundi Machine Tools	0.18	0.40
15	6858-01-190-2-00: New Government Electric Factory	67.47	218.97
16	6859-01-190-0-01: Karnataka Telecommunication Limited	1.65	6.98
17	6860-04-190-2-01: Mysore Sugar Company	68.80	49.46
18	6860-60-212-1-00: Karnataka Soaps and Detergents Limited	2.25	16.33
19	6860-60-600-3-00: Mysore Tobacco Company Limited	1.34	12.82
20	6885-01-190-3-00: Karnataka State Finance Corporation	0.40	0.88
21	7452-80-190-1-00: Karnataka State Tourism Development Corporation	1.01	3.89
Total		5429.88	5478.54

Source: Finance Accounts

Appendix 3.1

Category wise/department wise budget allocation/expenditure for Child Budget
(Reference: Paragraph 3.4 ; Page 79)

(₹ in crore)

Sl No	Grant	Child Centric Programme/Schemes				Child Centric Non Programme/Schemes			
		100% CCP		Less than 100%		100% CCP		Less than 100%	
		Budget	Expr.	Budget	Expr.	Budget	Expr.	Budget	Expr.
1	05- Home and Transport	0.00	0.00	2,582.58	2,350.25	0.00	0.00	0.00	0.00
2	8 – Forest, Ecology and Environment	94.60	102.51	200.50	201.31	0.00	0.00	0.00	0.00
3	10- Social Welfare	1,880.66	1,883.22	4,039.54	3,863.06	0.00	0.00	0.00	0.00
4	11- Women & Child Development	4,136.09	4,015.29	118.51	95.85	3.39	2.69	0.00	0.00
5	12 - Information, Tourism and Youth Services	0.00	0.00	400.86	362.00	0.00	0.00	0.00	0.00
6	13 – Food and Civil Supplies	0.00	0.00	6,645.67	6,606.00	0.00	0.00	0.45	0.42
7	15 – Information Technology	0.00	0.00	42.42	42.42	0.00	0.00	0.00	0.00
8	17 - Education	6,239.78	6,018.39	38.06	50.69	18,820.52	18,672.21	921.33	918.43
9	22- Health and Family Welfare	47.00	47.00	4,319.31	3,441.69	79.75	76.29	8,550.73	8,449.65
10	23- Labour and Skill Development	4.00	4.00	36.01	36.01	0.00	0.00	239.37	222.06
11	25 – Kannada and Culture	0.00	0.00	9.55	16.11	0.00	0.00	0.00	0.00
12	27 - Law	0.00	0.00	0.00	0.00	13.39	6.34	0.00	0.00
	Total	12,402.13	12,070.41	18,433.01	17,065.39	18,917.05	18,757.53	9,711.88	9,590.56

Source: Child Budget

Appendix 3.2

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

(Reference: Paragraph 3.6.2.1 ; Page 82)

(₹ in crore)			
Sl No	Grant No./Nomenclature	No. of cases	Amount
1	01 - Agriculture and Horticulture	03	175.32
2	02 - Animal Husbandry and Fisheries	07	91.05
3	03 - Finance	04	2.56
4	04 - Department of Personnel and Administrative Reforms	07	26.54
5	05 - Home and Transport	09	458.41
6	07 - Rural Development and Panchayat Raj	01	216.95
7	08 - Forest, Ecology and Environment	03	114.53
8	12 - Information, Tourism and Youth Services	02	11.00
9	13 - Food and Civil Supplies	02	1,711.12
10	14 - Revenue	02	717.12
11	17 - Education	03	175.69
12	18 - Commerce and Industries	01	223.42
13	19 - Urban Development	02	870.08
14	20 - Public Works	01	870.00
15	21 - Water Resources	03	1,800.18
16	22 - Health and Family Welfare	06	811.68
17	23 - Labour and Skill Development	03	86.25
18	24 - Energy	01	100.00
19	26 - Planning, Statistics, Science and Technology	02	22.57
20	27 - Law	01	2.00
21	28 - Parliamentary Affairs and Legislation	05	2.93
Total		68	8,489.40

Source: Appropriation Accounts

Appendix 3.3

Unnecessary Supplementary Provision

(Reference: Paragraph 3.6.2.3 ; Page 84)

(₹ in crore)

Sl. No	Grant No/ Nomenclature	Head of Account	Budget Provision			Expenditure	Unspent Provision
			Original Provision	Supplementary	Total		
1	05-Home and Transport	2041-00-102-0-03-059 Other Expenses	200.00	78.00	278.00	112.87	165.13
2	11-Woman and Child Development	2235-02-197-6-03-300 Lumpsum-ZP	0.00	24.70	24.70	0.00	24.70
3	14-Revenue	2235-02-101-0-20-116 Social Security pensions(SSP)	660.38	100.24	760.62	641.85	118.77
4		2250-00-103-5-14-103 GIA- General	20.00	1.18	21.18	11.08	10.10
5	17-Education	2202-01-113-0-01-059 Other Expenses	142.60	2.00	144.60	101.82	42.78
6	19-Urban Development	3604-00-191-9-18-103 GIA General	421.00	139.50	560.50	279.50	281.00
7	22-Health and Family Welfare	2210-01-104-0-02-180 Machinery and Equipment	50.00	17.72	67.72	49.20	18.52
8		4210-04-107-2-01-180 Machinery and Equipment	158.50	11.70	170.20	39.01	131.19
9	27-Law	2014-00-105-0-01-180 Machinery and Equipment	14.00	10.00	24.00	9.71	14.29
Total			1,666.48	385.04	2051.52	1,245.04	806.48

Source: Grant Register

Appendix 3.4

Excessive Supplementary Provision
(Reference: Paragraph 3.6.2.3 ; Page 84)

(₹ in crore)

Sl No	Grant No/ Nomenclature	HOA	Budget Provision			Expenditure	Savings (>5 crore)
			Original Budget	Supplementary (>5 crore)	Total		
1	01-Agriculture and Horticulture	2408-01-103-0-01-106 Subsidies	11.60	31.28	42.88	28.28	14.60
2	05-Home and Transport	2055-00-109-1-01-051 General Expenses	90.91	81.00	171.91	166.20	5.70
3	06-Infrastructure Development	3451-00-090-1-06-059 Other Expenses	0.67	20.00	20.67	2.67	18.00
4	07-Rural Development and Panchayat Raj	5054-03-337-0-71-172 Roads	460.23	333.95	794.18	566.70	227.48
5		5054-03-337-0-75-059 Other Expenses	258.38	650.00	908.38	898.97	9.41
6	08-Forest, Ecology and Environment	2406-02-110-0-53-139 Major Works	8.00	14.42	22.42	13.46	8.96
7		2406-04-103-1-01-139 Major Works	18.00	5.80	23.80	18.36	5.44
8	12-Information, Tourism and Youth Services	4202-03-102-0-01-132 Capital Expenses	12.00	46.64	58.64	21.17	37.47
9	13-Food and Civil Supplies	2408-01-102-0-01-106 Subsidies	1,070.00	3,839.62	4,909.62	4,893.53	16.09
10		2408-01-102-0-06-106 Subsidies	564.29	560.00	1124.29	1118.20	6.09
11	14-Revenue	2053-00-093-1-01-053 Purchase of Furniture/ Fixtures	0.24	8.49	8.73	1.63	7.10
12		2235-60-001-0-02-116 Social Security pensions (SSP)	2,387.58	252.96	2,640.54	2,427.46	213.08
13		2235-60-102-1-01-116 Social Security pensions (SSP)	741.92	149.07	890.99	801.03	89.96
14		2245-80-102-0-01-139 Major Works	316.20	2,306.69	2,622.89	2,468.92	153.97

Sl No	Grant No/ Nomenclature	HOA	Budget Provision			Expenditure	Savings (>5 crore)
			Original Budget	Supplementary (>5 crore)	Total		
15		4059-01-201-0-02-132 Capital Expenses	5.00	83.90	88.90	14.66	74.24
16		4059-80-051-0-42-386 Construction	40.00	41.69	81.69	44.66	37.03
17	19-Urban Development	2217-05-191-1-13-059 Other Expenses	400.00	1,107.12	1,507.12	1,472.28	34.84
18		4215-02-106-0-03-132 Capital Expenses	63.76	86.50	150.26	137.76	12.50
19	22-Health and Family Welfare	2210-01-200-0-05-059 Other Expenses	0.00	45.00	45.00	11.25	33.75
20		2210-01-200-0-06-059 Other Expenses	0.00	30.00	30.00	7.50	22.50
21		2210-03-800-0-21-059 Other Expenses	0.00	41.60	41.60	25.91	15.69
22		4210-03-105-1-21-386 Construction	35.00	132.82	167.82	101.50	66.32
23		4210-03-105-1-21-422 Scheduled Caste Sub Plan	10.00	39.02	49.02	29.00	20.02
24		4210-03-105-1-21-423 Tribal Sub Plan	5.00	19.83	24.83	14.50	10.33
25		2210-03-800-0-18-059 Other Expenses	771.68	1,139.52	1,911.20	1,547.91	363.29
26		2210-06-001-0-01-222 Drugs and Chemicals	180.95	500.93	681.88	668.71	13.17
27		4210-03-105-1-23-386 Construction	105.00	431.92	536.92	364.83	172.09
28		4210-03-105-1-23-422 Scheduled Caste Sub Plan	30.00	111.43	141.43	96.77	44.66
29	4210-03-105-1-23-423 Tribal Sub Plan	15.00	55.72	70.72	48.39	22.33	
30	4210-03-105-1-24-386 Construction	20.00	78.45	98.45	76.78	21.67	
Total			7,621.41	12,245.37	19,866.78	18,088.99	1,777.78

Source: Grant Register

Appendix 3.5

Inadequate Supplementary Provision
(Reference: Paragraph 3.6.2.3 ; Page 84)

(₹ in crore)							
Sl. No	Grant No	HOA	Budget Original	Supplementary (>2 crore)	Total	Expenditure	Excess Expenditure (>2 crore)
1	02	2405-00-120-0-07-106 Subsidies	4.96	2.38	7.34	12.96	5.62
2		4405-00-104-0-02-386 Construction	1.00	15.96	16.96	21.96	5.00
3	04	2015-00-103-0-01-051 General Expenses	10.40	10.60	21.00	25.60	4.60
4		2015-00-108-0-01-059 Other Expenses	1.00	4.25	5.25	7.55	2.30
5	08	2406-02-111-0-01-104 Contributions	8.00	5.00	13.00	18.00	5.00
6	10	2225-01-796-0-02-059 Other Expenses	250.00	101.10	351.10	432.31	81.21
7		2225-02-794-0-05-059 Other Expenses	180.00	25.00	205.00	246.86	41.86
8		2225-03-277-3-11-002 Pay of Officers	0.39	3.05	3.44	6.44	3.01
9	14	2250-00-103-5-12-103 GIA General	17.00	10.48	27.48	40.30	12.82
10	16	2216-03-104-0-01-106 Subsidies	450.00	350.00	800.00	1150.00	350.00
11		2216-03-104-0-01-133 Special Development Plan	150.00	150.00	300.00	450.00	150.00
12	18	2851-00-103-0-62-106 Subsidies	52.57	71.00	123.57	129.57	6.00
13	19	4217-60-190-2-01-211 Investment	927.44	415.93	1343.37	1933.37	590.00
14	20	5054-03-337-0-17-154 Improvements	325.00	80.00	405.00	517.10	112.10
15		5054-03-337-0-18-154 Improvements	1,000.00	590.00	1,590.00	1,750.00	160.00
16		5054-04-377-0-01-154 Improvements	885.00	200.00	1,085.00	1,554.10	469.10
17	21	4701-80-190-3-00-132 Capital Expenses	742.46	195.00	937.46	1107.46	170.00
18		4701-80-190-4-00-132 Capital Expenses	1,355.89	664.00	2,019.89	2,104.89	85.00
19		4701-80-190-5-00-132 Capital Expenses	507.07	254.00	761.07	1261.07	500.00
20		4701--80-190-5-01-132 Capital Expenses	200.00	112.00	312.00	512.00	200.00
21		4701-80-190-6-01-132 Capital Expenses	1,072.63	275.00	1,347.63	1,382.63	35.00
22		4702-00-101-3-01-139 Major Works	900.00	10.00	910.00	994.98	84.98
23		4702-00-101-5-02-139 Major Works	150.00	210.00	360.00	450.00	90.00
24		4711-01-103-1-00-140	50.00	30.00	80.00	105.00	25.00

Sl. No	Grant No	HOA	Budget Original	Supplementary (>2 crore)	Total	Expenditure	Excess Expenditure (>2 crore)
		Minor Works					
25	22	2210-05-105-1-44-115 GIA-Contract/Out source	17.88	2.10	19.98	24.08	4.10
26		4210-03-105-1-02-386 Construction	80.00	45.87	125.87	147.63	21.76
27		4210-03-105-1-10-386 Construction	100.00	51.67	151.67	237.20	85.54
28	23	2210-01-102-0-01-180 Machinery and Equipment	3.00	44.00	47.00	55.26	8.26
29		2501-06-198-6-01-300 Lump sum for Zilla Panchayat	220.00	142.33	362.33	443.78	81.45
30	24	2801-80-101-1-04-106 Subsidies	9,167.04	5,068.93	14,235.97	14,735.97	500.00
Total			18,828.73	9,139.65	27,968.38	31,858.07	3,889.71

Source: Grant Register

Appendix 3.6

Unnecessary Re-appropriation

(Reference: Paragraph 3.6.2.4(a); Page 85)

(₹ in crore)

Sl No	Grant No	Head of Account	Budget including supplementary	Re-appropriation (>3 crore) (+)	Total	Expenditure	Savings (> 3 crore) (-)
1	01	2401-00-108-2-58-059 Other Expenses	0.01	3.33	3.34	0.01	3.33
2	03	2039-00-001-0-01-003 Pay of Staff	131.20	49.32	180.52	131.02	49.50
3	05	2055-00-108-0-01-003 Pay of Staff	1,197.11	5.11	1,202.22	1,163.77	38.45
4	10	2225-03-277-2-53-003 Pay of Staff	37.96	6.42	44.38	36.33	8.05
5	14	2053-00-101-0-05-002 Pay of Officers	5.12	3.78	8.90	4.30	4.60
6	17	2205-00-105-0-01-003 Pay of Staff	32.38	5.19	37.57	31.13	6.44
7	20	2059-80-001-0-01-002 Pay of Officers	106.87	3.59	110.46	104.81	5.65
8		2059-80-001-0-01-003 Pay of Staff	113.01	3.31	116.32	109.48	6.84
9	22	2210-01-110-2-44-051 General Expenses	3.00	3.00	6.00	2.31	3.69
10		2210-80-196-1-01-414 Vijayapura	60.59	3.22	63.81	60.59	3.22
11		2211-00-103-0-11-324 Honarium	212.69	4.18	216.87	209.20	7.67
Total			1,899.94	90.45	1,990.39	1,852.95	137.44
Excessive re-appropriation resulting in savings							
Sl No	Grant No.	HOA	Budget including Supplementary	Re-appropriation (> ₹3 crore) (+)	Total	Expenditure	Savings (>₹3 crore) (-)
1	01	2401-00-108-2-58-422 SCSP	0.01	33.88	33.89	9.10	24.79
2	05	2055-00-109-1-01-003 Pay of Staff	1,827.10	105.13	1,932.23	1,862.79	69.44
3		2055-00-109-1-01-014 Other Allowance	329.67	34.15	363.82	338.20	25.62
4	06	5465-01-190-3-05-132 Capital Expenses	907.88	60.00	967.88	944.88	23.00
5	07	2515-00-196-1-05-300 Lump sum for Zilla Panchayath	106.69	190.00	296.69	251.86	44.84
6	10	2225-02-794-0-05-059 Other Expenses	205.00	31.86	236.86	246.86	10.00

Sl No	Grant No.	HOA	Budget including Supplementary	Re-appropriation (> ₹3 crore) (+)	Total	Expenditure	Savings (>₹3 crore) (-)
7		2225-04-001-0-02-103 GIA-General	20.74	7.17	27.91	24.91	3.00
8		2225-04-277-0-09-003 Pay Staff	0.01	12.03	12.04	0.44	11.60
9	14	2030-03-001-2-04-051 General Expenses	38.98	13.04	52.02	47.26	4.76
10		2053-00-094-7-01-034 Contract/Outsource	0.01	8.23	8.24	5.24	3.00
11		2235-60-102-2-01-116 Social Security pensions(SSP)	970.54	33.43	1,003.97	996.91	7.06
12		2245-80-102-0-01-051 General Expenses	105.40	34.59	139.99	136.51	3.48
13		2245-80-102-0-01-059 Other Expenses	2,145.48	249.38	2,394.86	2,359.71	35.15
14	17	2202-03-001-0-01-003 Pay of Staff	7.37	4.00	11.37	7.58	3.79
15	22	2210-01-110-1-22-034 Contract/Outsource	200.79	98.59	299.38	270.71	28.67
16		2210-03-800-0-20-059 Other Expenses	329.36	309.09	638.45	594.60	43.85
17		2210-05-101-1-03-002 Pay of Officers	14.99	11.76	26.75	22.75	4.00
18		2210-06-001-0-05-051 General Expenses	10.00	10.00	20.00	11.77	8.23
19	23	2210-01-102-0-01-003 Pay of Staff	46.52	4.28	50.80	47.52	3.28
20		2230-02-001-0-03-003 Pay of Staff	119.20	8.08	127.28	119.66	7.62
Total			7,385.74	1,258.69	8,644.43	8,299.26	365.18
Inadequate re-appropriation							
Sl No	Grant No	HOA	Budget including supplementary	Re-appropriation (>₹1 crore) (+)	Total	Expenditure	Excess (+)
1	05	2055-00-104-0-01-002 Pay of Officers	8.03	1.04	9.07	9.90	0.83
2	10	2225-02-794-0-05-059 Other Expenses	205.00	31.86	236.86	246.86	10.00
Total			213.03	32.90	245.93	256.76	10.83

Injudicious re-appropriation							
Sl No	Grant No	Head of Account	Budget including supplementary	Re-appropriation (>1 crore) (-)	Total	Expenditure	Excess (>1 crore) (+)
1	10	2225-01-197-1-01-403 Chitradurga	23.99	1.41	22.57	23.99	1.42
2		2225-01-197-1-01-404 Kolar	19.24	1.41	17.83	19.24	1.41
3		2225-01-197-1-01-405 Shivamogga	22.99	1.26	21.73	22.99	1.26
4		2225-01-197-1-01-406 Tumakuru	25.56	1.57	23.99	25.56	1.57
5		2225-01-197-1-01-407 Mysuru	27.82	1.07	26.75	27.82	1.07
6		2225-01-197-1-01-408 Chikkamagaluru	15.71	1.02	14.69	15.71	1.02
7		2225-01-197-1-01-410 Hassan	20.57	1.25	19.32	20.57	1.25
8		2225-01-197-1-01-412 Mandya	15.82	1.18	14.64	15.82	1.18
9		2225-01-197-1-01-413 Belagavi	28.54	1.46	27.08	28.54	1.46
10		2225-01-197-1-01-414 Vijayapura	26.60	1.40	25.21	26.60	1.40
11		2225-01-197-1-01-417 Kalburagi	31.21	1.37	29.84	31.21	1.37
12		2225-01-197-1-01-418 Ballari	36.63	2.36	34.27	36.63	2.36
13		2225-01-197-1-01-419 Bidar	20.15	1.10	19.05	20.15	1.10
14		2225-01-197-1-01-420 Raichur	24.31	1.26	23.05	24.31	1.26
15		2225-01-197-1-01-453 Chikkaballapura	19.50	1.41	18.09	19.50	1.41
16		2225-01-197-1-01-456 Chamarajanagar	16.49	1.04	15.45	16.46	1.01
17		2225-01-197-1-01-461 Bagalkot	17.70	1.06	16.64	17.70	1.06
18		2225-01-197-1-01-466 Koppal	19.37	1.18	18.19	19.37	1.18
Total			412.20	23.81	388.39	412.17	23.79

Source: Grant Register

Appendix – 3.7

Cases of Defective Re-Appropriation Orders

(Reference: Paragraph 3.6.2.4 (b) ; Page 86)

(₹ in crore)							
Sl No	Grant No.	Government Order No.	Date	Amount	Issuing Authority	Reasons for rejection	
1	01	HOR/8/2021-22	24.03.2022	0.02	Director, Department of Horticulture, Bengaluru	Form 22A not Self Balanced	
2	02	PASAME 192 2021	25.08.2021	0.50	Under Secretary to Government, Animal Husbandry and Fisheries Department, Vidhana Soudha, Bengaluru	Budget Provision not tallied in Form 22A	
3	03	PIMPA AASITA 07/2021-22/10	11.01.2022	0.10	Director, Pension, Small Savings, Investing & Tracking, V.V.Towers, Bengaluru	Form 22A not Self Balanced	
4	04	DPAR 95 SAM 2022	19.02.2022	0.36	Under Secretary to Government, (e-Governance), M.S.Building, Bengaluru		
5		DPAR 02 CHUHAMAM 2021	21.03.2022	0.06	Chief Electoral Officer & Ex-officio Chief Secretary to Government, DPAR(Election), Vidhana Soudha, Bengaluru		
6	05	SWRD/LP/39 RA 21-22	06.09.2021	0.03	Director, Department of Sainik Welfare, Bengaluru		
7		DSWR/LP/28	04.02.2022	0.10			
8		SDRF/24/21-22	08.10.2021	0.10	Deputy Director, State Disaster Response Force, Bengaluru		
9		SDRF/24/21-22	05.03.2022	0.03			
10		BUD2/36/21-22	10.03.2022	0.06			
11		BUD2/36/21-22	10.03.2022	0.25	Director General and Inspector General of Police, Bengaluru		Budget Provision does not tally
12		BUD2/36/21-22	10.03.2022	0.25			Form 22 A not self Balanced & Budget Provision does not tally
13		TC/AS-1/YU-16 21-22	24.03.2022	0.02	Commissioner of Transport, Bengaluru	Budget Provision does not tally	
14		BUD2/37/21-22	29.03.2022	0.25	Director General and Inspector General of Police, Bengaluru	Budget Provision does not tally & insufficient funds	
15		HD 46/EFS/22	30.03.2022	0.50	Under Secretary to Government, Home Department , Bengaluru	Form 22 A not self Balanced	
16		HD 45/EFS/22	30.03.2022	0.50		Budget Provision does not tally	
17		HD 47/EFS/22	31.03.2022	0.50			
18	06	CAR 01:20-21	15.02.2022	0.05	The Controller, Legal Metrology Department, Bengaluru	Form 22 A not self Balanced	
19	07	RDPR 267 2021	15.07.2021	0.20	Deputy Secretary to Government, Zilla Panchayat, RDPR, M.S.Building, Bengaluru		
20		RDPR 06 AFS - 19	31.07.2021	0.14	Internal Finance Advisor & Deputy Secretary to		

Sl No	Grant No.	Government Order No.	Date	Amount	Issuing Authority	Reasons for rejection
					Government, RDPR, M .S. Building, Bengaluru	
21		SEC 29 ACT 2019-20	12.11.2021	0.06	The Secretary, State Election Commission, Bengaluru	
22	10	SWD 213 SAD 2021	15.12.2021	0.50	Under Secretary-2 to Government, Social Welfare Department, Bengaluru	
23		BCWD/C-09/CR-31/2021-22	14.12.2021	0.10	Commissioner, Department of Welfare of Backward Classes, Bengaluru	Form 22A not enclosed
24		DM/Admn/RA//CR-02/2021-22	09.02.2022	0.10	Director, Directorate of Minorities, Bengaluru	Form 22 A not self Balanced
25	11	MME 119 MAMAA 2021	21.12.2021	0.35	Under Secretary-1) to Government, Women and Child Development and Empowerment of Physically Challenged & Senior Citizen Department , Bengaluru	
26		WCD/Acct-7 /RA/44/21-22	18.02.2022	0.08	Director, Women and Child Development Department, Bengaluru	
27		MME 58 MABHABA 2021	10.03.2022	0.10	Under Secretary-3 (I/C) to Government, Women and Child Development and Empowerment of Physically Challenged & Senior Citizen Department, Bengaluru	Form 22A not enclosed
28		WCD/70/MAMA/2022	15.03.2022	0.35	Under Secretary-1) to Government, Women and Child Development and Empowerment of Physically Challenged & Senior Citizen Department , Bengaluru	Form 22 A not self Balanced
29		WCD/Accts-7 /RA/44/21-22	16.03.2022	0.02	Director, Women and Child Development Department, Bengaluru	
30	12	AMH/My/Accts -1/RA/21-22	14.03.2022	0.05	Commissioner, Dept of Archaeology, Museum and Heritage, Karnataka Exhibition Authority Premises Mysore	
31	14	RD 06 CRR 2019	08.12.2021	0.05	Under Secretary to Government, Revenue Department (Rehabilitation and Reconstruction) M.S. Building, Bengaluru	
32		BMC/BUD 01 /20-21	19.01.2022	0.04	Commissioner, Survey Settlement and Ex-officio Director (Bhoomi & UPOR), K.R.Circle, Bengaluru	
33		RD 42 LGB 2022	22.02.2022	0.01	Under Secretary to Government, Revenue Department, (Land Allotment-1), Bengaluru	
34	17	ED 72 HPUP 209	15.03.2022	0.22	Deputy Secretary to Government (Technical Education and	Insufficient Balance

Sl No	Grant No.	Government Order No.	Date	Amount	Issuing Authority	Reasons for rejection
					Planning), Higher Education Department, M. S. Building Bengaluru	
35	18	DSK/EAP-31 /2021-22/792-A	08.03.2022	0.38	Commissioner for Cane Development and Director of Sugar, Bengaluru	Form 22 A is not self Balanced
36		DSK/EAP-31 /2021-22/792-B	08.03.2022	0.06		
37		HDU/Accts/A-2 /upload/1/2021-22	21.02.2022	0.10	Commissioner for Textiles Development and Director of Handloom and Textiles, Kumara Krupa West, Bengaluru-20	
38	19	BMTF/Dev/2/21-22	08.02.2022	0.04	Additional Director General of Police, Urban Development Department, Bengaluru	
39		BMTF/Dev/2/21-22	04.02.2022	0.05		
40		Sec/29/Act/19-20	18.02.2022	0.01	Secretary, State Election Commission, Bengaluru-52	
41	20	CBNC-13/ 7121	29.01.2022	0.10	Chief Engineer, C & B (North East), Kalburagi	
42		CBNC-13/ 7106	21.03.2022	0.04		
43	21	WRD/08/CAN-22	28.01.2022	0.07	Under Secretary to Government, Water Resources Department, Bengaluru	
44	21	MD/23/FIN 22	07.03.2022	0.02	Under Secretary to Government, Minor Irrigation, Bengaluru	
45	23	ITED/Trg/Plg-1/VIVA-2/21-22	03.12.2021	0.09	Commissioner Industrial Training and Employment, Bengaluru	
46		SDEL/10/KTS/2022	25.01.2022	0.50	Under Secretary to Government, Skill Development, Entrepreneurship and Livelihood Department, Bengaluru	
47		SDEL/23/KTS/2022	03.03.2022	0.20	Under Secretary to Government, Skill Development, Entrepreneurship and Livelihood Department, Bengaluru	
48		LD/ 77/LSI/2019	28.03.2022	0.25	Desk Officer-5 Labour Department, Bengaluru	
49	28	DT/36/LP/RA/2021-22	25.11.2021	0.04	Director of Translation, Bengaluru-01	
Total				8.00		

Source: Office of the AG (A&E)

Appendix 3.8

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

(Reference: Paragraph 3.6.2.5(a) ; Page 86)

Sl No	Grant	Budget Original	Supplementary	Total	₹ in crore)	
					Expenditure	Savings
	1. Agriculture and Horticulture					
1	Revenue - Voted	7,214.69	1,102.66	8,317.35	7,874.08	443.27
	2. Animal Husbandry and Fisheries					
2	Revenue - Voted	2,640.58	320.81	2,961.39	2,845.99	115.40
	3. Finance					
3	Revenue - Voted	27,500.74	19.00	27,519.74	27,375.71	144.03
	4. Department of Personnel and Administrative Reforms					
4	Revenue - Voted	797.52	110.17	907.69	777.95	129.74
	5. Home and Transport					
5	Revenue - Voted	9,471.81	1,326.61	10,798.42	9,920.33	878.09
	7. Rural Development and Panchayati Raj					
6	Revenue - Voted	12,162.69	2,734.96	14,897.65	13,323.74	1,573.91
7	Capital - Voted	3,873.21	1,067.86	4,941.07	3,732.15	1,208.92
	8. Forest, Ecology and Environment					
8	Revenue - Voted	1,487.75	256.86	1,744.61	1,594.40	150.21
	10. Social Welfare					
9	Revenue Voted	7,103.57	774.82	7,878.39	7,578.39	300.00
	11. Women and Child Development					
10	Revenue - Voted	4,454.86	147.68	4,602.54	4,429.71	172.83
	14. Revenue					
11	Revenue Voted	12,147.76	6,333.91	18,481.67	17,529.18	952.49
	16. Housing					
12	Revenue - Voted	2,590.34	650.89	3,241.23	3,082.22	159.01
	17. Education					
13	Revenue - Voted	28,586.91	508.47	29,095.38	28,556.45	538.93
	18. Commerce and Industries					
14	Revenue - Voted	1,149.27	279.89	1,429.16	1,289.97	139.19
	19. Urban Development					
15	Revenue - Voted	7,372.00	2,756.22	10,128.22	9,640.26	487.96
16	Capital - Voted	8,275.05	1,506.37	9,781.42	9,672.23	109.19
	20. Public Works					
17	Revenue - Voted	2,786.89	1.33	2,788.22	2,673.69	114.53
	21. Water Resources					
18	Revenue - Charged	1,249.47	0.00	1,249.47	1,122.27	127.20
19	Capital - Voted	13,937.80	2,000.03	15,937.83	15,833.50	104.33
	22. Health and Family Welfare					
20	Revenue - Voted	10,829.13	2,344.76	13,173.89	12,302.39	871.50
21	Capital - Voted	1,078.52	1,601.22	2,679.74	2,574.94	104.80
	23. Labour and Skill Development					
22	Revenue - Voted	1,510.72	641.82	2,152.54	2,001.74	150.80
	27. Law					
23	Revenue - Voted	1,175.74	17.88	1,193.62	1,087.04	106.58
	29. Debt Servicing					
24	Revenue - Charged	29,160.86	0.07	29,160.93	28,766.76	394.17
25	Capital - Charged	14,564.78	0.00	14,564.78	13,971.54	593.24
	Total	2,13,122.66	26,504.29	2,39,626.95	2,29,556.63	10,070.32

Source: Appropriation Accounts

Appendix 3.9

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

(Reference: Paragraph 3.6.2.5(b) ; Page 87)

			(₹ in crore)
Sl. No	Grant No	Section	Unspent Provision
1	2	Animal Husbandry and Fisheries	
		Capital Voted	0.02
2	6	Infrastructure Development	
		Capital Voted	48.40
3	7	Rural Development and Panchayat Raj	
		Capital Voted	1,208.92
4	17	Education	
		Capital Voted	44.25
5	18	Commerce and Industries	
		Capital Voted	6.17
6	21	Water Resources	
		<i>Revenue Charged</i>	127.20
7		Capital Voted	104.33
Total			1,539.29

Source: Appropriation Accounts

Appendix 3.10

Surrender of entire unspent provision
(Reference: Paragraph 3.6.2.5(b) ; Page 87)

(₹ in crore)

SI No	Grant/Section	Amount of unspent provision	Amount surrendered
	1 Agriculture and Horticulture		
1	Capital-Voted	16.32	16.32
	4 Department of Personnel and Administrative Reforms		
2	Capital -Voted	3.22	3.22
	8 Forest, Ecology and Environment		
3	Capital -Voted	0.33	0.33
	11 Women and Child Development		
4	Capital -Voted	1.11	1.11
	12 Information, Tourism and Youth Services		
5	Capital -Voted	57.66	57.66
	13 Food and Civil Supplies		
6	Capital -Voted	0.03	0.03
	14 Revenue		
7	Capital - Charged	74.24	74.24
	15 Information Technology		
8	Revenue -Voted	1.26	1.26
	16 Housing		
9	Revenue - Charged	3.04	3.04
	20 Public Works		
10	Revenue - Charged	28.63	28.63
	22 Health and Family Welfare		
11	Capital Voted	104.80	104.80
	23 Labour and Skill Development		
12	Capital -Voted	7.65	7.65
	25 Kannada and Culture		
13	Capital -Voted	0.70	0.70
	27 Law		
14	Revenue - Charged	29.94	29.94
	28 Parliamentary Affairs and Legislation		
15	Revenue - Charged	1.57	1.57
	Total	330.50	330.50

Source: Appropriation Accounts

Appendix 3.11

Surrender of unspent provision
(Reference: Paragraph 3.6.2.5(b) ; Page 87)

(₹ in crore)

Sl No	Grant/Section	Amount of unspent provision	Amount surrendered	Amount not surrendered
	1 Agriculture and Horticulture			
1	Revenue –Voted	443.27	381.89	61.38
	2 Animal Husbandry and Fisheries			
2	Revenue –Voted	115.40	110.73	4.67
	3 Finance			
3	Revenue –Voted	144.03	31.69	112.34
4	Revenue – Charged	4.73	4.70	0.03
5	Capital –Voted	39.86	39.81	0.05
	4 Department of Personnel and Administrative Reforms			
6	Revenue –Voted	129.74	89.49	40.25
7	Revenue – Charged	19.14	17.20	1.94
	5 Home and Transport			
8	Revenue –Voted	878.09	328.71	549.38
9	Capital –Voted	11.38	4.65	6.73
	6 Infrastructure Development			
10	Revenue Voted	29.97	2.00	27.97
	7 Rural Development and Panchayat Raj			
11	Revenue –Voted	1573.91	746.81	827.10
	8 Forest, Ecology and Environment			
12	Revenue –Voted	150.21	137.60	12.61
13	Revenue – Charged	1.28	0.05	1.23
	9 Co-operation			
14	Revenue –Voted	71.25	49.67	21.58
	10 Social Welfare			
15	Revenue –Voted	300.00	239.02	60.98
16	Capital –Voted	2.65	1.89	0.76
	11 Women and Child Development			
17	Revenue –Voted	172.83	137.69	35.14
	12 Information, Tourism and Youth Services			
18	Revenue –Voted	26.96	26.03	0.93
	13 Food and Civil Supplies			
19	Revenue –Voted	51.67	51.23	0.44
	14 Revenue			
20	Revenue –Voted	952.49	121.24	831.25
21	Capital –Voted	50.77	47.03	3.74
	16 Housing			
22	Revenue –Voted	159.01	160.18	(+1.17)
	17 Education			
23	Revenue –Voted	538.93	175.30	363.63
	18 Commerce and Industries			
24	Revenue –Voted	139.19	114.31	24.88
	19 Urban Development			
25	Revenue –Voted	487.96	324.95	163.01
26	Capital –Voted	109.19	87.61	21.58

Sl No	Grant/Section	Amount of unspent provision	Amount surrendered	Amount not surrendered
20	Public Works			
27	Revenue –Voted	114.53	40.28	74.25
28	Capital Voted	1.50	1.21	0.29
21	Water Resources			
29	Revenue Voted	91.55	18.63	72.92
22	Health and Family Welfare			
30	Revenue –Voted	871.50	853.38	18.12
23	Labour and Skill Development			
31	Revenue –Voted	150.80	180.88	(+30.08)
24	Energy			
32	Revenue –Voted	5.41	2.21	3.20
25	Kannada and Culture			
33	Revenue –Voted	8.67	8.63	0.04
26	Planning, Statistics, Science and Technology			
34	Revenue –Voted	14.63	14.81	(+0.18)
27	Law			
35	Revenue –Voted	106.58	106.57	0.01
28	Parliamentary Affairs and Legislation			
36	Revenue –Voted	23.31	22.96	0.35
29	Debt Servicing			
37	Revenue – Charged	394.17	394.04	0.13
38	Capital – Charged	593.24	593.10	0.14
	Total	8,979.80	5,668.18	3,311.62

Source: Appropriation Accounts

(+) : Refers to amount surrendered greater than Savings.

Appendix 3.12

Results of substantial surrenders made during the year

(Reference: Paragraph 3.6.2.5(b) ; Page 87)

(₹ in crore)

Sl No	Grant No/ Nomenclature	Head of Account	Provision	Amount surrendered	Percentage of surrender	Remarks
1	01 - Agriculture and Horticulture	2401-00-108-2-51- 100 Financial Assistance/Relief	15.96	13.74	86	No specific reason furnished.
2		2401-00-108-2-52- 103 GIA-General	2.00	1.01	50	Non implementation of the Programme
3		2401-00-800-1-70- 014 Other Allowance	39.60	30.92	78	Non filling up of Vacant Post due to Covid-19 pandemic.
4		2401-00-110-0-07- 422 SCSP	147.65	103.00	70	No specific reason furnished.
5		2851-00-107-1-51- 139 Major Works	10.00	8.07	81	
6		4851-00-107-1-03- 436 NABARD Works	16.64	16.26	98	Due to delay in implementation of two projects under NABARD RIDF-2 projects.
7	02-Animal Husbandry and Fisheries	2403-00-800-040- 014 Other Allowance	28.81	25.07	87	Non filling up of Vacant Post due to Covid-19 pandemic.
8	03-Finance	2011-01-106-0-01- 250 Pensionary Charges	5.00	4.70	94	No specific reason furnished.
9		4047-00-006-0-01- 199 Transportation Assets	9.49	9.49	100	Due to delay in approval for purchase of vehicles and many construction works could not be undertaken due to Covid-19 pandemic.
10		4047-00-006-0-01- 386 Construction	25.00	17.18	69	Due to Covid-19 pandemic.
11		7610-00-201-0-02- 393 Advances	5.00	3.79	76	No specific reason furnished.
12		7610-00-201-0-03- 393 Advances	5.00	4.66	93	
13		7610-00-202-0-02- 393 Advances	3.00	2.00	67	

Sl No	Grant No/ Nomenclature	Head of Account	Provision	Amount surrendered	Percentage of surrender	Remarks
14		7610-00-202-0-03-393 Advances	4.00	2.00	50	
15	04-DPAR	2052-00-090-0-27-014 Other Allowance	42.28	34.70	82	Filling up of vacant posts were withheld in order to control the prevailing Covid-19 pandemic.
16		3451-00-090-2-41-059 Other Expenses	25.75	13.14	51	Due to economy measure.
17	05-Home and Transport	2055-00-116-0-03-051 General Expenses	282.00	246.92	88	No specific reason furnished.
18	06-Infrastructure Development	3051-02-800-0-03-014 Other Allowance	2.00	2.00	100	Non-filling up of vacant post owing to Covid-19 pandemic.
19	07-RDPR	2515-00-800-0-19-014 Other Allowance	30.00	25.42	85	.
20	08-Forest, Ecology and Environment	2406-01-101-2-30-139 Major Works	13.89	11.36	82	Due to non-implementation of Action Plan from GOI.
21		2406-01-800-0-16-014 Other Allowance	79.92	68.61	86	Non filling up of vacant post due to Covid-19 pandemic.
22	09-Co-Operation	2425-00-108-0-04-Subsidy on warehouse storage charges	12.50	10.00	80	No specific reason furnished.
23		2425-00-108-0-39-423 Tribal Sub Plan	2.00	2.00	100	No specific reason furnished.
24		2425-00-800-0-04-014 Other Allowance	28.69	22.47	78	Due to non-filling up of vacant post owing to Covid-19 pandemic.
25	10-Social Welfare	2225-01-800-0-22-014 Other Allowance	158.84	114.06	72	No specific reason furnished.
26		2225-02-794-0-01-059 Other Expenses	25.00	15.98	64	No specific reason furnished.
27		2225-02-794-0-04-059 Other Expenses	65.00	53.70	83	
28	11-Women and Child Development	2235-02-101-0-53-423 TSP	7.18	7.00	97	Due to less number of beneficiaries
29		2235-02-102-0-45-059 Other Expenses	3.00	2.82	94	No specific reason furnished
30		2235-02-103-0-32-059 Other Expenses	2.00	2.00	100	

Sl No	Grant No/ Nomenclature	Head of Account	Provision	Amount surrendered	Percentage of surrender	Remarks
31		2235-02-104-2-06-422 SCSP	8.19	8.10	99	
32		2235-02-104-2-06-423 TSP	4.82	4.79	99	
33	12-Information, Tourism and Youth Services	2220-60-800-0-22-014 Other Allowance	5.86	5.16	88	Due to non-filling up of vacant post owing to Covid-19 pandemic.
34		2250-00-103-5-12-103 GIA- General	8.66	8.66	100	Error in budgeting.
35		4202-03-102-0-01-132 Capital Expenses	58.64	37.47	64	Due to Stay order by the Hon'ble High Court of Karnataka in connection with land acquisition in Mysuru, Chamundi and Vihar district.
36		5452-01-800-0-10-436 NABARD Works	20.00	19.43	97	Non submission of documents in proper forum by the implementing officer and non-implementation of new projects under RIDF.
37	13-Food and Civil Supplies	2408-01-102-0-07-106 Subsidies	20.00	16.79	84	Amount surrendered after payment of claims.
38		2408-01-800-0-12-014 Other Allowance	4.49	2.28	51	Due to non-filling up of vacant posts.
39	14-Revenue	2053-00-093-1-01-053 Purchase of furniture/ for office	8.73	7.10	81	No specific reason furnished
40		2506-00-103-0-03-059 Other Expenses	25.01	13.63	55	
41		4059-01-201-0-02-132 Capital Expenses (Charged)	88.90	74.24	84	Due to non-receipt of proposal with regard to acquisition of land.
42		4059-80-051-0-56-132 Capital Expenses	10.00	10.00	100	Due to incurring of expenditure from the grants lying in the bank account.
43	17-Education	2202-02-108-0-01-015 Subsidiary Expenses	22.00	13.93	63	PUC Exam for 2021-22 was held late, hence savings.

Sl No	Grant No/ Nomenclature	Head of Account	Provision	Amount surrendered	Percentage of surrender	Remarks
44		2202-02-108-0-01-041 Travel Expenses	25.00	24.24	100	PUC Exam for 2021-22 was held late, hence savings
45		2202-01-800-1-90-014 Other Allowance	101.91	53.53	53	Non-filling up of vacant post owing to Covid-19 pandemic.
46		2202-03-107-1-14-106 Subsidies	28.02	14.53	52	Applications as received from colleges for fee reimbursement payment made as per State SSP portal and balance amount surrendered
47		2203-00-107-1-01-117 Scholarship and Incentives	15.00	10.66	71	Applications as received from colleges of fee reimbursement payment made as per State SSP portal and balance amount surrendered
48	18-Commerce and Industries	2851-00-103-0-62-422 SCSP	8.82	5.00	57	No specific reason furnished.
49		2851-00-103-0-72-423 TSP	32.43	26.00	80	
50		2851-00-800-0-02-014 Other Allowance	7.37	5.02	68	Non-filling up of vacant post owing to Covid-19 pandemic.
51		2852-08-202-7-01-422 SCSP	34.55	32.35	94	No specific reason furnished.
52		2852-08-202-7-01-423 TSP	14.09	13.31	94	
53	19-Urban Development	2217-05-191-1-10-059 Other Expenses	29.60	19.22	65	Savings after payment of pending bills surrendered.
54		2217-05-800-0-11-014 Other Allowance	8.27	7.53	91	Non filling up of vacant posts due to Covid-19 pandemic.
55		3604-00-191-9-18-103 GIA General	560.00	281.00	50	Due to non-release of Central grants under XV Finance Commission
56		4215-02-190-0-03-422 SCSP	12.00	6.00	50	Savings after payment of pending bills surrendered.
57		4215-02-190-0-03-423 TSP	4.00	2.00	50	Savings after payment of pending bills surrendered.

Sl No	Grant No/ Nomenclature	Head of Account	Provision	Amount surrendered	Percentage of surrender	Remarks
58		4217-60-800-0-05-132 Capital Expenses	40.00	40.00	100	Action Plan not received from Central Government. Hence amount could not be utilised.
59	20-Public Works	2059-80-053-1-09-200 Maintenance Expenditure	5.00	2.53	51	Due to non-receipt of bills in time.
60		3054-80-190-0-01-240 Debt Servicing (Charged)	51.73	28.63	55	Due to difference in interest.
61	21-Water Resources	2701-80-001-0-21-014 Other Allowance	24.88	18.63	75	Non-filling up of vacant post due to Covid-19 pandemic.
62	22-Health and Family Welfare	2210-01-200-0-05-059 Other Expenses	45.00	33.75	75	Due to non-release of funds from Government of India.
63		2210-01-200-0-06-059 Other Expenses	30.00	22.50	75	
65		2210-06-001-0-05-051 General Expenses	10.00	8.23	82	Due to non-release of funds from Government of India.
66		2210-80-800-0-18-059 Other Expenses	10.50	5.39	51	No specific reason furnished.
67		4210-01-110-1-01-423 TSP	13.71	6.85	50	
68		4210-01-110-1-23-386 Construction	10.00	10.00	100	Due to non-release of funds from Government of India.
69		4210-04-101-0-01-386 Construction	2.50	2.50	100	
70		4210-04-107-3-01-180 Machinery and Equipment	4.00	4.00	100	
71	23-Labour and Skill Development	2230-01-800-0-07-014 Other Allowance	177.89	126.86	71	Due to non-filling up of vacant post owing to Covid-19 pandemic.
72		4250-00-203-0-07-436 NABARD Works	15.00	7.65	51	No specific reason furnished.
73	26-Planning, Statistics, Science and Technology	3454-01-800-0-04-014 Other Allowance	12.08	10.54	87	Non-filling up of vacant post owing to Covid-19 pandemic.

Sl No	Grant No/ Nomenclature	Head of Account	Provision	Amount surrendered	Percentage of surrender	Remarks
74	27-Law	2014-00-102-0-02-180 Machinery and Equipment (Charged)	10.21	5.93	58	
75	29-Debt Servicing	2049-01-102-0-01-240 Debt Servicing (Charged)	10.00	10.00	100	Savings amount surrendered.
76		2049-03-104-3-00-240 Debt Servicing (Charged)	13.00	7.00	54	
77		2049-03-117-0-01-240 Debt Servicing (Charged)	10.00	10.00	100	Interest payment depends on currency value. Hence savings surrendered.
78		2049-04-101-0-02-240 Debt Servicing (Charged)	310.00	171.07	55	Fresh market borrowings were more than the reissues. Hence provision made for payment of loan discount is saved.
79		6003-00-110-0-01-240 Debt Servicing	500.00	500.00	100	Due to non-drawal of Ways and Means advances from RBI.
Total			3,569.06	2,620.45		

Source: Grant Register

Appendix 3.13

Cases of surrender of funds in excess of ₹ five crore on 30 and 31 of March 2022

(Reference: Paragraph 3.6.2.5(b) ; Page 87)

(₹ in crore)

Sl. No.	Grant No.	Nomenclature	No. of cases	Total Provision	Amount Surrendered	Percentage to total provision
1	01	Agriculture and Horticulture	5	195.69	87.97	45
2	02	Animal Husbandry and Fisheries	2	114.95	36.17	31
3	03	Finance	3	109.18	32.97	30
4	04	DPAR	4	153.93	70.04	45
5	05	Home and Transport	4	788.11	285.60	36
6	07	Rural Development and Panchayat Raj	4	2,407.00	746.81	31
7	08	Forest, Ecology and Environment	5	264.65	101.12	38
8	09	Co-operation	2	38.69	32.47	84
9	10	Social Welfare	3	180.00	91.46	51
10	11	Women and Child Development	1	85.00	75.09	88
11	12	Information, Tourism and Youth Services	2	25.86	24.54	95
12	13	Food and Civil Supplies	3	6,053.91	38.96	1
13	14	Revenue	11	475.43	182.60	38
14	16	Housing	2	493.50	160.17	32
15	17	Education	7	259.91	128.89	50
16	18	Commerce and Industries	2	39.80	6.22	16
17	19	Urban Development	6	1,034.37	393.36	38
18	20	Public Works	4	325.66	53.79	17
19	21	Water Resources	1	24.88	18.63	75
20	22	Health and Family Welfare	32	6,024.69	724.60	12
21	23	Labour and Skill Development	4	345.79	149.47	43
22	26	Planning Statistics	2	24.16	10.54	44
23	27	Law	7	450.59	103.26	23
24	29	Debt Servicing	10	4,768.09	982.75	21
Total			126	24,683.84	4,537.48	18

Source: Office of the AG (A&E)

Appendix 3.14

Excess Expenditure over Provision requiring regularization

(Reference: Paragraph 3.6.2.6 ; Page 87)

(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
	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.

Year	Grant No./Description	Excess required to be regularised as commented in the AA/AR	Remarks
	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 ₹12.95 crore 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 Pr.AG(A&E).
2020-21	14-Revenue Revenue -Voted	3,54,59,49,004	This was due to deduct entries not made for transfer under NDRF.
	Capital - Charged	48,00,88,483	Provision made under voted instead of charged.
	24-Energy Revenue- Voted	13,29,91,400	Deduction of late payment charges payable by HESCOM to SECI.
Total		28,25,43,24,215	

Source: Appropriation Accounts.

Appendix 3.15

Grant-wise details under which reasons for savings not intimated

(Reference: Paragraph 3.6.3.1 ; Page 88)

		(₹ in crore)
SI No	Grant	Savings for which reasons not furnished
1	1- Agriculture and Horticulture	217.04
2	2- Animal Husbandry and Fisheries	24.99
3	3- Finance	17.65
4	4- Department of Personnel and Administrative Reforms	28.51
5	5- Home and Transport	536.49
6	6- Infrastructure Development	60.30
7	7- Rural Development and Panchayat Raj	1,818.89
8	8- Forest, Ecology and Environment	25.75
9	9- Co-operation	29.50
10	10- Social Welfare	178.92
11	11- Women and Child Welfare	135.24
12	12-Information, Tourism and Youth Services	2.85
13	14- Revenue	571.25
14	16 - Housing	500.50
15	18- Commerce and Industries	139.62
16	19- Urban Development	17.14
17	20 – Public Works	11.91
18	21 – Water Resources	152.60
19	22 – Health and Family Welfare	291.47
20	23- Labour and Skill Development	41.43
21	25- Kannada and Culture	5.76
22	27 – Law	6.00
23	28 - Parliamentary Affairs and Legislations	12.34
24	29 – Debt Servicing	500.07
Total		5,326.22

Source: Office of the .AG (A&E)

Appendix 3.16

Rush of Expenditure during the month of March

(Reference: Paragraph 3.7.1.7 ; Page 93)

(₹ in crore)

Sl No	HoA and Nomenclature	Total Expenditure	Expenditure during last quarter		Expenditure during March	
			Amount	percentage	Amount	percentage
1	2215-01-102-9-08-132 Capital Expenses	2,833.10	1,845.70	65	1,236.08	67
2	2215-01-102-9-08-422 SCSP	1,209.05	961.33	80	456.82	48
3	2215-01-102-9-08-423 TSP	412.95	292.31	71	199.95	68
4	2215-01-102-9-10-436 NABARD Works	200.00	200.00	100	200.00	100
5	2505-60-196-6-05-300 Lumpsum ZP	371.55	371.55	100	371.55	100
6	2515-00-001-0-01-051 General Expenses	0.63	0.47	75	0.34	72
7	2515-00-001-0-04-422 SCSP	6.11	6.11	100	6.11	100
8	2515-00-001-0-04-423 TSP	17.36	17.36	100	17.36	100
9	2515-00-101-0-09-103 GIA General	5.92	4.40	73	2.25	51
10	2515-00-101-0-24-059 Other Expenses	6.25	4.33	69	4.11	95
11	2515-00-102-0-11-117 Scholarships and Incentives	8.80	8.80	100	8.80	100
12	2515-00-197-1-10-300 Lumpsum ZP	167.45	108.27	65	56.61	52
13	2515-00-198-1-10-300 Lumpsum ZP	27.97	27.97	100	19.85	71
14	3054-80-001-0-02-071 Building Expenses	2.08	1.18	57	0.78	66
15	3054-80-196-1-01-300 Lumpsum ZP	268.63	161.86	60	109.49	68
16	4215-01-102-2-01-133 Special Development Plan	368.68	258.26	70	223.41	87
17	4515-00-102-1-03-386 Construction	9.96	4.96	50	4.46	90
18	4515-00-800-0-07-422 SCSP	61.62	44.87	73	38.14	85
19	4515-00-800-0-07-423 TSP	30.35	21.99	72	19.90	90
20	5054-03-337-0-74-436 NABARD Works	7.47	3.72	50	2.87	77
21	5054-03-337-0-75-059 Other Expenses	898.97	643.01	72	583.31	91
22	5054-03-337-0-75-133 Special Development Plan	244.53	122.27	50	122.27	100

Source: Grant Register

Appendix 3.17

Rush of Expenditure during the month of March

(Reference: Paragraph 3.7.2.6 ; Page 95)

(₹ in crore)

Sl No	HoA and Nomenclature	Total Expenditure	Expenditure during last quarter		Expenditure during March	
			Amount	percentage	Amount	percentage
1	2059-80-001-0-09-051 General Expenses	1.52	0.91	60	0.73	80
2	2059-80-001-0-18-180 Machinery and Equipment	0.13	0.12	92	0.08	67
3	2059-80-001-0-19-180 Machinery and Equipment	0.54	0.36	67	0.27	75
4	2059-80-053-1-09-200 Maintenance Expenditure	2.47	1.30	53	1.30	100
5	2059-80-800-0-06-051 General Expenses	1.47	1.31	89	1.26	96
6	3054-03-337-0-07-200 Maintenance Expenditure	147.75	125.70	85	81.39	65
7	3054-04-337-1-10-422 SCSP	52.03	50.47	97	49.19	97
8	3054-04-337-1-10-423 TSP	22.29	20.54	92	20.37	99
9	3054-04-337-1-13-200 Maintenance Expenditure	124.43	109.81	88	68.43	62
10	3054-80-190-0-01-240 Debt Servicing	23.10	18.96	82	10.80	57
11	4216-01-700-2-01-386 Construction	54.33	30.37	56	25.07	83
12	4216-01-700-2-24-386 Construction	17.66	13.19	75	8.12	62
13	5054-03-337-0-16-154 Improvements	37.50	20.47	55	17.58	86
14	5054-03-337-0-17-154 Improvements	517.10	298.04	58	276.41	93
15	5054-03-337-0-17-160 Renewals	31.00	18.45	60	15.09	82
16	5054-03-337-0-18-154 Improvements	1,750.00	1,082.81	62	916.16	85
17	5054-03-337-0-86-172 Roads	541.67	274.16	51	246.80	90
18	5054-04-337-0-01-154 Improvements	1,554.10	1,186.72	76	893.34	75
19	5054-04-337-0-01-422 SCSP	619.96	499.35	81	453.75	91
20	5054-04-337-0-01-423 TSP	364.91	248.35	68	215.58	87
21	5054-04-337-0-06-422 SCSP	14.82	13.04	88	12.35	95
22	5054-04-337-0-06-423 TSP	5.86	5.42	92	5.27	97
23	5054-04-800-1-02-132 Capital Expenses	43.98	24.87	57	20.86	84

Source: Grant Register

Appendix 4.1

Major Head and Department-wise details of outstanding UCs separately for each year

(Reference: Paragraph 4.2 ; Page 101)

(₹ in crore)

Sl. No.	Head of Account	Department	Due Year	Number of UCs	Amount
1	2204	Sports and Youth Services	2020-21	14	12.37
			2021-22	17	19.88
			Total	31	32.25
2	2210	Medical & Public Health	2017-18	01	0.76
			2019-20	02	1.75
			2020-21	08	19.16
			2021-22	89	271.47
			Total	100	293.14
3	2220	Information & Publicity	2012-13	01	0.11
			Total	01	0.11
Total				132	325.50

Source: Office of the AG(A&E)

Appendix 4.2

Balances remaining under in-operative PD accounts

(Reference: Paragraph 4.4.2; Page 106)

(Amount in ₹)

Sl. No.	P.D. Account Nomenclature	Balance as per the Books of Pr.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	Information not available
4	PD Account of Special DC	49,41,10,228.90	1994-95 onwards
5	PD Account of Permanent & Temporary Deposits	28,31,395.86	Information not available
6	Ram Kumar Jalal Memorial Fund	195.00	1994-95 onwards
7	PD Account of Land Compensation	16,82,557.60	Information not available
8	PD Account of Bagalkot Town Development Authority	49,41,519.93	Information not available
9	Assistant Register of Co-operative Societies, Shivamogga	10,000.00	Information not available
10	PD Account of Superintendent of Central Prison, Kalaburgi	52,684.00	Information not available
11	PD Account of Superintendent of Central Prison, Shivamogga	34,507.00	Information not available
12	Director, Fiscal Policy Institute, Bengaluru	13,057.00	2018-19 onwards
Total		50,66,99,594.95	
Debit Balances			
1	Harijan Development Welfare Fund	5,18,350.71	Information not available
2	PD A/c of 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 A/c of Municipal Commissioner, Tumukuru	23,72,940.16	Prior to 2000
5	Deposits of Private Estate under Commercial Management	75.00	Prior to 2000
6	PD Account of Superintendent of Central Prison, Belagavi	2,08,757.00	2018-19 onwards
7	PD Account of SLAO, Bengaluru, Hassan Railway Project	88,41,300.00	2018-19 onwards
Total		2,01,95,865.07	
Nil Closing Balance			
1	ARCS, Vijayapura	0.00	Prior to 2000
2	PD Account of Superintendent of Central Prison, Bellary	0.00	2018-19 onwards

Source: Office of the 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 112)

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)	2020-21 to 2024-25	2020-21	2019-20	2018-19
2	Karnataka Slum Development Board, Bengaluru	19 (3)	2017-18 to 2021-22	2020-21	2019-20	2019-20
3	Bangalore Water Supply and Sewerage Board, Bengaluru	19 (3)	2017-18 to 2021-22	2019-20	2018-19	2018-19
4	Karnataka Housing Board, Bengaluru	19 (3)	2021-22 to 2025-26	2020-21	2018-19	2017-18
5	Bangalore Development Authority, Bengaluru	19 (3)	2020-21 to 2024-25	2020-21	2019-20	2018-19
6	Karnataka State Legal Services Authority, Bengaluru	19 (2)	As per Act	2020-21	2019-20	2018-19
7	Karnataka State Human Rights Commission, Bengaluru	19 (2)	As per Act	2020-21	2020-21	2018-19
8	Karnataka Industrial Areas Development Board, Bengaluru	19 (3)	2019-20 to 2024-25	2020-21	2019-20	2017-18
9	Karnataka State Khadi and Village Industries Board, Bengaluru	19 (3)	2017-18 to 2021-22	2020-21	2019-20	2019-20
10	Karnataka Bio Diversity Board, Bengaluru	20(1)	2019-20 to 2020-21	2020-21	2019-20	2017-18
11	Karnataka Building and Other Construction Workers Welfare Board, Bengaluru	19(2)	As per Act	2019-20	2015-16 2016-17	Not placed
12	Karnataka Text Book Society, Bengaluru	19(3)	2020-21	2019-20	2006-07	2006-07
13	Karnataka Real Estate Regulatory Authority, Bengaluru	19 (2)	As per Act	2018-19	2017-18	Not placed
14	Karnataka Electricity Regulatory Commission	19(2)	As per Act	2020-21	2020-21	2018-19

Source: Office of the Pr. AG (Audit-I) & 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 112)

(₹ in crore)

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
20	Government Silk Filature, Tolahunase	Proforma Accounts in arrears.		

Source: Office of the Pr. AG (Audit-I) & AG (Audit-II)

Appendix 4.5

Non-receipt of information pertaining to institutions substantially financed by the Government

(Reference: Paragraph 4.11 ; Page 113)

Sl. No.	Department	Number of Institutions	Years for which information not received
1	Education	995	2015-16 to 2020-21
2	Medical Education	25	2016-17 to 2021-22
3	Health & Family Welfare	2	2018-19 to 2021-22
4	IT, BT Science & Technology	17	2020-21 to 2021-22
5	Kannada & Culture	1	2016-17 to 2020-21
6	Youth Services & Sports Department	1	2015-16 to 2021-22
7	Social Welfare	4	2010-11 to 2021-22
8	Women & Child Development	2	2016-17 to 2021-22
9	Minority Welfare Department	2	2013-14 to 2021-22
10	Backward Classes Department	1	2016-17 to 2021-22
11	Department of Personnel and Administrative Reforms	1	2018-19 to 2021-22
12	Revenue Department	1	2018-19 to 2021-22
13	Department of Information and Public Relation Department	2	2018-19 to 2021-22
14	Department of Agriculture and Horticulture Department	7	2017-18 to 2021-22
15	Department of RDPR	3	2019-20 and 2021-22
16	Department of Animal Husbandry and Veterinary Services	3	2016-17 to 2021-22
17	Department of Co-operative	1	2015-16 to 2021-22
18	Department of Minor irrigation and ground water development	1	2018-19 to 2021-22
19	Department of Water resources	7	1999-2000 and 2013-14 to 2021-22
20	Hindu religious Institutions and charitable endowments	2	2012-13 to 2020-21
21	Commerce and Industries	8	2003-04 to 2021-22

Source: Office of the 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 113)

(₹ 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.
Animal Husbandry and Veterinary Services	04	643.70	-	-	-	-	-	-	-	-	04	643.70
Food and Civil Supplies	01	525.00	-	-	-	-	-	-	-	-	01	525.00
Medical Education	-	-	-	-	-	-	-	-	02	1.98	02	1.98
Forest	-	-	-	-	-	-	-	-	02	0.73	02	0.73
Home	03	10.02	06	187.39	-	-	-	-	02	22.90	11	220.31
Health and Family Welfare	-	-	-	-	-	-	-	-	10	1.59	10	1.59
Labour	-	-	-	-	-	-	-	-	01	0.89	01	0.89
Social Welfare	-	-	-	-	01	9.48	-	-	-	-	01	9.48
Public Works	-	-	02	1,180.18	-	-	-	-	-	-	02	1,180.18
Horticulture	-	-	01	1.47	-	-	-	-	-	-	01	1.47
RDPR	01	1.04	-	-	-	-	-	-	-	-	01	1.04
Karnataka Soaps & Detergents Ltd.	-	-	01	499.21	-	-	-	-	-	-	01	499.21
Karnataka Handloom Development Corporation	-	-	01	12.50	-	-	-	-	-	-	01	12.50
Karnataka State Coir Development Corporation	-	-	04	6.07	02	17.66	01	5.1	-	-	07	28.83
Bangalore Electricity Supply Company Ltd.	-	-	03	145.33	01	32.88	01	4.52	-	-	05	182.73
Chamundeswari Electricity Supply Corporation Ltd.	01	44.85	01	54.45	-	-	-	-	-	-	02	99.3
GESCOM	-	-	03	224.75	-	-	-	-	-	-	03	224.75
HESCOM	-	-	03	92.09	-	-	-	-	-	-	03	92.09
Archelogy, Museums and Heritage	-	-	01	3.38	-	-	-	-	-	-	01	3.38
Urban Development Department	01	2.02	-	-	-	-	-	-	-	-	01	2.02
Fisheries	-	-	01	6.25	-	-	-	-	-	-	01	6.25
Total	11	1,226.63	27	2,413.07	4	60.02	2	9.62	17	28.09	61	3,737.43

Source: Office of the Pr.AG (Audit I) and AG(Audit II)

Appendix – 5.1

**List of State Public Sector Enterprises under jurisdiction of Audit in
Karnataka
(Reference: Paragraph 5.3, Page 120)**

Finance	
1	D Devaraj Urs Backward Classes Development Corporation Limited
2	Karnataka State Women’s Development Corporation
3	Dr.B.R. Ambedkar Development Corporation Limited
4	Karnataka Maharshi Valmiki Scheduled Tribes Development Corporation Limited
5	The Karnataka Minorities Development Corporation Limited
6	Karnataka Thanda Development Corporation Limited
7	Karnataka Vishwakarma Community Development Corporation Limited
8	Karnataka Bhovi Development Corporation Limited
9	Nijasharana Ambigara Chowdaiah Development Corporation Limited
10	Karnataka State Safai Karmachari Development Corporation Limited
11	Karnataka Adi Jambava Development Corporation
12	Karnataka Uppara Development Corporation Limited
13	The Karnataka Handloom Development Corporation Limited
14	Karnataka State Handicrafts Development Corporation Limited
15	Karnataka State Industrial Infrastructure and Development Corporation Limited
16	Karnataka Urban Infrastructure Development and Finance Corporation Limited
17	Sree Kanteerava Studios Limited
18	Karnataka Asset Management Company Private Limited
19	Karnataka Trustee Company Private Limited
20	Karnataka State Financial Corporation
21	Karnataka Brahmin Development Board
22	Karnataka Savitha Samaja Development Corporation Limited
23	Karnataka Madiwala Machideva Development Corporation Limited
24	Karnataka Arya Vysya Community Development Corporation Limited
25	Karnataka Alemari Are-Alamari Development Corporation Limited
26	Karnataka Veerashaiva-Lingayath Development Corporation Limited
Infrastructure	
27	Karnataka State Construction Corporation Limited
28	Karnataka Rural Infrastructure Development Limited
29	Karnataka State Police Housing and Infrastructure Development Corporation Limited
30	Rajiv Gandhi Housing Corporation Limited
31	Karnataka Road Development Corporation Limited
32	Krishna Bhagya Jala Nigam Limited

Infrastructure	
33	Karnataka Neeravari Nigam Limited
34	Cauvery Neeravari Nigama Limited
35	Vishveswaraya Jala Nigam Limited
36	Bangalore Airport Rail Link Limited
37	Tadadi Port Limited
38	Hubli Dharwad BRTS Company Limited
39	Invest Karnataka Forum
40	Tumakuru Machine Tool Park
41	Hubballi Dharwad Smart City Limited
42	Davanagere Smart City Limited
43	Belagavi Smart City Limited
44	Shivamogga Smart City Limited
45	Tumakuru Smart City Limited
46	Mangaluru Smart City Limited
47	Bengaluru Smart City Limited
48	Bengaluru PRR Development Corporation Limited
49	Rail Infrastructure Development Company (Karnataka) Limited
50	Bangalore Suburban Rail Company Limited
51	CBIC Tumakuru Industrial Township Limited
52	Bengaluru Integrated Rail Infrastructure Development Enterprises Limited
53	Bangalore Solid Waste Management Company Limited
Power	
54	Karnataka Power Corporation Limited
55	KPC Gas Power Corporation Limited
56	Raichur Power Corporation Limited
57	Karnataka Power Transmission Corporation Limited
58	Bangalore Electricity Supply Company Limited
59	Hubli Electricity Supply Company Limited
60	Mangalore Electricity Supply Company Limited
61	Chamundeshwari Electricity Supply Corporation Limited
62	Gulbarga Electricity Supply Company Limited
63	Karnataka Renewable Energy Development Limited
64	Power Company of Karnataka Limited
Service	
65	Karnataka State Tourism Development Corporation Limited
66	Jungle Lodges and Resorts Limited
67	D. Devraj Urs Truck Terminals Limited

Service	
68	Karnataka Food and Civil Supplies Corporation Limited
69	Karnataka Tourism Infrastructure Limited
70	Karnataka State Road Transport Corporation
71	Bangalore Metropolitan Transport Corporation
72	North Western Karnataka Road Transport Corporation
73	Kalyana Karnataka Road Transport Corporation (Previously North Eastern Karnataka Road Transport Corporation)
74	Karnataka State Medical Supplies Corporation Limited
Others	
75	Dr. Babu Jagjivan Ram Leather Industries Development Corporation Limited
76	Karnataka State Coir Development Corporation Limited
77	Karnataka Soaps and Detergents Limited
78	The Mysore Paper Mills Limited
79	Karnataka Vidyuth Karkhane Limited
80	The Mysore Electrical Industries Limited
81	NGEF (Hubli) Limited
82	Karnataka Silk Industries Corporation Limited
83	Karnataka Silk Marketing Board Limited
84	Karnataka State Textile Infrastructure Development Corporation Limited
85	Karnataka State Minerals Corporation Limited
86	The Hutti Gold Mines Company Limited
87	Mysore Sugar Company Limited
88	Mysore Paints and Varnish Limited
89	Mysore Sales International Limited
90	Marketing Communication and Advertising Limited
91	Karnataka State Agro Corn Products Limited
92	Karnataka State Agricultural Produce Processing and Export Corporation Limited
93	Karnataka State Pulses Abhivridhi Mandali Limited
94	Karnataka Fisheries Development Corporation Limited
95	Karnataka Sheep and Wool Development Corporation Limited
96	Karnataka Compost Development Corporation Limited
97	Karnataka Cashew Development Corporation Limited
98	Karnataka Forest Development Corporation Limited
99	Karnatak State Forest Industries Corporation Limited
100	Karnataka State Seeds Corporation Limited
101	Food Karnataka Limited
102	Karnataka State Mango Development and Marketing Corporation Limited

Others	
103	Karnataka Antharaganga Micro Irrigation Corporation Limited
104	Bangalore Bio-innovation Centre
105	Karnataka State Small Industries Development Corporation Limited
106	Karnataka State Electronics Development Corporation Limited
107	Karnataka State Beverages Corporation Limited
108	Karnataka Vocational Training and Skill Development Corporation Limited
109	Karnataka Public Lands Corporation Limited
110	Karnataka Mining Environment Restoration Corporation Limited
111	Science Gallery Bengaluru
112	Karnataka State Warehousing Corporation
113	Karnataka Agro Industries Corporation Limited
114	The Mysore Tobacco Company Limited
115	Karnataka Pulpwood Limited
116	The Karnataka State Veneers Limited
117	The Mysore Match Company Limited
118	The Mysore Lamp Works Limited
119	Mysore Cosmetics Limited
120	The Mysore Chrome Tanning Company Limited
121	NGEF Limited
122	Karnataka Telecom Limited
123	The Mysore Acetate and Chemicals Company Limited
124	Vijayanagar Steel Limited
125	International Flower Auction Bangalore Limited

Appendix 5.2

Impact of the Comments on the Profitability of Government Companies (Reference: Paragraph-5.13.4 ; Page 129)

Sl. No.	Name of the Company	Comments
1.	Karnataka Power Corporation Limited	<ul style="list-style-type: none"> Other expenses did not include environmental compensation of ₹3.55 crore levied (2 July 2020) by the Central Pollution Control Board (CPCB) for the years 2018-19 and 2019-20 as the Company could not utilise 100 <i>per cent</i> of fly ash generated during the said period. As the compensation levied has not been remitted so far and there is no confirmation from the Central Pollution Control Board (CPCB) to waive off the same, it should have been provided for. Non provision has resulted in understatement of 'expenses', 'Other current liabilities' and consequent overstatement of profit to the extent of ₹3.55 crore. Maintenance and repair expenses did not include ₹1.01 crore being the maintenance expenditure incurred towards the work of (i) Modification of existing CO2 fire extinguisher system of Unit 9 and 10 at Sharavathi Generating Station (₹0.16 crore) (ii) Renovation of thrust/UGB and LGB Cooling water pipe line system of 2nd stage 103.5 MW Generators at Sharavathi Generating Station (₹0.13 crore) (iii) the work of replacement of PSC pipes at Varahi Power House (₹0.72 crore). Since the above works are in the nature of preventive maintenance/maintenance, depiction of the same under Capital Work in progress resulted in overstatement of the said head, understatement of expenditure and consequent overstatement of profit to the extent of ₹1.01 crore. Employee benefit expenses included ₹2.78 crore towards ex-gratia for the year 2020-21 which was provided for during the year without Board approval. As per Ind AS 37- a provision shall be recognized when (a) <i>an entity has a present obligation (legal or constructive) as a result of a past event;</i> (b) <i>it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation;</i> and (c) <i>a reliable estimate can be made of the amount of the obligation.</i> If these conditions are not met, no provision shall be recognized. As no present obligation can be established in the present case in the absence of a Board approval in this regard creation of liability resulted in overstatement of liabilities, expenditure and understatement of profit to the extent of ₹2.78 crore.

Appendix 5.3
Impact of Comments on Financial Position of Government Companies
(Reference: Paragraph-5.13.4 ; Page 129)

Sl. No.	Name of the Company	Comment
1.	Karnataka Power Corporation Limited	<p>Other Current Liabilities included ₹448.20 crore accounted as 'income received in advance', being the additional levy of ₹448.20 crore deposited with Ministry of Coal (110.43 crore in February 2015 and ₹337.77 crore in March 2017) by the Company in accordance with the Order (September 2014) of the Hon'ble Supreme Court of India.</p> <p>The Company raised (February 2015 and in April 2017) invoices on ESCOMs for the above amount considering it as sale of power, However, the amount was not recognised as income because of disputed nature of transaction and pending court cases. The Company accounted the same by debiting other current assets - Deposit paid: Ministry of Coal and crediting Liability – Income Received in Advance. Though the Company created corresponding liabilities for principal amount of ₹448.20 crore, interest of ₹237.14 crore on the principal amount was accounted for as receivable from ESCOMs in the Statement of Profit and Loss and no corresponding liabilities has been created for the same, which is not in order.</p> <p>This resulted in overstatement of 'other income' for the year by ₹48.42 crore and consequent overstatement of profit to that extent. Further, opening balance of Other equity and Current Assets for the year were overstated by ₹188.72 crore and ₹237.14 crore, respectively.</p>

Appendix 5.4

**Details of SPSEs whose Net worth has eroded as per their latest finalized accounts
(Reference: Paragraph-5.8.2; Page 125)**

Sl No.	Name of SPSE	Latest year of finalized Accounts	Total paid up capital	Net profit (+)/Loss (-) after Interest, tax and dividend	Accumulated losses	Net worth	State Government Equity as on 31 March 2022	State Government Loans as on 31 March 2022
	1	2	3	4	5	6	7	8
1	KPCGPCL (formerly KPCB)	2020-21	14.05	(15.88)	(33.85)	(19.80)	-	-
2	RPCL	2020-21	2,373.76	(1,431.84)	(6,410.26)	(4,036.50)	-	-
3	BESCOM	2021-22	1,343.54	(2,919.54)	(2,712.46)	(1,368.92)	1,343.54	155.11
4	HESCOM	2020-21	1,554.24	(2,490.26)	(5,128.24)	(3,574.00)	2,050.42	918.44
5	CESC	2021-22	1,081.63	(422.84)	(2,388.40)	(1,306.77)	1,081.63	2.15
6	GESCOM	2020-21	1,509.80	(1,065.79)	(3,112.65)	(1,602.85)	1,640.16	529.87
7	KUDCL	2019-20	0.01	(0.04)	(0.14)	(0.13)	6.58	-
8	KHDCL Handloom	2019-20	51.88	(14.47)	(169.37)	(117.49)	46.68	60.13
9	LIDKAR	2018-19	6.85	0.63	(22.50)	(15.65)	6.85	9.77
10	KSCDCL	2021-22	3.01	(0.75)	(4.19)	(1.18)	3.01	2.51
11	MPM	2014-15	118.89	(92.87)	(519.50)	(400.61)	76.97	776.10
12	NGEFH	2020-21	3.20	1.82	(16.52)	(13.32)	-	2.00
13	KSMB	2020-21	31.45	1.64	(49.24)	(17.79)	31.45	22.00
14	MYSUGAR	2014-15	8.73	(43.02)	(504.02)	(495.29)	7.81	99.61
15	KSTDC	2020-21	6.41	(13.99)	(26.05)	(19.64)	6.41	4.00
16	KSACPL	2021-22	2.44	1.32	(39.74)	(37.30)	2.44	24.32
17	KSPAML (Formerly KTAML)	2021-22	5.00	0.19	(11.47)	(6.47)	5.00	-
18	KCDCL Compost	2021-22	0.50	(1.21)	(5.32)	(4.82)	-	4.49
19	HDSCL	2020-21	0.10	(0.45)	(3.00)	(2.90)	0.05	-
20	SSCL	2021-22	0.10	(0.56)	(1.72)	(1.62)	0.05	-
21	TSCL	2021-22	0.10	(0.42)	(2.79)	(2.69)	0.05	-
22	KSRTC	2019-20	290.89	(157.56)	(473.04)	(182.15)	242.79	-
23	BMTC	2019-20	104.59	(549.34)	(1,061.03)	(956.44)	261.33	-
24	NWKRTC	2020-21	369.46	(389.08)	(1,457.08)	(1,087.62)	142.31	-
25	KKRTC (NEKRTC)	2020-21	131.12	(186.45)	(886.37)	(755.25)	131.12	-
26	KAIC	2021-22	7.54	(33.72)	(412.59)	(405.05)	7.54	68.98

Sl No.	Name of SPSE	Latest year of finalized Accounts	Total paid up capital	Net profit (+)/Loss (-) after Interest, tax and dividend	Accumulated losses	Net worth	State Government Equity as on 31 March 2022	State Government Loans as on 31 March 2022
27	MTC	2021-22	0.77	0.24	(3.91)	(3.14)	0.62	1.54
28	KPL (Pulpwood)	2020-21	15.16	(0.01)	(21.03)	(5.87)	13.91	-
29	KSVL	2004-05	1.00	(0.45)	(8.85)	(7.85)	-	-
30	MMCL	2020-21	0.05	(0.16)	(0.61)	(0.56)	0.01	0.23
31	MLW	2020-21	11.81	(18.81)	(361.05)	(349.24)	10.76	119.15
32	MCL	2003-04	0.16	(0.79)	(3.12)	(2.96)	-	-
33	MCT	2020-21	0.76	0.03	(8.41)	(7.65)	-	0.12
34	NGEF	2019-20	46.51	(55.44)	(1,149.55)	(1,103.04)	41.99	239.07
Total			9,095.51	(9,899.87)	(27,008.07)	(17,912.56)	7,161.48	3,039.59

Information in column 3 to 6 has been taken from latest finalised accounts.

With respect to column 7 and 8 as on March 2022 unaudited figures.

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	$[\text{Interest payments}/(\text{opening balance of Public debt} + \text{closing balance of Public Debt}/2)]$
Ratio of Debt Redemption	Total debt payment + Interest payment(debt)/total debt receipts
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	CBS	Child Budget Statement
11	CE	Capital Expenditure
12	CESCOM	Chamundeswari Electricity Supply Company
13	CGST	Central Goods and Service Tax
14	CHCs	Community Health Centres
15	CMRRD	Chief Minister's Rural Road Development Fund
16	CNNL	Cauvery Neeravari Nigam Limited
17	CPAO	Central Pay and Accounts Office
18	CPS	Central Plan Schemes
19	CRA	Central Record keeping Agency
20	CRF	Central Road Fund
21	CSF	Consolidated Sinking Fund
22	CSS	Centrally Sponsored Schemes
23	DC	Deputy Commissioner
24	DCB	Demand Collection Balances
25	DCPS	Defined Contribution Pension Scheme
26	DDOs	Drawing and Disbursing Officers
27	DDR	Debt, Deposit and Remittances
28	DE	Development Expenditure
29	DMA	Directorate of Municipal Administration
30	DPAR	Department of Personnel and Administrative Reforms
31	DPC	Duties, Power and Conditions of Service
32	DSA	Debt Sustainability Analysis
33	EAP	Externally Assisted Project
34	EFC	Eleventh Finance Commission
35	ERC	Expenditure Reforms Commission
36	ESCOMs	Electricity Supply Companies
37	FD	Finance Department
38	FMRC	Fiscal Management Review Committee
39	FPI	Fiscal Policy Institute
40	GASAB	Government Accounting Standards Advisory Board
41	GB	Gender Budget
42	GCS	General Category States
43	GCU's	Government Commercial Undertakings
44	GDP	Gross Domestic Product
45	GESCOM	Gulbarga Electricity Supply Company
46	GIA	Grants-In-Aid
47	GFR	General Financial Rules
48	GIC	General Insurance Corporation

Sl. No.	Abbreviation	Full Form
49	GOI	Government of India
50	GOK	Government of Karnataka
51	GOs	Government Orders
52	GP	Gram Panchayat
53	GSDP	Gross State Domestic Product
54	GSVA	Gross State Value Added
55	GST	Goods and Service Tax
56	HESCOM	Hubli Electricity Supply Company
57	HOA	Head of Account
58	HRMS	Human Resource Management System
59	IFA	Internal Financial Advisor
60	IGAS	Indian Government Accounting Standard
61	IGST	Integrated Goods and Service Tax
62	ITI	Industrial Training Institute
63	KBJNL	Krishna Bhagya Jala Nigam Limited
64	KFC	Karnataka Financial Code
65	KFDF	Karnataka Forest Development Fund
66	KFRA	Karnataka Fiscal Responsibility Act
67	KIADB	Karnataka Industrial Area Development Board
68	KILT	Karnataka Institute of Leather Technology
69	KNNL	Karnataka Neeravari Nigam Limited
70	KRDCL	Karnataka Road Development Corporation Limited
71	KSFCL	Karnataka State Financial Corporation Limited
72	KSCARDB	Karnataka State Co-operative Agriculture and Rural Development Bank
73	KSCOMF	Karnataka State Co-operative Marketing Federation
74	KSSIDC	Karnataka State Small Industries Development Corporation Limited
75	KUWSDB	Karnataka Urban Water Supply and Drainage Board
76	LIC	Life Insurance Corporation
77	LMMH	List of Major and Minor Heads
78	LROT	Lease Rehabilitate Operate and Transfer
79	MCE	Manual of Contingent Expenditure
80	MOF	Ministry of Finance
81	MTFP	Medium Term Fiscal Plan
82	NABARD	National Bank for Agriculture and Rural Development
83	NCDC	National Co-operative Development Corporation
84	NDC Bill	Non-Payment Detailed Contingent Bill
85	NDRF	National Disaster Response Fund
86	NGOs	Non – Government Organisations
87	NLNORR	Non Loan Net Own Revenue Receipts
88	NPIC	New Pension Implementation Cell
89	NPS	New Pension Scheme
90	NSDL	National Securities Depository Limited
91	NSSF	National Small Savings Fund
92	OBB	Off-Budget Borrowings
93	OD	Over Draft
94	PAC	Public Accounts Committee
95	Pr.AG (A&E)	Principal Accountant General (Accounts and Entitlement)
96	Pr.AG (Audit)	Principal Accountant General (Audit)
97	PAO	Pay and Accounts Office
98	PD	Personal Deposit
99	PF	Provident Fund

Sl. No.	Abbreviation	Full Form
100	PFRDA	Pension Fund Regulatory Development Authority
101	PF	Provident Fund
102	PMAY	Pradhan Mantri Awas Yojane
103	PRAN	Permanent Retirement Account Number
104	PRIs	Panchayat Raj Institutions
105	PSUs	Public Sector Undertakings
106	PWP&IWT	Public Works, Port and Inland Water Transport
107	RBI	Reserve Bank of India
108	RDPR	Rural Development and Panchayat Raj
109	RE	Revenue Expenditure
110	RERA	Real Estate Regulatory Authority
111	RR	Revenue Receipts
112	SCSP	Special Component Sub Plan
113	SDMF	State Disaster Mitigation Fund
114	SDRF	State Disaster Response Fund
115	SDL	State Development Loans
116	SE	Supplementary Estimate
117	SFAR	State Finance Audit Report
118	SGST	State Goods and Service Tax
119	SLAO	Special Land Acquisition Officer
120	SPVs	Special Purpose Vehicles
121	SWMA	Special Ways and Means Advances
122	TBs	Treasury Bills
123	TE	Total Expenditure
124	TFC	Twelfth Finance Commission
125	TP	Taluk Panchayat
126	TSP	Tribal Sub Plan
127	UC	Utilisation Certificate
128	ULB	Urban Local Bodies
129	VJNL	Visvesvaraya Jala Nigam Limited
130	WMA	Ways and Means Advances
131	XII FC	Twelfth Finance Commission
132	XIII FC	Thirteenth Finance Commission
133	XIV FC	Fourteenth Finance Commission
134	XV FC	Fifteenth Finance Commission
135	ZP	Zilla Panchayat



Comptroller and Auditor General of India

www.saiindia.gov.in

<https://cag.gov.in/ag1/karnataka/en>