सत्यमेव जयते

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

for the year ended March 2019

लोकहितार्थ सत्यनिष्ठा

Dedicated to Truth in Public Interest

Government of Karnataka

Report No. 1 of the year 2020

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

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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 2019. Information is 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 2018-19.

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

Executive Summary

Background

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 with the annual budgetary exercise. Karnataka was the first State to enact (September 2002) the Karnataka Fiscal Responsibility Act (KFRA), providing statutory backing to MTFP. The 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 for effective conduct of fiscal policy and prudent debt management through limits on borrowings, debt and deficits and greater transparency in fiscal operations by the use of medium-term fiscal framework.

The Report

Based on the audited accounts of the Government of Karnataka for the year ended 31 March 2019, this 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 KFRA, budget documents, Fourteenth Finance Commission Report (XIV FC) and other financial data obtained from various Government departments and organisations. 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 on 31 March 2019. It provides an insight into trends in committed expenditure and borrowing pattern and certain accounting adjustments that have a bearing on the fiscal parameters.

Chapter II is based on the audit of Appropriation Accounts and gives a 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.

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 is given at the end of the Report.

Audit findings and recommendations

Fiscal position

During 2018-19 there was an increase in revenue expenditure of 15 *per cent* over the previous year, while the revenue receipts increased by 12 *per cent* during the year.

Fiscal deficit was ₹38,442 crore, an increase of ₹7,341 crore (24 *per cent*) from ₹31,101 crore in 2017-18. The State was able to maintain revenue surplus (₹679 crore). The targets for fiscal deficit to GSDP ratio (2.73 *per cent*) and debt-GSDP ratio (20.26 *per cent*) were also achieved. This indicates prudent fiscal management. During 2018-19, non-transfer of expenditure of ₹299.20 crore relating to Karnataka Forest Development Fund, write back of PRI grants of ₹1,369.12 crore, booking of revenue expenditure under capital section (₹28.06 crore) and Non-adjustment of interest against reserve fund and deposits bearing interest (₹28.20 crore) had a bearing on the achievement of fiscal indicators like revenue surplus and fiscal deficit.

Primary deficit was ₹21,828 crore, an increase of ₹5,699 crore over the previous year. Incremental non-debt receipts of ₹17,863 crore was less than the incremental primary expenditure of ₹23,563 crore.

State's own resources

The ratio of the State's tax revenue to GSDP was between 6.57 *per cent* and 7.68 *per cent* during 2014-15 to 2018-19. It declined during 2018-19 by 0.31 *per cent* from previous year. It also included book adjustment of ₹360.79 crore, which increased the revenue receipts artificially during the year on account of Guarantee Commission (₹54.19 crore) from Rajiv Gandhi Rural Housing Corporation Limited, Karnataka Road Development Corporation Limited, Power Company of Karnataka Limited and adjustment of motor vehicle tax dues of transport corporations as subsidy (₹306.60 crore).

Ratio of non-tax revenue to revenue receipts reduced from 4.50 *per cent* in 2014-15 to 4.11 *per cent* during 2018-19. Its ratio to GSDP (₹14,08,112 crore) was insignificant (0.48 *per cent* in 2018-19), implying the need for mobilising non-tax revenue in the coming years by revising user charges, as recommended by Expenditure Reforms Commission (ERC).

Implementation of XIV Finance Commission (FC) recommendations

During 2018-19, there was short release of ₹14.48 crore under Basic Grants to Panchayat Raj Institutions (PRIs). Grants under Disaster relief is in the ratio of 90:10 between Government of India and State Government. The Performance Grants to PRIs and Urban Local Bodies (ULBs) for 2018-19 were not released till the end of March 2019.

Revenue Expenditure

Expenditure under social and economic sector registered growth of 16 and 13 *per cent* respectively over the previous year, while the growth in general services was 24 *per cent*. Eighty-five *per cent* of revenue expenditure consisted of committed expenditure on salaries, devolutions to local bodies, interest payments, pensions, subsidies, administrative expenses, Grants-in-aid and financial assistance. The committed expenditure consumed 84 *per cent* of revenue receipts. Expenditure on subsidies increased from ₹14,148 crore in 2017-18 to ₹15,400 crore during 2018-19 and subsidy in the form of financial assistance, incentives *etc*., also increased from ₹3,318 crore in 2017-18 to ₹3,777 crore during 2018-19. The XII FC recommended that the expenditure forming subsidy in the form of financial assistance, incentives *etc*., 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 year 2018-19 was 19 *per cent* (₹39,146 crore) as against 20 *per cent* (₹35,760 crore) in the previous year. Funds aggregating ₹3,128 crore were blocked in incomplete projects at the end of 2018-19. The return from investment of ₹66,518 crore as on 31 March 2019 in Companies/Corporations was negligible (₹38.30 crore). The investment included ₹38,949 crore (59 *per cent*) in Companies/Corporations under loss.

Funds and other Liabilities

The interest accrued on the investment out of Consolidated Sinking Fund from 2012-13 to 2018-19, amounting to ₹903.71 crore did not form the part of the assets of the State Government as the transaction did not pass through the Government books. Green Tax Cess of ₹85.09 crore along with relevant expenditure was not transferred to Green Tax Fund. The Guarantee Redemption Fund was not revived.

Debt Sustainability

Open Market Loans had a major share (55 *per cent*) in the total fiscal liabilities of the State. The percentage of debt to GSDP in 2018-19 was 20.26 *per cent*, which was within the limit of 25 *per cent* as mandated under KFRA 2002. The net debt available to the State during the year 2018-19 (₹17,766 crore) increased by 255 *per cent* when compared to the previous year.

Financial Management and Budgetary Control

Against total provision of ₹2,45,673 crore during 2018-19, an expenditure of ₹2,20,534 crore was incurred, resulting in unspent provision of ₹25,139 crore (10 *per cent*). It was revealed that expenditure stood overstated to an extent of ₹1,165.90 crore due to release of funds to ZP/TP remaining unutilized, non-transfer of expenditure to KFDF etc.

Supplementary provision of ₹1,319.88 crore in 20 cases was unnecessary. In 27 cases, the re-appropriation was not properly assessed as it resulted in insufficient or excess over provision.

In 19 grants, savings in excess of rupees five crore amounting to ₹7,667.67 crore was surrendered in the last two working days of the financial year.

In four cases, involving three grants, excess expenditure amounting to ₹686.82 crore, which should be treated as 'New Service/New Instrument of Service' was incurred without the approval of the Legislature.

An amount of ₹108.40 crore was misclassified under the capital/revenue section affecting the fiscal indicators. Misclassification under the object head 059 – Other Expenses amounted to ₹2,901.92 crore.

Supplementary budget was not 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.

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

The budget/expenditure suffered from 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 Pension and Other Retirement Benefits, Salaries and Maintenance of the ULB sector to ensure that the grants released should be distinct from that of the State Sector.

Financial Reporting

The closing balance in the Personal Deposit (PD) Account showed an increasing trend. It increased by 49 *per cent* when compared to the previous year. Review of these accounts, write back of funds to the Consolidated Fund needs to be prioritised as per extant rules. Out of 73 PD Accounts, 21 PD Accounts were in-operative which required reconciliation before initiating process for closure of such in-operative accounts.

Chapter – I

Finances of the State Government

Chapter 1

Finances of the State Government

Profile of the State

Karnataka is the sixth largest State in terms of geographical area (1,91,791 sq. km) and the eighth largest by population. The State's population recorded a decadal growth (2001-2011) of about 16 *per cent*. The percentage of population below the poverty line was 20.90 compared to the All India Average of 21.90 (2011-12). The Gross State Domestic Product (GSDP) in 2018-19 at current prices was ₹14,08,112 crore. The State's literacy rate grew from 66.64 *per cent* to 75.40 *per cent* during the period 2001-11. The per-capita income of the State stands at ₹2,07,062 against the country average of ₹1,25,397 (as of March 2019 -Economic Survey Government of Karnataka (GoK), 2018-19). General data relating to the State is given in **Appendix 1.1(A)**.

Gross State Domestic Product

GSDP is the market value of all officially recognised final goods and services produced within the State in a given period of time. The growth of GSDP 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 **Appendix 1.1(B)**. As seen from the appendix, in the years 2014-15 to 2018-19, Karnataka's GSDP growth rate at current prices, was more than that of the nation's growth rate, except during 2016-17 and 2018-19.

1.1 Introduction

This chapter provides a broad perspective of the finances of the GoK during 2018-19. It analyses important changes in 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 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 transaction in 2018-19

Table 1.1 and **Appendix 1.3** present the summary of the State Governments' fiscal transactions during 2018-19 *vis-à-vis* the previous year (2017-18), while **Appendix 1.4** provides the details of receipts and disbursement for 2018-19 as well as the overall fiscal position during preceding four years.

Table 1.1: Summary of fiscal transactions in 2018-19

(₹ in crore)

Receipts			Disbursements		
	2017-18	**2018-19**		**2017-18**	**2018-19**
Section A: Revenue					
Revenue Receipts	**1,46,999.65**	**1,64,978.66**	**Revenue Expenditure**	**1,42,482.33**	**1,64,299.86**
Tax revenue	87,130.38	96,829.71*	General Services	34,484.44	42,655.05
Non-tax revenue	6,476.53	6,772.87	Social Services	58,652.35	67,934.35
Share of Union taxes/duties	31,751.96	35,894.83^	Economic Services	42,855.78	48,285.15
Grants-in-aid and Contributions from GoI	21,640.78	25,481.25#	Grants-in-aid and Contributions	6,489.76	5,425.31
Section B: Capital and others					
Misc. Capital receipts	**3.70**	**(-) 5.51**	**Capital Outlay**	**30,666.76**	**34,659.32**
			General Services	977.45	827.41
			Social Services	8,676.76	9,793.56
			Economic Services	21,012.55	24,038.35
Recoveries of Loans and Advances	**136.93**	**31.23**	**Loans and Advances disbursed**	**5,092.22**	**4,487.22**
Public debt receipts**	**25,121.86**	**41,914.06**	**Repayment of public debt****	**8,269.16**	**11,082.62**
Contingency Fund	**-**	**-**	**Contingency Fund**	**-**	**-**
Public Account Receipts	**2,00,615.43**	**2,37,759.99**	**Public Account disbursements**	**1,94,536.63**	**2,34,329.59**
Opening Cash Balance	**34,353.58**	**26,184.05**	**Closing Cash Balance**	**26,184.05**	**22,003.87**
Total	**4,07,231.15**	**4,70,862.48**	**Total**	**4,07,231.15**	**4,70,862.48**

Source: Finance Accounts 2018-19.

**includes State Goods and Service Tax (SGST) of ₹41,956.03 crore; ^includes Central Goods and Service Tax(CGST) of ₹8,858.76 crore and Integraged Goods and Service Tax (IGST) of ₹707 crore.*

#includes ₹ 10,754 crore towards Compensation for loss of revenue arising out of implementation of Goods and Service Tax (GST).

*** Excluding net transaction under ways and means advances and overdraft.*

The following are the significant changes during 2018-19 over the previous year:

- Revenue receipts grew by ₹17,979.01 crore (12 *per cent*);
- Revenue expenditure increased by ₹21,817.53 crore (15 *per cent*);
- Capital outlay increased by ₹3,992.56 crore (13 *per cent*), increase was mainly under Economic Services Sector (₹3,025.80 crore, 14 *per cent*) and Social Services Sector (₹1,116.80 crore, 13 *per cent*) and off-set by decrease under General Services Sector (₹150.04 crore, 15 *per cent*).

- Recoveries of Loans and Advances decreased by ₹105.70 crore (77 *per cent*) mainly due to less recovery of loans under '7615-200-Miscellaneous Loans' during 2018-19. The disbursement of Loans and Advances decreased by ₹605 crore (12 *per cent*);
- Public Debt receipts (excluding ways and means advances) increased by ₹16,792.20 crore (67 *per cent*) and repayments increased by ₹2,813.46 crore (34 *per cent*). The increase in Public Debt receipts was mainly due to increase in Internal Debt of the State by 75 *per cent* over the previous year;
- Miscellaneous Capital Receipts decreased from ₹3.70 crore in 2017-18 to (-) ₹5.51 crore in 2018-19 due to retirement of capital/disinvestment of co-operative societies/bank (₹3.29 crore) and refund of Earnest Money Deposit of ₹8.80 crore to Karnataka Industrial Area Development Board (KIADB);
- Public Account receipts increased by ₹37,144.56 crore (19 *per cent*) and disbursements by ₹39,792.96 crore (20 *per cent*); and
- Cash balance of the State Government decreased by ₹4,180.18 crore (16 *per cent*). Though there is decrease in cash balance over the previous year, in view of high cash balance, it is suggested that Government may consider utilising their existing balances before resorting to fresh borrowings.

1.1.2 Review of Fiscal situation

The Karnataka Fiscal Responsibility Act (KFRA) 2002 as amended from time to time was enacted with the objective of achieving inter-generational equity in fiscal management and long-term macro-economic stability. The KFRA, 2002 envisaged sufficient revenue surplus and prudential debt management through limits on borrowings, debt and deficits. The State Government is on a fiscal consolidation path and maintained guarantees within the limits[1] prescribed under the Karnataka Ceiling on Government Guarantees Act, 1999.

The State 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. The targets for revenue and fiscal deficits along with their actual levels are given in **Table1.2**.

[1] The outstanding guarantees extended by the Government as on the first day of April of any year shall not exceed 80 *per cent* of the State's revenue receipts of the second preceding year.

Table 1.2: Outcome *vis-a-vis* targets under KFRA

Period	Revenue Deficit/Surplus		Fiscal Deficit/GSDP (in *per cent*)		Debt/GSDP ratio (in *per cent*)	
	Ceiling as per KFRA	Actual	Ceiling as per KFRA	Actual	Ceiling as per KFRA	Actual
2014-15	Maintain Revenue Surplus	Achieved the target	3.00	2.14	25.20	18.00
2015-16			3.00	1.89	25.00	18.10
2016-17			3.00	2.53	25.00	19.54
2017-18			3.00	2.37	25.00	18.78
2018-19			3.00	2.73	25.00	20.26

By an amendment to KFRA, 2002 in February 2014, the scope of total liabilities as defined under Section-2(g) was amplified to include the borrowings by Public Sector Undertakings (PSU) and SPVs and other equivalent instruments, where the principal and/or interest are to be serviced out of the State Budget. The State Government has been amending the KFRA from time to time keeping in view the parameters prescribed by successive Finance Commissions (FC).

1.1.3 Fiscal Health of the State

As prescribed under the Karnataka Fiscal Responsibility Act, 2002, during 2018-19, the Government was able to maintain the revenue surplus (₹679 crore). The targets for fiscal deficit to GSDP ratio (2.73 *per cent*) and debt-GSDP ratio (20.26 *per cent*) were also achieved. This indicates prudent fiscal management.

1.1.4 Comparison of State's fiscal variables with GoI variables

A comparison of fiscal variables of Karnataka with that of GoI variables for the year 2018-19 is given in **Table 1.3**.

Table 1.3: Comparison of fiscal variables

Sl. No.	Fiscal Variable	Karnataka	GoI#
1	Fiscal deficit/ GSDP(*per cent*)	2.73	3.40
2	Ratio of total outstanding debt of the Government to GSDP (*per cent*)	20.26	44.50

 # Source: Economic Survey, GoI for 2018-19.

As seen from the above table, the fiscal deficit/GSDP and debt/GSDP ratio of Karnataka was less than that of GoI's ratio.

1.1.5 Impact of certain transactions on revenue surplus and fiscal deficit during 2018-19

Scrutiny of certain transactions during 2018-19 revealed that the level of revenue surplus and fiscal deficit were affected by certain accounting adjustments as brought out in Para xxiv of Notes to Accounts of Finance Accounts and as detailed in **Table 1.4.**

Table 1.4: Impact of certain transactions during 2018-19

(₹ in crore)

Sl No.	Subject	Revenue Surplus		Fiscal Deficit	
		Overstatement	Understatement	Overstatement	Understatement
1	Booking of revenue expenditure under capital section	28.06	0.00	0.00	0.00
2	Booking of capital expenditure under revenue section	0.00	64.28	0.00	0.00
3	Non-transfer of expenditure to Karnataka Forest Development Fund	0.00	299.20	299.20	0.00
4	Non-transfer of receipts of Consumer Welfare Fund	0.41	0.00	0.00	0.41
5	Non-adjustment of interest against Reserve fund and Deposits bearing interest	28.20	0.00	0.00	28.20
6	Write back of unspent PRI grants	1,369.12	0.00	0.00	1,369.12
	Total	**1,425.79**	**363.48**	**299.20**	**1,397.73**
	Net Impact	**1,062.31**	**0.00**	**0.00**	**1,098.53**

Source: Notes to Accounts.

The above transactions are discussed below.

- The transactions in respect of Sl. Nos. 1-4 are detailed in Paragraph Nos. 2.4.1, 1.10.4.1(d) and 1.10.4.1(e) respectively;
- In respect of Sl. No. 5, the State Government was required to pay interest on the un-invested balances lying under Reserve Funds and Deposits bearing interest. The balance in these at the beginning of the year was ₹376.05 crore. The interest liability on this at 7.5 *per cent* (average interest rate for Ways and Means Advances) worked out to ₹28.20 crore was not provided and
- In respect of Sl. No.6, the State Government through an order in December 2016 had stipulated that the adjustment of unspent balances of a particular year would be done in the budget of the year next to the immediately succeeding year. Accordingly, the State Government in March 2019 had approved the write back of an unspent amount of ₹468.88 crore in respect of Zilla Panchayats and ₹900.24 crore in respect

of Taluk Panchayats related to the year 2016-17 from the Public Account (Major Head 8448), which led to suppression of expenditure during the current year.

Finance Department replied (March 2020) that provision for write back of unspent PRI grants is based on the standing Government orders and sanction of the Legislature was obtained for this write back.

The fact, however, remains that write back of unspent balances of the previous years to the Consolidated Fund during 2018-19 resulted in the overstatement of revenue surplus and understatement of fiscal deficit of the current year to the extent of ₹1,369.12 crore. This adjustment is, therefore, not depicting the true and fair picture of the fiscal position of the State during the current year.

As seen from the transactions mentioned in **Table 1.4**, the net impact of overstatement of revenue surplus is ₹1,062.31 crore and understatement of fiscal deficit is ₹1,098.53 crore.

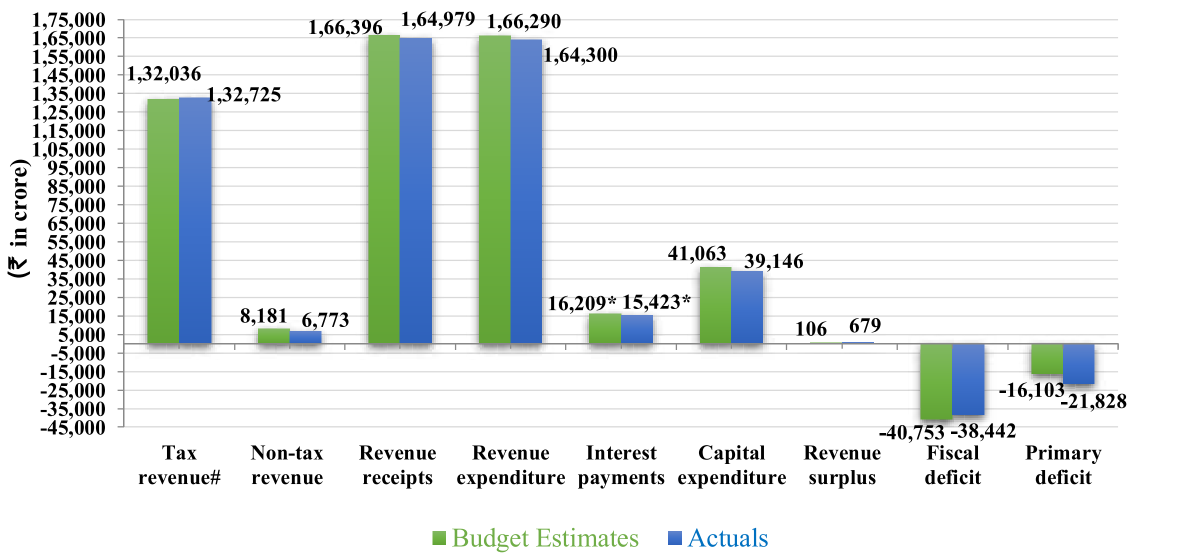
1.2 Analysis of Budget for the year 2018-19

1.2.1 Budget Estimates and Actuals

The budget presented by the State Government indicates projections/estimations of revenue and expenditure for a particular fiscal year. Deviations from budget estimates are indicative of non-attainment/ non-optimisation of desired fiscal objectives, due to a variety of factors, some of which are within the control of the Government while some are beyond its control.

Chart 1.1 presents the budget estimates and actuals of some important fiscal parameters for the year 2018-19.

Chart 1.1: Budget estimates *vis-a-vis* Actuals in 2018-19



Source: Annual Financial Statement and Finance Accounts.

#includes State's share of Union Taxes and Duties also.

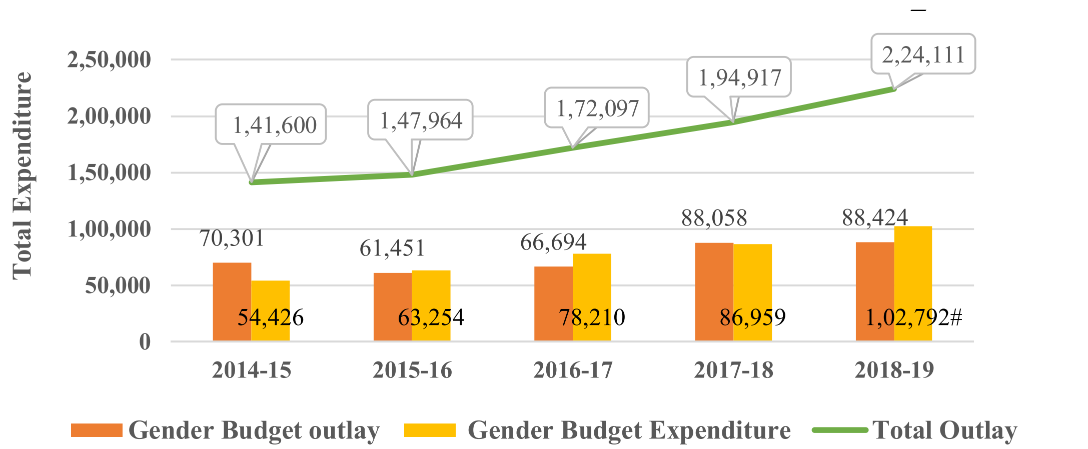
**excludes interest on off-budget borrowings.*

The actual receipts / expenditure were very close to the budget estimates during 2018-19. The primary deficit is more than the budget estimate by ₹5,725 crore *i.e.*, almost 36 *per cent*, whereas the fiscal deficit was less than expected.

1.2.2 Gender Budgeting

The State created a Gender Budget cell (January 2007) and initiated gender budgeting since 2007-08 onwards. The Gender budget discloses the expenditure proposed to be incurred within the overall budget on schemes which are designed to benefit women fully or partly. The trends in total outlay under the Gender Budget to total outlay during 2014-15 to 2018-19 along with expenditure are shown in **Chart 1.2.**

Chart 1.2 : Trends in Total Expenditure vs Total Outlay



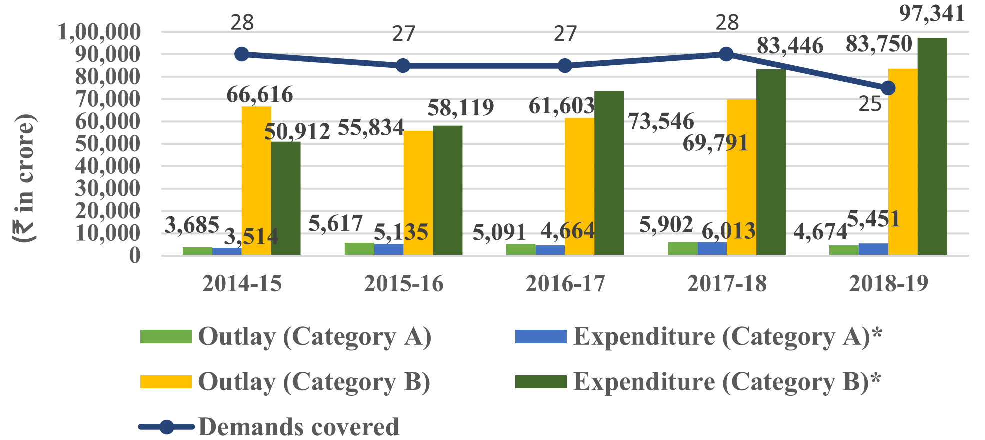
Source: Gender Budget document.

 # Expenditure figures for 2018-19 are revised estimate figures and not actuals.

As seen from the **Chart 1.2**, the total expenditure during 2014-15 to 2018-19 is more than the outlay except during 2014-15 and 2017-18. The decreasing proportion of the outlay *vis-vis* total outlay from 50 *per cent* in 2014-15 to 39 *per cent* in 2018-19 is a matter of concern.

The trends in the total outlay in Category A[2] and Category B[3] schemes under 27 demands on an average during 2014-15 to 2018-19 are depicted in **Chart 1.3**.

Chart 1.3: Trends in Outlay and Expenditure of Category A and Category B schemes



**Expenditure figures for 2018-19 are Revised Estimate figures and not actuals*.

As seen from the **Chart 1.3**, there was hardly any change in the allocation of Category A schemes in all the four years. In 2018-19, there was a decrease in allocation by 21 *per cent* when compared to the previous year. This was due to drastic reduction in allocation in schemes like Ashraya Basava Vasathi, Stree Shakti, Sabala *etc*. Though the allocation increased under Category B, the increase was marginal (two *per cent*). The total number of schemes under Category A and B which were 58 and 666 respectively in 2017-18 increased to 64 and 701 respectively in 2018-19. The gender budget document also gives a brief explanatory note about the schemes indicating the objective of such schemes.

An analysis of two schemes of Category A is brought out below:

a) Vidya Vikasa Yojane (Reimbursement of fees in Government PU Colleges)

Education is one of the development indicators by which the status of women can be assessed. During 2018-19, the allocation under Education was ₹24.77 crore which constituted 0.56 *per cent* of the total outlay of Category A schemes (₹4,402.02 crore). The allocation was towards the following schemes:

- Kitturu Rani Chennamma Residential School for Girls;
- Women's University in Vijayapura;
- Women's College at Mysuru and
- Reimbursement of Fees in Government PU colleges.

[2] Budgetary allocation to schemes designed for covering 100 *per cent* women beneficiaries.
[3] Budgetary allocations to schemes designed for covering at least 30 *per cent* women beneficiaries.

Detailed study of reimbursement of fees in Government colleges revealed the following:

In order to encourage girl students studying in Pre-University in Government as well as Private Colleges, the tuition fees are reimbursed by the Government under the Vidya Vikasa Yojane. The financial and physical targets, achievement and shortfall of the scheme is brought out in **Table 1.5** and **Table 1.6**.

Table 1.5: Financial target

(₹ in crore)

Year	Budget	Releases	Expenditure	Savings
2014-15	1.99	1.99	1.28	0.71
2015-16	10.00	4.60	2.22	2.38
2016-17	5.00	5.00	4.52	0.48
2017-18	6.50	6.50	5.18	1.32
2018-19	6.50	5.60	5.12	0.48
Total	**29.99**	**23.69**	**18.32**	**5.37**

Table 1.6: Physical target fixed and achieved

Year	Number of girl students benefitted		Shortfall	Percentage of shortfall
	Target	Achievement		
2014-15	42,361	28,057	14,304	34
2015-16	56,727	48,768	7,959	14
2016-17	1,09,650	99,122	10,528	10
2017-18	1,15,779	1,13,596	2,183	2
2018-19	1,15,487	1,12,377	3,110	3

The department attributed the shortfall in both financial and physical progress during 2014-15 and 2015-16 to enrolment of lesser number of girl students and non-approval of revised action plan. Further, the department stated that during 2016-17 to 2018-19, due to technical discrepancies in Khajane-2, certain colleges could not spend the grants, thereby resulting in shortfall in achieving the target.

The reply is not acceptable for the following reasons:

1. The number of girl students in both I PUC and II PUC in Government PU colleges during 2018-19 was 1.88 lakh which was far greater than the target fixed under the scheme and
2. Technical discrepancies in Khajane-2 cannot be cited as a justification for the failure to maximise the benefits for female students.

The Finance Department replied (March 2020) that with the full-fledged reimbursement of tuition fees through Khajane-2, the hurdles in realising 100 *per cent* financial and physical target would be overcome in the ensuing years.

b) Hostel for Disabled Females

The Department of Empowerment of Differently Abled and Senior Citizens is implementing a single scheme covered under the Gender Budget *i.e.,* 'Hostel for Disabled Females'. The purpose of the scheme is to encourage females with disability to pursue education and employment by providing hostel facilities for disabled female employees, trainees and students. While free accommodation and food would be provided to trainees and students, differently abled female employees seeking accommodation in the hostel are supposed to pay mess charges. At present there are 26 hostels in 23 districts of the State maintained by NGOs. The physical and financial progress, achievement and shortfall of the scheme is brought out in **Table 1.7** and **Table 1.8**.

Table 1.7: Physical target fixed and achieved

Year	Target women to be covered	Actual women beneficiary covered	Shortfall/ excess	Percentage of shortfall
2014-15	1,350	965	385	29
2015-16	1,350	1,140	210	16
2016-17	1,350	1,046	304	23
2017-18	1,350	886	464	34
2018-19	1,350	1,009	341	25

Table 1.8: Financial target

(₹ in crore)

Year	Budget	Releases	Expenditure	Savings
2014-15	300.00	298.84	298.84	0.00
2015-16	458.00	400.00	397.27	2.73
2016-17	458.00	321.54	321.54	0.00
2017-18	350.00	350.00	309.28	40.72
2018-19	350.00	350.00	313.32	36.68

From the table, it is evident that while even though there was no change in targets of differently abled women to be covered during the period 2014-15 to 2018-19, the budget allocation was reduced. The department attributed the shortfall in physical targets to availability of free hostels run by Social Welfare Department, limited job opportunities for differently abled persons in most of the districts *etc*. The reply is not acceptable as the targets should not be fixed arbitrarily.

1.2.3 Major policy initiatives of the Budget

The Government announced major policy initiatives in the budget 2018-19 (February 2018 and July 2018). An action taken report has been brought out along with the budget documents for 2019-20.

Audit undertook a study on the action taken by the Government in respect of Departments of Primary and Secondary Education, Medical Education and Transport. In total, the State Government initiated 35 new policies in the three departments. The action initiated by the Government with regard to major policies is summarised in **Appendix 1.5**.

Out of the 35 initiatives, action in respect of 22 was still in preliminary stage. While three initiatives were dropped, the scope of two initiatives was changed and action was yet to be initiated in respect of five. Hence, there was progress in respect of three initiatives only.

The initiatives which could have been implemented based on their importance, but were either dropped or are in their nascent stage is detailed below:

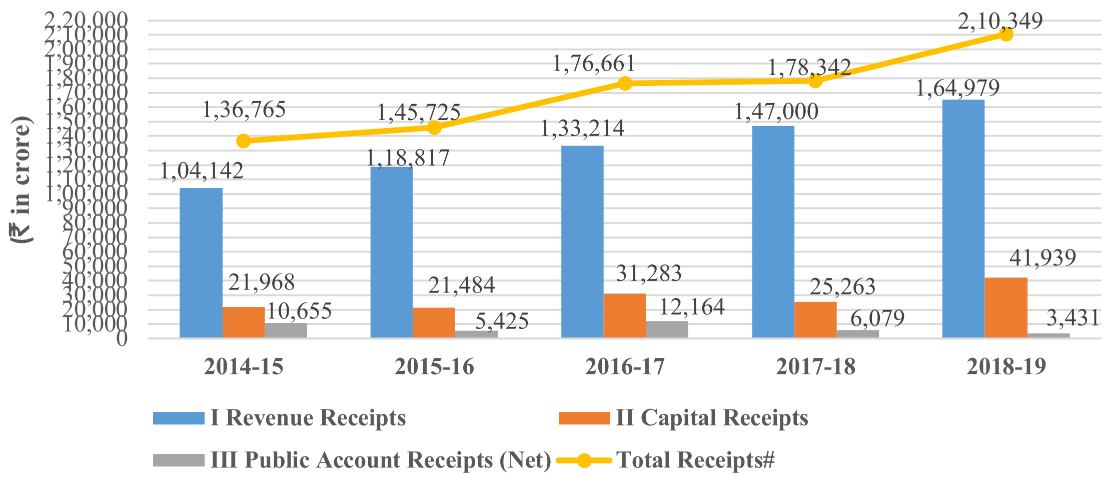
- 13,000 youths was to be imparted training as drivers/mechanics by the State Transport Corporations under Skill Development Scheme. The proposal is still under process;
- Training in heavy vehicle driving for 200 Scheduled Caste and Scheduled Tribe candidates in Bengaluru and Dharwad along with subsidy on loan for purchase of heavy vehicles was to be implemented by Heavy Vehicle Drivers Training Institutes in association with Karnataka State Finance Corporation and Devaraj Urs Truck Terminal Limited. The proposal is still under process and
- The safety of children at Government Primary and Secondary Schools was a priority of the Government and hence it had proposed to install CCTV cameras. However, instead of cameras, computer tablets were procured for children.

1.3 Sources of Revenue in the State

1.3.1 Sources of Revenue of the State as per the Annual Finance Accounts

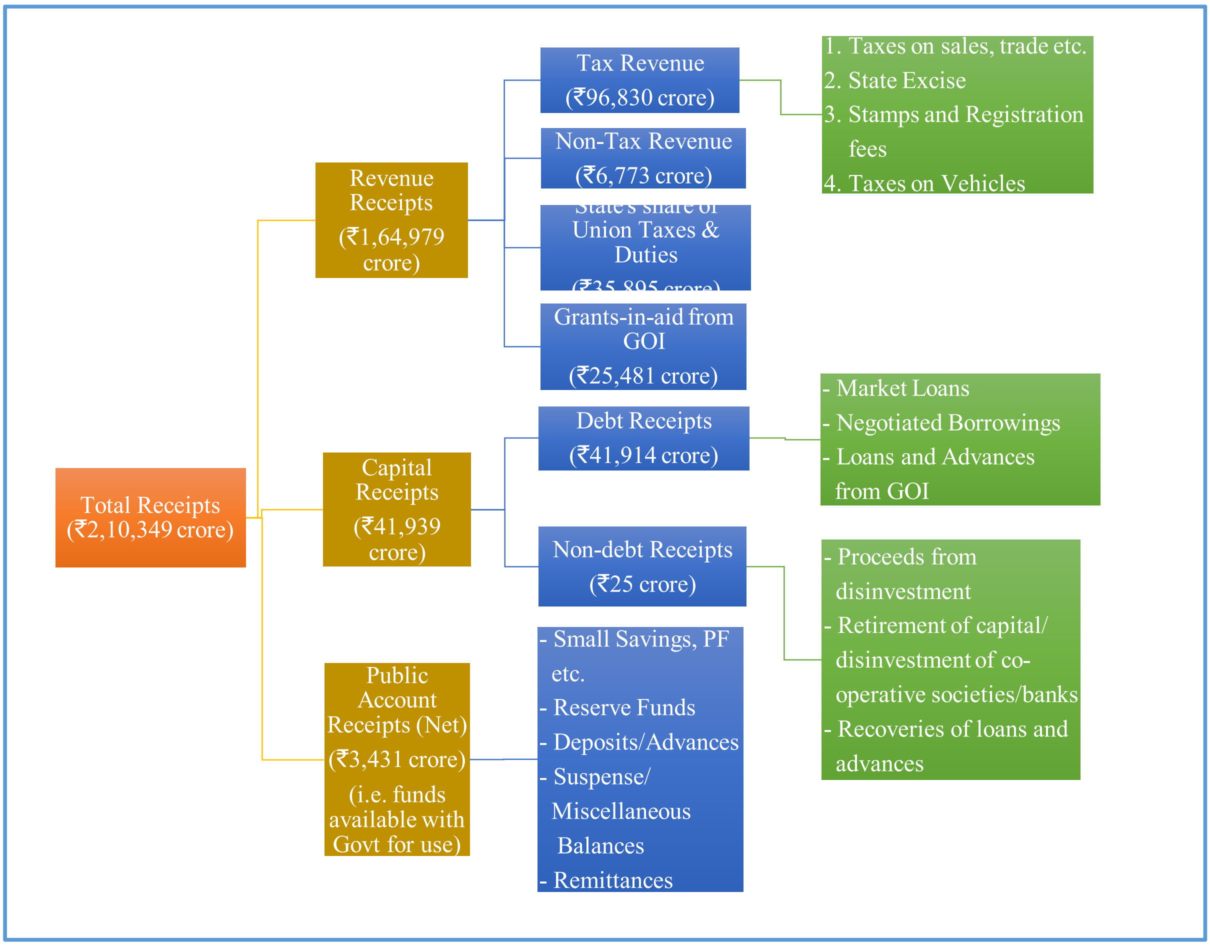
Revenue Receipts consist of tax revenue, non-tax revenues, States' share of Union taxes and duties and Grants-in-aid and Contributions from GoI. Capital receipts comprise miscellaneous capital receipts such as proceeds from disinvestment, recoveries of loans and advances, debt receipts from internal sources (market loans, negotiated loans from financial institutions/commercial banks) and loans and advances from GoI. Net Public Account receipts are also utilised by the Government to finance its deficit. **Chart 1.4** depicts the trends in various components of receipts during 2014-15 to 2018-19. **Chart 1.5** depicts the components and sub-components of resources of the State during 2018-19.

Chart 1.4: Trends in receipts from 2014-15 to 2018-19



#excluding Contingency Fund receipts.

Chart 1.5: Components and sub-components of Resources



Source: Finance Accounts

Total receipts (excluding Contingency Fund receipts) increased by 54 *per cent* from ₹1,36,765 crore in 2014-15 to ₹2,10,349 crore in 2018-19. Compared to the previous year (₹1,78,342 crore), the receipts increased by ₹32,008 crore (18 *per cent*) during 2018-19. The share of revenue receipts in total receipts during 2018-19 was 78 *per cent*. Further details are provided in **paragraph 1.4**.

Capital receipts increased by 91 *per cent* from ₹21,968 crore in 2014-15 to ₹41,939 crore in 2018-19 mainly due to increase in public debt receipts by 92 *per cent*. During 2018-19, the capital receipts accounted for 20 *per cent* of total receipts. Public Debt receipts, the main constituent of capital receipts, increased by ₹16,792 crore (67 *per cent*) over the previous year. There was increase in growth of internal debt receipts by 75 *per cent* and Loans and Advances decreased by 26 *per cent* over the previous year. The non-debt capital receipts showed 82 *per cent* decrease in growth during 2018-19 over the previous year due to less recovery of loans and advances/sale of assets.

Public Account receipts refer to those receipts for which the Government acts as a banker/trustee for the public money. On an average, they constituted five *per cent* of the total receipts during 2014-15 to 2018-19. Net Public Account receipts, which were ₹10,655 crore in 2014-15, increased to ₹12,164 crore in 2016-17, but were on a decreasing trend during 2017-18 and 2018-19. They were lowest in 2018-19 at ₹3,431 crore.

1.4 Revenue Receipts

The GoK's fiscal position is largely influenced by the revenue side. On an average, 67 *per cent* of the revenue came from the State's own resources during the period 2014-15 to 2018-19. The balance was transfers from GoI in the form of the State's share of taxes and duties and Grants-in-aid and Contributions.

Simplification and rationalisation of tax structure, along with simplification of the process of filing tax returns like e-payment of taxes and anywhere registration has ensured effective mobilisation of resources from various taxes which reflected consistent performance on the tax front. Though tax revenues have been growing in terms of value, as a percentage share of revenue receipts, they have declined from 67 *per cent* to 59 *per cent* during 2014-15 to 2018-19. On the other hand, the State has not improved revenues on the non-tax front, which were between four and five *per cent* of revenue receipts during 2014-15 to 2018-19, which is discussed in detail in **paragraph 1.4.1.3**.

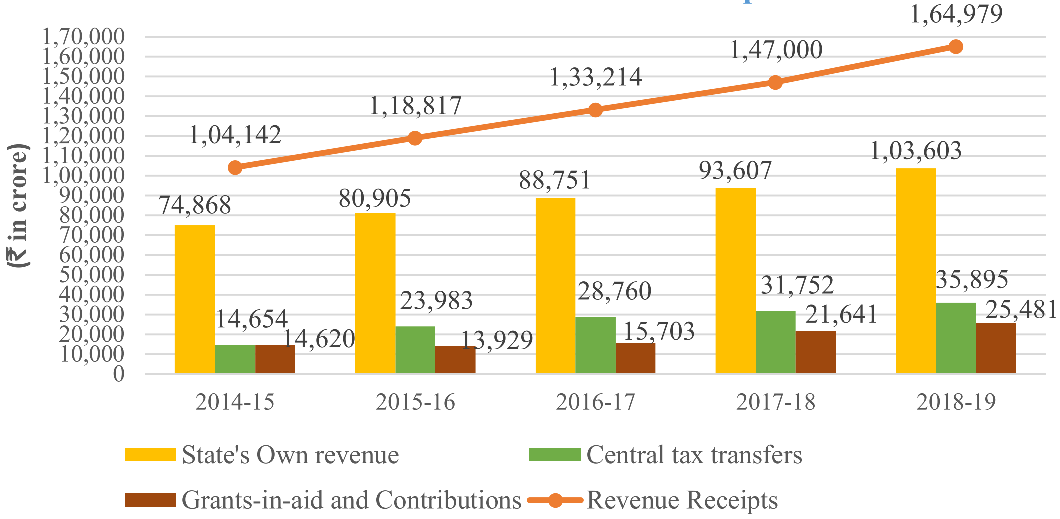
The trends in revenue receipts relative to GSDP over the period 2014-15 to 2018-19 are presented in **Appendix 1.4**.

As seen from the appendix,

- Revenue buoyancy[4] ranged between 0.71 and 1.96 during the five year period;
- The growth rate of Revenue Receipts decreased from 16.31 *per cent* in 2014-15 to 12.23 *per cent* in 2018-19; and
- Buoyancy of State's own tax revenue to GSDP recorded a sharp increase in the year 2018-19 (1.78) over the previous year (0.34) on account of increase in growth of tax revenue as well as change in the GSDP base and methodology. It was 1.03 in 2014-15, 0.53 in 2015-16, 0.93 during 2016-17 and lowest at 0.34 during 2017-18.

While composition of revenue receipts is depicted in **Chart 1.6**, **Chart 1.7** depicts the rate of growth of revenue receipts compared to GSDP and total revenue receipts and **Chart 1.8** depicts the trends of buoyancy ratios.

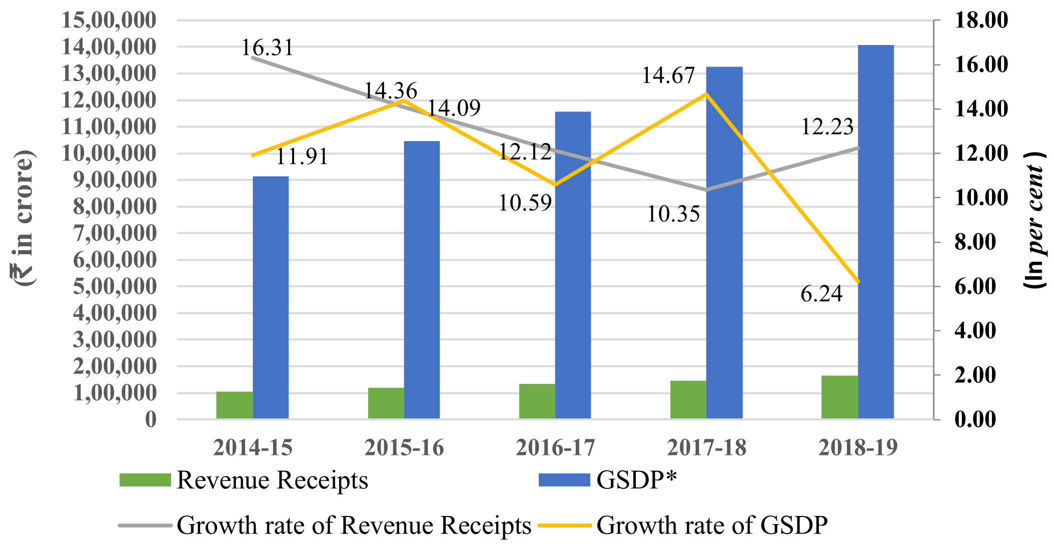
Chart 1.6: Trends in Revenue Receipts



Source: Finance Accounts

[4] Buoyancy ratio indicates the elasticity or 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*.

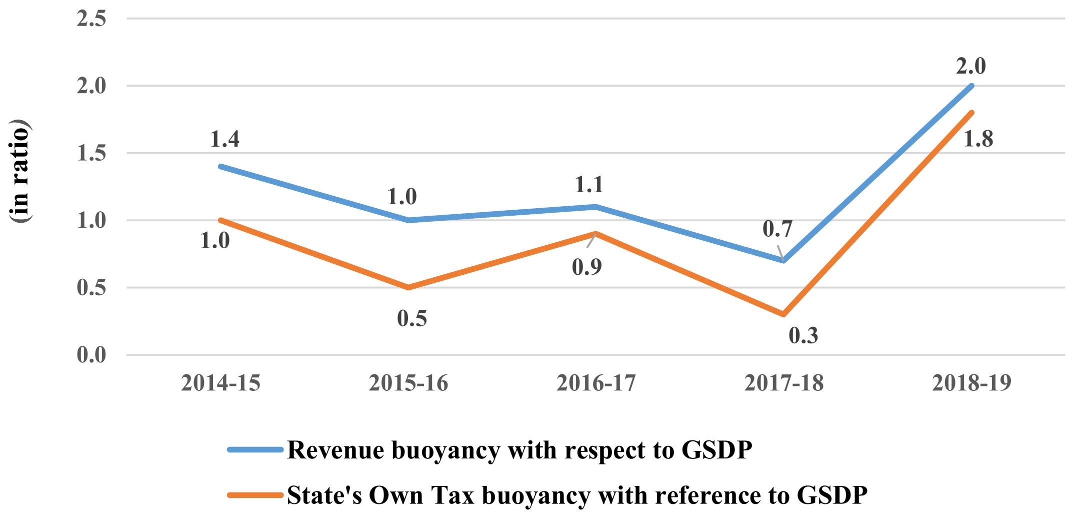
Chart 1.7: Growth of revenue receipts with reference to GSDP



Source: Finance Accounts and Economic Survey,GoK for 2018-19 and MOF, GoI letter dt 20 March 2018.

**For GSDP figures adopted in audit reports of previous years, refer Appendix 1.4.*

Chart 1.8: Trend of Buoyancy of Revenue Receipt with reference to GSDP



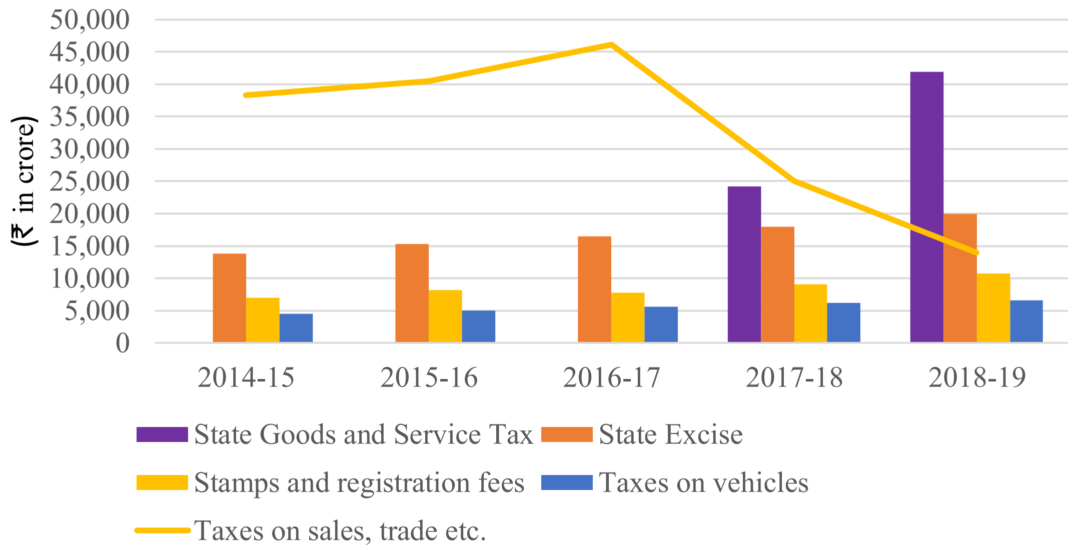
Revenue buoyancy with respect to GSDP increased from 1.4 to 2.0 during 2014-15 to 2018-19 with inter year variations.

1.4.1 State's Own Resources

1.4.1.1 Tax Revenue

State Goods and Service Tax (43 *per cent*) and State Excise (21 *per cent*) were the main source of the State's tax revenue followed by Taxes on sales, trade, *etc*., (15 *per cent*), Stamps and Registration Fees (11 *per cent*) and Taxes on Vehicles (seven *per cent*) during 2018-19. The components and trends of tax revenue during the period 2014-15 to 2018-19 are shown in **Appendix 1.4** and **Chart 1.9**.

Chart 1.9: Growth trends of major tax revenue



The State Goods and Service Tax increased from ₹24,182 crore in 2017-18 to ₹41,956 crore in 2018-19 (74 *per cent*). The taxes on sales, trade *etc*. decreased from ₹38,286 crore in 2014-15 to ₹14,003 crore in 2018-19, a decrease of 63 *per cent* (₹24,283 crore in terms of amount). State Excise, which was the second largest contributor to State's own tax revenues increased by 45 *per cent* during the same period. During the period 2014-15 to 2018-19, the Stamps and Registration fees increased from ₹7,026 crore to ₹10,775 crore, an increase of 53 *per cent*. The Taxes on vehicles also contributed significantly to own tax revenues. It increased by 45 *per cent* (₹2,027 crore in terms of amount) during the period 2014-15 to 2018-19.

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 2014-15 to 2018-19 along with their All-India average cost of collection for the respective previous years are indicated in the **Appendix 1.6**. As seen from the appendix, the percentage of cost of collection to the gross collection was significantly less than the All India Average for the period 2014-15 to 2018-19.

Comparison of Own Tax Revenue to GSDP

A comparison of State's Own Tax Revenue to GSDP of Karnataka for 2018-19 with neighboring States is given in **Table 1.9**.

Table 1.9: Comparison of Own Tax Revenue to GSDP with neighbouring States

(₹ in crore)

Sl. No.	Name of the State	Own Tax Revenue	GSDP	Own Tax/GSDP (in *per cent*)
1	Karnataka	96,830	14,08,112	6.88
2	Kerala	50,654	7,81,653	6.48
3	Tamilnadu	1,05,534	16,64,159	6.34
4	Maharashtra	1,87,436	26,60,318	7.05
5	Telangana	83,235	8,65,688	9.61
6	Andhra Pradesh	90,818	9,33,402	9.73

Own Tax Revenue as percentage of GSDP was better for Karnataka State (6.88 *per cent*), when compared to the neighboring States of Kerala (6.48 *per cent*) and Tamilnadu (6.34 *per cent*) but less than that of Andhra Pradesh (9.73 *per cent*), Telangana (9.61 *per cent*) and Maharashtra (7.05 *per cent*).

1.4.1.2 Goods and Service Tax (GST)

With automation of the collection of Goods and Services Tax (GST) having taken place, it is essential for Audit to transition from sample checks to a comprehensive check of all transactions, to fulfil the CAG's Constitutional mandate of certifying the Accounts. The required access to data is yet to be provided. Not having access to the data pertaining to all GST transactions has come in the way of comprehensively auditing the GST receipts. The accounts for the year 2018-19 are, therefore, certified on the basis of test audit as was done when records were manually maintained, as a one-time exception.

The total collections under GST during 2018-19 were ₹51,521.79 crore[5]. As per sanction orders issued by the Ministry of Finance, GoI, an amount of ₹5,559.04 crore was received on account of advance apportionment of IGST and an amount of ₹9,565.76 crore, which includes share of net proceeds out of CGST (₹8,858.76 crore) and IGST (₹707.00 crore) was assigned to GoK. The compensation for loss of revenue of ₹10,754 crore during 2018-19 includes ₹1,289 crore pertaining to 2017-18, released in May 2018.

Against the projected revenue of ₹53,549.16 crore for the period 2018-19, taxes collected by the State (pre-GST taxes & SGST), IGST portion (including provisional/advance apportionment of IGST) received from the Central Government and GST compensation received aggregated to ₹53,585 crore. The GST compensation received in excess was ₹35.84 crore.

[5]Under Major Heads 0005 – CGST (₹8,858.76 crore), 0006 – SGST (₹41,956.03 crore) and 0008 – IGST (₹707 crore).

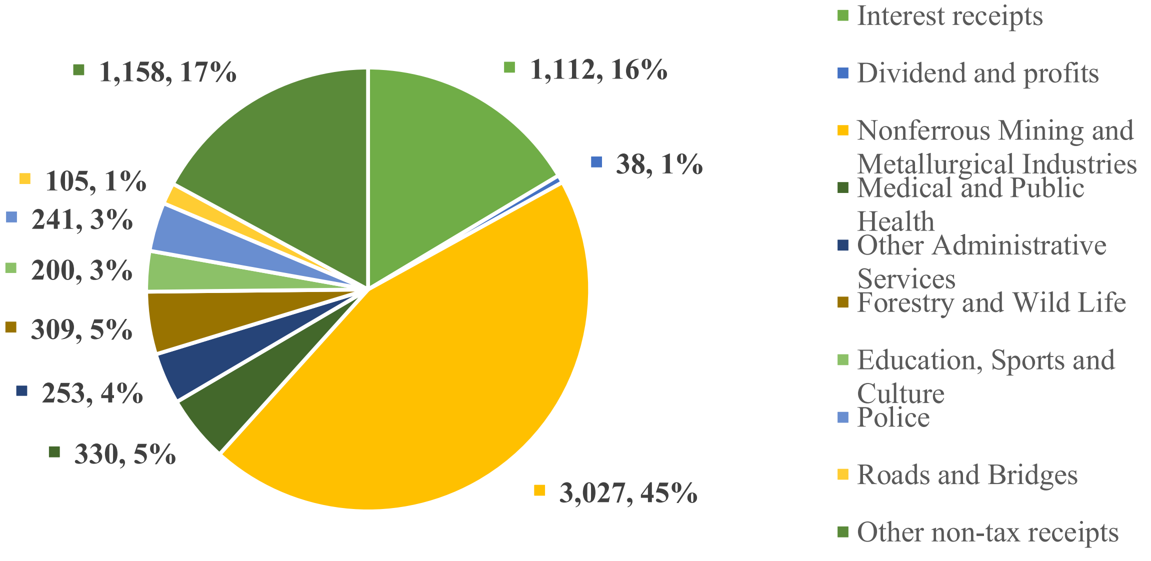
1.4.1.3 Non-tax revenue

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

The trends in collection of non-tax revenue are given in **Appendix 1.4**. The components of non-tax revenue for 2018-19 are presented in **Chart 1.10**.

(₹ in crore/ in *per cent*)

Chart 1.10: Components of non-tax revenue in 2018-19



The share of non-tax revenue in revenue receipts has been around four to five *per cent* during the period 2014-15 to 2018-19. As percentage of GSDP, it is less than one *per cent* during the years 2014-15 to 2018-19. The reason for stagnation include non-revision of user charges periodically.

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

The State's Fiscal Management Review Committee (FMRC) had noted (January 2019) the shortfall in non-tax revenue collections on account of Forest Development Fee and interest receipts. Shortfall in Forest Development Fee was attributed to less collections due to legal issues. The decrease in interest receipts *vis-a-vis* projections was on account of increased expenditure and low cash balances in the beginning of the year.

Further, the Committee directed that there shall be a regular follow up on non-tax revenue after the budget, with concerned administrative departments so as to mop up more resources from non-tax revenues for the next financial year. In spite of making similar recommendation in the past few years, the non-tax revenue was meagre during 2018-19 also.

In the Economic Survey for 2018-19, it was admitted that non-tax revenues are an important fiscal challenge faced by the State. The measures to recover user charges at optimal levels are warranted. The State has one of the lowest non-tax revenues to GSDP ratios in the country. In many departments, the revision of user charges, fees & fines and other such non-tax receipts has not taken place for many years.

Analysis of two sources of non-tax revenue are discussed below:

Royalty Charges

Royalty is levied for allowing the use of Government assets like minerals, water, forest and wild life. The Royalty on Water for Energy sales during 2018-19 is ₹44 crore.

The Karnataka Power Corporation Limited (KPCL) which is a state enterprise has been generating electricity from seven hydro projects. It has four power stations and 17 power houses. The royalty rates fixed for energy sales per Kilo Watt Hour (KWH) in the power houses/stations are detailed in **Appendix1.7**. During the year 2018-19, 11,842 million units of electricity were transmitted, on which royalty of ₹45 crore was paid to the Government. The royalty for energy sale per KWH was fixed at four paise in all stations (September 1983) and at 10 paise each (April 2010) in Ghataprabha Dam Power House and Almatti Dam Power House. While the royalty rates in Almatti Dam Power House were revised to ₹1.00 from March 2019, the revision of royalty rates had not taken place for more than 36 years in respect of all Power stations and Ghataprabha Dam Power House.

On this being brought to the notice of the Government (December 2018), royalty charges were revised to 20 paise in all Power Stations and Ghataprabha Dam Power House with effect from April 2019.

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. The details of interest and dividend realised during 2018-19 are discussed below.

- As per Reserve Bank of India's (RBI) regulations, the cash balance maintained by the State is invested in GoI's 14-day Treasury Bills (TBs). To improve cash management, excess cash balance (beyond the immediate requirement) is invested partly in 14-day intermediate TBs of RBI with an average interest rate of 3.18 *per cent* per annum and partly in 91-day intermediate TBs of RBI with an average interest rate of 6.74 *per cent* against an average rate of 8.24 *per cent* per annum at which the borrowings are made. Against the budgeted estimate of ₹1,095 crore during 2018-19, the revenue realised was ₹936.47 crore, of which 14 day TBs yielded ₹307.22 crore and 91 day TBs yielded ₹629.25 crore;

- The interest realised on loans and advances given by the Government to its Companies/Corporations *etc*., stood at ₹107.61 crore, working out to less than one *per cent* of the outstanding balances of loans at the end of the year. The receipts also included interest on capital of departmentally run commercial undertakings[6];
- In addition, substantial sums of money are held in banks by the Departmental Officers in contravention to the financial rules, which preclude the Departmental Officers from depositing the money in the savings bank accounts. The budgetary grants released to the departments in previous years that remain unutilised are kept in banks. The Finance Department initiated action by issuing directions/instructions (May 2018) for remittance of these balances/interest on the balances to Government Account. An interest of ₹18.24 crore was earned on the balances in savings bank account during 2018-19, and
- The return on investment in the form of dividends declared by the Companies/Corporations and credited to Government account during 2018-19 was ₹38.30 crore. Considering the magnitude of Government investment (₹66,518 crore), the return works out to a meagre 0.06 *per cent*.

1.4.2 Central tax transfers

The GoI transfers share of the State Government in Union Taxes and Duties such as Corporation Tax, Income Tax, Service Tax, Union Excise Duties *etc*. The trends in these Central tax transfers during 2014-15 to 2018-19 are given in **Table 1.10**.

Table 1.10: Trends in Central Tax transfers

(₹ in crore)

Sl. No.	Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
1	Corporation Tax	5,117.21	7,547.57	9,211.05	9,721.29	12,481.94
2	Taxes on Income other than Corporation Tax	3,654.18	5,252.47	6,401.72	8,208.94	9,192.40
3	Taxes on Wealth	13.81	1.65	21.08	(-) 0.29	4.58
4	Customs	2,369.95	3,830.22	3,962.25	3,203.80	2,544.18
5	Union Excise duties	1,338.24	3,181.60	4,524.54	3,348.80	1,690.77
6	Service Tax	2,160.75	4,153.56	4,639.22	3,617.15	331.65

[6]Interest on Capital in Silk Filatures of ₹0.72 crore, the adjustments of which were made through book transfer.

Sl. No.	Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
7	**Other Taxes on Income and Expenditure**	0.12	0.15	-	-	65.01
8	**Other Taxes and Duties on Commodities and Services**	(-) 0.01	16.12	0.08	(-) 0.01	18.54
9	**Integrated Goods and Service Tax (IGST)**	-	-	-	3,204.72	707.00
10	**Central Goods and Service Tax (CGST)**	-	-	-	447.56	8,858.76
	Total	**14,654.25**	**23,983.34**	**28,759.94**	**31,751.96**	**35,894.83**

Source: Finance Accounts of the respective years.

Further, the XIV FC recommended that the State's share in the net proceeds of Central Taxes (excluding Service Tax) and net proceeds of Service Tax be fixed at 4.713 *per cent* and 4.822 *per cent*, respectively. During 2018-19, out of the total net collection of Union taxes of ₹7,58,731.13 crore, the net devolution of State's share was ₹35,894.83 crore and the share of Corporation tax, Taxes on income other than Corporation tax, Customs, Union Excise duties and CGST was 4.713 *per cent*, IGST was 5.177 *per cent* and Service tax was 4.822 *per cent*.

1.4.3 Grants-in-aid and Contributions from GoI

Grants-in-aid and Contributions from GoI increased by 74 *per cent* from ₹14,620 crore in 2014-15 to ₹25,481 crore in 2018-19 as shown in **Appendix 1.4**. As compared to the previous year, there was an increase of ₹3,840 crore during 2018-19. The increase was mainly under Other transfers/Grants to States and FC Grants, which was off-set by decrease in Grants for Centrally Sponsored Schemes. The Other transfers/Grants to States apart from Grants towards contribution to National Disaster Response Fund, includes ₹10,754 crore towards compensation for loss of revenue arising out of implementation of GST.

1.4.3.1 XIV Finance Commission Grants

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

- **Grants to Panchayat Raj Institutions (PRIs)/Urban Local Bodies (ULBs)**

The Commission recommended ₹3,425.57 crore during 2018-19 as transfer to the State in the areas indicated in **Table 1.11**.

Table 1.11: Transfer of recommended and actual release of grants during 2018-19

(₹ in crore)

Sl. No.	Transfers	Recommended amount	Actual release	Shortfall
a	Basic Grants to PRIs	1,856.02	1,841.54	14.48
b	Performance Grants to PRIs	234.08	-	234.08
c	Basic Grants to ULBs	1,040.27	1,040.27	-
d	Performance Grants to ULBs	295.20	-	295.20
	Total	**3,425.57**	**2,881.81**	**543.76**

As of March 2019, the State Government received ₹1,841.54 crore of Basic Grants[7] for PRIs against the recommendation of ₹1,856.02 crore and received the entire recommended amount of ₹1,040.27 crore towards Basic Grants to ULBs.

The XIV FC recommended the following conditions indicated in **Table 1.12** for Gram Panchayats and ULBs to be eligible for Performance Grants.

Table 1.12: Conditions for release of Performance Grants

Gram Panchayats
➢ **Audited annual accounts that relate to a year not earlier than two years preceding the year in which the gram panchayat seeks to claim the Performance Grant are to be submitted.**
➢ **To show an increase in the own revenues of the local body over the preceding year, as reflected in the audited accounts.**
ULBs
➢ **Audited annual accounts that relate to a year not earlier than two years preceding the year in which the ULBs seeks to claim the Performance Grant are to be submitted.**
➢ **To show an increase in the own revenues of the local body over the preceding year, as reflected in the audited accounts.**
➢ **Examine the targets achieved under Swachh Bharat Mission, collection of Property Tax and Water Fee, *etc*.**

For the year 2018-19, the Performance Grants[8] to PRIs and ULBs were not released by GoI till the end of March 2019.

[7] The basic grants to PRIs and ULBs for 2017-18 was ₹1,580.18 crore and ₹899.25 crore respectively.
[8] The performance grants to PRIs for 2017-18 was ₹204.08 crore.

Rural and Panchayat Raj department in its reply (September 2019) stated that the claim for 2018-19 Performance Grants pertaining to PRIs had been forwarded to GoI. But the grant was not released. The Municipal Administration Department in its reply (November 2019) stated that the State Government had submitted its claim online in the Central Governments "SMARTNET" portal and also vide letter dated December 2018 for release of Performance Grants for 2018-19. The Ministry of Housing and Urban Affairs, GoI had evaluated the State's claim and had recommended to the Ministry of Finance, GoI for the release of allocated Performance Grants to the State. The proposal is pending with the Ministry of Finance, GoI.

1.4.3.2 Releases under Disaster Relief

As per the recommendations of the XIV FC, contribution towards State Disaster Response Fund (SDRF) is in the ratio of 90:10 between GoI and State Government. Against the recommended amount of ₹288.00 crore as Central share, the State received the entire amount of ₹288.00 crore. The contributions from GoI (₹288.00 crore) together with the State's contribution (₹32.00 crore) are transferred to SDRF account in Public Account of the State.

1.5 Capital Receipts

Capital receipts of the State Government during 2018-19 were ₹41,939 crore which included non-debt (Miscellaneous Capital Receipts and Recovery of Loans and Advances) and debt receipts. In 2018-19, the Public Debt receipts (₹41,914 crore) comprised Internal Debt of ₹40,470 crore (97 *per cent*) and Loans and Advances from GoI of ₹1,444 crore (three *per cent*). Market borrowings had a major share, comprising 94 *per cent* in the Internal Debt, followed by GoI loans (four *per cent*) and negotiated loans (two *per cent*). Loans from GoI comprised other loans only. The composition of capital receipts during the period 2014-15 to 2018-19 are indicated in **Appendix 1.4**.

Overall, capital receipts increased from ₹21,968 crore in 2014-15 to ₹41,939 crore in 2018-19. Debt receipts had a predominant share in capital receipts which were between 98 and 100 *per cent* during 2014-15 to 2018-19. 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 2018-19. It also included book adjustment of ₹14.74 crore being the dues of Electricity Supply Companies (ESCOMs), treated as subsidy on revenue account.

1.6 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 2014-15 to 2018-19 are indicated in **Table 1.13**.

Table 1.13: Net transactions under Public Account

(₹ in crore)

Resources under sectors of Public Account (Net)	2014-15	2015-16	2016-17	2017-18	2018-19
I. Small Savings, PF etc.,	2,156	2,086	2,657	2,811	3,292
J. Reserve Funds	1,547	2,081	6,013	3,019	3,197
K. Deposits and Advances	3,702	284	3,041	1,834	3,068
L. Suspense and Miscellaneous	3,282	990	491	(-) 1,509	(-) 6,087
M. Remittances	(-) 32	(-) 17	(-) 38	(-) 76	(-) 39
Total	**10,655**	**5,424**	**12,164**	**6,079**	**3,431**

The net receipts from the Public Account decreased from ₹10,655 crore in 2014-15 to ₹3,431crore in 2018-19. This includes transfer of ₹1,144 crore from general revenues of the State to Infrastructure Funds in Public Account. Net availability of funds under Reserve Funds, Small Savings and Provident Fund had a major share in financing the fiscal deficit. The receipts under Deposits and Advances include ₹639 crore deposits made in Panchayat Bodies Fund. Under Suspense and Miscellaneous, there was increase in transactions relating to un-encashed cheques, which amounted to ₹6,072 crore during 2018-19.

1.7 Application of resources

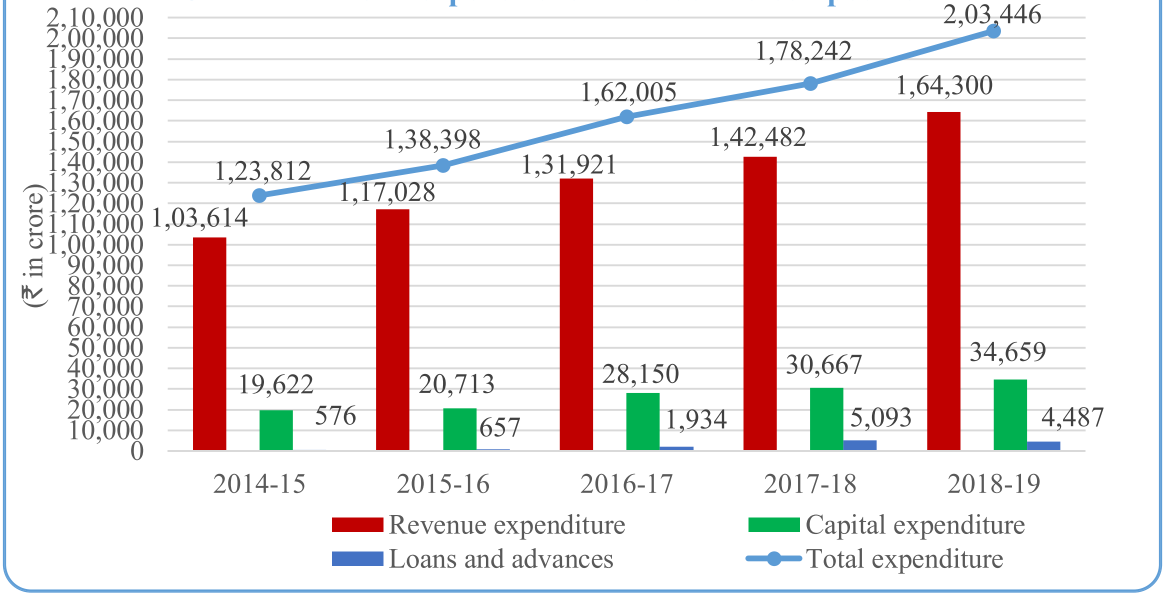
Analysis of the allocation of expenditure at the State Government level assumes significance since major expenditure responsibilities are entrusted to them. Within the framework of fiscal responsibility legislations, there are budgetary constraints in raising public expenditure financed by deficit or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

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

1.7.1 Growth and composition of expenditure

The basic parameters of total expenditure, growth rate and comparison with GSDP *etc*., are furnished in the **Appendix 1.4**. **Chart 1.11** presents the trends in total expenditure over a period of five years (2014-15 to 2018-19) and its composition under revenue, capital and loans and advances.

Chart 1.11: Total expenditure - Trends and composition

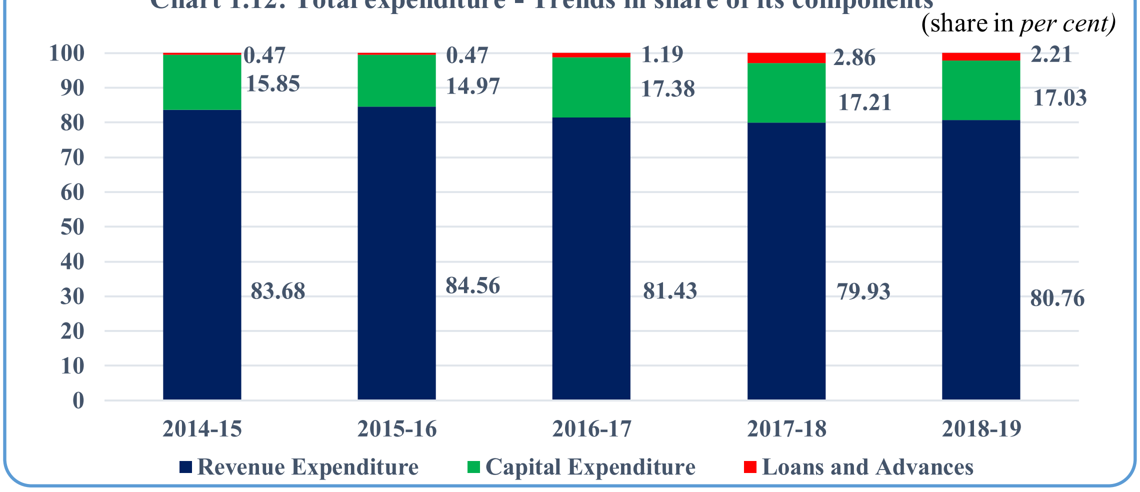


Total expenditure increased by 64 *per cent* from ₹1,23,812 crore in 2014-15 to ₹2,03,446 crore in 2018-19 due to increase in revenue expenditure (₹60,686 crore), capital outlay (₹15,037 crore) and disbursement of loans and advances (₹3,911 crore).

During the period 2014-15 to 2018-19, on an average, 82 *per cent* of the total expenditure was on revenue account. During 2018-19, it was 81 *per cent*. The share of capital expenditure (including loans and advances) was 19 *per cent*.

The share of Revenue Expenditure, Capital Expenditure and Loans and Advances for the years 2014-15 to 2018-19 is given in **Chart 1.12**.

Chart 1.12: Total expenditure - Trends in share of its components



Revenue expenditure had a predominant share in total expenditure. Thus, there was little scope for increase in capital expenditure. The trends of total expenditure by activities under General, Social, and Economic Services, Loans and Advances and Grants-in-aid are given in **Table 1.14**.

Table 1.14: Total Expenditure – Trends by activities

(Share in *per cent*)

	2014-15	2015-16	2016-17	2017-18	2018-19
General Services	23.33	22.97	19.95	19.90	21.37
Social Services	35.17	37.30	37.93	37.77	38.20
Economic Services	36.17	34.87	37.42	35.83	35.55
Loan and Advances	0.47	0.47	1.19	2.86	2.21
Grants-in-aid and Contributions	4.86	4.39	3.51	3.64	2.67

Source: Finance Accounts of the respective years.

The relative share of these components exhibited stability during the period from 2014-15 to 2018-19 with marginal inter year variations. The share of General Services decreased gradually with a slight increase in its share in 2018-19. The share of Social Services was almost steady at 37 *per cent* during 2015-16 to 2017-18. It increased to 38 *per cent* during 2018-19. There was not much change in Economic Services when compared to the previous year. The share of loans and advances was lowest during 2014-15 and 2015-16 and increased to 2.86 *per cent* in 2017-18 and again decreased to 2.21 *per cent* in 2018-19. The share of Grants-in-aid and Contributions was on a decreasing trend and was lowest during 2018-19 at 2.67 *per cent*.

The Expenditure Reforms Commission (ERC) of the State Government, in its first report (February 2010) had recommended that capital investments be stepped up and protected from fiscal uncertainties through prudent allocations. It had also recommended maintaining the capital expenditure (excluding debt servicing) at five *per cent* of GSDP. However, the ratio of capital expenditure to GSDP was less than five *per cent* during 2014-15 to 2018-19. It was two *per cent* during 2014-15 and 2015-16 and increased to three *per cent* on an average during 2016-17 to 2018-19.

The Finance department replied (March 2020) that Capital Expenditure can be stepped up with significant revenue surplus that can only be achieved by compressing revenue expenditure, which is not desirable as revenue expenditure of the Government also entails essential expenditure in the form of maintenance, social sector programme *etc*. The reply is not acceptable. Capital Expenditure is essential for infrastructure creation which has critical implications for growth. Additional avenues for revenue mobilisation need to be explored.

1.7.2 Revenue Expenditure

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

Revenue expenditure increased from ₹1,03,614 crore in 2014-15 to ₹1,64,300 crore in 2018-19, an increase of 59 *per cent*. Compared to the previous year, the increase was 15 *per cent*, due to increase in salary expenditure (₹5,099 crore), interest payments (₹1,641 crore), pensions (₹3,425 crore) and devolution to local bodies (₹1,589 crore) *etc*.

The revenue expenditure during 2018-19 also included ₹4,430.73 crore provided as Guarantee Commission[9] (₹54.19 crore), Adjustment of interest on Karnataka Government Insurance Fund (₹220.26 crore), Adjustment of interest on fund balances under Karnataka Government Insurance Schemes (₹972.89 crore), Adjustment of interest on GP Fund balances under Karnataka General Provident Fund (₹1,164.40 crore), ESCOMs (₹2,018.27 crore) being the dues of electricity tax *etc*., treated as subsidy and adjustment of interest on Capital invested in Government Commercial Undertakings (GCU's) (₹0.72 crore) through book adjustment.

1.7.3 Committed Expenditure

Most of the revenue expenditure is in the nature of committed expenditure on salaries, interest, pension, subsidy *etc*. This affects the maneuverability of the State in prioritising expenditure and in meeting capital investments to meet growing needs of social and economic infrastructure. The expenditure on these components and also certain other expenses such as pensions under social security schemes, subsidies arising under various schemes of the Government, Grants-in-aid & financial assistance, administrative expenses, devolution to local bodies *etc*., which are treated as committed expenditure in Medium Term Fiscal Plan (MTFP) 2019-23 covering the period 2014-15 to 2018-19 is depicted in **Table 1.15** and **Chart 1.13**.

[9] Rajiv Gandhi Rural Housing Corporation Limited (₹12.78 crore), Karnataka Road Development Corporation Limited (₹1.83 crore) and Power Company of Karnataka Limited (₹39.58 crore).

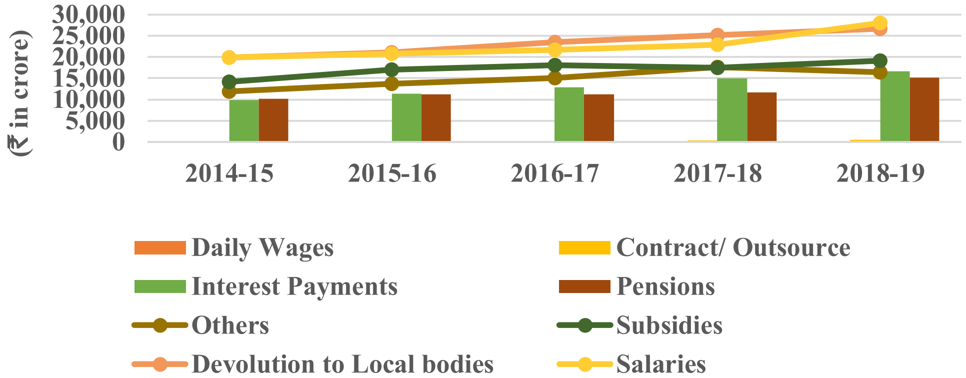
Table 1.15: Trends in Committed Expenditure

(₹ in crore)

Sl. No.	Particulars	2014-15	2015-16	2016-17	2017-18	2018-19 BE	2018-19 Actuals
1	Salaries*	19,952	20,774	21,708	22,958	31,712	28,024
2	Interest payments#	9,804	11,343	12,850	14,973	16,209@	16,614
3	Expenditure on pensions	10,118	11,251	11,295	11,684	17,801	15,109
4	Social Security Pensions	2,322	2,247	2,503	4,055	5,497	5,460
5	a) Subsidies	11,153	13,149	14,387	14,148	24,404	15,400
	b) Subsidies in the form of financial assistance *etc*.	2,973	3,913	3,714	3,318		3,777^
6	Grants-in-aid and financial assistance	9,737	10,840	13,163	11,812	16,834	24,888
7	Administrative Expenses	1,708	1,958	1,966	2,404	2,716	2,136
8	Devolution to Local Bodies	19,952	21,163	23,466	25,131	26,537	26,720
9	Daily Wages	-	-	-	110	139	138
10	Contract/Outsource	-	-	-	457	569	576
11	**Total Committed Expenditure**	**87,719**	**96,638**	**1,05,052**	**1,11,050**	**1,42,418**	**1,38,841**
12	**Revenue expenditure**	**1,03,614**	**1,17,028**	**1,31,921**	**1,42,482**	**1,66,290**	**1,64,300**
13	**Revenue receipts**	**1,04,142**	**1,18,817**	**1,33,214**	**1,47,000**	**1,66,396**	**1,64,979**
14	Committed expenditure as % of revenue receipts	84	81	79	76	86	84
15	Committed expenditure as % of revenue expenditure	85	83	80	78	86	85

** Includes salaries paid out of Grants-in-aid released to PRIs and under centrally sponsored schemes.*
 # Includes interest on off-budget borrowings.
@ includes interest pertaining to Major Head 2049 only.
^Excludes subsidy under Indira AwasYojana which was released as financial assistance.

Chart 1.13: Committed Expenditure during 2014-15 to 2018-19



The high proportion of committed expenditure to revenue receipts and revenue expenditure indicates that the State has limited flexibility in allocation of its resources for new schemes.

Expenditure on salaries

Expenditure on salaries increased from ₹19,952 crore in 2014-15 to ₹28,024 crore in 2018-19. It grew by 22 *per cent* over the previous year. This was mainly due to award of the Sixth Pay Commission to the State Government employees. It was noticed that the Finance Accounts captured data on salaries only in respect of the State Sector, whereas the salary expenditure in case of PRIs (₹14,709 crore) was not captured. Since the salaries in respect of PRIs are released as Grants-in-aid, the total salary expenditure is not reflected in the accounts. The salary expenditure excluding the salary grant relating to ULBs of the State (₹797.95 crore) was 21 *per cent* of the revenue expenditure net of interest payment and pensions, which was within the norms of 35 *per cent* fixed by the XII FC.

Salary expenditure under Capital Section accounted for ₹16.55 crore during 2018-19, when compared to ₹14.73 crore in 2017-18.

The Public Accounts Committee (PAC) in its 5th Report (July 2015) reiterated its recommendation that the data relating to details of salary of the district sector should/shall be consolidated for exhibition in the Appendix of the Finance Accounts.

In spite of the PAC recommendations, no efforts have been made by the State Government to exhibit the salary details of district sector in the Appendix of the Finance Accounts.

The Finance Department replied (March 2020) that grants to ZPs and TPs cannot be treated as salary and the salary details are presented in the Appendix B. The State Government also stated that the salary component of the grant is shown in the link document and expenditure on salaries is reflected in the annual accounts of each ZP. The reply is not acceptable since the salary details in the Appendix are not shown distinctly but only in the form of foot note. Subsequent to the exit conference, the Finance Department stated (April 2020) that it would examine the issue.

Also, the salary expenditure relating to the employees of ULBs overlapped with those under the State sector (Constitutional dignitaries). This has been discussed in **paragraph 2.4.4**.

Further, FMRC observed that majority of Grants-in-aid institutes were outside the ambit of HRMS and suggested to take necessary steps to bring all such institutes under HRMS framework,in order to have a better budget estimates.

The Finance Department replied (March 2020) that efforts are being made to bring all Grants-in-aid institutions under HRMS.

Pension Payments

The expenditure on pension during 2018-19 was ₹15,109 crore. There was a substantive increase of ₹3,425 crore in expenditure over the previous year. The payment of pension and other retirement benefits to All India Service (AIS) officers prior to 01 April 2008, was a liability to be borne by the State Government. From April 2008, the liability on account of pension payments that is to be borne by GoI is to be booked under suspense head – 8658 and a demand raised for reimbursement. At the end of March 2019, ₹150.26 crore was outstanding for settlement, compared to ₹92.18 crore (March 2018), implying that the State Government was yet to receive the amount.

New Pension Scheme (NPS)

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

The details of the scheme and contributions made by State Government and employees as furnished by Director of Treasuries (July 2019) are given below.

- The number of officials allotted Permanent Retirement Account Number (PRAN) was 2,14,438;
- The employee contribution (regular and backlog[10]) till 31 March 2019 is ₹3,447.75 crore and the matching contributions made by State Government since inception of the scheme is ₹3,498.24 crore. This includes the Governments contribution of ₹838.53 crore and employees' contribution of ₹777.74 crore during the current year;
- During the year, ₹1,531.67 crore which included an opening balance of ₹6.23 crore was transferred to NSDL/ Trustee bank, (Employees' and

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

Employer's contribution) leaving a closing balance of ₹3.27 crore under the deposit account as at the end of 31 March 2019;

- During 2018-19, ₹4.69 crore was paid from the Consolidated Fund as 'New Contributory Pension Schemes – Extension of benefit to the cases of persons/ families who retired/died while in service' and are covered under New Defined Pension Scheme and
- The Government Departments had been paying compound interest at eight *per cent* on Government backlog contribution of NPS employees with effect from 01.04.2010. Though the Finance Department had issued orders for stopping interest on the Government backlog contribution from 01.07.2016 due to non-submission of schedules by DDOs, the interest was paid by the Departments on the Government backlog contribution up to the end of 31 March 2018 (₹73.86 crore).

Interest Payments

Interest payments increased by ₹6,810 crore (69 *per cent*) from ₹9,804 crore in 2014-15 to ₹16,614 crore in 2018-19. Interest payments during 2018-19 constituted interest on internal debt (₹12,359 crore), interest on small savings, provident fund *etc.,* (₹2,358 crore), interest on loans and advances from the Central Government (₹706 crore) and interest on off-budget borrowings (₹1,191 crore).

The interest on internal debt increased by 10 *per cent* from ₹11,196 crore in 2017-18 to ₹12,359 crore in 2018-19, on account of increase in payment of interest on market loans by ₹1,321 crore (15 *per cent*). The interest on small savings, provident funds *etc*., increased by ₹276 crore from ₹2,081 crore during 2017-18 to ₹2,358 crore in 2018-19, mainly on account of increase under interest on State Provident funds and insurance by 13 *per cent*.

Subsidies

Subsidy expenditure increased from ₹11,153 crore in 2014-15 to ₹15,400 crore during 2018-19, which was nine *per cent* of revenue receipts. The subsidy in 2018-19 was ₹1,252 crore (nine *per cent*) more than the previous year. The four largest subsidy components were power subsidy provided for supply of free electricity to farmers for usage of agricultural pump sets, food subsidy, interest subsidy for crop loans and transport. The details of different subsidies are given in **Appendix 1.8**.

According to the Vaidyanathan Committee Report (March 2008), and as reiterated by PAC, the Governments both at the Centre and in the State 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. However, the practice of waiver continues.

The Finance department in its reply (March 2020) stated that amid growing dissent among the farmers due to calamity conditions, loss of crop, marketing glitches and others, the loan waiver policy by the State Government was adopted as the auxiliary supporting system in the agriculture and the allied sector which provides immediate relief to the farmers who experience acute problem in repayment of loans raised.

Taking note of the steeply increasing subsidy expenditure during 2017-18 and 2018-19, the FMRC recommended for linking direct benefit transfer to Aaadhar to weed out ineligible beneficiaries, if any.

The Finance department replied (March 2020) that direct benefit transfer to beneficiaries through Aaadhar is attempted. To start with, a comprehensive data on beneficiaries coming under various schemes like Social Security Pensions, Anna Bhagya, Subsidy for supply of IP sets *etc*., at the district level would be obtained to help weed out ineligible beneficiaries.

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

Subsidies *inter alia* arise when the Government is unable to recover the costs it incurs on the provision of social and economic goods/services, even though sometimes these may have extended benefits. They can be indirect, in kind or take the shape of tax concessions. Some of these subsidies extended during 2014-15 to 2018-19 are detailed in **Appendix 1.9**.

These subsidies increased from ₹2,973 crore in 2014-15 to ₹3,777 crore during 2018-19. They mainly include financial assistance for supply of seeds, weaver's package, Ashraya scheme, micro/drip irrigation, minimum floor price scheme, housing for weaker sections, house sites for rural landless *etc*.

During 2018-19 also, the subsidy under Indira Awas Yojana (₹361 crore) was accounted for under HOA '2216-80-198-6-02-300(P)' as block grants to GPs instead of under HOA '2216-80-103-0-21' (Indira Awas Yojana) & '2216-80-800-0-04' (Indira Awas Yojana – State share). Thus, the subsidies were understated to that extent.

Incorrect accounting under Revenue Expenditure

As per paragraph 2.2 of List of Major and Minor Heads (LMMH), 'Refunds of Revenue' shall, as a general rule, be taken in reduction of the revenue receipts. In respect of Major/Sub-Major heads falling under the Sector "A. Tax Revenue", the head "Deduct-Refunds" should be opened as a distinct sub –head below the appropriate minor heads, so that the net collection of each tax/duty is readily ascertainable from the accounts.

During 2018-19, refund of sales tax of ₹299.46 crore which was refund of revenue and was required to be deducted from revenue was incorrectly accounted under 'HOA 2852-80-103-0-01 – Refund of Sales Tax'. Treating the transaction as revenue expenditure was not correct and this resulted in overstatement of revenue receipts as well as revenue expenditure. This is discussed in detail in **paragraph 3.9.1**.

Financial assistance to local bodies and other institutions

The quantum of assistance provided by way of grants to local bodies and other institutions during 2018-19, relative to the previous years, is presented in **Table 1.16**.

Table 1.16: Financial assistance to local bodies and other institutions

(₹ in crore)

Sl. No.	Name of the Institution	2014-15	2015-16	2016-17	2017-18	2018-19
a	Panchayat Raj Institutions	24,991.27	26,694.94	29,697.94	31,054.63	35,897.61
b	Urban Local Bodies	6,011.45*	6,076.05	5,685.58	6,489.76	5,425.31
c	Educational Institutions (including Universities)	1,145.04	1,406.50	1,449.75	1,293.70	1,081.29
d	Co-operative societies and co-operative institutions	818.09	1,023.13	1,009.47	1,191.32	1,477.76
e	Other institutions and bodies (including statutory bodies)	5,782.63	4,820.87	6,656.29	7,067.08	6,720.59
	Assistance as a percentage of revenue expenditure	37	34	34	33	31
	Total	**38,748.48**	**40,021.49**	**44,499.03**	**47,096.49**	**50,602.56**

Source: Finance Accounts.

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

As a sequel to the recommendations of the XI FC, grants are released to PRIs under three distinct programme minor heads namely 196, 197 and 198. The assistance to PRIs increased from ₹24,991 crore in 2014-15 to ₹35,898 crore in 2018-19, while the assistance to ULBs decreased from ₹6,011 crore in 2014-15 to ₹5,425 crore in 2018-19.

Out of the total devolution of ₹35,898 crore to PRIs during 2018-19, ₹14,709 crore (41 *per cent*) were towards salaries as the State Government's functions *viz.*, education, water supply and sanitation, housing, health and family welfare *etc.*, were transferred to PRIs. It also included XIV FC grants released to the State Government (₹1,841.54 crore).

The assistance to ULBs decreased by ₹1,064 crore over the previous year. The decrease was mainly due to short release of funds to Municipal Corporations, Municipalities/Municipal Councils and Nagara Panchayats/ Notified Area Committees by 23 *per cent*, two *per cent* and three *per cent* respectively. The assistance to ULBs included ₹1,330 crore towards creation of capital assets. It also included XIV FC grants released to the State Government (₹1,040.27crore).

Assistance to other institutions (₹6,721 crore) included assistance to Statutory bodies and Development Authorities (₹1,849 crore), NGOs (₹1,848 crore), PSUs (₹57 crore) and others (₹2,967 crore). The assistance to Co-operatives increased by ₹286 crore and for other institutions decreased by ₹346 crore as compared to the previous year. It decreased for educational institutions by ₹212 crore during 2018-19.

Short release of funds

As per recommendations of the Fourth State Finance Commission (SFC) (May 2018) and decision of the State Government (December 2018), 36 *per cent* and 10.5 *per cent* of Non-Loan Net Own Revenue Receipts (NLNORR) excluding compensation for loss of revenue due to GST,was to be released to PRIs and ULBs respectively during 2018-19. As against this, the State Government had released 38.66 *per cent* (₹35,897.61 crore) of NLNORR (₹92,848.58 crore) to PRIs and only 5.84 *per cent* (₹5,425.31 crore) of NLNORR to ULBs. This resulted in short release of ₹4,323.79 crore to ULBs during 2018-19.

The State Government replied that the actual amount released to ULBs was ₹12,235.83 crore. This included SFC grants direct (₹3,756.22 crore), grants released to State owned projects (₹2,994.05 crore), State share against GoI release (₹811.10 crore), grants released to parastatal agencies (₹3,634.19 crore) and Central Finance Commission (CFC) Grants (₹1,040.27 crore). The reply is not tenable as SFC grants should not include funds released for specific schemes of the Central or State Government and CFC grants. Further, grants released to parastatal agencies benefit only those ULBs in respect of which infrastructure schemes are implemented and not the ULB sector as a whole.

1.8 Quality of expenditure

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

1.8.1 Adequacy of public expenditure

The expenditure responsibilities relating to the social sector and economic infrastructure, are largely State subjects. Enhancing human development levels requires the States to step up their expenditure on key social services like education, health, *etc*. Low fiscal priority (ratio of expenditure category to aggregate expenditure) 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' (GCS) average for that year. **Table 1.17** analyses the fiscal priority of the State Government with regard to development expenditure, social expenditure and capital expenditure relative to GCS in the current year 2018-19.

Table 1.17: Fiscal priority of the States in 2018-19

Fiscal priority of the State (ratio)	AE/ GSDP	CE/ AE	ESE/ AE	SSE/ AE	DE#/ AE	Education/ AE	Health/ AE
1	2	3	4	5	6	7	8
General Category States* Average	16.05	14.28	30.45	36.59	67.04	14.99	5.07
Kerala	15.23	6.24	16.47	33.73	50.21	16.33	5.96
Tamilnadu	13.70	10.66	26.47	34.74	61.22	14.85	5.48
Karnataka	14.45	19.24	36.55	39.41	75.95	12.06	4.66

AE: Aggregate Expenditure, CE: Capital Expenditure, SSE: Social Sector Expenditure, ESE: Economic Sector Expenditure,DE: Development Expenditure.

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

Source: For GSDP, data is as per the GoI conveyed figures, adopted by the State Government in its budget documents.

refer note in **Appendix 1.1*

Comparative analysis revealed the following:

- As observed from the **Table 1.17**, adequate priority needs to be given to education sector as the ratio of expenditure under this sector is well below the GCS average and also Kerala and Tamilnadu during 2018-19;
- During 2018-19, the ratio of health sector in the State is less than that of GCS, Kerala and Tamilnadu. Hence, adequate priority needs to be given in health sector also.

Thus, as observed in all the SFARs for the period 2014-15 to 2017-18, the State is not extending adequate priority to education as well as health sector. While the priority towards education is decreasing, there is no significant increase in priority towards health sector.

1.8.2 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 rationalisation measures with more emphasis on development expenditure. The higher the ratio of these components to total expenditure, the better would be the quality of expenditure. **Table 1.18** presents the trends in development expenditure relative to the aggregate expenditure of the State during 2018-19 *vis-à-vis* that of previous years.

Table 1.18: Development expenditure (figures in bracket indicate *percentage* to development expenditure)

(₹ in crore)

	2014-15	2015-16	2016-17	2017-18	2018-19
Development Expenditure (DE)	88,904	1,00,441	1,23,988	1,36,286	1,54,528
Percentage of DE to total expenditure	72	73	77	76	76
Components of DE					
Revenue	69,337 (78)	80,153 (80)	94,970 (76)	1,01,508 (74)	1,16,220 (75)
Capital	19,004 (21)	19,722 (20)	27,090 (22)	29,690 (22)	33,832 (22)
Loans and Advances	563(1)	566(0)	1,928(2)	5,088(4)	4,476(3)

Source: Finance Accounts.

Development expenditure increased from ₹88,904 crore in 2014-15 to ₹1,54,528 crore in 2018-19. As a percentage of total expenditure, it increased from 72 *per cent* in 2014-15 to 77 *per cent* in 2016-17 and decreased to 76 *per cent* during 2017-18 and 2018-19. On an average, 77 *per cent* of the development expenditure was on revenue account while capital expenditure, including loans and advances accounted for the balance. In 2018-19, expenditure on salary (₹19,856 crore) and subsidy (₹15,400 crore) formed two major components of development revenue expenditure.

Table 1.19 provides the details of capital expenditure and the components of revenue expenditure incurred on salaries and maintenance of the selected social and economic services.

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

(ratio in *per cent*)

Sector	2017-18			2018-19		
	Ratio of capital expenditure to total expenditure	Revenue expenditure		Ratio of capital expenditure to total expenditure	Revenue expenditure	
		Salaries and wages	Operation and Maintenance		Salaries and wages	Operation and Maintenance
Social Services (SS)						
Education, sports, art and culture	0.64	7.94	0.03	0.54	8.31	0.01
Health and family welfare	0.64	1.61	0.01	0.54	1.52	0.03
Water Supply, sanitation, housing and urban development	1.75	0.09	0.09	1.98	0.09	0.10
Others	1.84	0.49	0.02	1.75	0.53	0.01

Sector	2017-18			2018-19		
	Ratio of capital expenditure to total expenditure	Revenue expenditure		Ratio of capital expenditure to total expenditure	Revenue expenditure	
		Salaries and wages	Operation and Maintenance		Salaries and wages	Operation and Maintenance
Total (SS)	**4.87**	**10.13**	**0.15**	**4.81**	**10.45**	**0.15**
Economic Services (ES)						
Agriculture and allied activities	0.13	0.74	0.04	0.11	0.76	0.03
Irrigation and flood control	5.83	0.09	0.26	5.95	0.09	0.23
Power and energy	0.46	0.02	-	0.31	-	-
Transport	4.14	0.05	0.57	4.35	0.05	0.57
Others	1.23	0.67	0.03	1.10	0.73	-
Total (ES)	**11.79**	**1.57**	**0.90**	**11.82**	**1.63**	**0.83**
Total (SS+ES)	**16.66**	**11.70**	**1.05**	**16.63**	**12.08**	**0.98**

Source: Finance Accounts.

Expenditure on Social Services

Capital expenditure (including loans and advances) on social services increased from ₹9,855 crore in 2017-18 to ₹12,235 crore in 2018-19 and the ratio of capital expenditure to total expenditure decreased from 4.87 *per cent* in 2017-18 to 4.81 *per cent* in 2018-19. The share of salary expenditure (under social services) in revenue expenditure was 10 *per cent* in 2018-19 (**Table 1.19**).

Expenditure on Economic Services

Capital expenditure (including loans and advances) on economic services increased from ₹24,923 crore in 2017-18 to ₹26,073 crore in 2018-19 and its ratio to total expenditure increased from 11.79 *per cent* in 2017-18 to 11.82 *per cent* in 2018-19. The share of salary expenditure (under economic services) in revenue expenditure was two *per cent* during 2018-19 (**Table 1.19**).

The priority sectors identified by the Government in respect of economic services were agriculture, rural development, irrigation and flood control, energy, industries and minerals and transport.

In 2018-19, capital outlay was higher by ₹1,704 crore, ₹1,480 crore, ₹243 crore, under irrigation and flood control, transport, special area programme respectively and was lower by ₹199 crore, ₹117 crore, ₹47 crore, ₹11 crore respectively compared to the previous year under energy, industry and minerals, rural development and agriculture.

1.9 Financial analysis of Government Capital Expenditure and Investments

In the post KFRA framework, the Government is expected to keep its fiscal deficit (borrowing) at low levels and still meet its capital expenditure/investment (including loans and advances) requirements. In addition, the State Government needs to initiate measures to earn adequate return on its investments rather than bearing the same in the form of subsidy, recover cost of borrowed funds and take requisite steps to infuse transparency in financial operations. This section presents the broad financial analysis of investments and other capital expenditure undertaken by the Government during 2018-19 *vis-à-vis* previous years.

1.9.1 Capital expenditure

Capital expenditure increased by ₹3,992.56 crore (13 *per cent*) during the current year. The increase was mainly under Economic Services Sector (₹3,025.80 crore, 14 *per cent*) and Social Services Sector (₹1,116.80 crore, 13 *per cent*) and off-set by decrease under General Services Sector (₹150.04 crore, 15 *per cent*).

Under General Services Sector, the reduction in capital expenditure was witnessed mainly under Police (22 *per cent*) and Public Works (11 *per cent*). Though capital expenditure under Public Works had decreased during the current year, it contributed to the major share of capital expenditure in the General Services (65 *per cent*).

Under Social Services Sector, the major share of capital expenditure was incurred under Water Supply, Sanitation, Housing and Urban Development (41 *per cent*) followed by Welfare of Scheduled Castes, Scheduled Tribes, Other Backward Classes and Minorities (35 *per cent*).

Under Economic Services Sector, the major share of capital expenditure was incurred under the Irrigation and Flood Control (50 *per cent*) followed by the Transport Department (37 *per cent*).

Capital expenditure amounting to ₹10,767 crore was incurred by various PSUs in Karnataka during 2018-19. The major share incurred by Karnataka Neeravari Nigam Limited (₹3,702.67 crore), Krishna Bhagya Jala Nigam Limited (₹3,538.74 crore) and Visweshyaraya Jala Nigam Limited (₹1,703.40 crore) was mainly towards land acquisition charges, payment of pending bills for capital expenses and other capital grants.

The details of capital expenditure under various service sectors, sub sectors and PSUs for the period 2014-15 to 2018-19 are given in **Appendix 1.3(A)**.

1.9.2 Incomplete projects

Locking up of funds in incomplete works, which includes works stopped due to reasons like litigation, *etc*., impinge negatively on the quality of expenditure. The department-wise information pertaining to incomplete projects as of 31 March 2019 is given in **Table 1.20**.

Table 1.20: Incomplete projects

(₹ in crore)

Department	Incomplete Projects*				Cumulative expenditure as of March 2019
	Number	Budgeted Cost	Cost over run		
			Number	Amount	
Public Works, Ports & Inland Water Transport Department (PWP&IWTD)					
Buildings	74	368.26	14	8.18	338.22
Roads and Bridges	718	2,845.44	165	76.91	2,579.51
Irrigation	86	200.09	18	11.50	196.88
Total	**878**	**3,413.79**	**197**	**96.59**	**3,114.61**

Source: Finance Accounts.

**projects scheduled to be completed on or before 31 March 2019 have been included.*

Against the initial budgeted cost of ₹3,413.79 crore in respect of 878 works, stipulated to be completed on or before March 2019, the progressive expenditure was ₹3,114.61 crore as of 31 March 2019. Out of this, in 197 cases, the cost overrun aggregated to ₹96.59 crore. The delay in completion of the projects is in the range of greater than five years (eight), less than five years but greater than one year (317) and less than one year (553). No reasons for delay in completion of the works was given by the PWP&IWT and Irrigation Departments.

In order to minimize escalation of time and cost, FMRC had advised (July 2018) that projects which were nearing completion were to get funds on priority. However, audit noticed that number of incomplete projects had increased from 236 as on 31 March 2018 to 878 as on 31 March 2019. This indicated that no steps were initiated as per the advice of FMRC. Further, in respect of 14 works that were to be completed during the period from July 2013 to December 2016, the physical progress in work was between 10 *per cent* and 60 *per cent*, implying the need to take up and complete the works on priority basis.

The Finance Department replied (March 2020) that detailed guidelines were issued in April 2013 regarding execution of works. According to the guidelines, procurement of administrative approvals, implementation of the projects within the stipulated time frame and budget allocation are required to be adhered to by the PWP&IWT and Irrigation departments.

1.9.3 Investment and returns

The investment of the Government in the share capital of Companies/Corporations *etc*., as brought out in the 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.

As on 31 March 2019, the Government had invested ₹66,518 crore in 87[11] Government Companies (₹60,278 crore), Nine Statutory Corporations (₹2,664 crore), 44 Joint Stock Companies (₹3,033 crore) and Co-operative Institutions, Local bodies and Regional Rural Banks (₹523 crore). This was spread under various sectors[12]. The return from investment was negligible **(Table1.21)**.

Table 1.21: Return on investment

	2014-15	2015-16	2016-17	2017-18	2018-19
Investments at the end of the year (₹ in crore)	61,726.92	61,335.89	63,115.06	65,145.88	66,518.28
Return (₹ in crore)	74.84	69.40	82.50	78.83	38.30
Return (*per cent*)	0.1	0.1	0.1	0.1	0.1
Average rate of interest on Government borrowings (*per cent*)	6.5	6.5	6.3	7.7	8.2
Difference between interest rate and return on investment (*per cent*)	6.4	6.4	6.2	7.6	8.1

Source: Finance Accounts

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

The above investment included ₹38,949 crore (59 *per cent*) in the following Companies/Corporations, which have significant losses and where the investments were substantial (**Table 1.22**).

[11] includes investment of ₹68 crore in 16 non-working Government Companies

[12] Irrigation (₹36,779 crore), Power (₹11,209 crore), Infrastructure (₹4,734 crore), Financing (₹3,320 crore), Transport (₹2,399 crore), Social (₹1,851 crore), Housing (₹1,451 crore), Industries (₹1,017 crore), Construction (₹2 crore) and Other sectors (₹113 crore).

Table 1.22: Investment in Companies/Corporation under loss

(₹ in crore)

Company/Corporation	Investment up to 2018-19	Cumulative loss as at the end of 2017-18
North Western Karnataka Road Transport Corporation	266.85	792.48
North Eastern Karnataka Road Transport Corporation	183.43	542.42
Karnataka Road Development Corporation Limited	1,145.70	143.73
Krishna Bhagya Jala Nigam Limited	23,745.34	2,587.22
Karnataka Neeravari Nigam Limited	13,034.03	3,492.46
The Mysore Sugar Company Limited	335.78	289.42
Mysore Paper Mills Limited	237.37	425.94
Total	**38,948.50**	**8,273.67**

Source: Finance Accounts

Up to 2018-19, the Government invested ₹38,948.50 crore in these companies and the cumulative loss accounted for is ₹8,274 crore. The Finance Department in its reply to PAC (July 2011) had stated that investment in the above Companies/Corporations which were established for creation of infrastructure needs of the State/Public Service could not be viewed in financial gains. PAC while agreeing with the view in general, recommended to assess the viability of the loss making Companies/Corporations and also to identify the Companies/Corporations not functioning in the core areas for closure as recommended by XIII FC. However, the State Government had not initiated any such action. In the year 2018-19, ₹37.00 crore was invested in Mysore Sugar Company Limited despite the fact that it was a loss making company.

During 2018-19, the Government invested ₹1,375.69 crore in Government Companies (working) (₹933.37 crore), Joint Stock Companies (₹300.00 crore), Statutory Corporations (₹68.45 crore), and Co-operative institutions (₹83.87 crore).

During 2018-19, the investment account was reduced under 'Other Co-operatives and Fisherman's Co-operatives' by ₹3.29 crore, due to retirement of Government investment in share capital institutions, the proceeds of which stand accounted under 'Miscellaneous Capital Receipts'.

1.9.4 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 1.23** presents the position of outstanding loans and advances as on 31 March 2019 and interest receipts *vis-à-vis* interest payments during the last five years.

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

(₹ in crore)

	2014-15	2015-16	2016-17	2017-18	2018-19
Opening balance	12,724*	13,216	13,813	15,578^	20,525@
Amount advanced during the year	576	657	1,934	5,092	4,487
Amount repaid during the year	84	60	100	137	31
Closing balance	13,216	13,813	15,648	20,533	24,981
Net addition	492	597	1,835	4,955	4,456
Interest receipts	127	264	145	99	108
Fiscal Liabilities	1,64,279	1,83,322	2,21,319	2,46,231	2,85,238
Interest Payments	9,804	11,343	12,850	14,973	16,614
Interest receipts as *per cent* to outstanding loans and advances	1.0	1.9	0.9	0.5	0.4
Interest payments as *per cent* to outstanding fiscal liabilities of the State Government	6.0	6.2	5.8	6.1	5.8
Difference between interest receipts and interest payments	(-)5.0	(-)4.3	(-)4.9	(-)5.6	(-)5.4

Source: Finance Accounts.

**differs by ₹5 crore on account of conversion of loan into equity in respect of MSIL during 2014-15.*
^differs by ₹70 crore on account of conversion of loans into equity during 2017-18.
@differs by ₹ 8 crore on account of conversion of loan into grant during 2018-19.

The outstanding loans as on 31 March 2019 aggregated to ₹24,981 crore. Interest spread of Government borrowings was negative during 2014-15 to 2018-19, which meant that the State's borrowings were more expensive than the loans advanced by it.

The amount advanced during 2018-19 was ₹4,487 crore which includes ₹2,297 crore released to Public Sector and other undertakings under Urban Development Schemes and ₹1,500 crore to Electricity Boards under Power Projects. Repayment of loans during 2018-19 accounted for ₹31 crore.

Detailed accounts of recovery of loans which are maintained in the office of the Principal Accountant General (Accounts & Entitlement) (Pr. AG) (A&E) indicated that recovery of loans and advances aggregating ₹8,505 crore (Principal: ₹4,644 crore and Interest: ₹3,861 crore) were overdue as on 31 March 2019 from 21 institutions (**Appendix 1.10**).

Information in respect of overdue principal and interest contained in Statement No.7 of Finance Accounts of 2018-19 is incomplete, as only 19[13] out of 842 institutions in respect of whom the detailed accounts are maintained by the

[13]In 2017-18, 18 out of 842 institutions have furnished the information

Heads of Departments/Chief Controlling Officers of the GoK, had furnished the required information.

Indian Government Accounting Standards (IGAS)-3 requires disclosure of loans that were sanctioned without specific terms and conditions governing such loans. Out of the 82 loans valued at ₹4,487.22 crore sanctioned by the State Government in 2018-19, 35 loans valued at ₹3,149.23 crore were sanctioned without specifying any terms and conditions. Details are available as additional disclosures under Statement No.18 of the Finance Accounts.

The Finance Department in its circular (August 2018) had stated that the State Government has revised the terms and conditions and other procedural aspects that had to be followed by departments relating to loans sanction vide GO dated November 2013. All departments were instructed to adhere to the instructions delineated in general loan GO issued by the Finance Department in November 2013. Since the loans sanctioned during 2018-19 did not specify the terms and conditions, it indicated that the compliance by the various departments was poor to the instruction issued.

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

The transactions under loan account includes certain non-cash transactions like conversion of loans into equity, grant *etc*., and reconciling the investment of the Government with the books of the companies. A soft loan amounting to ₹8.28 crore in respect of Indian Coffee Marketing Co-operative Limited (COMARK), Hassan was converted into grant.

The FMRC noted that recovery of loans given to PSUs, Co-operatives and other organisations was meagre and hence suggested follow up action to ensure recovery of loans advanced as per the repayment schedule.

The Finance Department replied (March 2020) that persistent efforts were being made by the Government to prescribe terms and conditions while sanctioning loans. It further stated that all efforts were made by the department to recover loans which were overdue by conducting periodic review with the institutions concerned.

1.9.5 Cash balances and investment of cash balances

Table 1.24 depicts the cash balances and investments made by the State Government during 2018-19.

Table 1.24: Cash balances and their investments

(₹ in crore)

	Opening Balance on 01-04-2018	Closing Balance on 31-03-2019	Increase (+)/ Decrease (-)
a) General cash balance			
Cash in treasuries	-	-	-
Deposits with RBI	723.77	989.96	266.19
Deposits with other banks	-	-	-
Remittance in transit- Local	0.01	0.01	-
Sub Total	**723.78**	**989.97**	**266.19**
Investments held in cash balance investment account	12,655.49	5,139.28	(-)7,516.21
Total (a)	**13,379.27**	**6,129.25**	**(-)7,250.02**
b) Other cash balances and investments			
Cash with departmental officers *viz.* PWP&IWT department officers, Forest department, DCs	2.09	2.09	-
Permanent Advances for contingent expenditure with departmental officers	1.75	1.87	0.12
Investment of earmarked funds	12,800.94	15,870.66	3,069.72
Total (b)	**12,804.78**	**15,874.62**	**3,069.74**
Grand Total (a+b)	**26,184.05**	**22,003.87**	**(-)4,180.18**

Source: Finance Accounts

Claims against dues of Government are settled by preferring bills at treasuries, against which cheques are issued (by debit to the Consolidated Fund) to the claimants. The Major Head 8670 – Cheques and Bills is credited with the amount of each cheque and paired off with its encashment at the Agency Banks. Thus, 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. The opening balance of un-encashed cheques at the beginning of the year was ₹12,637.18 crore. Against issue of cheques worth ₹1,66,604.02 crore during 2018-19, cheques worth ₹1,72,676.13 crore were encashed. The balance of un-encashed cheques amounted to ₹6,565.08 crore as on 31 March 2019.

Audit observed that the net credit under the account during 2018-19 was ₹6,072 crore. Action is required to be taken for analysis of data for clearing of the balances.

The GoK permits departments to operate funds through bank accounts under special circumstances. Guidelines for operation of bank accounts are also issued

(January 2017) in this regard. However, unspent balances in these accounts are not obtained in order to forecast its cash requirement.

The cash balance of the State at the end of the year was ₹22,004 crore. The decrease in the cash balance was 16 *per cent* over the previous year.

1.10 Assets and Liabilities

1.10.1 Growth and composition of assets and liabilities

In the existing Government accounting system, comprehensive accounting of fixed assets like lands and buildings owned by the Government is not done. However, 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 2019 compared with the corresponding position as on 31 March 2018.

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

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 consist of loans for power projects and other development loans. The growth rate of components of assets and liabilities is summarised in **Table 1.25**.

Table 1.25: Summarised position of Assets and Liabilities

(₹ in crore)

Liabilities				Assets			
	2017-18	**2018-19**	***Growth rate (per cent)***		**2017-18**	**2018-19**	***Growth rate (per cent)***
Consolidated Fund	**1,63,135**	**1,93,967**	**19**	***Consolidated Fund***	**2,56,146**	**2,95,251**	**15**
a. Internal Debt	1,48,581	1,79,309	21	Capital Outlay	2,35,614	2,70,270	15
b. Loans and Advances from GoI	14,555	14,658	1	Loans and Advances	20,533	24,981	22
Off-budget borrowings	**13,173**	**14,862**	**13**	**Cash**	**26,184**	**22,004**	**(-)16**
Public Account*	**69,922**	**76,410**	**9**				
a. Small savings, Provident Funds etc.,	27,731	31,024	12				
b. Reserve Funds	16,873	17,001	1				
c. Deposits	25,318	28,385	12				

**The liabilities are on net basis. It does not include investments from earmarked funds of ₹12,801 crore (2017-18) and ₹15,871 crore (2018-19).*

The growth rate of assets decreased from 16 *per cent* in 2017-18 to 15 *per cent* in 2018-19, while that of liabilities inclusive of off-budget borrowings, increased from 12 *per cent* in 2017-18 to 19 *per cent* in 2018-19.

The Finance Accounts reflected an amount of ₹1,79,309 crore as internal debt outstanding at the end of 2018-19 after taking into account the difference of ₹561.59 crore in the accounts of LIC, GIC, NABARD, NCDC *etc*. Further, the RBI in its quarterly statement of outstanding balances of the GoK as on 31 March 2019 reflected closing balance of Market Loans – not bearing interest as ₹0.09 crore. However, the Finance Accounts reflected an amount of ₹0.65 crore, 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 RBI books (three cases). In respect of six cases, there were differences which require reconciliation. In respect of four cases, the balances as per the books of accounts of Pr. AG (A&E) tallied with those of RBI.

The Finance Department replied (March 2020) that the difference in balances of Finance Accounts and RBI is under correspondence and the balances of RBI would be adopted and incorporated in the next year accounts after clearance from CAG's office.

Further, as per the communication from the RBI, 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, these loans do not figure in the outstanding balances in the Finance Accounts as they are accounted as subsidies. The loans and advances from GoI reflected an amount of ₹14,658 crore as at the end of 2018-19.

In its reply the Finance Department (March 2020) stated that RBI was requested to provide details of compensation bonds and appropriate action would be taken after obtaining details from them.

The assets shown in the Finance Accounts (Statement No. 1 - Investment from earmarked funds - ₹15,871 crore) were understated to the extent of ₹903.71crore. This is on account of the interest accrued on the investment of Consolidated Sinking Fund (CSF) account made during 2012-13 and 2018-19, which had not passed through the Government books and stands reinvested in the CSF.

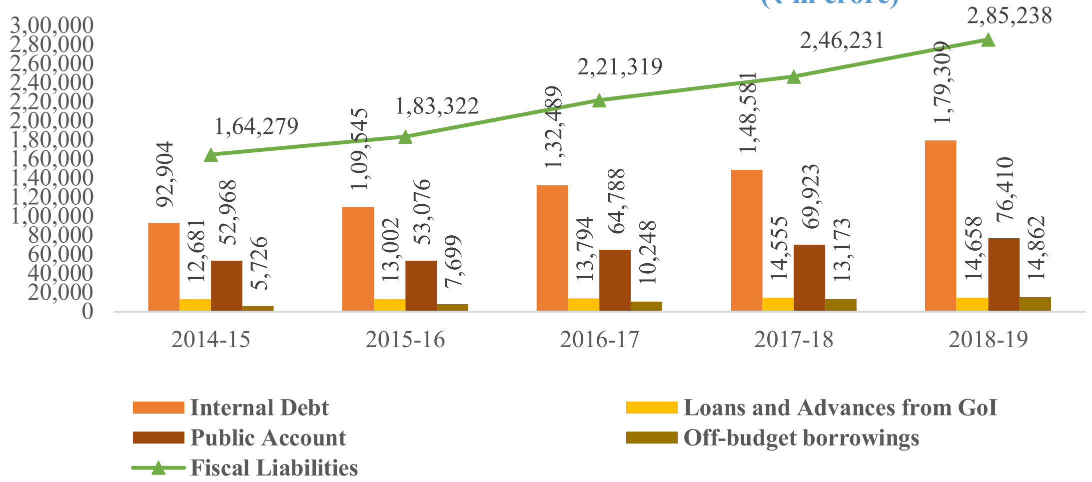
The Finance Department replied (March 2020) that it was actively pursuing the matter of routing of interest accrued on the investment of Consolidated Sinking Fund through the Consolidated Fund of the State with the Pr. AG (A&E).

1.10.2 Fiscal Liabilities

The trends in outstanding fiscal liabilities of the State are presented in **Appendix 1.4**. The composition of fiscal liabilities during the year 2014-15 to 2018-19 is presented in **Chart 1.14**.

Chart 1.14: Composition of outstanding Fiscal Liabilities

(₹ in crore)



Source: Finance Accounts

The 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 **Appendix 1.4**. The fiscal liabilities of the State increased by 74 *per cent* from ₹1,64,279 crore in 2014-15 to ₹2,85,238 crore in 2018-19.

1.10.2.1 Internal Debt

The internal debt which is a part of Consolidated Fund liabilities increased from ₹92,904 crore in 2014-15 to ₹1,79,309 crore in 2018-19, an increase of 93 *per cent*.

1.10.2.2 Loans and Advances from GoI

The loans and advances from GoI showed an increase of 16 *per cent* from ₹12,681 crore in 2014-15 to ₹14,658 crore in 2018-19. Due to increased borrowings in 2018-19, the growth rate of fiscal liabilities was 16 *per cent* when compared to 2017-18. Further the buoyancy of fiscal liabilities to revenue receipts was at 1.10 *per cent* and 1.30 *per cent* in 2017-18 and 2018-19 respectively. Also, the buoyancy ratio of fiscal liabilities to own resources gradually decreased from 1.52 in 2014-15 to 1.48 in 2018-19.

1.10.3 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. The borrowings of these concerns ultimately turn out to be the liabilities of the State Government termed 'Off-Budget Borrowings' (OBB) and the Government had been repaying the loans availed of by these Companies/Corporations/Societies including interest through regular budget provision under capital account.

During 2018-19, capital expenditure of ₹39,146 crore included ₹1,339.44 crore towards servicing of principal amount of off-budget borrowings. **Table 1.26** captures the trend in the off-budget borrowings of the State during 2014-15 to 2018-19 while **Table 1.27** gives the entity-wise position of borrowings till the end of 2018-19.

Table 1.26: Trend in off-budget borrowings

(₹ in crore)

Year	2014-15	2015-16	2016-17	2017-18	2018-19
Amount as furnished by entities*	3,081.50	2,372.00	3,005.16	3,500.23	3,523.65

Source: As reported by the concerned entities.

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

Table 1.27: Entity-wise position of off-budget borrowings

(₹ in crore)

Company/Corporation/Board	Outstanding off budget borrowing*	Borrowings during 2018-19	Repayment during 2018-19		Closing Balance
			Principal	**Interest**	
Krishna Bhagya Jala Nigam Limited	6,609.23	1,064.65	586.93	610.61	7,086.95
Karnataka Neeravari Nigam Limited	2,635.58	765.00	411.75	233.48	2,988.83
Karnataka Road Development Corporation Limited	123.16	3.50	12.52	12.84	114.14
Rajiv Gandhi Rural Housing Corporation Limited	1,068.77	-	176.59	86.10	892.18
Karnataka State Police Housing and Infrastructure Development Corporation	8.47	-	3.08	0.71	5.39
Cauvery Neeravari Nigam Limited	1,735.00	500.00	-	164.41	2,235.00
Visvesvaraya Jala Nigam Limited#	497.14	1,190.50	148.57	82.46	1,539.07
Total	**12,677.35**	**3,523.65**	**1,339.44**	**1,190.61**	**14,861.56**

**as there were differences in the closing balances of these entities (2017-18), the principal repayments have been adjusted to bring them in concordance with the closing balances of 2018-19.*

#The difference in opening balance of the entity with that of closing balance of previous year is due to drawal of ₹495.00 crore in 2018-19, sanctioned during 2017-18.

Taking into account the off-budget borrowings of the State, the total liabilities at the end of March 2019 worked out to ₹2,85,238 crore. The rate of outstanding liabilities (including off budget borrowings) to GSDP works out to 20.26 *per cent* at the end of the year. Financing expenditure through off-budget borrowings affects the fiscal parameter targets as stipulated under the KFRA Act. Further, these off-budget borrowings are fraught with the risk of exceeding the Fiscal Deficit limit set for the State especially in such a situation when the Fiscal Deficit-GSDP ratio in Karnataka is already on an increasing trend. Such extra-budgetary liabilities need to be clearly identified and reported.

1.10.4 Public Account transactions

1.10.4.1 Reserve Funds

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 the State or from outside agencies. The Government contributions are treated as expenditure under the Consolidated Fund. The expenditure relating to the fund is initially accounted for under the Consolidated Fund itself for which the vote of the Legislature is obtained. At the end of the year, at the time of closure of accounts, the expenditure relating to the fund is transferred to Public Account. The funds may further be classified as 'Funds carrying interest' or '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 subscription, *eg*., Fund formed from subventions from the Central Road Fund;
- Funds accumulated from sums set aside by the Union/State from the Consolidated Fund of India or Consolidated Fund of the State, as the case may be, to provide reserves for expenditure to be incurred by them for particular purposes, *e.g*., Depreciation Fund and
- 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 ₹32,871.47 crore available in various reserve funds as on 31 March 2019, the GoK invested ₹15,871 crore (48 *per cent*). This is mainly in the form of Capital Outlay on infrastructure projects (₹13,101 crore) and investment from Consolidated Sinking Fund of ₹2,770 crore.

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

a) Consolidated Sinking Fund

The GoK constituted a Consolidated Sinking Fund in 2012-13 for the amortisation of all loans as recommended by the XII FC and transferred ₹1,000 crore towards its corpus in 2012-13. The fund is administered by the RBI which had invested the corpus in GoI Securities. As per Government notification (February 2013), the State Government may make minimum annual contributions to the fund at 0.50 *per cent* of the outstanding liabilities (excluding off-budget borrowings) at the end of the previous financial year. During 2018-19, against the requirement of ₹1,165 crore, the State Government contributed ₹700.00 crore to the Fund under Major Head 2048 – Contribution to Consolidated Sinking Fund.

The XIV FC in its report had also analysed that the Consolidated Sinking Fund is an integral part of prudent fiscal management. It creates a cushion to meet repayment obligations in times of fiscal/market stress, as it boosts investor confidence and thereby facilitates borrowings in the primary market at a reasonable cost even in normal times. The balance under the fund at the end of the year remained at ₹2,770 crore.

The Finance Department replied (March 2020) that the State Government reiterates its stand on determining the investment under the CSF based on the fiscal space available during the year.

The reply of the Finance Department is not satisfactory as the commitment on account of investment, should form part of the budgetary exercise at the beginning of the year itself. Further, prudent financial management requires that the fund is built up through regular contribution on a year to year basis so as to reach a minimum corpus of three to five *per cent* of outstanding liabilities within a time frame of three to five years as recommended by RBI through investments.

b) Green Tax

The GoK vide the Karnataka Motor Vehicles Taxation (Amendment) Act, 2002 introduced collection of a Cess called 'Green Tax'[14] to control air pollution.

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

During the year 2018-19, ₹27.20 crore has been collected under the revenue receipt head apart from the amount of ₹57.89 crore collected from 2006-07 to 2017-18. Hence the total green tax cess collected up to 2018-19 (₹85.09 crore) along with the relevant expenditure needs to be transferred to fund account in Public Account. However, neither the revenue receipts of green tax cess collections nor its corresponding expenditure have been transferred to the Public Account.

The Finance Department replied (March 2020) that the proposal to transfer the receipts for the year 2016-17 to 2018-19 has been taken up with the Administrative department. On successful initiation of operation of the fund, similar action would be taken on the pending dues from 2006-07 and regular transfer made annually thereafter.

c) State Disaster Response Fund

The SDRF constituted under Disaster Management Act, 2005, is operative from 2010-11 under Reserve Fund bearing interest. As per the guidelines the accretions to the SDRF together with the income earned on the investment of the SDRF are to be invested in one or more of instruments *viz*., Central Government dated securities, auctioned treasury bills and interest earning deposits and certificates of deposits with Scheduled Commercial Banks. Natural Calamities such as drought, flood, cyclone, earthquake, fire *etc*., qualify for relief under this scheme.

The XIV FC recommended that the contribution to the fund is to be in the ratio of 90:10 between GoI and the State Government respectively. The GoI accepted

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

this recommendation with the modification that the percentage share of the States will continue to be as before (75:25) and the flows will also be of the same order as in the existing system and that once GST is in place, the recommendations of the Commission on disaster relief would be fully implemented. With the implementation of GST *w.e.f.* July 2017, the contribution to the fund during 2018-19 was in the ratio of 90:10.

During 2018-19, an aggregate amount of ₹1,279.84 crore was transferred to the fund account (contribution from GoI of ₹288 crore and the State's contribution of ₹32 crore to the SDRF and ₹959.84 crore GoI contribution from National Disaster Response Fund). Out of the total fund balance of ₹1,322 crore, ₹887 crore was released to the Deputy Commissioners of the districts under the Major Head '2245 - Relief on account of Natural Calamities'. The balance in the fund as on 31 March 2019 was ₹434.62 crore.

Further, the State Government had to pay interest to the SDRF at the rate applicable to overdrafts and credit the same on a half yearly basis by a charge to Major Head '2049-Interest Payments'. However, no interest was paid on the opening fund balances during 2018-19. The Finance Department agreed (March 2020) that it had not paid interest on the opening balance of ₹41.98 crore and stated that it would be provided in the Supplementary Estimates of 2020-21.

d) Forest Development Fund

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

There was a balance of ₹2,947.09 crore as on 1 April 2018 and during the year 2018-19, an amount of ₹26.38 crore was credited to the fund. However, expenditure of ₹299.20 crore incurred during the year had not been transferred to the fund. The balance in the fund was ₹2,973.47 crore at the end of March 2019.

Regarding non-transfer of expenditure to KFDF, the department replied (March 2020) that decision on operating the fund will be communicated on receipt of the awaited court orders. The reply of the department is not tenable as the writ petition filed relates to the enhancement of Forest Development Tax from 5 to 12 *per cent* and do not relate to transfer of expenditure from the Consolidated Fund to the KFDF account.

e) Consumer Welfare Fund

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

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

During 2018-19, receipts amounting to ₹0.41 crore accounted under the Head 1456-00-800-0-01 were to be transferred to the fund account. Though provision was also made in the budget under HOA '3456-00-797-0-04-261' for transfer of receipts, no amount was transferred to the fund. A provision of ₹0.42 crore was made in the budget under HOA '3456-00-104-0-02' towards expenditure but no expenditure had been booked during the year. The opening and closing balances at the credit of the fund remained at ₹1.43 crore.

The Finance Department replied (March 2020) that it is in communication with the Food and Civil Supplies department to initiate transfer of receipts to the fund and meet the expenditure out of the fund account.

Impact of transactions of Reserve Funds

The impact/result of the transactions of the above reserve funds during 2018-19 is given below.

- Shortfall in contribution to the Consolidated Sinking Fund had resulted in overstatement of revenue surplus and also understatement of fiscal deficit;
- Non-transfer of both receipts and expenditure to the Green Tax Fund in Public Account resulted in overstatement of revenue receipts/expenditure;
- Transferring only the receipts, without transferring the corresponding expenditure to Forest Development Fund had resulted in overstatement of revenue expenditure, fiscal deficit and understatement of revenue surplus;
- Non-transfer of receipts and expenditure into Consumer Welfare Fund had the effect of overstatement of revenue receipts/expenditure; and
- The unspent balances in the Personal Deposit accounts of the Deputy Commissioners for SDRF were not reflected in the accounts but merged with the general balances. These unspent balances resulted in understatement of the fund account in Public Account and had also resulted in overstatement of expenditure towards calamity relief in the Consolidated Fund.

Inoperative Reserve Funds

As at the end of 31 March 2019, out of 125 Reserve Funds, 106 funds remained inoperative. Of these 106 inoperative reserve funds, 83 reserve funds had zero balance, 12 reserve funds had a credit balance of ₹3,514.84 crore and 11 reserve funds had a debit balance of ₹5,239.89 crore as on 31 March 2019. The impact on accounts is that the liability of the Government has decreased by ₹1,725.05 crore (net) under reserve funds.

1.10.5 Contingent liabilities

1.10.5.1 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 the last five years are available in **Appendix 1.4**.

The Karnataka Ceiling on Government Guarantees Act, 1999 provides for a cap on outstanding guarantees extended by the Government as on first day of April of any year at 80 *per cent* of the State's revenue receipts of the second preceding year. The outstanding guarantees on 1 April of each year were within the prescribed limit. The outstanding guarantees amounting to ₹24,091 crore at the end of the year 2018-19 (principal + interest) included guarantees extended to 158 institutions/ companies under irrigation (₹13,849 crore), co-operation (₹1,798 crore), finance (₹1,285 crore), power (₹4,234 crore), housing (₹2,083 crore), transport (₹288 crore) and other sectors (₹554 crore).

Against the total estimated guarantee commission of ₹433.30 crore receivable as reported by the State Government, only ₹226.66 crore was received during 2018-19. The guarantee commission received includes book adjustment made by the State Government towards the guarantee commission payable to it by Rajiv Gandhi Rural Housing Corporation Limited (₹12.78 crore), Karnataka Road Development Corporation Limited (₹1.83 crore) and Power Company of Karnataka Limited (₹39.58 crore) by way of subsidies/Grants-in-aid/financial assistance. Consequently, the net shortfall in guarantee commission received was ₹260.83 crore (₹433.30 crore minus ₹172.47 crore, excluding book adjustment of ₹54.19 crore).

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

The PAC also recommended (July 2015) that suitable efforts should be made to operate and continue the Guarantee Reserve Fund. However, the State Government is yet to constitute the Guarantee Reserve Fund.

The Finance Department replied (March 2020) that the operation of the Guarantee Reserve Fund by the Government will be initiated from the financial year 2020-21.

1.11 Debt Management

1.11.1 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 and capital receipts that comprise of 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 are shown as expenditure and on the other, as revenues, under relevant receipt heads (tax/non-tax). Such accounting amounted to ₹2,075 crore during 2018-19. These transactions had the impact of showing the tax/non-tax revenues without actual cash flow. Such revenue, adjusted through book adjustment was ₹1,955 crore (tax revenues) and ₹120 crore (non-tax revenues) constituting one *per cent* of revenue receipts.

Table 1.28 gives details of outstanding fiscal liabilities of the Government under Consolidated Fund and Public Account compared with the per capita liability.

Table 1.28: Debt Profile of the State

(₹ in crore)

Sl. No.	Borrowings through	2014-15	2015-16	2016-17	2017-18	2018-19
a	**Open market loans**	69,419	84,334	1,08,359	1,25,708	1,57,890
b	**Negotiated loans**	3,318	3,482	3,973	4,289	4,430
c	**NSSF loans**	20,167	21,729	20,157	18,584	16,989
d	**GoI loans**	12,681	13,002	13,794	14,555	14,657
e	**Public Account Borrowings**	52,968	53,076	64,788	69,922	76,410
f	**Off Budget Borrowings**	5,726	7,699	10,248	13,173	14,862
g	**Total Fiscal Liabilities**	1,64,279	1,83,322	2,21,319	2,46,231	2,85,238
h	**Population (in crore)**	6.35	6.42	6.49	6.56	6.63
i	**Per capita debt ratio (in ₹)**	25,871	28,555	34,102	37,535	43,022

Source: Finance Accounts

During the period 2014-15 to 2018-19, the Market Loans increased by 127 *per cent* and the GoI loans by 16 *per cent*. The Public Account borrowings increased from ₹52,968 crore in 2014-15 to ₹76,410 crore in 2018-19, an increase of 44 *per cent*. The off-budget borrowings increased from ₹5,726 crore in 2014-15 to ₹14,862 crore in 2018-19, an increase of 160 *per cent*. The per capita debt ratio had significantly increased from ₹25,871 in 2014-15 to ₹43,022 in 2018-19, an increase of 66 *per cent*.

1.11.2 Debt Sustainability

Apart from the magnitude of the debt of the State Government, it is important to analyse various indicators that determine the debt sustainability of the State. Debt sustainability 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. This section assesses the sustainability of debt of the State Government in terms of debt as a percentage of GSDP, rate of growth of outstanding debt, interest payments/revenue receipts ratio and net debt available to the State. **Table 1.29** analyses the debt sustainability of the State according to these indicators for the period from 2014-15 to 2018-19.

Table 1.29: Debt Sustainability indicators and trends

(in *per cent*)

Debt Sustainability Indicators	2014-15	2015-16	2016-17	2017-18	2018-19
Debt*/GSDP	11.57	12.10	12.92	12.44	13.77
Rate of growth of Outstanding Debt*	19.28	16.06	19.37	11.52	18.90
Rate of growth of GSDP#	11.91	14.36	10.59	14.67	6.24
Average interest rate of Outstanding Debt (Interest payments/(opening balance of Public Debt +closing balance of Public Debt/2)	10.10	9.94	9.56	9.68	9.30
Interest Payment/Revenue Receipts	9.41	9.55	9.65	10.18	10.07
Net availability of borrowed funds (₹in crore)	9,324	8,060	13,609	5,005	17,766
Debt Repayment/ Debt Receipts**	57.37	61.75	56.32	80.08	57.61
Maturity profile of Internal debt (in years) (₹ in crore)					
0-1					0.64(-)
1-3					18,099.41(10)
3-5					22,540.29(13)
5-7					37,902.47(21)
7 and above					1,00,766.50(56)

Source: Finance Accounts.

** Excluding Public Account liabilities and Off Budget Borrowings.*

 # GSDP growth rate for 2014-15 to 2017-18 are taken from Economic Survey, Government of Karnataka 2018-19 and for 2018-19, as conveyed by Ministry of Finance, GoI, vide letter dated 20 March 2018.

*** The figures differ from those of earlier reports due to inclusion of interest payments.*

- The rate of growth of outstanding debt was 18.90 *per cent* during 2018-19, being 7.38 *per cent* increase over the previous year (11.52 *per cent*);
- Though there was decrease in Debt Repayment/Debt Receipts ratio, there was increase in total debt receipts by ₹16,792 crore due to increase in market loans during 2018-19 and debt repayment by ₹2,814 crore; and
- Increase in net debt available to the State was mainly due to increase in receipt under internal debt from ₹23,179 crore in 2017-18 to ₹40,470 crore in 2018-19 (**Appendix 1.4**) and off-set by decrease of ₹499 crore under Loans and Advances from GoI.

To examine debt sustainability, it is also important to study the growth in the debt and assess the fiscal balance (especially primary balance) being generated which would worsen or improve the debt situation.

The public debt sustainability of Karnataka was analysed based on Domar's model. E.D Domar(1944) explained that a continuous Government borrowing results in an ever rising public debt, the servicing of which will require higher taxes which would destroy the economy. Hence, he assumed that the indebtedness degree needs to converge to a finite value, in order to avoid further increasing of the tax burden. Thus, Domar model concludes that for sustainability of public debt, the real growth of economy should remain higher than the real interest rates. The conditions to ensure the stability of public indebtedness are indicated in the **Table 1.30**.

Table 1.30:The dynamics of public debt depending on the interest rate, the growth rate of GDP and the primary budget balance

g-r/s	s<0 (primary deficit)	s>0 (primary surplus)
g-r>0 (strong economic growth)	Public debt will converge to a stable level greater than 0	Public debt will converge to a stable level lesser than 0 leading to public savings
g-r<0 (slow economic growth)	Public debt will increase indefinitely, without converging to a stable level	Undefined situation

g: *Real Economic Growth Rate;* ***r:*** *Real Interest Rate;* ***s:*** *Primary Deficit/Surplus.*

Applying the analysis to Karnataka showed that the public debt has converged to a stable level as shown in the **Table 1.31**.

Table 1.31:Analysis of debt sustainability using Domar's model

Year	Real growth rate(g)*	Real interest rate(r)	g-r	Primary Deficit/Surplus (s) (₹ in crore)	Remarks
2015-16	11.09	3.26	7.83	(-) 7,826	As g-r>0 and s<0, public debt will converge to a stable level.
2016-17	7.61	4.69	2.92	(-) 15,814	
2017-18	10.41	6.63	3.78	(-) 16,128	
2018-19	9.59	6.00	3.59	(-) 21,828	
Real growth rate is calculated at real GDP (in *per cent*).					
Real interest rate is calculated as interest rate minus inflation (in *per cent*).					

**Real growth rate are GSDP at constant prices taken from the Economic Survey, Government of Karnataka 2018-19*.

Even though the primary deficit increased over the time, as 'g' was greater than 'r', the public debt was sustainable.

From the **Table 1.31**, it is evident that Karnataka has so far stabilised its debt level. An area of concern is decline in the real growth rate, which decreased from 11.09 in 2015-16 to 9.59 in 2018-19 and the consequent impact was on the g-r, which had also decreased from 7.83 in 2015-16 to 3.59 in 2018-19. This indicates that with increased primary deficit and lower g-r ratio, the State may reach an 'undefined situation' as per Domar, if the real rate of growth is not adequately addressed.

1.11.3 Interest on Off-Budget Borrowings

The ratio of interest payment to revenue receipts (IP/RR) determines the debt sustainability of the State. During 2018-19, the IP/RR ratio of the State was 10.07 *per cent*, which is 0.95 *per cent* more than the norm of 9.12 *per cent* fixed by XIV FC. During 2014-15 to 2018-19, the ratio was between 9.41 *per cent* and 10.18 *per cent* on account of buoyancy in revenue receipts. By an amendment to KFRA in February 2014, the scope of the total liabilities was amplified to include the borrowings by PSU and SPVs and other equivalent instruments, where the principal and /or interest are to be serviced out of the State Budget. Thus, the off-budget borrowings are part of the State's own liabilities for working out the total liabilities of the State.

The State Government in its MTFP 2019-23 on the ratio of IP/RR had included the interest payment serviced under the HOA 2049 only. But the interest on off-budget borrowings which are serviced through other heads of account is not part of this ratio of IP/RR. Due to non-inclusion of interest on off-budget borrowings, the IP/RR ratio was between 9.03 *per cent* and 9.47 *per cent* during the period 2014-15 to 2018-19. The State Government should also consider inclusion of interest on off-budget borrowings for working out this ratio, in the MTFP.

After audit observation in SFAR since last year, the Finance Department replied (March 2020) that inclusion of interest on off-budget borrowings to work out the ratio of IP/RR in the MTFP of the State Government will be considered.

1.11.4 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 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 2014-15 to 2018-19, the primary revenue balance was positive and sufficient to meet incremental interest expenditure (**Appendix 1.4**).

1.11.5 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 is facilitated if the incremental non-debt receipts[15] 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 1.32**.

[15] Incremental non-debt receipts are the increase or decrease in revenue receipts and non-debt capital receipts over the previous year

Table 1.32: Sufficiency of incremental non-debit receipts

(₹ in crore)

Sl. No.		2014-15	2015-16	2016-17	2017-18	2018-19
1	Incremental Non-Debt Receipts	14,497	14,993	14,112	13,800	17,863
2	Incremental Interest Payments	1,777	1,539	1,507	2,123	1,641
3	Incremental Primary Expenditure	15,204	13,047	22,101	14,114	23,563
4	Resources Gap	(-) 2,484	407	(-) 9,496	(-) 2,437	(-) 7,341

The resource gap, which was negative in 2014-15 turned positive during 2015-16 and again turned negative from 2016-17 to 2018-19. This was mainly on account of the growth of revenue receipts being less than the growth of total expenditure. This meant that the State had to depend on borrowed funds for meeting current revenue and capital expenditure.

1.11.6 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. The debt redemption to debt receipts ranged between 56.32 *per cent* and 80.08 *per cent* during 2014-15 to 2018-19. During 2018-19, the debt redemption ratio decreased by 22.47 *per cent* compared to the previous year.

1.12 Fiscal parameters

Three key fiscal parameters – revenue, fiscal and primary deficits indicate the extent of overall fiscal imbalances in the finances of the State Government during a specified period. The deficit in the Government accounts represents the gap between its receipts and expenditure.

The nature of deficit is an indicator of the prudence of fiscal management of the Government. Further the ways in which the deficit is financed and the application of resources raised are important pointers to its fiscal health. This section presents trends, nature and magnitude and the manner of financing these deficits and also the assessment of actual levels of revenue and fiscal deficits *vis-à-vis* targets set under KFRA for the financial year 2018-19.

1.12.1 Trends in deficits

a) Revenue Surplus

Revenue surplus represents the difference between revenue receipts and revenue expenditure. Revenue surplus helps to decrease the borrowings. The revenue surplus had increased from ₹528 crore in 2014-15 to ₹4,518[16] crore in 2017-18,

[16]includes ₹3,400 crore of loan waiver which was wrongly classified as capital expenditure.

but decreased to ₹679 crore in 2018-19. Considerable decrease in revenue surplus was on account of less growth rate of revenue receipts (12 *per cent*) as against 15 *per cent* growth rate of revenue expenditure during 2018-19.

The State Government in MTFP (2019-23) had stated that 'though the size of budget had gone up over the years, it is characterised by a substantial portion being in the nature of committed expenditure. This reduces maneuverability around expenditure decisions and the State has limited revenue space available after accounting for its committed expenditure needs'. The State Government needs to make medium term corrections on the expenditure side to moderate such committed expenditures.

b) 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 1.33**.

Table 1.33: Fiscal deficit and its parameters

(₹ in crore)

Period	Non-Debt Receipts	Total Expenditure	Fiscal deficit	Fiscal Deficit as *per cent* of		
				GSDP	Non-debt receipts	Total expenditure
2014-15	1,04,236	1,23,812	19,576	2.14	18.78	15.81
2015-16	1,19,229	1,38,398	19,169	1.89	16.08	13.85
2016-17	1,33,341	1,62,005	28,664	2.53	21.50	17.69
2017-18	1,47,141	1,78,241	31,101	2.37	21.14	17.45
2018-19	1,65,004	2,03,446	38,442	2.73	23.30	18.90

Source: Finance Accounts

During the period from 2014-15 to 2018-19, fiscal deficit as a percentage of GSDP increased from 2.14 *per cent* to 2.73 *per cent*, with marginal variations in between. The fiscal deficit as *per cent* of GSDP, non-debt receipts and total expenditure increased during 2018-19 over the previous year, on account of increase inborrowings due to decrease in revenue surplus.

c) Primary Deficit

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 is the fiscal deficit net of interest payments. Thus, the primary deficit indicated total borrowing requirement of the Government other than interest payment. The primary deficit and its parameters for the last five years are indicated in **Table 1.34**.

Table 1.34: Primary deficit and its parameters

(₹ in crore)

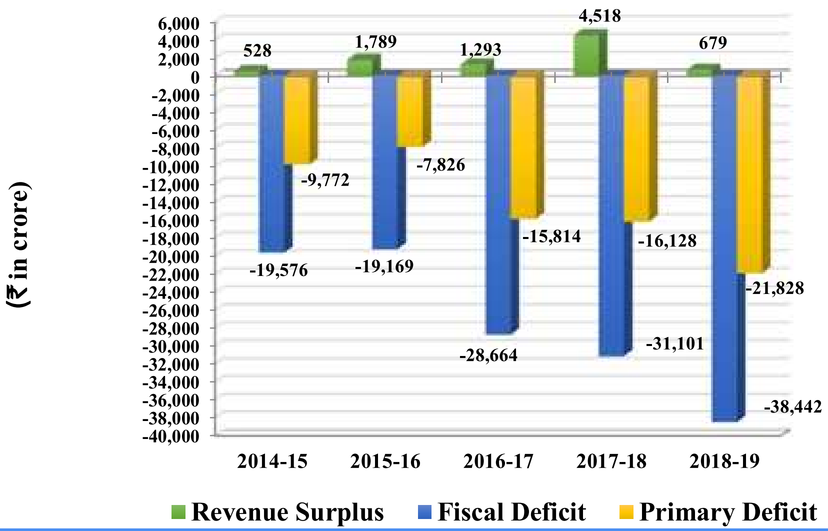
Period	Fiscal Deficit	Interest Payments	Primary Deficit
2014-15	19,576	9,804*	9,772
2015-16	19,169	11,343*	7,826
2016-17	28,664	12,850*	15,814
2017-18	31,101	14,973*	16,128
2018-19	38,442	16,614*	21,828

Source: Finance Accounts

**includes interest payments of ₹400 crore, ₹597 crore, ₹817 crore ₹1,043 crore and ₹1,191 crore towards interest on off-budget borrowings during 2014-15, 2015-16, 2016-17, 2017-18 and 2018-19 respectively.*

During 2016-17 to 2018-19, the fiscal deficit was more than twice the amount of interest payments. Containing interest payments would help to increase revenue surplus which in turn can be utilised towards capital expenditure. The trends in deficit indicators over the period from 2014-15 to 2018-19 is shown in **Chart 1.15**.

Chart 1.15: Trends in Fiscal Indicators



1.12.2 Composition of fiscal deficit and its financing pattern

The financing pattern of fiscal deficit has undergone a compositional shift as reflected in the **Appendix 1.12**. Breakdown of fiscal deficit reveals the extent of various borrowings resorted to by the State to meet its requirement of funds over and above revenue and non-debt receipts.

The 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 utilised to finance capital expenditure. As seen from the appendix, the capital expenditure could be financed by revenue surplus to the extent of three, nine, five and 15 *per cent* in 2014-15, 2015-16, 2016-17 and 2017-18 respectively. In 2018-19, revenue surplus could finance only two *per cent* of capital expenditure due to the huge decrease in revenue surplus.

As a result, in 2018-19, there was increase in market borrowings and their share in financing fiscal deficit increased to 84 *per cent*. There was decrease in loans from GoI, loans from financial institutions and 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 over the previous year. There was increase in Deposits and Advances, Small Savings, Provident Fund marginally over the previous year. As per recommendations of the XIV FC, the State Governments are excluded from the operations of NSSF with effect from 1 April 2015. As such there were no receipts under NSSF from GoI from the financial year 2016-17 onwards.

1.13 Follow up

The Report of 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 was placed before the PAC for its consideration during September 2014. The PAC discussed the Action Taken Note furnished by the Government and made further recommendations which were placed before the Legislature in July 2015.

Important issues meriting attention of the PAC on the State Finances have been brought to the knowledge of the august body for their consideration.

1.14 Conclusion and recommendations

Fiscal Position

The State continued to maintain revenue surplus during 2014-15 to 2018-19. During 2018-19, it continued to keep fiscal deficit relative to GSDP below the limit prescribed under KFRA.

Failure to carry out required adjustment (₹1,165 crore) and contributing partially (₹700 crore) to the Consolidated Sinking Fund resulted in maintaining surplus on revenue account. The fiscal deficit during 2018-19 was 2.73 *per cent* of GSDP (₹14,08,112 crore), which was within the limit laid down under KFRA.

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

The accounting adjustments should be in accordance with the principles governing the adjustments and partial accounting adjustments should be done away with.

State's own resources

The ratio of State's tax revenue to GSDP showed a declining trend from 7.68 *per cent* in 2014-15 to 6.88 *per cent* in 2018-19. There was no improvement in the ratio of non-tax revenue to GSDP and it continued to be less than one *per cent* of GSDP during 2014-15 to 2018-19 also.

Recommendation: Non-tax revenues require significant thrust by rationalising user charges and reviewing the same regularly as recommended by the FMRC (MTFP 2019-23) and the Expenditure Reforms Commission.

Revenue expenditure

During 2018-19 there was 16 *per cent* growth under the social sector over the previous year though the share of expenditure on social services to total revenue expenditure remained at 41 *per cent* in 2017-18 and in 2018-19. The growth in expenditure on economic services was at six *per cent* during 2017-18 where as it was 13 *per cent* in 2018-19.

Eighty-five *per cent* of revenue expenditure comprised committed expenditure on salaries, interest payments, pensions, subsidies, Grants-in-aid and financial assistance, administrative expenditure and devolution to local bodies. Expenditure on subsidy of ₹19,177 crore contained subsidy amounting to ₹3,777 crore which was in the form of financial assistance under various schemes of socio-economic services.

Recommendations: Adequate priority needs to be given to both education and health sectors as the ratios under these sectors are below GCS average during 2018-19. Since the costs of salary, pension and interest are inflexible, the expenditure on subsidies, Grants-in-aid other than to local bodies, which are increasing steadily, requires utmost attention from the State Government through better targeting of beneficiaries.

Containing the Committed Expenditure, which constitutes the major chunk of the revenue expenditure, will enable the State Government to attain surplus on revenue account to a considerable extent.

Quality of expenditure

The share of capital expenditure to total expenditure during 2018-19 (19 *per cent*) decreased by one *per cent* from that of the previous year. The percentage of developmental expenditure to total expenditure remained at 76 *per cent* in 2017-18 and 2018-19. Funds aggregating ₹3,128 crore were locked up in incomplete projects at the end of 2018-19.

The return from investment of ₹66,518 crore as of 31 March 2019 in Companies/Corporations was negligible (₹38.30 crore). The investment included ₹38,949 crore (59 *per cent*) to Companies/Corporations which were under continuous loss.

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

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

Funds and other Liabilities

Reserve funds of the State *viz*., corpus fund of Guarantee Redemption Fund was not created. The interest of ₹903.71 crore accrued on re-investment made on Consolidated Sinking fund balances by RBI did not pass through the accounts. During the year, Green Tax collections of ₹27.20 crore were not transferred to fund account.

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

Debt sustainability

Open Market Loans had a major share (55 *per cent*) in the total fiscal liabilities of the State. The burden of interest payments measured by interest payments to revenue receipts ratio (IP/RR) was between 9.41 *per cent* and 10.18 *per cent* during 2014-15 to 2018-19. The net debt available to the State during 2018-19 (₹17,766 crore) increased by 255 *per cent* when compared to the previous year. Real growth rate decreased from 11.09 *per cent* in 2015-16 to 9.59 *per cent* in 2018-19. The State had limited revenue space available after accounting for its committed expenditure needs.

Recommendations: Interest on Off-budget borrowings should form part of the calculation of IP/RR ratio. The State Government needs to make medium term corrections on the expenditure side to moderate committed expenditures. The State needs to adequately address the real rate of growth.

The Finance Department stated (March 2020) that the department was in correspondence with the Pr. AG (A&E) and trying to adopt judicious practices in the accounting structure. However, as per the recommendations made, needful action would be initiated at the earliest in the ensuing years.

Chapter – II

Financial Management and Budgetary Control

Chapter 2

Financial Management and Budgetary Control

2.1 Introduction

Appropriation Accounts are accounts of the expenditure (voted and charged) of the Government, for each financial year compared with the amounts 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-appropriation distinctly and indicate actual capital and revenue expenditure on various specified services *vis-à-vis* those authorised by the Appropriation Act. The Karnataka Budget Manual (KBM) contains the procedure 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.

2.2 Summary of Appropriation Accounts

Audit of appropriation 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 provision 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, regulation and instructions. The summarised position of actual expenditure during 2018-19 against 29 grants/appropriations is given in **Table 2.1.**

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

(₹ in crore)

Nature of expenditure		Original grant/ Appropriation	Supplementary grant/ Appropriation	Total	Actual expenditure	Unspent Provision (-) / Excess over provision (+)	Amount surrendered	Amount surrendered on 31 March	*Per cent* of savings surrendered on 31 March
Voted	I Revenue	1,49,168.61	14,703.43	1,63,872.04	1,48,976.27	14,895.77	8,036.77	8,036.77	100
	II Capital	35,442.84	3,978.02	39,420.86	35,053.78	4,367.08	1,609.61	1,609.61	100
	III Loans and Advances	7,140.48	2,672.88	9,813.36	5,810.94	4,002.42	131.50	131.50	100
Total Voted		**1,91,751.93**	**21,354.33**	**2,13,106.26**	**1,89,840.99**	**23,265.27**	**9,777.88**	**9,777.88**	
Charged	*IV Revenue*	*19,785.59*	*140.88*	*19,926.47*	*18,257.00*	*1,669.47*	*472.47*	*472.47*	*100*
	V Public Debt Repayment	*11,135.84*	*67.09*	*11,202.93*	*11,094.58*	*108.35*	*120.31*	*120.31*	*100*
	VI Capital	*1,437.41*	*0.00*	*1,437.41*	*1,341.53*	*95.88*	*0.01*	*0.01*	*100*
Total Charged		***32,358.84***	***207.97***	***32,566.81***	***30,693.11***	***1,873.70***	***592.79***	***592.79***	
Grand Total		**2,24,110.77**	**21,562.30**	**2,45,673.07**	**2,20,534.10**	**25,138.97**	**10,370.67**	**10,370.67**	

Source: Appropriation Accounts

During 2018-19, as against the provision of ₹2,45,673.07 crore, expenditure of ₹2,20,534.10 crore was incurred resulting in unspent provision of ₹25,138.97 crore (10 *per cent*).

2.3 Comments on Expenditure

Expenditure from Public Funds cannot be incurred unless it is sanctioned by the competent authority and sufficient funds are provided in the Appropriation Act/ by re-appropriation of funds. The summary of demands for grants placed before the Legislature, seeks approval for incurring the expenditure during the course of the year on various specified services, as brought out in the schedules appended to the demand. The expenditure so indicated implies that the amounts so drawn are expended for the purpose for which they were drawn.

Audit observed that the canon of sanction as well as the assumption that expenditure was expended for the purpose was vitiated as discussed below.

2.3.1 Overstatement/Understatement of expenditure

Due to non-submission of Non-payment Detailed Contingent (NDC) bills and unutilised amount in Zilla Panchayat (ZP) and Taluk Panchayat (TP) funds under Public Account, the expenditure stood overstated. In addition, due to non-initiation of certain transactions in reserve funds, the expenditure stood understated. Impact of the above transactions are shown in **Table 2.2 (This is only illustrative).**

Table 2.2: Overstatement/Understatement of expenditure

(₹ in crore)

Sl. No	Overstatement of expenditure	Amount	Understatement of expenditure	Amount
1	Non-submission of NDC bills for AC bills drawn by the DDOs during 2018-19 (details at Paragraph 3.6)	52.37	Non-transfer of Green Tax collected to Public Account (details at Paragraph 1.10.4)	27.20
2	Amount remained unutilized under ZP Fund in Public Account out of the amount (₹7,546.53 crore) released to it.	492.17	Short investment and adjustment of amount to Consolidated Sinking Fund (details at Paragraph 1.10.4)	465.29
3	Amount remained unutilized under TP Fund in Public Account out of the amount (₹15,005.71 crore) released to it.	814.65		
4	Non-transfer of expenditure to Karnataka Forest Development Fund (details at Paragraph 1.10.4)	299.20		
Total		**1,658.39**		**492.49**

From the above, it was observed that overstatement of expenditure was to the extent of ₹1,165.90 crore.

2.3.2 Additional amount released through Executive orders

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

During 2018-19, audit observed that ₹3,940.35 crore covering 19 grants under revenue/capital section, (this is only illustrative), (**Appendix 2.1**) was released through 77 executive orders which were later regularised through Supplementary Estimates. It was observed that expenditure incurred out of these additionalities was on routine items *viz*., payment for implementation of 6th Pay Commission, subsidiary expenses, payment of pending bills, refund of Sales Tax to eligible industries *etc*. which did not qualify as emergent/unforeseen expenditure and could have waited for placement of supplementary demands. The Public Accounts Committee (PAC) in its fifth report (Fourteenth Assembly) recommended (July 2015) that sanctioning of additionality through executive instruction should be limited to emergent cases **(**Para 5 of Government order dated 6 August 2015). However, it is observed that incurring expenditure without authority of the Legislature was continuing despite the PAC's recommendation.

Table 2.3: Additional amount released through executive orders during 2015-2019

(₹ in crore)

Year	No. of grants covered	No. of cases	Amount
2015-16	25	190	5,065.69
2016-17	26	293	6,057.11
2017-18	20	128	3,747.77
2018-19	19	77	3,940.35

Article 266(3) of the Constitution prohibits the appropriation of revenues without the approval of Legislature through placement of supplementary demands. This principle needs to be adhered to the maximum extent possible.

The Finance Department replied (March 2020) that the efforts to limit the sanctioning of additionality through executive orders to only justifiable cases would be made in the ensuing years.

2.3.3 Excess expenditure requiring regularisation

As per Article 204 of the Constitution of India, no money shall be withdrawn from the Consolidated Fund except under appropriation made by law by the State Legislature and Article 205 stipulates that the Government should get the excess over a grant/appropriation regularised by the State Legislature. Although no time frame for regularisation of expenditure was prescribed under the Article, the regularisation of excess expenditure is done after the completion of discussion of the Appropriation Accounts by the PAC. During the year 2018-19, there were no cases of grants/appropriations, where expenditure exceeded the provision and required regularisation. Excess expenditure aggregating ₹2,409.53 crore for the years from the year 2012-13 to 2017-18 is yet to be regularised as detailed in **Appendix 2.2.** This is in violation of the Article 204 of the constitution which provides that no money shall be withdrawn from the Consolidated Fund except under appropriation made by law by the State Legislature. This vitiates the system of budgetary and financial control and encourages financial indiscipline in management of public resources.

Early action is required to get the excess of previous years regularised in consultation with the PAC.

The Finance Department stated (March 2020) that action has been initiated to regularize the excess expenditure from 2012-13 onwards and that notification in this regard will be issued shortly.

2.3.4 New Service/New Instrument of Service

Article 205 of the Constitution provides that expenditure on a 'New Service' not contemplated in the Annual Financial Statement (Budget) can be incurred only after its specific authorisation by the Legislature. The Government issued orders in August 2015 based on the recommendations of the PAC in its Fourth Report (Fourteenth Assembly), exempting certain items of expenditure for which 'New Service' criteria shall not be applicable and also prescribed the criteria, for treating the expenditure as 'New Service'. The revised criteria for 'New Service' became effective from the financial year 2015-16. As per the above order, the cases already provided for and approved by the Legislature but where the expenditure is subsequently expected to exceed the amount originally provided in the budget will not be treated as '**New Service**', provided the increase over the actual provision does not exceed twice the provision or `five crore, whichever is more.

During the year 2018-19, in four cases, involving three grants, excess expenditure amounting to ₹686.82 crore, which should have been treated as 'New Service/New Instrument of Service', was incurred without the approval of the Legislature as shown in **Table 2.4**.

Table 2.4: Cases of New Service/New Instrument of Service

(₹ in crore)

Sl. No.	Grant No./ Nomenclature	Head of Account	Total Grant	Expenditure	Excess
1	12-Information, Tourism and Youth Services	3452-80-104-0-04-106 - Subsidies	5.00	15.10	(+)10.10
2	19-Urban Development	3604-00-191-1-51-240 – Debt Servicing	0.00	573.67	(+)573.67
3	20- Public Works	3054-03-337-0-07-200 – Maintenance Expenditure	37.46	117.46	(+)80.00
4		4711-02-103-2-00-139 – Major Works	9.86	32.91	(+)23.05
Total					**686.82**

Source: Appropriation Accounts

The case at Sl. No. 2 attracts the criteria of New Service due to misclassification of provision under *charged* instead of voted which is discussed in **Paragraph 2.4.2.**

Withdrawal of sums attracting the criteria of 'New Service/New Instrument of Service' could be avoided by keeping tab on the expenditure vis-à-vis the budget regularly.

The Finance Department replied (March 2020) that necessary checks would be put in place to avoid such mistakes in future.

2.4 Errors in budgeting

Misclassifications of transactions on revenue/capital and voted/charged are charactersed by lack of application of rules of classification of transactions under relevant heads. These transactions have a bearing on revenue account and the fiscal indicator *viz*. revenue surplus, which are brought out at the beginning of the year in the budget document. Provisioning of funds for previous expenditure booked in accounts also is a type of erroneous budgeting. Further, classification of transactions to the correct object code is essential to know the expenditure during the year and for future budgeting.

2.4.1 Misclassification between 'Capital' and 'Revenue' sections

During 2018-19, an amount of ₹108.40 crore was misclassified between 'Capital' and 'Revenue' Sections as shown in **Table 2.5**.

Table 2.5: Misclassification between 'Capital' and 'Revenue' Sections

(₹ in crore)

Sl. No.	Grant No.	Head of Account	Provision	Expenditure	Audit observation
Revenue Expenditure shown as Capital Expenditure					
1	25 – Kannada and Culture	4202-04-800-1-08 – Border Area Development Authority	38.06	28.06	The provision made was a grant provided to the organisations. Since, the Grants-in-aid disbursed by a grantor to a grantee, shall be classified and accounted as Revenue Expenditure in the Financial Statement of the Grantor as per IGAS-2 irrespective of the purpose for which the funds disbursed, the provision was to be classified as revenue.
2	02 – Animal Husbandry and Fisheries	4403-00-101-0-11 – Karnataka Veterinary Animal and Fisheries Sciences University, Bidar	16.06	16.06	
Thus, revenue expenditure understated by ₹ 44.12 crore					
Capital Expenditure shown as Revenue Expenditure					
3	05 – Home and Transport	3055-00-190-0-03-240 – Debt Servicing	80.97	64.28	The amount was released towards repayment of Debt. Since the expenditure reduces the liability it should have been categorised as capital.
Thus, revenue expenditure overstated by ₹ 64.28 crore					

From the table it is evident that during 2018-19 there was an overstatement of revenue expenditure by ₹20.16 crore and corresponding understatement of revenue surplus.

In the Exit Conference (March 2020), the Finance Department accepted the observation and stated that action would be taken to rectify the misclassification.

2.4.2 Misclassification between 'voted' and '*charged*' sections while budgeting

During 2018-19, it was noticed that there were two cases of misclassification amounting to ₹621.88 crore between Voted and *Charged* Sections as detailed in **Table 2.6**.

Table 2.6: Misclassification between 'Voted' and '*Charged*'

(₹ in crore)

Sl. No.	Grant No.	Head of Account	Provision	Expenditure	Audit observation
1	03 - Finance	2071-01-104-0-06-240–Debt Servicing (C)	1.50	0.67	Debt charges of the GoK are deemed to be guaranteed by the State. Hence they are to be charged. However, the Debt servicing in the table was towards Gratuities and Assistance to Municipal Corporations. Hence, the expenditure was in the nature of voted.
2	19 – Urban Development	3604-00-191-1-51-240–Debt Servicing (C)	620.38	573.67	
Total			**621.88**	**574.34**	

The Finance Department replied (March 2020) that the misclassification between 'Voted' and '*Charged*' under both the heads was rectified in financial year 2019-20.

2.4.3 Error in provision made under Major Heads of Account

Even though the previous SFAR had pointed out (**paragraph 3.10.2** and **paragraph 2.4.4**) errors in provision under certain major heads of accounts, the errors continued during 2018-19 also which is discussed below:

- During 2017-18, waiver of loan to farmers was classified under the capital/loan section instead of revenue section thereby affecting the fiscal indicators like Revenue Surplus. The department had accepted the observation and stated that it would avoid such errors in future. However, during 2018-19 it was noticed that a provision of ₹4,000 crore was made under Loan Head of Account 6425-00-107-5-10 - Assistance to Apex Bank towards Loan Waiver scheme. In order to set right the issue, out of ₹4,000 crore, ₹3,541 crore was converted as grant by providing provision under the revenue head 2425-107-2-56-394 – Loan. Thus, there was an excess provision and saving under Capital Section amounting to ₹459 crore.
- As per instructions contained in Note (3) below Major Head 6003 in LMMH, the unclaimed balances of Compensation and other Bonds are usually retained in Government Accounts for 20 years from the date of their maturity and after which the balances are transferred to Revenue by credit to the head '0075-Miscellaneous General Services-Other Receipts'.

Repayments of these amounts subsequently claimed are to be debited to the head '2075-Miscellaneous General Services-Other Expenditure'. However, during 2018-19 a provision of ₹0.10 crore for such claims was made under '2049-Interest Payments' which was incorrect.

In reply, the Finance Department (March 2020) has quoted a specific case where the compensation bond had just matured and has been accounted for in 2018-19. The reply is not relevant since the observation is on the provision made for payment of interest on compensation bonds which are overdue.

2.4.4 Errors in classification under object heads of account

The budget/expenditure suffered on account of operation of incorrect budget lines for release and accounting of Urban Local Bodies (ULB) grants at the object level of classification. Such misclassification amounted to ₹35.93 crore under Pension and Other Retirement Benefits, ₹797.95 crore under Consolidated Salaries and ₹476.76 crore under Maintenance Expenditure. Lack of a separate object head with a distinct code prevents the segregation of expenditure incurred by the ULB from that incurred by the State Government. Though this was pointed out in earlier Audit Reports, corrective action was not initiated.

Subsequent to the Exit Conference the Finance Department replied (March 2020) that the issue would be examined in future.

2.4.5 Provision made for previous year's expenditure in the current year budget

A provision of ₹12.95 crore was made in the Supplementary Estimate (II instalment) for the year 2018-19 towards Bengaluru Upgradation Project loan adjustment under the Head of Account 6801-00-205-1-80-394 – Loans. While making the provision it was stated that since the adjustment order issued during 2017-18 had not been effected due to non-availability of budget provision, the amount was provided. However, it was noticed that the book adjustment was already effected in the accounts based on the classification provided in the Government Order dated 31 March 2018 and a comment on excess expenditure requiring regularisation and expenditure booked without provision attracting 'New Service' was included. Hence, the provision made during the current year was erroneous and unnecessary thus resulting in overstatement of budget by ₹12.95 crore. The Finance Department pointed out that the entire amount was surrendered. The reply is irrelevant since the observation by audit pertained to error in budgeting.

Subsequent to the Exit Conference the Finance Department replied (March 2020) that such mistakes would be avoided in future.

2.4.6 Lack of transparency in Provisioning – Budget Operation of Omnibus Object Head 059 - Other Expenses

Provisions/expenditure in Government Accounts are classified according to Sector/Sub-sector/Function/Sub-function/ Programme/Detailed/Object head using 15 digit classifications. The 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 classifications 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 provisions/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.

During 2018-19, under eight Major Heads it was noticed (in test checked cases), that an expenditure of ₹2,901.92 crore was wrongly classified under the object head "059-Other Expenses" in lieu of the relevant objects heads, *viz*., 100 – Financial Assistance, 200– Maintenance, 211- Investment, 103– Grants-in-aid- General, 386 – Construction, 117 – Scholarships and Incentives *etc.* The details of such misclassification are detailed in **Appendix 2.3**.

Wrong classification under the object head "059-Other Expenses" goes against the principle of reflecting expenditure against the relevant head to the maximum extent possible.

The Finance Department replied (March 2020) that instructions were issued to the departments to judiciously examine the nature of expenditure and propose provision accordingly, keeping the provision under the Object Head 059 minimum. It also stated that the departments were instructed to transfer the provision to the correct object heads in financial year 2020-21.

2.5 Financial Accountability and Budget Management

Financial accountability revolves around the preparation of the budget by taking into account all the data required for the purpose and watching the progress of expenditure against the provisions made. This exercise should be a continuous process. Persistent non-utilisation of funds and going for supplementary demands regularly defeats the very purpose of accountability. A close watch on non-utilisation of provision is to be kept to carry out re-appropriation of funds to needy heads instead of going in for supplementary demands.

2.5.1 Unspent provisions against allocation

There were 37 cases of unspent provisions, each exceeding ₹100 crore and above under 23 grants/appropriation, which aggregated to ₹24,335.20 crore during 2018-19. Large unspent provisions *i.e.* more than ₹1,000.00 crore were in areas of Agriculture and Horticulture, Finance, Rural Development and Panchayat Raj, Co-operation, Education and Public Works as indicated in **Appendix 2.4**. Further, major heads of accounts, under which the unspent provisions including re-appropriation amount was more than ₹25 crore, are detailed in **Appendix 2.5**.

As per Rule 264 of the KBM, all savings anticipated by the Controlling Officers should be reported by them with full details and reasons to the Finance Department. However, it was observed that the reasons were either not appropriately explained or not furnished by the departments in the Appropriation Accounts.

The PAC, in its 13th Report submitted to the Legislature (December 2011), observed that in order to have control over provision/expenditure, unutilised provisions 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. The Finance Department in its circular dated December 19, 2013 directed all the Administrative Departments and the Heads of Departments to take appropriate action to surrender the full unspent provisions to the Finance Department as soon as it was anticipated without waiting for the year end. However, it was observed that large amounts remained unutilised/un-surrendered, indicating poor quality of control over expenditure, despite the PAC recommendations

The Finance Department replied (March 2020) that as recommended, needful instructions would be issued to the departments in the successive years.

2.5.2 Supplementary Provisions

Article 205 of the Constitution of India read with clause 282 to 292 of the KBM provides a legal basis for supplementary budget or supplementary estimates (SE). The GoK normally presents two to three SEs in a year.

During 2018-19, two installments of Supplementary Estimates (SE) were laid before the Legislature. The Supplementary provisions (₹21,562.30 crore) constituted 10 *per cent* of the original provisions (₹2,24,110.77 crore).

2.5.2.1 Supplementary Provisions are not fiscally neutral

The supplementary budgets are not 'fiscally neutral'[17]as required by KFRA, 2002 since sufficient part of the additional expenditure remained unfunded. Further, commitments of significant amounts are included as a part of the supplementary estimates, which affect the budget-execution process.

As per sub-section (5) of section 6 of KFRA, 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 (SE) in relation to the budget targets of the current year and the Medium Term Fiscal Plan objectives and targets for the future year.

Though the SE document provides a brief write-up on the sources of funds to meet the SEs, it does not provide the details relating to the corresponding curtailment of expenditure and/or augmentation of revenue to fully offset the fiscal impact. **Table 2.7** indicates the SEs and their funding.

[17]the SE is fiscally neutral if the financial impact of the SE is fully off-set by curtailment of expenditure and/or augmentation of revenue.

Table 2.7: Financing of SE during 2018-19

(₹ in crore)

Financing pattern	First Supplementary Estimate	Second Supplementary Estimate
Amount met out of Reserve Funds (recoveries)	0	525.22
Amount covered by Central Assistance	334.75	402.66
Amount covered by Adjustments	5.93	27.88
Cash Outgo	6,640.20	13,625.67
Total	**6,980.88**	**14,581.43**

Source: Supplementary Estimates

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

The Finance Department replied (March 2020) that in the introductory note to supplementary estimates an illustrative note detailing the breakup of supplementary provision is provided where the net cash outgo is specified to be met out of expenditure reprioritization. The reply is not satisfactory as the details relating to the corresponding curtailment of expenditure and/or augmentation of revenue to fully offset the fiscal impact of SEs needs to be provided.

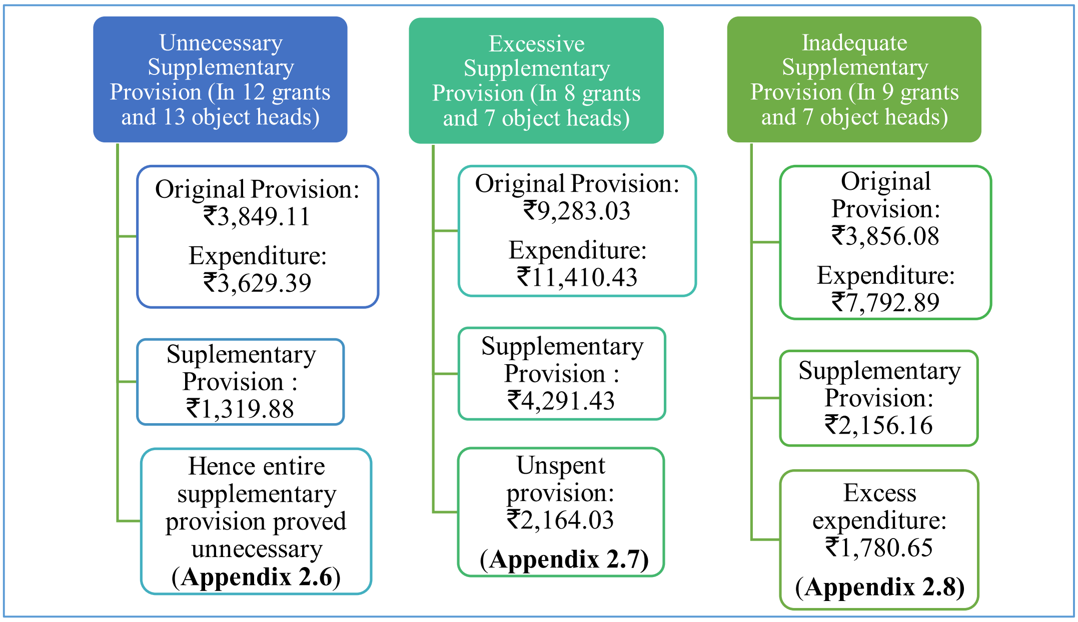
The supplementary provision should be made fiscally neutral as brought out under KFRA by bringing out a statement of savings in the budget/additional resource mobilization etc.

2.5.2.2 Unnecessary/ Excessive[18]/Inadequate Supplementary Provision

Some of the supplementary provisions provided proved unnecessary or excessive or inadequate as detailed in **Chart 2.1**.

Chart 2.1: Unnecessary/Excessive/Inadequate Supplementary provision

(₹ in crore)



[18]When the unspent provision is lower than the supplementary provision obtained for the purpose.

As non-utilization/excessive provisioning/inadequate provisioning reflects injudicious budgetary exercise, robust checks should be placed to avoid such occurrences.

The Finance Department replied (March 2020) that caution to avert such instances of provisioning by engaging needful checks will be taken in the coming years.

2.5.3 Re-appropriation of Funds

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

During 2018-19, 350 re-appropriation orders for an amount ₹9,611.05 crore were issued, as against 351 re-appropriation orders for ₹4,749.37 crore issued during 2017-18. Review of the orders/cases revealed the following.

2.5.3.1 Unnecessary/Excessive/Insufficient re-appropriation of funds

In 2018-19, 27 cases of re-appropriation of funds were made injudiciously as compared to 44 cases in 2017-18, resulting either in un-utilised provision or excess over provision in each case **(Appendix 2.9)**, as summarised below:

- In 18 cases, the un-utilised provision was not properly assessed as, even after the withdrawal of ₹2,224.11 crore through re-appropriation, ₹2,777.22 crore remained un-utilised;
- In five cases, additional funds ₹797.18 crore, provided by re-appropriation, resulted in overall un-utilised provision of ₹535.44 crore;
- In one case, withdrawal of ₹30 crore resulted finally in excess expenditure of ₹55.99 crore and
- In three cases, additional funds of ₹33.55 crore provided through re-appropriation, proved insufficient as the final expenditure exceeded the provision by ₹87.27 crore.

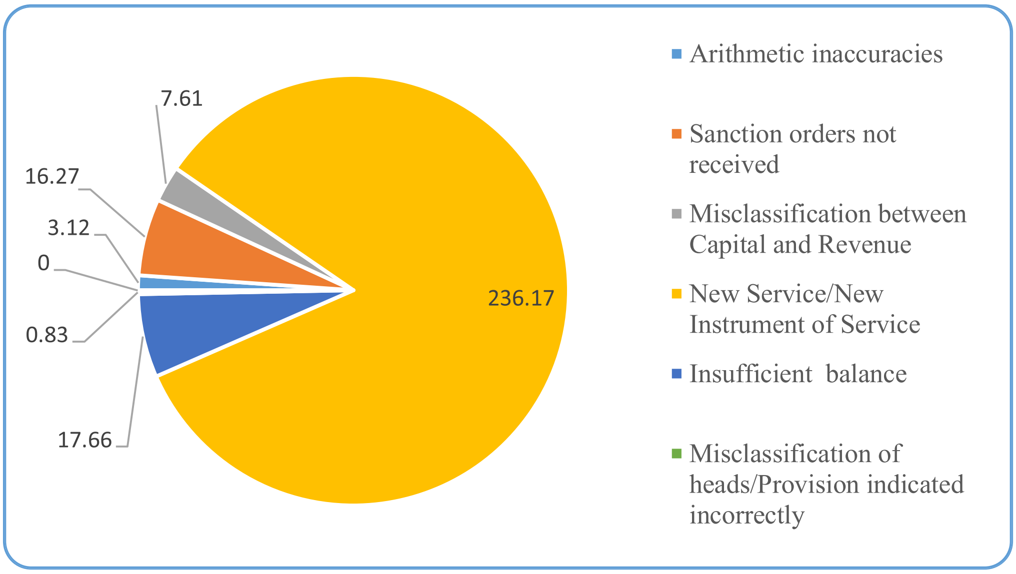
Subsequent to the Exit Conference, the Finance department replied (March 2020) that re-appropriation orders were issued based on the proposals of the administrative departments. But due to unavoidable circumstances some of the re-appropriation orders proved unnecessary/excessive/inadequate.

2.5.3.2 Defective Re-appropriation

Article 309, 312 and 315(a) of the Karnataka Financial Code (KFC) *inter alia* stipulated that no re-appropriation should be made from one grant voted by the Legislature to another such grant, from voted items of expenditure to *charged* items of expenditure, from capital to revenue and *vice versa,* if the re-appropriation statement is not self-balanced and not in the prescribed form (Form No.22A of KFC). During 2018-19, 35 re-appropriation orders for ₹282.56 crore (**Appendix 2.10**) were not affected for the reasons indicated in **Chart 2.2**.

Chart 2.2: Defective re-appropriation

(₹ in crore)



The administrative departments are required to exercise proper checks before the re-appropriation orders are submitted to the Pr. AG (A&E) for acceptance.

The re-appropriation of funds, which is an exercise of the grant controlling authorities with reference to the budget/expenditure, needs to be carried out in a rigorous manner.

The Finance Department replied (March 2020) that re-appropriation orders are thoroughly scrutinised and issued by the departments. It further stated that additional care would be taken to avoid such instances of defective orders in future.

2.5.4 Surrender of unspent Provision

Rule 66 (1) of GFR, 2017 states that departments are required to surrender all the anticipated unspent provision noticed in grants/appropriations controlled by them to FD by the stipulated date. During 2018-19, there was total unspent provision of ₹25,138.97 crore which was around 10 *per cent* of the total provision.

2.5.4.1 Unspent provision not surrendered

In the case of 13 grants/appropriations, the entire unspent provision, aggregating ₹2,941.72 crore, was not surrendered **(Appendix 2.11)**.

Further, in the case of 26 grants /appropriations, there was only partial surrender and around 53 *per cent* (₹11,826.59 crore) of the total unspent provision (₹22,197.26 crore) was not surrendered (**Appendix 2.12**).

The Finance Department replied (March 2020) that clear instructions in this regard are issued to the departments and compliance to the instructions are reinforced from time to time.

2.5.4.2 Substantial surrenders

In 41 cases, out of the total provision of ₹3,041.72 crore, ₹ 2,837.79 crore was surrendered. The surrender was substantial as 50 *per cent* and above of the provision in each case was surrendered. This included 100 *per cent* surrenders in 23 cases (₹2,365.59 crore) (**Appendix 2.13**). The reasons attributed for surrender were non-honoring of bills presented during end of March by the treasury, economy measures, imposition of code of conduct, delay in commencement of work, violation of tender rules, *etc.*

Besides, in 19 grants where surrender of funds was in excess of ₹five crore, ₹7,667.67 crore was surrendered on the last two working days of the financial year, indicating inadequate financial control (**Appendix 2.14**).

2.6 Contingency Fund

The Contingency Fund of the State was 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 the Contingency Fund are subsequently recouped to the fund through supplementary provisions.

During the year 2018-19, five sanctions aggregating ₹59.64 crore for withdrawing the amount from the Contingency Fund were issued.

Review of the operation of the Contingency Fund disclosed that ₹2.82 crore as detailed in **Table 2.8** was withdrawn from the Contingency Fund during the month of January and March 2019 after the supplementary demand was voted by the Legislature for recoupment of the fund. This indicates that expenditure was not for an unforeseen/emergency purpose. Drawing money from the Contingency Fund after the Supplementary Demands were voted in the Legislature was in contravention to the rules governing the Contingency Fund.

Table 2.8: Details of drawal from Contingency Fund after the Appropriation Act passed by Legislature

(₹ in crore)

GO No. and Date	HOA	Final Head of Account	Approval by Legislature	Amount	Date of drawal
FD 02 BCF 2018 dated 27.08.2018	8000-00-231-0-00	2210-011-110-2-85	December 2018	0.76	January 2019
FD 02 BCF 2018 dated 17.08.2018	8000-00-205-0-00	2015-00-105-0-01-059 2015-00-105-0-02-059	February 2019	2.06	March 2019

The Finance Department replied (March 2020) that instructions on prudent practice of drawal under the Contingency Fund was issued to departments.

2.7 Review of Grant No. 23 – Labour, Employment and Skill Development

2.7.1 Introduction

The Labour and Skill Development Department is responsible for protection of labour rights and skill development in Karnataka. This grant covers the following major heads:

i) 2210 – Medical and Public Health
ii) 2230 - Labour, Employment and Skill development
iii) 2501 – Special Programme for Rural Development
iv) 2851 – Village and Small Industries
v) 3604 – Compensation and Assignments to Local Bodies and Panchayat Raj Institutions
vi) 4250 - Capital outlay on Other Social Services
vii) 4851 – Capital outlay on Village and Small industries

During the year 2016-17 to 2018-19, more than 70 *per cent* of the budget allocation and expenditure was under major Heads 2230 and 4250-Labour, Employment and Skill Development and Capital Outlay on Other Social Services. Thus, the grant review was conducted in respect of the said two functional heads.

2.7.2 Budget and Expenditure

The overall position of budget provisions, actual disbursements and savings under the selected major heads for the last three years (2016-17 to 2018-19) is detailed in **Table 2.9**.

Table 2.9: Budget and Expenditure under the selected major heads

(₹ in crore)

Year	Section	Budget Provision	Total	Expenditure	Unutilized provision and its percentage
2016-17	Revenue Original(V)	560.24	573.45	494.64	78.81(14)
	Supplementary	13.21			
	Capital Original(V)	120.11	120.11	95.52	24.59(20)
	Supplementary	0.00			
2017-18	Revenue Original(V)	932.26	970.62	559.17	411.45(42)
	Supplementary	38.36			
	Capital Original(V)	90.42	90.42	83.43	6.99(8)
	Supplementary	0.00			
2018-19	Revenue Original(V)	601.25	673.94	511.69	162.25(24)
	Supplementary	72.69			
	Capital Original(V)	50.51	50.51	20.42	30.09(60)
	Supplementary	0.00			

Source: Grant Registers

During 2016-17 to 2018-19 as a percentage of total provision, unutilized provision ranged between 14 *per cent* and 42 *per cent* under Revenue Section, and between 8 *per cent* and 60 *per cent* under Capital Section.

2.7.3 Role of Internal Financial Advisor (IFA)

As per the notification issued by the GoK in July 1982, Internal Financial Advisor (IFA) is in overall charge of work relating to Finance, budget and accounts of the department to which he is appointed. He is responsible for ensuring that the budget estimates are properly framed, time schedule is scrupulously followed, budget proposals are scrutinised and the Secretary is assisted in formulation of budget proposals, advice is given on budgeting for new schemes *etc.* Further, IFA renders advice on financial prudence, tracking audit reports and action taken reports *etc.*

During the review of records of the Labour and Skill Development Department, it was observed that the files relating to budget proposal were not submitted to the IFA for scrutiny. Hence, the IFA was not involved in the formulation of Budget proposals and also budget proposals were not formulated under his superintendence.

The Government while accepting (December 2019) that the budget proposals for earlier years were forwarded directly to the Finance Department stated that the budget proposal for 2018-19 was forwarded to the Finance Department through the IFA. Though the budget proposals were forwarded through the IFA during 2018-19, from the records provided it was noticed that the IFA was not involved in formulation of budget proposals.

2.7.4 Persistent savings

Scrutiny of Appropriation Accounts for the years 2016-17 to 2018-19 showed that there were persistent savings under four heads of accounts during the above period which is indicative of poor budgetary monitoring or shortfall in performance or both.

It was observed that budget allocations remained unutilized every year indicating non-achievement of the projected financial outlays in the respective years. The budget allocations were made without considering the previous years' expenditure as required under Rule 110 of the KBM, which resulted in persistent savings under the Heads of Accounts as shown in **Table 2.10** below.

Table 2.10: Persistent Savings

(₹ in crore)

Sl. No.	Head of Account	Savings		
		2016-17	2017-18	2018-19
1	2230-02-001-0-01/03*-059 - Other Expenses	9.71	127.20	7.34
2	2230-02-001-0-01/03*-071 – Building Expenses	1.54	2.02	0.91
3	2230-02-001-0-01/03*-422 – Scheduled Caste Sub Plan	12.34	18.88	10.11
4	2230-02-001-0-01/03*-423 – Tribal Sub Plan	4.59	7.69	4.27

* *During 2016-17 the expenditure was under the sub-head 01- Employment and Training which was shifted to sub-head 03 during 2018-19*.

In the Exit Conference (March 2020), the Finance Department stated that action would be taken to avoid such instances in future.

2.7.5 Diversion of funds provided for Capital Expenditure towards incurring Revenue Expenditure

As per Rule 8 of the KBM, capital expenditure is incurred with the object of either increasing the concrete assets of material and permanent character such as construction of buildings, irrigation projects, or of reducing liabilities. As such, the provision made under this head shall be utilized for incurring capital assets only.

A provision of ₹6.36 crore was made during 2018-19, under the head of account 4250-00-201-0-04-386 for construction of new Karmika Bhavans in five cities. Out of this, the Government gave approval (between January 2019 and March 2019) for incurring revenue expenditure of ₹0.90 crore *viz*., repair of toilets, repair/fixing of lights, painting and repair of third floor of Karmika Bhavan, Bannerghatta Road. Hence, expenditure of revenue nature was incurred under a capital work which was incorrect.

The Government accepted (December 2019) the observation and stated that in future such diversions would be avoided.

2.7.6 Blocking up of Government funds outside Government Accounts

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

The department of Labour and Skill Development implements many schemes through implementing agencies like Boards/Corporations/Societies constituted by the GoK. It releases funds to these Boards/Societies from the budget allocations made for implementation of various scheme.

On review of funds released and expenditure incurred by five Boards/Societies, it was observed that during the period from 2015-16 to 2018-19, an amount of ₹87.59 crore, shown as expenditure to the Consolidated Fund, was parked in the Savings Bank Accounts of the implementing Agencies under the control of the Labour and Skill Development Department. This resulted in overstatement of expenditure to the tune of ₹87.59 crore. Individual observations are discussed below.

- **Construction of Karmika Bhavan at Mysuru**

During 2017-18 and 2018-19, the Commissioner of Labour released an aggregate amount of ₹10 crore to the Executive Engineer, PWP&IWTD, Mysuru for construction of ‘Karmika Bhavan’ at Mysuru.

It was noticed that the construction work of Karmika Bhavan was not taken up due to non-finalization of tender (22 August 2019). Hence ₹10 crore released to PWP&IWTD remained unutilized.

- **Asha Deep Scheme**

The State Budget of 2017-18 announced 'Asha Deep scheme' with an objective of providing employment to the workers belonging to SCs/STs in private enterprises. Under this scheme, the Government was to bear the employee's share of ESI (4.75 *per cent*) and Provident Fund (12 *per cent*) of newly employed SC and ST candidates. The GoK accorded approval (July 2017) for implementing the scheme through Karnataka State Workers' Welfare and Social Security (Asha Deep) Society (Society). During 2017-18 and 2018-19, ₹43.25 crore was released to the Society. Against the release, ₹0.10 crore was incurred as expenditure.

The scheme was not implemented due to a similar scheme 'Pradhan Mantri Rojgar Protsahan Yojana' being implemented by GoI and also due to non-availability of category-wise employees' data with the private enterprises. In spite of availability of ₹40 crore released during 2017-18, a provision of ₹4.33 crore was made during 2018-19 and ₹3.25 crore was released by the department. The entire amount along with interest of ₹1.87 crore was parked in the Savings Bank account of the Society.

The Government replied (December 2019) that in spite of its efforts to popularize the scheme, the scheme was not implemented. It further stated that the Society had submitted a proposal to revise the scheme which includes re-imbursement of stipend and salary amount of ₹3,000 per month per candidate to the employer for employing candidates belonging to the SC/ST community.

- **Ambedkar Karmika Sahaya Hasta Scheme**

Ambedkar Karmika Sahaya Hasta Scheme was implemented during 2017-18 with an objective to provide benefits to unorganised workers under accident relief scheme by providing smart cards. This scheme was to be implemented by Karnataka Unorganised Workers' Social Security Board.

During 2017-18 and 2018-19 against the total budget allocation of ₹37.78 crore, ₹30.83 crore was released and an expenditure of ₹6.39 crore was incurred towards printing of smart cards, establishment of Karmika Seva Kendras *etc*. The balance of ₹24.44 crore was kept in the Savings Bank Account of the Board which resulted in blocking up of Government Funds.

The Government replied that the Board would take action to utilize the amount and had earmarked ₹14.00 crore for Contributory Provident Fund by placing it in its next general body meeting and also stated that it has submitted proposal to surrender ₹8.61 crore out of the balance amount.

- **Bharath Ratna Sir M. Visvesvaraya National Training Facility for Skills for All**

Mokshagundam Visveswaraya Centre for training master trainers in Skill Development at Muddenahalli, Chikkaballapura on Public and Private Project (PPP) module was established during 2015-16. A society - Bharath Ratna Sir. M. Visvesvaraya National Training Facility of Skills for All (Society) was established to run the centre with an objective to create top class master trainers in India through the world class super trainers from vocational technology and to scale up the skills of the technician work force in the country. A total amount of ₹10 crore was released under the Head of Account 4250-00-203-0-05-386 during 2015-16 and 2016-17 to take up construction activity.

However, it was observed that the entire amount of ₹10 crore was kept in the savings Bank Account for more than two years without utilization. The administrative approval for construction of the building is yet to be obtained. Thus, the amount released to the Society remained unspent resulting in blocking up of Government Funds.

- **Karnataka State Labour Institute**

Karnataka State Labour Institute was registered (February 2009) as a society with the aim of creating awareness and providing a forum for training as well as information dissemination to all the stakeholders in labour management and industrial relations. The main objective of the Institute was to start certificate and diploma courses, to conduct impact assessment studies to improve and update the existing labour laws, to conduct trainings/workshops/seminars as per the objectives of the Bye-Laws. The Institute received grants from the Government.

A mention was made vide Para 3.4.1 in the report of Comptroller and Auditor General of India (Report No.2) of the year 2013 regarding retention of Government grants without utilization to the tune of ₹3.14 crore by Karnataka State Labour Institute as at the end of March 2012. The Institute remitted ₹3.19 crore to treasury during January 2013.

However, it was observed that non-utilisation of grants by the institute continued during the period 2012-13 to 2018-19. Against the release of ₹5.35 crore, the expenditure incurred was ₹1.62 crore. This resulted in blocking of ₹3.63 crore outside the Government Account. The year-wise details of grants released under the Head of Account 2230-01-277-0-01 to the Institute and expenditure thereon are indicated in **Table 2.11** below:

Table 2.11: Year-wise details of funds released to the Institute and expenditure thereon

(₹ in crore)

Year	Amount Released	Expenditure	Unspent Amount
2012-13	0.50	0.21	0.29
2013-14	0.50	0.24	0.26
2014-15	1.00	0.19	0.81
2015-16	0.75	0.22	0.53
2016-17	0.75	0.22	0.53
2017-18	1.00	0.11	0.89
2018-19	0.75	0.43*	0.32
Total	**5.25**	**1.62**	**3.63**

* Expenditure up to October 2018

This indicated that the Government released the grants to the society without reviewing the utilisation of previous year's grants.

The Government replied (December 2019) that the objectives were not achieved due to non-availability of training resources/persons/staff and sufficient infrastructure. It also stated that since the institute has established its own building at Peenya, Bengaluru (July 2019) with adequate infrastructure, two training programme have since been conducted and hence action was initiated to achieve its objectives.

Subsequent to the Exit Conference, the Finance Department replied (March 2020) that a circular has been issued in March 2018 with instructions to the administrative departments to check the utilisation before releasing further budgetary allocations to the implementing agencies. In addition, it stated that efforts to monitor the bank balances of all corporations, boards and departments are made in order to prevent undue parking of funds.

2.7.7 Rush of Expenditure

Rule 62 (3), GFR, 2017 states that rush of expenditure particularly in the closing month of the financial year shall be avoided as it is regarded as breach of financial propriety. Further, as per Paragraph 6 of the instructions issued by the Department of Finance, GoK dated 09 September 2004, regarding releases, 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 ranged from 51 *per cent* to 100 *per cent* during March and 86 *per cent* to 100 *per cent* during the last quarter of the year 2018-19. The object head wise details of expenditure are detailed in **Table 2.12.**

Table 2.12: Rush of Expenditure

(₹ in crore)

Head of Account	Total Expenditure	Expenditure during the last Quarter and its percentage	Expenditure during the month of March and its percentage
2230-01-112-0-01-059 – Other Expenses	2.32	1.95(84)	1.95(84)
2230-02-001-0-03-051 – General Expenses	2.18	2.12(97)	2.02(93)
2230-02-001-0-03-125 – Modernization	0.64	0.63(98)	0.63(98)
2230-02-001-0-03-221 – Materials and Supplies	1.58	1.37(86)	0.83(53)
2230-02-001-0-03-422 – Scheduled Caste Sub Plan	6.21	6.21(100)	6.21(100)
2230-02-001-0-03-422 – Tribal Sub Plan	2.48	2.48(100)	2.48(100)
2230-02-101-0-11-015–Subsidiary Expenses	2.00	2.00(100)	2.00(100)
2230-02-800-0-02 -422 – Scheduled Caste Sub Plan	8.47	8.47(100)	4.29(51)
2230-02-800-0-02 -423 –Tribal Sub Plan	3.15	3.15(100)	2.07(66)
2230-03-101-0-49 -125 –Modernisation	1.75	1.75(100)	1.75(100)

Source: Grant Register

The Finance Department replied (March 2020) that periodic instructions were being issued to the departments to plan balanced expenditure in order to avoid rush at the end of the year.

2.8 Conclusion

Against the total provision of ₹2,45,673.07 crore during 2018-19, an expenditure of ₹2,20,534.10 crore was incurred. This resulted in unspent provision of ₹25,138.97 crore (*10 per cent*). Out of the unspent provision, in 19 grants, ₹7,667.67 crore was surrendered in the last two working days of the financial year.

The budgetary exercise should be more rigorous as an amount of ₹108.40 crore was misclassified under the capital/revenue section affecting the fiscal indicators.

Executive orders for expenditure, prior to approval of the Legislature, were issued for ₹3,940.35 crore forming 18 *per cent* of the Supplementary Estimate. Excess expenditure of ₹2,409.53 crore relating to the period 2012-13 to 2017-18 required regularization under Article 205 of the Constitution. In four cases, involving three grants, excess expenditure amounting to ₹686.82 crore, which should have been treated as 'New Service/New Instrument of Service' was incurred without the approval of the Legislature.

Supplementary Estimates were not fiscally neutral as the statement showing the corresponding curtailment of expenditure and/or augmentation of revenue to fully offset the fiscal impact of SEs, as required by KFRA, was not provided. Supplementary provision of ₹1,319.88 crore in 13 object heads was unnecessary and ₹4,291.43 crore made under seven object heads proved excessive.

While re-appropriation in 27 cases was made injudiciously resulting in either un-utilized provision or excess over provision; in 35 cases re-appropriation was not effected due to defective re-appropriation orders.

2.9 Recommendations

- ***Budgetary control should be strengthened in all the departments to avoid cases of provision remaining unutilized as well as surrendering of unspent provision during fag end of the financial year.***
- ***Top priority should be accorded to regularize the excess expenditure from the year 2012-13 by bringing those cases before the PAC.***
- ***The Supplementary Estimates should indicate the details of curtailment of expenditure and / or augmentation of revenue to fully offset the fiscal impact as brought out under KFRA.***
- ***Reasons for the issue of re-appropriation orders especially injudicious and defective orders needs to be ascertained in order to develop a strategy to control issue of such re-appropriation orders.***

Chapter – III

Financial Reporting

Chapter 3
Financial Reporting

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

3.1 Non-submission of Utilisation Certificates

Financial Rules stipulate that for the grants provided for specific purposes, Utilisation Certificates (UCs) should be obtained by the departmental officers from the Grantees and, after verification, these should be forwarded to the AG (A&E) within 18 months from the date of their sanction unless specified otherwise. A comparison of pending UCs for the last five years is given in **Table 3.1**. As seen from the table, the position of pending UCs is improving with inter year variations. During 2018-19, due to action initiated by Government, out of 303 UC's awaited for the earlier years, 216 UCs were received. Hence as at the end of 2018-19, 110 UCs aggregating ₹764.81 crore were in arrears which is detailed in **Appendix 3.1**. The status of outstanding UCs is given in **Table 3.2**.

Table 3.1: Comparison of pending UCs for the last five years

Sl. No.	Year	No. of UCs awaited	Amount (₹ in crore)
1	2014-15	182	740.77
2	2015-16	124	487.91
3	2016-17	173	723.94
4	2017-18	303	2,585.26
5	2018-19	110	764.81

Table 3.2: Year-wise arrears of Utilisation Certificates

(₹ in crore)

Due Year	No. of utilisation certificates awaited	Amount
Up to 2016-17	55	195.91
2017-18	32	223.14
2018-19	23	345.76
Total	**110**	**764.81**

Source: Finance Accounts

The majority of cases of non-submission of UCs related to the Medical and Public Health Department (56 *per cent*) and the Urban Development Department (43 *per cent)*. Pendency in submission of UCs not only indicates absence of assurance on utilisation of grants released for intended purposes but also lack of monitoring of utilisation of grants released to the grantees by the department. Pendency in submission of UCs is fraught with the risk of fraud and misappropriation of funds.

Submission of UCs against the amounts drawn should be a budgetary exercise carried out at regular intervals of time.

The Finance Department replied (March 2020) that though there is a remarkable decline in the number of pending utilization certificates, it would issue reminder to all the defaulting departments to submit UCs.

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

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

Ten Departments did not furnish the information pertaining to 484 institutions receiving grants aggregating ₹25 lakh or more for periods ranging from two years to more than 20 years, as detailed in **Appendix 3.2**. As seen from the appendix, the major defaulter was the department of Education.

Instructions were issued by the Finance Department (December 2017) to the Secretaries of Administrative Departments to furnish the required information to the Accountant General directly. However, there was no improvement in compliance.

The Finance Department replied (March 2020) that the departments would be instructed to furnish the necessary information to the AG at the earliest.

3.3 Status of submission of accounts of Autonomous Bodies and placement of Audit Reports before the State Legislature

Several Autonomous Bodies were set up by the State Government in the fields of Village and Small Industries, Urban Development, *etc*. The audit of accounts of 12 autonomous bodies in the State was entrusted to the C&AG under Sections 19 and 20 of the CAG's DPC Act, 1971. These are audited with regard to their transactions, operational activities and accounts, conducting of regulatory/compliance audit, review of internal management and financial control, review of systems and procedures, *etc*.

The status of entrustment of audit, rendering of accounts, issuing of Separate Audit Reports and their placement before the State Legislature is indicated in **Appendix 3.3**.

The accounts for the year 2006-07 were rendered for the first time by the Karnataka Text Book Society.

3.4 Departmental Commercial Undertakings

The departmental undertakings of certain Government Departments performing activities of commercial and quasi-commercial nature are required to prepare proforma accounts in the prescribed format annually, showing the working results of financial operations, so that the Government can assess their working. The finalized accounts of departmentally managed commercial and quasi-commercial undertakings reflect their overall financial health and efficiency in conducting their business. In the absence of timely finalization of accounts, the investment of the Government remains outside the scrutiny of Audit/State Legislature. Consequently, corrective measures, if any, required for ensuring accountability and improving efficiency cannot be taken in time. Besides, the delay renders the system vulnerable to the risk of fraud and leakage of public money.

The Heads of Departments in the Government are to ensure that the undertakings prepare and submit accounts to the Accountant General for audit within a specified time-frame. Out of the nine undertakings, which are closed/transferred/converted into co-operative federations, proforma accounts in respect of two undertakings were due from 1969-70. The position of arrears in preparation of proforma accounts by the undertakings is given in **Appendix 3.4**.

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

The Finance Department replied (March 2020) that the departments were instructed to take necessary action to clear the arrears in preparation and submission of proforma accounts.

3.5 Non-receipt of Stores and Stock Accounts

The annual accounts of Stores and Stock are required to be furnished by various departments to Audit by 15 June of the following year. In the case of the Karnataka Public Works, Ports and Inland Water Transport (PWP&IWT), Water Resources and Minor Irrigation Departments half yearly accounts are due to be received by 15 December of the year and 15 June of the following year. Delay in receipt of stores and stock accounts is commented upon in successive Audit Reports.

The position of arrears relating to submission of stores and stock accounts by nine departments involving 164 offices is indicated in **Appendix 3.5**. It was observed that in respect of two cases in Health and Family Welfare Department the accounts are due from more than 10 years (from 2008-09 to 2018-19).

3.6 Abstract Contingent Bills

Under Rule 36 of the Manual of Contingent Expenditure, 1958, the Controlling and Disbursing Officers are authorised to draw sums of money by preparing Abstract Contingent (AC) bills by debiting service heads and are required to present Non-payment Detailed Contingent (NDC) bills (vouchers in support of final expenditure) to the Pr. AG (A&E) through the treasuries before the 15th of the month following the month to which the bill relates. Controlling Officers should also ensure that no amounts are drawn from the treasury unless required for immediate disbursement. Detailed bills aggregating to ₹93.27 crore, drawn on 2,095 AC bills, were pending at the end of March 2019 as detailed in **Table 3.3** and **Table 3.4**.

Table 3.3: Pending AC Bills

(₹ in crore)

	Number	Amount
Opening balance as on 01.04.2018	3,276	84.00
AC bills drawn during the year*	2,286	188.64
Total	5,562	272.64
Submission of NDC bills against pending AC bills	3,467	179.37
Closing balance of Pending AC bills as on 31.03.2019*	**2,095**	**93.27**

Source: Finance Accounts

**excludes bills drawn during March 2019*

Table 3.4: Year-wise pendency of AC Bills

(₹ in crore)

Year	No. of pending AC Bills	Amount
Upto 2016-17	840	26.55
2017-18	648	14.35
2018-19*	607	52.37
Total	**2,095**	**93.27**

Source: Finance Accounts

While 36 *per cent* of the outstanding NDC bills pertain to Elections - Major Head 2015 (₹33.22crore), 36 *per cent* relate to Police - Major Head 2055 (₹32.93 crore) and seven *per cent* relate to Forestry and Wild Life – Major Head 2206 (₹6.80 crore).

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

The PAC in its 5th Report (July 2015) took a serious note on this issue and stated that strict action should be taken for non-submission of NDC bills by the DDOs.

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

The Finance Department replied (March 2020) that it would take necessary checks in the ensuing years to clear the bills within the stipulated period.

3.7 Personal Deposit Accounts

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

3.7.1 Funds kept in Personal Deposit Accounts

The transactions relating to PD accounts for the period 2014-15 to 2018-19 are detailed in **Table 3.5**.

Table 3.5: Funds in PD accounts

(₹ in crore)

Year	Opening Balance	Receipts/Deposits	Withdrawals	Closing balance
2014-15	2,297.10	3,915.81	3,784.62	2,428.29
2015-16	2,428.29	6,368.39	6,061.07	2,735.61
2016-17	2,735.61	5,516.51	5,310.01	2,942.12
2017-18	2,942.12	4,194.46	4,395.06	2,741.52
2018-19	2,741.52	5,350.98	4,007.36	4,085.14

Source: Finance Accounts

During the year 2018-19, out of ₹5,350.98 crore credited to PD Accounts, ₹1,208.55 crore was transferred to PD accounts during March 2019. Further, as seen from the above table, though the balance in the deposit accounts showed a slight decrease during 2017-18 when compared to 2016-17, it however increased to ₹4,085.14 crore (49 *per cent*) during 2018-19.

The net closing balance in respect of some of the PD accounts of the administrators having high balances is in **Table 3.6**.

Table 3.6: Closing balances in PD Accounts

(₹ in crore)

Sl. No.	Administrators	Amount
1	Personal Deposits - General	555.50
2	PD Accounts of Deputy Commissioners	7,198.33
3	PD Accounts of Director, Department of Scheduled Tribes	409.75
4	PD Accounts of Director, Directorate of Minorities	215.70

Source: DDR Ledger

Non-transfer of unspent balances lying in PD Accounts to Consolidated Fund of the State entails the risk of misuse of public fund, fraud and misappropriation. The PAC has also expressed (January 2012 and July 2015) concern over the high outstanding balances in the PD accounts.

Action is required as per the provisions of the KFC for write back/cleaning up of balances in respect of funds, which have outlived their utility.

The Finance Department replied (March 2020) that though an effort to close 283 inoperative PD Accounts was made in 2016, due to non-reconciliation of balances with the books of Pr. AG (A&E), they could not be closed. Hence, it stated that the departments were requested once again to reconcile PD Accounts balances with that of Pr. AG (A&E) books.

3.7.2 Reconciliation of Personal Deposit Accounts

As per Article 286 of the KFC, the Administrators of PD accounts are required to reconcile cash book balances with reference to the monthly extracts of their accounts as appearing in the treasury records on the fifth of the succeeding month. Information on reconciliation of figures by the Administrators with the treasuries was not available.

As per Article 286A of the KFC, the State Government is required to close all PD accounts remaining inoperative for more than three years. As brought out in Notes to Accounts of Finance Accounts 2019, out of 73 PD Accounts, 21 PD Accounts (with an outstanding credit balance of ₹4.75 crore in 11 PD Accounts and debit balance of ₹1.24 crore in eight PD Accounts and two PD accounts with nil balance) were inoperative (**Appendix 3.6**). Action may be taken by the administrators to analyze and duly reconcile the balance, closure of accounts and write back the transactions to the Consolidated Fund of the State.

3.8 Reconciliation of Receipts and Expenditure

To exercise effective budgetary control over revenue/expenditure and to ensure accuracy in accounts, all Controlling Officers are required to reconcile every month, the receipts and expenditure recorded in their books with the figures accounted for by the Pr. AG (A&E). Reconciliation of receipts was completed for a value of ₹1,64,817.41 crore (99.91 *per cent* of total receipts of

₹1,64,973.15 crore). Reconciliation of expenditure was completed for a value of ₹1,97,933.22 crore (99.48 *per cent* of total expenditure of ₹1,98,959.17 crore). No reconciliation was carried out in respect of receipts (₹31.23 crore) and disbursements (₹4,487.23 crore) under loans and advances. Necessary action for reconciliation in respect of receipts and expenditure under loans and advances is required to be taken.

The Finance Department while accepting the recommendation (March 2020) stated that action to ensure reconciliation of receipts and expenditure of loans and advances would be taken.

3.9 Comments on Accounts

3.9.1 Erroneous procedure adopted for refund of Sales Tax to eligible industries

As per Paragraph 2.2 under General Instructions contained in the Compilation of List of Major Heads and Minor Heads(LMMH), 'Refunds of Revenue' shall, as a general rule, be taken in reduction of the revenue receipts. (Code 900- 'Deduct-Refunds'). In respect of major/sub-major heads falling under the sector "A Tax Revenue", the head 'Deduct-Refunds' should be opened as a distinct sub-head below the appropriate minor heads so that the net collection of each tax/duty is readily ascertainable from the accounts. In addition, Rule 301(4) of GFR also states refund of revenue are not to be regarded as expenditure.

During the year 2018-19, an expenditure of ₹299.46 crore was incurred under the head of account 2852-80-103-0-01 – 'Refund of Sales Tax' towards re-imbursement of VAT/Works Contract Tax/CST/Entry tax to eligible industries (Toyota Industries, TVS Motor Company, BEML, Toyota Kirloskar Auto Parts

Pvt. Ltd. *etc*.) who were eligible for special incentives and concessions and had paid the aforesaid taxes for the earlier period.

Since it was refund of revenue (Sales Tax), as per the instructions contained in LMMH stated above, the amount should have been reimbursed through executive order by following the normal procedure for refund of tax. Taking expenditure route for re-imbursement had resulted in overstatement of expenditure to an extent of ₹299.46 crore. Further it also had an effect on fiscal indicators like revenue surplus.

In reply, the department stated (May 2019) that the refund was not of excess tax paid by eligible industries but refund of tax paid as per special package of incentives provided under various policies of Government to promote investments in the State. The reply of the department is not acceptable as the issue relates to the wrong procedure adopted for refund by following the expenditure route through Legislature approval.

Subsequent to the Exit Conference, the Finance Department stated (March 2020) that the amount is given as incentive to the eligible industries. Hence, an erratum has been issued for the financial year 2019-20. In the budget 2020-21, the nomenclature of the detailed head has been indicated as 'Incentive to eligible industries' instead of 'Refund of revenue'.

3.9.2 Unnecessary provision for conversion of loan into grant

According to Rule 103 of 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.

A mention was made in the State Finance Audit Report for the year ending March 2018, wherein a comment on conversion of loans into equity was brought out. During the year 2018-19 also, it was noticed that under Grant 09 – Co-operation, a provision of ₹8.28 crore was made under HOA 2425-00-108-0-75-100 – Financial Assistance/Relief for conversion of soft loan given to rejuvenate the Indian Coffee Marketing Co-operative Ltd., (COMARK), Hassan, into a one-time grant. Since, it was a case of conversion of loan into grant-in-aid carried out through a book adjustment, the full provision of ₹8.28 crore made instead of a token provision was contrary to the principle of budgeting.

3.9.3 Non remittance of unspent amount to Government Account

The Government accorded (October 2014) administrative approval for construction of two new wards and four additional rooms in the Government Dental College and Research Institute(Institute), Bengaluru at an estimated cost of ₹2.25 crore and released the funds between 2015-16 to 2017-18 to the Institute. The work was entrusted (November 2014) to PWP&IWTD as a Deposit Contribution work and ₹1.99 crore was released to PWP&IWTD by the Institute during 2015-16 and 2016-17. The work was completed (September 2017) at a cost of ₹1.65 crore and the balance amount of ₹0.34 crore was refunded (November 2018) to the Institute by the PWP&IWTD. Further, during 2017-18, ₹0.26 crore was released (December 2017) to the Institute which was deposited in the savings bank account of the Institute. Thus, as of May 2019, the Institute had an unutilised amount of ₹0.60 crore in its bank account which is yet to be remitted to the Government Account.

The Institute replied that after obtaining approval from the department concerned, action would be taken to utilize the balance amount. The reply of the Institute is not acceptable as the funds released by the Government is meant for a specific purpose, the unutilized amount was required to be remitted to Government Account. Non-refund of unutilised amount resulted in Government money (₹0.60 crore) being kept outside Government Account.

The Finance Department replied (March 2020) that efforts will be made to recover the unutilized amount deposited in the savings bank account. It further stated that needful corrective measures would be taken to ensure proper utilization of the funds in the coming years.

3.10 Important factors affecting accuracy of accounts

The accounts of the Government are kept on cash basis. In case of certain transactions that arise in the Government Account, for which the receipts and payments 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, these are to be booked temporarily under the suspense head. This head is cleared on receipt of relevant details/information.

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

The accuracy of the State Finance Accounts 2018-19 was 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. On a general review of the transactions, the following were observed:

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 the 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 the Minor Head	2016-17		2017-18		2018-19	
	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
101-Pay and Accounts Office Suspense	118.86	0.45	189.66	0.25	288.08	16.93
Net	**Dr.118.41**		**Dr.189.41**		**Dr. 271.15**	
102-Suspense Account (Civil)	17.22	60.78	17.37	175.77	17.76	296.45
Net	**Cr.43.56**		**Cr.158.40**		**Cr.278.69**	
110-Reserve Bank Suspense	41.02	148.41	44.53	151.18	91.41	183.28
Net	**Cr.107.39**		**Cr.106.65**		**Cr.91.87**	

Source: Finance Accounts (Vol. I)

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 of GoI. The transactions initially recorded under this head in the books of the AG are cleared on receipt of the Cheque/Demand Drafts from the 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 were made by the AG on behalf of a PAO, which were yet to be recovered. Outstanding credit balance would mean that payments have been received by the AG on behalf of a PAO, which were yet to be paid. The net debit balance under this head showed an increasing trend. On clearance/settlement of this, the cash balance of the State Government will increase. The transactions mainly related to National Highways, and payments made by the State Government to Central Government Civil Pensioners.

❖ Suspense Account (Civil)

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

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

The net credit balance under this head increased by ₹120.29 crore during the year. In so far as accounts with Railways (₹3.15 crore) and accounts with Defence (₹1.20 crore) are concerned, the cash balance will increase on clearance. There is no impact on cash balance in respect of the rest.

❖ Reserve Bank Suspense, Central Accounts Office

This head is operated for recording inter-governmental transactions where monetary settlement between the cash balances of two Governments is done by sending advice to the Central Accounts Section of the 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 transactions, which get 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 2018-19, the credit balance under this head was ₹91.87 crore, and has come down by ₹14.78 crore compared to previous year.

b) Adverse Balances under DDR Heads

Adverse balances are negative balances appearing under those heads of accounts, where there should not be a negative balance. For example, against the accounting head of any loan or advance, a negative balance will indicate more repayment than the original amount advanced. As revealed by Finance Accounts for the year 2018-19, adverse balance of E- Public Debt amounting to ₹174.40 crore (Major Head 6003-Internal Debt- debit) 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, while repayments are made through the Consolidated Fund.

The adverse balance of ₹11.69 crore - debit (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 on 31 March 2010). The excess payments made during 2010-12 to various PAOs are to be adjusted against the dues of the Finance Ministry, GoI.

In respect of loans and advances, the adverse balance was ₹96.74 crore, which was on account of non-reconciliation/misclassification in accounts.

3.11 Conclusion

In spite of the Finance Department issuing instructions to Administrative Departments to furnish information to audit about the Institutions which were substantially financed by the Government, 10 Departments had not furnished information in respect of its 484 Institutions. At least one SAR issued for each of the 12 ABs was yet to be placed before the Legislature. Though delay in respect of Stores and Stock Accounts is being commented upon in successive audit reports, the delay continued to persist.

Although the action initiated by the Government has resulted in clearance of AC Bills which were pending for long periods, NDC bills against 25 *per cent* of the AC bills drawn during 2018-19 were found wanting. The closing balance in the PD Accounts showed an increasing trend from 2014-15 to 2018-19.

During 2018-19, the closing balance in the PD accounts increased by 49 *per cent* when compared to the previous year and was at ₹4,085.14 crore. Hence, large sums of money were being retained which was against the principle of Legislative financial control. There were adverse balances in certain DDR heads which required remedial action for clearance.

3.12 Recommendations

- ***The Government should ensure adjustment of Abstract Contingent Bills within the stipulated period.***
- ***Cleaning up of balances in the PD Accounts which have outlived their utility needs to be examined and steps need to be taken for review of the status of PD accounts and closure of inoperative ones after reconciliation of balances and in consultation with the Administrators and Treasury;***
- ***Review of suspense heads needs to be done to bring the transactions to final heads in the accounting year itself.***

Bengaluru **(E P Nivedita)**
The **Principal Accountant General**
(Audit I)

Countersigned

New Delhi **(Rajiv Mehrishi)**
The **Comptroller and Auditor General of India**

Appendices

Appendix 1.1

(A) 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	[1]Density of Population (2011 Census) (All India Density = **382 persons per Sq. Km**)			319 persons per sq.km
4	[2]Population below poverty line (2011 Census) (All India Average= **21.90 %)**			20.90 *per cent*
5	[3]Literacy (2011 Census) (All India Average = **73.00 %**)			75.40 *per cent*
6	[4]Infant Mortality (per 1,000 live births) (All India Average = **33 per 1,000 live births**)			25 per 1,000 live births
7	[5]Life Expectancy at birth (All India Average = **68.7 years**)			69.1 years
8	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	[6]Human Development Index[2] (All India = **0.647**) (2018)			0.611 (2012)
10	[7]Gross State Domestic Product (GSDP) 2018-19 at current price (in crore)			14,08,112
11	Per capita GSDP (2018-19) (Rupee)		Karnataka	2,30,460
			All India Average	1,42,719
12	Per capita GSDP CAGR (2011-12 to 2018-19)		Karnataka	12.97
			General Category States[3]	10.99
13	GSDP CAGR (2011-12 to 2018-19)		Karnataka	14.20
			[5]General Category States	12.23
14	[8]Population Growth (2009-19)		Karnataka	9.70
			[6]General Category States	12.46

B	**Financial Data**				
Particulars		**Figures in *per cent***			
CAGR		**General Category States**		**Karnataka**	
		2009-10 to 2017-18	**2017-18 to 2018-19**	**2009-10 to 2017-18**	**2017-18 to 2018-19**
a.	of Revenue Receipts.	15.03	12.77	14.67	12.23
b.	of Own Tax Revenue.	14.84	12.72	13.98	11.13
c.	of Non-Tax Revenue.	9.88	19.78	8.66	4.57
d.	of Total Expenditure.	14.20	12.73	14.42	14.14
e.	of Capital Expenditure.	13.53	11.93	13.34	9.47
f.	of Revenue Expenditure on Education.	13.44	9.38	12.05	9.94
g.	of Revenue Expenditure on Health.	16.50	11.09	17.47	19.81
h.	of Salary and Wages.	11.72	11.03	10.48	22.52
i.	of Pension.	16.12	14.31	16.65	29.31

Source: Financial data is based on Finance Accounts

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

[2] Human Development Index is a composite index comprising of life expectancy, education and per-capita income.

[3] States other than 11 States termed as Special Category States (Arunachal Pradesh, Assam, Himachal Pradesh, Jammu & Kashmir, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, Tripura and Uttarakhand).

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

(i) Surfaced roads per 100 sq. km (2018-19) is **39.36 km.**
(ii) Unsurfaced roads per 100 sq. km (2018-19) is **0.41 km**.
(iii) Percentage of villages electrified (2017-18) is **99.97.**
(iv**)** Grossed cropped area (2016-17) is **117.79 hectares**.
(v) Number of Primary schools (as of 2018-19) is **62,229.**
(vi) Number of Primary health centers is **2,359.**
(vii) Beds per lakh population (2017-18) is **107**.

1. *As downloaded from MoSPI website – Table 2.3, Statistical Year Book 2018.*
2. *Economic Survey 2018-19 (GOI) Vol II, Page No. A 168-169, Table 9.8.*
3. *Economic Survey (GOI) 2018-19, Vol. II, Page A 164, Table 9.4*
4. *Economic Survey (GOI) 2018-19, Vol. II, Page A 160, Table 9.1.*
5. *Economic Survey (GOI) 2018-19, Vol. II, Page A 160, Table 9.1.*
6. *Economic Survey Government of Karnataka 2018-19.*
7. *GSDP estimate figures as communicated by Ministry of Finance, Government of India letter dated 20 March, 2018.*
8. *Census of India 2001 (Population Projection 2001-2026, Table 14, Page 104 to 115).*

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

(B) Annual Growth Rate of GDP and GSDP at current prices

Year	2014-15	2015-16	2016-17	2017-18	2018-19
India's GDP@ (₹ in crore)	1,24,67,959	1,37,71,874	1,53,62,386	1,70,95,005	1,90,10,164
Growth rate of GDP (in *per cent*)	10.99	10.46	11.55	11.28	11.20
State's GSDP# (₹ in crore)	9,13,923	10,45,182	11,55,912	13,25,443	14,08,112
Growth rate of GSDP (in *per cent*)	11.91	14.36	10.59	14.67	6.24

@ All India GDP figures from MoSPI, Annual & Quarterly Estimates.
 # GSDP figures for 2014-15 to 2017-18 are taken from Economic Survey Government of Karnataka 2018-19 and for 2018-19 as conveyed by Ministry of Finance, Government of India vide letter dated 20 March 2018.

Appendix 1.2

Structure of Government Accounts

(Reference: Paragraph 1.1; Page 1)

The Accounts of the State Government are kept in three parts viz., Consolidated Fund, Contingency Fund and Public Account.	
Part I: Consolidated Fund: All 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 summarised 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 of 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 1)

(₹ in crore)

Receipts			Disbursements		
2017-18		2018-19	2017-18		2018-19
Part A: Abstract of Receipts and Disbursement for the year 2018-19					
Section-A: Revenue					
1,46,999.65	**I. Revenue receipts**	**1,64,978.66**	**1,42,482.33**	**I. Revenue expenditure↑↑**	**1,64,299.85#**
87,130.38*	Tax revenue↑↑	96,829.71*	**34,484.44**	**General Services**	**42,655.05**
6,476.53	Non-tax revenue↑↑	6,772.87		**Social Services**	
31,751.96	State's share of Union Taxes & Duties	35,894.83	21,306.81	Education, Sports, Art and Culture	23,424.22
0.00	Non Plan grants	0.00	6,984.62	Health and Family Welfare	8,369.26
0.00	Grants for State Plan Schemes	0.00	11,711.89	Water Supply, Sanitation, Housing and Urban Development	8,610.97
21,640.78	Grants for Central and Centrally Sponsored Schemes	25,481.25	355.19	Information and Broadcasting	181.63
11,617.25	Centrally Sponsored Schemes	10,393.44	8,546.00	Welfare of Scheduled Castes, Scheduled Tribes, Other Backward Classes and minorities	8,487.81
2,708.18	Finance Commission Grants	3,373.89	566.56	Labour and Labour Welfare	519.87
7,315.35	Other transfer/grants to State/UT with Legislature	11,713.92	8,789.11	Social Welfare and Nutrition	18,186.34
			392.16	Others	154.25
			58,652.35	**Total Social Services**	**67,934.35**
				Economic Services	
			14,521.28	Agriculture and Allied Activities	20,304.58
			5,209.49	Rural Development	7,001.37
			506.38	Special Areas Programmes	306.16
			1,845.44	Irrigation and Flood Control	2,059.35
			9,402.61	Energy	10,061.40
			1,254.48	Industry and Minerals	1,486.30
			4,969.53	Transport	3,695.73
			95.81	Science, Technology and Environment	84.65
			5,050.76	General Economic Services	3,285.61
			42,855.78	**Total Economic Services**	**48,285.14**
			6,489.76	**Grants-in-aid and Contribution**	**5,425.31**
			4,517.32	**II Revenue surplus carried over to Sec.-B**	**678.81**
1,46,999.65	**Total**	**1,64,978.66**	**1,46,999.65**	**Total**	**1,64,978.66**

Receipts			Disbursements		
2017-18		2018-19	2017-18		2018-19
Section B – Capital and others					
34,353.58	**II. Opening Cash Balance including Permanent Advances & Cash Balance Investments & Investments from earmarked funds**	**26,184.05**			
3.70	**III. Miscellaneous Capital receipts↑↑**	**(-) 5.51**	**30,666.76**	**III. Capital Outlay↑↑**	**34,659.32 $**
			977.45	**General Services**	**827.41**
				Social Services	
			1,143.12	Education, Sports, Art and Culture	1,107.31
			1,132.32	Health and Family Welfare	1,107.97
			3,126.02	Water Supply, Sanitation, Housing and Urban Development	4,023.85
			33.29	Information and Broadcasting	45.19
			2,993.40	Welfare of Scheduled Castes, Scheduled Tribes, Other Backward Classes and Minorities	3,422.37
			165.18	Social Welfare and Nutrition	66.44
			83.43	Other Social Services	20.42
			8,676.76	**Total Social Services**	**9,793.56**
				Economic Services	
			225.12	Agriculture and Allied Activities	214.52
			113.74	Rural Development	66.82
			920.11	Special Areas Programmes	1,162.89
			10,391.83	Irrigation and Flood Control	12,095.67
			827.00	Energy	627.85
			732.83	Industry and Minerals	616.14
			7,378.51	Transport	8,858.80
			0.21	Science, Technology and Environment	0.00
			423.20	General Economic Services	395.66
			21,012.55	**Total Economic Services**	**24,038.35**
136.93	**IV. Recoveries of Loans and Advances↑↑**	**31.23**	**5,092.22**	**IV. Loans and Advances↑↑**	**4,487.22**
14.44	From Power Projects	14.74	12.95	For Power Projects	1,500.00
4.27	From Government Servants	3.87	3.60	To Government Servants	11.08
118.22	From Others	12.62	5,075.67	To Others	2,976.14
25,121.86	**V. Public debt receipts**	**41,914.06**	**8,269.16**	**V. Repayment of Public Debt**	**11,082.62**
23,178.61	Internal debt other than Ways and Means Advances and Overdraft	40,469.67	7,086.99	Internal debt other than Ways and Means Advances & Overdraft	9,741.03

Receipts			Disbursements		
2017-18		**2018-19**	**2017-18**		**2018-19**
---	Ways and Means Advances from Reserve Bank of India	---	---	Ways and Means Advances from Reserve Bank of India	--
1,943.25	Loans and Advances from the Central Government	1,444.39	1,182.17	Repayment of Loans and Advances to Central Government	1,341.59
---	**VI. Contingency Fund (Recoupment)**	---	---	**VI. Contingency Fund Disbursements**	---
2,00,615.43	**VII. Public Account Receipts**	**2,37,759.98**	**1,94,536.63**	**VII. Public Account Disbursements**	**2,34,329.59**
6,262.21	Small Savings and Provident Funds, etc.,	7,135.54	3,450.71	Small Savings and Provident Funds, etc.,	3,843.25
5,667.50	Reserve Funds	4,547.07	2,648.98	Reserve Funds	1,350.22
50,969.29	Deposits and Advances	57,756.86	49,135.43	Deposits and Advances	54,689.35
1,37,679.86	Suspense and Miscellaneous	1,68,284.37	1,39,189.14	Suspense and Miscellaneous	1,74,371.32
36.57	Remittances	36.14	112.37	Remittances	75.45
4,517.32	**VIII. Revenue Surplus carried over from Sec.-A**	**678.81**	**26,184.05**	**VIII. Cash Balance at the end of 31-03-2019**	**22,003.87**
			0.01	Cash in Treasuries and Local Remittances	0.01
			723.77	Deposits with Reserve Bank	989.96
			3.84	Departmental Cash Balances including Permanent Advances	3.96
			12,655.49	Cash Balance Investment	5,139.28
			12,800.94	Investment from Earmarked Funds	15,870.66
2,64,748.82	**Total**	**3,06,562.62**	**2,64,748.82**	**Total**	**3,06,562.62**

 # Includes expenditure on interest payment in respect of off-budget borrowings etc., under various service heads (₹1,191.00 crore borrowed through Special Purpose Vehicles – General Services (₹ 1.00 crore), Social Services (₹ 86.00 crore) and Economic Services (₹ 1,104.00 crore).

$ Includes expenditure of ₹ 1,339.44 crore on account of off-budget borrowings.

**Includes ₹ 132.70 crore (2017-18) and ₹ 161.95 crore (2018-19) received from Ministry of Road Transport and Highways towards National Permit fee.*

↑↑Non cash receipts and expenditure are as follows which are discussed in ***paragraph 1.11.1*** *indicated against each.*

Book Adjustments	Amount (₹ in crore)
Tax Receipts	1,955.25
Non Tax Receipts	119.53
Misc. Capital Receipts	-
Loan Receipts	14.74
Revenue Expenditure	2,073.77
Capital Expenditure	4.35
Loan Expenditure	11.40

Appendix 1.3(A)
Capital Expenditure under various sectors and sub-sectors
(Reference: Paragraph 1.9.1; Page 38)

(₹ in crore)

	2014-15	2015-16	2016-17	2017-18	2018-19
General Services					
Police	192.83	502.85	524.21	369.45	288.06
Public works	421.70	483.83	533.05	605.74	536.12
Others	3.93	4.73	3.13	2.26	3.23
Total General Services	**618.46**	**991.41**	**1,060.39**	**977.45**	**827.41**
Social Services					
Education, Sports, Art and Culture	317.21	717.96	1,108.46	1,143.12	1,107.31
Health and Family Welfare	790.43	819.71	743.66	1,132.32	1,107.97
Water Supply, Sanitation, Housing and Urban Development	1,666.48	1,639.75	2,557.89	3,126.02	4,023.86
Information and Broadcasting	4.47	4.57	18.51	33.29	45.19
Welfare of Scheduled Castes, Scheduled Tribes, Other Backward Classes and Minorities	1,326.27	2,014.36	2,242.65	2,993.40	3,422.37
Social Welfare and Nutrition	67.36	71.80	130.15	165.18	66.44
Other Social Services	8.67	45.76	95.52	83.43	20.42
Total Social Services	**4,180.89**	**5,313.91**	**6,896.84**	**8,676.76**	**9,793.56**
Economic Services					
Agriculture and Allied Activities	266.4	182.73	501.42	225.12	214.52
Rural Development	14.00	6.63	49.25	113.74	66.82
Special Areas Programmes	801.45	900.00	889.83	920.11	1,162.89
Irrigation and Flood Control	7,779.22	6,955.14	8,634.90	10,391.83	12,095.67
Energy	252.09	49.38	861.38	827.00	627.85
Industry and Minerals	239.98	589.93	352.09	732.83	616.14
Transport	5,146.77	5,399.45	7,623.61	7,378.51	8,858.80
Science, Technology and Environment	0.00	0.00	0.19	0.21	0.00
General Economic Services	323.04	324.45	1280.53	423.20	395.66
Total Economic Services	**14,822.95**	**14,407.71**	**20,193.20**	**21,012.55**	**24,038.35**
Total Capital Outlay	**19,622.30**	**20,713.03**	**28,150.40**	**30,666.80**	**34,659.30**

Details of major Capital Expenditure incurred under PSUs

Sl. No.	Name of the PSU	2014-15	2015-16	2016-17	2017-18	2018-19
1	Rajiv Gandhi Rural Housing Corporation Limited	93.11	208.24	201.31	186.49	176.54
2	Dr. B R Ambedkar Development Corporation Limited.	26.70	38.25	45.90	45.90	35.70
3	D Devaraj Urs Backward Classes Development Corporation Limited	45.00	35.00	50.00	125.00	25.00
4	Karnataka Minorities Development Corporation Limited.	56.00	75.00	116.22	190.00	144.40

Sl. No.	Name of the PSU	2014-15	2015-16	2016-17	2017-18	2018-19
5	Krishana Bhagya Jala Nigam Limited	2,467.29	2,372.59	2,402.29	2,277.03	3,538.74
6	Karnataka Neeravari Nigam Limited	2,188.63	2,221.11	2,905.20	526.11	3,702.67
7	Visveswaraya Jala Nigam Limited.	0.00	0.00	0.00	1,355.21	1,703.40
8	Karnataka State Financial Corporation Limited.	75.00	75.00	75.00	75.00	68.35
9	Karnataka State Road Development Corporation Limited.	45.00	43.61	360.42	429.00	628.51
10	Transport Corporations	44.43	45.00	221.00	289.50	393.80
11	Rail Infrastructure Development Corporation (Karnataka) Limited. (K-RIDE)	542.26	490.74	745.28	522.61	312.89
12	Mysore Sugar Company Limited	7.94	47.07	6.44	20.00	37.00
	Total	**5,591.36**	**5,651.61**	**7,129.06**	**6,041.85**	**10,767.00**

Appendix 1.4

Time series data on the State Government Finances

(Reference: Paragraphs 1.1.1, 1.4, 1.4.1.1, 1.4.1.3, 1.4.3; 1.5, 1.7.1, 1.10.2, 1.10.5.1, 1.11.2 and 1.11.4)

(Pages 1, 13, 15, 18, 21, 23, 25, 47, 54, 56 and 58)

(₹ in crore)

	2014-15	2015-16	2016-17	2017-18	2018-19
Part A: Receipts					
1. Revenue Receipts	**1,04,142**	**1,18,817**	**1,33,214**	**1,47,000**	**1,64,979**
Rate of growth	**16.31**	**14.09**	**12.12**	**10.35**	**12.23**
(i) Tax Revenue ⇈	**70,180(67)**	**75,550(64)**	**82,956(62)**	**87,130(59)**	**96,830(59)**
Rate of growth	**12.10**	**7.65**	**9.80**	**5.03**	**11.13**
State Goods and Service Tax	-	-	-	24,182(28)	41,956(43)
Taxes on Agricultural Income	20(-)	12(-)	1(-)	15(-)	-
Taxes on Sales, Trade, etc.	38,286(55)	40,449(53)	46,105(56)	25,093(29)	14,003(15)
State Excise	13,801(20)	15,333(20)	16,484(20)	17,949(21)	19,944(21)
Taxes on Vehicles	4,541(7)	5,001(7)	5,594(7)	6,209(7)	6,568(7)
Stamps and Registration fees	7,026(10)	8,215(11)	7,806(9)	9,024(10)	10,775(11)
Land Revenue	186(-)	181(-)	209(-)	195(-)	144(-)
Taxes on Goods and Passengers	3,038(4)	3,125(4)	3,306(4)	1,279(1)	28(-)
Taxes and Duties on Electricity	1,041(1)	1,170(2)	1,451(2)	1,485(2)	2,334(2)
Other Taxes on Income and Expenditure	868(1)	840(1)	901(1)	964(1)	1,057(1)
Other Taxes and Duties on Commodities and Services	1,373(2)	1,224(2)	1,099(1)	736(1)	21(-)
(ii) Non Tax Revenue⇈	**4,688(5)**	**5,355(4)**	**5,795(4)**	**6,477(4)**	**6,773(4)**
Rate of growth	**16.27**	**14.23**	**8.22**	**11.77**	**4.57**
Interest receipts	875	1,293	1,200	1,178	1,112
Dividend and profits	75	69	83	79	38
Nonferrous Mining and Metallurgical Industries	1,931	2,004	2,419	2,747	3,027
Medical and Public Health	224	261	153	364	330
Other Administrative Services	179	269	131	271	253
Forestry and Wild Life	178	168	292	314	309
Education, Sports and Culture	155	160	193	176	200
Police	152	172	176	253	241
Roads and Bridges	118	56	62	103	105
Other non-tax receipts	801	903	1,086	992	1,158
(iii) State's share of Union taxes and duties	**14,654(14)**	**23,983(20)**	**28,760(22)**	**31,752(22)**	**35,895(22)**
Rate of growth	**6.13**	**63.66**	**19.92**	**10.40**	**13.05**
(iv) Grants-in-aid from Government of India	**14,620(14)**	**13,929(12)**	**15,703(12)**	**21,641(15)**	**25,481(15)**
Rate of growth	**60.68**	**(-)4.73**	**12.74**	**37.81**	**17.74**
Non-Plan grants	3,635	5,548	7,045	-	-
Grants for State Plan schemes	9,097	8,105	8,102	-	-
Grants for Central plan schemes	159	139	116	-	-
Grants for Centrally sponsored schemes	1,729	137	440	11,617	10,393
Other transfers/Grants to States	-	-	-	7,316	11,714
Finance Commission Grants	-	-	-	2,708	3,374
2. Capital Receipts					
(i) Miscellaneous Capital Receipts	**10**	**352**	**27**	**4**	**(-)6**
(ii) Recoveries of Loans and Advances⇈	**84**	**60**	**100**	**137**	**31**
(iii) Public Debt Receipts	**21,874**	**21,072**	**31,156**	**25,122**	**41,914**
Rate of growth of Public Debt Receipts	**26.53**	**(-)3.67**	**47.85**	**(-)19.37**	**66.84**

	2014-15	2015-16	2016-17	2017-18	2018-19
Internal Debt (excluding Ways and Means Advances and Overdrafts)	20,509(94)	19,801(94)	29,238(94)	23,179(92)	40,470(97)
Net transactions under Ways and Means Advances and Overdrafts	---	---	---	---	---
Loans and Advances from Government of India	1,365(6)	1,271(6)	1,918(6)	1,943(8)	1,444(3)
3.Total Revenue and Non-debt capital receipts (1+2(i)+2(ii))	**1,04,236**	**1,19,229**	**1,33,341**	**1,47,141**	**1,65,004**
4. Total Receipts in the Consolidated Fund (3+2(iii))	**1,26,110**	**1,40,301**	**1,64,497**	**1,72,263**	**2,06,919**
5. Contingency Fund Receipts	---	---	---	---	---
6. Public Account Receipts	**1,40,229**	**1,60,519**	**1,79,318**	**2,00,615**	**2,37,760**
7. Total Receipts of the State (4+5+6)	**2,66,339**	**3,00,820**	**3,43,815**	**3,72,878**	**4,44,679**
Part B: Expenditure/Disbursements					
8. Revenue Expenditure↑↑	**1,03,614**	**1,17,028**	**1,31,921**	**1,42,482**	**1,64,300**
Rate of growth	**16.17**	**12.95**	**12.73**	**8.01**	**15.31**
Plan	**33,831(33)**	**40,009(34)**	**47,962(36)**	**-**	**-**
Non Plan	**69,783(67)**	**77,019(66)**	**83,959(64)**	**-**	**-**
General Services (including interest payments)	28,265(27)	30,799(26)	31,265(24)	34,484(24)	42,655(26)
Social Services	39,366(38)	46,307(40)	54,549(41)	58,652(41)	67,935(41)
Economic Services	29,971(29)	33,846(29)	40,421(31)	42,856(30)	48,285(29)
Grants-in-aid and contributions	6,012(6)	6,076(5)	5,686(4)	6,490(5)	5,425(4)
9. Capital Expenditure↑↑	**19,622**	**20,713**	**28,150**	**30,667**	**34,659**
Plan	**19,345(99)**	**20,316(98)**	**27,684(98)**	**-**	**-**
Non Plan	**277(1)**	**397(2)**	**466(2)**	**-**	**-**
General Services	618(3)	991(5)	1,060(4)	977(3)	827(2)
Social Services	4,181(21)	5,314(26)	6,897(24)	8,677(28)	9,794(28)
Economic Services	14,823(76)	14,408(69)	20,193(72)	21,013(69)	24,038(70)
10. Disbursements of Loans and Advances↑↑	**576**	**657**	**1,934**	**5,093**	**4,487**
Plan	**564**	**558**	**1,929**	**-**	**-**
Non Plan	**12**	**99**	**5**	**-**	**-**
General Services	---	---	---	---	---
Social Services	370	327	1,674	1,178	2,441
Economic Services	193	239	254	3,910	2,035
Miscellaneous Loans	13	91	6	5	11
11.Total Capital Expenditure (9+10)	**20,198**	**21,370**	**30,084**	**35,760**	**39,146**
Rate of growth	**14.49**	**5.80**	**40.78**	**18.87**	**9.47**
12. Total Expenditure (8+9+10)	**1,23,812**	**1,38,398**	**1,62,005**	**1,78,242**	**2,03,446**
Rate of growth	**15.90**	**11.78**	**17.06**	**10.02**	**14.14**
13. Repayment of Public Debt	**4,812**	**4,110**	**7,420**	**8,269**	**11,083**
Internal Debt (excluding Ways and Means Advances and Overdrafts)	4,033(84)	3,161(77)	6,294(85)	7,087(80)	9,741(88)
Net transactions under Ways and Means Advances and Overdraft	---	---	---	---	---
Loans and Advances from Government of India	779(16)	949(23)	1,126(15)	1,182(14)	1,342(12)
14. Appropriation to Contingency Fund	---	---	---	---	---
15. Total disbursement out of Consolidated Fund (12+13+14)	**1,28,624**	**1,42,508**	**1,69,425**	**1,86,511**	**2,14,528**
16. Contingency Fund disbursements	**---**	**---**	**---**	**---**	**---**
17. Public Account disbursements	**1,29,574**	**1,55,095**	**1,67,154**	**1,94,537**	**2,34,330**
18.Total disbursement by the State (15+16+17)	**2,58,198**	**2,97,603**	**3,36,579**	**3,81,048**	**4,48,858**

	2014-15	2015-16	2016-17	2017-18	2018-19
Part C: Surplus/Deficit					
19. Revenue Deficit (-)/ Revenue Surplus(+) (1-8)	**528**	**1,789**	**1,293**	**4,518**	**679**
20. Fiscal Deficit (3-12)	**19,576**	**19,169**	**28,664**	**31,101**	**38,442**
21. Primary Deficit (20-22)	**9,772**	**7,826**	**15,814**	**16,128**	**21,828**
Primary Surplus (22-20)	---	---	---	----	---
Part D: Other data					
22. Interest Payments (included in revenue expenditure)	**9,804**	**11,343**	**12,850**	**14,973**	**16,614#**
23. Financial Assistance to local bodies etc.,	**38,747**	**40,021**	**44,499**	**47,096**	**50,603**
24. Ways and Means Advances/ Overdraft availed (days)					
Ways and Means Advances availed (days)	---	---	---	---	---
Overdraft availed (days)	---	---	---	---	---
25. Interest on Ways and Means Advances/Overdraft	---	---	---	---	---
26. Gross State Domestic Product ** (GSDP)	**9,13,923**	**10,45,182**	**11,55,912**	**13,25,443**	**14,08,112**
27. Rate of growth	**11.91**	**14.36**	**10.59**	**14.67**	**6.24**
28. Outstanding Fiscal Liabilities (inclusive of off-budget borrowings)	**1,64,279**	**1,83,322**	**2,21,319**	**2,46,231**	**2,85,238**
29. Rate of growth	**18.82**	**11.59**	**20.73**	**11.26**	**15.84**
30. Outstanding guarantees (year-end) (including interest)	**11,033**	**13,324**	**15,392**	**18,416**	**24,091**
31. Maximum amount guaranteed (year-end)	**16,869**	**18,358**	**21,115**	**24,025**	**30,719**
32. Number of incomplete projects	**362**	**346**	**341**	**236**	**881**
33. Capital blocked in incomplete projects	**1,144**	**1,495**	**2,027**	**967**	**3,128**
Part E: Fiscal Health indicators					
I Resource Mobilization					
Revenue Receipts/GSDP	11.40	11.37	11.52	11.09	11.72
Own Tax Revenue/GSDP	7.68	7.23	7.18	6.57	6.88
Own Non-Tax Revenue/GSDP	0.51	0.51	0.50	0.49	0.48
Central Transfers/GSDP	3.20	3.63	3.85	4.03	4.36
Non-tax revenue to Revenue Receipts	4.50	4.51	4.35	4.41	4.11
Rate of growth of State's Own Tax	12.36	8.06	9.70	5.47	10.68
II Expenditure Management					
Total Expenditure/GSDP	13.55	13.24	14.02	13.45	14.45
Revenue Receipts/Total Expenditure	84.11	85.85	82.23	82.47	81.09
Revenue Expenditure/Total Expenditure	83.69	84.56	81.43	79.94	80.76
Expenditure on Social Services/Total Expenditure	35.47	37.54	38.96	38.43	39.41
Expenditure on Economic Services/Total Expenditure	36.33	35.04	37.57	38.03	36.55
Capital Expenditure/Total Expenditure	16.31	15.44	18.57	20.07	19.24
Capital Expenditure on Social and Economic Services/Total Expenditure	15.80	14.66	17.91	19.51	18.83
III Management of Fiscal Imbalances					
Revenue Deficit (surplus)/GSDP	0.06	0.17	0.11	0.34	0.05
Fiscal Deficit/GSDP	2.14	1.83	2.48	2.35	2.73
Primary Deficit (surplus)/GSDP	1.07	0.75	1.37	1.22	1.55
Revenue Deficit/Fiscal Deficit	---	---	---	---	---
Primary Revenue Balance (in crore)	10,332	13,132	14,143	19,491	17,293
Primary Revenue Balance/GSDP	1.13	1.26	1.22	1.47	1.23

	2014-15	2015-16	2016-17	2017-18	2018-19
IV Management of Fiscal Liabilities					
Fiscal Liabilities (inclusive of off-budget borrowings)/GSDP	17.98	17.54	19.15	18.78	20.26
Fiscal Liabilities/Revenue Receipts	157.75	154.29	166.14	167.50	172.89
Fiscal Liabilities/Own Resources	219.42	226.59	249.37	263.05	275.32
V Other Fiscal Health Indicators					
Return on Investment (₹in crore)	74.84	69.40	82.50	78.83	38.30
Financial Assets/Liabilities	1.09	1.09	1.08	1.10	1.00
Balance from Current Revenue (₹in crore)	23,374	34,487	40,597	-	-
Revenue Buoyancy* w.r.t					
GSDP	1.37	0.98	1.14	0.71	1.96
States' Own Tax	1.35	1.84	1.24	2.06	1.10
State's own tax Buoyancy w.r.t GSDP	1.03	0.53	0.93	0.34	1.78
Buoyancy of total expenditure with					
GSDP	1.34	0.82	1.61	0.68	2.27
Revenue receipts	0.97	0.84	1.41	0.97	1.16
Buoyancy of revenue expenditure with					
GSDP	1.36	0.90	1.20	0.55	2.45
Revenue receipts	1.00	0.92	1.05	0.77	1.25
Buoyancy of capital expenditure with					
GSDP	1.22	0.40	3.85	1.29	1.52
Revenue receipts	0.89	0.41	3.36	1.82	0.77
Buoyancy ratio of fiscal liabilities with					
GSDP	1.60	1.06	1.75	0.71	2.50
Revenue Receipts	1.15	0.82	1.71	1.10	1.30
Own Resources	1.52	1.44	2.14	2.06	1.48

Source: Finance Accounts

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

 # Includes expenditure on interest payment in respect of off-budget borrowings etc., under various service heads (₹ 1,191 crore borrowed through Special Purpose Vehicles – General Services (₹1 crore), Social Services (₹86 crore) and Economic Services (₹ 1,104 crore).

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

***GSDP figures adopted in previous audit reports are 2014-15(₹ 6,85,207 crore), 2015-16(₹ 7,35,975 crore), 2016-17(₹ 11,17,334 crore) and 2017-18 (₹ 13,10,879 crore).*

†† *Non cash receipts and expenditure are as follows which are discussed in **paragraph 1.11.1** indicated against each.*

Book Adjustments	Amount (₹ in crore)
Tax Receipts	**1,955.25**
Non Tax Receipts	**119.53**
Misc. Capital Receipts	**-**
Loan Receipts	**14.74**
Revenue Expenditure	**2,073.77**
Capital Expenditure	**4.35**
Loan Expenditure	**11.40**

Appendix 1.5

Budget Assurances and Audit Analysis

(Reference: Paragraph 1.2.3; Page 11)

Budget Assurance	Action taken as per Action Taken Report	Audit Observations
176 integrated schools in every Gram Panchayat Centre have been opened to enhance the quality of education in Government Schools up to 12th standard under one roof. Continuing this in the year 2018-19, 100 integrated "Karnataka Public Schools" will be opened at ₹5 lakh per school with a total expenditure of ₹5.00 crore. It is intended to start Bharat Scouts and Guides Units in these schools to infuse a sense of universal brotherhood, service motive, peace, discipline, patience along with human values in students.	It is an ongoing scheme. G.O. No. ED 230 YOSAKA 2018, dated 03.08.2018 has been issued.	The 100 integrated "Karnataka Public Schools" were not started during 2018-19. It was proposed to open them during 2019-20. The ₹2.6 crore released to Bharat Scouts and Guides to start units in these 100 schools remained in their bank account.
Safety of children at Government and Secondary Schools is the first priority of Government. For this, CCTV cameras will be installed at Government Primary and Secondary Schools in a phased manner.	G.O. No. ED 113 YOYOKA 2018, dated 03.08.2018 has been issued.	Decision was taken for procuring TABs instead of installation of CCTVs at Government Primary and Secondary Schools. The amount of ₹2.55 crore was drawn and kept in bank account of SPD, RMSA (August 2019).
In commemoration of the centenary of State Central Libraries, the district, city and taluk libraries will be upgraded as digital libraries. For the first time, through cloud computing, it is intended to provide digital library facility to around 10 lakh students studying in Government High Schools and Government Pre-University Colleges. A sum of ₹5.00 crore has been allocated for this purpose.	G.O. No. ED 105 YOYOKA 2018, dated 28.08.2018 has been issued approving tender. Tender process is under progress.	An agreement was entered into between Department of Public Libraries and K-Nomics Techno Solutions Pvt. Ltd. for upgradation of all libraries as digital libraries in the State (August 2019).
Biometric instruments will be installed in all 48,000 Government schools in the State to monitor attendance of teachers and children. This scheme will be implemented in the next 3 years. For this purpose, ₹5.00 crore will be provided.	G.O. No. ED 110 YOYOKA 2018, dated 14.08.2018 has been issued.	It was decided to procure TABs instead of installing Biometric instruments in Government Schools. The amount of ₹2.50 crore for the purpose was drawn and kept in bank account of SPD, RMSA (August 2019).

Budget Assurance	Action taken as per Action Taken Report	Audit Observations
Anganwadi centres which are presently under Women and Child Welfare Department will be strengthened as 'Balasnehi centres' by shifting them to selected 4,100 Government primary school premises. In a phased manner, LKG/UKG classes will be commenced based on feasibility. With this, rate of admission to Government schools is expected to increase along with improvement in quality of children's learning	G.O. No. ED 111 YOYOKA 2018, dated 14.08.2018 has been issued.	3,701 Anganwadi centres have been identified out of 4,100 for strengthening as Balasnehi centres.
Cardio Vascular treatment units with cathlab facility will be established at Bidar Medical Sciences Institute and Gadag Medical Sciences Institute with an estimated cost of ₹15.00 crore each.	G.O. No. HFW 242 MSF 2018, dated 11.10.2018 has been issued.	There is no physical and financial progress in the establishment of cathlab facility both at BMSI and GMSI.
A cancer treatment unit will be established at an estimated cost of ₹15.00 crore each in Hassan, Mysuru and Karwar.	G.O. No. HFW 248 KVM 2018, dated 17.09.2018 and HFW 310 KVM 2018 dated 17.09.2018 have been issued.	No grants have been released for Mysore Medical College Institute and administrative approval yet to be accorded in respect of Karwar Institute of Medical Sciences for establishing cancer treatment unit.
The facilities in the nursing schools and colleges coming under the Medical Education Department will be upgraded at an estimated cost of ₹30.00 crore.	G.O. No. HFW 267 MMC 2018, dated 17.09.2018 has been issued.	Administrative approval for ₹8.5 crore has been accorded and tender process completed. Grants for the same yet to be released by Government.
It is the concern of our Government that transport expenses should not be a hindrance for the students travelling to a far of schools and colleges. Instead of concessional passes being presently given, free passes will be given to all students of the State from 2018-19. From this, 19.60 lakh students will be benefitted.	Proposal is under process to bring changes in the scheme.	During 2018-19, free bus passes were issued to SC/ST students only.
To enhance skill and capacity of the youth of the society, driving and mechanic training to 13,000 youth will be imparted through State Transport Corporations under Skill Development Scheme.	Proposal is under process.	A total of 5,257 persons including 404 women have been trained.
For the safety of women, CCTV cameras will be installed in 1,000 buses of BMTC under Nirbhaya Scheme.	It is an ongoing scheme. G. O. No. Sarie 61 Sasambi 2018 dated 31.08.2018 has been issued.	The tender process is under progress (September 2019).

Appendix 1.6

Cost of collection

(Reference: Paragraph 1.4.1.1; Page 16)

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	2014-15	4,544	82.52	1.82	6.25
	2015-16	5,004	83.37	1.67	6.08
	2016-17	5,598	81.41	1.45	4.99
	2017-18	6,212	94.07	1.51	2.61
	2018-19	6,572	108.12	1.65	2.61
Taxes on sales, trade etc.,	2014-15	39,695	1,464.43	3.69	0.88
	2015-16	41,892	250.47	0.60	0.91
	2016-17	48,034	259.35	0.54	0.66
	2017-18	27,622	183.84	0.67	0.69
	2018-19	16,011	-	-	0.69
Stamp and registration fees	2014-15	7,063	68.28	0.96	3.37
	2015-16	8,241	126.03	1.53	3.59
	2016-17	7,884	92.73	1.18	2.87
	2017-18	9,104	56.03	0.62	2.99
	2018-19	10,891	86.53	0.79	2.96
State Excise	2014-15	13,806	130.11	0.94	1.81
	2015-16	15,337	132.61	0.86	2.09
	2016-17	16,489	146.25	0.89	3.21
	2017-18	17,959	152.53	0.85	2.01
	2018-19	19,955	172.98	0.87	1.83
State Goods and Service Tax	2017-18	27,545	106.43	0.39	NA
	2018-19	49,616	360.60	0.73	NA

@ The expenditure booked under the minor head, 001-Direction and Administration and 101 – Collection charges has been considered as cost of collection.

Appendix 1.7

Station/Power House wise Royalty rates for energy sales per KWH

(Reference: Paragraph 1.4.1.3; Page 19)

Sl. No.	Name of the Station/ Power House	Paise/KWH	Paise/KWH w.e.f 01.04.2019
1	Sharavathy	4	20
2	Linganamakki	4	20
3	Bhadra Right Bank Canal Power House	4	20
4	Bhadra Left Bank Canal Power House	4	20
5	Nagjhari	4	20
6	Supa	4	20
7	Ghataprabha	10	20
8	Varahi	4	20
9	Mani Dam Power House	4	20
10	Kadra	4	20
11	Kodasalli	4	20
12	Gerusoppa Power House	4	20
13	MGHE, Jogfalls	4	20
14	Shivasamudram	4	20
15	Munirabad	4	20
16	Shimsha Hydra Electric Station	4	20
17	Mallapur Mini Hydel Scheme	4	20
18	Sirwar Mini Hydel Scheme	4	20
19	Kalmala Mini Hydel Scheme	4	20
20	Ganekal Mini Hydel Scheme	4	20
21	Almatti Dam Power House	10	1.00 (w.e.f March 2019)

Appendix 1.8

Department wise share of Subsidies

(Reference: Paragraph 1.7.3; Page 31)

(₹ in crore)

Departments	2014-15	2015-16	2016-17	2017-18	2018-19	Remarks
Energy	6,700	8,693	8,647	7,957	7,593	It includes financial assistance to ESCOMS for supply to IP sets, Bhagya Jyothi and Kutira Jyothi consumers. It includes book adjustment of ₹2,018 crore of which ₹1,943 crore was tax dues retained by ESCOMS against power subsidy due
Food & Supplies	2,533	2,196	1,854	1,917	2,404	It includes subsidy towards Annabhagya for BPL and APL beneficiaries.
Agricultural and Other Allied Activities	20	31	1,335	1,455	2,336	It includes subsidy towards crop husbandry, fisheries, forestry and wild life etc.
Co-operation	624	765	818	778	777	Represents waiver of overdue loans, both principal and interest.
Transport	651	749	799	757	820	Subsidy is towards fare concession extended to students, freedom fighters, physically challenged etc. It includes book adjustment of ₹306.60 crore of motor vehicle tax dues of transport corporations adjusted as subsidy towards concession value of bus passes issued to students, free bus passes provided to Ex-MLAs & Ex-MLCs.
Housing	243	223	402	362	459	Subsidy is towards Ashraya scheme.
Others	382	492	532	922	1,011	It includes subsidy under Social Welfare, Industries and Commerce department etc.
Total	**11,153**	**13,149**	**14,387**	**14,148**	**15,400**	

Source: Finance Accounts

Appendix 1.9

Subsidies in the form of financial assistance, incentives etc.

(Reference: Paragraph 1.7.3; Page 32)

(₹ in crore)

Sl. No.	Head of Account	Scheme Description	2014-15	2015-16	2016-17	2017-18	2018-19
1	2202-01-109-0-03	Vidya Vikasa Scheme	96.74	230.11	407.06	501.15	466.27
2	2202-02-107-0-05	Bicycles to VIII standard students	177.21	189.66	0.00	0.00	0.00
3	2216-02-101-0-07	Vajpayee Urban Housing Scheme	100.00	100.00	100.00	336.62	250.00
4	2216-02-102-0-02	Housing for weaker section	10.00	15.00	11.00	1.00	0.00
5	2216-03-102-0-01	House sites for rural landless	10.00	5.00	0.00	0.00	0.00
6	2216-03-104-0-01	Ashraya	647.13	1,668.24	1,251.55	944.42	654.00
7	2216-80-103-0-21, 2216-80-800-0-04	Indira Awas Yojana	428.00	0.00	0.00	0.00	0.00**
8	2235-02-102-0-25	Bhagya Lakshmi	339.87	473.35	338.40	301.90	294.27
9	2401-00-103-0-15	Supply of seeds and other inputs (Agricultural inputs and Quality Control)	535.02	554.66	677.57	213.20	559.95
10	2401-00-108-1-15	Micro Irrigation	69.30	200.89	326.56	94.85	440.37
11	2401-00-108-2-30	Drip Irrigation*	245.40	171.96	36.97	288.47	364.54
12	2405-00-103-0-20	Matsya Ashraya	11.43	0.00	26.28	15.00	4.00
13	2425-00-108-0-57	Yashaswini	71.95	109.56	170.43	190.79	99.75
14	2851-00-103-0-62	Weavers package	70.69	99.93	114.54	38.75	114.76
15	2851-00-103-0-69	Weavers Package- KHDC	9.95	30.01	24.00	6.02	9.39
16	2852-80-103-0-59	Refund of sales tax to Eligible industries	0.00	0.00	89.41	80.00	299.46
17	3475-00-107-0-20	Minimum Floor Price Scheme	150.00	64.23	140.00	306.00	220.30
Total			**2,972.69**	**3,912.60**	**3,713.77**	**3,318.17**	**3,777.06**

Source: Consolidated Abstract of major heads

**Nomenclature changed to National Mission on Sustainable Agriculture from 2015-16 onwards.*

***During 2018-19, ₹360.76 crore was released as Block Grants under HOA 2216-80-198-6-02-300 to GPs.*

Appendix 1.10

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

(Reference: Paragraph 1.9.4; Page 42)

(₹ in crore)

Sl. No.	Head of Account/Institutions	Arrears as on 31-03-2019	
		Principal	Interest
1	6215-01-190-2-86: Bangalore Water Supply and Sewerage Board	4,262.06	2,842.33
2	6215-01-190-1-00: Karnataka Urban Water Supply and Drainage Board	211.35	600.75
3	6216-02-201-1-00: Karnataka Housing Board	23.61	92.75
4	6217-60-191-1-03: Bangalore Development Authority (for repayment of HUDCO Loans)	17.17	32.99
5	6220-01-190-1-00: Karnataka State Film Industries Development Corporation	0.41	1.79
6	6401-00-113-2-00: Karnataka Agro Proteins Limited	0.70	3.67
7	6401-00-103-2-00: Karnataka State Seeds Corporation Limited	2.88	5.69
8	6401-00-103-3-00: Karnataka State Co-operative Oil Seeds Growers Federation	0.75	7.22
9	6851-00-200-0-00: Leather Industries Development Corporation	1.26	4.21
10	6852-02-190-3-00: Dandeli Steel and Ferro Alloys Limited	0.31	1.35
11	6853-02-190-1-00: Hutti Gold Mines Company Limited	0.30	1.69
12	6858-01-190-3-00: Karnataka Implements and Machinery Company	1.10	5.12
13	6858-02-190-1-00: Electro Mobile India Limited	0.61	2.70
14	6858-02-190-0-01: Chamundi Machine Tools	0.18	0.33
15	6858-01-190-2-00: New Government Electric Factory	67.47	192.16
16	6859-01-190-0-01: Karnataka Telecommunication Limited	1.65	6.32
17	6860-04-190-2-01: Mysore Sugar Company	47.00	27.89
18	6860-60-212-1-00: Karnataka Soaps and Detergents Limited	2.25	15.44
19	6860-60-600-3-00: Mysore Tobacco Company Limited	1.34	12.29
20	6885-01-190-3-00: Karnataka State Finance Corporation	0.40	0.73
21	7452-80-190-1-00: Karnataka State Tourism Development Corporation	1.01	3.49
Total		**4,643.81**	**3,861.13**

Source: Finance Accounts

Appendix 1.11

Summarised Financial position of Government of Karnataka as on 31 March 2019

(Reference: Paragraph 1.10.1; Page 45)

(₹ in crore)

As on 31.03.2018		LIABILITIES		As on 31.03.2019
1,48,580.67		**Internal Debt**		**1,79,309.31**
	1,25,706.80	Market Loans bearing interest	1,57,889.80	
	0.70	Market Loans not bearing interest	0.64	
	139.46	Loans from Life Insurance Corporation of India	105.14	
	4,149.64	Loans from other Institutions	4,325.13	
	18,584.07	Loans from RBI - Special Securities issued to National Small Savings Fund of the Central Government	16,988.60	
14,554.69		**Loans and Advances from Central Government**		**14,657.49**
	0.07	Pre 1984-85 Loans	0.07	
	45.50	Non-Plan Loans	40.37	
	12,589.53	Loans for State Plan Schemes	11,241.18	
	(-)5.41	Loans for Central Plan Schemes	6.56	
	(-)18.25	Loans for Centrally Sponsored Plan Schemes	(-)18.25	
	1,943.25	Other Loans	3,387.56	
80.00		**Contingency Fund**		**80.00**
27,731.13		**Small Savings, Provident Funds, etc.**		**31,023.42**
29,674.61		**Reserve Funds**		**32,871.47**
25,317.89		**Deposits**		**28,385.41**
12,747.31		**Suspense and Miscellaneous balances**		**6,660.36**
2,58,686.30		**TOTAL**		**2,92,987.46**
		ASSETS		
2,35,613.73		**Gross Capital Outlay on Fixed Assets**		**2,70,269.76**
	65,145.88	Investments in shares of Companies, Corporations etc.	66,518.28	
	1,70,467.85	Other Capital Outlay	2,03,751.48	
20,532.87		**Loans and Advances**		**24,980.59**
	1,495.82	Loans for Power Projects	2,981.08	
	18,946.29	Other Development Loans	21,913.40	
	90.76	Loans to Government Servants and Miscellaneous Loans	86.11	
651.19		**Remittances**		**690.50**
6.94		**Other Advances**		**6.94**
26,184.05		**Cash**		**22,003.87**
	---	Cash in treasuries	---	
	3.84	Departmental Cash Balance including Permanent Advances	3.96	
	723.77	Deposits with Reserve Bank of India	989.96	
	0.01	Remittances in Transit	0.01	
	12,655.49	Cash Balance Investments	5,139.28	
	12,800.94	Investment from earmarked funds	15,870.66	
(-)24,302.48		**Surplus on Government Accounts**		**(-)24,964.20**
	(-)19,784.16	Accumulated Surplus	(-)24,294.20	
	(-)4,517.32	Deduct Revenue Surplus	(-)679.00	
	(-)1.00	Deduct Other adjustments	---	
	0.00	Deduct Capital Receipts	(+)9.00*	
2,58,686.30		**Total**		**2,92,987.46**

**The amount excludes ₹ 3.29 crore being the retirement of capital/disinvestment in respect of co-operatives.*

Appendix 1.12

Components of fiscal deficit and its financing pattern

(Reference: Paragraph 1.12.2; Page 62)

(₹ in crore)

Breakdown of fiscal deficit		2014-15		2015-16		2016-17		2017-18		2018-19	
		Amount	**% of GSDP**	**Amount**	**% of GSDP**	**Amount**	**% of GSDP**	**Amount**	**% of GSDP**	**Amount**	**% of GSDP**
		(-) 19,576	**2.14**	**(-) 19,169**	**1.83**	**(-) 28,664**	**2.48**	**(-) 31,101**	**2.35**	**(-) 38,442**	**2.73**
1	Revenue surplus	528	0.06	1,789	0.18	1,293	0.11	4,518	0.34	679	0.05
2	Net capital expenditure	19,612	2.15	20,361	1.95	28,123	2.43	30,663	2.32	34,665	2.46
3	Net loans and advances	492	0.05	597	0.06	1,834	0.16	4,956	0.37	4,456	0.32
Financing pattern of fiscal deficit*											
1	Market borrowings	16,093	1.76	14,914	1.43	24,026	2.08	17,348	1.31	32,183	2.28
2	Loans from GOI	586	0.06	321	0.03	791	0.07	761	0.06	103	0.01
3	Special securities issued to NSSF	437	0.05	1,563	0.15	(-) 1,573	(-) 0.14	(-) 1,573	(-) 0.12	(-) 1,595	(-) 0.11
4	Loans from financial institutions	(-) 54	(-) 0.01	164	0.02	491	0.04	316	0.03	141	0.01
5	Small savings, PF etc.,	2,156	0.24	2,086	0.20	2,657	0.23	2,812	0.21	3,292	0.23
6	Deposits and advances	3,702	0.40	284	0.03	3,041	0.27	1,833	0.14	3,068	0.22
7	Suspense and Miscellaneous	3,282	0.36	990	0.09	491	0.04	(-) 1,509	(-) 0.12	(-) 6,087	(-) 0.43
8	Remittances	(-) 32	-	(-) 17	-	(-) 38	-	(-) 76	(-) 0.01	(-) 40	-
9	Reserve Funds	1,547	0.17	2,081	0.20	6,013	0.53	3,019	0.23	3,197	0.23
10	Increase (-)/ decrease (+) in cash balance	(-) 8,141	(-) 0.89	(-) 3,217	(-) 0.32	(-) 7,235	(-) 0.64	8,170	0.62	4,180	0.29
11	Net of Contingency Fund transactions	-	-	-	-	-	-	-	-	-	-
	Total	**19,576**	**2.14**	**19,169**	**1.83**	**28,664**	**2.48**	**31,101**	**2.35**	**38,442**	**2.73**

Source: Finance Accounts

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

Appendix 2.1

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

(Reference: Paragraph 2.3.2; Page 67)

(₹ in crore)

Sl. No.	Grant No./Nomenclature	No. of cases	Amount
1.	01-Agriculture and Horticulture	12	344.09
2.	02-Animal Husbandry and Fisheries	9	62.63
3.	03-Finance	2	3.29
4.	04- Department of Personnel and Administrative Reforms	7	22.02
5.	05- Home and Transport	6	172.70
6.	08-Forest, Ecology and Environment	4	8.18
7.	10- Social Welfare	3	455.28
8.	11-Women and Child Development	1	118.06
9.	14-Revenue	2	725.22
10.	16-Housing	1	500.00
11.	17-Education	7	543.29
12.	18-Commerce and Industries	3	208.00
13.	19-Urban Development	3	162.23
14.	21-Water Resources	2	206.05
15.	22-Health and Family Welfare	7	308.59
16.	23-Labour and Skill Development	2	90.84
17.	26- Planning, Statistics, Science and Technology	1	0.48
18.	27-Law	2	1.02
19.	28-Parliamentary Affairs and Legislature	3	8.38
Total		**77**	**3,940.35**

Source: Appropriation Accounts

Appendix 2.2

Excess Expenditure over Provision requiring regularization

(Reference: Paragraph 2.3.3; Page 67)

(amount in ₹)

Year	Grant No./ Description	Excess required to be regularised as commented in the AA/AR	Remarks
2012-13	08-Forest, Ecology and Environment *Revenue Charged*	*4,94,02,43,684*	Excess expenditure of ₹209.51 crore was on account of transfer of Forest Development Tax to Public Account. The receipt was more than anticipated collection. Further, an amount of ₹284.51 crore, which was misclassified, remained as revenue of Commercial Tax Department and was transferred to Public Account on rectification of misclassification.
2013-14	08-Forest, Ecology and Environment *Revenue Charged*	*3,55,38,75,841*	Excess expenditure was on account of transfer of Forest Development Tax to Forest Development Fund in Public Account. The receipt was more than the anticipated collection.
	26-Planning, Statistics, Science and Technology Capital Voted	20,41,65,300	Withdrawal of budget provision in the budget presented in July 2013 in respect of certain heads for which, budget was included in the Vote on Account presented during February 2013.
2014-15	08 - Forest, Ecology and Environment *Revenue Charged*	*1,88,75,14,849*	Excess expenditure was on account of transfer of Forest Development Tax to Forest Development Fund in Public Account. The receipt was more than the anticipated collection and also due to erroneous budgeting.
	10 - Social Welfare *Revenue Charged*	*6,36,000*	No specific reasons furnished for the excess
2015-16	01 – Agriculture and Horticulture Capital Voted	7,93,05,365	This was due to error in budgeting. Provision was made under Grant No.18 instead of Grant No.1. However, expenditure was classified under Grant No.1.
	05 – Home and Transport Revenue Voted	44,94,34,163	No specific reason furnished for the excess.
	06 – Infrastructure Development *Revenue Charged* Capital Voted	*17,08,292* 4,94,81,312	This was due to error in budgeting. Provision provided under Voted category instead of under *Charged* category. However expenditure was accounted correctly.
	19 - Urban Development *Capital Charged*	*8,04,77,000*	
2016-17	01 –Agriculture and Horticulture Capital Voted	1,76,74,83,304	This was due to shifting of expenditure (₹186.01 crore) from revenue head (MH 2401) to capital head (MH 4401). Requisite provision was not made through Supplementary Provision
	05 – Home and Transport Capital Voted	55,36,88,503	This was due to issue of re-appropriation orders between revenue and capital.

Year	Grant No./ Description	Excess required to be regularised as commented in the AA/AR	Remarks
	14 –Revenue Revenue Voted	6,32,06,33,666	This was due to release of GOI's contribution of ₹1,235.52 crore towards NDRF on the last day of Financial year, which was transferred to fund account during 2016-17 itself.
	20 – Public Works Revenue Voted	59,81,01,797	This was due to transfer of actual receipts collected under Ports, Light Houses and Shipping to Port Development Fund. The provision made for transfer was less than the actual collection. The excess was also due to entire GOI grants(received on last day of March 2017) credited to Consolidated Fund of the State towards Central Road fund was transferred to Deposit Account of subvention from Central Road fund under Public Account.
	29– Debt Servicing *Capital Charged*	*1,61,41,83,927*	This was due to the provisions for discharge of debts, not being made scientifically based on requirement of funds, but made as per the actuals of previous years, without consultation from the beneficiary departments of such loans, assistance from the funding agencies.
2017-18	03 – Finance *Revenue -Charged*	*11,99,37,383*	This was due to the settlement of claims towards reimbursement of pension paid to retired High Court Judges from CPAO, MOF, GOI.
	08 – Forest, Ecology and Environment *Revenue- Charged*	*80,98,05,156*	This was due to the error in budgeting wherein the provision of ₹85 crore was made erroneously under voted category instead of charged category for transfer of Forest Development Fees to KFDF. However, expenditure was accounted correctly under charged category.
	24 – Energy Capital - Voted	12,94,95,000	This was due to adjustment of EAP loans of ₹12.95 crore as provided in GO dated 31.03.2018 even though no funds were provided in the Budget for 2017-18.
	29– Debt Servicing *Capital Charged*	*93,51,25,086*	This was due to non-provisioning in the budget to cover the repayment of Principal and Interest in respect of EAP Loans released on Back to Back basis which were initially repaid and accounted by Controller of Aid Accounts and Audit, MOF, New Delhi for eventual transfer to State Government through RBI clearance memos as accounted by PAG(A&E).
Total		**24,09,52,95,328**	

Source: Appropriation Accounts.

Appendix 2.3

Details of misclassification under the object head '059 – Other Expenses'

(Reference: Paragraph 2.4.6; Page 72)

(₹ in crore)

Sl. No.	Major head of account under which provision/expenditure booked under Object Head 059	Correct object head to which provision/ Expenditure should have been accounted	Nature of Expenditure	Amount
1	2211	015 – Subsidiary Expenses	Remuneration to Asha and Anganawadi Workers	137.05
2	2215, 2405, 4405	386 -Construction	Construction of fishing harbour	80.09
3	2225	100 – Financial Assistance/ Relief	Assistance to Banjara community, Minority Development Corporation,	453.88
4	2225	103 – Grants-in-Aid	Grants given to self-employment schemes	132.00
5	2225	117 – Scholarships and Incentives	Pre-metric Scholarships to SC an ST Students	1,345.36
6	2225	154 - Improvements	Improving infrastructure at minority pilgrimage places	2.00
7	2225	200 - Maintenance	Maintenance of Residential schools	516.16
8	2405, 2425, 3452	106 - Subsidies	Re-imbursement of Sales Tax on diesel for fishing boats, Tourism subsidy, Hotel subsidy	209.25
9	2515	125 - Modernisation	Computerization in RDPR	20.46
10	3452	071 – Building Expenses	Water and electricity charges, Office rent	0.27
11	4225, 5465	211 - Investments	Share capital to KEONICs and Bhovi Development Corporation.	5.40
Total				**2,901.92**

Source: Offices of PAG(G&SSA) and AG(E&RSA)

Appendix 2.4

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

(Reference: Paragraph 2.5.1; Page 72)

(₹ in crore)

Sl. No.	Grant/Nomenclature	Provisions			Expenditure	Unspent provision and it's *per cent*
		Original	Supplementary	Total		
	1-Agriculture and Horticulture					
1	Revenue – Voted	7,283.07	479.69	7,762.76	6,422.04	1,340.72 (17)
2	Capital - Voted	359.35	0.01	359.36	29.86	329.50 (92)
	2-Animal Husbandry and Fisheries					
3	Revenue - Voted	2,507.85	376.81	2,884.66	2,775.10	109.56 (4)
	3- Finance					
4	Revenue - Voted	27,826.39	2,600.32	30,426.71	25,592.00	4,834.71(16)
	4-Department of Personnel and Administrative Reforms					
5	Revenue- Voted	1,076.53	190.77	1,267.30	1,101.37	165.93 (13)
	5-Home and Transport					
6	Revenue – Voted	6,451.02	949.73	7,400.75	6,998.87	401.88 (5)
7	Capital - Voted	845.94	20.45	866.39	757.93	108.46 (13)
	7-Rural Development and Panchayat Raj					
8	Revenue - Voted	11,472.20	550.00	12,022.20	10,835.79	1,186.41(10)
9	Capital - Voted	2,976.97	610.00	3,586.97	3,308.78	278.19 (8)
	8- Forest, Ecology and Environment					
10	Revenue - Voted	1,629.10	65.62	1,694.72	1,579.24	115.48 (7)
11	Revenue – Charged	*385.15*	*0.00*	*385.15*	*26.53*	*358.62 (93)*
	9- Co-operation					
12	Revenue - Voted	1,729.47	5,358.18	7,087.65	6,743.51	344.14(5)
13	Capital - Voted	4,077.16	0.00	4,077.16	77.16	4,000.00(98)
	10-Social Welfare					
14	Revenue - Voted	8,782.26	150.53	8,932.79	8,677.96	254.83 (3)
	11-Women and Child Development					
15	Revenue - Voted	5,580.34	211.30	5,791.64	4,976.21	815.43 (14)
	12-Information, Tourism and Youth Services					
16	Capital - Voted	574.23	0.00	574.23	332.01	242.22 (42)
	13-Food and Civil Supplies					
17	Revenue - Voted	3,865.15	6.00	3,871.15	3,674.83	196.32 (5)
	14-Revenue					
18	Revenue - Voted	7,070.66	1,359.38	8,430.04	8,159.24	270.80 (3)
	16-Housing					
19	Revenue - Voted	3,320.47	505.44	3,825.91	2,910.02	915.89 (24)
	17-Education					
20	Revenue – Voted	25,457.09	577.46	26,034.55	23,724.77	2,309.78 (9)
21	Capital - Voted	1,123.77	55.01	1,178.78	1056.89	121.89(10)
	18-Commerce and Industries					
22	Revenue – Voted	835.87	353.00	1,188.87	1,056.74	132.13(11)
23	Capital - Voted	1,462.51	43.40	1,505.91	929.63	576.28 (38)
	19-Urban Development					
24	Revenue- Voted	8,468.90	218.57	8,687.47	8,334.32	353.15(4)
25	*Revenue - Charged*	*620.38*	*0.00*	*620.38*	*0.00*	*620.38(100)*
26	Capital -Voted	5,781.13	112.78	5,893.91	5,565.51	328.40 (6)

Sl. No.	Grant/Nomenclature	Provisions			Expenditure	Unspent provision and it's *per cent*
		Original	Supplementary	Total		
	20-Public Works					
27	Revenue – Voted	2,943.02	1.87	2,944.89	2,842.39	102.50 (3)
28	Capital - Voted	6,836.88	1,996.34	8,833.22	7,686.02	1,147.20(13)
	21-Water Resources					
29	Revenue – Voted	1,032.98	6.05	1,039.03	913.72	125.31 (12)
30	*Revenue - Charged*	*1,291.39*	*0.00*	*1,291.39*	*1,152.87*	*138.52 (11)*
31	Capital - Voted	10,979.69	474.23	11,453.92	10,906.46	547.46 (5)
	22-Health and Family Welfare					
32	Revenue – Voted	8,039.25	459.01	8,498.26	8,070.82	427.44 (5)
33	Capital - Voted	1,277.54	78.93	1,356.47	1,107.98	248.49 (18)
	23-Labour and Skill Development					
34	Revenue - Voted	1,107.90	160.49	1,268.39	1,063.58	204.81 (16)
	26-Planning, Statistics, Science and Technology					
35	Capital-Voted	1,364.97	0.00	1,364.97	1,226.92	138.05 (10)
	29-Debt Servicing					
36	*Revenue – Charged*	*16,558.58*	*0.30*	*16,558.88*	*16,122.91*	*435.97 (3)*
37	*Capital - Charged*	*11,135.84*	*67.09*	*11,202.93*	*11,094.58*	*108.35 (1)*
Total		**2,04,131.00**	**18,038.76**	**2,22,169.76**	**1,97,834.56**	**24,335.20(11)**

Source: Appropriation Accounts

Appendix 2.5

Major Heads account under which provision of ₹ 25 crore and above remained unspent

(Reference: Paragraph 2.5.1; Page 72)

(₹ in crore)

Sl. No	Grant No	Head of Account	Nomenclature	Unspent Provision
1	1-Agriculture and Horticulture	2401-00-104-0-12	Organic Farming - Agriculture	43.66
2		2401-00-108-2	Horticulture Department	97.01
3		2401-00-800-1	Agriculture Department	1,083.89
4		2401-00-800-2	Horticulture Department	71.88
5		2402-00-102-0-30	Pradhan Mantri Krishi Sinchayi Yojane-Watershed Development	66.28
6		4401-00-108-0-01	Development of Agriculture Technical clusters in Kolar, Chitradurga, Koppal & Gadag Districts on Israel Model	150.00
7		4401-00-108-0-02	Development of Horticulture Technical clusters in Karwar, Tumakuru, Yadgir & Dharwad , Districts on Israel Model	150.00
8	2-Animal Husbandry and Fisheries	2403-00-101-0-21	Control of Animal Diseases	29.67
10	3-Finance	2070-00-800-0-11	Filling up of Vacant Posts	362.00
11		2071-01-101-3	State Government Pensions	1,330.12
12		2071-01-102-3	Other Payments	193.49
13		2071-01-104-2	Other Gratuities-Karnataka	543.71
14		2071-01-109-1	Triple Benefit Scheme	30.75
15		2071-01-115-1	General Services	136.76
16		2071-01-115-2	Social Services	92.89
17		2071-01-115-3	Economic Services	46.16
18		2071-01-117-0-01	State's Matching contribution to Pension Scheme	144.61
19		2071-01-200-0-06	Adhoc Pension to Ex-Patels	32.50
20		2235-04-101-0-01	Loans Waiver to Farmers	1,700.00
21		7610-00-201-0-03	HBA to Gazetted Officers and Non-Gazetted Officers	30.00
22	4-Department of Personnel and Administrative Reforms	3451-00-090-2	Information Technology - Secretariat	25.82
23		2051-00-102-0-02	Secretariat	*27.51*
24	5-Home and Transport	2055-00-001-0-07	Vacant Post Provision	75.65
25		5055-00-190-3	Bangalore Metropolitan Transport Corporation	100.00
26	6-Infrastructure Development	5465-01-190-3	Investment in Rail Infrastructure Development Corporation (Karnataka) Limited (K-RIDE)	142.11
27	7-Rural Development and Panchayat Raj	2215-01-198-6	Assistance to Taluka Panchayats	840.54
28		2505-60-196-6	Zilla Panchayats-CSS/CPS	250.00
29		2515-00-196-6	Zilla Panchayats-CSS/CPS	28.72
30		5054-03-337-0-71	Prime Minister Grameena Sadak Yojana	162.34

Sl. No	Grant No	Head of Account	Nomenclature	Unspent Provision
31		5054-03-337-0-74	Road Works in Rural Areas-NABARD	58.05
32		6515-00-800-0-03	Loans to Grama Panchayaths-Grama Swaraj-EAP	50.00
33	**8-Forest, Ecology and Environment**	2406-01-101-2	Other Schemes	29.72
34		2406-02-110-0-54	Nature Conservation, Wild Life Habitat Management and Man-Animal Conflict Measures	38.94
35		2406-01-797-0-01	Transfer of Forest Development Fee to Karnataka Forest Development Fund	*358.62*
36	**9-Co-operation**	2425-00-108-0-57	Yashaswini	33.25
37		3475-00-107-0-20	Minimum Floor Price Scheme	85.70
38		6425-00-107-5	Other Credit Co-operatives	4,000.00
39	**10-Social Welfare**	2225-02-794-0-04	Special Central Assistance for Tribal Sub Plan	64.89
40		2225-03-102-0-14	Development of Christian Community	25.74
41		2225-03-190-0-06	Krantiveera Sangolli Rayanna Prathisthana	26.14
42		4225-01-190-0-01	Dr. B.R. Ambedkar Development Corporation Limited	34.30
43		4225-03-190-0-01	D .Devaraj Urs Backward Classes Development Corporation Limited	25.00
44	**11- Women and Child Development**	2235-02-103-0-58	Maatrushree Yojane	344.83
45		2235-02-103-0-61	Pradhana Mantri Maathru Vandhana Yojane	82.69
46		2236-02-197-6	Taluk Panchayats CSS /CPS	262.14
47		4235-02-102-0-01	Construction of Anganwadi Buildings – RIDF	31.84
48		4235-02-102-0-06	Construction of Anganawadi Building – (ICDS –NREGA)	32.15
49	**12-Information, Tourism and Youth Services**	3452-01-101-0-04	Development of Tourists Centres at Hampi, Belur, Vijayapura	40.00
50		4220-60-101-0-03	Establishment of University for Studies on Media and Motion Picture	30.00
51		5452-01-101-0-05	Implementation of Karnataka Tourism Vision Group Recommendations	25.00
52		5452-01-190-0-01	Equity Contribution to Investors in Hotel and Recreation Facilities	80.00
53		5452-01-800-0-14	Tourist Infrastructure at Various Places	80.01
54	**13-Food and Civil Supplies**	2408-01-102-0-06	Annabhagya for BPL beneficiaries towards subsidies for Other items	96.60
55		2408-01-102-0-07	Annabhagya for APL beneficiaries towards subsidies for Food Grains	29.07
56		3456-00-103-0-01	Chief Minister Anila Bhagya Yojane	45.13

Sl. No	Grant No	Head of Account	Nomenclature	Unspent Provision
57	**14- Revenue**	2053-00-094-7	Taluk Establishment	46.97
58		2245-05-101-0-04	State share to State Disaster Response Fund	48.00
59		2245-06-101-0-06	State's Additional Contribution to SDRF	200.00
60		2245-80-102-0-03	National Cyclone Risk Mitigation Project	31.62
61		2250-00-103-5	Assistance to Non-Government Institutions	33.77
62		4059-80-051-0-42	Construction of District Office Buildings	30.00
63	**16-Housing**	2216-02-800-0-04	Pradhan Mantri Awas Yojana – Urban	271.15
64		2216-80-198-6	Grama Panchayats –CSS/CPS	639.24
65	**17-Education**	2202-01-196-6	Assistance to Zilla Parishads	241.53
66		2202-01-800-1	Other Schemes	1,415.05
67		2202-03-103-1	Government Colleges of Education	43.97
68		2202-03-107-1	Collegiate Education	62.28
69		4202-01-203-1	Buildings	191.15
70	**18-Commerce and Industries**	2851-00-102-0-84	Establishment and Improvement of Industrial Clusters	27.58
71		4851-00-102-0-20	Development of Industrial and Infrastructure for MSMEs	68.54
72		4852-01-004-0-01	Industrial Infrastructure for Institutions	42.40
73		4860-60-600-0-02	Compete with China Program	500.00
74	**19-Urban Development**	2217-05-191-1	Bangalore Metropolitan Regional Development Authority	178.90
75		3604-00-191-2	Other Devolutions	98.50
76		3604-00-191-3	Mukhya Mantrigala Nagarotthana Yojane	207.24
77		3604-00-191-8	XIV Finance Commission Grants	295.20
78		3604-00-192-2	Other Devolution	95.85
79		3604-00-191-1	Entry Tax Devolution	*620.38*
80		4215-01-190-0-01	Capital Support to Water Supply Scheme	50.00
81		4215-02-190-0-03	Karnataka Urban Water Supply Modernization Project – EAP	86.40
82		4217-60-800-0-04	Bangalore Sub-Urban Rail System	90.00
83		4217-60-800-4	Comprehensive Development of Districts	87.00
84	**20- Public Works**	3054-03-337-0-05	State Highway Maintenance	70.61
85		4059-80-051-0-32	Court Buildings	100.44
86		5051-02-211-0-01	Dredging Works and Break Works	35.00
87		5051-80-800-0-80	Sustainable Coastal Protection and Management – EAP	70.00
88		5054-03-337-0-86	Karnataka State Highways Improvement Project (KSHIP) - II (ADB)-EAP	582.66

Sl. No	Grant No	Head of Account	Nomenclature	Unspent Provision
89		5054-80-190-0-03	Elevated Road Corridor in Bengaluru by KRDCL	1,000.00
90	**21- Water Resources**	2700-11-800-0-01	Other Expenditure	*38.08*
91		2701-80-190-0-02	Assistance to Karnataka Neeravari Nigama Limited	*63.63*
92		4701-73-800-0-01	Upper Krishna Project AIBP	120.80
93		4701-74-800-0-01	Accelerated Irrigation Benefit Programme (AIBP)	61.45
94		4701-80-190-3	Krishna Bhagya Jala Nigam Limited	966.08
95		4701-80-800-0-80	DAM Rehabilitation and Improvement Project- EAP	80.42
96		4702-00-101-1	Water Tanks – Construction of New Tanks, Pick Ups etc.	60.07
97		4705-00-800-0-01	C A D A / SDP	73.53
98		4701-80-190-4	Karnataka Neeravari Nigama Limited	*49.64*
99		4701-80-190-5	Visvesvaraya Jala Nigama Limited	*36.93*
100	**22-Health and Family Welfare**	2210-06-001-0-01	Director of HFW Services, BHE and HFW Training Centre	29.01
101		2210-80-800-0-18	Establishment of EMRI (Arogya Kavacha)	29.25
102		2210-80-800-0-27	Rashtriya Swasthya Bhima Yojana	56.81
103		4210-01-110-1	Buildings	228.29
104		4210-01-110-7	Capital Release to Zilla Panchayats	40.00
105	**23-Labour and Skill Development**	2230-02-101-0-09	Skill Development Mission	44.53
106		3604-00-191-5	National Urban Livelihood Mission/ Swarna Jayanthi Shahari Rojgar Yojana	33.85
107		4250-00-203-0-07	Construction of ITIs	30.06
108	**25-Kannada and Culture**	2205-00-102-4	Other Schemes	43.18
109	**26-Planing, Statistics, Science and Technology**	4575-60-800-0-01	Legislator's Constituency Development Fund	137.00
110	**29-Debt Servicing**	2049-04-101-0-02	Back to Back External Loans	*101.70*
Total				**23,882.79**

Source: Appropriation Account

Appendix 2.6

Unnecessary Supplementary Provision

(Reference: Paragraph 2.5.2.2; Page 74)

(₹ in crore)

Sl. No	Grant No./ Nomenclature	Head of Account	Original	Supple-mentary	Total	Expen-diture	Unspent Provision
1.	3- Finance	2070-00-800-0-13-014- Other Allowance	0.00	100.00	100.00	0.00	100.00
2.	5-Home and Transport	2055-00-001-0-08-014 – Other Allowance	0.00	710.00	710.00	0.00	710.00
3.		2055-00-109-1-01-195 Transport Expenses	107.38	8.00	115.38	103.99	11.39
4.	8-Forest, Ecology and Environment	2406-01-800-0-17-014 Other Allowances	0.00	16.20	16.20	0.00	16.20
5.	14- Revenue	2053-00-093-0-02-014 Other Allowances	0.00	75.00	75.00	0.00	75.00
6.	17-Education	2202-01-197-1-01-401 Bengaluru(Urban)	450.84	18.69	469.53	448.27	21.26
7.		2202-01-197-1-01-413 Belagavi	798.19	10.20	808.39	766.15	42.24
8.		2202-01-197-1-01-414 Vijayapura	473.14	6.11	479.25	456.57	22.68
9.		2202-01-197-1-01-417 Kalaburagi	414.58	6.97	421.55	396.54	25.01
10.		2202-01-197-1-01-419 Bidar	341.64	9.57	351.21	339.10	12.11
11.		2202-01-197-1-01-451 Davanagere	359.44	8.24	367.68	358.28	9.40
12.	21-Water Resources	4702-00-101-1-16-132 Capital Expenses	50.00	13.23	63.23	40.23	23.00
13.	22-Health and Family Welfare	4210-01-110-1-21-139 Major Works	145.00	22.72	167.72	61.72	106.00
14.	23-Labour and Skill Development	2230-01-800-0-08-014 Other Allowances	0.00	30.00	30.00	0.00	30.00
15.	24- Energy	6801-00-205-1-80-394 Loans	0.00	12.95	12.95	0.00	12.95
16.	27-Law	2014-00-102-0-16-014 Other Allowances	0.00	60.00	60.00	0.00	60.00
17.		2014-00-102-0-16-014 Other Allowances (*C*)	*0.00*	*125.00*	*125.00*	*0.00*	*125.00*
18.		2014-00-105-0-01-180 Machinery & Equipment	8.90	10.00	18.90	8.22	10.68
19.	28-Parliamentary Affairs and Legislation	2011-02-800-0-08-014 Other Allowances	0.00	10.00	10.00	0.00	10.00
20.	29- Debt Servicing	6004-02-101-0-03-240 Debt Servicing	700.00	67.00	767.00	650.32	116.68
Total			**3,849.11**	**1,319.88**	**5,168.96**	**3,629.39**	**1,539.60**

Source: Grant Register

Appendix 2.7
Excessive Supplementary Provision
(Reference: Paragraph 2.5.2.2; Page 74)

(₹ in crore)

Sl. No	Grant No. / Nomenclature	Head of Account	Original	Supple mentary	Total	Expenditure	Unspent Provision
1.	1-Agriculture and Horticulture	2401-00-108-2-30-422 Scheduled Caste Sub Plan	32.76	56.65	89.41	36.07	53.34
2.		2401-00-108-2-30-423 Tribal Sub Plan	14.04	19.17	33.21	19.46	13.75
3.	2-Animal Husbandry and Fisheries	2404-00-191-1-17-100 Financial Assistance/ Relief	903.17	280.22	1,183.39	1,158.31	25.08
4.	3-Finance	2235-04-101-0-01-100 Financial Assistance/ Relief	5,500.00	2,500.00	8,000.00	6,300.00	1,700.00
5.	4-Department of Personnel and Administrative Reforms	2015-00-105-0-02-059 Other Expenses	0.01	36.00	36.01	18.78	17.23
6.	7-Rural Development and Panchayat Raj	2505-60-196-6-04-300 Lumpsum –ZP	1,740.00	500.00	2,240.00	1,990.00	250.00
7.	10-Social Welfare	2225-03-277-2-67-059 Other Expenses	60.00	17.53	77.53	61.57	15.96
8.	14-Revenue	2245-80-102-0-01-059 Other Expenses	520.00	725.22	1,245.22	1,196.96	48.26
9.		4059-80-051-0-42-386 Construction	21.48	70.00	91.48	61.48	30.00
10.	17-Education	2202-02-110-3-01-101 Grants-in-Aid Salaries	491.57	86.64	578.21	567.80	10.41
Total			**9,283.03**	**4,291.43**	**13,574.46**	**11,410.43**	**2,164.03**

Source: Grant Registers

Appendix 2.8
Inadequate Supplementary Provision
(Reference: Paragraph 2.5.2.2; Page 74)

(₹ in crore)

Sl. No	Grant No./ Nomenclature	Head of Account	Provision			Expen-diture	Excess uncovered
			Original	Supple-mentary	Total		
1.	1-Agriculture and Horticulture	2401-00-108-1-15-106 Subsidies	239.24	31.90	271.14	318.56	47.42
2.	4-Department of Personnel and Administrative Reforms	2015-00-105-0-01-059 Other Expenses	0.50	60.00	60.50	77.45	16.95
3.	5-Home and Transport	2055-00-109-1-01-051 General Expenses	128.55	14.00	142.55	185.11	42.56
4.	7-Rural Development and Panchayat Raj	2215-01-102-9-08-132 Capital Expenses	953.06	50.00	1,003.06	1,132.77	129.71
5.	14-Revenue	4059-80-051-0-30-386 Construction	35.00	40.00	75.00	104.40	29.40
6.	17-Education	4202-02-104-1-03-386 Construction	43.10	55.00	98.10	203.34	105.24
7.	20-Public Works	5054-03-337-0-16-154 Improvements	21.00	25.00	46.00	63.48	17.48
8.		5054-03-337-0-18-154 Improvements	350.00	100.00	450.00	700.00	250.00
9.		5054-04-337-0-01-154 Improvements	380.00	1,365.00	1,745.00	1,937.00	192.00
10.		5054-80-190-0-01-132 Capital Expenses	158.56	127.45	286.01	616.01	330.00
11.	21-Water Resources	4701-80-190-4-00-132 Capital Expenses	1,445.07	200.00	1,645.07	2,245.07	600.00
12.	23- Labour and Skill Development	2501-01-198-6-03-300 Lumpsum- ZP	102.00	87.81	189.81	209.70	19.89
Total			**3,856.08**	**2,156.16**	**6,012.24**	**7,792.89**	**1,780.65**

Source: Grant Registers

Appendix 2.9
Unnecessary/Excessive/In-sufficient Re-appropriation
(Reference: Paragraph 2.5.3.1; Page 75)

(₹ in crore)

Sl. No.	Grant No.	Head of Account	Provision (Original + Supplementary)	Re-appropriation (-)	Total	Expenditure	Unspent Provision (-)
1	01-Agriculture and Horticulture	2401-00-102-0-28-059 Other Expenses	48.90	23.90	25.00	13.80	11.20
2		2401-00-800-1-57-059 Other Expenses	235.98	48.96	187.02	155.05	31.97
3		2401-00-800-2-48-059 Other Expenses	100.97	30.50	70.47	49.99	20.48
4		2402-00-102-0-30-139 Major Works	269.28	13.48	255.80	197.14	58.66
5	03-Finance	2071-01-101-3-01-251 Pension and Retirement Benefits	10,692.20	32.62	10,659.58	9,362.58	1,297.00
6	07-Rural Development and Panchayat Raj	2215-01-198-6-01-300 Lumpsum ZP	1,810.33	155.28	1,655.05	969.79	685.26
7	17-Education	2202-03-107-1-14-106 Subsidies	89.76	36.76	53.09	28.25	24.84
8		4202-01-203-1-01-132 Capital Expenses	354.97	105.74	249.23	215.44	33.79
9	18-Commerce and Industries	4860-60-600-0-02-132 Capital Expenses	500.00	187.00	313.00	0.00	313.00
10	19-Urban Development	3604-00-191-2-18-032 Grants for creation of Capital Assets	206.53	33.26	173.27	153.27	20.00
11		3604-00-191-3-51-032 Grants for creation of Capital Assets	237.68	52.97	184.71	90.30	94.41
12	20-Public Works	5054-80-190-0-03-132 Capital Expenses	750.00	750.00	0.00	0.00	0.00
13		5054-80-190-0-03-422 Scheduled Caste Sub Plan	178.00	178.00	0.00	0.00	0.00
14		5054-80-190-0-03-423 Tribal Sub Plan	72.00	72.00	0.00	0.00	0.00
15	21-Water Resources	4705-00-800-0-01-133 Special Development Plan	167.19	45.26	121.93	93.66	28.27
16	22-Health and Family Welfare	4210-01-110-1-21-139 Major Works	167.72	91.38	76.34	61.72	14.62
17	23- Labour and Skill Development	2230-02-101-0-09-059 Other Expenses	50.83	17.00	33.83	22.94	10.89
18	29-Debt Servicing	2049-01-101-3-56-240 (New Loans 2018-19)-Debt Servicing	*482.83*	*350.00*	*132.83*	*0.00*	*132.83*
Total			**16,415.17**	**2,224.11**	**14,190.43**	**11,413.93**	**2,777.22**

Sl. No.	Grant No.	Head of Account	Provision (Original + Supplementary)	Re-appropriation (-)	Total	Expenditure	Unspent Provision (-)
Sl. No.	**Grant No.**	**Head of Account**	**Provision (Original + Supplementary)**	**Re-appropriation (+)**	**Total**	**Expenditure**	**Unspent Provision (-)**
1	01-Agriculture amd Horticulture	2401-00-108-2-30-106 Subsidies	263.20	35.00	298.20	285.33	12.87
2	18-Commerce and Industries	6852-02-800-0-01-394 Loans	212.00	170.00	382.00	319.60	62.40
3	20-Public Works	5054-04-337-0-01-422 Scheduled Caste Sub Plan	649.55	178.00	827.55	569.66	257.89
4		5054-04-337-0-01-423 Tribal Sub Plan	322.10	72.00	394.10	291.82	102.28
5	21-Water Resources	4701-80-190-3-00-132 Capital Expenses	1,602.99	342.18	1,945.17	1845.17	100.00
Total			**3,049.84**	**797.18**	**3,847.02**	**3,311.58**	**535.44**
Sl. No.	**Grant No.**	**Head of Account**	**Provision (Original + Supplementary)**	**Re-appropriation (-)**	**Total**	**Expenditure**	**Excess (+)**
1	20-Public Works	5054-03-337-0-17-154 Improvements	333.50	30.00	303.50	359.49	55.99
Total			**333.50**	**30.00**	**303.50**	**359.49**	**55.99**
Sl. No.	**Grant No.**	**Head of Account**	**Provision (Original + Supplementary)**	**Re-appropriation (+)**	**Total**	**Expenditure**	**Excess (+)**
1	01-Agriculture and Horticulture	2406-02-112-0-17-139 Major Works	20.00	10.50	30.50	37.77	7.27
2	20-Public Works	3054-03-337-0-07-200 Maintenance Expenditure	37.46	20.00	57.46	117.46	60.00
3		4711-02-103-2-00-139 Major Works	9.86	3.05	12.90	32.91	20.00
Total			**67.32**	**33.55**	**100.86**	**188.14**	**87.27**

Source: Grant Registers

Appendix 2.10

Cases of Defective Re-appropriation Orders

(Reference: Paragraph 2.5.3.2; Page 76)

(₹ in crore)

Sl. No	Grant No.	Government Order No.	Date	Amount	Issuing Authority	Reasons for rejection
1	2	PSV 13 PPY 2019	15-03-2019	1.06	Under Secretary to Govt., AH&VS Department, Bengaluru	Order from FD not received
2	4	CiAaSuEi 246 NaaSeKa 2017	17-12-2018	0.07	Administrative Officer, Sakala Mission, M.S. Buildings, Bengaluru	Form 22A not self-balanced
3		Saalu Ei 7 SI 2018	06-09-2018	0.25	Under Secretary to Governor, Department of Public Enterprises, Bengaluru	
4		GS 32 ACT 2019	18-02-2019	0.02	Special Secretary to Government, Raj Bhavan, Bengaluru	
5		CiAaSuEi 26 KTP 2019	07-03-2019	0.18	Under Secretary to Govt., DPAR (AR-Training), Bengaluru	
6		FPI ACT 351 2018-19	12-03-2019	0.07	Director, Fiscal Policy Institute, Bengaluru	
7	5	Budt1/32/2018-19	01-03-2019	0.22	Director General and Inspector General of Police, Nrupathunga Road, Bengaluru	RA order has to be issued by the Departmental Secretariat/ FD
8	9	CO 40 LLM-18	01-02-2019	0.01	Ex-Officio Deputy Secretary to Government, Co-operation Department, Bengaluru	Form 22A not self-balanced
9		SE 150 MRE 10	20-02-2019	7.61		Re-appropriation not permissible between Revenue and Capital
10	11	MME 11 MBB 2019	12-03-2019	14.85	Deputy Secretary to Government, Women and Child Development Department, Bengaluru	Order from FD not received
11		MME 28 MM part 2019	13-03-2019	0.14		Form 22A not self-balanced
12	12	FD 88 BRS 2018	28-12-2018	10.16	Under Secretary to Govt., Finance Department (FR & BCC) Department, Bengaluru	New Service
13	14	RD 38 MST 2018	16-11-2018	0.14	Under Secretary to Govt., Revenue Department (Land Revenue and Land Reforms Cell) M.S.Buildings, Bengaluru	Form 22A not self-balanced
14		RD 47 LGB 2019	22-03-2019	0.01	Under Secretary to Govt., Revenue Department (Land Allotment-1), Bengaluru	
15		RD 10 MST 2019	23-03-2019	0.03	Deputy Secretary to Govt., Services-3, Karnataka Administrative Tribunal, Land Reforms Cell, Bengaluru	
16		RD 6 MST 2019	23-03-2019	0.23		
17	14	RD 47 LGB 2019	23-03-2019	0.33	Under Secretary to Govt., Revenue Department	Form 22A not self-balanced

Sl. No	Grant No.	Government Order No.	Date	Amount	Issuing Authority	Reasons for rejection
					(Land Allotment-1), Bengaluru	
18		FD 443A EXP-7/2019	30-03-2019	17.76	Under Secretary to Govt., Finance Department (Exp - 7), Bengaluru	Due to insufficient balance
19	15	OO No. 607/2018-19	22-02-2019	0.01	Director of Information Technology and Bio - Technology, BMTC Complex, TTMC, Shanthinagar, Bengaluru – 27.	Non receipt of Office/ Sanction Order
20		OO No.618/2018-19	25-02-2019	0.05		
21	17	ED 07 HPV 2019	16-02-2019	0.30	Deputy Secretary to Govt., Higher Education Dept., M.S.Building, Bengaluru	Budget Provision not tallied
22		ED 12 HPV 2019	16-02-2019	0.50		
23		RaShi71 RA/Bud/2018-19	05-03-2019	0.09	Commissioner of Collegiate Education, Bengaluru	Sanction order not received
24		ED 160 UNE 2014	11-03-2019	0.49	Under Secretary to Govt., Education Dept., (Universities-1)., M.S.Building, Bengaluru	Form 22A not self-balanced
25		ED 65 UNE 2019	12-03-2019	0.50		
26	18	/Gr/RA/2018-19	07-02-2019	0.10	Director, Mines and Geology Department, Bengaluru	
27		DSK/EAP/52/17-18/2110	13-02-2019	0.01	Commissioner for cane Development and Director of Sugar, Bengaluru	
28	19	UDD 10 SFC 2019	29-01-2019	0.50	Under Secretary to Govt., Urban Development Dept., Bengaluru	Sanction from Salary head to non-salary head
29	20	FD 183 BRS 2018	08-03-2019	116.00	Under Secretary to Govt., Finance Dept.(FR & BCC), Bengaluru	New Service
30		FD 185 BRS 2018	08-03-2019	110.00		
31	21	MI D 09 AVS 2019	07-03-2019	0.02	Under Secretary to Govt., MI and Ground Water Development Dept., Vidhana Soudha,, Bengaluru	Form 22A not self-balanced
32		FD 11 (XXXVII) GIE 19	30-03-2019	0.33	Under Secretary to Govt., Finance Dept., Bengaluru	Due to lack of funds
33	23	Act-1/ CR53/18-19	-01-2019	0.05	Commissioner of Labour, Department of Labour, Bengaluru	Form 22A not self-balanced
34		LD 38 LET 2019	11-02-2019	0.10	Deputy Secretary to Govt., Labour Dept., Bengaluru	
35	28	FD 298 (i) Exp 10/2019	30-03-2019	0.37	Under Secretary to Govt., Finance Dept.(EXP 2&10), Bengaluru	
Total				**282.56**		

Source: Office of the PAG(A&E)

Appendix 2.11

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

(Reference: Paragraph 2.5.4.1; Page 76)

(₹ in crore)

Sl. No	Grant No.	Section	Unspent Provision
1	6	**Infrastructure Development**	
		Revenue - Voted	0.88
2	8	**Forest, Ecology and Environment**	
		Revenue - Charged	*358.62*
3	10	**Social Welfare**	
		Revenue – Voted	254.83
4		Capital - Voted	83.84
5	11	**Women and Child Welfare**	
		Capital - Voted	71.55
6	12	**Information, Tourism and Youth Service**	
		Revenue – Voted	98.11
7		Capital - Voted	242.22
8	14	**Revenue**	
		Capital - Voted	13.11
9		*Capital - Charged*	*9.29*
10	15	**Information Technology**	
		Revenue - Voted	0.46
11	16	**Housing**	
		Revenue - Voted	915.89
12	19	**Urban Development**	
		Revenue - Charged	*620.38*
13	20	**Public Works**	
		Revenue - Charged	*17.88*
14	21	**Water Resources**	
		Revenue Charged	*138.52*
15		*Capital Charged*	*86.57*
16	24	**Energy**	
		Revenue - Voted	4.95
17		Capital - Voted	12.95
18	25	**Kannada and Culture**	
		Capital - Voted	12.27
Total			**2,941.72**

Source: Appropriation Accounts

Appendix 2.12

Surrender of Unspent Provision

(Reference: Paragraph 2.5.4.1; Page 77)

(₹ in crore)

Sl. No	Grant/Section		Amount of unspent provision	Amount surrendered	Amount not surrendered
	01	**Agriculture and Horticulture**			
1		Revenue-Voted	1,340.72	1,229.43	111.29
2		Capital-Voted	329.50	324.30	5.20
	02	**Animal Husbandry and Fisheries**			
3		Revenue-Voted	109.55	98.63	10.92
4		Capital-Voted	0.01	0.01	0.00
	03	**Finance**			
5		Revenue-Voted	4,834.71	4,723.72	110.99
6		*Revenue-Charged*	*10.70*	*9.20*	*1.50*
7		Capital –Voted	34.52	6.49	28.03
	04	**Department of Personnel and Administrative Reforms**			
8		Revenue-Voted	165.93	38.69	127.24
9		*Revenue-Charged*	*22.67*	*3.86*	*18.81*
10		Capital-Voted	4.98	0.44	4.54
	05	**Home and Transport**			
11		Revenue- Voted	401.87	178.16	223.71
12		*Revenue-Charged*	*0.03*	*0.03*	*0.00*
13		Capital-Voted	108.46	103.35	5.11
	06	**Infrastructure Development**			
14		Capital-Voted	37.74	0.50	37.24
	07	**Rural Development and Panchayat Raj**			
15		Revenue-Voted	1,186.41	44.48	1,141.93
16		Capital-Voted	278.19	192.28	85.91
	08	**Forest, Ecology and Environment**			
17		Revenue - Voted	115.48	104.39	11.09
18		Capital-Voted	0.14	0.14	0.00
	09	**Co-operation**			
19		Revenue-Voted	344.14	197.75	146.39
20		Capital-Voted	4,000.00	125.00	3,875.00
	11	**Women and Child Development**			
21		Revenue-Voted	815.43	142.44	672.99
	13	**Food and Civil Supplies**			
22		Revenue-Voted	196.32	29.72	166.60
23		*Revenue-Charged*	*0.01*	*0.01*	*0.00*
24		Capital-Voted	1.16	1.16	0.00
	14	**Revenue**			
25		Revenue-Voted	270.81	140.14	130.67
	15	**Information Technology**			
26		Revenue-Voted	0.46	0.00	0.46
	16	**Housing**			
27		*Capital - Charged*	*0.01*	*0.01*	*0.00*
	17	**Education**			
28		Revenue-Voted	2,309.78	61.92	2,247.86
29		Capital-Voted	121.88	1.51	120.37
	18	**Commerce and Industries**			
30		Revenue-Voted	132.12	64.56	67.56

Sl. No		Grant/Section	Amount of unspent provision	Amount surrendered	Amount not surrendered
31		Capital-Voted	576.28	75.24	501.04
	19	**Urban Development**			
32		Revenue-Voted	353.15	298.31	54.84
33		Capital-Voted	328.40	36.00	292.40
	20	**Public Works**			
34		Revenue-Voted	102.50	3.94	98.56
35		Capital-Voted	1,147.20	617.66	529.54
	21	**Water Resources**			
36		Revenue-Voted	125.31	15.21	110.10
37		Capital-Voted	547.46	31.12	516.34
	22	**Health and Family Welfare**			
38		Revenue-Voted	427.44	380.27	47.17
39		Capital-Voted	248.49	210.64	37.85
	23	**Labour and Skill Development**			
40		Revenue-Voted	204.81	170.82	33.99
41		Capital-Voted	30.09	13.78	16.31
	25	**Kannada and Culture**			
42		Revenue-Voted	82.02	19.87	62.15
	26	**Planning, Statistics, Science and Technology**			
43		Revenue-Voted	9.13	5.02	4.11
44		Capital-Voted	138.05	0.48	137.57
	27	**Law**			
45		Revenue-Voted	59.28	57.95	1.33
46		*Revenue-Charged*	*63.44*	*22.41*	*41.03*
47		Capital-Voted	1.00	1.00	0.00
	28	**Parliamentary Affairs and Legislature**			
48		Revenue-Voted	34.33	31.35	2.98
49		*Revenue-Charged*	*1.25*	*0.93*	*0.32*
	29	***Debt Servicing***			
50		*Revenue-Charged*	*435.97*	*435.97*	*0.00*
51		*Capital -Charged*	*108.35*	*120.31*	*(+)11.96*
Total			**22,197.26**	**10,370.67**	**11,826.59**

Source: Appropriation Accounts

Appendix 2.13

Results of substantial surrenders made during the year

(Reference: Paragraph 2.5.4.2; Page 77)

(₹ in crore)

Sl. No	Grant No.	Name of the Section (Head of Account)	Provision	Amount surrendered	Percentage of surrender	Remarks
1	1	2401-00-800-1-72-106 Subsidies	730.00	730.00	100	Due to non honouring of bills which were presented during March end by the treasuries
2		2401-00-800-1-72-422 Schedule Caste Sub Plan	200.00	200.00	100	No specific reason furnished
3		2401-00-800-1-72-423 Tribal Sub Plan	70.00	70.00	100	
4		4401-00-108-0-01-132 Capital expenses	115.00	115.00	100	
5		4401-00-108-0-01-422 Schedule Caste Sub Plan	25.00	25.00	100	
6		4401-00-108-0-01-423 Tribal Sub Plan	10.00	10.00	100	
7		4401-00-108-0-02-132 Capital Expenses	115.00	115.00	100	
8		4401-00-108-0-02-422 Schedule Caste Sub Plan	25.00	25.00	100	
9		4401-00-108-0-02-423 Tribal Sub Plan	10.00	10.00	100	
10		4401-00-113-0-01-059 Other Expenses	13.00	13.00	100	
11	3	2070-00-800-0-11-014 Other Allowances	362.00	360.76	100	Due to non-filling up of vacant posts
12		2071-01-109-1-01-251 Pension and Retirement Benefits	41.80	30.75	74	Merger of DA as per 6th Pay Commission Report
13		2071-01-115-1-14-251 Pension and Retirement Benefits	97.00	74.57	77	
14		2071-01-115-1-53-251 Pension and Retirement Benefits	22.73	11.30	50	
15		2071-01-200-0-05-251 Pension and Retirement Benefits	11.90	11.43	96	
16		2071-01-200-0-06-251 Pension and Retirement Benefits	35.76	32.50	91	
17	5	5055-00-190-3-00-211 Investments	100.00	100.00	100	To provide funds under Revenue head as one time financial assistance to BMTC for administrative expenses
18	7	5054-03-337-0-71-422 Schedule Caste Sub Plan	108.32	97.29	90	No specific reason furnished
19		5054-03-337-0-71-423 Tribal Sub Plan	64.99	64.99	100	
20	8	2406-01-789-0-00-422 Schedule Caste Sub Plan	24.93	15.14	61	Due to inability to provide new LPG connections exclusively by Forest Department
21	13	2408-01-102-0-04-125 Modernisation	15.54	10.27	66	Due to violation of tender rules

Sl. No	Grant No.	Name of the Section (Head of Account)	Provision	Amount surrendered	Percentage of surrender	Remarks
22	14	2245-80-102-0-03-059 Other Expenses	49.36	31.61	64	Due to economy measure and election code of conduct
23	17	2203-00-001-0-02-Quality Improvement of Technical Education	19.81	19.81	100	Due to non-receipt of permission from Govt. to bear the expenses and inability to purchase Laptop to SC and ST students during the year
24	18	2851-00-103-0-62-422 Schedule Caste Sub Plan	17.07	10.24	60	As per decision of Nodal Agency Meeting
25		4852-01-004-0-01-423 Tribal Sub Plan	24.81	12.41	50	
26	19	3604-00-191-8-51-103 Grants-in-Aid General	295.20	295.20	100	Due to non-release of expected grants from Government of India
27		4217-60-800-4-03-139 Major Works	36.00	36.00	100	The works was undertaken by KRDCL coming under PWD in order to implement the work as stated in para 160 of Budget speech (July 2018)
28	20	5051-02-211-0-01-059 Other Expenses	35.00	35.00	100	Due to delay in obtaining sanction from Dept. of Environment for commencement of work, *viz*., Karwar and Mangaluru port coastal berth, breakwater and dredging works
29	21	2701-80-001-0-19-015 Subsidiary Expenses	21.80	12.36	57	Due to non-receipt of claims towards professional fee and other charges of Advocates in Mahadayi water project and non-intimation of State share of expenditure in Cauvery Water Tribunal by Central Government
30		4702-00-101-1-15-139 Major Works	26.67	26.67	100	Due to non-approval of action plan by Central Government under Harketh to pani (PMKSY)
31	22	2210-06-001-0-01-221 Materials and Supplies	20.16	20.16	100	Due to no demand under this head
32		2210-80-800-0-17-059 Other Expenses	22.75	12.56	55	Due to non-receipt of bills in time
33		2210-80-800-0-27-059 Other Expenses	76.54	38.27	50	Due to closure of scheme by 31-08-2018, funds of 3rd and 4th quarter surrendered
34		4210-01-110-1-21-422 Schedule Caste Sub Plan	35.00	35.00	100	As per the decision taken in progress review meeting held on 03-01-2019.
35		4210-01-110-1-21-423 Tribal Sub Plan	20.00	20.00	100	
36		4210-01-110-7-03-139 Major Works	29.00	29.00	100	Due to non-acceptance of bills

Sl. No	Grant No.	Name of the Section (Head of Account)	Provision	Amount surrendered	Percentage of surrender	Remarks
37	23	2230-03-101-0-59-059 Other Expenses	21.00	20.21	96	Due to cancellation of recognition of Training Institutes/ Centres by NSDC and non-renewal of recognition
38		3604-00-191-5-52-059 Other Expenses	34.00	22.85	67	No specific reason furnished
39		3604-00-191-5-52-422 Schedule Caste Sub Plan	10.00	10.00	100	As per the decision taken in the SCSP/ TSP progress review meeting
40	25	2205-00-102-1-44-422 Schedule Caste Sub Plan	29.58	14.87	50	Due to less number of programmes
41	29	2049-03-104-3-00-240 Debt Servicing	*20.00*	*13.57*	68	Due to variation in rate of interest
Total			**3,041.72**	**2,837.79**	**93**	

Source: Appropriation Accounts/Grant Register

Appendix 2.14

Cases of surrender of funds in excess of ₹ five crore on 30 and 31 March 2019

(Reference: Paragraph 2.5.4.2; Page 79)

(₹ in crore)

Sl. No.	Grant No./Nomenclature		No. of cases	Total Provision	Amount surrendered	Percentage to total provision
1	1	Agriculture and Horticulture	12	2,161.15	1,093.59	51
2	2	Animal Husbandry and Veterinary Services	4	1,280.20	80.21	6
3	3	Finance	26	24,166.54	4,606.69	19
4	5	Home and Transport	7	283.94	104.47	37
5	7	Rural Development and Panchayat Raj	3	2,157.08	74.48	3
6	8	Forest, Ecology and Environment	2	183.60	54.40	30
7	9	Co-operation	2	4,000.00	125.00	3
8	11	Women and Child Development	1	648.08	6.51	1
9	13	Food and Civil Supplies	1	15.54	10.27	66
10	14	Revenue	4	3,632.22	121.95	3
11	17	Education	4	655.03	37.54	6
12	18	Commerce and Industries	2	27.56	10.15	37
13	19	Urban Development	1	295.20	295.20	100
14	21	Water Resources	1	21.80	12.36	57
15	22	Health and Family Welfare	18	1,232.71	289.19	24
16	23	Labour and Skill Development	11	463.42	134.46	29
17	27	Law	5	107.47	55.43	52
18	28	Parliamentary Affairs and Legislature	2	49.97	12.57	25
19	29	Debt Servicing	10	4,646.70	543.20	12
Total			**116**	**46,028.21**	**7,667.67**	**17**

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

Appendix 3.1

Major Head and Department-wise details of outstanding UCs separately for each year

(Reference: Paragraph 3.1; Page 85)

(₹ in crore)

Sl. No.	Head of Account	Nomenclature	Year in which GIA released	Number of UCs Outstanding	Amount
1	2204	Sports and Youth Services	1989-90	1	0.01
			Total	**1**	**0.01**
2	2210	Medical and Public Health	2013-14	6	35.33
			2014-15	13	101.42
			2015-16	14	98.60
			2016-17	24	139.30
			2017-18	10	51.34
			Total	**67**	**425.99**
3	2217	Urban Development	2013-14	1	23.61
			2015-16	7	48.55
			2016-17	4	254.73
			Total	**12**	**326.89**
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
			Total	**26**	**10.44**
5	2245	Relief on account of Natural Calamities	2001-02	3	1.41
			Total	**3**	**1.41**
6	3475	Other General Economic Services	2001-02	1	0.07
			Total	**1**	**0.07**
Total				**110**	**764.81**

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 86)

Sl. No.	Department	No. of Institutions	Years for which information not received
1	Education	436	1994-95 to 2018-19
2	Medical Education	27	2016-17 to 2018-19
3	Commerce and Industries	8	2003-04 to 2018-19
4	Health and Family Welfare	1	2016-17 to 2018-19
5	Labour and Skill Development	1	2013-14 to 2018-19
6	Parliamentary Affairs and Legislation	1	2014-15 to 2018-19
7	Endowments	3	2012-13 to 2018-19
8	IT, BT, Science and Technology	5	2014-15 to 2018-19
9	Co-operation	1	1994-95 to 2018-19
10	Kannada and Culture	1	2016-17 to 2018-19

Source: Office of the Pr. AG(G&SSA) and 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 86)

Sl. No.	Name of the Autonomous Body	Section under which Audited	Period of Entrustment	Year up to which accounts rendered	Year up to which audit report issued	Placement of audit report before the Legislature
1	Karnataka State Khadi and Village Industries Board, Bengaluru	19(3)	2017-18 to 2021-22	2017-18	2017-18	2016-17 Dt 11-12-2018
2	Karnataka Industrial Area Development Board, Bengaluru	19(3)	2014-15 to 2018-19	2017-18	2017-18	2016-17 Dt 11-12-2018
3	Karnataka Slum Development Board, Bengaluru	19(3)	2017-18 to 2021-22	2017-18	2017-18	2015-16 Dt: 14-11-2017
4	Bangalore Water Supply and Sewerage Board, Bengaluru	19(3)	2017-18 to 2021-22	2017-18	2016-17	2014-15 Dt:12-06-2017
5	Karnataka Housing Board, Bengaluru	19(3)	2016-17 to 2020-21	2017-18	2016-17	2015-16 Dt: 14-11-2017
6	Karnataka State Legal Services Authority, Bengaluru and 30 District Legal Services Authorities	19(2)	As per Act	2017-18	2016-17	2014-15 Dt: 25-11-2016
7	Karnataka Bio-Diversity Board, Bengaluru	20(1)	2014-15 to 2018-19	2017-18	2017-18	2015-16 Dt: 14-11-2017
8	Karnataka Urban Water Supply and Drainage Board, Bengaluru	19(3)	2015-16 to 2019-20	2017-18	2016-17	2015-16 Dt: 14-11-20117
9	Bangalore Development Authority, Bengaluru	19(3)	2015-16 to 2019-20	2017-18	2016-17	2013-14 Dt: 14-11-2017
10	Karnataka State Human Rights Commission, Bengaluru	19(2)	As per Act	2017-18	2017-18	2015-16 Dt: 14-11-2017
11	Karnataka Building and other Construction Workers Welfare Board, Bengaluru	19(2)	As per Act	2016-17	2015-16	Not placed
12	Karnataka Text Book Society, Bengaluru	19(3)	Upto 2020-21	2006-07 (accounts rendered for the first time)	2006-07	Nil

Source: Office of the PAG(G&SSA) and 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 87)

(₹ in crore)

Sl. No.	Undertakings	Accounts Finalized up to	Investment as per the last Accounts Finalized	Remarks
1	Chamarajendra Technical Institute, Mysuru	1984-85	-	Proforma Accounts due from 1985-86
2	Government Saw Mills, Joida	1968-69	-	Proforma Accounts due from 1969-70. Undertakings 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 Diary, 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 (KDDC)with effect from 1st December 1975
5	Government Milk Supply Scheme, Hubballi-Dharwar	1980-81	-	Proforma Accounts due from 1981-82 to 1984-85 (up to 31-01-1985)
6	Government Milk Supply Scheme. Mysuru	1968-69	-	Proforma Accounts due from 1969-70 to 30-11-1975. Transferred to Karnataka Dairy Development Corporation w.e.f 01-12-1975
7	Government Milk Supply Scheme, Belagavi	1976-77	-	Proforma Accounts due from 1977-78 to 1984-85 (up to 31-1-1985).
8	Government Milk Supply Scheme, Kalaburagi	1982-83	-	Proforma Accounts due from 1983-84 to 1984-85 (up to 31-01-1985)
9	Government Milk Supply Scheme, Bhadravathi	1982-83	-	Proforma Accounts due from 1983-84 to 1984-85 (up to 14-02-1985).
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 (Up to 30-11-1975) Transferred to KDDC
12	Vaccine Institute, Belagavi	1992-93	-	Proforma Accounts due from 1993-94
13	Government Silk Filature, Kollegal	2015-16	1.69	Information not available

Sl. No.	Undertakings	Accounts Finalized up to	Investment as per the last Accounts Finalized	Remarks
14	Government Silk Filature, Mambally	2015-16	2.38	Information not available
15	Government Silk Twisting and Weaving Factory, Mudigundam	2015-16	1.81	Information not available
16	Government Silk Filature, Chamarajanagar	2015-16	1.68	Information not available
17	Government Silk Filature, Santhemarahalli	2016-17	1.24	Information not available
18	Government Central Workshop, Madikeri	2008-09	0.07	Proforma Accounts due from 2009-10 to the date of closure (July 2019)
19	Karnataka Government Insurance Department, Bengaluru	-	No Capital Account	Information not available

Source: Finance Accounts

Appendix 3.5

Department-wise details of non-submission of stores and stock accounts

(Reference: Paragraph 3.5; Page 87)

Sl. No.	Department	Office responsible for furnishing accounts	Period for which accounts are due
Annual Accounts			
1	Printing and Stationery	Director of Printing and Stationery	2017-18 & 2018-19
2	Information and Publicity	Director of Information and Publicity	2016-17 to 2018-19
3	Home Department	Director, General and Inspector General of Police	2018-19
4		Director, General and Inspector General of Prisons	2018-19
5	Health Department	Director, Health and Family Welfare Services	2008-09 to 2018-19
6		Karnataka State Drugs Logistics and Warehousing Society (Govt. Medical Stores)	2014-15 to 2018-19
7		Indian System of Medicine and Homeopathy	2011-12 to 2018-19
8		Director of Medical Education	2008-09 to 2018-19
9	Commerce and Industries	Director	March 2014 to March 2019
10	Forest	CCF (Research), Bengaluru	March 2018 & March 2019
11		CCF, WP, Bengaluru	March 2018 & March 2019
12		CCF (Evaluation), Bengaluru	March 2018 & March 2019
13		CCF, Mysuru Circle, Mysuru	March 2018 & March 2019
14		CCF (FDPT), Mysuru	March 2018 & March 2019
15		CCF, Madikeri	March 2018 & March 2019
16		CF, Shivamogga	March 2018 & March 2019
17		CF, WP & FS, Shivamogga	March 2018 & March 2019
18		CF, Chickmagaluru	March 2018 & March 2019
19		CF, WP&FS, Chickmagaluru	March 2018 & March 2019
20		CF, Bengaluru	March 2018 & March 2019
21		CF, WP&FS, Mysuru	March 2018 & March 2019
22		CF & Director, Rajiv Gandhi NP Hunsuru	March 2018 & March 2019
23		CF, Mangaluru	March 2018 & March 2019
24		CF, Research Madikeri	March 2018 & March 2019
25		CF, Chamarajanagar	March 2018 & March 2019

Sl. No.	Department	Office responsible for furnishing accounts	Period for which accounts are due
26		CF & Director, BRT Tiger Reserve, Chamarajanagar	March 2018 & March 2019
27		CF, Hassan	March 2018 & March 2019
28		CCF, Training Gungargatti	March 2018 & March 2019
29		CF & DIR, DATR Dandeli	March 2018 & March 2019
30		CF, Belgaum	March 2018 & March 2019
31		CF, Bellary	March 2018 & March 2019
32		CF, Dharwar	March 2018 & March 2019
33		CF, Kalaburgi	March 2018 & March 2019
34		CF, Research, Bellary	March 2018 & March 2019
35		CF, Research, Dharwar	March 2018 & March 2019
36		CF, Sirsi	March 2018 & March 2019
37		CF, WP&FS, Belgaum	March 2018 & March 2019
38		CF, WP&FS, Bellary	March 2018 & March 2019
39		CF, WP&FS, Dharwar	March 2018 & March 2019
Half Yearly Accounts			
1	Public Works, Port & Inland Water Transport Department	CE, C&B (North), Dharwar	September 2017 to March 2019
2		EE, PWP & IWTD QA Dv Kalaburgi	September 2017 to March 2019
3		EE, KSHIP, Belgaum	September 2017 to March 2019
4		EE, NH Dn., Hubli	March 2014 to March 2019
5		EE, NH Dn., Karwar	March 2014 to March 2019
6		EE, NH Dn., Vijayapura	September2015 to March 2019
7		EE, NH Kalaburgi	September 2017 to March 2019
8		EE, Ports Dn., Karwar	September 2017 to March 2019
9		EE, PWP&IWTD, Bagalkot	March 2015 to March 2019
10		EE, PWP&IWTD, Belgaum	March 2017 to March 2019
11		EE, PWP&IWTD, Bellary	March 2015 to March 2019
12		EE, PWP&IWTD ,Bidar	March 2015 to March 2019
13		EE, PWP&IWTD, Vijayapura	March 2015 to March 2019
14		EE, PWP&IWTD, Chikkodi	March 2015 to March 2019
15		EE, PWP&IWTD, Dharwar	March 2015 to March 2019
16		EE, PWP&IWTD, Gadag	March 2015 to March 2019
17		EE, PWP&IWTD, Kalaburgi	September 2017 to March 2019
18		EE, PWP &IWTD, Haveri	March 2015 to March 2019
19		EE, PWP&IWTD, Karwar	March 2015 to March 2019

Sl. No.	Department	Office responsible for furnishing accounts	Period for which accounts are due
20		EE, PWP&IWTD, Koppal	March 2015 to March 2019
21		EE, PWP&IWTD QC Dn., Dharwar	September 2017 to March 2019
22		EE, PWP&IWTD QC Dn., Kalaburgi	March 2014 to March 2019
23		EE, PWP&IWTD, Raichur	September 2015 to March 2019
24		EE, PWP&IWTD, Sedam	September 2017 to March 2019
25		EE, PWP&IWTD, Sirsi	March 2014 to March 2019
26		EE, PWP&IWTD, Yadgir	March 2015 to March 2019
27		SE, NH Circle, Dharwar	March 2014 to March 2019
28		SE, PW Circle, Belgaum	September 2017 to March 2019
29		SE, PW Circle, Bellary	September 2017 to March 2019
30		SE, PW Circle, Dharwar	September 2017 to, March 2019
31		SE, PW Circle, Kalaburagi	September 2017 to March 2019
32		SE, QA Circle, Dharwar	September 2017 to March 2019
33		SLAO, NH, Dharwar	September 2017 to March 2019
34		CE, C&B (South), Bengaluru	September 2017 to March 2019
35		EE, PWP&IWTD, Bengaluru	March 2017 to March 2019
36		SE, PW Circle, Shivamogga	September 2017 to March 2019
37		EE, PWP&IWTD, Shivamogga	March 2017 to March 2019
38		EE PWP&IWTD, Chitradurga	March 2017 to March 2019
39		EE, PWP&IWTD, Davanagere	March 2014 to March 2019
40		EE, PWP&IWTD Spl Dn., Shivamogga	March 2015 to March 2019
41		SE, PW Building Circle, Bengaluru	September 2017 to March 2019
42		EE, No1, Building Division, Bengaluru	March 2017 to March 2019
43		EE, No2, building division, Bengaluru	September 2017 to March 2019
44		EE, ESI Bldg Dn, Bengaluru	March 2017 to March 2019

Sl. No.	Department	Office responsible for furnishing accounts	Period for which accounts are due
45		EE, PWP&IWTD Electrical Dn, Bengaluru	September2016 to March 2019
46		EE, PWP&IWTD QC Dn., Bengaluru	September 2017 to March 2019
47		EE, Chief Architect Bengaluru	September 2017 to March 2019
48		EE, PWD QA, PWD, Hassan	March 2015 to March 2019
49		CE, PWD QA Dn, Bengaluru	September 2017 to March 2019
50		SE, PWD QA Circle, Bengaluru	September 2017 to March 2019
51		EE, PWP&IWTD, Ramanagara	March 2015 to March 2019
52		EE, PWP&IWTD, Kolar	March 2015 to March 2019
53		SE, PWD Circle, Bengaluru	September 2017 to March 2019
54		PD PMU, SCP&MIP, Mangaluru	September 2017 to March 2019
55		Secretary, PWD, Bengaluru	September 2017 to March 2019
56		EE, PWP&IWTD, Chickballapur	3/2019/202019
57		EE, PWP&IWTD, Tumkuru	September 2017 to March 2019
58		EE, PWP&IWTD, Madhugiri	September 2017 to March 2019
59		SE, PW Circle, Mysuru	September 2017 to March 2019
60		EE, PWP&IWTD, Mysuru	March 2014 to March 2019
61		EE, PWP&IWTD, Mandya	September 2018 to March 2019
62		EE, PWP&IWTD, Chamarajanagar	March 2017 to March 2019
63		EE, PWP&IWTD, Hunsuru	September2018 to March 2019
64		SE, PW Circle, Mangaluru	September 2017 to March 2019
65		EE, PWP&IWTD, Mangaluru	March 2014 to March 2019
66		EE, PWP&IWTD, Madikeri	September2014 to March 2019
67		EE, PWP&IWTD, Udupi	September13 to March 2019
68		EE, Ports & Fisheries Dn., Udupi	September 2017 to March 2019

Sl. No.	Department	Office responsible for furnishing accounts	Period for which accounts are due
69		EE, PWP&IWTD, Hassan	September 2018 to March 2019
70		EE, PWP&IWTD, Chickmagaluru	September 2017 to March 2019
71		PD, PIU KSHIP, Bengaluru	September 2017 to March 2019
72		EE, KSHIP, Tumkuru	September 2017 to March 2019
73		EE, KSHIP, Shivamogga	September 2017 to March 2019
74		EE, NH Dn., Mangaluru	March 2016 to March 2019
75		CE, NH, Bengaluru	September 2017 toMarch 2019
76		SE, NH Circle, Bengaluru	September 2017 to March 2019
77		EE, NH DN, Bengaluru	March 2016 to March 2019
78		EE, NH Dn., Tumkuru	September 2017 to March 2019
79		EE, NH Dn., Chitradurga	September 2016 to March 2019
80		EE, SLAO NH, Bengaluru	September 2016 to March 2019
81		EE, CPO,PIU,SHDP, Bengaluru	September 2017 to March 2019
82		EE, PPP NH Cell Mysuru	September 2017 to March 2019
83	Water Resources Department	EE, W&M Dn., Hunsagi	September 2017 to March 2019
84		SE, CMO Circle, Dharwar	March 2014 to March 2019
85		EE, No. 2 Gauging Dn., Bagalkot	September 2017 to March 2019
86		EE, No. 4 I&I Dn., Dharwar	September 2017 to March 2019
87		EE, No. 3 I&I Dn., Kalaburagi	March 2014 to March 2019
88		SLAO, KP Bidar	September 2017 to March 2019
89		CE, WRDO, Bengaluru	September 2017 to March 2019
90		CE, Hydrology & CMO, Bengaluru	September 2017 to March 2019
91		SE, M&E, Bengaluru	September 2017 to March 2019

Sl. No.	Department	Office responsible for furnishing accounts	Period for which accounts are due
92		EE, NO. W&M Gorur	September 2017 to March 2019
93		SE, I&I Circle, Mysuru	September 2017 to March 2019
94		EE, No1, Gauging Dn, Hassan	September 2018 to March 2019
95		EE, No.1 I&I Dn., Mysuru	September 2017 to March 2019
96		Director, KERS, KR Sagar	September 2017 to March 2019
97		Principal of Engg. Staff College, Sagar	September 2017 to March 2019
98		CRO, CE, KR Sagar	September 2017 to March 2019
99		CRO, Hydralucis No.1, KR Sagar	September 2017 to March 2019
100		CRO, TSD, KR Sagar	September 2017 to March 2019
101	Minor Irrigation	CE, MI (North), Vijayapura	September 2017 to March 2019
102		CE, MI (South), Bengaluru	September 2017 to March 2019
103		EE, MI Dn., Bengaluru	September 2017 to March 2019
104		EE, MI Dn., Belgaum	March 2014 to March 2019
105		EE, MI Dn., Bellary	March 2018 to March 2019
106		EE, MI Dn., Bidar	March 2014 to March 2019
107		EE, MI Dn., Vijayapura	September 2017 to March 2019
108		EE, MI Dn., Chickballapura	September 2017 to March 2019
109		EE, MI Dn., Chitradurga	September 2017 to March 2019
110		EE, MI Dn., Dharwar	March 2014 to March 2019
111		EE, MI Dn., Kalaburagi	September 2017 to March 2019
112		EE, MI Dn., Hassan	September 2017 to March 2019
113		EE, MI Dn., Kolar	September 2017 to March 2019
114		EE, MI Dn., Kustagi	March 2014 to March 2019
115		EE, MI Dn., Mangaluru	September 2018 to March 2019
116		EE, MI Dn., Mysuru	March 2015 to March 2019

Sl. No.	Department	Office responsible for furnishing accounts	Period for which accounts are due
117		EE, MI Dn., Shivamogga	March 2015 to March 2019
118		EE, MI Dn., Tumakuru	September 2017 to March 2019
119		EE, MI Dn., (Haliyal)	March 2014 to March 2019
120		EE, MI QC Dn., Bengaluru	September 2017 to March 2019
121		EE, MI QC Dn., Dharwar	March 2014 to March 2019
122		SE, MI Circle, Bengaluru	March 2014 to March 2019
123		SE, MI Circle, Belgaum	March 2014 to March 2019
124		SE, MI Circle, Kalaburagi	March 2014 to March 2019
125		SE, MI Circle, Mysuru	March 2014 to March 2019

Appendix 3.6
Balances remaining under In-operative PD Accounts
(Reference: Paragraph 3.7.2; Page 90)

(Amount in ₹)

Sl. No.	P.D. Account Nomenclature	Balance as per the Books of PAG(A&E)	Remarks
Credit Balances			
1	Religious Endowment Deposits	1,29,11,689.10	1994-95 onwards
2	Cash Order Deposits	10,228.81	Prior to 2000
3	Sugar Surcharge	7,14,048.55	Prior to 1993-94
4	PD Account of PWD Officer	10,01,430.00	Information not available
5	Special DC, DRDS Mandya	4,49,156.07	1994-95 onwards
6	Industries and Commerce	40,66,006.37	1995-96 onwards
7	PD Account of Deputy Commissioner, Dharwar	5,95,047.31	Information not available
8	Ram Kumar Jalal Memorial Fund	195.00	1994-95 onwards
9	Ration Shop Deposit	49,936.00	1994-95 onwards
10	ARCS, Shivamogga	10,000.00	Prior to 2000
11	Special Land Acquisition Officer, SCR Project	2,76,96,190.00	Information not available
Total		**4,75,03,927.21**	
Debit Balances			
1	Harijan Development Welfare Fund	5,18,350.71	Information not available
2	PD, Maharaja College of Education	9,052.00	2008-09 onwards
3	Chief Minister's Drought Relief Fund	82,45,390.20	Prior to 2000
4	Asha Kiran	26,350.00	1994-95 onwards
5	Deposits of Private Estate under Commercial Management	75.00	Prior to 2000
6	Gram Panchayat Deposits	34,00,890.55	1994-95 onwards
7	Joint Labour Commissioner, Mysuru	26,059.44	Prior to 2000
8	Deposits of District Consumer Forum	1,24,360.00	Information not available
Total		**1,23,50,527-90**	
Nil Closing Balance			
1	Deputy Registrar, Bidar	0	Prior to 2000
2	ARCS, Vijayapura	0	Prior to 2000

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 rate of Outstanding Debt	[Interest payments/(opening balance of Public debt + closing balance of Public Debt/2)]
Interest received as *per cent* to Loans Outstanding	Interest received [(Opening balance + Closing balance of Loans and Advances)/2*100]
Revenue Deficit/Revenue Surplus	Revenue Receipt – Revenue Expenditure
Fiscal Deficit	Revenue Expenditure + Capital Expenditure + Net Loans and Advances – Revenue Receipts – Miscellaneous Capital Receipts
Primary Deficit	Fiscal Deficit – Interest payments
Balance from Current Revenue (BCR)	Revenue Receipts *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	PAG (A&E)	Principal Accountant General (Accounts and Entitlement)
3	AIBP	Accelerated Irrigation Benefit Programme
4	BMRCL	Bangalore Metro Rail Corporation Limited
5	BPL	Below Poverty Line
6	C&AG	Comptroller and Auditor General
7	CAGR	Compounded Annual Growth Rate
8	CGST	Central Goods and Service Tax
9	CMRRD	Chief Minister's Rural Road Development Fund
10	CPAO	Central Pay and Accounts Office
11	CPS	Central Plan Schemes
12	CRA	Central Record keeping Agency
13	CSF	Consolidated Sinking Fund
14	CSS	Centrally Sponsored Schemes
15	DBT	Direct Benefit Transfer
16	DC	Deputy Commissioner
17	DCPS	Defined Contribution Pension Scheme
18	DDOs	Drawing and Disbursing Officers
19	DDR	Debt, Deposit and Remittances
20	DE	Development Expenditure
21	DPC	Duties, Powers and Conditions of Service
22	EAP	Externally Assisted Project
23	EFC	Eleventh Finance Commission
24	ERC	Expenditure Reforms Commission
25	ESCOMs	Electricity Supply Companies
26	FD	Finance Department
27	FMRC	Fiscal Management Review Committee
28	FRBM	Fiscal Responsibility and Budget Management
29	GCS	General Category States
30	GCUs	Government Commercial Undertakings
31	GDP	Gross Domestic Product
32	GFR	General Financial Rules
33	GIA	Grants-In-Aid
34	GIC	General Insurance Corporation
35	GOI	Government of India
36	GOK	Government of Karnataka
37	GOs	Government Orders
38	GP	Gram Panchayat
39	GSDP	Gross State Domestic Product
40	GST	Goods and Service Tax
41	GSTN	Goods and Service Tax Network
42	HFW	Health and Family Welfare
43	HOA	Head of Account
44	HRMS	Human Resource Management System
45	IFA	Internal Financial Advisor
46	IGAS	Indian Government Accounting Standard

Sl. No.	Abbreviation	Full Form
47	IGST	Integrated Goods and Service Tax
48	IIF	Infrastructure Initiative Fund
49	IML	Indian Made Liquor
50	KFC	Karnataka Financial Code
51	KFDF	Karnataka Forest Development Fund
52	KFRA	Karnataka Fiscal Responsibility Act
53	KPCL	Karnataka Power Corporation Limited
54	KWH	Kilo Watt Hour
55	LIC	Life Insurance Corporation
56	LMMH	List of Major and Minor Heads
57	MTFP	Medium Term Fiscal Plan
58	NABARD	National Bank for Agriculture and Rural Development
59	NCDC	National Co-operative Development Corporation
60	NCDEX	National Commodity and Derivatives Exchange Limited
61	NDC	Non-Payment Detailed Contingent Bill
62	NGOs	Non – Government Organisations
63	NLNORR	Non-Loan Net Own Revenue Receipt
64	NPIC	New Pension Implementation Cell
65	NPS	New Pension Scheme
66	NSDL	National Securities Depository Limited
67	NSSF	National Small Savings Fund
68	OBB	Off-Budget Borrowings
69	PAC	Public Accounts Committee
70	PAO	Pay and Accounts Office
71	PD	Personal Deposit
72	PF	Provident Fund
73	PFRDA	Pension Fund Regulatory Development Authority
74	PMKSY	Pradhan Mantri Krishi Sinchayee Yojana
75	PRAN	Permanent Retirement Account Number
76	PRIs	Panchayat Raj Institutions
77	PSUs	Public Sector Undertakings
78	RBI	Reserve Bank of India
79	RDPR	Rural Development and Panchayat Raj
80	RR	Revenue Receipts
81	SCSP	Special Component Sub Plan
82	SDRF	State Disaster Response Fund
83	SLAO	Special Land Acquisition Officer
84	SPVs	Special Purpose Vehicles
85	SUTF	State Urban Transport Fund
86	TBs	Treasury Bills
87	TE	Total Expenditure
88	TFC	Twelfth Finance Commission
89	TP	Taluk Panchayat
90	TSP	Tribal Sub Plan
91	UC	Utilisation Certificate
92	UDD	Urban Development Department
93	ULB	Urban Local Bodies
94	VAT	Value Added Tax
95	XIII FC	Thirteenth Finance Commission
96	XIV FC	Fourteenth Finance Commission
97	ZP	Zilla Panchayat

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