सत्यमेव जयते

Report of the Comptroller and Auditor General of India on State Finances

for the year ended March 2015

Government of Karnataka

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PREFACE

1. This Report has been prepared for submission to the Governor of Karnataka under Article 151 of the Constitution of India for being placed in the Karnataka Legislature.

2. Chapters I and II of this report contain audit observations on matters arising out of examination of Finance Accounts and Appropriation Accounts respectively, of the State Government for the year ended 31 March 2015. Information has been obtained from the Government of Karnataka, wherever necessary.

3. Chapter III on 'Financial Reporting' provides an overview and status of the State Government's compliance with various financial rules, procedures and directives during the financial year 2014-15.

4. The report has been prepared by taking into account the recommendations of the Public Accounts Committee (5th Report-July 2015) to the Action Taken Report of the State Government in response to its earlier recommendations (13th Report-December 2011) to the Report on State Finances for the year ending 31 March 2010.

5. The Report containing the findings of performance audit and audit of transactions in various departments and observations arising out of audit of Statutory Corporations, Boards and Government Companies, Local Bodies, Panchayat Raj Institutions and the report containing observations on Revenue Receipts are presented separately.

Executive Summary

Background

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, enhancing 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 and greater transparency in fiscal operations by the use of medium-term fiscal framework.

The Report

Based on the audited accounts of the Government of Karnataka for the year ended 31 March 2015, 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 I is based on the audit of Finance Accounts and makes an assessment of Government of Karnataka's fiscal position as at 31 March 2015. It provides an insight into trends in committed expenditure and borrowing pattern and certain accounting adjustments that have a bearing on the fiscal parameters. A review on the compliance of the Karnataka Government to the provisions of the Karnataka Fiscal Responsibility Act, 2002 has also been brought out.

Chapter II is based on the audit of Appropriation Accounts and gives description of appropriations and the manner in which the allocated resources were managed by the service delivery departments. Issues of budgeting affecting transparency of transactions are also brought out in this Chapter. It also includes parking of funds outside of Government Accounts, by certain corporations/offices coming under the Administrative control of Social Welfare department, in violation of, fiscally prudent norms.

Chapter III 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 2010-15 and maintained the fiscal deficit relative to Gross State Domestic Product (GSDP) below the limit laid down under FRA, as amended from time to time. During 2014-15, the State had a Revenue Surplus of ₹528 crore, an increase of ₹175 crore over the previous year. During the year, though an amount of ₹500 crore was provided for transfer to the Consolidated Sinking Fund from General Revenues in the original budget estimate, this was reduced to ₹250 crore in the revised estimates. However, no investment was made in 2014-15 also Compression of Capital Expenditure of ₹500 crore through an adjustment entry under Consolidated Fund of the State, revenue expenditure (₹151.44 crore), against the norms of Accounting principles and non-adjustment of ₹15.52 crore (net) to the Karnataka Silk Worm Cocoon and Silk Yarn Development and Price Stabilisation Fund had a bearing on the achievement of revenue surplus and maintaining of the fiscal indicators as per the Fiscal Responsibility Act (FRA). There was an increase in revenue expenditure by 16 *per cent* over the previous year, while the growth rate of revenue receipts was also 16 *per cent*.

Fiscal deficit during the year was ₹19,576 crore, an increase of ₹2,484 crore over the previous year. Primary deficit was at ₹9,772 crore, an increase by ₹707 crore over the previous year.

Incremental non-debt receipts of ₹14,497 crore was less than the incremental primary expenditure of ₹15,204 crore and could not cover the incremental interest burden (₹1,777 crore).

State's own resources

The ratio of the State's tax revenue to GSDP has shown an increasing trend since 2010-11, except during 2013-14. It increased from 9.40 *per cent* in 2010-11 to 10.20 *per cent* during the year. It also included book adjustment of ₹1215 crore which increased the revenue receipts artificially during the year.

Ratio of non-tax revenue to revenue receipts has significantly reduced from 5.77 *per cent* in 2010-11 to 4.50 *per cent* during the year. Its ratio to GSDP (₹6,85,207 crore) was insignificant (0.68 *per cent* in 2014-15), implying the need for mobilizing non-tax revenue in the coming years by revising user charges, as recommended by Expenditure Reforms Commission. Non remittance of user charges is an area that escapes the scrutiny by the Legislature. Therefore, a system for remittance/release of such money needs to be put in place for tracking the revenues/expenditure and assurance to indicate that the money generated from the sector is ploughed back into the same sector for development.

Optimization of XIII Finance Commission Grants

State Government could not avail grants amounting to ₹279 crore under the heading 'Improving Outcome Grants' as the State Government had not adhered to the GOI guidelines/requirements and their alternate proposals were disagreed to by the GOI. Further, failure to implement the schemes and non utilisation of amounts released under first instalment resulted in non-allotment of further grants.

Revenue expenditure

Expenditure under social and economic sector registered growths of 21 and 13 *per cent* respectively over the previous year, while the growth in general services was 13 *per cent*. The share of plan expenditure in total revenue expenditure increased from ₹26,970 crore in 2013-14 to ₹33,831 crore in 2014-15. Eighty four *per cent* of revenue expenditure consisted of committed expenditure on salaries, pensions, interest payments, subsidies administrative expenses, grants-in-aid and financial assistance and devolutions to Local Bodies. The committed expenditure consumed 97 *per cent* of uncommitted revenue receipts. Explicit subsidy decreased from ₹13,323 crore in 2013-14 to ₹11,153 crore during the year whereas implicit subsidy increased from ₹1,690 crore in 2013-14 to ₹2,973 crore during the year. As per the recommendation of the Twelfth Finance Commission, expenditure forming implicit subsidy should be brought out in Finance Accounts for transparency. However, this is not being done.

Quality of expenditure

The share of capital expenditure to total expenditure during the current year was 16 *per cent* as against 17 *per cent* in the previous year. Funds aggregating ₹1,144 crore were blocked in incomplete projects as at the end of 2014-15. The return from investment of ₹61,727 crore as of 31 March 2015 in Companies / Corporations was negligible (₹74.84 crore). The investment included ₹25,007 crore (41 *per cent*) in Companies/ Corporations under perennial loss. During the year the Government invested ₹2,666 crore in these Companies and the cumulative loss had increased by ₹205 crore.

Funds and other Liabilities

The interest accrued on the investment made out of Consolidated Sinking Fund of ₹1,000 crore made in 2012-13 amounting to ₹136.14 crore did not form the part of the assets of the State Government as the transaction did not pass through the Government books. The transactions relating to Karnataka Silk Worm Cocoon and Silk Yarn Development and Price Stabilisation Fund (₹15.52 crore) were not carried out during the year. Non transfer of commensurate expenditure (₹244.03 crore) to Karnataka Forest Development Fund, transfer of ₹640 crore to Karnataka Fiscal Management Fund, compressed/overstated the revenue expenditure. The Guarantee Redemption Fund has not been revived.

Compliance to the Karnataka Fiscal Responsibility Act, 2002

Accounting adjustments relating to noncash transactions, waiver of tax dues etc. had its impact on the fiscal indicators like fiscal deficit and revenue surplus being shown as within the limits. Doing away with accounting adjustments to showcase the expenditure at bloated levels, should be avoided. The figures of expenditure/receipt should flow from the normal accounting transactions with regard to the adherence to the accounting principles rather than an intervention to justify the transactions.

Debt sustainability

Sixty three *per cent* of the open market borrowings are in the maturity bracket of above seven years. The borrowing programme of the State Government has to be need based, as the accumulated borrowing has a bearing on the liabilities for future generations. Parking of funds for long periods either in bank/deposit account should be avoided as it reflects poor cash management.

Financial Management and Budgetary Control

Against total provision of ₹1,53,936 crore during 2014-15, an expenditure of ₹1,31,365 crore was incurred, resulting in unspent provision of ₹22,571 crore (15 *per cent*). As the expenditure under the revenue and capital sections fell short of even the original budget, the exercise should be made more transparent by bringing out a separate document - an explanatory memorandum detailing the reasons for enhanced provision, to be placed before the Legislature, as per the practice in the Union Government. Excess expenditure over provision of ₹189 crore under Demand number 8 and ₹0.06 crore in Demand number 10 for the year 2014-15 are required to be regularized under Article 205 of the Constitution. Expenditure aggregating ₹150.79 crore in 11 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 ₹687.73 crore in 25 cases was unnecessary, re-appropriation of funds in 35 cases was made injudiciously, resulting in either un-utilised provision of funds or excess over provision. In 15 grants, ₹3,313 crore was surrendered in the last two working days of the financial year. Contingency Fund transactions were not in accordance with the rules, as it revealed that the funds were released in excess of requirement in one case while in another the release was made by bending the stipulation prescribed.

Supplementary budget could not be assessed for being fiscally neutral as it failed to 'exhibit the statement indicating the corresponding curtailment of expenditure/augmentation of revenue to fully offset the impact of the supplementary estimate in relation to the budget targets of the current year' as required under the provisions of KFRA.

In the Department of Social Welfare, the funds released for welfare schemes to implementing officers, companies/corporations, were deposited in Savings Bank/Fixed Deposit (₹2,188 crore) and these funds remained for long periods without being expended which was in contravention to prudent fiscal management practices.

Budgetary control should be strengthened in all departments to avoid cases of provision remaining unutilized as huge unutilised provisions were observed across several grants. The budgetary exercise should be more realistic as cases of persistent non-utilisation of funds, excessive provision of funds and huge provisions remaining unutilised, were observed.

The budget/expenditure suffered inadequate disclosure on account of operation of incorrect budget lines for release and accounting of Urban Local Bodies (ULB) grants. Distinct heads should be opened for accommodation of budget/expenditure of the ULB sector to ensure that the grants released to ULBs should be distinct from that of the State Sector. The budget document brought out for devolutions to ULBs should be reviewed for classification of expenditure, avoiding merger with the State budget.

Financial Reporting

Detailed bills, against abstract contingent bills, were wanting over a long period and large sums of money were being retained in Personal Deposit Accounts against the principle of legislative financial control. Non-reconciliation of expenditure and receipts was to the extent of 39.55 *per cent* of total expenditure and 1.25 *per cent* of total receipts, respectively. There were adverse balances under certain Debt, Deposit and Remittance (DDR) heads which required remedial action for their clearance.

Chapter – I

Finances of the State Government

Chapter 1

1 Finances of the State Government

Profile of the State

The State of Karnataka is the eighth largest State in terms of geographical area (1,91,791 Sq. Km) and the ninth largest by population. The State's population increased from 5.28 crore in 2001 to 6.11 crore in 2011, recording a decadal growth of about 16 *per cent*. The percentage of population below the poverty line was 21.90 compared to the All India Average of 30.0 during 2011-12. The State's Gross State Domestic Product (GSDP) in 2014-15 at current prices was ₹6,85,207 crore. The State's literacy rate increased from 66.64 *per cent* in 2001 to 75.36 *per cent* in 2011. The per-capita income of the State stands at ₹1,14,056 against the country average of ₹95,122[1]. General data relating to the State is given in **Appendix 1.1.**

Gross State Domestic Product (GSDP)

GSDP is the market value of all officially recognized final goods and services produced within the State in a given period of time. The growth of GSDP of the State is an important indicator of the State's economy, as it indicates the standard of living of the State's population. The trends in the annual growth of India's Gross Domestic Product (GDP) and that of the State, at current prices, are indicated in **Table 1.1** below.

Table 1.1: Annual Growth Rate of GDP and GSDP at current prices

Year	2010-11	2011-12	2012-13 (QE)	2013-14 (AE)	2014-15 (P)
India's GDP (₹ in crore)	72,48,860	83,91,691	93,88,876	104,72,807	115,09,810*
Growth rate of GDP (percentage)	18.66	15.77	11.88	11.54	-
State's GSDP (₹ in crore)	4,10,703	4,55,212	5,22,673	6,14,607	6,85,207
Growth rate of GSDP (percentage)	21.67	10.84	14.82	17.59	11.49

Source: MoSPI, dt 30 July 2015, Economic Survey and MTFP 2015-19

*GDP does not include GSDP of three states namely Goa, A&N Islands and Chandigarh

QE: Quick Estimates, AE: Advance Estimates, P: Projected

In the years 2012-15, Karnataka's GSDP growth rate at current prices was more than that of the nation's average growth rate.

1.1 Introduction

This chapter provides a broad perspective of the finances of the Government of Karnataka during 2014-15. It analyses important changes in the major fiscal indicators compared to the previous year, keeping in view the overall trends during the last five years. The analysis is based on the Finance Accounts and

[1] GDP does not include GSDP of three states namely Goa, A&N Islands and Chandigarh

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**.

1.1.1 Summary of fiscal transactions in 2014-15

Table 1.2 and **Appendix 1.3** present the summary of the State Government's fiscal transactions during the current year (2014-15) vis-a-vis the previous year (2013-14), while **Appendix 1.5** provides the details of receipts and disbursements as well as the overall fiscal position during the preceding four years.

Table 1.2: Summary of fiscal transactions in 2014-15

(₹ in crore)

Receipts			Disbursements				
	2013-14	2014-15		2013-14	2014-15		
Section-A Revenue				Total	Non-Plan	Plan	Total
Revenue receipts	**89,542.53**	**1,04,142.15**	**Revenue Expenditure**	**89,189.57**	**69,783.10**	**33,831.19**	**1,03,614.29**
Tax revenue	62,603.53	70,180.21*	General services	24,954.41	28,024.39	240.88	28,265.27
Non-tax revenue	4,031.90	4,688.24	Social services	32,621.89	19,204.97	20,161.28	39,366.25
Share of Union taxes/duties	13,808.28	14,654.25	Economic services	26,592.83	18,748.23	11,223.08	29,971.31
Grants-in-aid and contributions from GOI	9,098.82	14,619.45	Grants-in-aid and contributions	5,020.44	3,805.51	2,205.95	6,011.46
Section – B: Capital and others:							
Misc. Capital receipts	**87.94**	**10.14**	**Capital outlay**	**16,946.86**	**277.35**	**19,344.95**	**19,622.30**
			General services	500.74	29.85	588.61	618.46
			Social services	3,052.68	98.11	4,082.78	4,180.89
			Economic services	13,393.44	149.39	14,673.56	14,822.95
Recoveries of loans And advances	**109.28**	**83.82**	**Loans and advances disbursed**	**695.43**	**12.04**	**564.11**	**576.15**
Public debt receipts**	**17,286.81**	**21,874.63**	**Repayment of public debt****	**3,816.84**	**4,812.23**	**--**	**4,812.23**
Contingency Fund	**--**	**--**	**Contingency Fund**	**--**	**--**	**--**	**--**
Public Account Receipts	**1,21,842.37#**	**1,40,229.39**	**Public Account Disbursements**	**1,12,971.74**	**--**	**--**	**1,29,573.99**
Opening cash balance	**10,511.24**	**15,759.73**	**Closing cash balance**	**15,759.73**			**23,900.90**
Total	**2,39,380.17**	**2,82,099.86**	**Total**	**2,39,380.17**			**2,82,099.86**

Source: Finance Accounts 2014-15

* Tax Revenue include ₹1,215.07 crore, being the book adjustment relating to M/s. Hindustan Aeronautics Limited Bengaluru (HAL) for ₹1,211.67 treating the same as waiver, ₹3.05 crore being the waiver of tax and interest dues pertaining to utensil dealers and ₹0.35 crore being the waiver of tax and interest dues pertaining to Areca nut dealers.
** Excluding net transactions under ways and means advances and overdraft.
# See footnote in Appendix 1.11 (**)

The following are the significant changes during 2014-15 over the previous year:

- Revenue receipts grew by ₹14,599.62 crore (16 *per cent*) due to increase in own Tax Revenue (₹7,576.68 crore), Grants-in-Aid and contributions from GOI (₹5,520.63 crore), Share of Union Taxes/Duties (₹845.97 crore) and Non-Tax Revenue (₹656.34 crore). The revenue receipts for the year 2014-15 exceeded the projection made in the Medium Term Fiscal Plan (MTFP) 2011-15 by ₹2,849.15 crore.

- Revenue expenditure increased by ₹14,424.72 crore (16 *per cent*). Increase was under Social Services Sector (₹6,744.36 crore), Economic Services Sector (₹3,378.48 crore), General Services Sector (₹3,310.86 crore), and Grants-in-Aid and Contributions (₹991.02 crore). It exceeded the MTFP 2011-15 projections for the year by ₹6,984.29 crore.
- Capital outlay increased by ₹2,675.44 crore (16 *per cent*). Increase was mainly under Economic Services Sector (₹1,429.51 crore), Social Services Sector (₹1,128.21crore) and General Services Sector (₹117.72 crore).
- Recoveries of Loans & Advances decreased by ₹25.46 crore (23 *per cent*) and Disbursement of Loans & Advances decreased by ₹119.28 crore (17 *per cent*).
- Public debt receipts (excluding ways and means advances) increased by ₹4,587.82 crore (27 *per cent*) while repayments increased by ₹995.39 crore (26 *per cent*).
- Public Account receipts and disbursements increased by ₹18,387.02 crore (15 *per cent*) and ₹16,602.25 crore (15 *per cent*), respectively.
- Cash balance of the State Government increased by ₹8,141.17 crore (52 *per cent*) over the previous year.

1.1.2 Review of Fiscal situation

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 on the basis of broad parameters of the fiscal correction path laid down by the Eleventh Finance Commission (EFC). Towards this end, the Fiscal Responsibility Act (FRA) was enacted (September 2002), which became operational from 1 April 2003 and provided statutory backup to the MTFP.

The State Government had been on a fiscal consolidation path since passing of the FRA and had maintained the guarantees within the limits prescribed under the Karnataka Ceiling on Government Guarantees Act, 1999. It had recorded revenue surplus since 2004-05 and the fiscal deficit was within the limit of three per cent of GSDP as prescribed under the Act. However, during 2008-09 and 2009-10, as per the directives of GOI, the State deviated from the fiscal consolidation path and borrowed more money for public spending to tide over economic slowdown by amending the Act. The Thirteenth Finance Commission (XIII FC) had suggested a roadmap for medium term fiscal correction to the State Government and assigned a new set of ceilings relating to fiscal deficit and outstanding debt as percentage of GSDP for the years 2010-15.

In accordance with the XIII FC recommendations, the State Government, with an amendment to the FRA made during May 2011, laid down the following fiscal targets:

- Ensuring that the outstanding debt (including off-budget borrowings) is gradually reduced, and at the end of 2014-15, be at 25.20 *per cent* of the estimated GSDP for the year.
- Fiscal deficit during 2014-15 not to exceed more than three *per cent* of GSDP.
- Constituting Fiscal Management Review Committee (FMRC) which shall meet at least twice a year, to review fiscal and debt position of the state.

By an amendment to the Act in February 2014, the scope of the total liabilities as defined under Section-2(g) was amplified to include the borrowings by Public Sector Undertakings (PSU) and Special Purpose Vehicles (SPVs) and other equivalent instruments, where the principal and/or interest are to be serviced out of the State Budget.

The ratio of outstanding debt (inclusive of off-budget borrowings) and fiscal deficit to GSDP (₹6,85,207 crore) during 2014-15 were 23.98 *per cent* and 2.86 *per cent*, respectively, which were well within the prescribed limit.

The FMRC, headed by Chief Secretary to Government, was constituted in July, 2011. The Committee recommended remedial measures for 2014-15 to be adopted to ensure adherence to the parameters stipulated in KFRA, which were as under.

- Re-evaluate expenditure commitments and prioritize them with a focus on capital expenditure in order to generate productive assets.
- Critically assess the existing subsidies net from the point of view of their effectiveness and prune down non-merit subsidies in a phased manner to keep expenditure at sustainable levels.
- Better enforcement and continuous review and monitoring of tax efforts, including follow up with departments for improving their non-tax revenue.
- Focus on consolidating existing institutions and improving their effectiveness.
- Approve new initiatives and works requiring implementation over multiple years based on fiscal sustainability of the total expenditure, rather than expenditure during the year of approval only. If this norm of linking approval of schemes to fiscal sustainability is not followed, it would lead to building up of fiscal stress due to large unfunded expenditure commitments.
- The administrative departments should take up evaluation of their existing Plan schemes so as to achieve rationalization in terms of optimum utilization of available financial, technological and human resources to ensure improved service delivery to the beneficiaries.

Scrutiny of certain high end transactions during the year revealed that the surplus on revenue account, the fiscal deficit, and the liabilities in the Public Account were reduced considerably. This was achieved more through certain accounting adjustments than through fiscal management, the detailed transactions of which are brought under **paragraph 1.9.3.6**. Such adjustments are discussed below in brief.

- Consolidated Fund expenditure of ₹640 crore to the Karnataka Fiscal Management Fund (KFMF), maintained in Public Account, through transfer entry transaction increasing the revenue expenditure artificially and reducing the revenue surplus and increasing the fiscal deficit to justify the borrowings. The cumulative liability in Public Account also got enhanced to that extent due to non-investment on account of lack of proper investment policy.

  Finance Department in its reply stated that the Fund is to make use of the available space in a year to enable drop down on it during the years when there may be relevant shortfall in fiscal space and hence the interpretation brought forth may not be appropriate.

  The reply of the FD is not tenable as the fact remained that the adjustment to the fund was made through a transfer entry, thereby decreasing the revenue surplus and increased fiscal deficit as also liability in the Public Account. There were no investment from the fund account during the year.

- The Government of Karnataka (GOK) sanctioned (March 2015) grant-in-aid of ₹1,211.67 crore to Hindustan Aeronautics Limited, Bengaluru (HAL), in public interest to enable it to pay its accrued Value Added Tax (VAT) dues and penalty thereon to the Government for the years 1994-95 to 2010-11 as per settlement package reached between the Government and HAL, as suggested by the Hon'ble Supreme Court of India. Accordingly, an adjustment entry debiting major head 2040 – Taxes on sales, trade etc. with contra credit to major head 0040 – Central Sales Tax was passed in order to implement the settlement package.

  Finance department explained the reasons for resorting to this procedure. The fact however remained that, the revenue target was thus achieved through such an adjustment without actual realization and the accounting adjustments are contrary to rules which are already commented in our earlier report on State Finances for the year 2013-14.

- During the year Capital Expenditure of ₹500 crore incurred on power projects was withdrawn and shown as expenditure met out of Infrastructure Initiative Fund (IIF) maintained in Public Account, thus compressing the Capital Expenditure under the Consolidated Fund to that extent. The resultant liability in the Public Account also got reduced to the extent indicated. There were no investments under the fund.

- A sum of ₹157 crore was released by GOI under XIII FC grants towards Elementary Education under Head of Account - 2202-111-Sarvashiksha Abhiyan (SSA) for the current year. This amount was not actually utilized but adjusted in accounts as reduction of expenditure (₹149.72 crore), resulting in compression of expenditure to the extent cited.

The reply of the Finance Department was not tenable as the amount released to the society in earlier years were out of State funds through the Budget. In the present case the Central release of money received was shown as expended through Treasury transactions. However the fact remained that the money was not released to the society and the accounting treatment of over payment got subsumed under the programme head during the year, thus under stating the expenditure under revenue account.

- District Treasury Officer, Bengaluru(U), closed the PD account (November 2014) of Assistant Director, Pensions, Small Savings and Asset-Liability Monitoring Department under HOA 8443 and credited the unutilized amount of ₹1.72 crore to the Consolidated Fund under head of account 2047-00-911 as Deduct recovery of overpayments through book adjustment as per the orders of GOK (April 2012), resulting in showing less expenditure under the functional major head, the details of which are discussed in **paragraph 3.8.3**.

1.1.3. Major fiscal variables

Major fiscal variables provided in the budget on the basis of recommendations of the XIII FC and as targeted in the Fiscal Responsibility Act (FRA) of the State, are depicted in **Table 1.3** given below.

Table 1.3 Major Fiscal variables

Fiscal variables	2014-15			
	XIII FC targets for the State	Targets as prescribed in FR Act	Targets proposed in the budget	Projections made in MTFP (2011-15)
Revenue Deficit (-) / Surplus (+) (₹ in crore)	Surplus on revenue account was required to be maintained during the award period	--	281.28	4,663
Fiscal Deficit/GSDP *(per cent)*	3.00	3.00	2.92	2.84
Ratio of total outstanding debt of the Government to GSDP *(per cent)*	25.20	25.20	23.01	23.18

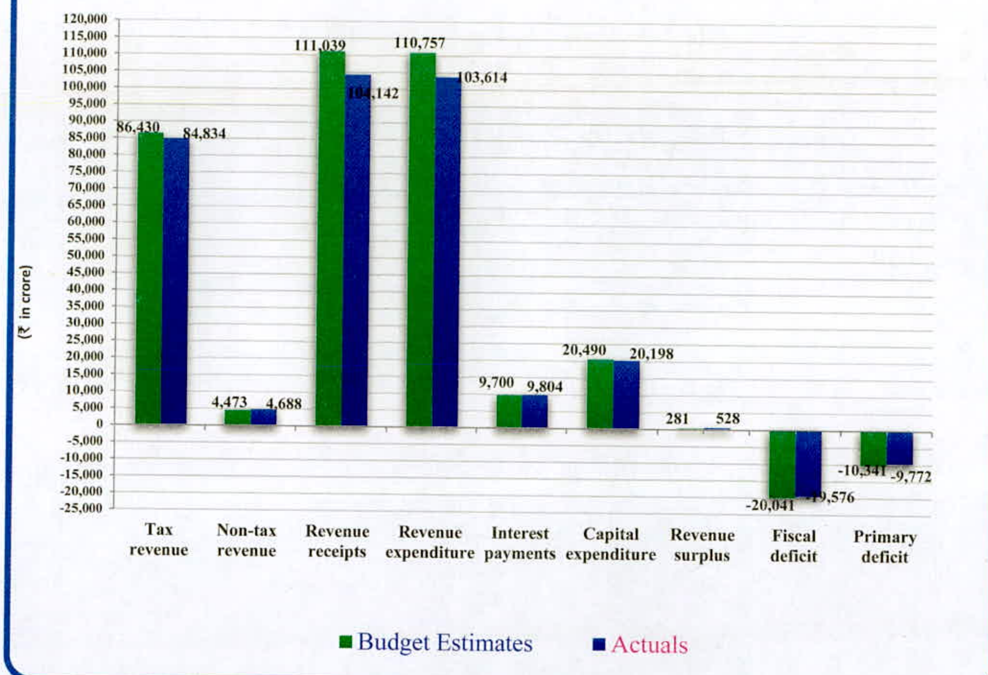
During the year there was a surplus on revenue account. The fiscal deficit was 2.86 *per cent* of GSDP and debt GSDP ratio was 23.98 *per cent*, which was within the limits mandated under the act.

1.1.4 Budget Estimates and Actuals 2014-15

Budget papers presented by the State Government provide descriptions of projections or estimations of revenue and expenditure for a particular fiscal year. The importance of accuracy in the estimations 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/non-optimization of desired fiscal objectives, due to a variety of factors, some of which are within the control of the Government while some are beyond its control.

Chart 1.1 presents the budget estimates and actuals of some important fiscal parameters for the year 2014-15.

Chart 1.1: Selected fiscal parameters: Budget estimates vis-a-vis actuals in 2014-15



Source: Annual Financial Statement and Finance Accounts

The budget out-turn for revenue and expenditure has significantly improved over the years, but there are substantial compositional variances and large savings in budget allocations due to significant adjustments through supplementary budgets.

The budget estimates envisaged revenue receipts of ₹1,11,039 crore against which the actual realisation was ₹1,04,142 crore, a shortfall of ₹6,897 crore (six *per cent*). The shortfall was mainly under grants-in-aid and contributions (₹5,516 crore) and Central tax transfers (₹1,906 crore), offset by more realisation under State's own taxes (₹310 crore) and non-tax revenue (₹215 crore).

Revenue expenditure was estimated at ₹1,10,757 crore against which the actual expenditure was ₹1,03,614 crore, a shortfall of ₹7,143 crore (six *per cent*). The shortfall in the actuals was noticed across all sectors under social services (₹3,113 crore), economic services (₹2,427 crore), general services (₹943 crore) and grant-in-aid and contributions (₹660 crore). Further details are available in **Chapter-II** of this report.

Interest payments were estimated at ₹9,700 crore (excluding off-budget borrowings) shown against Major Head 2049 - Interest payments. The actual payment was ₹9,404 crore, (exclusive of off-budget borrowings of ₹400 crore). According to the KFRA, 2002, the interest on off-budget borrowings recorded below various service heads are also to be treated as the interest liability of the State.

Major source of revenue receipts had been the State's own tax revenue which constituted 67 *per cent*. Including the non-tax revenue, the State's own resources were around 72 *per cent* during 2014-15. The variations between budget estimates and actuals together with the reasons for the same under four major tax revenue heads and two non-tax revenue heads are brought out in **Table 1.4** below.

Table 1.4: Variation between Budget and Actuals

(₹ in crore)

Sources of revenue	Budget estimate	Actuals	Increase (+) Decrease (-)	Reasons for variations according to MTFP 2015-19
Taxes on sales, trade etc.	37,250	38,286	1,036	The good growth in tax revenue over the last few years is primarily attributable to the positive response of the tax payers to the extensive computerization programme embarked upon by the Commercial Taxes Department. All the dealers are now filing returns online and more than 80 *per cent* of the revenue is coming through the electronic mode. A large number of services are being provided electronically at the doorsteps of the tax payer, As a result the tax compliance is much better.
State Excise	14,430	13,801	(-)629	The short fall in overall collections was primarily due to lower than expected increase in volumes.
Stamps and Registration fees	7,450	7,026	(-)424	Reasons for the slow growth in taxes was attributed to an integration of Cauvery- an online registration platform of department with that of RDPR department that has put a check on the illegal registration of Revenue sites not converted for non-agricultural use.
Motor vehicles tax	4,350	4,541	191	The collection of fees and tax, issue of driving licenses, vehicle registration, issue of permits have all been computerized.
Royalty on major and minor minerals	1,510	1,888	378	Clearances for operationalization of mines have increased the collections.
Interest receipts	450	875	425	Due to prudent cash management, the interest proceeds out of investment of surplus cash balance in GOI's 91 day Treasury bills yielded more revenue.

Source: Budget documents – 2014-15

1.1.5 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. 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 1.5.**

Table 1.5: Gender budgetary allocations during 2010-15

(₹ in crore)

Year	Outlay			Expenditure			Demands covered
	Category A*	Category B^	Total	Category A*	Category B^	Total	
2010-11	870.70	25,417.95	26,288.65	924.30	25,700.05	26,624.35	27
2011-12	854.54	30,228.05	31,082.59	1,454.15	34,923.16	36,377.31	27
2012-13	1,509.36	44,647.43	46,156.79	2,643.91	41,026.57	43,670.48	27
2013-14	1,915.30	55,032.21	56,947.51	2,541.78	47,679.24	50,221.02	28
2014-15	3,684.91	66,615.81	70,300.72	3,777.35	65,155.94	68,933.29	28

*Budgetary allocations to schemes designed to benefit women to the extent of 100 *per cent*.

^ Budgetary allocations for schemes designed to benefit women at least to the extent of 30 *per cent*.
Figures for 2014-15 are Revised Estimate figures and not actuals.

The total number of schemes under Category A and B in 2014-15 were 857, of which 59 schemes were under Category A and 798 schemes were under Category B. The Gender Budget document also gives a brief explanatory note about the schemes indicating the objective of such schemes.

Further, on a comparison of expenditure as depicted in Accounts and Economic Survey in respect of four schemes under Category 'A', it was noticed that there was differences in figures mentioned for the year 2010-11 to 2013-14, as seen in **Table 1.6.**

Table 1.6 Expenditure on select Category 'A' schemes during 2010-15

(₹ in crore)

Name of the Scheme	Salient features of the scheme	Expenditure as per	2010-11	2011-12	2012-13	2013-14	2014-15
1)Bhagyalakshmi	A fixed amount deposited in the name of the girl child and maturity amount will be paid after completion of 18 years along with accrued interest	Economic Survey	521.98	485.90	755.39	359.47	125.69*
		Accounts	557.64	486.09	755.39	371.58	339.87
2) Udyogini	To promote income generating activities by women through loans from banks and subsidies from KSWDC	Economic Survey	8.21	12.69	9.41	6.37	2.95*
		Accounts	7.00	15.00	8.35	7.01	10.30
3) Santhwana – Scheme for protection of women against domestic violence	Rehabilitation of women subjected to atrocities like rape, domestic violence, dowry, sexual harassment etc.	Economic Survey	5.92	4.42	4.69	4.43	3.50*
		Accounts	3.48	2.45	3.97	5.01	4.95
4) Pension to Devadasis	Devadasis above the age of 45 years are given pension of ₹400 per month upto August 2013 and ₹500 per month from September 2013 onwards.	Economic Survey	7.00	7.00	11.65	10.13	4.13*
		Accounts	6.95	6.75	9.53	10.13	16.88

*Upto December, 2014.

As both these books are placed in Legislature and used by various stake holders, the amount may be reconciled and correct and uniform figures depicted while reporting.

1.1.6 Major Policy initiatives of Budget 2014-15

The results of scrutiny of records of certain schemes which were proposed for implementation in 2014-15, the action taken on such proposals in the Departments of Animal Husbandry and Fisheries and Industries and Commence are brought out in **Table 1.7** below and in **Appendix 1.4**.

Table 1.7: Budget assurances and audit analysis thereon

Budget Assurance	Action taken as per Action Taken Report	Audit observations
44 Check posts will be established at the State Borders for the control of livestock diseases. An allocation of ₹2.50 crore is made for the purpose	Administrative approval has been given in November 2014	Check posts were not established. However ₹75.00 lakh was released to Karnataka Live Stock Development Agency in March 2015 for establishment of 14 temporary quarantine camps/ check posts in the check posts already established by other department.
To overcome scarcity of veterinary doctors in the State, 250 new veterinary graduates will be recruited directly and 250 retired veterinary doctors will be appointed on contract basis.	Finance Department has given concurrence for the Direct Recruitment of Veterinary Graduates, to recruit them under special recruitment rules. Draft Rules have been scrutinized by the DPAR, Finance & Law Department and placed before the Cadre Review Committee. Action is being taken to place the proposal before the Cabinet. Regarding re-appointing retired Veterinarians on contract basis, Finance Department has agreed but DPAR is yet to give its opinion.	No recruitment of veterinary doctors have taken place so far.
₹15.00 crore will be provided as a one-time assistance to sheep and wool producer Co-operative Societies which are in distress.	Concurrence has been given by Planning and Finance Departments. Administrative Approval is under process in Administrative Department.	Only ₹5.00 crore was released in March 2015 to Karnataka Sheep and Wool Development Corporation Limited. No guidelines have been framed for dispersal of the assistance.
Incentive of 20 paise per litre of milk collected will be provided to the Milk Producers Co-operative Societies towards administrative expenses.	The proposal has been approved by Planning and Finance Departments. Action is being taken.	Orders were issued during the fag end of the financial year (26.03.2015), while the budget was passed and assented to by the Governor only on 30.03.2015, giving no scope for withdrawing the money.
Action will be taken to improve hygienic conditions in 8 fishing harbours and 20 fish landing centres with financial assistance from National Fisheries Development Board as per the standards set by the European Union for import of food items.	Proposal is under consideration of Administrative Department.	The scheme was not implemented as National Fisheries Development Board has limited its assistance to 40% from earlier 100%.

Budget Assurance	Action taken as per Action Taken Report	Audit observations
Jetty expansion will be taken up at Fish Landing Centre at Tengingundi of Bhatkal Taluk in Uttar Kannada District.	Proposal is under consideration in Administrative Department.	Inspite of submitting the estimate for ₹10.00 crore, the project is yet to be approved by Government.
3,000 houses will be constructed for houseless fishermen under Mathyashraya scheme.	Administrative approval given in September 2014.	The amount of ₹373.39 lakh released to Karnataka State Fisheries Development Corporation (KSFDC) remained unutilized as only 131 beneficiaries have been identified to the end of March 2015 as against construction of 3,000 houses. Non-utilization has resulted in overstatement of revenue expenditure for 2014-15.
It is proposed to introduce One Time Settlement Scheme (OTS) by waiving the interest payable on the loans sanctioned to the units under Pattern Based Scheme (PBS) by KVIC through KVIB. The scheme would benefit 21180 Khadi units/Institutions. ₹26.15 crore is earmarked for this purpose during the year 2014-15.	GO No. CI 18 SLV 2014 [P1] dated: 09-07-2014 have been issued in this regard.	Khadi Village and Industries Board (KVIB) has financed loans during the period from 1957 to 1994 under Pattern Based Scheme (PBS) to 21,180 Khadi units, of which most are defunct. Out of ₹13.00 crore released, only 2,453 units utilized OTS under PBS and an amount of ₹6.00 crore was utilized. The balance of ₹7.00 crore was diverted for utilizing for OTS under Consortium Bank Credit Funding (CBS) scheme.
Venture Capital Support of ₹10.00 crore will be provided to encourage potential entrepreneurs intending to set-up new industries through 'Fund of Fund' Scheme.	Proposal is under consideration in Administrative Department.	The scheme was dropped due to the difficulties in implementing the Scheme as per Government of India regulations.
It is proposed to set-up "Coir Technology Park" at a cost of ₹2.00 crore at Vijnana Gudda, Tumakuru District, for the purpose of showcasing coir activities and eco-friendly coir products for entrepreneurs and tourists under a single roof.	In principle approval have been given vide GO No. CI 74 CSC 2014 dated: 09-06-2014.	Orders were issued for the release of ₹1.00 crore (30/03/2015) to Karnataka State Coir Development Corporation Limited (KSCDCL) Bengaluru at the fag end of the financial year, giving no scope for withdrawal of money.
It is proposed to establish 1,000 micro enterprises in the rural areas by investing capital up to ₹10.00 lakh through District Industries Centres with a view to encourage self-employment among the youths through various existing programmes and in co-ordination with Financial Institutions.	GO No. CI 73 CSC 2014 dated: 26-12-2014 have been issued.	For establishment of 1,000 micro enterprises, ₹11.40 crore was released as subsidy under the scheme to Karnataka Council for Technical Upgradation. Subsidy of ₹1.71 crore only has been utilized and 94 micro enterprises are established.

1.2 Resource of the State

1.2.1 Resource of the State as per the Annual Finance Accounts

Revenue and Capital are the two streams of receipts that constitute the resources of the State Government. Revenue Receipts consist of tax revenues, non-tax revenues, States' share of Union taxes and duties and grants-in-aid and contributions from the GOI. Capital receipts comprise miscellaneous capital receipts such as proceeds from disinvestment, sale of assets, recoveries of loans and advances, debt receipts from internal sources (market loans, negotiated loans from financial institutions/commercial banks, National Small Savings Fund of the Central Government (NSSF) loans from RBI) and loans and advances from GOI. Besides, the net Public Account receipts are also utilised by the Government to finance its deficit. **Chart 1.2** depicts the composition of resources of the State during the current year.

Chart 1.2: Components and sub-components of Resources

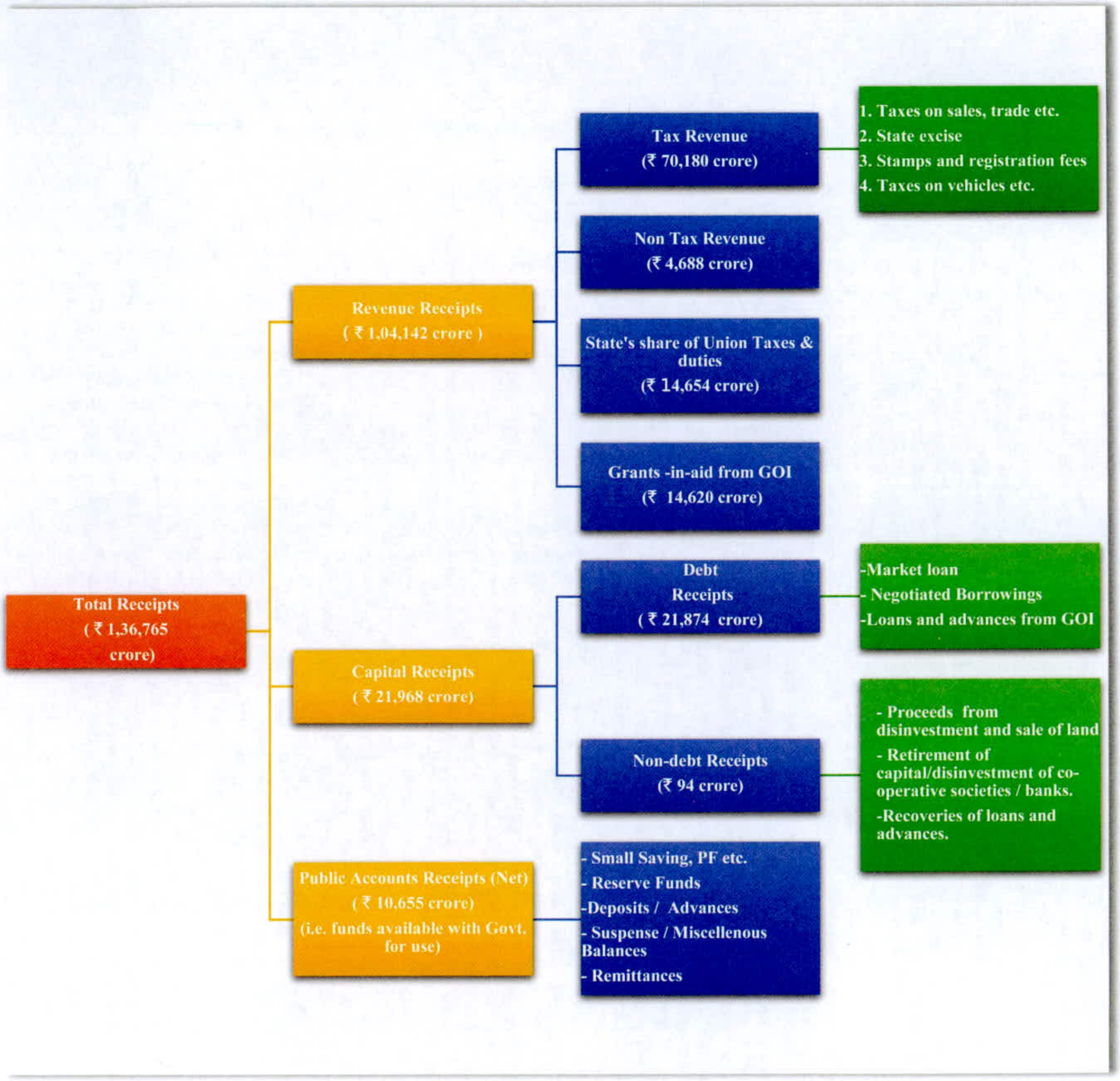
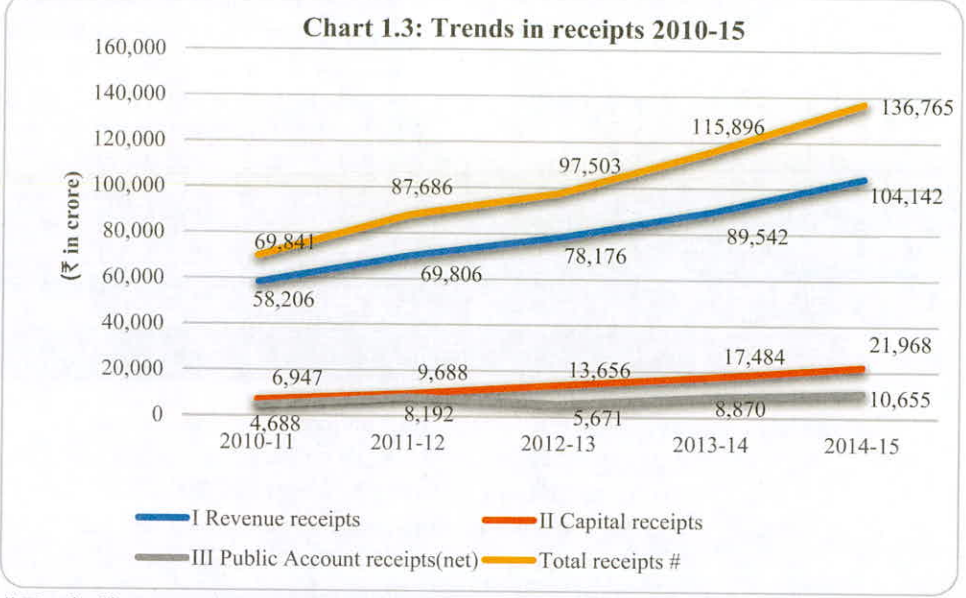
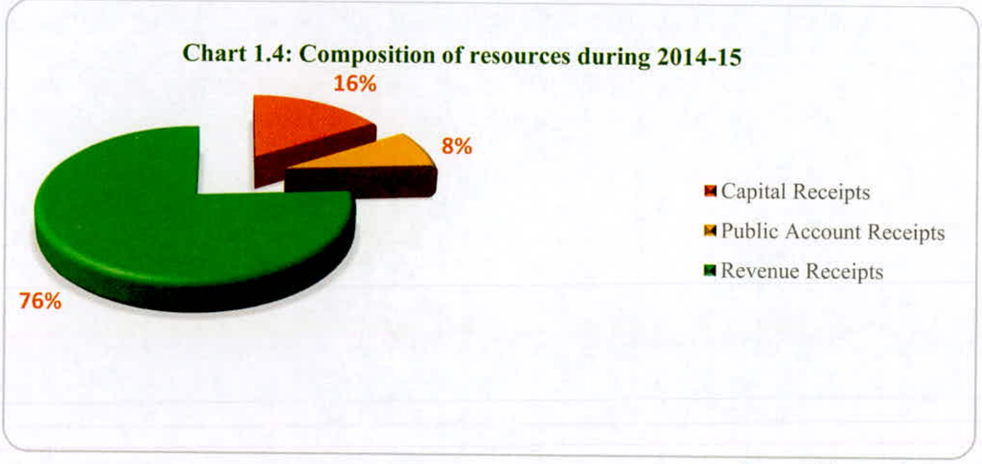


Chart 1.3 depicts the trends in various components of receipts during 2010-15, while **Chart 1.4** depicts the composition of resources of the State during the year 2014-15.



Excluding Contingency Fund receipts.

Total receipts (excluding Contingency Fund receipts) increased by 96 *per cent* from ₹69,841 crore in 2010-11 to ₹1,36,765 crore in 2014-15. Compared to the previous year, there was an increase by ₹20,869 crore (18 *per cent*).



Source: Finance Accounts

The share of revenue receipts in total receipts during 2014-15 was at 76 *per cent*. Further details are provided in **paragraph 1.3.**

Capital receipts increased by 216 *per cent* from ₹6,947 crore in 2010-11 to ₹21,968 crore in 2014-15. During 2014-15, the capital receipts accounted for 16 *per cent* of total receipts. Debt receipts, the main constituent of capital receipts, increased by ₹4,587 crore during the year. Internal Debt and Loans and Advances from GOI are the two components of debt receipts whose share was 94 *per cent* and six *per cent* of the total debt receipts respectively (₹21,874 crore). In 2014-15, there was a growth of 27 *per cent* in internal debt receipts, Loans and Advances increased by 18 *per cent* over the previous year.

Apart from debt receipts, capital receipts include non-debt receipts such as recovery of loans and advances and receipts through sale of land, miscellaneous capital receipts & retirement of capital/disinvestment of co-operative societies/banks etc. During 2014-15, non-debt capital receipts showed a reduction in growth of 52 *per cent* over the previous year.

Public Account receipts refer to those receipts for which the Government acts as a banker/trustee for the public money. On an average, it constituted seven *per cent* of the total receipts during 2010-15. Net Public Account receipts, which totaled ₹4,688 crore in 2010-11, increased to ₹10,655 crore in 2014-15.

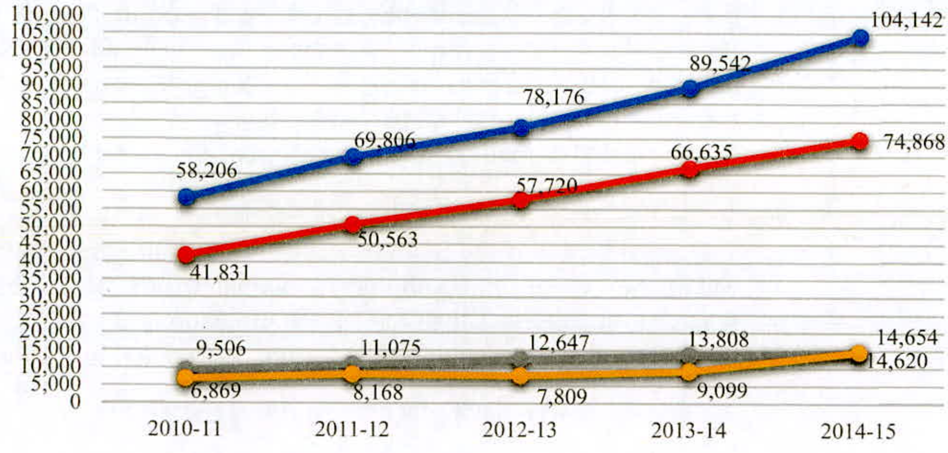
1.3 Revenue Receipts

The Government of Karnataka's fiscal position is largely influenced by the revenue side, as revenue receipts showed progressive increase from ₹58,206 crore in 2010-11 to ₹1,04,142 crore in 2014-15. On an average, 73 *per cent* of the revenue came from State's own resources during the period. The balance was transfers from GOI in the form of State's share of taxes and duties and grants-in-aid and contributions.

Simplification and rationalization of tax structure, along with simplification of process of filing tax returns like E-payment of taxes and anywhere registration has ensured effective mobilization of resources from various taxes which has reflected in the consistently good performance on the tax front. Though tax revenues have been consistently growing, Government of Karnataka has not improved revenues on the non-tax front, which hovered between five to six *per cent* during 2010-15. The State's Fiscal Reforms and Budget Management Committee has recognized this issue and advised departments to improve their non-tax revenue by regular revision of fees, user charges etc.

Statement No.14 of the Finance Accounts details the revenue receipts of the Government. The trends and composition of revenue receipts over the period 2010-15 are presented in **Appendix 1.5** and are also depicted in **Chart 1.5.**

Chart 1.5: Trends in revenue receipts



Source: Finance Accounts

During the year the increase under grants-in-aid and contributions from GOI, was mainly on account of routing the transfers through the Consolidated Fund of the State, instead of to the implementing agencies directly.

The trends in revenue receipts relative to GSDP are presented in **Table 1.8** below:

Table 1.8: Trends in revenue receipts relative to GSDP

	2010-11	2011-12	2012-13	2013-14	2014-15
Revenue Receipts (RR) (₹ in crore)	58,206	69,806	78,176	89,542	1,04,142
Rate of growth of RR (*per cent*)	18.4	19.9	12.0	14.5	16.3
Rate of growth of State's own tax (*per cent*)	25.8	20.8	15.7	16.5	12.1
Own tax/GSDP (*per cent*)	9.4	10.2	10.3	10.2	10.2
Buoyancy ratios[2]					
RR/GSDP (*per cent*)	14.17	15.33	14.96	14.57	15.2
Revenue buoyancy w.r.t GSDP	0.8	1.8	0.8	0.8	1.4
State's own tax buoyancy w.r.t GSDP	1.2	1.9	1.1	0.9	1.1
Revenue buoyancy with reference to State's own taxes	0.7	1.0	0.8	0.9	1.3
GSDP (₹ in crore)	4,10,703	4,55,212	5,22,673	6,14,607	6,85,207
Rate of growth of GSDP	21.67	10.84	14.82	17.59	11.49

Source: Finance Accounts, GSDP: MTFP 2015-19

[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*.

In the Economic Survey for 2014-15, it was admitted that non-tax revenue receipts is an important fiscal challenge faced by the State which warrants necessary measures to recover user charges at optimal levels. The ratio of non-tax revenue to total receipts has been continuously declining over the years. In many departments, the revision of user charges, fees, fines and other such non-tax receipts have not taken place for many years. Even the Expenditure Reform Commission has made recommendations to enhance revenues from user charges.

1.3.1 State's own resources

The tax revenue of the State in 2014-15 was more than the projection made in MTFP by ₹1,473 crore and budget estimates by ₹310 crore. Non-tax revenue was significantly less than the MTFP projections (₹1,075 crore), but was more than the budget estimates by ₹215 crore, as detailed in **Table 1.9** below.

Table 1.9: Projections of Tax and Non-tax Revenue

(₹ in crore)

	Budget estimates	MTFP projections	Actual
Tax revenue	69,870	68,707	70,180
Non-tax revenue	4,473	5,763	4,688

1.3.1.1 Tax revenue

Taxes on sales, trade, etc., (55 *per cent*) were the main source of the State's tax revenue followed by State Excise (20 *per cent*), Stamps and Registration Fees (10 *per cent*) and Taxes on Vehicles (six *per cent*) during the year. The trends in the major constituents of tax revenue during the period 2010-15 are shown in **Table1.10** and **Chart 1.6** below.

Table 1.10: Components of State's own tax revenue

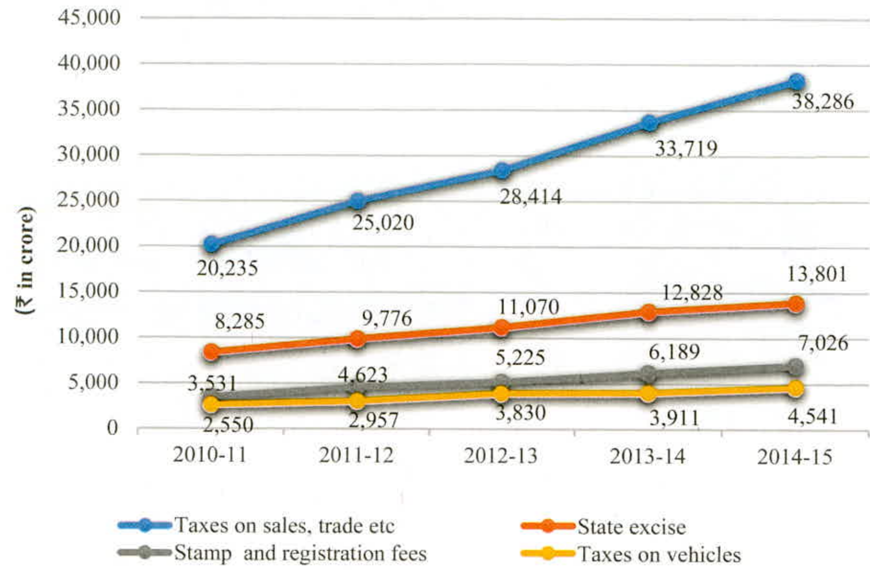
(₹ in crore and growth rate in *per cent*)

Revenue head	2010-11	2011-12	2012-13	2013-14	2014-15
Taxes on sales, trade, etc.,	20,235	25,020	28,414	33,719	38,286
Rate of growth	27.80	23.65	13.57	18.67	13.54
State excise	8,285	9,776	11,070	12,828	13,801
Rate of growth	19.28	18.00	13.24	15.88	7.58
Stamp and registration fees	3,531	4,623	5,225	6,189	7,026
Rate of growth	34.36	30.93	13.02	18.45	13.52
Taxes on vehicles	2,550	2,957	3,830	3,911	4,541
Rate of growth	29.97	15.96	29.52	2.11	16.11
Land revenue	177	215	205	199	186
Rate of growth	36.06	20.79	(-)4.65	(-)2.93	(-)6.53
Taxes on goods and passengers	1,526	1,690	2,181	2,626	3,038
Rate of growth	18.20	10.75	29.05	20.40	15.69
Other taxes[3]	2,169	2,195	2,829	3,131	3,302
Rate of growth	21.11	1.2	28.88	10.68	5.46
Total	**38,473**	**46,476**	**53,754**	**62,603**	**70,180**

Source: Finance Accounts for the respective years

[3] Other taxes include taxes on Agricultural Income, taxes and duties on Electricity, Other taxes on Income and Expenditure and other taxes and duties on Commodities and Services,

Chart 1.6: Growth trends of major tax revenue



During the period 2010-15, the rate of growth of taxes on sales, trade, etc., was between 27.80 and 13.54 *per cent*. During the current year, it grew by 14 *per cent*. The moderation in growth rate was mainly on account of fall in crude oil prices internationally and absence of any ARM (Additional Resource Mobilization). Exceeding the target of collection was on account of book adjustment of ₹1,211.67 crore in respect of M/s HAL on revenue account as tax revenue with an equivalent sum being treated as Grant-in-Aid to the entity.

State excise has shown a steady increase since 2010-11. Being the second largest contributor to State's own tax revenues, the enforcement of excise law by the department has led to better compliance. As a result of these measures, there was a healthy growth of revenue from sale of Indian Made Foreign Liquor (IMFL). The growth rate was between 7.58 to 19.28 *per cent* during 2010-15.

Motor vehicle taxes contribute sizably to own tax revenues. The computerization in transport department has contributed towards the better collection of fees and tax payment. The growth rate of revenue under the head was 2.11 *per cent* during 2013-14, which increased to 16.11 *per cent* during the current year.

Cost of Collection

The gross collection of taxes on motor vehicles, taxes on sales, trade etc., stamp and registration fees and State excise, expenditure incurred on their collection and its percentage to gross collection during the years 2012-15 along with their All-India average cost of collection for the respective previous years are indicated in the **Table 1.11** below:

Table 1.11: Cost of collection

Receipt	Year	Gross collection	Expenditure on collection @	Percentage of cost of collection to gross collection	All India average percentage for the preceding year
		(₹ in crore)			
Motor vehicles	2012-13	3,832.78	98.48	2.57	2.96
	2013-14	3,913.64	90.88	2.32	4.17
	2014-15	4,544.17	82.52	1.82	NA
Taxes on sales, trade etc.	2012-13	29,848.75	248.14	0.83	0.83
	2013-14	35,096.71	1,238.94	3.53	0.73
	2014-15	39,694.76	1,464.43*	3.69	NA
Stamp and registration fees	2012-13	5,288.12	94.07	1.78	1.89
	2013-14	6,240.21	86.92	1.39	3.25
	2014-15	7,063.35	68.28	0.96	NA
State Excise	2012-13	11,074.38	106.29	0.96	1.89
	2013-14	12,833.71	110.57	0.86	2.96
	2014-15	13,805.75	130.11	0.94	NA

@ The figures in this column vary from those mentioned in the earlier reports. In the earlier reports expenditure booked under the minor head, 101 - Collection charges only was considered for arriving at the cost of collection. However, this year, the expenditure booked under 001-Direction and Administration also has been considered as cost of collection.

* Expenditure on collection include ₹1,211.67 crore being the book adjustment entry of grants-in-aid in respect of M/s. HAL brought under collection charges.

The percentage of cost of collection to the gross collection was significantly less than the All India average for the period 2012-14.

1.3.1.2 Non-tax revenue

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

The trend in collection of non-tax revenue under certain important heads of accounts is given in **Table 1.12** below:

Table 1.12: Trends in collections of non-tax revenues

(₹ in crore)

Revenue Head	2010-11	2011-12	2012-13	2013-14	2014-15	%increase(+)/ decrease(-) over previous year
Interest receipts	575.07	434.23	778.55	693.17	874.74	26.19
Dividend and profits	43.44	60.56	56.29	55.49	74.84	34.87

Other non-tax receipts	2,739.77	3,592.07	3,131.26	3,283.24	3,738.66[4]	13.87
Total	3,358.28	4,086.86	3,966.10	4,031.90	4,688.24	16.28

Incorrect Accounting

As per List of Major and Minor Heads(LMMH), recoveries of overpayment, whether made in cash or by short drawal from a bill, during the same financial year in which such overpayments were made, shall be recorded as reduction of expenditure under the concerned Service Head. Recoveries of overpayments pertaining to previous years shall be recorded under distinct minor head 'Deduct-Recoveries of Overpayments' below the concerned major/sub-major head without affecting the gross expenditure under the functional Major/Sub-Major Head in the Appropriation Accounts. During the year 2014-15, ₹2.00 crore has been incorrectly accounted as receipt under major head 0055 Police-800- Other receipts, whereas it is actually recovery of overpayments. Treating the transaction as a non-tax revenue was not in order as it inflated the non-tax revenue. It should have been recorded under the expenditure major head 2055-Police, 911-Recoveries of Overpayment.

Interest receipts, Dividends and Profits

Apart from the regular source of interest receipts on account of repayment of loans, the other major source is interest proceeds out of investment of surplus cash balance of the State. As per RBI's regulations, the cash balance maintained by the State is invested in GOI's 14 day Treasury Bills (TBs). However, the average rate of interest on these TBs is around five to six *per cent*. To improve cash management, excess cash balance (beyond the immediate requirement) is being invested in GOI's 91 day TBs. Against budgeted estimate of ₹450 crore during the year, the revenue realized was ₹747.24 crore, of which 14 day TBs yielded ₹286.62 crore and 91 day TBs yielded ₹460.62 crore.

The interest realized on loans and advances given by the Government to its Companies/Corporations etc. stood at ₹126.71 crore, working out to 1.0 *per cent* of the outstanding balances of loans at the end of the year. The receipts also included ₹0.81 crore, being the interest on capital of departmentally run commercial undertaking, an adjustment of which was through book transfer.

The return on investment in the form of dividends declared by the Companies/Corporations and credited to Government account during the year was ₹74.84 crore. Considering the magnitude of Government investment (₹61,727 crore), the return works out to a meagre 0.12 *per cent*.

Other Non-tax receipts

The other non-tax revenues included royalty on major and minor minerals, with the major revenue in the department of Mines and Geology being royalty on these minerals. The banning of extractions and export of iron ore while positively checking illegal mining in the State, has on the other hand adversely affected revenue mobilization. Since clearances for operationalization of mines have been started, against the Budget estimated collections of ₹1,510 crore, the actual realization was ₹1,888 crore.

[4] Includes ₹2.00 crore accounted as receipt under 0055 Police

Non-remittance of Revenue Receipts into the Consolidated Fund of the State – ₹20.46 crore

Article 266 (1) of the Constitution of India provides that all revenues received by the State Government, all loans raised by the Government by issue of Treasury bills, Loans or Ways and Means Advances and all moneys received by the Government in repayment of loans shall form one Consolidated Fund to be entitled 'The Consolidated Fund of the State'. No moneys out of the Consolidated Fund of the State shall be appropriated except in accordance with law and for the purposes and in the manner provided in the Constitution.

Sanction was accorded (March 1990) for setting up of Glass House Centenary Fund and to manage the fund through a trust for building up a corpus over the years so that the income from the fund provided adequate resources for the maintenance and development of Lalbagh. The nomenclature of the trust was changed to "Bangalore Garden Trust" by a Government order dated 15.02.1996 by including Cubbon Park and LRDE Park areas in addition to Lalbagh Garden under the purview of the trust. Subsequently, the name of the trust was changed to "Suvarna Karnataka Udyanavanagala Prathisthana" (November 2006) by bringing in all the Government Parks and Gardens in the State. The main objective of the trust was to maintain and upkeep of all Government parks and gardens in the State of Karnataka including Ooty Garden, to mobilize their own resources by way of raising donations, charities, sponsorship, contributions, gate fee etc., formulate schemes and projects and getting funds from local bodies, State Government, Central Government and other agencies.

On a check of books of accounts maintained by the trust for the years 2011-12 to 2014-15, it was noticed that the trust had collected the revenue such as gate fee, guest house rent, tender income etc., amounting to ₹20.46 crore (**Appendix 1.6**) and utilized the same for development and maintenance of parks and gardens in accordance with the Government Order stated above. This was in contravention to Article 266 (1) of the Constitution of India. Non-remittance of Government money to the Consolidated Fund resulted in understatement of fiscal parameters like Revenue Receipts, Non-tax receipts and fiscal indicators like Revenue Surplus, Fiscal Deficit of the concerned years.

Non-remittance of revenue receipts escapes the scrutiny by the Legislature. Therefore, a system for remittance/release of such money needs to be put in place for tracking the revenues/expenditure for assurance to indicate that the money generated from the sector is ploughed back into the same sector for development.

FD stated that the decision to form a trust was that of the State Cabinet and one of the clauses in the trust do provide the utilisation of resources by depositing in the corpus and utilizing such fund for development and maintenance of parks and gardens. The accounts are audited by the Chartered Accountant. In future an order would be issued for audit of the trust by the Principal Accountant General.

The reply of the department cannot be accepted as non-remittance of revenue receipts into Consolidated Fund as required under Article 266 (1) of the Constitution and escapes the scrutiny of the Legislature in the absence of voting. Also it will affect other parameters like Non-tax revenue and fiscal indicators like revenue surplus, fiscal deficit etc.

1.3.2 Grants-in-aid from GOI

Grants-in-aid and Contributions from GOI increased from ₹6,869 crore in 2010-11 to ₹14,619 crore in 2014-15 as shown in **Table 1.13**. As compared to the previous year, there was an increase of ₹5,521 crore during the year. This was on account of increase in Grants for State Plan Schemes (₹5,756 crore), Non-plan grants (₹495 crore) offset by less receipts under grants for Central Plan schemes (₹33 crore) and under Centrally Sponsored Schemes (CSSs) (₹697 crore).

Up to 2013-14 the Central share of Centrally Sponsored Schemes was directly transferred to State Implementing agencies outside the State budget for implementation of various schemes in the socio-economic sectors. Based on the recommendations of the B K Chaturvedi Committee, from the financial year 2014-15 onwards, Government of India merged most CSSs into 17 flagship CSSs and 49 other CSSs, and central share of such schemes is being routed through the State Budget. Thus, this source of revenue of ₹6,748 crore for the year 2014-15 was also available for the State towards Centrally Sponsored Schemes.

Table 1.13: Grants-in-aid from GOI

(₹ in crore)

Particulars	2010-11	2011-12	2012-13	2013-14	2014-15
Non-Plan grants	2,256.86	2,129.42	2,455.43	3,139.79	3,634.58
Grants for State Plan schemes	2,838.81	3,626.00	2,908.74	3,341.15	9,096.87
Grants for Central Plan schemes	144.43	76.14	124.59	191.70	158.52
Grants for Centrally sponsored schemes	1,628.41	2,336.85	2,320.66	2,426.18	1,729.48
Grants for special plan schemes	---	---	---	---	---
Total	**6,868.51**	**8,168.41**	**7,809.42**	**9,098.82**	**14,619.45**
% of increase/ decrease over previous year	(-) 12.87	18.93	(-) 4.39	16.51	60.67
Total grants as % of revenue receipts	11.80	11.70	10.00	10.16	14.04

Source: Finance Accounts

1.3.3 Central tax transfers

The XIII FC had recommended that the State's share of Central Taxes be increased to 32 *per cent* from 30.50 *per cent* as recommended by Twelfth Finance Commission (TFC). The State's share in the net proceeds of Central Taxes (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 2014-15 was ₹14,654 crore, an increase of ₹846 crore over the previous year, under Taxes on Income other than Corporation Tax (₹596 crore), Corporation Tax (₹473 crore), Customs Duty (₹117 crore), and Wealth Tax (₹1 crore) offset by decrease in share of taxes under Union Excise duties (₹253 crore) and Service Tax (₹89 crore).

1.3.4 Optimization of XIII Finance Commission Grants

1.3.4.1 Introduction:

The XIII Finance Commission was constituted by the President under Article 280 of the Constitution of India on 13 November 2007 to give recommendations on specified aspects of Centre State Fiscal relations during 2010-11 to 2014-15(award period). As per the terms of reference, the Commission had three constitutionally mandated tasks namely, the distribution of net proceeds of revenues from the divisible pool of union taxes/duties, grants-in-aid to the needy States and measures for supplementing the States' resources for devolution to local bodies.

Audit of records pertaining to the Finance Commission grants was conducted in 13 departments of Government of Karnataka (GOK) *viz.*, Finance, Home, Panchayat Raj and Rural Development, Urban Development, DPAR, Census, Survey & Settlement, Minor Irrigation, Law and Parliamentary Affairs, Forests, Education, Public Works, Kannada & Culture and e-Governance.

The details of the grants recommended by the Commission that were released by Government of India and disbursed by the State Government to its implementing agencies through its budget, and funds utilized by the utilizing agencies against the releases made during the period 2010-15 are given in **Table 1.14** and **Table 1.15** below. As of March 2015, GOK received financial assistance aggregating to ₹11,518.35 crore against the recommended amount of ₹11,601.33 crore. (Inclusive of all grants).

Table 1.14: Transfers recommended and actual release of Grants-in-Aid during 2010-15

(₹ in crore)

Sl. No	Transfers under	Recommended amount for releases during 2010-15	Actual Releases	Expenditure under relevant revenue heads of account	Unutilized amount
1	Local Bodies				
	Basic Grants to PRIs	2,945.21	2,984.29	4,302.85	218.20
	General Performance Grant to PRIs	1,559.31	1,536.76		
	Basic Grants to ULBs	1,302.48	1,319.76	2,164.50	-
	General Performance Grant to ULBs	689.57	693.62		
2	Disaster Relief				
	(i)Contribution towards SDRF	667.07	667.07	667.03	-
	(ii)Capacity Building	20.00	20.00	18.05	1.95
3	Improving Outcome Grants				
	(i)Improvement in Justice Delivery	269.75	135.75	126.44	9.31
	(ii)Incentive for issuing UIDs	138.90	13.89	13.89	-

Sl. No	Transfers under	Recommended amount for releases during 2010-15	Actual Releases	Expenditure under relevant revenue heads of account	Unutilized amount
	(iii)Statistical Systems Improvement	29.00	23.20	22.76	0.44
	(iv)Employee and Pension Data Base	10.00	10.00	7.50	2.50
	(v)District Innovation Fund	29.00	14.50	21.90	-
4	Environment Innovation Fund				
	(a)Forest	221.04	221.04	219.83	1.21
	(b)Water Sector Management	128.00	0.00	0.00	-
5	Elementary Education	667.00	667.00	667.00	-
6	Roads and Bridges	1,625.00	1,625.00	1,508.14	116.86
7	Additional incentive for reduction in Infant Mortality Rate (IMR)	0.00	219.14	0.00	219.14
8	Incentive for Grid Connected Renewable Energy	0.00	436.69	0.00	436.69
	Total	**10,301.33**	**10,587.71**	**9,739.89**	**1,006.30**

Table 1.15: Details of receipt of State Specific Grants and its utilisation during 2011-15

(₹ in crore)

Scheme Head	Amount earmarked by XIII FC	Actual Receipt	Expenditure under relevant heads of account	Shortfall in expenditure compared to releases
Restoration of tanks and traditional bodies	350.00	262.50	166.23	96.27
Drinking Water	300.00	270.00	225.00	45.00
Infrastructure in Bengaluru	400.00	170.00	150.00	20.00
Heritage	100.00	100.00	74.89	25.11
Police Training	150.00	128.14	128.14	-
Total	**1,300.00**	**930.64**	**744.26**	**186.38**

1.3.4.2 Non release/Short release and utilisation of grants

In the following instances, the Government received less grants than recommended by FC and there was also shortfall in utilisation of grants for the reasons stated thereunder.

1.3.4.3 Non release of grants from GOI

- Grant of ₹128.00 crore was recommended by Finance Commission for Water Sector Management under Environment related Fund for the years 2011-15 subject to setting up of a Water Regulatory Authority and to achieve assessed state specific recovery of user charges.

- No specific reasons were forth coming for non-receipt of grants by the State Government. Audit observed that the High Level Monitoring Committee (HLMC) constituted for monitoring the utilisation of the Finance Commission grants could not discuss the issue of non-receipt of grants, as no representative from the Water Resources Department attended the meeting.

1.3.4.4 Improving Outcome Grants

- **Improvement in Justice Delivery**: There was a shortfall (₹134 crore) under Improvement in Justice Delivery due to non-acceptance of the State Governments proposal to switch over from Morning/Evening Courts to Fast Track Courts by GOI. Out of ₹135.76 crore, only ₹126.44 crore was spent, leaving shortfall in expenditure of ₹9.31 crore (seven *per cent*).

- Further, ₹30.00 crore were released for the construction of Alternate Dispute Resolution (ADR) centres in 30 districts to the end of March 2015. Construction of ADR centres have been completed in 10 districts and works were in progress in eight districts. Out of the remaining 12 districts where the construction could not be started, only three districts remitted back the amount to Government and remaining nine districts held the amount with them.

- **Incentive for issuing UID**: There was shortfall under Incentive for issuing UID (₹125 crore) due to failure in implementation of the scheme during the award period.

- **District Innovation Fund:** Shortfall under District Innovation Fund (₹14.50 crore) due to failure to utilize the first instalment of the grant released during 2011-12.

- **Employees' Pension Database**: A grant of ₹10.00 crore was provided to the State to set up an employee and pensioners database. The database should be designed to allow for subsequent extension to include other financial benefits (including GPF, insurance and health benefits) to employees as well as payment of defined benefit pensions and family pensions. All States who wish to set up these databases will be able to draw down ₹2.50 crore during 2010-11 without any precondition to commence work. The State Government received the first instalment of ₹2.50 crore during 2010-11, which was released to e-Governance department, during March 2014. The amount remained unutilized with the department on account of non-development of the application software. Thus, the expenditure under the Consolidated Fund was inflated at least to the extent stated above. Similarly out of ₹7.50 crore released by GOI in February 2015, ₹5.00 crore was kept in bank account of nationalized bank as on August 2015.

Finance Department stated that the database was tagged to the Khajane-II programme. The expenditure under Khajane-II including the XIII FC component for creation of data has been met from the State component, however FC grants will be utilised for Human Resource Management System (HRMS) related expenditure. It also stated that for the period from 2009-10 to 2014-15, expenditure of ₹7.14 crore has been incurred under HRMS Project of Centre for e-Governance.

The reply of the FD is not tenable as the State had made a specific budget head for depicting expenditure against GOI releases. The amount released under this head of account remained unutilized with the society. The action of the FD in releasing the money and depositing of the same in bank by the e-Governance department was inappropriate and increased the revenue expenditure as also the fiscal deficit.

1.3.4.5 Elementary Education

- A sum of ₹157.00 crore was released by GOI under Elementary Education as Plan grants during the year, on the recommendations of the FC. This amount has been shown as utilised under the functional head 2202-Education-01-Elementary Education-115-Sarvashiksha Abhiyan in the accounts of the Government for the year.

- Audit scrutiny revealed, that the amount so released was not actually utilised, but was adjusted in the accounts of the current year as reduction of expenditure, thus compressing revenue expenditure of the current year.

- The justification to carry out such an adjustment was on account of the society holding a bank balance of ₹349.00 crore unutilised as at 23.03.2015, which was unreconciled and could not be analysed with year wise breakup of expenditure.

- The accounting adjustment so made which had the concurrence of the Finance department, was not in order and was contrary to transparent principles of accounting.

FD stated that the expenditure on this count is met through the society formed for this purpose. Over a period of time, excess of State share had got accumulated in their bank balance, in order to clear this mismatch ₹149.72 crore utilized towards XIII FC grant expenditure was adjusted in the Budget and therefore the amount released by the GOI was fully utilised for the purpose for which it was released.

The reply is not tenable as the the XIII FC grants were not released to SSA society for expenditure. But, through an accounting adjustment was adjusted to the Consolidated Fund as recoveries of overpayment during the year. This adjustment got subsumed under the programme head where funds are released during the year for expenditure. Thus the expenditure under the programme head got understated artificially.

1.3.4.6 Local bodies including ULBs

- There was shortfall of ₹218.20 crore in expenditure on account of funds released by GOI on the recommendations of the FC in respect of Local bodies including PRIs. The reasons for non-utilisation of grants during the years 2013-15 was attributed to late release of grants by GOI during the year which hampered the State Government in further releases to PRIs/ULBs.

- During the year 2013-14 ₹1,010.00 crore of grants were released on the last working day of the financial year. In order to release these grants to PRIs/ULBs, the State Government had to take supplementary demand during 2014-15.
- Similarly during the year 2014-15, GOI released grants amounting to ₹632.05 crore during the last working day of the financial year. In order to

release the amount, provisions (₹476.51 crore) were made in the first supplementary estimates during 2015-16 (July 2015). Thus receipt of grants at the fag end of the year had the effect of postponing the expenditure and altering the fiscal indicators to the extent cited above.

1.3.4.7 Disaster Relief

1.3.4.7.1 Contribution towards State Disaster Response Fund.

- In terms of the recommendations of the Finance Commission, a State Disaster Response Fund (SDRF) had been constituted in the Public Account. The contributions to the Fund are in the ratio of 75:25 between GOI and the State Government each year.

- The contribution from GOI amounting to ₹667.07 crore for the award period together with the State's contribution (₹222.34 crore) has been transferred to the Fund account in Public Account of the State. An equivalent amount has also been shown as expenditure met out of the Fund during the award period.

- However the expenditure shown against the fund, as incurred out of fund, is not the real expenditure, but these releases were made to the Deputy Commissioners (DCs) of the districts to meet subsequent expenditure.

- The unspent balances remaining with the DCs are not readily ascertainable as the transactions under the calamities takes place in the deposit account, in Public Account. Thus the entire expenditure charged off to the Fund head is not in order.

Finance Department stated that the very nature of the disaster entails it as an unexpected character and necessitates emergency response. In such critical circumstance the response should not be affected by the availability of necessary funds. In the circumstances funds pertaining to disaster relief received through GOI were released to DCs who have parked the money in Personal Deposit accounts. (PD). The maintenance of such accounts by DCs is being regularly reviewed by the FD

The reply of the FD is not tenable as the transactions under the SDRF takes place under Sector J (Reserve Funds) in Public Account, where the entire receipts and expenditure are charged off to the functional major head of account. As the amounts are not completely utilised and there still remains balances with the DCs, the disclosure in Accounts was affected due to non-transparency in transactions. A system of unutilised money under the Disaster Relief should be a disclosure in Accounts for a comprehensive appreciation.

1.3.4.7.2 Capacity building for Disaster Response

For effective Disaster response which require trained man power to deal with complex situations, the Commission recommended a grant of ₹20.00 crore for the award period to be released in five annual equal instalments.

It is observed that as against ₹20.00 crore released for the purpose, ₹1.95 crore remained unutilised, without specific reasons for non-utilisation.

1.3.4.8 Incentive for Grid Connected Renewable Energy

A sum of ₹436.69 crore was released to Government on account of Incentive for Grid Connected Renewable Energy on the basis of data published by GOI on capacity addition by States. As the release of grant was at the fag end of the financial year 2014-15, supplementary provision for the release of the grant was made during the supplementary estimates (1st instalment) for the year 2015-16 under the relevant grant.

State Specific Grants

- **Infrastructure in Bengaluru**: XIII FC recommended an amount of ₹200.00 crore, for traffic management infrastructure for developing parking areas and junctions in Bengaluru. An amount of ₹20.00 crore (1st instalment) was released (December 2011). The amount was not utilized due to delay in submission of project proposals to GOI for administrative approval. The Chairman, HLMC, stated (March 2015) that Bruhat Bengaluru Mahanagara Palike (BBMP) had not shown interest in executing the scheme even though full budget allocation exists, to take up the works and expressed dissatisfaction, which resulted in the State losing the grants (₹180.00 crore).

- **Heritage Conservation:** A sum of ₹100.00 crore was provided for protection of Heritage monuments for the award period 2011-15. Grants for the year 2014-15 amounting to ₹25.00 crore was released by GOI during February and March 2015. The amount so released was not utilised within the financial year. Supplementary budget estimates for the year 2015-16 (July 2015) included this sum for utilisation during the year.

1.3.4.9 Delay in release of grants to PRIs and ULBs

- As per GOI instructions (September 2010), grants to the Panchayat Raj Institutions (PRIs) and Urban Local Bodies (ULBs) should be released by the Rural Development Department within 05 days from the date of receipt of grant from GOI. In the event of delay in release of grants, the State Government was liable to release the instalment with interest at the bank rate of Reserve Bank of India for the number of days of delay.

- During 2010-11 to 2013-14, there was delay in release of Basic/Performance grants which ranged from 1 day to 178 days (beyond 5 days) and interest to an extent of ₹6.62 crore was not paid to PRIs and ₹4.62 crore to ULBs respectively.

Finance Department replied that in respect of ULBs, provision would be made for release of interest for belated releases in Supplementary Estimates for the year 2015-16.

1.3.4.10 Diversion of Grants

- XIII FC has recommended grants under District Innovation Fund at ₹1.00 crore per district, which is aimed at increasing the efficiency of capital assets already created and provide immediate benefits. Against a release of ₹14.50 crore, during the award period of 2010-15, ₹3.82 crore has been spent on inadmissible items of work such as construction of Science Centre in

Davanagere, purchase of car in Yadgir, construction of compound wall, watchman shed, bore well, administrative block in Hassan, for installing web based paperless office system in Shivamogga etc., construction of Namma Padasale in taluk offices in Mangaluru, construction of composite high tech check posts, purchase of computers and accessories and LAN network in Karwar, organic farming in Yadgir etc.

- PRIs spent ₹1.28 crore out of XIII FC grants for payment of honorarium to Presidents and members of ZPs and TPs.
- PRIs spent ₹0.18 crore out of XIII FC grants for payment of interest & compensation for acquisition of land.
- BBMP had diverted XIII FC grant of ₹44.20 crore for payment of salaries and advances to works not covered under the grants.

FD in its reply stated that after detailed information is obtained and considering the necessity of the scheme, number of personnel benefitted from the scheme, the HLMC headed by the Additional Chief Secretary will approve the schemes subject to 10 *per cent* of the project cost met by the public contribution.

1.3.4.11 Poor utilisation of grants-ULBs

In test-checked ULBs, **(Appendix 1.7)** utilisation of XIII FC grants during 2010-15 ranged between 2 and 100 *per cent* and ₹740.89 crore remained unutilised as at the end of 31 March 2015.

1.3.4.12 Non-maintenance of separate cash book and bank account

It was observed that test-checked ULBs (except BBMP) had not maintained separate bank account as envisaged in the guidelines and no separate cash book was maintained for XIII FC grants.

1.3.5 Foregone revenue

As per the requirements under Section 5(2) (c) of the FRA, additional statements are brought out in the MTFP 2015-19 detailing the tax expenditure/revenue foregone by exemption or deferment of VAT, CST and Entry Tax. The details of such exemptions/revenue foregone during the years 2013-15 are indicated in **Table 1.16**.

Table 1.16: Details of exemptions/revenue foregone

(₹ in crore)

Particulars	2013-14	2014-15
Value of exemption/concession-interest free loan	131.40	7.93
Value of exemption under CST/VAT/Entry Tax	421.55	115.96
Tax waivers through reimbursement/loan route	1,008.74	1,215.09
Total	**1,561.69**	**1,338.98**

Source: MTFP 2015-19

Public Accounts Committee (PAC) in its 13th report, while recommending a system to oversee the collection of revenue had suggested to the State Government to discontinue the practice of giving discounts, waivers and exemptions while collecting taxes.

Finance Department replied (December 2013) that the tax concessions in the form of waiver/discount/exemptions are conscious decisions taken by the State as a matter of policy for promoting certain sectors of the economy. Such concessions are provided with the objective of enabling a conducive environment to attract more industries to the State. It has other benefits of providing employment to locals and boosting the economy. It is expected that it will ultimately compensate the revenue foregone by way of improvements in overall tax collection and faster growth of GSDP.

1.4 Capital Receipts

Capital receipts of the State Government include non-debt and debt receipts, whose composition has been discussed in **para 1.2.1**. The Public Debt receipts during the year (₹21,874 crore) comprised internal debt of ₹20,509 crore (94 *per cent*) and Loans and Advances from GOI ₹1,365 crore (six *per cent*). Market borrowings had a predominant share under internal debt, comprising 90 *per cent* followed by NSSF loans (seven *per cent*) and negotiated loans (three *per cent*). Loans from GOI comprised Plan loans only. The trends in composition of capital receipts during the period 2010-15 are indicated in **Table 1.17.**

Table 1.17: Trends in growth and composition of capital receipts

(₹ in crore and growth rate in *per cent*)

Sources of States capital receipts	2010-11	2011-12	2012-13	2013-14	2014-15
Capital Receipts (CR)	6,947	9,688	13,656	17,484	21,968
Misc. Capital Receipts	72	89	33	88	10
Recovery of Loans and Advances	161	241	158	109	84
Public Debt receipts	6,714	9,358	13,465	17,287	21,874
Rate of growth of debt capital receipts	(-)15.98	39.38	43.89	28.38	26.53
Rate of growth of non-debt capital receipts	(-)62.72	41.63	(-)42.12	3.14	(-)52.28
Rate of growth of GSDP	21.67	10.84	14.82	17.59	11.49
Rate of growth of capital receipts (%)	(-)19.37	39.46	40.96	28.03	25.65

Overall, capital receipts increased from ₹6,947 crore in 2010-11 to ₹21,968 crore in 2014-15. Debt receipts had a predominant share in capital receipts which were between 97 and 99 *per cent* during 2010-15. The recovery towards loans and advances was very meagre during the period. Recovery amounted to less than one *per cent* of the outstanding loans and advances as at the end of 2014-15 It also included book adjustment of ₹16.08 crore being the dues of Electricity Supply Companies (ESCOMs), treated as subsidy on revenue account.

1.5 Public Account Receipts

Receipts and disbursements in respect of certain transactions, such as Small Savings, Provident Fund, Reserve Funds, Deposits, Suspense, Remittances etc., which do not form part of the Consolidated Fund are kept in the Public Account set up under Article 266(2) of the Constitution and are not subject to vote by the State Legislature. Here, the Government acts as a banker trustee for custody of public money, since these transactions are mere pass through transactions. The net transactions under Public Account covering the period 2010-15 are indicated in **Table 1.18** below.

Table 1.18: Net transactions under Public Account

(₹ in crore)

Resources under sectors of Public Account (Net)	2010-11	2011-12	2012-13	2013-14	2014-15
I. Small Saving, PF etc.	1,607	1,398	1,732	2,107	2,156
J. Reserve Funds	1,374	2,761	1,362	1,264	1,547
K. Deposits and Advances	2,037	1,410	2,511	2,840	3,702
L. Suspense and Misc.	(-)296	2,634	98	2,671	3,282
M. Remittances	(-)34	(-)11	(-)32	(-)12	(-)32
Total	4,688	8,192	5,671	8,870	10,655

The net receipts from Public Account increased from ₹4,688 crore in 2010-11 to ₹10,655 crore (127 *per cent*) in 2014-15. Net availability of funds under Small Savings, Provident Fund, Reserve Funds and Deposits and Advances had a predominant share in financing the fiscal deficit. Under Suspense and Miscellaneous, there was an increase in transactions relating to un-encashed cheques which amounted to ₹3,270 crore during the year. An analysis of the transaction is brought out in **paragraph 1.8.6.**

1.6 Application of resources

Analysis of the allocation of expenditure at the State Government level assumes significance since major expenditure responsibilities are entrusted with them. Within the framework of fiscal responsibility legislations, there are budgetary constraints in raising public expenditure financed by deficit or borrowings. It is, therefore, important to ensure that the ongoing fiscal correction and consolidation process at the State level is not at the cost of expenditure, especially the expenditure directed towards development of social and economic sectors.

Prudent fiscal management should aim at creating savings by raising revenue receipts in excess of revenue expenditures. The revenue balance is called Government's saving, which is used to finance capital expenditure. Use of borrowed funds for either directly revenue yielding activities or indirectly productive uses creates returns by way of tax or non-tax revenues which can be used for debt servicing and repayment of loans.

1.6.1 Growth and composition of expenditure

The basic parameters of total expenditure, growth rate and comparison with GSDP etc., are furnished in the **Table 1.19**.

Table 1.19: Total expenditure – Basic parameters

(₹ in crore and growth rate in *per cent*)

	2010-11	2011-12	2012-13	2013-14	2014-15
Total Expenditure (TE)*	69,127	82,436	92,874	1,06,831	1,23,812
Rate of growth	14.0	19.2	12.7	15.0	15.9
GSDP	4,10,703	4,55,212	5,22,673	6,14,607	6,85,207
Rate of growth	21.67	10.84	14.82	17.59	11.49
TE/GSDP	16.83	18.11	17.77	17.38	18.07

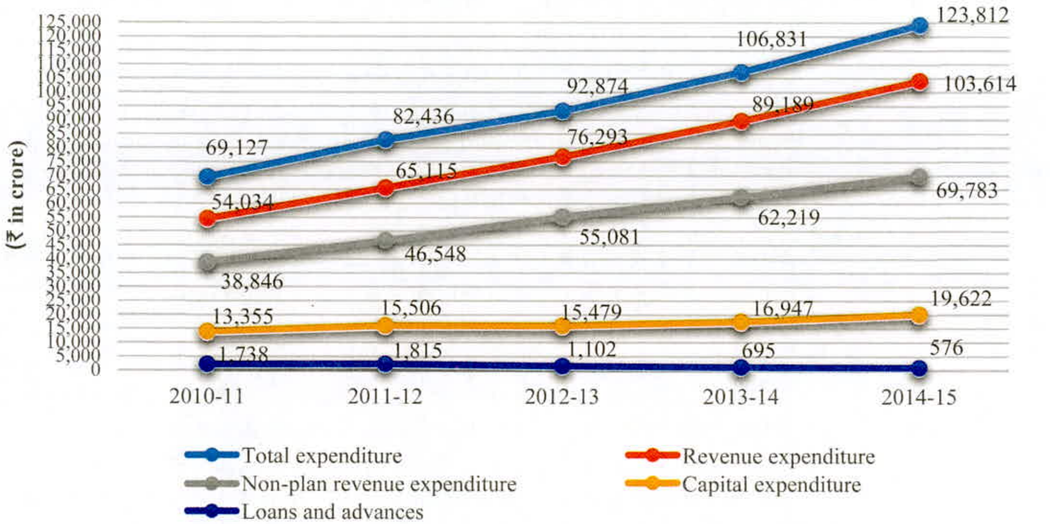
	2010-11	2011-12	2012-13	2013-14	2014-15
Revenue receipts/TE	84.2	84.7	84.2	83.8	84.11
Revenue expenditure	54,034	65,115	76,293	89,189	1,03,614
Rate of growth	13.7	20.5	17.2	16.9	16.2
Capital expenditure (including loans and advances)	15,093	17,321	16,581	17,642	20,198
Rate of growth	14.9	14.8	(-)4.3	6.4	14.5
Buoyancy of total expenditure with					
GSDP	0.6	1.8	0.9	0.9	1.4
Revenue receipts	0.8	1.0	1.1	1.0	1.0
Buoyancy of revenue expenditure with					
GSDP	0.6	1.9	1.2	1.0	1.4
Revenue receipts	0.7	1.0	1.4	1.2	1.0

Source: Finance Accounts

*Total expenditure includes revenue expenditure, capital expenditure including loans and advances

Chart 1.7 presents the trends in total expenditure over a period of five years (2010-15) and its composition under revenue, capital and loans and advances.

Chart 1.7: Total expenditure :Trends and composition



Source: Finance Accounts

Total expenditure increased by 79 *per cent* from ₹69,127 crore in 2010-11 to ₹1,23,812 crore in 2014-15 due to increase in revenue expenditure (₹49,580 crore), capital outlay (₹6,267 crore) and offset by decrease in disbursement of loans and advances (₹1,162 crore).

During the period 2010-15, on an average, 82 *per cent* of the total expenditure was on revenue account. During the current year, it was 84 *per cent*. The share of capital expenditure (including loans and advances) was 16 *per cent*.

The Expenditure Reforms Commission (ERC) in its 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. The ratio of capital expenditure to GSDP which was at four *per cent* during 2010-12, however, dropped to three *per cent* during the remaining period of 2013-15.

1.6.2 Revenue expenditure

Revenue expenditure comprises of day-to-day expenditure of the Government, wages and salaries, pensions, interest payments, expenditure on operation and maintenance of capital works, subsidies and transfers to local bodies, co-operatives, NGOs and others. Expenditure can also be classified into various functional categories such as administrative services, social services and economic services. Expenditure on social and economic services is incurred to create physical infrastructure and human resource development and, therefore, is considered productive, whereas expenditure on general administration and debt servicing are considered unproductive.

Revenue expenditure increased from ₹54,034 crore in 2010-11 to ₹1,03,614 crore in 2014-15, an increase of 92 *per cent*. The revenue expenditure buoyancy during the year was 1.4 times compared to GSDP. Compared to the previous year, the increase was 16 *per cent*, due to increase in salary expenditure (₹1,925 crore), interest payments (₹1,777 crore), pensions (₹966 crore) and devolution to local bodies (₹4,382 crore) etc.

The revenue expenditure during 2014-15 also included ₹2,338.22 crore provided to HAL as grants (₹1,211.67 crore), waiver of tax and interest dues in respect of Utensil dealers (₹3.05 crore), waiver of CST and interest dues to Areca nut dealers (₹0.35 crore), ESCOMs (₹1,046 crore) being the dues of electricity tax etc., treated as subsidy, Road Transport Corporations (₹77.15 crore) being the dues of road tax and treated as subsidy through book adjustment.

1.6.3 Committed expenditure

Most of the revenue expenditure is in the nature of committed expenditure being on salaries, pension, interest, subsidy etc., which affects the maneuverability of the State to prioritize expenditure in this space and in meeting capital investments to meet growing needs of social and economic infrastructure. **Table 1.20** and **Chart 1.8** exhibit the expenditure on these components and also certain other expenses such as pensions under social security schemes, Grant-in-aid & Other Financial Assistance, administrative expenses, implicit subsidies arising under various schemes of the Government, devolution to local bodies etc., which are treated as committed expenditure in the MTFP 2014-18. The position of such expenditure covering the period 2010-15 is depicted in **Table 1.20** below.

Table: 1.20: Trends in committed expenditure

(₹ in crore)

Sl. No.	Particulars	2010-11	2011-12	2012-13	2013-14	2014-15	
						BE	Actuals
1	Salaries* of which	11,948	12,996	16,308	18,027	23,315	19,952
	Non-Plan head	10,593	11,446	8,324	15,211		16,733
	Plan head**	1,355	1,550	7,984	2,816		3,219
2	Interest payments	5,641	6,604#	7,454#	8,027#	9,700	9,804#
3	Expenditure on pensions	4,070	5,436	7,227	9,152	9,350	10,118
4	Social Security Pensions	1,944	2,244	1,880	1,870^	2,334	2,322
5	Subsidies, of which						
	Explicit	6,303	7,390	10,709	13,323	13,302	11,153

Sl. No.	Particulars	2010-11	2011-12	2012-13	2013-14	2014-15 BE	2014-15 Actuals
	Implicit	1,048	1,270	1,849	1,690	3,824	2,973
6	Grants-in-aid and Financial Assistance	7,468	5,652	6,898	8,471	9,236	9,737
7	Administrative Expenses	944	1,029	1,358	1,549	2,340	1,708
8	Devolution to Local Bodies	8,866	12,628	13,445	15,570	21,318	19,952
9	**Total Committed expenditure**	**48,232**	**55,249**	**67,128**	**77,679**	**94,719**	**87,719**
10	**Revenue receipts, of which**	**58,206**	**69,806**	**78,176**	**89,542**	**1,11,038**	**1,04,142**
11	**Tied grants from Centre linked to State Specific Schemes**	**6,486**	**7,744**	**7,342**	**8,597**	**19,600**	**14,102**
12	Uncommitted revenue receipts **(10-11)**	51,720	62,062	70,834	80,945	91,438	90,040
13	Committed expenditure as % of uncommitted revenue receipts **(9/12)**	93	89	95	96	104	97

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

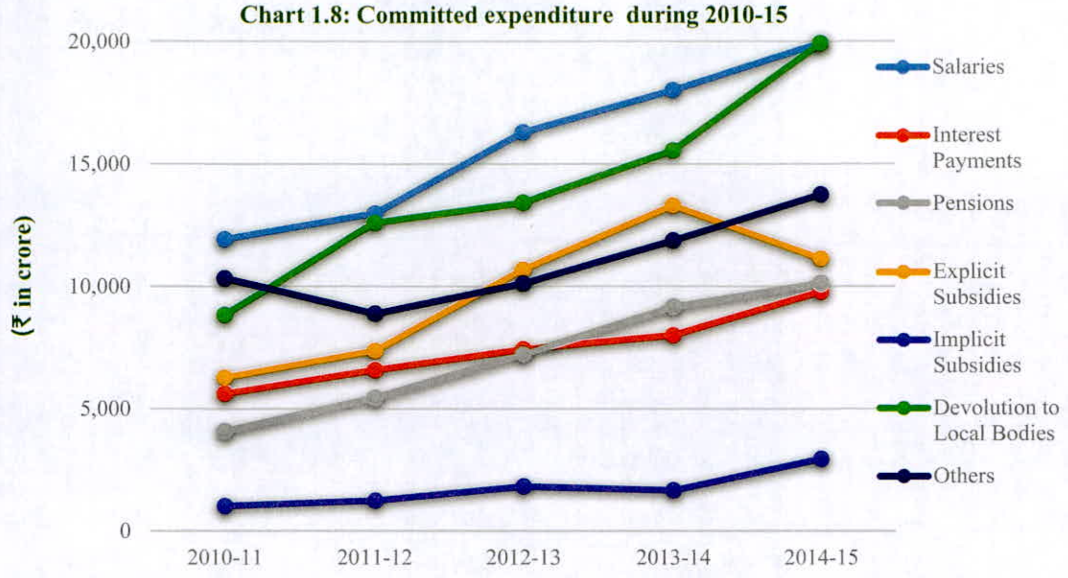
** *Includes the salaries paid under centrally sponsored schemes.*

\# *Includes interest on off-budget borrowings and amount released to ULBs under the Major Head 3604 (₹542 crore in 2011-12. ₹621 crore in 2012-13, ₹190 crore in 2013-14 and ₹400 crore in 2014-15).*

^ *Social Security Pension in respect of 'Pension to physically challenged' (₹630.16 crore) is included in 'Grants-in-aid and Financial Assistance.*

As brought out in the above table, the ratio of uncommitted revenue receipts to committed expenditure has been steadily increasing. The high percentage of committed revenue expenditure to revenue receipts indicates that the State has limited flexibility in allocation of its resources for new schemes. Medium term correction on the expenditure side is required to moderate such committed expenditure.

Chart 1.8: Committed expenditure during 2010-15



Source: Finance Accounts

There is also increasing demand on the public resources in the light of statutory legislation like Right to Education, Food Security Act and Employment Guarantee measures etc. These emerging concerns necessitate a review of public resources as a whole to assess their allocative and technical efficiency.

Expenditure on salaries

Expenditure on salaries increased from ₹11,948 crore in 2010-11 to ₹19,952 crore in 2014-15. It grew by 11 *per cent* over the previous year. The expenditure included the salary expenditure relating to the employees of Panchayat Raj Institutions (PRIs) also (₹11,051 crore). The salary expenditure in the Finance Accounts captured data in respect of the State sector only. The salaries in respect of the District sector (Employees of PRIs) are released as grants-in-aid to PRIs. Thus, the total salary expenditure is not reflected in the accounts. The salary expenditure excluding the salary grant relating to Urban Local Bodies (ULBs) of the State was 24 *per cent* of the revenue expenditure net of interest payment and pensions, which was within the norm of 35 *per cent* fixed by the TFC.

The FD replied (November 2014) that grants to PRI/ULBs are released as lump sum grants as per constitutional requirement. Further, scheme wise breakup of salary and non-salary items is available in the link volumes. As such, the information is already being captured as part of PRI/ULB accounts.

The PAC in its 5th report (July 2015) reiterated its recommendation that the data of the district sector, relating to details of salary be consolidated for exhibition in the Appendix of Finance Accounts.

Also, the salary expenditure relating to the employees of ULBs overlapped with those under the State sector (Constitutional dignitaries). This has been discussed in **paras 2.3.1.3 and 3.11.2** of the report.

In addition, misclassification of expenditure relating to salaries under capital head (₹13.51 crore) was also noticed during the year, as discussed in **para 2.8.2.9.**

Pension payments

Expenditure on pension (₹10,118 crore) was about 10 *per cent* of total revenue receipts of the State during the year. The expenditure on pension during the year exceeded MTFP (2011-15) projection by ₹1,580 crore. Increase of ₹966 crore in expenditure over the previous year was on account of increase in the number of retirements of employees.

Defined Contribution Pension Scheme for all employees, who joined the State Government service on or after 01 April 2006, became fully operational from 01 April 2010. A dedicated New Pension Scheme (NPS) Cell has been created under the Directorate of Treasuries to implement and operationalise the NPS in the State. The State Government has adopted the NPS architecture designed by the Pension Fund Regulatory Development Authority (PFRDA) and has appointed the National Securities Depository Limited (NSDL) as the Central Record Keeping Agency (CRA) for NPS. The Bank of India is the Trustee Bank in charge of operation of Pension Funds. The security of investment of the pension corpus is also given primacy by mandating that 85 *per cent* of corpus be invested in bonds and fixed maturity investments. The employees are given an option to pay their backlog[5] either in lump sum outside salary or in multiple installments through salary deductions.

There were 1,50,021 officials registered and allotted Permanent Retirement Account Number (PRAN) as on 31 March 2015. An amount of ₹353.94 crore was contributed towards the scheme by the Government through revenue account. Employees' contribution of ₹342.92 crore for the current year was also accounted against the scheme. The accounting of employees and Government contributions towards NPS was made under Minor Head 120 - Miscellaneous Deposit under Public Account (Major Head 8342), instead of the prescribed Minor Head 117 - Defined Contribution Pension Scheme. Uniform accounting heads are required to be opened by the Government for proper identification of transactions.

An amount of ₹721.93 crore was transferred to NSDL/Trustee bank from Fund balance, leaving net balance of ₹5.73 crore under three Sub-heads related to NPS (Employees' contribution, Government's contribution and Backlog/Interest) under Minor head 120-Miscellaneous Deposits. The discrepancy is due to misclassification by the Director of Treasuries and needs to be reconciled. Un-transferred amounts with accrued interest represent outstanding liabilities of the Government.

The payment of pension and other retirement benefits to All India Service officers prior to 01 April 2008, was a liability to be borne by the State Government. The liability on account of pension payments that are to be borne by the GOI (from April 2008), are to be booked under suspense head - 8658 and a demand raised for reimbursement. A sum of ₹4.78 crore was outstanding

[5] Refers to the contribution the employee has to make from the date of his entry into service to the date of implementation of the scheme.

settlement, implying that the State Government was yet to receive amount due to it.

Interest Payments

Interest payments increased by ₹4,163 crore from ₹5,641 crore in 2010-11 to ₹9,804 crore in 2014-15 Interest payments during 2014-15 constituted interest on internal debt (₹7,024 crore), interest on small savings, provident fund etc., (₹1,665 crore), interest on loans and advances from the Central Government (₹715 crore) and interest on off-budget borrowings (₹400 crore).

The interest on internal debt increased by 25 *per cent* from ₹5,598 crore in 2013-14 to ₹7,024 crore in 2014-15 on account of increase in payment of interest on market loans by ₹1,458 crore (43 *per cent*), partly offset by decrease in interest on special securities by ₹35 crore (two *per cent*) issued to NSSF of the Central Government by the State Government This was on account of the recommendations of XIII FC, which stated that all loans contracted till 2006-07 and outstanding at the end of 2009-10 be re-set at a common rate of interest of nine *per cent* per annum in place of 10.5 or 9.5 *per cent*. While the XIII FC had projected interest relief of ₹110 crore, the actual relief was ₹35 crore.

The interest on small savings, provident funds etc. increased by ₹181 crore (12 *per cent*) from ₹1,485 crore during 2013-14 to ₹1,666 crore in 2014-15, mainly on account of increase in interest on State provident funds and insurance and pension funds by 11 and 14 *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, the ratio of interest payments to total revenue receipts of the State was nine *per cent*, was well within the TFC norm of 15 *per cent*. During 2010-15 the ratio hovered between 9 and 10 *per cent* on account of buoyancy in revenue receipts.

Subsidies

In any welfare State, it is not uncommon to provide subsidies to disadvantaged sections of society. Subsidies are dispensed not only explicitly but also implicitly by providing subsidized public services to 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.

Subsidy expenditure has increased from ₹6,303 crore in 2010-11 (11 *per cent* of revenue receipts) to ₹11,153 crore during the year, which was also 11 *per cent* of revenue receipts.

Explicit Subsidies

In MTFP (2013-17), the Government had stated that subsidies provided by the State could be of two kinds – explicit and implicit subsidies. Explicit subsidy is that which provides for expenditure in the form of a subsidy or interest subvention for certain schemes of the Government. It was stressed that the challenge lies in ensuring that these subsidies do not become a permanent source of additional support and thereby deter these sectors from undertaking reforms. The three largest explicit subsidy outgoes for the State were power subsidy provided for supply of free electricity to farmers for usage of agricultural pump sets, food subsidy and interest subsidy for crop loans.

Finance Accounts (Appendix-II) showed an explicit subsidy of ₹11,153 crore during the year which was ₹2,170 crore less than the previous year. The decrease was 16 *per cent* over the previous year. The details are given below.

- **Power**

During the year, subsidy to the power sector (₹6,700 crore) accounted for 60 *per cent* of the total subsidy (₹11,153 crore). It included financial assistance to electricity supply companies to cover loss due to rural electrification (₹6,200 crore) and contribution towards pension (₹500 crore). The power subsidy included book adjustment of ₹1,046 crore of which ₹954.17 crore was the tax dues retained by ESCOMs against power subsidy due.

Though FD stated that the Karnataka Power Transmission Corporation Limited (KPTCL) would be reflected as an off-budget entity in the budget documents, this was not complied with. Also subsidy of ₹2.09 crore given to the KPTCL for meeting its debt servicing obligations to the Power Finance Corporation (PFC) and Rural Electrification Corporation (REC), was not captured under revenue account

- **Food**

Food subsidy to meet the differential cost of food grains under the Public Distribution System (PDS), had decreased to ₹2,533 crore in 2014-15 from ₹3,046 crore in 2013-14.

- **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 to ₹5,557 crore - in 2009-10 ₹124 crore, in 2010-11 ₹335 crore, in 2011-12 ₹447 crore, in 2012-13 ₹1,323 crore, in 2013-14 ₹2,704 crore and in 2014-15 ₹624 crore.

According to the 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 the health of the co-operative credit system.

- **Transport**

Transport subsidy had decreased from ₹691 crore in 2013-14 to ₹651 crore in 2014-15. This subsidy was mainly towards fare concession extended to students, freedom fighters, physically challenged, etc. It also included book adjustment of ₹77.15 crore being the motor vehicle tax dues of transport corporations, dues adjusted as subsidy towards concession value of bus passes issued to students and free bus passes provided to ex-MLAs and MLCs.

Implicit subsidies

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. It can be indirect, can also be in kind, or take the shape of tax concessions. Some of the implicit subsidies extended during 2014-15 are detailed in **Appendix 1.8.**

The implicit subsidies increased from ₹1,048 crore in 2010-11 to ₹2,973 crore during 2014-15. They mainly include the financial assistance for supply of seeds, weaver's package, ashraya scheme, micro/drip irrigation, minimum floor price scheme, housing for weaker sections, house site for landless etc.

1.6.4 Financial assistance to local bodies and others

The quantum of assistance provided by way of grants to local bodies and others during the year 2014-15, relative to the previous years, is presented in **Table 1.21.**

Table 1.21: Financial assistance to local bodies and other institutions

(₹ in crore)

	2010-11	2011-12	2012-13	2013-14	2014-15
Panchayat Raj Institutions	12,554.65	15,211.83	18,532.58	20,512.71	24,991.27
Urban Local Bodies*	2,978.49	4,343.96	4,018.42	5,020.43	6,011.45
Educational Institutions (including universities)	501.69	630.47	738.69	961.62	1,145.04
Co-operative societies and co-operative institutions	304.43	357.79	47.04	849.85	818.09
Other institutions and bodies (including statutory bodies)	2,704.11	3,486.31	3,850.11	5,267.90	5,782.63
Assistance as a percentage of revenue expenditure	35	37	36	37	37
Total	**19,043.37**	**24,030.36**	**27,186.84**	**32,612.51**	**38,748.48**

Source: Finance Accounts

*the figures under assistance to Urban Local Bodies differs from those shown in the earlier reports on account of inclusion of devolutions under the Minor Head 200 – Other compensations and assignment.

The assistance to PRIs increased from ₹12,555 crore in 2010-11 to ₹24,991 crore in 2014-15, while the assistance to ULBs increased from ₹2,978 crore in 2010-11 to ₹6,011 crore in 2014-15.

Out of the total devolution of ₹24,991 crore to PRIs during 2014-15, ₹11,051 crore (44 *per cent*) was towards salaries as the State Government's functions viz., education, water supply and sanitation, housing, health and family welfare etc., were transferred to PRIs. It also included the XIII FC grants released to the State Government (₹976.48 crore). Out of this, ₹223.44 crore was released to the PRIs during 2015-16 on account of delay in receipt of grants from the GOI during 2014-15.

The assistance to ULBs increased by ₹991 crore and to Co-operatives decreased by ₹32 crore respectively, as compared to the previous year. It increased for educational institutions by ₹183 crore and for other institutions by ₹515 crore during the year. The assistance to ULBs included ₹2,869 crore towards creation of capital assets. It also included the XIII FC grants released to the State Government (₹560 crore) which in turn released the amounts to ULBs (₹83 crore), the balance amount was released during 2015-16 citing that these amounts were received on the last working day of the financial year.

Assistance to other institutions (₹5,783 crore) included assistance to Development Authorities (₹510 crore), NGOs (₹1,703 crore), others (₹3,545 crore) and PSUs (₹25 crore).

1.7 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, and its effectiveness.

1.7.1 Adequacy of public expenditure

The expenditure responsibilities relating to the 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 1.22 analyses the fiscal priority of the State Government with regard to development expenditure, social expenditure and capital expenditure relative to General Category States in 2011-12 and the current year 2014-15.

Table 1.22: Fiscal priority of the State in 2011-12 and 2014-15

(₹ in crore)

Fiscal Priority by the State	AE/ GSDP	DE#/ AE	SSE/ AE	CE/ AE	Education/ AE	Health/ AE
*General Category States Average (Ratio) 2011-12	15.98	65.39	36.63	13.23	17.10	4.68
Karnataka State's Average (Ratio) 2011-12	18.11	73.91	35.68	21.01	15.24	4.02
*General Category States Average (Ratio) 2014-15	16.49	69.12	36.50	14.01	16.23	5.04
Karnataka State's Average (Ratio) 2014-2015	18.10	71.80	35.47	16.31	14.85	4.72

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, data is as per the Government of India conveyed figures, adopted by the State Government in its budget documents.

*refer note in Appendix 1.1.

Comparative analysis reveals the following:

- The State's spending ratio of aggregate expenditure to GSDP moderated marginally during 2014-15 compared to 2011-12.
- Development expenditure as a proportion of aggregate expenditure in the State has been higher than the General Category States' average. Development expenditure consists of both economic and social service sector expenditure. The social sector expenditure as a proportion of

aggregate expenditure in the State, was lower than that of the General Category States in 2011-12, as well as in 2014-15. As observed from the **Table 1.22**, adequate priority needs to be given to both education and health sectors as the ratio under both these sectors is well below the General Category States' average during 2011-12 and 2014-15.

- Priority has been given by the State Government to capital expenditure in 2011-12 and 2014-15, as the ratio of capital expenditure to aggregate expenditure has been markedly higher than the average ratio of General Category States.

1.7.2 Efficiency of expenditure

In view of the importance of public expenditure on social and economic development, it is imperative for the State Government to take appropriate expenditure rationalization measures with more emphasis on development expenditure[6]. The higher the ratio of these components to total expenditure, the better would be the quality of expenditure. **Table 1.23** presents the trends in development expenditure relative to the aggregate expenditure of the State during the year 2014-15 vis-à-vis that of previous years.

Table 1.23: Development expenditure

(₹ in crore)

	2010-11	2011-12	2012-13	2013-14	2014-15
Development Expenditure (DE)	51,626	60,930	68,067	76,328	88,904
Percentage of DE to total expenditure	75	74	73	71	72
Components of DE					
Revenue	37,000 (72)	44,326 (73)	52,094 (76)	59,215 (77)	69,337 (78)
Capital	12,890 (25)	14,880 (24)	14,889 (22)	16,446 (22)	19,004 (21)
Loans and advances	1,738 (3)	1,724 (3)	1,084 (2)	667 (1)	563 (1)

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

Development expenditure increased from ₹51,626 crore in 2010-11 to ₹88,904 crore in 2014-15. As a percentage of total expenditure, it decreased from 75 in 2010-11 to 71 in 2013-14 and thereafter increased to 72 *per cent* during the current year.

On an average, 75 *per cent* of the development expenditure was on revenue account while capital expenditure, including loans and advances accounted for the balance during 2010-15.

In 2014-15, expenditure on salary (₹14,561 crore) and subsidy (₹11,115 crore) formed two major components of development revenue expenditure.

[6] 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.

Expenditure on Social services

Capital expenditure on social services increased from ₹3,481 crore in 2013-14 to ₹4,551 crore in 2014-15 and the ratio of capital expenditure to total expenditure increased from 3.25 *per cent* in 2013-14 to 3.68 *per cent* in 2014-15.

The share of salary expenditure (under social services) in total revenue expenditure remained at 12 *per cent* in 2014-15.

Expenditure on Economic services

Capital expenditure on economic services increased from ₹13,632 crore in 2013-14 to ₹15,016 crore in 2014-15.

The priority sectors identified by the Government in respect of economic services were agriculture, rural development, irrigation and flood control and transport, industries and minerals. In 2014-15, capital outlay was higher by ₹1,395 crore, ₹188 crore, ₹63 crore and ₹5 crore under irrigation and flood control, special areas programmes, industries and minerals, and agriculture respectively, while under energy, rural development and transport it was lower by ₹53 crore, ₹44 crore and ₹152 crore respectively compared to the previous year.

The share of salary expenditure (under economic services) in total revenue expenditure was two *per cent* during 2014-15.

1.8 Financial 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 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 2014-15 vis-à-vis previous years.

1.8.1 Incomplete projects

Locking up of funds on incomplete works, which includes 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 31 2015 is given in **Table 1.24**.

Table 1.24: Incomplete projects

(₹ in crore)

Department	Incomplete projects*				Cumulative expenditure as of March 2015
	Number	Budgeted cost	Cost over run		
			Number	Amount	
Public Works					
Buildings	98	270.68	5	0.60	182.88
Roads & Bridges	205	980.52	61	16.42	892.02
Irrigation	59	105.27	3	2.33	69.28
Total	**362**	**1,356.47**	**69**	**19.35**	**1,144.18**

Source: Finance accounts

*Projects scheduled to be completed on or before 31 March 2015 have been included.

Against the initial budgeted cost of ₹1,356.47 crore in respect of 362 works, stipulated to be completed on or before March 2015, the progressive expenditure was ₹1,144.18 crore as of 31 March 2015, out of which, in 69 cases, the cost overrun aggregated ₹19.35 crore. No reasons for delay in completion of the works was given by the Public Works and Irrigation Departments.

The ERC in its report (2010) has recommended that infrastructure projects above ₹10 crore should be subjected to detailed social cost benefit analysis. Further, it recommended that projects in progress required to be subjected to effective monitoring and evaluation for timely course correction. It also proposed to introduce investment appraisal mechanism for all large projects in a phased manner.

1.8.2 Investment and returns

The investment of the Government in the share capital of Companies/Corporations etc., as brought out in Finance Accounts include the expenditure under the heads of account 4225-107 - Investment in Credit Co-operatives, 4225-108 - Investment in other Co-operatives, 4405-00-191 - Fishermen Co-operatives, and 4851-00-108-01 - Share Capital Assistance to Power Loom Co-operative Societies and the minor heads 190 – Investments in Public Sector and Other undertakings and 195 - Investment in Co-operatives under the various Capital Outlay heads.

Sick / non-working PSEs/Departmentally managed organizations

As of 31 March 2015, the Government had invested ₹61,727 crore, in 85 Government Companies (₹57,455 crore including investment of ₹68 crore in 17 non-working Government Companies), Nine Statutory Corporations (₹2,370 crore), 43 Joint Stock Companies (₹1,562 crore), and Co-operative Institutions, Local bodies and Regional Rural Banks (₹340 crore). The return from investment was negligible **(Table 1.25).**

Table 1.25: Return on investment

	2010-11	2011-12	2012-13	2013-14	2014-15
Investment at the end of the year (₹ in crore)	38,420.70	44,294.86	49,463.80	55,048.00	61,726.92
Return (₹ in crore)	43.47	60.56	56.29	55.49	74.84
Return (*per cent*)	0.1	0.1	0.1	0.1	0.1

	2010-11	2011-12	2012-13	2013-14	2014-15
Average rate of interest on Government borrowings (*per cent*)	6.3	6.6	6.7	6.2	6.5
Difference between interest rate and return (*per cent*)	6.2	6.5	6.6	6.1	6.4

Source: Finance Accounts

Though the State Government had accepted that the return on these investments were meagre, it stated that it would not shy away from investing in social infrastructure involving long gestation and pay back periods. The Government further stated that efforts should be made to ensure due returns. Audit found that the MTFPs placed before the Legislatures did not contain the road map for ensuring proper return on investments.

In addition, investment of ₹2,429.95 crore in respect of five[7] Companies/ Corporations has been lying in Public Account as at the end of March 2015 without actual utilisation by the institutions. This has resulted in locking up of funds in the Public Account. Efforts should be made for proper utilization of these funds and a system should be put in place for scrutiny of proposals received from the Companies seeking funds before releasing further money from the Consolidated Fund.

With regard to large sums remaining unutilised by certain entities, the Finance Department replied that a committee called Off Budget Borrowing Monitoring Committee (OMC) has been constituted under the chairmanship of the Principal Secretary to Government, Finance Department, that has the power to review the status of the existing loan or bond and suggest action as may be required in the overall interest of the finances of the Board / Corporation. The FD also stated that before releasing the amount towards repayment of principal and payment of interest, the utilisation of previous year's principal repayment and interest is also being ensured.

Out of the total investment of ₹61,727 crore up to the end of March 2015, investment of ₹59,351 crore (96 *per cent*) was in 60 Government Companies and Statutory Corporations under irrigation sector (₹36,779 crore), transport sector (₹5,068 crore), infrastructure sector (₹3,195 crore), power sector (₹8,808 crore), industries sector (₹698 crore), housing sector (₹1,578 crore), financing sector (₹2,526 crore), construction sector (₹2 crore) and social sector (₹697 crore).

The investment included ₹25,007 crore (41 *per cent*) in the following Companies/Corporations, which were having / running perennial losses and where the investments were substantial **(Table 1.26).**

[7] Krishna Bhagya Jala Nigam (₹1,145.43 crore), Karnataka Urban Infrastructure Development and Finance Corporation (₹223.15 crore), Karnataka Neeravari Nigam Ltd. (₹1,006.80 crore), Karnataka Rural Infrastructure Corporation Ltd. (₹47.44 crore), Karnataka Slum Development Board (₹7.13 crore).

Table 1.26: Investment in Companies/Corporations under perennial loss

(₹ in crore)

Company / Corporation	Investment up to 2014-15	Cumulative loss	Cumulative loss to the end of
North Western Karnataka Road Transport Corporation	266.85	509.08	2013-14
North Eastern Karnataka Road Transport Corporation	183.43	417.62	2013-14
The Karnataka Minorities Development Corporation Limited, Bengaluru	362.80	31.04	2011-12
Rajiv Gandhi Rural Housing Corporation Limited, Bengaluru	223.40	58.33	2011-12
Krishna Bhagya Jala Nigam Limited	23,745.34	375.31	2013-14
The Mysore Sugar Company Limited, Bengaluru	225.27	289.42	2012-13
Total	**25,007.09**	**1,680.80**	

Source: Finance Accounts

During the year, the Government invested ₹2,666 crore in these Companies and the cumulative loss had increased by ₹205 crore.

Krishna Bhagya Jala Nigam Limited was established (in 1994) as a wholly owned Government Company under the provisions of the Companies Act, 1956, mainly for execution, operation and maintenance of the Upper Krishna Project works in the Krishna River Basin and such other projects allocated to it by the Government from time to time. The cumulative loss of the company at the end of 2013-14 was ₹375 crore.

The transactions under investment account included certain non-cash transactions like conversion of loans into equity, treatment of interest dues into equity, and equating the investment of the Government to the books of the Companies. These are discussed below:

1. A sum of ₹5 crore outstanding as loans against M/s. Mysore Sales International Ltd. was converted into equity in order to increase the capital base of the Company.
2. A sum of ₹0.15 crore outstanding against M/s. Karnataka State Seeds Corporation Ltd. was converted into equity.
3. A sum of ₹22.92 crore being the interest outstanding against M/s. Mysore Electrical Industries Ltd. for loans sanctioned during 1998-2002 was converted into equity in the Company.
4. A sum of ₹6.26 crore being the outstanding dues of M/s. Mysore Sales International Ltd. was converted into equity.
5. A sum of ₹6.03 crore being the differential amount of investment between the Government and that of M/s Vijayanagar Steel Ltd. was treated as Government investment per contra credit to miscellaneous capital receipts.

The investment account was reduced Proforma on account of the following transactions:

1. Investments in 'Mahaboob Shahi Seeds Corporation Ltd', a unit of 'National Textiles Ltd.' decreased 'Proforma by ₹0.94 crore as it was declared as 'specific loss' by the Government and was adjusted per contra reduction of balance under 'Government Account'.
2. Investments in 'REMCO' decreased 'Proforma' by ₹1.02 crore in lieu of adjustment of purchase consideration received from M/s. Bharat Heavy Electricals Ltd. during 1977-78 to 1984-85.
3. Progressive capital expenditure under 4425-Capital Outlay on Co-operation', decreased by ₹2.79 crore, due to retirement of Government investments in share capital of co-operative institutions, proceeds of which stands accounted under 'Miscellaneous Capital Receipts' in 2014-15.

During 2014-15, the Government invested ₹6,675.73 crore, in Statutory Corporations (₹119.43 crore), Government Companies (working and non - working) (₹6,555.65 crore) and co-operative institutions (₹0.65 crore).

While reviewing the performance of State Public Sector Undertakings with respect to Government investments, the XIII FC 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 Principal Accountant General (Audit). Action taken by the Government in this regard is awaited.

1.8.3 Investment in Public Private Partnership (PPP) Projects

Recourse to the PPP mode for project financing is encouraged because it frees valuable fiscal space for the provision of public goods in areas where such financing may not be forthcoming. PPP projects are in the sectors of transport, agri-infrastructure, education, health, tourism, urban and municipal infrastructure and energy. The Infrastructure Development Department was established to play a significant role in the areas of developing air, train and maritime connectivity for the State and in promoting increased private investment in public infrastructure through PPP.

The summary of PPP projects in the pipeline, under implementation and in operation are detailed in **Table 1.27**.

Table 1.27: Sector and stage-wise status of PPP projects in the State

(₹ in crore)

Sector	Completed		Under Implementation/ construction		Under planning/ pipeline		Grand Total	
	No	Cost	No	Cost	No	Cost	No	Cost
Agri-Infrastructure	-	-	1	105.90	1	0	2	105.90
Education	-	-	-	-	5	1,450.00	5	1,450.00
Energy	-	-	-	-	1	460.00	1	460.00
Health	1	40.80	-	-	-	-	1	40.80
Industrial Infrastructure	-	-	-	-	3	168.00	3	168.00

Sector	Completed		Under Implementation/ construction		Under planning/ pipeline		Grand Total	
Roads & Bridges	7	1,139.65	6	1,892.67	8	13,031.49	21	16,063.81
Tourism	1	32.00	1	108.00	24	369.98	26	509.98
Transportation & Logistics excluding roads and bridges	2	2,763.29	3	60.82	10	828.82	15	3,652.93
Urban and Municipal Infrastructure	7	276.50	2	51.00	25	1,369.97	34	1,697.47
Total	**18**	**4,252.24**	**13**	**2,218.39**	**77**	**17,678.26**	**108**	**24,148.89**

Source: Department of Infrastructure Development

From the table it is seen that 18 projects were completed at a cost of ₹4,252 crore. Another 13 projects of ₹2,218 crore are under implementation and 77 projects of ₹17,678 crore were under planning/pipeline.

1.8.4 Departmental Undertakings

Nineteen undertakings of certain Government departments performed activities of a quasi-commercial nature. According to the latest accounts furnished by six undertakings, the State Government's investment was ₹10.47 crore. The total loss incurred by these undertakings was ₹6.94 crore. Details are furnished in **Appendix 1.9.**

In view of the continued losses sustained by these undertakings, there is a need for reviewing their working so as to wipe out their losses in the short term and make them self-sustaining in the medium to long term.

State Government assured the PAC in December 2013 that the departments would be advised to expedite the conduct of review on the working of these undertakings and submit the findings of the review to the FD and PAC. The outcome of the review is yet to be received.

1.8.5 Loans and advances by the State Government

In addition to investments in Companies, Corporations and Co-operative Institutions, the Government also provided loans and advances to many institutions. **Table 1.28** presents the position of outstanding loans and advances as of 31 March 2015 and interest receipts vis-à-vis interest payments during the last five years.

Table 1.28: Average interest received on loans advanced by the State Government

(₹ in crore)

	2010-11	2011-12	2012-13	2013-14	2014-15
Opening balance	**8,047**	**9,623**	**11,198**	**12,142**	**12,724***
Amount advanced during the year	1,737	1,816	1,102	695	576
Amount repaid during the year	161	241	158	109	84
Closing balance	**9,623**	**11,198**	**12,142**	**12,729**	**13,216**

	2010-11	2011-12	2012-13	2013-14	2014-15
Net addition	1,576	1,575	944	586	492
Interest receipts	180	52	247	235	127
Interest receipts as *per cent* to outstanding loans and advances	2.2	0.5	2.2	1.9	1.0
Interest payments as *per cent* to outstanding fiscal liabilities of the State Government	6.0	6.3	6.2	5.8	6.0
Difference between interest receipts and interest	-3.8	-5.8	-4.0	-3.9	-5.0

Source: Finance Accounts

**Differs by ₹5 crore on account of conversion of outstanding loans into equity in respect of M/s. MSIL Ltd. during the year*

Loans outstanding as of 31 March 2015 aggregated to ₹13,216 crore. Interest spread of Government borrowings was negative during 2010-15, which meant that the State's borrowings were more expensive than the loans advanced by it.

The amount advanced during 2014-15 was ₹576 crore. Repayment of loans during 2014-15 aggregated ₹84 crore.

Detailed accounts of recovery of loans which are maintained in the office of the Pr. AG (A&E) indicated arrears in recovery of loans and advances aggregating ₹5,596 crore (Principal: ₹3,488 crore and Interest: ₹2,108 crore) was overdue as of 31 March 2015 from 21 institutions (**Appendix 1.10).**

The transaction during the year included a sum of ₹29.84 crore, being the conversion of working capital into loan in respect of M/s. Mysore Paper Mills Limited (MPM) adjusted through book adjustments. It also included the dropping of balances outstanding against the Karnataka Secondary Education Examination Board (₹0.55 crore) written off by treating it as loss to the Government.

Information in respect of overdue Principal and Interest contained in Statement No.7 of Finance Accounts is incomplete, as only 29 out of 842 institutions in respect of whom the detailed accounts are maintained by the Heads of Departments /Chief Controlling Officers of the Government of Karnataka, have furnished the required information. Indian Government Accounting Standards (IGAS)-3 requires disclosure of loans that were sanctioned without specific terms and conditions governing such loans. Out of the 162 loans valued at ₹576.14 crore sanctioned by the State Government in 2014-15, 50 loans valued at ₹263.69 crore were sanctioned without specifying any terms and conditions. Details are available as additional disclosures under Statement No.18 of the Finance Accounts.

The Finance Department replied (November 2014) that the department of Treasuries will be directed to categorically check whether GOs pertaining to release of loan amounts adhere to the instructions delineated in general loan GO issued by the FD in November 2013. It was observed in audit that even after the issue of instructions, compliance was poor.

1.8.6 Cash balances and investment of cash balances

Table 1.29 depicts the cash balances and investments made by the State Government during the year.

Table 1.29: Cash balances and their investments

(₹ in crore)

	Opening Balance on 01-04-2014	Closing Balance on 31-03-2015
a) General cash balance		
Cash in treasuries	-	-
Deposits with RBI	86.21	4.84
Deposits with other banks	-	-
Remittance in transit-Local	0.01	0.01
Sub Total	**86.22**	**4.85**
Investments held in cash balance Investment account	10,973.07	17,962.31
Total (a)	**11,059.29**	**17,967.16**
(b) Other cash balances and investments		
Cash with departmental officers viz.PWD officers, Forest Department, DCs	2.09	2.09
Permanent Advances for contingent expenditure with departmental officers	1.66	1.69
Investment of earmarked funds	4,696.69@	5,929.96
Total (b)	**4,700.44**	**5,933.74**
Grand Total (a+b)	**15,759.73**	**23,900.90**

Source: Finance Accounts

@ differs from the closing balance of previous year by ₹1,129.52 crore on account of exhibition of the investment under Public Account during the year.

Claims against Government are settled by preferring bills at treasuries, against which cheques are issued (by debit to the Consolidated Fund), to the claimants and with this, the Government relinquishes the claims. The Major Head 8670 – Cheques and Bills is credited with the amount of each of the cheque and paired off with its encashment at the Agency Banks. Thus, the credit balances under this head indicate the value of cheques that remained un-encashed. Article 75(1) of the Karnataka Financial Code, 1958, prescribes that the Treasury Officer should propose an Alteration Memorandum for the value of cheques outstanding for more than 12 months from the date of issue on the 15th of May each year. Due to non-compliance with these instructions by the treasury officers, the credit balance under this head increased from ₹9,488 crore in 2013-14 to ₹12,758 crore during the year, which includes un-encashed cheques issued during January to March 2015.

The Finance Department replied that as seen from the monthly civil accounts for April and May 2015, the cheques encashed are more than the cheques issued during these two months by ₹10,551 crore. Thus cheques remaining un-encashed out of ₹12,758 crore as on 31-03-2015 worked out to ₹2,207 crore as of 30-06-2015.

Audit observed that the net credit under the account during 2014-15 was ₹3,270 crore. Action is required to be taken for analysis of data for cleaning up of the balances.

The cash balance of the State at the end of the year was ₹23,900.90 crore. The increase in the cash balance was 52 *per cent* over the previous year. The surplus cash was on account of late release of funds by the Government of India in the form of grants to the State Government under various schemes to the extent of ₹840 crore.

Surplus cash balance was mainly due to market borrowings of ₹18,500 crore raised during 2014-15. There was an increase of ₹6,989 crore in the investments held in cash balance investment account with RBI at the end of the year.

The surplus cash balance was invested partly in 14-day intermediate Treasury Bills of RBI with an average interest rate of 4.9 *per cent* per annum and partly in 91-day intermediate Treasury Bills of RBI with an average interest rate of 8.4 *per cent* against an average rate of 8.5 *per cent* per annum at which the borrowings were made. The interest received from investment in 91-day Treasury Bills during the current year was ₹460.62 crore.

The interest realized on account of investment in the Consolidated Sinking Fund amounting to ₹136 crore did not form part of Government accounts.

1.9 Assets and Liabilities

1.9.1 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, Government accounts do capture the financial liabilities of the Government and the assets created out of the expenditure incurred. **Appendix 1.11** gives an abstract of such liabilities and assets as on 31 March 2015 compared with the corresponding position as on 31 March 2014.

Total liabilities, as defined in the KFRA, 2002 are the liabilities under the Consolidated Fund and the Public Account of the State. By an amendment to section 2(g) of the KFRA, 2002 brought out in February 2014, the scope of the total liabilities was enlarged to include borrowings by PSUs and Special Purpose Vehicles (SPVs) and other equivalent instruments where the principal and /or interest are to be serviced out of the budget of the Government of Karnataka.

The internal debt includes market loans, special securities issued to RBI and other negotiated loans. 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 SPVs, termed off-budget borrowings.

Assets comprise assets under the Consolidated Fund and cash. The assets under the 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 is summarized in **Table 1.30.**

Table 1.30: Summarised position of Assets and Liabilities

(₹ in crore)

Liabilities				Assets			
	2013-14	2014-15	(per cent)		2013-14	2014-15	(per cent)
Consolidated Fund	***88,522***	***1,05,585***	19	***Consolidated Fund***	***1,49,146***	***1,69,258***	***13***
a. Internal Debt	76,428	92,904	22	Capital outlay	1,36,422	1,56,042	14
b. Loans and advances from GOI	12,094	12,681	5	Loans and advances	12,724	13,216	4
Off-budget borrowings	***2,943***	***5,727***	***95***	***Cash***	***15,760***	***23,901***	***52***
Public Account*	***46,796***	***52,967***	***13***				
a. Small Savings, Provident Funds etc.,	18,021	20,176	12				
b. Reserve Funds	12,318	12,632	3				
c. Deposits	16,457	20,159	22				

Source: Finance Accounts

**The liabilities are on net basis. It does not include investments from earmarked funds of ₹4,697crore (2013-14) and ₹5,929.96 crore (2014-15)*

The growth rate of assets remained same at 13 *per cent* during 2013-14 and 2014-15, while that of liabilities inclusive of off-budget borrowings, increased from 16 *per cent* in 2013-14 to 19 *per cent* in 2014-15.

The Finance Accounts reflected an amount of ₹92,904 crore as internal debt outstanding as at the end of 2014-15 after taking into account the difference of ₹555.03 crore in the accounts of LIC, GIC, NABARD, NCDC etc. Further, the Reserve Bank of India (RBI) in its quarterly statement of outstanding balances of the Government of Karnataka as on 31 March 2015 reflected closing balance of Market Loans – not bearing interest as ₹0.15 crore. However, the Finance Accounts reflected an amount of ₹0.71crore, indicating that reconciliation of loan balances (capital account) was required. It was also observed that certain loan balances which figure in the Finance Accounts had not been reckoned in the RBI books (three cases). In respect of seven cases, there were differences which require reconciliation. In respect of six cases, the balances as per the books of accounts of the Pr. AG (A&E) tallied with those of RBI. Further, as per the communication from the Reserve Bank, there still exists a balance of ₹0.40 crore to be discharged in respect of Compensation bonds, the transactions of which are accounted under the minor head 106. However, in the Finance Accounts, these loans do not figure in the outstanding balances. The loans and advances from the GOI reflected an amount of ₹12,681 crore as at the end of 2014-15.

In the furtherance of the recommendations of the XIII FC, the Ministry of Finance, GOI, in a series of orders, all dated 29 February 2012, wrote off loans advanced to the State Government by various Ministries (except those advanced by the Ministry of Finance itself) as on 31 March 2010 (limited to current balances outstanding in the records of the Ministries) towards Central Plan and Centrally Sponsored Schemes. The Ministry of Finance permitted the State

Governments to adjust the excess repayments of principal and interest made from the effective date of the order (31 March 2010) and its implementation against future repayments to the Ministry of Finance. In respect of the Government of Karnataka, this excess payment amounted to ₹68.66 crore, of which, the Ministry of Finance has adjusted ₹17.32 crore (June 2013) against the dues payable to the Ministry of Finance to end of March 2013 and ₹5.48 crore (May 2014) against the dues payable to end of March 2014. The balance amount pending for adjustment was ₹45.87 crore (Principal ₹23.66 crore and Interest ₹22.21 crore). This had resulted in adverse balance (net debit) of ₹23.66 crore against the loans of the Ministries other than the Ministry of Finance in the books of the State Government.

The assets shown in the Finance Accounts (Statement No. 1 - Investment from earmarked funds - ₹5,929.96 crore) is understated at least to the extent of ₹136.14 crore. This is on account of the interest accrued on the investment of sinking fund account made during 2012-13 which had not passed through the Government books.

1.9.2 Fiscal Liabilities

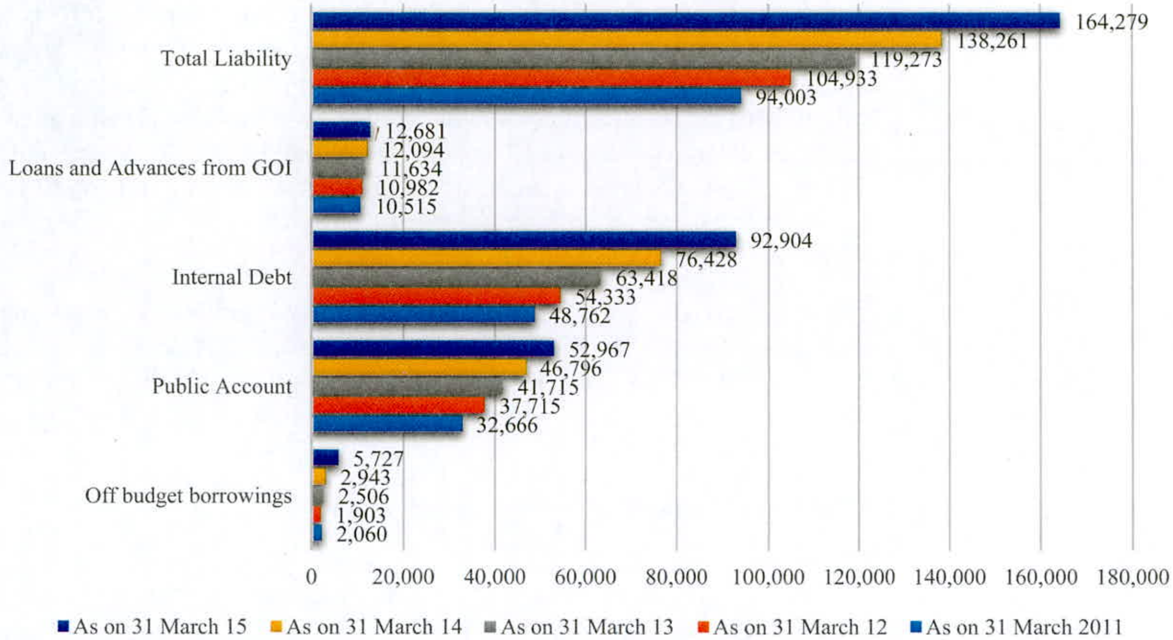
The trends in outstanding fiscal liabilities of the State are presented in **Appendix 1.5.** The composition of fiscal liabilities during the year 2010-15 is presented in **Chart 1.9.** Fiscal liabilities of the State, their rate of growth, ratio of these liabilities to GSDP, revenue receipts and own resources as well as buoyancy of fiscal liabilities with respect to these parameters are brought out in **Table 1.31.**

Table 1.31: Fiscal liabilities – basic parameters

	2010-11	2011-12	2012-13	2013-14	2014-15
Fiscal Liabilities (₹ in crore)	94,003	1,04,933	1,19,273	1,38,261	1,64,279
Rate of growth (*per cent*)	9.0	11.6	13.7	15.9	18.8
Ratio of fiscal liabilities to					
GSDP	0.23	0.23	0.23	0.22	0.24
Revenue Receipts	1.62	1.50	1.53	1.54	1.58
Own resources	2.25	2.08	2.07	2.07	2.19
Buoyancy ratio of fiscal liabilities to					
GSDP	0.42	1.07	0.92	0.90	1.64
Revenue Receipts	0.49	0.58	1.14	1.10	1.15
Own resources	0.39	0.56	0.96	1.03	1.52

Source: Finance Accounts

Chart 1.9: Composititon of Fiscal Liabilities (₹ in crore)



Source: Finance Accounts

The Fiscal liabilities of the State increased by 75 *per cent* from ₹94,003 crore in 2010-11 to ₹1,64,279 crore in 2014-15 comprising Consolidated Fund liabilities (₹1,05,585 crore), Public Account liabilities (₹52,967 crore) and off-budget borrowings (₹5,727 crore). In 2013-14 and 2014-15, due to increased borrowings, the growth rate of fiscal liabilities was 16 *per cent* and 19 *per cent* respectively. Further, the ratio of fiscal liabilities to GSDP during 2014-15 remained at 23.98 *per cent* and the buoyancy of fiscal liabilities to revenue receipts was at 1.1 and 1.2 in 2013-14 and 2014-15 respectively. Also, the buoyancy ratio of fiscal liabilities to own resources gradually increased from 0.4 in 2010-11 to 1.5 in 2014-15.

1.9.3 Compliance to the provisions of Karnataka Fiscal Responsibility Act, 2002.

1.9.3.1 Introduction

A study on the compliance to the provisions contained in the Karnataka Fiscal Responsibility Act, 2002, (KFRA 2002) was undertaken by audit during March-July 2015 to examine whether (i) The Medium Term Fiscal Plan (MTFP) was prepared in accordance with KFR Act, 2002; (ii) Fiscal management principles were adhered to; (iii) Measures taken for fiscal transparency were adequate; (iv) Effective monitoring and evaluation for mid-term correction /intervention exists.

The transactions for the period 2010-11 to 2014-15 have been covered in the study. The observations noticed during the study are detailed in the following paragraphs.

1.9.3.2 The Karnataka Fiscal Responsibility Act, 2002

The Government of Karnataka enacted 'The Karnataka Fiscal Responsibility Act, 2002' (KFRA, 2002) in the Legislature during August, 2002, to provide for the responsibility of the State Government in ensuring fiscal stability, and sustainability, and to enhance the scope for improving social and physical infrastructure and human development by achieving sufficient revenue surplus, reducing fiscal deficit and removing impediments for effective conduct of fiscal policy through prudent debt management by limiting the borrowings, debt and deficit, achieving greater transparency in fiscal operations of the State Government and using a medium term fiscal framework. The Act came into effect from 1 April 2003, which was amended from time to time based on the directives of the Government of India (GOI) and the Finance Commission.

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 to Government Guarantees Act, 1999.

Karnataka was on the fiscal consolidation path, recorded revenue surplus since 2004-05 and the fiscal deficit was within the limit of GSDP as prescribed under the Act, as amended from time to time. **Table 1.32** below indicates the performance of the State Government in respect of twin indicators of fiscal deficit and outstanding debt as percentage of estimated GSDP during the period 2010-15.

Table 1.32: Fiscal deficit as a percentage of GSDP and Outstanding debt as a percentage of GSDP

Year	GSDP (₹ in crore) As adopted by State Government in respective MTFPs	Actual Outstanding Debt and its percentage to estimated GSDP (₹ in crore)*	Prescribed Limit of Outstanding Debt as percentage of estimated GSDP As amended by FRA from time to time	Actual Fiscal Deficit and its percentage to GSDP	Prescribed Limit of Fiscal Deficit to percentage of GSDP as amended by FRA from time to time
2010-11	3,80,871	91,943(24.14)	26.2	10,688(2.81)	3.44
2011-12	4,34,270	1,03,030(23.72)	26.0	12,470(2.87)	3.00
2012-13	5,22,650	1,16,767(22.34)	25.7	14,507(2.78)	3.00
2013-14	6,01,633	1,35,318(22.49)	25.4	17,092(2.84)	3.00
2014-15	6,85,207	1,64,279(23.98)	25.2	19,576(2.86)	3.00

Source: Finance Accounts and GSDP figures is as per MTFPs of relevant years

*Debt is exclusive of Off-budget borrowings from 2010-11 to 2013-14

While working out the outstanding debt as at the end of each year, the liabilities under the Consolidated Fund and Public Account only have been considered. However, the State Government by an amendment to Section 2(g) of the Fiscal Responsibility Act, made in February 2014, amplified the scope of total liabilities to include borrowings by Public Sector Undertakings and Special Purpose Vehicles (SPVs) and other equivalent instruments, where the principal and/or interest are to be serviced out of the State Budget. Thus, including the off budget borrowings of ₹5,726 crore in respect of PSUs/Corporation which are outstanding in their books as at 31 March, 2015, the Debt GSDP ratio would work out to 23.98 *per cent* within the limit prescribed under the act.

1.9.3.3 Fiscal Management Principles

As per Section 4(1) of the Act, the State is broadly guided by fiscal management principles. The major fiscal management principles are to:

- Maintain Government debt at prudent levels;
- Manage Guarantees and other contingent liabilities prudently;
- Ensure that the policy decisions of the Government had due regard to their financial implications on future generations;
- Pursue non-tax revenue policies with due regard to cost recovery and equity;
- Ensure borrowings are used for productive purposes and accumulation of capital assets, and are not applied to finance current expenditure;
- Maintain the integrity of the tax system by minimizing special incentives, concessions and exemptions;
- Build up a revenue surplus for use in capital formation and productive expenditure;
- Disclose sufficient information to allow the public to scrutinize the conduct of fiscal policy and the state of public finances;
- Minimize fiscal risks associated with running of PSUs and utilities providing public goods and services;
- Formulate realistic and objective budget with due regards to general economic outlook and revenue prospects with minimal deviations;
- Ensure discharge of current liabilities in a timely manner;

Adherence to the fiscal management principles is discussed below.

1.9.3.4 Inconsistent disclosures of Assets and Liabilities

Section 5(2) (c) of the KFRA, 2002 as amended in 2011, stipulate that the State Government disclose, inter alia the details of Revenue Consequences of Capital Expenditure (RCCE) along with the related liabilities and Physical and Financial assets at the time of presentation of the budget. These Statements were included by the State Government in the MTFP 2012-16 onwards.

However, the infrastructure details indicated were found to be inconsistent over a period of four MTFPs (2012-16 to 2015-19). There was a mismatch between the closing balance of assets of various departments depicted in particular MTFPs and the opening balance of the succeeding MTFPs. The extent of

Government land was at variance in the MTFPs of 2012-16 and MTFP of 2015-19 resulting in disclosure of incorrect information to the Legislature. Details are provided in **Appendix 1.12 and Appendix 1.13.**

While accepting the lacuna in the information furnished, the Finance Department replied (October 2015) that efforts are being made to collect the information from the Departments and will be furnished in due course.

1.9.3.5 Maintenance of Government Debt at prudent levels

The total outstanding fiscal liabilities of the Government include Internal debt, Loans and Advances from the Government of India under Consolidated Fund and Small savings, Provident Fund, Reserve fund, Deposits under Public Account exclusive of Investment of earmarked funds, and borrowings by SPVs. The impact of outstanding fiscal liability was that the per capita debt increased from ₹16,863 in 2011-12 to ₹26,887 during 2014-15 as indicated in **Table 1.33.**

Table 1.33: Outstanding fiscal liability and Per Capita debt

Year	Outstanding fiscal liability (year-end) (₹ in crore)	Population (in crore)	Per capita debt (in ₹)
2010-11	91,943	5.29	17,381
2011-12	1,03,030	6.11	16,863
2012-13	1,16,767	6.11	19,111
2013-14	1,35,318	6.11	22,147
2014-15	1,64,279	6.11	26,887

Source: Finance accounts of relevant years

The composition of Fiscal liabilities for the year 2014-15 indicated that the consolidated fund liabilities were 64 *per cent*, public account liabilities were 32 *per cent* and those relating to borrowings by SPVs were four *per cent* of total liabilities. To finance the fiscal deficit, the State depends on market borrowings, special securities issued to NSSF, loans from financial institutions, loans from the Government of India, small savings, PF, deposits and advances, reserve funds etc. The open market borrowings are through the sale of Government securities commonly known as 'Karnataka State Development Loans' (KSDL) bearing interest rates ranging from 5.6 *per cent* to 9.65 *per cent* during 2010-15.

In order to adhere to the limits prescribed under the KFRA the State Government made certain transactions which have a bearing on the fiscal deficit. These are discussed in detail below.

1.9.3.6 Reserve Fund Transactions

The Reserve Funds are fed with stipulated inflows while the expenditure out of the fund is planned, equivalent to the extent of inflows and both receipts and expenditure from the Consolidated Fund are transferred to the Public Account, to complete the accounting adjustments, as an year-end exercise. Non-transfer of related expenditure/non-planning of expenditure commensurate with the receipts artificially inflate the revenue expenditure on the Consolidated Fund and consequently affect fiscal indicators like revenue surplus and fiscal deficit.

Some major cases of fund adjustments are discussed below:

Karnataka Forest Development Fund

The revenue realized from Forest Development Tax and money recovered for raising compensatory plantations in lieu of the forest areas converted for non-forestry purposes are credited as revenue of the Government and an equal amount is transferred to the Forest Development Fund maintained in the Public Account.

The transactions under the Karnataka Forest Development Fund during the years 2010-11 to 2014-15 are given in **Table 1.34** below:

Table 1.34: Transactions under the Karnataka Forest Development Fund

(₹ in crore)

	2010-11	2011-12	2012-13	2013-14	2014-15
Receipts transferred to the fund	557.28	238.59	916.21	785.77	647.06
Expenditure transferred to the fund	48.97	99.46	187.50	247.70	403.03
Overstatement of revenue expenditure due to non-planning of commensurate expenditure	508.31	139.13	728.71	538.07	244.03

Source: Finance Accounts of relevant years

During the period 2010-15, an amount of ₹3,145 crore was credited to the fund by operating the revenue expenditure head. The expenditure towards conservation work of forest activities which was transferred to the fund was ₹987 crore. The shortfall of ₹2,158 crore resulted in overstatement of fiscal deficit during the above five year period. This accounting adjustment had the impact of increased liabilities shown under Public Account.

While accepting the fact that there was a buildup in Public Account liabilities on account of the mismatch between receipts and expenditure to the fund account, the FD stated that the Government was contemplating making an amendment to the Karnataka Forest Act, 1963, to expand the ambit of eligible expenditure to be met out of the fund. This would enable to fund more of its expenditure from the fund, which would bring in the required balance in the receipt and expenditure and reduce net accretions to the fund in future.

Infrastructure Initiative Fund/ Bangalore Metro Rail Corporation Limited/Chief Minister Rural Road Development Fund

The infrastructure cess collected on excise license fee, motor vehicle tax and non-judicial stamp duty were to be allocated to the Infrastructure Initiative Fund (IIF), Bangalore Metro Rail Corporation Limited (BMRCL) and Chief Minister Rural Road Development Funds (CMRRDF) in the ratio of 57, 28 and 15 *per cent* respectively. Further, on introduction of a uniform Value Added Tax (VAT) in 2005, levy of Infrastructure cess was dispensed with and State Government decided to contribute from General Revenues of the State. As the road works and maintenance thereon were financed from the Central Road Fund, Finance Commission grants and budget allocations, the Government decided during 2010-11 to augment IIF and BMRCL in the ratio of 50:50. However against provision of ₹2,000 crore made for the purpose of transfer entry, sanction was accorded to transfer ₹650 crore to BMRCL during March 2011.

It was observed that during 2011-12, ₹609.28 crore and ₹2,100.00 crore relating to the Infrastructure cess collected and from General Revenues respectively were transferred to the fund. However, out of total expenditure of ₹1,610.66 crore incurred only ₹584.80 crore was adjusted from the fund which resulted in inflating the Revenue Expenditure, and showing reduced revenue surplus, apart from inflating the fiscal deficit, thereby giving justification for borrowings.

In reply, the Finance Department stated that during 2010-11 and 2011-12, the contribution to the fund was made from general revenues with the intention to meet Government's contribution to Bangalore Metro for future years, where there will be cash implications.

The reply is not acceptable for the reason that these accounting adjustments did not fructify as investment transactions. The Finance Department is now resorting to liquidate the liabilities by transferring the Consolidated Fund expenditure to the fund account and during the years 2013-15, a sum of ₹1,000 crore was debited to the Fund head.

Karnataka Fiscal Management Fund

The Fiscal Management Fund was created during 2006-07 in terms of 4(q) of the KFRA, 2002 to discharge the liabilities arising during the course of the year out of general revenues of the State. This fund was created with surplus from General Revenues for the purpose of fiscal management principles and not under any law.

The amounts transferred to the Karnataka Fiscal Management Fund as receipts during the years 2010-11 to 2011-12 was ₹200 crore. During the period 2010-11, expenditure of ₹24.84 crore relating to the discharge of guarantee obligations was debited to the fund. And during 2012-13, ₹1,000 crore towards appropriation for reduction of debt was debited to the fund and a comment on the accounting adjustment has been made in the Report on State Finances for the year ending March 2013.

The Finance Department replied (January 2015) that the transfer of ₹150 crore and ₹50 crore in the years 2010-11 and 2011-12 was to meet the fiscal stress in subsequent years.

The reply is not acceptable because rules governing the administration of the fund had not yet been framed and the transfers during those years were merged with the general cash balances of the Government without actual investment. The transactions had the effect of increased liability in public account and showed more expenditure under consolidated fund.

Consolidated Sinking Fund

The working group of RBI recommended that the State build up a minimum Consolidated Sinking Fund of three to five *per cent* of State liabilities. Accordingly, notifications were issued (January 2013 and February 2013) for the constitution and administration of a Consolidated Sinking Fund in the Public Account which states that the Government should contribute to the fund at a modest scale of at least 0.5 *per cent* of the outstanding liabilities at the end of the previous year, beginning with the financial year 2012-13. The total outstanding liabilities had exceeded ₹1,00,000 crore during 2011-12. Under the fund, a sum of ₹1,000.00 crore was appropriated through Major Head 2048 – Appropriation for reduction/avoidance of debt during 2012-13. However, by operating minor head 902, deduct entry was made debiting Fiscal Management Fund having credit balance of ₹1,057 crore which made the entire transaction revenue neutral. Further, during 2013-14, an amount of ₹584 crore, which amounts to 0.5 *per cent* of the total liability of ₹1,16,767 crore, was not provided for in the budget. This had the effect of compression of expenditure on the Consolidated Fund. Again, during 2014-15, though an amount of ₹500 crore was provided for transfer to the Consolidated Sinking Fund in the original budget, it was reduced to ₹250 crore in the revised estimates. However, no investment was made in 2014-15 also and no specific reason was adduced for not carrying out adjustment to the fund account.

The Finance Department replied that the Consolidated Sinking Fund was created for the same purpose as that of the Fiscal Management Fund. It was also stated that the Consolidated Sinking Fund was an actual Reserve Fund with an investment outside the Government Cash Pool, the expenditure incurred in that regard was shown as met out of the Fiscal Management Fund.

The reply is not acceptable because there need not be two funds for the same purpose.

PAC also recommended in its 5th report (July 2015) that 0.5 *per cent* of the total liability of the previous year be contributed to the Consolidated Sinking Fund.

Karnataka Silk Worm Cocoon and Silk Yarn Development and Price Stabilization Fund

The market fees and license fees realized were ₹26.63 crore and ₹35.90 crore and expenditure on sericulture activities was ₹7.40 crore and ₹13.22 crore respectively for the year 2012-13 and 2013-14. The same items of receipts and expenditure were not recorded under the Fund due to non-existence of budget provision under the relevant grant. However, the transfers of receipt for the period from 2012-15 (₹97.11 crore) and expenditure for the period from 2012 - 14 (₹20.62 crore) to the fund were carried out only during 2014-15 thus affecting the fiscal indicators of those years.

1.9.3.7 Open Market Borrowings (OMB)

The Government of Karnataka borrowed ₹14,997.30 crore and ₹18,500.00 crore of KSDL respectively during 2013-14 and 2014-15. The estimated inflows and outflows for arriving at the amount to be borrowed were not based either on the trends in the receipts/expenditure during similar months in the previous year or trends during the relevant years. The basis for arriving at the borrowings would have been more appropriate had the Government considered the monthly expenditure trends shown in the Monthly Civil Accounts/Report on the Monthly Expenditure compiled by the Office of the Pr. AG (A&E) of previous years.

The XIII FC also recommended that, with the reduced fiscal deficits, it is essential that states follow the practice of borrowing on requirement rather than on availability. There should be a directed effort by the states with large balances towards utilizing their existing cash balances before resorting to fresh borrowings. The Government however resorted to borrowings to exhaust the fiscal space available rather than on a need based analysis as detailed below.

1) It could be seen that during the year 2013-14, out of eight occasions, except for the borrowings made on two occasions (September 2013 and February 2014), the State could have reduced their borrowings as the State had cash balance above ₹1,000 crore. Similar was the case with the year 2014-15.

2) Further, the Government was in the practice of investing the funds in 91-day Treasury Bills immediately, within 10 days of borrowing the amount from the open market. The fact that the borrowed funds were immediately invested in 91-day Treasury Bills is an indication of non-requirement of such amounts meant for immediate utilization. As the return on investment from 91-day Treasury Bills was less than the interest payable on the State Development Loans, there was an additional financial burden on the exchequer. Test-check of cases showed that there was an additional interest liability of ₹19.42 crore **(Appendix 1.14)**

The procedure adopted in arriving at the level of borrowings and subsequent investment at lower rate of interest was not in line with the principles of Financial Management enunciated in KFRA, 2002 which states that Government debts are to be maintained at prudent levels.

Finance Department in its reply stated that borrowings of the State are governed by Article 293(3) of the Constitution wherein each State is required to take approval of GOI before it can borrow either from the open market or under negotiated loans and the timeframe of borrowings gets further influenced by the 'Advance Indicative Calendar' floated by RBI fixing up the dates of auction. Hence the State Government has brought in efficiency in market borrowings in financial year 2015-16 by availing OMB from the 3rd quarter onwards.

1.9.3.8 Parking of funds in investment accounts/Nigams/Corporations

Implementation of major Civil, Irrigation and Infrastructure works was being carried out by various Nigams/Corporations viz., Krishna Bhagya Jala Nigam Limited, Karnataka Neeravari Nigam Limited and Karnataka Urban Infrastructure Development and Finance Corporation which were financed by the Government (apart from off-budget borrowings for which Government stands surety). Funds released as per investment account, to the above Nigams/Corporations during 2010-11 to 2014-15 are given in **Table 1.35**.

Table 1.35: Fund releases to Nigams/Corporations

(₹ in crore)

Year		KBJNL	KNNL	KUIDFC
2010-11	Releases	838.16	1,527.79	532.17
	Expenditure	838.15	1,602.79	357.54
	Closing Balance	131.28	30.33	457.97
2011-12	Releases	1,013.98	2,422.11	739.86
	Expenditure	1,016.48	2,450.44	835.29
	Closing Balance	128.78	2.32	362.54
2012-13	Releases	839.35	2,360.85	578.95
	Expenditure	839.35	2,346.30	736.75

Year		KBJNL	KNNL	KUIDFC
	Closing Balance	128.78	16.87	204.74
2013-14	Releases	1,720.39	2,643.53	974.08
	Expenditure	1,200.66	2,353.43	754.15
	Closing Balance	648.51	306.97	424.67
2014-15	Releases	2,943.01	3,163.97	673.28
	Expenditure	2,446.09	2,464.14	874.80
	Closing Balance	1,145.43	1,006.80	223.15

Source: DDR ledger maintained in the office of Pr.AG (A&E)

Grants released in excess of requirement/works executed are given in **Table 1.36** below.

Table 1.36: Release of grants in excess of requirement/works

(₹ in crore)

Year	KBJNL	KNNL	KUIDFC	Total
2010-11	-	-	174.63	174.63
2012-13	-	14.55	-	14.55
2013-14	519.73	290.10	219.93	1,029.76
2014-15	496.92	699.83	-	1,196.75

Source: DDR ledger maintained in the office of Pr.AG (A&E)

The investment of funds in the Nigams/Corporations and its non-utilization by the Corporations resulted in parking of funds thereby inflating the capital expenditure on the Consolidated Fund. This also affected the figures on fiscal deficit during the relevant years.

The reserve fund transactions, resorting to open market borrowing based on availability rather than necessity, and parking of borrowed funds in Corporations without monitoring their actual utilization indicated that Government debts were not managed at prudent levels.

The Government replied that efforts were on to collect the information from the concerned administrative departments and the same shall be furnished in due course.

1.9.3.9 Prudent management of guarantees and other contingent liabilities

The GOI took a policy decision (September 2010) for streamlining and improving the methodology for approval of guarantees. It was stated in MTFP 2013-17 that, since guarantees result in increase in contingent liability, these should be examined in the same manner as proposals for loans. The Finance Department stated (December 2013) that attempts would be made to formulate a State specific guarantee policy after examining the GOI policy on guarantees.

The Finance Department replied (October 2015) that instructions were already issued to the concerned expenditure sections in FD to forward relevant Government Orders, Notifications, Guarantee deeds etc., to the Department of Assets Liabilities Monitoring and Investment sections.

However, it is observed that attempts had not been made to put in place a specific policy on the lines of the GOI's policy.

1.9.3.10 Policy on Non-tax revenues

Section 4(1) (h) of KFRA, 2002 stipulates that the State Government should pursue non-tax revenue policies with due regard to cost recovery and equity.

The Finance Department stated in its MTFPs year after year that the management of state finances was broadly guided by the recommendations of the Fiscal Management Review Committee (FMRC), which were essentially aimed at, amongst other things, increasing non-tax revenue. The MTFPs treated increasing non-tax revenue as one of the key challenges. However, as observed the share of non-tax revenue to total revenue receipts was steadily declining as shown in **Table 1.37** below.

Table 1.37: Percentage of Non-tax revenue to Total Revenue Receipts

(₹ in crore)

Year	Non-tax revenue	Total Revenue Receipts	Percentage of (1) to (2)
	(1)	(2)	
2010-11	3,358	58,206	6
2011-12	4,087	69,806	6
2012-13	3,966	78,176	5
2013-14	4,032	89,542	5
2014-15	4,688	1,04,142	5

Source: Finance Accounts

The FMRC in its meetings suggested for follow up with departments for improving their non-tax revenue by regular revision of fees, user charges etc. However no concerted efforts were taken in this regard.

The Finance Department replied that in light of the commencement of mining activity and on account of streamlining of licences by the Directorate of Mines and Geology, it was expected that the royalty collection on mining was likely to increase. Regarding retention of user charges by some of the departments, it was stated that a circular not to accept the proposals of incurring expenditure out of departmental receipts/user charges without routing the receipts through the consolidated fund had been issued in January 2004.

1.9.3.11 Build up a revenue surplus for use in capital formation and productive expenditure

Section 4 (1) (j) of the KFRA, 2002, guides the State Government to build up a revenue surplus for use in capital formation and productive expenditure. The revenue surplus of the state for the years 2010-11 to 2014-15 is as given in **Table 1.38** below:

Table 1.38: Details of Revenue Surplus and Funding of Capital expenditure

(₹ in crore)

Year	Revenue Surplus	Funding of Capital Expenditure			Percentage of C.E to GSDP
		Capital Expenditure	GSDP	Percentage of C.E funded by Revenue Surplus	
2010-11	4,172	15,093	3,80,871	27.64	4.0
2011-12	4,521	17,321	4,34,270	26.10	4.0
2012-13	1,883	16,581	5,22,650	11.36	3.2
2013-14	353	17,642	6,01,633	2.00	2.9
2014-15	528	20,198	6,85,207	2.61	2.9

It is observed from the above that the Capital Expenditure funded by Revenue Surplus decreased from 27.64 *per cent* in 2010-11 to 2.61 *per cent* in 2014-15. The *per cent* of GSDP to Capital expenditure showed a decreasing trend i.e. from 4.0 *per cent* in 2010-11 to 2.9 *per cent* in 2014-15.

The Finance Department replied that Karnataka being a State with the highest tax/GSDP ratio, there were limitations to increase the State Own Tax Revenue (SOTR). Also, in spite of steps taken by the State to restrict its non-plan revenue expenditure, there was persistent demand for increase in plan expenditure on Social and Economic Services which resulted in marginal revenue surplus. The State however maintained revenue surplus as mandated by KFRA, 2002.

The reply of the Finance Department is not tenable as the fiscal indicators were not flowing following the accounting principles.

1.9.3.12 Disclosure of sufficient information to allow the public to scrutinize the conduct of fiscal policy and the state of public finances

Section 4(1) (l) of KFRA, 2002 stipulates that the Government should disclose sufficient information to allow the public to scrutinize the conduct of fiscal policy and the state of public finances.

Audit observed that no such details were being disclosed and no mechanism existed for inviting the opinion of the public with respect to the conduct of fiscal policy and state of public finances.

The Finance Department replied that "receipts and expenditure at a glance" were being hosted regularly and that there was no necessity to call for public opinion.

1.9.3.13 Minimize fiscal risks in running PSUs

Section 4 (1) (n) of KFRA, 2002 stipulates minimizing of fiscal risks associated with running of Public Sector Undertakings. The Government of Karnataka undertakes commercial activities in various PSUs which are owned, managed and controlled by the State. These statutory corporations are public enterprises that came into existence by special Acts of the Legislature. The various PSUs of the Government of Karnataka are supported by the State budget by way of equity investment, ordinary investment, loans, grants, subsidies, guarantees issued, loans written off, loans converted into equity, and interest waived. The aim of the Government in investing in various sectors is to ensure development of social infrastructure which will contribute to the growth in allied sectors and consequent generation of employment. The various sectors of Government PSUs include agriculture and allied activities, finance, infrastructure, manufacturing, power, service, and miscellaneous.

a) Negligible return on Investments: The FMRC in its meeting (December 2011) stated that a mechanism should be put in place so that automatic revision of user charges, fees etc. could take place every year or alternate years, linked to input costs, so that Boards and Corporations could become self-sustaining and not depend on State budget for all their activities.

Audit observed that the investment by Government as at the end of 2010-11 was at ₹38,421 crore which increased to ₹61,727 crore in the year 2014-15. The return on investment during the above period remained 0.1 *per cent.*

b) Declaration of dividends by PSUs: The Government of Karnataka to ensure reasonable returns on the investments made in PSUs circulated instructions (May 2003), insisting upon declaration of minimum dividend of 20 *per cent* on shareholding or that the dividend payout must constitute at least 20 *per cent* of post-tax profit or issuance of bonus shares wherein the capital base is narrow depending on the reserve of the Enterprise concerned. These directives were to be enforced by Government nominees on the Board, viz., Chief Executives and Directors. However, the PSUs which had earned profits either did not declare any dividend or paid very meagre dividends.

The Finance Department replied that action had already been initiated for the profit making PSUs to remit dividends and that the final status on remittance of dividend will be communicated in due course.

1.9.3.14 Formulation of realistic and objective budget with minimal deviations

The FMRC during the mid-term review of the fiscal policy 2012-13, resolved to avoid and moderate inclusion of large expenditure commitments in the Supplementary Estimates (SEs). The same has been brought out in MTFP 2013-17. The MTFP 2014-18 stated that large additional plan commitments in the nature of SEs during the year make it difficult to raise additional resources at that stage and hence effectively lead to moderation in the outlays for the other sectors. It had listed this as a key fiscal challenge. As per MTFP 2015-19, the FMRC resolved that, to minimize the necessity of SEs, the administrative department had to make appropriate estimate of its expenditure requirements in the ensuing year at the time of budgeting itself, and that this would also help to maintain the integrity of Budget estimates.

However, from the budget estimates and supplementary estimates for the year 2012-13 onwards, it was observed that though the percentage of provision made in supplementary estimates to original budget provision, was on the declining trend, provision for plan expenditure in the SEs was in the range of 55 *per cent* to 72 *per cent* (**Appendix 1.15**) of the total provision in the SEs. This was contrary to the recommendations of the FMRC.

The Finance Department replied that efforts were being made to minimize the size of the supplementary estimates.

1.9.3.15 Discharge of current liabilities in a timely manner

Section 4 (1) (q) of KFRA, 2002 envisaged that current liabilities be discharged in timely manner. The supplementary estimates for the period 2011-12 to 2014-15 revealed that provisions were made towards pending work bills, arrears of outstanding loans dues, construction works, incentive dues of sugarcane growers etc., relating to previous year/s. The year-wise supplementary estimates indicating provisions made for above items of expenditure are shown in **Table 1.39**.

Table 1.39: Year wise Supplementary provisions

(₹ in crore)

Year	Total provision made under S.Es (I+II+III)	Provision for expenditure relating to previous year/s	% of provision against total S.E
	1	2	% of 1&2
2012-13	18,690.18	1,079.21	5.77
2013-14	12,198.48	1,399.21	11.47
2014-15	12,336.76	2,379.16	19.29

The provision made for expenditure relating to previous year/s against the total Supplementary Estimates shows an increasing trend, i.e., 5.77 *per cent* in 2012-13 to 19.29 *per cent* in 2014-15, resulting in the current liabilities of the financial year being postponed to later years. Further, for certain items of provision made in 2014-15, it was observed that there were unspent provisions in the previous year i.e., 2013-14. Such postponement of current liability on account of revenue/capital resulted in compression of expenditure, impacting the fiscal deficit in the relevant years. The World Bank also opined that the current liabilities were not being paid in a timely manner.

The Government replied that bills relating to February and March accumulate as pending bills and become inevitable payments for the next financial year. As there was no provision to re-appropriate savings from one demand to clear the dues in another demand, the unspent provisions in the year cannot be used to clear the current liabilities and hence cannot be treated as compression of expenditure. This reply is not acceptable because pending bills pertaining to other periods before February and March were also cleared in subsequent years.

1.9.3.16 Adherence to fiscal parameters stipulated under the Act

As per sub section(3) of Section (4) of KFRA, 2002, the State Government was required to (a) reduce revenue deficit to nil within a period of four financial years, beginning from the initial financial year on the 1st day of April 2002 and ending on the 31st day of March 2006; (b) reduce revenue deficit as a percentage of Gross State Domestic Product (GSDP) in each of the financial years beginning on the 1st day of April 2002, in a manner consistent with the goal set out in clause (a); (c) reduce fiscal deficit to not more than three *per cent* of the estimated GSDP within a period of four financial years beginning from the initial financial year on the 1st day of April 2002, and ending on the 31st day of March 2006; (d) reduce fiscal deficit as a percentage of GSDP in each of the financial years, beginning on the 1st day of April 2002. As the State Government had maintained surplus on revenue account during the period 2010-15, it implied that the borrowed funds were spent on capital formation. However surplus on Revenue Account was more on account of book adjustments, the details of which are given in **Table 1.40.**

Table 1.40: Statement showing Compression/Over Statement of Revenue receipts and Expenditure

(₹ in crore)

Year	Over Statement (-)/Compression (+) of Revenue Expenditure		Over Statement of Revenue receipts	
2010-11	Transfer from general revenues to IIF, CMRRD, BMRCL Fund	(-) 650	Grant in Aid to BEML	60.59
	Transfer from Fiscal Management Fund	(-) 150		
	Grant in Aid to BEML	(-) 60.59		
2011-12	Transfer from general revenues to IIF, CMRRD and BMRCL Fund	(-) 2,100	Grant-in-aid to BEML towards reimbursement of CST to EOU, BMRCL, waiver of tax dues of cashew nut dealers	93.74
	Transfer from Fiscal Management Fund	(-) 50		
	Grant-in-aid to BEML towards reimbursement of CST to EOU, BMRCL, waiver of tax dues of cashew nut dealers	(-) 93.74		
2012-13	Transfer to CSF	(+) 1,000	Grant-in-aid to waiver of tax dues of Cashew nut, Areca nut and Ammonium nitrate dealers	14.69
	Transfer from Fiscal Management Fund	(-) 50		
	CST and other dues of Cashew nut dealers, Areca nut and Ammonium nitrate dealers	(-) 14.69	Non-transfer of market fee and license fee of PSFA fund	26.63
	Non-transfer of fund related activities under PSFA.	(-)7.40		
2013-14	Compression of revenue expenditure	(+) 906.60	Grant in Aid to waiver of tax due of HAL and Ammonium nitrate dealers	1,008.74
	Non-adjustment to the Consolidated Sinking Fund	(+) 583.83		
	Non-adjustment to PSFA fund	(+) 22.68		
2014-15	Improper adjustment relating to the write back transactions, delayed adjustments under fund/deposit heads.	(+) 828.03 (-) 655.52	Grant in Aid to waiver of tax due of HAL, Utensil dealers, Areca nut dealers and LIC.	1,215.09

From the table it could be seen that adherence to the provisions of the Act was more through accounting adjustment entries rather than the fiscal indicators flowing through the accounts, following accounting principles.

The Finance Department replied (January 2016) that the non-transfer of expenditure relating to reserve funds was an executive decision and that the State was well within its rights to make use of reserve funds within the frame-work laid down in that regard.

Monitoring and Evaluation

1.9.3.17 Fiscal Management Review Committee

As per Sub section (2) of Section (6) of KFRA, 2002, the State Government has to constitute a Fiscal Management Review Committee (FMRC) headed by the Chief Secretary to the Government with other Secretaries to the Government, including the Principal Secretary in-charge of Finance. The FMRC was required to meet at least twice a year to review the fiscal and debt position of the State and advice corrective measures as may be required. The FMRC constituted by the Government first met on 3 December 2012. The FMRC met twice as required, during 2011-12 to 2014-15.

1.9.3.18 Augmentation of Revenue for Supplementary Estimates (SEs)

Sub section (5) of Section (6) of KFRA, 2002 stipulates that whenever one or more SEs are presented to the Legislature, the State Government shall also present an accompanying statement indicating the corresponding curtailment of expenditure to fully offset the fiscal impact of the SEs in relation to the budget targets of the current year. It is observed that during the years 2010-11 to 2014-15, more than one SE was placed before the Legislature.

However, the statement indicating the corresponding curtailment of expenditure was not attached to the estimates, which rendered the SEs not fully fiscally neutral. Only a generalized statement such as '*net cash outgo of......... would be met by general buoyancy in Tax and Non-tax revenue/expenditure reprioritization*' was provided. This indicates that the provisions of KFRA, 2002 was not complied with. The World Bank in its Report on "the Government of Karnataka-Public Financial Management Reforms Action Plan 2014" also opined that the SEs submitted were not revenue neutral.

FD in its reply stated that the KFRA envisages that a statement indicating the corresponding curtailment of expenditure and/or augmentation of revenue to fully offset the fiscal impact shall be accompanied with supplementary estimates and a statement to that effect is already included in the supplementary estimates.

1.9.3.19 Non formulation of Rules for the Karnataka Local Fund Authorities Fiscal Responsibility Act 2003

The Government of Karnataka enacted the 'Karnataka Local Fund Authorities Fiscal Responsibility Act - 2003' (KLFAFRA), to provide for the responsibility of Local Fund Authorities to ensure fiscal stability and sustainability and to enhance the scope for improving social and physical infrastructure and human development by achieving sufficient revenue surplus, performance enhancement, citizen participation and transparency while removing the impediments to the effective conduct of fiscal policy. Further, the Act mandated preparation of MTFP and laid down the principles of financial management, preparation of accounts and auditing procedures and emphasized on a process of public engagement through social audit.

The Act though enacted in 2003, had not been operationalized (June 2015). Hence, the agencies that handle Local Fund were not covered by Fiscal Responsibility Legislation. Further, World Bank in its report on 'Government of Karnataka – Public Financial Management Reform Action Plan – 2014', stressed upon the need for operationalization of the Act to bring the Local Fund authorities under the ambit of Fiscal Responsibility Legislation. Expenditure Reforms Committee in its recommendations also indicated the importance of institutionalization of KLFAFRA, 2003 along with efficient support system.

Further, Section (7) of the KFRA, 2002 prescribes formulation of Rules for carrying out the provisions of the Act. Even though the Act came into being from 1 April 2003, no such rules were framed till date (June 2015). Government replied that action had been initiated to get the Rules for the Act framed for both PRIs and ULBs and the Act will be given effect to after the draft rules are firmed up.

1.9.3.20 Conclusion

- Government resorted to non-cash transactions, waiver of tax dues, Grant-in-aid to institutions, book adjustments which had the impact of helping them achieving the fiscal indicators as per the Act.
- Open market borrowings were resorted to on availability rather on need basis.
- Government debt steadily increased year after year as also the per capita debt during the period 2010-15.
- Supplementary provision were not completely supported by the savings and other demands to make the transactions revenue neutral.

1.9.3.21 Recommendations

- Government should plan expenditure out of the various reserve funds commensurate with the trend of receipts.
- Compression of expenditure, by not carrying out the requisite fund transactions, should not be resorted to as such adjustment have a bearing on fiscal indicators.
- The provisions of KFRA 2002 should be followed and transparency adhered.

1.9.4 Off-budget borrowings

The borrowings of the State Government are governed by Article 293 (1) of the Constitution of India. The State stood as guarantor for loans availed by Government Companies/Corporations/Societies. These Companies/ Corporations/ Societies borrowed funds from the market/financial institutions for implementation of various State plan programmes projected outside the State budget. Funds for these programmes were to be met out of resources mobilized by these Companies/Corporations/Societies outside the State budget. 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/Societies including interest through regular budget provision under capital account.

During 2014-15, capital expenditure of ₹19,622 crore included ₹298.64 crore towards servicing of principal amount of off-budget borrowings However, the accounts for the year show disbursement as ₹277.44 crore towards off budget borrowings.

The overview of budget gives a picture of the Companies/Corporations which are in the ambit of off-budget borrowings. Audit observed that the transactions in accounts in respect of one Company namely, M/s Cauvery Neeravari Nigam Limited had not been shown distinctly. Instead, the repayment obligation of this entity got merged with those of M/s. Krishna Bhagya Jala Nigam Limited making the budget document opaque.

Table 1.41 captures the trend in the off-budget borrowings of the State during 2010-15 while **Table 1.42** gives the entity-wise position of borrowings to the end of 2014-15.

Table 1.41: Trend in off-budget borrowings

(₹ in crore)

Year	2010-11	2011-12	2012-13	2013-14	2014-15
Amount as furnished by entities*	NIL	512	18.16	1,914.50	3,081.50

Source: As reported by the concerned entities

**Figures are yet to be reconciled with those indicated in Budget Overview*

Table 1.42: Entity-wise position of off-budget borrowings

(₹ in crore)

Company/Corporation /Board	Outstanding Off-budget borrowings*	Borrowings during the year	Repayment during the year	
			Principal	Interest
Krishna Bhagya Jala Nigam Limited	1,191.50	1,320.50	---	42.42
Karnataka Neeravari Nigam Limited	480.00	670.00#	98.84	57.16
Karnataka Road Development Corporation Limited	192.84	21.00	44.88@	19.45
Rajiv Gandhi Rural Housing Corporation Limited	815.08	670.00	92.75@	94.43
Karnataka Slum Development Board	21.83	---	8.10@	2.15
Karnataka Rural Infrastructure Development Limited	21.30	---	12.55	0.02
Karnataka State Police Housing and Infrastructure Development Corporation	92.88	---	23.17@	11.40

Company/Corporation /Board	Outstanding Off-budget borrowings*	Borrowings during the year	Repayment during the year	
			Principal	Interest
Cauvery Neeravari Nigam Limited	100.00	400.00	---	13.69
Karnataka Residential Educational Institutions Society	9.27	---	5.45	0.87
Karnataka State Industrial Infrastructure Development Corporation Limited	16.44	---	10.91@	1.01
Karnataka Power Transmission Corporation Limited^	2.25	---	1.99	0.10
TOTAL	2,943.39	3,081.50	298.64	242.70

^ the entity does not find a place in overview of budget 2014-15.

*At the beginning of the year.

includes borrowings of ₹170 crore for 2013-14.

@ as there were differences in the closing balances of these entities, (2013-14) the principal repayments have been adjusted to bring them in concordance with the closing balances of 2014-15 shown by the entities.

The borrowings during the year and the outstanding position of off-budget borrowings as brought out in the Finance Accounts was not accurate as it was observed that the borrowings of ₹670 crore in respect of M/s. Rajiv Gandhi Rural Housing Corporation Limited (RGRHCL) had been left out in the material information furnished to the Pr.AG (A&E) by the Finance Department of the Government. Leaving out the transaction and working out the outstanding liability to GSDP had suffered to the extent of 0.10 *per cent* during the year.

Taking into account the off-budget borrowings of the State, the total liabilities at the end of March 2015 worked out to ₹1,64,279 crore. The ratio of fiscal liabilities (inclusive of off-budget borrowings) to GSDP thus worked out to 23.98 *per cent* at the end of the year

FD replied no fresh borrowings on off-budget was anticipated both in BE/RE 2014-15 for RGRHCL as could be seen from the overview of the Budget. The borrowings of ₹670 crore was mistaken for IEBR, which has since come to notice. The borrowings will however be included both in overview and MTFP 2016-17.

The reply of the FD is an afterthought, as, when the issue was brought to the knowledge of the FD (November 2015) there were ample time for including these figures in the Finance Accounts statement for transparency.

1.9.5 Transactions under Reserve Fund

Reserves and Reserve Funds are created for specific and well defined purposes under the Sector 'J' in the accounts of the State Government (Public Account). These funds are fed by contributions or grants from the Consolidated Fund of India or State or from outside agencies. The contributions are treated as expenditure under the Consolidated Fund. These form debits to 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 Public Account under the concept of gross budgeting through operation of deduct entry in accounts, forming debit to the Fund. The funds may further be 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.
- Funds 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.
- Funds accumulated from contributions made by outside agencies to the State Government.

As given in 'Notes to Accounts' for the year, out of the total outstanding balance of ₹18,562.31 crore available in various reserve funds as on 31 March 2015, the Government of Karnataka invested ₹5,929.96 crore (31.95 *per cent*). In addition, Pr.AG (A&E) had requested (June 2011) the State Government to review the necessity to continue two reserve funds, namely

- State Renewable Fund which has not recorded any transaction under it since 1999-2000 and,
- Guarantee Reserve Fund which needs to be replaced by Guarantee Redemption Fund in the light of recommendations of the TFC.

Inoperative Reserve Funds

Out of 76 reserve funds, 20 funds with balance of ₹11.01 crore under Major Head of Account '8115-Depreciation/Renewal Reserve Fund' and 14 funds with balance of ₹35.25 crore under Major Head of Account '8229 – Development and Welfare Funds' were liquidated during the year as per the directions of the State Government. Out of the balance, 22 funds are active with a balance of ₹12,088.92 crore and 20 funds remained inoperative with a balance of ₹543.44 crore during the year 2014-15.

The operation of certain major reserve funds having a bearing on the liability position of the Government, its funding and expenditure are brought out in **Para 1.9.3** on the KFRA 2002.

1.9.6 Contingent liabilities

1.9.6.1 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 1.43.**

Table 1.43: Guarantees given by the State Government

(₹ in crore)

	2010-11	2011-12	2012-13	2013-14	2014-15
Maximum amount guaranteed	19,150	13,262	14,306	16,145	16,869
Outstanding amount of guarantees as at 1 April (including interest)	6,618	6,515	6,688	7,783	11,033
Percentage of outstanding amount guaranteed to total revenue receipts of the second preceding year	15	13	11	11	14

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. The outstanding guarantees on 1st April of each year under report were within the prescribed limit.

The outstanding guarantees amounting to ₹11,033 crore at the end of the year 2014-15 (principal + interest) included guarantees extended to 195 institutions/companies under irrigation (₹4,064 crore), co-operative (₹1,764 crore), finance (₹1,621 crore), power (₹265 crore), housing (₹2,297 crore), transport (₹170 crore), infrastructure (₹9 crore) and other sectors (₹843 crore).

Against the total estimated guarantee commission receivable as reported by the State Government of ₹318.68 crore, only ₹65.51 crore was received during the year. The guarantee commission received includes book adjustment made by the State Government towards the guarantee commission payable to it by Electricity Supply Companies (₹2.12 crore), the Karnataka Road Development Corporation Limited (₹1.74 crore), and the Karnataka Slum Development Board (₹0.63 crore), Karnataka State Khadi and Village Industries Board (₹0.75 crore), Karnataka Neeravari Nigam Limited (₹25.82 crore), by way of subsidies / grants-in-aid. Consequently, the net shortfall in guarantee commission received was ₹284.23 crore (₹318.68 crore minus ₹34.45 crore, excluding book adjustment of ₹31.06 crore).

In the MTFPs (2014-18 and 2015-19) presented before the Legislatures, the Government have been stating that since the guarantees result in increase in contingent liability, they should be examined in the same manner as a proposal for a loan, taking into account, *inter alia*, the credit-worthiness of the borrower, the amount and risks sought to be covered by a sovereign guarantee, the terms of the borrowing, the justification and public purpose to be served, probabilities that various commitments will become due and possible costs of such liabilities, etc. The utility of having a functional Guarantee Reserve Fund and Guarantee Policy is under consideration with the Government.

PAC also recommended that suitable efforts should be made to operate and continue the Guarantee Reserve Fund.

1.10 Debt Management

1.10.1 Debt Profile

The revenues of the Government are of two types viz. current revenues which are termed as revenue receipts, realised through administration of taxes, user charges and grants received from GOI. The capital receipts comprise borrowings, non-debt receipts and surplus from Public Account. For working out the borrowings, certain book adjustments are also reckoned as if these are cash transactions. Such transactions are in the nature of subsidy dues of electricity supply companies, student/elderly concession passes etc., which on one side is shown as expenditure and on the other, as revenues, under relevant receipt heads (tax/non-tax). Such accounting amounted to ₹2,437 crore during the year. These transactions also had the impact of showing the tax/non-tax revenues without actual cash flow. Such revenue, adjusted through book adjustment was ₹2,280 crore (tax revenues) and ₹134 crore (non-tax revenues) constituting 2.3 *per cent* of revenue receipts.

Table 1.44 gives details of outstanding fiscal liabilities of the Government under Consolidated Fund and Public Account compared with the per capita liability.

Table 1.44: Debt Profile of the State

(₹ in crore)

Borrowings through	2010-11	2011-12	2012-13	2013-14	2014-15
Open Market loans	24,563	30,770	39,920	53,326	69,419
Negotiated loans	2,763	2,972	3,425	3,372	3,318
NSSF loans	21,436	20,591	20,074	19,730	20,167
GOI loans	10,515	10,982	11,634	12,094	12,681
Public Account borrowings	32,666	37,715	41,714	46,796	52,968
Off budget borrowings	2,060	1,903	2,506	2,943	5,726
Total Fiscal liabilities	94,003	1,04,933	1,19,273	1,38,261	1,64,279
Population (in crore)	5.91	6.11	6.11	6.11	6.11
Per capita debt ratio (in ₹)	15,906	17,174	19,521	22,629	26,887

Source: Finance Accounts

The per capita debt has significantly increased from ₹15,906 in 2010-11 to ₹26,887 in 2014-15, an increase of 69 *per cent.*

1.10.2 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 1.45** analyzes the debt sustainability of the State according to these indicators for the period 2010-15.

Table 1.45: Debt sustainability indicators and trends

(₹ in crore)

Debt sustainability indicators	2010-11	2011-12	2012-13	2013-14	2014-15
Debt/GSDP Ratio(in *per cent*)	22.89	23.05	22.82	22.50	23.98
Sufficiency of incremental non-debt receipts(resource gap)(₹ in crore)	187	(-)1,612	(-)2,207	(-)2,585	(-)2,484
Net availability of borrowed funds (in *per cent*)	9	13	16	18	19
Burden of interest payments (IP/RR Ratio)	9.7	9.5	9.5	9.0	9.4
Maturity profile of State debt (in years)(₹ in crore)					
0-1					0.71(-)
1-3					4,254.49(6)
3-5					13,167.00(19)
5-7					8,000.00(12)
7 and above					43,997.30(63)

Source: Finance Accounts

Figures in brackets denote the percentage to market borrowings of ₹69,419.50 crore. Fiscal Liabilities include liabilities on off-budget borrowings.

1.10.3 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 revenue expenditure is sufficient for meeting the interest expenditure. During 2010-15, 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 the 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 un-sustainability of public debt and when the quantum spread and primary deficit are positive, debt-GSDP ratio will be low indicating sustaining levels of public debt. During 2010-15, both interest spread and quantum spread were positive.

1.10.4 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 have been indicated in **Table 1.46**.

Table 1.46: Sufficiency of incremental non-debt receipts

(₹ in crore)

Sl. No.		2010-11	2011-12	2012-13	2013-14	2014-15
1	Incremental non-debt Receipts	8,658	11,697	8,231	11,372	14,497
2	Incremental Interest Payments	428	963	850	573	1,777
3	Incremental Primary Expenditure	8,043	12,346	9,588	13,384	15,204
	Resource gap	187	(-)1,612	(-)2,207	(-)2,585	(-)2,484

The resource gap, which was positive in 2010-11 turned negative during 2011-15. This was mainly on account of growth of revenue receipts being the same as that of growth of total expenditure. This meant that the State had to depend on borrowed funds for meeting current capital expenditure.

1.10.5 Net availability of borrowed funds

Debt sustainability also depends on the ratio of debt redemption (principal plus 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 for capital spending. Debt redemption ratio continued to be less than one (0.8) in 2014-15 as in the previous three years as debt redemption was lower than debt receipts. Nineteen *per cent* of debt receipts were available for productive/capital expenditure.

1.11 Fiscal Imbalances

The targets for revenue and fiscal deficits set for XIII FC along with their actual levels are given in **Table 1.47.**

Table 1.47: Outcome vis-à-vis targets under FRA

Period	Revenue Deficit/Surplus		Fiscal deficit (in percentage)	
	Targets as per FRA	Actual	Targets as per FRA	Actual
2010-11	Maintain Revenue Surplus	Achieved the target	3.44	2.60
2011-12			3.00	2.74
2012-13			3.00	2.78
2013-14			3.00	2.78
2014-15			3.00	2.86

The Government has been able to maintain revenue surplus during 2010-15. 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 2014-15 with inter-year variations. In 2013-14, the revenue surplus decreased by ₹1,530 crore over previous year and was ₹353 crore. However during the current year there was a moderate increase and was ₹528 crore.

Revenue Surplus

Revenue surplus represents the difference between revenue receipts and revenue expenditure. Revenue surplus helps to decrease the borrowings. The revenue surplus had drastically reduced from ₹4,172 crore in 2010-11 to ₹353 crore in 2013-14, but increased slightly by ₹175 crore to ₹528 crore during 2014-15. This is on account of increased expenditure (committed) on revenue account under salaries, pensions, interest, subsidies and devolutions affecting the fiscal space and also due to late release of grants by GOI which resulted in postponing the expenditure in respect of devolutions to local bodies (₹656.21 crore) which helped the Government to maintain surplus.

The growth rate of revenue receipts and revenue expenditure was the same at 16 *per cent* during 2014-15, as a result of which there was no considerable increase in revenue surplus. The factors responsible for the surplus on revenue account have been discussed in **para 1.1.2.**

The State Government in MTFP (2015-19) had stated that 'the high percentage of committed revenue expenditure to uncommitted revenue receipts revealed that the State has limited flexibility in allocation of resources'. Hence, the State Government needs to do expenditure rationalization by weeding out non-essential schemes, limiting non-development revenue expenditure and streamlining revenue collections.

Fiscal Deficit

Fiscal deficit 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 1.48.**

Table 1.48: Fiscal deficit and its parameters

(₹ in crore)

Period	Non-debt Receipts	Total expenditure	Fiscal deficit	Fiscal Deficit as *per cent* of		
				GSDP	Non-debt receipt	Total expenditure
2010-11	58,439	69,127	10,688	2.60	18.29	15.46
2011-12	70,136	82,436	12,470	2.74	17.78	15.13
2012-13	78,367	92,874	14,507	2.78	18.51	15.62
2013-14	89,739	1,06,831	17,092	2.78	19.50	16.00
2014-15	1,04,236	1,23,812	19,576	2.86	18.78	15.81

Source: Finance Accounts

During 2014-15, fiscal deficit as a percentage of GSDP increased mainly on account of certain accounting adjustments on revenue account.

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 in respect of States having deficit on revenue account. Interest payments represent the expenditure of past obligations and are independent of ongoing expenditure. To look at the imbalances of 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 are indicated in **Table 1.49.**

Table 1.49: Primary deficit and its parameters

(₹ in crore)

Period	Fiscal Deficit	Interest Payments	Primary Deficit
2010-11	10,688	5,641	5,047
2011-12	12,470	6,604*	5,866
2012-13	14,507	7,454*	7,053
2013-14	17,092	8,027*	9,065
2014-15	19,576	9,804*	9,772

Source: Finance Accounts

**includes interest payment of ₹542 crore, ₹621 crore, ₹190 crore and ₹400 crore towards off-budget borrowings during 2011-12, 2012-13, 2013-14 and 2014-15 respectively.*

During 2010-15, the fiscal deficit was almost twice the amount of interest payments. Containing the committed expenditure, which constitutes the major chunk of the revenue expenditure, would enable the State Government to attain surplus on revenue account to a considerable extent. Since the costs of salary, pension and interest are inflexible, the expenditure on subsidies, grants-in-aid other than to local bodies, which are increasing steadily, requires utmost attention by the State Government.

1.11.1 Composition of fiscal deficit and its financing pattern

The financing pattern of fiscal deficit has undergone a compositional shift as reflected in the **Table 1.50**. Breakdown of fiscal deficit reveals the extent of various borrowings resorted to by the State to meet its requirement of funds over and above revenue and non-debt receipts.

Table 1.50: Components of fiscal deficit and its financing pattern

(₹ in crore)

Breakdown of fiscal deficit		2010-11		2011-12		2012-13		2013-14		2014-15	
		Amount	%of GSDP	Amount	% of GSDP	Amount	% of GSDP	Amount	% of GSDP	Amount	% of GSDP
		(-)10,688	2.60	(-) 12,470	2.74	(-)14,507	2.78	(-)17,092	2.78	(-)19,576	2.86
1	Revenue surplus	4,172	1.01	4,521	1.0	1,883	0.36	353	0.06	528	0.07
2	Net capital expenditure	13,283	3.23	15,417	3.39	15,446	2.96	16,859	2.74	19,612	2.86
3	Net loans and advances	1,577	0.38	1,574	0.35	944	0.18	586	0.10	492	0.07
Financing pattern of fiscal deficit											
1	Market borrowings	1,037	0.25	6,207	1.36	9,149	1.75	13,406	2.18	16,093	2.34
2	Loans from GOI	613	0.15	637	0.14	652	0.12	461	0.08	586	0.09
3	Special securities issued to NSSF	1,838	0.45	(-)844	(-)0.19	(-)517	(-)0.09	(-)344	(-)0.05	437	0.06
4	Loans from financial institutions	419	0.10	208	0.05	454	0.09	(-)53	(-)0.01	(-)54	---
5	Small savings, PF etc.	1,607	0.39	1,398	0.31	1,732	0.33	2,107	0.34	2,156	0.31

	Breakdown of fiscal deficit	2010-11		2011-12		2012-13		2013-14		2014-15	
		Amount	%of GSDP	Amount	% of GSDP	Amount	% of GSDP	Amount	% of GSDP	Amount	% of GSDP
		(-)10,688	**2.60**	**(-) 12,470**	**2.74**	**(-)14,507**	**2.78**	**(-)17,092**	**2.78**	**(-)19,576**	**2.86**
6	Deposits and advances	2,037	0.50	1,410	0.31	2,511	0.48	2,840	0.46	3,702	0.54
7	Suspense and misc.	(-)296	(-)0.07	2,634	0.58	98	0.02	2,671	0.43	3,282	0.48
8	Remittances	(-)35	(-)0.01	(-)11	---	(-)32	(-)0.01	(-)12	---	(-)32	---
9	Reserve funds	1,374	0.33	2,761	0.61	1,362	0.26	135	0.02	1,547	0.23
10	Increase(-) /decrease(+) in cash balance	2,106	0.51	(-)1,942	(-)0.43	(-)902	(-)0.17	(-)4,119	(-)0.67	(-)8,141	(-)1.19
11	Net of Contingency Fund transactions	(-)12	---	12	---	---	---	---	---	---	---
	TOTAL	**10,688**	**2.60**	**12,470**	**2.74**	**14,507**	**2.78**	**17,092**	**2.78**	**19,576**	**2.86**

Source: Finance Accounts

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

The components of fiscal deficit are Deduct Revenue Surplus, Net Capital Expenditure and Net Loans and Advances. Since the State had attained revenue surplus in 2004-05 itself, the surplus on revenue account along with market borrowings, loans from GOI etc., were utilized to finance capital expenditure. The capital expenditure could be financed by revenue surplus by 28, 26 and 11 *per cent* in 2010-11, 2011-12 and 2012-13 respectively. In 2013-14 and 2014-15, revenue surplus could finance two and three *per cent* of capital expenditure. There was a slight increase of one *per cent* in the extent to which the revenue surplus could finance the capital expenditure over the previous year.

In 2014-15, there was substantial increase in market borrowings and its share in financing fiscal deficit increased to 82 *per cent*. There was increase in Small Savings, PF etc., and Deposits and Advances over the previous year and a decrease in loans from financial institutions. There was an increase in suspense and miscellaneous balances which comprised transactions relating mainly to cheques and bills, the net transactions of which were added for financing the fiscal deficit. There were receipts during 2014-15 under special securities issued to NSSF.

1.11.2 Quality of deficit / surplus

The position of primary deficit with bifurcation of factors are given in **Table 1.51.**

Table 1.51: 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)
2010-11	58,439	48,393	13,355	1,738	63,486	10,046	(-)5,047
2011-12	70,136	58,511	15,506	1,815	75,832	11,455	(-)5,866
2012-13	78,367	68,839	15,479	1,102	85,420	9,528	(-)7,053
2013-14	89,739	81,162	16,947	695	98,804	8,577	(-)9,065
2014-15	1,04,236	93,810	19,622	576	1,14,008	10,426	(-)9,772

Source: Finance Accounts

Primary deficit which was ₹5,047 crore during 2010-11 increased to ₹9,772 crore during 2014-15. The interest payment with respect to fiscal deficit was 50 *per cent* during the year.

1.12 Follow up

The report of the C&AG of India on State Finances for the year 2009-10 was discussed by the PAC during the period May 2011 to August 2011. The report containing the recommendations was placed before the Legislature in December 2011. Compliance to the recommendations of the PAC, the Action Taken Note were placed before the PAC for its consideration during September 2014. The PAC discussed the Action Taken Note submitted by the Government in five sittings and submitted its report on the Action Taken Note of the Government on 20-07-2015.

1.13 Conclusion and recommendations

Fiscal Position

The State continued to maintain revenue surplus during 2010-15 and kept fiscal deficit relative to GSDP below the limit prescribed under FRA.

During 2014-15, revenue surplus was ₹528 crore on account of compression of revenue expenditure (₹149.72 crore) relating to Sarvasiksha Abhiyan transactions. Failure to carry out the adjustments to Consolidated Sinking Fund (₹676.59 crore) contributed in maintaining surplus of Revenue Account.

The fiscal deficit during 2014-15 was 2.86 *per cent* of GSDP (₹6,85,207 crore), which was within the limit laid down under the FRA as the capital expenditure was also compressed to the extent of ₹500 crore on account of adjustment of the expenditure under the Consolidated Fund to the Infrastructure Initiative Fund in Public Account.

Recommendation: ***Timely and proper accounting adjustments need to be carried out to reflect the true and fair picture of the fiscal parameters.***

State's own resources

The ratio of State's tax revenue to GSDP showed an increasing trend since 2010-11 and was 10.20 *per cent* during 2014-15 indicating reaching of the saturation level However, there was no improvement in the ratio of non-tax revenue to GSDP and it continued to be less than one *per cent* of the GSDP in 2014-15 also. User charges from Horticulture sector amounting to ₹20.46 crore did not form part of the Consolidated Fund receipts.

Recommendation: ***Non-tax revenues collected in the form of user charges should form part of the Consolidated Fund revenues and a system of ensuring that the receipts are made available to the respective sectors should be put in place.***

Revenue expenditure

There was twenty one *per cent* growth under social sector over the previous year and the share of expenditure on social services to total revenue expenditure increased by two *per cent* over the previous year and was at 38 *per cent* in 2014-

15. Also, there was 13 *per cent* growth in expenditure on economic services in 2014-15 compared to 23 *per cent* in 2013-14.

The share of plan revenue expenditure to total revenue expenditure increased from 30 *per cent* in 2013-14 to 33 *per cent* in 2014-15.

Eighty four *per cent* of revenue expenditure constituted committed expenditure on salaries, pensions, interest payments, subsidies, grants-in-aid and financial assistance, administrative expenditure and devolution to local bodies. Total subsidy of ₹11,153 crore reflected in the accounts was explicit subsidy and it excluded implicit subsidy of around ₹2,973 crore during 2014-15.

Recommendation: ***Since the costs of salary, pension and interest are inflexible, the expenditure on subsidies, grants-in-aid other than to local bodies, which are increasing steadily, requires utmost attention by the State Government. Adequate priority needs to be given to both education and health sectors as the ratio under both these sectors are well below the General Category States' average during 2014-15. Accounting adjustments should be done according to the orders issued and should not be belatedly resorted to distort the expenditure pattern.***

Quality of expenditure

The share of capital expenditure to total expenditure during 2014-15 (16 *per cent*) decreased by one *per cent* from that of previous year. The percentage of developmental expenditure to total expenditure increased to 72 *per cent* in 2014-15 from 71 *per cent* in 2013-14.

Funds aggregating ₹1,144 crore were locked up in incomplete projects at the end of 2014-15.

The return from investment of ₹61,727 crore as of 31 March 2015 in Companies/Corporations was negligible (₹74.84 crore). The investment included ₹25,007 crore (41 *per cent*) to Companies/Corporations which were under perennial loss.

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

The State Government should review the working of State Public Sector Undertakings incurring huge losses and take appropriate action.

Funds and other Liabilities

Reserve funds of the State viz., corpus fund of Guarantee Redemption Fund was not created/revived. The transactions relating to the Consolidated Sinking Fund was not put through during the year and that under Karnataka Silk Worm Cocoon and Silk Yarn Development and Price Stabilisation Fund was carried out partially during the year.

Recommendation: ***Rules with regard to administration and investment pattern of various reserve funds require to be framed. Also, expenditure should match the revenues so as to liquidate the balances within a reasonable period of time.***

Debt sustainability

Sixty three *per cent* of the open market borrowings are in the maturity bracket of above seven years. The resource gap turned negative during 2011-15. This was mainly on account of growth of revenue receipts being the same as that of growth of total expenditure. This meant that the State had to depend necessarily on borrowed funds for meeting current revenue and capital expenditure.

Recommendation: ***The State Government needs to schedule its borrowings in a prudent manner. Parking of funds especially with reference to developmental schemes either in nationalized banks/deposit account should be avoided. The accounting adjustments should be in accordance with the principles governing the adjustments.***

Chapter – II

Financial Management and Budgetary Control

Chapter 2

Financial Management and Budgetary Control

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, passed by the Legislature. 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. The Karnataka Budget Manual contains the procedures for preparation of the estimates of budget, subsequent action regarding authorization to incur expenditure, distribution of grants, watching the progress of actual expenditure and control over it.

2.1.2 Audit of appropriation by the C&AG of India seeks to ascertain whether the 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 and through various legislations of the Legislature 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

2.2.1 The summarized position of actual expenditure during 2014-15 against 29 grants/appropriations is given in **Table 2.1.**

Table 2.1: Summarized 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	Amount surrendered	Amount surrendered on 31st March	*Per cent* of savings/ surrendered on 31st March
Voted	I Revenue	1,01,995.47	7,868.39	1,09,863.86	94,249.75	15,614.11	2,776.04	2,648.99	95
	II Capital	20,835.56	3,421.75	24,257.31	20,585.26	3,672.05	1,182.04	1,035.18	88
	III Loans and Advances	1,126.60	146.86	1,273.46	822.35	451.11	76.62	76.62	100
Total Voted		**1,23,957.63**	**11,437.00**	**1,35,394.63**	**1,15,657.36**	**19,737.27**	**4,034.70**	**3,760.79**	**93**
Charged	IV Revenue	*10,881.82*	*620.12*	*11,501.94*	*10,618.24*	*883.70*	*45.56*	*45.56*	*100*
	V Public Debt repayment	*6,760.44*	*0*	*6,760.44*	*4,812.23*	*1,948.21*	*0*	*0*	*0*

Nature of expenditure		Original grant/ appropriation	Supplementary grant/ appropriation	Total	Actual expenditure	Unspent provision	Amount surrendered	Amount surrendered on 31st March	*Per cent* of savings/ surrendered on 31st March
	VI Capital	*0*	*279.64*	*279.64*	*277.44*	*2.20*	*0*	*0*	*0*
Total Charged		*17,642.26*	*899.76*	*18,542.02*	*15,707.91*	*2,834.11*	*45.56*	*45.56*	**100**
Grand Total		**1,41,599.89**	**12,336.76**	**1,53,936.65**	**1,31,365.27**	**22,571.38**	**4,080.26**	**3,806.35**	**93**

Source: Appropriation Accounts

2.2.2 The total expenditure stands inflated/without details of expenditure to the extent of the following:

- Non-submission of detailed account in support of advances drawn through Abstract Contingent bills amounting to ₹193.69 crore (net of ₹218.12 crore minus ₹24.43 crore drawn during March 2015) for the year 2014-15 by the Drawing and Disbursing Officers, as required under paragraph 37 (b) (3) of the Manual of Contingent Expenditure, 1958. In the absence of detailed contingent bills, the genuineness of the expenditure could not be vouchsafed. The total number of outstanding bills as on 31 March 2015 was 9,758.

- The capital expenditure for the month of March 2015 was ₹7,660 crore which forms 38 *per cent* of the total expenditure of ₹20,198 crore for 2014-15. A test check of certain transactions revealed that there were instances of amounts drawn in excess of requirement and lying unutilized by certain entities which resulted in reflecting inflated capital expenditure thus giving scope for enhanced borrowings. Credit balances outstanding in the books of accounts at the end of March 2015 (in Public Account) in respect of entities are as shown in **Table 2.2**.

Table 2.2: Capital expenditure outstanding

(₹ in crore)

Sl. No.	Name of the Entity	Net Credit Balance to end of the year	Remarks
1	Krishna Bhagya Jala Nigama Limited	1,145.43	Includes ₹496.92 of previous year
2	Karnataka Neeravari Nigama Limited	1,006.80	Includes ₹699.82 of previous year

Source: DDR Ledger

2.2.3 The total expenditure stood overstated in the following case:

- Non-transfer of expenditure during 2014-15 to an extent of ₹15.52 crore from Consolidated Fund to the Karnataka Silk Worm Cocoon and Silk Yarn Development and Price Stabilization Fund maintained in Public Account which is an accounting adjustment transaction.

2.2.4 The total expenditure stood understated in the following case:

- Non-adjustment of Government's contribution of ₹677 crore to the Consolidated Sinking Fund for which a provision of ₹500 crore was provided in the budget (details are explained in **Para 1.9.3.6**)

2.2.5 The overall unspent provision of ₹22,571.38 crore was the result of unspent provision of ₹22,760.20 crore under 29 grants/ appropriations which was offset by excess expenditure of ₹188.82 crore over provision under demand No.8 and 10 under charged expenditure of the revenue section.

2.2.6 During the year ₹3,022.33 crore covering 25 grants under revenue/capital section, (this is only illustrative), through 112 executive orders (**Appendix 2.1**) for incurring expenditure not covered by the budget initially were released by the FD on the request of the Administrative Department as additionalities without the authorization of the Legislature as these cases did not attract the criteria fixed for attracting cases of New Service/New Instruments of Service as recommended by PAC of the State Legislature. However, provision to cover these additionalities were made through supplementary demands under Article 205(1)(a) of the Constitution.

2.3 Scrutiny of Budget Estimates and Supplementary Estimates for the Year 2014-15

2.3.1 Errors in budgeting

2.3.1.1 Misclassification between 'voted' and 'charged' while budgeting

Budget provisions were made under voted/charged section instead of charged/voted section under Revenue as shown in **Table 2.3.**

Table 2.3: Misclassification transactions

(₹ in crore)

Sl No.	Grant No	Classification	Provision	Remarks
1	08	2406-01-797-01-261 Inter Account Transfer	175.00	Provision for transfer of Forest Development Tax to Karnataka Forest Development Fund provided through supplementary provision under Voted section instead of Charged section.
2	29	2049-01-200-6-05-240 Debt Servicing	0.10	Provision made for compensation bonds erroneously under MH 2049 instead of under MH 2075 contrary to the instructions contained in Note (1) below – 2049 – Interest payments in the List of Major and Minor Heads.

Source: Appropriation Accounts

2.3.1.2 Errors due to incorrect provision under grants

Errors in budgeting of ₹90.72 crore (**Appendix 2.2**) was mainly due to the following reasons:

- Provision of ₹78.63 crore made under Grant No.18 Commerce and Industries instead of under Grant No.1 Agriculture and Horticulture relating to accounting adjustment of Karnataka Silk Worm Cocoon and Silk Yarn Development and Price Stabilization Fund. The activity relating to that of Sericulture department was transferred to the Department of Agriculture and Horticulture under Demand No.1 during 2011-12 itself. Hence provision should have been obtained under the correct demand.

- Provision of ₹8.58 crore made towards debt servicing erroneously under Revenue & Capital sections of the voted grant towards repayment of HUDCO loans for classrooms when there was no loan outstanding against the off-budget borrowing entity i.e, Sarva Shiksha Abhiyan Society.

- Provision of ₹2.50 crore made erroneously under MH 2049 – interest payments for delay in refund of Sales Tax/VAT. The transactions under the major head 2049 are for accommodating expenditure on interest payments of acknowledged debts of the State Government.

2.3.1.3 Errors in Classification

The budget/expenditure suffered on account of operation of incorrect budget lines for release and accounting of ULB grants at the object level of classification. Distinct heads were to be opened for accommodation of budget/expenditure of the ULB sector. Such details which are to be shown distinctly in a separate budget document are discussed below in **Table 2.4.**

Table 2.4: Details of errors in classification

Item of Expenditure	Amount involved (₹ in crore)	Remarks
Pension and retirement benefits	11,203.64	This expenditure included grants released to Urban Local Bodies (ULBs) for payment of pension (₹12.47 crore) which are not in the nature of pensions paid to Government Servants, to be accounted under Consolidated Fund of the State.
Consolidated salaries	644.09	This object head is intended for recording the salary expenditure of only constitutional dignitaries, but has included releases made to ULBs for payment of salary (₹406.36 crore).
Maintenance	2,738.79	This includes releases made to ULBs for maintenance expenditure of ₹727.44 crore in the form of grants.
Subsidy	11,827.23	Includes releases made to ULBs for payment of subsidy (₹668.60 crore).

Source: Finance Accounts.

2.3.1.4 Misclassification under object head level of classification

In accordance with the instructions contained in the Office Memorandum dated 08.10.2013, expenditure needs to be booked under the relevant head of account up to object head level. Hence the object head assumes importance with regard to the nature of provision/ expenditure.

During the year 2014-15, it was observed that in certain cases, as detailed in **Table 2.5,** when there was a specific object head for provision/ expenditure, the same had been made in a different object head which did not give a true and fair picture of accounting transactions of Government expenditure, thus affecting the transparency in accounts.

Table 2.5 Misclassification in object head level classification

Sl No	Grant No	Head of A/c and Description	Amount involved (₹ in crore)	Correct object head	Remarks
1	15–Information Technology	3451-00-090-2-05-101-Grant-in-aid for salaries	25.00	102-Grant-in-aid for asset creation	While there was a specific object head for Grant-in-aid for Asset Creation -102, provision/expenditure was booked under the object head 101-Grant-in-aid for salaries.
2	10- Social Welfare	2225-03-277-2-26-101- Grant in Aid	6.30	106 - Subsidy	During 2014-15, a provision of ₹25.21crore (75 *per cent* towards loan and 25 *per cent* towards subsidy) was made for implementation of Shramashakthi Scheme under 101- GIA. As the budget made for the purpose did not capture the details of amounts of grant and subsidy, a token provision was obtained in the SE-II for transfer from 101-GIA to 106-Subsidy, but both provision/ expenditure, stood accounted under 101-Grant in aid.

2.3.1.5 Error in budgeting due to improper application of provision relating to conversion of Loans into equity – M/s. Mysore Sales International Ltd (M/s. MSIL)

Supplementary Provision of ₹15.09 crore was made during July 2014, stating that the amount was required for converting outstanding loans against M/s. Mysore Sales International Ltd., into Equity through Book Adjustments without cash outflow.

According to provisions contained in General Financial Rules, which the State Government would generally follow in the absence of specific provisions for conversion of Loans into Equity in its rule books, a token provision would suffice for the purpose of such conversion. In such cases the accounting adjustment is made by correcting the balances under loans/equity proforma, without bringing the transactions into the current year's books.

However, full provision was made which inflated the capital outgo during the year which was contrary to the principles of budgeting. Even provision obtained stating that there was an outstanding loan of ₹15.09 crore against the entity in question was also incorrect as the amount of loan outstanding as per the books of the State Government was only ₹5 crore. The balance provision made to the extent of ₹10.09 crore representing interest dues to the end of 2003-04 (₹5.27 crore) and amount payable by M/s. MSIL to Director, SS&ALM (₹4.82 crore) should have been made by bringing the facts before the Legislature correctly instead of indicating that it was on account of conversion of outstanding Loans into Equity.

In reply, the FD stated that the provision was made to avoid violation of new service criteria as contained in OM dated 16.10.1987 and that the provision for adjustment was brought out for transparency in budget formulation. The reply is not tenable as all these facts could have been brought before the Legislature through a token demand, in which case the criteria of new service would be avoided and sufficient savings existed to meet the requirement of funds through re-appropriation.

2.4 Transactions under Fund Account

Infrastructure Cess collected under various tax revenues is assigned to Fund accounts (in Public Account) as per the extant procedure which is transferred to IIF, BMRCL Fund and CMRRD Fund through accounting adjustments by treating the transaction as Consolidated Fund expenditure. Similarly, the expenditure against revenue/capital heads initially accounted under the Consolidated Fund is withdrawn and transferred to the Public Account through accounting adjustments at the end of the year.

During the year 2014-15, a sum of ₹945 crore was anticipated as collection of cess. As against this amount, provisions were made under the Major Heads 3054(CMRRD – ₹296 crore), 5465(IIF – ₹628 crore) and 6217(BMRCL - ₹650 crore) aggregating to ₹1,574 crore in the budget for its transfer to the fund account. It was observed that there was a mis-match between the amount of anticipated collection and the provision made for expenditure transfer, which resulted in the excess provision of funds to the extent of ₹629 crore.

However, proper accounting adjustment at the end of the year have been carried out with reference to receipts/expenditure to the fund account.

2.5 Lack of Transparency in Provisioning - Budget Operation of Omnibus Object Head 059 – 'Other Expenses'

Provision/expenditure in Government Accounts is classified according to Sector/Sub-sector/Function/Sub-function/programme/Detailed/Object head using 15 digit classifications. Expenditure classification as per object head, last tier of classification, exhibits the object/nature of expenditure, required to be prepared by exercising high degree of accuracy/acumen/competency. In order to simplify the classification of expenditure, new object heads were formed during the year 2003-04, by merging certain object heads of account. The Object head '059 - Other Expenses', an omnibus head, was to record such provision/ expenditure which could not be classified under any other object heads devised. According to the Budget Circular, the provision under this head should be the bare minimum.

2.5.1 On a scrutiny of vouchers relating to Agriculture and Horticulture departments during the year 2014-15, it was observed that under the Major Head 2401, an amount of ₹28.31 crore paid as subsidy to farmers by these departments for purchase of seeds, fertilizers, agricultural equipments and subsidy for farmers under the Comprehensive Horticulture Development Programme were classified under the object head '059 - Other expenses' instead of under the object head '106-Subsidy'. The department, while accepting the deficiency, replied that from the next financial year (2016-17), the payment of subsidies would be made under the correct object head 106-Subsidies instead of 059-Other Expenses (October 2015).

2.5.2 It was also noticed that during the year 2014-15 in two cases of book adjustments in accounts, an amount of ₹2.49 crore relating to the adjustment of Guarantee commission dues payable by M/s. Karnataka State Khadi and Village Industries Board and M/s. Karnataka Rural Development Corporation Ltd., to GOK, the expenditure was booked under '059 –Other expenses'. These adjustments lacked transparency of record of transactions as the object head '059' is meant to book expenditure relating to State Government departments. However, in this case, these adjustments related to expenditure on Board/Corporations of the State Government.

2.6 Financial Accountability and Budget Management

2.6.1 Appropriation vis-à-vis allocative priorities

There were 20 cases of unspent provision, each exceeding ₹100 crore and above under 20 grants/appropriation, which aggregated to ₹21,094.23 crore during 2014-15. Large unspent provisions were in areas of Rural Development and Panchayat Raj, Urban Development, Water Resources, Debt Servicing, Public Works, Education, Agriculture and Horticulture, Food and Civil Supplies, etc., as indicated in **Table 2.6**.

Table 2.6: Grants/appropriations with unspent provision of ₹100 crore and above

(₹ in crore)

Sl. No.	Grant/ Nomenclature	Provision			Expenditure	Unspent provision and its *per cent*
		Original	Supple-mentary	Total		
1	01 - Agriculture and Horticulture					
	Revenue – Voted	5,318.00	835.94	6,153.94	4,573.83	1,580.11(26)
2	02- Animal Husbandry and Fisheries					
	Revenue – Voted	1,753.98	33.95	1,787.93	1,641.48	146.45(8)
3	03 – Finance					
	Revenue - Voted	12,304.21	1,575.21	13,879.42	13,390.08	489.34(4)
4	04 – Department of Personnel and Administrative Reforms					
	Revenue - Voted	1,041.69	44.31	1,086.00	705.63	380.37(35)
	Capital – Voted	459.00	0.00	459.00	227.13	231.87(51)
5	05 – Home and Transport	4,856.35	96.55	4,952.90	4,479.28	473.62(10)
	Revenue – Voted					
6	07 – Rural Development and Panchayat Raj					
	Revenue – Voted	7,656.78	1,312.86	8,969.64	7,455.00	1,514.64(17)
	Capital – Voted	1,689.66	251.53	1,941.19	1,707.31	233.88(12)
7	08 – Forest, Ecology and Environment					
	Revenue – Voted	1,227.16	285.48	1,512.64	1,179.45	333.19(22)
8	10 – Social Welfare					
	Revenue – Voted	4,869.84	419.95	5,289.79	5,054.18	235.61(4)
	Capital- Voted	1,605.49	23.93	1,629.42	1,321.84	307.58(19)
9	Women and Child Development					
	Revenue – Voted	3,571.94	186.83	3,758.77	3,464.08	294.69(8)
10	13 – Food and Civil Supplies					
	Revenue – Voted	4,470.48	0.72	4,471.20	2,616.95	1,854.25(41)
11	14 – Revenue					
	Revenue – Voted	4,160.02	1,089.55	5,249.57	4,711.93	537.64(10)
12	16 – Housing					
	Revenue – Voted	2,390.31	20.01	2,410.32	1,798.10	612.22(25)
13	17 – Education					
	Revenue – Voted	20,628.27	406.61	21,034.88	17,941.80	3,093.08(14)

Sl. No.	Grant/ Nomenclature	Provision			Expenditure	Unspent provision and its *per cent*
		Original	Supple-mentary	Total		
	Capital – Voted	676.35	43.69	720.04	280.08	439.96(61)
14	18 – Commerce and Industries					
	Revenue – Voted	685.00	145.09	830.09	585.98	244.11(29)
	Capital – Voted	290.20	222.19	512.39	293.87	218.52(43)
15	19 – Urban Development					
	Revenue –Voted	7,750.51	254.33	8,004.84	6,761.75	1,243.09(16)
	Capital – Voted	1,244.61	15.00	1,259.61	886.14	373.47(30)
16	20 – Public Works					
	Revenue – Voted	2,589.86	94.60	2,684.46	2,339.39	345.07(13)
	Capital – Voted	4,044.15	2,102.31	6,146.46	5,231.92	914.54(15)
17	21 – Water Resources					
	Revenue – Voted	1,338.17	29.27	1,367.44	665.93	701.51(51)
	Capital - Voted	0.00	436.66	436.66	271.12	165.54(38)
18	22 – Health and Family Welfare					
	Revenue – Voted	5,503.05	375.63	5,878.68	4,909.71	968.97(16)
	Capital – Voted	519.48	430.27	949.75	793.90	155.85(20)
19	23 – Labour					
	Revenue – Voted	741.87	41.72	783.59	522.76	260.83(23)
20	29 – Debt Servicing					
	Revenue - Charged	10,200.00	0.00	10,200.00	9,403.98	796.02(8)
	Capital - Charged	6,760.44	0.00	6,760.44	4,812.23	1,948.21(29)
Total		**1,20,346.87**	**10,774.19**	**1,31,121.06**	**1,10,026.83**	**21,094.23(16)**

Source: Appropriation Accounts

Major Heads of accounts, under which the unspent provision including re-appropriation amount was more than ₹25 crore, are detailed in **Appendix 2.3.**

The reasons furnished by some departments for part of unspent provisions under a few Major Heads of account, as reported in Appropriation Accounts, are given below:

Agriculture and Horticulture

Unspent provision of ₹30.70 crore under the major head 2401 –Commercial Crops – Agriculture Department was due to the non-acceptance of bills on 30 March 2015, owing to absence of facility for uploading the release of funds through Treasury Network Management Centre (TNMC).

Finance

Unspent provision of ₹1,181.28 crore under the Major Head 2070 – Other Administrative Services – Other expenditure – Filling up of vacant posts- was due to non- filling up of vacant posts. However, it was observed that the particular functional head where the provision was made continues to show savings even during previous years.

Unspent provision of ₹34.07 crore under Major Head '2071' – Pensions and Other Retirement Benefits –Civil- Leave Encashment Benefits- General Services was due to inability to correctly estimate the pension liability owing to various factors involved such as number of retirees in a year, their last pay drawn, number of EL at their credit etc.,

Department of Personnel and Administrative Reforms

Unspent provision of ₹97.23 crore under the Major Head '3451' –Secretariat – Economic Services- Information Technology Secretariat–XIII FCG-Incentives for issuing Unique Identifications(UID's) was due to non- release of grants from the Central Government.

Forest, Ecology and Environment

Unspent provision of ₹25.37 crore under the Major Head 2406-Forestry and Wild Life-Forestry-Other Expenditure - Long term measures to address man animal conflict was due to non-availability/supply of railings.

Revenue

Unspent provision of ₹5 crore under the Major Head 2250 Other Social Services-Administration of Religious and Charitable Trust-Other expenditure – Muzrai Department was due to non-release of funds by the Government.

Education

Unspent provision of ₹20.29 crore under the Major Head '2203' – Technical Education –Polytechnics-Government Polytechnic – Up gradation –One Time ACA was due to shortage of time for purchases as per KTPP rules.

Unspent provision under the MH 2203-Technical Education-Other expenditure-Quality Improvement of Technical Education - 'Schedule Caste Sub Plan' (₹13.79 crore) and 'Tribal Sub-plan' (₹489.40 crore) was due to non-release of Central Government share of funds for 2014-15.

Public Works

Unspent provision of ₹9.28 crore under the Major Head '2070'-Other Administrative Services –Purchase and Maintenance of Transport-Operation of Helicopter Services was due to cancellation of lease agreement for Helicopter services and taking the helicopter services on the basis of rent.

Saving of ₹13.00 crore under the Major Head 5051-Capital Outlay on Ports and Light Houses-Minor Ports-Karwar Port Development-Construction of Wharfs, Jetties and other facilities was due to delay in commencement of works and less physical progress achieved.

Health and Family Welfare

Unspent provision of ₹54.92 crore under the Major Head 2210-Medical and Public Health-Public Health-Prevention and Control of Diseases-Other diseases was due to non-issuance of Government Orders for release of balance amount of grants.

Debt Servicing

Unspent provision of funds of ₹1,500.00 crore and ₹500.00 crore under the Major Head '6003' – Internal Debt of the State Government was due to non-availing of Ways and Means Advances and Overdraft from RBI respectively during the year. Despite there being persistent savings under the head for the past seven years, provision was enhanced by ₹500 crore under the former head of account without specific justification.

It could be observed that reasons given by the departments in the above cases accounted for only a small fraction of eventual savings.

The PAC, in its 13th Report submitted to the Legislature (December 2011), had observed that in order to have control over provision/expenditure, unutilized provision should be surrendered as and when it came to the notice of the grant controlling authority and that specific instructions were required to be issued in this regard. However, it was observed in audit that large amounts remained unutilized/un-surrendered, indicating poor quality of control over expenditure.

2.6.2 Persistent Unspent Provision

In three grants, there were persistent unspent provisions of more than ₹100 crore in each case during the last five years, as detailed in **Table 2.7.**

Table 2.7:Persistent unspent provision

(₹ in crore)

Sl. No.	Grant/Nomenclature Major head	Year				
		2010-11	2011-12	2012-13	2013-14	2014-15
1	**03- Finance (Revenue – Voted)**	**2,925.80**	**260.68**	**4,101.04**	**116.64**	**489.34**
	2070-800-11 Filling up of vacant posts	850.00	849.97	999.98	500.00	1,181.28
2	**19 – Urban Development (Revenue – Voted)**	**522.86**	**631.46**	**2,072.54**	**1,768.58**	**1,243.09**
	2217-05-191-1 Bangalore Metropolitan Regional Development Authority	245.00	258.00	359.61	203.23	295.97
3	**29 – Debt Servicing (Capital – Charged)**	**1,005.76**	**1,142.23**	**1,936.98**	**2,016.96**	**1,948.21**
	6003-110-1- Clean and Secured Ways and Means Advances	1,000.00	1,000.00	1,500.00	1,500.00	1,500.00

Source: Appropriation Accounts

2.6.3 Excess Expenditure

In 8 cases, expenditure in excess of ₹25 crore of the budget provision was incurred under four Major Heads of account pertaining to four grants aggregating to ₹1,275.34 crore **(Appendix 2.4)**. Of this, ₹188.79 crore related to Forestry and Wildlife – transfer of Forest Development Tax to Karnataka State Forest Development Fund via an accounting adjustment entry. However, due to erroneous budgeting the provision which was to be taken under charged section was taken under voted section, the details of which are discussed in **para 2.3.1.1**

2.6.4 Persistent excess expenditure

There was persistent excess expenditure over provision pertaining to Grant No.8 – Forest, Ecology and Environment during the last three years. It was observed that the excess under Grant No.8, under revenue section was on account of transfer of Forest Development Tax to Karnataka Forest Development Fund, transaction involving the transfer of revenue from Consolidated Fund, into Public Account, as explained in **Para 2.6.3** supra. During the year, the excess of revenue realized over budgeted provision was ₹188.75 crore. It was also observed that the department had consistently understated the revenues that were required to be transferred to the Public Account, thus affecting the indicators of budget. The department could have made the provision in its budget based on the actual realization of past years.

Excess expenditure requiring regularization

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.

Excess expenditure aggregating to ₹869.83 crore for the years 2012-13 and 2013-14 was yet to be regularized as detailed in **Table 2.8.**

Table 2.8 Excess expenditure requiring regularization

(₹ in crore)

Year	Grant No./description	Excess required to be regularized as commented in the AA/AR	Remarks
2012-13	8 – Forest, Ecology and Environment	494.02	Excess of ₹209.51 crore was on account of transfer of Forest Development Tax to Public Fund Account. The receipt was more than anticipated collection. Further, an amount of ₹284.52 crore which had remained as revenue in Commercial Tax Department was transferred to Public Account.
2013-14	8 – Forest, Ecology and Environment	355.39	Excess was on account of transfer of Forest Development Tax to Public Fund account. The receipt was more than anticipated collection.

Year	Grant No./description	Excess required to be regularized as commented in the AA/AR	Remarks
	26 – Planning, Statistics, Science and Technology	20.42	Withdrawal of budget provision in the budget presented in July 2013 in respect of certain heads for which budget was included in the vote on account presented during February 2013
	TOTAL	**869.83**	

Source: Appropriation Accounts

2.6.5 Excess expenditure over provision

Excess expenditure of ₹188.75 crore against Demand No.8 – Forest, Ecology and Environment and ₹0.06 crore against Demand No.10 – Social Welfare during the year 2014-15 are required to be regularized, the details of which are given in **Table 2.9.**

Table 2.9 : Excess expenditure over provision during 2014-15 requiring regularization

(Amount in ₹)

Sl No	Grant	Provision	Expenditure	Excess
1	Grant No.8 – Forest, Ecology and Environment	4,50,17,00,000	6,38,92,14,849	1,88,75,14,849
2	Grant No.10- Social Welfare	47,26,000	53,62,000	6,36,000

Source: Appropriation Accounts

Reasons for excess expenditure under the above demands are discussed below:

- Excess under Demand No.8 was on account of transfer of Forest Development Tax to the Forest Development Fund maintained in Public Account. The receipt was more than anticipated collection and also due to erroneous budgeting.
- No specific reasons for excess under Demand No.10 are furnished.

2.6.6 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 authorization by the Legislature. The Government had issued orders in 1987 based on recommendations of the 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 ₹ one crore, whichever is more, should be treated as an item of 'New Service'.

In 11 cases involving seven grants, excess expenditure totaling to ₹150.79 crore, which should have been treated as 'New Service/New Instrument of Service', was incurred without the approval of the Legislature **(Appendix 2.5)**.

Supplementary Provision

The supplementary budgets are not 'fiscally neutral' as required by KFRA; and commitments of significant amounts are included as a part of the estimates, which affect the budget-execution process. Too many supplementary budgets could affect fiscal discipline as over-reliance is placed on the supplementary budget rather than the original budget. The Government should aim to reduce the number of supplementary estimates passed through the year to ideally one, as recommended by Fiscal Management Review Committee to limit approvals to a minimum of second instalment of Supplementary Estimates.

Supplementary provision (₹12,336.76 crore) made during the year constituted 8.71 *per cent* of the original provision (₹1,41,599.89 crore).

As per Sub-Section (5) of Section (6) of Karnataka Fiscal Responsibility Act, 2002, whenever one or more supplementary estimates are presented to the houses of Legislature, the State Government shall also present an accompanying statement indicating the corresponding curtailment of expenditure and/or augmentation of revenue to fully offset the fiscal impact of the supplementary estimates in relation to the budget targets of the current year and the Medium Term Fiscal Plan objectives and targets for the future year.

During the year 2014-15, three instalments of Supplementary Estimates (SE) were laid before the Legislature. The first instalment of ₹4,326.80 crore included a sum of ₹16.57 crore for charged expenditure and ₹4,310.23 crore for voted expenditure. The second instalment of ₹3,296.46 crore included a sum of ₹744.84 crore for charged expenditure, which mainly related to the compliance to the amended provision of KFRA, to bring all repayments of off-budget borrowings under charged expenditure and ₹2,551.62 crore under voted section. The Third and the final instalment of Supplementary Estimate of ₹4,713.50 crore included a sum of ₹138.35 crore for charged expenditure and ₹4,575.15 crore for voted expenditure. The statement indicating the corresponding curtailment of expenditure and augmentation of revenue are shown in **Table 2.10.**

Table 2.10: Details of curtailment of expenditure, augmentation of revenue, provision for book adjustment in the Supplementary Estimates

(₹ in crore)

	First Supplementary Estimate- ₹4,326.80	Second Supplementary Estimate- ₹.3,296.46	Third Supplementary Estimate- ₹4,713.50
Amount met out of Reserve Funds and PRI Deposits	378.07	1,091.57	123.06
Amount covered by Central Assistance	1,638.62	142.77	894.66
Other receipts	0	0	175.00
Amount covered by adjustments	39.94	760.56	1,283.39
Net Cash outgo	2,270.17	1,301.56	2,237.39

Source: Supplementary Estimates

It can be seen from the table that the entire supplementary provision was not made expenditure neutral to keep in line with the budgeted targets.

2.6.7 Unnecessary Supplementary Provision

Supplementary provision of ₹687.73 crore made under 12 out of 16[8] test checked grants proved unnecessary **(Appendix 2.6).**

2.6.8 Excessive Supplementary Provision

Supplementary grant of ₹1,858.98 crore obtained under 17 detailed/object heads relating to 12 out of 16 test checked grants proved excessive. The resultant unutilized provision in these cases was ₹366.68 crore **(Appendix 2.7).**

2.6.9 Inadequate Supplementary Provision

Supplementary provision of ₹212.38 crore obtained under seven detailed heads relating to five out of 16 test-checked grants proved inadequate. The uncovered excess expenditure in these cases was ₹290.78 crore **(Appendix 2.8).**

Re-appropriation of Funds

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

2.6.10 Injudicious Re-appropriation of Funds

In 2014-15, 35 cases of re-appropriation of funds was made injudiciously resulting either in un-utilized provision or excess over provision in each case (**Appendix 2.9**), as summarized below:

- In one case, additional fund of ₹10 crore, provided through re-appropriation, proved insufficient as the final expenditure exceeded the provision by ₹3.72 crore.
- In one case, withdrawal of ₹0.35 crore resulted in excess expenditure of ₹0.35 crore.

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[8] Out of 29 grants, 16 grants were selected for detailed check during the year 2014-15. The grants are 1-Agriculture and Horticulture, 2-Animal Husbandry and Veterinary Services, 3-Finance, 6-Information Technology, 8-Forest, Ecology and Environment, 11- Women and Child Development, 13 Food and Civil Supplies, 14-Revenue, 17-Education, 18-Commerce and Industries, 21-Water Resources, 22-Health and Family Welfare, 24-Energy, 25-Kannada and Culture, 26-Planning, Statistics-Science and Technology, 29-Debt Servicing.

- In 19 cases, the un-utilized provision was not properly assessed as, even after the withdrawal of ₹1,628.11 crore through re-appropriation, ₹906.74 crore remained un-utilized.
- In 14 cases, additional funds of ₹262.48 crore, provided by re-appropriation, resulted in overall un-utilized provision of ₹466.48 crore.

2.6.11 Defective Re-appropriation

During 2014-15, 331 re-appropriation orders for an amount of ₹3,916.37 crore were issued of which 33 re-appropriation orders for ₹169.10 crore were not acted upon as they violated the provisions of Article 309, 312 and 315(a) of the Karnataka Financial Code which *inter alia* stipulated that no re-appropriation should be made from one grant voted by the Legislature to another such grant, from voted items of expenditure to charged items of expenditure, from capital to revenue and *vice versa*. (**Appendix 2.10**).

Surrender of unspent provision

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

2.6.12 Unspent provision not surrendered

In the case of 17 grants/appropriations, the entire unspent provision, aggregating ₹3,680.27 crore, was not surrendered **(Appendix 2.11).**

Further, in the case of 29 grants/appropriations, there was only partial surrender and around 82 *per cent* (₹18,679.92 crore) of the total unspent provision (₹22,760.18 crore) was not surrendered (**Appendix 2.12).** Besides, in 15 grants where surrender of funds was in excess of ₹ five crore, ₹3,313.26 crore were surrendered on the last two working days of the financial year, indicating inadequate financial control (**Appendix 2.13).**

2.6.13 Substantial surrenders

Out of the total provision of ₹643.42 crore in 21 cases, ₹571.20 crore (89 *per cent*) were surrendered, which included cent *per cent* surrenders in nine cases (₹217.95 crore) (**Appendix 2.14).** These surrenders were stated to be due to denial of execution of NABARD works by RDPR, late/non-receipt of grants, shortage of time for purchases, non-issuance of Government Orders for release of funds, non-finalization of tenders/ contracts, etc.

2.7 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 2014-15, an amount of ₹16.95 crore was released from Contingency Fund to two co-operative sugar mills namely, M/s Markandeya Co-op Sugar Mills Ltd, Belagavi (₹14.95 crore) and to M/s. Sri Bhimashankara SSK Ltd., Vijayapura (₹2 crore) which were recouped to the Fund Account in the Second Supplementary Estimate placed in December 2014. The audit observations of these two transactions are detailed below:

(i) The National Co-operative Development Corporation (NCDC) sanctioned term loan assistance of ₹22.43 crore to Government of Karnataka towards establishment of new co-operative sugar mill of 2500 TCD capacity by M/s. Markandeya SSK, Kakati, Belagavi. The first installment of ₹7.48 crore (January 2011) was released by GOK to the Sugar Mill with a condition that the balance amount of ₹14.95 crore would be released only after raising the required additional share capital of ₹8.49 crore from the shareholders. NCDC released balance of Rs.14.95 crore to the State Government during October 2014, which was further released to the sugar mill. However, the Government modified the condition (August 2014) so as to collect the share capital at the earliest and within three months from the date of release of balance loan of NCDC loan (October 2014) without assigning the reasons.

The Commissioner of Cane Development and Director of Sugars (September 2015), stated that out of the additional share capital of ₹8.49 crore to be collected from the shareholders, only ₹0.23 crore was collected and that the collection of share capital from the shareholders would be taken up in a speedy manner. He also stated that the factory will start functioning by December 2015.

NCDC loans are considered as internal debt of the State, wherein the Government takes it in its books and does debt servicing through budget allocation made year after year. Non realization of operational revenues by the sugar factory and their financial dependence on Government in spite of availing loan from NCDC, increased the burden on the Government.

Further, the release of ₹14.95 crore from the Contingency Fund to M/s. Markandeya SSK, Belagavi for payment of NCDC loan for meeting expenditure of an unforeseen and emergent character is not justifiable since it could have been made after the authorization of the Legislature in December 2014.

(ii) On scrutiny of records in respect of amount released to M/s. Sri Bhimashankara SSK Ltd, Vijayapura, it was observed that the society had requested (September 2014) the Government to release ₹1.05 crore towards furnishing Performance Guarantee and to meet other administrative expenses for obtaining Industrial Entrepreneur Memorandum(IEM) from Ministry of Commerce and Industries, New Delhi which had directed the society to file the IEM within 30 days, for manufacture of sugar, molasses etc., The Government, as against the requirement of ₹1.05 crore, had released ₹ two crore to the society from the Contingency Fund to meet the above expenditure, without assigning any reasons for release of excess funds of ₹0.95 crore. This release from the Contingency Fund is not prudent fiscal management.

2.8 Outcome of Review of Selected Grants

A review of budgetary procedures followed and expenditure control exercised in respect of two selected grants over a three year period 2012-2015 showed the following:

2.8.1 Grant No.17 – Education

2.8.1.1 Introduction

Grant 17 of the Appropriation Accounts, apart from covering the budget and expenditure on functional Major Heads on Education, also covers the other the functional heads as detailed below:

1. Stationery and Printing
2. Technical Education
3. Sports and Youth Services
4. Art and Culture
5. Industries

During the year 2012-15, more than 90 *per cent* of the budget allocation and expenditure was under Major Heads 2202-General Education and 4202- Capital outlay on Education (transactions relating to General Education). Owing to the vastness of transactions, the scope of the grant review was restricted to the above two Major Heads.

The scrutiny of budgetary procedures followed and the expenditure controls exercised during the period 2012-15 under these two Major heads revealed the following:

2.8.1.2 Budget and Expenditure

The overall position of budget provisions, actual disbursements and savings under the functional Heads of the grant for the last three years (2012-15) is given in **Table 2.11.**

Table 2.11 Budget and Expenditure

(₹ in Crore)

Year	Sections	Budget Provision	Total	Expenditure	Un-utilised provision and its percentage
2012-13	Revenue -Original	14,181.76	15,461.11	13,706.07	2,375.04 (15)
	Supplementary	1,279.35			
	Capital -Original	293.87	499.87	254.58	245.29 (49)
	Supplementary	206.00			

2013-14	Revenue- Original	17,583.61	18,123.46	15,509.32	26,14.14
	Supplementary	539.85			(14)
	Capital –Original	377.49	377.49	268.03	109.46
	Supplementary	0.00			(29)
2014-15	Revenue- Original	19,529.29	19,897.43	16,911.08	2,986.35
	Supplementary	368.14			(15)
	Capital -Original	599.11	642.80	203.47	439.33
	Supplementary	43.69			(68)

Source: Grant Register

During 2012-15 unutilized provision under Revenue Section ranged between 14 to 15 *per cent* and under Capital Section between 29 to 68 percentages respectively.

Savings of ₹3.66 crore (2014-15) in the Capital Section was due to the fact that the provision for this amount was made in the third and the final Supplementary Estimate which was approved on 30.03.2015, leaving no scope for drawal of this amount.

2.8.1.3 Budget- Revenue and Capital

The budget is further bifurcated into plan and non-plan in the detailed demand for grants under revenue/capital section respectively. The bifurcation of provision/ expenditure during 2012-15 under revenue / capital is given in **Table 2.12 and Table 2.13.**

Table 2.12 - REVENUE

(₹ in crore)

Year	Budget including Supplementary		Expenditure		Deviation in percentage	
	Non Plan	**Plan**	**Non Plan**	**Plan**	**Non Plan**	**Plan**
2012-13	10,708.99	4,752.12	10,327.28	3,378.79	(-)4	(-)29
2013-14	11,928.46	6,195.00	11,189.89	4,319.43	(-)6	(-)30
2014-15	13,141.60	6,755.83	11,866.80	5,044.28	(-)10	(-)25

Source: Grant Register

As evident from the table above, the deviation percentage was insignificant during 2012-15 under non-plan expenditure. In respect of plan expenditure the deviation was markedly high in all the three years thus indicating shortfall in plan achievements.

Table 2.13 - CAPITAL

(₹ in crore)

Year	Budget including Supplementary		Expenditure		Deviation in Percentage	
	Non Plan	Plan	Non Plan	Plan	Non Plan	Plan
2012-13	2.85	497.02	0	254.58	100	(-)49
2013-14	2.85	374.64	0	268.03	100	(-)28
2014-15	2.96	639.84	0	203.47	100	(-) 68

Source: Grant Register

The deviation under non plan was 100 *per cent* during the period 2012-15, indicating that the provision was unnecessary and under plan it ranged between 28 to 68 *per cent*.

2.8.1.4 Excess release of fund resulting in blocking up of Government Funds

Funds to the extent of ₹425 crore during 2013-14 were released to the Sarva Shikhsha Abhiyan towards the State share of 35 *per cent* under XIII Finance Commission grants for payment of salaries to the staff, officers and teachers of the Taluk Panchayats. However, it is seen that from 2012-13 onwards, the State Government is providing the total salary amount in its budget and made the payments through the treasury (HRMS). Hence, release of ₹425 crore to the society, when the Government had included the salaries in the budget, has resulted not only in funds being provided in excess to the society, but also in locking up of Government funds.

2.8.1.5 Drawal of funds to avoid lapse of budgetary grants

As per Article 2(15) of the Karnataka Financial Code, "Lapse of Grant" means the expiry at the close of the financial year of the sanctioned grant not utilized or the unexpended portion of the sanctioned grant, except grants which are specially exempted from the rule of lapse. Funds provided in the budget are for actual expenditure to be incurred during the year, and any unspent provisions lapses at the close of the financial year.

Scrutiny of records at the Commissionerate of Public Instructions revealed that during 2013-14, the Department had drawn ₹13.75 crore under the head of account 4202-01-201-1-01-133/ 422/423 released towards construction of teachers' quarters at various locations across the State. The said amount was transferred to the Rajiv Gandhi Rural Housing Corporation Limited (June 2014) for implementation of the work. However, as the revised estimates were required to be submitted, the work was not commenced and the Commissioner of Public Instructions had instructed (July 2014) the corporation to deposit the amount in the bank till the approval/sanction from the Government is accorded.

Irregular deposit of funds enabled the Department to avoid lapse of budgetary provisions and to by-pass budgetary requirements to spend the amount before the close of the financial year.

2.8.1.6 Lapse of budget /surrender of unutilized provision

Rule 264 of the Karnataka Budget Manual (KBM) and Article 314 of the 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 immediately after these are foreseen. No amounts out of the savings should be held in reserve for meeting additional expenditure not definitely foreseen or not already approved by the competent authority. This rule was violated as the amount surrendered was an insignificant portion of the total unutilized provision. Thus the instructions contained in the manual have not been scrupulously followed by the controlling officers. The position of surrender of unutilized provision is brought out in **Table 2.14.**

Table 2.14 – Lapse of budget/surrender of savings

(₹ in crore)

Year	Savings		Amount Surrendered	
	Revenue	Capital	Revenue	Capital
2012-13	1,755.04	245.29	13.91	27.34
2013-14	2,614.14	109.46	181.27	28.65
2014-15	2,986.35	439.33	6.11	12.36

Source: Grant Register

During the year 2014-15, as against unutilized provision of ₹2,986.35 crore, only ₹6.11 crore was surrendered in the Revenue section, and out of savings of ₹439.33 crore, an amount of ₹12.36 crore was surrendered in the Capital section.

2.8.1.7 Persistent savings

It was observed that a substantial portion of the budget allocation remained unutilized every year under certain heads of accounts during 2013-15, indicating non-achievement of the projected financial outlays in the respective years. This indicates that the budget allocations were made without considering the previous years' expenditure as required under Rule 110 of the KBM, which resulted in persistent savings under the heads of accounts as shown in **Table 2.15.**

Table 2.15 - Persistent savings

(₹ in crore)

Sl No	Head of Account	2012-13	2013-14	2014-15
1	2202-01-101-10 EDUSAT	0.70	0.58	0.33
2	2202-01-115-01 Sarvashiksha Abhiyan	1,127.10	1,331.81	960.75
3	2202-02-053-01 Improvement of Secondary School building constructions	1.31	4.48	0.95
4	4202-02-108-02 Vocationalization of Higher Secondary Education (Examination Charges)	0.70	0.94	0.45
5	2202-03-103-2 Other Government Colleges	149.01	247.50	207.38
6	2202-03-800-5 Acquisition of land on behalf of educational institution	3.36	2.54	2.63
7	2202-03-800-9 Karnataka Knowledge Commission	7.91	0.71	0.50
8	2202-80-003-05 Computer literacy Awareness in Secondary schools	100.94	178.12	85.29
9	2202-80-004-01 Committees and Boards of General Education	0.52	0.33	0.43
10	2202-80-196-6 ZP –CSS/CPS	8.05	8.27	5.47
11	2202-80-800-35 GIA in education	69.00	214.99	150.00
12	2202-80-800-43 Scheme for providing Quality Education in Madrasas(SPQEM)-GIA	0.82	7.00	5.28
13	4202-01-203-1 Buildings	28.33	93.22	387.42

Source: Appropriation Accounts

2.8.1.8 Rush of Expenditure

As per paragraph 6 of instructions issued by the Department of Finance, GOK dated 09 September 2004, regarding releases, drawal and accounting of funds, the Administrative Department and the Heads of Department were to plan the expenditure for the remaining part of the financial year with due diligence and within the available grants. Bunching of bills and rush of expenditure in the month of March was to be avoided. Administrative Orders were to be issued well in advance after obtaining necessary approvals at the required levels for expenditure likely to be incurred in February and March. However, it was noticed that the percentage of expenditure during March ranged from 33 to 100 *per cent* during the year 2014-15. The sub-head wise details of expenditure are detailed in **Appendix 2.15(a).**

2.8.2 Grant No.21 - Water Resources

A review of budgetary procedures followed and expenditure controls exercised in respect of Grant No 21 – Water Resources, showed the following:

2.8.2.1 Introduction

Grant No.21 of the Appropriation Accounts covers the budget and expenditure against the provisions pertaining to the Water Resources Department including that of Minor Irrigation Department responsible for providing drinking water and irrigation facilities to the farmers in the State of Karnataka. The scrutiny of budgetary procedures followed and the expenditure controls exercised during the period 2012-15 by these departments revealed the following.

2.8.2.2 Budget and Expenditure

The overall position of budget provisions, actual disbursements and savings under the grant for the last three years is as given in **Table 2.16**.

Table 2.16 – Budget and Expenditure under Grant No.21 – Water Resources

(₹ in crore)

Year	Section	Budget Provision	Total	Expenditure	Unutilized Provision and its % in ( )
2012-13	Revenue-Original(v)	982.43	1,119.90	748.04	371.86
	Supplementary(v)	137.47			(33)
	Capital-Original(v)	6,388.57	6,661.90	5,145.50	1,516.40
	Supplementary(v)	273.33			(23)
2013-14	Revenue-Original(v)	1,033.77	1,033.79	739.07	294.72
	Supplementary(v)	0.02			(28)
	Capital-Original(v)	7,576.65	7,576.65	6,316.03	1,260.62
	Supplementary(v)	0			(17)
2014-15	Revenue-Original(v)	1,338.17	1,367.44	665.93	701.51
	Supplementary(v)	29.27			(51)
	Revenue-Original(c)	0	436.66	271.12	165.54

Year	Section	Budget Provision	Total	Expenditure	Unutilized Provision and its % in ( )
	Supplementary(c)	436.66			(38)
	Capital-Original(v)	8,011.06	8,208.30	7,619.50	588.81
	Supplementary(v)	197.24			(7)
	Capital-Original(c)	0	98.84	98.84	0
	Supplementary(c)	98.84			(0)

Source: Appropriation Accounts

During the period 2012-15, un-utilized provision under Revenue Voted Section ranged between 28 to 51 *per cent* and that under Capital Section, between 7 to 23 *per cent*. On account of amendment brought out to the Karnataka Fiscal Responsibility Act 2002, enlarging the scope of liabilities to include the borrowings of Special Purpose Vehicles (SPV) as the liabilities of the State Government itself, which came into effect during 2013-14, the provision for debt servicing which was made under voted section of Revenue/Capital was changed to Charged section through Supplementary Demand during 2014-15, to account for the expenditure under Charged section. This act of the Government resulted in savings under Voted section (Revenue - ₹436.66 crore and Capital ₹ 98.84 crore) which was surrendered eventually on account of the above at the end of the year.

It was also observed in audit that comments on several heads of accounts in the Appropriation Accounts over the years, which exhibited savings persistently, appears to have not been taken into account before formulating the budget for the ensuing year, contributing to unutilized provision.

2.8.2.3 Delay in submission of Budget Proposal

The budget circular issued for preparation of the budget, clearly indicates that estimates should be formulated with greatest care and accuracy and also with due regard to sanctions and actual requirements. Estimates under expenditure heads should provide for minimum requirements of the departments, keeping in view economy measures from time to time. The circular *inter-alia*, also prescribed the due dates for submission of proposals by estimating officers.

For the period 2012-15, it was observed that the concerned departments did not adhere to the due dates prescribed in the budget circular for submission of budget estimates to the Finance Department. The details of budget proposals submitted by the concerned department are as shown in **Table 2.17.**

Table 2.17- Delay in submission of budget proposal

Year	Due Date for submission of budget proposals	Budget proposals submitted	
		Water Resources Department	Minor Irrigation Department
2012-13	30 November 2011	10.02.2012	09.02.2012
2013-14	30 November 2012	18.01.2013	18.01.2013
2014-15	30 November 2013	31.01.2014	01.02.2014

As seen from the table, there is substantial delay in sending proposals to the Finance department in violation of the budget circular provision. It was also not clear how the budget of the department found its place in the detailed volumes of estimates, in the absence of proposal from the department within the stipulated time.

2.8.2.4 Budget- Revenue and Capital

The budget is further bifurcated into plan and non-plan in the detailed demand for grants under Revenue/Capital section respectively. The bifurcation of provision/expenditure during 2012-15 under Revenue and Capital is given below in **Table 2.18** and **Table 2.19**.

Table 2.18 - Revenue

(₹ in crore)

Year	Budget including Supplementary		Expenditure		Deviation in percentage	
	Non-plan	Plan	Non-plan	Plan	Non-plan	Plan
2012-13	512.17	607.73	471.68	276.36	-8	-55
2013-14	651.35	382.44	508.71	230.36	-22	-40
2014-15 (Voted)	942.77	424.66	421.29	244.63	-55	-42
(Charged)	436.66	0	271.12	0	-38	0

Source: Grant Register

As evident from the above table, the percentage of budget non-utilization showed an increasing trend under non-plan head for the years 2012-15, and under the plan head, the percentage remained high for all the three years. For the year 2014-15, the percentage of non-utilization under non-plan was high due to the reasons stated at **Para 2.8.2.2** above.

Table 2.19 - Capital

(₹ in crore)

Year	Budget including Supplementary		Expenditure		Deviation in percentage	
	Non-plan	Plan	Non-plan	Plan	Non-plan	Plan
2012-13 (Voted)	293.37	6,368.53	280.31	4,865.19	4	24
2013-14 (Voted)	269.76	7,306.89	267.67	6,048.36	1	17
2014-15 (Voted)	7.78	8,200.52	5.99	7,613.51	23	7
(Charged)	98.84	0	98.84	0	0	0

Source: Grant Register

As evident from the above table, percentage of non-utilization was high under the plan expenditure during 2012-14. The percentage of non-utilization under non-plan was not so significant during the above period and was 23 *per cent* during 2014-15. No specific reasons for non-utilization of the budget provision under plan were furnished by the department.

2.8.2.5 Lapse of budget/surrender of savings

According to paragraph 264 of the Karnataka Budget Manual, 1975, all savings anticipated by the controlling officer should be reported by them with full details and reasons to the Finance Department as soon as they are foreseen. However, it was observed that the amount surrendered was an insignificant portion of the total unutilized provision. The instructions contained in the manual have not been followed by the controlling officers. The position of surrender of unutilized provision is brought out in **Table 2.20.**

Table 2.20 – Lapse / surrender of unutilized provision

(₹ in crore)

Year	Savings		Amount surrendered	
	Revenue	Capital	Revenue	Capital
2012-13(Voted)	371.86	1,516.40	9.14	1,143.84
2013-14(Voted)	294.73	1,260.62	0.94	132.94
2014-15(Voted)	701.51	588.80	471.00	297.01
(Charged)	165.54	0	0	0

Source: Grant register

During the year 2014-15, unutilized provision of ₹768.01 crore was surrendered on the last day of the financial year, of which ₹471.00 crore was under Revenue Section and ₹297.01 crore under Capital Section.

2.8.2.6 Persistent savings

As per para 110 of the Karnataka Budget Manual, due notice was to be taken of the past performance, the stage of formulation/implementation of various schemes, the institutional capacity of the implementing agencies to implement the scheme as scheduled, the constraints on spending by the spending agencies and, most important, the quantum of Government assistance lying with the recipients un-utilized/unaccounted for etc., with a view to minimizing the surrender of funds available at a later stage. Persistent savings during 2012-15, as detailed below indicate that the provisions of para 110 of the Karnataka Budget Manual were not being observed.

The Head-wise details regarding persistent savings are shown in **Table 2.21.**

Table 2.21 – Persistent Savings

(₹ in crore)

Sl No	Head of Account/ Nomenclature	2012-13	2013-14	2014-15
1	2700-03-001-01 -Tungabhadra Project,	4.41	2.15	13.12
2	2701-80-001-19-Interstate Water Disputes, Technical Cell, WRDO	5.63	10.50	11.34
3	2702-02-005-80- National Hydrology Project-Phase-II-EAP	7.48	3.24	1.00
4	2705-202-0-01- CADA for Malaprabha and Ghataprabha Projects	64.45	14.23	28.81
5	2705-00-204-0-01 CADA for Upper Krishna Project	53.77	21.72	24.60
6	2705-00-205-0-01 CADA for Bhadra Project	11.59	7.92	13.62
7	2705-00-206-0-01 CADA, Gulbarga	36.39	8.99	20.42
8	4700-04-800-02 Tungabhadra Project	1.91	2.00	2.46
9	4701-73-800-0-01 UKP Zone AIBP	305.53	164.30	214.65
10	4701-80-190-3-Investments in KBJNL	884.14	898.75	58.27
11	4702-00-101-1 Surface Water-Construction of new tanks	151.70	87.83	182.24
12	4705-800-0-01- CADA -SDP	44.37	103.77	122.37

Source: Appropriation Accounts

Read with the averments made in **para 2.8.2.3** supra, it is clear that there was no co-ordination between the departments when it came to inclusion of provision for approval of the Legislature.

2.8.2.7 Rush of Expenditure

As per paragraph 6 of instruction issued by FD dated 09 September 2004, regarding releases, drawal and accounting of funds, the Administrative Departments and the heads of Departments were to plan the expenditure of the financial year with due diligence and within the available grants. Bunching of bills and rush of expenditure in the month of March was to be avoided. Administrative orders were to be issued well in advance after obtaining necessary approvals at the required levels for expenditure likely to be incurred in February and March. It was observed that there is rush of expenditure in the last quarter especially in the month of March and the object-head wise details of expenditure where the percentage of expenditure during last quarter and March is huge compared to the total expenditure incurred during 2014-15 are detailed in **Appendix 2.15(b).** Bunching of expenditure in the last quarter of the financial year is not prudent fiscal management and is against the manual provision to control expenditure.

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

The budget requirement of the department consists of provision for three major corporations viz. Krishna Bhagya Jala Nigam Limited (KBJNL), Karnataka Neeravari Nigam Limited (KNNL) and Cauvery Neeravari Nigam Limited (CNNL). These were established in 1994, 1998 and 2003 respectively to implement projects under the irrigation sector. These companies/corporations borrow funds from the market/financial institutions outside the State Budget. Though the funds for implementation of the State plan programme were to be mobilized by these companies outside the State budget, the borrowings of these companies are the liabilities of the State Government which stood as guarantor for loans availed. The State Government has been repaying the off-budget borrowings of these corporations including interest, through regular budget (Revenue and Capital) on approval by the Legislature. These companies/corporations have been shown in the overview of budget regularly under off-budget borrowings.

On scrutiny of budget documents for the years 2012-15, it was noticed in audit that the Government had been releasing the funds towards debt servicing of M/s. CNNL under the head of account 2701-80-190-0-01-240 which pertains to M/s.KBJNL, though the beneficiary entities had been submitting their requirement of funds separately to the Finance Department. This indicates that the debt servicing in respect of M/s CNNL was bunched with M/s. KBJNL, thus lacking in transparency in preparation of budget. No reply was forthcoming for the clubbing of the budget of the entities.

2.8.2.9 Mis-classification of establishment expenditure under Capital Heads (Plan and Non-plan)

Appendix 1 of Finance Accounts details the expenditure accounted under the functional major heads under salaries. The expenditure on salaries is booked to revenue head of account. However, it was observed that the budget provisions were obtained under capital section for incurring expenditure on salaries under plan and non-plan. Booking of expenditure to capital account on salaries for the period 2012-15 amounting to ₹53.20 crore not only inflated the capital expenditure but also suppressed the expenditure of salaries on revenue account as detailed in **Table 2.22.** Further, comments are included in the Statement-2 of Finance Accounts relating to booking of expenditure to capital account on salaries year after year. However, no efforts have been made to rectify the mis-classification and obtaining budget under proper heads of accounts.

Table 2.22 – Misclassification of salary expenditure under capital head

(₹ in crore)

Sl No	Major head	2012-13	2013-14	2014-15
1	4700	15.72	16.50	10.13
2	4701	2.41	2.49	1.99
3	4711	1.16	1.41	1.39
Total		**19.29**	**20.40**	**13.51**

2.9 Parking of Public Money in Banks - Department of Social Welfare

2.9.1 Release and Expenditure Pattern of Funds

Social Welfare/Tribal Welfare Departments are implementing various Centrally Sponsored Schemes, State Sector Schemes and Central Plan Schemes for the development of Scheduled Castes /Scheduled Tribes for educational, social and economic advancements namely, providing basic facilities like drainages, CC roads at SC & ST Colonies, self-employment schemes, Ganga Kalyana Yojane, Land Purchase scheme and various training programmes. These schemes are implemented at the State Levels by the Commissioner of Social Welfare/Director of Tribal Welfare and through implementing agencies like Corporations/Societies. At District Levels these scheme are implemented by Chief Executive Officers of Zilla Panchayats through District Social/Tribal Welfare Officers. The DSWOs/DTWOs receive funds from Commissioner of Social Welfare/Director of Tribal Welfare and Zilla Panchayats. The funds so received are deposited in Savings bank accounts in Nationalized Banks.

A study of management of unspent amounts in eight test checked DSWOs/Project Coordinators/ DTWOs and 12 implementing agencies (**Appendix 2.16**) for the period from 2012-15 was made during April-August 2015.

The audit checks mainly included:

- The details of unspent amount and parked in Nationalized banks
- Amount parked other than in Nationalized Banks
- The details of closed schemes where unspent amounts are lying in banks without being deposited back to Government Account.

2.9.1.1 Budget and Expenditure

The overall position of budget provision, actual disbursement and savings during the period 2012-15 in respect of Commissioner of Social Welfare (2225-01 and 4225-01) and Director Tribal Welfare (2225-02 and 4225-02) are shown in **Table 2.23 and 2.24.**

REVENUE

Table 2.23- Budget and Expenditure

(₹ in crore)

Year	Budget provision including Supplementary	Expenditure	Savings(-) and its percentage in( )
2012-13	2,681.20	2,468.43	212.77(8)
2013-14	2,924.67	2,015.00	909.67(31)
2014-15	2,999.90	2,833.44	166.46(6)

During the period 2012-15, unutilized provision ranged between 6 to 31 *per cent*. Compared to the previous year, there was better utilization of funds. It was also observed in audit that funds were being released routinely without ascertaining utilization of the funds previously released.

CAPITAL

Table 2.24- Budget and Expenditure

(₹ in crore)

Year	Budget provision including Supplementary	Expenditure	Savings(-) and its percentage in( )
2012-13	112.48	61.68	50.80(45)
2013-14	1,037.69	650.21	387.48(37)
2014-15	1,364.73	1,060.41	304.32(22)

During the period 2012-15, unutilized provision ranged from 45 to 22 *per cent* showing a decreasing trend.

As releases of funds to the implementing agencies are accounted as expenditure on the Consolidated Fund of the relevant years, the funds remaining unutilized distorted the fiscal indicators of the Government of those years and helped the Government to justify borrowings. The release of money by the Government without ascertaining the exact utilization is against the principles of prudent fiscal management.

2.9.1.2 Retention of balances by implementing agencies/District offices

The Government, in order to uplift the SC and ST community and for implementation of other social and tribal welfare schemes, releases funds to implementing agencies/District Social/Tribal Welfare Offices. Funds so released are deposited in the savings bank accounts in nationalized banks. The tendency to draw funds and to keep the same either in deposit accounts or bank accounts to avoid lapse of budgetary provisions at the end of the financial year is against the cannons of financial propriety. A test check of bank accounts of implementing agencies/DSWO/DTWO revealed that there were huge balances lying in the bank accounts (₹ 2,188.04 crore) as detailed in **Appendix 2.17**. This indicates that the schemes were incomplete which was mainly due to delay in selection of beneficiaries, non-availability of land and delay in finalization of tenders etc., resulting in non-achievement of goals and objectives of the scheme.

In reply, DSWO/DTWO stated that action would be taken to utilize the funds and unspent amount would be returned to Government. The reply is not satisfactory as the department had not analyzed the reasons for savings and its impact on beneficiaries due to non-implementation of the scheme.

2.9.1.3 Non-remittance of Interest earned on bank balances.

As per GO No. FD 53:BG2003 dated 03.07.2003 issued by the Finance Department, the interest earned in bank accounts shall be remitted to the head 0049-04-110-0-01. It was also observed in audit that the Minor Head indicated to account for interest on deposits was also not in order as this particular head records receipt of interest on cash balance investments made by Reserve Bank of India in Treasury Bills. The interest earned on the amount kept in bank accounts amounting to ₹266.44 crore for the period from 2012-13 to 2014-15 was not remitted to Government account by the department/implementing agencies as detailed in **Appendix 2.18.**

In reply the DSWO/DTWO stated (August 2015) that the interest earned would be remitted to Government Account. However, the implementing agencies viz. Karnataka Residential Education Institute Society (KREIS) stated that as no separate funds were provided to meet the corporation's administrative expenses including salaries of the employees, the interest amount is being utilized to meet these expenditure. The action of the implementing agencies is not in order, since the guidelines contained in letter dated 22.06.2004 of the Ministry of Rural Development, GOI stipulates that interest earned should be taken as part of additional fund to the scheme fund. Utilization of interest earned on scheme funds for other purposes goes against the instructions of the Ministry of Rural Development.

2.9.1.4 Savings/Unspent amount under the in-operative/closed schemes not returned to the Government

A scrutiny of welfare schemes, in test-checked districts, indicated that the unspent amount/savings of in-operative/closed schemes amounting to ₹8.70 crore as detailed in **Appendix 2.19,** were not remitted to Government account. Such retention of Government money may lead to a situation where the money could be diverted/mis-appropriated and may remain undetected. It was replied by DSWO/DTWO that the schemes were in-operative/discontinued; hence balances have remained un-utilized and that the un-utilized amount of in-operative schemes would be remitted back to Government account.

2.9.1.5 Operation of Government transactions in Private Banks

The guidelines contained in letter dated 22.06.2004 of the Ministry of Rural Development, GOI stated that scheme funds should be deposited and operated in nationalized banks.

The funds received by DTWO, Chitradurga for implementation of tribal welfare scheme were operated through a private bank viz., Kotak Mahindra Bank during 2012-15. The balance remaining in the bank as of March 2015 is ₹9.20 crore.

In reply, the DTWO, Chitradurga stated that the Savings Bank Accounts in the private bank would be closed.

2.9.1.6 Maintenance of multiple bank accounts by District Offices

As per the circular of the Social Welfare department dated 05.05.2011, all the bank accounts held in the names of DSWOs/DTWOs/ITDPs on the date of issue of the circular shall be closed and balances should be operated through only two joint accounts opened in the names of Deputy Commissioner and DSWOs/DTWOs/ITDPs and CEO, ZP and DSWOs/DTWOs/ITDPs respectively.

However, it was noticed that four drawing officers continued to operate multiple bank accounts (more than two) as detailed in **Appendix 2.20.**

It was replied that action would be taken to maintain only two joint accounts and other accounts would be closed.

2.9.1.7 Parking of Fund in Current Account

As per the guidelines contained in the letter dated 22.06.2004 by the Ministry of Rural Development, GOI, the scheme funds are not to be kept in the current account of banks. A scrutiny of records revealed that one District Tribal Welfare Officer and two implementing agencies have kept the funds received from the Government for implementation of welfare schemes in the current account of various banks which is in contravention to the guidelines issued.

It was replied by the DTWO that action would be taken to close these current accounts.

2.10 Excess Payment of Family Pension

The Karnataka Government Servants (Family Pension) Rules, 2002 provide that when a Government servant dies while in service, his/her family is entitled to Family Pension at double the normal rate or 50 *per cent* of the last pay drawn by the deceased Government servant, whichever is less, for a period of seven years from the date following the date of death or till the date on which the Government servant would have attained the age of sixty five years had he/she remained alive, whichever is earlier. Majority of the pension payments are made through Banks. After crediting the Family Pension amounts to the SB accounts concerned, the Banks forward the claim through the link branch and the claim is settled by the Treasury.

During 2014-15, in 187 cases relating to 32 district treasuries, Public Sector Banks made payment of Family Pension at enhanced rates beyond the period mentioned in the Pension Payment Orders, resulting in excess payment of ₹ 1.42 crore (**Appendix 2.21**). Further, in respect of 20 treasuries, excess payment of ₹ 66.07 lakh was noticed during 2014-15 in 106 cases, despite the excess payment in these cases have been pointed out in earlier years, resulting in cumulative continued excess payment of ₹ 1.43 crore (**Appendix 2.22**).

The Banks continued to make payments at the enhanced rates beyond the period mentioned in the Pension Payment Orders although we had highlighted instances of such excess payments on a number of occasions in the past.

Failure on the part of the Banks to monitor/incorporate a validation check to facilitate adherance to the cutoff date as per rules for payment of Family Pension at enhanced rates resulted in the excess payments.

To a similar observation brought out in the Report of the State Finances 2012-13 the Government replied (June-2014) that measures were taken to recover the excess payment from the Public Sector Banks and banks had repeatedly stated that steps had been taken to prevent excess payment in future. It further stated that the matter regarding the need for establishing Centralized Pension Processing Centers (CPPC) by banks to ensure correctness as well as efficiency of Pension payments was taken up with RBI and a circular was also issued by the Director of Treasuries to banks as to the procedure to be followed for recovery of excess payment paid.

However, the fact remained that excess payment of family pension continued even during the year 2014-15, though CPPCs have been established by many banks. The reply, though detailed the procedure to be followed for recovery after the excess payment was made, was however silent about the action taken to prevent such excess payment. Hence due to inadequate steps taken to prevent excess payment of pension, excess of ₹1.42 crore was made during 2014-15.

Finance Department replied (January 2016) that Public Sector Banks have been asked to send alert letters a month in advance to the concerned branch in respect of family pensions for which rate is to be reduced by verifying the register which is maintained at all treasuries to avoid future excess payments.

2.11 Conclusion

As brought out in earlier paragraphs, State Government should exercise tighter control over budgetary exercise/expenditure control for prudent financial management as the following irregularities took place due to inadequate controls:

- Against the total provision of ₹1,53,936.65 crore during 2014-15 an expenditure of ₹1,31,365.27 crore was incurred. This resulted in an unspent provision of ₹22,571.38 crore (15 *per cent*).

- Executive orders for expenditure, prior to approval of the Legislature, were issued.

- Expenditure aggregating ₹150.79 crore in 11 cases, which should have been treated as 'New Service/New Instrument of Service', was incurred without the approval of the Legislature.

- Supplementary Provision was not completely supported by the saving under other demands to make the transactions neutral. Supplementary provision of ₹687.73 crore in 25 cases was unnecessary.

- Re-appropriation of funds in 35 cases was made injudiciously resulting in either un-utilized provision or excess over provision.

- In 15 grants, ₹3,313.26 crore was surrendered in the last two working days of the financial year.

- Excess payment of Family Pension was noticed.

- Withdrawal of funds from Contingency Fund was not justifiable as in one case ₹ 0.95 crore was drawn in excess of requirement and in another case the purpose for which it was drawn was not fruitful.

Chapter – III

Financial Reporting

Secret Service expenditure incurred by certain departments like Police, Forest, Excise, etc., stood merged under the newly created object head 'Scholarships and Incentives'. Finance Department replied that this expenditure is in the nature of incentives and justified its classification under the said head of account. The reply is not tenable for the reason that the expenditure is generally in the nature of impetus/bonus given for a specific purpose to the person concerned for specific information. Therefore the provision made under Scholarships and Incentives is required to be examined by considering opening of a new object head to capture expenditure relating to this item of expenditure. At present the expenditure figures shown appears to lack transparency.

3.10.4 Defective Budgeting in respect of External Loans availed by State Government on back to back basis

State Government avails external aids (Loans) through Government of India to implement projects under Health, Irrigation, Urban Development, Rural Development and Public Works, which are implemented by different departments of Government and autonomous institutions. With the changed policy from1 April 2005, the aid is passed on to the Government department on back to back basis[9] from the lender. The re-payment of loan and payment of interest thereon is through the Reserve Bank of India books. These re-payments are initially in the books of Controller of Aid Accounts and Audit, Government of India which are later on passed on to the State books through the banker (RBI). These external loans carry with them commitment charges which is the fee levied on the total committed loan amount not drawn from time to time, the rate of which is as per the relevant loan/credit agreement. These payments are reimbursed by the State Government.

As per Karnataka Budget Manual 1975, expenditure in respect of which a token demand is presented could be incurred only after its voting by the Assembly except in cases initially met out of Contingency Fund. Further, when the token demand was made, all the details regarding the loan and its servicing towards commitment/other charges, the full particulars regarding the loan amount not drawn from time to time, the rate of commitment charges, to whom it was paid should have been brought out and the expenditure incurred so far was to be explained.

However, deviation from the provision of Karnataka Budget Manual 1975, is noticed as detailed below:

During the year 2014-15, a provision of ₹100 crore and ₹50 crore was made towards repayment of principal and for payment of interest respectively on external loans released on back-to-back basis. With regard to payment of commitment charges, no provision was made in the original budget. However, in the Supplementary Estimate – I which was presented to the Legislature on 1 August 2014, a token demand of ₹1,000/- was provided by opening an object code 241-Interest to meet

[9] Back to back basis means, the assistance is passed on as per the loan conditions of external agency and the fluctuation in the exchange rate are to be met by the concerned State.

the interest and commitment charges in respect of external loans to be released on back to back basis. Before obtaining the approval for token demand in Supplementary Estimate I, the Government had incurred an expenditure of ₹206.78 lakh (up to 06.06.2014) on this account. Total expenditure towards commitment charges for the year 2014-15 was ₹437.83 lakh.

The matter was brought to the notice of the department (April 2015), reply is yet to be received.

3.10.5 Accounting of inadmissible transactions under the object head prescribed for Compensatory Cost

A comment was made in the report on State Finances, 2013-14, that expenditure on Compensatory Cost with specific object head of expenditure '060' included inadmissible expenditure on components like administrative expenses, salaries, wages to contract labourers etc., while the object head was intended for recording expenditure on compensation for deficient services rendered by the Government to the public.

During the year 2014-15, a budget provision of ₹9.55 crore was made for the guarantee of services to the citizens under 060-Compensatory Cost. On a scrutiny of records, it was observed that the expenditure on Compensatory Cost included inadmissible expenditure relating to the payment of telephone charges, purchase of stationery, salaries and wages, etc., to the extent of ₹0.44 crore recorded under the functional major head 2230 – Labour and Employment.

While accepting the inadmissible expenditure being booked to the object head of classification – 060 Compensatory Cost, Finance department stated that orders have been issued in December 2015 to curb such drawals and DDOs and Treasury Officers to exercise utmost care in drawal of Compensatory Cost.

3.11 Transparency in accounts

3.11.1 Incorrect application of interest rates for conversion of outstanding interest into equity in case of M/s. Mysore Electrical Industries (MEI) Limited.

The interest on loans and advances by the State Government are generally fixed taking into consideration the average cost of funds for the State Government. However, it was observed that based on the supplementary demand for the year 2014-15 (Demand No.18), the Government Order was issued (22.12.2014) for adjustment of ₹22.92 crore, being outstanding amount of interest as on March 2013, into equity in case of M/s. MEI Ltd. The outstanding interest of ₹22.92 crore was arrived at after reducing the rate of interest from 18 *per cent* and 22 *per cent* per annum to 6.25 *per cent* and 9 *per cent* per annum respectively without proper justification, resulting in reduced equity of Government in the company. Thus the action of the Government was not in consonance with canons of financial propriety.

In reply, the Finance Department stated (June 2015) that the loans were given to MEI towards VRS loans, conversion of arrears of sales tax into loan and working capital loan. As per G.O. dated 10.07.2003, interest rate for VRS loans is to be at

6.25% whereas that for loans to State PSUs, Boards and Corporations, autonomous bodies is fixed at 9%. Hence, the change in interest rates is as per the policy of the Government in this regard and hence, in order.

The reply of the department is not acceptable, as the G.O. dated 10.07.2003, was applicable only to the loans given on or after 1 April 2003. As mentioned in Para 2 of the GO, new rates of interest shall apply to all the new loans sanctioned by the Government on or after 1 April 2003. The loans given to MEI Ltd., towards VRS loans, related to the period from 1998 to 2002.

- To bring about greater transparency and to enable informed decision making in Government Accounts, the TFC had recommended inclusion of certain statements/appendices in the Finance Accounts which would give details of expenditure at object head level such as salaries, maintenance expenditure, subsidies including implicit subsidies, debt liabilities, cash flow statement etc.

Non-inclusion of salary details in respect of Panchayat Raj Institution(PRI) employees in the Finance Accounts of the State Government and the overlapping of heads relating to the salary expenditure of Urban Local Bodies(ULB) are discussed in para 1.6.3. Subsidy expenditure shown in accounts being incomplete on account of exclusion of items of expenditure forming implicit subsidies are also discussed in the same para. However, the Overview of Budget placed before the Legislature bring out these items of expenditure separately.

As per the recommendations of XII Finance Commission, a statement on maintenance expenditure is to be provided in the Finance Accounts, segregating salary/wage and non-salary components. Appendix X- Maintenance Expenditure does not show salary and non-salary component separately as the data is yet to be captured. The circular instructions issued by the Finance Department require for formulation of proposals by capturing the data separately for which separate object heads were provided.

Accounting reforms are required to be undertaken to bring the data into accounts for transparency.

3.12 Important factors affecting accuracy of accounts

The accounts of the Government are kept on cash basis. Certain transactions that arise in Government Account, the receipts and payments of which cannot at once, be taken to a final head of receipt or expenditure owing to lack of information as to the nature or for any other reasons, are to be booked temporarily under the suspense head. This head is cleared on receipt of relevant details/information. Debt, Deposit and Remittances (DDR) heads account for such transactions where the Government, as a custodian of public money, receives and holds such money in trust.

The accuracy of the State Finance Accounts 2014-15 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 DDR heads. A general review of the transactions showed 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 un-cleared, 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	2012-13		2013-14		2014-15	
	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
101- Pay and Accounts office Suspense	68.91	1.41	89.58	0.58	67.40	0.70
Net	Dr. 67.50		Dr. 89.00		Dr. 66.70	
102-Suspense Account(Civil)	23.76	8.93	22.95	9.47	17.93	7.35
Net	Dr. 14.83		Dr. 13.48		Dr. 10.58	
110-Reserve Bank Suspense	20.30	60.22	24.91	37.80	15.44	56.20
Net	Cr. 39.92		Cr. 12.89		Cr. 40.76	

Source: DDR Ledger/Finance Accounts

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 head is intended for settlement of transactions between the Accountant General and the various separate Pay and Accounts Officers. The transactions initially recorded under this head in the books of the Accountant General are cleared on receipt of the Cheques/Demand Drafts from the Pay and Accounts Officer and on the issue of Cheque/Demand Draft in respect of amounts received in the State Treasuries on behalf of the Pay and Accounts Officer. Outstanding debit balance under this head would mean that payments have been made by the Principal Accountant General on behalf of a PAO, which were yet to be recovered. Outstanding credit balance would mean that payments have been received by the Principal Accountant General on behalf of a PAO, which were yet to be paid. The net debit balance under this head has shown an increasing trend in 2013-14 and decreased during 2014-15. On clearance/settlement of this, the cash balance of the State Government will increase.

❖ **Suspense Account (Civil)**

Transactions where full particulars of the classification are not available or where the relevant vouchers/schedules in support thereof are not available or where there is some discrepancy between the figures reported in the Treasury Schedules of payment/cash accounts and those appearing in the supporting vouchers, schedules, etc., constitute the major portion of outstanding under this head.

Transactions taking place at State Treasuries on behalf of Railways, Defence and P&T are also initially classified under this head pending settlement of claims by these authorities.

The net debit balance under this head has decreased only marginally during the year. However, in so far as accounts with Railways (₹3.20 crore) and accounts with Defence (₹0.84 crore) are concerned, the cash balance will increase on clearance. There is no impact on cash balance on rest of the items on clearance.

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

This head is operated for recording inter-governmental transactions where monetary settlement between the cash balances of two Governments is done by sending advice to the Central Accounts Section of the Reserve Bank of India. This head is cleared by transferring the amount to the final head of account on receipt of intimation of the monetary settlement having been carried out by the RBI. The main transaction which gets settled through this suspense head are grants/loans received from the Government of India and their repayments, discharge of securities and interest paid thereon by the Public Debt offices of RBI and payments made by the Director General of Supplies and Disposals for materials supplied to Government Departments.

During the year, the credit balance under this head was ₹40.76 crore, which was an increase of ₹27.87 crore over the previous year, indicating that corresponding clearances had not been made by the concerned Pay and Accounts Offices for the above amount.

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 e.g., 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 2014-15, adverse balance of E- Public Debt amounting to ₹111.62 crore (Major Head 6003- Internal Debt) was on account of credits of the direct release of loans by National Co-operative Development Corporation (NCDC) to loanee entities without routing these loans through the Consolidated Fund of the State. In respect of the adverse balance of ₹23.66 crore (Major Head 6004- Loans and Advances from Central Government) was on account of write-off of Central Loans on the recommendations of XIII FC (balances outstanding as per books of accounts as at 31 March 2010). In respect of loans and advances the adverse balance was ₹15.14 crore which was on account of non-reconciliation/misclassification in accounts.

Finance Department stated (September 2015) that:

i) Regarding the adverse balance under loans from NCDC, the State Government had proposed two adjustments to wipe out adverse balance and had sought approval of the Accounts Office for effecting the adjustment, which is under examination in Accounts Office.

ii) Regarding the adverse balance under Loans and Advances, these were mostly under miscellaneous loans and details were not available either with Pr.AG (A&E) or with the department as these loans related to very old periods. It was therefore, not possible to reconcile the balance and find out the reasons for adverse balances. Therefore, balances may have to be written back to miscellaneous Government account treating them as un-reconciled balances which have reached a dead end and were not susceptible for reconciliation/verification.

iii) Regarding adverse balance under Loans to Government Servants, the State Government requested Pr. AG (A&E) for furnishing the year wise adverse balances under different categories for further examination and further remedial action.

In respect of Loans and Advances from Central Government (MH-6004), the adverse balance is due to the write-off of loans as per the recommendations of XIII FC. Since this account is maintained in Pr. AG (A&E) office, the reconciliation of balance is being taken up by Pr.AG (A&E) with Chief Controller of Accounts, Ministry of Finance, Department of Economic Affairs, Revenue, Finance Services, Expenditure and Disinvestment, New Delhi.

3.13 Conclusion

Detailed bills against abstract contingent bills have been found wanting since long and large sums of money were being retained in PD Accounts thereby going against the principle of Legislative financial control. Non-reconciliation of expenditure and receipts was to the extent of 40 *per cent* of the total expenditure and one *per cent* of total receipts respectively. There were adverse balances under certain accounts in Consolidated Fund heads, which required remedial action for clearance.

3.14 Recommendations

- ***Accounting reforms by introducing separate object heads to capture data on salary/non-salary items of expenditure in respect of the maintenance, salary expenditure of the staff of Panchayat Raj Institutions, as recommended by the Finance Commission, are required to be undertaken.***

- ***Immediate steps need to be taken for review of status of PD accounts and closure of inoperative ones.***
- ***Review of suspense heads needs to be done to bring the transactions to the final heads in the accounting year itself.***

Bengaluru
The 9 MAR 2016

(L. Angam Chand Singh)
Principal Accountant General
(General and Social Sector Audit)
Karnataka

Countersigned

New Delhi
The 11 MAR 2016

(Shashi Kant Sharma)
Comptroller and Auditor General of India

Appendices

Appendix 1.1
State Profile
(Reference: Page 1)

A	General Data		
Sl. No.	Particulars		Figures
1	Area		1,91,791 sq.km
2	Population		
	a.	As per 2001 Census	5.28 crore
	b.	As per 2011 Census	6.11 crore
3	a.	[1] 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	[2] Population below poverty line (All India Average = **30.0 %)**		21.9 percent
5	a.	[1] Literacy (2001 Census) (All India Average = **64.8 %)**	66.64 percent
	b.	Literacy (2011 Census) (All India Average = **73 %**)	75.36 percent
6	[1] Infant mortality (per 1,000 live births) (All India Average = **40 per 1,000 live births)**		31 per 1,000 live births
7	[3] Life Expectancy at birth (All India Average = **67.5 years)**		68.5 years
8	[2] [4]Gini Coefficient[1] (latest figures available for 2009-10 has been adopted)		
	a.	Rural. (All India = **0.29**)	0.24
	b.	Urban. (All India = **0.38)**	0.33
9	Gross State Domestic Product (GSDP) 2014-15 at current price		6,85,207
10	Per capita GSDP CAGR (2005-06 to 2014-15)	Karnataka	14.03
		General Category States[2]	13.86
11	GSDP CAGR (2005-06 to 2014-15)	Karnataka	15.24
		[5]General Category States	15.44
12	Population Growth (2005-15)	Karnataka	9.94
		[6]General Category States	12.76

B	**Financial Data**				
Particulars		**Figures (in *per cent*)**			
CAGR		**2005-06 to 2013-14**		**2013-14 to 2014-15**	
		General Category States	**Karnataka**	**General Category States**	**Karnataka**
a.	of Revenue Receipts.	15.76	14.48	16.10	16.31
b.	of Own Tax Revenue.	15.32	16.36	10.51	13.36
c.	of Non-Tax Revenue.	13.53	0.50	10.07	16.27
d.	of Total Expenditure.	15.23	15.32	19.32	20.40
e.	of Capital Expenditure.	14.61	14.14	21.87	14.49
f.	of Revenue Expenditure on Education.	17.10	16.28	14.55	11.73
g.	of Revenue Expenditure on Health.	16.20	17.35	28.73	23.58
h.	of Salary and Wages.	15.23	14.91	11.75	10.68
i.	of Pension.	18.70	19.26	12.43	10.56

Source: Financial data is based on Finance Accounts

1Gini 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 States other than 8 States termed as Special Category States (Assam, Himachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, Tripura and Uttarakhand).

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

(i) Surfaced roads per 100 sq.km. is **38.51 km.**

(ii)Unsurfaced roads per 100 sq.km. is **0.67 km.**

(iii)Percentage of villages electrified is **99.85**

(iv) Grossed cropped area is **122,66,906 hectares**

(v) Primary schools per lakh population (as of 2013-14) is **60,485**

(vi) Number of Primary health centres is **2,355**

(vii) Beds per lakh population is **78**

1. *Census Info India 2011 Final population totals. For Infant mortality rate, SRS Bulletin of September 2014).*
2. *Report of the expert group (Rangarajan) to review the methodology for measurement of poverty, Planning Commission (June 2014), page 66. For Population below poverty line, latest figures available for 2011-12 has been adopted. For Gini Coefficient, Latest figures available for 2009-10 has been adopted.*
3. *Economic Survey (GOI) 2014-15, Table 9.1, Page A 129.*
4. *http://planningcommission.nic.in/data/datatable/data 2312/DatabookDec2014%20106.pdf.*
5. *CSO (http:/mospi.nic.in/Mospi_New/site/inner.aspx?status=38menu_id=82).*
6. *Population projections for India and States 2001-2026(Revised December 2006) Report of the Technical Group on Projections constituted by the National Commission on Population Table – 14 (Projected total population by sex as on 1st October 2001-2026).*

Note: All India average of General Category States has been calculated on the basis of figures provided by 18 General Category States such as Andhra Pradesh including Telangana, Bihar, Chattisgarh, Goa, Gujarat, Haryana, Jharkhand, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Odisha, Punjab, Rajasthan, Tamil Nadu, Uttar Pradesh, West Bengal, Delhi except Puducherry.

Appendix 1.2

Structure of Government Accounts

(Reference: Paragraph 1.1; Page 2)

The accounts of the State Government are kept in three parts viz., Consolidated Fund, Contingency Fund and Public Account.
Part I: Consolidated Fund: All receipts and expenditure on Revenue and Capital Account, Public Debt and Loans and Advances 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. Fund is recouped by debiting the expenditure to the concerned functional major head in the Consolidated Fund of the State.
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-I presenting the summarized financial statements of Government and Volume-II 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	Statement of Financial Position
2	Statement of Receipts and Disbursements
3	Statement of Receipts (Consolidated Fund)
4	Statement of Expenditure (Consolidated Fund)
5	Statement of Progressive Capital Expenditure
6	Statement of Borrowings and Other Liabilities
7	Statement of Loans and Advances given by the Government
8	Statement of Investments of the Government
9	Statement of Guarantees given by the Government
10	Statement of Grants-in-aid given by the Government
11	Statement of Voted and Charged Expenditure
12	Statement on Sources and Application of funds for expenditure other than on Revenue Account
13	Summary of Balances under Consolidated Fund, Contingency Fund and Public Account
14	Detailed Statement of Revenue and Capital Receipts by Minor Heads
15	Detailed Statement of Revenue Expenditure by Minor Heads
16	Detailed Statement of Capital Expenditure by Minor Heads and Subheads
17	Detailed Statement of Borrowings and other Liabilities
18	Detailed Statement on Loans and Advances given by the Government
19	Detailed Statement of Investments of the Government
20	Detailed Statement of Guarantees given by the Government
21	Detailed Statement on Contingency Fund and other Public Account Transactions
22	Detailed Statement on Investment of Earmarked Balances

Appendix 1.3

Abstract of receipts and disbursements

(Reference: Paragraph 1.1.1; Page 2)

(₹ in crore)

2013-14	Receipts	2014-15	2013-14	Disbursements				2014-15
					Non-Plan	Plan	Total	
Part A: Abstract of Receipts and Disbursements for the year 2014-15								
				Section-A: Revenue				
89,542.53	**I. Revenue receipts**	**1,04,142.15**	**89,189.57**	**I. Revenue expenditure**⁺⁺	**69,783.10**	**33,831.19**		**1,03,614.29 #**
62,603.53	Tax revenue ⁺⁺	**70,180.21***	**24,954.41**	**General Services**	**28,024.39**	**240.88**	**28,265.27**	
4,031.90	Non-tax revenue ⁺⁺	**4,688.24**		**Social Services**				
13,808.28	State's share of Union Taxes & Duties	14,654.25	16,165.55	Education, Sports, Art and Culture	12,313.01	5,749.80	18,062.81	
3,139.79	Non Plan grants	3,634.58	4,093.06	Health and Family Welfare	2,449.39	2,608.71	5,058.10	
3,341.15	Grants for State Plan Schemes	9,096.87	2,670.17	Water Supply, Sanitation, Housing and Urban Development	343.00	3,601.02	3,944.02	
2,617.88	Grants for Central and Centrally Sponsored Schemes	1,888.00	73.23	Information and Broadcasting	49.52	29.20	78.72	
			3,720.16	Welfare of Scheduled Castes, Scheduled Tribes, Other Backward Classes and minorities	964.13	4,073.52	5,037.65	
			288.68	Labour and Labour Welfare	114.29	266.25	380.54	
			5,387.51	Social Welfare and Nutrition	2,822.26	3,774.76	6,597.02	
			223.53	Others	149.37	58.02	207.39	
			32,621.89	**Total Social Services**	**19,204.97**	**20,161.28**	**39,366.25**	
				Economic Services				
			12,589.82	Agriculture and Allied Activities	5,038.70	5,524.07	10,562.77	
			2,282.83	Rural Development	2,133.45	2,854.68	4,988.13	
			152.40	Special Areas Programmes	---	147.80	147.80	
			732.32	Irrigation and Flood Control	692.36	240.99	933.35	
			5,995.71	Energy	6,703.01	43.47	6,746.48	
			882.05	Industry and Minerals	384.60	635.80	1,020.40	
			2,560.09	Transport	2,089.01	1,142.70	3,231.71	
			60.85	Science, Technology and Environment	0.01	82.54	82.55	
			1,336.76	General Economic Services	1,707.09	551.03	2,258.12	
			26,592.83	**Total Economic Services**	**18,748.23**	**11,223.08**	**29,971.31**	

2013-14	Receipts	2014-15	2013-14	Disbursements	Non-Plan	Plan	Total	2014-15
			5,020.44	**Grants-in-aid and Contributions**	3,805.51	2,205.95	6,011.46	
			352.96	**II Revenue surplus carried over to Sec.-B**				527.86
89,542.53	**Total**	1,04,142.15	89,542.53	**Total**				1,04,142.15
								Section-B – Capital and others
10,511.24	**II. Opening Cash Balance including Permanent Advances & Cash Balance Investments & Investments from earmarked funds**	15,759.73						
87.94	**III. Miscellaneous Capital receipts ††**	10.14	16,946.86	**III. Capital Outlay††**	277.35	19,344.95		19,622.30 $
			500.74	**General Services**	29.85	588.61	618.46	
				Social Services				
			388.10	Education, Sports, Art and Culture	(-)0.12	317.33	317.21	
			440.41	Health and Family Welfare	(-)3.48	793.91	790.43	
			1,187.57	Water Supply, Sanitation, Housing and Urban Development	101.71	1,564.77	1,666.48	
			4.00	Information and Broadcasting	--	4.47	4.47	
			896.45	Welfare of Scheduled Castes, Scheduled Tribes, Other Backward Classes and minorities	--	1,326.27	1,326.27	
			110.05	Social Welfare and Nutrition	--	67.36	67.36	
			26.10	Other Social Services	--	8.67	8.67	
			3,052.68	**Total Social Services**	98.11	4,082.78	4,180.89	
				Economic Services				
			261.35	Agriculture and Allied Activities	(-)0.01	266.41	266.40	
			58.32	Rural Development	--	14.00	14.00	
			613.44	Special Areas Programmes	(-)0.02	801.47	801.45	
			6,383.82	Irrigation and Flood Control	104.66	7,674.56	7,779.22	
			304.88	Energy	2.09	250.00	252.09	
			177.29	Industry and Minerals	--	239.98	239.98	
			5,298.47	Transport	44.09	5,102.68	5,146.77	

2013-14	Receipts	2014-15	2013-14	Disbursements				2014-15
					Non-Plan	Plan	Total	
			295.87	General Economic Services	(-)1.42	324.46	323.04	
			13,393.44	**Total Economic Services**	**149.39**	**14,673.56**	**14,822.95**	
109.28	**IV. Recoveries of Loans and Advances++**	**83.82**	**695.43**	**IV. Loans and Advances ++**	**12.04**	**564.11**		**576.15**
16.43	From Power Projects	16.31	81.74	For Power Projects	--	57.59	57.59	
4.04	From Government Servants	6.85	18.00	To Government Servants	4.66	0.78	5.44	
88.81	From others	60.66	595.69	To Others	7.38	505.74	513.12	
17,286.81	**V. Public debt receipts**	**21,874.63**	**3,816.84**	**V. Repayment of Public Debt**				**4,812.23**
16,132.25	Internal debt other than Ways and Means Advances and Overdraft	20,509.43	3,122.57	Internal debt other than Ways and Means Advances & Overdraft	4,033.38	---	4,033.38	
---	Ways and Means Advances from Reserve Bank of India	---	---	Ways and Means Advances from Reserve Bank of India	---		---	
1,154.56	Loans and Advances from the Central Government	1,365.20	694.27	Repayment of Loans and Advances to Central Government	778.85		778.85	
---	**VI. Contingency Fund (Recoupment)**	**---**	**---**	**VI. Contingency Fund Disbursements**	**---**	**---**	**---**	**---**
1,21,842.37	**VII. Public Account Receipts**	**1,40,229.39**	**1,12,971.74**	**VII. Public Account Disbursements**				**1,29,573.99**
4,508.12	Small Savings and Provident Funds, etc.,	5,048.86	2,401.06	Small Savings and Provident Funds etc.			2,893.26	
3,161.91 **	Reserve Funds	2,734.28	1,897.96	Reserve Funds			1,186.79	
34,302.98	Deposits and Advances	41,697.10	31,462.62	Deposits and Advances			37,994.70	
79,842.20	Suspense and Miscellaneous	90,723.30	77,171.08	Suspense and Miscellaneous			87,441.27	
27.16	Remittances	25.85	39.02	Remittances			57.97	
352.96	**VIII. Revenue Surplus carried over from Sec. – A**	**527.86**	**15,759.73**	**VIII Cash Balance at the end of 31-03-2015**				**23,900.90**
			0.01	Cash in Treasuries and Local Remittances			0.01	
			86.21	Deposits with Reserve Bank			4.84	
			3.75	Departmental Cash Balances including Permanent Advances			3.78	
			10,973.07	Cash Balance Investment			17,962.31	
			4,696.69	Investment from Earmarked Funds			5,929.96	
1,50,190.60	**Total**	**1,78,485.57**	**1,50,190.60**	**Total**				**1,78,485.57**

***#** Includes expenditure on interest payment in respect of off-budget borrowings etc. under various service heads ₹400 crore borrowed through Special Purpose Vehicles – General Services (₹12 crore), Social Services (₹96 crore) and Economic Services (₹292 crore).*

***$** Includes expenditure of ₹277.44 crore on account of off-budget borrowings.*

** Includes ₹104.67 crore received from Ministry of Road Transport and Highways towards National Permit fee.*

*** Please refer footnote ** in Appendix no.1.9.*

†† Non cash receipts and expenditure are as follows which are discussed in paragraphs 1.3.1.1 indicated against each.

Book Adjustments	Amount (₹ in crore)
Tax Receipts	2,280
Non Tax Receipts	134
Misc. Capital Receipts	6
Loan Receipts	17
Revenue Expenditure	2,368
Capital Expenditure	35
Loan Expenditure	34

Appendix –1.4

Budget Assurances and audit analysis thereon

(Reference: Paragraph 1.1.6; Page 10)

Budget Assurance	Action taken as per Action Taken Report	Audit observations
Guidelines and Rules will be formulated for maintenance and conservation of poultry farms and for providing subsidies.	Action is being taken to formulate Guidelines and Rules in Administrative Department.	A committee has been formed for the purpose.
₹10.00 crore will be provided to open 100 new veterinary centres and top upgrade 100 primary veterinary centres into veterinary dispensaries.	Government Order has been issued in December 2014 to establish 100 new Veterinary Dispensaries and also to up-grade 100 primary Veterinary centres into Veterinary Dispensaries.	The assurance was partly complied as 22 new centres were established after the end of the financial year and 18 were upgraded after the closure of the financial year.
Training and manufacturing centres will be set-up in naxal affected areas of Karkala Taluk, Udupi District and Sringeri through Karnataka State Coir Development Corporation Limited (KSCDCL).	In principle approval have been given vide GO No, CI 66 CSC 2014 dated: 12-06-2014.	An amount of ₹142.17 lakh was released (August 2014 and February 2015) to KSCDCL, Bengaluru for establishment of Training and manufacturing centres in naxal affected areas of Karkala taluk and Sringeri.
Interest subsidy of 9% which is allowed at present to village industries and khadi institutions which are availing additional working capital limited to ₹3.00 lakhs in most backward, more backward and backward 114 taluks, will be extended to all 176 taluks in the State.	GO No. CI 18 SLV 2014 dated: 02-06-2014 have been issued.	The interest subsidy scheme was not implemented as the proposals for the scheme was not received from the Karnataka Village Industries Board (KVIB). According to KVIB, there is delay in sanctioning of loans by the financial institutions.
1,000 Residential Work sheds will be provided to skilled workers of the state under the new Special House Building scheme at the cost of ₹10.00 crore.	Administrative approval have been given vide GO No. CI 72 CSC 2014 dated: 14-08-2014.	During 2014-15 an amount of ₹5.00 crore was released to Rajiv Gandhi Rural Housing Corporation Limited, Bengaluru (RGRHCL) (9/14). Out of 1,000 residential work sheds to be constructed, RGRHCL has approved for construction of 312 work sheds (June 2015).

Appendix 1.5

Time series data on the State Government Finances

(Reference: Paragraphs 1.1.1, 1.3 and 1.9.2; Pages 2, 14 and 51)

(₹ in crore)

	2010-11	2011-12	2012-13	2013-14	2014-15
Part A. Receipts					
1. Revenue Receipts	**58,206**	**69,806**	**78,176**	**89,542**	**1,04,142**
(i) Tax Revenue ++	**38,473(66)**	**46,476(66)**	**53,754(69)**	**62,603(70)**	**70,180(67)**
Taxes on Agricultural Income	9(-)	15(-)	22(-)	21(-)	20(-)
Taxes on Sales, Trade, etc.	20,235 (53)	25,020(54)	28,414(53)	33,719(54)	38,286(55)
State Excise	8,285(21)	9,776(21)	11,070(21)	12,828(21)	13,801(20)
Taxes on Vehicles	2,550 (7)	2957(6)	3,830(7)	3,911(6)	4,541(7)
Stamps and Registration fees	3,531(9)	4,623(10)	5,225(10)	6,189(10)	7,026(10)
Land Revenue	177(-)	215(-)	205(-)	199(-)	186(-)
Taxes on Goods and Passengers	1,526(4)	1,690(4)	2,181(4)	2,626(4)	3,038(4)
Taxes and Duties on Electricity	663(2)	654(2)	929(2)	897(2)	1,041(1)
Other Taxes on Income and Expenditure	550(1)	600(1)	693(1)	793(1)	868(1)
Other Taxes and Duties on Commodities and Services	947(3)	926(2)	1,185(2)	1,420(2)	1,373(2)
(ii) Non Tax Revenue ++	3,358(6)	4,087(6)	3,966(5)	4,032(5)	4,688(5)
(iii) State's share of Union taxes and duties	9,506(16)	11,075(16)	12,647(16)	13,808(15)	14,654(14)
(iv) Grants-in-aid from Government of India	6,869(12)	8,168(12)	7,809(10)	9,099(10)	14,620(14)
2. Miscellaneous Capital Receipts	**72**	**89**	**33**	**88**	**10**
3. Recoveries of Loans and Advances ++	**161**	**241**	**158**	**109**	**84**
4. Total Revenue and Non-debt capital receipts (1+2+3)	**58,439**	**70,136**	**78,367**	**89,739**	**1,04,236**
5. Public Debt Receipts	**6,714**	**9,358**	**13,465**	**17,287**	**21,874**
Internal Debt (excluding Ways and Means Advances and Overdrafts)	5,210(78)	8,091(86)	12,116(90)	16,132(93)	20,509(94)
Net transactions under Ways and Means Advances and Overdrafts	---	---	---	---	---
Loans and Advances from Government of India	1,504(22)	1,267(14)	1,349(10)	1,155(7)	1,365(6)
6. Total Receipts in the Consolidated Fund (4+5)	**65,153**	**79,494**	**91,832**	**1,07,027**	**1,26,110**
7. Contingency Fund Receipts	**---**	**13**	**1**	**---**	**---**
8. Public Account Receipts	**80,314**	**94,408**	**1,07,549**	**1,21,842**	**1,40,229**
9. Total Receipts of the State (6+7+8)	**1,45,467**	**1,73,915**	**1,99,382**	**2,28,869**	**2,66,339**
Part B. Expenditure/Disbursement					
10. Revenue Expenditure ++	**54,034**	**65,115**	**76,293**	**89,189**	**1,03,614**
Plan	***15,188(28)***	***18,567(29)***	***21,212(28)***	***26,970(30)***	***33,831(33)***
Non Plan	***38,846(72)***	***46,548(71)***	***55,081(72)***	***62,219(70)***	***69,783(67)***
General Services (including interest payments)	14,055(26)	16,445(25)	20,181(27)	24,954(28)	28,265(27)
Social Services	22,108(41)	25,172(39)	30,420(40)	32,622(36)	39,366(38)
Economic Services	14,892(28)	19,154(29)	21,674(28)	26,593(30)	29,971(29)
Grants-in-aid and contributions	2,979(5)	4,344(7)	4,018(5)	5,020(6)	6,012(6)
11. Capital Expenditure ++	**13,355**	**15,506**	**15,479**	**16,947**	**19,622**
Plan	***12,582(94)***	***14,922(96)***	***15,157(98)***	***16,620(98)***	***19,345(99)***
Non Plan	***773(6)***	***584(4)***	***322(2)***	***327(2)***	***277(1)***
General Services	465(3)	626(4)	590(4)	501(3)	618(3)
Social Services	2,617(20)	2,695(17)	2,916(19)	3,053(18)	4,181(21)
Economic Services	10,273(77)	12,185(79)	11,973(77)	13,393(79)	14,823(76)

	2010-11	2011-12	2012-13	2013-14	2014-15
12. Disbursement of Loans and Advances ††	**1,738**	**1,815**	**1,102**	**695**	**576**
Plan	***1,736***	***1,731***	***1,084***	***669***	***564***
Non Plan	***2***	***84***	***18***	***26***	***12***
General Services	---	---	---	---	---
Social Services	1,489	1,546	815	428	370
Economic Services	247	178	269	239	193
Miscellaneous Loans	2	91	18	28	13
13. Total Expenditure (10+11+12)	**69,127**	**82,436**	**92,874**	**1,06,831**	**1,23,812**
14. Repayments of Public Debt	**2,807**	**3,320**	**3,727**	**3,817**	**4,812**
Internal Debt (excluding Ways and Means Advances and Overdrafts)	1,916(68)	2,520(76)	3,030(81)	3,123(82)	4,033(84)
Net transactions under Ways and Means Advances and Overdraft	---	---	---	---	---
Loans and Advances from Government of India	891(32)	800(24)	697(19)	694(18)	779(16)
15. Appropriation to Contingency Fund	---	---	---	---	---
16. Total disbursement out of Consolidated Fund (13+14+15)	**71,934**	**85,756**	**96,601**	**1,10,648**	**1,28,624**
17. Contingency Fund disbursements	**13**	**1**	---	---	---
18. Public Account disbursements	**75,626**	**86,216**	**1,01,878**	**1,12,972**	**1,29,574**
19. Total disbursement by the State (16+17+18)	**1,47,573**	**1,71,973**	**1,98,479**	**2,23,620**	**2,58,198**
		Part C. Deficits			
20. Revenue Deficit(-)/ Revenue Surplus (+) (1-10)	**4,172**	**4,521**	**1,883**	**353**	**528**
21. Fiscal Deficit (-)/Fiscal Surplus (+) (4-13)	**10,688**	**12,470**	**14,507**	**17,092**	**19,576**
22. Primary Deficit (21-23)	**5,047**	**5,866**	**7,053**	**9,065**	**9,772**
Primary Surplus (23-21)	---	---	---	---	
		Part D. Other data			
23. Interest Payments (included in revenue expenditure)	**5,641**	**6,604**	**7,454**	**8,027**	**9,804 #**
24. Financial Assistance to local bodies etc.,	**19,041**	**23,934**	**27,178**	**32,611**	**38,747**
25. Ways and Means Advances/ Overdraft availed (days)					
Ways and Means Advances availed (days)	---	---	---	---	----
Overdraft availed (days)	---	---	---	---	----
26. Interest on Ways and Means Advances/ Overdraft	---	---	---	---	---
27. Gross State Domestic Product (GSDP)	**4,10,703**	**4,55,212**	**5,22,673**	**6,14,607**	**6,85,207**
28. Outstanding Fiscal liabilities (inclusive of off-budget borrowings)	**94,003**	**1,04,933**	**1,19,273**	**1,38,261**	**1,64,279**
29. Outstanding guarantees (year-end) (including interest)	**6,618**	**6,640**	**6,688**	**7,791**	**11,033**
30. Maximum amount guaranteed (year-end)	**19,150**	**13,262**	**14,306**	**16,145**	**16,869**
31. Number of incomplete projects	**388**	**344**	**348**	**326**	**362**
32. Capital blocked in incomplete projects	**1,203**	**1,047**	**773**	**645**	**1,144**
		Part E: Fiscal Health Indicators			
I Resource Mobilization					
Own Tax Revenue/GSDP	9.37	10.21	10.28	10.19	10.24
Own Non-Tax Revenue/GSDP	0.82	0.90	0.76	0.66	0.68

	2010-11	2011-12	2012-13	2013-14	2014-15
Central Transfers/GSDP	3.99	4.23	3.91	3.73	4.27
Non-tax revenue to Revenue Receipts	5.77	5.85	5.07	4.50	4.50
II Expenditure Management					
Total Expenditure/GSDP	16.83	18.11	17.76	17.38	18.07
Total Expenditure/Revenue Receipts	118.76	118.09	118.80	119.31	118.89
Revenue Expenditure/Total Expenditure	78.17	78.99	82.15	83.49	83.69
Expenditure on Social Services/Total Expenditure	37.92	35.68	36.77	33.80	35.47
Expenditure on Economic Services/Total Expenditure	36.76	38.23	36.52	37.65	36.33
Capital Expenditure/Total Expenditure	21.83	21.01	17.85	16.51	16.31
Capital Expenditure on Social and Economic Services/Total Expenditure.	21.16	20.14	17.20	16.02	15.80
III Management of Fiscal Imbalances					
Revenue Deficit (surplus)/GSDP	1.02	0.99	0.36	0.06	0.08
Fiscal Deficit/GSDP	2.60	2.74	2.78	2.78	2.86
Primary Deficit (surplus) /GSDP	1.23	1.29	1.35	1.47	1.43
Revenue Deficit/Fiscal Deficit	--	--	--	--	---
Primary Revenue Balance/GSDP	2.39	2.48	1.79	1.36	1.51
IV Management of Fiscal Liabilities					
Fiscal Liabilities (inclusive of off-budget borrowings)/GSDP	22.89	23.05	22.82	22.50	23.98
Fiscal Liabilities/RR	161.50	150.32	152.57	154.41	157.75
V Other Fiscal Health Indicators					
Return on Investment (Rupees in crore)	43.44	60.56	56.29	55.49	74.84
Balance from Current Revenue (₹ in crore)	14,748	17,219	16,741	21,364	23,374
Financial Assets/Liabilities	1.10	1.12	1.12	1.11	1.09

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

\# *includes expenditure on interest payment in respect of off-budget borrowings etc. under various service heads ₹400 crore borrowed through Special Purpose Vehicles – General Services (₹12 crore), Social Services (₹96 crore) and Economic Services (₹292 crore).*

†† *Non cash receipts and expenditure are as follows which are discussed in paragraph 1.3.1.1 indicated against each.*

Book Adjustments	Amount (₹ in crore)
Tax Receipts	2,280
Non Tax Receipts	134
Misc. Capital Receipts	6
Loan Receipts	17
Revenue Expenditure	2,368
Capital Expenditure	35
Loan Expenditure	34

Appendix 1.6

Details of Revenue Receipts collected

(Reference: Paragraph 1.3.1.2; Page 20)

(₹ in rupees)

Sl. No.	Particulars of Revenue received	2011-12	2012-13	2013-14	2014-15	Total
1	Pampa Vana Income	1,11,965	3,18,568	6,27,934	5,94,418	16,52,885
2	Cubbon Park Income	42,90,249	12,36,528	58,46,000	24,16,007	1,37,88,784
3	Kemmanagundi Income	23,98,019	12,34,687	16,14,427	13,61,555	66,08,688
4	Lalbagh Income	2,31,63,273	3,39,01,456	2,64,47,686	2,71,41,039	11,06,53,454
5	Nandi Hills Income	97,85,533	91,80,452	1,34,07,645	2,85,90,717	6,09,64,347
6	Ooty Income	9,14,891	2,15,450	0	1,50,300	12,80,641
7	Kadri Park Income	30,155	55,265	24,273	30,060	1,39,753
8	KRS Income	51,882	63,118	26,870	3,02,277	4,44,147
9	Tender Income	13,69,661	16,83,205	0	0	30,52,866
10	Flower show Stall Rent	0	12,71,000	10,81,000	28,99,830	52,51,830
11	Basavavana Income	0	0	1,11,085	61,530	1,72,615
12	Belagavi Income	0	0	1,07,806	2,05,507	3,13,313
13	Karjan Park Income	0	0	2,84,017	29,470	3,13,487
	Total	**4,21,15,628**	**4,91,59,729**	**4,95,78,743**	**6,37,82,710**	**20,46,36,810**
	TOTAL (in crores)	**4.21**	**4.91**	**4.96**	**6.38**	**20.46**

Source: Information furnished by Suvarna Karnataka Udyanavanagala Prathisthana

Appendix 1.7

Details of utilisation of grants in test checked ULBs during the year 2010-15

(Reference: Paragraph 1.3.4.11; Page 28)

(₹ in crore)

Name of the ULB	Total Grant released	Amount utilised	Balance	Percentage of utilisation
TP, Aurad	2.85	1.11	1.74	39
TMC, Bantwal	6.75	2.73	4.02	40
CMC, Basavakalyana	5.92	3.02	2.90	51
BBMP	381.37	60.54	320.83	16
TP Belthangadi	2.23	1.85	0.38	83
TMC, Bhalki	5.29	0.85	4.44	16
CMC, Bidar	14.86	5.52	9.34	37
TMC, Chittaguppa	4.32	2.06	2.26	48
CMC, Hassan	9.55	3.29	6.26	34
TMC, Humnabad	4.14	2.18	1.96	53
CC, Mangalore	33.99	5.08	28.91	15
TMC, Moodbidri	4.76	2.90	1.86	61
TP, Mulki	2.61	2.61	-	100
TMC, Puttur	6.83	3.77	3.06	55
TP, Sullia	3.49	1.33	2.16	38
TMC, Ullal	6.06	2.79	3.27	46
TMC, Aland	4.73	0.43	4.30	9
CC, Kalaburagi	38.35	10.15	28.20	26
TMC, Hunsur	6.38	1.73	4.65	27
TMC, Nanjangud	93.25	1.76	91.49	2
CC, Mysuru	60.05	17.84	42.21	30
CMC, Shahabad	4.88	1.65	3.23	34
TMC,Wadi	5.17	1.25	3.92	24
CC, Davangere	41.68	13.43	28.25	32
CC, Hubli-Dharwar	62.75	13.27	49.48	21
TP, Channagiri	3.49	1.66	1.83	48
TMC, Devanahalli	4.71	1.12	3.59	24
CMC, Doddaballapur	11.09	1.43	9.66	13
TMC, Harpanahalli	5.60	2.75	2.85	49
CMC, Harihara	12.60	0.98	11.62	8
TP, Honnali	3.44	1.22	2.22	35
TMC, Maddur	7.52	1.30	6.22	17
CMC, Mandya	19.51	4.71	14.80	24
TMC, Nagamangala	22.43	0.64	21.79	3
TMC, Nelamangala	3.92	1.68	2.24	43
TP, Pandavapura	7.01	0.91	6.10	13
TMC, Srirangapatna	11.68	2.83	8.85	24
Total	**925.26**	**184.37**	**740.89**	**20**

Appendix 1.8

Implicit Subsidies

(Ref: Paragraph 1.6.3; Page 38)

(₹ in crore)

Sl. No.	Head of Account	Scheme Description	2010-11	2011-12	2012-13	2013-14	2014-15
1	2401-00-103-0-15	Supply of seeds and other inputs	48.52	49.33	101.89	279.58	535.02
2	2401-00-105-0-27	Subsidy for Fertilizer Buffer stock	0.00	14.88	7.50	0.00	0.00
3	2401-00-108-1-15	Micro Irrigation	30.22	36.07	53.80	98.21	69.30
4	2401-00-108-2-30	Drip Irrigation	34.76	49.83	79.97	93.48	245.40
5	2401-00-111-0-02	New Agricultural Promotion Scheme	0.00	0.00	82.00	0.00	0.00
6	2405-00-103-0-20	Matsya Ashraya	0.00	0.00	9.00	12.00	11.43
7	2425-00-107-2-45	Interest subvention for Loans to SHG	0.00	0.00	4.00	2.50	0.00
8	2425-00-108-0-57	Yashaswini	30.00	30.00	35.00	45.00	71.95
9	3475-00-107-0-20	Minimum Floor Price Scheme	3.25	3.50	10.00	1.00	150.00
10	2235-02-102-0-25	Bhagya Lakshmi	557.64	486.09	755.40	353.42	339.87
11	2216-02-101-0-07	Vajpayee Urban Housing Scheme	0.00	177.00	85.00	108.25	100.00
12	2216-02-102-0-02	Housing for weaker section	35.00	33.00	40.00	25.00	10.00
13	2216-03-102-0-01	House sites for Landless	60.00	56.56	33.90	18.75	10.00
14	2216-03-104-0-01	Ashraya	0.00	0.00	1.98	229.22	647.13
15	2216-80-103-0-21, 2216-80-800-0-04	Indira Awas Yojana	69.00	130.85	218.10	50.00	428.00
16	2202-01-109-0-03	Vidya Vikasa Scheme	74.92	88.10	78.72	82.28	96.74
17	2202-02-107-0-05	Bicycles to VIII standard students	0.00	0.00	155.73	171.90	177.21
18	2851-00-103-0-62	Weavers package	38.40	50.52	52.40	99.23	70.69
19	2851-00-103-0-69	Weavers Package-KHDC	5.76	23.25	20.00	19.87	9.95
20	2852-80-800-0-43	Refund of sales tax to Eligible industries	60.58	40.99	25.00	0.00	0.00
Total			**1,048.05**	**1,269.97**	**1,849.39**	**1,689.69**	**2,972.69**

Source: Consolidated Abstract of major heads

Appendix 1.9

Financial position of departmentally managed Commercial/ Quasi Commercial Undertakings

(Reference: Paragraph 1.8.4; Page 46)

(₹ in crore)

Undertaking	Year upto which proforma accounts finalised	Mean capital	Total loss
Government Central Workshop, Madikeri	2008-09	0.07	0.14
Government Silk Factory, Kollegal	2012-13	2.08	1.63
Government Silk Factory, Mamballi	2013-14	2.59	1.71
Government Silk Twisting and Weaving Factory, Mudigundam	2012-13	1.63	0.74
Government Silk Factory, Chamarajanagar	2013-14	2.17	1.27
Government Silk Factory, Santhemarahalli	2013-14	1.93	1.45
Total		**10.47**	**6.94**

Source: Finance Accounts

Appendix 1.10

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

(Reference: Paragraph 1.8.5; Page 47)

(₹ in crore)

Sl. No.	Head of Account/Institutions	Arrears as on 31-03-2015	
		Principal	Interest
1	6215-01-190-2-86: Bangalore Water Supply and Sewerage Board	3,132.51	1,257.10
2	6215-01-190-1-00: Karnataka Urban Water Supply and Drainage Board	211.35	511.99
3	6216-02-201-1-00: Karnataka Housing Board	23.61	83.06
4	6217-60-191-1-03: Bangalore Development Authority (for repayment of HUDCO Loans)	17.17	25.78
5	6220-01-190-1-00: Karnataka State Film Industries Development Corporation	0.41	1.57
6	6401-00-113-0-02: Karnataka Agro Proteins Limited	0.70	3.30
7	6401-00-103-2-00: Karnataka State Seeds Corporation Limited	2.88	4.43
8	6401-00-103-3-00: Karnataka State Co-operative Oil Seeds Growers Federation	0.75	6.83
9	6852-02-190-3-00: Dandeli Steel and Ferro Alloys Limited	0.31	1.19
10	6858-01-190-3-00: Karnataka Implements and Machinery Company	1.10	4.54
11	6858-02-190-1-00: Electro Mobile India Limited	0.61	2.37
12	6858-02-190-0-01: Chamundi Machine Tools	0.18	0.23
13	6858-01-190-2-00: New Government Electric Factory	67.47	156.40
14	6859-01-190-0-01: Karnataka Telecommunication Limited	1.65	5.45
15	6851-00-200-0-00: Leather Industries Development Corporation	1.78	3.41
16	6853-02-190-1-00: Hutti Gold Mines Company Limited	0.30	1.53
17	6860-04-190-2-01: Mysore Sugar Company	20.00	10.13
18	6860-60-212-1-00: Karnataka Soaps and Detergents	2.25	14.25
19	6885-01-190-3-00: Karnataka State Finance Corporation	0.40	0.51
20	6860-60-600-3-00: Mysore Tobacco Company Limited	1.34	11.58
21	7452-80-190-1-00: Karnataka State Tourism Development Corporation	1.01	2.95
	Total	**3,487.78**	**2,108.60**

Source: Finance Accounts

Appendix 1.11

Summarised Financial Position of the Government of Karnataka as on 31 March 2015

(Reference: Paragraph 1.9.1; Page 49)

(₹ in crore)

As on 31.3.2014		Liabilities		As on 31.03.2015
76,428.08		**Internal Debt ***		**92,904.12**
	53,326.20	Market Loans bearing interest	69,418.79	
	0.71	Market Loans not bearing interest	0.71	
	286.73	Loans from Life Insurance Corporation of India	248.35	
	3,084.69	Loans from other Institutions	3,069.43	
	19,729.75	Loans from RBI – Special Securities issued to National Small Savings Fund of the Central Government.	20,166.84	
12,094.37		**Loans and Advances from Central Government**		**12,680.72**
	0.07	Pre 1984-85 Loans	0.07	
	67.95	Non-Plan Loans	61.98	
	12,050.01	Loans for State Plan Schemes	12,642.33	
	(-)5.41	Loans for Central Plan Schemes	(-)5.41	
	(-)18.25	Loans for Centrally Sponsored Plan Schemes	(-)18.25	
80.00		**Contingency Fund**		**80.00**
18,020.87		**Small Savings, Provident Funds, etc.**		**20,176.47**
17,014.82**		**Reserve Funds**		**18,562.31**
16,456.87		**Deposits**		**20,159.27**
9,492.78		**Suspense and Miscellaneous balances**		**12,774.82**
1,49,587.79		**Total**		**1,77,337.71**
		Assets		
1,36,422.34*		**Gross Capital Outlay on Fixed Assets**		**1,56,041.85@**
	55,051.19*	Investments in shares of Companies, Corporations, etc.	61,726.92@	
	81,371.15	Other Capital Outlay	94,314.93	
12,723.90		**Loans and Advances**		**13,216.23**
	1,397.92	Loans for Power Projects	1,439.19	
	11,299.10 ^	Other Development Loans	11,758.24	
	26.88	Loans to Government servants and Miscellaneous Loans	18.80	
488.30		**Remittances**		**520.42**
7.36		**Other Advances**		**7.36**
15,759.73		**Cash**		**23,900.90**
	---	Cash in treasuries		
	3.75	Departmental Cash Balance including Permanent Advances	3.78	
	86.21	Deposits with Reserve Bank of India	4.84	
	0.01	Remittances in Transit	0.01	
	10,973.07	Cash Balance Investments	17,962.31	
	4,696.69 #	Investment from earmarked funds	5,929.96	
(-)15,813.84 &		**Surplus on Government Accounts**		**(-)16,349.05**
	(-)15,413.88 **&**	Accumulated Surplus	(-)15,813.84	
	(-)352.96	Deduct Revenue Surplus	(-)527.86	
	---	Deduct Other adjustments	----	
	(-)47.00	Deduct Capital Receipts	(-)7.35	
1,49,587.79		**Total**		**1,77,337.71**

** figures vary on account of proforma increase of ₹3.19 crore without affecting the receipt and disbursement transactions for the year 2014-15 in respect of the following institutions:*

***(a)** Investments in 'Karnataka State Seeds Corporation Limited' increased proforma by ₹0.15 crore due to conversion of loan into equity.*

***(b)** Investments in 'Mahaboob Shahi Kalburgi Mills Limited' a unit of 'National Textiles Limited' decreased proforma, by ₹0.94 crore as it was declared as 'specific loss' by the Government and was adjusted per contra reduction of balance under 'Government Account'.*

***(c)** Investments in 'REMCO' decreased proforma by ₹1.02 crore in lieu of adjustment of purchase consideration received from BHEL during 1977-78 to 1984-85, was adjusted per contra reduction of balance under 'Government Account'.*

***(d)** Investments in 'Mysore Sales International Limited' increased proforma by ₹5.00 crore due to conversion of loan into equity.*

*** gross balance of 2013-14 increased by ₹1,129.52 crore due to increase in investments out of Infrastructure Initiative Fund (Expenditure booked under MH 5465- ₹422.15 crore and MH 4801- ₹500 crore and BMRCL Fund Expenditure booked under MH 6217 - ₹207.37 crore.*

@ Progressive capital expenditure under '4425-Capital outlay on Co-operation' by ₹2.79 crore, due to retirement of Government investments in share capital of co-operative institutions, proceeds of which stands accounted under 'Miscellaneous Capital Receipts' in 2014-15.

includes an amount of ₹1,129.52 crore shown as investments out of Reserve Funds pertaining to the year 2013-14.

*^ and & please refer footnote * above.*

<u>Explanatory Notes for Appendices 1.3 and 1.9:</u> 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 1.9, 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 ₹1.91 crore (debit) between the figures reflected in the Accounts - ₹4.84 crore (debit) and that intimated by the Reserve Bank of India under "Deposits with Reserve Bank"- ₹6.75 crore (credit). A net difference to the extent of ₹0.36 crore (credit) had been reconciled (June 2015) leaving a balance of net credit of ₹2.27 crore (debit) which was under reconciliation.

Appendix – 1.12

Statement showing inconsistent disclosures in MTFPs

(Reference: Paragraph 1.9.3.4; Page 55)

Sl. No		CB of MTFP 2012-16	OB of MTFP 2013-17	Difference	CB of MTFP 2013-17	OB of MTFP 2014-18	Difference	CB of MTFP 2014-18	OB of MTFP 2015-19	Difference
A)Education Department – Number of class rooms										
1.	Primary Education	2,12,860	2,08,644	4,216	2,14,414	2,14,414	0	2,14,475	2,11,191	3,284
2.	Secondary Education	20,892	20,892	0	21,438	21,438	0	24,658	24,457	201
3.	PU Education	2,287	0	2,287	252	4,818	4,566	4,948	4,948	0
B) Heath Department – Number of Hospital Buildings										
4	ANM Sub-Centres	8,871	8,871	0	8,871	5,428	3,443	5,681	5,681	0
5	PHC	2,310	2,353	43	2,353	1,840	513	1,995	1,995	0
6	CHC	180	188	8	188	162	26	172	172	0
7	TLH	146	146	0	146	105	41	107	107	0
8	DH	17	20	3	20	15	5	17	24	7
C) Public Works Department – Roads in Km, Bridges in numbers, Buildings –Residential and non-residential, Ports in numbers										
9	Roads									
	NH	4,491	4,491	0	4,491	4,489	0	4,688	4,689	1
	SH	20,770	20,774	4	20,791.87	20,748.75	43.12	20,748.75	20,774	25.25
	MDR	49,960	49,905	55	49,905.56	49,884.59	20.97	49,884.59	49,684	200.59
10	Bridges									
	SH	5,434	35,365	29,931	35,365	36,777	1,412	36,777	22,254	14,523
	MDR	10,211	79,859	69,648	79,859	86,849	6,990	86,849	60,963	25,886
11	Buildings									
	Residential	4,392	2,825	1,567	2,825	4,457	1,632	4,457	4,636	179
	Non-residential	5,026	3,784	1,242	3,784	5,286	1,502	5,286	5,410	124
12	Ports	10	10	0	10	10	1	09	11	2
D)Water Resources Department – Value of assets (₹ in crore)										
13	KBJNL	8,988	11,784	2,796	12,934	12,746	188	15,190	11,932	3,258
14	KNNL	5,818	11,833	6,015	13,701	13,550	151	15,053	15,465	412
15	CNNL	-	2,11,633	-	13,474	2,716	9,758	3,457	2,761	696
16	Irrigation Potential	25,61,252	26,89,402	1,28,150	27,43,145	26,13,680	1,29,465	26,75,522	26,75,522	0

Appendix – 1.13

Statement showing details of Government land as disclosed in MTFPs

(Reference: Paragraph 1.9.3.4; Page 55)

(₹ in crore)

Sl. No A	Division B	2012-16 C	2013-17 D	2014-18 E	Difference (C-E)
		Bengaluru			
1.	Bengaluru (U)	1,22,918	-	14,280	1,08,638
2.	Bengaluru (R)	89,370	-	19,459	69,911
3.	Ramanagara	1,82,656	-	964	1,81,692
4.	Chikkaballapura	2,63,858	98,861	98,861	1,64,997
5.	Tumakuru	5,43,062	-	5,289	5,37,773
6.	Shivamogga	7,67,558	1,78,258	4,32,057	3,35,501
7.	Davanagere	2,00,104	47,231	47,231	1,52,873
8.	Chitradurga	5,15,998	79,916	79,916	4,36,082
		Mysuru			
1.	Mysuru	1,66,145	1,475	1,475	1,64,670
2.	Hassan	1,72,333	59,812	990	1,71,343
3.	Mandya	1,44,274	-	2,972	1,41,302
4.	Chikkamagaluru	4,89,195	-	1,00,715	3,88,480
5.	Dakshina Kannada	3,64,843	217	272	3,64,571
6.	Kodagu	1,42,416	15,121	15,121	1,27,295
7.	Chamarajanagar	1,69,225	-	468	1,68,757
8.	Udupi	2,49,207	624	632	2,48,575
		Belagavi			
1.	Belagavi	98,958	-	43,267	55,691
2.	Dharwad	57,577	1,352	1,352	56,252
3.	Vijayapura	27,579	33,785	33,785	6,206
4.	Uttara Kannada	8,923	2,449	301	8,622
5.	Bagalkote	21,785	14,127	1,072	20,713
6.	Gadag	94,746	2,366	8,761	85,985
7.	Haveri	47,121	18,001	298	46,823
		Kalaburgi			
1.	Kalaburgi	77,908	78,935	65,603	12,305
2.	Ballari	5,55,020	65,916	65,916	4,89,104
3.	Raichur	86,746	-	14,904	71,842
4.	Bidar	31,675	19,180	17,481	14,194
5.	Koppal	1,11,360	14,639	95	1,11,265
6.	Yadgir	31,922	44,988	782	31,140

Appendix – 1.14

Statement showing the additional interest liability due to investing SDL funds in 91 day TBs

(Reference: Paragraph 1.9.3.7; Page 59)

Month	Borrowings			TB investment			Differential interest rate (%)	Additional interest liability (in ₹)
	Date of borrowing	Amount (in crores of ₹)	Rate of interest (%)	Date of investment	Amount (in crores of ₹)	Rate of interest (%)		
2013-14								
10/2013	23.10.2013	2,000	9.39	30.10.2013	2,000	8.60	0.79	3,93,91,780
12/2013	03.12.2013	3,000	9.39	11.12.2013	2,000	8.77	0.62	3,09,15,068
12/2013	17.12.2013	1,200	9.50	24.12.2013	3,000	8.65	0.85	2,54,30,136
Total (A)								**9,57,36,984**
2014-15								
5/2014	27.05.2014	1,500	9.14	04.06.2014	1,500	8.52	0.62	2,31,86,301
6/2014	24.06.2014	1,000	9.01	25.06.2014	1,000	8.52	0.49	1,22,16,438
7/2014	22.07.2014	2,000	8.97	30.07.2014	2,500	8.60	0.37	1,84,49,315
9/2014	09.09.2014	2,000	9.04	17.09.2014	1,500	8.60	0.44	1,64,54,794
10/2014	28.10.2014	3,000	8.73	29.10.2014	2,000	8.39	0.34	1,69,53,424
11/2014	25.11.2014	2,500	8.45	26.11.2014	2,500	8.27	0.18	1,12,19,178
Total (B)								**9,84,79,450**
Grand Total (A) + (B) = 19,42,16,434								

Appendix – 1.15

Statement showing percentage of provision for Plan Expenditure in the Supplementary Provision

(Reference: Paragraph 1.9.3.14; Page 63)

(₹ in crore)

Year	Total Original Budget Estimates (BE)	Total provision made in the Supplementary Estimates (SE)	Percentage of SE to BE	Provision towards Plan in Supplementary Estimates	Percentage of Plan provision in Supplementary Estimates
2012-13	1,07,705	18,690	17.35	10,294	55
2013-14	1,25,116	12,198	9.75	8,759	72
2014-15	1,41,600	12,337	8.7	7,320	59

Appendix 2.1

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

(Reference: Paragraph 2.2.6 ; Page 85)

(₹ in crore)

Sl No	Grant No/Nomenclature	No. of Cases	Amount
1	1 – Agriculture and Horticulture	10	658.39
2	2 - Animal Husbandry and Fisheries	07	8.63
3	4 – Department of Personnel and Administrative Reforms	11	7.61
4	5 - Home and Transport	08	159.68
5	6 – Infrastructure Development	01	1.04
6	7 – Rural Development and Panchayat Raj	11	560.90
7	8 – Forest Ecology and Environment	03	17.05
8	9 – Co-Operation	04	343.53
9	10 – Social Welfare	05	2.69
10	11 – Women and Child Development	01	2.92
11	12 – Information, Tourism and Youth Services	04	6.95
12	14 – Revenue	04	342.93
13	15 – Information Technology	02	9.00
14	16 – Housing	02	56.43
15	17 – Education	02	56.80
16	18 – Commerce and Industries	02	18.42
17	20 – Public Works	03	500.24
18	21 – Water Resources	02	131.88
19	22 – Health and Family Welfare	18	114.66
20	23 – Labour	03	5.66
21	24 – Energy	01	2.12
22	25 – Kannada and Culture	04	13.15
23	26 – Planning, Statistics, Science and Technology	01	0.16
24	27 – Law	02	1.45
25	29 – Debt Servicing	01	0.04
	Total	**112**	**3,022.33**

Appendix 2.2

Errors in Budgeting

(Reference: Paragraph; 2.3.1.2 Page 86)

(₹ in crore)

Sl. No.	Grant	Head of Account	Amount involved	Error
1	**3-Finance**	2049-60-701-0-01-240 Debt Servicing	2.50	Provision made erroneously under MH 2049 - interest for delay in repayment of Sales Tax/VAT
2	**17-Education**	2202-03-103-2-10-240 Debt Servicing	5.62	Provision of funds were erroneously made under MH 2202 and 4202 towards debt servicing of off-budget borrowing entity (Sarva Shiksha Abhiyan) where no amount of loan was outstanding.
3		4202-01-203-1-03-240 Debt Servicing	2.96	
4	**18-Commerce and Industries**	2851-00-797-0-01-261 Inter Account Transfers	78.63	Provision of funds was made erroneously instead of Grant No.1.
5	**20 – Public Works**	2216-01-700-1-01-261 Inter Account Transfers	0.91	Under Major Head-2215 wherein non-existent Sub-Major Head (01) and Minor Head (700) continued to be incorporated in Budget Estimates.
6	**29-Debt Servicing**	2049-01-200-1-01-240 Debt Servicing	0.10	Provision made erroneously under MH 2049 instead of under MH 2075 contrary to the instructions contained in Note(1) below – 2049.
Total			**90.72**	

Appendix 2.3

Major heads of account under which provision of ₹ 25 crore and above remained unspent

(Reference: Paragraph 2.6.1; Page 91)

(₹ in crore)

Sl. No.	Grant No.	Head of Account		Unspent Provision
1	1	2401-2-108-1	Agriculture Department	31.42
2		2401-2-109-21	Farm related activities	26.95
3		2401-2-119-4	Development of Farms and Nurseries	532.33
4		2402-102-28	Sujala Watershed Project III EAP	60.52
5		2402-102-30	Integrated Watershed Management Programme	556.62
6		2851-107-01	State Sericulture Industries	81.47
7	2	2404-191-2	Karnataka Milk Federation	47.40
8	3	2039-001-01	Commissioner for Excise and Other Establishments	34.63
9		2070-800-11	Filling up of vacant posts	1,361.80
10		2071-01-115-1	General Services	33.48
11		2071-01-115-2	Social Services	30.82
12	4	2015-105-01	General Elections to Parliament	38.92
13		2052-090-01	Karnataka Government Secretariat	38.42
14		2575-60-265-03	Article 371J –Hyderabad Karnataka Region Development	75.00
15		3451-090-2	Information Technology Secretariat	103.63
16		4575-60-800-02	Article 371J –Hyderabad Karnataka Region Development	225.00
17	5	2055-113-03	Karnataka Police Housing Corporation-Police Quarters	32.73
18		2055-115	Modernization of Police Force	123.06
19	6	5465-01-190-1	Investment in Infrastructure	57.55
20	7	2215-01-196-2	Zilla Panchayats	75.00
21		2501-01-198-6	Village Panchayats CSS/CPS	130.23
22		2515-101-80	Karnataka Panchayat Strengthening Project -Grama Swaraj–EAP	32.40
23		2515-196-1	Zilla Panchayats	100.72
24		2515-196-6	Zilla Panchayats CSS/CPS	74.57
25		2515-197-1	Taluk Panchayats	206.96
26		2515-197-6	Taluk Panchayats CSS/CPS	117.16
27		2515-198-6	Gram Panchayats CSS/CPS	410.04
28		2575-02-196-1	Zilla Panchayats	65.47
29		3054-04-337-1	Rural Road Works	223.65
30		4215-01-102-9	Capital release to Gram Panchayat	159.06
31	8	2406-01-001-2	Executive Establishments	31.61
32		2406-01-797-01	Transfer of Forest Development Tax to Karnataka Forest Development Fund	175.00
33		2406-01-800-15	Long term measures to address man animal conflict	25.37
34	10	2225-02-197-1	Taluk Panchayats	30.73
35		2225-02-197-6	Taluk Panchayats – CSS/CPS	30.62
36		2225-02-794-01	Development of Particularly Vulnerable Tribal Groups	30.00
37		4225-01-190-01	Dr.B.R.Ambedkar Development Corporation	25.65

Sl. No.	Grant No.	Head of Account		Unspent Provision
			Limited	
38		4225-01-277-2	Construction	276.12
39	11	2236-02-197-6	Taluk Panchayats – CSS/CPS	202.13
40		4235-02-102-01	Construction of Anganwadi Buildings	39.02
41	12	5452-01-800-14	Tourist infrastructure at various places	29.86
42		5452-03-101-05	Implementation of Karnataka Tourism Vision Group recommendations	35.00
43	13	2408-01-102-01	Food subsidies – Differential cost of food grains	1831.72
44	14	2029-101-1	Revenue Divisions	42.38
45		2053-093-1	Deputy Commissioners	25.46
46		2053-093-7	Taluk Establishments	60.22
47		2245-05-101-06	State's Additional Contribution to SDRF	243.73
48		2245-80-102-01	Relief Operation	779.64
49		2506-101-5	Other Schemes	43.13
50		2506-103-02	National Land Records Management Programme(NLRMP)	40.00
51		4059-80-051-30	Construction of Mini Vidhana Soudha and Sub-Registrar's Offices	27.52
52	16	2216-03-104-01	Repayment Ashraya Loan and Payment of Interest	77.03
53		2216-80-198-6	Gram PanchayatsCSS/CPS	534.11
54		4216-80-190-04	Repayment of Ashraya Loan(Principal)- RGRHC	66.53
55	17	2202-01-115-01	Sarva Shiksha Abhiyana Society	960.75
56		2202-02-109-13	Junior Colleges	175.38
57		2202-02-109-21	RashtriyaMadhyamikaShikshana Abhiyan (RMSA)	75.33
58		2202-02-110-3	Assistance to Non-Government Secondary Schools(State Sector Schemes)	81.83
59		2202-03-103-1	Government Colleges of Education	144.95
60		2202-03-103-2	Other Government Colleges	207.38
61		2202-03-104-1	Collegiate Education	145.30
62		2202-80-003-05	Computer Literacy Awareness in Secondary Schools (CLASS)	85.29
63		2202-80-800-35	GIA in Education	150.00
64		2203-800-15	Quality Improvement of Technical Education	79.58
65		4202-01-202-1	Buildings	42.87
66		4202-01-203-1	Buildings	387.42
67	19	2217-05-191-1	Bangalore Metropolitan Regional Development Authority	295.97
68		3604-191-2	Other Devolution	65.43
69		3604-191-3	Mukhya Manthrigala Nagarotthana Yojane	144.50
70		3604-191-6	Rajiv Awas Yojana	80.48
71		3604-191-7	XIII Finance Commission Grants	253.51
72		3604-192-09	National Urban Livelihood Mission- State Scheme	25.00
73		3604-192-1	Entry tax devolution	72.33
74		3604-192-2	Other Devolution	113.88
75		3604-192-10-5	Swarna Jayanthi Shahari Rojgar Yojana	36.76

Sl. No.	Grant No.	Head of Account		Unspent Provision
76		4215-02-190-03	Karnataka Urban Water Supply Modernization Project-EAP	30.00
77		4217-60-800-01	Bus Rapid Transit System, Hubballi-Dharwad-EAP	50.00
78		4217-60-800-01-5	Equity in BMRCL	97.97
79		6217-60-800-04	Loans for BMRCL	166.92
80	20	2059-80-053-4	Repairs, Maintenance and Minor Alterations to various Departmental Building	35.24
81		2059-80-799-1	Debits	149.32
82		2059-80-800-06	Administration of Sand Mining	42.69
83		3054-80-190-01	KRDCL Debt Servicing-Interest	26.00
84		4059-80-051-29	Departmental Buildings	34.76
85		4059-80-051-32	Court Buildings	112.85
86		4216-01-700-2	Construction	86.95
87		5054-03-337-16	State Highways Bridges	26.05
88		5054-03-337-84	Karnataka State Highways Improvement Project (KSHIP)-II- EAP	202.98
89		5054-03-337-86	Karnataka State Highways Improvement Project (KSHIP)-II-(ADB)-EAP	274.05
90		5054-80-190-01	Karnataka State Roads Development Corporation	45.00
91		7615-200-2	Miscellaneous Loans	76.62
92	21	2701-80-190-01	Assistance to Krishna Bhagya Jala Nigama Limited (KBJNL)	314.78
93		2701-80-190-02	Assistance to Karnataka Neeravari Nigama Limited	121.88
94		2705-102-01	Land Reclamation and Ayacut Roads	39.85
95		2705-202-01	Malaprabha & Ghataprabha projects	28.81
96		2701-80-190-01	Assistance to Krishna Bhagya Jala Nigam Limited	103.79
97		2701-80-190-02	Assistance to Karnataka Neeravari Nigam Limited	61.75
98		4701-73-800-01	Upper Krishna Project – AIBP	214.65
99		4701-80-800-01	New Schemes	89.12
100		4702-101-1	Water Tanks, Construction of new water tanks, pick-ups etc.,	182.24
101		4702-101-3	Lift Irrigation Schemes	48.36
102		4702-101-5	Barrages	32.39
103		4705-800-01	CADA-SDP	122.37
104	22	2210-01-110-1	Hospitals attached to teaching institutions	58.26
105		2210-03-800-18	National Rural Health Mission	566.64
106		2210-03-800-19	National Urban Health Mission	67.41
107		2210-05-101-1	Education	26.93
108		2210-06-101-7	Other Diseases	50.62
109		2210-80-800-17	Comprehensive Maternal Health Care(Thayi Bhagya)	32.80
110		4210-01-110-1	Buildings	156.80
111	23	2230-01-103-7	Labour Welfare Board	45.11

Sl. No.	Grant No.	Head of Account		Unspent Provision
112		2230-02-001-01	Director of Employment and Training	89.70
113		2230-03-101-35	New ITI's in 10 Taluks	40.91
114	24	4801-80-190-02	Investment in ESCOMs for Niranthara Jyothi Works	50.00
115		6801-205-1	Loans to Karnataka Power Transmission Corporation Limited (KPTCL)	42.41
116	29	2048-101-4	Consolidated Sinking Fund	500.00
117		2049-04-101	Interest on loans for State/ Union territory plan schemes	133.04
118		6003-110-1	Clean and secured ways and means advances	1,500.00
119		6003-110-2	Overdraft with Reserve Bank of India	500.00
120		6004-02-101-01	Normal assistance	50.84
Total				**20,142.39**

Source: Appropriation Accounts

Appendix 2.4

Major heads of account under which excess expenditure was above ₹ 25 crore

(Reference: Paragraph 2.6.3; Page 94)

(₹ in crore)

Sl. No.	Grant No.	Major Head	Area	Total Provision	Re-appropriation	Total	Expenditure	Excess
1	**5**	2055	Police	12.69	(-)4.81	7.88	39.87	31.99
		118	Special Protection Group					
		01	Karnataka State Industrial Security Force(KSISF)unit					
2	**8**	2406	Forestry and wildlife	450.00	0.00	450.00	638.79	188.79
		01	Forestry					
		797	Transfer to reserve fund/ Deposit account					
		01	Transfer of Forest Development Tax to Karnataka Forest Development Fund					
3	**11**	2235	Social Security and Welfare	628.70	0.00	628.70	687.16	58.46
		02	Social Welfare					
		101	Welfare of Handicapped					
		20	Monthly financial assistance to physically challenged and the disable poor					
4	**14**	2235	Social Security and Welfare	990.70	0.00	990.70	1,068.40	77.70
		60	Other Social Security and Welfare Programmes					
		001	Direction and Administration					
		02	New Social Security (Sandhya Suraksha)					
5		2235	Social Security and Welfare	649.11	0.00	649.11	800.83	151.72
		60	Other Social Security and Welfare Programmes					
		102	Pensions under Social Security Schemes					
		2	Pension to Destitute widows					
6		2245	Relief on account of Natural Calamities	0.00	0.00	0.00	37.00	37.00
		01	Drought					
		102	Drinking Water Supply					
7		2245	Relief on account of Natural Calamities	0.00	0.00	0.00	628.73	628.73
		01	Drought					
		800	Other expenditure					
		1	Other miscellaneous expenditure and relief items					
8		2245	Relief on account of Natural Calamities	0.00	0.00	0.00	100.95	100.95
		02	Floods, Cyclones, etc.,					
		110	Assistance for Repairs and restoration of damaged water supply, drainage and sewerage works					
		01	Flood Relief-Repairs of flood damages and rescue					
			Total	**2,731.20**	**(-) 4.81**	**2,726.39**	**4,001.73**	**1,275.34**

Appendix 2.5

Cases of New Service/New Instrument of Service

(Reference: Paragraph; 2.6.6 Page 95)

(₹ in crore)

Sl. No.	Grant No./ Nomenclature	Head of Account/ Nomenclature	Total Grant	Expenditure	Excess
1	**1 –Agriculture and Horticulture**	2851-00-797-00-01-261 Inter Account Transfer	0.00	97.10	97.10
2	**3 - Finance**	2071-01-104-2-07-251 Pension and Retirement Benefits	0.50	3.10	2.60
3	**5 – Home and Transport**	2055-00-101-0-03-071 Building Expenses	0.52	1.96	1.44
4		2055-00-118-0-01-003 Pay-Staff	3.78	26.13	22.35
5		2055-00-118-0-01-011 Dearness Allowances	1.07	6.32	5.25
6		2055-00-118-0-01-014 Other Allowances	1.47	4.76	3.29
7	**17 - Education**	2202-01-107-1-09-002 Pay-Officers	0.48	1.65	1.17
8	**21- Water Resources**	2701-80-005-1-01-003 Pay – Staff	3.19	14.99	11.80
9	**23 – Labour**	2230-03-101-1-35-014 Other Allowances	0.45	2.04	1.59
10	**27 – Law**	2014-00-103-0-01-002 Pay-Officers	0.13	2.17	2.04
11		2014-00-103-0-01-011 Dearness Allowance	0.12	2.28	2.16
		TOTAL	**11.71**	**162.50**	**150.79**

Appendix 2.6

Unnecessary Supplementary Provision
(More than ₹ one crore)
(Reference: Paragraph 2.6.7; Page 97)

(₹ in crore)

Sl. No.	Grant No./ Nomenclature	Head of Account	Provision			Expen-diture	Unspent Provision
			Original	Supple-mentary	Total		
1	1-Agriculture & Horticulture	2401-00-103-0-21-059 Other Expenses	0	8.50	8.50	0	8.50
2		2401-00-800-1-67-059 Other Expenses	0	4.00	4.00	0	4.00
3		2851-00-107-1-45-059 Other Expenses	0	15.54	15.54	0	15.54
4	2-Animal Husbandry & Fisheries	2403-00-197-1-01-300 Lumpsum Zilla Panchayats	0	11.01	11.01	0	11.01
5		2404-00-191-1-17-106 Subsidies	623.70	4.00	627.70	620.30	7.40
6	4-DPAR	2052-00-800-0-04-059 Other Expenses	0	10.00	10.00	0	10.00
7	6-Infrastructure Development	5465-01-190-1-05-211 Investment	30.00	1.04	31.04	23.37	7.67
8	7-Rural Development & Panchayat Raj	2215-02-105-0-01-240 Debt Servicing	14.40	14.40	28.80	3.70	25.10
9		2515-00-196-6-09-300 Lumpsum Zilla Panchayats	54.28	42.00	96.28	42.00	54.28
10		2515-00-197-1-10-300 Lumpsum Zilla Panchayats	335.00	1.88	336.88	145.61	191.27
11		2515-00-197-6-09-300 Lumpsum Zilla Panchayats	108.56	83.99	192.55	83.99	108.56
12		2515-00-198-1-11-300 Lumpsum Zilla Panchayats	0	14.61	14.61	0	14.61
13		2515-00-198-6-09-300 Lumpsum Zilla Panchayats	379.94	293.97	673.91	293.97	379.94
14	9-Co-operation	6416-00-190-1-01-395 Loans to Public Sector Units	3.04	8.00	11.04	3.04	8.00
15	10-Social Welfare	2225-02-197-1-01-300 Lumpsum Zilla Panchayats	0	30.60	30.60	0	30.60
16	11-Women & Child Development	2235-02-102-0-40-059 Other Expenses	7.64	10.30	17.94	5.12	12.82
17	12-Information, Tourism & Youth Services	3452-80-104-0-01-423 Tribal Sub Plan	7.05	3.61	10.66	6.97	3.69
18	14-Revenue	2235-60-102-1-05-251 Pension and Retirement Benefits	0	2.75	2.75	0	2.75
19		2506-00-101-5-10-125 Modernization	10.00	26.72	36.72	0	36.72
20	18-Commerce & Industries	4860-05-190-0-01-211 Investment	20.00	16.44	36.44	6.60	29.84
21		6852-02-800-0-01-394 Loans	50.00	50.00	100.00	44.99	55.01
22		6860-01-101-0-07-394 Loans	0	2.92	2.92	0	2.92
23		2210-80-800-1-18-101	2.99	10.93	13.92	0	13.92

Sl. No.	Grant No./ Nomenclature	Head of Account	Provision			Expen-diture	Unspent Provision
			Original	Supple-mentary	Total		
	22- Health & Family Welfare	G I A Salaries					
24		2210-80-800-0-18-195 Transport Expenses	0	14.70	14.70	0	14.70
25		2210-80-800-0-18-200 Maintenance	0	5.82	5.82	0	5.82
		Total	**1,646.60**	**687.73**	**2,334.33**	**1,279.66**	**1,054.67**

Appendix 2.7

Excessive Supplementary Provision

(All selected grants more than ₹ one crore)

(Reference: Paragraph; 2.6.8 Page 97)

(₹ in crore)

Sl. No.	Grant No./ Nomenclature	Head of Account	Provision Original	Provision Supplementary	Provision Total	Expenditure	Unspent Provision
1	1 – Agriculture and Horticulture	2401-00-102-0-07-051 General Expenses	6.80	13.60	20.40	11.79	8.61
2		2401-00-800-1-40-059 Other Expenses	193.25	407.53	600.78	571.35	29.43
3		2401-00-800-1-53-059 Other Expenses	1.10	20.75	21.85	7.41	14.44
4		2401-00-800-1-57-059 Other Expenses	147.31	56.67	203.98	181.13	22.85
5		2851-00-107-1-48-106 Subsidies	53.38	24.95	78.33	75.37	2.96
6	3 – Finance	2071-01-101-3-01-251 Pensions & Retirement Benefits	5,749.88	280.75	6,030.63	5,995.36	35.27
7	7 – Rural Development and Panchayat Raj	2515-00-196-6-10-300 Lump sum-Zilla Panchayat	79.74	33.70	113.44	109.14	4.3
8		2515-00-197-6-10-300 Lump sum-Zilla Panchayat	159.48	67.41	226.89	218.29	8.6
9		2515-00-198-6-10-300 Lump sum-Zilla Panchayat	558.18	235.92	794.10	764.00	30.10
10		4215-01-102-9-01-059 Other Expenses	445.81	200.00	645.81	601.85	43.96
11		4702-00-101-1-14-132 Capital Expenses	3.79	51.53	55.32	37.38	17.94
12	10 – Social Welfare	2225-01-197-1-01-300 Lump sum-Zilla Panchayat	0	43.54	43.54	26.66	16.88
13		2225-01-793-0-00-059 Other Expenses	100.00	32.69	132.69	108.28	24.41
14	11 – Women and Child Development	4235-02-102-0-02-133 Special Development Plan	18.00	20.25	38.25	35.05	3.20
15	15 – Information Technology	3425-60-600-0-03-059 Other Expenses	10.00	10.00	20.00	15.00	5.00
16	17 – Education	2202-01-197-1-01-467 Yadgir	60.87	67.98	128.85	123.33	5.52
17		2202-01-197-1-01-457 Udupi	103.47	21.39	124.86	117.16	7.70
18		2202-02-109-0-17-051 General Expenses	1.25	4.00	5.25	2.60	2.65
19		2202-02-197-1-01-414 Vijayapura	29.52	19.45	48.97	43.76	5.21
20		4202-01-203-1-01-139 Major Works	1.51	30.00	31.51	11.95	19.56
21		4202-01-203-1-07-386 Construction	0	5.83	5.83	3.11	2.72

22	18 –Commerce and Industries	4860-04-004-0-01-172 Roads	16.53	20.00	36.53	21.79	14.74
23		5465-02-190-0-03-211 Investment	0	15.09	15.09	6.26	8.83
24	19 – Urban Development	3604-00-191-7-18-101 GIA Salaries	108.75	33.22	141.97	136.04	5.93
25		3604-00-191-7-51-101 GIA Salaries	240.00	104.03	344.03	330.74	13.29
26	20 – Public Works	3054-03-337-0-06-200 Maintenance	239.04	32.18	271.22	264.89	6.33
27	22 – Health and Family Welfare	4210-01-110-1-01-059 Other Expenses	5.00	1.00	6.00	4.22	1.78
28	23 – Labour	2230-03-101-0-26-125 Modernization	1.92	5.52	7.44	2.97	4.47
Total			**8,334.58**	**1,858.98**	**10,193.56**	**9,826.88**	**366.68**

Appendix 2.8

Inadequate Supplementary Provision
(Reference: Paragraph; 2.6.9 Page 97)

(₹ in crore)

Sl. No.	Grant No.	Head of Account	Provision			Expenditure	Excess uncovered
			Original	Supplementary	Total		
1	**1-Agriculture & Horticulture**	2406-02-112-17 Horticulture Parks and Gardens	8.00	2.00	10.00	10.47	0.47
2	**10- Social Welfare**	2225-01-196-1 Zilla Panchayat	246.17	1.01	247.18	248.73	1.55
3		2225-03-800-07 Bidaai	20.00	10.00	30.00	30.55	0.55
5	**11-Women and Child Development**	2235-02-101-20 Monthly Financial Assistance to Physically Challenged and the disabled	556.00	72.70	628.70	687.16	58.46
6	**14-Revenue**	2235-60-001-02 New Social Security (Sandhya Suraksha)	915.00	75.70	990.70	1,068.40	77.70
7		2235-60-102-2 Pension to Destitute Widows	599.85	49.26	649.11	800.83	151.72
8	**28-Parliamentary Affairs and Legislation**	2011-02-103-1 Legislative Assembly Secretariat	24.54	1.71	26.25	26.58	0.33
		Total	**2,369.56**	**212.38**	**2,581.94**	**2,872.72**	**290.78**

Appendix 2.9

Injudicious re-appropriation of funds

(Reference: Paragraph; 2.6.10 Page 97)

(₹ in crore)

Sl. No.	Grant No.	Head of Account	Provision (Original + Supplementary)	Re-appro priation	Total	Expenditure	Excess (+)/ Unspent provision(-)
1	1	2401-00-119-4-06-059 Other Expenses	490.67	1.82	488.85	87.41	401.44
2	3	2070-00-800-0-11-014 Other Allowances	1,361.80	1,181.28	180.52	0.02	180.50
3	5	5055-00-050-0-04-059 Other Expenses	11.00	3.00	8.00	0	8.00
4	6	5465-01-190-1-20-211 Investment	25.00	9.13	15.87	0	15.87
5	7	3054-04-337-1-12-423 Tribal Sub Plan	162.93	39.63	123.30	97.07	26.23
6	10	2225-03-277-2-53-059 Other Expenses	73.22	15.70	57.52	51.37	6.15
7	13	2408-01-102-0-04-125 Modernization	17.80	0.50	17.30	10.34	6.96
8	17	2202-02-109-0-21-059 Other Expenses	316.79	8.42	308.37	273.01	35.36
9	17	2202-02-110-3-01-101 G.I.A Salaries	529.61	8.70	520.91	447.78	73.13
10	17	2202-03-108-1-06-101 G.I.A. Salaries	175.00	148.79	26.21	0	26.21
11	17	2202-80-003-01-05-059 Other Expenses	56.29	9.44	46.85	12.73	34.12
12	18	2851-00-102-0-69-106 Subsidies	100.00	0.75	99.25	86.80	12.45
13	18	2852-80-102-0-02-125 Modernization	17.00	2.08	14.92	8.38	6.54
14	20	2059-80-053-4-00-200 Maintenance	285.00	19.83	265.17	250.22	14.95
15	20	2216-01-700-3-01-200 Maintenance	135.00	12.54	122.46	115.29	7.17
16	20	4059-80-051-0-29-386 Constructions	116.00	27.58	88.42	81.24	7.18
17	20	4216-01-700-2-24-386 Constructions	134.00	3.42	130.58	108.62	21.96
18	21	4701-73-800-0-01-139 Major Works	1,030.72	123.50	907.22	894.26	12.96
19	22	4210-01-110-1-87-139 Major Works	70.00	12.00	58.00	48.44	9.56
		Total	**5,107.83**	**(-)1,628.11**	**3,479.72**	**2,572.98**	**(-)906.74**
1	5	2055-00-109-1-01-041 Travel Expenses	42.00	10.00	52.00	55.72	3.72
		Total	**42.00**	**(+)10.00**	**52.00**	**55.72**	**(+)3.72**
1	6	5465-01-190-3-05-211 Investments	242.00	32.01	274.01	265.02	8.99
2	10	2225-03-277-2-51-059 Other Expenses	104.19	15.70	119.89	111.57	8.32
3	17	2202-01-197-1-01-413 Belagavi	799.59	2.08	801.67	673.99	127.68

Sl. No.	Grant No.	Head of Account	Provision (Original + Supplementary)	Re-appro priation	Total	Expenditure	Excess (+)/ Unspent provision(-)
4	17	2202-01-197-1-01-419 Bidar	268.95	3.02	271.97	250.17	21.80
5	17	2202-02-109-0-13-059 Other Expenses	9.52	3.00	12.52	8.97	3.55
6	17	2202-03-104-1-01-101 G.I.A Salaries	1,002.66	64.89	1,067.55	864.11	203.44
7	17	2202-03-104-2-01-101 G.I.A. Salaries	41.56	1.18	42.74	38.47	4.27
8	20	3054-03-337-0-05-200 Maintenance	255.00	8.23	263.23	258.75	4.48
9	20	3054-04-337-1-10-200 Maintenance	300.00	25.04	325.04	320.02	5.02
10	20	5054-03-101-0-02-132 Capital Expenses	42.00	10.37	52.37	43.30	9.07
11	20	5054-03-337-0-16-154 Improvements	438.62	10.00	448.62	440.42	8.20
12	20	5054-03-337-0-16-160 Renewals	75.00	8.69	83.69	76.28	7.41
13	20	5054-04-337-0-01-160 Renewals	187.24	32.19	219.43	173.76	45.67
14	20	5054-04-337-0-01-154 Improvements	1,109.75	46.08	1,155.83	1,147.25	8.58
		Total	**4,876.08**	**(+)262.48**	**5,138.56**	**4,672.08**	**(-)466.48**
1	28	2011-02-102-0-05-059 Other Expenses	1.21	0.35	0.86	1.21	(+)0.35
		Total	**1.21**	**(-)0.35**	**0.86**	**1.21**	**(+)0.35**

Appendix 2.10

Cases of Defective Re-appropriation Orders

(Ref: Paragraph: 2.6.11 Page 98)

Sl No	Gr. No	G.O. order Number	Date	Amount (₹ in crore)	Issuing Authority	Reasons for rejection
1	01	KRUE/E/85	19.11.2014	0.40	Under Secretary to Government, Agriculture Dept.	Re-appropriation order rejected as Form.22A not Self Balanced/ incomplete
2	01	TOE 172 2015	13.03.2015	0.32	Under Secretary to Government, Horticulture Department	Amounts noted in the RA statement not matching with original budget Provision
3	02	PASAMI 53	13.03.2015	0.32	Secretary to Government Animal Husbandry &Fisheries Department, Vikasa Soudha	Re-appropriation order rejected as Form.22A not Self Balanced/ incomplete
4	03	FPI/Lekka/23/14-15/	19.03.2015	0.02	Director, Fiscal Policy Institute	
5	03	ADT/BUD. Releases/14-15	18.02.2015	0.05	Commissioner Commercial Taxes, K.G.Road	
6	04	RCK/ACCTS/BUD9/2013-14	31.03.2015	44.16	Resident Commissioner, Karnataka Bhavan	No sanction order & Not having full Classification
7	07	RDPR/222/AFN/2015	10.03.2015	0.50	Additional Chief Secretary Government of Karnataka, R.D.P.R Department	Re-appropriation order rejected as Form.22A not Self Balanced/ incomplete
8	07	RDPR/4/GRAMUSOU/2015	20.03.2015	0.20	Director Grameena Mudasoukarya-2 and e/o Joint Secretary to Government of Karnataka, R.D.P.R Department	Re-appropriation order rejected as Form.22A not Self Balanced/ incomplete
9	07	RDPR/EXP/1/2015	06.03.2015	0.04	Director Suvarna Gramodaya Yojane & e/o Deputy Secretary to Government of Karnataka, R.D.P.R. Department	
10	10	SKE/137/SAD/2014	22.01.2015	0.49	Under Secretary to Government, Social Welfare Department, Vikasa Soudha	
11	10	SKE/105/SPA/2014	03.03.2015	0.35	Under Secretary to Government, Social Welfare Department Bengaluru	
12	10	HEMBAVAKANI/LEPA-1/C R-17/2013-14	10.03.2015	0.04	Commissioner of Backward Classes Department, M.S.Building Bengaluru	Re-appropriation order rejected as Form.22A not Self Balanced/ incomplete
13	10	MWD/77/MDS-2015	07.03.2015	0.27	Joint Secretary to Govt., Minorities	

Sl No	Gr. No	G.O. order Number	Date	Amount (₹ in crore)	Issuing Authority	Reasons for rejection
					Welfare Department, M.S.Building, Bengaluru	
14	10	MWD/71/MDS-2015	03.03.2015	1.50	Joint Secretary to Govt., Minorities Welfare Department, M.S.Building, Bengaluru	
15	10	MWD/74/MDS-2015	07.03.2015	0.50	Joint Secretary to Govt., Minorities Welfare Department, M.S.Building, Bengaluru	
16	11	MAMAE 69 PHP15	30.03.2015	0.15	Secretary to Government, Women & Child Development Department, M.S Building, Bengaluru	
17	11	EC/Budget/A.P.U.Vi/ 48/20/14-15/4422	12.02.2015	0.05	Director, Physically Challenged & Senior Citizens Empowerment Department, Bangalore	
18	18	FABHUE/BUDGET/ 1/RPR/2014-15	19.12.2014	0.14	Director of Geology, Bangalore	
19	18	DSK/STAFF/52/ 2014-15	09.02.2015	0.01	Commissioner for Sugarcane Development	
20	19	SEC 01/ACT 2014-15	09.12.2014	0.02	Secretary, Karnataka State Election Commission	
21	19	FD/202/BRS 2014	28.03.2015	35.00	Secretary to Government of Karnataka, Finance Department (FR &BCC), Vidhana Soudha	
22	19	FD /106/BRS 2014	03.02.2015	78.92	Secretary to Government of Karnataka, Finance Department (FR &BCC),Vidhana Soudha	
23	20	PCA 1039	08.12.2014	0.02	Principal, Chief Architect, Govt of Karnataka K.R.Circle Bengaluru	Call for Form 22A
24	20	Hert 58 PSB 2015	19.03.2015	0.50	Under Secretary to Govt., Ports & Inland Water Transport, 3 rd floor M.S.Building Bengaluru.	
25	20	Hert 42 PSB 2015	12.03.2015	0.09	Under Secretary to Govt., Ports & Inland	
26	21	LOE 259(A)15	31.03.2015	1.11	U/S to Government, FD, (PWFC)	Insufficient balance
27	22	FD 124 BRS 2014	11.02.15	3.00	Under Secretary, Finance Department FR & BCC	Re-appropriation order rejected as

Sl No	Gr. No	G.O. order Number	Date	Amount (₹ in crore)	Issuing Authority	Reasons for rejection
					Vidhana Soudha Bengaluru.	Form.22A not Self Balanced/ incomplete
28	23	UTAEI/Training/ LEPAVI/Budget/ 08/14-15	05.02.2015	0.05	Commissioner of Labour, Karmika Bhavan, Bannergatta Road, Diary Circle, Bengaluru-29	
29	23	KAE/38/LSI 2015	30.03.2015	0.15	Section Officer, Labour Department ESI Services, Vikasa Soudha	Statement not tallying with the Original Budget Provision
30	23	KAE 419/LSI 2014	13.10.2014	0.30	Section Officer, Labour Department ESI Services, Vikasa Soudha	Re-appropriation order rejected as Form.22A not Self Balanced/ incomplete
31	23	KAE 485/LET 2014	20.01.2015	0.10	Under Secretary to Government, Labour Department, Vikasa Soudha	
32	23	KAE 418 LSI 2014	18.09.2014	0.08	Section Officer, Labour Department (ESI Services), Vikasa Soudha	
33	23	KAE 418 LSI 2014	28.03.2015	0.25	Section Officer, Labour Department (ESI Services), Vikasa Soudha	
			Total	**169.10**		

Appendix 2.11

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

(Reference: Paragraph; 2.6.12 Page 98)

(₹ in crore)

Sl. No.	Grant and Section		Unspent provision
1	3	***Finance***	
		Revenue- *Charged*	0.23
		Capital – Voted	12.53
2	6	***Infrastructure Development***	
		Revenue- Voted	0.26
		Capital – *Charged*	1.59
3	7	***Rural Development and Panchayat Raj***	
		Revenue – Voted	1,514.64
		Revenue – *Charged*	25.10
		Capital – Voted	233.88
4	10	***Social Welfare***	
		Capital – *Charged*	0.62
5	11	***Women And Child Development***	
		Revenue – Voted	294.69
		Capital – Voted	48.73
6	13	***Food and Civil Supplies***	
		Revenue – *Charged*	0.05
7	14	***Revenue***	
		Revenue – *Charged*	28.47
8	15	***Information Technology***	
		Revenue – Voted	28.77
		Capital – Voted	5.00
9	18	***Commerce and Industries***	
		Revenue – Voted	244.11
		Capital – Voted	218.52
10	19	***Urban Development***	
		Capital – Voted	373.47
11	20	***Public Works***	
		Revenue – *Charged*	6.18
12	21	***Water Resources***	
		Revenue – *Charged*	165.54
13	23	***Labour***	
		Revenue – Voted	260.83
		Capital – Voted	27.13
14	24	***Energy***	
		Revenue – Voted	0.64
		Capital – Voted	92.41
15	25	***Kannada and Culture***	
		Revenue – Voted	70.40
		Capital – Voted	1.99
16	26	***Planning, Statistics, Science and Technology***	
		Capital - Voted	23.54
17	28	***Parliamentary Affairs and Legislation***	
		Revenue - *Charged*	0.95
		Total	**3,680.27**

Appendix 2.12

Surrender of unspent provision

(Reference: Paragraph; 2.6.12 Page 98)

(₹ in crore)

Sl. No.		Grant/ Section	Amount of unspent provision	Amount surrendered	Amount not surrendered
1	1	***Agriculture and Horticulture***			
		Revenue Voted	1,580.11	190.30	1,389.81
		Revenue Charged	0.24	0.01	0.23
		Capital Voted	31.73	27.77	3.96
2	2	***Animal Husbandry and Fisheries***			
		Revenue Voted	146.45	117.39	29.06
		Revenue Charged	0.10	0.10	0
		Capital Voted	52.47	43.48	8.99
3	3	***Finance***			
		Revenue Voted	489.34	33.47	455.87
		Revenue Charged	0.23	0.00	0.23
		Capital Voted	12.53	0.00	12.53
4	4	***Department of Personnel and Administrative Reforms***			
		Revenue Voted	380.37	262.26	118.11
		Revenue Charged	28.44	21.71	6.73
		Capital Voted	231.87	0.87	231.00
5	5	***Home and Transport***			
		Revenue Voted	473.62	315.10	158.52
		Revenue Charged	21.17	21.17	0
		Capital Voted	78.45	44.38	34.07
6	6	***Infrastructure Development***			
		Revenue Voted	0.26	0.00	0.26
		Capital Voted	50.96	12.83	38.13
		Capital Charged	1.59	0.00	1.59
7	7	***Rural Development and Panchayat Raj***			
		Revenue Voted	1,514.64	0.00	1,514.64
		Revenue Charged	25.10	0.00	25.10
		Capital Voted	233.88	0.00	233.88
8	8	***Forest, Ecology and Environment***			
		Revenue Voted	333.19	144.96	188.23
		Capital Voted	4.66	4.66	0
9	9	***Co-operation***			
		Revenue Voted	28.97	2.65	26.32
		Capital Voted	34.76	0.20	34.56
10	10	***Social Welfare***			
		Revenue Voted	235.61	0.47	235.14
		Capital Voted	307.58	5.06	302.52
		Capital Charged	0.62	0.00	0.62
11	11	***Women and Child Development***			
		Revenue Voted	294.69	0.00	294.69
		Capital Voted	48.73	0.00	48.73
12	12	***Information, Tourism and Youth Services***			
		Revenue Voted	59.94	19.02	40.92
		Capital Voted	67.18	45.90	21.28
13	13	***Food and Civil Supplies***			
		Revenue Voted	1,854.26	0.93	1,853.33
		Revenue Charged	0.05	0.00	0.05
		Capital Voted	4.71	4.71	0

Sl. No.		Grant/ Section	Amount of unspent provision	Amount surrendered	Amount not surrendered
14	**14**	***Revenue***			
		Revenue Voted	537.64	23.08	514.56
		Revenue Charged	28.47	0.00	28.47
		Capital Voted	55.91	3.67	52.24
15	**15**	***Information Technology***			
		Revenue Voted	28.77	0.00	28.77
		Capital Voted	5.00	0.00	5.00
16	**16**	***Housing***			
		Revenue Voted	612.22	77.03	535.19
		Capital Voted	66.53	66.53	0
17	**17**	***Education***			
		Revenue Voted	3,093.08	170.36	2,922.72
		Capital Voted	439.97	13.00	426.97
18	**18**	***Commerce and Industries***			
		Revenue Voted	244.11	0.00	244.11
		Capital Voted	218.52	0.00	218.52
19	**19**	***Urban Development***			
		Revenue Voted	1,243.09	2.15	1,240.94
		Capital Voted	373.47	0.00	373.47
20	**20**	***Public Works***			
		Revenue Voted	345.07	21.93	323.14
		Revenue Charged	6.18	0.00	6.18
		Capital Voted	914.54	607.36	307.18
21	**21**	***Water Resources***			
		Revenue Voted	701.51	471.00	230.51
		Revenue Charged	165.54	0.00	165.54
		Capital Voted	588.80	297.01	291.79
22	**22**	***Health and Family Welfare Services***			
		Revenue Voted	968.97	848.73	120.24
		Capital Voted	155.85	81.26	74.59
23	**23**	***Labour***			
		Revenue Voted	260.83	0.00	260.83
		Capital Voted	27.13	0.00	27.13
24	**24**	***Energy***			
		Revenue Voted	0.64	0.00	0.64
		Capital Voted	92.41	0.00	92.41
25	**25**	***Art and Culture***			
		Revenue Voted	70.40	0.00	70.40
		Capital Voted	1.99	0.00	1.99
26	**26**	***Planning, Statistics, Science and Technology***			
		Revenue Voted	23.42	19.23	4.19
		Capital Voted	23.54	0.00	23.54
27	**27**	***Law***			
		Revenue Voted	69.78	53.72	16.06
28	**28**	***Parliamentary Affairs and Legislation***			
		Revenue Voted	23.12	2.27	20.85
		Revenue Charged	0.95	0.00	0.95
29	**29**	***Debt Servicing***			
		Revenue Charged	796.02	2.53	793.49
		Capital Charged	1,948.21	0.00	1,948.21
		Total	**22,760.18**	**4,080.26**	**18,679.92**

Appendix 2.13

Cases of Surrender of funds in excess of ₹ Five crore on 30 and 31 March 2015

(Reference: Paragraph; 2.6.12 Page 98)

(₹ in crore)

Sl. No.	Grant/ Nomenclature		No. of cases	Total Provision	Amount of surrender	Percentage to total provision
1	01	Agriculture and Horticulture	9	1,843.98	162.75	9
2	02	Animal Husbandry and Fisheries	9	318.90	116.47	37
3	03	Finance	1	59.15	22.81	39
4	04	Department of Personnel and Administrative Reforms	11	500.55	215.60	43
5	05	Home and Transport	13	428.31	312.49	73
6	06	Infrastructure Development	1	12.83	12.83	100
7	08	Forest, Ecology and Environment	8	638.44	94.37	15
8	12	Information, Tourism and Youth Services	4	129.68	60.10	46
9	14	Revenue	1	16.00	5.01	31
10	17	Education	10	308.95	149.49	48
11	20	Public Works	8	758.31	618.45	82
12	21	Water Resources	18	1,164.92	734.79	63
13	22	Health and Family Welfare	13	1,775.57	764.70	43
14	26	Planning, Statistics, Science and Technology	1	9.00	7.00	78
15	27	Law	2	70.52	36.40	52
Total			**109**	**8,035.11**	**3,313.26**	**41**

Appendix 2.14

Results of review of substantial surrenders made during the year

(Reference: Paragraph; 2.6.13 Page 98)

(₹in crore)

Sl. No.	Grant	Name of the Scheme (Head of Account)	Provision	Amount Surrendered	Percentage of surrender	Remarks
1	1-Agriculture & Horticulture	4401-00-001-1-01-436 NABARD Works	28.30	24.91	88	Due to denial of execution of NABARD works by RDPR
2	2- Animal Husbandry & Fisheries	2403-00-101-0-29-059 Other Expenses	10.00	10.00	100	No reason stated.
3		2404-00-191-2-09-059 Other Expenses	44.40	33.30	75	No reason stated
4		2404-00-191-02-09-422 Special Component Plan	10.03	10.03	100	No reason stated
5		4405-00-800-2-03-436 NABARD Works	15.18	13.22	87	Non finalization of tender process.
6	4-DPAR	3451-00-090-2-28-059 Other Expenses	97.23	97.23	100	Due to economy measures.
7	8-Forest, Ecology and Environment	2406-01-800-0-14-422 Special Component Plan	12.89	11.89	92	Non availability of beneficiary under Direct Beneficiary Programme
8	17-Education	2203-00-105-0-09-051 General Expenses	26.12	20.30	78	Shortage of time for purchases as per KTPP Rules
9		2203-00-100-0-15-422 Special Component Plan	18.00	13.79	77	Non release of funds from Central Govt. for 2014-15
10	20- Public Works	3051-02-102-0-02-200 Maintenance	11.70	11.06	95	Deciding to carryout maintenance dredging on alternate years
11		5051-80-800-0-80-422 Special Component Plan	13.20	13.20	100	No reasons stated
12		7615-00-200-2-03-394 Loans	84.00	76.62	91	No reasons stated
13	21-Water Resources	4702-00-101-1-10-422 Special Component Plan	34.30	34.30	100	Non- approval of work
14		4702-00-101-1-10-423 Tribal Sub-Plan	13.90	13.90	100	Non-approval of work
15		4702-00-101-1-12-422 Special Component Plan	19.71	19.71	100	Non-approval of work
16		4702-00-101-1-12-423 Tribal Sub-Plan	7.99	7.99	100	Non approval of work
17	22-Health and Family Welfare	2210-03-800-0-19-422 Special Component Plan	49.70	38.83	78	No reasons stated
18		2210-03-800-0-19-423 Tribal Sub Plan	19.09	16.10	84	No reasons stated
19		2210-80-800-0-17-422 Special Component Plan	15.76	12.90	82	Non-issuance of GOs for release of funds
20		4210-01-110-1-19-436 NABARD Works	100.33	80.33	80	Delay in finalization of Tenders
21	27 - Law	2014-00-105-0-15-101 GIA Salaries	11.59	11.59	100	Owing to non-arrival of decision for exemption of reservation to post under 19 private law colleges
Total			**643.42**	**571.20**		

Appendix 2.15(a)

Rush of Expenditure – Grant No. 17

(Ref : Para.2.8.1.8 Page 105)

(₹ in crore)

Sl. No.	Head of Account and Nomenclature	Total expr. during the Year	Expr. during the last quarter		Expenditure during March	
			Amount	%	Amount	%
1	2202-01-053-0-01 132 -Capital expenses	5.28	5.28	100	4.02	76
	200- Maintenance	13.41	13.19	98	8.14	61
2	2202-01-101-0-10 059 –Other Expenses	0.97	0.56	58	0.56	58
3	2202-02-053-0-01 059 –Other Expenses	1.17	0.88	75	0.88	75
4	2202-02-105-0-01 059 –Other Expenses	2.51	1.68	67	1.24	49
5	2202-02-107-5-00 059 –Other Expenses	3.79	2.73	72	1.67	44
6	2202-02-108-0-01 221 –Materials and supplies	11.89	8.49	71	7.70	65
7	2202-02-109-0-06 125 –Modernization	3.46	3.46	100	2.75	79
8	2202-02-109-0-13 059 –Other Expenses	8.97	6.08	68	3.52	39
9	2202-02-109-0-21 059 –Other Expenses	273.01	169.58	62	90.38	33
	133- SDP	1.35	0.90	67	0.45	33
	186 - HKRDP	0.90	0.60	67	0.30	33
10	2202-03-103-2-01 051 –General Expenses	92.01	50.25	55	36.04	39
	059-Other expenses	4.59	3.19	69	2.25	49
11	2202-03-103-2-04 059 –Other Expenses	5.44	4.98	92	4.69	86
12	2202-03-103-2-09 059 –Other Expenses	1.62	1.15	71	1.15	71
13	2202-03-103-2-11 059 –Other Expenses	1.00	1.00	100	1.00	100
14	2202-03-112-0-00 059 –Other Expenses	2.94	2.25	77	1.39	47
15	2202-03-800-5-00 132 Capital Expenses	5.82	4.10	70	2.60	45
16	4202-01-202-1-05 133 –SDP	7.82	7.82	100	6.01	77
	136 – Preliminary Expenses	2.67	2.67	100	2.05	77
	186 - HKRDP	9.61	9.61	100	6.39	66
	Total.	**460.23**	**300.45**		**185.18**	

Appendix – 2.15(b)

Rush of Expenditure -- Grant No. 21

(Ref : Para. 2.8.2.7 Page 110)

(₹ in crore)

Sl. No.	Head of Account and Nomenclature	Total expr. during the year	Expr. during the last quarter		Expenditure during March	
			Amount	%	Amount	%
1	2700-10-101-0-01-200 KBJNL - Maintenance	81.35	31.23	38	27.82	34
2	2701-80-005-8-02-132 Irrigation Works – Capital expenses	2.45	1.50	61	1.01	41
3	2702-01-101-0-02-200 Surface Water- Maintenance	48.70	19.74	41	13.90	29
4	2705-02-102-0-01-436 CADA – NABARD works	85.77	30.69	36	25.36	30
5	4701-73-800-0-01-139 UKP – Major Works	894.26	327.59	37	327.59	37
6	4701-74-800-0-01-139 KNNL – Major Works	620.08	310.04	50	310.04	50
7	4701-80-190-4-00-132 KNNL – Capital Expenses	1,250.33	507.55	41	479.99	38
8	4702-00-101-3-01-139 CE, MI, Bengaluru – Major Works	89.96	33.76	38	30.14	34
9	4702-00-101-3-01-436 CE, MI, Bengaluru – NABARD Works	16.84	6.74	40	6.08	36
10	4702-00-101-05-01-139 Major Works	101.02	55.94	55	35.71	35
11	4702-00-101-5-01-436 NABARD Works	50.21	25.77	51	21.77	43
12	4702-00-800-1-00-132 Capital Expenses	54.63	23.77	44	20.65	38
13	4702-00-800-8-00-133 Special Development Plan	45.13	19.40	43	16.40	36
	Total.	**3,340.73**	**1,393.72**		**1,316.46**	

Appendix 2.16

List of DSWOs/DTWOs/Implementing Agencies

(Ref : Para. 2.9.1 Page 111)

Sl No.	Name of the DDO
1	DSWO, Kodagu
2	PC, ITDP, Kodagu
3	DSWO, Dakshina Kannada
4	PC, ITDP, Dakshina Kannada
5	DSWO, Chikkamagaluru
6	PC, ITDP, Chikkamagaluru
7 .	DSWO , Ramanagara
8	DSWO, Tumakuru
9	DTWO, Tumakuru
10	DSWO, Chitradurga
11	DTWO, Chitradurga
12	DSWO, Dharwad
13	DSWO, Belagavi
14	DTWO, Belagavi
15	Dr.B.R. Ambedkar Development Corporation
16	Ambedkar Research Institute
17	Karnataka Tanda Development Corporation.
18	Dr. Babu JagaJeevan Ram Leather Development Corporation.
19	Karnataka State Commission for Safai Karmachari
20	Pre examination Training Centre
21	Tribal Research Institute, Mysuru
22	Karnataka Mahrishi Valmiki ST Development Corporation
23	Karnataka Residential Education Institute Society (KRIES)
24	Karnataka Rural Infrastructure Development Limited (KRIDL)
25	Karnataka State Finance Corporation (KSFC)
26	Rajiv Gandhi Rural Housing Corporation Limited

Appendix 2.17

Details of balances in Bank Accounts

(Para 2.9.1.2 Page 113)

(₹ in crore)

Sl No.	Name of the DDO	Balance as on 31.03.2013		Balance as on 31.03.2014		Balance as on 31.03.2015	
		SB	FD	SB	FD	SB	FD
1	DSWO, Kodagu	12.59	0	10.50	0	9.43	0
2	PC, ITDP, Kodagu	3.73	0	4.06	0	3.27	0
3	DSWO, Dakshina Kannada	17.31	0	12.63	0	12.25	0
4	PC, ITDP, Dakshina Kannada	2.69		10.51	0	15.19	0
5	DSWO, Chikkamagaluru	22.12	0	15.70	0	16.81	0
6	PC, ITDP, Chikkamagaluru	2.55	0	2.69	0	2.12	0
7	DSWO , Ramanagara	15.60	0	12.81	0	19.29	0
8	DSWO, Tumakuru	44.75	0	43.52	0	36.53	0
9	DTWO, Tumakuru	17.07	0	22.09	0	18.55	0
10	DSWO, Chitradurga	35.51	0	45.79	0	42.07	0
11	DTWO, Chitradurga	11.76	0	9.83	0	9.20	0
12	DSWO, Dharwad	20.56	0	22.83	0	20.53	0
13	DSWO, Belagavi	48.10	0	41.85	0	31.77	0
14	DTWO, Belagavi	13.85	0	17.43	0	13.64	0
15	Dr.B R Ambedkar Development Corporation	223.96	230.47	255.56	327.26	472.11	577.02
16	Amdedkar Research Institute	97.04	0	174.37	0	414.52	0
17	Karnataka Tanda Development Corporation.	17.40	0	26.29	5.05	19.57	53.75
18	Dr.Babu Jaga Jeevan Ram Leather Development Corporation.	16.78	8.84	4.40	32.60	17.72	41.70
19	Karnataka State Commission for Safai Karmachari	0.39	0	0.14	0	0.27	0
20	Pre examination Training Centre	1.45	0	0.81	0	5.30	0
21	Tribal Research Institute, Mysore	2.69	0	7.60	0	15.50	0
22	Karnataka Mahrishi Valmiki ST Development Corporation	11.25	117.40	5.35	127.68	11.49	166.80
23	Karntaka Residential Education Institute Society(KREIS)	0.01	13.73	0	30.56	0.05	25.39
24	Karnataka Rural Infrastructure Development Limited (KRIDL)	3.97	0	82.95	59.87	65.18	42.10
25	Karnataka State Finance Corporation(KSFC)	11.65	0	13.07	0	7.84	0
26	Rajiv Gandhi Rural Housing Corporation Limited	30.24	0	9.54	0	1.08	0
	Total	**685.02**	**370.44**	**852.32**	**583.02**	**1,281.28**	**906.76**

Appendix 2.18

Non-remittance of interest earned on bank balances

(Ref : Para. 2.9.1.3 Page 113)

(₹ in crore)

Sl No	Name of the DSWO/DTWO/Implementing Agency	Amount
1	DSWO, Dakshina Kannada	0.20
2	PC, ITDP, Dakshina Kannada	0.79
3	DSWO, Chikkamagaluru	1.86
4	DSWO, Ramanagara	1.20
5	DSWO, Tumakuru	1.25
6	DTWO, Tumakuru	0.43
7	DTWO, Chitradurga	0.78
8	DSWO, Dharwad	0.55
9	Dr.BR Ambedkar Development Corporaation	32.82
10	Karnataka Tanda Development Corporation.	4.03
11	Dr.Babu JagaJeevan Ram Leather Development Corporation.	4.68
12	Karnataka State Commission for Safai Karmachari	0.01
13	Tribal Research Institute, Mysore	0.57
14	Karnataka Mahrishi Valmiki ST Development Corporation	73.25
15	Karnataka Residential Education Institute Society (KREIS)	113.04
16	Karnataka Rural Infrastructure Development Limited (KRIDL)	28.55
17	Rajiv Gandhi Rural Housing Corporation Limited	2.43
Total		**266.44**

Appendix 2.19

Balance un-utilized in in-operative/closed Schemes as on 31.3.2015

(Ref : Para. 2.9.1.4 Page 113)

(₹ in crore)

Sl No	Name of the DDO	Amount
1	DSWO, Kodagu	0.56
2	DSWO, Tumakuru	1.49
3	DSWO, Chitradurga	0.61
4	DTWO, Chitradurga	1.43
5	DTWO, Tumakuru	0.51
6	ITDP, Kodagu	0.10
7	ITDP , Dakshina Kannada	0.10
8	DSWO, Dharwad	1.43
9	DTWO, Belagavi	0.71
10	DSWO, Belagavi	1.34
	Total	**8.28**

Appendix 2.20

Maintenance of Multiple Bank Accounts

(Ref : Para. 2.9.1.6 Page 114)

Sl No	Name of the DDO	Name of the Bank	Type of Account	Account No
1	DSWO, Tumakuru	State Bank of Mysore- (Joint A/c with DC)	Savings Bank	64089371125
2		State Bank of Mysore- (Joint A/c with CEO, ZP)	Savings Ban	64089372651
3		State Bank of Mysore- (Joint A/c with CEO, ZP)	Savings Bank	54040235886
4		Allahabad Bank (Individual A/c - DC)	Savings Bank	20568925409
5	DTWO, Chitradurga	State Bank of Mysore (Joint A/c with CEO, ZP)	Savings Bank	64080032930
6		Kotak Mahindra (Joint A/c with CEO, ZP)	Savings Bank	103010086586
7		State Bank of Mysore (Joint A/c with DC)	Savings Bank	64057337704
8		Kotak Mahindra (Joint A/c with DC)	Savings Bank	103010085156
9		Pragathi Krishna Gramina Bank (Individual A/c with DC)	Savings Bank	10868100001410
10		DCC Bank (Individual A/c - DC)	Current	199000174198/1
11	DTWO, Tumakuru	Andhra Bank (Individual A/c – DC)	Savings Bank	156110100013320
12		State Bank Of Mysore (Individual A/c – DC)	Savings Bank	64098203863
13		State Bank of Travancore (Individual A/c – DC)	Savings Bank	67158089131
14		Allahabad Bank (Individual A/c – DC)	Savings Bank	50039128312
15		State Bank of Mysore (Joint A/c with CEO, ZP)	Savings Bank	64058791088
16	DSWO, Belagavi	Corporation Bank (Joint A/c with DC and DSWO)	Savings Bank	209000101028082
17		State Bank of Mysore (Joint A/c with CEO, ZP)	Savings Bank	64058791088
18		State Bank of Mysore (Joint A/c with DC)	Savings Bank	64089370303

Appendix 2.21

Excess Payment of Family Pension

(Ref : Para. 2.10 Page 115)

(Amount in ₹)

SL No	Treasury	Number of cases	Amount	Period
1	Bagalkot	7	4,56,578	09-2011 to 03-2014
2	Bengaluru (Rural)	5	1,60,874	02-2013 to 03-2014
3	Bengaluru (Urban)	2	82,426	11-2013 to 08-2014
4	Belagavi	10	12,95,171	07-2007 to 03-2014
5	Ballari	5	5,00,291	12-2011 to 09-2014
6	Bidar	5	2,12,768	02-2012 to 09-2014
7	Vijayapura	8	11,49,443	11-2010 to 06-2014
8	Chamarajanagar	5	5,45,038	03-2011 to 09-2014
9	Chickballapura	3	44,229	06-2013 to 03-2014
10	Chikkmagaluru	4	1,45,718	04-2013 to 10-2014
11	Chitradurga	7	6,13,665	09-2009 to 03-2014
12	Dakshina Kannada	12	5,98,711	04-2013 to 10-2014
13	Davangere	4	83,892	01-2014 to 03-2014
14	Dharwad	3	1,19,462	11-2013 to 10-2014
15	Gadag	5	1,87,734	08-2013 to 06-2014
16	Kalaburgi	8	2.24,354	04-2013 to 02-2014
17	Hassan	6	2,58,975	04-2013 to 11-2014
18	Haveri	6	6,16,255	07-2008 to 05-2014
19	Hubballi	2	1,59,323	08-2013 to 08-2014
20	Karwar	10	4,18,501	04-2013 to 10-2014
21	Kolar	10	9,78,241	02-2008 to 01-2014
22	Koppal	5	1,58,144	01-2013 to 08-2014
23	Madikeri	3	1,08,164	10-2010 to 03-2014
24	Mandya	7	3,33,043	08-2011 to 04-2014
25	Mysuru	5	9,17,627	12-2009 to 06-2014
26	Pension Payment Treasury, Bengaluru	3	3,26,518	09-2013 to 07-2014
27	Raichur	7	6,56,859	05-2011 to 07-2014
28	Ramnagara	6	3,12,893	03-2011 to 08-2014
29	Shivamogga	4	56,670	10-2013 to 03-2014
30	Tumakuru	9	19,04,675	03-2008 to 09-2014
31	Udupi	5	2,30,505	08-2013 to 06-2014
32	Yadgir	6	3,56,185	06-2010 to 08-2014
	Total	**187**	**1,42,12,932**	

Appendix 2.22

Repeated Excess Payment of Family Pension

(Ref : Para. 2.10 Page 115)

(Amount in ₹)

SL No	Treasury	CEP during 2013-14		Overall Excess Payment (including cases which appeared in earlier Audit Reports)		
		Number of cases	Amount	Amount	Total Amount	Period
1	Bengaluru Rural	3	2,16,468	1,07,911	3,24,379	09-2010 to 03-2014
2	Belagavi	3	3,13,563	1,53,064	4,66,627	12-2007 to 03-2014
3	Ballari	4	3,89,441	3,74,420	7,63,861	01-2011 to 11-2014
4	Bidar	2	66,912	53,122	1,20,034	02-2012 to 08-2014
5	Vijayapura	2	5,60,004	75,952	6,35,956	04-2006 to 06-2014
6	Chamarajanagar	4	2,22,844	34,356	2,57,200	04-2012 to 09-2014
7	Chickmagaluru	1	58,318	77,207	1,35,525	06-2012 to 11-2014
8	Chitradurga	9	3,60,123	3,07,894	6,68,017	06-2011 to 03-2014
9	Davangere	15	7,47,747	6,43,587	13,91,334	08-2009 to 03-2014
10	Kalaburgi	12	5,20,626	12,65,149	17,85,775	04-2006 to 02-2014
11	Karwar	3	1,44,332	1,35,757	2,80,089	04-2012 to 10-2014
12	Kolar	9	5,14,269	9,77,990	14,92,259	10-2006 to 02-2014
13	Koppal	5	1,79,991	52,730	2,32,721	02-2012 to 07-2014
14	Madikeri	3	2,27,944	43,269	2,71,213	10-2010 to 12-2014
15	Mysuru	3	2,41,578	4,28,735	6,70,313	05-2009 to 06-2014
16	Pension Payment Treasury, Bengaluru	9	3,60,600	9,33,850	12,94,450	10-2006 to 08-2014
17	Raichur	4	9,71,846	3,00,741	12,72,587	04-2009 to 07-2014
18	Ramanagaram	1	12,928	25,273	38,201	04-2013 to 08-2014
19	Shivamogga	3	67,777	2,36,938	3,04,715	07-2009 to 03-2014
20	Yadgir	11	4,30,474	15,35,566	19,66,040	11-2005 to 07-2014
	Total	**106**	**66,07,785**	**77,63,511**	**1,43,71,296**	

Appendix 3.1

Major Head and department-wise details of outstanding UCs separately for each year

(Reference: Paragraph 3.1; Page 119)

(₹ in crore)

Sl. No.	Head of Account	Nomenclature	Year	Number of UCs	Amount
1	2204	Sports and Youth Services	1989-90	12	0.06
			1990-91	1	0.01
			1998-99	2	0.95
				15	**1.02**
2	2210	Medical and Public Health	2013-14	27	77.21
			2014-15	81	483.11
				108	**560.32**
3	2217	Urban Development	2014-15	5	116.31
				5	**116.31**
4	2220	Information and Publicity	2007-08	3	0.30
			2008-09	1	0.05
			2010-11	6	1.98
			2011-12	5	2.18
			2012-13	5	2.58
			2013-14	6	3.35
				26	**10.44**
5	2225	Welfare of Scheduled Caste, Scheduled Tribes and Other Backward Classes	2012-13	5	23.50
				5	**23.50**
6	2245	Relief on account of Natural Calamities	2001-02	3	1.41
				3	**1.41**
7	2851	Village and Small Industries	2006-07	1	0.19
				1	**0.19**
8	3451	Secretariat-Economic Services	2012-13	1	5.00
			2013-14	3	6.25
				4	**11.25**
9	3475	Other General Economic Services	1997-98	1	9.79
			1998-99	2	3.71
			2001-02	5	1.20
			2002-03	7	1.63
				15	**16.33**
Total				**182**	**740.77**

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

Appendix 3.2

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

(Reference: Paragraph 3.2; Page 120)

Sl. No.	Department	Number of Institutions	Years for which information not received
1	Education	382	1994-95 to 2014-15
2	Medical Education	19	2012-13 to 2014-15
3	Forest, Environment and Ecology	39	2007-08 to 2014-15
4	Commerce and Industries	13	2000-01 to 2014-15
5	Health & Family Welfare	2	2013-14 to 2014-15
6	Water Resources	6	2000-01 to 2014-15
7	Co-operation	5	1980-81 to 2014-15
8	Information, Tourism and Youth Services	4	1999-00 to 2014-15
9	Planning, Statistics, Science and Technology	2	2000-01 to 2014-15
10	Social Welfare	4	2003-04 to 2014-15
11	Labour	1	2013-14 to 2014-15
12	Minority Welfare	2	2010-11 to 2014-15
13	Animal Husbandry and Veterinary Services and Fisheries	3	2003-04 to 2014-15
14	Department of Parliamentary Affairs & Legislation	1	2014-15
15	Information Technology	29	2007-08 to 2014-15
16	Endowments	3	2012-13 to 2014-15

Source: Office of the Pr.AG (G&SSA) & AG (E&RSA)

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 120)

Sl. No.	Name of the Autonomous Body	Section under which audited	Period of Entrustment	Year upto which accounts rendered	Year upto which audit report issued	Placement of audit reports before the Legislature
1	Karnataka State Khadi and Village Industries Board, Bengaluru	19(3)	2012-13 to 2016-17	2013-14	2013-14	2011-12 14-02-13
2	Karnataka Industrial Areas Development Board, Bengaluru	19(3)	2014-15 to 2018-19	2013-14	2013-14	2011-12 23-07-2013
3	Karnataka Slum Development Board, Bengaluru	19(3)	2012-13 to 2016-17	2013-14	2013-14	2012-13 Dt.26.07.2014
4	Bangalore Water Supply and Sewerage Board, Bengaluru	19(3)	2012-13 to 2016-17	2013-14	2012-13	2012-13 Dt.10.12.2014
5	Karnataka Housing Board, Bengaluru	19(3)	2011-12 to 2015-16	2013-14	2013-14	2012-13 Dt.27.03.2015
6	Karnataka State Legal Services Authority, Bengaluru and 30 District Legal Services Authorities	19(2)	As per Act	2013-14	2013-14	2010-11 Dt 25-11-2013
7	Karnataka Bio-Diversity Board, Bengaluru	20(1)	2014-15 to 2018-19	2013-14	2013-14	2011-12 Dt 23-07-2013
8	Karnataka Urban Water Supply and Drainage Board, Bengaluru	19(3)	2010-11 to 2014-15	2013-14	2013-14	2012-13 Dt.09.12.2014
9	Bangalore Development Authority, Bengaluru	19(3)	2010-11 to 2014-15	2013-14	2012-13	2010-11 25-07-2012
10	Karnataka State Human Rights Commission, Bengaluru	19(2)	As per Act	2013-14	2013-14	2012-13 Dt 09.12.2014
11	Karnataka Building and Other Construction Workers Welfare Board, Bengaluru	19(2)	As per Act	2012-13	2012-13	Not placed

Source: Offices of the Pr.AG (G&SSA) & AG (E&RSA)

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 120)

(₹ in crore)

Sl. No.	Undertaking	Accounts Finalized upto	Investment as per the last accounts finalized	Remarks
1	Chamarajendra Technical Institute, Mysuru	1984-85	-	Proforma accounts due from 1985-86
2	Government Saw Mills, Joida	1968-69	-	Proforma accounts due from 1969-70. Undertaking closed w.e.f.27-4-1971
3	Dasara Exhibition Committee, Mysuru	1980-81	-	Proforma accounts due from 1981-82 to 1995-96
4	Bangalore Dairy, Bengaluru	1973-74	-	Proforma accounts for the period from 1.4.75 to 30.11.75 were furnished. The undertaking was transferred to Karnataka Dairy Development Corporation with effect from 1 December 1975.
5	Government Milk Supply Scheme, Hubballi-Dharwad	1980-81	-	Proforma accounts due from 1981-82 to 1984-85(31.10.1985).Transferred to Karnataka Dairy Development Corporation (KDDC).
6	Government Milk Supply Scheme, Mysuru	1968-69	-	Proforma accounts due from 1969-70 to 30.11.1975.Transferred to KDDC w.e.f.01.12.1975
7	Government Milk Supply Scheme, Belagavi	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, Kalaburagi	1982-83	-	Proforma accounts due from 1983-84 to 1984-85 (upto 31.01.1985). Transferred to KDDC
9	Government Milk Supply Scheme, Bhadravathi	1982-83		Proforma accounts due from 1983-84 to 1984-85 (upto 14.02.1985). Transferred to KDDC
10	Government Milk Supply Scheme. Mangaluru	1982-83		
11	Government Milk Supply Scheme Kudige	1972-73	-	Proforma accounts due from 1973-74 to 1974-75 (upto 30.11.1975). Transferred to KDDC
12	Vaccine Institute, Belagavi	1992-93		Proforma accounts due from 1993-94
13	Government Silk Filature, Kollegal	2012-13	2.08	Proforma accounts due from 2013-14
14	Government Silk Filature, Mamballi	2013-14	2.59	
15	Government Silk Twisting and Weaving Factory, Mudigundam	2012-13	1.63	Proforma accounts due from 2013-14
16	Government Silk Filature, Chamarajanagar	2013-14	2.17	
17	Government Silk Filature, Santhemarahalli	2013-14	1.93	
18	Government Central Workshop, Madikeri	2008-09	0.07	Proforma accounts due from 2009-10
19	Karnataka Government Insurance Department, Bengaluru	--	No capital account	

Source: Finance Accounts

Appendix 3.5

Department-wise/duration-wise breakup of the cases of theft and mis-appropriation

(Reference: Paragraph, 3.5 Page 121)

(₹ in lakh)

Department	< 5 years		<10 years		<15 YEARS		< 20 years		<25 years		>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**
Education		-	-	-	1	1.25	1	0.90	2	1.98	2	0.40	**6**	**4.53**
Forest, Environment and Ecology	2	138.29	-	-	-	-	-	-	-	-	-	-	**2**	**138.29**
Health and Family Welfare	-	-	-	-	-	-	-	-	-	-	10	1.60	**10**	**1.60**
Home	1	79.04	-	-	-	-	-	-	-	-	1	0.64	**2**	**79.68**
Labour	-	-	-	-	1	3.10	-	-	-	-	1	0.89	**2**	**3.99**
Law and Parliamentary Affairs	-	-	4	2.41	2	1.07	-	-	-	-	-	-	**6**	**3.48**
Public Works	2	1,180.18	-	-	2	14.29	-	-	-	-	-	-	**4**	**1,194.47**
Social Welfare	1	9.48	-	-	-	-	-	-	-	-	1	2.69	**2**	**12.17**
Water Resources	2	52.34	3	2.04	1	19.36	1	0.14	-	-	-	-	**7**	**73.88**
Total	**8**	**1,459.33**	**7**	**4.45**	**7**	**39.07**	**2**	**1.04**	**3**	**3.08**	**15**	**6.22**	**42**	**1,513.19**

Source: Information compiled by Offices of Pr.AG (G&SSA) and AG (E&RSA)

Appendix 3.6

Department-wise and category-wise details of theft and misappropriation cases
(Reference: Paragraph 3.5: Page 121)

(₹ 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
Education	1	0.90	5	3.63	6	4.53
Forest, Environment and Ecology	-	-	2	138.29	2	138.29
Health and Family Welfare	2	0.02	8	1.58	10	1.60
Home	-	-	2	79.68	2	79.68
Labour	1	3.10	1	0.89	2	3.99
Law and Parliamentary Affairs	5	1.44	1	2.04	6	3.48
Public Works	-	-	4	1,194.47	4	1,194.47
Social Welfare	-	-	2	12.17	2	12.17
Water Resources	2	0.56	5	73.32	7	73.88
Total	11	6.02	31	1,507.17	42	1,513.19

Source: Information compiled by Offices of Pr.AG (G&SSA) and AG (E&RSA)

Appendix 3.7

Department-wise details of non-submission of stores and stock accounts

(Reference: Paragraph 3.6: Page 121)

Sl. No.	Department	Officer responsible for furnishing accounts	Period for which accounts Are due
		Annual Accounts	
1	Agriculture	Director of Agriculture	2007-08 to 2009-10, 2011-12, 2012-13 & 2014-15
2	Printing and Stationery	Director of Printing and Stationery	2014-15
3	Commerce and Industries	Director of Commerce and Industries	2013-14 & 2014-15
4	Information and Publicity	Director of Information and Publicity	2013-14 & 2014-15
5	Animal Husbandry and Veterinary Services	Commissioner of Animal Husbandry and Veterinary Services	2007-08 to 2014-15
6	Stamps and Registration	Inspector General of Registration and Commissioner of Stamps	2001-02 to 2012-13
7	Home	1.Director General & Inspector of Police	2014-15
8		2.Inspector General of Prisons	2011-12 to 2014-15
9	Health and Family Welfare	Director, Health and Family Welfare Services	2008-09 to 2014-15
10		Karnataka State Drugs Logistics and Warehousing Society(Govt. Medical Stores)	2009-10 to 2012-13 & 2014-15
11		Indian System of Medicine and Homeopathy (AYUSH)	2011-12 to 2014-15
12		Director, Medical Education	2008-09 to 2014-15
		Half-Yearly Accounts	
1	Public Works	EE, PWD, Chitradurga	March 2014 to March 2015
2		EE, PWD, Davanagere	March 2014 to March 2015
3		EE, PWD Ramanagara	March 2013 to March 2015
4		EE, PWD, Hassan	March 2014 to March 2015
5		EE, PWD, Udupi	March 2013 to March 2015
6		EE, PWD, Madikeri	Sept 2014 to March 2015
7		EE, PWD, Mangaluru	March 2014 to March 2015
8		EE, PWD, Kolar	Sept 2014 to March 2015
9		EE, PWD, Chickballapura	March 2014 to March 2015
10		EE, PWD, Mysuru	Sept 2013 to March 2015
11		EE, PWD, Chamarajanagar	Sept 2013 to March 2015
12		EE, PWD, Mandya	Sept 2013 to March 2015
13		EE, PWD, Hunsur	March 2014 to March 2015
14		EE, PWD, Chikodi	March 2014 to March 2015
15		EE, PWD, Dharwad	March 2014 to March 2015
16		EE, PWD, Gadag	March 2014 to March 2015
17		EE, PWD, Ballari	March 2014 to March 2015
18		EE, PWD, Vijayapura	March 2014 to March 2015
19		EE, PWD, Belagavi	March 2014 to March 2015
20		EE, PWD, Haveri	March 2014 to March 2015
21		EE, PWD, Port Karwar	March 2014 to March 2015
22		EE, PWD, Karwar	March 2014 to March 2015
23		EE, PWD, Bidar	March 2014 to March 2015
24		EE, PWD, Yadgir	March 2014 to March 2015
25		EE, PWD, Bagalkot	March 2014 to March 2015
26		EE, PWD, QC, Dharwad	March 2014 to March 2015
27		EE, PWD, QC, Kalaburgi	March 2014 to March 2015

Sl. No.	Department	Officer responsible for furnishing accounts	Period for which accounts Are due
28		EE, PWD, KSHIP, Belagavi	March 2014 to March 2015
29		EE, PWD, KSHIP, Raichur	March 2014 to March 2015
30		EE, NH Special Dn., Bengaluru	Sept 2014 to March 2015
31	Minor Irrigation	EE, QC Dvn. Bengaluru	March 2014 to March 2015
32		EE, MI Dvn. Shivamogga	March 2014 to March 2015
33		EE, MI Dvn, Chitradurga	March 2013 to March 2015
34		EE, MI Dvn, Bengaluru	Sept 2013 to March 2015
35		EE, MI Dvn, Kolar	Sept 2013 to March 2015
36		EE, MI Dvn, Tumakuru	Sept 2014 to March 2015
37		EE, MI Dvn. Sirsi	March 2014 to March 2015
38		EE, MI Dvn. Belagavi	March 2014 to March 2015
39		EE, MI Dvn. QC, Kalaburgi	March 2014 to March 2015
40		EE, MI Dvn. QC, Dharwad	March 2014 to March 2015
41	Major Irrigation	EE, W&M, Bheemarayanagudi	March 2014 to March 2015
42		EE, W&M, Hunsagi	March 2014 to March 2015
43		EE, QC ICZ, Munirabad	March 2014 to March 2015
44		EE,No.6 Canal Dvn., Ballari	March 2014 to March 2015
45		EE, QC IPCZ, Kalaburgi	March 2014 to March 2015
46		EE No.2 Canal Dvn., Oddarahatti	March 2014 to March 2015
47		EE NO.1 KPC Dvn., Munirabad	March 2014 to March 2015
48		EE, No.2 KPC Dvn., Bhalki	March 2014 to March 2015
49		EE, No.3 Canal Dvn., Sindhanoor	March 2014 to March 2015
50		EE, No.4 Canal Dvn., Sirwar	March 2014 to March 2015
51		EE No. 5 Canal Dvn., Yarmarus	March 2014 to March 2015
52		EE No.1 Singatallur US Mundargi	March 2014 to March 2015
53		EE No.2 Singatallur US Hoovinahadagali	March 2014 to March 2015
54	Forest Department	DCF(T), Dharwad	March 2014 to March 2015
55		DCF(T), Gadag	March 2014 to March 2015
56		DCF(T), Haveri	March 2014 to March 2015
57		DCF(T), Vijayapura	March 2014 to March 2015
58		DCF(T), Bagalkot	March 2014 to March 2015
59		DCF(T), Yadgir	March 2014 to March 2015
60		DCF(T), Sirsi	March 2014 to March 2015
61		DCF(T), Yellapur	March 2014 to March 2015
62		DCF(T), Haliyal	March 2014 to March 2015
63		DCF(T), Ballari	March 2014 to March 2015
64		DCF(T), Koppal	March 2014 to March 2015
65		DCF(T), Kalaburgi	March 2014 to March 2015
66		DCF(T), Raichur	March 2014 to March 2015
67		DCF(T), Belagavi	March 2014 to March 2015
68		DCF(T), Gokak	March 2014 to March 2015
69		DCF(T), Honnavar	March 2014 to March 2015
70		DCF(T), Karwar	March 2014 to March 2015
71		DCF,WL Dvn. Dandeli	March 2014 to March 2015
72		ACF,FGTC, Bidar	March 2014 to March 2015
73		ACF, FGTC,Thattihalla	March 2014 to March 2015
74		ACF,WLDvn. Ranebennur	March 2014 to March 2015
75		CF, Research,Dharwad	March 2014 to March 2015
76		CF, Research, Ballari	March 2014 to March 2015
77		DCF, Training, Gungaragatti	March 2014 to March 2015
78		ACF, Karadidhama Dvn. Kamalapura	March 2014 to March 2015
79		DCF, FMS, Kalaburgi	March 2014 to March 2015
80		DCF, FMS,Belagavi	March 2014 to March 2015
81		DCF, FMS, Ballari	March 2014 to March 2015
82		DCF, FMS, Sirsi	March 2014 to March 2015

Sl. No.	Department	Officer responsible for furnishing accounts	Period for which accounts Are due
83		DCF,(T), Bidar	March 2014 to March 2015
84	National Highways Department	EE, NH Dvn. Karwar	March 2014 to March 2015
85		EE, NH Dvn. Vijayapura	March 2014 to March 2015
86		EE, NH Dvn. Hubballi	March 2014 to March 2015

Source: Information compiled by Offices of Pr.AG (G&SSA) and AG (E&RSA)

Appendix 3.8

Balances remaining (Adverse) under Operative/in-operative PD accounts

(Reference: Paragraph 3.8.2.: Page 124)

(Amount 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	Joint Labour Commissioner, Mysuru	26,059.44	Prior to 2009
4	Block Development Officer	7,07,74,402.15	In-operative
5	P.D.Account of Municipal Commissioner, Tumakuru	23,72,940.16	In-operative
6	Maharaja College of Education (Principal, Maharaja College of Education)	570.00	In-operative since 2008-09
7	Village Land under attachment	2,51,457.05	In-operative since 1994-95
8	Asha Kiran	26,350.00	In-operative since 1994-95
9	Gram Panchayat	34,00,890.55	In-operative since 1994-95
10	Deposits of District Consumer Forum	1,24,360.00	
11	SKC Production Board	1,91,908.00	
12	No Description	5,930.00	
	Total	**8,54,20,332.55**	
	Operative PD Accounts		
	Receipt Awaiting Transfer (Gazetted Sub-Treasury Officers)	11,90,72,38,489.00	2004-05 onwards
1	P.D.Account of Industrial Training Institute	42,32,568.21	
2	P.D. Account of Labour Officer	4,82,08,355.52	Prior to 2009
3	Harijan Development Welfare Fund	5,18,350.71	Debit for Rs.9,454 received in 5/2014 accounts
4	Sugar Surcharge	2,05,64,790.45	
	Total	**11,98,07,62,553.80**	

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

Glossary

Basis of calculation

Buoyancy of a parameter	**Rate of Growth of the parameter/GSDP Growth Rate**
Buoyancy of a parameter (X) With respect to another parameter (Y)	**Rate of Growth of parameter (X)/ Rate of Growth of parameter (Y)**
Rate of Growth (ROG)	**[(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 rate – 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.**

Abbreviations

Sl. No.	Abbreviation	Full Form
1.	AC Bill	Abstract Contingent Bill
2.	ALM	Asset Liability Monitoring
3.	ATR	Action Taken Report
4.	BCR	Balance from Current Revenue
5.	BEML	Bharat Earth Movers Limited
6.	BIAL	Bangalore International Airport Limited (Now Kempegowda International Airport Limited)
7.	BIFR	Board for Industrial & Financial Reconstruction
8.	BMRCL	Bangalore Metro Rail Corporation Limited
9.	BPL	Below Poverty Line
10.	C&AG	Comptroller and Auditor General
11.	CAGR	Compounded Annual Growth Rate
12.	CMRRD	Chief Ministers Rural Road Development Fund
13.	CRA	Central Record keeping Agency
14.	CSF	Consolidated Sinking Fund
15.	CST	Central Sales Tax
16.	DC	Deputy Commissioner
17.	DDOs	Drawing and Disbursing Officers
18.	DDR	Debt, Deposit and Remittances
19.	DE	Development Expenditure
20.	DPC	Duties, Power and Conditions
21.	EAP	Externally Assisted Project
22.	EFC	Eleventh Finance Commission
23.	ERC	Expenditure Reforms Commission
24.	ESCOMs	Electricity Supply Companies
25.	FD	Finance Department
26.	FMRC	Fiscal Management Review Committee
27.	FPI	Fiscal Policy Institute
28.	FRA	Fiscal Responsibility Act
29.	F&A	Finance and Accounts
30.	GESCOM	Gulbarga Electricity Supply Company
31.	GDP	Gross Domestic Product
32.	GIC	General Insurance Corporation
33.	GOI	Government of India
34.	GOK	Government of Karnataka
35.	GSDP	Gross State Domestic Product
36.	HAL	Hindustan Aeronautics Limited
37.	HLMC	High Level Monitoring Committee
38.	HOA	Head of Account
39.	HRMS	Human Resources Management System
40.	HUDCO	Housing and Urban Development Corporation Limited
41.	IAY	Indira Aawas Yojana
42.	IDD	Infrastructure Development Department
43.	IGAS	Indian Government Accounting Standard
44.	IIF	Infrastructure Initiative Fund
45.	IFA	Internal Financial Advisor
46.	IMFL	Indian Made Foreign Liquor
47.	KBJNL	Krishna Bhagya Jala Nigam Limited
48.	KBM	Karnataka Budget Manual

Sl. No.	Abbreviation	Full Form
49.	KFC	Karnataka Financial Code
50.	KFD	Karnataka State Forest Development Fund
51.	KFRA	Karnataka Fiscal Responsibility Act
52.	KLFAFRA	Karnataka Local Fund Authorities Responsibility Act
53.	KLLAD	Karnataka Legislators Local Area Development Scheme
54.	KNNL	Karnataka Neeravari Nigama Limited
55.	KPTCL	Karnataka Power Transmission Corporation Limited
56.	KRDCL	Karnataka Road Development Corporation Limited
57.	KREDL	Karnataka Renewable Energy Development Limited
58.	KSDL	Karnataka State Development Loans
59.	KSIIDC	Karnataka Small Industries Development Corporation
60.	KSFC	Karnataka State Financial Corporation Limited
61.	KSPHC	Karnataka State Police Housing Corporation
62.	LIC	Life Insurance Corporation
63.	LMMH	List of Major and Minor Heads
64.	MPM	Mysore Paper Mills Limited
65.	MTFP	Medium Term Fiscal Plan
66.	NABARD	National Bank for Agriculture and Rural Development
67.	NCDC	National Co-operative Development Corporation
68.	NDC	Non-Payment detailed Contingent Bill
69.	NGOs	Non – Government Organizations
70.	NLNORR	Non-Loan Net Own Revenue Receipts
71.	NORR	Net Own Revenue Receipts
72.	NPS	New Pension Scheme
73.	NRHM	National Rural Health Mission
74.	NSDL	National Securities Depository Limited
75.	NSDP	Net State Domestic Product
76.	NSSF	National Small Savings Fund
77.	NTR	Non-Tax Revenue Receipts
78.	OMC	Off budget Borrowing Monitoring Committee
79.	PAC	Public Accounts Committee
80.	PAG (A&E)	Principal Accountant General (Accounts and Entitlement)
81.	PAMF	Protected Area Management Fund
82.	PAO	Pay and Accounts Office
83.	PD	Personal Deposit
84.	PDS	Public Distribution System
85.	PF	Provident Fund
86.	PFC	Power Finance Corporation
87.	PFRDA	Pension Fund Regulatory Development Authority
88.	PPP	Public Private Partnership
89.	PRAN	Permanent Retirement Account Number
90.	PRIs	Panchayat Raj Institutions
91.	PSUs	Public Sector Undertakings
92.	RBI	Reserve Bank of India
93.	RCCE	Revenue Consequences of Capital Expenditure
94.	RDPR	Rural Development and Panchayat Raj
95.	REC	Rural Electrification Corporation
96.	RFD	Result Framework Document
97.	RGRHCL	Rajiv Gandhi Rural Housing Corporation Limited
98.	RIDF	Rural Infrastructure Development Fund
99.	RR	Revenue Receipts
100.	SCP	Special Component Plan

Sl. No.	Abbreviation	Full Form
101.	SDRF	State Disaster Response Fund
102.	SEs	Supplimentary Estimates
103.	SKUP	Suvarna Karnataka Udyanavanagala Prathistana
104.	SOTR	State Own Tax Revenue
105.	SPVs	Special Purpose Vehicles
106.	SSA	Sarva Shiksha Abhiyan
107.	TE	Total Expenditure
108.	TFC	Twelfth Finance Commission
109.	TNMC	Treasury Network Management Centre
110.	TP	Taluk Panchayat
111.	TSP	Tribal Sub Plan
112.	UC	Utilization Certificate
113.	UGC	University Grants Commission
114.	UID	Unique Identification
115.	ULB	Urban Local Bodies
116.	VAT	Value Added Tax
117.	XIII FC	Thirteenth Finance Commission
118.	ZP	Zilla Panchayat