00199

REPORT OF THE

COMPTROLLER AND AUDITOR GENERAL OF INDIA

No. 1

STATE FINANCES

for the year ended 31 March 2011

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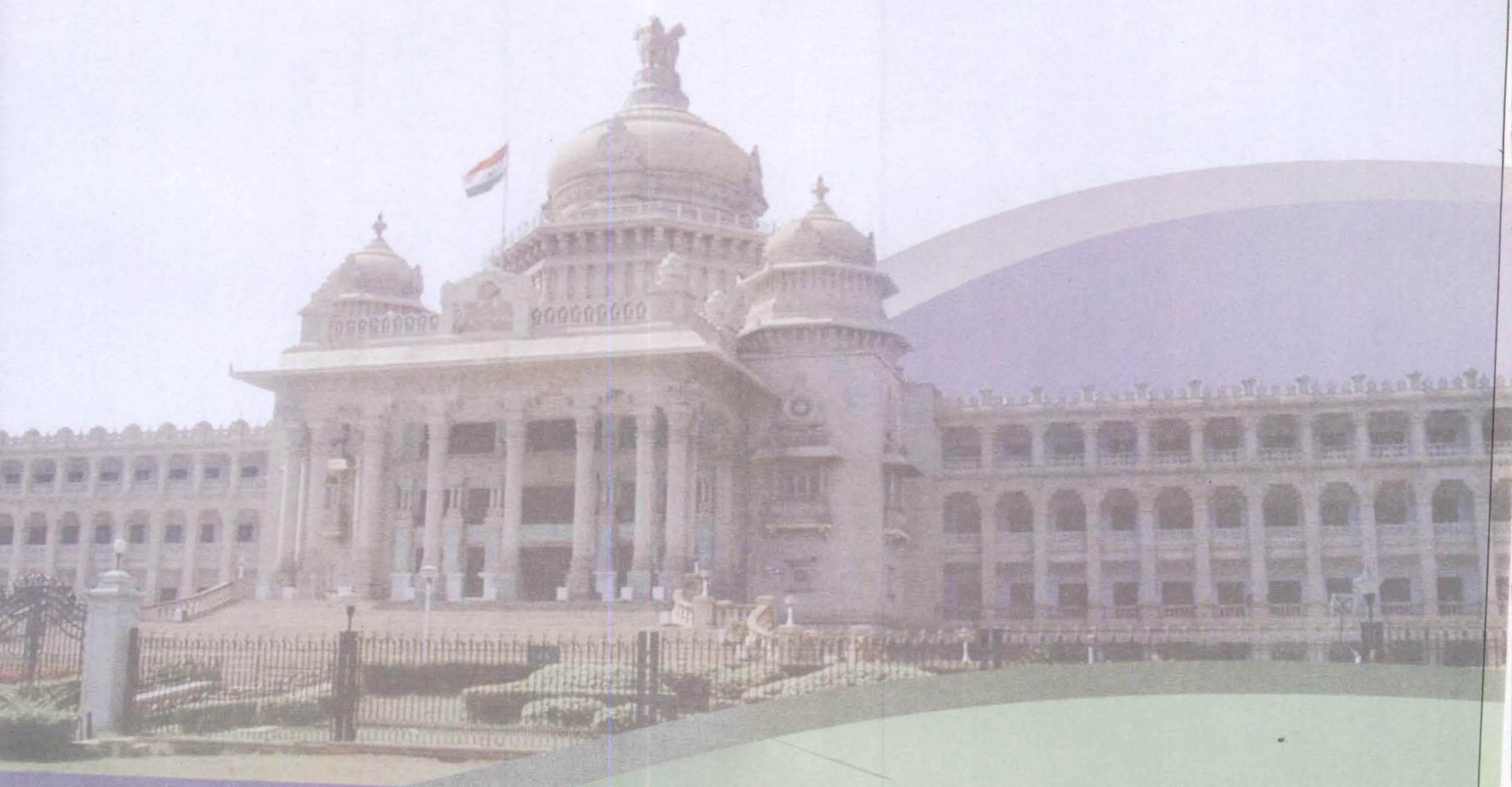


Government of Karnataka

TABLE OF CONTENTS

Table of Contents

Preface

This Report has been prepared for submission to the Governor under Article 151 of the Constitution.

Chapters 1 and 2 of this Report respectively contain audit observations on matters arising from examination of Finance Accounts and Appropriation Accounts of the State Government for the year ended 31 March 2011. Information has also been obtained from the Government of Karnataka, wherever necessary.

Chapter 3 on 'Financial Reporting' provides an overview and status of the State Government's compliance with various financial rules, procedures and directives during the current year.

The Report has been prepared taking into account replies of the State Government for the Report on State Finances for the year ending 31 March 2010, 31 March 2011 and to the Public Accounts Committee (PAC). It also includes recommendations of the PAC for the Report on State Finances for the year ending 31 March 2010.

The Reports containing the findings of performance audit, results of audit of transactions in various departments, observations arising from audit of Government companies, Statutory corporations, Boards and Panchayat raj institutions and points arising from audit of revenue receipts are presented separately.

EXECUTIVE SUMMARY

Background

In Karnataka, fiscal reforms and consolidation were brought to the forefront with the State Government formulating the first Medium Term Fiscal Plan (MTFP) for the period 2000-05 based on broad 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 to the annual budgetary exercise to operationalise the restructuring plan. Karnataka was the first State to enact (September 2002) the Fiscal Responsibility Act (FRA) providing statutory backing to MTFP. The Act aims at ensuring fiscal stability and sustainability, enhance the scope for improving social and physical infrastructure and human development by achieving revenue surplus, reducing fiscal deficit, removing impediments to effective conduct of fiscal policy and prudent debt management through limits on borrowings, debt and deficits, 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 ending March 2011, the report provides an analytical review of the annual accounts of the State Government. The financial performance of the State has been assessed based on the FRA, budget documents, Thirteenth Finance Commission Report (XIII FC) and other financial data obtained from various Government departments and organizations. The report is structured in three chapters.

Chapter 1 is based on the audit of Finance Accounts and makes an assessment of Government of Karnataka's fiscal position as at 31 March 2011. It, *inter-alia*, provides an insight into trends in committed expenditure, borrowing pattern besides, a brief account of Government of India funds transferred directly to the State implementing agencies through off-budget route.

Chapter 2 is based on the audit of Appropriation Accounts, gives description of appropriations and the manner in which the allocated resources were managed by the service delivery departments.

Chapter 3 is an inventory of Karnataka Government's compliance with various reporting requirements and financial rules.

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

Audit findings and recommendations

• Fiscal position

The state continued to maintain revenue surplus during 2006-11 and kept fiscal deficit relative to GSDP below the limit laid down under FRA as amended from time to time. The State which was on the road to recovery from the effects of economic slowdown in 2009-10, was expected to consolidate its position in the year 2010-11. During 2010-11, the State attained huge revenue surplus of ₹ 4,172 crore. This was on account of increase in revenue receipts by 18 *per cent* over previous year and increase in revenue expenditure by 14 *per cent.* Further, the compression of expenditure on account of delay in government sanctions, limiting transfers to fund accounts etc., also contributed to increase in revenue surplus.

For the first time, incremental non-debt receipts was higher than the incremental primary expenditure by ₹ 615 crore which could cover the incremental interest burden. The State Government lost debt relief amount of ₹ 358.33 crore for the year 2008-09 on account of actual ratio of fiscal deficit to GSDP being more than the budget estimates for that year.

• State's own resources

The ratio of the State's tax revenue to GSDP which had shown declining trend since 2006-07 revived itself and was 10.10 *per cent* during the year. Arrears of tax revenue amounted to ₹ 4,009 crore.

Ratio of non-tax revenue to GSDP continued its declining trend. Special emphasis needs to be given for mobilizing non-tax revenue in the coming years.

• Revenue expenditure

There was 16 and 13 *per cent* growth under social and economic services sectors of expenditure over the previous year, while the growth in general services was 10 *per cent.* The share of plan expenditure to total expenditure increased from 26 *per cent* in 2009-10 to 28 *per cent* in 2010-11. Fifty two *per cent* of revenue expenditure consisted of committed expenditure on salaries, pensions, interest payments and subsidies. Total subsidy of ₹ 6,303 crore was partial as it excluded implicit subsidy of around ₹ 2,280 crore during 2010-11. As per the recommendation of TFC, expenditure forming implicit subsidy may be brought out in Finance Accounts for transparency.

• Quality of expenditure

The share of capital expenditure to total expenditure during the current year (22 *per cent*) remained same as in the previous year. It included interest expenditure of ₹ 202 crore on off budget borrowings. Funds aggregating ₹ 1,203 crore were blocked in incomplete projects as at the end of 2010-11. The return from investment of ₹ 38,421 crore as of March 2011 in companies / corporations was negligible (₹ 43.47 crore). The investment included ₹ 20,085 crore (52 *per cent*) to companies/ corporations under perennial loss.

The State Government should also review the working of State public sector undertakings incurring huge losses and work out either a revival strategy or close down such units. The State Government should formulate guidelines for quick completion of incomplete projects and strictly monitor time and cost over runs with a view to take corrective action.

- **Oversight of funds transferred directly from the Union to the State implementing agencies**

The Central Government transferred a sizeable quantum of funds (₹ 7,342 crore during 2010-11) directly to the State implementing agencies for implementation of Central plan schemes. Funds flowing directly to the implementing agencies through off-budget route inhibit FRA requirements of transparency and therefore, escape accountability. There is no single agency monitoring its use and there is no readily available data on the amounts spent in any particular year on major flagship and other important schemes.

A system has to be put in place to ensure proper accounting of these funds and the updated information should be validated by the State Government.

- **Assets and Liabilities**

Reserve funds of the State viz., corpus fund of Consumer Welfare Fund, Guarantee Redemption Fund, etc were not created / revived. No rules have been framed regarding administration of Fiscal Management Fund.

Rules with regard to administration and investment pattern of various reserve funds require to be framed.

- **Debt sustainability**

The repayment obligation of the State would increase from 2012-13 due to huge market borrowings under debt swap scheme during 2002-03 and 2004-05. Further, repayment would increase enormously in 2017-18 onwards also, due to huge market borrowings in 2008-10.

The Government should consider reviving the sinking fund as it would help the State to meet the sudden increase in the amount of debt servicing from 2013 onwards.

- **Financial Management and Budgetary Control**

Against total provision of ₹ 85,193.90 crore during 2010-11, an expenditure of ₹ 72,915.19 crore was incurred under revenue/capital. This resulted in an unspent provision of ₹ 12,278.71 crore (14 *per cent*). An excess expenditure of ₹ 85.39 crore incurred against two grants during 2010-11 and ₹ 4,707.89 crore relating to the period 1989-90 to 2009-10 required regularisation under Article 205 of the Constitution. Expenditure aggregating ₹ 282.64 crore in 21 cases which should have been treated as 'New Service/New instrument of service' was incurred without the approval of the Legislature. While, supplementary provision of ₹ 333.28 crore in 31 cases was unnecessary, re-appropriation of funds in 60 cases was made injudiciously resulting in either un-utilised provision or excess over provision. In 24 grants, ₹ 6,188.83 crore was surrendered in the last two working days of the financial year. Contingency Fund drawals sanctioned in two cases aggregating to ₹ 2.66 crore was not drawn during the year 2010-11.

Budgetary control should be strengthened in all departments to avoid cases of provision remaining unutilized. The departmental budgets should be more realistic and cases of persistent non-utilisation of funds, excessive provision of funds should be avoided.

- **Financial Reporting**

The Departmental compliance towards disposal of cases of losses, misappropriations, etc. was deficient. Detailed bills against abstract bills were wanting since long and large sums of money were being retained in PD Accounts against the principle of Legislative financial control. Non-reconciliation of expenditure and receipts was to the extent of 14 *per cent* of total expenditure and two *per cent* of total receipts respectively. There were adverse balances under certain DDR heads which required remedial action for their clearance. Transparency in accounts is required to indicate important details like salary (PR Institutions), implicit subsidy etc. as recommended by the Finance Commission.

Departmental enquiries in all the cases of misappropriations, losses, defalcations, etc., should be expedited to bring the defaulters to book. For this purpose, the internal controls in various departments should be strengthened to prevent recurrence of such cases. Accounting reforms are required to capture data as recommended by the Finance Commission. Review of deposit accounts is required to be taken to weed out all in-operative / such operative heads which have outlived their utility. Review of suspense heads needs to be done to bring the transactions to the final heads in the year of accounts itself.

Finances of the State Government

Chapter 1

Chapter 1

Finances of the State Government

Profile of the State

Karnataka is the eighth largest State in terms of geographical area and accounts for around five *per cent* of India's population. As indicated in Appendix 1.1, in the last ten years, the density of population in Karnataka has increased from 276 persons per sq km to 319 persons per sq km. However, the State still has lower density of population as compared to all India average.

The State has shown higher economic growth in the past decade as the compounded annual growth rate of its Gross State Domestic Product (GSDP) for the period 2001-02 to 2010-11 has been 15.01 *per cent* as against 14.68 *per cent* of the General Category States. During this period, the population growth rate of the State (15.67 *per cent*) was lower than that of the General Category States (17.56 *per cent*) indicating higher *per capita* income in the State.

The social indicators *viz.,* literacy rate, infant mortality, life expectancy at birth etc., indicated that the State was better off than the all India average (**Appendix 1.1)**.

1.1 Introduction

This chapter provides a broad perspective of the finances of the Government of Karnataka during the current year. It analyses important changes in the major fiscal indicators compared to the previous year and keeping in view the overall trends during the last five years. The analysis is based on the Finance Accounts and information obtained from the State Government. The structure of the Government Accounts and the layout of the Finance Accounts have been explained in **Appendix 1.2**.

1.2 Summary of fiscal transactions

Table 1.1 and Appendix.1.3 presents the summary of the State Government's fiscal transactions and provides details of receipts and disbursements as well as the overall fiscal position, respectively, during the current year (2010-11) *vis-à-vis* the previous year.

Table 1.1:Summary of fiscal transactions

(₹ in crore)

Receipts			Disbursements				
	2009-10	2010-11		2009-10	2010-11		
Section-A: Revenue				Total	Non Plan	Plan	Total
Revenue receipts	**49,155.70**	**58,206.22**	**Revenue expenditure**	**47,536.92**	**38,846.41**	**15,187.43**	**54,033.84**
Tax revenue	30,578.60	38,473.12	General services	12,762.34	13,959.34	95.75	14,055.09
Non-tax revenue	3,333.80	3,358.28	Social services	19,118.86	12,301.06	9,806.76	22,107.82
Share of union taxes/ duties	7,359.98	9,506.31	Economic services	13,181.71	10,686.35	4,206.09	14,892.44
Grants-in-aid & contributions from GOI	7,883.32	6,868.51	Grants-in-aid and contributions	2,474.01	1,899.66	1,078.83	2,978.49
Section-B: Capital and others							
Misc. Capital receipts	**69.79**	**71.81**	**Capital outlay**	**12,136.68**	**773.44**	**12,581.73**	**13,355.17**
			General services	489.85	50.50	414.96	465.46
			Social services	2,650.68	66.74	2,549.96	2,616.70
			Economic services	8,996.15	656.20	9,616.81	10,273.01
Recoveries of loans and advances	**555.36**	**161.37**	**Loans and advances disbursed**	**981.58**	**1.52**	**1,736.41**	**1,737.93**
Public debt receipts*	**7,990.86**	**6,713.74**	**Repayment of public debt***	**2,308.33**	**2,807.13**	---	**2,807.13**
Contingency Fund	**2.10**	-	**Contingency Fund**	---	**12.00**	**0.53**	**12.53**
Public Account receipts	**71,172.45**	**80,313.64**	**Public Account disbursements**	**64,029.09**			**75,626.38**
Opening cash balance	**7,819.85**	**9,773.51**	**Closing cash balance**	**9,773.51**			**7,667.31**
Total	**1,36,766.11**	**1,55,240.29**	**Total**	**1,36,766.11**			**1,55,240.29**

**Excluding net transactions under ways and means advances and overdraft.*
***Source:** Finance Accounts*

The following are the significant changes during 2010-11 over the previous year:

- Revenue receipts grew by ₹ 9,050 crore (18 *per cent*) due to increase in own tax revenue (₹ 7,894 crore) and State's share of Union taxes and duties (₹ 2,146 crore). This was offset by decrease in grants-in-aid and contributions from GOI (₹ 1,015 crore). The revenue receipts during the current year were more than the projection made in the Medium Term Fiscal Plan (MTFP) 2009-13 by ₹ 5,434 crore.
- Revenue expenditure increased by ₹ 6,497 crore (14 *per cent*). This increase was mainly in respect of social services sector (₹ 2,989 crore), economic services sector (₹ 1,710 crore), general services sector (₹ 1,293 crore) and grants-in-aid and contributions (₹ 504 crore). It over shot MTFP projection for the year by₹ 3,187 crore.
- Capital outlay increased by ₹ 1,218 crore (10 *per cent*). Increase was only under economic services sector (₹ 1,277 crore). This was offset by decrease in general service sector (₹ 24 crore) and social service sector (₹ 34 crore).
- Public debt receipts (excluding ways and means advances) decreased by ₹ 1,277 crore (16 *per cent*) while repayment of public debt increased by ₹ 499 crore (22 *per cent*).
- Public Account receipts and disbursements increased by ₹ 9,142 crore (13 *per cent*) and ₹ 11,597 crore (18 *per cent*), respectively.
- Cash balance of the State Government decreased by ₹ 2,106 crore (22 *per cent*).

1.3 Fiscal reforms path in Karnataka

In Karnataka, fiscal reforms and consolidation were brought to the forefront with the State Government formulating the first MTFP for the period 2000-05 based on the broad parameters of fiscal correction laid down by the Eleventh Finance Commission (EFC). MTFP became a rolling annual document to report on the actual performance of the State against fiscal targets of the previous year and to put in place a multi-year medium term reform framework dovetailed with the budgetary exercise.

Karnataka was the first State to enact (September 2002) the Fiscal Responsibility Act (FRA) providing statutory backing to MTFP. The Act aims to ensure fiscal stability and sustainability, enhance the scope for improving social and physical infrastructure and human development by achieving revenue surplus, reducing fiscal deficit, removing impediments to the effective conduct of fiscal policy and prudent debt management through limits on borrowings, debt and deficits and greater transparency in fiscal operations. To give effect to the fiscal management principles, the Act prescribed the following fiscal targets for the State Government.

- Elimination of revenue deficit by the end of the financial year 2005-06.
- Reduction of fiscal deficit to not more than three *per cent* of the estimated Gross State Domestic Product (GSDP) by the end of the financial year 2005-06.
- Limiting the total liabilities to not more than 25 *per cent* of the estimated GSDP within a period of 13 financial years, i.e., by the end of the financial year 2014-15.
- Maintaining outstanding guarantees within the limit stipulated under the Karnataka Ceiling on Government Guarantees Act, 1999.

Revenue and fiscal deficits may exceed the specified limits due to unforeseen demands on the State finances on account of natural calamities to the extent of actual fiscal cost attributable to the situation.

The outcome indicators reflecting the State's fiscal correction path for the period 2011-15 are given in **Appendix 1.4**.

By adhering to the policy changes in revenue generation strategies and expenditure control envisaged in MTFPs, the State achieved the fiscal targets laid down in FRA one year ahead, with the year 2004-05 ending in revenue surplus and fiscal deficit for the year at less than three *per cent* of GSDP. By an amendment to the FRA, the fiscal deficit limit of three *per cent* was enhanced to 3.5 *per cent* in 2008-09 and to four *per cent* in 2009-10 in order to over-come the impact of economic slow-down. During the period 2005-10, the State continued to maintain revenue surplus and kept the fiscal deficit relative to GSDP below the limit laid down under FRA. Outstanding guarantees given by the Government were within the limit prescribed under the Karnataka Ceiling on Government Guarantees Act, 1999. The ratio of fiscal liabilities (excluding off-budget borrowings) to GSDP which was around 25 *per cent* in 2006-07 decreased to 22 *per cent* in 2007-08. Thereafter, there was an increase in the successive two years and was around 25 *per cent* in 2009-10. This was on account of increase in borrowings. Under GOI's scheme of States' Debt Consolidation and Relief Facility (DCRF) recommended by the Twelfth Finance Commission (TFC), the State got the benefit of interest relief of ₹ 1,252 crore for the period 2005-10 along with waiver of GOI loan of ₹ 1,792 crore.

However, the Government of India (GOI), while re-evaluating, found that the ratio of fiscal deficit to GSDP (actual) for 2008-09 was more than the ratio of fiscal deficit to GSDP (BE) for 2008-09, thereby making the State ineligible for debt waiver. Hence, the entire debt waiver amount of ₹ 358.33 crore for the year 2008-09 was recovered during April 2011. Thus, the State got benefit of debt waiver of GOI loan of ₹ 1,434 crore only against a possible total waiver of ₹ 1,792 crore.

Revised fiscal roadmap for the State

With the overall macro economic slowdown during 2008-09 and 2009-10 the State, as per the recommendations of GOI, deviated from the fiscal consolidation path in the past two years and it was essential for the State to initiate steps towards fiscal correction in the succeeding years. In this context, the Thirteenth Finance Commission (XIII FC) suggested a roadmap for medium term fiscal correction for the State Government. The factors to have significant implications for fiscal consolidation include implementation of Goods and Service Tax (GST), higher devolutions to State, State's own efforts towards mobilizing non-tax revenues, amendment of FRA, review of tariff policies relating to power and irrigation sectors, rationalization of expenditure, effective cash management and strengthening of the State Finance Commission (SFC).

In accordance with the XIII FC recommendations the State Government, with an amendment to the FRA (May 2011), laid down the following fiscal targets.

- Ensuring that the outstanding debt be gradually reduced and at the end of 2014-15 to be at 25.20 *per cent* of the estimated GSDP for the year. During 2010-11, the outstanding debt was to be at 26.20 *per cent.*
- Fiscal deficit during 2010-11 not to exceed more than 3.44 *per cent* of GSDP
- Constitute Fiscal Management Review Committee which shall meet at least twice a year to review fiscal and debt position of State.

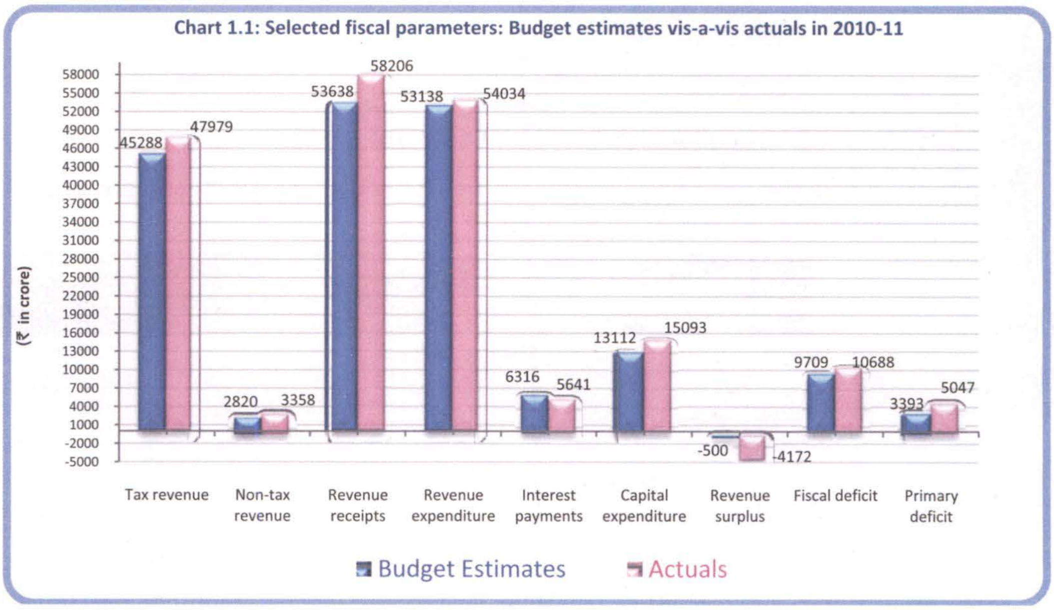
It is heartening to note that, the outstanding debt and fiscal deficit during 2010-11 was 24.14 *per cent* and 2.81 *per cent,* respectively, of the GSDP which was well within the prescribed limit.

1.4 Budget 2010-11

1.4.1 Actuals vis-à-vis budget estimates

Budget papers presented by the State Government provide estimation of revenue and expenditure for a particular fiscal year. The importance of accuracy in estimation of revenue and expenditure is widely accepted in the context of effective implementation of fiscal policies for overall economic management. Deviations from budget estimates are indicative of non-attainment and non-optimisation of desired fiscal objectives.

Chart 1.1 presents the budget estimates and actuals of some important fiscal parameters for the year 2010-11.



Source: *Annual Financial Statement and Finance Accounts*

During 2010-11, the State's revenue receipts were estimated at ₹ 53,638 crore. In order to achieve development objectives, special attention was given by the government to resource mobilisation during 2010-11. This was not possible during 2008-09 and 2009-10 due to the adverse impact of global economic crisis. Value Added Tax (VAT) rates including lower slab rates, tax on tobacco products and luxury tax were increased. Motor vehicle taxes under various categories were increased to collect additional resources. Further, toll on heavy vehicles was imposed during 2010-11 in order to achieve growth in non tax revenue.

Revenue expenditure was estimated at ₹ 53,138 crore. The Government proposed to give top priority to increase agricultural productivity by implementing various programmes in the agriculture sector. Providing right education, training opportunities to youth, empowerment of weaker sections and development of backward areas, power generation and improvement of infrastructure for Bangalore were the other priority sectors of the Government. Capital expenditure was estimated at ₹ 13,112 crore.

The State's revenue receipts were more than the budget estimate by ₹ 4,568 crore (nine *per cent*) due to increase in tax as well as non tax revenue. The State's tax revenue (inclusive of State's share of Union taxes and duties) was more than the budget estimate by ₹ 2,691 crore (six *per cent*). Further, non-tax revenue exceeded the budget estimate by ₹ 538 crore (19 *per cent*). Revenue expenditure and capital expenditure were more than the budget estimate by ₹ 896 crore (two *per cent*) and ₹ 1,981 crore (15 *per cent*), respectively. Interest payments were less than the budget estimate by ₹ 675 crore (11 *per cent*). Revenue surplus, fiscal deficit and primary deficit were more than the budget estimate by ₹ 3,672 crore, ₹ 979 crore and ₹ 1,654 crore respectively.

1.4.2 Gender Budgeting

Gender budget of the State discloses the expenditure proposed to be incurred within the overall budget on schemes which are designed to benefit women fully or partly. Based on the Finance Minister's proposal (Budget speech 2006-07), the State had created the Gender Budget Cell (January 2007) and gender budgeting was introduced in 2007-08. The year-wise allocations in the gender budget document are detailed in **Table 1.2**.

Table 1.2: Gender budgetary allocations during 2007-11

(₹ in crore)

Year	Total Outlay	Outlay under			Demands covered	Percentage of total outlay
		Category A*	Category B^	Total		
2007-08	50,465.61	562.63	17,235.88	17,798.51	20	35
2008-09	60,497.19	661.77	20,764.82	21,426.59	25	35
2009-10	62,413.81	845.10	22,285.31	23,130.41	27	37
2010-11	70,033.39	873.20	25,417.93	26,291.13	27	38

**Budgetary allocations to schemes designed to benefit women- 100 per cent*

^Budgetary allocations for schemes designed to benefit women to the extent of 30 per cent of allocations

The Gender Budget Cell was entrusted with implementation of the gender budget by coordinating between various departments and the Department of Women and Child Development was entrusted with the monitoring of the impact analysis. Study of the functioning of the above during 2009-10 had revealed that while the Gender Budget Cell was not involved in assessing and working out budgetary requirement of category A and B, the Department of Women and Child had not conducted any impact analysis study. Further, there were no clear guidelines for identification of items in the gender budget under both category A and B.

The State Government stated (May 2011) that the chief constraint in mainstreaming Gender Budget was the staff's inability to comprehend the process itself.

It was also informed that the Gender Budget Cell, in order to strengthen analysis and analytical inputs, had improved the format of the Monthly Programme Implementation Calendar and a circular was issued to validate the categorization of schemes, assess the impact and analyse the allocation. Further, a study on 'Monograph on the Status of Women in Karnataka' has been commissioned (May 2011), which is to be carried out jointly by Institute of Social Economic Change, Bangalore and Institute of Social Studies Trust, Bangalore. The study is in its nascent stage.

The Public Accounts Committee in its 13th report on CAG's Report on State Finances – 2009-10, (December 2011) placed before the Legislative Assembly recommended the following:

- The area of activity of the Gender Budget Cell should be expanded in order to achieve the purpose for which the cell was created.
- Priority to be given for the analysis of the data collected from various departments for their effective implementation.
- Proper identification of schemes are required to be made under both category A and B of the Gender Budget.

Analysis in audit during 2010-11of the gender budget document and internal audit observations of the Department of Women and Child Development revealed that:

- In the gender budget document for the year 2010-11, the gender budget allocation covered 25 demands with 42 schemes under Category A and 596 schemes under Category B. However, the document in the summary had claimed that the allocation covered 27 demands with 49 schemes under Category A and 737 schemes under Category B.
- The internal audit report of 'Stree Shakthi' scheme observed that the amounts drawn for implementation of the scheme were parked in the bank account accumulating interest and were not refunded back to the Government account. Also, it observed that the expenditure in many cases was not supported with requisite documents such as vouchers etc.

This has resulted in projecting greater coverage and overstatement of expenditure both under the gender budget as well as total expenditure.

1.4.3 Major policy initiatives of Budget 2010-11

In order to transform Karnataka into a prosperous State, major policy initiatives have been taken up in the Budget 2010-11 which are detailed in **Appendix 1.8**.

During 2010-11, the action taken by the Government to implement the said policy initiatives as enumerated in the action taken report (2010-11) are summarised below:

Sector	Action Taken
Social sector :	While the proposal for compulsory education was under examination, the project of developing Metro Rail was being implemented satisfactorily. Further, ₹ 233.08 crore was spent during 2010-11 for water and drainage facilities. Notification to bring a few districts under the jurisdiction of Shimoga University of Agricultural Sciences pending amendment to the University of Agricultural Sciences Act 2009 has been issued.
Economic Sector:	In order to increase agricultural productivity, Government order for providing special assistance for building check dams etc., has been issued in January 2011 and ₹ 400 crore has been utilised under Suvarna Gramodaya programme. Further, ₹ 179.26 crore has been released as first installment of assistance to co-operative Banks.
Fiscal Sector:	Notifications for modification of various taxes have been issued and the Acts amended accordingly.
Others:	Preliminary notification for acquisition of land, techno-economic pre-feasibility survey and impact study has been done for setting up a Special Economic Zone. Phase I, II and III of the Mukhyamanthri Nagarothana Yojane have been launched with a total outlay of ₹ 2,208 crore and is under progress. Selection of villages in two districts under Phase IV with outlay of ₹ 208 crore is also under progress.

Public Private Partnership (PPP):	To facilitate the process of economic growth the Government has encouraged PPP's in creating new infrastructure assets as well as in managing the assets created. The new Infrastructure Policy – 2007 was announced covering sectors like Agri-Infrastructure, Education, Energy, Transportation, Industrial Infrastructure, Urban and Municipal Infrastructure etc. The note prepared by the State Government (Infrastructure Development Department) in November 2010 stated that 90 projects were being developed through PPP route by various departments and agencies. The 90 projects which are in different stages are detailed in **Table 1.2A.**

Table 1.2A: Brief summary of the PPP projects in different stages

(₹ in crore)

Sl. No.	Sector	Under Planning/Pipeline		Under Implementation		Completed		Total	
		Nos	Cost	Nos	Cost	Nos	Cost	Nos	Cost
1	Agri-Infrastructure	8	855.75	0	0.00	0	0.00	8	855.75
2	Education	0	0.00	0	0.00	0	0.00	0	0.00
3	Energy	4	7,350.00	0	0.00	0	0.00	4	7,350.00
4	Healthcare	0	0.00	0	0.00	0	0.00	0	0.00
5	Industrial Infrastructure	15	24,346.00	0	0.00	0	0.00	15	24,346.00
6	Tourism	7	1,164.50	0	0.00	1	32.00	8	1,196.50
7	Transport and Logistics	39	29,398.59	7	1,383.33	3	3,006.29	49	33,788.21
8	Urban and Municipal Infrastructure	2	144.32	0	0.00	4	108.64	6	252.96
	Total	**75**	**63,259.16**	**7**	**1,383.33**	**8**	**3,146.93**	**90**	**67,789.42**

1.5 Resources of the State

1.5.1. Resources of the State as per Finance Accounts

The progress of the Government's programmes depends on its resources and the quantum of resources in any particular financial year determines the expenditure threshold of the Government.

The components of the State's receipts have been categorized in **chart 1.2**

Chart 1.2: Components and sub-components of Resources.

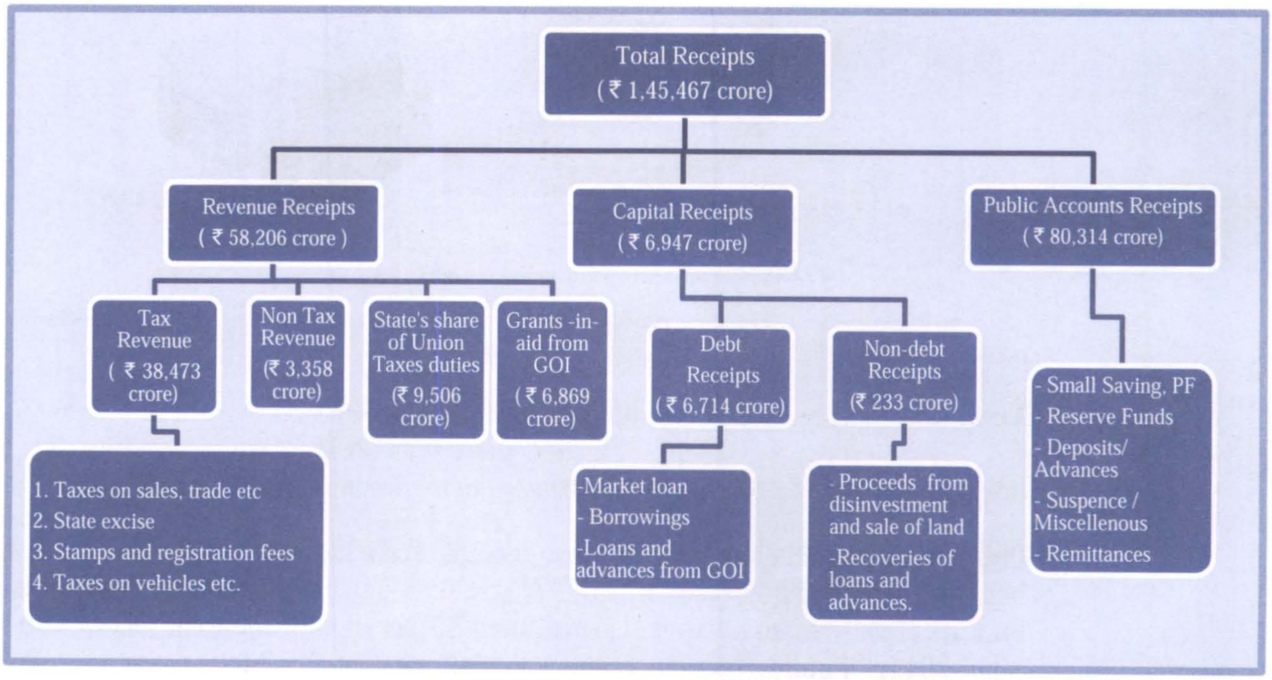
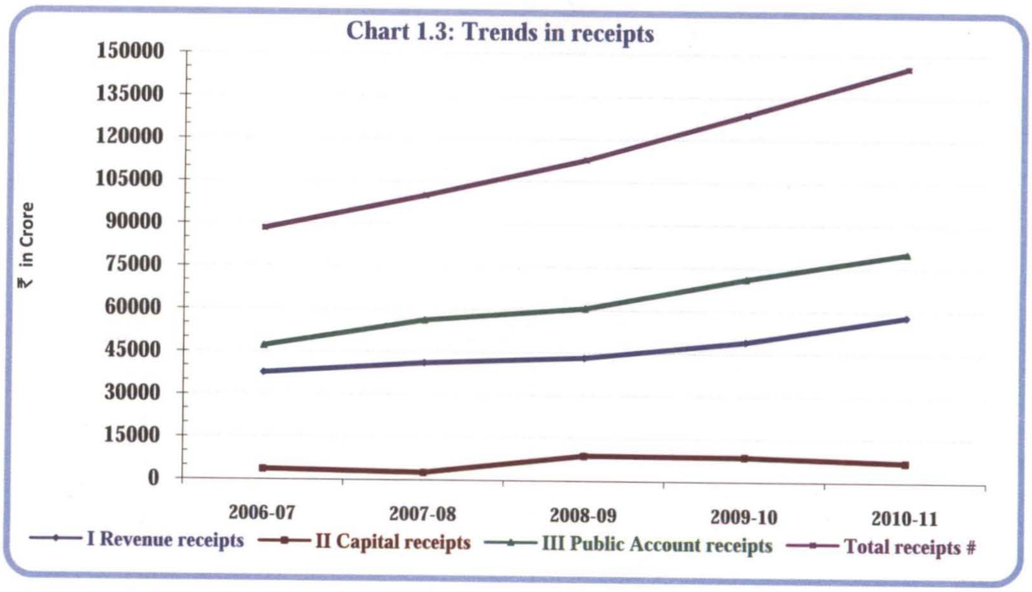
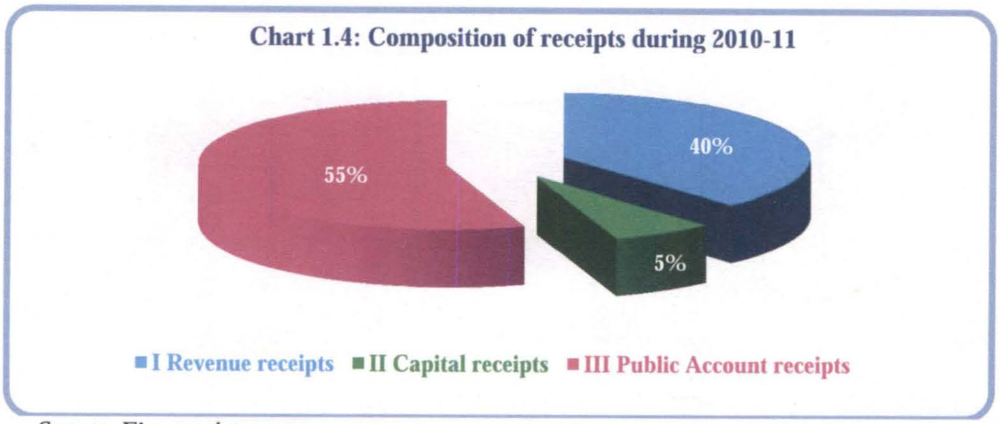


Table 1.1 depicting *inter-alia* the receipts of the State during the current year, as recorded in Finance Accounts, may also be referred to on page 2.

Chart 1.3 depicts the trends in various components of receipts during 2006-11, while **Chart 1.4** depicts the composition of resources of the State during the current year.



Excluding Contingency Fund receipts



Source: Finance Accounts

Total receipts increased by 65 *per cent* from ₹ 88,233 crore in 2006-07 to ₹ 1,45,467 crore in 2010-11. Further, there was an increase of receipts over the previous year by ₹ 16,519 crore (13 *per cent* excluding contingency fund).

Public Account receipts refer to those receipts for which the Government acts as a banker/trustee for the public money. It constitutes the single largest component of total receipts. On an average it constituted 55 *per cent* of the total receipts during 2006-2011. Public Account receipts which totalled ₹ 47,040 crore in 2006-07 increased to ₹ 80,314 crore in 2010-11. In 2010-11, there was *13 per cent* growth in Public Account receipts compared to previous year. The growth was maximum in Suspense and Miscellaneous (25 *per cent*) followed by Remittances (18 per cent), Small Savings/Provident Fund etc (16 *per cent*) and Deposits and Advances (seven *per cent*). There was considerable negative growth in Remittances to Reserve Funds (minus 58 *per cent*). Analysis of Reserve funds is provided in paragraph 1.10.3.

The share of Revenue Receipts in total receipts which was 38 *per cent* during 2009-10 increased to 40 *per cent* in 2010-11. Further details are provided in paragraph 1.6.

Capital receipts increased by 93 per cent from ₹ 3,606 crore in 2006-07 to ₹ 6,947 crore in 2010-11. During the current year, the capital receipts accounted for *five per cent* of total receipts which was less by two *per cent* from the previous year. Though debt receipts, which is the main constituent of capital receipts, decreased by ₹ 1,277 crore from the previous year, its share was 97 *per cent* of capital receipts which was higher by four *per cent* over the previous year (93 *per cent*). Internal Debt and Loans and Advances from GOI are the two components of debt receipts whose share is 78 *per cent* and 22 *per cent* of the total debt receipts respectively. In 2010-11, there was a negative growth of 29 *per cent* in internal debt over the previous year. However, there was a tremendous growth of 121 *per cent* in Loans and Advances from GOI. This was due to significantly increased borrowings from GOI under State Plan Schemes.

Apart from debt receipts, capital receipts include non-debt receipts such as recovery of loans and advances and receipts through sale of land. In the current year, non-debt capital receipts showed considerable negative growth (minus 63 *per cent*) over the previous year due to less recovery of loan and advances.

The State Government in reply to Public Accounts Committee (PAC) (July 2011) had stated that the percentages of revenue and capital receipts were to be worked out based on receipts under Consolidated Fund excluding Public Account receipts. The reply is not acceptable as the State Government utilizes the Public account receipts for financing the Fiscal Deficit.

1.5.2 Funds transferred by Central Government to the State implementing agencies outside the State budget

Government of India transferred ₹ 7,342.27 crore during 2010-11 directly to the State implementing agencies[1] for implementation of various schemes/programmes in social and economic services sectors, recognized as critical against the transfer of ₹ 3,326.29 crore and ₹ 7,594.32 crore during 2008-09 and 2009-10, respectively. There was a decrease of transfer in 2010-11 by three *per cent.* As these funds were not routed through the State budget/State treasury system, Finance Accounts do not capture the flow of these funds and to that the extent State's receipts and expenditure as well as other fiscal variables/ parameters derived from these are understated. Details in respect of major Central plan schemes are furnished in **Table 1.3**.

Table-1.3: Funds transferred directly to the State implementing agencies for major plan schemes

(₹ in crore)

Programme / scheme	Implementing agency in the State	2008-09	2009-10	2010-11
Mahatma Gandhi National Rural Employment Guarantee Scheme	Zilla Panchayats	234.01	2,769.98	1,573.05
Pradhan Mantri Gram Sadak Yojna (PMGSY)	Karnataka Rural Roads Development Agency	---	438.00	927.67
National Rural Drinking Water Programme	Karnataka Rural Water Supply and Sanitation Agency	0.69	467.46	703.80
Sarva Shiksha Abhiyan (SSA)	Sarva Shiksha Abhiyan Samithi	515.78	442.21	669.03
Rural Housing (IAY)	Zilla Panchayats	94.97	356.27	448.80
National Rural Health Mission (NRHM)	Karnataka State Health and Family Welfare Society	176.88	308.80	415.35
Integrated Watershed Management Programme (IWMP)	Zilla Panchayats and State Level Nodal Agency	17.83	219.23	156.43
Swaranjayanti Gram Swarozgar Yojana (SGSY)	Zilla Panchayats	40.99	90.97	99.73
National Horticulture Mission	Karnataka State Horticulture Mission Agency	125.37	80.02	93.25
National Mission on Micro Irrigation	State Micro Irrigation Committees	75.64	63.81	92.54
Member of Parliament Local Area Development Scheme (MPLADS)	Deputy Commissioners	63.50	88.50	90.93
National Food Security Mission	State Agriculture Management Agency and Karnataka State Seeds Corporation Limited	30.15	47.71	72.64

Source: *CGA's website.*

Direct transfer from the Union to the State implementing agencies runs the risk of poor oversight of utilisation of funds by these agencies. Unless uniform accounting practices are diligently followed by all these agencies with proper documentation and timely reporting of expenditure, it is difficult to monitor the end use of these direct transfers. An analysis of one such scheme i.e., MPLADS is indicated in **Box 1.1.**

[1] State implementing agency includes any organization/institution including non-governmental organizations and central autonomous bodies which are authorized by the State Government to receive funds from GOI for implementing specific programmes in the State, e.g.. State implementation society for SSA.

Box – 1.1

The MPLADS, a plan scheme fully funded by the GOI, aims at enabling Members of Parliament (MPs), to cater to local requirements through the creation of assets in their constituency. The implementation of the scheme was marked by various shortcomings and lapses as there was no systemic arrangement to ensure the effective utilization of funds in the form of asset creation and maintenance thereafter. Since the State Government has a limited role in the implementation of the scheme, the entire responsibility for monitoring its execution by District Authorities (DAs) rested with the Ministry of GOI. However, DAs were not accountable to any immediate monitoring authority. The Ministry did not analyse basic records such as UCs and audited accounts furnished by DAs and based its releases of funds primarily on progress reflected in Monthly Progress Reports (MPRs) sent by DAs. Some of the lacunae in reporting financial progress were incorrect submission of UCs by DAs (UCs from implementing agencies not obtained), incorrect reporting of interest earned and unutilized balances, non timely submission of MPRs and discrepancies between figures of MPRs, UCs and annual accounts.

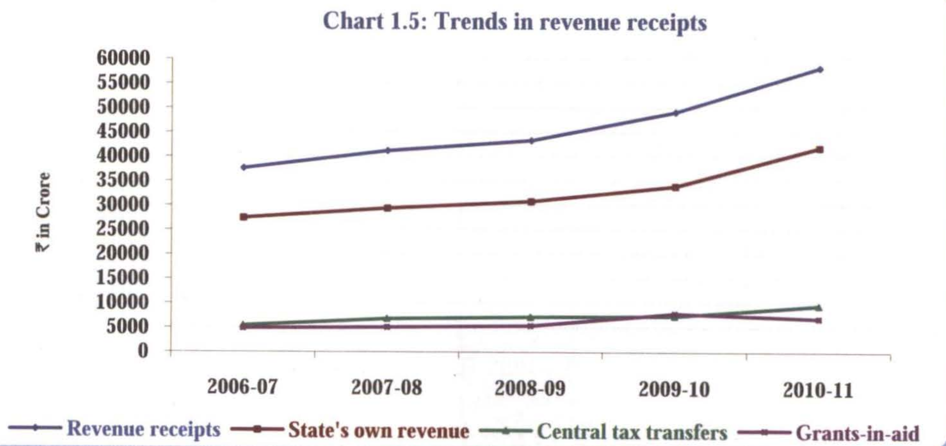
In the memorandum submitted to the Thirteenth Finance Commission, the State Government had stated that direct transfers considerably eroded accountability and undermined the role of the State.

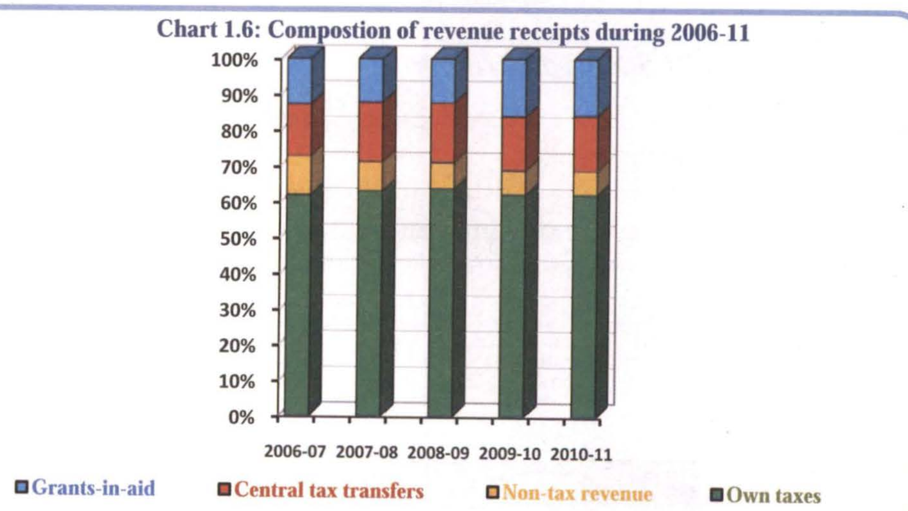
1.6 Revenue receipts

The trends and composition of revenue receipts over the period 2006-11 are presented in **Appendix 1.5** and are also depicted in **Charts 1.5** and **1.6,** respectively.

Revenue receipts showed progressive increase from ₹ 37,587 crore in 2006-07 to ₹ 58,206 crore in 2010-11 with drastic growth during 2009-11. On an average, 71 *per cent* of the revenue came from State's own resources during the period 2006-11. The balance was from transfers from GOI in the form of State's share of taxes and grants-in-aid and contributions.

State's own resources consist of tax revenue and non-tax revenue. The share of tax revenue in revenue receipts was between 62 and 66 *per cent* during 2006-11. In 2010-11, there was a spurt in growth of tax revenue which increased from 62 *per cent* in 2009-10 to 66 *per cent* in 2010-11. Non-tax revenue as a *per cent* of revenue receipts showed steady fall during the period 2006-11. It decreased from 11 *per cent* in 2006-07 to six *per cent* in 2010-11.





Source: Finance Accounts

The trends in revenue receipts relative to GSDP are presented in **Table 1.4.**

Table 1.4: Trends in revenue receipts relative to GSDP

	2006-07	2007-08	2008-09	2009-10	2010-11
Revenue receipts (RR) (₹ in crore)	37,587	41,151	43,290	49,156	58,206
Rate of growth of RR (*per cent)*	23.8	9.5	5.2	13.6	18.4
Rate of growth of State's own tax (*per cent*)	25.05	11.52	6.38	10.61	25.81
R R/GSDP (*per cent)*	16.5	15.2	14.3	14.6	15.3
Buoyancy ratios[2]					
Revenue buoyancy w.r.t GSDP	1.4	0.5	0.4	1.2	1.4
State's own tax buoyancy w.r.t GSDP	1.5	0.6	0.5	1.0	1.9
Revenue buoyancy with reference to State's own taxes	0.9	0.8	0.8	1.3	0.7
GSDP (₹ in crore)	2,27,831	2,70,843	3,03,058	3,35,747	3,80,872
Rate of growth of GSDP	16.4	18.9	11.9	10.8	13.4

Source: *Finance Accounts.*
GSDP: MTFP 2011-15

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

Revenue buoyancy widely fluctuated during the period due to fluctuations in the growth rate of revenue receipts. During 2007-09, the lower growth rate of revenue receipts relative to GSDP pushed the revenue buoyancy ratio down. Revenue buoyancy ratio, which was at its lowest at 0.4 in 2008-09, increased to 1.2 in 2009-10 and 1.4 in 2010-11, due to increase in the growth rate of revenue receipts.

During 2006-11, the State's own tax revenue was the largest component of the Revenue Receipts and its growth trend influenced the trends in revenue receipts. During this period, rate of growth of own tax revenue and buoyancy ratio of own tax revenue with respect to GSDP was also the lowest in 2008-09. The growth rate of own tax revenue, which increased in 2009-10, continued the trend in 2010-11 also and was highest at 25.81 per cent. This influenced the growth rate of revenue receipts, revenue buoyancy with respect to GSDP and the State's own tax buoyancy with respect to GSDP during 2009-10 and 2010-11 also. In 2010-11, all the factors increased over the previous year.

1.6.1 State's own resources

As the State's share in Central taxes and grants-in-aid are determined on the basis of recommendations of the Finance Commission, collection of Central tax receipts and Central assistance for plan schemes etc, the State's performance in mobilization of additional resources should be assessed in terms of revenue from its own tax and non-tax sources.

The State's actual tax and non-tax receipts for the year 2010-11 vis-à-vis assessment made by XIII FC and MTFP (2009-13) are given in **Table 1.5**

Table 1.5

(₹ in crore)

	XIII FC projection	Budget Estimates	MTFP projection	BE Actual
Tax revenue	41,199	36,228	38,252	38,473
Non-tax revenue	5,040	2,820	2,308	3,358

The tax revenue of the State in 2010-11 attained the projection made in the State's MTFP, Budget Estimates but was less than XIII FC projection. Non-tax revenue was less than the XIII FC projection but exceeded the MTFP projection and budget estimates. Due to sustained growth in the economy during 2010-11, the tax collection was expected at 10 *per cent* of GSDP and was projected at ₹ 38,252 crore and exceeded it by ₹ 221 crore. Due to increase in mineral concession fees, rents and royalties, interest receipts, introduction of toll on heavy vehicles etc., the actual non-tax revenue was more than the MTFP projection.

Tax revenue

Taxes on sales, trade, etc. was the main source of the State's tax revenue with a contribution of 53 *per cent* of the State's tax revenue followed by State Excise (21 *per cent*), stamps and registration fees (nine *per cent*) and taxes on vehicles (seven *per cent*). The trends in the major constituents of tax revenue during the period 2006-11 are shown in **Table 1.6.**

Table 1.6: Tax revenue

(₹ in crore)

	2006-07	2007-08	2008-09	2009-10	2010-11
Taxes on sales, trade, etc.	11,762	13,894	14,623	15,833	20,235
Rate of growth	19.17	18.13	5.25	8.27	27.80
State excise	4,495	4,767	5,749	6,946	8,285
Rate of growth	32.32	6.05	20.60	20.82	19.28
Stamps and registration fees	3,206	3,409	2,927	2,628	3,531
Rate of growth	44.87	6.33	(-)14.14	(-) 10.21	34.36
Taxes on vehicles	1,375	1,650	1,681	1,962	2,550
Rate of growth	24.43	20.00	1.88	16.72	29.97

***Source:** Finance Accounts*

The rate of growth of taxes on sales, trade, etc which ranged between 18 *per cent* to 19 *per cent* in 2006-08, has decreased to five *per cent* in 2008-09 on account of reduction of Central sales tax by one *per cent* and fall in sale of industrial inputs and goods, due to general slowdown of economy. During 2009-10, there was increase in rate of growth in taxes on sales, trade, etc by three *per cent* as the general slowdown of economy which had continued in the first half of 2009-10 reversed during the second half. It is heartening to note that in 2010-11, there was a steep rise by 19.53 *per cent* due to additional resource mobilization measures undertaken by the Government by way of revision of rate of VAT by one *per cent.* Apart from this, the increase was attributable to the general economic recovery and better tax monitoring and collection efforts undertaken by Government, such as introducing 'Karsamadhan Scheme' to provide relief to the tax payers who were unable to pay taxes.

Due to ban on sale of arrack, the growth rate of State excise had witnessed a steep fall from 32 *per cent* in 2006-07 to six *per cent* in 2007-08. The growth rate increased to 21 *per cent* in 2008-09 due to increase in the consumption of Indian Made Foreign Liquor of lower price band. Though the growth rate was maintained in 2009-10, there was a slight decrease in growth rate during 2010-11 by two *per cent.* In MTFP 2010-14, the year 2010-11 had been contemplated to be the year of consolidation and only a moderate increase of revenue of about 10 *per cent* was anticipated.

The economic slowdown in 2008-10 resulted in fall in the number of registrations and negative growth in stamps and registration fees. Reduction of stamp duty from 7.5 to six *per cent* to stimulate the real estate market during 2009-10 resulted in containing the negative growth rate. In 2010-11 there was a huge increase in growth rate by 35 *per cent* over the previous year. According to MTFP (2011-15), this was on account of an overall growth in economy and reforms initiated by GOI to allow direct investment by foreign players in the real estate sector.

The fall in the growth rate of taxes on vehicles during 2008-09 was also due to fall in sale of vehicles on account of general economic slow-down. According to MTFP 2010-14, measures of GOI to stimulate the automobile industry by reducing excise duty and allocation of funds for purchase of buses under Jawaharlal Nehru National Urban Renewal Mission (JnNURM) resulted in higher rate of growth in taxes on vehicles during 2009-10. In 2010-11 the State witnessed a growth rate of 29.97 *per cent* of revenue by way of taxes on vehicles. Due to growth in economy, the demand for motor vehicles rebounded strongly which resulted in significant growth in tax revenue also.

Cost of collection

The gross collection of taxes on motor vehicles, taxes on sales, trade etc., stamp duty and registration and State excise, expenditure incurred on their collection and its percentage to gross collection during the years 2008-11 along with their all India average cost of collection for the respective previous years are indicated in **Table 1.7.**

Table 1.7: Details of cost of collection

Receipt	Year	Gross collection	Expenditure on collection	Percentage of cost of collection to gross collection	All India average percentage for the preceeding year
		(₹ in crore)			
Motor vehicles	2008-09	1,682.03	34.84	2.07	2.58
	2009-10	1,962.62	36.81	1.87	2.93
	2010-11	2,551.40	41.45	1.62	3.07
Taxes on sales, trade etc.,	2008-09	16,259.37	81.62	0.50	0.83
	2009-10	16,546.34	84.46	0.51	0.88
	2010-11	21,252.97	92.87	0.44	0.96
Stamp duty and registration	2008-09	2,946.37	41.01	1.39	2.09
	2009-10	2,650.17	53.18	2.01	2.77
	2010-11	3,554.48	53.52	1.51	2.47
State excise	2008-09	5,754.42	55.78	0.97	3.27
	2009-10	6,948.72	60.55	0.87	3.66
	2010-11	8,286.83	68.35	0.82	3.64

The percentage of cost of collection to the gross collection was less than the all India average for the period 2008-11.

In MTFP (2011-15), State Government, while acknowledging the fact, has stated that in the coming years, the State Government would continue with better enforcement measures for raising revenue, review and monitoring of tax efforts and intense use of information technology.

Non-tax revenue

During 2006-11, 63 *per cent* of the non-tax revenue on an average was on account of interest receipts, dividends, fees and fines and user charges for socio-economic services. The balance 37 *per cent* on an average represented receipts (gross) from State lotteries, amount received from GOI under the scheme of DCRF, amounts written back from Public Account[3] and pooling of cess collection under the head 1475-Other General Economic Services. These transactions had no cash realisation and also it did not account for any services/user charges provided by the State Government but only represented inter account adjustment. Thus non-tax revenue reflected in Finance Accounts stood inflated by 37 *per cent* as revealed by the details of composition of non-tax revenue shown in **Table 1.8.**

[3] The Balance under the Zilla Panchayat Fund/Taluk Panchayat Fund under category II (in Public Account) which accounts receipts and expenditure in respect of all State plan schemes (other than matching share of CPS/CSS and all non-plan assistance received from State Government) as at the end of March each year have to be written back to the Consolidated Fund in the next financial year. During 2009-10 and 2010-11, the balances have not been written back to the Consolidated Fund of the State resulting in over statement of expenditure to that extent.

Table 1.8: Composition of non-tax revenue

(₹ in crore)

	2006-07	2007-08	2008-09	2009-10	2010-11	Average percentage composition during 2007-11	
						Interest, dividends, user charges, fees, fines	Others
Interest receipts, dividends and profits	**396 (10)**	**399 (12)**	**377 (12)**	**413 (12)**	**618 (18)**	**13**	
General services	**2,127 (52)**	**679 (20)**	**675 (21)**	**846 (26)**	**98 (3)**		
Receipts (gross) from State lotteries	1,128 (28)	---	---	---	---		**7**
Relief under DCRF	716 (17)	358 (11)	358 (11)	358 (11)	---		**10**
Fees, fines etc,	283 (7)	321 (10)	317 (10)	488 (15)	98 (3)	**9**	
Economic services	**1,428 (35)**	**2,099 (63)**	**1,921 (61)**	**1,836 (55)**	**2,312 (69)**		
Write-back from Public Account	299 (7)	749 (22)	484 (15)	2 (-)	---		**8**
Pooling of cess collections	357 (9)	377 (11)	365 (12)	386 (12)	516 (15)		**12**
User charges	772 (19)	973 (29)	1,072 (34)	1,448 (43)	1,796 (53)	**35**	
Social services -user charges	**148 (3)**	**181 (5)**	**186 (6)**	**239 (7)**	**330 (10)**	**6**	
Total	**4,099**	**3,358**	**3,159**	**3,334**	**3,358**	**63**	**37**

Figures in brackets denote percentage composition in non-tax revenue
Source: *Finance Accounts.*

The State Government in its reply to PAC (July 2011) stated that though relief under DCRF was not received in cash, it contributed to the total revenue receipts of the State and hence were accounted as non-tax revenue.

During the current year 15 per cent of the non tax revenue was inflated on account of pooling of cess collection under the major head 1475.

The State Government in its reply (November 2011), stated that accounting has been done as per the norms prescribed by the Comptroller and Auditor General of India and also Controller General of Accounts from time to time. However, the facts remains that there is no cash realization under the said transactions and also the revenue has not been received by way of providing any services/goods.

In this regard, the PAC in its report has proposed the following:

- To identify and bring out the non cash transactions separately for the purpose of transparency.
- Elimination of all non cash transactions for working out the fiscal indicators.
- Representatives of State AsG and Finance Department to work towards strengthening the system.

It may be mentioned here that the XIII FC had opined that accounting of debt waiver as non-tax revenue was not desirable as it artificially overstated the non-tax revenue of the State. Further, accounting of debt-waiver as non-tax revenue allowed the State to spend more within the same fiscal deficit cap, artificially reducing the intended impact on the debt stock of the State. Hence the XIII FC had recommended accounting of such transactions in such a manner that it did not artificially affect the revenue/fiscal deficit of the State.

Total non tax revenue increased marginally by ₹ 24 crore from ₹ 3,334 crore in 2009-10 to ₹ 3,358 crore in 2010-11. While there was a negative growth of 88 *per cent* over the previous year in general service, there was a growth of 50, 38 and 26 *per cent* over the previous year in interest receipts, dividend and profits, social services and economic services, respectively.

During 2009-10, as a result of revision of royalty rates by GOI in August 2009, there was an increase in royalty receipts by 55 *per cent* over the previous year. In 2010-11, due to firming up of iron prices and on account of revision of royalty rates on major minerals, the revenue realized (₹ 1,161.70 crore) was more by 38 *per cent* over the previous year (₹ 839.01 crore). This constituted 35 *per cent* of the total non-tax revenue of the State.

According to FRA, the State Government had to pursue non-tax revenue policies with due regard to cost recovery and equity. In MTFP (2011-15), State Government stated that apart from enforcement and monitoring of own tax efforts, special emphasis was required to be given on mobilizing non-tax revenues in the coming years. It was further stated that for improving the performance of the State entities, greater transparency, and infusion of technology were some of the interventions required in this direction.

The ratio of non-tax revenue to non-plan revenue expenditure is considered as an indicator of cost-recovery from socio-economic services. The details of recovery of current cost as ratio of non-tax revenue receipts to non-plan revenue expenditure in respect of Education, Health and Family Welfare, Water Supply and Sanitation and Irrigation during 2010-11 are given in **Table 1.9.**

Table 1.9: Cost-recovery from socio-economic services

(₹ in crore)

Service	Non tax revenue receipts (NTR)	Non plan revenue expenditure (NPRE)	Cost recovery (ratio of NTR/ NPRE in *per cent*)
Education, sports, art and culture	127.83	7,939.95	1.61
Health and family welfare	121.42	1,361.25	8.92
Water supply and sanitation	0.73	11.90	6.13
Irrigation	28.32	285.73	9.91

***Source:** Finance Accounts.*

However, the bulk of user charges in respect of Health and Education are not credited to the Consolidated Fund of the State resulting in under-statement of non-tax revenue of the State. The cost-recovery ratio calculated in respect of Health and Family Welfare and Education is therefore, under-stated[4] to that extent.

In this regard, PAC in its report recommended the Municipalities coming under the control of Karnataka Urban Water Supply and Drainage Board and Irrigation Department to put in place a system for collection of all user charges without fail.

[4] All district hospitals, PHCs, CHCs and THCs in the State have been authorized under order dated 22 August 2003 to retain user charges which were to form part of Arogya Raksha Samithi's fund. These receipts were to be utilized for development work of hospitals. Similarly, laboratory fee, library fee etc., collected by colleges are not remitted to treasury and form part of College Development Fund.

The XIII FC had also observed that the practice of maintaining the receipts of the States outside the Consolidated Fund was not transparent and was to be discouraged.

The State Government in its reply to PAC (July 2011) stated that the user charges in respect of Health was not credited to the Consolidated Fund of the State on account of government decision to incentivise the district level hospitals, PHCs and CHCs thereby making them self sufficient. Further, it was stated that user charges in respect of education was insignificant and was used to meet the immediate operational expenditure.

PAC in its report proposed to account all user charges under Consolidated Fund of the State as per the Article 266 (1) of the Constitution of India and further to allot the same to respective organizations through normal budgetary process. It also recommended the Finance Department to put in place a proper system to track the allotment and utilization of user charges.

The XIII FC in its study stated that the poor recovery levels in the power sector were due to irrational power tariffs and high transmission and distribution losses. Further, it also stated that the receipts from irrigation sector did not even cover the expenditure on operation and maintenance of irrigation projects. As the cost of recovery on account of public services was a critical issue, the XIII FC had recommended the States to increase power tariff rates to bridge the gap between cost and recovery. In this connection, XIII FC recommended water sector grants, in addition to maintenance expenditure grants, which was subject to stepping up of the above mentioned recovery rates.

Grants-in-aid from GOI

Grants-in-aid from GOI increased from ₹ 4,813 crore in 2006-07 to ₹ 6,869 crore in 2010-11 as shown in **Table 1.10**.

Table 1.10: Grant-in-aid from GOI

(₹ in crore)

		2006-07	2007-08	2008-09	2009-10	2010-11
Non-plan		2,224	1,531	1,694	3,429	2,257
Plan	State	1,284	1,916	2,020	2,973	2,839
	Central	43	71	94	61	145
	Centrally sponsored	1,262	1,509	1,524	1,420	1,628
Total		**4,813**	**5,027**	**5,332**	**7,883**	**6,869**

Source: *Finance Accounts.*

The decrease of GOI grants by ₹ 1,014 crore in 2010-11 over the previous year was due to decrease in non-plan grants (₹ 1,172 crore) and grants for State plan schemes (₹ 134 crore), offset by increase in Centrally Sponsored Plan Scheme (₹ 208 crore). The decrease in non-plan grants was mainly under the grant from National Calamity Contingency Fund (₹ 1,594 crore). During 2009-10, the excess release was towards flood relief in the State. The decrease in State plan grant was under block grants (₹ 280.19 crore).

During 2010-11, grants-in-aid included TFC grants of ₹ 42.31 crore towards the State's specific needs withheld in the previous year.

Central tax transfers

The XIII FC had recommended the State's share of Central taxes to be increased to 32 *per cent* from 30.50 *per cent* as recommended by Twelfth Finance Commission. The State's share in the net proceeds of Central tax (excluding service tax) and net proceeds of Service Tax has been fixed at 4.33 and 4.40 *per cent,* respectively. The share of Union taxes received during 2010-11 (₹ 9,506 crore) exceeded the estimate (₹ 9,060 crore) by ₹ 446 crore.

Increase of the State's share of Union taxes and duties by ₹ 2,146 crore over the previous year was mainly under corporation tax (₹ 687 crore), customs (₹ 632 crore) and Union excise duties (₹ 380 crore), taxes on income other than corporation tax (₹ 276 crore) and service tax (₹ 171 crore).

1.6.2 Optimization of XIII FC grants

The Commission had recommended ₹ 951.24 crore as transfer to the State in the areas indicated in **Table 1.11** during 2010-11.

Table 1.11: Transfers recommended and actual release of Grants-in-aid

(₹ in crore)

Sl. No.	Transfers	Recommendation of FC	Actual Releases	Expenditure under relevant revenue heads of account	Unutilized amount
1	Local Bodies	604.87	604.84	604.84	Nil
2	Disaster Relief	124.72	124.72	124.72	Nil
3	**Improving outcome grants**				
	(i) Improvement in Justice Delivery	53.94	53.95	20.91	33.04
	(ii) Incentive for issuing UIDs	27.78	13.89	13.89	Nil
	(iii) Statistical Systems Improvement	5.80	Nil	Nil	Nil
	(iv) Employee and Pension Data Base	2.50	2.50	Nil	2.50
4	**Environment Related Grants**				
	Forest	27.63	27.63	27.41	0.22
5	Elementary Education	104.00	104.00	104.00	Nil
	Total	**951.24**	**931.53**	**895.77**	**35.76**

As of March 2011, the State Government had received grants aggregating ₹ 931.53 crore against recommendation of ₹ 951.24 crore. The balance (₹ 19.71 crore), pertaining to incentives for issuing UIDs (₹ 13.89 crore) and Statistical Systems Improvement (₹ 5.80 crore) was not received. Against the said release, ₹ 35.76 crore remained unutilized due to delay in execution of approved activities on account of administrative reasons (₹ 33.04 crore), non compilation of action plan for employee and pension database (₹ 2.50 crore) and grant for forest activities being received at the fag end of the year (₹ 0.22 crore).

1.6.3 Arrears of revenue

As of March 2011, arrears of revenue pertaining to taxes on sales, trade, etc., (₹ 3,193 crore), State excise (₹ 738 crore) and stamp duty and registration fees (₹ 78 crore) aggregated ₹ 4,009 crore. Revenue of ₹ 2,168 crore relating to taxes on sales, trade, etc., was pending on account of stay orders (₹ 393 crore), BIFR/AAIFR (₹ 108 crore), liquidation process (₹ 176 crore), revenue recovery (₹ 82 crore), court recovery (₹ 184 crore), departmental recovery (₹ 1,024 crore), payment verification (₹ 161 crore) and proposal under write off (₹ 40 crore). The closing balance of arrears of revenue pertaining to stamps and registration was under reconciliation. Also, entire arrears of revenue relating to state excise were pending for more than five years. Out of this, revenue of ₹ six crore was pending on account of stay by courts.

PAC in its report recommended for putting in place a system to oversee the collection /non recovery of revenue by various departments on a monthly basis. It has also recommended discontinuing the practice of giving discounts, waiver and exemptions in collection of taxes.

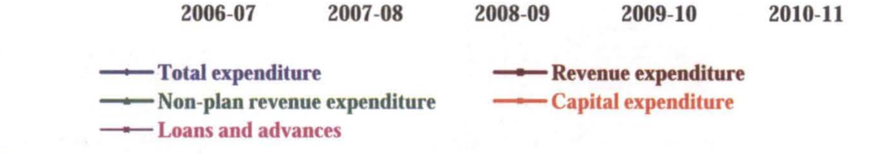
1.7 Application of resources

Analysis of the allocation of expenditure at the State Government level assumes significance as it is an important aspect of fiscal policy to achieve developmental goals. Within the framework of fiscal responsibility legislations, there are budgetary constraints in raising public expenditure financed by deficit or borrowings. At the same time, it is important to ensure that the ongoing fiscal correction and consolidation process at the State level is not at the cost of expenditure, especially expenditure directed towards development and social sectors.

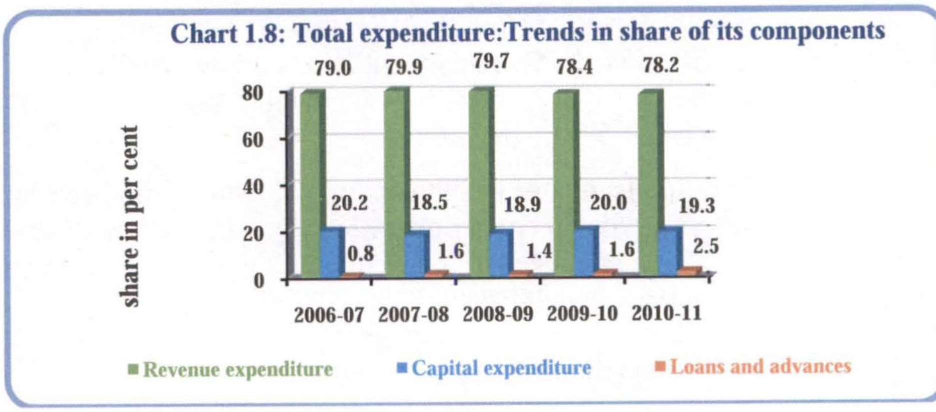
1.7.1 Growth and composition of expenditure

Chart 1.7 presents the trends in total expenditure under revenue, capital and loans and advances, while **Chart 1.8** exhibits the share of these components in total expenditure.

Chart 1.7: Total expenditure :Trends and composition



Source: *Finance Accounts*



Source: Finance Accounts.

Total expenditure increased by 63 *per cent* from ₹ 42,335 crore in 2006-07 to ₹ 69,127 crore in 2010-11 due to increase in revenue expenditure (₹ 20,599 crore), capital outlay (₹ 4,812 crore) and disbursement of loans and advances (₹ 1,381 crore).

During the period 2007-11, on an average, 79 *per cent* of the total expenditure was revenue expenditure. While the share of revenue expenditure in the total expenditure decreased from 80 *per cent* in 2008-09 to 78 *per cent* in 2009-11, the share of capital expenditure (including loans and advances) increased from 20 *per cent* in 2008-09 to 22 *per cent* in 2009-11. Expenditure Reforms Commission constituted during 2008-09 in their first report (February 2010) had recommended capital investments to 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, during 2010-11, the capital expenditure (excluding debt servicing) was four *per cent* of GSDP.

1.7.2 Buoyancy of expenditure

Buoyancy of total expenditure

Growth rates of total expenditure during 2007-11, its ratio and buoyancy with reference to GSDP and revenue receipts are presented in **Table 1.12.**

Table 1.12: Total expenditure – Basic parameters

(₹ in crore, ratio in *per cent*)

	2006-07	2007-08	2008-09	2009-10	2010-11
Total expenditure (TE)*	42,335	46,781	52,260	60,656	69,127
Rate of growth	23.9	10.5	11.7	16.1	14.0
GSDP	2,27,831	2,70,843	3,03,058	3,35,747	3,80,872
TE/GSDP (ratio)	18.6	17.3	17.2	18.1	18.1
Revenue receipts / TE (ratio)	88.8	88.0	82.8	81.0	84.2
Revenue expenditure	33,435	37,375	41,659	47,537	54,034
Rate of growth	19.24	11.78	11.46	14.11	13.67
Capital expenditure	8,900	9,406	10,601	13,119	15,093
Rate of growth	45.38	5.68	12.70	23.75	15.05
Buoyancy of total expenditure with					
GSDP(ratio)	1.4	0.5	1.0	1.5	1.0
Revenue receipts (ratio)	1.0	1.1	2.2	1.2	0.8
Buoyancy of revenue expenditure with					
GSDP	1.17	0.62	0.96	1.31	1.02
Revenue receipts	0.81	1.24	2.20	1.04	0.74
Buoyancy of capital expenditure with					
GSDP	2.77	0.30	1.07	2.20	1.12
Revenue receipts	1.91	0.60	2.44	1.75	0.82

**Total expenditure includes revenue expenditure, capital expenditure including loans and advances*
Source: *Finances Accounts.*

During the period 2007-11, the growth rate of total expenditure was highest (24 *per cent)* in 2006-07 and lowest (11 *per cent)* in 2007-08. The growth rate of total expenditure which was at 16 *per cent* in 2009-10 decreased to 14 *per cent* in 2010-11.

In 2010-11, total expenditure was 1.2 times the revenue receipts. The buoyancy ratio of total expenditure to revenue receipts was around 0.8 *per cent* and the growth rate of total expenditure was less than the growth rate of revenue receipts by 0.8 times.

The growth rate of total expenditure (14 *per cent*) in 2010-11 was almost equal to the growth rate of GSDP (13.4 *per cent*) and the buoyancy of total expenditure to GSDP which had increased to 1.5 *per cent* in 2009-10 once again attained the buoyancy of one *per cent* of 2008-09 in the current year. Revenue receipts as a ratio of total expenditure stood at 84 *per cent* in 2010-11 which meant that 84 *per cent* of the total expenditure could be met out of revenue receipts.

Buoyancy of revenue expenditure

The growth in revenue expenditure, which was higher than the growth of revenue receipts during 2007-10, decreased in 2010-11. Also, the growth of revenue expenditure which was less than the growth of GSDP, increased during 2008-10 period. For every one *per cent* growth in GSDP during 2008-09, revenue expenditure grew only by 0.96 *per cent.* However, during 2010-11, revenue expenditure growth was 1.02 times the growth of GSDP. This trend was reverse with respect to buoyancy of revenue expenditure to revenue receipts as the rate of growth of revenue receipts was least in 2008-09 due to economic slowdown and highest in 2010-11. Hence, for every one *per cent* growth in revenue receipts during 2008-09, the growth of revenue expenditure, which was 2.20 times the growth of the revenue receipts, decreased to 0.74 *per cent* during 2010-11.

Buoyancy of capital expenditure

During 2008-10 the growth in capital expenditure was higher than the growth of both GSDP as well as revenue receipts. In 2010-11, while the growth of capital expenditure was more than the growth of GSDP, it was less than the growth of revenue receipts. During 2010-11, while the capital expenditure growth was 1.12 times the growth of GSDP, its growth was only 0.82 *per cent* for every one *per cent* growth of revenue receipts.

1.7.3 Plan and non-plan expenditure

Finance Accounts provide a further classification of expenditure into plan and non-plan. Plan expenditure normally relates to incremental developmental expenditure on new projects or schemes and involves both revenue and capital expenditure. In order to maintain the level of services already achieved, non-plan expenditure is normally utilized. **Table 1.13** presents the growth and composition of plan and non-plan expenditure over the last five years.

Table 1.13 Growth in plan and non-plan expenditure

(₹ in crore)

		2006-07	2007-08	2008-09	2009-10	2010-11
Plan	Revenue	7,852	8,313	10,530	12,303	15,188
	Capital	8,411	7,199	9,135	11,118	12,582
	Loan	306	751	224	916	1,736
	Total	**16,569**	**16,263**	**19,889**	**24,337**	**29,506**
	Percentage of plan to total expenditure	**39**	**35**	**38**	**40**	**43**
Non-plan	Revenue	25,583	29,062	31,129	35,234	38,846
	Capital	132	1,450	735	1,019	773
	Loan	51	6	507	66	2
	Total	**25,766**	**30,517**	**32,371**	**36,319**	**39,621**
	Percentage of non-plan to total expenditure	**61**	**65**	**62**	**60**	**57**
Total expenditure		**42,335**	**46,780**	**52,260**	**60,656**	**69,127**

The share of plan expenditure in the total expenditure, exhibiting increasing trend since 2007-08, indicates productive quality of expenditure.

During the period 2007-11, while plan expenditure increased 78 *per cent* from ₹ 16,569 crore in 2006-07 to ₹ 29,506 crore in 2010-11, non-plan expenditure increased by 54 *per cent* from ₹ 25,766 crore to ₹ 39,621 crore.

Increase of plan revenue expenditure by ₹ 2,885 crore over the previous year indicated that more emphasis was given towards developmental expenditure and schemes/programmes. The increase was mainly under Education, Sports, Art and Culture (₹ 931 crore), Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes (₹ 763 crore), Social Welfare and Nutrition (₹ 384 crore), Water Supply and Sanitation, Housing and Urban Development (₹ 249 crore), Health and Family Welfare (₹ 236 crore) and Agriculture (₹ 175 crore). Plan revenue expenditure included devolutions to Panchayat Raj Institutions (PRIs) (₹ 4,083 crore) and Urban Local Bodies (ULBs) (₹ 1,079 crore), Subsidies (₹ 529 crore) and Salaries (₹ 1,355 crore).

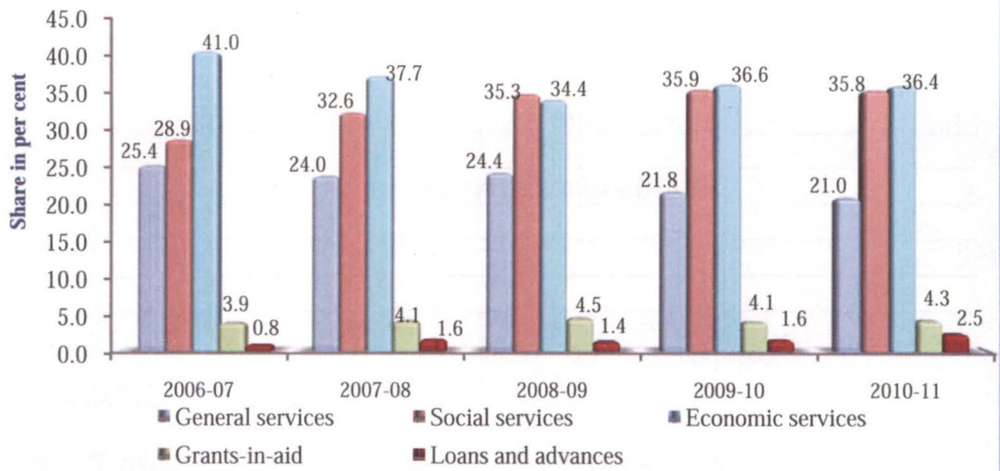
Non-plan revenue expenditure (NPRE) was 72 *per cent* of revenue expenditure during 2010-11. It included devolutions to PRIs (₹ 8,472 crore), ULBs (₹ 1,897 crore), Interest payment (₹ 5,641 crore), Subsidies (₹ 5,775 crore), Pension payments (₹ 4,070 crore), Salaries (₹ 10,593 crore) and maintenance expenditure (₹ 648 crore).

Non-plan revenue expenditure (₹ 38,846 crore) exceeded projections made by XIII FC for 2010-11 (₹ 35,140 crore) by ₹ 3,706 crore.

1.7.4 Trends in expenditure by activities

In terms of activities, total expenditure could be considered as being composed of expenditure on general services (including interest payments), social and economic services, grants-in-aid and loans and advances. Relative shares of these components in total expenditure (including loans and advances) are indicated in **Chart 1.9.**

Chart 1.9: Total expenditure: Trends by activities



Source: *Finance Accounts.*

In the MTFP 2011-15, the Government stated that to have quality expenditure, outlays for social and economic services were to be enhanced while expenditure on general services was to be contained. The State Government also assured to give priority to expenditure in social sectors which would have a direct bearing on human development and economic infrastructure that would accelerate growth. The expenditure on social services which was at 29 *per cent* of total expenditure in 2006-07 increased to 36 *per cent* in 2010-11 while expenditure on general services decreased from 25 *per cent* in 2006-07 to 21 *per cent* in 2010-11.

The share of economic services to total expenditure which was at 41 *per cent* in 2006-07, decreased to 34 *per cent* in 2008-09. The share which had increased to 36 *per cent* in 2009-10, has been maintained in 2010-11 also.

MTFP 2011-15 envisaged increase of 16.60 *per cent* during 2010-11 over the previous year on social services (including loans and advances) against which the increase was 16.12 *per cent.* This was on account of substantially higher expenditure on Education, Welfare of SCs/STs/OBCs, Welfare Schemes, Urban Development and Health, which was a welcome development.

1.7.5 Incidence of revenue expenditure

The bulk of total expenditure goes towards revenue expenditure. Revenue expenditure is incurred to maintain the current level of services and make payment for past obligations and as such does not result in any addition to the State's infrastructure and services network.

Revenue expenditure increased by 62 *per cent* from ₹ 33,435 crore in 2006-07 to ₹ 54,034 crore in 2010-11. The predominance of revenue expenditure has been primarily on account of a conscious shift in plan priorities and systematic rigidity in non-plan revenue expenditure in the short term, particularly arising from committed expenditure such as salaries, pensions, interest payments and subsidies. Also, the grants given to various bodies/organizations are classified as revenue expenditure, regardless of the purpose for which it is used by the bodies/organizations.

The revenue expenditure during 2010-11 included ₹ 60.59 crore provided to M/s Bharath Earth Movers Limited, as 'Reimbursement of Central Sales Tax to export oriented units'. The State Government replied (November 2011) that the reimbursement was done as an industrial promotion measure and specific approval of the Legislature was obtained in this regard.

1.7.6 Committed expenditure

Committed expenditure of the State Government on revenue account mainly consisted of interest payments, expenditure on salaries, pensions and subsidies. **Table 1.14** and **Chart 1.10** present the trends in the expenditure on these components during 2007-11.

Table 1.14: Committed expenditure

(₹ in crore)

	2006-07	2007-08	2008-09	2009-10	2010-11
Salaries*, *of which*	6,426 (17.1)	8,169 (19.8)	9,912 (22.9)	10,342 (21.04)	11,948 (20.52)
Non-plan head	6,111	7,705	9,254	9,501	10,593
Plan head**	315	464	658	841	1,355
Interest payments	4,236 (11.3)	4,506 (10.9)	4,532 (10.5)	5,213 (10.6)	5,641 (9.70)
Expenditure on pensions	2,496 (6.6)	3,241 (7.9)	4,113 (9.5)	3,408 (6.9)	4,070 (7)
Subsidies	4,355 (11.6)	5,420 (13.2)	3,399 (7.8)	4,118 (8.4)	6,303 (10.82)
Total committed expenditure	**17,513 (46.59)**	**21,336 (51.85)**	**21,956 (50.72)**	**23,081 (46.9)**	**27,962 (48.04)**
Other than committed expenditure ***	15,922 (42.4)	16,039 (39.0)	19,703 (45.5)	24,456 (49.7)	26,072 (44.8)
Total revenue expenditure	**33,435**	**37,375**	**41,659**	**47,537**	**54,034**
Revenue receipts	**37,587**	**41,151**	**43,290**	**49,156**	**58,206**

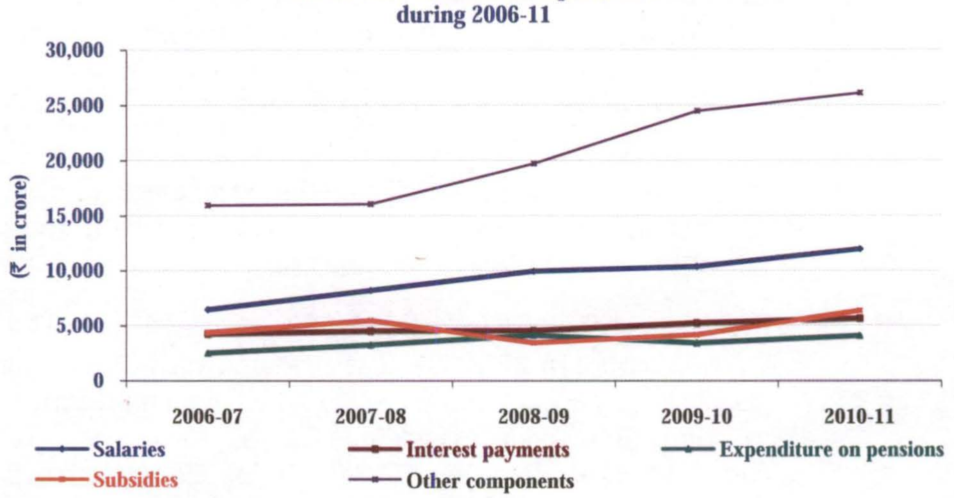
Figures in the brackets indicate percentage to revenue receipts

* *Includes salaries paid out of grants-in-aid released to PRIs and others*

** *Includes the salaries paid under centrally sponsored schemes.*

*** *Includes expenditure on financial assistance / relief (₹ 3,958 crore), special component plan (₹ 1,533 crore), other expenses (₹ 3,839 crore), grants-in-aid (₹ 3,147 crore), maintenance (₹ 713 crore), pensions under social services sector (₹ 956 crore), inter account transfers (₹ 1,074 crore).*

Chart 1.10: Committed expenditure during 2006-11



Source: *Finance Accounts.*

Expenditure on salaries

Expenditure on salaries as a percentage of revenue receipts which had increased from 20 in 2007-08 to 23 in 2008-09 due to implementation of fifth pay commission (FPC) award decreased to 21 during 2009-10 and was maintained in 2010-11 also. The expenditure on salaries for 2010-11 exceeded the MTFP (2009-13) projection of ₹ 11,456 crore by ₹ 492 crore. The salary expenditure in the Finance Accounts captured data in respect of State sector only. The salary data in respect of district sector (Employees of PR Institutions) are released as grants-in-aid to said bodies. Thus the total salary expenditure is not captured in accounts.

The State Government in its reply (November 2011) indicated its inability to furnish the salary details of district sector accounts in the absence of any mechanism at present for consolidation of such details. However, the PAC in its report has recommended the Finance Department to depict salaries in total, taking into account the district sector also, if possible by opening a separate sub-head to capture the data.

Pension payments

Expenditure on pension (₹ 4,070 crore) was seven *per cent* of total revenue receipts of the State during the year. The expenditure on pension during the year was less than MTFP (2009-13) projection by ₹ 1,167 crore. Increase of ₹ 662 crore over the previous year was on account of superannuation retirements becoming due in 2010-11 on account of revision of retirement age from 58 to 60 years during 2008-09.

Pension payments post 2009-10 have been projected by XIII FC to grow at 10 *per cent* and the estimated pension payment for 2010-11 was ₹ 4,782 crore. The pension expenditure fell short of the projection by ₹ 712 crore.

Defined Contribution Pension Scheme for all employees who joined the State Government service on or after April 1, 2006 was to be implemented from April 1, 2010 as per Pension Fund Regulatory and Development Authority. According to the scheme, the monthly contribution would be 10 *per cent* of Basic Pay and Dearness Allowance thereon to be paid by the employee and matched by the Government in equal proportion. In 2010-11, though a provision of ₹ 175 crore was made to meet the State Government's contribution, expenditure of ₹ 0.48 crore only was incurred which was towards payment of service charges to Central Record Keeping Agency and not as Government's contribution. Further, list of Major and Minor Heads of account prescribes opening of minor head 117 under 8342 – Other deposits for the said scheme. However, the Public Account in Finance Accounts reflects the scheme under Minor head 120 with three tiers for Employee's contribution, Government's contribution and Interest on Government contribution respectively. While the fund reflects, both debit and credit under the three tiers, no investment out of the scheme has been made.

Interest payments

Interest payments increased by ₹ 1,405 crore from ₹ 4,236 crore in 2006-07 to ₹ 5,641 crore in 2010-11. Interest payments during 2010-11 constituted interest on internal debt (₹ 3,928 crore), interest on small savings, provident fund etc., (₹ 962 crore) and interest on loans and advances from Central Government (₹ 751 crore).

The interest on internal debt increased by seven *per cent* from ₹ 3,675 crore in 2009-10 to ₹ 3,928 crore in 2010-11 on account of increase in payment of interest on market loans and on special securities issued to NSSF of the Central Government by the State Government by 18 and one *per cent* respectively with respect to the previous year.

The interest on small savings, provident funds etc increased by 22 *per cent* from ₹ 786 crore during 2009-10 to ₹ 962 crore in 2010-11 mainly on account of increase in interest on State provident funds and insurance and pension funds by 17 and 11 *per cent* respectively relative to the previous year.

The ratio of interest payments to revenue receipts determines the debt sustainability of the State. During the year, interest payments pre-empted 10 *per cent* of total revenue receipts of the State which was below the TFC norm of 15 *per cent*.

The PAC in its report observed that the borrowings based on availability rather than necessity also contributed to the increase in the interest payments.

Subsidies

In any welfare State, it is not uncommon to provide subsidies/subventions to disadvantaged sections of the society. Subsidies are dispensed not only explicitly but also implicitly by providing subsidised public service to the people. Budgetary support to financial institutions, inadequate returns on investments and poor recovery of user charges from social and economic services provided by the Government fall in the category of implicit subsidies.

Finance Accounts (**Appendix III**) showed an explicit subsidy of ₹ 6,303 crore during the year which was ₹ 2,185 crore more than the previous year. Subsidy payments during the year were mainly in the areas of power (₹ 4,442 crore), food (₹ 926 crore), transport (₹ 316 crore) and co-operation (₹ 334 crore). The details are given in **Box 1.2.**

In MTFP (2011-15), Government stated that expenditure on subsidies had shown enormous increase primarily due to rural electrification. The State Government accepted the fact that certain immediate steps were needed to be taken in order to prevent the subsidy from reaching unsustainable levels in the future.

Box – 1.2

Major subsidies

Power

During the year, subsidy to power sector (₹ 4,442 crore) accounted for 70 *per cent* of the total subsidy (₹ 6,303 crore). It included financial assistance to electricity supply companies to cover loss due to rural electrification (₹ 4,117 crore) and contribution towards pension (₹ 325 crore).

Subsidy on rural electrification during the year, however, did not include subsidy of ₹ 16 crore (Net) given to the Karnataka Power Transmission Corporation (KPTCL) for meeting its debt servicing obligations to Power Finance Corporation (PFC) and Rural Electrification Corporation (REC). Finance Accounts did not show this liability as these loans were not taken over by the Government. The State Government had also paid subsidy of ₹ 405 crore in 2006-07 (₹ 130 crore) 2007-08 (₹ 113 crore), 2008-09 (₹ 87 crore) and 2009-10 (₹ 75 crore). Though the Government had stated (November 2007) that debt would be included on off-budget side in 2008-09, neither did MTFPs 2007-11 to 2011-15 nor overview of budget 2009-10, 2010-11 and 2011-12 exhibited this liability on off-budget side. The State Government in reply (July 2011) to PAC had accepted the fact and promised to include the same on off-budget side in the next MTFP.

Food

Food subsidy to meet the differential cost of food grains under Public Distribution System (PDS) decreased to ₹ 926 crore in 2010-11 from ₹ 1,164 crore in 2009-10.

Co-operation

Subsidy in the co-operative sector predominantly represented waiver of overdue loans (principal as well as interest) given to farmers. Such waiver of loans and interest aggregated ₹ 3,239 crore in 2006-07 (₹ 801 crore), 2007-08 (₹ 1,793 crore), 2008-09 (₹ 186 crore), 2009-10 (₹ 124 crore) and 2010-11 (₹ 335 crore).

According to Vaidyanathan Committee Report (March 2008) and as reiterated by the PAC, the Governments both at the Centre and in the States should desist from the practice of waiver of recovery of loans and interest to prevent deterioration of co-operative credit system. The aggregate amount of loan and interest waived during 2009-10, which had decreased to ₹ 124 crore, increased to ₹ 335 crore in 2010-11 (170 *per cent* more than that of previous year).

Transport

Transport subsidy increased from ₹ 157 crore in 2009-10 to ₹ 316 crore in 2010-11. This was towards fare concession extended to students, freedom fighters, physically challenged, etc.

The PAC in its recommendation stated that the said subsidy be borne by the corporations with in their resources as these were earning profits and were working on commercial lines.

The subsidies present a partial picture as these are exclusive of the implicit subsidy. Implicit subsidies *inter-alia* arise when the government is unable to recover the costs it incurs in the provision of social and economic goods/services, which are mainly private goods/services in nature, even though sometimes these may have extended benefits. Some of the implicit subsidies extended during 2010-11 are detailed in **Table 1.14A**.

Table: 1.14A Details of some of the implicit subsidy

Sl. No.	Schemes/Subsidy	Amount in crore
1	Bhagya Lakshmi	557.64
2	Milk Subsidy	294.45
3	Bicycle to School Children	91.73
4	Social Security Pension	955.57
5	Crop Loans	277.00
6	Krishna Bhagya Jala Nigam	93.00
7	Karnataka Neeravari Nigam Limited	4.00
8	Failed Well Compensation Fund Scheme	6.57
9	Capitative Assistance to Rural Banks	Discussed below
10	Subsidies to Statutory Corporations/Government Companies	

Two of these implicit subsidies are discussed below by way of illustration.

Subsidies to regional rural banks

To strengthen the capital base of regional rural banks, State Government has released capital through budgetary allocations. Against cumulative investment of ₹ 19.42 crore in rural banks no dividend has accrued to the Government till date (2010-11).

Subsidies to Statutory Corporations/Government companies

Table 1.15 presents the trend of investment made in the Statutory Corporations and Government Companies for the last 10 years. The return on investments is dismal, implying large implicit subsidisation.

Table: 1.15 Subsidies to SCs/GCs

(₹ in crore)

Year	Investment during the year	Up to date investment	Interest /Dividend received	Per cent of Interest / Dividend to investment	Rate of interest	Implicit Subsidy
2001-02	612.19	4,499.59	3.54	0.08	5 %*	190.83
2002-03	1,296.29	5,795.88	13.57	0.23		211.41
2003-04	1,831.64	7,627.52	15.18	0.20		274.61
2004-05	2,712.36	10,348.88	15.38	0.15		365.99
2005-06	3,315.50	13,664.38	14.99	0.11		502.45
2006-07	4,642.84	18,307.22	16.79	0.09		666.43
2007-08	3,580.81	21,888.03	20.93	0.10		894.43
2008-09	3,891.73	25,779.76	37.78	0.15		1,056.62
2009-10	5,735.20	31,514.96	27.73	0.09		1,261.26
2010-11	4,978.16	36,493.12	41.08	0.11		1,534.67

**To enhance financial viability of State public sector's undertaking, XIII FC recommended a minimum of five per cent dividend from all such enterprises. The same has been adopted for government companies/statutory corporations.*

The State Government in its reply (November 2011) has stated that there were no specific norm for classifying an expenditure as implicit subsidy. However, the TFC in November 2004 itself recommended the States to identify the expenditure forming implicit subsidy and bring out the same in Finance Accounts for transparency.

Further, subsidy provided by the State may also be classified as merit and non-merit subsidy. Subsidy (₹ 264 crore)[5] on education, housing, health, social welfare and nutrition, rural and urban development, agriculture and village and small scale industries, considered to be merit subsidy constituted around four *per cent* of the total explicit subsidy expenditure of the State during the current year.

1.7.7 Financial assistance to local bodies and others

The quantum of assistance provided by way of grants to local bodies and others during the current year, relative to the previous years, is presented in **Table 1.16.**

Table 1.16: Financial assistance to local bodies and other institutions

(₹ in crore)

	2006-07	2007-08	2008-09	2009-10	2010-11
Panchayat Raj Institutions	7,767.93	9,122.39	10,804.46	11,406.81	12,554.65
Urban Local Bodies	2,113.48	2,468.20	2,339.11	2,471.69	2,976.02
Educational Institutions (including universities)	750.27	878.23	379.23	387.57	501.69
Co-operative societies and co-operative institutions	882.98	1,895.60	119.00	239.41	304.43
Other institutions and bodies (including statutory bodies)	2,400.54	2,361.00	1,620.24	1,914.55	2,704.11*
Assistance as a percentage of revenue expenditure	42	45	37	35	35
Total	**13,915.20**	**16,725.42**	**15,262.04**	**16,420.03**	**19,040.90**

***Source:** Finance Accounts*

**Includes assistance to ULBs for urban local election (₹ 3 crore) and XIII FC grants – incentive for issuing unique identification (₹ 13.89 crore)*

The assistance to PRIs increased from ₹ 7,768 crore in 2006-07 to ₹ 12,555 crore in 2010-11 while the assistance to ULBs increased from ₹ 2,113 crore to ₹ 2,976 crore.

Out of the total devolution of ₹ 12,555 crore to PRIs during 2010-11, ₹ 6,667 crore (53 *per cent*) were towards salaries as the State Government's functions viz., education, water supply and sanitation, housing, health and family welfare etc., were transferred to PRIs.

The assistance to ULBs, co-operatives and other institutions increased by ₹ 504 crore, ₹ 65 crore and ₹ 790 crore respectively during the year 2010-11 from the previous year. The increase of ₹ 449 crore in 2010-11 for ULBs was towards developmental works.

Assistance to other institutions (₹ 2,704 crore) included ***inter-alia*** assistance to Development Authorities (₹ 484 crore), NGOs (₹ 967 crore) and various other boards and institutions (₹ 922 crore).

The other assistance (₹ 301 crore) included ***inter-alia*** assistance to elections to urban local bodies (₹ 3 crore), temples and other religious institutions (₹ 116 crore), schemes such as Rashtriya Krishi Vikasa Yojane – Animal Husbandry (₹ 22 crore), subsidy scheme of ₹ 6.57 crore under failed well compensation fund and grants under XIII FC for issuing unique identification (₹ 13.89 crore).

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[5] Education - ₹ 3.98 crore, housing - ₹ 23.55 crore, urban development - ₹ 90.53 crore, social welfare -₹ 25.34 crore, village and small scale industries - ₹ 42.55 crore, agriculture- ₹ 78.50 crore.

As a sequel to the Second State Finance Commission's recommendation, the State Government had decided (June 2006) to increase devolution of funds to ULBs from six to eight *per cent* of non loan net own revenue receipts (NLNORR) during the period 2005-10. The Third State Finance Commission recommended the devolutions to the local bodies to be 33 *per cent* of State's net own revenue receipts (NORR). The recommendation of Third State Finance Commission on allocation of funds from State Government to PRIs at 23 *per cent* and ULBs at 10 *per cent* of NORR to be implemented from 2010-11 onwards. However, as stated in the budget speech, the recommendations were being examined and hence the devolutions continued at the old rate. Though the devolutions, to ULBs increased from ₹ 2,113 crore in 2006-07 to ₹ 2,976 crore in 2010-11, the devolution to ULBs which was eight *per cent* of NLNORR during 2006-09, decreased to seven per cent during 2009-10 and continued at the same rate during 2010-11 also.

1.8 Quality of expenditure

The availability of better social and physical infrastructure in the State generally reflects the quality of its expenditure. The improvement in the quality of expenditure basically involves three aspects, viz., adequacy of the expenditure (i.e. adequate provisions for providing public services); efficiency of expenditure use and the effectiveness of expenditure.

1.8.1 Adequacy of public expenditure

The expenditure responsibilities relating to social sector and economic infrastructure assigned to the State Governments 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) can be stated to have been attached to a particular sector if the priority given to that particular head of expenditure is below the General Category States average for that year.

Table 1.17 analyses the fiscal priority of the State Government with regard to development expenditure, social expenditure and capital expenditure relative to General Category States in 2007-08 and the current year 2010-11.

Table-1.17 Fiscal priority of the State in 2007-08 and 2010-11

(in *per cent*)

Fiscal Priority by the State	AE/ GSDP	DE/ AE	SSE/ AE	CE/ AE	Education/ AE	Health/ AE
General Category States Average (Ratio) 2007-08	16.85	64.28	32.54	16.14	14.62	3.98
Karnataka State's Average (Ratio) 2007-08	17.25	71.91	33.92	18.49	14.82	3.92
General Category States Average (Ratio) 2010-11	16.65	64.42	36.75	13.27	17.42	4.35
Karnataka State's Average (Ratio) 2010-11	17.37	74.68	37.92	19.32	16.22	4.05

AE: Aggregate Expenditure, DE: Development Expenditure#, SSE: Social Sector Expenditure
CE: Capital Expenditure

\# Development expenditure includes Development Revenue Expenditure, Development Capital Expenditure and Loans and Advances disbursed.

Source : For GSDP, the information was collected from the State's Directorate of Economics and Statistics

Comparative analysis reveals the following:

- The State is spending marginally higher proportion of its GSDP on aggregate expenditure as compared to General Category States.
- Development expenditure as a proportion of aggregate expenditure in the State has also been higher than the General Category States' average. Development expenditure consists of both economic and social service sector expenditure. Though social sector expenditure as a proportion of aggregate expenditure in the State has been higher than that of the General Category States, inadequate priority has been given to health sector as well as education sector in the current year. As observed from the Table 1.17, small proportion of expenditure has been spent on health sector during 2007-08 as well as in the current year; while adequate priority was given to education sector in 2007-08, smaller proportion has been spent on this sector in the current year as compared to General Category States.
- Adequate priority to capital expenditure has been given by the State Government in 2007-08 and 2010-11, as the ratio of capital expenditure to aggregate expenditure has been higher than the average ratio of General Category States.

The State Government in its reply to PAC (July 2011) stated that the audit conclusion 'that low priority was given by the State towards expenditure on education and health than the General Category States' was over generalised statement, as comment was made keeping in mind only the outlays and not upon the outcomes. It also stated that since there was an improvement in literacy rate, infant mortality rate and life expectancy at birth, current expenditure itself was not the sole benchmark for assessment.

Though the literacy rate of the State increased from 66.64 *per cent* in 2001 to 75.60 *per cent* in 2011, the ranking of the State which was 21 in 2001 came down to 23 in 2011. Further, the Expenditure Reforms Commission in their first report submitted during February 2010 also observed that the development of health and education sectors needed to be addressed not by merely earmarking increased allocations, but also by insisting on performance attainments against a set of pre-determined targets for expected outcomes in each sectors, with a clear timeline for the talukas identified as backward, more backward and the most backward.

1.8.2 Efficiency of expenditure use

In view of the importance of public expenditure on development heads for social and economic development, it is imperative for the State Governments to take appropriate expenditure rationalization measures and lay emphasis on provision of core public and merit goods[6]. Apart from improving the allocation towards development expenditure[7], particularly in view of the fiscal space being created on

[6] *Core public* goods are those which all citizens enjoy in common in the sense that each individual's consumption of such goods leads to no subtractions from any other individual's consumption of those goods, e.g. enforcement of law and order, security and protection of citizen's rights; pollution free air and other environmental goods and road infrastructure etc.
Merit goods are commodities that the public sector provides free or at subsidized rates because an individual or society should have them on the basis of some concept of need, rather than ability and willingness to pay the Government and therefore wishes to encourage their consumption. Examples of such goods include the provision of free or subsidized food for the poor to support nutrition, delivery of health services to improve quality of life and reduce morbidity, providing basic education to all, drinking water and sanitation etc.

[7] The analysis of expenditure data is segregated into development and non development expenditure. All expenditure relating to revenue account, capital outlay and loans and advances is categorized into social, economic and general services. Broadly, the social and economic services constitute development expenditure, while expenditure on general services is treated as non-development expenditure.

account of decline in debt servicing in recent years, the efficiency of expenditure use is also reflected by the ratio of capital expenditure to total expenditure and proportion of revenue expenditure being spent on operation and maintenance of the existing social and economic services. The higher the ratio of these components to total expenditure, the better would be the quality of expenditure. While **Table 1.18** presents the trends in development expenditure relative to the aggregate expenditure of the State during the current year *vis-à-vis* that of previous years, **Table 1.19** provides the details of capital expenditure and the components of revenue expenditure incurred on the maintenance of the selected social and economic services.

Table-1.18: Development expenditure

(₹ in crore)

	2006-07	2007-08	2008-09	2009-10	2010-11
Development expenditure (DE)	**29,953**	**33,642**	**37,134**	**44,930**	**51,628**
Percentage of DE to total expenditure	**71**	**72**	**71**	**74**	**75**
Components of DE					
Revenue	21,377	24,577	27,010	32,301	37,000
	(71)	(73)	(73)	(72)	(72)
Capital	8,222	8,310	9,395	11,647	12,890
	(27)	(25)	(25)	(26)	(25)
Loans and advances	354	755	729	982	1,738
	(1)	(2)	(2)	(2)	(3)

Figures in brackets indicate percentage to development expenditure
Source: Finance Accounts.

Development expenditure comprising revenue expenditure, capital outlay and loans and advances on socio-economic services increased from ₹ 29,953 crore in 2006-07 to ₹ 51,628 crore in 2010-11. As a *percentage* of total expenditure, it increased from 71 in 2006-07 to 75 in 2010-11. In the current year, development expenditure as a percentage of aggregate expenditure, increased by one *per cent* relative to the previous year due to increase in development loans disbursed. On an average, 72 *per cent* of the development expenditure was on revenue account while capital expenditure including loans and advances accounted for the balance during 2006-11.

In 2010-11, development revenue expenditure included, *inter alia*, expenditure on salary (₹ 8,817 crore), subsidy (₹ 6,290 crore) and financial assistance to local bodies and other institutions (₹ 10,517 crore).

Table 1.19: Efficiency of expenditure use in selected social and economic services

(ratios in *per cent*)

	2009-10		2010-11	
	Ratio of CE to TE	Share of salaries (excluding wages and O&M) in RE	Ratio of CE to TE	Share of salaries (excluding wages and O&M) in RE
Social services (SS)				
Education, sports, art and culture	0.35	10.33	0.61	10.27
Health and family welfare	0.53	2.05	0.63	2.20
Water supply, sanitation, housing and urban development	4.31	0.05	4.21	0.04
Others	0.50	0.86	0.49	1.25
Total (SS)	**5.70**	**13.29**	**5.94**	**13.78**
Economic services (ES)				
Agriculture & allied activities	0.15	1.46	0.18	1.44
Irrigation and flood control	6.50	0.22	6.90	0.21
Power & energy	2.89	---	2.04	0
Transport	4.43	0.05	4.44	0.08
Others	1.14	0.87	1.66	0.81
Total (ES)	**15.11**	**2.60**	**15.22**	**2.54**
Total (SS+ES)	**20.81**	**15.89**	**21.16**	**16.32**

TE: Total expenditure; CE: Capital expenditure; RE: Revenue expenditure

Expenditure on social services

Capital expenditure on social services increased from ₹ 3,456 crore in 2009-10 to ₹ 4,106 crore in 2010-11 while there was no increase in ratio of capital expenditure to total expenditure as compared to the previous year.

Capital expenditure on social services during 2010-11 included ₹ 77 crore (two *per cent*) on account of repayment of off budget borrowings.

The share of salary expenditure (under social services) in total revenue expenditure increased from 13 *per cent* in 2009-10 to 14 *per cent* in 2010-11.

Expenditure on economic services

Capital expenditure on economic services increased from ₹ 9,167 crore in 2009-10 to ₹ 10,520 crore in 2010-11 with a growth rate of 15 *per cent.*

The priority sectors identified by the Government in respect of economic services were agriculture, rural development, special area programmes, irrigation and flood control and transport. In 2010-11, Capital outlay on special area programme, irrigation and flood control and transport was more by ₹ 377 crore, ₹ 823 crore and ₹ 422 crore respectively compared to previous year

The share of salary expenditure (under economic services) in total revenue expenditure remained at three *per cent* in 2009-11.

Capital expenditure on economic services in 2010-11 included expenditure of ₹ 752 crore (seven *per cent*) on repayment of off budget borrowings.

1.9 Analysis of Government expenditure and investments

In the post-FRA framework, the Government is expected to keep its fiscal deficit (borrowing) not only at low levels but also 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 and recover cost of borrowed funds rather than bearing the same in its budget in the form of implicit subsidy 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 the current year *vis-à-vis* previous years.

1.9.1 Incomplete projects

Blocking of funds on incomplete works which include works stopped due to reasons like litigation, etc. impinge negatively on the quality of expenditure. The department-wise information pertaining to incomplete projects as of March 2011 is given in **Table 1.20**.

Table 1.20: Incomplete projects

(₹ in crore)

Department	Incomplete projects					Cumulative expenditure as of March 2011
	Number	Budgeted cost	Revised cost	Cost over run[8]		
				Number	Amount	
Public works						
Buildings	148	659.69	706.16	17	16.37	546.91
Roads & bridges	199	667.19	670.81	30	10.65	510.63
Irrigation	41	151.20	167.41	3	0.37	145.27
Total	**388**	**1,478.08**	**1,544.38**	**50**	**27.39**	**1,202.81**

***Source:** Finance Accounts*

Against the initial budgeted cost of ₹ 1,478 crore in respect of 388 works, stipulated to be completed on or before March 2011, the progressive expenditure was ₹ 1,203 crore as of March 2011. Out of which, in 50 cases, the cost overrun aggregated ₹ 27.39 crore.

No reasons for delay in completion of the works were given by the Public Works and Irrigation Departments.

1.9.2 Investment and returns

As of March 2011, Government had invested ₹ 38,421 crore in 89 Government companies (₹ 34,716 crore) including investment of ₹ 52 crore in 17 non-working Government companies, nine statutory corporations (₹ 1,777 crore), 45 joint stock companies (₹ 1,557 crore) and co-operative institutions, local bodies and regional rural banks (₹ 371 crore). The return from investment was negligible (**Table 1.21**).

[8] Includes one case where expenditure exceeded the revised cost and the cost overrun was ₹ 2.39 crore.

Table-1.21: Return on investment

	2006-07	2007-08	2008-09	2009-10	2010-11
Investment at the end of the year (₹ in crore)	18,698.37	22,279.35	26,672.11	32,483.28	38,420.75
Return (₹ in crore)	19.5	23.4	40.2	29.48	43.47
Return *(per cent)*	0.1	0.1	0.1	0.1	0.11
Average rate of interest on Government borrowings *(per cent)*	7.7	7.6	6.9	6.7	6.4
Difference between interest rate and return *(per cent)*	7.6	7.5	6.8	6.6	6.3

***Source:** Finance Accounts.*

Government in its reply to PAC (July 2011) stated that investment in irrigation, transport, infrastructure, power, housing etc., enabled economic growth in the long run and was not expected to yield returns in the short time.

Investments in the said sectors have been made from time immemorial and most of these institutions are earning profits without giving any returns to the Government. Further, no study has been made with regard to their contribution to the economic growth.

In addition, investment of ₹ 2,793.69 crore in respect of six[9] Companies/Corporations has been lying in Public Account to the end of March 2011 without actual release to the institutions. This has resulted in locking up of funds in the Public Account.

The State in its reply to PAC (July 2011) stated that the releases from Consolidated Fund were deposited in the Deposit Account to carry out capital works and the funds utilized for Company's/Corporation's immediate needs.

Though, generally borrowings (with interest liability) are utilized for capital expenditure, the amounts released as investments in these cases, were parked in Public Account without yielding any returns (both financial and physical).

Out of the total investment of ₹ 38,421 crore up to the end of 2010-11, investment of ₹ 36,393 crore (95 *per cent*) was in 64 Government companies and statutory corporations under irrigation sector (₹ 21,923 crore), transport sector (₹ 1,004 crore), infrastructure sector (₹ 5,604 crore), power sector (₹ 5,081 crore), industries sector (₹ 360 crore), housing sector (₹ 1,245 crore), financing sector (₹ 451 crore), construction sector (₹ 283 crore) and social sector (₹ 442 crore).

The investment included ₹ 20,085 crore (52 *per cent*) in the following Companies/Corporations under perennial loss **(Table 1.22)**.

[9] Krishna Bhagya Jala Nigam (₹ 131.28 crore), Karnataka Infrastructure Development and Finance Corporation (₹ 457.98 crore), Bangalore City Corporation (₹ 237.98 crore), Karnataka Rural Infrastructure Development Corporation Limited (₹ 246.93 crore), Mega Area Development Board (₹ 290.74 crore) and Department of Floods and Development of merged areas (₹ 1,428.78 crore).

Table 1.22: Investment in companies/corporations under perennial loss

(₹ in crore)

Company/Corporation	Investment Up to 2006-11	Cumulative loss as at 2009-10
North Western Karnataka Road Transport Corporation	167	325.11
North Eastern Karnataka Road Transport Corporation	109	326.85
Karnataka State Agro Corn Products Limited, Bangalore	1	9.83
The Karnataka Minorities Development Corporation Limited, Bangalore	151	24.27
Karnataka Urban Infrastructure Development and Finance Corporation	6	0.67
Rajeev Gandhi Rural Housing Corporation Limited	130	52.59
Karnataka Road Development Corporation Ltd	2,924	94.38
Krishna Bhagya Jala Nigam Limited	15,891	199.59
Karnataka Silk Marketing Board Limited, Bangalore	3	24.40
The Mysore Sugar Company Limited, Bangalore	114	266.73
Hubli Electricity Supply Company Limited	396	659.08
Chamundeswari Electricity Supply Company Limited	190	285.15
Thungabadra Steel Products Limited	1	26.76*
Karnataka Inland Fisheries Development Corporation Limited, Bangalore	2	1.68
Total	**20,085**	**2,297.09**

***Source:** Finance Accounts.*
**the cumulative loss is as at 2008-09*

The State Government in its reply to PAC (July 2011) stated that as the Companies/Corporations were established for creation of infrastructure needs of the State and providing public service, investments in these Companies/Corporations could not be viewed in terms of financial gain.

Against 81 Companies /Corporations (working) wherein Government had invested ₹ 36,440.85 crore, 23 were profit earning companies. It may be mentioned here that XIII FC, while recommending measures to enhance financial viability of State Public sector undertakings, had stated that a minimum dividend of five per cent on Government equity should be paid by all such enterprises. Since, most of the Government Companies/Statutory Corporations are working on commercial basis (though some are under utility and welfare sectors), the same analogy could be applied and a return of five *per cent* on government investment should be expected.

During the year, Government invested ₹ 104 crore in statutory corporations, ₹ 5,369 crore in Government companies and ₹ 450 crore in joint stock companies. The investment included;

- ₹ 5.55 crore released for Mysore Sugar Company for repayment of HUDCO loan.
- Conversion of Government State support and Government deposits with KSIIDC (₹ 25 crore) and lease rental received from BIAL but retained with KSIIDC (₹ 20 crore) into equity.

XIII FC while reviewing the performance of State Public Sector undertakings with respect to Government investments had recommended that the State Government should draw up a road map by March 2011 for closure of non-working companies in consultation with the Accountant General. Presently, in Karnataka, the Government has invested ₹ 52.22 crore in 17 non-working Government Companies.

1.9.3 Departmental undertakings

Nineteen undertakings of certain Government departments performed activities of quasi-commercial nature. According to the latest accounts furnished by six undertakings, the State Government's investment was ₹ 10.28 crore. The total loss incurred by these undertakings was ₹ 5.30 crore. Details are furnished in **Appendix 1.7.**

In view of the continued losses sustained by these undertakings, the Government should review their working so as to wipe out their losses in the short term and make these self sustaining in medium to long term.

State Government in its reply to PAC (July 2011) stated that the Department of Commerce and Industries would be advised to conduct a review of the working of the said undertakings.

1.9.4 Loans and advances by the State Government

In addition to investments in companies, corporations and co-operative institutions, Government also provided loans and advances to many institutions/organizations. **Table 1.23** presents the position of outstanding loans and advances as of March 2011 and interest receipts *vis-à-vis* interest payments during the last five years.

Table-1.23: Average interest received on loans advanced by the State Government

(₹ in crore)

	2006-07	2007-08	2008-09	2009-10	2010-11
Opening balance	**5,944**	**6,241**	**6,946**	**7,620**	**8,047**
Amount advanced during the year	357	757	731	982	1,737*
Amount repaid during the year	60	52	57	555	161
Closing balance	**6,241**	**6,946**	**7,620**	**8,047**	**9,623**
Net addition	297	705	674	427	1,576
Interest receipts	38	58	103	74	180
Interest receipts as *per cent* to outstanding loans and advances	0.6	0.8	1.3	0.9	1.9
Interest payments as *per cent* to outstanding fiscal liabilities of the State Government.	7.3	7.5	6.3	6.2	6.1
Difference between interest payments and interest receipts (*per cent*)	-6.7	-6.7	-5.0	-5.3	-4.2

Source: *Finance Accounts.*

**the amount disbursed differs by ₹ one crore with that shown in appendix 1.3 and 1.6 due to rounding.*

Loans outstanding as of March 2011 aggregated ₹ 9,623 crore. Interest spread of Government borrowings was negative during 2007-11 which meant that the State's borrowings were more expensive than the loans advanced by it.

Loans aggregating ₹ 1,737 crore were disbursed during 2010-11 which included

- ₹ 31 crore provided to Infrastructure Development Corporation of Karnataka (iDeck) for conversion of capital investment into interest free loan.
- ₹ 101.59 crore to sugar cane industry for conversion of purchase tax on sugar cane into interest free loan.

During 2010-11, terms and conditions of repayment were not received for loans amounting to ₹ 1,761 crore.

The Government order of July 2003 indicates the revised interest rate on all the loans sanctioned by the Government on or after 1st April 2003. Further, it states that all sanction orders should invariably be accompanied by the essential details and the standard terms and conditions of loans appended to the said order. However, the Finance Accounts, since 2006-07, have been reflecting statement where terms and conditions of repayment have not been received.

The PAC in its recommendation stated that terms and conditions of repayment have to be issued with respect to all loans and advances sanctioned invariably.

Recovery of loans and advances aggregating ₹ 1,861 crore (principal: ₹ 970 crore and interest: ₹ 891 crore) was overdue as of March 2011 from 23 institutions [detailed accounts of which were kept by the Accountant General, (Accounts and Entitlements)]. However, the State Government is yet to reconcile the balances maintained against these 23 institutions. Around 96 *per cent* of this pertained to five major defaulters viz., Karnataka Urban Water Supply and Drainage Board, Bangalore Water Supply and Sewerage Board, New Government Electric Factory, Karnataka Housing Board and Bangalore Development Authority. In these cases the overdue interest and principal for recovery was ₹ 942 crore and ₹ 842 crore, respectively.

The controlling officers maintaining loans are required to furnish details of arrears in recovery of loan installments and interest to the Accountant General every year. Out of 928 statements from 842 bodies /organizations due, only 55 statements with 23 nil statements were received. Further, recovery of loans and advances aggregating ₹ 376 crore (principal: ₹ 245 crore and interest: ₹ 131 crore) was overdue as of March 2011 from 32 institutions (detailed accounts of which were kept by the State Government).

Around 64 *per cent* of this pertained to three major defaulters viz., Mysore Electrical Industries Limited, Mysore Lamp Works and KASKARD Bank Limited. In these cases, the overdue interest and principal for recovery was ₹ 148 crore and ₹ 93 crore, respectively.

The PAC in its recommendation stated that the actual amount due for recovery be brought in the budget estimates.

1.9.5 Cash balances and investment of cash balances

Table 1.24 depicts the cash balances and investments made therefrom by the State Government during the year.

Table-1.24: Cash balances and investment of cash balances

(₹ in crore)

	As of March 2010	As of March 2011	Increase(+)/ Decrease (-)
Cash balances	9,773.51	7,667.31	- 2,106.20
Investments from cash balances	**8,889.98**	**6,971.51**	**-2,018.47**
GOI treasury bills	8,889.67	6,871.18	-2,018.49
GOI securities	0.20	0.32	+0.12
Other securities	---	---	---
Other investments	0.11	0.01	-0.10
Funds-wise break-up of investment from earmarked balances	**980.45**	**1,444.24**	**+463.79**
Sinking fund	-0.21	-0.26	-0.05
Industrial development fund	0.01	0.01	---
Co-operative development fund	0.49	0.49	---
Other development and welfare fund	980.15	1,443.99	+463.84
Miscellaneous deposits	0.01	0.01	---
Interest realized	**309.04**	**400.28**	**91.24**

***Source:** Finance Accounts.*

The cash balance of the State at the end of the year was ₹ 7,667 crore. The decrease in cash balances was 22 *per cent* over the previous year. The analysis of the surplus cash balances is brought out in **Box 1.3**.

Box – 1.3

Analysis of cash management

Surplus cash balance was mainly due to market borrowings of ₹ 2,000 crore raised during 2010-11 in November 2010 (₹ 1,000 crore at 8.42 *per cent*) and December 2010 (₹ 1,000 crore at 8.43 *per cent*).

The entire loan amount was invested in fourteen day intermediate treasury bills of RBI with an interest rate of five *per cent* per annum against an average rate of six *per cent* per annum at which the borrowings were made.

In view of the comfortable position of cash balances, revenue surplus of ₹ 4,172 crore and a very low fiscal deficit of 2.81 *per cent* of GSDP, the open market borrowings could have been avoided.

The XIII FC has also suggested that there should be a directed effort by States with large balances towards utilizing their existing cash balances before resorting to fresh borrowings. Further, it has been suggested to consider utilizing their surplus cash balances for bullet repayment of market borrowings raised for debt swap during the period 2002-05, which was likely to become due during the next few years. The Reserve Bank of India also has reiterated the fact and advised the States to manage their cash balance more efficiently.

Following the advice of GOI and RBI, the State Government in MTFP (2011-15) has proposed to utilize part of the cash balance pertaining to various Reserve Funds for financing the fiscal deficit. In other words, the State Government has committed to borrow funds on need basis rather than on availability.

The PAC in its report has also emphasized the need for revisiting the investment policy of the Government.

1.10 Assets and liabilities

1.10.1 Growth and composition of assets and liabilities

In the existing Government accounting system, comprehensive accounting of fixed assets like lands and buildings owned by the Government is not done. However, the Government accounts do capture the financial liabilities of the Government and the assets created out of the expenditure incurred. **Appendix 1.6** gives an abstract of such liabilities and assets as on 31 March 2011 compared with the corresponding position as on 31 March 2010.

Total liabilities, as defined in the Karnataka Fiscal Responsibility Act, 2002 are the liabilities under the Consolidated Fund and the Public Account of the State. Consolidated Fund liabilities consist of Internal Debt and Loans and Advances from GOI.

Further, the internal debt includes market loans, special securities issued to RBI and other negotiated loans. The Constitution of India provides that States may borrow within the territory of India upon the security of their Consolidated Funds, within such limits, as may from time to time, be fixed by an Act of the Legislature and give guarantees within such limits as may be fixed. The Public Account liability includes small savings, provident funds, etc., reserve funds and other deposits. The liabilities of the State as depicted in Finance Accounts, however, did not include pension, other retirement benefits payable to retired/retiring State Government employees/guarantees/letters of comfort issued by the State Government and borrowings through special purpose vehicles, termed off-budget borrowings.

Assets comprise assets under Consolidated Fund and cash. The assets under Consolidated Fund consist of capital outlay on fixed assets – investments in shares of companies and corporations and loans and advances which in turn consist of loans for power projects and other development loans.

The growth rate of components of assets and liabilities are summarized in the **Table 1.25.**

Table 1.25 Summarised position of Assets and Liabilities

(₹ in crore)

Liabilities				Assets			
	2009-10	2010-11	*(per cent)*		2009-10	2010-11	*(per cent)*
Consolidated Fund	*55,370*	*59,277*	*7*	*Consolidated Fund*	*83,216*	*98,148*	*18*
a. Internal Debt	45,468	48,762	7	i. Capital outlay	75,170	88,525	18
b. Loans and advances from GOI	9,902	10,515	6	ii. Loans and advances	8,046	9,623	20
*Public Account**	*28,112*	*32,666*	*12*	*Cash*	*9,774*	*7,667*	*(-)22*
a. Small savings, Provident funds, etc	11,177	12,784	14				
b. Reserve Funds	9,274	10,184	13				
c. Deposits	7,661	9,698	8				

*the liabilities are on net basis. It does not include investments from out of ear marked funds of ₹ 980 crore (2009-10) and ₹ 1,444 crore (2010-11).

The growth rate of assets was maintained at 18 *per cent* in 2010-11as in 2009-10, and that of liabilities decreased from 17 *per cent* in 2009-10 to 10 *per cent* in 2010-11.

1.10.2 Fiscal liabilities

The trends in outstanding fiscal liabilities of the State are presented in **Appendix 1.5**. The composition of fiscal liabilities during the current year *vis-à-vis* the previous year, is presented in **Charts 1.11 and 1.12**.

Chart 1.11: Composition of outstanding Fiscal Liabilities as on 01.04.2010

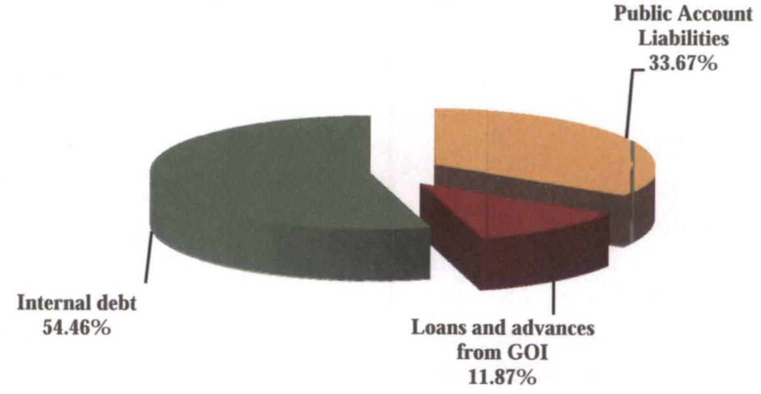
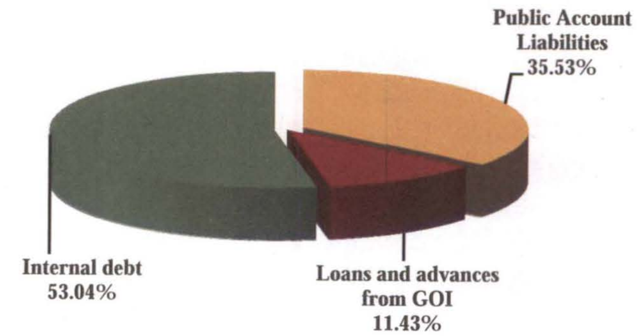


Chart 1.12: Composition of outstanding Fiscal Liabilities as on 01.04.2011



Source: *Finance Accounts.*

Fiscal liabilities of the State, their rate of growth, ratio of these liabilities to GSDP, revenue receipts and own resources as well as buoyancy of fiscal liabilities with respect to these parameters are brought out in **Table 1.26**.

Table 1.26: Fiscal liabilities –basic parameters

(₹ in crore and ratios in *per cent*)

	2006-07	2007-08	2008-09	2009-10	2010-11
Fiscal liabilities	57,682	60,142	71,550	83,482	91,943
Rate of growth (*per cent*)	10.4	4.3	19.0	16.7	10.1
Ratio of fiscal liabilities to					
GSDP	25.32	22.20	23.61	24.86	24.14
Revenue receipts	153.5	146.1	165.3	169.8	157.9
Own resources	210.5	204.9	232.3	246.2	219.8
Buoyancy ratio of fiscal liabilities to					
GSDP	0.6	0.2	1.6	1.5	0.7
Revenue receipts	0.4	0.5	3.6	1.0	0.5
Own resources	0.5	0.6	3.8	1.6	0.4

Source: *Finance Accounts.*

Fiscal liabilities of the State increased by 59 *per cent* from ₹ 57,682 crore in 2006-07 to ₹ 91,943 crore in 2010-11 comprising Consolidated Fund liabilities (₹ 59,277 crore) and Public Account liabilities (₹ 32,666 crore).

Consequent upon the implementation of FRA and restriction on borrowings (fiscal deficit) to three *per cent* of GSDP, the rate of growth of fiscal liabilities of the State decreased from 12 *per cent* in 2004-05 to four *per cent* in 2007-08. With the announcement of the economic stimulus package by GOI and consequent amendment to FRA, fiscal deficit limit was raised to 3.5 and four *per cent* of GSDP during the year 2008-09 and 2009-10, respectively. As recommended by XIII FC and the subsequent amendment to FRA, fiscal deficit limit of three *per cent* is to be attained by 2011-12 with the year 2010-11 being the year of consolidation. The fiscal deficit during 2010-11 was not to be more than 3.44 *per cent* of GSDP and was 2.81 *per cent*. The growth rate of fiscal liabilities which was 17 *per cent* during 2009-10 decreased to 10 *per cent* during2010-11. As a result, buoyancy of fiscal liabilities to GSDP which was more than one in 2008-10 decreased to 0.7 in the current year. The ratio of fiscal liabilities to GSDP was 24 *per cent* at the end of 2010-11.

1.10.3 Transactions under Reserve Fund

Reserve and Reserve funds are created for specific and well defined purposes under the Sector 'J' in the accounts of the State Government. These funds are fed by contributions or grants from the Consolidated Fund of India or State or from outside agencies (The contributions are treated as expenditure under the Consolidated Fund). The expenditure relating to the fund is initially accounted 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 the Fund (Public Account) through an operation of deduct entry in accounts. The funds may be further classified as 'Funds carrying interest' and 'Funds not carrying interest'. Generally, the Reserve Funds are classified under the following three categories based on the sources from which they are fed.

- Funds accumulated from grants made by another government and at times aided by public subscriptions, example: Fund formed from subventions from the Central Road Fund.
- Fund accumulated from sums set aside by the Union/State from the Consolidated Fund of India or Consolidated Fund of State, as the case may be, to provide reserves for expenditure to be incurred by them for particular purposes, e.g: Depreciation Fund.
- Fund accumulated from contributions made by outside agencies to the State Government.

Sixty four reserve funds have been created and maintained in the accounts of the State Government. Out of the said 64 funds, 42 are dormant for periods ranging from 10 to over 30 years. Positions of these funds are detailed in **Table 1.27.**

Table: 1.27 Details of dormant Reserve Funds

(₹ in crore)

Sl. No.	No. of Funds	Status of Funds	Balance in the fund
1	20	Depreciation funds of commercial undertakings	11.01
2	02	Funds with respect to which investments have been made	0.35
3	17	The purposes for which the funds were created do not exist.	36.94
4	03	Adverse balances	(-)7.02

Failed Well Compensation Fund,[10] which was inoperative since 2001-02, had a balance of ₹ 2.41 crore. An expenditure of ₹ 6.57 crore was incurred in 2010-11 to settle claims received till November 2006 but the same was not debited to the fund.

Remaining twenty two funds with a balance of ₹ 9,232.82 crore are operative, out of this, four funds have adverse balances. Analysis of transactions of Consumer Welfare Fund, Infrastructure Initiative Fund, State Disaster Response Fund, Central Road Fund and Fiscal Management Fund are detailed in the subsequent paragraphs. Transactions with respect to Guarantee Reserve Fund and Sinking Fund have been detailed in paragraphs 1.10.4 and 1.11.4 respectively.

Consumer Welfare Fund

The Consumer Welfare Fund (CWF), created for the welfare of the consumers during September 2006, was credited with the following:

- Seed money from Central Consumer Welfare Fund from GOI.
- Assistance provided by Central Government for strengthening consumer movement in the State.
- Matching grants or any assistance by the State Government and court fee accrued with the district and state consumer forum.
- Penalty paid by manufacturers of consumer products or service provider.
- Returns from the investment out of the accumulation in the fund.
- Any amount received by the State Government for the purpose of the fund.

The expenditures of ₹ 0.93 crore and ₹ 1.33 crore incurred towards consumer welfare activities during 2009-10 and 2010-11 respectively, have not been met out of the Consumer Welfare Fund.

In order to strengthen the Consumer Welfare Fund in all states, a revised Central Consumer Welfare Fund Guidelines, notified in 2007-08, envisaged establishing a corpus of ₹ 10.00 crore as State Consumer Welfare Fund supported by the Central Government by 75 *per cent* of the corpus as Central share. Though the State Government made a provision of ₹ 2.50 crore towards Establishment of Corpus Fund as State Share, the fund was not established due to non-opening of account in the treasury. Thus, the State had to forego ₹ 7.50 crore, the Central Share of Corpus Fund.

Further, a fund with the balance of ₹ 0.67 lakh was dormant since 1999-2000, which may be considered by the State for winding up or merging with the Corpus Fund yet to be created.

[10] Included in Sl. No. 3 of Table No 1.27.

Infrastructure Initiative Fund (IIF), Bangalore Metro Rail Corporation Limited (BMRCL) Fund and Chief Minister's Rural Road Development (CMRRD) Fund

Karnataka Act of 1998 provided for levy of infrastructure cess on taxes on sales, trade etc., excise license fee, motor vehicle tax and non-judicial stamp duty in the State. The cess collected was to be allocated to IIF and BMRCL Fund in the ratio of 2:1 of the total collections which was subsequently revised in 2004. The total infrastructure cess collected to be allocated between IIF, BMRCL and CMRRD Fund in the ratio of 57, 28 and15 *per cent,* respectively. On the introduction of a uniform value added tax (VAT) in 2005 levy of infrastructure cess was dispensed with and the Government decided to contribute to the fund out of general reserves of the State. In 2010-11, the cess realized through motor vehicle, stamps and registration and state excise (₹ 516.49 crore) was allocated to IIF, BMRCL Fund and CMRRD Fund. The sum transferred was ₹ 294.10 crore, ₹ 144.62 crore and ₹ 77.47 crore respectively. Further, as the road works and maintenance there on were being financed from Central Road Fund, Finance Commission grants and budget allocations, the Government decided during 2010-11 to augment IIF and BMRCL Fund in the ratio of 50:50. Though a provision of ₹ 2,000 crore was made for this purpose, sanction for transfer of ₹ 1,300 crore at the rate of ₹ 650 crore each to IIF and BMRCL Fund was made (31 March 2011) which was later modified and limited to ₹ 650 crore towards BMRCL Fund on the same day. This was stated to be made considering the overall fiscal balance of the State.

The provision of ₹ 2,000 crore for augmenting the said funds was made with the budget estimate of ₹ 1,500 crore as revenue surplus. However, with the revenue surplus of ₹ 4,172 crore, limiting the transfer to ₹ 650 crore based on the overall fiscal balance resulted in bringing down the fiscal deficit.

The State Government in its reply (November 2011) stated that the actual contribution to the fund was kept lower to ensure adherence to the fiscal discipline mandated by FRA. The reply is not acceptable for the reason that during 2009-10, with the revenue surplus of ₹ 1,619 crore the fund was fed with ₹ 2,100 crore. While in 2010-11, with a revenue surplus of ₹ 4,172 crore, only ₹ 650 crore was transferred to the fund. Further, this indicated that the accounts were adjusted to attain the ratio of fiscal indicators to GSDP prescribed in the FRA.

The PAC in its recommendation have stated that the directions contained in the List of Major and Minor Heads of account should be followed for accounting such transactions as the present adjustments are not in accordance with the instructions contained therein.

Central Road Fund

Central Road Fund is a fund constituted by the GOI. Subventions are paid from this fund to the State for road developmental works approved by GOI. Actual expenditures are also transferred to the fund. During 2009-10, expenditure of ₹ 205.30 crore was transferred from Consolidated Fund to the Central Road Fund in Public Account against balance of ₹ 165.30 crore at its credit. This resulted in adverse balance of ₹ 40 crore. State Government in its reply stated (November 2010), reiterated in July 2011, that initially expenditure was met out of State funds which were reimbursed subsequently by GOI and hence limiting the expenditure to the extent of the grant was not possible. However, in the current year against expenditure of ₹ 149.98 crore incurred, ₹ 70.97 crore alone was transferred to the Central Road Fund account. The amount reimbursed by GOI was ₹ 110.97 crore. This resulted in wiping out the adverse balance of the previous year. This was contrary to the reply given by the State Government earlier. Hence, the expenditure of ₹ 90 crore remained in the Consolidated Fund itself.

Fiscal Management Fund

The Fiscal Management Fund was created during 2006-07 in terms of Section 4(p) of the Fiscal Responsibility Act, 2002, to discharge the liabilities arising during the course of the year out of general revenue of the State. However, no rules had been framed regarding its administration. A sum of ₹ 150 crore had been transferred from the Consolidated Fund during the year and expenditure of ₹ 24.84 crore incurred towards discharge of guarantee obligations has also been debited to the fund. The balance at the end of the year was ₹ 982 crore.

The State Government in its reply to PAC (July 2011) stated that the fund was created to take care of demands arising due to contingent liabilities on account of Government guarantees, contribution to pension scheme etc.

However, the Government had created the guarantee redemption fund for discharging liabilities arising on account of Government guarantees which is inoperative and also during 2010-11, a provision of ₹ 175 crore was made to meet the pension contribution liability which is yet to be implemented.

State Disaster Response Fund

The State Disaster Response Fund (SDRF), constituted under Disaster Management Act, 2005 is operative from 2010-11 under Reserve Fund bearing interest. As per the guidelines issued, 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. Further, the State Government had to pay interest to the SDRF at the rate applicable to overdrafts and credit the same on a half yearly basis. While 75 *per cent* of the contribution was to be from GOI, the balance 25 *per cent* was to come from the State Government. Further, the balance as on 31 March 2010 in the Calamity Relief Fund (CRF) was to be transferred to the SDRF. The contributions to the fund for the year 2010-11, included GOI contribution of ₹ 120.72 crore, State's contribution of ₹ 40.24 crore and balance CRF transferred ₹ one crore. However, no interest was credited to the fund. An expenditure of ₹ 158.80 crore, released to District Commissioners for relief expenditure to deal with natural calamities was shown as met out of the SDRF. However, the Personal Deposit accounts of the District Commissioner for SDRF reflect a positive unspent balance of ₹ 8.63 crore resulting in understatement of the fund account in Public Account to that extent. This also resulted in overstatement of expenditure towards calamity relief in the Consolidated Fund.

1.10.4 Contingent liabilities

Status of guarantees

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 details of last five years are given in **Table 1.28**.

Table-1.28: Guarantees given by the State Government

(₹ in crore)

	2006-07	2007-08	2008-09	2009-10	2010-11
Maximum amount guaranteed	19,793	23,109	18,732	18,420	19,150
Outstanding amount of guarantees (including interest)	9,879	10,786	8,693	7,203	6,618
Percentage of outstanding amount guaranteed to total revenue receipts of the second preceding year	37	36	23	18	15

Source: *Finance Accounts.*

The Karnataka Ceiling on Government Guarantees Act, 1999 provides for a cap on outstanding guarantees extended by the Government at the end of any year at 80 *per cent* of the State's revenue receipts of the second preceding year. It is heartening to note the outstanding guarantees at the end of the years 2007-11 were within the prescribed limit.

The outstanding guarantees amounting to ₹ 6,618 crore at the end of the year 2010-11 included guarantees extended to 52 institutions/companies under irrigation (₹ 974 crore), co-operative (₹ 2,142 crore), finance (₹ 714 crore), power (₹ 330 crore), housing (₹ 559 crore), transport (₹ 305 crore), water supply (₹ 583 crore), urban development (₹ 79 crore) and industrial (₹ 457 crore) sectors.

The Act further provides for a levy of one *per cent* as guarantee commission which is not to be waived under any circumstances. However, four[11] institutes/companies have been exempted from paying the Guarantee Commission in contradiction of the Act.

To provide for sudden discharge of State's obligations on guarantees, TFC had recommended that States should set up Guarantee Redemption Fund through earmarked guarantee fees. The State had set up a Guarantee Reserve Fund in 1999-2000 with a corpus of ₹ one crore. However, there was no transaction though there were guarantee commission receipts and expenditures on account of discharge of guarantee obligation. In 2010-11, ₹ 24.84 crore provided to three Sugar Co-operatives[12] for repayment of loan, required to be met through Guarantee Redemption Fund was met out of Fiscal Management Fund. Also, the guarantee fees of ₹ 465.42 crore received since 2000 have not been transferred to the fund. In current year, the commission fees of ₹ 8.16 crore received from three institutions have been utilised for revenue expenses such as building expense, internal subsidy and establishment charges.

[11] The Coorg orange Growers Co-operative Society, Hukkeri Taluk Co-operative Rural Electrical Society Limited, Raibagh Sahakara Sakkare Kharkhane Limited and Karnataka Milk Federation Limited.

[12] Vanivilas Sahakara Sakkare Kharkane (₹ 6.22 crore), Karnataka Sahakar Sakkare Kharkane (₹ 12.28 crore), Pandavapura Sahakar Sakkare Kharkane (₹ 6.34 crore).

The State Government in its reply to PAC (July 2011) stated that transfer of receipts and expenditure pertaining to the fund would be considered at the appropriate time. Further, it stated (July 2011) that government was meeting the obligations of payment out of budgetary allocations every year with the expenditure being shown as loan against the institution. Also, as per the Indian Government Accounting Standards (IGAS), when guarantees are invoked and payment made, the payment is to be treated as loan to the beneficiary. However, the State Government in order to take care of the said liability had constituted Guarantee Redemption Fund during 1999 itself. Further, expenditure of the Public Account has been debited to the Consolidated Fund resulting in overstatement of expenditure which is detailed in the following case.

M/s Mysore Sugar Limited, Mandya availed of a loan of ₹ 57.26 crore from HUDCO during 2001-02 for which the Government stood guarantor. As the company failed to repay the said loan amount, HUDCO offered a one time settlement scheme (OTS) under which the principal and the interest were to be paid within seven years. During 2009-10 and 2010-11 the Government sanctioned ₹ 37.04 crore and ₹ 14.57 crore (principal and interest) towards the same. However, the said amounts were released as investments, contrary to the IGAS standards and also the reply of State Government to PAC. Further, Government guarantee has also not been invoked.

The State Government in its reply stated that government guarantee was not invoked by HUDCO and hence there was no necessity for Government to release the defaulted amount as loan to the company. Further, it also stated that the releasing the OTS amount as loan would have added to the financial burden of the company which was not in a position to meet debt servicing of HUDCO loan. Hence, the OTS amount was released as equity in order to improve the financial position of the company.

The order (March 2010) sanctioning the OTS amount stated that separate guidelines would be issued with respect to repayment of the said amount along with interest. However, in the subsequent orders, government has been releasing the amount to HUDCO both towards repayment of principal and payment of interest.

The PAC in its report has recommended the State to adhere to the advice of the TFC and operationalize the Guarantee Redemption Fund by transferring the guarantee fee received as also amount discharged on revocation of guarantee.

Off - budget borrowings

The borrowings of the State Government are governed by Article 293 (1) of the Constitution of India. In addition to the contingent liabilities shown in **Table 1.28**, the State guaranteed loans availed of by Government companies/corporations. These companies/corporations borrowed funds from the market/financial institutions for implementation of various State plan programmes projected outside the State budget. Funds for these programmes were to be met out of resources mobilized by these companies/corporations outside the State budget but in reality the borrowings of these concerns ultimately turn out to be the liabilities of the State Government termed 'off-budget borrowings' and the Government had been repaying the loans availed of by these companies/corporations including interest through regular budget provision under capital account. Thus, the capital expenditure of the State during 2010-11 included interest expenditure of ₹ 202 crore on off-budget borrowings, even though there was no corresponding built up of assets in Accounts. This further resulted in under-statement of interest expenditure and overstatement of capital expenditure / revenue surplus. State Government in its reply to PAC (July 2011) stated that the interest expenditure on off-budget borrowings would be treated as revenue expenditure from 2011-12 onwards.

Table 1.29 captures the trend in the off-budget borrowings of the State during 2006-11 while **Table 1.30** gives the entity-wise position of borrowings to the end of 2010-11.

Table 1.29: Trend in off-budget borrowings

(₹ in crore)

Year	2006-07	2007-08	2008-09	2009-10	2010-11
Amount as per MTFP 2007-11♣	242	103	Nil	Nil	Nil

♣ Figures are yet to be reconciled with those of the financial institutions.

Table 1.30: Entity-wise position of off-budget borrowings

(₹ in crore)

Company/Corporation/Board	Outstanding Off-budget borrowings	Repayment during the year	
		Principal	Interest
Krishna Bhagya Jala Nigam Limited	373.35	102.28	26.68
Karnataka Neeravari Nigam Limited	498.00	166.25	36.56
Karnataka Road Development Corporation	390.79	85.44	3.37
Rajiv Gandhi Rural Housing Corporation	457.06	65.44	43.90
Karnataka Slum Clearance Board	59.21	10.57	5.32
Karnataka Rural Infrastructure Development Corporation Limited	72.15	13.00	6.72
Karnataka State Police Housing	193.92	26.66	21.20
Karnataka Housing Board, NGV	49.26	17.91	6.81
Cauvery Neeravari Nigam Limited	555.82	182.62	42.76
Karnataka Residential Education Institution Society	31.07	5.45	2.91
Karnataka State Industrial Investment Development Corporation	60.05	10.90	4.63
Sarva Siksha Abhiyan Samithi	8.46	2.22	0.90
Total	**2,749.14**	**688.74**	**201.76**

Source: *As reported by the concerned entities.*

In compliance with the commitment made in MTFP 2009-13, off-budget borrowings were eliminated from 2008-09 to ensure transparency in fiscal performance. In MTFP 2011-15, it has been stated that as the State Government was well advanced on the fiscal consolidation road map set in the FRA and recommended by XIII FC, the Government has decided in future to allow off-budget borrowings in a limited manner. Further, it has been stated that the quantum of the borrowing would be limited to the repayments of the previous off -budget borrowings.

Taking into account the off-budget borrowings of the State, the total liabilities at the end of March 2011 worked out to ₹ 94,003 crore[13] against ₹ 91,943 crore shown in **Table 1.26.** The ratio of fiscal liabilities (inclusive of off-budget borrowings) to GSDP remained at 25 *per cent* at the end of the year as in the previous year.

1.11 Debt sustainability

Apart from the magnitude of the debt of the State Government, it is important to analyze various indicators that determine the debt sustainability of the State. The debt sustainability is defined as the ability of the State to maintain a constant debt-GDP ratio over a period of time and also embodies the concern about the ability to service its debt. Sustainability of debt therefore also refers to sufficiency of liquid assets to meet current or committed obligations and the capacity to keep a balance between costs of additional borrowings and returns from such borrowings. It means that rise in fiscal deficit should match the increase in capacity to service the debt. This section assesses the sustainability of debt of the State Government in terms of debt stabilization, sufficiency of non-debt receipts, net availability of borrowed funds, burden of interest payments (measured by interest payments to revenue receipts ratio) and maturity profile of the State Government securities. **Table 1.31** analyses the debt sustainability of the State according to these indicators for the period 2006-11.

Table 1.31: Debt sustainability: Indicators and trends

Debt sustainability indicators	2006-07	2007-08	2008-09	2009-10	2010-11
Debt stabilization (₹ in crore) (Quantum spread -/+ Primary deficit/ surplus)	4,560	5,940	-608	-2,239	1,389
Sufficiency of incremental non-debt receipts (resource gap) (₹ in crore)	-1,001	-644	-3,400	-2,143	187
Net availability of borrowed Funds (in *per cent*)	5	---	21	18	9
Burden of interest payments (IP/RR Ratio)	11.3	10.9	10.5	10.6	9.7
Maturity profile of State debt (in years)					
0 - 1					1,293 (05)
1 - 3					5,609 (23)
3 - 5					1,494 (06)
5 - 7					8,167 (33)
7 and above					8,000 (33)

Figures in brackets denote the percentage to market borrowings of ₹ 24,563 crore.
Source: *Finance Accounts.*

1.11.1 Debt stability

Fiscal liabilities are considered sustainable if the Government is able to service these liabilities over the foreseeable future and the debt – GSDP ratio does not grow to unmanageable proportions. A necessary condition for stability is the Domar's Debt Stability Equation. It states that if the rate of growth of economy exceeds the cost of borrowings, the debt-GSDP ratio is likely to be stable provided primary balances are positive /zero/moderately negative. Primary revenue balance is the difference between revenue receipts and primary revenue expenditure and indicates whether the balance of revenue receipts left out after meeting current

[13] Total fiscal liabilities: ₹ 91,943 crore plus balance of off-budget borrowings; ₹ 2,060 crore.

revenue expenditure is sufficient for meeting the interest expenditure. During 2006-11 the primary revenue balance was positive and sufficient to meet interest expenditure.

Interest spread is the difference between average lending rate and average borrowing rate. Quantum spread is product of debt stock and interest spread. The interest spread and quantum spread will be positive/negative depending on whether the GSDP growth rate is more or less than the growth rate of interest payments. When the quantum spread and primary deficit are negative, debt-GSDP ratio will be high indicating unsustainable levels of public debt and when the quantum spread and primary deficit are positive, debt-GSDP ratio will be low indicating sustainable levels of public debt. In 2010-11, both interest and quantum spread were positive.

Stabilization of debt is understood to mean debt as a constant *per cent* of GSDP which is a measure of the debt carrying capacity of the State. Even though the interest paid in 2010-11 was more than in the previous year, debt-GSDP ratio was lower than in 2009-10. The stabilization has resulted in the State honouring the FRA fiscal deficit cap (normal) of three *per cent* of GSDP.

1.11.2 Sufficiency of incremental non-debt receipts

Another indicator of debt sustainability is the adequacy of incremental non-debt receipts of the State to cover the incremental interest liabilities and incremental primary expenditure. Debt sustainability could be facilitated if the incremental non-debt receipts could meet the incremental interest burden and the incremental primary expenditure. Negative resource gap indicates non-sustainability of debt while positive resource gap indicates sustainability of debt. The details for the last five years has been indicated in **Table 1.32**.

Table 1.32: Sufficiency of incremental non-debt receipts

(₹ in crore)

Sl. No.		2006-07	2007-08	2008-09	2009-10	2010-11
1	Incremental Non debt Receipt	7,171	3,802	2,079	6,253	8,658
2	Incremental Interest Payments	471	270	26	681	428
3	Incremental Primary expenditure	7,701	4,176	5,453	7,715	8,043
Resource Gap		-1,001	-644	-3,400	-2,143	187

The resource gap, which was negative during 2006-10, turned positive in 2010-11 on account of increase in revenue receipts during the year by 18 *per cent* over previous year. This meant that the State did not depend on borrowed funds for meeting current revenue and capital expenditure.

1.11.3 Net availability of borrowed funds

Debt sustainability also depends on the ratio of debt redemption (principal + interest payments) to total debt receipts and application of available borrowed funds. The ratio of debt redemption to debt receipts indicates the extent to which the debt receipts are used in debt redemption indicating the net availability of borrowed funds.

Debt redemption ratio continued to be less than one (0.9) in 2010-11 as in the previous two years as debt redemption was lower than debt receipts. Nine *per cent* of debt receipts were available for productive/capital expenditure.

1.11.4 Maturity profile

In terms of maturity profile, around 33 *per cent* of the outstanding stock of Government securities (market borrowings) at the end of the year belonged to maturity bracket of seven years and above. Repayment obligation of the State would increase from 2012-13 due to huge market borrowings during 2002-03 and 2004-05 under Debt Swap Scheme. This is worrisome.

Repayment obligations would increase ten times in 2018-19 compared to 2017-18 due to huge market borrowings in 2008-09 as the State was allowed to borrow at 3.5 *per cent* of GSDP under the Fiscal Stimulus Package. Due to huge market borrowings in 2009-10, 24 *per cent* of the total re-payment obligation of market loans (₹ 24,563 crore) would be in 2019-22.

The Government created a sinking fund for open-market loans and the fund consists of two components-sinking fund (amortisation) and sinking fund (depreciation). The amortisation fund was to accommodate contributions from revenue for repayment of loans on maturity while the depreciation fund was to be fed annually by loans. However, there had been no accretion to the sinking fund since 1999-2000. The Government needs to consider reviving the fund in compliance with the recommendation of TFC which would help the State to meet the sudden increase in the amount of debt-servicing from 2013 onwards when huge chunk of market borrowings starts maturing. The balance in the sinking fund (investment account) had become adverse during 2008-09 which increased during 2009-10 also. In the current year, the adverse balance increased by ₹ 0.05 crore. In reply (November 2011), Government stated that as the investment policy of State Government did not allow the sinking funds to be invested in dated securities other than GOI and Reserve Bank return on investment would be very less and hence creation of Sinking Fund was not considered by State Government. The reply is not acceptable for the reason that the surplus cash balance of the Government stands automatically invested in fourteen days treasury bills of RBI. The return/yield on these investments is around five per cent per annum. Hence, government should think of revisiting the investment policy to get return on cash balances instead of investing in low yielding treasury bills.

The State Government further stated that investment in dated securities was not practicable as the investments depended on easy liquidity for carrying out day to day administration and discharging liabilities as and when they arise. The reply is not acceptable as the TFC in its report stated that all the State Government would be in a tight situation during 2013-15 when all the additional open market borrowings raised during debt swap scheme (2002-05) would be maturing. Hence, it had suggested for setting up of a sinking fund, with contributions from general revenues/ further investments, thereon to take care of these liabilities. The State which had attained revenue surplus in 2004 itself, could have contributed towards the setting up of fund. Further, RBI in their report on Public Debt Management (August 2011) has emphasized on setting up of the fund (Conference of Secretaries of State Finances held during May 2011 at Mumbai).

The PAC in its report has also recommended for setting up of a sinking fund for taking care of the loan discharges arising in future through suitable contributions from revenues.

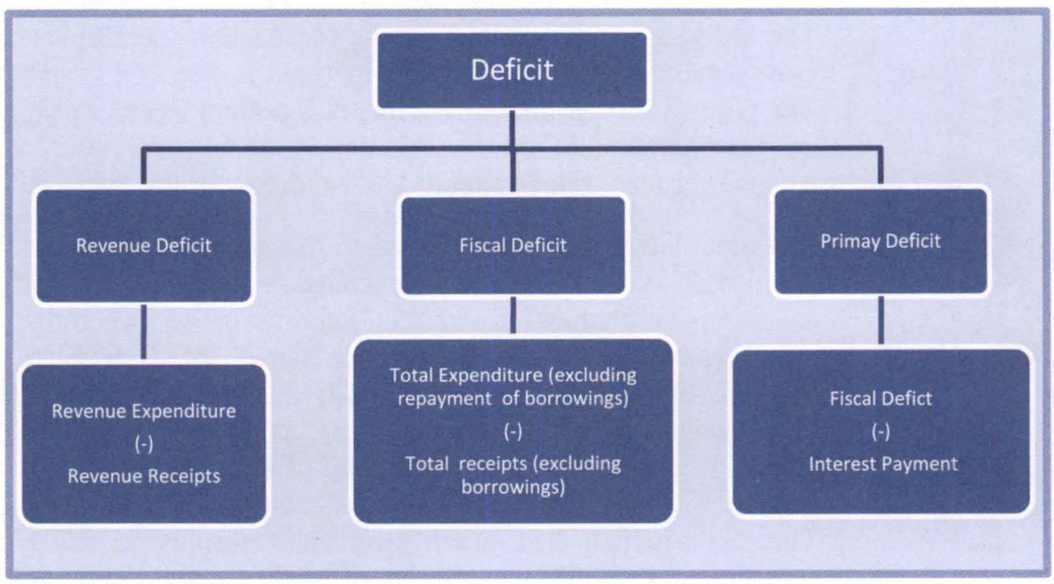
1.11.5 Burden of interest payments

The ratio of interest payments to revenue determines the debt sustainability of the State. During the year, interest payments pre-empted 10 per cent of the total revenue receipts of the State which was below the norm of 15 per cent prescribed by TFC. The NSSF accounts for around 23 *per cent* of the total outstanding liabilities of the State as at end of March 2011. Considering the burden arising as a result of the high effective rate of interest on NSSF loans till 2006-07, the XIII FC recommended interest relief on those loans with a precondition to the enactment of the FRA. The loans contracted till 2006-07 and outstanding at the end of 2009-10 has been reset at an interest rate of 9 *per cent* in place of 10.5 or 9.5 *per cent.* According to the reset rates, interest payment of ₹ 1,602.56 crore was due to be paid by the State during 2010-11 and the indirect relief to be ₹ 132.77 crore. The Finance Accounts, however, reflect ₹ 1,908.28 crore towards interest on special securities issued to NSSF. This was on account of interest payment of ₹ 305.72 crore on the NSSF loans availed of since 2007-08 onwards which did not attract interest relief.

1.12 Fiscal imbalances

In an emerging economy, a balanced budget is perhaps next to impossible and the Government has to resort to borrowings to bridge the gap between spiralling expenditure requirement and inadequate non-debt receipts. The gap between receipts and expenditure represents deficit. **Chart 1.13** gives an indication of the various kinds of deficits that occur if the Government borrows excessively to balance the budget.

Chart 1.13: Type of deficits



The nature of deficit is an indicator of the prudence of fiscal management of the Government. Further, the ways in which the deficit is financed and the resources raised are applied are important pointers to fiscal health. This section presents the trends, nature, magnitude and the manner of financing these deficits and also the assessment of actual levels of revenue and fiscal deficits *vis-à-vis* targets set under FRA for the financial year 2010-11.

1.12.1 Trends in deficits

Charts 1.14 and 1.15 present the trends in deficit indicators over the period 2006-11.

Chart 1.14: Fiscal imbalances

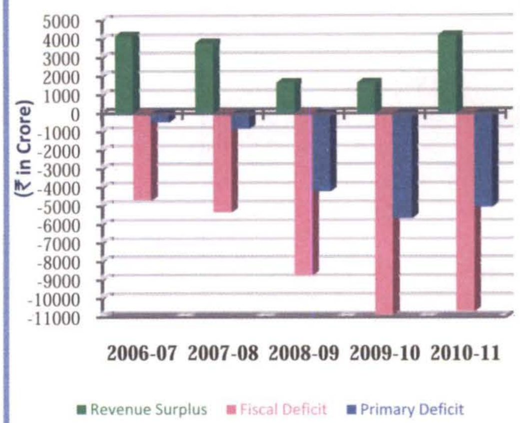
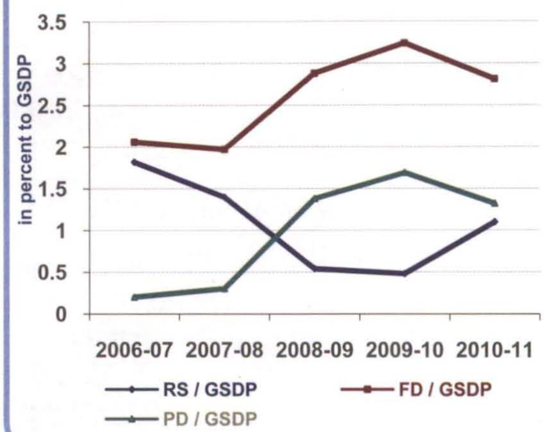


Chart 1.15: Trends in deficit Indicators relative to GSDP



The targets for revenue and fiscal deficits set for the TFC and XIII FC periods along with their actual levels are given in **Table 1.33.**

Table 1.33: Outcome vis-à-vis targets under FRA

Period	Revenue deficit		Fiscal deficit	
	Targets as per FRA	Actual	Targets as per FRA	Actual
TFC (2005-10)				
2005-06	Attain Revenue Surplus	Achieved the target in 2004-05 itself	3.0	2.00
2006-07	Maintain Revenue Surplus		3.0	2.06
2007-08			3.0	1.97
2008-09			3.5	2.88
2009-10			4.0	3.24
XIII FC (2010-15)				
2010-11	Maintain Revenue Surplus	Achieved the target	3.44	2.81

***Source:** Finance Accounts*

The fiscal target of wiping out revenue deficit by March 2006, as laid down in FRA, was achieved by the State one year ahead in 2004-05. Thereafter the State maintained revenue surplus till 2010-11 with inter-year variations. In 2010-11, there was an increase in revenue surplus of ₹ 2,553 crore over the previous year and was ₹ 4,172 crore.

FRA target of reducing fiscal deficit –GSDP ratio to less than three *per cent* was also achieved one year ahead. In 2008-09 and 2009-10, the State continued to maintain fiscal deficit as a ratio of GSDP within the revised FRA limit of 3.5 *per cent* and 4.0 *per cent* respectively.

In 2010-11, the State initiated steps towards fiscal correction in the coming years as recommended by XIII FC revised the fiscal deficit limit to 3.44 *per cent* of GSDP. The State's fiscal deficit was 2.81 *per cent* thereby attaining the target of 2011-12 of three *per cent* also.

Revenue Surplus

Revenue surplus represents the difference between revenue receipts and revenue expenditure. Revenue surplus helps to decrease the borrowings.

The State attained revenue surplus in 2004-05 itself. The revenue surplus which was ₹ 4,152 crore in 2006-07 was in a decreasing trend during 2007-10. In 2010-11, revenue surplus increased by ₹ 2,553 crore and was ₹ 4,172 crore on account of the increase in revenue receipts by 18 *per cent* over previous year and increase in revenue expenditure by 14 *per cent.* Further, the compression of expenditure on account of delay in government sanctions, limiting transfers to fund accounts etc., resulted in unspent provision of ₹ 7,816 crore and an increase in revenue surplus.

Fiscal Deficit

Fiscal deficit normally represents the net incremental liabilities of the Government or its additional borrowings. The shortfall could be met either by additional public debt (internal or external) or by the use of surplus funds from Public Account. Fiscal deficit trends along with the trends of the deficit relative to key components are indicated in **Table 1.34.**

Table 1.34: Fiscal deficit and its parameters

(₹ in crore)

Period	Non-debt Receipts	Total expenditure	Fiscal Deficit	Fiscal Deficit as percent to		
				GSDP	Non-debt receipt	Total expenditure
2006-07	37,647	42,335	4,688	2.06	12.45	11.07
2007-08	41,449	46,781	5,332	1.97	12.86	11.40
2008-09	43,528	52,260	8,732	2.88	20.06	16.71
2009-10	49,781	60,656	10,875	3.24	21.84	17.93
2010-11	58,439	69,127	10,688	2.81	18.29	15.46

Source: *Finance Accounts*

Fiscal deficit as a percentage of GSDP, non-debt receipts and total expenditure was the least in 2007-08. In 2008-10, these ratios were maximum due to enhancement of fiscal deficit limit based on the advice of the GOI. In the current year, there was a marginal improvement.

Primary Deficit

While fiscal deficit represents the need for additional resources in general, a part of such resources may be needed to finance interest payments. Interest payments represent the expenditure of past obligations and are independent of current allocative priorities. To look out at the imbalances of the current nature, these payments need to be separated and deducted from the total imbalances. The primary deficit and its parameters for the last five years is indicated in **Table 1.35.**

Table: 1.35 Primary deficit and its parameters

(₹ in crore)

Period	Fiscal Deficit	Interest Payments	Primary Deficit
2006-07	4,688	4,236	452
2007-08	5,332	4,506	826
2008-09	8,732	4,532	4,200
2009-10	10,875	5,213	5,662
2010-11	10,688	5,641	5,047

Source: *Finance Accounts*

During 2006-08, the primary deficit was less compared to 2008-11. In 2008-11, the fiscal deficit was almost twice the interest payments. This meant that during these three years, around 50 *per cent* of the fiscal deficits were due to revenue expenditure other than interest payments. Hence, prudent reduction of revenue expenditure could enable the State Government to attain primary surplus. Hence, containing the committed expenditure which constituted major chunk of the revenue expenditure would enable the State Government attaining the said goal. Since the costs of salary, pension and interest are inflexible, the expenditure on subsidies which is increasing steadily requires utmost attention by the State Government.

1.12.2 Components of fiscal deficit and its financing pattern

The financing pattern of fiscal deficit has undergone a compositional shift as reflected in the **Table 1.36**. Decomposition 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.

Table 1.36: Components of fiscal deficit and its financing pattern

(₹ in crore)

		2006-07		2007-08		2008-09		2009-10		2010-11	
		Amount	*per cent* of GSDP	Amount	*per cent* of GSDP	Amount	*per cent* of GSDP	Amount	*per cent* of GSDP	Amount	*per cent* of GSDP
Decomposition of fiscal deficit		**-4,688**	**-2.06**	**-5,332**	**-1.97**	**-8,732**	**-2.88**	**-10,875**	**-3.24**	**-10,688**	**-2.81**
1	Revenue surplus	4,152	1.82	3,776	1.39	1,631	0.54	1,619	0.48	4,172	1.10
2	Net capital expenditure	8,543	3.75	8,403	3.10	9,689	3.20	12,067	3.59	13,283	3.49
3	Net loans and advances	297	0.13	705	0.26	674	0.22	427	0.13	1,577	0.41
Financing pattern of fiscal deficit*											
1	Market borrowings	-233	-0.10	287	0.11	6,583	2.17	4,954	1.48	1,037	0.27
2	Loans from GOI	-83	-0.04	357	0.13	135	0.04	211	0.06	613	0.16
3	Special securities issued to NSSF	2,478	1.09	209	0.08	-164	-0.05	247	0.07	1,838	0.48
4	Loans from financial institutions	-366	-0.16	174	0.06	260	0.09	272	0.08	419	0.11
5	Small savings, PF etc	659	0.29	749	0.28	1,176	0.39	1,468	0.44	1,607	0.42
6	Deposits and advances	1,805	0.79	-62	-0.02	1,554	0.51	1,908	0.57	2,037	0.53
7	Suspense and misc.	237	0.10	1,498	0.55	968	0.32	602	0.18	-296	-0.08
8	Remittances	514	0.23	-828	-0.31	-52	-0.02	-36	-0.01	-35	-0.01
9	Reserve funds	1,188	0.52	750	0.28	2,174	0.72	3,201	0.95	1,374	0.36
10	Increase (-) / decrease (+) in cash balance	-1,498	-0.66	2,185	0.81	-3,900	-1.29	-1,954	-0.58	2,106	0.55
11	Net of Contingency Fund transactions	-13	-0.01	13	0.00	-2	0.00	2	0.00	-12	0.00
	Total	**4,688**		**5,332**		**8,732**		**10,875**		**10,688**	

* All these figures are net disbursements/outflows during the year

Source: *Finance Accounts.*

The components of fiscal deficit are Revenue surplus, Net Capital Expenditure and Net Loans and Advances. Since the State had attained revenue surplus in 2004-05 itself, it financed the fiscal deficit alongwith market borrowings, loans from GOI etc. The downward trend of revenue surplus during 2007-10 affected the extent of fiscal deficit which could be financed by revenue surplus. While 89 *per cent* of fiscal deficit could be financed by revenue surplus in 2006-07, it was 71, 19 and 15 *per cent* in 2007-08, 2008-09 and 2009-10. In 2010-11, revenue surplus could finance 39 *per cent* of fiscal deficit.

Also, capital expenditure suffered a set back due to declining trend of revenue surplus during 2007-10. Net loan and advances was a very insignificant component of gross fiscal deficit.

Due to limited market borrowings by the State Government in 2010-11, its share in financing fiscal deficit decreased from 75 *per cent* in 2008-09 to 10 *per cent* in 2010-11. However, there was considerable increase in loans from GOI, special securities issued to NSSF, loans from financial institutions and small savings, PF etc. in 2010-11 than in previous year. Further, based on the advice of the GOI and RBI with respect to cash management, the State Government utilised part of cash balances viz, investment in various reserve funds, fiscal management funds and local bodies funds maintained in the Public Account for financing the fiscal deficit. Hence, the cash balance utilised for financing fiscal deficit increased to ₹ 2,106 crore.

1.12.3 Quality of deficit/surplus

The ratio of revenue deficit to fiscal deficit and the decomposition of primary deficit into primary revenue deficit and capital expenditure (including loans and advances) indicate the quality of deficit in the State's finances. The ratio of revenue deficit to fiscal deficit indicates the extent to which borrowed funds were used for current consumption. Further, persistently high ratio of revenue deficit to fiscal deficit also indicates that the asset base of the State was continuously shrinking and a part of borrowings (fiscal liabilities) were not having any asset backup. The bifurcation of the primary deficit (**Table 1.37**) indicates the extent to which the deficit was on account of enhancement in capital expenditure which might be desirable to improve the productive capacity of the State's economy.

Table 1.37: Primary deficit/surplus – Bifurcation of factors

(₹ in crore)

Year	Non-debt receipts	Primary revenue expenditure	Capital expenditure	Loans and advances	Primary expenditure	Primary revenue deficit (-) /surplus (+)	Primary deficit (-) /surplus (+)
1	2	3	4	5	6 (3+4+5)	7 (2-3)	8 (2-6)
2006-07	37,647	29,199	8,543	357	38,099	8,448	-452
2007-08	41,449	32,869	8,649	757	42,275	8,580	-826
2008-09	43,528	37,127	9,870	731	47,728	6,401	-4,200
2009-10	49,781	42,324	12,137	982	55,443	7,457	-5,662
2010-11	58,439	48,393	13,355	1,738	63,486	10,046	-5,047

Source: *Finance Accounts.*

Primary deficit which had occurred in 2006-07 showed an increasing trend thereafter. During 2010-11, the primary deficit was contained and was ₹ 5,047 crore. During the period 2006-11, non-debt receipts of the State were sufficient to meet only primary revenue expenditure. Thus deficit arising on account of capital expenditure and loan and advances implied that capital expenditure was not always healthy and productive as it included debt-servicing expenditure and disbursement of interest free loans which did not result in asset creation.

The State Government replied (November 2011) that capital expenditure included loans to various boards/corporations which create infrastructure assets and also debt servicing pertaining to borrowings made in earlier years for creation of assets. As stated in the reply, capital expenditure though included loans/investments to various boards/corporations creating infrastructure assets, it included investments/loans to organizations under perennial loss without receiving any returns (discussed in paragraph no. 1.9.2). Also the debt servicing included interest payment which was capitalized.

1.13 Conclusion and recommendation

- ***Fiscal Position***

The state continued to maintain revenue surplus during 2006-11 and kept fiscal deficit relative to GSDP below the limit laid down under FRA.

The State which was on the road to recovery from the effects of economic slowdown in 2009-10, was expected to consolidate its position in the year 2010-11. During 2010-11, the State attained huge revenue surplus of ₹ 4,172 crore. This was on account of increase in revenue receipts by 18 *per cent* over previous year and increase in revenue expenditure by 14 *per cent.* Further, the compression of expenditure on account of delay in government sanctions, limiting transfers to fund accounts etc., also contributed to increase in revenue surplus.

For the first time, incremental non-debt receipts was higher than the incremental primary expenditure by ₹ 615 crore which could cover the incremental interest burden.

Recommendation: The proposals made in the budget are to be implemented so that the unspent provisions by way of non-release of sanction / funds could be avoided.

- ***State's own resources***

The ratio of State's tax revenue to GSDP which had shown declining trend since 2006-07 revived itself and was 10.10 *per cent.* However, the ratio of non-tax revenue to GSDP continued its declining trend.

Recommendation: Special emphasis needs to be given for mobilizing non-tax revenue in the coming years. The State Government also has to pursue non-tax revenue policies with due regard to cost recovery of public services.

- ***Revenue expenditure***

There was 16 and 13 *per cent* growth under social sector and economic sector of revenue expenditure over the previous year, while the growth in expenditure on general services was 10 *per cent.*

The share of plan expenditure to total expenditure increased from 26 *per cent* in 2009-10 to 28 *per cent* in 2010-11.

Fifty two *per cent* of revenue expenditure constituted committed expenditure on salaries, pensions, interest payments and subsidies. Total subsidy of ₹ 6,303 crore was partial as it excluded implicit subsidy of around ₹ 2,280 crore during 2010-11.

Recommendation: Though the macro parameters upon which the quality of expenditure of the Government assessed show an improvement in quality, more focus is required on improving the outcomes of expenditure.

Since most of the subsidies are beneficiary orientated, screening of beneficiary is required to weed out ineligible and bogus beneficiaries so as to control the expenditure on subsidy reaching unsustainable level. Further, as per the recommendations of TFC, expenditure forming implicit subsidy may be brought out in Finance Accounts for transparency.

- ***Quality of expenditure***

The share of capital expenditure to total expenditure during the current year (22 *per cent*) remained same as in the previous year. It included interest expenditure of ₹ 202 crore on off budget borrowings.

Funds aggregating ₹ 1,203 crore were blocked in incomplete projects as at the end of 2010-11.

The return from investment of ₹ 38,421 crore as of March 2011 in companies / corporations was negligible (₹ 43.47 crore). The investment included ₹ 20,085 crore (52 *per cent*) to companies/ corporations under perennial loss.

***Recommendation*:** The State Government should also review the working of State public sector undertakings incurring huge losses and work out either a revival strategy or close down such units.

The State Government should formulate guidelines for quick completion of incomplete projects and strictly monitor reasons for time and cost over runs with a view to take corrective action.

- ***Oversight of funds transferred directly from the Union to the State implementing agencies***

The Central Government transferred a sizeable quantum of funds (₹ 7,342 crore during 2010-11) directly to the State implementing agencies for implementation of Central plan schemes. Funds flowing directly to the implementing agencies through off-budget routing inhibit FRA requirements of transparency and therefore, escape accountability. There is no single agency monitoring its use and there is no readily available data on the amounts spent in any particular year on major flagship and other important schemes.

Recommendation: A system has to be put in place to ensure proper accounting of these funds and the updated information should be validated by the State Government as well as the Accountant General (Accounts & Entitlement).

➢ ***Assets and Liabilities***

Reserve funds of the State viz., corpus fund of Consumer Welfare Fund, Guarantee Redemption Fund, etc were not created / revived. No rules have been framed regarding administration of Fiscal Management Fund.

Recommendation: Rules with regard to administration and investment pattern of various reserve funds requires to be framed.

➢ ***Debt sustainability***

The repayment obligation of the State would increase from 2012-13 due to huge market borrowings under debt swap scheme during 2002-03 and 2004-05. Further, repayment would increase enormously in 2017-18 onwards also, due to huge market borrowings in 2008-10.

Recommendation: The Government should consider reviving the sinking fund as it would help the State to meet the sudden increase in the amount of debt servicing from 2013 onwards.

Financial Management and Budgetary Control

Chapter 2

2.1 Introduction

2.1.1 Appropriation Accounts are accounts of the expenditure, voted and charged, of the Government for each financial year compared with the amounts of the voted grants and appropriations charged for different purposes as specified in the schedules appended to the Appropriation Acts. These accounts list the original budget estimates, 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 charged and voted items of budget. Appropriation Accounts, thus, facilitate management of finances and monitoring of budgetary provisions and are, therefore, supplementary to Finance Accounts. The Karnataka Budget Manual contains the procedures for preparation of the estimates and budget, subsequent action in respect of the budget communication, distribution of grants, watching the progress of revenue and actuals and control over expenditure.

2.1.2 Audit of appropriation by the Comptroller and Auditor General (CAG) of India seeks to ascertain whether expenditure actually incurred under various grants is within the authorization given under the Appropriation Act and that the expenditure required to be charged under the provisions of the Constitution is so charged. It also ascertains whether the expenditure so incurred is in conformity with law, relevant rules, regulations and instructions.

2.2 Summary of Appropriation Accounts

The summarized position of actual expenditure during 2010-11 against 29 grants/appropriations is given in **Table 2.1.**

Table 2.1: Summarised position of actual expenditure *vis-à-vis* original/supplementary provision

(₹ in crore)

Nature of expenditure		Original grant/ appropriation	Supplementary grant/ appropriation	Total	Actual expenditure	Unspent provision
Voted	I Revenue	47,654.52	7,602.86	55,257.38	48,073.68	7,183.70
	II Capital	12,752.27	3,893.00	16,645.27	13,973.38	2,671.89
	III Loans and advances	1,334.44	1,213.29	2,547.73	1,762.77	784.96
Total Voted		**61,741.23**	**12,709.15**	**74,450.38**	**63,809.83**	**10,640.55**
Charged	IV Revenue	6,505.09	425.54	6,930.63	6,298.23	632.40
	V Public debt-repayment	3,812.89	0.00	3,812.89	2,807.13	1,005.76
Total Charged		**10,317.98**	**425.54**	**10,743.52**	**9,105.36**	1,638.16
Grand Total		**72,059.21**	**13,134.69**	**85,193.90**	**72,915.19**	**12,278.71**

Source: *Appropriation Accounts.*

The overall unspent provision of ₹ 12,278.71 crore was the result of unspent provision of ₹ 12,364.10 crore in 27 grants and eight appropriations under revenue section and 25 grants under capital section offset by excess expenditure of ₹ 85.39 crore over provision in two grants/appropriation under revenue section.

Article 266 (3) of the Constitution of India provides that "No moneys out of the Consolidated Fund of the State shall be appropriated except in accordance with the law and for the purposes and in the manner provided in the Constitution." This provision, read with Articles 202 and 205 culminate in the Appropriation Act after the demands for grants of the financial year are voted by the Legislative Assembly and the connected Appropriation Bill is passed by the Legislature and assented to by the Governor of the State. However, it was noticed that additional funds were released (more than ₹ 600 crore covering about 17 grants under revenue/capital section) through several executive orders for incurring expenditure not initially covered by the budget. According to Article 205(b) of the Constitution, if any money has been spent on any service during a financial year in excess of the amount granted for that service for that year, a demand of such excess showing the estimated amount of that expenditure is presented. However, in the above cases no such statements were placed before the Legislature. These expenditures were met through provisions as if it was a case of obtaining budget before incurring the expenditure.

2.3 Financial accountability and budget management

2.3.1 Appropriation vis-à-vis allocative priorities

There were 24 cases of unspent provision, each exceeding ₹ 100 crore and above under 19 grants/appropriation, which aggregated to ₹ 11,478.28 crore during 2010-11. Large unspent provision were in areas like urban development, water resources, debt servicing, public works, finance, agriculture and horticulture, energy, etc., as indicated in **Table 2.2**.

Table 2.2: Grants/appropriations with unspent provision of ₹ 100 crore and above

(₹ in crore)

Sl. No.	Grant	Provision			Expenditure	Unspent provision
		Original	Supple-mentary	Total		
1	01 – Agriculture and Horticulture Revenue-Voted	2,065.60	118.34	2,183.94	1,442.12	741.82
2	02 – Animal Husbandry and Fisheries Revenue-Voted	799.19	144.83	944.02	775.77	168.25
3	03 – Finance Revenue-Voted	6,128.07	2,017.94	8,146.01	5,220.22	2,925.79
4	05-Home and Transport Revenue-Voted Capital-Voted	2,415.67 406.31	222.95 5.00	2,638.62 411.31	2,460.13 305.64	178.49 105.67
5	06 – Infrastructure Development Capital-Voted	680.33	70.00	750.33	584.04	166.29
6	07 – Rural Development and Panchayat Raj Revenue-Voted Capital-Voted	2,093.25 1,466.74	280.76 552.33	2,374.01 2,019.07	1,844.07 1,756.81	529.94 262.26
7	10-Social Welfare Revenue-Voted	2,391.73	229.67	2,621.40	2,504.40	117.00
8	11-Women and Child Development Revenue-Voted	1,715.00	235.41	1,950.41	1,688.50	261.91
9	14 – Revenue Revenue-Voted	2,717.90	706.67	3,424.57	3,028.26	396.31
10	16-Housing Capital-Voted	124.72	0.00	124.72	24.72	100.00
11	17 - Education Revenue-Voted	10,329.89	722.56	11,052.45	10,612.57	439.88

12	18 – Commerce and Industries Capital-Voted	105.32	293.04	398.36	248.73	149.63
13	19 – Urban Development Revenue-Voted Capital-Voted	4,551.39 1,510.50	42.07 986.04	4,593.46 2,496.54	4,070.60 1,979.71	522.86 516.83
14	20 – Public Works Revenue-Voted	1,311.51	337.21	1,648.72	1,454.12	194.60
	Capital-Voted	2,050.53	995.37	3,045.90	2,542.64	503.26
15	21 – Water Resources Capital-Voted	5,060.30	545.16	5,605.46	4,742.41	863.05
16	22 – Health and Family Welfare Services Revenue-Voted	2,274.42	120.39	2,394.81	2,281.65	113.16
17	23 – Labour Revenue-Voted	461.10	6.83	467.93	318.51	149.42
18	24 – Energy Capital-Voted	679.67	1,165.15	1,844.82	1,453.71	391.11
19	29 – Debt Servicing Revenue-Charged Capital-Charged	6,316.00 3,812.89	--- ---	6,316.00 3,812.89	5,641.01 2,807.13	674.99 1,005.76
	Total	**61,468.03**	**9,797.72**	**71,265.75**	**59,787.47**	**11,478.28**

Source: *Appropriation Accounts.*

Major heads of account under which the unspent provision was more than ₹ 25 crore in 20 grants / appropriations are detailed in **Appendix 2.1.** The PAC in its 13th report submitted to the Legislature (December 2011), has observed that in order to have control over provision/expenditure, unutilized provision should be surrendered as and when it comes to the notice of the grant controlling authority and that specific instructions is required to be issued in this direction.

The reasons furnished by 13 departments for unspent provision under a few major heads of account as reported in Appropriation Accounts are given below:

Agriculture and Horticulture

- Unspent provision of ₹ 10.68 crore under major head '2401' – Crop Husbandry, was due to non-identification of beneficiaries under Supply of seeds and other inputs – Special Component Plan.
- Unspent provision of ₹ 18.20 crore under the major head '2401' - Crop Husbandry – Micro Irrigation – Other expenses, was due to release of grants at the end of the financial year and delay in identification of beneficiaries.
- Unspent provision of ₹ 200.00 crore under the major head '2401' - Crop Husbandry – Subsidies, was due to non-claiming of subsidy on interest by farmers.

Animal Husbandry and Fisheries

- Unspent provision of ₹ 45.73 crore under major head '2403' – Animal Husbandry was due to non-release of funds by the Government under Rashtriya Krishi Vikasa Yojane – Grants-in-aid.

Finance

- Unspent provision of ₹ 850 crore was under major head '2070' – Other Administrative Services – Other expenditure – Filling of vacant posts. The State Government replied (November 2011) that lump sum provision was provided as the expenditure on filling of new/vacant post cannot be estimated at the commencement of the financial year. Need arises to provide additionalities in other demands when posts are filled up. A token demand would result in over estimation of budgetary balances. The reply is not acceptable for the reason that there had been persistence savings over the six years under this head. Also the PAC in its Report (December 2011), had recommended that provision of funds should be scientific and need based and cases of unutilized provision should be reduced.

- Unspent provision under major head '2071' –Pensions and Other Retirement Benefits –Civil–Commuted value of Pensions–Other payments (₹ 276.34 crore), Gratuities –Other Gratuities –Karnataka (₹ 202.24 crore), Family pension –Other family pension –Karnataka (₹ 86.24 crore), Pension of Employees of Local Bodies – Payments to Municipal Employees (₹ 35.84 crore), Leave Encashment Benefits – General Services (₹ 43.66 crore), Leave Encashment Benefits – Social Services (₹ 52.10 crore), Government contribution for Defined Contribution Pension Scheme (₹ 174.52 crore) was due to less number of pension, DCRG and leave encashment claims. The unspent provision under major head '3475' –Other General Economic Services –Other expenditure – Augmenting of Infrastructure Initiative Fund (IIF) – Infrastructure Initiative Fund (₹ 1,350.00 crore) was surrendered. The department stated that the unspent provision was due to the position of revenue receipts at the end of the year. However, it was noticed that the year 2009-10 ended with revenue surplus of ₹ 1,619.00 crore and the transfer to the fund was ₹ 2,100.00 crore. During the current year the revenue surplus was ₹ 4,172.00 crore and the transfer to the fund was only ₹ 650.00 crore. Considering the growth rate in revenue surplus (158 *per cent*), the transfer to the fund should have been at least to the extent of the budget provided.

Home and Transport

- Unspent provision of ₹ 62.43 crore under major head '2055' – Police was due to non-finalization of tenders under – Modernisation of Police Force – Modernization.

- Unspent provision of ₹ 18.75 crore under major head '4055' – Capital outlay on Police was due to non-receipt of administrative sanction from the Government for construction of Police stations.

Rural Development and Panchayat Raj

- Unspent provision of ₹ 38.42 crore under major head '2515' –Other Development Programmes –Assistance to Taluk Panchayats –Taluk Panchayats –CSS/CPS was due to non-incurring of expenditure under Twelfth Finance Commission Grants during 2010-11.

- Unspent provision of ₹ 134.46 crore under major head '2515' –Other Development Programmes –Assistance to Grama Panchayats –Grama Panchayats –CSS/CPS was due to non-incurring of expenditure under Twelfth Finance Commission Grants during 2010-11.

Revenue

- Unspent provision of ₹ 120.72 crore and ₹ 40.24 crore under major head '2245' –Relief on Account of Natural Calamities –State Disaster Reserve Funds and Deposit Account –State Disaster Response Fund -Central share to Calamity Relief Fund and State Share to Calamity Relief Fund was due to supplementary provision for a similar amount obtained under -Central share to State Disaster Response Fund and State Share to State Disaster Response Fund against which the expenditure representing the transfer by book adjustment was accounted. Provision was also made in the original estimate for similar amount. The State Government stated that the original provision should have been surrendered by the department. The reply is not acceptable for the reason that the provision was already made in the original estimate for book transfer. Further, it was sufficient if a correction through errata to carry out the book adjustment under the correct head of account was made. However, the Finance Department erred in getting the proposal approved through the supplementary estimates.

Education

- Unspent provision of ₹ 55.17 crore under the major head '2202'- General Education was due to non-finalisation of tender process for distribution of bicycles for 2010-11.

Urban Development

- Unspent provision of ₹ 245.00 crore was under the major head '2217' – Urban Development – Other Urban Development Schemes – Assistance to Local Bodies, Corporations, Urban Development Authorities, Town Improvement Board, Bangalore Metropolitan Regional Development Authority, pertaining to various Externally Assisted Projects (EAP) etc.,

- Unspent provision of ₹ 100.00 crore under the major head '2217'- Urban Development, was due to shortfall in release of Central share under – Basic Urban Service Programme – Urban Infrastructure and Governance – Other expenses.

- Unspent provision of ₹ 110.00 crore under the major head '2217'- Urban Development was due to shortfall in release of Central share under – Sub-Mission for Basic Services for Urban Poor.

- Unspent provision of ₹ 30.00 crore under major head '2217'- Urban Development, was due to shortfall in release of Central share under Urban Infrastructure Development Scheme for Small and Medium Town (UIDSSMT) – Special Component Plan.

Public Works

- Unspent provision of ₹ 50.00 crore under major head '5054' – Capital outlay on Roads and Bridges was due to shortfall in progress of works under – Renewal of State Highways.
- Unspent provision of ₹ 55.00 crore under major head '5054' – Capital outlay on Roads and Bridges was due to shortfall in progress of works under District Roads – Suvarna Rasthe Vikasa Yojane - Roads.

Water Resources

- Unspent provision of ₹ 136.00 crore under major head '4701' – Capital outlay on Medium Irrigation was due to non-implementation of Upper Krishna Project as per – Krishna Water Dispute Tribunal (KWDT).

Health and Family Welfare Services

- Unspent provision of ₹ 16.48 crore under major head '2210' –Medical and Public Health –Urban Health Services –Allopathy –Medical Stores Depots -Government Medical Stores, Bangalore was due to non-finalisation of tenders for purchase of drugs and chemicals.

Energy

- Unspent provision of ₹ 126.44 crore under major head '6801' –Loans for Power Projects –Other Loans to Electricity Boards –Loans to Karnataka Power Transmission Corporation Limited (KPTCL) was due to the provision of supplementary grants under this head, whereas the release was made under major head 4801–Capital Outlay on Power Projects – Hydel Generation –Investments in Public Sector and other Undertakings – Investments in Power utility –Investments. The State Government replied that it was mentioned at the time of obtaining supplementary estimates (July 2010) that the capital expenditure would be converted into loan at a later date and orders in this regard were issued in September 2010 for necessary adjustments. The reply of the State Government is not acceptable as there was no mention in the supplementary estimates and in the orders issued for conversion of capital expenditure (equity) into loan. Further, the order was silent with regard to such an adjustment in the order portion giving necessary instructions to the Principal Accountant General (A&E) to carry out such an adjustment in the books of accounts of the State Government.

Debt Servicing

- Unspent provision of ₹ 1000.00 crore and ₹ 350.00 crore under major head '6003' – Internal Debt of the State Government was due to non-availing of Ways and Means Advances and Overdraft from the Reserve Bank of India (RBI) during the year. It was stated by the Finance Department (November 2011) that Ways and Means Advance and Over Draft facility were available for overcoming the temporary mismatch if any in managing finances in the course of the year. The provisions under these heads were made taking into consideration the cash balance position. Government could not anticipate the number of days on which Government needed

Ways and Means Advance or Over Draft. Considering the overall size of the budget, Government needs to provide for any eventuality that may arise during the course of the year. There is no need to make a token provision as the repayment of Ways and Means or Over Draft does not attract New Service Criteria as per Order FD 10 BUD 84, dated 16th October 1987. It may also be stated that a matching amount is provided under receipt side also thus making it a budget neutral provision. The reply of State Government is not acceptable for the reason that the provision of fund should be made as accurately as possible and that in the present case the State Government had not availed any Ways and Means Advances/Over Draft facility from RBI for the past six years. The contention that it does not attract the criteria of new service is not relevant. The position of cash balance at the end of each day is made known to the Government by the RBI. If there were cases of availment of Ways and Means Advance/Over Draft on any particular day/days, the same should be brought before the Legislature through supplementary grant for their approval and clearance of the same by bringing the transactions to the proper heads of account.

2.3.2 Unspent provision due to non / late receipt of funds/sanctions

There was unspent provision aggregating ₹ 799.53 crore in 63 cases relating to ten grants due to non / short / late release of funds and non / late receipt of sanctions from the Government **(Appendix 2.2).**

2.3.3 Persistent unspent provision

In three grants, there was persistent unspent provision of more than ₹ 100 crore in each case during the last five years, as detailed in **Table 2.3.**

Table 2.3: Persistent unspent provision

(₹ in crore)

Sl. No	Major head	Year				
		2006-07	2007-08	2008-09	2009-10	2010-11
1	***03 –Finance (Revenue-Voted)***	***2,297.35***	***228.53***	***854.49***	***1,731.17***	***2,925.79***
	2070-800-11 Filling up of vacant posts (District Sector)	111.99	110.73	450.00	400.00	850.00
2	***19 –Urban development (Revenue-Voted)***	***1,092.32***	***1,194.95***	***1,608.50***	***1,248.07***	***522.86***
	2217-05-191-1 Bangalore Metropolitan Regional Development Authority	195.00	319.24	503.45	577.40	245.00
3	***29 –Debt servicing (Capital-Charged)***	***555.02***	***1,320.70***	***1,379.28***	***1,374.74***	***1,005.76***
	6003-110-1 Clean and Secured Ways and Means Advances	1,000.00	921.87	1,000.00	1,000.00	1,000.00
	6003-110-2 Overdraft with Reserve Bank of India	350.00	350.00	350.00	350.00	350.00

***Source:** Appropriation Accounts.*

The Government replied (November 2011) that the reasons for saving of ₹ 237.60 crore under demand number 19 was on account of the fact that the expenditure on these projects was not on targeted lines.

2.3.4 Excess expenditure

In three cases, expenditure in excess of ₹ 25 crore of the budget provision was incurred under two major heads of account pertaining to two grants. (**Appendix 2.3**).

2.3.5 Persistent excess expenditure

Persistent excess expenditure over provision was incurred under three major heads of account pertaining to two grants during the last five years (**Appendix 2.4).**

2.3.6 Expenditure without provision

An expenditure of ₹ 44.17 crore was incurred in 8 cases under 6 grants without provision. The reasons for the same are detailed in **Appendix 2.5**. Of the eight cases listed in the Appendix, in two cases (Sl. No. 5 and 7) it was replied that provision of ₹ 20 crore made under loan section was subsequently obtained under the revenue section through supplementary demand as re-appropriation was not permissible between capital and revenue heads. The reply is not acceptable for the reason that no supplementary provision was obtained under revenue section to account the expenditure and it is commented in appropriation accounts that it was a case of expenditure without provision. In respect of ₹ 22.54 crore under Externally Assisted Project loan, it was stated that the outstanding loan from GOI had to match with the books of Pay and Accounts Office and that the adjustment could not be postponed for want of funds as the time limit for obtaining the supplementary grant was also over. The reply is not acceptable for the reason that it deals with the clearance of the amount as reflected in the books of RBI on the receipt side. For clearing the transaction under the expenditure side, provision could have been made based on the daily transactions details brought out by the RBI and intimated to the State Government.

Excess expenditure requiring regularisation

As per Article 205 of the Constitution of India, it is mandatory for a State Government to get the excess over a grant/appropriation regularized by the State Legislature. Although no time limit for regularization of expenditure has been prescribed under the Article, the regularization of excess expenditure is done after the completion of discussion of the Appropriation Accounts by the Public Accounts Committee.

2.3.7 Excess over provision relating to previous years

Mention was made in the Report of the Comptroller and Auditor General of India on State Finances for the year ended 31 March 2010 (paragraph no. 2.3.7 and 2.3.8) regarding the excess expenditure requiring regularisation aggregating ₹ 9,489.61 crore for the years 1989-90 to 2009-10.

On the basis of the reply furnished by the Finance Department in respect of appropriations coming in its control, the Public Accounts Committee on consideration of the explanation recommended regularization of the expenditure of ₹ 4,781.72 crore in its Report No. 10/XIII submitted to the State Legislative Assembly/Legislative Council on13 January 2011 as detailed in **Table 2.4.**

Table: 2.4: Excess over provision relating to previous years

(₹ in crore)

Sl. No.	Grant/Appropriation	Year	Amount
1	Internal Debt, Loans and Advances from Central Government and Inter State Settlements	1993-94	49.53
2	55	2002-03	1,078.50
3	29	2003-04	1,998.94
4	29	2004-05	1,654.75
Total			**4,781.72**

In accordance with the constitutional requirement, an Act has been since passed (Act No. 4 of 2012) where the expenditure of ₹ 4,781.72 crore has been regularized. The balance amount required to be regularised aggregated ₹ 4,707.89 crore **(Appendix 2.6)**.

In respect of the balances of excess expenditure to be regularized under various grants/appropriation for the period 1989-90 to 2009-10, the same has been discussed by the Public Account Committee and recommendations are awaited.

2.3.8 Excess over provision during 2010-11

Details of excess expenditure of ₹ 85.39 crore incurred against two grants/ appropriation during 2010-11, required to be regularised are given in **Table 2.5.**

Table 2.5: Excess expenditure over provision requiring regularization during 2010-11

(Amount in ₹)

Sl. No.	Grant		Provision	Expenditure	Excess
1.	08	Forest, Ecology and Environment (Revenue-Charged) (Capital –Voted)	5,00,14,04,000 3,99,40,000	5,57,31,77,044 4,03,99,834	57,17,73,044 4,59,834
2.	27	Law			
		(Revenue –Voted)	3,96,16,93,000	4,24,33,99,076	28,17,06,076
Total			**9,00,30,37,000**	**9,85,69,75,954**	**85,39,38,954**

Source: Appropriation Accounts.

- The excess under Grant No. 8 – Forest, Ecology and Environment was on account of the realisation of more revenue than anticipated under Forest Development Tax and receipts from Compensatory Plantations to the Karnataka Forest Development Fund and receipts from Sanctuaries to the Protected Area Management Fund to the fund heads in Public Account which was more than the amount provided for such transfers. Supplementary provision of ₹ 410.00 crore was provided during the year under Transfer of Forest Development Tax to Karnataka Forest Development Fund – Inter Account Transfers. Further, there was excess under 'Transfer of Receipts' from Compensatory Plantation to Karnataka Forest Development Fund – Inter Account Transfer, as there was no provision under the head. The excess could have been avoided if sufficient funds were made available through supplementary provisions.

- Excess under Grant No. 27-Law was due to the excess expenditure under salaries for payment of salary and arrears of dearness allowance as per the recommendations of the First National Judicial Pay Commission Report.

2.3.9 New service/New instrument of service

Article 205 of the Constitution provides that expenditure on a 'New Service' not contemplated in the Annual Financial Statement (Budget) can be incurred only after its specific authorisation by the Legislature. The Government has issued orders based on recommendations of Public Accounts Committee laying down various criteria for determining items of 'New Service/New Instrument of Service'. These, *inter alia*, stipulate that the expenditure over the grant / appropriation exceeding twice the provision or Rupees one crore, whichever is more, should be treated as an item of 'New Service'.

In 21 cases involving 10 grants, expenditure totaling ₹ 282.64 crore which should have been treated as 'New Service/New Instrument of Service' was incurred without the approval of the Legislature **(Appendix 2.7)**. It was replied that excess occurring under various components of salaries does not constitute new service for the reason that salary itself is an object head and include components like pay and allowances in all forms of personnel. The reply is not acceptable for the reason that all the components of salary have been assigned a three digit object head code where budget is provided. The comparison of the expenditure which invokes the criteria to fix for new service is made at this level. With regard to excess under major head 2202 – General Education, it was replied that new service was on account of creation of new posts in the new educational institutes not covered in Appendix - B[1]. In respect of major head 2851 – Village and Small Industries, reply stated that it was on account of transfer of actual license fee and market fee collected during the year to the fund head.

Supplementary Provision

Supplementary provision (₹ 13,134.69 crore) made during the year constituted 18 *per cent* of the original provision (₹ 72,059.21 crore) which was less than the previous year.

2.3.10 Unnecessary supplementary provision

Supplementary provision of ₹ 333.28 crore made under 31 detailed / object heads relating to eight out of 14 test checked grants proved unnecessary **(Appendix 2.8).**

2.3.11 Excessive supplementary provision

Supplementary grant of ₹ 4,072.50 crore obtained under 40 detailed heads relating to 12 out of 14 test checked grants proved excessive resulting in unutilised provision of ₹ 1,964.33 crore **(Appendix 2.9).**

2.3.12 Inadequate supplementary provision

Supplementary provision of ₹ 158.21 crore obtained under three detailed heads relating to two out of 14 test checked grants proved inadequate leaving uncovered excess expenditure of ₹ 76.00 crore **(Appendix 2.10).** The State Government in its reply stated that it was well within the provision provided with respect to head of account 2235-60-001-0-02. However, the comment on inadequate supplementary provision is at the object head – 2235-60-001-0-02-059, where the

[1] Details the salary expenditure *vis-a-vis* number of post.

supplementary provision of ₹ 150 crore obtained proved inadequate leaving an expenditure of ₹ 72.85 crore uncovered.

Re-appropriation of funds

A grant or appropriation for disbursements is distributed by 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 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.

2.3.13 Injudicious re-appropriation of funds

In 60 cases, re-appropriation of funds was made injudiciously resulting either in un-utilised provision or excess over provision of more than ₹ 25 lakh in each case (**Appendix 2.11**).

- In 22 cases, additional funds of ₹ 99.32 crore provided through re-appropriation proved insufficient as the final expenditure exceeded the provision by ₹ 49.77 crore.
- In 18 cases, the un-utilised provision was not properly assessed as even after the withdrawal of ₹ 139.54 crore through re-appropriation, ₹ 181.67 crore remained un-utilised.
- In 17 cases, additional funds of ₹ 130.55 crore provided by re-appropriation resulted in overall un-utilised provision of ₹ 51.93 crore and the re-appropriation made was unnecessary.
- In three cases, withdrawal of ₹ 277.71 crore through re-appropriation resulted in final expenditure exceeding the net provision by ₹ 2.75 crore.

2.3.14 Defective re-appropriation

During 2010-11, 366 re-appropriation orders for an amount of ₹ 2,635.11 crore were issued of which 30 re-appropriation orders for ₹ 342.58 crore were not considered in accounts as they violated the provisions of Article 309,312 and 315(a) of the Karnataka Financial Code which stipulates the conditions under which, the re-appropriation cannot be done (**Appendix 2.12**).

Surrender of unspent provision

Spending departments are required to surrender the grants/appropriations or a portion thereof to the Finance Department as and when the unspent provision is anticipated.

2.3.15 Unspent provision not surrendered

In the case of nine grants/appropriations, the entire unspent provision aggregating ₹ 1,224.09 crore was not surrendered **(Appendix 2.13).**

Further, in the case of 28 grants/appropriations, there was only partial surrender and around 57 *per cent* (₹ 6,037.42 crore) of the total unspent provision (₹ 10,506.07 crore) was not surrendered. Details are given in **Appendix 2.14.**

Besides, in 24 grants where surrender of funds was in excess of ₹ five crore, ₹ 6,188.83 crore were surrendered on the last two working days of the financial year indicating inadequate financial control (**Appendix 2.15).**

2.3.16 Substantial surrenders

Out of the total provision of ₹ 3,981.82 crore in 33 cases, ₹ 3,266.97 crore (82 *per cent*) were surrendered, which included cent *per cent* surrenders in 17 cases (₹ 1,572.51 crore). Illustrative cases are given in **Appendix 2.16.** These surrenders were stated to be due to non-receipt or late receipt of sanctions from Government, non-receipt of claims/bills, non-finalization of contracts, economy measures etc.

2.4 Contingency Fund

The Contingency Fund of the State has been established under the Contingency Fund Act, 1957 in terms of provisions of Articles 267 (2) and 283 (2) of the Constitution of India. Advances from the fund are to be made only for meeting expenditure of an unforeseen and emergent character, postponement of which till its authorization by the Legislature would be undesirable. The fund is in the nature of an imprest and its corpus is ₹ 80 crore. Funds drawn out of Contingency Fund are subsequently recouped to the fund through supplementary provisions.

During 2010-11, 15 sanctions aggregating ₹ 60.55 crore were issued. A review of the operations of the Contingency Fund disclosed the following;

- Two sanctions, one for ₹ 0.16 crore under '2408' and one for ₹ 2.50 crore under '3456', were not acted upon.
- In respect of one sanction for ₹ 1.00 crore under '2235' only ₹ 0.39 crore was utilised (39 *per cent*).
- Out of ₹ 2.47 crore sanctioned under '2515', the amount withdrawn was ₹ 2.66 crore. Hence, there was an excess utilisation of ₹ 0.19 crore (eight *per cent*).
- In four other cases, sanction was issued for ₹ 12.53 crore and the amount drawn was also ₹ 12.53 crore. No part of the amount drawn was recouped during the year 2010-11. However, in the supplementary estimates, first installment for the year 2011-12, these cases have been brought before the Legislature for recoupment / regularisation.

2.5 Errors in budgeting

Errors in budgeting of ₹ 20.32 crore due to provision made under voted section instead of charged under revenue / capital heads were noticed. Further, errors in budgeting of ₹ 381.43 crore due to supplementary provision made under a different grant instead of providing grants where original budget was made, classification of expenditure under subsidies while the expenditure represented Information Technology for Public Distribution System/Modernisation, provision for interest payments being made on loans matured during 2009-10, unnecessary provision (₹ 160.96 crore) made to account for the transfer of grants received from Government of India under State Disaster Response Fund together with the States' contributions, refund of tax being treated as an expenditure of the Government were noticed (**Appendix 2.17**). Out of nine cases pointed out in audit, State Government replied that in respect of one case (Grant No. 18 - ₹ 60.31 crore) reimbursement of tax to M/s BEML was not based on any provision of the Karnataka Value Added Tax Act. Therefore, this payment through reduction in revenue itself, as suggested by the Audit, would have exceeded the mandate given to the Government under the Act. This reimbursement was done as an industrial promotion measure. Specific approval of the Legislature was obtained for this expenditure in order to ensure transparency in the accounts.

2.6 Outcome of review of selected grants

A review of budgetary procedures followed and expenditure controls exercised in respect of three selected grants revealed the following;

2.6.1 Grant 20 – Public Works

The Public Works, Ports and Inland Water Transport Department (PWP&IWTD) is entrusted with construction and maintenance of roads, bridges and buildings which are critical components for infrastructural development of the State.

2.6.1.1 Budget and Expenditure

Table: 2.7 - Budget and Expenditure

(₹ in crore)

Year	Budget provision		Actual disbursement		Savings (%)	
	Revenue	Capital	Revenue	Capital	Revenue	Capital
2008-09	1,657.28	3,385.64	1,343.25	2,326.74	314.03 (19)	1,058.90(31)
2009-10	1,343.12	3,173.25	1,098.22	2,655.92	244.90 (18)	517.33(16)
2010-11	1,648.72	3,045.90	1,454.12	2,542.64	194.60 (12)	503.26(17)

It is seen from the table that the deviation from the budget has come down from 19 *per cent* in 2008-09 to 12 *per cent* during the year under revenue section while it has come down from 31 *per cent* to 17 *per cent* under capital section.

According to the provisions contained in paragraph 86 of the Karnataka Budget Manual, 1975, the estimates of expenditure is required to be prepared on gross basis. The provision under the grant includes expenditure which are initially debited to the Consolidated Fund and later transferred to fund heads in the Public Account. It was seen in audit that out of gross estimates (2010-11) the recoveries required to be adjusted in accounts in reduction of expenditure were indicated as ₹ 417.11 crore under revenue section and ₹ 236.20 crore under capital section against which the actual adjustments made in accounts were ₹ 83.03 crore under revenue section and ₹ 80.46 crore under capital section. The short adjustments related to certain fund heads, adjustments under suspense etc.

2.6.1.2 Surrender of savings

Paragraph 264 of Karnataka Budget Manual (KBM) and Article 314 of Karnataka Financial Code (KFC) provide that all savings anticipated by the controlling officers should be reported by them with full details and reasons to the Finance Department (FD) immediately after these are foreseen. Savings should also not be held in reserve for any possible future excess. Test check revealed that contrary to this provision the department surrendered the savings on the last day of the financial years in all the three years under review from 2008-11 as detailed in the **Table 2.8**.

Table 2.8: Surrender of Savings

(₹ in crore)

Year	Savings		Amount surrendered		Amount not surrendered (%)		Date of surrender
	Revenue	Capital	Revenue	Capital	Revenue	Capital	
2008-09	314.03	1058.90	0.12	Nil	313.91(99.96)	1,058.90(100)	31.3.2009
2009-10	244.90	517.33	7.35	33.21	237.55(97.00)	484.12(93.58)	31.3.2010
2010-11	194.60	503.26	5.77	1.73	188.83(97.03)	501.53(99.66)	31.3.2011

2.6.1.3 Unnecessary supplementary grants

Departments are required to ensure that the Supplementary Grants were obtained in emergent cases only. The supplementary demands should be restricted and confined to genuine unforeseen expenditure which could not be envisaged at the time of preparation of Annual Budget or to meet requirements of decisions or development which have taken place after the approval of the budget i.e. post budget decisions and not for continuing schemes and programmes.

Audit scrutiny of the Appropriation Accounts for the year 2010-11 revealed that, in one case, supplementary provision of ₹ 0.10 crore proved unnecessary as detailed in **Table 2.9**.

Table 2.9: Unnecessary Supplementary Grants

(₹ in crore)

Head of account	Provision		Expenditure	Unspent provision	Remarks
	Original	Supplementary			
2070-00-114-0-01-200 - Maintenance	17.94	0.10	15.22	2.82	Supplementary provision was obtained due to inadequacy of original provision.

2.6.1.4 Excessive supplementary provision

Supplementary grant of ₹ 313.73 crore obtained proved excessive resulting in unutilized provision of ₹ 22.31 crore which is detailed in **Table 2.10**.

Table 2.10: Excessive supplementary provision

(₹ in crore)

Head of account	Provision		Expenditure	Unspent provision	Remarks
	Original	Supplementary			
2059-80-001-0-05-011 Dearness Allowance	21.82	4.93	23.60	3.15	A sum of ₹ 2.95 crore was re-appropriated to other heads.
3054-04-337-1-09-172 Roads	200.00	250.00	447.42	2.58	Supplementary grant was obtained due to inadequate provision
4059-80-051-0-29-386 Construction	65.00	28.80	93.68	0.12	------
4059-80-051-0-32-386 Construction	10.00	30.00	23.54	16.46	Supplementary grant was obtained due to inadequate provision
Total	**296.82**	**313.73**	**588.24**	**22.31**	

2.6.1.5 Formulation of Budget

Paragraphs 88 and 134 of KBM provide that the Chief Engineer (CE) should consolidate estimate of works received from estimating officers of the department/other heads of departments and forward the list of works after arranging them as per major heads to FD within the prescribed due date (26 November) for inclusion in the budget estimates of the forthcoming year. The

FD, after scrutinizing the estimates, should get Appendix E[2] printed before the due date (10 February) and circulate it among the implementing officers not later than end of April after the passing of the budget by the Legislature.

Scrutiny of records made available to audit revealed that both CEs belatedly submitted (May/June 2010) the list of works to the FD. The delay in submission of proposals ranged up to 188 days during 2010-11, leading to a delay in approval of Appendix-E (December 2010).

On this being pointed out, the Secretary, PWP&IWTD confirmed (September 2011) the above fact of delay and further stated that the same was unavoidable under the present people friendly budget. Submitting the list of works before budget approval may be technically not possible and Appendix works would be prepared based on budget allocation. The reply is not in conformity with rules for preparation and approval of budget.

2.6.1.6 Inclusion of new works without obtaining administrative/technical sanction

Paragraphs 132 and 134 of KBM provides that the CEs should ensure that new major works which are administratively approved and technically sanctioned are only included in the budget estimates. However, during 2010-11, out of the 4,729 works (budget estimate of ₹ 4,863.98 crore) 2,282 works constituting 48 *per cent* (budget estimate of ₹ 1,719 crore), which were not administratively approved and technically sanctioned, were proposed and included in the budget estimates for which no reasons were on record. On this being pointed out, it was replied that only after budget provision and scrutiny of Appendix-E by the FD, administrative approval and technical sanction would be given to fresh works included in Appendix-E. The reply is not acceptable in view of the rule provisions stated above.

2.6.1.7 Replacement/alteration of the works included in Appendix-E

As per Paras 134, 191 to 194 of KBM, the requirement of funds for executing major works are compiled in Appendix-E which, after approval, are taken for execution. Test check of records made available to audit, it was noticed that 17 number of works amounting to ₹ 18.88 crore included in Appendix E, were replaced by other works, split up into two works, etc., without the approval of FD.

The Secretary, PWP&IWTD also stated that the works were changed as per the proposals submitted to Government by Members of Legislative Assembly to take up urgent works. It is also stated that the modified works are taken up without altering the original budget provision sanctioned which was within the power of the department for controlling expenditure against the annual grants. The reply is not tenable since financial rules do not confer any power to the administrative department to change/alter/modify the list of works approved by Legislature.

[2] Details of Works Expenditure

On this being pointed out, the FD replied (September 2011), that the above cases of deviations from the approved list of works made by PWP&IWTD have not been brought to the notice of FD for ratification during the period .

2.6.1.8 Persistent savings

Scrutiny of Appropriation Accounts revealed persistent savings during 2008-11 under the heads of accounts detailed in **Table 2.11.**

Table 2.11: Persistent Savings

(₹ in crore)

Head of account	2008-09	2009-10	2010-11
2059-80-053-1-08-147 – Land and Buildings	0.49	2.00	0.96
2059-80-799-1-01-292 – Stock Debits	89.04	93.49	97.21
2059-80-799-1-02-293 – MPWA Debits	22.22	23.26	24.28
2216-01-700-1-01-261 – Inter Account Transfers	0.61	0.67	0.74
2216-01-700-5-01-261 – Inter Account Transfers	0.36	0.40	0.44
3054-03-102-0-01-200 – Maintenance	5.68	5.92	3.32
3054-03-337-0-01-059 – Other Expenses	0.10	0.11	0.11
3054-03-337-0-01-132 – Capital Expenses	0.11	0.11	0.12
4216-01-700-2-01-386 – Construction	18.63	20.97	18.22
4216-01-700-2-25-386 – Construction	15.00	3.81	15.00

The Department stated that the savings under the heads mentioned above were on account of paucity of funds, works executed by certain Companies/Corporations etc. The reply should be viewed in the light of the fact that care should have been exercised once the department came to know that the expenditure under these heads was not progressing as per the estimates.

2.6.2 Grant 3 – Finance

The Finance Department is responsible for overall management of the finances of the State which inter alia include mobilization of resources, budgeting, allocation of resources on specified objectives to various departments, control of flow of funds, maintenance of cash with the Reserve Bank etc. The provision of funds, expenditure and provision remaining unutilized during the years 2008-11 under revenue / capital are as shown in **Table 2.12**.

2.6.2.1 Budget and Expenditure

Table: 2.12 - Budget and Expenditure

(₹ in crore)

Year	Budget provision			Actual disbursement			Savings (%)		
	Capital	Revenue		Capital	Revenue		Capital	Revenue	
		Voted	Charged		Voted	Charged		Voted	Charged
2008-09	235.47	7,110.36	0.26	226.80	6,255.87	0.03	8.67(4)	854.49(12)	0.23(88)
2009-10	142.32	7,687.16	0.38	125.49	5,955.99	0.01	16.83(12)	1,731.17(23)	0.37(97)
2010-11	75.66	8,146.01	0.15	58.45	5,220.22	0.02	17.21(23)	2,925.80(36)	0.13(87)

It could be seen from the table that the deviation from the budget had gone up from four percent to 23 *per cent* under capital section, 12 *per cent* to 36 *per cent* under revenue voted grant and it ranged between 87 *per cent* and 97 *per cent* under revenue charged section during 2008-11.

According to the provisions contained in para 86 of the KBM, 1975, the estimates of expenditure was required to be prepared on gross basis. It was seen that out of the gross estimates (2010-11), the recoveries required to be adjusted in accounts as reduction of expenditure were indicated as ₹ 193.93 crore under revenue section against which the actual adjustment made in accounts was only ₹ 18.33 crore.

2.6.2.2 Surrender of savings

Paragraph 264 of KBM and Article 314 of KFC provide that all savings anticipated by the controlling officers should be reported by them with full details and reasons to the FD immediately after these are foreseen. Savings, should also, not to be held in reserve for any possible future excess. Test check revealed that contrary to this provision, the FD surrendered the savings on the last day of the financial years in all the three years under review from 2008-11 as detailed in **Table 2.13**.

Table 2.13: Surrender of savings

(₹ in crore)

Year	Savings			Amount surrendered			Amount not surrender			Date of surrender
	Capital	Revenue		Capital	Revenue		Capital	Revenue		
		Voted	Charged		Voted	Charged		Voted	Charged	
2008-09	8.67	854.49	0.23	8.51	38.34	Nil	0.16	816.15	0.23	31-03-2009
2009-10	16.83	1,731.17	0.37	Nil	32.81	Nil	16.83	1,698.36	0.37	31-03-2010
2010-11	17.21	2,925.80	0.13	17.17	2,437.67	nil	0.04	488.13	0.13	31-03-2011

2.6.2.3 Unnecessary supplementary grants

Departments were required to ensure that Supplementary Grants were obtained in emergent cases only. The supplementary demands should be restricted and confined to genuine unforeseen expenditure which could not be envisaged at the time of preparation of Annual Budget or to meet requirements of decisions or developments which have taken place after the approval of the budget i.e. post budget decisions and not for continuing schemes and programmes.

Audit scrutiny of the Appropriation Accounts for the year 2010-11 revealed that in four cases supplementary provision of ₹ 7.79 crore obtained proved unnecessary as detailed in **Table 2.14.**

Table 2.14: Unnecessary Supplementary Grants

(₹ in crore)

Head of account	Provision		Expenditure	Unspent provision	Remarks
	Original	Supplementary			
2040-00-101-0-00-011 Dearness Allowance	26.43	6.53	26.30	6.66	Supplementary provision was made to meet expenditure on hike in the rate of dearness allowances
2040-00-101-0-00-014 Other Allowances	15.31	0.52	8.22	7.61	No explanation was given while obtaining supplementary demand.
2071-01-104-2-05-251 Pension and Retirement Benefits	0.40	0.64	0.28	0.76	Due to retrospective revision of honorarium to ex-shanbhogs, additionality was obtained.
2071-01-200-0-02-251 Pension and Retirement Benefits	---	0.10	---	0.10	Supplementary provision was made to meet expenditure on pension of retired Chief Commissioner of State Information Commission.
Total	**42.14**	**7.79**	**34.80**	**15.13**	

2.6.2.4 Excessive supplementary grants

Supplementary grant of ₹ 2,050.54 crore obtained proved excessive resulting in unutilized provision of ₹ 1,361.42 crore which is detailed in **Table 2.15**.

Table 2.15: Excessive supplementary provision

(₹ in crore)

Head of account	Provision			Expenditure	Unspent provision	Remarks
	Original	Supplementary	Total			
2020-105-0-01-051 General Expenses	0.04	0.04	0.08	0.05	0.03	---
2040-00-001-0-01-003 Pay Staff	8.50	8.00	16.50	13.42	3.08	A sum of ₹2.30 crore was re-appropriated to other heads.
2040-00-001-0-01-071 Building Expenses	3.50	1.50	5.00	4.69	0.31	The unspent provision was surrendered
2071-01-104-0-07-251 Pension and Retirement Benefits	---	0.50	0.50	0.00	0.50	A sum of ₹ 10,000/- was accounted under this head.
3475-00-800-0-07-104 Contributions	---	2,000.00	2,000.00	650.00	1,350.00	The unspent provision was surrendered.
7465-00-800-0-01-394 Loans	---	40.50	40.50	33.00	7.50	The unspent provision was surrendered.
Total	**12.04**	**2,050.54**	**2,062.58**	**701.16**	**1,361.42**	

2.6.2.5 Formulation of Budget

Paragraph 83 of KBM prescribes that the budget estimates should be framed after a careful and thorough consideration of all items of expenditure so that they are neither inflated nor under-pitched and are as accurate as possible. Scrutiny of the estimates during 2008-11 revealed that the department had made provision under the following heads which resulted in their non-utilization. Necessary steps are required to be taken by the department to make the exercise more robust to eliminate inflated budgeting. Significant cases are as indicated in **Table 2.16**.

Table 2.16: Formulation of Budget

(₹ in crore)

Head of account	Budget Provision			Expenditure			Unutilised provision		
	2008-09	2009-10	2010-11	2008-09	2009-10	2010-11	2008-09	2009-10	2010-11
2052-00-090-0-21-059 General Expenses (Plan)	2.00	1.70	2.00	---	---	---	2.00	1.70	2.00
2052-00-800-0-02-102 Special Grants	---	---	2.50	---	---	---	---	---	2.50
2070-00-800-0-11-014 Other Allowances	---	400.00	850.00	---	---	---	---	400.00	850.00
2070-00-800-0-11-011 Dearness Allowance	200.00	---	---	---	---	---	200.00	---	---
2070-00-800-13-014 Other Allowances	615.00	---	---	---	---	---	615.00	---	---
2070-00-800-0-12-059 General Expenses	---	69.80	---	---	---	---	---	69.80	---
2070-00-800-0-13-014 Other Allowances	---	600.00	---	---	---	---	---	600.00	---
3475-00-800-0-07-104 Contributions	---	---	2,000.00	---	---	650.00	---	---	1,350.00
3475-00-797-0-08-104 Contributions	150.00	---	---	---	---	---	150.00	---	---

2.6.3 Grant 24 – Energy

The department of energy is responsible for watching the expenditure related to release of subsidy to electricity supply Companies and the investment of the Government in these Companies/Corporations.

2.6.3.1 Budget and Expenditure

Table 2.17: Budget and Expenditure

(₹ in crore)

Year	Budget provision		Actual disbursement		Savings (%)	
	Revenue	Capital	Revenue	Capital	Revenue	Capital
2008-09	2,438.59	1,496.00	1,952.84	1,436.63	485.75 (20)	59.37 (4)
2009-10	2,439.61	1,937.00	2,350.95	1,755.71	88.66 (4)	181.29 (9)
2010-11	4,484.46	1,844.82	4,455.61	1,453.71	28.85 (1)	391.11 (21)

It could be seen from the table that the deviation from the budget has come down from 20 *per cent* in 2008-09 to one percent during the year under revenue section while it has increased from four percent to 21 *per cent* under capital section.

According to the provisions contained in paragraph 86 of the KBM 1975, the estimates of expenditure are required to be prepared on gross basis. It was seen in audit that out of the gross estimates (2010-11) the recoveries required to be adjusted in accounts in reduction of expenditure were indicated as ₹ 1,000 crore under capital section against which the actual adjustment made in accounts was ₹ 38.71 crore resulting in short adjustment of ₹ 961.29 crore. The short adjustments related to certain fund adjustment heads.

2.6.3.2 Surrender of savings

Paragraph 264 of KBM and Article 314 of KFC provide that all savings anticipated by the controlling officers should be reported by them with full details and reasons to the FD immediately after these are foreseen. Savings, should also, not to be held in reserve for any possible future excess. Test check revealed that contrary to this provision, the department surrendered the savings on the last day of the financial years during 2009-11 as detailed in the **Table 2.18**.

Table 2.18: Surrender of savings

(₹ in crore)

Year	Savings		Amount surrendered		Amount not surrendered (%)		Date of surrender
	Revenue	Capital	Revenue	Capital	Revenue	Capital	
2008-09	485.75	59.37	nil	Nil	485.75 (100)	59.37 (100)	31.3.2009
2009-10	88.66	181.29	nil	175.00	88.66 (100)	6.29 (3)	31.3.2010
2010-11	28.85	391.11	5.09	173.56	23.75 (82)	217.55 (56)	31.3.2011

2.6.3.3 Unnecessary supplementary grants

Departments were required to ensure that the Supplementary Grants were obtained in emergent cases only. The supplementary demands should be restricted and confined to genuine unforeseen expenditure which could not be envisaged at the time of preparation of Annual Budget or to meet requirements of decisions or development which have taken place after the approval of the budget i.e. post budget decisions and not for continuing schemes and programmes.

Audit scrutiny of the Appropriation Accounts for the year 2010-11 revealed that in the following cases supplementary provision proved unnecessary as detailed in **Table 2.19.**

Table 2.19: Unnecessary supplementary grants

(₹ in crore)

Head of account	Provision		Expenditure	Unspent provision	Remarks
	Original	Supplementary			
2801-80-800-1-03 – Bio-fuel Scheme	0.50	0.02	Nil	0.52	Saving was noticed under all the object heads. Supplementary provision was obtained to meet expenditure on hike in the rates of DA an HRA. However, there was saving of the entire provision.
2810-02-101-0-01-059 – Other Expenses	nil	2.00	nil	2.00	Amount was provided towards State energy conservation fund as per the guidelines issued by MNRE in order to implement sector specific energy conservation/saving plan.
6801-00-800-1-02-394-Loans	nil	126.44	nil	126.44	Supplementary provision was obtained towards loan for acquisition of land to PCKL for the Gulbarga Power Project, Jeevargi. Provision remained unutilized due to release of the said amount under capital outlay on power projects – hydel generation- investments in PSU and other undertakings – investments in power utility – investments.

2.6.3.4 Inadequate supplementary grants

Supplementary grant of ₹ 0.20 crore obtained proved inadequate resulting in excess expenditure of ₹ 1.28 crore under the following heads as detailed in **Table 2.20.**

Table 2.20: Inadequate supplementary provision

(₹ in crore)

Head of account	Provision			Expenditure	Excess uncovered
	Original	Supplementary	Total		
2045-00-103-0-01-002 Pay – Officers	0.70	0.10	0.80	1.52	0.72
2045-00-103-0-01-011 Dearness Allowance	1.34	0.08	1.42	1.88	0.46
2045-00-103-0-01-014 Other Allowance	0.48	0.02	0.50	0.60	0.10
Total	**2.52**	**0.20**	**2.72**	**4.00**	**1.28**

2.6.3.5 Formulation of Budget

Para 83 of KBM prescribes that the budget estimates should be framed after a careful and thorough consideration of all items of expenditure so that they may neither be inflated nor under-pitched and are as accurate as possible. Scrutiny of the estimates during 2008-11 revealed that the department had made excessive provision under the following heads resulting in their non-utilization as detailed in **Table 2.21.**

Table 2.21: Formulation of Budget

(₹ in crore)

Head of account	Budget Provision			Expenditure			Unutilized provision		
	2008-09	2009-10	2010-11	2008-09	2009-10	2010-11	2008-09	2009-10	2010-11
2045-00-103-0-02-106 – Subsidies	---	4.16	4.33	---	1.08	---	---	3.08	4.33
2801-80-101-1-04-106 – Subsidies	2,050.00	---	---	1,742.73	---	---	307.27	---	---
2801-80-101-1-13-106 – Subsidies	350.00	300.00	---	200.00	250.00	---	150.00	50.00	---
2801-80-800-1-02-106 – Subsidies	1.30	1.30	---	0.03	0.02	---	1.27	1.28	---
2801-80-800-2-01-101 – Grants-in-Aid	---	---	25.68	---	---	4.47	---	---	21.21
4801-01-800-2-00-240 – Debt Servicing	88.00	---	---	86.62	---	---	1.38	---	---
4801-01-800-3-00-132 – Capital Expenses	150.00	---	---	100.00	---	---	50.00	---	---
6801-00-205-1-80-394 – Loans	8.00	---	110.00	0.01	---	18.90	7.99	---	91.10

Necessary steps are required to be taken by the department to make the exercise more robust which should eliminate excessive budgeting.

2.7 Conclusion

Against total provision of ₹ 85,193.90 crore during 2010-11, an expenditure of ₹ 72,915.19 crore was incurred. This resulted in an unspent provision of ₹ 12,278.71 crore (14 *per cent*). An excess expenditure of ₹ 85.39 crore incurred during 2010-11 and ₹ 4,707.89 crore relating to the period 1989-90 to 2009-10 required regularisation under Article 205 of the Constitution. Expenditure aggregating ₹ 282.64 crore in 21 cases which should have been treated as 'New Service/New instrument of service' was incurred without the approval of the Legislature. While, supplementary provision of ₹ 333.28 crore in 31 cases was unnecessary, re-appropriation of funds in 60 cases was made injudiciously resulting in either un-utilised provision or excess over provision. In 24 grants, ₹ 6,188.83 crore was surrendered in the last two working days of the financial year. Contingency Fund drawals sanctioned in two cases aggregating to ₹ 2.66 crore was not drawn during the year 2010-11.

2.8 Recommendations

Budgetary control should be strengthened in all departments to avoid cases of provision remaining unutilized. Excessive /unnecessary supplementary provision and re-appropriation of funds injudiciously should be avoided. Budget should be prepared keeping in view the actual requirement of funds and it should neither be under/over pitched as observed by the PAC of the Legislature. The re-appropriation of funds at the close of the financial year also requires to be avoided. Contingency Fund should be sanctioned only to the extent required, so as to avoid non-drawal of the amount sanctioned. The departmental budgets should be more realistic and cases of persistent non-utilisation of funds, excessive provision of funds should be avoided.

Financial Reporting

Chapter 3

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

3.1 Non-submission of utilization certificates

Financial rules provide that for the grants provided for specific purposes, utilization certificates (UCs) should be obtained by the departmental officers from the grantees and after verification, these should be forwarded to the Accountant General within 18 months from the date of their sanction unless specified otherwise. However, 2,814 UCs aggregating to ₹ 1,646.47 crore in respect of grants paid upto 2010-11, were in arrears as detailed in **Appendix 3.1**.

The age-wise arrears of UCs is summarised in **Table 3.1.**

Table 3.1: Age-wise arrears of utilization certificates

(₹ in crore)

Sl. No.	Range of delay in No. of years	Total Grants released		Utilisation Certificates in arrears	
		No.	Amount	No.	Amount
1	9 & above	333	44.88	333	44.88
2	7-9	80	16.94	80	16.94
3	5-7	283	208.77	282	208.52
4	3-5	1,814	729.48	1,806	728.93
5	1-3	141	190.84	127	150.28
6	0-1	186	496.92	186	496.92
Total		**2,837**	**1,687.83**	**2,814**	**1,646.47**

Source: PAG (A&E)

Major cases of non-submission of utilization certificates related to Urban Development Department (37 *per cent*) and Health and Family Welfare Department (27 *per cent*). Non-submission of UCs defeats the very purpose of release of the money to the beneficiary organisation and also gives rise to possibility of misuse / diversions.

3.2 Non-receipt of information pertaining to institutions substantially financed by the Government

To identify the institutions which attract audit under Sections 14 and 15 of the CAG's (Duties, Powers and Conditions of service) Act, 1971, heads of the Government departments are required to furnish to Audit every year information about the institutions to which financial assistance of ₹ 25 lakh or more was given, the purpose for which assistance was granted and the total expenditure of the institutions.

Fourteen departments did not furnish the information pertaining to 305 institutions receiving grants aggregating ₹ 25 lakh or more for the period ranging from two years to more than 10 years, as detailed in **Appendix 3.2.**

In response to the observations of Audit for the year 2009-10, Finance Department issued instructions (April 2011) to all the Secretaries of Administrative departments to furnish the required information to the Accountant General directly. However, there is no significant improvement in the position as 305 institutions have still not furnished the particulars.

3.3 Status of submission of accounts of autonomous bodies and placement of audit reports before the State Legislature

Several autonomous bodies have been set up by the State Government in the field of village and small industries, urban development, etc. The audit of accounts of ten bodies in the State has been entrusted to the CAG. These are audited with regard to their transactions, operational activities and accounts, conducting regulatory/compliance audit, review of internal management and financial control, review of systems and procedures, etc.

Separate audit reports of four autonomous bodies for the year 2009-10 and one autonomous body for the year 2008-09 were yet to be placed before the State Legislature.

The status of entrustment of audit, rendering of accounts, issuing of audit reports and their placement before the State Legislature are indicated in **Appendix 3.3**.

3.4 Departmental commercial undertakings

The departmental undertakings of certain Government departments performing activities of commercial and quasi-commercial nature are required to prepare *pro forma* accounts in the prescribed format annually showing the working results of financial operations so that the Government can assess their working. The finalised accounts of departmentally managed commercial and quasi-commercial undertakings reflect their overall financial health and efficiency in conducting their business. In the absence of timely finalisation 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 in all likelihood may also open the system to risk of fraud and leakage of public money.

The heads of departments in the Government are to ensure that the undertakings prepare and submit such accounts to Accountant General for audit within a specified time frame. Out of the eight undertakings which have been closed/transferred/converted into co-operative federation, 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 3.4.**

The Finance Department had addressed (June 2010 / April 2011) the Administrative Departments of these undertakings to finalise the Proforma Accounts and submit the same to Principal Accountant General (A&E). However, the position has not improved as compared to previous year.

3.5 Misappropriations, losses, etc.

There were 172 cases of misappropriation, losses, etc., involving Government money amounting to ₹ 12.62 crore as at the end of 2010-11 on which final action was pending. The department-wise break up of pending cases and age-wise analysis is given in **Appendix 3.5** and nature of these cases is given in **Appendix 3.6.** The age-profile of the pending cases with the number of cases pending in each category of theft and misappropriation is given in **Table 3.2.**

Table 3.2: Profile of pending cases of misappropriations and theft

(₹ in crore)

Age-profile of the pending cases			Nature of the cases	Number of cases	Amount involved
Range in years	**Number of cases**	**Amount involved**			
Above 25	52	0.24	Theft	29	0.15
21 - 25	8	0.06			
16 - 20	34	0.60			
11 - 15	51	2.84	Misappropriation	143	12.47
06 - 10	13	1.03			
0 - 05	14	7.85			
Total	**172**	**12.62**	**Total**	**172**	**12.62**

Around 91 *per cent* of the amount involved pertained to departments of Forests, Ecology and Environment (₹ 3.73 crore), Water Resources (₹ 6.96 crore) and Public Works (₹ 0.78 crore).

3.6 Non- receipt of stores and stock accounts

The annual accounts of stores and stock are required to be furnished by various departments to Audit by 15 June of the following year. The half yearly accounts of Public Works, Water Resources and Minor Irrigation Departments are due to be received by 15 December of the year and 15 June of the following year. Delay in receipt of stores and stock accounts have been commented upon in successive audit reports. The Public Accounts Committee in its first report (sixth Assembly) presented in February 1980 had also emphasised the importance of timely submission of accounts by the departments.

The position of arrears relating to submission of stores and stock accounts by 11 departments involving 95 offices as of September 2011 are indicated in **Appendix 3.7.**

3.7 Unadjusted Abstract Contingent bills

Under rule 36 of the Government of Karnataka, Manual of Contingent Expenditure 1958, the Controlling and Disbursing Officers are authorized to draw sums of money by preparing AC bills by debiting service heads, and they are required to present detailed contingent bills (vouchers in support of final expenditure) to the Principal Accountant General (A&E) through treasuries. Detailed bills aggregating to ₹ 171.13 crore drawn on 18,485 AC bills were pending as at the end of March 2011 as detailed in **Table 3.3.**

Table 3.3: Pending Abstract Contingent bills

(₹ in crore)

Year	Abstract Contingent bills drawn		Detailed Contingent bills rendered		Outstanding bills	
	No. of Bills	Amount	No. of bills	Amount	No.	Amount
Up to March 2008	11,931	61.62	4,851	25.24	7,080	36.38
2008-09	7,262	69.25	5,497	50.26	1,765	18.99
2009-10	9,348	93.51	6,894	68.36	2,454	25.15
2010-11	9,918	1,03.42	2,732	12.81	7,186	90.61
Total					18,485	171.13

Source: PAG (A&E)

On this being pointed out repeatedly in the Audit Reports, instructions were issued (June 2010) to all Principal Secretaries / Secretaries of the Government to submit Non detailed contingent bills. However, the position has not improved as the numbers of bills outstanding as also the amount involved have increased considerably.

3.8 Personal Deposit Accounts

The Karnataka Financial Code provides for opening of Personal Deposit (PD) accounts with permission from 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. Administrators of the accounts should intimate the Treasury Officer the balance to be transferred to the Consolidated Fund. For continuation of PD accounts beyond the period of its 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.

3.8.1 Funds kept in PD Accounts

Transfer to Personal Deposit Account is booked as expenditure in the Consolidated Fund (service Major Heads) of the State. During 2010-11, an amount of ₹ 2,201.06 crore has been transferred to PD accounts. While Government is authorized to open PD accounts in order to deposit money for specific purposes, the administrators are required to close such accounts on the last working day of the year and transfer the unspent balances back to the Government Account (Consolidated Fund). The aggregate amount of the unspent balances in the accounts of the administrators for the period 2007-11 as indicated in **Table 3.4.**

Table 3.4: Funds in PD accounts

(₹ in crore)

Year	Opening balance	Receipts/Deposits	Withdrawals	Closing balance
2007-08	754.94	1,381.60	1,445.25	691.29
2008-09	691.29	1,593.31	1,438.29	846.31
2009-10	846.31	3,491.10	3,123.18	1,214.23
2010-11	1,214.23	2,201.06	1,942.39	1,472.90

Source: Finance Accounts

The number of operative / inoperative PD accounts is indicated in the **Table 3.5** and the details of adverse balances thereof are in **Appendix 3.8**.

Table 3.5: Operative / In-operative PD accounts

(₹ in crore)

Particulars	Personal Deposit Accounts			
	Credit		Debit	
	No. of Accounts	Amount	No. of Accounts	Amount
Operative PD Accounts	24	1,441.92	5	4.86
In-Operative PD Accounts	21	70.63	11	11.21

Source: PAG (A&E)

As could be seen from the table, debit balances totalling ₹ 4.86 crore appear in respect of five administrators (operative PD Accounts) and ₹ 11.21 crore in respect of 11 administrators (in-operative PD Accounts), indicating adverse balances in the accounts, which need to be reconciled.

It was also observed in Audit that out of 30 Deputy Commissioners (DCs) who are responsible for handling the money placed at their disposal for carrying out relief on account of natural disasters, five DCs had with them a balance of ₹ 8.63 crore at the end of the financial year 2010-11 and 21 DCs had with them a balance of ₹ 126.52 crore at the end of the financial year 2009-10. However, the transactions relating to the disaster fund account included under Reserve Funds did not include these balances.

From the information made available to Audit, it was noticed that a sum of ₹ 7.67 crore drawn for implementation of various schemes, remained in the PD account of the Commissioner of the Social Welfare Department as indicated in **Table 3.6 :**

Table: 3.6: Scheme Funds parked in Deposit Accounts

(₹ in crore)

Head of Account	Scheme	Amount drawn	Amount utilised	Amount parked in PD account	Remarks
2225-01-277-0-63	Construction of Matric/ Post Matric Hostels	2.00	---	1.50	The scheme was not implemented. Out of the amount drawn, ₹ 0.50 crore was re-appropriated to other heads.
2225-01-102-0-08	Nursing and Skill Development	13.00	9.49	3.51	The amount was parked in the Dr. B.R. Ambedakar Memorial Trust.
2225-01-102-0-08	Financial Assistance to Atrocity victims	26.25	23.59	2.66	The amount utilized includes ₹ 21.25 crore diverted for purchase of land.
	Total	41.25	33.08	7.67	

In response to the observations of Audit for the year 2009-10 with regard to the trend of increase in the closing balances in the PD accounts, State Government replied that it was primarily on account of various Government schemes, for which DC were the implementing authorities. Of late, the funds pertaining to MP & MLA LAD schemes were being transferred to PD accounts of the DC resulting in a major increase in the balances. However, the accounts of certain PDs which are opened during the course of the year are required to be closed before the closure of accounts of the year in order to give the correct position of disbursements under the Consolidated Fund during that year.

3.9 Reconciliation of expenditure and receipts

To enable the controlling officers to exercise effective control over expenditure, to keep it within the budget grants and to ensure accuracy of their accounts, expenditure recorded in their books have to be reconciled by them every month during the financial year with that recorded in the books of the Accountant General (Accounts and Entitlement).

Eventhough, non-reconciliation of departmental figures has been pointed out regularly in Audit Reports, lapses on the part of Chief Controlling Officers (CCOs) in this regard, continued to persist during 2010-11 also. Out of 79 CCOs for Receipt Heads, 67 CCOs have reconciled fully, 1 CCO has reconciled partially and 11 CCOs have not reconciled at all. Out of 194 CCOs for Expenditure Heads, 165 CCOs have reconciled fully, 3 CCOs have reconciled partially and 26 CCOs have not reconciled at all. Thus, reconciliation has been completed in respect of 86.45 *per cent* of CCOs.

The quantum of expenditure reconciled was ₹ 45,201.77 crore against the total expenditure (Revenue and Capital) of ₹ 67,389.01 crore, which works out to 67.08 *per cent.* The major amounts that were not reconciled fall under Major Heads '2202 General Education', '2071 Pensions and Other Retirement Benefits', '3604 Compensation and Assignments to Local Bodies and Panchayati Raj Institutions', '2225 Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes', '2515 Other Rural Development Programmes', '5054 Capital Outlay on Roads and Bridges' '2210 Medical and Public Health', '2236 Nutrition', '2217 Urban Development', '4215 Capital Outlay on Water Supply and Sanitation' '2235 Social Security and Welfare'.

On the receipt side, the amount reconciled was for a value of ₹ 57,229.97 crore against the total Receipts (Revenue and Capital) of ₹ 58,278.04 crore which works out to 98.20 *per cent.*

In respect of Loans and Advances, the reconciliation was not carried out by any of the CCOs concerned.

In response to the observations of Audit for the year 2009-10, instructions were issued to all the Principal Secretaries / Secretaries to direct the CCOs under them to complete the process of reconciliation by due date, so that the final accounts tallied with the accounts of Principal Accountant General (A&E) figures.

3.10 Bookings under Minor Head 800 – 'Other Receipts' and 'Other Expenditure'

An amount of ₹ 9,767.88 crore constituting about 14.13 *per cent* of the total expenditure (Revenue, Capital and Loan) was classified under the Minor Head '800 – Other Expenditure' under the respective Major Heads of Account. Several Schemes/Programmes/Activities such as, equities and investment in companies, rural roads and road works, sewerage and sanitation schemes, Suvarna Grama, Rashtriya Krishi Vikas Yojana, Accelerated Irrigation Benefit Programme, etc., had huge bookings under minor head '800'. These schemes/projects were not depicted distinctly in the Finance Accounts, though the details of these expenditures were depicted at the sub-head (scheme) level or below in the Detailed Demands for Grants and corresponding head-wise Appropriation Accounts forming part of the State Government Accounts.

Similarly, on the receipts side, ₹ 3,479.87 crore constituting about 5.95 *per cent* of the total receipts (Revenue, Capital and Loan) was classified under the Minor Head '800 - Other Receipts' under the respective Major Heads of Account. Several receipts such as Special Problem Grants (compensation for loss suffered by the State on account of phasing out of the Central Sales Tax and on account of introduction of VAT) had huge receipts booked under the Minor Head '800'. These receipts were not depicted distinctly in the Finance Accounts, though the details of these receipts were depicted at the sub-head (scheme) level or below.

It was replied by the State Government (November 2011) that the representatives of Finance Department, Principal Accountant General (A&E) and Treasuries have analysed fully the items classified under 'other receipts' and 'other expenditure'. It was observed by the Committee that some of the items do not fall under any of the existing minor heads below the major heads necessitating the classification under omnibus minor head '800 - Other Receipts and Other Expenditure'. Such items have been referred to the Controller General of Accounts for clarification.

3.11 Comments on Accounts

3.11.1 Transparency in accounts

To bring out greater transparency and to enable informed decision making in Government Accounts, the Twelfth Finance Commission (TFC) had recommended inclusion of certain statements/appendices in the Finance Accounts which would give details of subsidies given, both explicit and implicit, expenditure on salaries by various departments / units, detailed expenditure on pensioners and expenditure on Government pensions, data on committed liabilities in the future, information on debt and other liabilities as well as repayment schedule, accretion to or erosion in financial assets held by the Government including those arising out of changes in the manner of spending by the Government, implications of major policy decisions taken by the Government during the year or new schemes proposed in the budget for future cash flows and maintenance expenditure with segregation of salary and non-salary portions.

Presently, details of salary in respect of State sector only is captured in accounts and those regarding the District sector is included under the grants released to PRI institutions. The appendix on maintenance expenditure does not give data on salary expenditure. The appendix on subsidy does not provide information regarding implicit subsidies. Accounting reforms are required to be undertaken to bring the data available into accounts to make the accounts more transparent. The State Government in its reply (November 2011) stated that Zilla Panchayats(ZPs)/ Taluk Panchayats prefer salary bills on pink and yellow color bills respectively and are accounted by Chief Accounts Officer of the Zilla Panchayat for each ZP. There are about 30 ZPs in the State and there is no mechanism at present for consolidation of accounts of all the 30 ZPs. It has therefore become difficult to furnish the salary details of district sector accounts. However, the PAC in its report has recommended the Finance Department to depict salaries in total, taking into account the district sector also, if possible by opening a separate sub-head to capture the data.

The State Government further replied that the maintenance expenditure is split into work charged establishment and maintenance expenditure at sub head level in the List of Major and Minor Heads of Accounts. Efforts will be made to provide estimates separately either at sub head level or object head level from 2012-13 Budget estimate.

3.11.2 Important factors affecting accuracy of accounts

The accuracy of the State Finance Accounts 2010-11 has been adversely affected by factors like (i) large number of transactions under suspense heads awaiting final classification and (ii) increasing number and magnitude of adverse balances under Debt, Deposit and Remittances (DDR) heads. A general review of the transactions revealed the following:

a) Outstanding balances under major suspense accounts

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 under them are booked to their respective final heads of accounts. If these amounts remain uncleared, the balances under the suspense heads would accumulate and would not reflect Government's receipts and expenditure accurately. The balances under certain major suspense heads of accounts, as recorded in the ledger maintained by Pr. AG (A&E), are indicated in **Table 3.7**.

Table 3.7: Suspense Head (8658 – Suspense Accounts)

(₹ in crore)

Name of Minor Head	2008-09		2009-10		2010-11	
	Dr	Cr	Dr	Cr	Dr	Cr
101 – Pay and Accounts Office Suspense	65.18	18.32	75.84	18.27	60.49	0.05
Net	Dr. 46.86		Dr. 57.57		Dr. 60.44	
102 – Suspense Account (Civil)	28.98	12.78	29.21	11.23	25.24	6.86
Net	Dr. 16.20		Dr. 17.98		Dr. 18.38	
110 – R B Suspense – Central Accounts Office	39.13	88.08	33.17	107.34	59.24	99.82
Net	Cr. 48.95		Cr. 74.17		Cr. 40.58	

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 (PAO) Suspense***

This minor head is operated for the settlement of inter-departmental and intergovernmental transactions arising in the books of PAOs and the Accountant General. Transactions under this minor head represent either recoveries effected or payments made by an Accounts Officer on behalf of another Accounts Officer, against whom the minor head "PAO Suspense" has been operated. Credit under the head is cleared by 'minus credit' when cheque is issued by the Accounts Officer in whose books initial recovery was accounted for. Debit under 'PAO Suspense' is cleared by 'minus debit' on receipt and realisation of cheque from the Accounts Officer on whose behalf payment was made. Outstanding debit balance under this head would mean that payments have been made by the Accountant General on behalf of a PAO, which are yet to be recovered. Outstanding credit balance would mean that payments have been received by the Accountant General on behalf of a PAO, which are yet to be paid. The net debit balance under this head has been showing an increasing trend.

❖ ***Suspense Account (Civil)***

This transitory minor head is operated for accounting of the transactions, which for want of certain information/documents viz., vouchers, challans etc., cannot be taken to the final head of expenditure or receipt. This minor head is credited for recording receipts and debited for expenditure incurred. On receipt of the requisite information/documents etc., the minor head is cleared by minus debit or minus credit by per contra debit or credit to the concerned major/sub-major/minor heads of accounts. Outstanding debit balance under this head would mean payments were made which could not be debited to final expenditure head for want of details like vouchers etc. Outstanding credit balance would mean amounts were received which could not be credited to the final receipt head for want of details. The net debit balances under this head has been showing an increasing trend.

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

This minor head is operated in the books of State Government for repayment of loans and payment of interest in respect of Central Loans received by the Government. At the time of repayment of loan and payment of interest thereon by the State Government this head is debited by crediting the loans/interest head. On receipt of monthly statement of accounts from RBI (CAS), Nagpur the head is minus debited by per contra debit to 8675-Deposits with RBI-101-Central Civil. The credit balance under this head has come down during 2010-11, compared to 2009-10.

b) 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. As revealed by Finance Accounts for the year 2010-11, adverse balances under E-Public Debt amounted to ₹ 84.89 crore, while under F-Loans and Advances it was ₹ 62.27 crore and under Public Account ₹ 14.82 crore (debit) and ₹ 0.26 crore (credit).

3.12 Conclusion

The Departmental compliance towards disposal of cases of losses, misappropriations, etc. was deficient. Detailed bills against abstract bills were wanting since long and large sums of money were being retained in PD Accounts against the principle of Legislative financial control. Non-reconciliation of expenditure and receipts was to the extent of 14 *per cent* of total expenditure and two *per cent* of total receipts respectively. There were adverse balances under certain DDR heads which required remedial action for their clearance. Transparency in accounts is required to indicate important details like salary (PR Institutions), maintenance etc., as recommended by the Finance Commission.

3.13 Recommendations

Departmental enquiries in all the cases of misappropriations, losses, defalcations, etc., should be expedited to bring the defaulters to book. For this purpose, the internal controls in various departments should be strengthened to prevent recurrence of such cases. Accounting reforms are required to capture data as recommended by the Finance Commission. Review of deposit accounts is required to be taken to weed out all in-operative/operative heads which have outlived their utility. Review of suspense heads needs to be done to bring the transactions to the final heads in the accounting year itself.

BANGALORE **(D.J. BHADRA)**
The 24 FEB 2012 **Pr. Accountant General**
(Civil and Commercial Audit)

COUNTER SIGNED

NEW DELHI **(VINOD RAI)**
The 27 FEB 2012 **Comptroller and Auditor General of India**

Appendices

Appendix 1.1
(Reference: Page 1)

STATE PROFILE

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	a.	Density of Population (2001 Census) (All India Density = 325 persons per Sq. Km)			276 persons per Sq. Km.
	b.	Density of Population (2011 Census) (All India Density = 382 persons per Sq. Km)			319 persons per Sq. Km.
4	*Population below poverty line (All India Average = 27.5 %)				25 *per cent*
5	a.	Literacy (2001 Census) (All India Average = 64.8%)			66.64 *per cent*
	b.	Literacy (2011 Census) (All India Average = 74.0%)			75.60 *per cent*
6	Infant mortality ***(per 1000 live births) (All India Average = 53 per 1000 live births)				41 per 1000 live births
7	Life Expectancy at birth** (All India Average =63.5 years)				65.3 years
8	[1]Gini Coefficient****				
	a.	Rural. (All India = 0.30)			0.26
	b.	Urban. (All India = 0.37)			0.36
9	Gross State Domestic Product (GSDP) 2010-2011 at current price[2]				₹ 3,97,938 crore
10	Per capita GSDP CAGR (2001-02 to 2010-11)		Karnataka		11.79 *per cent*
			General Category States		11.32 *per cent*
11	GSDP CAGR (2001-02 to 2010-2011)		Karnataka		15.01 *per cent*
			General Category States		14.68 *per cent*
12	Population Growth (2001-2011)		Karnataka		15.67 *per cent*
			General Category States		17.56 *per cent*

B	Financial Data			
	Particulars	**Figures (in *per cent*)**		
	CAGR	**2001-02 to 2009-10**		**2001-02 to 2010-11**
		General Category States	**Karnataka**	**Karnataka**
a.	of Revenue Receipts.	15.20	15.69	15.97
b.	of Own Tax Revenue.	14.53	15.21	16.32
c.	of Non Tax Revenue.	13.87	14.95	13.26
d.	of Total Expenditure.	13.53	14.03	14.00
e.	of Capital Expenditure.	22.61	24.47	22.96
f.	of Revenue Expenditure on Education.	12.73	11.85	13.31
g.	of Revenue Expenditure on Health.	11.97	8.74	10.17
h.	of Salary and Wages.	11.45	9.43	10.08
i.	of Pension.	14.09	9.57	10.61

Source: Financial data is based on Finance Accounts

* General data: BPL (Planning Commission & NSSO data, 61st round).

** Life Expectancy at birth (Office of the Registrar General of India; Ministry of Home Affairs), Economic Review 2010-11).

*** Infant mortality rate (SRS Bulletin January 2011),

**** Gini Coefficient (unofficial estimates of Planning Commission and NSSO data, 61st round 2004-05 MRP).

[1] Gini Coefficient is a measure of inequality of income among the population. Value rate is from zero to one, closer to zero inequality is less; closer to one inequality is higher.

[2] Differs with GSDP mentioned in Appendix 1.5. Source for GSDP in this Appendix is Economic survey.

APPENDIX 1.2
STRUCTURE OF GOVERNMENT ACCOUNTS
(REFERENCE: PARAGRAPH 1.1, PAGE 1)

The accounts of the State Government are kept in three parts viz., Consolidated Fund, Contingency Fund and Public Account.

Part I: Consolidated Fund : All revenues received by the State Government, all loans raised by issue of treasury bills, internal loans and all moneys received by the Government in repayment of loans shall form one Consolidated Fund entitled the Consolidated Fund of State established under Article 266(1) of the Constitution of India.

Part II: Contingency Fund: Contingency Fund of the State established under Article 267(2) of the Constitution is in the nature of an imprest placed at the disposal of the Governor to enable him to make advances to meet urgent unforeseen expenditure, pending authorisation by the Legislature. Approval of the Legislature for such expenditure and for withdrawal of an equivalent amount from the Consolidated Fund is subsequently obtained, whereupon the advances from the Contingency Fund are recouped to the fund.

Part III: Public Account: Receipts and disbursements in respect of certain transactions such as small savings, provident funds, 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.

Layout of Finance Accounts

Finance Accounts is prepared in two volumes with Volume 1 presenting the summarized financial statements of Government and Volume 2 presenting the detailed statements. The layout is detailed below. Further, Volume 2 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	Summarised Financial position of the State giving cumulative figures of assets and liabilities of the Government as at the end of 2010-11.
2	Summary of Receipts and Disbursements during the year in all the three parts of accounts of Government.
3	Summary of receipts under Consolidated Fund, grants from Government of India and Capital, Public Debt and Other receipts.
4	Summary of expenditure for the current year under various sectors of Consolidated Fund of State.
5	Details of capital expenditure major head wise incurred during and to the end of 2010-11.
6	Summary of debt position of the State including borrowing from internal debt, Government of India, other obligations and servicing of debt.
7	Summary of loans and advances given by the State Government during the year and repayments made, recoveries in arrears etc.
8	Summarized statement of Grants-in-aid given by Government both in cash and in kind and also grants released for creation of capital assets.
9	Summary of guarantees given by the government for repayment of loans etc., raised by statutory corporations, local bodies and other institutions.
10	Distribution of expenditure between charged and voted.
11	Detailed account of revenue and capital receipts by minor heads.
12	Detailed account of revenue expenditure by minor heads under non-plan, plan and centrally sponsored scheme separately.
13	Detailed accounts of capital expenditure by minor heads under non-plan, plan and centrally sponsored scheme separately during the year and total expenditure to the end of 2010-11.
14	Details of investments of the State Government in Statutory Corporations, Government companies, other joint stock companies, co-operative banks, societies etc., up to the end of 2010-11 and also giving the comparative summary of investment between the share capital and debentures.
15	Detailed account on borrowings and other liabilities showing public debt and other interest bearing obligation during and up to the end of 2010-11, maturity profile, repayment schedule and interest rate profile.
16	Detailed account of Loans and advances given by the Government of Karnataka, the amount of loan repaid during the year, the balance as on 31st March 2011 and also loans advanced during the year for plan purpose and centrally sponsored schemes.
17	Detailed account on sources and application of funds other than on revenue account.
18	Detailed account on contingency fund and public account transactions.
19	Details of earmarked balance of reserve funds.

APPENDIX 1.3

ABSTRACT OF RECEIPTS AND DISBURSEMENTS (REFERENCE: PARAGRAPH 1.2, PAGE 1)

(₹ in crore)

2009-10	Receipts	2010-11	2009-10	Disbursements				2010-11
					Non Plan	Plan	Total	
Part A: Abstract of Receipts and Disbursements for the year 2010-11								
				Section-A: Revenue				
49,155.70	**I. Revenue receipts**	**58,206.22**	**47,536.92**	**I. Revenue expenditure**	**38,846.41**	**15,187.43**		**54,033.84 §**
30,578.60	Tax revenue	38,473.12*	**12,762.34**	**General Services**	**13,959.34**	**95.75**	**14,055.09**	
3,333.80	Non-tax revenue	3,358.28@		**Social Services-**				
7,359.98	State's share of Union Taxes & Duties	9,506.31	8,576.47	Education, Sports, Art and Culture	7,939.95	2,850.37	10,790.32	
3,429.68	Non Plan grants	2,256.86	1,927.17	Health and Family Welfare	1,361.25	998.41	2,359.66	
2,972.78	Grants for State Plan Schemes	2,838.81	1,557.85	Water Supply, Sanitation, Housing and Urban Development	402.06	1,599.47	2,001.53	
1,480.86	Grants for Central and Centrally Sponsored Schemes	1,772.84	37.47	Information and Broadcasting	42.67	24.89	67.56	
			1,702.75	Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	514.83	1,989.56	2,504.39	
			272.48	Labour and Labour Welfare	75.03	172.12	247.15	
			4,908.13	Social Welfare and Nutrition	1,734.99	2,131.31	3,866.30	
			136.54	Others	230.28	40.63	270.91	
			19,118.86	**TOTAL**	**12,301.06**	**9,806.76**	**22,107.82**	
				Economic Services				
			4,258.12	Agriculture and Allied Activities	2,718.61	2,058.35	4,776.96	
			1,232.51	Rural Development	779.51	591.53	1,371.04	
			501.51	Special Areas Programmes	---	138.39	138.39	
			331.76	Irrigation and Flood Control	286.19	167.60	453.79	
			2,352.50	Energy	4,444.06	16.07	4,460.13	
			427.30	Industry and Minerals	237.31	375.96	613.27	
			1,107.97	Transport	766.54	598.47	1,365.01	
			23.60	Science, Technology and Environment	0.01	41.35	41.36	
			2,946.44	General Economic Services	1,454.12	218.37	1,672.49	
			13,181.71	**Total**	**10,686.35**	**4,206.09**	**14,892.44**	
			2,474.01	**Grants-in-aid and Contributions**	**1,899.66**	**1,078.83**	**2,978.49**	
			1,618.78	**II Revenue surplus carried over to Sec-B**				**4,172.38**
49,155.70	**Total**	**58,206.22**	**49,155.70**	**Total**				**58,206.22**

				Section-B – Capital and others				
7,819.85	**II. Opening Cash Balance including Permanent Advances & Cash Balance Investments & Investments from earmarked funds**	**9,773.51**						
69.79	**III. Miscellaneous Capital receipts**	**71.81**	**12,136.68**	**III. Capital Outlay**	**773.44**	**12,581.73**		**13,355.17**
			489.85	**General Services**	**50.50**	**414.96**	**465.46**	
				Social Services				
			215.70	Education, Sports, Art and Culture	3.88	418.43	**422.31**	
			320.97	Health and Family Welfare	---	436.86	**436.86**	
			1,809.73	Water Supply, Sanitation, Housing and Urban Development	62.86	1,359.91	**1,422.77**	
			6.00	Information and Broadcasting	---	9.20	**9.20**	
			239.73	Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	---	211.50	**211.50**	
			48.19	Social Welfare and Nutrition	---	99.89	**99.89**	
			10.36	Other Social Services	---	14.17	**14.17**	
			2,650.68	**Total Social Services**	**66.74**	**2,549.96**	**2,616.70**	
				Economic Services				
			63.89	Agriculture and Allied Activities	(-) 2.04	101.03	**98.99**	
			73.93	Rural Development	0.78	124.47	**125.25**	
				Special Areas Programmes	---	377.39	**377.39**	
			3,941.99	Irrigation and Flood Control	572.16	4,193.10	**4,765.26**	
			1,750.37	Energy	15.95	1,365.15	**1,381.10**	
			205.75	Industry and Minerals	(-) 1.00	104.83	**103.83**	
			2,646.39	Transport	124.18	2,944.36	**3,068.54**	
			313.83	General Economic Services	(-) 53.83	406.48	**352.65**	
			8,996.15	**Total Economic Services**	**656.20**	**9,616.81**	**10,273.01**	
555.36	**IV. Recoveries of Loans and Advances**	**161.37**	**981.58**	**IV. Loans and Advances**	**1.52**	**1,736.41**		**1,737.93**
516.53	From Power Projects	17.51	5.34	For Power Projects	---	33.90	33.90	
3.24	From Government Servants	3.57	5.12	To Government Servants	1.52	---	1.52	
35.59	From others	140.29	971.12	To Others	---	1,702.51	1,702.51	
7,990.86	**V. Public debt receipts**	**6,713.74**	**2,308.33**	**V. Repayment of Public Debt**				**2,807.13**
7,310.01	Internal debt other than Ways and Means Advances and Overdraft	5,210.22	**1837.87**	Internal debt other than Ways and Means Advances & Overdraft	1,916.17	---	1,916.17	
---	Ways and Means Advances from Reserve Bank of India	---	---	Ways and Means Advances from Reserve Bank of India	---	---	---	
680.85	Loans and Advances from the Central Government	1,503.52	**470.46**	Repayment of Loans and Advances to Central Government	890.96		890.96	
2.10	**VI. Contingency Fund (Recoupment)**	---	---	**VI. Contingency Fund Disbursements**	**12.00**	**0.53**		**12.53**
71,172.45	**VII. Public Account Receipts**	**80,313.64**	**64,029.09**	**VII. Public Account Disbursements**				**75,626.38**
2,591.15	Small Savings and Provident Funds, etc.,	2,996.91	1,123.64	Small Savings and Provident Funds etc.			1,389.87	
5,117.86	Reserve Funds	2,134.04	1,917.29	Reserve Funds			760.00	
22,188.59	Deposits and Advances	23,743.91	20,279.25	Deposits and Advances			21,706.47	
40,023.81	Suspense and Miscellaneous	49,964.71	39,421.39	Suspense and Miscellaneous			50,261.09	
1,251.04	Remittances	1,474.07	1,287.52	Remittances			1,508.95	

1,618.78	**VIII. Revenue Surplus carried over from Sec. -A**	**4,172.38**	**9,773.51**	**VIII Cash Balance at the end of 31-03-2011**				**7,667.31**
			0.01	Cash in Treasuries and Local Remittances			0.01	
			(-) 107.69	Deposits with Reserve Bank			(-) 657.14	
			10.77	Departmental Cash Balances including Permanent Advances			8.69	
			8,889.98	Cash Balance Investment			6,871.51	
			980.44	Investment from Earmarked Funds			1,444.24	
89,229.19	**Total**	**1,01,206.45**	**89,229.19**	**Total**				**1,01,206.45**

©Includes expenditure of ₹ 903.26 crore on account of off-budget borrowings.

*Includes ₹ 67.96 crore received from Ministry of Road Transport and highways towards National Permit fee.

@ Includes ₹ 4.69 crore, of which ₹ 0.82 crore related to reimbursement by GOI towards the cost of verification of passports, ₹ 2.17 crore related to amount received from Ministry of Urban Development towards issue of Unique Identification, ₹ 0.91 crore on account of Urban Poverty Alleviation (JNNURM) over and above the XIII FC recommendations and ₹ 0.79 crore towards research in Urban and Regional Planning and Building form the Ministry of Urban Development.

§ Includes ₹ 0.49 crore relating to previous years which had remained under suspense head being cleared in the current year. It also includes ₹ 60.59 crore released to M/s BEML being the refund of central sales tax.

Appendix 1.4

Outcome indicators of the State's own fiscal correction path (Reference: Para 1.3, Page 3)

(₹ in crore)

	2009-10 accounts (base year)	Budget estimate	Projections			
		2010-11	2011-12	2012-13	2013-14	2014-15
State revenue account						
1. Own tax revenue	30,579	36,228	41,120	46,673	52,975	68,707
2. Own non- tax revenue	3,334	2,820	2,996	3,202	3,430	5,736
3. Own tax + non-tax revenue (1+2)	33,913	39,048	44,116	49,875	56,405	74,470
4. Share in central taxes & duties	7,360	9,060	10,283	11,672	13,248	15,640
5. Grants	7,883	5,530	6,363	6,940	7,577	11,183
6. Total central transfer (4 + 5)	15,243	14,590	16,646	18,612	20,825	26,823
7. Total revenue receipts (3+6)	49,156	53,638	60,762	68,487	77,230	1,01,293
8. Devolution to ULBs	2,474	2,885	3,676	4,168	4,720	6,605
9. Major O&M (roads, bridges and irrigation)	675	339	373	411	452	870
10. Salaries	10,342	11,366	12,858	14,185	15,574	23,437
11. Pensions	3,408	4,500	5,175	5,951	6,844	8,538
12. Interest payments	5,213	6,316	7,141	8,055	9,085	10,297
13. Subsidies – (food, transport, housing & industry)	1,435	1,674	1,841	2,025	2,228	2,603
14. Subsidies -power	2,341	2,825	3,108	3,418	3,760	5,725
15.Other O&M (education, health, RD, WS, agriculture, forest)	8,088	7,979	8,561	9,151	9,780	17,963
16. Administrative expenditure	892	901	956	1,029	1,108	1,255
17. Other revenue expenditure	12,669	14,353	15,957	17,736	19,714	19,337
18. Total revenue expenditure (8 to 17)	**47,537**	**53,138**	**59,646**	**66,129**	**73,266**	**96,630**
19. Salary + interest+ pensions (10+11+12)	18,963	22,182	25,174	28,191	31,503	42,272
20. As percentage of revenue receipts (19/7)	39	41	414	41	41	42
21. Revenue surplus / deficit (7-18)	1,619	-500	-1,116	-2,358	-3,964	-4,663
1. Interest payment on off-budget borrowings and SPV borrowing made by PSUs/SPUs outside budget	569	158	72	1	---	234
2. Consolidated revenue deficit	1,050	-342	-1,044	-2,357	-3,964	-4,429
Total debt stock	**83,482**	**89,403**	**1,00,149**	**1,12,276**	**1,25,963**	**1,51,079**
1. Expenditure on capital formation	12,137	13,112	11,763	14,086	17,346	24,695
2. Recovery of loans and advances	555		615	125	137	1,500
Gross fiscal deficit	**10,875**	**9,708**	**10,745**	**12,127**	**13,687**	**18,532**

APPENDIX 1.5

TIME SERIES DATA ON THE STATE GOVERNMENT FINANCES (REFERENCE: PARAGRAPHS 1.6, 1.10.2; PAGE 12, 43)

(₹ in crore)

	2006-07	2007-08	2008-09	2009-10	2010-11
Part A. Receipts					
1. Revenue Receipts	**37,587**	**41,151**	**43,290**	**49,156**	**58,206**
(i) Tax Revenue	**23,301 (62)**	**25,987(63)**	**27,645(64)**	**30,579(62)**	**38,473 (66)**
Taxes on Agricultural Income	1(-)	3(-)	9(-)	9(-)	9 (-)
Taxes on Sales, Trade, etc	11,762(50)	13,894(54)	14,623(53)	15,833(52)	20,235 (53)
State Excise	4,495(19)	4,767(18)	5,749(21)	6,946(23)	8,285(21)
Taxes on Vehicles	1,375(6)	1,650(6)	1,681(6)	1,962(6)	2,550 (7)
Stamps and Registration fees	3,206(14)	3,409(13)	2,927(10)	2,628(9)	3,531(9)
Land Revenue	109(-)	145(1)	256(1)	128(-)	177(-)
Taxes on Goods and Passengers	1,147(5)	837(3)	1,085(4)	1,291(4)	1,526(4)
Taxes and Duties on Electricity	389(2)	450(2)	370(1)	679(2)	663(2)
Other Taxes	817(4)	832(3)	945(4)	1,103(4)	1,497(4)
(ii) Non Tax Revenue	**4,099(11)**	**3,358(8)**	**3,159(7)**	**3,334(7)**	**3,358(6)**
(iii) State's share of Union taxes and duties	**5,374(14)**	**6,779(17)**	**7,154(17)**	**7,360(15)**	**9,506(16)**
(iv) Grants in aid from Government of India	**4,813(13)**	**5,027(12)**	**5,332(12)**	**7,883(16)**	**6,869(12)**
2. Miscellaneous Capital Receipts	Nil	246	181	70	72
3. Recoveries of Loans and Advances	60	52	57	555	161
4. Total Revenue and Non debt capital receipts (1+2+3)	**37,647**	**41,449**	**43,528**	**4,9781**	**58,439**
5. Public Debt Receipts	**3,546**	**2,279**	**8,592**	**7,991**	**6,714**
Internal Debt (excluding Ways and Means Advances and Overdrafts)	2,892(82)	1,473(65)	7,996(93)	7,310(91)	5,210(78)
Net transactions under Ways and Means Advances and Overdrafts	---	---	---	---	---
Loans and Advances from Government of India	654(18)	806(35)	596(7)	681(9)	1,504(22)
6. Total Receipts in the Consolidated Fund (4+5)	**41,193**	**43,728**	**52,120**	**57,772**	**65,153**
7. Contingency Fund Receipts	---	**13**	---	**2**	---
8. Public Account Receipts	47,040	56,160	**60,604**	**71,172**	**80,314**
9. Total Receipts of the State (6+7+8)	**88,233**	**99,901**	**1,12,724**	**1,28,946**	**1,45,467**
Part B. Expenditure/Disbursement					
10. Revenue Expenditure	**33,435**	**37,375**	**41,659**	**47,537**	**54,034**
Plan	7,852(23)	8,313(22)	10,530(25)	12,303(26)	15,188(28)
Non Plan	25,583(77)	29,062(78)	31,129(75)	35,234(74)	38,846(72)
General Services (including interest payments)	10,419(31)	10,872(29)	12,275(29)	12,762(27)	14,055(26)
Social Services	10,937(33)	13,124(35)	15,873(38)	19,119(40)	22,108(41)
Economic Services	10,440(31)	11,453(31)	11,137(27)	13,182(28)	14,892(28)
Grants-in-aid and contributions	1,639(5)	1,926(5)	2,374(6)	2,474(5)	2,979(5)
11. Capital Expenditure	**8,543**	**8,649**	**9,870**	**12,137**	**13,355**
Plan	8,411(98)	7,199(83)	9,135(93)	11,118(92)	12,582(94)
Non Plan	132(2)	1,450(17)	735(7)	1,019(8)	773(6)
General Services	321(4)	339(4)	475(5)	490(4)	465(3)
Social Services	1,293(15)	2,148(25)	2,555(26)	2,651(22)	2,617(20)
Economic Services	6,929(81)	6,162(71)	6,840(69)	8,996(74)	10,273(77)
12. Disbursement of Loans and Advances	**357**	**757**	**731**	**982**	**1,738**
13. Total (10+11+12)	**42,335**	**46,781**	**52,260**	**60,656**	**69,127**

14. Repayments of Public Debt	**1,749**	**1,251**	**1,778**	**2,308**	**2,807**
Internal Debt (excluding Ways and Means Advances and Overdrafts)	1,012(58)	802(64)	1,317(74)	1,838(80)	1,916(68)
Net transactions under Ways and Means Advances and Overdraft	---	---	---	---	---
Loans and Advances from Government of India	737(42)	449(36)	461(26)	470(20)	891(32)
15. Appropriation to Contingency Fund	---	---	---	---	---
16. Total disbursement out of Consolidated Fund (13+14+15)	**44,084**	**48,032**	**54,038**	**62,964**	**71,934**
17. Contingency Fund disbursements	**13**	---	**2**	---	**13**
18. Public Account disbursements	**42,637**	**54,055**	**54,783**	**64,029**	**75,626**
19. Total disbursement by the State (16+17+18)	**86,734**	**1,02,087**	**1,08,823**	**1,26,993**	**1,47,573**
Part C. Deficits					
20. Revenue Deficit(-)/ Revenue Surplus (+) (1-10)	4,152	3,776	1,631	1,619	4,172
21. Fiscal Deficit (-)/Fiscal Surplus (+) (4-13)	4,688	5,332	8,732	10,875	10,688
22. Primary Deficit (21-23)	452	826	4,200	5,662	5,047
Primary Surplus (23-21)	---	---	---	---	---
Part D. Other data					
23. Interest Payments (included in revenue expenditure)	4,236	4,506	4,532	5,213	5,641
24. Financial Assistance to local bodies etc.,	13,915	16,725	15,262	16,420	19,041
25. Ways and Means Advances/ Overdraft availed (days)					
Ways and Means Advances availed (days)	---	4	---	---	---
Overdraft availed (days)	---	---	---	---	---
26. Interest on Ways and Means Advances/ Overdraft	---	0.04	---	---	---
27 Gross State Domestic Product (GSDP)@	2,27,831	2,70,843	3,03,058	3,35,747	3,80,872
28 Outstanding Fiscal liabilities (year end)	57,682	60,142	71,550	83,482	91,943
29. Outstanding guarantees (year end) (including interest)	9,879	10,786	8,693	7,203	6,618
30. Maximum amount guaranteed (year end)	19,793	23,109	18,732	18,420	19,150
31. Number of incomplete projects	261	429	197	261	388
32. Capital blocked in incomplete projects	1,174	1,480	1,107	1,015	1,203
Part E: Fiscal Health Indicators					
I Resource Mobilization					
Own Tax Revenue/GSDP	10.23	9.59	9.12	9.11	10.10
Own Non-Tax Revenue/GSDP	1.80	1.24	1.04	1.00	0.88
Central Transfers/GSDP	4.47	4.36	4.12	4.54	4.30
II Expenditure Management					
Total Expenditure/GSDP	18.6	17.3	17.2	18.1	18.1
Total Expenditure/Revenue Receipts	112.63	113.68	120.72	123.39	118.76
Revenue Expenditure/Total Expenditure	78.98	79.89	79.71	78.37	78.17
Expenditure on Social Services/Total Expenditure	29.66	33.92	35.59	37.22	37.92
Expenditure on Economic Services/Total Expenditure	45.82	37.99	35.46	36.84	36.76
Capital Expenditure/Total Expenditure	21.02	20.11	20.29	21.63	21.83
Capital Expenditure on Social and Economic Services/Total Expenditure.	20.26	19.38	19.37	20.81	21.16

III Management of Fiscal Imbalances					
Revenue Deficit (surplus)/GSDP	1.82	1.40	0.54	0.48	1.10
Fiscal Deficit/GSDP	2.06	1.97	2.88	3.24	2.81
Primary Deficit (surplus) /GSDP	0.20	0.30	1.38	1.69	1.32
Revenue Deficit/Fiscal Deficit	---	---	---	---	---
Primary Revenue Balance/GSDP	3.7	3.2	1.6	1.5	2.6
IV Management of Fiscal Liabilities					
Fiscal Liabilities/GSDP	25.32	22.20	23.61	24.86	24.14
Fiscal Liabilities/RR	153.46	146.15	165.28	169.83	157.96
V Other Fiscal Health Indicators					
Return on Investment (Rupees in crore)	19.5	23.4	40.2	29.51	43.44
Balance from Current Revenue (₹ in crore)	9,415	8,593	8,523	9,468	14,748
Financial Assets/Liabilities	0.9	1.0	1.0	1.0	1.1

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

@The estimates adopted by the Government of India for the State's Fiscal Consolidation Road Map (2010-15) have been adopted by the State in the MTFP 2011-15 and the estimates are lower than the latest estimates contained in the Economic Survey 2010-11 based on the CSO guidelines.

APPENDIX 1.6

SUMMARISED FINANCIAL POSITION OF THE GOVERNMENT OF KARNATAKA AS ON 31 MARCH, 2011 (REFERENCE: PARAGRAPH 1.10.1; PAGE 42)

(₹ in crore)

As on 31.3.2010		Liabilities		As on 31.3.2011
45,468.00		**Internal Debt** *		**48,762.05**
	23,525.76	Market Loans bearing interest	24,562.97	
	1.42	Market Loans not bearing interest	1.45	
	446.75	Loans from Life Insurance Corporation of India	406.14	
	1,896.56	Loans from other Institutions	2,355.99	
	19,597.51	Loans from RBI – Special Securities issued to National Small Savings Fund of the Central Government.	21,435.50	
9,902.20		**Loans and Advances from Central Government -**		**10,514.76**
	0.07	Pre 1984-85 Loans	0.07	
	92.62	Non-Plan Loans	86.37	
	9,639.38	Loans for State Plan Schemes	10,274.20	
	25.48	Loans for Central Plan Schemes	21.82	
	144.65	Loans for Centrally Sponsored Plan Schemes	132.30	
80.00		**Contingency Fund**		**67.47**
11,177.06		**Small Savings, Provident Funds, etc.**		**12,784.10**
10,254.03		**Reserve Funds**		**11,628.06**
7,660.97		**Deposits**		**9,698.19**
4,495.66		**Suspense and Miscellaneous balances**		**4,144.34**
89,037.92		**Total**		**97,598.97**
		Assets		
75,169.96@		**Gross Capital Outlay on Fixed Assets -**		**88,525.12**
	32,491.93	Investments in shares of Companies, Corporations, etc.	38,420.70	
	42,678.03	Other Capital Outlay	50,104.42	
8,046.42		**Loans and Advances -**		**9,622.98**
	1,217.29	Loans for Power Projects	1,233.68	
	6,827.14	Other Development Loans	8,389.36	
	1.99	Loans to Government servants and Miscellaneous Loans	-0.06	
399.03		**Remittances**		**433.91**
10.17		**Other Advances**		**9.95**
9,773.51		**Cash -**		**7,667.31**
	---	Cash in treasuries	---	
	10.77	Departmental Cash Balance including Permanent Advances	8.69	
	(-) 107.69	Deposits with Reserve Bank of India	(-) 657.14	
	0.01	Remittances in Transit	0.01	
	8,889.98	Cash Balance Investments	6,871.51	
	980.44	Investment from earmarked funds	1,444.24	
(-) 4,361.17@		**Surplus on Government Accounts**		**(-) 8,660.30**
	(-) 2,598.18	Accumulated Surplus	**(-) 4,361.17**	
	(-) 1,628.78	Deduct Revenue Surplus	(-) 4,172.38	
	(-) 64.42	Deduct Other adjustments	(-) 54.94	
	(-) 69.79	Deduct Capital Receipts	(-)71.81	
89,037.92		**Total**		**97,598.97**

* The liabilities shown above do not include off budget borrowings.

@ Assistance of ₹ 10 crore released to milk unions during 2009-10 under revenue section has been treated as investment in equity as ordered. Hence, the progressive capital investment have been corrected Proforma.

Explanatory Notes for Appendices 1.3 and 1.6

The abridged accounts in the foregoing statements have to be read with comments and explanations in the Finance Accounts. Government accounts being mainly on cash basis, the surplus on Government account, as shown in Appendix 1.6, indicates the position on cash basis, as opposed to accrual basis in commercial accounting. Consequently, items payable or receivable or items like depreciation or variation in stock figures, etc., do not figure in the accounts. Suspense and Miscellaneous balances include cheques issued but not paid, payments made on behalf of the State and other pending settlements, etc. There was a difference of ₹ 31.29 crore (credit) between the figures reflected in the Accounts and that intimated by the Reserve Bank of India under "Deposits with Reserve Bank". A net difference to the extent of ₹ 11.16 crore (credit) had been reconciled (June 2011) leaving a balance of net credit of ₹ 20.13 crore (credit) which was under reconciliation.

APPENDIX 1.7

FINANCIAL POSITION OF DEPARTMENTALLY MANAGED COMMERCIAL/ QUASI COMMERCIAL UNDERTAKINGS
(REFERENCE: PARAGRAPH 1.9.3, PAGE 39)

(₹ in crore)

Undertaking	Year upto which proforma accounts finalised	Mean capital	Total loss
Government Silk Factory, Mamballi	2008-09	2.41	1.05
Government Silk Twisting and Weaving Factory, Mudigundam	2007-08	1.41	0.50
Government Silk Factory, Chamarajanagar	2008-09	2.24	0.88
Government Silk Factory, Santhemarahalli	2008-09	2.30	1.30
Government Silk Factory, Kollegal	2008-09	1.85	1.43
Government Central Workshop, Madikeri	2008-09	0.07	0.14
Total		**10.28**	**5.30**

APPENDIX 1.8

MAJOR POLICY INITIATIVES OF STATE BUDGET 2010-11 UNDER VARIOUS SECTORS (REFERENCE: PARAGRAPH 1.4.3, PAGE 7)

Social	Economic	Fiscal	Others
• Compulsory education for every child at least up to 10th standard from 2010 onwards. • A big campaign for skill development by providing training facilities for three to five lakh educated men and women every year. • A provision of ₹ 1,000 crore every year for city development campaign for bringing about plan development of large, medium and small towns. • Proposal to improve transport system in Bangalore city through developing metro rail, mono rail and good roads. • Investment of about ₹ 18,872 crore in the coming three years for water and drainage facility in all parts of the State. • An Agriculture University to be established at Shimoga for special plants and crops of the Malnad region.	• Increasing agricultural productivity in dry land areas of the State by providing water-harvesting structures in the form of check dams and bandharas. • Establishment of Agriculture produce exchanges in every district to provide a scientific system for marketing agricultural and horticultural products. • Comprehensive development of 1,000 villages every year by spending up to ₹ 1,000 crore under the Suvarna Gramodaya Programme. • Industrial estates to be developed by providing necessary infrastructure and establishing small and medium industries in every district. • A fresh capital of ₹ 600 crore to be provided to Co-operative credit institutions and District Central Co-operative Banks through the State and Central Government as recommended by Vaidyanathan Committee.	• Disinvestment in Government undertakings. • Proposal to impose a toll of ₹ 500 on every trip made by a vehicle of more than 16 ton weight in transporting materials other than machinery and equipment. • VAT exemption on food materials such as wheat, rice and pulses. • VAT rate to be reduced from 12.5 *per cent* to five *per cent* on certain items. • Luxury tax rate to increase from six per cent to eight per cent on certain categories of hotel rooms. • Reduction in stamp duty from ₹ 200 to ₹ 50 on agreement deeds related to shares/ debentures and other marketable securities.	• Setting up a Special Economic Zone for information technology in an area of 12,000 acres near Bengaluru International Airport. • Mukhyamanthri Nagarothana Yojane' for the improvement of seven City Corporations, 44 City Municipal Councils, 94 Town Municipal Councils and 68 Town Panchayats. • Formulating specific policies for implementing government scheme for providing infrastructure facilities like development of road network, development of ports, generation of power, development of educational facilities, etc., in partnership with private investors.

APPENDIX 2.1

MAJOR HEADS OF ACCOUNT UNDER WHICH PROVISION OF MORE THAN ₹ 25 CRORE REMAINED UNSPENT (REFERENCE PARAGRAPH 2.3.1; PAGE 67)

(₹ in crore)

Sl. No.	Grant No.	Major Head	Area	Unspent provision
1	2	3	4	5
1	01		Crop Husbandry - Commercial Crops - Agriculture Department	26.49
			Crop Husbandry - Crop Insurance - Subsidies for Crop Loan	200.00
			Crop Husbandry - Other Expenditure - Agriculture Department	58.79
			Crop Husbandry - Other Expenditure - Horticulture Department	50.35
		2402	Soil and Water Conservation - Assistance to Grama Panchayats - Grama Panchayats – CSS/ CPS	29.20
			Soil and Water Conservation - Other Expenditure - Rastriya Krishi Vikasa Yojane – Watershed	30.00
			Soil and Water Conservation - Other Expenditure - Integrated Watershed Management Programme	205.52
		2415	Agricultural Research and Education - General - Research - UAS, Bangalore	26.91
2	02	2403	Animal Husbandry - Assistance to Taluk Panchayats - Rashtriya Krishi Vikasa Yojane – Animal Husbandry	45.73
3	03	2054	Treasury and Accounts Administration - Directorate of Accounts and Treasuries - Director of Treasuries	42.47
		2070	Other Administrative Services - Other expenditure - Filling up of Vacant Posts (District Sector)	850.00
		2071	Pensions and Other Retirement Benefits - Civil - Commuted Value of Pensions - Other Payments	276.34
			Pensions and Other Retirement Benefits - Civil - Gratuities - Other Gratuities – Karnataka	202.25
			Pensions and Other Retirement Benefits - Civil - Family Pensions - Other Family Pensions -Karnataka	86.24
			Pensions and Other Retirement Benefits - Civil - Pensions of Employees of Local Bodies - Payments to Municipal Employees	35.84

Sl. No.	Grant No.	Major Head	Area	Unspent provision
1	2	3	4	5
			Pensions and Other Retirement Benefits - Civil - Leave Encashment Benefits - General Services	43.66
			Pensions and Other Retirement Benefits - Civil - Leave Encashment Benefits - Social Services	52.10
			Pensions and Other Retirement Benefits - Civil - Government Contribution for Defined Contributions Pension Scheme - State's Matching Contribution to Pension Scheme	174.52
		3475	Other General Economic Services - Other Expenditure - Augmenting Infrastructure Initiative Fund (IIF)	1,350.00
4	05	2055	Police - Modernisation of Police Force	62.43
		5055	Capital Outlay on Road Transport - Other Expenditure - Basic Services for Urban Transport	34.24
5	06	5465	Investments in General Financial and Trading Institutions - Invest in General Financial Institutions - Investments in Public Sector and Other Undertakings, Banks etc., - Investment in Rail Infrastructure Development Corporation (Karnataka) Limited (K-RIDE)	196.67
6	07	2515	Other Rural Development Programmes - Assistance to Zilla Panchayats - Zilla Panchayats	39.36
			Other Rural Development Programmes - Assistance to Taluk Panchayats - Taluk Panchayats	133.25
			Other Rural Development Programmes - Assistance to Taluk Panchayats - Taluk Panchayats – CSS/ CPS	38.42
			Other Rural Development Programmes - Assistance to Grama Panchayats - Grama Panchayats	57.29
			Other Rural Development Programmes - Assistance to Grama Panchayats - Grama Panchayats - CSS/CPS	134.46
		3054	Roads and Bridges - General - Assistance to Zilla Panchayats - Zilla Panchayats	60.58
		4215	Capital Outlay on Water Supply and Sanitation - Water Supply - Rural Water Supply - Capital Release to Grama Panchayats	76.05
		5054	Capital Outlay on Roads and Bridges - District and Other Roads - Road Works - Capital Release to Grama Panchayats	59.78
			Capital Outlay on Roads and Bridges - District and Other Roads - Other Expenditure - NABARD Assisted Works	100.65

Sl. No.	Grant No.	Major Head	Area	Unspent provision
1	2	3	4	5
7	10	2225	Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes - Welfare of Scheduled Castes - Assistance to Taluk Panchayats - Taluk Panchayats CSS/CPS	29.37
		4225	Capital Outlay on Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes - Welfare of Backward Classes - Education - Consttuction	28.77
8	11	2235	Social Security and Welfare - Social Welfare - Assistance to Taluk Panchayats - Taluk Panchayat CSS/CPS	102.32
			Social Security and Welfare - Social Welfare - Other Expenditure - Integrated Child Protection Scheme	42.61
		4235	Capital Outlay on Social Security and Welfare - Social Welfare - Child Welfare - NABARD Works	36.40
9	14	2235	Social Security and Welfare - Other Social Security and Welfare Programmes - Pensions under Social Security Schemes - Old Age Pension Scheme	141.69
		2245	Relief on Account of Natural Calamities - State Disaster Response Fund - Transfer to Reserve Funds and Deposit Account – State Disaster Response Fund - Central Share to Calamity Relief Fund	120.72
			Relief on Account of Natural Calamities - State Disaster Response Fund - Transfer to Reserve Funds and Deposit Account – State Disaster Response Fund - State Share to Calamity Relief Fund	40.24
10	16	2216	Housing - Rural Housing - Other expenditure - Ashraya - SDP	45.00
		6216	Loans for Housing - Rural Housing - Other Loans - Loans to RGRHC Limited. for Ashraya Scheme	100.00
11	17	2202	General Education - Elementary Education - Assistance to Zilla Panchayats - Zilla Panchayats	293.73
			General Education - Secondary Education - Government Secondary Schools - High Schools (District Sector Schemes)	25.00
			General Education - Secondary Education - Government Secondary Schools - Junior Colleges	56.29

Sl. No.	Grant No.	Major Head	Area	Unspent provision
1	2	3	4	5
			General Education - Secondary Education - Other Expenditure - Other Schemes	172.18
			General Education - University and Higher Education - Government Colleges and Institutes - Other Government Colleges	317.10
			General Education - Adult Education - Other Expenditure - GIA in Education	57.90
		4202	Capital Outlay on Education, Sports, Art and Culture - General Education - University and Higher Education - Buildings	38.91
12	18	2851	Village and Small Industries - Sericulture Industries - State Sericulture Industries	31.73
		2852	Industries - Consumer Industries - General - Other Expenditure - Refund of ST to Export Oriented Units	27.64
		6852	Loans for Iron and Steel Industries - Manufacture - Loans to Public Sector and Other Undertakings - Vijayanagar Steel Limited	30.00
			Loans for Iron and Steel Industries - Manufacture - Other Loans - Loans Against VAT Payment to Industrial Units	32.02
			Loans for Iron and Steel Industries - Manufacture - Other Loans - Reimbursement of Tax	60.31
13	19	2217	Urban Development - Other Urban Development Schemes, - Assistance to Local Bodies, Corporations, Urban Development Authorities, Town Improvement Boards etc. - Bangalore Metropolitan Regional Development Authority	245.00
			Urban Development - General - Other Expenditure - Basic Urban Service Programme – Urban Infrastructure and Governance	140.67
			Urban Development - General - Other Expenditure - Sub-Mission for Basic Services for Urban Poor	144.24
			Urban Development - General - Other Expenditure - Urban Infrastructure Development Scheme for Small and Medium town (UIDSSMT)	41.43

Sl. No.	Grant No.	Major Head	Area	Unspent provision
1	2	3	4	5
		3604	Compensation and Assignment to Local Bodies and Panchayati Raj Institutions - Assistance to Nagara Panchayats/Notified Area Committees - Devolution for Nagara Panchayats/Notified Area Committees	51.00
		4217	Capital Outlay on Urban Development - Other Urban Development Schemes - Other Expenditure - Equity in BMRCL	100.00
		6215	Loans for Water Supply and Sanitation - Water Supply - Loans to Public Sector and Other Undertakings - Bangalore Water Supply and Sewerage Board	155.39
		6217	Loans for Urban Development - Other Urban Development Schemes - Other Loans - Loans to BMRCL	250.00
14	20	2059	Public Works - General - Suspense - Debits	121.49
		3054	Roads and Bridges - General - Transfer to Reserve Fund/Deposit Accounts - Transfer of Grants from Central Road Fund to Deposit Head Subventions	39.03
		4216	Capital Outlay on Housing - Government Residential Buildings - Other Housing - Construction	33.22
		5051	Capital Outlay on Ports and Light Houses - General - Other Expenditure - Sustainable Coastal Protection and Management - EAP	48.00
		5054	Capital Outlay on Roads and Bridges - State Highways - Road Works - Renewal of State Highways	102.77
			Capital Outlay on Roads and Bridges - State Highways - Road Works - Karnataka State Highway Improvement Project (KSHIP)-II-EAP	153.08
			Capital Outlay on Roads and Bridges - District and Other Road - Other Expenditure - District Roads	77.41
15	21	4701	Capital Outlay on Medium Irrigation - Karnataka Neeravari Nigam - Other Expenditure - Accelerated Irrigation Benefit Programme – (AIBP)	342.00
			Capital Outlay on Medium Irrigation - General - Investments in Public Sector and Other Undertakings - Krishna-Bhagya Jala Nigam Limited.	395.56
			Capital Outlay on Medium Irrigation - Other Expenditure - New Schemes	48.59

Sl. No.	Grant No.	Major Head	Area	Unspent provision
1	2	3	4	5
		4702	Capital Outlay on Minor Irrigation - Surface Water - Water Tanks – Construction of New Tanks, Pickups etc.	28.06
			Capital Outlay on Minor Irrigation - Surface Water - World Bank Aided Tank Irrigation Projects - Karnataka Community Based Tank Management Project - EAP	50.00
			- Special Component Plan	35.18
16	22	2210	Medical and Public Health - Urban Health Services – Allopathy - Hospitals and Dispensaries - Hospitals Attached to Teaching Institutions	25.53
17	23	2230	Labour and Employment - Training - Industrial Training Institutes - Students Centric GIA	51.74
			Labour and Employment - Training - Industrial Training Institutes - New Private ITIs	50.00
18	24	4801	Capital Outlay on Power Projects - Hydel Generation - Investments in Public Sector and Other Undertakings - Investments in Power Utility	173.56
		6801	Loans for Power Projects - Transmission and Distribution - Loans to Karnataka Power Transmission Corporation Limited	91.10
			Loans to Power Projects - Other Loans to Electricity Boards - Loans to Karnataka Power Transmission Corporation Limited (KPTCL)	126.44
19	27	2014	Administration of Justice - Other Expenditure - EFC Grants for upgradation of Judicial Administration	25.20
20	29	2049	Interest Payments - Interest on Internal Debt - Interest on Market Loans - Interest on Current Loans	721.35
			Interest Payments - Interest on Loans and Advances from Central Government - Interest on Loans for State/Union Territory Plan Schemes	54.15
		6003	Internal Debt of the State Government - Ways and Means Advances from the Reserve Bank of India - Clean and Secured Ways and Means Advances	1,000.00
			Internal Debt of the State Government -Ways and Means Advances from the Reserve Bank of India - Over Draft with Reserve Bank of India	350.00
			Total	**11,880.71**

APPENDIX 2.2

UNSPENT PROVISION DUE TO NON/SHORT/ LATE RELEASE OF FUNDS AND NON/LATE RECEIPT OF SANCTIONS FROM GOVERNMENT (REFERENCE: PARAGRAPH 2.3.2; PAGE 71)

(₹ in crore)

Sl. No.	Grant	Head of account	Unspent provision
1	01 -Agriculture and Horticulture	2401-105-01 Soil Health Centres - Subsidiary Expenses	2.49
2		2401-108-1 Agriculture Department - Tribal Sub-Plan	2.06
3		2401-800-1 Agriculture Department - AGRISNET - Other Expenses	1.00
4		2401-800-1 Agriculture Department – Farmer's Super Store Financial Assistance/Relief	5.00
5		2401-800-1 Rashtriya Krishi Vikasa Yojane - Other Expenses	8.30
6		2402-800-02 Development of Saline Alkaline Water Logged Areas - Other Expenses	4.30
7		2402-800-06 Rashtriya Krishi Vikasa Yojane – Watershed-Special Component Plan	7.66
8		2402-800-06 Rashtriya Krishi Vikasa Yojane – Watershed – Tribal Sub-Plan	5.15
9		2402-800-12 Integrated Watershed Management Programme – Special Development Plan	32.95
10		2402-800-12 Integrated Watershed Management Programme- Major Works	145.66
11		2402-800-12 Integrated Watershed Management Programme- Special Component Plan	18.41
12		2402-800-12 Integrated Watershed Management Programme- Tribal Sub-Plan	8.50
13		4401-108-01 Micro Irrigation Corporation	10.00
14		4401-800-1 Buildings – Shimoga Agricultural University – Capital Expenses	10.00
15	02- Animal Husbandry and Fisheries	4402-800-01 RIDF Assisted Watershed Development- Special Component Plan	4.52
16		4402-800-01 RIDF Assisted Watershed Development- Tribal Sub-Plan	1.80
17		4402-800-01 RIDF Assisted Watershed Development – NABARD Works	3.68
18		2403-101-21 Control of Animal Deseases – General Expenses	4.64
19		2403-103-17 Assistance to Poultry Farms – General Expenses	1.38
20		2403-104-02 Karnataka Sheep Product Development Board-Grants-In-Aid	4.10
21		2403-109-01 Veterinary Education and Training – Financial Assistance	4.22
22		2403-113-04 Animal Husbandry Statistics and Livestock Census-Subsidiary Expenses	1.41
23		2403-800-30 Rashtriya Krishi Vikasa Yojane – Animal Husbandry – Grants-In-Aid	45.73
24		2403-800-33 Cattle and Buffalo Development-A1 Centre- Special Development Plan	2.09
25		2404-191-2 Institute of Animal Health and Veterinary Biologicals – Dairy Infrastructure – Other Expenses	10.00
26		2405-800-20 Matsya Ashraya – Other Expenses	1.55
27		2405-800-20 Matsya Ashraya – Special Component Plan	1.05
28		4403-101-02 Construction of Dispensaries under RIDF – Special Component Plan	2.00
29		4403-101-02 Construction of Dispensaries under RIDF Tribal Sub-Plan	1.00
30		4403-101-09 Hassan Veterinary College – Other Expenses	5.00
31		4403-101-11 Education Extension and Research – KVAFSU Bidar – Special Component Plan	2.13
32		4403-101-12 Veterinary College, Athani - Constructions	3.00
33		4404-190-01 Milk Union-Equity - Investment	10.00

Sl. No.	Grant	Head of account	Unspent provision
34		4405-104-01 Construction of Jetties and Landing Centre CSS (50:50) – Constructions	1.00
35		4405-800-1 Buildings – Constructions	1.00
36	05 – Home and Transport	2055-003-06 XIII FCG-Police Training - Other Expenses	5.00
37		2056-800-07 Rehabilitation Centre for Prisoners - Other Expenses	1.00
38		4055-800-05 Armed Reserve Police Training Centre- Construction	3.00
39		4055-800-06 City Armed Reserve - Hubli-Construction	3.00
40		4055-800-08 Police Community Hall - Construction	2.00
41		4055-800-10 Construction of Police Station - Construction	18.75
42	09-Co-operation	3475-107-20 Minimum Floor Price Scheme - Other Expenses	3.30
43		3475-800-09 Rashtriya Krishi Vikasa Yojane – Agricultural Marketing-Other expenses	20.20
44		5475-800-01 Rice Park - Other Expenses	5.00
45	12-Information, Tourism and Youth Services	2204-104-25 Sports Institutions and Hostels-General expenses	1.66
46		5452-01-800-10 Roads to Tourist Places-NABARD works	18.20
47	14-Revenue	2029-102-1 Survey Settlement Establishment-Funds for Survey of Government Lands and Granted Lands-Other expenses	5.00
48	17-Education	4202-203-1 NABARD Works	1.32
49		4202-203-1 Buildings-PU College Buildings-Construction	6.94
50	19-Urban Development	2217-80-800-06 Basic Urban Service Programme- Urban Infrastructure and Governance-Other Expenses	100.00
51		2217-80-800-06 Basic Urban Service Programme- Urban Infrastructure and Governance - Tribal Sub-Plan	20.00
52		2217-80-800-07 Sub-Mission for Basic Services for Urban Poor- Other Expenses	110.00
53		2217-80-800-07 Sub-Mission for Basic services for Urban Poor- Special Component Plan	20.00
54		2217-80-800-07 Sub-mission for Basic services for Urban Poor- Tribal Sub-Plan	10.00
55		2217-80-800-08 Urban Infrastructure Development Scheme for Small and Medium Town (UIDSSMT) - Special Component Plan	30.00
56		2217-80-800-08 Urban Infrastructure Development Scheme for Small and Medium Town (UIDSSMT) - Tribal Sub-Plan	10.00
57	23- Labour	2230-800-02 Rastriya Swasthya Bhima Yojana - Other Expenses	2.78
58		2230-800-02 Rastriya Swasthya Bhima Yojana - Special Component Plan	4.27
59		2230-800-04 Contribution for New Pension System for Unorganised Workers - Other Expenses	14.75
60		2230-800-04 Contribution for New Pension System for Unorganised Workers - Special Component Plan	3.30
61		2230-800-04- Contribution for New Pension System for Unorganised Workers - Tribal Sub-Plan	1.25
62		2230-03-101-38 Modular Training - Special Development Plan	1.63
63	26-Planning, Statistics Science and Technology	3054-02-204-18 India Statistical Strengthening Project – Other expenses	4.40
		Total	**799.53**

APPENDIX 2.3

MAJOR HEADS OF ACCOUNT UNDER WHICH EXCESS EXPENDITURE WAS ABOVE ₹ 25 CRORE (REFERENCE: PARAGRAPH 2.3.4; PAGE 72)

(₹ in crore)

Sl. No.	Grant No.	Major Head	Area	Total Provision	Reappropriation	Total	Expenditure	Excess
1	08	2406	Forestry and Wild Life - Forestry - Transfer to Reserve Fund/Deposit Account - Transfer of Forest Development Tax to Karnataka Forest Development fund	500.00	0.00	500.00	556.79	56.79
2	17	2202	General Education - Elementary Education - Assistance to Zilla Panchayats - Akshara Dasoha Scheme	437.85	0.00	437.85	625.87	188.02
3			General Education - Secondary Education - Assistance to Zilla Panchayats - Zilla Panchayats	1094.96	17.64	1112.60	1137.74	25.14
			Total	**2,032.81**	**17.64**	**2,050.45**	**2,320.40**	**269.95**

Appendix 2.4

Persistent excess expenditure over provision (Reference: Paragraph 2.3.5; Page 72)

(₹ in crore)

Sl. No.	Grant & Head of Account	2006-07			2007-08			2008-09			2009-10			2010-11		
		Provision	Expenditure	Excess	Provision	Expenditure	Excess	Provision	Expenditure	Excess	Provision	Expenditure	Excess	Provision	Expenditure	Excess
1	***08 - Forest, Ecology and Environment*** 2406-01-797-01 Transfer of Forest Development Tax to Karnataka Forest Development Fund	8.00	10.16	2.16	8.00	11.43	3.43	10.50	11.89	1.39	11.00	271.47	260.47	500.00	556.79	56.79
2	***20 – Public Works*** 2059-80-001-01 Chief Engineer (C&B) South, Bangalore	3.10	4.60	1.50	3.23	5.23	2.00	3.98	5.94	1.96	3.64	6.15	2.51	4.40	6.96	2.56
3	2059-80-001-02 Chief Engineer (C&B)North, Dharwad	1.91	2.30	0.39	2.27	2.81	0.54	2.62	3.49	0.87	2.47	3.94	1.47	3.31	4.46	1.15

APPENDIX 2.5

EXPENDITURE INCURRED WITHOUT PROVISION
(REFERENCE: PARAGRAPH 2.3.6; PAGE 72)

(₹ in crore)

Sl. No.	Grant	Head of Account	Expenditure	Reasons
1	04	2014-00-102-0-02-020 Medical Allowances	0.13	Provision made under Voted, instead of Charged
2	04	2014-00-102-0-02-021 Reimbursement of Medical Expenses	0.14	Provision made under Voted, instead of Charged
3	08	2406-01-797-0-02-261 Inter Account Transfers	0.49	Due to transfer of receipts collected under compensatory plantations without provision.
4	08	4406-01-102-2-80-132 Capital Expenses	0.10	Expenditure without provision under 'Forestry and Environment Project' for Eastern Plains -EAP - Capital Expenses
5	09	2425-00-108-0-65-106 Subsidies	20.00	Due to error in budget, Provision should have been made under Revenue Head instead of Loan Head.
6	10	2225-03-277-0-08-059 Other Expenses	0.48	Expenditure without provision under 'Training for Competitive Examination and Devaraj Urs Research Institutes - Other Expenses.
7	19	6215-01-190-2-88-394 Loans	22.54	Bangalore Water Supply and Sewage Project Phase II - IDP 168 - Loans, attracts the criteria of 'New Service'.
8	29	2049-01-101-02-24-240 Debt Servicing	0.29	Due to clearance of an amount held under CAO, RBS-Suspense
		Total	**44.17**	

APPENDIX 2.6

EXCESS EXPENDITURE OVER PROVISION REQUIRING REGULARISATION (REFERENCE: PARAGRAPH 2.3.7; PAGE 73)

(₹ in crore)

Year	Number of grants/ Appro-priation	Grant/Appropriation Numbers	Amount of excess required to be regularised as commented in the Appropriation Accounts/Audit Reports	Actual Excess	Remarks
1989-90	12/5	7,8,10,24,27,46,47,49,53,20,35,56, 23,45,12, Interest Payments	25.89	25.89	
1990-91	13/4	6,7,10,13,20,32,45,46,47,52,27,33, 35,47,4	35.73	35.68	Excess reduced on account of reconciliation of expenditure
1991-92	13/3	7,11,14,22,23,36,45,46,47,51, 57,27,24,41, 43	58.99	58.47	Excess reduced on account of reconciliation of expenditure
1992-93	12/3	6,9,27,32,34,41,43,44,45,46,50,52, 25,33, 34,48	107.47	107.47	
1993-94	7/2	22,36,46,49,54,13,29,49,24,43,	7.94	7.94	
1994-95	4/6	21,35,3,48,15,24,46,47,55	8.35	7.95	Due to erroneous budget provision
1995-96	9/2	2,33,39,43,45,49,1,46,52,21,44	27.79	27.79	
1996-97	9/3	2,16,33,43,49,51,8,24,25,45,1, 21,43,44	.104.40	104.40	
1997-98	11	12,33,37,39,43,49,51,24,27, 32,55	84.01	84.01	
1998-99	12	9,17,33,37,39,40,4,25,46,43,52	35 .86	34.74	Excess reduced on account of reconciliation of expenditure
1999-00	11/2	10, 16, 19, 33, 34, 39, 48, 49, 65, 66, 8, 43.	333.22	333.22	
2000-01	11	5, 15, 24, 35, 38, 49, 7, 10, 42, 30, 44	114.46	114.46	
2001-02	10	5, 10, 13, 15, 24, 30, 35, 42, 44, 50	112.64	112.64	
2002-03	3/4	53,13,60,15,30,44,44	11.99	11.99	
2003-04	6	14,16,27,24,8,20	818.88	812.42	Reduction of ₹ 6.46 crore is the net result of increase of ₹ 0.04 crore due to reconciliation and decrease of ₹ 6.50 crore due to rectification of misclassification.
2004-05	5	8,17,18,20,24	264.27	549.93	Excess increased due to proforma correction of ₹ 285.66 crore under Grant 24 on account of book adjustments relating to power subsidy for 2004-05, not shown in the annual accounts of 2004-05.
2005-06	4/1	3,14,18,24,25	809.02	809.02	
2006-07	4/1	8,14,15,18,24	483.45	483.45	
2007-08	2/2	4,8,27	5.15	5.15	
2008-09	1/1	8,14	65.85	65.85	
2009-10	2/1	8,14	915.42	915.42	
		Total	**4,430.78**	**4,707.89**	

APPENDIX 2.7

CASES OF NEW SERVICE/NEW INSTRUMENT OF SERVICE (REFERENCE: PARAGRAPH 2.3.9; PAGE 74)

(₹ in crore)

Sl. No.	Grant	Head of Account		Budget Provision	Expenditure	Excess
(1)	(2)	(3)		(4)	(5)	(6)
1	05- Home and Transport	2041 001 01 195	Taxes on Vehicles Direction and Administration Commissioner of Transport Transport Expenses	0.41	1.47	1.06
		2055 108 01 021	Police State Headquarters Police Commissioner of Police Reimbursement of Medical Expenses	4.16	14.24	10.08
		2055 800 01 132	Police Other Expenditure Opening of New Police Station Capital Expenses	0.25	1.72	1.47
2	07- Rural Development and Panchayat Raj	2810 60 198 6 01 413	New and Renewable Energy Others Assistance to Grama Panchayats Grama Panchayats – CSS/CPS Block Grants Belgaum	0.40	2.59	2.19
3.	09-Co-operation	2425 108 65 106	Co-operation Assistance to other Co-operatives Coffee Debt Relief Package Subsidies	0.00	20.00	20.00
4	10-Social Welfare	2225 01 197 6 03 408 411	Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes Welfare of Scheduled Castes Assistance to Taluk Panchayats Taluk Panchayats – CSS/CPS Post-Matric Scholarships to SC's Chickamagalur Kodagu	1.00 0.20	4.05 1.73	3.05 1.53
5	14-Revenue	2235 60 001 01 011	Social Security and Welfare Other Social Security and Welfare Programmes Direction and Administration Directorate of Pension Dearness Allowances	0.03	1.55	1.52
6	17 - Education	2202 01 197 1 01 451	General Education Elementary Education Assistance to Zilla Panchayats Taluk Panchayats Block Grants Davanagere	0.47	1.81	1.34
		2202 02 109 13 003	General Education Secondary Education Government Secondary Schools Junior Colleges Pay – Staff	15.42	177.61	162.19

Sl. No. (1)	Grant (2)	Head of Account (3)		Budget Provision (4)	Expenditure (5)	Excess (6)
		2202	General Education			
		02	Secondary Education			
		196	Assistance to Zilla Panchayats			
		1	Zilla Panchayats			
		01	Block Grants			
		401	Bangalore (Urban)	1.40	4.41	3.01
		414	Bijapur	1.46	6.13	4.67
		2202	General Education			
		02	Secondary Education			
		197	Assistance to Taluk Panchayats			
		1	Taluk Panchayats			
		01	Block Grants			
		412	Mandya	3.21	9.80	6.59
		2203	Technical Education			
		105	Polytechnics			
		01	Polytechnics			
		003	Pay-Staff	1.13	5.71	4.58
		011	Dearness Allowances	2.24	9.77	7.53
		2203	Technical Education			
		112	Engineering/Technical Colleges and Institutes			
		02	SKSJT Institute, Bangalore			
		003	Pay Staff	0.24	1.97	1.73
		011	Dearness Allowances	0.22	1.42	1.20
7	18-Commerce and Industries	2851	Village and Small Industries			
		797	Transfer to Reserve Fund and Deposit Accounts			
		01	Transfer of Market Fees and Licence Fee to Karnataka Silk Worm Seed Cocoon and Silk Yarn Development and Price Stabilization Fund			
		261	Inter-account transfers	7.72	24.61	16.89
8	19-Urban Development	6215	Loans for Water Supply and Sanitation			
		01	Water Supply			
		190	Loans to Public Sector and Other Undertakings			
		2	Bangalore Water Supply and Sewerage Board			
		88	Bangalore Water Supply and Sewerage Project Phase II-2-IDP168			
		394	Loans	0.00	22.54	22.54
9	21-Water Resources	4700	Capital Outlay on Major Irrigation			
		13	Karanja Project-AIBP			
		800	Other Expenditure			
		01	Reservoir			
		132	Capital Expenses	1.28	8.11	6.83
10	22-Health and Family Welfare Services	2210	Medical and Public Health			
		01	Urban Health Services-Allopathy			
		001	Direction and Administration			
		01	Directorate of Health and Family Welfare Services (Medical Branch)			
		002	Pay-Officers	0.19	2.83	2.64
		Total		**41.43**	**324.07**	**282.64**

APPENDIX 2.8

UNNECESSARY SUPPLEMENTARY PROVISION
(More than one crore)
(REFERENCE: PARAGRAPH 2.3.10; PAGE 74)

(₹ in crore)

Sl. No.	Grant	Head of Account						Provision			Expenditure	Unspent Provision
								Original	Suppl	Total		
1	02 – Animal Husbandry and Fisheries	4404-	00-	190-	0-	01-	211	0.00	10.00	10.00	0.00	10.00
2	03 – Finance	2040-	00-	101-	0-	00-	011	26.43	6.53	32.96	26.30	6.66
		2040-	00-	101-	0-	00-	014	15.31	0.52	15.83	8.22	7.61
3	09 – Co-operation	2425-	00-	107-	2-	49-	100	50.00	2.36	52.36	47.29	5.07
		6425-	00-	108-	3-	57-	106	0.00	20.00	20.00	0.00	20.00
4	17 – Education	2202-	01-	196-	1-	01-	403	7.29	11.48	18.77	7.29	11.48
		2202-	01-	196-	1-	01-	405	7.07	10.53	17.60	7.07	10.53
		2202-	01-	196-	1-	01-	408	6.04	6.11	12.15	6.04	6.11
		2202-	01-	196-	1-	01-	410	6.78	10.66	17.44	6.78	10.66
		2202-	01-	196-	1-	01-	412	6.44	9.37	15.81	6.44	9.37
		2202-	01-	196-	1-	01-	414	8.70	15.15	23.85	8.70	15.15
		2202-	01-	196-	1-	01-	415	3.60	8.06	11.66	3.60	8.06
		2202-	01-	196-	1-	01-	416	9.71	8.60	18.31	9.71	8.60
		2202-	01-	196-	1-	01-	417	12.01	14.98	26.99	12.40	14.59
		2202-	01-	196-	1-	01-	418	6.99	9.91	16.90	6.99	9.91
		2202-	01-	196-	1-	01-	419	5.29	9.99	15.28	5.29	9.99
		2202-	01-	196-	1-	01-	451	7.96	9.37	17.33	7.96	9.37
		2202-	01-	196-	1-	01-	456	6.05	4.45	10.50	6.05	4.45
		2202-	01-	196-	1-	01-	457	3.50	5.88	9.38	3.50	5.88
		2202-	01-	196-	1-	01-	462	6.54	6.01	12.55	6.54	6.01
		2202-	02-	109-	0-	13-	014	35.41	0.83	36.24	20.00	16.24
5	18 – Commerce and Industries	2702-	02-	005-	0-	80-	071	0.10	1.92	2.02	0.00	2.02
		2851-	00-	107-	1-	01-	011	18.45	2.41	20.86	16.29	4.57
		2851-	00-	107-	1-	01-	014	4.38	0.12	4.50	3.28	1.22
		2851-	00-	107-	1-	39-	059	0.00	1.00	1.00	0.00	1.00
		4702-	00-	102-	1-	80-	386	0.00	3.30	3.30	0.00	3.30
6	22 – Health and Family Welfare Services	2210-	01-	110-	1-	22-	011	21.05	8.50	29.55	20.87	8.68
7	24 – Energy	2810-	02-	101-	0-	01-	059	0.00	2.00	2.00	0.00	2.00
		6801-	00-	800-	1-	02-	394	0.00	126.44	126.44	0.00	126.44
8	26 – Planning, Statistics, Science and Technology	3451-	00-	800-	0-	03-	059	1.00	1.00	2.00	0.64	1.36
		3451-	00-	800-	0-	08-	101	0.00	5.80	5.80	0.00	5.80
	Total							239.95	333.28	573.23	210.71	359.52

APPENDIX 2.9

EXCESSIVE SUPPLEMENTARY PROVISION
(All selected grants : More than one crore)
(REFERENCE: PARAGRAPH 2.3.11; PAGE 74)

(₹ in crore)

Sl. No	Grant	Head of Account	Provision			Expenditure	Unspent Provision
			Original	Supple-mentary	Total		
1	02 – Animal Husbandry and Fisheries	2403- 00- 101- 0- 21- 051	8.51	11.49	20.00	15.36	4.64
		2403- 00- 109- 0- 01- 100	0.00	5.00	5.00	0.15	4.85
2	03 – Finance	2040- 00- 001- 0- 01- 003	8.50	8.00	16.50	13.42	3.08
		3475- 00- 800- 0- 07- 104	0.00	2,000.00	2,000.00	650.00	1,350.00
		7465- 00- 800- 0- 01- 394	0.00	40.50	40.50	33.00	7.50
3	04 - Department of Personal and Administrative Affairs	2015- 00- 103- 0- 01- 015	12.00	7.00	19.00	16.36	2.64
		3451- 00- 800- 0- 07- 101	0.00	27.78	27.78	13.89	13.89
4	06 - Infrastructure Development	5465- 01- 190- 2- 01- 211	15.00	70.00	85.00	70.00	15.00
5	09 - Co-operation	2425- 00- 001- 0- 01- 011	8.69	2.56	11.25	10.01	1.24
		6425- 00- 108- 3- 52- 394	0.00	5.00	5.00	3.28	1.72
6	14 - Revenue	2053- 00- 800- 0- 09- 059	0.00	10.00	10.00	0.15	9.85
		2075- 00- 800- 4- 03- 132	0.00	5.00	5.00	1.73	3.27
		2235- 02- 101- 0- 20- 100	375.00	50.00	425.00	422.67	2.33
		2235- 60- 102- 1- 01- 251	290.00	100.00	390.00	361.70	28.3
		2235- 60- 800- 2- 05- 251	0.00	3.00	3.00	0.39	2.61
7	15-Information Technology	3451- 00- 090- 2- 01- 059	10.00	3.00	13.00	11.80	1.20
8	17-Education	2202- 01- 196- 1- 01- 401	8.39	14.93	23.32	8.46	14.86
		2202- 01- 196- 1- 01- 402	4.85	4.61	9.46	6.85	2.61
		2202- 01- 196- 1- 01- 406	10.80	16.57	27.37	10.85	16.52
		2202- 01- 196- 1- 01- 409	4.12	9.70	13.82	8.01	5.81
		2202- 01- 196- 1- 01- 413	16.15	25.98	42.13	16.19	25.94
		2202- 01- 196- 1- 01- 421	4.10	6.94	11.04	4.16	6.88
		2202- 01- 196- 1- 01- 452	3.45	5.99	9.44	3.52	5.92
		2202- 01- 196- 1- 01- 453	5.41	7.22	12.63	5.48	7.15
		2202- 02- 800- 1- 12- 059	40.00	149.89	189.89	56.73	133.16
		2202- 03- 103- 2- 01- 011	89.17	33.77	122.94	107.41	15.53
		2202- 03- 103- 2- 01- 051	20.12	15.00	35.12	31.33	3.79
		2202- 04- 001- 0- 05- 101	0.00	4.85	4.85	3.75	1.10
		2205- 00- 105- 0- 04- 101	30.24	3.16	33.40	30.92	2.48
		4202- 01- 203- 1- 01- 132	5.00	10.00	15.00	12.43	2.57
		4202- 01- 203- 1- 01- 436	38.60	10.00	48.60	47.50	1.10
9	18-Commerce and Industries	2851- 00- 103- 0- 62- 059	25.93	7.50	33.43	31.83	1.60
		2851- 00- 107- 1- 35- 059	22.72	35.64	58.36	50.89	7.47
		2852- 80- 800- 0- 43- 059	0.00	88.23	88.23	60.59	27.64
		4860- 04- 800- 0- 01- 172	2.50	5.00	7.50	5.96	1.54
		6852- 02- 800- 0- 01- 394	0.00	50.00	50.00	17.98	32.02
10	22-Health and Family Welfare	2210- 02- 101- 1- 03- 101	0.69	2.00	2.69	1.53	1.16
11	24-Energy	4801- 01- 190- 0- 09- 211	500.00	1,000.00	1,500.00	1,326.44	173.56
12	26-Planing, Statistics, Science and Technology	3454- 02- 204- 0- 18- 059	0.01	17.99	18.00	13.60	4.40
		4575- 60- 800- 0- 01- 132	125.00	199.20	324.20	306.80	17.40
Total			**1,684.95**	**4,072.50**	**5,757.45**	**3,793.12**	**1,964.33**

APPENDIX 2.10

INADEQUATE SUPPLEMENTARY PROVISION
(More than one crore)
(REFERENCE: PARAGRAPH 2.3.12; PAGE 74)

(₹ in crore)

Sl. No.	Grant	Head of Account	Provision			Expenditure	Excess Uncovered
			Original	Supple-mentary	Total		
1	14 – Revenue	2235-60-001-0-01-003	0.04	1.50	1.54	2.84	1.30
		2235-60-001-0-02-059	390.00	150.00	540.00	612.85	72.85
2	17 – Education	2202-02-196-1-01-406	72.78	6.71	79.49	81.34	1.85
Total			462.82	158.21	621.03	697.03	76.00

APPENDIX 2.11

INJUDICIOUS RE-APPROPRIATION OF FUNDS
(REFERENCE: PARAGRAPH 2.3.13: PAGE 75)

(₹ in crore)

Sl. No.	Head of Account		Provision (Original plus Supplementary)	Re-appro-priation	Final Grant	Expenditure	Excess (+)/ unspent provision (-)
01	2202	General Education					
	03	University and Higher Education					
	103	Government Colleges and Institutes					
	2	Other Government Colleges					
	01	Other Government Colleges					
	003	Pay-Staff	25.23	(+)34.44	59.67	78.89	(+)19.22
02	2202	General Education					
	03	University and Higher Education					
	103	Government Colleges and Institutes					
	2	Other Government Colleges					
	01	Other Government Colleges					
	014	Other Allowances	10.67	(+)17.68	28.35	35.70	(+)7.35
03	2203	Technical Education					
	105	Polytechnics					
	01	Polytechnics					
	003	Pay-Staff	15.78	(+)1.33	17.11	21.69	(+)4.58
04	2202	General Education					
	02	Secondary Education					
	196	Assistance to Zilla Panchayats					
	1	Zilla Panchayats					
	01	Block Grants					
	401	Bangalore (Urban)	73.64	(+)10.19	83.83	86.85	(+)3.02
05	2010	Medical and Public Health					
	01	Urban Health Services – Allopathy					
	001	Direction and Administration					
	01	Directorate of Health and Family Welfare Services (Medical Branch)					
	002	Pay – Officers	0.19	(+)0.81	1.00	2.83	(+)1.83
06	2202	General Education					
	02	Secondary Education					
	196	Assistance to Zilla Panchayats					
	1	Zilla Panchayats					
	01	Block Grants					
	463	Haveri	46.63	(+)2.22	48.85	50.51	(+)1.66
07	2202	General Education					
	02	Secondary Education					
	196	Assistance to Zilla Panchayats					
	1	Zilla Panchayats					
	01	Block Grants					
	410	Hassan	35.07	(+)1.15	36.22	37.82	(+)1.60
08	2202	General Education					
	02	Secondary Education					
	196	Assistance to Zilla Panchayats					
	1	Zilla Panchayats					
	01	Block Grants					
	451	Davanagere	41.51	(+)1.50	43.01	44.52	(+)1.51

Sl. No.		Head of Account	Provision (Original plus Supplementary)	Re-appro-priation	Final Grant	Expenditure	Excess (+)/ unspent provision (-)
09	2202 01 197 1 01 451	General Education Elementary Education Assistance to Taluk Panchayats Taluk Panchayat Block Grants Davanagere	131.66	(+)6.00	137.66	139.00	(+)1.34
10	2202 02 196 1 01 405	General Education Secondary Education Assistance to Zilla Panchayats Zilla Panchayats Block Grants Shimoga	32.72	(+)2.00	34.72	35.89	(+)1.17
11	2202 01 197 1 01 463	General Education Elementary Education Assistance to Taluk Panchayats Taluk Panchayat Block Grants Haveri	109.96	(+)0.32	110.28	111.37	(+)1.09
12	2029 101 1 01 003	Land Revenue Collection Charges Bangalore Division Village Establishments Pay – Staff	66.93	(+)9.69	76.62	77.52	(+)0.90
13	2202 01 197 1 01 405	General Education Elementary Education Assistance to Taluk Panchayats Taluk Panchayat Block Grants Shimoga	128.31	(+)0.70	129.01	129.85	(+)0.84
14	2202 01 197 1 01 410	General Education Elementary Education Assistance to Taluk Panchayats Taluk Panchayat Block Grants Hassan	170.98	(+)0.30	171.28	171.82	(+)0.54
15	2029 101 1 01 011	Land Revenue Collection Charges Bangalore Division Village Establishments Dearness Allowance	33.46	(+)6.72	40.18	40.71	(+)0.53
16	2202 03 102 06 101	General Education University and Higher Education Assistance to Universities Kannada University-Hampi Grants – in – Aid	9.67	(+)3.00	12.67	13.17	(+)0.50
17	2039 001 01 011	State Excise Direction and Administration Commissioner for Excise and Other Establishments Dearness Allowance	15.99	(+)0.73	16.72	17.15	(+)0.43
18	2202 02 196 1- 01 453	General Education Secondary Education Assistance to Zilla Panchayats Zilla Panchayats Block Grants Chickballapur	13.46	(+)0.13	13.59	14.01	(+)0.42

Sl. No.		Head of Account	Provision (Original plus Supplementary)	Re-appro-priation	Final Grant	Expenditure	Excess (+)/ unspent provision (-)
19	2203 001 01 011	Technical Education Direction and Administration Director of Technical Education Dearness Allowance	1.64	(+)0.07	1.71	2.11	(+)0.40
20	2202 03 103 2 03 002	General Education University and Higher Education Government Colleges and Institutes Other Government Colleges Women's College at Mysore Pay – Officers	0.28	(+)0.31	0.59	0.92	(+)0.33
21	2203 001 01 003	Technical Education Direction and Administration Director of Technical Education Pay – Staff	1.67	(+)0.01	1.68	1.94	(+)0.26
22	2202 03 103 2 01 020	General Education University and Higher Education Government Colleges and Institutes Other Government Colleges Other Government Colleges Medical Allowance	0.11	(+)0.02	0.13	0.38	(+)0.25
		Total	**965.56**	**(+)99.32**	**1,064.88**	**1,114.65**	**(+)49.77**
23	2202 02 800 1 12 059	General Education Secondary Education Other Expenditure Other Schemes Bicycles to VIII Standard Students Other Expenses	189.89	(-)55.17	134.72	56.73	(-)77.99
24	2202 80 800 35 101	General Education General Other Expenditure GIA in Education Grants – in – Aid	58.00	(-)9.90	48.10	0.10	(-)48.00
25	2203 800 15 059	Technical Education Other Expenditure Quality Improvement of Technical Education-EAP Other Expenses	9.76	(-)0.05	9.71	0.28	(-)9.43
26	2202 02 109 03 059	General Education Secondary Education Government Secondary Schools High Schools (District Sector Schemes) Other Expenses	25.00	(-)15.77	9.23	-	(-)9.23
27	2030 02 102 015	Stamps and Registration Stamps – Non – Judicial Expenses on Sale of Stamps Subsidiary Expenses	9.90	(-)1.85	8.05	-	(-)8.05
28	2202 02 800 1 15 133	General Education Secondary Education Other expenditure Other Schemes Opening of Schools for Girls – KGBV Model – SDP Special Development Plan	24.00	(-)5.00	19.00	11.25	(-)7.75

Sl. No.		Head of Account	Provision (Original plus Supplementary)	Re-appro-priation	Final Grant	Expenditure	Excess (+)/ unspent provision (-)
29	2415	Agricultural Research and Education					
	80	General					
	004	Research					
	1	UAS Bangalore					
	12	Rashtriya Krishi Vikasa Yojane – UAS, Bangalore					
	059	Other Expenses	26.91	(-)18.66	8.25	3.00	(-)5.25
30	3451	Secretariat Economic Services					
	090	Secretariat					
	2	Information Technology Secretariat					
	24	Bio-Technology Policy					
	059	Other Expenses	10.00	(-)2.00	8.00	2.75	(-)5.25
31	2054	Treasury and Accounts Administration					
	098	Local Fund Audit					
	02	Fiscal Policy and Analysis Cell					
	051	General Expenses	3.49	(-)0.05	3.44	0.61	(-)2.83
32		General Education					
	01	Elementary Education					
	197	Assistance to Taluk Panchayats					
	1	Taluk Panchayats					
	01	Block Grants					
	401	Bangalore (Urban)	213.06	(-)0.04	213.02	210.80	(-)2.22
33	2851	Village and Small Industries					
	102	Small Scale Industries					
	69	Modernisation/Technology Training					
	059	Other expenses	13.24	(-)0.13	13.11	11.81	(-)1.30
34	2205	Art and Culture					
	105	Public Library					
	04	District Library Authorities Under Section 31 of Karnataka Public Libraries Act 1965					
	101	Grants – in – Aid	33.40	(-)1.45	31.95	30.92	(-)1.03
35	2040	Taxes on Sales, Trade etc.,					
	001	Direction and Administration					
	01	Commissioner for Commercial Taxes					
	003	Pay – Staff	16.50	(-)2.31	14.19	13.42	(-)0.77
36	4202	Capital Outlay on Education, Sports, Art and Culture					
	01	General Education					
	203	University and other Higher Education					
	1	Buildings					
	08	Equipment for Engineering Colleges					
	132	Capital Expenses	42.80	(-)25.50	17.30	16.59	(-)0.71
37	2852	Industries					
	80	General					
	800	Other Expenditure					
	47	Establishment of Urban Hatt					
	059	Other expenses	4.50	(-)1.05	3.45	2.80	(-)0.65

Sl. No.	Head of Account		Provision (Original plus Supplementary)	Re-appro-priation	Final Grant	Expenditure	Excess (+)/ unspent provision (-)
38	2053 101 01 200	District Administration Commissioners Bangalore Division Maintenance	1.12	(-)0.06	1.06	0.45	(-)0.61
39	2405 800 28 106	Fisheries Other Expenditure Reimbursement of Differential Interest to Commercial Banks Subsidies	0.60	(-)0.25	0.35	-	(-)0.35
40	2202 80 196 6 02 403	General Education General Assistance to Zilla Panchayats Zilla Panchayats CSS/CPS Printing and Supply of Forms, Registers to Primary and Secondary Schools Chitradurga	0.80	(-)0.30	0.50	0.25	(-)0.25
		Total	**682.97**	**(-)139.54**	**543.43**	**361.76**	**(-)181.67**
41	2202 03 103 2 01 011	General Education University and Higher Education Government Colleges and Institutes Other Government Colleges Other Government Colleges Dearness Allowance	122.94	(+)18.51	141.45	107.41	(-)34.04
42	2202 01 197 1 01 452	General Education Elementary Education Assistance to Taluk Panchayats Taluk Panchayats Block Grants Ramanagara	79.08	(+)3.00	82.08	79.07	(-)3.01
43	2202 03 103 2 01 002	General Education University and Higher Education Government Colleges and Institutes Other Government Colleges Other Government Colleges Pay-Officers	89.74	(+)82.98	172.72	170.43	(-)2.29
44	2202 02 197 1 01 420	General Education Secondary Education Assistance to Taluk Panchayats Taluk Panchayats Block Grants Raichur	32.28	(+)2.33	34.61	32.92	(-)1.69
45	2202 02 197 1 01 406	General Education Secondary Education Assistance to Taluk Panchayats Taluk Panchayats Block Grants Tumkur	52.76	(+)3.45	56.21	54.63	(-)1.58
46	4202 02 104 1 03 386	Capital Outlay on Education, Sports, Art and Culture Technical Education Polytechnics Buildings Engineering Colleges Construction	53.00	(+)10.00	63.00	61.58	(-)1.42

Sl. No.		Head of Account	Provision (Original plus Supplementary)	Re-appro-priation	Final Grant	Expenditure	Excess (+)/ unspent provision (-)
47	2425 001 01 003	Co-operation Direction and Administration Registrar of Co-operative Societies Pay – Staff	13.81	(+)1.16	14.97	13.58	(-)1.39
48	2851 102 73 059	Village and Small Industries Small Scale Industries Koushalya Abhivridhi Yojane Other Expenses	5.00	(+)1.05	6.05	4.68	(-)1.37
49	2053 094 7 01 071	District Administration Other Establishment Taluk Establishment Taluk Officers-Establishment Building Expenses	2.24	(+)0.06	2.30	1.25	(-)1.05
50	2202 02 197 1 01 452	General Education Secondary Education Assistance to Taluk Panchayats Taluk Panchayats Block Grants Ramanagara	20.23	(+)0.55	20.78	19.88	(-)0.90
51	2405 796 423	Fisheries Tribal Area Sub – Plan Tribal Sub – Plan	2.11	(+)0.89	3.00	2.28	(-)0.72
52	2202 02 197 1 01 404	General Education Secondary Education Assistance to Taluk Panchayats Taluk Panchayats Block Grants Kolar	32.91	(+)1.12	34.03	33.53	(-)0.50
53	2202 03 103 2 02 011	General Education University and Higher Education Government Colleges and Institutes Other Government Colleges Degree College at Bijapur Dearness Allowance	0.52	(+)0.41	0.93	0.46	(-)0.47
54	2202 05 103 21 101	General Education Language Development Sanskrit Education Non-Government Sanskrit Colleges Grants – in – Aid	3.25	(+)1.12	4.37	3.91	(-)0.46
55	2202 02 196 1 01 466	General Education Secondary Education Assistance to Zilla Panchayats Zilla Panchayats Block Grants Koppal	8.40	(+)0.55	8.95	8.58	(-)0.37
56	2030 03 001 1 051	Stamps and Registration Registration Direction and Administration Inspector General of Stamps and Registration General Expenses	1.11	(+)2.17	3.28	2.91	(-)0.37

Sl. No.		Head of Account	Provision (Original plus Supplementary)	Re-appro-priation	Final Grant	Expenditure	Excess (+)/ unspent provision (-)
57	2030	Stamps and Registration					
	03	Registration					
	001	Direction and Administration					
	1	Inspector General of Stamps and Registration					
	071	Building Expenses	2.33	(+)1.20	3.53	3.23	(-)0.30
		Total	**521.71**	**(+)130.55**	**652.26**	**600.33**	**(-)51.93**
58	2202	General Education					
	02	Secondary Education					
	196	Assistance to Zilla Panchayats					
	1	Zilla Panchayats					
	01	Block Grants					
	419	Bidar	28.76	(-)0.55	28.21	30.13	(+)1.92
59	2071	Pension and Other Retirement Benefits					
	01	Civil					
	102	Commuted Value of Pensions					
	3	Other Payments					
	01	Payments to Karnataka Pensioners					
	251	Pension and Retirement Benefit	479.36	(-)276.89	202.47	203.02	(+)0.55
60	2210	Medical and Public Health					
	05	Medical Education Training and Research					
	101	Ayurveda					
	1	Education					
	03	College with Attached Hospital					
	002	Pay – Officers	2.10	(-)0.27	1.83	2.11	(+)0.28
		Total	**510.22**	**(-)277.71**	**232.51**	**235.26**	**(+)2.75**

APPENDIX 2.12

DEFECTIVE RE-APPROPRIATION ORDERS
(REFERENCE: PARAGRAPH 2.3.14; PAGE 75)

(₹ in crore)

Sl. No.	Grant		Re-appropriation Order		Amount	Issuing Authority	Reasons for rejection
			Number	Date			
1	4	Department of Personnel and Administrative Reforms	CASVE 9 NAGADU-2/ 2011	22-2-2011	0.50	Secretary to Government, DPAR (A/c)	Want of sanction order.
2			FD 494 EXP-12	31-3-2011	0.07	Secretary to Government, Finance Department, Exp – 12 Vidhana Soudha	Voted and Charged not agree with the Act
3			FD 3 BRS 2011	31-3-2011	0.26	Principal Secretary to Government, Finance Department, Vidhana Soudha	Reappropriation between two grants
4	5	Home and Transport	AE 27 KASE 2011	22-2-2011	0.03	Secretary to Government, Home Department	Want of Form 22A
5			FD 379 BRS 2010	14-3-2011	7.11	Deputy Secretary to Government, Finance Department	New Service.
6			FD 184 BRS 2010-11	21-12-2010	1.25	Finance Department	
7	7	Rural Development and Panchayat Raj	FD 204 BRS 2011	5-1-2011	6.00	Deputy Secretary to Government, Finance Department (FR and BCC)	Re-appropriation between two grants.
8			FD 26 BRS 2010	24-3-2011	1.27	Deputy Secretary to Government, Finance Department	Pertains to ZP
9	10	Social Welfare	FD 369 BRS 2011	10-3-2011	2.00	Deputy Secretary to Government, (FR and BCC) Finance Department	Want of Form 22A
10			FD 401 BRS 2010	22-3-2011	90.56		New Service.
11			AKAEE 12 MDS 2011	14-2-2011	0.25	Under Secretary to Government, Social Welfare Department	Form 22A not enclosed.
12			ASamKe/50/Asam Yo	11-3-2011	0.10		
13	12	Information, Tourism and Youth Services	YUSEEE 202 YUSEKRI 2010	22-01-2011	0.10	Under Secretary to Government, Youth Service Department	
14	14	Revenue	RD 44 MST 2010	10-2-2011	0.02	Under Secretary to Government, Revenue Department, MS Building	Want of sanction and Form 22A
15	15	Information Technology	ITD 17 ADM 2011	08-3-2011	0.08	Under Secretary, IT Department	Not balanced.
16	17	Education	DTE 8 BUD 2010	3-12-2010	0.05	Director, Technical Education, Palace Road	Form 22A not balanced
17			SAGRME/LAEP AV-2/PLA 2/ 9554	3-3-2011	0.02	Director, Department of Public Libraries, Bangalore	Want of sanction
18			FD 461 BRS 2010	31-3-2011	112.09	Principal Secretary to Government, Finance Department, Vidhana Soudha	New Service.
19			FD 437 BRS 2010	29-3-2011	0.65		Reappropriation amount not sufficient.
20			FD 462 BRS 2010	31-3-2011	50.10		New Service.

Sl. No.	Grant		Re-appropriation Order		Amount	Issuing Authority	Reasons for rejection
			Number	Date			
21			FD 64 BRS 2010	3-9-2010	9.23		
22			FD 61 BRS 2010	01-9-2010	48.00	Deputy Secretary, Finance Department	New Service
23	18	Commerce and Industries	FD 404 BRS 2010	23-3-2011	0.07	Finance Department	Re-appropriation between ZP
24			FD 394 BRS 2010	10-3-2011	0.04		
25	19	Urban Development	UD 56 GEL 2011	23-2-2011	0.13	Under Secretary to Government, Urban Development Department	Want of sanction and Form 22A
26	21	Water Resources	FD 441 BRS 2010	31-3-2011	11.70	Finance Department	New Service
27	22	Health and Family Welfare	AKUKA 18 IMM 2011	11-2-2011	0.50	Under Secretary to Government H&FW (ISM)	Want of sanction
28			ONE/LEPA vi / PUNI / 1 /2010-11	19-11-2010	0.03	Principal, Government College of Pharmacy	Form 22A not balanced
29	27	Law	LAW 57 LAC 2011	25-3-2011	0.02	Registrar, High Court, Bangalore	Original provision not tallied and figures not filled.
30	28	Parliamentary Affairs and Legislature	KVSS/A1/244/Maho/2010	09-12-2010	0.35	Finance Department	New Service
			Total		**342.58**		

Appendix 2.13

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

(Reference: Paragraph 2.3.15; Page 75)

(₹ in crore)

Sl.No.	Grant and section		Unspent provision
1	3	*Finance* (Revenue Charged)	 0.13
2	10	*Social Welfare* (Revenue Voted) (Capital Voted)	 117.00 67.68
3	11	*Women and Child Development* (Revenue Voted) (Capital Voted)	 261.91 50.88
4	14	*Revenue* (Revenue Charged) (Capital Voted)	 9.85 38.31
5	15	*Information and Technology* (Revenue Voted) (Capital Voted)	 16.02 11.17
6	16	*Housing* (Capital Voted)	 100.00
7	19	*Urban Development* (Capital Voted)	 516.83
8	26	*Planning, Statistics, Science and Technology* (Capital Voted)	 27.56
9	27	*Law* (Capital Voted)	 6.75
		Total	**1,224.09**

Appendix 2.14

Surrender of unspent provision
(Reference: Paragraph 2.3.15; Page 75)

(₹ in crore)

Sl. No.		Grant/Section	Amount of unspent provision	Amount surrendered	Amount not surrendered
(1)		(2)	(3)	(4)	(5)
1	*1*	***Agriculture and Horticulture***			
		Revenue Voted	741.82	616.72	125.10
2	*2*	***Animal Husbandry & Fisheries***			
		Revenue Voted	168.25	122.85	45.40
3	*3*	***Finance***			
		Revenue Voted	2925.80	2437.67	488.13
		Revenue Charged	0.13	Nil	0.13
		Capital Voted	17.21	17.17	0.04
4	*4*	***Department of Personnel and Administrative Reforms***			
		Revenue Voted	64.15	37.02	27.13
5	*5*	***Home and Transport***			
		Revenue Voted	178.49	88.08	90.41
		Capital Voted	105.67	46.78	58.89
6	*6*	***Infrastructure Development***			
		Revenue Voted	6.47	6.31	0.16
		Capital Voted	166.29	88.30	77.99
7	*7*	***Rural Development and Panchayat Raj***			
		Revenue Voted	529.94	199.90	330.04
		Capital Voted	262.26	52.33	209.93
8	*8*	***Forest, Ecology and Environment***			
		Revenue Voted	27.32	15.84	11.48
9	*9*	***Co-operation***			
		Capital Voted	27.49	7.49	20.00
10	*10*	***Social Welfare***			
		Revenue Voted	117.00	Nil	117.00
		Capital Voted	67.68	Nil	67.68
11	*11*	***Women and Child Development***			
		Revenue Voted	261.91	Nil	261.91
		Capital Voted	50.88	Nil	50.88
12	*12*	***Information, Tourism and Youth Services***			
		Revenue Voted	13.45	11.95	1.50
13	13	***Food and Civil Supplies***			
		Revenue Voted	46.31	44.75	1.56
		Capital Voted	1.98	0.03	1.95
14	*14*	***Revenue***			
		Revenue Voted	396.31	7.65	388.66
		Revenue Charged	9.85	Nil	9.85
		Capital Voted	38.31	Nil	38.31
15	*15*	***Information Technology***			
		Revenue Voted	16.02	Nil	16.02
		Capital Voted	11.17	Nil	11.17
16	*16*	***Housing***			
		Revenue Voted	85.94	10.66	75.28
		Capital Voted	100.00	Nil	100.00

17	***17***	***Education***			
		Revenue Voted	439.88	79.88	360.00
		Capital Voted	22.95	8.26	14.69
18	***18***	***Commerce and Industries***			
		Capital Voted	149.63	60.42	89.21
19	***19***	***Urban Development***			
		Revenue Voted	522.86	5.60	517.26
		Capital Voted	516.83	Nil	516.83
20	***20***	***Public Works***			
		Revenue Voted	194.60	5.77	188.83
		Capital Voted	503.26	1.73	501.53
21	***21***	***Water Resources***			
		Revenue Voted	48.57	23.63	24.94
		Capital Voted	863.05	1.70	861.35
22	***22***	***Health and Family Welfare Services***			
		Revenue Voted	113.15	96.01	17.14
		Capital Voted	4.94	1.52	3.42
23	***23***	***Labour***			
		Revenue Voted	149.42	135.04	14.38
		Capital Voted	2.58	2.40	0.18
24	***24***	**Energy**			
		Revenue Voted	28.85	5.08	23.77
		Capital Voted	391.11	173.56	217.55
25	***25***	***Kannada and Culture***			
		Revenue Voted	25.66	20.74	4.92
		Capital Voted	8.78	0.66	8.12
26	***26***	***Planning, Statistics, Science and Technology***			
		Revenue Voted	25.26	13.79	11.47
		Capital Voted	27.56	Nil	27.56
27	***27***	***Law***			
		Capital Voted	6.75	Nil	6.75
28	***28***	***Parliamentary Affairs and Legislation***			
		Revenue Voted	21.82	20.92	0.90
		Revenue Charged	0.46	0.44	0.02
		Total	**10,506.07**	**4,468.65**	**6,037.42**

APPENDIX 2.15

CASES OF SURRENDER OF FUNDS IN EXCESS OF ₹ FIVE CRORE ON 30 AND 31 MARCH 2011
(REFERENCE: PARAGRAPH 2.3.15; PAGE 76)

(₹ in crore)

Sl. No.	Grant		Total Provision	Amount of Surrender	Percentage to total Provision
1	1	Agriculture and Horticulture	917.65	603.38	66
2	2	Animal Husbandry and Fisheries	302.00	163.46	54
3	3	Finance	3,504.82	2,457.20	70
4	4	Department of Personnel and Administrative Reforms	78.63	34.87	44
5	5	Home and Transport	193.95	100.37	52
6	6	Infrastructure Development	540.46	92.10	17
7	7	Rural Development and Panchayat Raj	653.75	228.25	35
8	8	Forest, Ecology and Environment	93.18	10.88	12
9	9	Co-operation	92.37	37.41	41
10	12	Information, Tourism and Youth Services	82.06	26.94	33
11	13	Food and Civil Supplies	970.40	44.21	05
12	16	Housing	120.00	10.66	09
13	17	Education	1,183.04	128.17	11
14	18	Commerce and Industries	280.93	113.35	40
15	19	Urban Development	8.42	5.51	65
16	21	Water Resources	33.35	25.30	76
17	22	Health and Family Welfare Services	281.00	77.82	28
18	23	Labour	225.93	129.46	57
19	24	Energy	1,504.33	177.89	12
20	25	Kannada and Culture	49.60	10.56	21
21	26	Planning, Statistics, Science and Technology	25.80	11.53	45
22	27	Law	22.64	7.31	32
23	28	Parliamentary Affairs and Legislation	27.71	13.41	48
24	29	Debt Servicing	2,897.89	1,678.79	58
Total			**14,089.91**	**6,188.83**	**44**

APPENDIX 2.16

RESULTS OF REVIEW OF SUBSTANTIAL SURRENDERS MADE DURING THE YEAR (REFERENCE: PARAGRAPH 2.3.16; PAGE 76)

(₹ in crore)

Sl No	Grant	Name of the Scheme (Head of Account)	Provi-sion	Amount Surrend-ered	Percentage of Surrender	Reasons
1.	01- Agriculture and Horticulture	2401-103-15-422 Special Component Plan	20.00	10.68	53	Due to non-identification of beneficiaries for supply of seeds and other inputs.
2.		2401-110-09-106 Subsidies	200.00	200.00	100	Due to non claiming of subsidies by farmers
3.		2401-800-1-43-106 Subsidies	68.00	43.82	64	Specific reasons not furnished
4.		2401-800-1-65-100 Financial Assistance/Relief	5.00	5.00	100	Due to non-receipt of permission from the Government to utilize funds.
5.		2402-800-06-422 Special Component Plan	7.66	7.66	100	
6.		2402-800-06-423 Tribal Sub-Plan	5.15	5.15	100	
7.		2402-800-12-133 Special Development Plan	45.60	32.95	72	
8.		2402-800-12-139 Major Works	149.89	145.66	97	
9.		2402-800-12-422 Special Component Plan	18.41	18.41	100	
10.		2402-800-12-423 Tribal Sub-Plan	8.50	8.50	100	
11.		4401-001-1-04-133 Special Development Plan	17.06	13.05	76	Due to non-commencement of building works
12.		4401-108-1-132 Capital Expenses	10.00	10.00	100	Due to non-receipt of sanction from the Government to establish the Corporation
13.		4401-800-1-2-132 Capital Expenses	10.00	10.00	100	Due to non-receipt of the sanction from the Government for construction of Shimoga Agricultural University
14.	02 – Animal Husbandry and Fisheries	2403-800-30-101 Grants-in-Aid	67.80	45.73	67	Due to non-release of funds by the Government
15.		2404-191-1-11-59 Other Expenses	20.00	18.83	94	Reason not furnished
16.		4404-190-1-211– Milk Unions Equity Instalment	10.00	10.00	100	Due to non-release of funds by the Government
17.		4405-103-6-1-59 Other Expenses	19.60	10.91	56	Due to non-finalisation of tender for Project Establishment
18.		4405-800-2-03-436 NABARD Works	10.00	8.21	82	Due to non-finalisation of the tender
19.	03-Finance	2054-095-01-125 Modernization	50.00	42.31	85	Due to non-completion of Khajane- Package II
20.		2070-800-11-14 Other Allowances	850.00	850.00	100	Specific reasons for surrender not furnished

Sl No	Grant	Name of the Scheme (Head of Account)	Provision	Amount Surrendered	Percentage of Surrender	Reasons
21.	05 – Home and Transport	2055-003-06-59 Other Expanses	5.00	5.00	100	Due to non-receipt of administrative sanction for Police Training
22.		2055-115-125 Modernisation	100.00	58.43	58	Due to non-finalisation of tenders.
23.		4055-800-10-386 Construction	25.00	18.75	75	Due to non-receipt of administrative sanction
24.		5055-800-01-422 Special Component Plan	14.00	14.00	100	Due to shifting of funds from Transport Department to Social Welfare Department
25.		5055-800-01-423 Tribal Sub-Plan	6.00	6.00	100	
26.	18-Commerce and Industries	6852-02-800-02-394 Loans	60.31	60.31	100	Due to error in budget
27.	22-Health and Family Welfare Services	2210-01-110-1-18-222 Drugs and Chemicals	11.23	6.38	57	Due to economy measures
28.	26-Planning, Statistics, Science and Technology	3451-800-08-101 Grants-in-Aid	5.80	5.80	100	Due to non-release of grants by the Central Government
29.	29-Debt Servicing	2049-01-101-1-72-240 Debt Servicing	395.13	288.63	73	Due to excess provision than required
30.		2049-1-101-1-80-240 Debt Servicing	410.00	323.27	79	Provision made though interest payment on loan was not due - error in budgeting
31.		6003-101-2-45-240 Debt Servicing	6.68	6.68	100	
32.		6003-110-1-240 Debt Servicing	1,000.00	626.85	63	Non availment of Ways and Means Advances during the year
33.		6003-110-2 -240 Debt Servicing	350.00	350.00	100	Non availment of Over Draft facility from the Reserve Bank of India
		Total	**3,981.82**	**3,266.97**	**82**	

APPENDIX 2.17

ERRORS IN BUDGETING
(REFERENCE: PARAGRAPH 2.5; PAGE 76)

(₹ in crore)

Sl. No.	Grant	Head of Account	Amount involved	Error
1	04 – Department of Personnel and Administrative Reforms	2012, 2014, 2051, 2070 Salaries	00.32	As per Article 229(3) 322 the Constitution of India and Section 5(5) of the Karnataka Lokayukta Act 1984 all salaries including allowances and pension payable should be Charged instead of Voted. However it was noticed that under the Major Heads of Account 2012, 2014, 2051, 2070, provision was made under the Voted grant instead of Charged appropriation
2	09 – Co-operation	6425-Loans for Co-operation, loans to other Co-operatives-Other Societies – Coffee Debt Relief Package – Subsidies	20.00	Provision made under Capital Head instead of the Revenue Head
		Total	**20.32**	
3	06 – Infrasturcture Development	3455-Meteorology –Drought Monitoring Cell – Other Expenses	1.00	Supplementary Provision made under Grant No – 06 instead of Grant No-26
4	13 – Food and Civil Supplies	2408-Food, Storage and Warehousing-Food – Food Subsidies	10.40	Provision made under Subsidies while the related expenditure/ provision represented IT for PDS/Modernization
5	14 – Revenue	2245-Relief on Account of Natural Calamities-State Disaster Response Fund-Transfer to Reserve Funds and Deposit Account – State Disaster Response Fund	160.96	Excess/Provision was made for the transfer of contribution of Government of India (75% of ₹16,096.00 = ₹ 12,072.00 lakh) and State Government (25% of ₹16,096.00=₹4,024.00 lakh) by book adjustment of Calamity Relief Fund. In Supplementary Provision (Second Instalment) for a similar amount was obtained under the Detailed Head 03-Central Share to State Disaster Response Fund and 04-State Share to State Disaster Response Fund against which the expenditure representing the transfer by book adjustment was accounted. In view of the Original Provision, the Supplementary Provision proved unnecessary which could have been sorted by issue of correction slip.
6	18-Commerce and Industries	6852 – Loans for Iron and Steel Industries-Manufacture – Other Loans-Reimbursement of Tax – Loans	60.31	The transaction relating to reimbursement of CST to BEML could have been made under the relevant Receipt Head (0040) instead of provision being made under Capital Head (6852) and reclassifying under the Revenue Head (2852)

Sl. No.	Grant	Head of Account	Amount involved	Error
7	24-Energy	6801-Loans for Power Projects-Other Loans to Electricity Boards – Loans to Karnataka Power Transmission Corporation Limited (K.P.T.C.L)	126.44	Provision made under Loan Head, while the release was made under Capital Head 4801-01-190-09
8	29-Debt Servicing	2049 – Interest Payments-Interest on Internal Debt-Interest on Market Loans-Interest on Current Loans-'11.08% Karnataka Government State 2010 III Issue' – Debt Servicing	22.16	Provision made for Interest payment while the Loan obtained had matured during 2009-10
		2049-Interest Payments-Interest on Interest Debt-Interest on Market Loans-Interest on Current Loans-'8.40% KSDC 2018-Debt Servicing	00.16	Provision made for ₹ 751.00 lakh at 8.41% instead of ₹ 750.00 lakh at 8.40%
		Total	**381.43**	

APPENDIX 3.1

MAJOR HEAD DEPARTMENT-WISE DETAILS OF OUTSTANDING UCs SEPARATELY FOR EACH YEAR

(REFERENCE: PARAGRAPH 3.1; PAGE 89)

Sl. No.	Head of Account	Department	Year	Number of UCs	Amount (in crore)
1	2204	Sport and Youth Services	1989-90	12	0.06
2			1998-99	2	0.95
				14	**1.01**
3	2205	Art and Culture	1986-87	3	0.05
4			1987-88	5	0.05
5			1988-89	23	0.19
6			1990-91	21	0.64
7			1991-92	3	0.02
8			1993-94	25	0.53
9			1999-00	9	1.60
10			2000-01	4	0.02
11			2003-04	131	7.78
12			2004-05	23	0.70
13			2005-06	534	15.22
14			2006-07	1032	97.38
				1813	**124.18**
15	2211	Health and Family Welfare	2009-10	14	15.82
16			2010-11	138	423.21
				152	**439.03**
17	2217	Urban Development	1993-94	6	2.72
18			2001-02	5	2.94
19			2002-03	2	6.38
20			2003-04	8	83.55
21			2004-05	28	356.80
22			2005-06	23	146.44
23			2010-11	13	11.87
				85	**610.70**
24	2220	Information and Publicity	2007-08	3	0.30
25			2008-09	3	0.16
				6	**0.46**
26	2235	Social Security and Welfare	2008-09	5	15.51
27			2009-10	2	10.00

Sl. No.	Head of Account	Department	Year	Number of UCs	Amount (in crore)
28			2010-11	3	13.00
29			1986-87	1	0.01
30			1993-94	4	0.02
				15	**38.54**
31	**2245**	**Relief on account of Natural Calamities**	2000-01	**3**	**1.41**
32	**2404**	**Dairy Development**	2007-08	**1**	**2.00**
33	**2515**	**Other Rural Development Programmes**	1988-89	23	4.28
34			1989-90	3	0.24
35			1990-91	47	4.84
36			1991-92	51	4.32
37			1992-93	15	1.72
38			1993-94	28	3.53
39			1994-95	62	11.87
40			1999-00	23	3.58
41			2000-01	37	5.66
42			2001-02	93	78.60
43			2002-03	16	13.77
44			2003-04	12	12.11
45			2004-05	56	21.24
46			2005-06	57	52.40
47			2006-07	49	38.37
48			2007-08	60	28.27
49			2008-09	22	4.52
50			2009-10	1	2.05
				655	**291.37**
51	**2851**	**Village and Small Industries**	2006-07	**4**	**0.39**
52	**3475**	**Other General Economic Services**	1997-98	1	9.79
53			1998-99	2	3.71
54			2001-02	5	1.20
55			2002-03	10	2.18
				18	**16.88**
56	**4210**	**Capital outlay on Health and Family Welfare**	2009-10	16	71.67
57			2010-11	27	32.27
				43	**103.94**
58	**4217**	**Capital outlay on Urban Development**	2010-11	**5**	**16.56**
	Total			**2,814**	**1,646.47**

APPENDIX 3.2

NON-RECEIPT OF INFORMATION PERTAINING TO INSTITUTIONS SUBSTANTIALLY FINANCED BY THE GOVERNMENT (REFERENCE: PARAGRAPH 3.2; PAGE 89)

Sl. No.	Department	Number of Institutions	Years for which information not received
1.	Education	220	1992-93 to 2010-11
2.	Forest, Environment and Ecology	36	2007-08 to 2010-11
3.	Commerce and Industries	14	2000-01 to 2010-11
4.	Health & Family Welfare Services	8	1999-00 to 2010-11
5.	Public Works and CADA	6	2000-01 to 2010-11
6.	Co-operation	5	1980-81 to 1982-83, 1993-94 to 2010-11
7.	Youth Services and Sports	4	1999-00 to 2010-11
8.	Planning	3	2000-01 to 2010-11
9.	Science and Technology	3	2007-08 to 2010-11
10.	Social Welfare	2	2003-04 to 2010-11
11.	Labour	1	1999-00 to 2010-11
12.	Revenue	1	2001-02 to 2010-11
13.	Animal Husbandry & Fisheries	1	2003-04 to 2010-11
14.	Rural Development	1	2009-10 to 2010-11
	Total	**305**	

APPENDIX 3.3

STATUS OF SUBMISSION OF ACCOUNTS OF AUTONOMOUS BODIES AND PLACEMENT OF AUDIT REPORTS BEFORE THE STATE LEGISLATURE (REFERENCE: PARAGRAPH 3.3; PAGE 90)

Sl. No	Body	Period of entrustment	Year upto which accounts rendered	Year up to which audit report issued	Placement of audit reports before the Legislature
1.	Karnataka State Khadi and Village Industries Board, Bangalore	2007-08 to 2011-12	2010-11	2009-10	2009-10 06-06-2011
2.	Karnataka Industrial Areas Development Board, Bangalore	2009-10 to 2013-14	2009-10	2009-10	2008-09 11-01-2011
3.	Karnataka Slum Clearance Board, Bangalore	2007-08 to 2011-12	2009-10	2009-10	2008-09 21-07-2010
4.	Bangalore Water Supply and Sewerage Board, Bangalore	2009-10 to 2011-12	2009-10	2009-10	2008-09 11-01-2011
5.	Karnataka Housing Board, Bangalore	2006-07 to 2010-11	2010-11	2009-10	2009-10 06-06-2011
6.	Karnataka State Legal Services Authority, Bangalore and 30 District Legal Services Authorities	As per Act	2009-10	2008-09	2007-08 11-01-2011
7.	Karnataka Bio Diversity Board, Bangalore	2008-09 to 2010-11	2010-11	2009-10	2009-10 11-01-2011
8.	Karnataka Urban Water Supply & Drainage Board	2010-11 to 2014-15	2010-11	2009-10	2009-10 06-06-2011
9.	Bangalore Development Authority, Bangalore	2010-11 to 2014-15	2010-11	2009-10	2008-09 01-07-2010
10	Karnataka State Human Rights Commission, Bangalore	As per Act	2010-11	2009-10	2009-10 06-06-2011

APPENDIX 3.4

POSITION OF ARREARS IN FINALIZATION OF PROFORMA ACCOUNTS BY THE DEPARTMENTALLY MANAGED COMMERCIAL AND QUASI-COMMERCIAL UNDERTAKINGS

(REFERENCE: PARAGRAPH 3.4; PAGE 90)

(₹ in crore)

Sl. No.	Undertaking	Accounts finalized upto	Investment as per the last accounts finalized	Remarks
1	Chamarajendra Technical Institute Mysore	1984-85	-	Proforma accounts due from 1985-86
2	Government Saw Mills, Joida	1968-69	-	Proforma accounts due from 1969-72. Undertaking closed w.e.f. 27-4-1971.
3	Dasara Exhibition Committee, Mysore	1980-81	-	Proforma accounts due from 1981-82 to 1995-96
4	Bangalore Dairy, Bangalore	1973-74	-	Company stands transferred to Karnataka Milk Producers Co-operative Federation Limited from November 1984.
5	Government Milk Supply Scheme, Hubli , Dharwad	1980-81	-	Proforma accounts due from 1981-82 to 1984-85 (31.01.1985). Transferred to Karnataka Dairy Development Corporation (KDDC).
6	Government Milk Supply Scheme, Mysore	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, Belgaum	1976-77	-	Proforma accounts due from 1977-78 to 1984-85. Transferred to KDDC w.e.f 31.01.1985.
8	Government Milk Supply Scheme, Gulbarga	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 1981-82 to 1984-85 (up to 14.02.1985). Transferred to KDDC.
10	Government Milk Supply Scheme, Mangalore	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
12	Vaccine Institute, Belgaum	1992-93	-	Proforma accounts due from 1993-94
13	Government Silk Filature, Kollegal	2008-09	1.85	Proforma accounts due for 2009-10
14	Government Silk Filature, Chamrajanagar	2008-09	2.24	Proforma accounts due for 2009-10
15	Government Silk Filature, Santhemarahally	2008-09	2.30	Proforma accounts due for 2009-10
16	Government Silk Filature, Mambally	2008-09	2.41	Proforma accounts due for 2009-10
17	Government Silk Twisting and Weaving Factory, Mudigundam	2007-08	1.41	Proforma accounts due for 2008-09 & 2009-10
18	Government Central Workshop, Madikeri	2008-09	0.07	Proforma accounts due for 2009-10
19	Karnataka Government Insurance Department, Bangalore	--	No capital account	

APPENDIX 3.5

DEPARTMENT WISE/DURATION WISE BREAK UP OF THE CASES OF THEFT AND MISAPPROPRIATION

(REFERENCE: PARAGRAPH 3.5; PAGE 91)

(₹ in lakh)

Department	Upto 5 years		Upto 10 years		Upto 15 years		Upto 20 years		Upto 25 years		More than 25 years		Total	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Animal Husbandry and Veterinary Services							1	1.10					**1**	**1.10**
Commerce and Industries					3	16.40	4	2.36	1	1.42			**8**	**20.18**
Education					3	1.74			1	0.08	2	0.09	**6**	**1.91**
Finance							1	0.53					**1**	**0.53**
Forest, Environment and Ecology	3	372.39			1	0.41					1	0.33	**5**	**373.13**
Health and Family Welfare							3	2.88	1	0.02	11	1.99	**15**	**4.89**
Home											1	0.64	**1**	**0.64**
Horticulture			2	26.68	4	13.31	1	1.21					**7**	**41.20**
Information(No cases), Tourism and Youth Services					14	32.04							**14**	**32.04**
Labour			1	3.10							1	0.89	**2**	**3.99**
Law and Parliamentary Affairs			5	2.42	2	1.07							**7**	**3.49**
Planning											1	1.01	**1**	**1.01**
Public works	3	56.68			2	14.85	1	5.99					**6**	**77.52**
Revenue											3	0.29	**3**	**0.29**
Rural Development and Panchayat Raj					1	0.04			2	0.14	6	0.19	**9**	**0.37**
Social Welfare											1	2.69	**1**	**2.69**
Water Resources	8	356.51	5	70.54	20	202.95	22	45.66	2	4.19	25	16.14	**82**	**695.99**
Women and Child Development					1	0.78	1	0.09	1	0.01			**3**	**0.88**
Total	**14**	**785.58**	**13**	**102.74**	**51**	**283.59**	**34**	**59.82**	**8**	**5.86**	**52**	**24.26**	**172**	**1,261.85**

APPENDIX 3.6

DEPARTMENT WISE AND CATEGORY-WISE DETAILS OF THEFT AND MISAPPROPRIATION CASES
(REFERENCE: PARAGRAPH 3.5; PAGE 91)

(₹ in lakh)

Department	Theft		Misappropriation/ Loss of Government Money		Total	
	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
Animal Husbandry and Veterinary Services			1	1.10	**1**	**1.10**
Commerce and Industries			8	20.18	**8**	**20.18**
Education	2	0.09	4	1.82	**6**	**1.91**
Finance			1	0.53	**1**	**0.53**
Forest, Environment and Ecology			5	373.13	**5**	**373.13**
Health and Family Welfare	3	0.93	12	3.96	**15**	**4.89**
Home			1	0.64	**1**	**0.64**
Horticulture			7	41.20	**7**	**41.20**
Information(No cases), Tourism and Youth Services			14	32.04	**14**	**32.04**
Labour	1	3.10	1	0.89	**2**	**3.99**
Law and Parliamentary Affairs	6	1.44	1	2.05	**7**	**3.49**
Planning			1	1.01	**1**	**1.01**
Public works	2	3.13	4	74.39	**6**	**77.52**
Revenue	1	0.06	2	0.23	**3**	**0.29**
Rural Development and Panchayat Raj	6	0.29	3	0.08	**9**	**0.37**
Social Welfare			1	2.69	**1**	**2.69**
Water Resources	8	5.63	74	690.36	**82**	**695.99**
Women and Child Development			3	0.88	**3**	**0.88**
Total	**29**	**14.67**	**143**	**1,247.18**	**172**	**1,261.85**

APPENDIX 3.7

DEPARTMENT WISE DETAILS OF NON-SUBMISSION OF STORES AND STOCK ACCOUNTS

(REFERENCE: PARAGRAPH 3.6; PAGE 91)

Sl. No.	Department	Officer responsible for furnishing accounts	Period for which accounts are due
Annual Accounts			
1	Agriculture	Director of Agriculture	2007-08 to 2010-11
2	Printing and Stationery	Director of Printing and Stationery	2010-11
3	Commerce and Industries	Director of Commerce and Industries	2007-08 to 2010-11
4	Information and Publicity	Director of Information and Publicity	2009-10 & 2010-11
5	Animal Husbandry & Veterinary Services	Commissioner of Animal Husbandry & Veterinary Services	2007-08 to 2010-11
6	Stamps and Registration	Inspector General of Registration & Commissioner of Stamps	2001-02 to 2010-11
7	Home	Director General & Inspector General of Police	2010-11
		Inspector General of Prisons	2009-10 & 2010-11
8	Health and Family Welfare	Director, Health and Family Welfare Services	2008-09 to 2010-11
		Karnataka State Drugs Logistics and Warehousing Society (Govt. Medical Stores)	2009-10 & 2010-11
		Indian System of Medicine and Homeopathy (AYUSH)	2007-08 to 2010-11
		Director, Medical Education	2008-09 to 2010-11
Half Yearly Accounts			
9	Public Works	Executive Engineer (EE), Public Works Division (PWD), Ramanagara	2007-08 to 2010-11
		EE, National Highway (NH), Bangalore	Mar 2011
		EE, NH Spl, Bangalore	Sep 2010 & Mar 2011
		EE, NH, Mangalore	Mar 2011
		EE, PWD, Belgaum	Sep 2010 & Mar 2011
		EE, PWD, Mangalore	Mar 2011
		EE, PWD, Mysore	Mar 2010, Sep 2010, & Mar 2011
		EE, PWD, Gadag	Sep 2010 & Mar 2011
		EE, PWD, Bidar	Upto March 2011
		EE, PWD, Haveri	Mar 2011
		EE, PWD, Chkmglr	Mar 2011
		EE, PWD, Spl Dvn, Hassan	Mar 2011
		EE, PWD, Madikeri	Mar 2011
		EE, PWD, Quality Assurance (QA), Hassan	Mar 2011
		EE, PWD, Koppal	Mar 2011

Sl. No.	Department	Officer responsible for furnishing accounts	Period for which accounts are due
		EE, PWD, Chikkodi	Mar 2011
		EE, PWD, Hassan	Mar 2011
		EE, PWD, Quality Control (QC) Dharwad	Mar 2011
		EE, PWD, Dharwad	Sept 09, Mar-11
		EE, PWD Gulbarga	Sept 09, Mar 10, Sept 10, Mar 11
		EE, PWD Yadgir	Sept 09, Mar 10, Sept 10, Mar 11
		EE, PWD Davangere	Mar 2011
		NH Hubli	Sept 09, Mar 10, Sept 10, Mar 11
		EE, PWD QC Gulbarga	Sept 09, Mar 10, Sept 10, Mar 11
		NH Dharwad	Sept 09, Mar 10, Sept 10, Mar 11
		EE, PW, QC Division., B'lore	Sept 09, Mar 10, Sept 10, Mar 11
		EE, PWD, B'lore	Sept 09, Mar 10, Sept 10, Mar 11
		EE, No. 1, Buildings Division, B'lore	Sept 09, Mar 10, Sept 10, Mar 11
		EE Spl Division R&B B'lore	Sept 09, Mar 10, Sept 10, Mar 11
		EE Ports Division Karwar	Sept 09, Mar 10, Sept 10, Mar 11
		EE Ports & Fisheries Division, Udupi	Sept 09, Mar 10, Sept 10, Mar 11
		EE PWD, Chitradurga	Sept 10, Mar 11
		EE NH, Chitradurga	Mar 2011
		EE PWD Electrical Bangalore	Mar 2011
		EE, PWD, Mandya	Sep-09, Mar-11
		EE, PWD, Shimoga	Mar 2011
		EE PWD, Spl Shimoga	Sep-10, Mar-11
		ESI Buildings, Blore	Sep-10, Mar-11
		EE PWD, Karwar	Mar 2011
		EE PWD, Spl Hunsur	Sep-10, Mar-11
		EE PWD, Hoovinahadagali	Mar 2011
		EE, PWD, Bagalkot	Mar 2011
		EE, PWD, Bijapur	Mar 2011
		EE, PWD, Kolar	Mar 2011
		EE PWD, Chickbellapur	Mar 2011
		EE N0.2 Buildings Division, Bangalore	Mar 2011
		EE PWD, Bellary	Sep-10, Mar-11

Sl. No.	Department	Officer responsible for furnishing accounts	Period for which accounts are due
		EE PWD, Chamarajanagar	Mar 2011
		EE PWD, Sirsi	Mar 2011
		EE PWD, Udupi	Sept 09, Mar 10, Sept 10, Mar 11
		EE PWD, Tumkur	Mar 2011
		NH, Bijapur	Mar 2011
10	Minor Irrigation	EE, MI Bijapur	Sept 09, Mar 10, Sept 10, Mar 11
		EE, MI Haliyal	Sept 09, Mar 10, Sept 10, Mar 11
		EE, MI, Tumkur	Mar 2011
		EE, MI, Bangalore	Mar 2011
		EE, MI, Hassan	Mar 2011
		EE, MI, Mysore	Sep 2010 & Mar 2011
		EE, MI Division, Kolar	Sep 2009 & Mar 2011
		EE, MI Division, Chitradurga	Sep 2009 & Mar 2011
		EE, MI Division, Shimoga	Sep 2009 & Mar 2011
		EE, MI Bidar	Mar 2011
		EE, MI Gulbarga	Mar 2011
		EE, MI Dharwad	Mar 2011
		EE, MI QC Dharwad	Mar 2011
		EE MI Belgaum	Sept 09, Mar 10, Sept 10, Mar 11
11	Water Resources	CRO, Tech. Services Division., KRS	Mar 2011
		CRO, Coastal Engg. Division, KRS	Sept 09, Mar 10, Sept 10, Mar 11
		CRO, Hydraulics, KRS	Sept 10, Mar 11
		CRO, SM & F Engg. KRS	Sept 09, Mar 10, Sept 10, Mar 11
		EE No.4, I&I, Dharwad	Mar 2011
		EE, QC, Munirabad	Mar 2011
		EE No.1, TR, Munirabad	Mar 2010, Mar 2011
		EE No.2, CD, Oddarahatti	Mar 2011
		EE. No.1, KPCD, Bidar	Mar 2011
		EE. No.2, KPCD, Bhalki	Mar 2011
		EE. No.6 CD, Bellary	Mar 2011
		EE I&I Division, Mysore	Sept 09, Mar 10, Mar 11
		EE WRD QC Gulbarga	Mar 2011
		Eng Staff College KR Sagar	Sept 10, March 11
		EE W&M Bheemarayanagudi	Mar 2011
		EE W&M Hunsagi	Mar 2011
		I&I Gulbarga	Mar 2011

APPENDIX Ð3.8

BALANCES REMAINING (ADVERSE) UNDER OPERATIVE IN-OPERATIVE IN PD ACCOUNTS
(REFERENCE: PARAGRAPH 3.8.1 PAGE 93)

(Amout in ₹)

Sl. No.	Administrator / Nomenclature	Balance as per the books of PAG(A&E)	Remarks
	Inoperative PD Accounts		
1	Deposit of Private Estate under commercial organization	75.00	Prior to 2000
2	Chief Ministers Drought Relief Fund	82,45,390.20	Prior to 2000
3	Harijan Development Welfare Fund	5,08,896.71	In-operative
4	Block Development Officer	9,71,75,307.15	In-operative
5	P.D.Account of Municipal Commissioner, Tumkur	23,72,940.16	In-operative
6	P.D.Account of Deputy Registrar of Co-op. Societies, Bidar	282.20	In-operative
7	Maharaja College of Education (Principal Maharaja College of Education)	570.00	In-operative since 2008-09
8	Village Land under attachment	2,51,457.05	In-operative since 1994-95
9	Asha Kiran	26,350.00	In-operative since 1994-95
10	Gram Panchayat	34,00,890.55	In-operative since 1994-95
11	Deposits of District Consumer Forum	1,24,360.00	
	Total	**11,21,06,519.02**	
	Operative PD Accounts		
1	Religious Endowments Comm, Charitable Endowments Govt. of Karnataka, Bangalore	59,38,773.90	
2	Receipt Awaiting Transfer (Gazetted Sub-Treasury Officers)	3,15,63,074.00	
3	Industrial Training Institute	3,71,43,02.21	
4	MADB, Shimoga	71,91,107.00	
5	Karnataka Consumer Protection Board	1,91,908.00	
	Total	**4,85,99,165.11**	

GLOSSARY

BASIS OF CALCULATION

Terms	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)	[(Current year Amount /Previous year Amount)-1]* 100
Development expenditure	Social services + economic services
Average interest paid by the State	Interest payment/[(Amount of previous year's Fiscal Liabilities + Current year's Fiscal Liabilities)/2]*100
Interest spread	GSDP growth – Average Interest Rate
Quantum spread	Debt stock *Interest spread
Interest received as *per cent* to Loans Outstanding	Interest Received [(Opening balance + Closing balance of Loans and Advances)/2]*100
Revenue Deficit	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 **minus** all Plan Grants and Non-Plan Revenue Expenditure excluding expenditure recorded under the major head 2048 – Appropriation for reduction of Avoidance of debt.