

00033

D

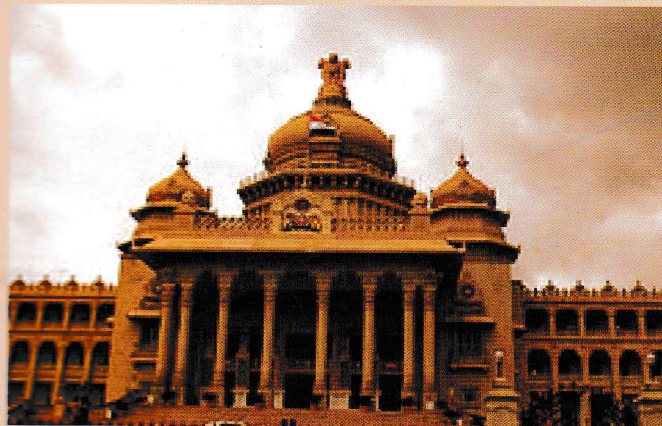


Report of the Comptroller and Auditor General of India

STATE FINANCES

for the year ended 31 March 2010

NO.1

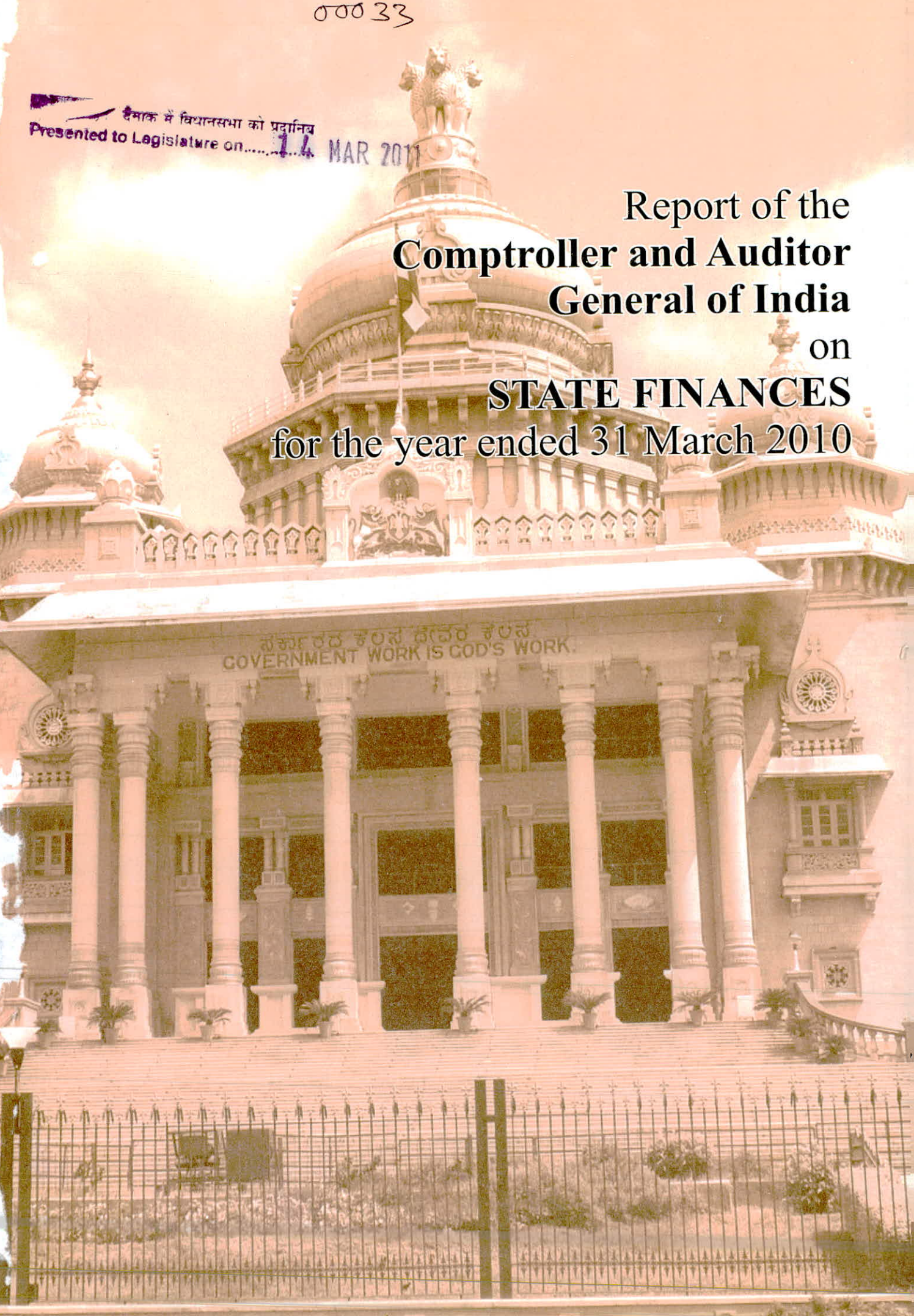


GOVERNMENT OF KARNATAKA

द्वैपाक में विधानसभा को प्रदानित
Presented to Legislature on..... 14 MAR 2011

Report of the
**Comptroller and Auditor
General of India**
on
STATE FINANCES
for the year ended 31 March 2010

सुकारं च कुरुते सर्वं सुकरं च कुरुते
GOVERNMENT WORK IS GOD'S WORK.



UNIVERSITY OF CALIFORNIA
LIBRARY

TABLE OF CONTENTS

| | Paragraph number | Page number |
|---|---------------------|----------------|
| Preface | | vii |
| Executive summary | | xi |
| CHAPTER 1 | | |
| FINANCES OF THE STATE GOVERNMENT | | |
| Introduction | 1.1 | 1 |
| Summary of fiscal transactions | 1.2 | 1 |
| Fiscal reforms path in Karnataka | 1.3 | 3 |
| Budget 2009-10 | 1.4 | 4 |
| Actuals vis-à-vis budget estimates | 1.4.1 | 4 |
| Gender Budgeting | 1.4.2 | 6 |
| Resources of the State | 1.5 | 7 |
| Resources of the State as per annual Finance Accounts | 1.5.1 | 7 |
| Funds transferred by Central Government to the State implementing agencies outside the State budget | 1.5.2 | 8 |
| Revenue receipts | 1.6 | 9 |
| State's own resources | 1.6.1 | 11 |
| Optimization of TFC grants | 1.6.2 | 16 |
| Arrears of revenue | 1.6.3 | 17 |
| Application of resources | 1.7 | 17 |
| Growth and composition of expenditure | 1.7.1 | 17 |
| Incidence of revenue expenditure | 1.7.2 | 20 |
| Trends in expenditure by activities | 1.7.3 | 20 |
| Committed expenditure | 1.7.4 | 21 |
| Financial assistance to local bodies | 1.7.5 | 26 |
| Quality of expenditure | 1.8 | 27 |

Table of Contents

| | Paragraph number | Page number |
|---|------------------|-------------|
| Adequacy of public expenditure | 1.8.1 | 27 |
| Efficiency of expenditure use | 1.8.2 | 28 |
| Analysis of Government expenditure and investments | 1.9 | 30 |
| Incomplete projects | 1.9.1 | 30 |
| Investment and returns | 1.9.2 | 31 |
| Departmental undertakings | 1.9.3 | 32 |
| Loans and advances by the State Government | 1.9.4 | 32 |
| Cash balances and investment of cash balances | 1.9.5 | 34 |
| Assets and liabilities | 1.10 | 35 |
| Growth and composition of assets and liabilities | 1.10.1 | 35 |
| Fiscal liabilities | 1.10.2 | 37 |
| Contingent liabilities | 1.10.3 | 38 |
| Public Debt Management | 1.11 | 40 |
| Institutional frame-work for public debt management | 1.11.1 | 40 |
| Tracking and monitoring Government borrowings | 1.11.2 | 40 |
| Transparency | 1.11.3 | 42 |
| Accountability and Risk management | 1.11.4 | 43 |
| Assessment of budget requirement | 1.11.5 | 43 |
| Excess market borrowings | 1.11.6 | 44 |
| Debt sustainability | 1.12 | 45 |
| Debt stability | 1.12.1 | 46 |
| Sufficiency of incremental non-debt receipts | 1.12.2 | 46 |
| Net availability of borrowed funds | 1.12.3 | 46 |
| Maturity profile | 1.12.4 | 47 |
| Burden of interest payments | 1.12.5 | 47 |
| Fiscal imbalances | 1.13 | 47 |
| Trends in deficits | 1.13.1 | 48 |
| Components of fiscal deficit and its financing pattern | 1.13.2 | 49 |
| Quality of deficit/surplus | 1.13.3 | 50 |
| Conclusion and recommendations | 1.14 | 51 |

| | Paragraph number | Page number |
|--|---------------------|----------------|
| CHAPTER 2 | | |
| FINANCIAL MANAGEMENT AND BUDGETARY CONTROL | | |
| Introduction | 2.1 | 57 |
| Summary of Appropriation Accounts | 2.2 | 57 |
| Financial accountability and budget management | 2.3 | 58 |
| Appropriation <i>vis-à-vis</i> allocative priorities | 2.3.1 | 58 |
| Unspent provision due to non / late receipt of funds/sanctions | 2.3.2 | 60 |
| Persistent unspent provision | 2.3.3 | 60 |
| Excess expenditure | 2.3.4 | 60 |
| Persistent excess expenditure | 2.3.5 | 61 |
| Expenditure without provision | 2.3.6 | 61 |
| Excess over provision relating to previous years | 2.3.7 | 61 |
| Excess over provision during 2009-10 | 2.3.8 | 61 |
| New service/New instrument of service | 2.3.9 | 62 |
| Unnecessary supplementary provision | 2.3.10 | 62 |
| Excessive supplementary provision | 2.3.11 | 62 |
| Inadequate supplementary provision | 2.3.12 | 62 |
| Injudicious reappropriation of funds | 2.3.13 | 63 |
| Defective reappropriation | 2.3.14 | 63 |
| Unspent provision not surrendered | 2.3.15 | 63 |
| Substantial surrenders | 2.3.16 | 64 |
| Rush of expenditure | 2.3.17 | 64 |
| Contingency fund | 2.4 | 64 |
| Errors in budgeting | 2.5 | 65 |
| Outcome of review of selected grants | 2.6 | 65 |
| No expenditure against budget provision | 2.6.1 | 65 |
| Excess expenditure over provision | 2.6.2 | 66 |
| Huge unspent provisions | 2.6.3 | 66 |
| Injudicious supplementary provisions | 2.6.4 | 66 |

Table of Contents

| | Paragraph number | Page number |
|--|-------------------------|--------------------|
| Huge surrenders indicating unrealistic budget estimates | 2.6.5 | 67 |
| Rush of expenditure | 2.6.6 | 67 |
| Conclusion | 2.7 | 68 |
| Recommendations | 2.8 | 68 |
| CHAPTER 3 | | |
| FINANCIAL REPORTING | | |
| Non-receipt of information pertaining to institutions substantially financed by the Government | 3.1 | 71 |
| Status of submission of accounts of autonomous bodies and placement of audit reports before the State Legislature | 3.2 | 71 |
| Departmental commercial undertakings | 3.3 | 71 |
| Misappropriations, losses, etc. | 3.4 | 72 |
| Non-receipt of stores and stock accounts | 3.5 | 72 |
| Unadjusted Abstract Contingent bills | 3.6 | 73 |
| Personal deposit accounts | 3.7 | 73 |
| Funds kept in PD accounts | 3.7.1 | 73 |
| Unspent balances in PD accounts | 3.7.2 | 74 |
| Reconciliation of balances | 3.7.3 | 74 |
| Reconciliation of expenditure and receipts | 3.8 | 74 |
| Comments on Accounts | 3.9 | 75 |
| Non-transfer of receipts/expenditure from the Consolidated fund to earmarked Reserve Funds | 3.9.1 | 75 |
| Book adjustments resulting in fresh adverse balance/increase in the amount of adverse balance in Public Account. | 3.9.2 | 76 |
| Incorrect accounting | 3.9.3 | 77 |
| Bookings under Minor Head 800 – Other Receipts’ and Other Expenditure’ | 3.9.4 | 77 |
| Conclusion | 3.10 | 78 |
| Recommendations | 3.11 | 78 |

| Appendix number | Subject | Page number |
|-----------------|---|-------------|
| 1.1 | State Profile | 81 |
| 1.2 | Structure of Government Accounts | 82 |
| 1.3 | Abstract of receipts and disbursements | 83 |
| 1.4 | Outcome indicators of the State's own fiscal correction path | 86 |
| 1.5 | Time series data on State Government finances | 87 |
| 1.6 | Summarised financial position of the Government of Karnataka as on 31 March, 2010 | 90 |
| 1.7 | Financial position of departmentally managed commercial / quasi commercial undertakings | 92 |
| 2.1 | Major heads of account under which provision of more than Rs.25 crore remained unspent | 93 |
| 2.2 | Unspent provision due to non/short/ late -release of funds and non/late-receipt of sanctions from Government | 98 |
| 2.3 | Major heads of account under which excess expenditure was above Rs.25 crore | 100 |
| 2.4 | Persistent Excess expenditure over provision | 101 |
| 2.5 | Expenditure incurred without provision during 2009-10 | 102 |
| 2.6 | Excess expenditure over provision requiring regularisation | 104 |
| 2.7 | Cases of New Service/New Instrument of Service | 105 |
| 2.8 | Unnecessary supplementary provision | 109 |
| 2.9 | Excessive supplementary provision | 110 |
| 2.10 | Inadequate supplementary provision | 111 |
| 2.11 | Injudicious re-appropriation of funds | 112 |
| 2.12 | Defective re-appropriation orders | 120 |
| 2.13 | Statement of various grants/appropriations in which unspent provision occurred but no part of which was surrendered | 124 |
| 2.14 | Surrender of unspent provision | 125 |
| 2.15 | Cases of surrender of funds in excess of Rs. one crore on 30 and 31 March 2010 | 127 |
| 2.16 | Results of review of substantial surrenders made during the year | 128 |
| 2.17 | Rush of expenditure | 131 |
| 2.18 | Errors in budgeting | 132 |
| 2.19 | Huge savings / unspent amounts against budget provision | 133 |
| 2.20 | Rush of expenditure | 135 |

Table of Contents

| Appendix number | Subject | Page number |
|-----------------|---|-------------|
| 3.1 | Non-receipt of information pertaining to institutions substantially financed by the Government | 137 |
| 3.2 | Status of submission of accounts of autonomous bodies and placement of audit reports before the State Legislature | 138 |
| 3.3 | Position of arrears in finalization of <i>pro forma</i> accounts by the departmentally managed commercial and quasi-commercial undertakings | 139 |
| 3.4 | Department wise/duration wise break up of the cases of theft and misappropriation | 140 |
| 3.5 | Department wise and category-wise details of theft and misappropriation cases | 141 |
| 3.6 | Department wise details of non-submission of stores and stock accounts | 142 |
| 3.7 | Reconciliation of Balances | 145 |
| | Glossary | 146 |

Preface

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

Chapters 1 and 2 of this Report respectively contain audit observations on matters arising from examination of Finance Accounts and Appropriation Accounts of the State Government for the year ended 31 March 2010. Information has also been obtained from the Government of Karnataka, wherever necessary.

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

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

EXECUTIVE SUMMARY

Background

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

Though, the Comptroller and Auditor General (C&AG) has been commenting upon the State's Finances, the comments formed part of the civil audit report and remained camouflaged in the large body of audit findings on compliance and performance audits. In recognition of the need to bring State finances centre-stage, a stand-alone report on State Government finances was considered appropriate. Accordingly from the report year 2008-09 onwards, the C&AG has decided to bring out a separate volume titled "Report on State Finances".

The Report

Based on the audited accounts of the Government of Karnataka for the year ending March 2010, this report provides an analytical review of the annual accounts of the State Government. This report is structured in three chapters.

Chapter 1 is based on the audit of Finance Accounts and makes an assessment of Government of Karnataka's fiscal position as at 31 March 2010. It, *inter-alia*, provides an insight into trends in committed expenditure, borrowing pattern besides, a brief account of Government of India funds transferred directly to the State implementing agencies through off-budget route.

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

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

The report also has an appendage of additional data collated from several sources in support of these findings.

Audit findings and recommendations

Fiscal position

In 2009-10, the State was on the road to recovery from the effects of economic slow-down. Decrease in revenue surplus was contained, if not reversed. The increase in fiscal deficit in 2009-10 was less pronounced than the increase in fiscal deficit in 2008-09. The increase in primary deficit was also contained in 2009-10. Despite increase in revenue and non-debt receipts by ₹ 6,253 crore in 2009-10 over the previous year, primary deficit increased by ₹ 1,462 crore as the incremental non-debt receipts were short of incremental primary expenditure by ₹ 1,462 crore.

Primary deficit of ₹ 5,622 crore at the end of the year implied that non-debt receipts were sufficient for meeting primary revenue expenditure and that the State had to depend on borrowed funds for meeting 10 *per cent* (₹ 5,622 crore) of its primary expenditure. *This underlined the need for augmentation of own revenue for fiscal correction and consolidation.*

Revenue expenditure

Non-plan revenue expenditure (NPRE) was 74 *per cent* of revenue expenditure during 2009-10. It included devolutions to PRIs and ULBs, interest payments, subsidies, pension payments, salaries and maintenance expenditure.

Merit subsidy constituted around seven *per cent* of the total subsidy expenditure of the State during the year. *Subsidies will not meet the aims of social policy unless the beneficiaries are properly identified and targeted. The delivery of product or service at subsidized price results in large scale corruption, diversion and misuse. The Government should take action to implement the purchaser-provider model proposed in 2005 and ensure that beneficiaries are properly identified and targeted.*

Quality of capital expenditure

Capital expenditure of the State included certain items of expenditure which either do not qualify as capital expenditure or which do not involve any cash outflow.

Funds aggregating ₹ 1,015 crore were blocked in incomplete projects as at the end of 2009-10.

Investment to the end of 2009-10 included ₹ 16,993 crore (52 per cent) to four companies/corporations under perennial loss. Investment of ₹ 981.40 crore in respect of five Companies / Corporations was lying in Public Account to the end of March 2010. The State Government should also review the working of State Public Sector Undertakings incurring huge losses and work out either a revival strategy or close down such units. *The State Government should formulate guidelines for quick completion of incomplete projects and strictly monitor reasons for time and cost over-runs with a view to take corrective action.*

Position of Cash Balance

The cash balance of the State at the end of the year increased by 25 per cent over the previous year. *Since, maintaining idle cash balance is not prudent cash management, a shelf of projects should be ready and techno-economic feasibility should have been appraised and approved so that mismatch between timing of borrowings and channeling it towards productive investment is considerably reduced.*

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

The Central Government transferred a sizeable quantum of funds (₹ 7,594 crore during 2009-10) directly to the State implementing agencies for implementation of Central plan schemes. Funds flowing directly to the implementing agencies through off-budget routing inhibits FRA requirements of transparency and therefore, escape accountability. There is no single agency monitoring its use and there is no readily available data on the amounts spent in any particular year on major flagship and other important schemes. *A system has to be put in place to ensure proper accounting of these funds and the updated information should be validated by the State Government as well as the Accountant General (Accounts & Entitlement).*

Financial management and budgetary control

There was an over-all unspent provision of ` 10,962.72 crore off-set by an excess expenditure of ` 915.42 crore over provision during 2009-10. The excess expenditure requires regularisation under Article 205 of the Constitution of India. Large unspent provisions were in areas viz., urban development, water resources, debt servicing, public works, finance, agriculture and horticulture, etc. There were also instances of inadequate provision of funds and unnecessary/excessive re-appropriations. Besides, there was a rush of expenditure at the end of the year. In many cases, the anticipated unspent provisions were either not surrendered or surrendered on the last two days of the year leaving no scope for utilizing these funds for other development purposes. Cases of non-drawal of Contingency Fund sanctioned, were noticed. Budgetary controls should be strictly followed to avoid such deficiencies in financial management. Last minute fund releases and issuance of re-appropriation/surrender orders should be minimised.

Financial reporting

There were instances of losses and misappropriations. The departmental enquiries in such cases should be expedited to bring the guilty to book. Internal controls should be strengthened to prevent such cases in future.



Chapter 1

Finances of the State Government

Profile of Karnataka

Karnataka is the eighth largest State in terms of geographical area and accounts for around five *per cent* of India's population.

The economic growth of the State was on par with the other General Category States as the compounded annual growth rate of its GSDP for the year 2000-01 to 2008-09 was 12.71 *per cent* as against 12.54 *per cent* of the General Category States. However, the population growth rate of the State during 2000-2010 (10.57 *per cent*) was lower than that of the General Category States (13.42 *per cent*) which indicated higher *per capita* income growth in the State.

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

1.1 Introduction

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

1.2 Summary of fiscal transactions

Table 1.1 and Appendix.1.3 presents the summary of the State Government's fiscal transactions and provides details of receipts and disbursements as well as overall fiscal position respectively during the current year (2009-10) *vis-à-vis* the previous year.

Table 1.1: Summary of fiscal transactions

(₹ in crore)

| Receipts | | | Disbursements | | | | |
|--|--------------------|--------------------|---------------------------------|--------------------|-----------|-----------|--------------------|
| | 2008-09 | 2009-10 | | 2008-09 | 2009-10 | | |
| Section-A: Revenue | | | | Total | Non Plan | Plan | Total |
| Revenue receipts | 43,290.67 | 49,155.70 | Revenue expenditure | 41,659.29 | 35,234.23 | 12,302.69 | 47,536.92 |
| Tax revenue | 27,645.66 | 30,578.60 | General services | 12,275.57 | 12,664.55 | 97.79 | 12,762.34 |
| Non-tax revenue | 3,158.99 | 3,333.80 | Social services | 15,872.99 | 11,873.61 | 7,245.25 | 19,118.86 |
| Share of union taxes/ duties | 7,153.77 | 7,359.98 | Economic services | 11,136.64 | 8,991.07 | 4,190.64 | 13,181.71 |
| Grants-in-aid from Government of India | 5,332.25 | 7,883.32 | Grants-in-aid and contributions | 2,374.09 | 1,705.00 | 769.01 | 2,474.01 |
| Section-B: Capital and others | | | | | | | |
| Misc. Capital receipts | 181.14 | 69.79 | Capital outlay | 9,870.29 | 1,018.71 | 11,117.97 | 12,136.68 |
| | | | General services | 475.37 | 56.46 | 433.39 | 489.85 |
| | | | Social services | 2,555.16 | 210.79 | 2,439.89 | 2,650.68 |
| | | | Economic services | 6,839.76 | 751.46 | 8,244.69 | 8,996.15 |
| Recoveries of loans and advances | 56.65 | 555.36 | Loans and advances disbursed | 731.34 | 65.16 | 916.42 | 981.58 |
| Public debt receipts* | 8,592.16 | 7,990.86 | Repayment of public debt* | 1,777.90 | 2,308.33 | --- | 2,308.33 |
| Contingency Fund | --- | 2.10 | Contingency Fund | 2.10 | --- | --- | --- |
| Public Account receipts | 60,603.55 | 71,172.45 | Public Account disbursements | 54,782.85 | --- | --- | 64,029.09 |
| Opening cash balance | 3,919.45 | 7,819.85 | Closing cash balance | 7,819.85 | --- | --- | 9,773.51 |
| Total | 1,16,643.62 | 1,36,766.11 | Total | 1,16,643.62 | | | 1,36,766.11 |

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

Source : Finance Accounts

Following are the significant changes during 2009-10 over the previous year:

- Revenue receipts grew by ₹ 5,866 crore (14 per cent) due to increase in own tax revenue (₹ 2,934 crore), Government of India (GOI) grants (₹ 2,551 crore), State's share of Union taxes and duties (₹ 206 crore) and non-tax revenue (₹ 175 crore). However, revenue receipts during the current year fell short of projection in the Medium Term Fiscal Plan (MTFP) 2008-12 by ₹ 4,348 crore.

The compounded annual growth rate of revenue receipts of the State during 2000-2009 was 14.34 per cent as against 14.40 per cent of General Category States. This was mainly due to the lower compounded growth rate of non-tax revenue which was at 8.38 per cent in the State as against 12.08 per cent with respect to General Category States.

- Revenue expenditure increased by ₹ 5,878 crore (14 per cent). Increase was under social services sector (₹ 3,246 crore), economic services sector (₹ 2,045 crore), general services sector (₹ 487 crore) and grants-in-aid (₹ 100 crore). It fell short of MTFP projection for the year by ₹ 1,445 crore.

The compounded annual growth rate of revenue expenditure of the State under social sector such as education and health during 2000-2009 was at 11.78 per cent and 8.78 per cent respectively as against 9.33 per cent and 8.95 per cent of General Category States.

- Miscellaneous capital receipts (₹ 70 crore) represented the sale proceeds of Government land as in previous year. The projection made in MTFP for the year, however, was ₹ 3,377 crore.
- Capital outlay was more by ₹ 2,267 crore (23 per cent). Increase was under economic services sector (₹ 2,156 crore), social services sector (₹ 96 crore) and general services sector (15 crore).

The compounded annual growth rate of capital expenditure of the State during 2000-2009 was 22.50 per cent as against 21.41 per cent of General Category States.

- Public debt receipts (excluding ways and means advances) decreased by ₹ 601 crore (seven per cent) while repayment of public debt increased by ₹ 530 crore (30 per cent).
- Public Accounts receipts and disbursements increased by ₹ 10,568 crore (17 per cent) and ₹ 9,246 crore (17 per cent) respectively.
- Cash balance of the State Government increased by ₹ 1,954 crore (25 per cent).

1.3 Fiscal reforms path in Karnataka

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

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

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

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

Outcome indicators for the period 2004-10 are given in **Appendix 1.4**

By adhering to the policy changes in revenue generation strategies and expenditure control envisaged in MTFPs, the State achieved the fiscal targets laid down in FRA one year ahead, with the year 2004-05 ending in revenue surplus and fiscal deficit for the year at less than three *per cent* of GSDP. By an amendment to the FRA, the fiscal deficit limit of three *per cent* was enhanced to 3.5 *per cent* in 2008-09 and to four *per cent* in 2009-10 in order to over-come the impact of economic slow-down. During the period 2005-10 also, the State continued to maintain the revenue surplus and kept the fiscal deficit relative to GSDP below the limit laid down under FRA. Outstanding guarantees given by the Government were within the limit prescribed under the Karnataka Ceiling on Government Guarantees Act, 1999. The ratio of fiscal liabilities (excluding off-budget borrowings) to GSDP which continued to decline from 2004-05 to 2008-09 and was around 26 *per cent* in 2008-09, increased to 28 *per cent* in 2009-10. This was on account of increase in borrowings. Under GOI's scheme of States' Debt Consolidation and Relief Facility (DCRF) recommended by the Twelfth Finance Commission (TFC), the State got the benefit of interest relief of ₹ 1,252 crore for the period 2005-10 along with waiver of GOI loan of ₹ 1,792 crore as brought out in **Table 1.2**.

Table 1.2: Gains from debt consolidation and debt waiver as per the recommendations of Twelfth Finance Commission

(₹ in crore)

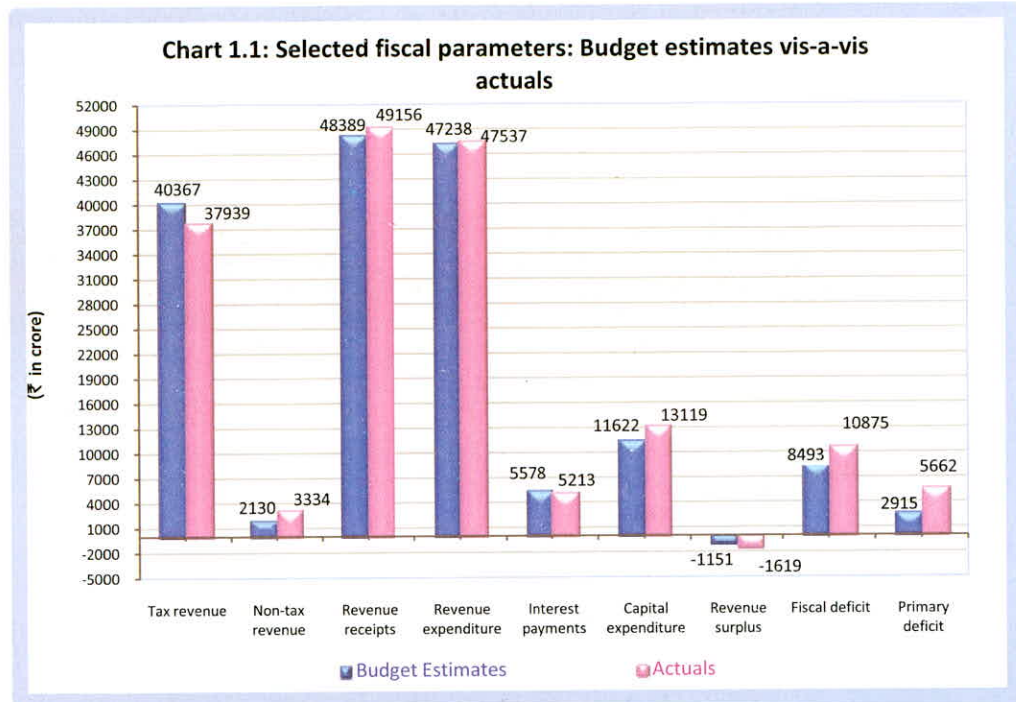
| Year | Before DCRF | | Post DCRF | | Savings | | Debt waiver |
|---------|--------------|--------------|----------------|--------------|------------|--------------|----------------|
| | Principle | Interest | Principle | Interest | Principle | Interest | |
| 2005-06 | 371 | 829 | 358.3 | 538 | 13 | 291 | 358.3 |
| 2006-07 | 404 | 787 | 358.3 | 511 | 45 | 276 | 358.3 |
| 2007-08 | 472 | 740 | 358.3 | 484 | 114 | 256 | 358.3 |
| 2008-09 | 468 | 685 | 358.3 | 457 | 109 | 228 | 358.3 |
| 2009-10 | 506 | 631 | 358.3 | 430 | 148 | 201 | 358.3 |
| | 2,221 | 3,672 | 1,791.5 | 2,420 | 429 | 1,252 | 1,791.5 |

1.4 Budget 2009-10

1.4.1 Actuals vis-à-vis budget estimates

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

Chart 1.1 presents the budget estimates and actuals of some important fiscal parameters for the year 2009-10.



Source: Annual Financial Statement and Finance Accounts

During 2009-10, the State's revenue receipts were estimated at ₹ 48,389 crore. In order to give stimulus to the State's economy, the Government provided exemption from VAT on some food grain items. Luxury tax and profession tax exemption limit was raised. Entertainment tax on movies and stamp duty on sale transaction of all kinds of immovable properties were reduced. Revenue expenditure was estimated at ₹ 47,238 crore. After implementation of the State's Pay Commission award, as stated in MTFP 2008-12, salary burden and pension liabilities were expected to stabilize at normal growth rate of 2.75 per cent and 9.7 per cent respectively. It was proposed to give special emphasis on distributing food grains at subsidized prices to poor families through Public Distribution System (PDS). Agriculture and allied activities, rural development, irrigation, power generation, roads and education were the priority sectors of the Government. Capital expenditure was estimated at ₹ 11,622 crore.

The State's revenue receipts were more than the budget estimate by ₹ 767 crore (two per cent) mainly due to increase in non tax revenue. The State's tax revenue (inclusive of State's share of Union taxes and duties) was less than the budget estimate by ₹ 2,428 crore (six per cent), while non-tax revenue was more than the budget estimate by ₹ 1,204 crore (57 per cent). Revenue expenditure and capital expenditure were more than the budget estimate by ₹ 299 crore (one per cent) and ₹ 1,497 crore (13 per cent) respectively. Interest payments were less than the budget estimate by ₹ 365 crore (seven per cent). Revenue surplus, fiscal deficit and primary deficit were more than the budget estimate by ₹ 468 crore, ₹ 2,382 crore and ₹ 2,747 crore respectively.

1.4.2 Gender Budgeting

Gender budget of the State discloses expenditure proposed to be incurred within the overall budget on schemes which are designed to benefit women fully or partly. Based on the Finance Minister's proposal (Budget speech 2006-07), the State created the Gender Budget Cell (January 2007) and gender budgeting was introduced in 2007-08. The year-wise allocations in the gender budget document is detailed in **Table 1.3**.

Table 1.3: Gender budgetary allocations during 2007-10

| Year | Total Outlay | Outlay under | | | Demands covered | Percentage of total outlay |
|---------|--------------|--------------|-------------|------------|-----------------|----------------------------|
| | | Category A* | Category B^ | Total | | |
| 2007-08 | 5,04,65.61 | 562.63 | 1,72,35.88 | 1,77,98.51 | 20 | 35 |
| 2008-09 | 6,04,97.19 | 661.77 | 2,07,64.82 | 2,14,26.59 | 25 | 35 |
| 2009-10 | 6,24,13.81 | 845.10 | 2,22,85.31 | 2,31,30.41 | 27 | 37 |

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

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

The Gender Budget Cell which had to implement gender budget effectively by coordinating between various departments, NGOs, experts and administrative departments, also, had to carry out activities like formulation of policies and other activities including publicity. The Department of Women and Child Development was entrusted with the monitoring of the impact analysis of the schemes on the socio-economic status of women in the State.

Study of the functioning of the above revealed the following:

- The Gender Budget Cell was entrusted only with the task of publishing / bringing out the budget document based on proposals / demand of various departments accepted by Government.
- The Cell was not involved in assessing and working out budgetary requirement of Category A and B schemes nor in policy decision on actual allotment of funds to the schemes under the Category A and B.
- The Department of Women and Child Development did not conduct any impact analysis study.
- The Department only collected statistical information and progressive expenditure from all departments with respect to the schemes under Category B.
- There were discrepancies between the statistical information furnished by the Department and gender budget document.

Analysis of the gender budget documents for the period 2007-10 revealed that:

- Gender budgeting exercise was based on certain assumptions relating to the proportion of allocations under a scheme that directly benefited women. Some of these assumptions were unrealistic and weakened the

gender budgeting exercise. Schemes like National Family Benefit Scheme (Department of Revenue) and State Plan Schemes (Department of Commerce and Industries) benefited both men and women.

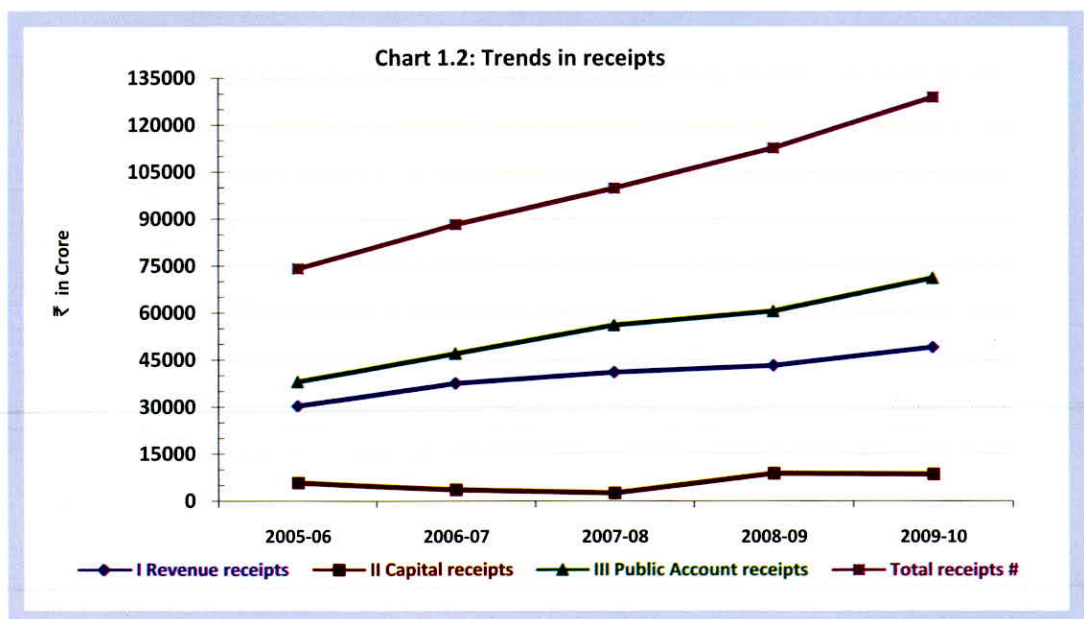
- There were no clear guidelines for identification of items in the gender budget under both Category A and B schemes. Routine expenditure of various departments, debt servicing of HUDCO loans, civil works such as construction of colleges, universities etc., allocation towards child welfare, grant-in-aids to Jain Pilgrim Centres and Kannada Sahithya Parishad etc were included under Category B schemes.

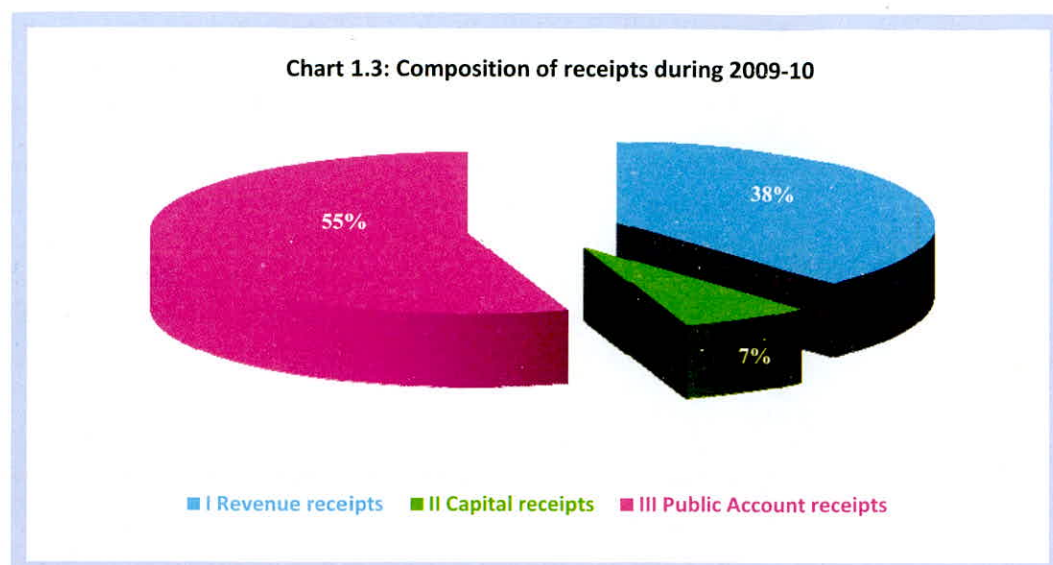
1.5 Resources of the State

1.5.1. Resources of the State as per annual Finance Accounts

Revenue and capital are the two streams of receipts that constitute the resources of the State Government. Revenue receipts consist of tax revenue, non-tax revenue, State's share of Union taxes and duties and grants-in-aid from GOI. Capital receipts comprise miscellaneous capital receipts such as proceeds from disinvestments, recoveries of loans and advances, debt receipts from internal sources (market loans, borrowings from financial institutions/commercial banks) and loans and advances from GOI as well as accruals from Public Account. **Table 1.1** presents receipts and disbursements of the State during the current year as recorded in Finance Accounts.

Chart 1.2 depicts the trends in various components of receipts during 2005-10, while **Chart 1.3** depicts the composition of resources of the State during the current year.





Excluding Contingency Fund receipts

Source : Finance Accounts

Total receipts increased by 74 per cent from ₹ 74,204 crore in 2005-06 to ₹ 1,28,946 crore in 2009-10, of which increase of revenue receipts was by 62 per cent from ₹ 30,352 crore to ₹ 49,156 crore during the period.

Capital receipts increased by 49 per cent from ₹ 5,788 crore to ₹ 8,616 crore. Public account receipts increased by 87 per cent from ₹ 38,025 crore to ₹ 71,172 crore.

During the current year, revenue receipts accounted for 38 per cent of total receipts while Capital and Public Account receipts accounted for seven and 55 per cent respectively. Public debt receipts which create future re-payment obligation were 93 per cent of total capital receipts.

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

The Central Government transferred ₹ 7,594.32 crore during 2009-10 directly to the State implementing agencies¹ for implementation of various schemes/programmes in social and economic services sectors recognized as critical as against transfer of ₹ 3,326.29 crore during 2008-09. There was an increase of transfer in 2009-10 by 128 per cent. As these funds were not routed through the State budget/State treasury system, Finance Accounts do not capture the flow of these funds and to that extent State's receipts and expenditure as well as other fiscal variables/ parameters derived from these are understated. Details in respect of major Central plan schemes are furnished in **Table 1.4**.

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

Table-1.4: Funds transferred directly to the State implementing agencies

| Programme / scheme | Implementing agency in the State | ₹ in crore) | |
|---|--|-------------|---------|
| | | 2008-09 | 2009-10 |
| National Rural Employment Guarantee Scheme | Zilla Panchayats | 234.01 | 2769.98 |
| Accelerated Rural Water Supply Scheme | Karnataka Rural Water Supply and Sanitation Agency | 0.69 | 467.46 |
| Sarva Shiksha Abhiyan (SSA) | Sarva Shiksha Abhiyan Samithi | 515.78 | 442.21 |
| Pradhan Mantri Gram Sadak Yojna (PMGSY) | Karnataka Rural Roads Development Agency | --- | 438.00 |
| Rural Housing (IAY) | Zilla Panchayats | 94.97 | 356.27 |
| National Rural Health Mission (NRHM) | Karnataka State Health and Family Welfare Society | 176.88 | 308.80 |
| Integrated Watershed Management Programme (IWMP) | Zilla Panchayats and State Level Nodal Agency | 17.83 | 219.23 |
| Swaranjayanti Gram Swarozgar Yojana (SGSY) | Zilla Panchayats | 40.99 | 90.97 |
| Member of Parliament Local Area Development Scheme (MPLADS) | Deputy Commissioners | 63.50 | 88.50 |
| National Horticulture Mission | Karnataka State Horticulture Mission Agency | 125.37 | 80.02 |

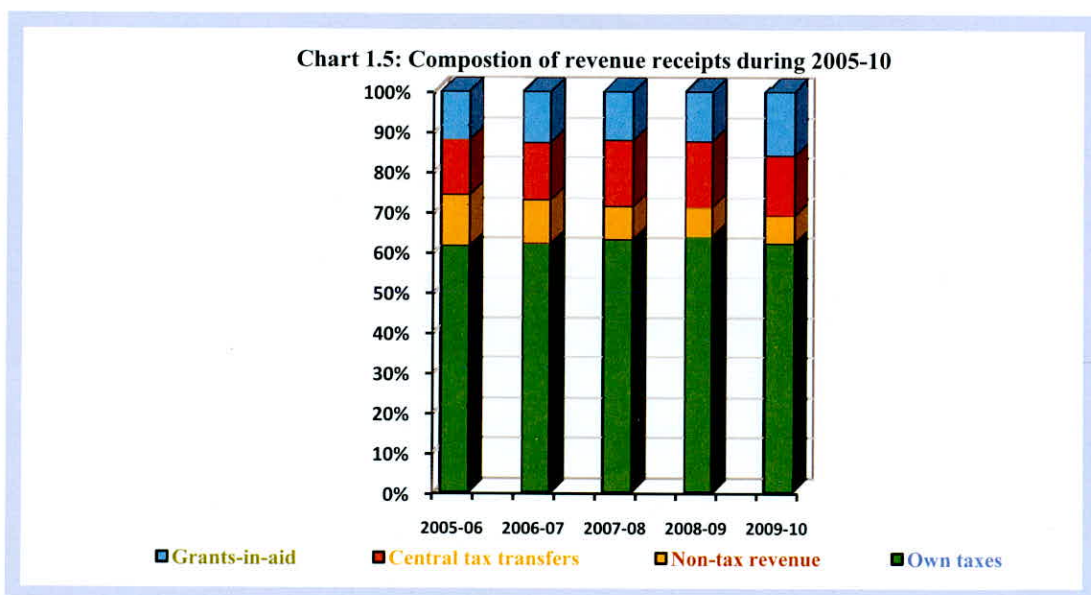
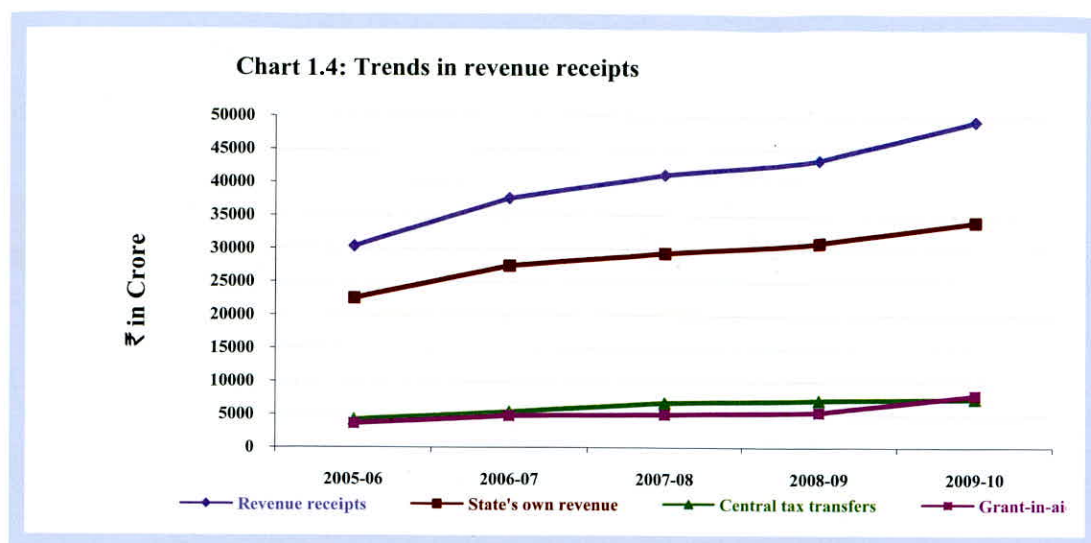
Source : CGA's website.

Direct transfer from the Union to the State implementing agencies runs the risk of poor oversight of utilisation of funds by these agencies. Unless uniform accounting practices are diligently followed by all these agencies and there is proper documentation and timely reporting of expenditure, it will be difficult to monitor the end use of these direct transfers.

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

1.6 Revenue receipts

Revenue receipts consist of State's own tax and non-tax revenues, Central tax transfers and grants-in-aid from GOI. The trends and composition of revenue receipts over the period 2005-10 are presented in **Appendix 1.5** and also depicted in **Charts 1.4 and 1.5** respectively.



Source: Finance Accounts

Revenue receipts showed progressive increase from ₹ 30,352 crore in 2005-06 to ₹ 49,156 crore in 2009-10 with inter-year fluctuations in the growth rate. On an average 72 per cent of the revenue came from State's own resources during the period 2005-10. The balance was from transfers from GOI in the form of State's share of taxes and grants-in-aid.

The share of tax revenue in revenue receipts was between 61 and 64 per cent during 2005-10. Non-tax revenue as a per cent of revenue receipts showed steady fall during the period 2005-10. It decreased from 13 per cent in 2005-06 to seven per cent in 2009-10.

The trends in revenue receipts relative to GSDP are presented in **Table 1.5**.

Table 1.5: Trends in revenue receipts relative to GSDP

| | 2005-06 | 2006-07 | 2007-08 | 2008-09 | 2009-10 |
|--|----------|----------|----------|----------|----------|
| Revenue receipts (RR) (₹ in crore) | 30,352 | 37,587 | 41,151 | 43,290 | 49,156 |
| Rate of growth of RR (<i>per cent</i>) | 14.2 | 23.8 | 9.5 | 5.2 | 13.6 |
| R R/GSDP (<i>per cent</i>) | 16.5 | 18.3 | 17.1 | 16.0 | 16.5 |
| Buoyancy ratios² | | | | | |
| Revenue buoyancy w.r.t GSDP | 0.8 | 2.0 | 0.6 | 0.4 | 1.3 |
| State's own tax buoyancy w.r.t GSDP | 0.9 | 2.09 | 0.7 | 0.5 | 1.04 |
| Revenue buoyancy with reference to State's own taxes | 0.9 | 0.9 | 0.8 | 0.8 | 1.3 |
| GSDP (₹ in crore) | 1,83,796 | 2,05,784 | 2,40,062 | 2,70,699 | 2,98,465 |
| Rate of growth | 17.6 | 12.0 | 16.6 | 12.8 | 10.2 |

Source: Finance Accounts.

GSDP : State's Economic Survey 2009-10

Revenue buoyancy widely fluctuated during the period due to fluctuations in the growth rate of revenue receipts. During 2005-10, the growth rate of revenue receipts was not only the highest in 2006-07 but it was also twice the growth rate of GSDP. In the next two years the lower growth rate of revenue receipts relative to GSDP pushed the revenue buoyancy ratio down. Revenue buoyancy ratio, which was at its lowest at 0.4 in 2008-09, increased to 1.3 in 2009-10 due to increase in the growth rate of revenue receipts.

During 2005-10, on an average own tax revenue constituted 62 *per cent* of the revenue receipts of the State and trends in own tax revenue receipts largely influenced the trends in revenue receipts. During this period, growth rate of own tax revenue and buoyancy ratio of own tax revenue w.r.t. GSDP was the highest in 2006-07 and so also was the growth rate of revenue receipts and revenue buoyancy w.r.t. GSDP. The next two years witnessed fall in the growth rate of own tax revenue and the buoyancy ratio of own tax revenue with GSDP. This influenced the growth rate of revenue receipts and revenue buoyancy w.r.t. GSDP. In 2009-10, the growth rate of own tax revenue, buoyancy ratio of own tax revenue with GSDP, and growth rate of revenue receipts increased over the previous year.

1.6.1 State's own resources

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

State's actual tax and non-tax receipts for the year 2009-10 vis-à-vis assessment made by TFC and the State Government in FCP and MTFP (2008-12) are given in **Table 1.6**.

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

Table 1.6

| | (₹ in crore) | | | |
|-----------------|-------------------|-------------------|--------------------|--------|
| | TFC projection | FCP projection | MTFP projection | Actual |
| Tax revenue | 32,291 | 32,523 | 36,800 | 30,579 |
| Non-tax revenue | 4,620 | 6,318 | 2,070 | 3,334 |

The tax revenue of the State in 2009-10 was less than the projection made in the State's MTFP as well as the normative assessment made by TFC and the projection in FCP. Non-tax revenue was less than the TFC and FCP projections but exceeded the MTFP projection. Due to continuance of effects of economic slowdown during 2009-10, the actual tax revenue was less than the MTFP projection. Due to increase in mineral concession fees, rent and royalties, guarantees fees and other receipts under forestry and wild life, the actual non-tax revenue was more than MTFP projection.

Tax revenue

Taxes on sales, trade, etc. was the main source of State's tax revenue with a contribution of 52 per cent of the State's tax revenue followed by State excise (23 per cent) and stamps and registration fees (nine per cent). The trend in the major constituents of tax revenue during the period 2005-10 is shown in Table 1.7.

Table 1.7: Tax revenue

| | (₹ in crore) | | | | |
|------------------------------|--------------|---------|---------|----------|-----------|
| | 2005-06 | 2006-07 | 2007-08 | 2008-09 | 2009-10 |
| Taxes on sales, trade, etc. | 9,870 | 11,762 | 13,894 | 14,623 | 15,833 |
| Rate of growth | 13.45 | 19.17 | 18.13 | 5.25 | 8.27 |
| State excise | 3,397 | 4,495 | 4,767 | 5,749 | 6,946 |
| Rate of growth | 21.06 | 32.32 | 6.05 | 20.60 | 20.82 |
| Stamps and registration fees | 2,213 | 3,206 | 3,409 | 2,927 | 2,628 |
| Rate of growth | 25.74 | 44.87 | 6.33 | (-14.14) | (-) 10.21 |
| Taxes on vehicles | 1,105 | 1,375 | 1,650 | 1,681 | 1,962 |
| Rate of growth | 12.41 | 24.43 | 20.00 | 1.88 | 16.72 |

Source : Finance Accounts

The rate of growth of taxes on sales, trade, etc which had witnessed a steep fall in 2005-06 from 31 per cent in 2004-05, following the introduction of value added tax with effect from April 2005, ranged between 18 and 19 per cent in the next two years. It again decreased to five per cent in 2008-09 due to reduction of Central sales tax from three to two per cent and fall in sale of industrial inputs and goods due to general slowdown of economy. During 2009-10, there was increase in rate of growth in taxes on sales, trade, etc by three per cent as the general slowdown of economy which had continued in the first half of 2009-10 reversed during the second half.

Due to ban on sale of arrack, the growth rate of State excise witnessed a steep fall from 32 per cent in 2006-07 to six per cent in 2007-08. The growth rate increased to 21 per cent in 2008-09 due to increase in the consumption of Indian made foreign liquor of lower price band. The growth rate was maintained in 2009-10.

Negative growth rate of stamps and registration fees in 2008-09 was due to economic slow down which stressed the real estate market and led to fall in the number of registrations. Reduction of stamp duty from 7.5 to six *per cent* to stimulate the real estate market during 2009-10 resulted in the negative growth rate declining from 14 to 10 *per cent*.

The fall in the growth rate of tax on vehicles during 2008-09 was also due to fall in sale of vehicles on account of general economic slow-down. According to MTFP 2010-14, measures of GOI to stimulate the automobile industry by reducing excise duty and allocation of funds for purchase of buses under Jawaharlal Nehru National Urban Renewal Mission (JnNURM) resulted in higher rate of growth in taxes on vehicles during 2009-10.

Cost of collection

The gross collection of taxes on motor vehicles and taxes on sales, trade etc., expenditure incurred on their collection and its percentage to gross collection during the years 2007-10 along with their all India average cost of collection for the respective previous years are indicated in **Table 1.8**.

Table 1.8: Details of cost of collection

| Receipt | Year | Gross collection | Expenditure on collection | Percentage of cost of collection to gross collection | All India average percentage for the preceding year |
|-----------------------------|---------|------------------|---------------------------|--|---|
| | | | | | |
| Motor vehicles | 2007-08 | 1,651.82 | 29.39 | 1.78 | 2.47 |
| | 2008-09 | 1,682.90 | 34.84 | 2.04 | 2.58 |
| | 2009-10 | 1,962.62 | 36.35 | 1.85 | 2.93 |
| Taxes on Sales, Trade etc., | 2007-08 | 15,036.11 | 74.30 | 0.49 | 0.82 |
| | 2008-09 | 16,259.37 | 81.62 | 0.50 | 0.83 |
| | 2009-10 | 16,546.34 | 84.46 | 0.51 | 0.88 |

The percentage of cost of collection to the gross collection was less than the all India average for the period 2007-10.

Non-tax revenue

During 2005-10, 54 *per cent* of the non-tax revenue on an average was on account of interest receipts, dividends, fees and fines and user charges for socio-economic services. The balance 46 *per cent* on an average represented receipts (gross) from State lotteries, amount received from GOI under the scheme of DCRF, amounts written back from Public Account and pooling of cess collection under the head 1475-Other General Economic Services. Thus non-tax revenue reflected in Finance Accounts stood inflated by 46 *per cent* as revealed by the details of composition of non-tax revenue shown in **Table 1.9**.

Table 1.9: Composition of non-tax revenue

| | 2005-06 | 2006-07 | 2007-08 | 2008-09 | 2009-10 | Average percentage composition during 2005-10 | |
|--|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|--|-----------|
| | | | | | | Interest, dividends, user charges, fees, fines | Others |
| Interest and dividends receipts | 300 (8) | 396 (10) | 399 (12) | 377 (12) | 413 (12) | 11 | |
| General services | 2,030 (52) | 2,127 (52) | 679 (20) | 675 (21) | 846 (26) | | |
| Receipts (gross) from State lotteries | 1,767 (46) | 1,128 (28) | --- | --- | --- | | 15 |
| Relief under DCRF | --- | 716 (17) | 358 (11) | 358 (11) | 358 (11) | | 10 |
| Fees, fines etc, | 263 (7) | 283 (7) | 321 (10) | 317 (10) | 488 (15) | 10 | |
| Economic services | 1,416 (37) | 1,428 (35) | 2,099 (63) | 1,921 (61) | 1,836 (55) | | |
| Write-back from Public Account | 426 (11) | 299 (7) | 749 (22) | 484 (15) | 2 (-) | | 11 |
| Pooling of cess collections | 275 (7) | 357 (9) | 377 (11) | 365 (12) | 386 (12) | | 10 |
| User charges | 715 (18) | 772 (19) | 973 (29) | 1,072 (34) | 1448 (43) | 28 | |
| Social services –user charges | 129 (3) | 148 (3) | 181 (5) | 186 (6) | 239 (7) | 5 | |
| Total | 3,875 | 4,099 | 3,358 | 3,159 | 3,334 | 54 | 46 |

Figures in parenthesis denote percentage composition in non-tax revenue

Source : Finance Accounts.

Twenty six *per cent* of the total non-tax revenue of the State in 2009-10 was on account of royalty receipts which increased from ₹ 554 crore in 2008-09 to ₹ 858 crore in 2009-10 as a result of revision of royalty rates by the Central Government in August 2009.

According to FRA, the State Government had to pursue non-tax revenue policies with due regard to cost recovery and equity. During 2000-08, the compounded annual growth rate of non-tax revenue of the State (8.38 *per cent*) was less than that of the General Category States (12.08 *per cent*) and in 2000-10, the State's CAGR of non-tax revenue fell to 8.06 *per cent*. The State Government stated in MTFP (2007-11) that the condition and quality of public services made the task of making any appreciable changes in user charges difficult.

The ratio of non-tax revenue to non-plan revenue expenditure is considered as an indicator of cost-recovery from socio-economic services. The details of recovery of current cost as ratio of non-tax revenue receipts to non-plan revenue expenditure in respect of Education, Health and Family Welfare, Water Supply and Sanitation and Irrigation during 2009-10 are given in **Table 1.10**.

Table 1.10: Cost-recovery from socio-economic services

| Service | Non tax revenue receipts (NTR) | Non plan revenue expenditure (NPRE) | Cost recovery (ratio of NTR/ NPRE in per cent) |
|------------------------------------|--------------------------------|-------------------------------------|--|
| | | | (₹ in crore) |
| Education, sports, art and culture | 95.85 | 6,657.52 | 1 |
| Health and family welfare | 54.98 | 1,164.66 | 5 |
| Water supply and sanitation | 0.34 | 11.30 | 3 |
| Irrigation | 28.09 | 173.25 | 16 |

Source: Finance Accounts.

However, bulk of user charges in respect of Health and Education is not credited to the Consolidated Fund of the State resulting in under-statement of non-tax revenue of the State. The cost-recovery ratio calculated in respect of Health and Family Welfare and Education is therefore, under-stated³ to that extent.

Total non-tax revenue increased by ₹ 175 crore from ₹ 3,159 crore in 2008-09 to ₹ 3,334 crore in 2009-10 mainly due to increase in non-tax revenue from General Services (₹ 171 crore) partly off-set by decrease in non-tax revenue from Economic Services (₹ 85 crore).

Grants-in-aid from GOI

Grants-in-aid from GOI increased from ₹ 3,632 crore in 2005-06 to ₹ 7,883 crore in 2009-10 as shown in Table 1.11.

Table 1.11: Grant-in-aid from GOI

| | | (₹ in crore) | | | | |
|-----------------|---------------------|--------------|--------------|--------------|--------------|--------------|
| | | 2005-06 | 2006-07 | 2007-08 | 2008-09 | 2009-10 |
| Non-plan | | 1,736 | 2,224 | 1,531 | 1,694 | 3,429 |
| | State | 915 | 1,284 | 1,916 | 2,020 | 2,973 |
| Plan | Central | 37 | 43 | 71 | 94 | 61 |
| | Centrally sponsored | 944 | 1,262 | 1,509 | 1,524 | 1,420 |
| Total | | 3,632 | 4,813 | 5,027 | 5,332 | 7,883 |

Source : Finance Accounts.

The increase of GOI grants by ₹ 2,551 crore in 2009-10 over the previous year was due to increase in non-plan grants (₹ 1,735 crore) and grants for State plan schemes (₹ 953 crore). The increase in non-plan grants was mainly under Grant for National Calamity Contingency Fund (₹ 1,405 crore), Grant for loss of revenue on account of phasing out of Central Sales Tax (₹ 555 crore) and Grants for State Specific needs (₹ 272 crore) and the increase in grants for State plan schemes was mainly under Accelerated Irrigation Benefit Programme (₹ 477 crore) and Crop Husbandry – other grants (₹ 253 crore).

³ All district hospitals, PHCs, CHCs and THCs in the State have been authorized under order dated 22 August 2003 to retain user charges which were to form part of Arogya Raksha Samithi's fund. These receipts were to be utilized for development work of hospitals. Similarly, laboratory fee, library fee etc., collected by colleges are not remitted to treasury and form part of College Development Fund.

Central tax transfers

Increase of State's share of Union taxes by ₹ 206 crore over the previous year was mainly under corporation tax (₹ 683 crore) and taxes on income other than corporation tax (₹ 214 crore) partly offset by decrease in customs (₹ 338 crore) and Union excise duties (₹ 363 crore).

The share of Central taxes and duties received in the State during 2005-10 was ₹ 30,880 crore as against ₹ 27,362 crore recommended by TFC. During 2005-10, Central tax transfers were also more than the estimated tax transfers (₹ 30,296 crore) by ₹ 584 crore. Surplus devolution of ₹ 1,697 crore during 2005-08 was off-set by short devolution of ₹ 1,113 crore during 2008-10.

1.6.2 Optimization of TFC grants

TFC recommended amounts aggregating ₹ 4,054.40 crore as transfers to the State during 2005-10. The recommendations and the actual releases are detailed in **Table 1.12**.

Table 1.12: Transfers recommended and actual release of Grant-in-aid
(₹ in crore)

| | Transfers recommended | Actual Releases | Shortfall |
|---------------------------------|-----------------------|-----------------|---------------|
| Maintenance (Public Works) | 205.12 | 205.12 | -- |
| Maintenance (Forest) | 55.00 | 55.00 | -- |
| Heritage & conservation | 50.00 | 50.00 | -- |
| Local Bodies | 1,211.00 | 1,211.00 | -- |
| Maintenance (Roads and Bridges) | 1,458.12 | 1,275.85 | 182.27 |
| State Specific needs | 600.00 | 540.00 | 60.00 |
| Calamity relief | 475.16 | 475.16 | -- |
| Total | 4,054.40 | 3,812.13 | 242.27 |

As of March 2010, the State Government received grants aggregating ₹ 3,812 crore. The balance (₹ 242.27 crore) pertaining to Maintenance –Roads and Bridges (₹ 182 crore) and State Specific Needs (₹ 60 crore) was not received. In respect of Maintenance –Roads and Bridges, the State lost ₹ 182 crore due to non-fulfillment of TFC conditions. Test check revealed the following irregularities in utilization of TFC grants received during 2005-10.

Improvement of Health Services

A grant of ₹ 150 crore was recommended by the TFC for improvement of health services in Karnataka. Detailed action plan which included up-gradation of 275 Community Health Centres (CHCs) as trauma care centres, 18 primary trauma care centres, 44 trauma care centres in district hospitals and Sanjay Gandhi hospital as Apex hospital, purchase of 550 ambulances, supply of equipments to trauma care centres and Sanjay Gandhi hospital, training etc., was drawn for utilizing the grant during 2006-10.

There was short-fall in the achievement of physical and financial progress as the State took up only civil works in respect of 175 CHCs, purchase of ambulance and up-gradation of Sanjay Gandhi hospital. Out of the first instalment of ₹ 54.88 crore released in 2006-07, the total expenditure incurred in 2006-07 was ₹4.97 crore on purchase of 44 ambulances. The State failed to achieve physical progress in respect of up-gradation of 175 CHCs which remained incomplete as on March 2010.

The State Government replied (November 2010) that based on a review of implementation of activities in 2007-08, the number of civil works was limited to 137. The reply cannot be accepted because as per the Utilization Certificate furnished to GOI, 175 civil works had been started and were in various stages of completion and as admitted by the State Government completion of the civil works will involve the State Government having to bear the necessary budgetary burden.

Due to short-fall in achievement of targets and under-utilisation of TFC grants, the State did not receive the instalments due in 2007-08 and 2008-09. GOI released ₹ 80.12 crore in 2009-10 as against ₹ 95.12 crore due. The State thus, lost TFC grant amounting to ₹ 15 crore.

Further, out of TFC grant amounting to ₹ 135 crore received from GOI, the State used ₹ 98.35 crore for its ongoing scheme Arogya Kavacha (implemented during 2008-09).

The State Government (November 2010) replied that the State Cabinet had approved the use of TFC grants towards Arogya Kavacha and that there was no deviation. However, the State Government had announced in 2008-09 (budget speech) that it had a commitment of providing ₹ 221 crore (regardless of TFC grants) during 2008-11 for implementation of Arogya Kavacha. Also, the infrastructure envisaged in the action plan for utilization of TFC grants was not fully created.

1.6.3 Arrears of revenue

As of March 2010, arrears of revenue pertaining to taxes on sales, trade, etc., (₹ 3,751 crore), State excise (₹ 738 crore), mineral receipts (₹ 241 crore), taxes and duties on electricity (₹ 73 crore), stamp duty and registration fees (₹ 60 crore) and taxes on motor vehicles (₹ four crore) aggregated ₹ 4,867 crore. Revenue of ₹ six crore relating to State excise was pending on account of litigation in courts.

1.7 Application of resources

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

1.7.1 Growth and composition of expenditure

Growth rates of total expenditure during 2005-10, its ratio and buoyancy with reference to GSDP and revenue receipts are presented in **Table 1.13**.

Table 1.13: Total expenditure – Basic parameters

| | (₹ in crore, ratio in per cent) | | | | |
|---|---------------------------------|---------|---------|---------|---------|
| | 2005-06 | 2006-07 | 2007-08 | 2008-09 | 2009-10 |
| Total expenditure (TE)* | 34,163 | 42,335 | 46,781 | 52,260 | 60,656 |
| Rate of growth | 13.1 | 23.9 | 10.5 | 11.7 | 16.1 |
| TE/GSDP (ratio) | 18.6 | 20.6 | 19.5 | 19.3 | 20.3 |
| Revenue receipts / TE (ratio) | 88.8 | 88.8 | 88.0 | 82.8 | 81.0 |
| Buoyancy of total expenditure with | | | | | |
| GSDP(ratio) | 0.7 | 2.0 | 0.6 | 0.9 | 1.6 |
| Revenue receipts (ratio) | 0.9 | 1.0 | 1.1 | 2.2 | 1.2 |

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

Source : Finances Accounts.

Total expenditure increased by 78 per cent from ₹ 34,163 crore in 2005-06 to ₹ 60,656 crore in 2009-10 due to increase in revenue expenditure (₹ 19,496 crore), capital outlay (₹ 6,315 crore) and disbursement of loans and advances (₹ 682 crore).

During the period 2005-10, the growth rate of total expenditure was at the highest (24 per cent) in 2006-07 and lowest (11 per cent) in 2007-08. The growth rate of total expenditure which was at 12 per cent in 2008-09 increased to 16 per cent in 2009-10.

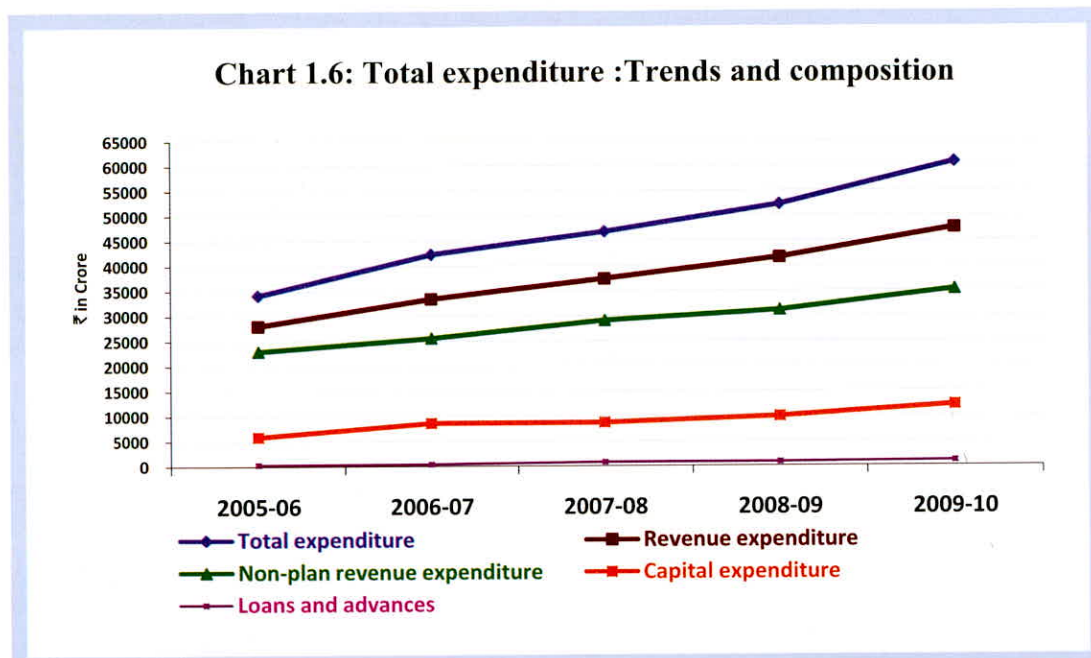
In 2009-10, total expenditure was 1.2 times the revenue receipts. The buoyancy ratio of total expenditure to revenue receipts was around 1.2 per cent and the growth rate of total expenditure was more than the growth rate of revenue receipts by 1.2 times.

During the period 2005-10, on an average, 80 per cent of the total expenditure constituted revenue expenditure. While the share of revenue expenditure in the total expenditure decreased from 80 per cent in 2008-09 to 78 per cent in 2009-10, the share of capital expenditure increased from 20 per cent in 2008-09 to 22 per cent in 2009-10.

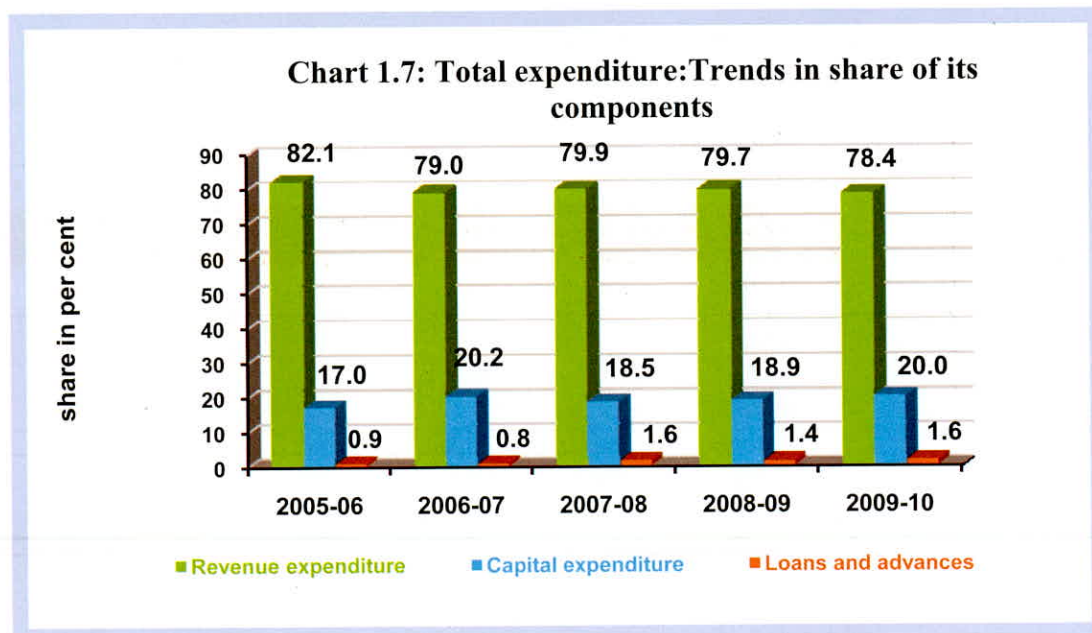
The State identified agriculture, rural development, power, education and health under socio-economic services as high priority sectors with greater capital outlay. Though capital outlay increased from ₹ 5,822 crore in 2005-06 to ₹ 12,137 crore in 2009-10 (108 per cent), there was minimal increase in the capital outlay in the priority sectors of health and family welfare (₹ 20 crore), education (₹ 16 crore) and agriculture and allied activities (₹ 24 crore) while there was decrease in capital outlay on rural development (₹ 60 crore) during 2009-10 relative to the previous year.

In 2009-10, the growth rate of total expenditure (16.1 per cent) was 1.6 times more than the growth rate of GSDP (10.2 per cent) and the buoyancy of total expenditure to GSDP which was less than one per cent in 2008-09 increased to 1.6 per cent in 2009-10. Revenue receipts as a ratio of total expenditure stood at 81 per cent in 2009-10 which meant that 81 per cent of the total expenditure could be met out of revenue receipts.

Chart 1.6 presents the trends in total expenditure under revenue, capital and loans and advances, while **Chart 1.7** exhibits the share of these components in total expenditure.



Source: Finance Accounts.



Source: Finance Accounts.

1.7.2 Incidence of revenue expenditure

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

Revenue expenditure increased by 70 per cent from ₹ 28,041 crore in 2005-06 to ₹ 47,537 crore in 2009-10. While plan expenditure increased by 143 per cent from ₹ 5,069 crore to ₹ 12,303 crore, non-plan expenditure increased by 53 per cent from ₹ 22,972 crore to ₹ 35,234 crore.

Increase of plan revenue expenditure by ₹ 1,773 crore over the previous year was mainly under Social Welfare and Nutrition (₹ 639 crore), Welfare of SCs, STs and OBCs (₹ 377 crore), Agriculture (₹ 290 crore), Special Areas Programme (₹ 272 crore), Rural Development (₹ 151 crore) and Water Supply, Housing and Urban Development (₹ 111 crore). Plan revenue expenditure included devolutions to Panchayat Raj Institutions (PRI) (₹ 3,506 crore) and Urban Local Bodies (ULB) (₹ 769 crore), Subsidies (₹ 429 crore) and Salaries (₹ 841 crore).

Non-plan revenue expenditure (NPRE) was 74 per cent of revenue expenditure during 2009-10. It included devolutions to PRIs (₹ 7,901 crore) and ULBs (₹ 1,703 crore), interest payments (₹ 5,213 crore), subsidies (₹ 3,689 crore), pension payments (₹ 3,408 crore), salaries (₹ 9,501 crore) and maintenance expenditure (₹ 548 crore).

The trend in non-plan revenue expenditure *vis-à-vis* the normative assessment made by TFC about NPRE while estimating the pre-devolution non-plan revenue deficit/surplus for the State indicated that actual NPRE exceeded TFC's projections during 2005-10 as shown in **Table 1.14**.

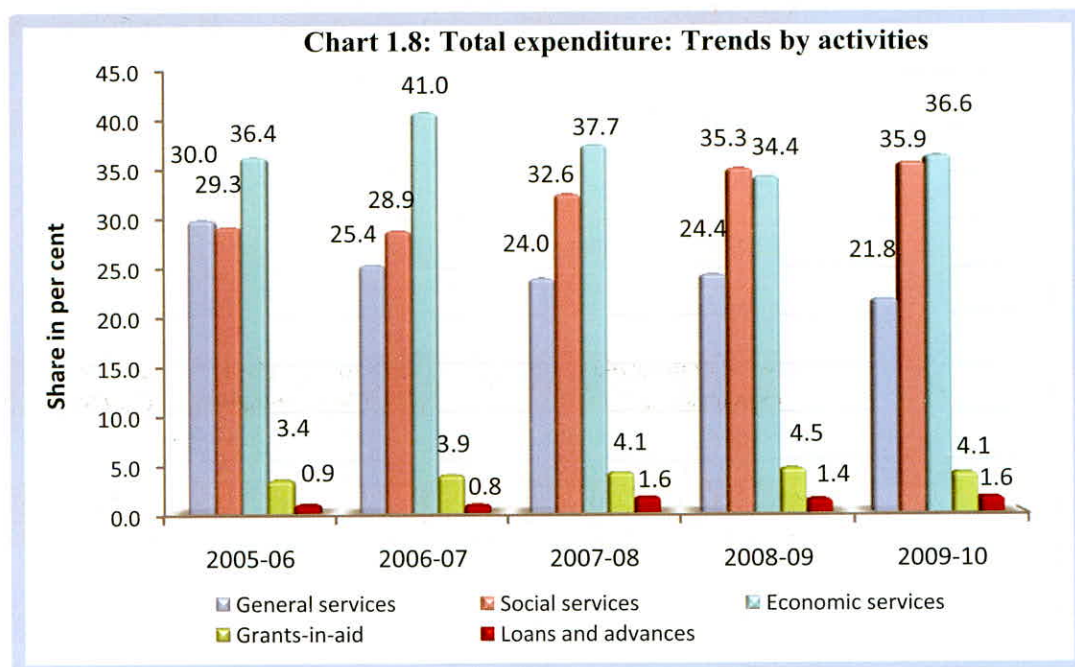
Table 1.14: Non-plan revenue expenditure- Actuals *vis-à-vis* TFC projection

| | (₹ in crore) | | |
|---------|-----------------------------|--------------------|----------------------|
| | Normative assessment of TFC | Actual expenditure | Percentage variation |
| 2005-06 | 17,001 | 22,972 | 35 |
| 2006-07 | 18,473 | 25,583 | 38 |
| 2007-08 | 21,735 | 29,062 | 34 |
| 2008-09 | 23,574 | 31,129 | 32 |
| 2009-10 | 25,643 | 35,234 | 37 |

Source: TFC Report and Finance Accounts.

1.7.3 Trends in expenditure by activities

In terms of activities, total expenditure could be considered as being composed of expenditure on general services (including interest payments), social and economic services, grant in aid and loans and advances. Relative share of these components in total expenditure (including loans and advances) is indicated in **Chart 1.8**.



Source : Finance Accounts.

In the MTFP 2010-14, the Government stated that it has been enhancing outlays on social service and restricting expenditure on general services, as part of its strategy to improve structure of expenditure. The expenditure on social services which was at 29 *per cent* of total expenditure in 2005-06 increased to 36 *per cent* in 2009-10 while expenditure on general services decreased from 30 *per cent* in 2005-06 to 22 *per cent* in 2009-10.

The share of expenditure on economic services which had increased from 36 in 2005-06 to 41 *per cent* in 2006-07 decreased to 38 *per cent* in 2007-08. During 2008-09, the share of expenditure on economic services which had further decreased to 34 *per cent* increased to 37 *per cent* in 2009-10.

As stated in the MTFP-2010-14, the State had to incur expenditure on relief measures for flood which hit the State in 2009-10. This expenditure (₹ 1,750 crore accounted under the HOA 2245-05) was eight *per cent* of the total expenditure on social services.

1.7.4 Committed expenditure

Committed expenditure of the State Government on revenue account mainly consisted of interest payments, expenditure on salaries, pensions and subsidies. **Table 1.15** and **Chart 1.9** present the trends in the expenditure on these components during 2005-10.

Table 1.15: Committed expenditure

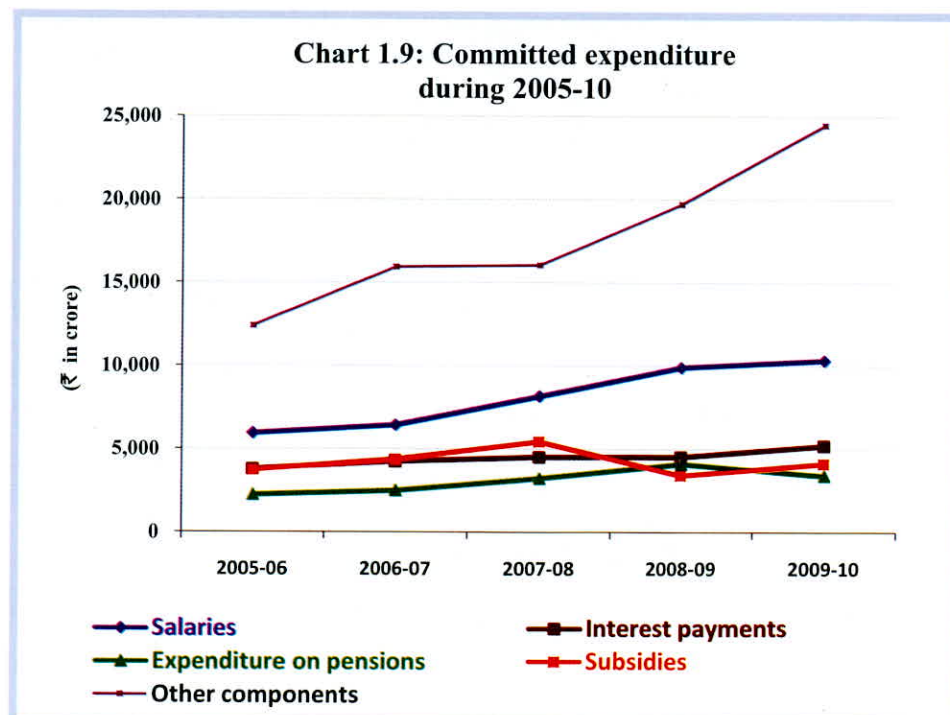
| | (₹ in crore) | | | | |
|--------------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|--------------------------|
| | 2005-06 | 2006-07 | 2007-08 | 2008-09 | 2009-10 |
| Salaries*, of which | 5,932 (19.5) | 6,426 (17.1) | 8,169 (19.8) | 9,912 (22.9) | 10,342 (21.04) |
| Non-plan head | 5,597 | 6,111 | 7,705 | 9,254 | 9,501 |
| Plan head** | 335 | 315 | 464 | 658 | 841 |
| Interest payments | 3,765 (12.4) | 4,236 (11.3) | 4,506 (10.9) | 4,532 (10.5) | 5,213 (10.6) |
| Expenditure on pensions | 2,237 (7.4) | 2,496 (6.6) | 3,241 (7.9) | 4,113 (9.5) | 3,408 (6.9) |
| Subsidies | 3,712 (12.2) | 4,355 (11.6) | 5,420 (13.2) | 3,399 (7.8) | 4,118 (8.4) |
| Total committed expenditure | 15,646 (51.55) | 17,513 (46.59) | 21,336 (51.85) | 21,956 (50.72) | 23,081 (46.9) |
| Other than committed expenditure *** | 12,395 (40.8) | 15,922 (42.4) | 16,039 (39.0) | 19,703 (45.5) | 24,456 (49.7) |
| Total revenue expenditure | 28,041 | 33,435 | 37,375 | 41,659 | 47,537 |
| Revenue receipts | 30,352 | 37,587 | 41,151 | 43,290 | 49,156 |

Figures in the parentheses indicate percentage to revenue receipts

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

** Includes the salaries paid under Centrally sponsored schemes.

*** Includes expenditure on financial assistance / relief (₹ 4,935 crore), other expenses (₹ 3,722 crore), grants-in-aid (₹ 2,235 crore), special component plan (₹ 987 crore), maintenance (₹ 619 crore), pensions under social services sector (₹ 922 crore), inter account transfers (₹ 2,809 crore).



Source : Finance Accounts.

Expenditure on salaries

Expenditure on salaries as a percentage of revenue receipts which had increased from 20 in 2007-08 to 23 in 2008-09 due to implementation of fifth pay commission (FPC) award reduced to 21 during 2009-10. It was, however, 27 per cent of revenue expenditure (net of pensions and interest payments), within the limit of 35 per cent recommended by TFC. The expenditure on salaries for 2009-10 was less than the MTFP-2008-12 projection of ₹ 10,990 crore by ₹ 648 crore.

Pension payments

Expenditure on pension (₹ 3,408 crore) was at seven per cent of total revenue receipts of the State during the year. The expenditure on pension during the year was less than MTFP (2008-12) projection by ₹ 430 crore. Decrease of ₹ 705 crore over the previous year was on account of increase in retirement age from 58 years to 60 years during 2008-09.

Adopting budget estimates (₹ 2,214 crore) of pension expenditure for 2004-05 as base figure, TFC projected growth rate of 10 per cent per annum during the forecast period. The pension expenditure was less than TFC projection during 2005-07. It was more than TFC projection during 2007-08 and 2008-09 on account of FPC award. It once again was less than TFC projection during 2009-10 as shown in **Table 1.16**.

Table 1.16: Pension expenditure vis-à-vis TFC projection

| | TFC Projection | Actual expenditure | (₹ in crore) Percentage variation |
|---------|----------------|--------------------|--------------------------------------|
| 2005-06 | 2,435 | 2,237 | (-) 8 |
| 2006-07 | 2,679 | 2,496 | (-) 9 |
| 2007-08 | 2,947 | 3,241 | 10 |
| 2008-09 | 3,242 | 4,113 | 27 |
| 2009-10 | 3,566 | 3,408 | (-) 4 |

Interest payments

Interest payments increased by ₹ 1,448 crore from ₹ 3,765 crore in 2005-06 to ₹ 5,213 crore in 2009-10. It constituted interest on internal debt (₹ 3,675 crore), interest on small savings, PF etc., (₹ 786 crore) and interest on loans and advances from Central Government (₹ 752 crore).

The interest on internal debt increased by 21 per cent from ₹ 3,038 crore in 2008-09 to ₹ 3,675 crore in 2009-10 on account of increase in payment of interest on markets loans and other internal debts by 58 per cent relative to previous year.

The interest on small savings, provident funds etc increased by seven *per cent* from ₹ 736 crore during 2008-09 to ₹ 786 crore in 2009-10 mainly on account of increase in interest on State provident funds and insurance and pension funds by 18 and 12 *per cent* respectively relative to previous year.

During 2005-10, interest payment on GOI loans fell to ₹ 745 crore on an average from ₹ 1,296 crore during 2004-05 as a result of implementation of DCRF scheme.

The ratio of interest payments to revenue receipts determines the debt sustainability of the State. During the year, interest payments pre-empted 11 *per cent* of total revenue receipts of the State *which was below the TFC norm of 15 per cent*.

Subsidies

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

Finance Accounts (**Appendix III**) showed an explicit subsidy of ₹ 4,118 crore during the year. Test check revealed implicit subsidy of ₹ seven crore provided as assistance to Karnataka State Financial Corporation (KSFC) towards waiver of interest due from small farmers and implicit subsidy of ₹ 122 crore provided as equity investment to KSFC to cover loss of earlier years.

Subsidy provided by the State may also be classified as merit and non-merit subsidy. Subsidy (₹ 276 crore)⁴ on education, housing, health, social welfare and nutrition, rural and urban development, agriculture and village and small industries considered to be merit subsidy constituted around seven *per cent* of the total subsidy expenditure of the State during the year.

Subsidy payments during the year were mainly in the areas of power (₹ 2,341 crore), food (₹ 1,164 crore), transport (₹ 157 crore) and co-operation (₹ 125 crore). The details are given in **Box 1.1**.

⁴ Education - ₹ 7.03 crore, urban development - ₹ 66 crore, social welfare and nutrition - ₹ 2.00 crore, village and small industries - ₹ 15.00 crore, agriculture- ₹ 96.43 crore and housing - ₹ 89.75 crore.

Box – 1.1

Major subsidies

Power

During the year, subsidy to power sector (₹ 2,341 crore) accounted for 57 per cent of the total subsidy (₹ 4,118 crore). It included financial assistance to electricity supply companies to cover loss due to rural electrification (₹ 2,091 crore) and contribution towards pension (₹ 250 crore).

Subsidy on rural electrification during the year, however, did not include subsidy of ₹ 75 crore given to the Karnataka Power Transmission Corporation (KPTCL) for meeting its debt servicing obligations of Power Finance Corporation (PFC) and Rural Electrification Corporation (REC). Finance Accounts did not show this liability as these loans were not taken over by the Government. The State Government had also paid subsidy of ₹ 330 crore, in 2006-07 (₹ 130 crore), 2007-08 (₹ 113 crore) and 2008-09 (₹ 87 crore). Though the Government stated (November 2007) that debt would be included on off-budget side in 2008-09, neither did MTFPs 2007-11 to 2010-14 nor overview of budget 2009-10 and 2010-11 exhibited this liability on off-budget side.

Food

Food subsidy to meet the differential cost of food grains under Public Distribution System (PDS) increased from ₹ 650 crore in 2007-08 to ₹ 1,164 crore in 2009-10. Against food subsidy of ₹ 264 crore recommended for Karnataka by TFC for the award period 2005-10, the amount of food subsidy was ₹ 804 crore per annum, on an average, during 2005-10.

Co-operation

Subsidy in the co-operative sector predominantly represented waiver of overdue loans (principle as well as interest) given to farmers. Such waiver of loans and interest aggregated ₹ 3,795 crore in 2005-06 (₹ 917 crore), 2006-07 (₹ 801 crore), 2007-08 (₹ 1,793 crore), 2008-09 (₹ 186 crore) and 2009-10 (₹ 98 crore).

According to Vaidyanathan Committee Report (March 2008), the Governments both at the Centre and in the States should desist from the practice of waiver of recovery of loans and interest to prevent deterioration of co-operative credit system. The aggregate amount of loan and interest waived during 2008-09 which had decreased to ₹ 186 crore further decreased to ₹ 98 crore in 2009-10 (50 per cent less than that of previous year).

Transport

Transport subsidy increased from ₹ 143 crore in 2008-09 to ₹ 157 crore in 2009-10. Forty nine per cent of the subsidy (₹ 66.66 crore) during 2009-10 was towards fare concession extended to students, freedom fighters, physically challenged, etc.

1.7.5 Financial assistance to local bodies

The quantum of assistance provided by way of grants to local bodies and others during the current year, relative to the previous years is presented in **Table 1.17**.

Table 1.17: Financial assistance to local bodies and other institutions

| | (₹ in crore) | | | | |
|---|------------------|------------------|------------------|------------------|------------------|
| | 2005-06 | 2006-07 | 2007-08 | 2008-09 | 2009-10 |
| Panchayat Raj Institutions | 6,088.61 | 7,767.93 | 9,122.39 | 10,804.46 | 11,406.81 |
| Urban Local Bodies | 1,605.85 | 2,113.48 | 2,468.20 | 2,339.11 | 2,471.69 |
| Educational Institutions (including universities) | 695.62 | 750.27 | 878.23 | 379.23 | 387.57 |
| Co-operative societies and co-operative institutions | 955.45 | 882.98 | 1,895.60 | 119.00 | 239.41 |
| Other institutions and bodies (including statutory bodies) | 1,837.43 | 2,400.54 | 2,361.00 | 1,620.24 | 1,914.55* |
| Assistance as a percentage of revenue expenditure | 40 | 42 | 45 | 37 | 35 |
| Total | 11,182.96 | 13,915.20 | 16,725.42 | 15,262.04 | 16,420.03 |

Source : Finance Accounts

*Includes assistance to ULBs for urban local election (₹ 25 crore) and grants to ULBs under FC recommendation (₹ 97 crore).

The assistance to PRIs increased from ₹ 6,089 crore in 2005-06 to ₹ 11,407 crore in 2009-10 while the assistance to ULBs increased from ₹ 1,606 crore to ₹ 2,472 crore.

Out of the total devolution of ₹ 11,407 crore to PRIs during 2009-10, ₹ 5,886 crore (52 per cent) were towards salaries as the State Government's functions viz., Education, Water Supply and Sanitation, Housing, Health and Family Welfare etc., were transferred to PRIs.

The assistance to ULBs, Co-operatives and other institutions increased by ₹ 133 crore, ₹ 120 crore and ₹ 295 crore respectively during the year 2009-10 from previous year. Assistance to other institutions (₹ 1,915 crore) included assistance to Development Authorities (₹ 252 crore), NGOs (₹ 617 crore) and various boards and institutions (₹ 358 crore). It also included assistance to schemes such as Modernization of Police (₹ 48 crore) and Rashtriya Krishi Vikasa Yojane – Animal Husbandry (₹ 33 crore).

As a sequel to the Second State Finance Commission's recommendation, the State Government decided (June 2006) to increase devolution of funds to ULBs from six to eight per cent of non loan net own revenue receipts (NLNORR) during the period 2005-10. The devolution to ULBs which was seven per cent of NLNORR during 2005-06 increased to eight per cent in 2006-09. It once again decreased to seven per cent during 2009-10. However, taking into account, assistance of ₹ 122 crore to ULBs accounted for as assistance to other institutions in Finance Accounts, assistance to ULBs would be eight per cent of NLNORR.

1.8 Quality of expenditure

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

1.8.1 Adequacy of public expenditure

The expenditure responsibilities relating to social sector and economic infrastructure are largely assigned to the State Governments. Enhancing human development levels requires the States to step up their expenditure on key social services like education, health, etc. The low level of spending on any sector by a particular State may be said to be due to low fiscal priority attached by the State Government. Low fiscal priority (ratio of expenditure category to aggregate expenditure) is attached to a particular sector if the priority given to that particular head of expenditure is below the General Category States average for that year.

Table 1.18 brings out the fiscal priority given to different categories of expenditure of the State relative to General Category States in 2005-06 and the current year 2009-10.

Table-1.18 Fiscal Priority of the State in 2005-06 and 2009-10

| Fiscal Priority by the State | (In per cent) | | | | | |
|---|---------------|-------|--------|-------|--------------|-----------|
| | AE/GSDP | DE/AE | SSE/AE | CE/AE | Education/AE | Health/AE |
| General Category States Average (Ratio) 2005-06 | 17.75 | 61.76 | 30.76 | 13.97 | 14.95 | 4.05 |
| Karnataka State's Average (Ratio) 2005-06 | 18.59 | 66.44 | 29.68 | 17.04 | 14.34 | 3.37 |
| General Category States Average (Ratio) 2009-10 | 18.24 | 66.05 | 35.76 | 14.85 | 16.21 | 4.28 |
| Karnataka State's Average (Ratio) 2009-10 | 20.32 | 74.06 | 37.22 | 20.01 | 14.50 | 3.71 |

AE: Aggregate Expenditure, DE: Development Expenditure, SSE: Social Sector Expenditure
CE: Capital Expenditure
Development expenditure includes Development Revenue Expenditure, Development Capital Expenditure and Loans and Advances disbursed.
Source : For GSDP, the information was collected from the State's Directorate of Economics and Statistics

Comparative analysis reveals the following:

- The ratio of AE to GSDP in 2005-06 and 2009-10 (18.59 and 20.32 *per cent*) were above the average ratios of General Category States (17.75 and 18.24 *per cent*). Hence, Government of Karnataka is spending more proportion of GSDP compared to General Category States.
- Adequate fiscal priority to DE and CE was given by the State Government in 2005-06 and 2009-10 as the ratio of DE to AE and CE to AE was higher than the average ratio of General Category States.

- Low priority to social sector was given by the State during 2005-06 as the ratio of SSE to AE (29.68 *per cent*) was less than the average ratio of General Category States (30.76 *per cent*). However, during 2009-10 adequate priority was given to the sector as the State's average of SSE to AE was 37.22 *per cent* as against the ratio of 35.76 *per cent* of General Category States.
- The State's average ratio of expenditure on education was less than the average ratio of General Category States in 2005-06 and 2009-10 which implied that there was low priority by the State in the said area. However, as per the census of 2001, the State had a literacy rate of 67 *per cent*.
- The State also gave low priority to health as the State's average ratio of expenditure on health was less than the average ratio of General Category States in 2005-06 and 2009-10. However, as per census of 2001, two parameters viz., infant mortality rate and life expectancy at birth of the State was at 45 per 1000 live births and 65 years which was better than the national average.

1.8.2 Efficiency of expenditure use

In view of the importance of public expenditure on development heads for social and economic development, it is imperative for the State Governments to take appropriate expenditure rationalization measures and lay emphasis on provision of core public and merit goods⁴. Apart from improving the allocation towards development expenditure⁵, particularly in view of the fiscal space being created on account of decline in debt servicing in recent years, the efficiency of expenditure use is also reflected by the ratio of capital expenditure to total expenditure and proportion of revenue expenditure being spent on operation and maintenance of the existing social and economic services. The higher the ratio of these components to total expenditure, the better would be the quality of expenditure. While **Table 1.19** presents the trends in development expenditure relative to the aggregate expenditure of the State during the current year *vis-à-vis* that of

⁴ *Core public* goods are which all citizens enjoy in common in the sense that each individual's consumption of such a good leads to no subtractions from any other individual's consumption of that good, e.g. enforcement of law and order, security and protection of citizen's rights; pollution free air and other environmental goods and road infrastructure etc.

Merit goods are commodities that the public sector provides free or at subsidized rates because an individual or society should have them on the basis of some concept of need, rather than ability and willingness to pay the Government and therefore wishes to encourage their consumption. Examples of such goods include the provision of free or subsidized food for the poor to support nutrition, delivery of health services to improve quality of life and reduce morbidity, providing basic education to all, drinking water and sanitation etc.

⁵ The analysis of expenditure data is disaggregated into development and non development expenditure. All expenditure relating to revenue account, capital outlay and loans and advances is categorized into social, economic and general services. Broadly, the social and economic services constitute development expenditure, while expenditure on general services is treated as non-development expenditure.

previous years, **Table 1.20** provides the details of capital expenditure and the components of revenue expenditure incurred on the maintenance of the selected social and economic services.

Table-1.19: Development expenditure

| | (₹ in crore) | | | | |
|---------------------------------------|---------------|---------------|---------------|---------------|---------------|
| | 2005-06 | 2006-07 | 2007-08 | 2008-09 | 2009-10 |
| Development expenditure (DE) | 22,734 | 29,953 | 33,642 | 37,134 | 44,930 |
| Percentage of DE to total expenditure | 67 | 71 | 72 | 71 | 74 |
| Components of DE | | | | | |
| Revenue | 16,846 | 21,377 | 24,577 | 27,010 | 32,301 |
| | (74) | (71) | (73) | (73) | (72) |
| Capital | 5,604 | 8,222 | 8,310 | 9,395 | 11,647 |
| | (25) | (27) | (25) | (25) | (26) |
| Loans and advances | 284 | 354 | 755 | 729 | 982 |
| | (1) | (1) | (2) | (2) | (2) |

Figures in parentheses indicate percentage to development expenditure

Source: Finance Accounts.

Development expenditure comprising revenue expenditure, capital outlay and loans and advances on socio-economic services increased from ₹ 22,734 crore in 2005-06 to ₹ 44,930 crore in 2009-10. As a *percentage* of total expenditure, it increased from 67 in 2005-06 to 74 in 2009-10. In the current year, development expenditure as a percentage of aggregate expenditure, increased by three *per cent* relative to the previous year due to increase in development capital expenditure and loans disbursed. On an average, 73 *per cent* of the development expenditure was on revenue account while capital expenditure including loans and advances accounted for the balance during 2005-10.

In 2009-10, development revenue expenditure included, *inter alia*, expenditure on salary (₹ 7,550 crore), subsidy (₹ 4,106 crore) and financial assistance to local bodies and other institutions (₹ 10,517 crore).

Table 1.20: Efficiency of expenditure use in selected social and economic services

| | 2008-09 | | 2009-10 | |
|---|-------------------|---|-------------------|---|
| | Ratio of CE to TE | Share of salaries (excluding wages and O&M) in RE | Ratio of CE to TE | Share of salaries (excluding wages and O&M) in RE |
| Social services (SS) | | | | |
| Education, sports, art and culture | 0.38 | 11.40 | 0.35 | 10.33 |
| Health and family welfare | 0.58 | 2.35 | 0.53 | 2.05 |
| Water supply, sanitation, housing and urban development | 3.72 | 0.05 | 4.31 | 0.05 |
| Others | 0.54 | 1.00 | 0.50 | 0.86 |
| Total (SS) | 5.22 | 14.80 | 5.70 | 13.29 |
| Economic services (ES) | | | | |
| Agriculture & allied activities | 0.14 | 1.61 | 0.15 | 1.46 |
| Irrigation and flood control | 5.71 | 0.24 | 6.50 | 0.22 |
| Power & energy | 2.75 | --- | 2.89 | --- |
| Transport | 4.30 | 0.06 | 4.43 | 0.05 |
| Others | 1.25 | 0.98 | 1.14 | 0.87 |
| Total (ES) | 14.15 | 2.89 | 15.11 | 2.60 |
| Total (SS+ES) | 19.37 | 17.69 | 20.81 | 15.89 |

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

Expenditure on social services

Capital expenditure on social services increased from ₹ 2,728 crore in 2008-09 to ₹ 3,456 crore in 2009-10 and there was a corresponding marginal increase in ratio of capital expenditure to total expenditure.

Capital expenditure on social services during 2009-10 included ₹ 226 crore (seven *per cent*) on account of repayment of off budget borrowings.

The share of salary expenditure (under social services) in total revenue expenditure decreased from 15 *per cent* in 2008-09 to 13 *per cent* in 2009-10.

Expenditure on economic services

Capital expenditure on economic services increased from ₹ 7,395 crore in 2008-09 to ₹ 9,167 crore in 2009-10 with a growth rate of 24 *per cent*.

The priority sectors identified by the Government in respect of economic services were agriculture, power and rural development. In 2009-10, the capital outlay on power (₹ 1,750 crore) was 87 *per cent* more than the outlay in 2008-09. Capital outlay on power (₹ 1,750 crore) in 2009-10 included expenditure of ₹ 75 crore on REC and PFC loans of KPTCL taken over by the Government. In 2009-10, capital outlay on agriculture and rural development was more by ₹ 1,122 crore compared to 2008-09.

The share of salary expenditure (under economic services) in total revenue expenditure remained at three *per cent* in 2008-10.

Capital expenditure on economic services in 2009-10 included expenditure of ₹ 759 crore (eight *per cent*) on repayment of off budget borrowings.

1.9 Analysis of Government expenditure and investments

In the post-FRA framework, the Government is expected to keep its fiscal deficit (borrowing) not only at low levels but also meet its capital expenditure/investment (including loans and advances) requirements. In addition, in a transition to complete dependence on market based resources, the State Government needs to initiate measures to earn adequate return on its investments and recover cost of borrowed funds rather than bearing the same on its budget in the form of implicit subsidy and take requisite steps to infuse transparency in financial operations. This section presents the broad financial analysis of investments and other capital expenditure undertaken by the Government during the current year *vis-à-vis* previous years.

1.9.1 Incomplete projects

Blocking of funds on incomplete works which include works stopped due to reasons like litigation, etc. impinge negatively on the quality of expenditure. The department-wise information pertaining to incomplete projects as of March 2010 is given in **Table 1.21**.

Table 1.21: Incomplete projects

| Department | Incomplete projects | | | | | Cumulative expenditure as of March 2010 |
|---------------------|---------------------|-----------------|-----------------|----------------------------|---------------|---|
| | Number | Budgeted cost | Revised cost | Cost over run ⁶ | | |
| | | | | Number | Amount | |
| Public works | | | | | | |
| Buildings | 109 | 581.82 | 591.13 | 12 | 157.90 | 495.76 |
| Roads & bridges | 121 | 590.31 | 593.84 | 29 | 99.08 | 411.06 |
| Irrigation | 31 | 104.06 | 120.26 | 3 | 24.24 | 107.78 |
| Total | 261 | 1,276.19 | 1,305.23 | 44 | 281.22 | 1,014.60 |

Source: Finance Accounts

As against the initial budgeted cost of ₹ 1,276 crore in respect of 261 works stipulated to be completed on or before March 2010, the progressive expenditure was ₹ 1,015 crore as of March 2010. In 44 cases, the cost over run aggregated ₹ 281.22 crore.

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

1.9.2 Investment and returns

As of March 2010, Government had invested ₹ 32,483 crore in 88 Government companies (₹ 29,341 crore) including investment of ₹ 52 crore in 17 non-working Government companies, nine statutory corporations (₹ 1,674 crore), 45 joint stock companies (₹ 1,106 crore) and 15 co-operative societies/banks including regional rural banks (₹ 362 crore). The return from investment was negligible (Table 1.22).

Negligible returns from the investment were partly on account of locking up of funds in the Public Account without actual release to the institutions. Investment of ₹ 981.40 crore⁷ in respect of five Companies / Corporations was lying in Public Account to the end of March 2010.

Table-1.22: Return on investment

| | 2005-06 | 2006-07 | 2007-08 | 2008-09 | 2009-10 |
|--|-----------|-----------|-----------|-----------|-----------|
| Investment at the end of the year (₹ in crore) | 14,052.53 | 18,698.37 | 22,279.35 | 26,672.11 | 32,483.28 |
| Return (₹ in crore) | 16.9 | 19.5 | 23.4 | 40.2 | 29.48 |
| Return (per cent) | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| Average rate of interest on Government borrowings (per cent) | 7.6 | 7.7 | 7.6 | 6.9 | 6.7 |
| Difference between interest rate and return (per cent) | 7.5 | 7.6 | 7.5 | 6.8 | 6.6 |

Source: Finance Accounts.

⁶ Includes four cases where expenditure exceeded the revised cost and the cost overrun aggregated to ₹ 3.08 crore.

⁷ Krishna Bhagya Jala Nigama (₹ 131.28 crore), Karnataka Infrastructure Development and Finance Corporation (₹ 283.35 crore), Karnataka Neeravari Nigam Limited (₹ 30.33 crore), Karnataka Rural Infrastructure Development Corporation Ltd (₹245.70 crore) and Mega Area Development (₹ 290.74 crore)

Out of the total investment of ₹ 32,483 crore upto the end of 2009-10, investment of ₹ 30,925 crore (95 per cent) during 2005-10 was in 63 Government companies and Statutory corporations under irrigation sector (₹ 19,084 crore), transport sector (₹ 924 crore), infrastructure sector (₹ 4,595 crore), power sector (₹ 3,717 crore), industries sector (₹ 316 crore), housing sector (₹ 1,220 crore), financing sector (₹ 427 crore), construction sector (₹ 261 crore) and social sector (₹ 381 crore).

The investment included ₹ 16,993 crore (52 per cent) in the following companies/corporations under perennial loss (Table 1.23).

Table 1.23: Investment in companies/corporations under perennial loss

| Company/Corporation | (₹ in crore) | |
|--|---------------------------|-------------------------------|
| | Investment during 2005-10 | Cumulative loss as at 2008-09 |
| Krishna Bhagya Jala Nigam Limited | 14,267 | 156 |
| Karnataka Road Development Corporation Ltd | 2,505 | 85 |
| North Western Karnataka Road Transport Corporation | 137 | 334 |
| North Eastern Karnataka Road Transport Corporation | 84 | 293 |
| Total | 16,993 | 868 |

Source : Finance Accounts.

During the year, Government invested ₹ 5,039 crore in Government companies, ₹ 572 crore in Joint stock companies, ₹ 196 crore in Statutory corporations and ₹ four crore in Co-operative societies. This included;

- ₹ 122 crore invested in KSFC for removal of negative net-worth (₹ 110 crore) and for reimbursement of amount paid by loanees as equity (₹ 12 crore).
- Conversion of interest dues (₹ 4 crore) of Mysore Sales International Limited as equity.
- Conversion of interest free loans (₹ 500 crore) released to Electricity Supply Company (ESCOM) during 2008-09 as equity in 2009-10.

1.9.3 Departmental undertakings

Nineteen undertakings of certain Government departments performed activities of quasi-commercial nature. According to the latest accounts furnished by six undertakings, the State Government's investment was ₹ 12.36 crore. The total loss incurred by these undertakings was ₹ 5.82 crore. Details are furnished in **Appendix 1.7**.

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

1.9.4 Loans and advances by the State Government

In addition to investments in companies, corporations and co-operative institutions, Government also provided loans and advances to many institutions/organizations. **Table 1.24** presents the position of outstanding loans and advances as of March 2010 and interest receipts *vis-à-vis* interest payments during the last five years.

Table-1.24: Average interest received on loans advanced by the State Government

| | (₹ in crore) | | | | |
|---|--------------|--------------|--------------|--------------|--------------|
| | 2005-06 | 2006-07 | 2007-08 | 2008-09 | 2009-10 |
| Opening balance | 5,768 | 5,944 | 6,241 | 6,946 | 7,620 |
| Amount advanced during the year | 300 | 357 | 757 | 731 | 982 |
| Amount repaid during the year | 124 | 60 | 52 | 57 | 555 |
| Closing balance | 5,944 | 6,241 | 6,946 | 7,620 | 8,047 |
| Net addition | 176 | 297 | 705 | 674 | 427 |
| Interest receipts | 95 | 38 | 58 | 103 | 74 |
| Interest receipts as <i>per cent</i> to outstanding loans and advances | 1.6 | 0.6 | 0.8 | 1.3 | 0.9 |
| Interest payments as <i>per cent</i> to outstanding fiscal liabilities of the State Government. | 7.2 | 7.3 | 7.5 | 6.3 | 6.2 |
| Difference between interest payments and interest receipts (<i>per cent</i>) | -5.6 | -6.7 | -6.7 | -5.0 | -5.3 |

Source: Finance Accounts.

Loans outstanding as of March 2010 aggregated ₹ 8,047 crore. Interest spread of Government borrowings was negative during 2005-10 which meant that the State's borrowings were more expensive than the loans advanced by it.

Loans aggregating ₹ 982 crore were disbursed during 2009-10 which included ₹ 26 crore to sugar cane industry for conversion of purchase tax on sugar cane and ₹ 42 crore to Karnataka State Road Transport Corporation for conversion of motor vehicle tax due into interest free loan respectively. Terms and conditions of repayment were not received for loans amounting to ₹ 928 crore.

Recovery of loans and advances aggregating ₹ 1,315 crore (principle: ₹ 469 crore and interest: ₹ 846 crore) was overdue as of March 2010 from 23 institutions [detailed accounts of which were kept by the Accountant General, (Accounts and Entitlements)]. Around 94 *per cent* of this pertained to five major defaulters viz., Karnataka Urban Water Supply and Drainage Board, Bangalore Water Supply and Sewerage Board, New Government Electric Factory, Karnataka Housing Board and Bangalore Development Authority. In these cases the overdue interest and principle for recovery was ₹ 798 crore and ₹ 442 crore respectively.

Further, recovery of loans and advances aggregating ₹ 321 crore (principle: ₹ 201 crore and interest: ₹ 120 crore) was overdue as of March 2010 from 14 institutions (detailed accounts of which were kept by the State Government).

Around 61 *per cent* of this pertained to only two major defaulters viz., Mysore Electrical Industries Limited and Mysore Lamp Works. In these cases, the overdue interest and principle for recovery was ₹ 80 crore and ₹ 122 crore respectively.

1.9.5 Cash balances and investment of cash balances

Table 1.25 depicts the cash balances and investments made there from by the State Government during the year.

Table-1.25: Cash balances and investment of cash balances

| | As of March 2009 | As of March 2010 | (₹ in crore) Increase(+)/ Decrease (-) |
|--|---------------------|---------------------|--|
| Cash balances | 7,819.85 | 9,773.51 | 1,953.66 |
| Investments from cash balances | 7,519.31 | 8,889.98 | 1,370.67 |
| GOI treasury bills | 7,518.98 | 8,889.67 | 1,370.69 |
| GOI securities | 0.32 | 0.20 | -0.12 |
| Other securities | --- | --- | --- |
| Other investments | 0.01 | 0.11 | 0.10 |
| Funds-wise break-up of investment from earmarked balances | 652.92 | 980.45 | 327.53 |
| Sinking fund | -0.06 | -0.21 | -0.15 |
| Industrial development fund | 0.01 | 0.01 | --- |
| Co-operative development fund | 0.49 | 0.49 | --- |
| Other development and welfare fund | 652.47 | 980.15 | 327.68 |
| Miscellaneous deposits | 0.01 | 0.01 | --- |
| Interest realized | 232.53 | 309.04 | 76.51 |

Source : Finance Accounts.

The cash balance of the State at the end of the year was ₹ 9,774 crore, an increase of 25 *per cent* over the previous year. The position of holding the surplus balances is brought out in **Box 1.2**.

Box – 1.2**Position of holding surplus cash balances**

Surplus cash balance was mainly due to market borrowings of ₹ 6,000 crore raised during 2009-10 on 30 July (₹ 1,000 crore at 7.76 per cent), 04 August (₹ 1,000 crore at 7.95 per cent), 09 September (₹ 750 crore at 8.25 per cent), 25 November (₹ 2,000 crore at 8.05 per cent and 09 March (₹ 1,250 crore at 8.52 per cent).

The entire loan amount was invested in fourteen days intermediate treasury bills of RBI with an interest rate of five per cent per annum as against an average rate of seven per cent per annum at which the borrowings were made. The amount of investments at the year end was ₹ 8,890 crore. The balance of investments in April, May and June 2010 was ₹ 6,019 crore, ₹ 6,998 crore and ₹ 7,590 crore respectively. The balance at the end of June 2010 after meeting all short term liabilities of the State Government was ₹ 1,590 crore.

In view of the comfortable position of cash balances, the open market borrowings, could have been limited to ₹ 4,410 crore to meet the short term liabilities of the Government.

The State Government replied that the entire borrowings were required to meet short time liabilities of 2009-10. Audit conclusion was however drawn on the basis of surplus cash balance during the first quarter of 2009-10 after meeting all short term commitments.

Maintaining idle cash balance is not prudent cash management. A shelf of projects should be ready so that mismatch between timing of borrowings and channeling it towards productive investment is considerably reduced.

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 land and buildings owned by the Government is not done. However, the Government accounts do capture the financial liabilities of the Government and the assets created out of the expenditure incurred. **Appendix 1.6** gives an abstract of such liabilities and assets as on 31 March 2010 compared with the corresponding position as on 31 March 2009.

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

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

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

The growth rate of composition of assets and liabilities are summarized in the **Table 1.26**.

Table 1.26 Summarised position of Assets and Liabilities

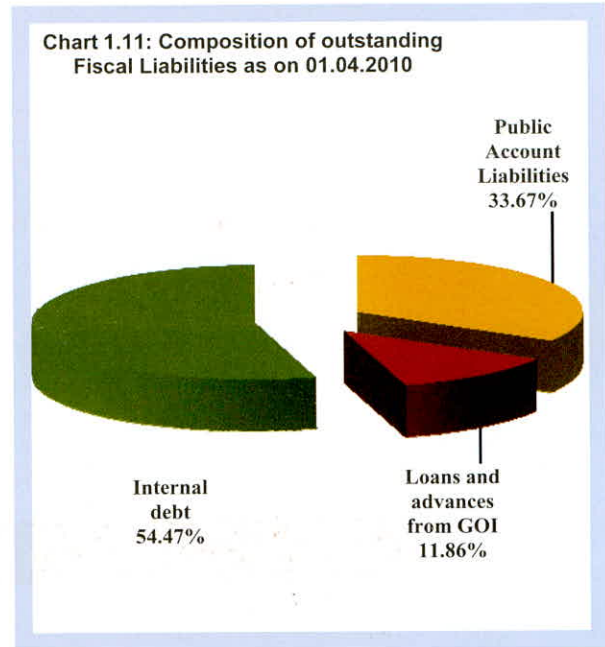
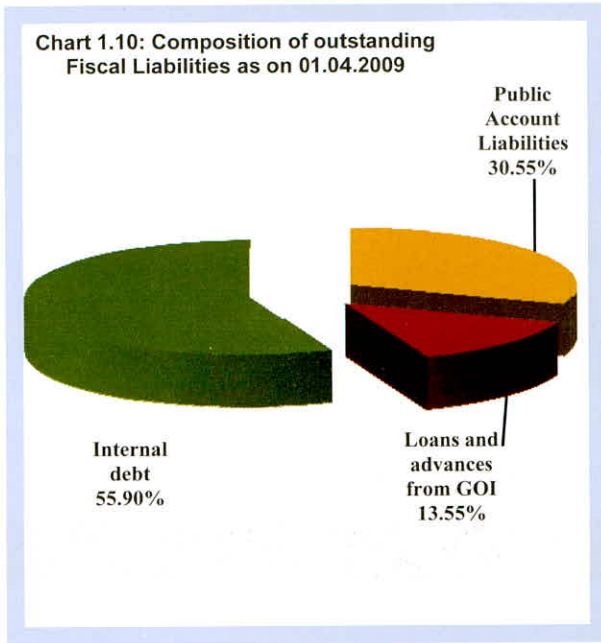
(₹ in crore)

| Liabilities | | | | Assets | | | |
|--|---------------|---------------|------------|--------------------------|---------------|---------------|------------|
| | 2008-09 | 2009-10 | (per cent) | | 2008-09 | 2009-10 | (per cent) |
| Consolidated Fund | 49,688 | 55,370 | 11 | Consolidated Fund | 70,643 | 83,206 | 18 |
| a. Internal Debt | 39,996 | 45,468 | 14 | i. Capital outlay | 63,023 | 75,160 | 19 |
| b. Loans and advances from GOI | 9,692 | 9,902 | 2 | ii. Loans and advances | 7,620 | 8,046 | 6 |
| Public Account | 22,515 | 29,092 | 29 | Cash | 7,820 | 9,774 | 25 |
| a. Small savings, Provident funds, etc | 9,710 | 11,177 | 15 | | | | |
| b. Reserve Funds | 7,053 | 10,254 | 45 | | | | |
| c. Deposits | 5,752 | 7,661 | 33 | | | | |

The growth rate of assets decreased from 23 per cent in 2008-09 to 18 per cent in 2009-10, and that of liabilities decreased from 19 per cent in 2008-09 to 17 per cent in 2009-10.

1.10.2 Fiscal liabilities

The trends in outstanding fiscal liabilities of the State are presented in **Appendix 1.5**. The composition of fiscal liabilities during the current year *vis-à-vis* the previous year, are presented in **Charts 1.10 and 1.11**.



Source: Finance Accounts.

Fiscal liabilities of the State, their rate of growth, ratio of these liabilities to GSDP, revenue receipts and own resources as well as buoyancy of fiscal liabilities with respect to these parameters is brought out in **Table 1.27**.

Table 1.27: Fiscal liabilities –basic parameters

| | (₹ in crore and ratios in per cent) | | | | |
|--|-------------------------------------|---------|---------|---------|---------|
| | 2005-06 | 2006-07 | 2007-08 | 2008-09 | 2009-10 |
| Fiscal liabilities | 52,236 | 57,682 | 60,142 | 71,550 | 83,482 |
| Rate of growth (per cent) | 11.3 | 10.4 | 4.3 | 19.0 | 17.0 |
| Ratio of fiscal liabilities to | | | | | |
| GSDP | 28.42 | 28.03 | 25.05 | 26.43 | 27.97 |
| Revenue receipts | 172.1 | 153.5 | 146.1 | 165.3 | 171.4 |
| Own resources | 232.1 | 210.5 | 204.9 | 232.3 | 246.2 |
| Buoyancy ratio of fiscal liabilities to | | | | | |
| GSDP | 0.64 | 0.87 | 0.26 | 1.48 | 1.67 |
| Revenue receipts | 0.8 | 0.4 | 0.5 | 3.6 | 1.0 |
| Own resources | 1.2 | 0.5 | 0.6 | 3.8 | 1.7 |

Source: Finance Accounts.

Fiscal liabilities of the State increased by 60 per cent from ₹ 52,236 crore in 2005-06 to ₹ 83,482 crore in 2009-10 comprising Consolidated Fund liabilities (₹ 55,370 crore) and Public Account liabilities (₹ 28,112 crore).

Consequent upon the implementation of FRA and restriction on borrowings (fiscal deficit) to three *per cent* of GSDP, the rate of growth of fiscal liabilities of the State decreased from 12 *per cent* in 2004-05 to four *per cent* in 2007-08. With the announcement of economic stimulus package by GOI and consequent amendment to FRA, fiscal deficit limit was raised to 3.5 and four *per cent* of GSDP during the year 2008-09 and 2009-10 respectively. The growth rate of fiscal liabilities which had increased to 19 *per cent* during 2008-09 decreased to 17 *per cent* during 2009-10. As a result, buoyancy of fiscal liabilities to GSDP which was less than one during 2007-08, increased to more than one in 2008-09 and 2009-10. The ratio of fiscal liabilities to GSDP was 28 *per cent* at the end of 2009-10.

1.10.3 Contingent liabilities

Status of guarantees

Guarantees are contingent liabilities on the Consolidated Fund of the State in case of default by the borrower for whom the guarantee was extended. The details of last four years are given in **Table 1.28**.

Table-1.28: Guarantees given by the State Government

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

Source: Finance Accounts.

The Karnataka Ceiling on Government Guarantees Act, 1999 provides for a cap on outstanding guarantees extended by the Government at the end of any year at 80 *per cent* of the State's revenue receipts of the second preceding year. The outstanding guarantees at the end of the years 2006-10 were within the prescribed limit.

The outstanding guarantees of ₹ 7,203 crore at the end of the year 2009-10 included guarantees extended to 35 institutions/companies under irrigation (₹ 1,467 crore), co-operative (₹ 2,122 crore), finance (₹ 782 crore), power (₹ 469 crore), housing (₹ 457 crore), transport (₹ 391 crore) and water supply and urban development (₹ 874 crore) sectors.

To provide for sudden discharge of States' obligations on guarantees, TFC recommended that States should set up Guarantee Redemption Fund through earmarked guarantee fees. The State had set up a Guarantee Reserve Fund in 1999-2000 with a corpus of one crore. However, there was no transaction though there were guarantee commission receipts and expenditure on account of discharge of guarantee obligation. The State Government stated (April 2009) that transfer of receipts and expenditure pertaining to the fund would be considered at the appropriate time.

Off - budget borrowings

The borrowings of the State Government are governed under Article 293 (1) of the Constitution of India. In addition to the contingent liabilities shown in **Table 1.28**, the State guaranteed loans availed of by Government companies/corporations. These companies/corporations borrowed funds from the market/financial institutions for implementation of various State plan programmes projected outside the State budget. Funds for these programmes were to be met out of resources mobilized by these companies/corporations outside the State budget but in reality the borrowings of these concerns ultimately turn out to be the liabilities of the State Government termed 'off-budget borrowings' and the Government had been repaying the loans availed of by these companies/corporations including interest through regular budget provision under capital account. Thus, the capital expenditure of the State during the current year included interest expenditure of ₹ 569 crore on off-budget borrowings, even though there is no corresponding built up of assets in Accounts. This further resulted in under-statement of interest expenditure and revenue surplus and overstatement of capital expenditure.

Table 1.29 captures the trend in the off-budget borrowings of the State during 2005-10 while **Table 1.30** gives the entity-wise position of borrowings to the end of 2009-10.

Table 1.29: Trend in off-budget borrowings

| Year | ₹ in crore) | | | | |
|-----------------------------|-------------|---------|---------|-----------|-----------|
| | 2005-06 | 2006-07 | 2007-08 | 2008-09 | 2009-10 |
| Amount as per MTFP 2007-11* | 1,078 | 242 | 103 | ---Nil--- | ---Nil--- |

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

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

| Company/Corporation/Board | Outstanding Off-budget borrowings | ₹ in crore) | |
|--|-----------------------------------|---------------------------|---------------|
| | | Repayment during the year | |
| | | Principle | Interest |
| Krishna Bhagya Jala Nigam Limited | 514.9 | 141.5 | 29.53 |
| Karnataka Neeravari Nigam Limited | 607.00 | 109.00 | 49.84 |
| Karnataka Road Development Corporation | 805.63 | 414.84 | 346.89 |
| Rajiv Gandhi Rural Housing Corporation | 592.01 | 70.78 | 48.47 |
| Karnataka Slum Clearance Board | 79.86 | 20.11 | 6.16 |
| Karnataka Rural Infrastructure Development Corporation Limited | 84.67 | 12.52 | 9.12 |
| Karnataka Renewable Energy Development Limited | 19.40 | 19.40 | 2.04 |
| Cauvery Neeravari Nigam Limited | 789.55 | 185.37 | 55.04 |
| Karnataka Residential Education Institution Society | 36.52 | 5.45 | 3.43 |
| Karnataka State Industrial Investment Development Corporation | 207.15 | 2.75 | 17.22 |
| Sarva Siksha Abhiyan Samithi | 10.68 | 2.21 | 1.05 |
| Total | 3,747.37 | 983.93 | 568.79 |

Source: As reported by the concerned entities.

In compliance with the commitment made in MTFP 2009-13, off-budget borrowings were eliminated from 2008-09 to ensure transparency in fiscal performance.

Taking into account the off-budget borrowings of the State, the total liabilities at the end of March 2010 worked out to ₹ 86,245 crore⁸ as against ₹ 83,482 crore shown in **Table 1.27** and the ratio of fiscal liabilities (inclusive of off-budget borrowings) to GSDP remained at 29 *per cent* at the end of the year as in the previous year.

1.11 Public Debt Management

Public Debt management is the process of establishing and ensuring a strategy for managing Government's debt portfolio to meet the funding requirements of the Government, achieve objective of cost and risk and meet any other objectives of debt such as ensuring that both the levels and growth of debt are fiscally sustainable.

The basic principles of sound debt-management lay stress on the importance of well-defined institutional arrangements for managing public debt, importance of transparency in debt-management objectives and policies, importance of accountability on matters related to public debt and importance of risk-evaluation / risk-assessment of public-debt.

1.11.1 Institutional frame-work for public debt management

In the Budget Speech of 2005-06, the Finance Minister proposed formation of a Fiscal Policy Analysis Cell (Cell) to act as the analytical brain to provide inputs and analytical support to the fiscal responsibility programme of the Government and an order was passed by the Government in June 2005 which provided for the creation of the Cell and laid down the responsibilities of the various units of the Cell.

The Debt Management Unit of the Cell is responsible for tracking, managing and planning government debts, loans, guarantees, cash flow plans, risk management strategies and other debt related information. The Unit was to be manned by staff drawn from the Finance Department, Reserve Bank of India, O/o the Accountant General, State Public Sector Undertakings (PSUs) and a person drawn from the Economics and Statistics Department. Details of staff strength of the Debt Management Unit and the nature of inputs provided by the Debt Management Unit to the Expenditure Planning Unit were not furnished by the Finance Department (FD).

⁸ Total fiscal liabilities: ₹ 83,482 crore plus balance of off-budget borrowings; ₹ 2,763 crore.

1.11.2 Tracking and monitoring of Government borrowings

Public debt management strategy is said to be efficient when debt-servicing and repayment take place in time without the burden of payment of penal interest, compound interest, etc. This can be done by tracking and monitoring all borrowings of the Government. This implies that the public debt-management authority should have a data-base which is complete and reliable as an incomplete data-base may result in non-servicing/non-repayment of such chunks of borrowings of the Government not captured in the debt profile. To improve the data-base on debt, the Government proposed the introduction of Commonwealth Secretaries Software in the MTFP-2007-11. The software was expected to help in the monitoring and supervision of debt and generation of Management Information Reports (MIRs). The Finance Department stated that the software was used for building data-base on market loans, LIC, GIC, NSSF and GOI loans and generation of MIRs.

The following instances disclosed inadequacies in the data-base on public debt;

- The internal debt of the State includes loans from LIC drawn mainly by the Department of Housing towards its housing projects. Two identical loans amounting to ₹ 159.99 crore were drawn by the Department of Housing in 2000-01 and 2001-02 and the latter, in respect of which interest payments had to be made half-yearly on 15 May and November every year commencing from 2002 and principle repayment had to be made on 15 May every year from 2003 onwards was not serviced from the beginning (i.e., 15 May 2002 to 15 November 2008) as it had not entered the register/debt-profile of the Housing Department and consequently the data-base of the DMU. The amount due to LIC from 15 May 2002 to 15 May 2008 was finally settled by payment of ₹ 186.72 crore (principle: ₹ 121.24 crore and interest: ₹ 65.48 crore) under one-time settlement of dues in 2009-10. In the normal course the outflow would have been ₹ 151.14 crore.
- The data base on National Co-operative Development Corporation (NCDC) loans which is also part of internal borrowings of the Government is also inadequate and unreliable to the extent that the closing balance of the NCDC loans as depicted in the Finance Accounts of the Government is adverse with re-payments exceeding the outstanding balance of loans. The Finance Department replied (October 2010) that adverse balance in respect of NCDC loans was on account of direct release of loans by NCDC through Apex Bank as a result of which such loans not routed through the Consolidated Fund of the State were not reflected in the Finance Accounts and that the Department had built a data-base of NCDC loans based on information obtained from NCDC in 2003-04. It was also stated that repayment of principle and interest was being made by the Government based on the debt profile so developed. Despite obtaining complete details of outstanding NCDC loans in 2003-04 itself, the Finance Department had not taken action for bringing within Finance Accounts such loans hitherto not reflected in Accounts. Instead it continued to make re-payments to NCDC on the loan balance not reflected in the Finance Accounts.

- Recovery/adjustment of outstanding dues payable by the borrowing departments from new loans sanctioned by financial institutions is also a reflection of inadequate debt management.
 - In respect of a loan amount of ₹ 170 crore released by LIC on 28 March 2003 to Housing Department, an amount of ₹ 21.11 crore was recovered by LIC towards over-dues on that date.
 - In respect of a loan amount of ₹ 159.99 crore released by LIC in May 2001 to Housing Department, continuous delay in remittance of dues by the Housing Department during 2002-08, resulted in LIC adjusting ₹ 59.15 crore towards compound interest (₹ 48.43 crore), penal interest (₹ 9.77 crore) and withdrawal of rebate (₹ 0.95 crore), from out of ₹ 817.55 crore paid by the Government during this period to LIC towards repayment.

The Finance Department accepted (October 2010) the fact of non-remittance and delay in remittance and stated that debt re-payments are now being monitored more professionally by creating the data base of each instrument.

- The Government is incurring expenditure towards payment of debt-management charges to RBI on account of Urban Land Ceiling Bonds raised in 1976, while the books of AG (A&E) do not reflect this liability as it has been discharged. The Finance Department stated (October 2010) that action would be taken to write-off the balance as per books of RBI (₹ 10 lakh) which would save payment of management charges.
- As public debt includes even the contingent liabilities of the Government, it is important that the Government/debt-management authority has a reliable data-base on all guarantees extended by the Government. As part of debt reforms, the Government proposed in the MTFP 2007-11 the creation of a central data-base on all guarantees extended by the Government. The Finance Department stated that the data-base on guarantees extended by Government was under creation.

1.11.3 Transparency

Effectiveness of public debt management operations and policies can be ensured if the objectives, strategies and instruments of borrowing are known to public. Sound practice in the area of transparency includes publicly disclosing the objectives of debt management, the cost-risk measures of these objectives, publishing all material aspects of public-debt and publishing all available information on public debt - budget allocation, debt-servicing flows, timing of raising loans, size of loans required to meet the funding requirements of the Government and the financial position of the Government.

Debt-servicing expenditure on the off-budget borrowings of the State Government is passed off in the budget documents as capital expenditure.

The State Government replied (November 2010) that the SPVs create public assets on behalf of the State and the borrowings of the SPVs serviced by the State are treated as part of State's fiscal deficit as per KFR Act norms. However, KFR

Act stipulates that interest payments on SPV borrowings are to be treated as revenue expenditure. The off-budget borrowings by SPVs are amortised through the budget and classified under the sectoral head under which the SPV falls, while interest on the SPV borrowings is capitalised and serviced through capital outlay, against which there is no build-up of State assets.

In 2008-09 and 2009-10, the Government incurred an expenditure of ₹ 8.14 crore and ₹ 12.67 crore towards interest dues of 2009-10 and 2010-11 in respect of NABARD loans which was accounted as (current year) revenue expenditure of 2008-09 and 2009-10, thereby resulting in under-statement of revenue surplus of the State. This also meant that revenue receipts of the Government were used to meet future commitments whereas the scope of the annual budget placed in the Legislature by the State is to meet current year's expenditure out of current year's receipts.

The State Government replied (November 2010) that debt-servicing of NABARD loans due on April 2010 (2010-11) was done in March 2010 (2009-10) at the insistence of NABARD as First of April was a bank holiday. However, any payment by cheque/DD is deemed to have been made on the date of issue of cheque/DD subject to availability of balance on that date. Further, under Section 10 of General Causes Act, 1897, if due date of payment falls on a holiday, the next working day is reckoned as the due date of payment.

1.11.4 Accountability and Risk management

Debt management strategy can be said to be effective only if there is allocation of responsibilities among all entities involved in various aspects of debt management.

Discharge of guarantees by the Government, one-time settlement of dues to LIC in respect of housing loan dues, payment of penal interest on delayed servicing of loans, etc., are instances of failure of debt management. Information as to action taken by the Government to fix accountability among the various entities involved was not furnished to Audit.

In the MTFP 2007-11, the Government announced that it was working on prescription of a protocol to be followed with regard to extension of guarantees and that all guarantees would be rated through a professional agency to assess the associated risk and take corrective action.

The Government had not taken any action in this regard and the FD stated that risk analysis being complex and technical in nature, it did not have the capacity for risk assessment.

The Government had created the guarantee reserve fund in 1999-2000 but the fund is not operational as guarantee commission receipts and expenditure on account of discharge of obligations is not transferred to the Fund. The Government had not evolved a risk management strategy to default/possible default by the entities which had raised loans under Government guarantee.

Stipulation of guidelines for extension of guarantees, periodic evaluation of financial position of PSUs backed by the Government guarantees and rating of guarantees for assessment of risk are to be considered actively by the Government

in view of the announcement in MTFP 2009-13 that off-budget borrowings would be rooted out and only such organisations would be allowed to borrow (under Government guarantee) which can service the debt out of their resources without depending on State budget.

1.11.5 Assessment of budget requirement

Effective debt management of the Government implies assessment of funds required for scheduling payments. As per GO dated 15 June 2005, an Expenditure Planning, Analysis and Project Evaluation Unit was to be set-up to formulate budget through analytical work in the area of base-line spending, estimates, expenditure prioritisation, etc. and linkages between the Debt Management unit and the Expenditure Planning Unit will be critically important for resource planning efforts of the Government.

Correct estimation of budget requirement under the debt servicing heads is important since surrenders may be misinterpreted by the general public as failure to use funds provided. Realistic cash-flow estimate must be prepared and taken into account while working out the over draft (OD) and ways and means requirements. Owing to the comfortable cash balance position in the recent years, the Government is not availing either ways and means advances or overdraft and the huge budget provision made under 6003-110-1&2-ways and Means Advances and OD is being surrendered. Huge surrender of appropriations of meant for debt-servicing/loan re-payment is indicative of incorrect estimation of fund requirements.

1.11.6 Excess market borrowings

The total market borrowings raised by the Government of Karnataka during 2009-10 amounted to ₹ 6,000 crore.

Though the borrowings were stated to finance the fiscal deficit, the fiscal deficit of the State was over-stated by at-least ₹ 2,100 crore in 2009-10 on account of non-transfer of expenditure from the Consolidated Fund to the Public Account even though deduct entries were provided in the supplementary estimates for carrying out the adjustment. The capital expenditure of the State also included certain items of expenditure which did not involve any cash outflow -loan to KPTCL in 2008-09 accounted as equity in 2009-10 (₹ 500 crore) and adjustment of ₹ 110 crore due from sugar factories, MSIL, KSFC, KSIIDC and KLAC as investments/loan in 2009-10.

Thus, on account of non-transfer of capital expenditure (₹ 2,100 crore) from the Consolidated Fund to the Public Account and inclusion of items of expenditure which did not involve cash out-flow (₹ 610 crore), the fiscal deficit of the State was over-stated resulting in over-borrowings by the State.

The State Government replied (November 2010) that items of expenditure not involving cash out-flow are deficit neutral as these are backed by non-debt receipts. These items of expenditure, however, would have been deficit neutral had these not been taken into account for working out borrowing requirement.

1.12 Debt sustainability

Apart from the magnitude of debt of the State Government, it is important to analyze various indicators that determine the debt sustainability⁹ of the State. This section assesses the sustainability of debt of the State Government in terms of debt stabilization¹⁰; sufficiency of non-debt receipts¹¹; net availability of borrowed funds¹²; burden of interest payments (measured by interest payments to revenue receipts ratio) and maturity profile of the State Government securities. **Table 1.31** analyzes the debt sustainability of the State according to these indicators for the period 2005-10.

Table 1.31: Debt sustainability: Indicators and trends

| Debt sustainability indicators | 2005-06 | 2006-07 | 2007-08 | 2008-09 | 2009-10 |
|---|---------|---------|---------|---------|------------|
| Debt stabilization (₹ in crore) (Quantum spread +/- Primary deficit/ surplus) | 6,137 | -337 | 4,466 | 1,381 | -2,740 |
| Sufficiency of incremental non-debt receipts (resource gap) (₹ in crore) | 750 | 1,777 | -138 | -2,205 | 375 |
| Net availability of borrowed Funds (in per cent) | 6 | 5 | --- | 21 | 18 |
| Burden of interest payments (IP/RR Ratio) | 12.4 | 11.3 | 10.9 | 10.5 | 10.6 |
| Maturity profile of State debt (in years) | | | | | |
| 0 – 1 | | | | | 963 (4) |
| 1 – 3 | | | | | 4,494 (19) |
| 3 – 5 | | | | | 3,902 (17) |
| 5 – 7 | | | | | 8,167 (35) |
| 7 and above | | | | | 6,000 (25) |

Figures in parenthesis denote the percentage to market borrowings of ₹ 23,526 crore.

Source: Finance Accounts.

⁹ The Debt sustainability is defined as the ability of the State to maintain a constant debt-GDP ratio over a period of time and also embodies the concern about the ability to service its debt. Sustainability of debt therefore also refers to sufficiency of liquid assets to meet current or committed obligations and the capacity to keep balance between costs of additional borrowings with returns from such borrowings. It means that rise in fiscal deficit should match with the increase in capacity to service the debt.

¹⁰ A necessary condition for stability states that if the rate of growth of economy exceeds the interest rate or cost of public borrowings, the debt-GDP ratio is likely to be stable provided primary balances are either zero or positive or are moderately negative. Given the rate spread (GSDP growth rate – interest rate) and quantum spread (Debt*rate spread), debt sustainability condition states that if quantum spread together with primary deficit is zero, debt-GSDP ratio would be constant or debt would stabilize eventually. On the other hand, if primary deficit together with quantum spread turns out to be negative, debt-GSDP ratio would be rising and in case it is positive, debt-GSDP ratio would eventually be falling.

¹¹ Adequacy of incremental non-debt receipts of the State to cover the incremental interest liabilities and incremental primary expenditure. The debt sustainability could be significantly facilitated if the incremental non-debt receipts could meet the incremental interest burden and the incremental primary expenditure.

¹² Defined as the ratio of the debt redemption (principle + interest payments) to total debt receipts and indicates the extent to which the debt receipts are used in debt redemption indicating the net availability of borrowed funds.

1.12.1 Debt stability

An important condition for debt sustainability is stabilization in terms of debt/GSDP ratio. According to Domar's debt stability equation, 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 2005-10 the primary revenue balance was positive and sufficient to meet interest expenditure.

Interest spread is the difference between average lending rate and average borrowing rate. In terms of GSDP growth rate, it is the difference between the growth rate of economy and the average interest rate (Domar's gap). The interest spread and quantum spread will be positive/negative depending on whether the GSDP growth rate is more or less than the growth rate of interest payments. When the quantum spread and primary deficit are negative, debt-GSDP ratio will be high indicating unsustainable levels of public debt and when the quantum spread and primary deficit are positive, debt-GSDP ratio will be low indicating sustainable levels of public debt. In 2009-10, both interest and quantum spread were positive.

Stabilization of debt is understood to mean debt as a constant *per cent* of GSDP which is a measure of the debt carrying capacity of the State. Even though the GSDP growth rate was more than the average interest rate on the debt stock of the State in 2009-10, the debt-GSDP ratio was higher than in 2008-09. The State can stabilize debt-GSDP ratio by containing/reducing primary deficit by at least ₹ 2,740 crore, i.e. from ₹ 5,662 crore to ₹ 2,922 crore. This can be done by corrections in the sub-components of primary deficit-primary expenditure as well as own revenue. Then the State can honour the FRA fiscal deficit cap (normal) of three *per cent* of GSDP.

1.12.2 Sufficiency of incremental non-debt receipts

Another indicator of debt sustainability is the adequacy of incremental non-debt receipts of the State to cover the incremental interest liabilities and incremental primary revenue expenditure. Debt sustainability could be facilitated if the incremental non-debt receipts could meet the incremental interest burden and the incremental primary expenditure. Negative resource gap indicates non-sustainability of debt while positive resource gap indicates sustainability of debt. The resource gap which was negative during 2007-09, turned positive in 2009-10. This meant that the State did not depend on borrowed funds for meeting current revenue and capital expenditure.

1.12.3 Net availability of borrowed funds

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

Debt redemption ratio continued to be less than one *per cent* (0.8) in 2009-10 as in the previous year as debt redemption was lower than debt receipts. Eighteen *per cent* of debt receipts were available for productive/capital expenditure.

1.12.4 Maturity profile

In terms of maturity profile, around 38 *per cent* of the outstanding stock of Government securities at the end of the year belonged to maturity bracket of seven years and above. Repayment obligation of the State would increase from 2012-13 due to huge market borrowings during 2002-03 and 2004-05 under Debt Swap Scheme.

Repayment obligations would increase nearly five times in 2018-19 compared to 2017-18 due to huge market borrowings in 2008-09 as the State was allowed to borrow at 3.5*per cent* of GSDP under the Fiscal Stimulus Package. Due to huge market borrowings in 2009-10 also, 85 *per cent* of the total re-payment obligation of ₹ 7,072 crore in 2019-20, will be in respect of market borrowings.

The Government created a sinking fund for open-market loans and the fund consists of two components-sinking fund (amortisation) and sinking fund (depreciation). The amortisation fund was to accommodate contributions from revenue for repayment of loans on maturity while the depreciation fund was to be fed annually by loans. However, there had been no accretion to the sinking fund since 1999-2000. *The Government should revive the fund in compliance to the recommendation of TFC which would help the State to meet the sudden increase in the amount of debt-servicing from 2013 onwards when huge chunk of market borrowings starts maturing.*

1.12.5 Burden of interest payments

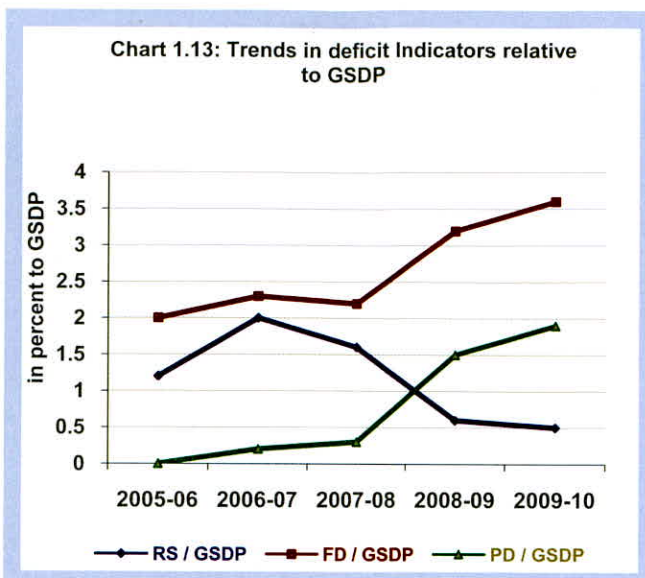
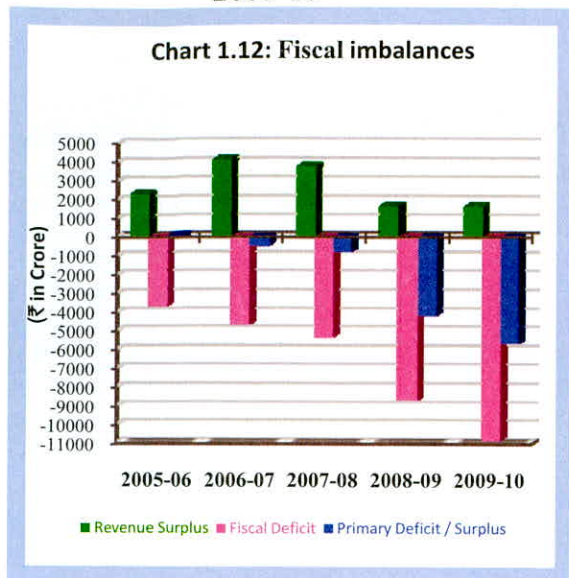
The ratio of interest payments to revenue determines the debt sustainability of the State. *During the year, interest payments pre-empted 11 per cent of the total revenue receipts of the State which was below the norm of 15 per cent prescribed by TFC.* On account of achievement of targets under FRA, the State benefited in terms of interest relief (₹ 1,252 crore) under DCRF scheme during 2005-10 which helped in stabilization of interest payments as a ratio of revenue receipts.

1.13 Fiscal imbalances

Three key fiscal parameters - revenue, fiscal and primary deficits, indicate the extent of overall fiscal imbalances in the State finances during a specified period. The deficit in the Government account represents the gap between 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 resources raised are applied are important pointers to fiscal health. This section presents trends, nature, magnitude and the manner of financing these deficits and also the assessment of actual levels of revenue and fiscal deficits *vis-à-vis* targets set under FRA for the financial year 2009-10.

1.13.1 Trends in deficits

Charts 1.12 and 1.13 present the trends in deficit indicators over the period 2005-10



The fiscal target of wiping out revenue deficit by March 2006 as laid down in FRA was achieved by the State one year ahead in 2004-05. Thereafter the State maintained revenue surplus till 2009-10 with inter-year variation. Decrease in the amount of revenue surplus began in 2007-08. In 2008-09, revenue surplus of the State decreased by ₹ 2,145 crore due to increase in revenue expenditure by ₹ 4,215 crore (11 per cent) as against increase in revenue receipts by ₹ 2,140 crore (five per cent). In 2009-10, revenue surplus continued to decrease and was ₹ 1,619 crore.

FRA target of reducing fiscal deficit –GSDP ratio to less than three per cent was also achieved one year ahead in 2004-05 and in 2008-09 the State continued to maintain fiscal deficit as a ratio of GSDP within the revised FRA limit of 3.5 per cent.

In 2009-10, decrease in revenue surplus (₹ 12 crore), increase in non-debt capital receipts (₹ 387 crore) and increase in capital expenditure (₹ 2,517 crore) increased the fiscal deficit by ₹ 2,143 crore over the previous year, but fiscal deficit was within the revised FRA limit of four per cent of GSDP.

Despite increase in revenue and non-debt receipts by ₹ 6,253 crore in 2009-10 over the previous year, primary deficit increased by ₹ 1,462 crore as the incremental non-debt receipts were short of incremental primary expenditure by ₹ 1,462 crore.

Primary deficit of ₹ 5,622 crore at the end of the year implied that non-debt receipts were sufficient for meeting primary revenue expenditure and that the State had to depend on borrowed funds for meeting 10 per cent (₹ 5,622 crore) of its primary expenditure. This underlined the need for augmentation of own revenue for fiscal correction and consolidation.

In 2009-10, the State was on the road to recovery from the effects of economic

slow-down. Decrease in revenue surplus was contained, if not reversed, and in 2009-10 revenue surplus decreased by only ₹ 12 crore over the previous year. This was possible because the growth rate of revenue receipts (13.5 per cent) more or less matched the growth rate of revenue expenditure (14.1 per cent) in 2009-10, unlike in 2008-09 when the growth rate of revenue expenditure was twice the growth rate of revenue receipts. In 2009-10, the growth rate of revenue receipts improved over the previous year because of increase in the growth rate of revenue from Motor Vehicle Tax and Sales, Trade, etc.

The increase in fiscal deficit in 2009-10 was less pronounced than the increase in fiscal deficit in 2008-09 mainly because of increase in non-debt capital receipts by ₹ 387 crore and containment of decrease in revenue surplus (₹ 2,133 crore).

Primary deficit increased by ₹ 1,462 crore in 2009-10 as against an increase by ₹ 3,374 crore in 2008-09. The increase in primary deficit was also contained in 2009-10 because of improvement in the growth rate of non-debt receipts also.

1.13.2 Components of fiscal deficit and its financing pattern

The financing pattern of fiscal deficit has undergone a compositional shift as reflected in the **Table 1.32**.

Table 1.32: Components of fiscal deficit and its financing pattern

(₹ in crore)

| | 2005-06 | | 2006-07 | | 2007-08 | | 2008-09 | | 2009-10 | |
|---|---------------|------------------|---------------|------------------|---------------|------------------|---------------|------------------|----------------|------------------|
| | Amount | per cent of GSDP | Amount | per cent of GSDP | Amount | per cent of GSDP | Amount | per cent of GSDP | Amount | per cent of GSDP |
| Decomposition of fiscal deficit | -3,687 | -2.0 | -4,688 | -2.3 | -5,332 | -2.2 | -8,732 | -3.2 | -10,875 | -3.6 |
| 1 Revenue surplus | 2,311 | 1.3 | 4,152 | 2.0 | 3,776 | 1.6 | 1,631 | 0.6 | 1,619 | 0.5 |
| 2 Net capital expenditure | 5,822 | 3.2 | 8,543 | 4.2 | 8,403 | 3.5 | 9,689 | 3.6 | 12,067 | 4.0 |
| 3 Net loans and advances | 176 | 0.1 | 297 | 0.1 | 705 | 0.3 | 674 | 0.2 | 427 | 0.1 |
| Financing pattern of fiscal deficit* | | | | | | | | | | |
| 1 Market borrowings | 165 | 0.1 | -233 | -0.1 | 287 | 0.1 | 6,583 | 2.4 | 4,954 | 1.7 |
| 2 Loans from GOI | 251 | 0.1 | -83 | 0.0 | 357 | 0.1 | 135 | 0.0 | 211 | 0.1 |
| 3 Special securities issued to NSSF | 4,272 | 2.3 | 2,478 | 1.2 | 209 | 0.1 | -164 | -0.1 | 247 | 0.1 |
| 4 Loans from financial institutions | 164 | 0.1 | -366 | -0.2 | 174 | 0.1 | 260 | 0.1 | 272 | 0.1 |
| 5 Small savings, PF etc | 656 | 0.4 | 659 | 0.3 | 749 | 0.3 | 1,176 | 0.4 | 1,468 | 0.5 |
| 6 Deposits and advances | -368 | -0.2 | 1,805 | 0.9 | -62 | 0.0 | 1,554 | 0.6 | 1,908 | 0.6 |
| 7 Suspense and misc | 523 | 0.3 | 237 | 0.1 | 1,498 | 0.6 | 968 | 0.4 | 602 | 0.2 |
| 8 Remittances | 40 | 0.0 | 514 | 0.2 | -828 | -0.3 | -52 | 0.0 | -36 | 0.0 |

| | | 2005-06 | | 2006-07 | | 2007-08 | | 2008-09 | | 2009-10 | |
|----|---|--------------|------------------|--------------|------------------|--------------|------------------|--------------|------------------|---------------|------------------|
| | | Amount | per cent of GSDP | Amount | per cent of GSDP | Amount | per cent of GSDP | Amount | per cent of GSDP | Amount | per cent of GSDP |
| 9 | Reserve funds | 473 | 0.3 | 1,188 | 0.6 | 750 | 0.3 | 2,174 | 0.8 | 3,201 | 1.1 |
| 10 | Increase (-) / decrease (+) in cash balance | -2,528 | -1.4 | -1,498 | -0.7 | 2,185 | 0.9 | -3,900 | -1.4 | -1,954 | -0.7 |
| 11 | Net of Contingency Fund transactions | 39 | | -13 | | 13 | | -2 | | 2 | |
| | Total | 3,687 | 2.0 | 4,688 | 2.3 | 5,332 | 2.2 | 8,732 | 3.2 | 10,875 | 3.6 |

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

Source: Finance Accounts.

Fiscal deficit is the total borrowing requirement of the State and is the excess of revenue expenditure and capital expenditure including loans and advances over revenue and non-debt capital receipts. Decomposition of fiscal deficit reveals the extent of various borrowings resorted to by the State to meet its requirement of funds over and above revenue and non-debt receipts.

The downward trend of revenue surplus which commenced in 2007-08 continued in 2008-09 and 2009-10 thereby affecting the extent of fiscal deficit which could be financed by revenue surplus. While the percentage of fiscal deficit financed by surplus revenue was 89 in 2006-07, it was 71 and 19 in 2007-08 and 2008-09 respectively. In 2009-10, surplus in revenue account financed 15 per cent of the fiscal deficit of the State, the lowest during 2007-10.

Declining revenue surplus reduced the ability of the Government to increase its capital outlay significantly. While capital outlay as a per cent of GSDP ranged between 3.2 and 4.2 per cent during 2005-10, there was no significant increase in capital outlay as a per cent of GSDP in 2009-10 over the previous year.

Net loans and advances was a very insignificant component of gross fiscal deficit expenditure due to restricted lending by the State Government.

As in 2008-09, market borrowings by the State Government continued to finance a major portion of fiscal deficit but its share in financing fiscal deficit decreased from 75 per cent in 2008-09 to 46 per cent in 2009-10. Despite TFC recommendation that loans from Centre be phased out, there was a marginal increase in loans from Govt. of India in 2009-10 relative to 2008-09. The share of NSSF loans, loans from financial institutions, small savings, Provident Fund, etc., in financing fiscal deficit was slightly higher in 2009-10 than in 2008-09.

1.13.3 Quality of deficit/surplus

The ratio of revenue deficit to fiscal deficit and the decomposition of primary deficit into primary revenue deficit and capital expenditure (including loans and advances) indicate the quality of deficit in the States' finances. The ratio of revenue deficit to fiscal deficit indicates the extent to which borrowed funds were used for current consumption. Further, persistently high ratio of revenue deficit to fiscal deficit also indicates that the asset base of the State was continuously

shrinking and a part of borrowings (fiscal liabilities) were not having any asset backup. The bifurcation of the primary deficit (**Table 1.33**) indicates the extent to which the deficit was on account of enhancement in capital expenditure which might be desirable to improve the productive capacity of the State's economy.

Table 1.33: Primary deficit/surplus – Bifurcation of factors

(₹ in crore)

| Year | Non-debt receipts | Primary revenue expenditure | Capital expenditure | Loans and advances | Primary expenditure | Primary revenue deficit (-) /surplus (+) | Primary deficit (-) /surplus (+) |
|---------|-------------------|-----------------------------|---------------------|--------------------|---------------------|--|----------------------------------|
| 1 | 2 | 3 | 4 | 5 | 6 (3+4+5) | 7 (2-3) | 8 (2-6) |
| 2005-06 | 30,476 | 24,276 | 5,822 | 300 | 30,398 | 6,200 | 78 |
| 2006-07 | 37,647 | 29,199 | 8,543 | 357 | 38,099 | 8,448 | -452 |
| 2007-08 | 41,449 | 32,869 | 8,649 | 757 | 42,275 | 8,580 | -826 |
| 2008-09 | 43,528 | 37,127 | 9,870 | 731 | 47,728 | 6,401 | -4,200 |
| 2009-10 | 49,781 | 42,324 | 12,137 | 982 | 55,443 | 7,457 | -5,662 |

Source : Finance Accounts.

Primary surplus showed declining trend in 2005-06 and turned negative in 2006-07 as non-debt receipts of the State were sufficient to meet only primary revenue expenditure but were not sufficient to meet the expenditure on capital account. Primary deficit showed increasing trend thereafter. Deficit arising on account of capital expenditure and loans and advances implied that capital expenditure was not always productive or healthy as it included debt-servicing expenditure and other items of expenditure which did not result in asset creation.

In 2009-10, the growth rate of non-debt receipts of the State increased to 14 per cent from five per cent in 2008-09 and the gap between growth rate of non-debt receipts and growth rate of primary expenditure was also bridged. While in 2008-09, the growth rate of primary expenditure (13 per cent) surpassed the growth rate of non-debt receipts (five per cent), in 2009-10 the growth rate of non-debt receipts fell short of the growth rate of primary expenditure (16 per cent) by two per cent. Thus, increase in primary deficit was ₹ 3,374 crore in 2008-09 while it was ₹ 1,462 crore in 2009-10.

1.14 Conclusion and recommendations

✚ Fiscal position

The State continued to maintain revenue surplus during 2005-10 and kept fiscal deficit relative to GSDP below the limit laid down under FRA.

In 2009-10, the State was on the road to recovery from the effects of economic slow-down. Decrease in revenue surplus was contained, if not reversed. The increase in fiscal deficit in 2009-10 was less pronounced than the increase in fiscal deficit in 2008-09. The increase in primary deficit was also contained in 2009-10. Despite increase in revenue and non-debt receipts by ₹ 6,253 crore in 2009-10 over the previous year, primary deficit increased by ₹ 1,462 crore as the incremental non-debt receipts were short of incremental primary expenditure by ₹ 1,462 crore.

Recommendations: Primary deficit of ₹ 5,622 crore at the end of the year

implied that non-debt receipts were sufficient for meeting primary revenue expenditure and that the State had to depend on borrowed funds for meeting 10 *per cent* (₹ 5,622 crore) of its primary expenditure. This underlined the need for augmentation of own revenue for fiscal correction and consolidation.

✚ Revenue expenditure

The expenditure pattern of the State revealed that the revenue expenditure as a *per cent* to total expenditure continued to dominate with around 78 *per cent* of the total expenditure in 2009-10.

Non-plan revenue expenditure (NPRE) was 74 *per cent* of revenue expenditure during 2009-10. It included devolutions to PRIs and ULBs, interest payments, subsidies, pension payments, salaries and maintenance expenditure.

Merit subsidy constituted around seven *per cent* of the total subsidy expenditure of the State during the year.

Recommendations: Subsidies will not meet the aims of social policy unless the beneficiaries are properly identified and targeted. The delivery of product or service at subsidized price results in large scale corruption, diversion and misuse. The Government should take action to implement the purchaser-provider model proposed in 2005 and ensure that beneficiaries are properly identified and targeted.

✚ Quality of capital expenditure

Capital expenditure of the State included certain items of expenditure which did not involve any cash outflow and also subvention to a loss making PSU.

Funds aggregating ₹ 1,015 crore were blocked in incomplete projects as at the end of 2009-10.

Investment to the end of 2009-10 included ₹ 16,993 crore (52 *per cent*) to companies/corporations under perennial loss. Investment of ₹ 981.40 crore in respect of five Companies / Corporations was lying in Public Account to the end of March 2010.

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

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

✚ Position of Cash Balance

The cash balance of the State at the end of the year increased by 25 *per cent* over the previous year.

Recommendations: Since, maintaining idle cash balance is not prudent cash

management, a shelf of projects should be ready and techno-economic feasibility should have been appraised and approved so that mismatch between timing of borrowings and channeling it towards productive investment is considerably reduced.

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

The Central Government transferred a sizeable quantum of funds (₹ 7,594 crore during 2009-10) directly to the State implementing agencies for implementation of Central plan schemes. Funds flowing directly to the implementing agencies through off-budget routing inhibits FRA requirements of transparency and therefore, escape accountability. There is no single agency monitoring its use and there is no readily available data on the amounts spent in any particular year on major flagship and other important schemes. *A system has to be put in place to ensure proper accounting of these funds and the updated information should be validated by the State Government as well as the Accountant General (Accounts & Entitlement).*

✦ **Debt management**

Public debt management strategy is said to be efficient when debt-servicing and repayment take place in time without the burden of payment of penal interest, compound interest, etc.

Recovery/adjustment of outstanding dues payable by the borrowing Departments from new loans sanctioned to the departments by financial institutions is a reflection of inadequate debt management.

Effective debt management of the Government implies assessment of funds required for scheduling payments. Correct estimation of budget requirement under the debt servicing heads is important since surrenders may be misinterpreted by the general public as failure to use funds provided.

Recommendations: The data base on Government borrowing should be complete, reliable and transparent in all respects. Realistic cash flow statement should form the basis of budgeting.



Chapter 2

Financial Management and Budgetary Control

2.1 Introduction

2.1.1 Appropriation Accounts are accounts of the expenditure, voted and charged, of the Government for each financial year compared with the amounts of the voted grants and appropriations charged for different purposes as specified in the schedules appended to the Appropriation Acts. These accounts list the original budget estimates, supplementary grants, surrenders and re-appropriations distinctly and indicate actual capital and revenue expenditure on various specified services *vis-à-vis* those authorized by the Appropriation Act in respect of both charged and voted items of budget. Appropriation Accounts thus, facilitate management of finances and monitoring of budgetary provisions and are therefore, supplementary to Finance Accounts. The Karnataka Budget Manual contains the procedures for preparation of the estimates and budget, subsequent action in respect of the budget communication, distribution of grants, watching the progress of revenue and watching of actuals and control over expenditure.

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

2.2 Summary of Appropriation Accounts

The summarized position of actual expenditure during 2009-2010 against 29 grants/appropriations was as given in **Table 2.1**.

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

| Nature of expenditure | | Original grant/ appropriation | Supplementary grant/ appropriation | Total | Actual expenditure | Unspent provision |
|-----------------------|-------------------------|----------------------------------|---------------------------------------|------------------|--------------------|-------------------|
| Voted | I Revenue | 42,223.79 | 8,130.64 | 50,354.43 | 43,839.82 | 6,514.61 |
| | II Capital | 11,950.85 | 3,519.88 | 15,470.73 | 12,677.74 | 2,792.99 |
| | III Loans and advances | 1,009.09 | 117.44 | 1,126.53 | 981.58 | 144.95 |
| Total Voted | | 55,183.73 | 11,767.96 | 66,951.69 | 57,499.14 | 9,452.55 |
| Charged | IV Revenue | 5,683.59 | 81.62 | 5,765.21 | 5,629.78 | 135.43 |
| | V Public debt-repayment | 3,554.31 | 128.76 | 3,683.07 | 2,308.33 | 1,374.74 |
| Total Charged | | 9,237.90 | 210.38 | 9,448.28 | 7,938.11 | 1,510.17 |
| Grand Total | | 64,421.63 | 11,978.34 | 76,399.97 | 65,437.25 | 10,962.72 |

Source: Appropriation Accounts.

The overall unspent provision of ₹ 10,962.72 crore was the result of unspent provision of ₹ 11,878.14 crore in 27 grants and eight appropriations under revenue section and 24 grants under capital section offset by excess expenditure of ₹ 915.42 crore over provision in one grant and two appropriations under revenue section.

2.3 Financial accountability and budget management

2.3.1 Appropriation vis-à-vis allocative priorities

There were 22 cases of unspent provision, each exceeding ₹ 100 crore under 17 grants/appropriation, out of total unspent provision of ₹ 11,878.14 crore during 2009-10. Large unspent provision were in areas like urban development, water resources, debt servicing, public works, finance, agriculture and horticulture, energy, etc., as indicated in **Table 2.2**.

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

| | Grant | Provision | | | Expenditure | Unspent provision |
|----|--|-----------|--------------------|----------|-------------|-------------------|
| | | Original | Supple- mentary | Total | | |
| 1 | 01-Agriculture and Horticulture Revenue Voted | 1,700.29 | 249.52 | 1,949.81 | 1,325.02 | 624.79 |
| 2 | 02-Animal Husbandry and Fisheries Revenue Voted | 687.40 | 106.30 | 793.70 | 671.80 | 121.90 |
| 3 | 03-Finance Revenue Voted | 5,581.41 | 2,105.75 | 7,687.16 | 5,955.99 | 1,731.17 |
| 4 | 07-Rural Development and Panchayat Raj Revenue Voted | 1,567.21 | 600.11 | 2,167.32 | 1,695.96 | 471.36 |
| | Capital Voted | 1,564.90 | 416.88 | 1,981.78 | 1,467.52 | 514.26 |
| 5 | 09-Co-operation Revenue Voted | 329.32 | 151.77 | 481.09 | 355.03 | 126.06 |
| 6 | 10-Social Welfare Revenue Voted | 1,983.37 | 68.36 | 2,051.73 | 1,703.10 | 348.63 |
| 7 | 11-Women and Child Development Revenue Voted | 1,585.76 | 17.53 | 1,603.29 | 1,337.45 | 265.84 |
| 8 | 16- Housing Revenue Voted | 738.14 | -- | 738.14 | 617.46 | 120.68 |
| 9 | 17 - Education Revenue Voted | 8,701.88 | 82.82 | 8,784.70 | 8,370.15 | 414.55 |
| 10 | 18 – Commerce and Industries Revenue Voted | 1,347.87 | 29.91 | 1,377.78 | 846.11 | 531.67 |
| 11 | 19- Urban Development Revenue Voted | 4,367.61 | 219.67 | 4,587.28 | 3,339.22 | 1,248.06 |
| | Capital Voted | 1,286.66 | 300.00 | 1,586.66 | 1,327.32 | 259.34 |
| 12 | 20 – Public Works Revenue Voted | 1,306.30 | 36.82 | 1,343.12 | 1,098.22 | 244.90 |
| | Capital Voted | 2,395.72 | 777.53 | 3,173.25 | 2,655.92 | 517.33 |
| 13 | 21 – Water Resources Capital Voted | 4,504.79 | 415.32 | 4,920.11 | 3,936.40 | 983.71 |
| 14 | 22 – Health and Family Welfare Revenue Voted | 1,946.48 | 115.16 | 2,061.64 | 1,854.31 | 207.33 |
| 15 | 24 – Energy Capital Voted | 762.00 | 1,175.00 | 1,937.00 | 1,755.71 | 181.29 |
| 16 | 26 – Planning, Statistics, Science and | | | | | |

| | Grant | Provision | | | Expenditure | Unspent provision |
|----|---------------------|------------------|--------------------|------------------|------------------|-------------------|
| | | Original | Supple- mentary | Total | | |
| | Technology | | | | | |
| | Revenue Voted | 424.77 | 280.82 | 705.59 | 559.83 | 145.76 |
| | Capital Voted | 126.00 | --- | 126.00 | 13.00 | 113.00 |
| 17 | 29 – Debt Servicing | | | | | |
| | Revenue Charged | 5,578.00 | 79.80 | 5,657.80 | 5,272.15 | 385.65 |
| | Capital Charged | 3,554.31 | 128.76 | 3,683.07 | 2,308.33 | 1,374.74 |
| | Total | 52,040.19 | 7,357.83 | 59,398.02 | 48,466.00 | 10,932.02 |

Source: Appropriation Accounts.

Major heads of account under which the unspent provision was more than ₹ 25 crore in these 17 grants / appropriations are detailed in **Appendix 2.1**.

The reasons furnished by eight departments for unspent provision under a few major heads of account are given below;

Agriculture and Horticulture

- Unspent provision of ₹ 62.10 crore under major head '2401' – Crop Husbandry was due to late receipt of sanction from the Government.
- Unspent provision of ₹ 1,311.43 crore under the major head '2401' - Crop Husbandry was due to transfer of officers and staff on deputation to other departments and non-filling up of vacant posts.

Housing

- Unspent provision of ₹ 66.99 crore was due to shortfall in progress of works under the major head '2216'- Housing.

Education

- Unspent provision of ₹ 27.92 crore under the major head '2202'- General Education was due to receipt of approval of only 109 colleges to be brought under Grant-in-Aid code as against 314 colleges proposed.

Commerce and Industries

- Non-release of ₹ 5 crore by the State Government, non-release of Central share ₹ 5.66 crore and short release of ₹ 5.54 crore by the State Government were the reasons for saving under the major head '2851'- Village and Small Industries.
- Shortfall in identification of beneficiaries for releasing subsidies due to shortage of staff was the reason for saving under major head '2852' – Industries.

Urban Development

- Unspent provision of ₹ 225 crore under the major head '2217'- Urban Development, was due to non-receipt of request for release of funds under Karnataka Municipal Reforms – EAP by the implementing Agency.
- Unspent provision of ₹ 23.39 crore under the Scheme – Sub-Mission for Basic Services for Urban Poor and ₹ 60.52 crore under the Scheme Urban Infrastructure Development for Small and Medium Town (UIDSSMT) was

due to shortfall in release of Central share under the major head '2217'- Urban Development.

Water Resources

- Unspent provision of ₹ 300 crore was due to non-receipt of sanction from the Central Government for certain projects under Accelerated Irrigation Benefit Programmes (AIBP) under the major head '4701'- Capital Outlay on Major and Medium Irrigation.

Debt Servicing

- Under the major head '6003'- Internal Debt of the State Government, provision of ₹ 1,350 crore remained unutilized due to non-availing of ways and means advances / overdraft from the Reserve Bank of India during the year.
- Short receipt of assistance was the reason for the unspent provision of ₹ 37.99 crore under the major head '6004'- Loans and Advances from the Central Government.

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

There was unspent provision aggregating ₹ 255.65 crore in 38 cases relating to nine grants due to non / short / late release of funds and non / late receipt of sanctions from the Government (**Appendix 2.2**).

2.3.3 Persistent unspent provision

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

Table 2.3: Persistent unspent provision

| Sl. No | Major head | Year | | | | |
|--------|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| | | 2005-06 | 2006-07 | 2007-08 | 2008-09 | 2009-10 |
| 1 | 03 –Finance (Revenue Voted) | 1,492.33 | 2,297.35 | 228.53 | 854.49 | 1,731.17 |
| | 2070-800-11 | | | | | |
| | Filling up of vacant posts (District Sector) | 121.75 | 111.99 | 110.73 | 450.00 | 400.00 |
| 2 | 19 –Urban development (Revenue Voted) | 258.75 | 1,092.32 | 1,194.95 | 1,608.50 | 1,248.07 |
| | 2217-05-191-1 | | | | | |
| | Bangalore Metropolitan Regional Development Authority | 199.15 | 195.00 | 319.24 | 503.45 | 577.40 |
| 3 | 29 –Debt servicing (Capital Charged) | 1,491.85 | 555.02 | 1,320.70 | 1,379.28 | 1,374.74 |
| | 6003-110-1 | | | | | |
| | Clean and Secured Ways and Means Advances | 1,000.00 | 1,000.00 | 921.87 | 1,000.00 | 1,000.00 |
| | 6003-110-2 | | | | | |
| | Over draft with Reserve Bank of India | 350.00 | 350.00 | 350.00 | 350.00 | 350.00 |

Source : Appropriation Accounts.

2.3.4 Excess expenditure

In 11 cases, expenditure in excess of ₹ 25 crore of the budget provision was incurred under eight major heads of account pertaining to nine grants. (**Appendix 2.3**).

2.3.5 Persistent excess expenditure

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

2.3.6 Expenditure without provision

An expenditure of ₹ 17.20 crore was incurred in 57 cases under 19 grants without provision, which includes an amount of ₹ 15.83 crore incurred towards reimbursement of medical expenses (**Appendix 2.5**). The State Government replied (October 2010) that, to capture the expenditure on reimbursement of medical charges exclusively, on an experimental basis, a scheme head was created in 2009-10. Instructions were also issued to book the expenditure under the scheme even without provision and that the expenditure has to be counted against salary unit of appropriation and not against the scheme. However, the contention of the Government that it is not a unit of appropriation but requires to be merged under salaries is not acceptable as it consists of different object heads.

Excess expenditure requiring regularisation

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

2.3.7 Excess over provision relating to previous years

The excess expenditure aggregating ₹ 8,574.19 crore for the years 1989-90 to 2008-09 was yet to be regularized (**Appendix 2.6**).

2.3.8 Excess over provision during 2009-10

Details of excess expenditure of ₹ 915.42 crore incurred against one grant and two appropriations during 2009-10 required to be regularized are given in **Table 2.4**.

Table 2.4: Excess expenditure over provision requiring regularization during 2009-10

| (Amount in Rupees) | | | | | |
|--------------------|-------|---------------------------------|------------------------|------------------------|-----------------------|
| S | Grant | | Provision | Expenditure | Excess |
| 1. | 08 | Forest, Ecology and Environment | 11,13,50,000 | 2,71,61,88,578 | 2,60,48,38,578 |
| 2. | 14 | Revenue | | | |
| | | (Revenue Voted) | 52,02,43,14,000 | 58,57,36,40,822 | 6,54,93,26,822 |
| | | (Revenue Charged) | 1,10,32,000 | 1,10,84,719 | 52,719 |
| Total | | | 52,14,66,96,000 | 61,30,09,14,119 | 9,15,42,18,119 |

Source : Appropriation Accounts.

- ❖ Amount transferred from Consolidated Fund to the Karnataka Forest Development Fund in Public Account was more than the provision. This

resulted in excess over provision under Grant 8 – Forest, Ecology and Environment.

- ❖ Non-provision in the budget to account for the transfer of NCCF grants from Consolidated Fund to Public Account was the reason for excess over provision under Grant No.14 – Revenue.

2.3.9 New service/New instrument of service

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

In 33 cases involving 11 grants, expenditure totaling ₹ 1,881.19 crore which should have been treated as 'New Service/New Instrument of Service' was incurred without the approval of the Legislature (**Appendix 2.7**).

Supplementary provision

Supplementary provision (₹ 11,978.34 crore) made during the year constituted 19 *per cent* of the original provision (₹ 64,421.63 crore) which is more than the previous year.

2.3.10 Unnecessary supplementary provision

Supplementary provision of ₹ 192.96 crore made under 54 detailed / object heads relating to 10 out of 14 test checked grants proved unnecessary (**Appendix 2.8**).

2.3.11 Excessive supplementary provision

Supplementary grant of ₹ 417.30 crore obtained under 62 detailed heads relating to 11 out of 14 test checked grants proved excessive resulting in unutilised provision of ₹ 154.04 crore (**Appendix 2.9**).

2.3.12 Inadequate supplementary provision

Supplementary provision of ₹ 300.45 crore obtained under 29 detailed heads relating to eight out of 14 test checked grants proved insufficient leaving uncovered excess expenditure of ₹ 208.43 crore. (**Appendix 2.10**).

Reappropriation of funds

A grant or appropriation for disbursements is distributed by sub-head / detailed head / object head under which it is accounted for. The competent executive authority may approve reappropriation 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. Reappropriation of funds should be made only when it is known or anticipated that the appropriation for the unit from

which funds are to be transferred will not be utilised in full or will result in unspent provision in the unit of appropriation.

2.3.13 Injudicious reappropriation of funds

In 62 cases, reappropriation of funds was made injudiciously resulting either in un-utilised provision or excess over provision of more than ₹ 25 lakh in each case (**Appendix 2.11**).

- In six cases, additional funds of ₹ 16.79 crore provided through reappropriation proved insufficient as the final expenditure exceeded the provision by ₹ 4.57 crore.
- In 33 cases, the unutilised provision was not properly assessed as even after the withdrawal of ₹ 269.09 crore through reappropriation, ₹ 1,407.11 crore remained unutilised.
- In 21 cases, additional funds of ₹ 481.90 crore provided by reappropriation resulted in overall unutilised provision of ₹ 52.93 crore and the reappropriation made was unnecessary.
- In two cases, withdrawal of ₹ 18.46 crore through reappropriation resulted in final expenditure exceeding the net provision by ₹ 2.96 crore.

2.3.14 Defective reappropriation

During 2009-10, 350 reappropriation orders for an amount of ₹ 2,305.45 crore were issued of which, 31 reappropriation orders for ₹ 45.30 crore were not considered in accounts. These orders were found either exceeding the power of sanction or not self balancing or not signed by the competent authority or the reappropriation was between different grants. (**Appendix 2.12**).

Surrender of unspent provision

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

2.3.15 Unspent provision not surrendered

In the case of nine grants/appropriations, the entire unspent provision aggregating ₹ 846.40 crore was not surrendered (**Appendix 2.13**).

Further, in the case of 25 other grants/appropriations, there was only partial surrender and around 28 per cent (₹ 2,538.04 crore) of the total unspent provision (₹ 9,149.13 crore) was not surrendered. Details are given in **Appendix 2.14**. Besides, in 26 grants where surrender of funds was in excess of ₹ one crore, ₹ 1,961.16 crore were surrendered on the last two working days of financial year indicating inadequate financial control (**Appendix 2.15**).

2.3.16 Substantial surrenders

Out of the total provision of ₹ 2,062.40 crore in 50 cases, ₹ 1,849.16 crore (90 per cent) were surrendered, which included cent per cent surrender in 13 cases (₹ 1,440.99 crore). Illustrative cases are given in **Appendix 2.16**. These surrenders were stated to be due to non-receipt or late receipt of sanctions from Government, non-receipt of claims/bills, non-finalization of contracts, economy measures etc.

2.3.17 Rush of expenditure

The financial rules require that expenditure should be evenly distributed throughout the year. The rush of expenditure particularly in the closing months of the financial year is regarded as a breach of financial rules. Contrary to the financial rules, in 17 cases listed in **Appendix 2.17**, the expenditure during the last month ranged between 26 and 89 per cent of the total expenditure during the year.

2.4 Contingency Fund

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

During 2009-10, 12 sanctions aggregating ₹ 39.53 crore were issued. A review of the operations of the Contingency Fund disclosed the following;

- ❖ One sanction involving an amount of ₹ 2.14 crore issued in December 2009 was not acted upon.
- ❖ In four other cases, sanction was issued for ₹ 2.99 crore against which amount withdrawn was ₹ 1.64 crore. The amount drawn in these cases was 20 to 68 per cent of the amount sanctioned as detailed in **Table 2.5**.

Table 2.5: Contingency Fund sanctions not fully utilised

| Sl. No. | Head of account | Reference to sanction | Amount | | Utilisation |
|---------|-----------------------------------|---------------------------------|------------|-------|-------------|
| | | | Sanctioned | Drawn | (Per cent) |
| 1 | 2406-Forest and Wildlife | FD 11 CF 2009 dated 22-09-2009 | 0.25 | 0.05 | 20 |
| 2 | 3456-Civil Supplies | FD 02 CF 2010 dated 12-01-2010 | 0.28 | 0.14 | 50 |
| 3 | 2052-Secretariat General Services | FD 04 BCF 2010 dated 08-01-2010 | 0.50 | 0.11 | 22 |
| 4 | 2403- Animal Husbandry | FD 06 BCF 2010 dated 04-03-2010 | 1.96 | 1.34 | 68 |

2.5 Errors in budgeting

Errors in budgeting of ₹ 22.27 crore due to classification under voted instead of charged category (one case) and obtaining supplementary provision under the grant other than the grant under which original provision was made (three cases) were noticed. Further, there were three cases of error in budgeting involving an amount of ₹ 225.88 crore due to not taking into account the correction slips to 'List of Major and Minor head' (**Appendix 2.18**).

2.6 Outcome of review of selected grants

A review of budgetary procedures followed and expenditure controls exercised in respect of two grants viz, Agriculture and Horticulture and Commerce and Industries revealed the following.

2.6.1 No expenditure against budget provision

Rule 108 of the Karnataka Budget Manual (KBM) requires that the budget estimates should be as close and accurate as possible and the provision to be included in respect of each item should be based on what is expected to be paid or spent during the year. However, the budget provision proved unnecessary as no expenditure was incurred against the provision made in the cases detailed in **Table 2.6**.

Table 2.6: No expenditure against budget provision

| | | (₹ in crore) |
|---------------------------------|---|------------------|
| Grant | Head of Account | Budget Provision |
| 01 Agriculture and Horticulture | 2401-796-2-00-423-Tribal Sub Plan | 5.00 |
| | 2401-1-44-059- Other Expenses | 0.10 |
| | 2401-00-2- 422-Spl Component Plan | 10.83 |
| | 2401-0-2- 423 Tribal Sub Plan | 4.17 |
| | 2401-00-196-1-01-300 Lump sum provision to ZP | 0.47 |
| | 2402 -00 -198-1- 01-Block Grant | |
| | -404 | 0.10 |
| | -406 | 0.15 |
| | -413 | 0.30 |
| | -418 | 0.41 |
| | -420 | 0.41 |
| | -451 | 0.30 |
| | - 466 | 0.25 |
| | - 452 | 0.03 |
| | 2415-01-277-0-01-101 Grants In Aid | 10.00 |
| TOTAL GRANT NO. 01 | | 32.51 |
| 18 Commerce and Industries | 2852-08-201-0-07-423-Tribal Sub Plan | 3.24 |
| | 2852-08-202-1-05-243- Interest on Capital | 0.18 |
| TOTAL GRANT NO. 18 | | 3.42 |

2.6.2 Excess expenditure over provision

According to Rule 229 of KBM, the authority administering a grant is responsible for watching the progress of expenditure under its control and for keeping it within the sanctioned grant or appropriation. There were, however, cases of expenditure incurred in excess of provision ranging from 13 to 150 per cent indicating unrealistic budget proposals as detailed in **Table 2.7**.

Table 2.7: Excess expenditure against budget provision

| (₹ in crore) | | | | | |
|--|---|------------------|----------------------|--------------|-------------------|
| Grant | Head of Account | Budget Provision | Expenditure incurred | Excess | Percent of excess |
| 01 Agriculture and Horticulture | 2402 – 00 – 198 – 1 | | | | |
| | - 407 Mysore | 0.20 | 0.50 | 0.30 | 150 |
| | -412 Mandya | 0.25 | 0.45 | 0.20 | 80 |
| | - 463 Haveri | 0.25 | 0.38 | 0.13 | 53 |
| | 2415 – 01 – 277 – 0 – 01 - 101 Grants In Aid (Plan) | 77.64 | 87.64 | 10.00 | 13 |
| | 2415 – 80 – 004 – 3 – 01 - 101 Grants In Aid (Plan) | 7.70 | 10.70 | 3.00 | 39 |
| TOTAL GRANT NO. 01 | | 85.59 | 98.72 | 13.13 | 15 |
| 18 Commerce and Industries | 2851-102-051 General expenses (plan) | 1.14 | 1.45 | 0.31 | 27 |
| | 2851- 00-102 -14 -003 Pay staff | 2.29 | 3.00 | 0.71 | 31 |
| | TOTAL GRANT NO. 18 | 3.43 | 4.45 | 1.02 | 30 |

2.6.3 Huge unspent provision

According to Rule 83 of KBM, the estimates should be framed after a careful and thorough consideration of all items of expenditure and of all sources of income, so that they may neither be inflated nor under pitched and are as accurate as possible. There were, however, unspent provision ranging between 21 and 88 per cent of the budget provision as detailed in **Appendix 2.19**.

2.6.4 Injudicious supplementary provision

In the following heads of account, huge supplementary provision was sought during the year. However, at the end of 2009-10 huge amounts remained unspent indicating injudicious supplementary provision as detailed in **Table 2.8**.

Table 2.8: Injudicious supplementary provision

| (₹ in crore) | | | | | | | |
|------------------------------------|---|-----------------|--|---------------|--------------|-------------------|-----------|
| Grant | Head of Account | Budget original | Supplementary Reappropriation / surrender(-) | Total Budget | Expenditure | Unspent provision | Per cent |
| 01 Agriculture and Horticulture | 2401-00-108-30-059 -Other expenses | 10.00 | 15.00 | 25.00 | 15.57 | 9.43 | 38 |
| | 2401-00-108-35-100 -Financial Assistance | 3.00 | 3.32 (-)0.29 | 6.03 | 4.83 | 1.20 | 20 |
| | 2401-00-2-05-422 -Special Component Plan | 11.85 | (-) 0.05 | 11.80 | 8.84 | 2.96 | 25 |
| | 2401-800-1-10-422 -Special Component Plan | 83.87 | (-)0.24 | 83.63 | 48.63 | 35.00 | 42 |
| TOTAL GRANT NO.01 | | 108.72 | 17.75 | 126.46 | 77.87 | 48.59 | 38 |
| 18 Commerce and Industries | 2851-00-102-0-14-071 -Building expenses (NP) | 0.44 | 0.19 | 0.63 | 0.20 | 0.43 | 68 |
| | 2851-00-102-68-100 -Financial Assistance | 48.47 | (-)3.88 | 44.59 | 28.97 | 15.62 | 35 |
| | 2851-00-102-69-059 -Other expenses (Plan) | 7.68 | 5.28 | 12.96 | 9.85 | 3.11 | 24 |
| TOTAL GRANT NO.18 | | 56.59 | 1.59 | 58.18 | 39.02 | 19.15 | 33 |

2.6.5 Huge surrenders indicating unrealistic budget estimates

In cases detailed in **Table 2.9**, there were huge surrenders which indicated that the original budget estimates were unrealistic.

Table 2.9: Huge surrenders indicating unrealistic budget estimates

| (₹ in crore) | | | | | | | |
|------------------------------------|---|--------------------|---------------|-----------------|--------------|-------------------|-----------|
| Grant | Head of Account | Original provision | Surrender | Total provision | Expenditure | Unspent provision | Per cent |
| 01 Agriculture and Horticulture | 2401-00-110-0-09-106 Subsidy for Crop Loan | 250.00 | 210.00 | 40.00 | 40.00 | Nil | 84 |
| | 2401-00-800-1-44-106 -Subsidies (Plan) | 19.90 | 10.02 | 9.88 | 9.39 | 0.49 | 50 |
| | 2401-00-800-1-53-059 -Other expenses | 2.00 | 1.72 | 0.28 | 0.28 | Nil | 86 |
| | 2401-00-800-1-58-133 -Special Development Plan | 40.00 | 18.92 | 21.08 | 21.08 | Nil | 47 |
| TOTAL GRANT NO.01 | | 311.90 | 240.66 | 71.24 | 70.75 | 0.49 | 77 |

2.6.6 Rush of expenditure

Rule 56(3) of the General Financial Rules stipulate that the expenditure should be evenly spread in all the months of a financial year and rush of expenditure during the last quarter of the year should be avoided as far as possible.

Review of expenditure statement for the year 2009-10 revealed that huge expenditure between 34 and 100 *per cent* was incurred in the month of March 2010 compared to other months during the year as detailed in **Appendix 2.20**.

2.7 Conclusion

Against total provision of ₹ 76,399.97 crore during 2009-10, an expenditure of ₹ 65,437.25 crore was incurred. This resulted in an unspent provision of ₹ 10,962.72 crore (14 *per cent*). An excess expenditure of ₹ 915.42 crore incurred during 2009-10 and ₹ 8,574.19 crore relating to the period 1989-90 to 2008-09 required regularisation under Article 205 of the Constitution. Expenditure aggregating ₹ 1,881.19 crore in 33 cases which should have been treated as 'New Service/New instrument of service' was incurred without the approval of the Legislature. While, supplementary provision of ₹ 192.97 crore in 54 cases was unnecessary, reappropriation of funds in 62 cases was made injudiciously resulting in either unutilised provision or excess over provision. In 26 grants, ₹ 1,961.16 crore was surrendered in the last two working days of the financial year. Contingency Fund drawals sanctioned, were not utilised ranging from 20 to 68 *per cent*.

2.8 Recommendations

Budgetary control should be strengthened in all departments. Excessive /unnecessary supplementary and reappropriation of funds should be avoided. The reappropriation of funds at the close of the financial year also requires to be avoided. Excess of expenditure over the budget provisions for ₹ 8,574.19 crore needs to be regularized by the State Legislature. Contingency Fund should be sanctioned only to the extent required, so as to avoid non-drawal of the amount sanctioned.



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 to various financial rules, procedures and directives during the current year.

3.1 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 of assistance granted and the total expenditure of the institutions.

Fifteen departments did not furnish the information pertaining to 333 institutions receiving grants aggregating ₹ 25 lakh or more for the period ranging from one year to more than 10 years, as detailed in **Appendix 3.1**.

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

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

Separate audit reports of two autonomous bodies for the year 2007-08 and five autonomous bodies for the year 2008-09 were yet to be placed before the State Legislature.

The status of entrustment of audit, rendering of accounts, issuance of audit reports and their placement before the State Legislature are indicated in **Appendix 3.2**.

3.3 Departmental commercial undertakings

The departmental undertakings of certain Government departments performing activities of commercial and quasi-commercial nature are required to prepare *pro forma* accounts in the prescribed format annually showing the working results of financial operations so that the Government can assess their working. The 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 the Audit/State Legislature.

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

The heads of departments in the Government are to ensure that the undertakings prepare and submit such accounts to Accountant General for audit within a specified time frame. Out of the nine undertakings which have been closed/transferred to co-operative federation, *pro forma* accounts in respect of two undertakings were due from 1969-70. The position of arrears in preparation of *pro forma* accounts by the undertakings is given in **Appendix 3.3**.

3.4 Misappropriations, losses, etc.

There were 217 cases of misappropriation, losses, etc. involving Government money amounting to ₹ 10.07 crore as at the end of 2009-10 on which final action was pending. The department-wise break up of pending cases and age-wise analysis is given in **Appendix 3.4** and nature of these cases is given in **Appendix 3.5**. The age profile of the pending cases with the number of cases pending in each category - theft and misappropriation is given in **Table 3.3**.

Table 3.3: Profile of pending cases of misappropriations and theft

| Age-profile of the pending cases | | | ₹ in crore) | | |
|----------------------------------|-----------------|-----------------|---------------------|-----------------|-----------------|
| Range in years | Number of cases | Amount involved | Nature of the cases | Number of cases | Amount involved |
| Above 25 | 62 | 0.30 | Theft | 34 | 0.17 |
| 21 - 25 | 10 | 0.03 | | | |
| 16 - 20 | 40 | 1.61 | Misappropriation | 183 | 9.90 |
| 11 - 15 | 77 | 6.21 | | | |
| 06 - 10 | 25 | 1.65 | | | |
| 0 - 05 | 3 | 0.27 | | | |
| Total | 217 | 10.07 | Total | 217 | 10.07 |

Around 76 per cent of the amount involved pertained to departments of Forest, Environment and Ecology (₹ 2.70 crore), Water Resources (₹ 2.56 crore) and Public Works (₹ 2.40 crore).

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. The half yearly accounts of Public Works, Water Resources and Minor Irrigation Departments are due to be received by 15 December of the year and 15 June of the following year. Delay in receipt of stores and stock accounts were commented upon in successive audit reports. The Public Accounts Committee in its first report (sixth Assembly) presented in February 1980 had also emphasised the importance of timely submission of accounts by the departments. The submission of stores and stock accounts by 82 officers of 10 departments were in arrears for period ranging from six months to eight years as of September 2010, as detailed in **Appendix 3.6**.

3.6 Unadjusted Abstract Contingent bills

Under rule 36 of the Government of Karnataka Manual of Contingent Expenditure 1958, the Controlling and Disbursing Officers are authorized to draw sums of money by preparing AC bills by debiting service heads, and they are required to present detailed contingent bill (vouchers in support of final expenditure) to the Accountant General (A&E) through treasuries. Detailed bills for an aggregate amount of ₹ 111.21 crore drawn on 14,091 AC bills were pending as at the end of November 2010 as detailed in **Table 3.4**.

Table 3.4 Pending Abstract Contingent bills

(₹ in crore)

| Year | Abstract Contingent bills drawn | | Detailed Contingent bills rendered | | Outstanding bills as of November 2010 | |
|---------------|---------------------------------|--------|------------------------------------|--------|---------------------------------------|---------------|
| | No. of Bills | Amount | No. of bills | Amount | No. | Amount |
| Up to 2006-07 | | | | | 5,313 | 26.20 |
| 2007-08 | 6,934 | 36.34 | 4,539 | 24.02 | 2,395 | 12.32 |
| 2008-09 | 7,262 | 69.25 | 4,760 | 42.76 | 2,502 | 26.49 |
| 2009-10 | 9,348 | 93.51 | 5,467 | 47.31 | 3,881 | 46.20 |
| Total | | | | | 14,091 | 111.21 |

Source : AG (A&E)

3.7 Personal deposit accounts

The Karnataka Financial Code provides for opening of Personal Deposit (PD) accounts with permission from Government in cases where the ordinary system of accounting is not suitable for transactions. PD accounts created by debit to the Consolidated Fund of the State should be closed at the end of the financial year. Administrators of the accounts should intimate the treasury officer, the balance to be transferred to the Consolidated Fund. For continuation of PD accounts beyond the period of its currency, administrators are required to seek the permission of the Finance Department. Periodical reconciliation of PD accounts with treasury accounts is the responsibility of the administrators concerned.

3.7.1 Funds kept in PD Accounts

The position of deposits, withdrawals and balances in PD accounts during the period 2007-10 is given in **Table 3.6**

Table 3.6: Funds in PD accounts

(₹ in crore)

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

3.7.2 Unspent balances in PD Accounts

Position of deposits, withdrawals and balances in PD accounts of five Deputy Commissioners¹ during the period 2005-10 revealed that the balance had steadily increased nine fold from ₹ 15 crore at the beginning of 2005-06 to ₹ 134.50 crore at the close of 2009-10 as detailed in the **Table 3.7**.

Table 3.7 Unspent balances in PD Accounts

| (₹ in crore) | | | | |
|--------------------|-----------------|-------------------|-------------|-----------------|
| Year | Opening balance | Receipts/Deposits | Withdrawals | Closing Balance |
| Revenue Department | | | | |
| 2005-06 | 15.00 | 63.12 | 47.83 | 30.29 |
| 2006-07 | 30.29 | 100.76 | 58.34 | 72.70 |
| 2007-08 | 72.70 | 294.31 | 261.05 | 105.96 |
| 2008-09 | 105.96 | 153.29 | 113.18 | 146.06 |
| 2009-10 | 146.06 | 132.21 | 143.77 | 134.50 |

3.7.3 Reconciliation of balances

As of March 2010, the administrators did not reconcile the balances in PD accounts with those in the books of the treasury. There was a difference of (-) ₹ 27.53 crore in seven accounts and (+) ₹ 0.11 crore in one account which remained un-reconciled (**Appendix 3.7**).

3.8 Reconciliation of expenditure and receipts

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

Even though non-reconciliation of departmental figures is being pointed out regularly in Audit Reports, lapses on the part of controlling officers in this regard continued to persist during 2009-10 also. Out of 194 controlling officers, 31 controlling officers reconciled the expenditure of ₹ 3,318.71 crore (26 per cent of the total expenditure of ₹ 12,954 crore incurred by them) and 28 controlling officers had not reconciled the expenditure of ₹ 17,106.02 crore (100 per cent) incurred by them.

Further, controlling officers should arrange to obtain from their subordinates, monthly accounts and returns in suitable form claiming credit for the amount paid into the treasury or otherwise accounted for and compare these with the statements of treasury credits furnished by the Accountant General to see that the amounts reported as collected have been duly credited to Government account. Also, the disbursing officers and subordinate officers should reconcile their departmental figures with the treasury figures. Out of 79 controlling officers, 52 had reconciled their receipts amounting ₹ 48,784.37 crore, 10 had reconciled partially and 17 did not reconcile receipts amounting to ₹ 822.47 crore as of October 2010. In respect of loans and advances, none of the controlling officers had reconciled their expenditure figures.

¹ Deputy Commissioners –Bangalore Urban, Mandya, Ramnagar, Hassan and Bangalore Rural

3.9 Comments on Accounts

The fiscal indicators *viz.*, surplus / deficit on revenue account and fiscal deficit (net debit in the Consolidated Fund excluding borrowings) are calculated after taking into account all the transactions as per the accounting principles. In other words, the fiscal indicators flow from accounts. The revenue surplus and fiscal deficit of the State for the year 2009-10 was ₹ 1,619 crore and ₹ 10,875 crore respectively. The transactions which were not according to principles of accounting and which affected the said indicators by overstating or understating as the case may be, are discussed in the succeeding paragraphs.

3.9.1 Non-transfer of receipts/expenditure from the Consolidated Fund to earmarked Reserve Funds

✓ *Infrastructure Initiative, Bangalore Metro Rail Corporation Limited and CM's Rural Road Development Funds*

Budget provision of ₹ 3,187.86 crore was provided by the State Legislature for the year 2009-10 for transfer of expenditure related to these Reserve Funds from the Consolidated Fund to the Public Account. Against the actual expenditure of ₹ 2,849.03 crore during the year only ₹ 385.51 crore was transferred based on the Government order issued.

On transfer of ₹ 1,850 crore and ₹ 2,100 crore from general revenues during 2008-09 and 2009-10 respectively, the balances at the credit of these reserve funds as on 31 March 2010 were IIF – ₹ 5,284 crore, BMRCL – ₹ 1,316 crore and CMRRD ₹ 666 crore. Despite ₹ 7,266 crore at the credit of these reserve funds, the entire expenditure of ₹ 2,849 crore (initially debited to the Consolidated Fund) was not transferred to Public Account. This resulted in understatement of revenue surplus and overstatement of fiscal deficit by ₹ 187 crore and ₹ 2,276 crore respectively.

The State Government replied (November 2010) that funds created from out of general revenues being basically reserve funds are intended to provide reserve for expenditure out of the fund and that accretion to and expenditure from the fund need not be in the same year. It was also stated that since the actual expenditure within the budgetary approval given by the legislature depends on over-all fiscal position managed by the executive, the decision to not to transfer the expenditure to the Public Account was due to late surge of receipts.

However, a reserve fund which is created for specific purpose to account for transactions of a particular character should record all the transactions in complete form. Exclusion of a particular set of transactions (transfer of debit from consolidated fund to the Public Account) distorts the fiscal indicators of the Government.

Rural Road Development Cess (RRD) collections (other than infrastructure cess) *viz.*, conversion fee, market fee, transportation of forest produces, toll on roads and bridges and the related expenditure were not transferred to the earmarked Reserve Funds.

The State Government, in its reply (November 2010), stated that RRD Cess collections on conversion fee, market fee, toll on roads and bridges and cess on transport of forest produce were not transferred to the earmarked reserve funds because while RRD Cess collections on conversion fee, market fee, toll on roads and bridges were not operationalized in 2009-10, the cess on transport of forest produce was refunded due to judicial pronouncement. However, there were receipts to the tune of ₹ 26.54 lakh during 2009-10 under conversion fee and toll on roads and bridges which had to be transferred to the Public Account.

✓ *Consumer Welfare Fund*

Expenditure of ₹ 93 lakh relating to Consumer Welfare Fund was not transferred from Consolidated Fund to Public Account. Non carrying out of the book adjustment resulted in inflation of expenditure of ₹ 93 lakh in the Consolidated Fund and reduction of revenue surplus.

✓ *Fiscal Management Fund*

The Fiscal Management Fund was created during 2006-07 in terms of Section 4(p) of the Fiscal Responsibility Act, 2002, to discharge the liabilities arising during the course of the year out of general revenue of the State. However, no rules had been framed regarding its administration. A sum of ₹ 150 crore had been transferred from the Consolidated Fund during the year. The balance at the end of the year was ₹ 857 crore. Transfers from the Consolidated Fund inflated the revenue expenditure and reduced revenue surplus to that effect.

The State Government replied (November 2010) that the fund was created to take care of demands arising due to contingent liabilities on account of Government guarantees, contribution to pension scheme etc.

The Government had created the fund for discharging liabilities arising on account of Government guarantees but is inoperative and the pension contribution scheme had not yet been implemented.

The procedure adopted for accounting of transactions pertaining to the Reserve funds was not in accordance with the principles mentioned in Para 3.4 of the General Directions contained in the 'List of Major and Minor Heads'.

3.9.2 Book adjustments resulting in fresh adverse balance/ increase in the amount of adverse balance in Public Account

✓ *Central Road Fund*

Expenditure of ₹ 205.30 crore was transferred from Consolidated Fund [HOA-5054-80-902-deduct amount met from Central Road Fund] to Central Road Fund in Public Account [HOA-8449-103] in excess of balance (₹ 165.30 crore) at the credit of the fund resulting in adverse balance of ₹ 40 crore.

The State Government in its reply (November 2010) stated that the adverse balance was on account of initial expenditure being met out of the State funds which was to be reimbursed subsequently. However, as per the accepted principle of accounting, the adjustment of expenditure should be only to the extent of revenue received from Government of India.

✓ *Sinking Fund Investment Account*

The balance in the sinking fund became adverse during 2008-09. During the current year the adverse balance increased by ₹ 15 lakh [HOA 8222-02-101].

In reply, the State Government stated (November 2010) that the adverse balance is being examined.

3.9.3 Incorrect accounting

₹ Ten crore sanctioned for construction of super speciality hospital at Bellary, out of the Consolidated Fund [HOA 4210-01-110-1-01-139], was ordered to be transferred by the Government to Reserve Fund in Public Account [HOA 8229-00-102-0-002] instead of to the deposit account. The said transaction had been reflected in the accounts as such.

The State Government replied (November 2010) that the transaction was on account of administrative exigency and that as there was no provision under revenue account, re-appropriation was not possible and hence the amount was released from capital head of account.

Reserve funds are to be credited from general revenues only as no fund for the purpose had been created under the Public Account to account for the said transaction.

3.9.4 Bookings under Minor Head 800 – ‘Other Receipts’ and ‘Other Expenditure’

An amount of ₹ 7,771.61 crore constituting about 12.81 per cent of the total expenditure (Revenue, Capital and Loan) was classified under the Minor Head ‘800 – Other Expenditure’ under the respective Major Heads of Account. Several schemes/programmes/activities such as Equities and Investment in Companies, Road Works, Basic Urban Services Programme – Urban Infrastructure, Sewerage and sanitation scheme – ‘Suvarna Grama’. Rashtriya Krishi Vikas Yojana, Power infrastructure improvement, etc., had huge bookings under the Minor Head ‘800’. These Schemes/Projects are not depicted distinctly in the Finance Accounts, though the details of this expenditure are depicted at the sub-head (scheme) level or below in the Detailed Demands for Grants and corresponding head-wise Appropriation Accounts forming part of the State Government Accounts.

Similarly, on the receipts side, ₹ 3,132.29 crore constituting about 6.29 per cent of the total receipts (Revenue, Capital and Loan) was classified under the Minor Head ‘800 Other Receipts’ under the respective Major Heads of Account. Several receipts such as Special Problem Grants (compensation for loss suffered by the State on account of phasing out of the Central Sales Tax and on account of introduction of VAT), Loans written off, Cess collected, etc., have huge receipts booked under the Minor Head ‘800’. These receipts are not depicted distinctly in the Finance Accounts, though the details of these receipts are depicted at the sub-head (scheme) level or below.

3.10 Conclusion

The Government's compliance towards disposal of cases of losses, misappropriations, etc. was deficient. Detailed bills against abstract bills were awaited since long and amount was retained in PD Accounts against the principle of Legislative financial control. Non-reconciliation of expenditure ranging from 26 to 100 per cent was also noticed. Out of 79 controlling officers, 17 did not reconcile the receipt figures at all and 10 reconciled the figures partially.

3.11 Recommendations

Departmental enquiries in all the cases of misappropriations, losses, defalcations, etc., should be expedited to bring the defaulters to book. For this purpose, the internal controls in various departments should be strengthened to prevent recurrence of such cases.

BANGALORE

The

28 JAN 2011



(D.J. BHADRA)

Pr. Accountant General
(Civil and Commercial Audit)

COUNTER SIGNED

NEW DELHI

The

01 FEB 2011



(VINOD RAI)

Comptroller and Auditor General of India



Appendices

APPENDIX 1.1
(REFERENCE: PAGE 1)

| STATE PROFILE | | | |
|---|--|-------------------------------|--------------------|
| A | General Data | | |
| Sl. No. | Particulars | Figures | |
| 1 | Area | 1,91,791 sq km | |
| 2 | Population | | |
| | a. As per 2001 Census. | 5.29 crore | |
| | b. 2009-2010 | 5.85 crore | |
| 3 | Density of Population (2001). (All India Density = 325 persons per Sq.Km) | 276 persons per Sq. km. | |
| 4 | Population below poverty line. (All India Average = 27.5 %) | 25 per cent | |
| 5 | Literacy (2001). (All India Average = 64.8%) | 66.64 per cent | |
| 6 | Infant mortality (per 1000 live births). (All India Average = 53 per 1000 live births) | 45 per 1000 live births | |
| 7 | Life Expectancy at birth. (All India Average =63.5 years) | 65.3 years | |
| 8 | Gini Coefficient ¹ | | |
| | a. Rural. (All India = 0.30) | 0.26 | |
| | b. Urban. (All India = 0.37) | 0.36 | |
| 9 | Gross State Domestic Product (GSDP) 2009-2010 at current prices | 2,98,465 crore | |
| 10 | GSDP CAGR ² (2000-01 to 2009-10) | 12.43 per cent | |
| 11 | Per capita GSDP CAGR (2000-01 to 2009-10) | 11.19 per cent | |
| 12 | GSDP CAGR (2000-01 to 2008-2009) | Karnataka | 12.71 per cent |
| | | Other General Category States | 12.54 per cent |
| 13 | Population Growth (2000- 2001 to 2009-2010) | Karnataka | 10.57 per cent |
| | | Other General Category States | 13.42 per cent |
| B | Financial Data | | |
| Particulars | Figures (in Per cent) | | |
| CAGR | 2000-01 to 2008-09 | | 2000-01 to 2009-10 |
| | General Category States | Karnataka | Karnataka |
| a. of Revenue Receipts. | 14.40 | 14.34 | 14.25 |
| b. of Own Tax Revenue. | 13.59 | 14.99 | 14.49 |
| c. of Non Tax Revenue. | 12.08 | 8.38 | 8.06 |
| d. of Total Expenditure. | 12.38 | 12.38 | 13.67 |
| e. of Capital Expenditure. | 21.41 | 22.50 | 22.55 |
| f. of Revenue Expenditure on Education. | 9.33 | 11.78 | 10.53 |
| g. of Revenue Expenditure on Health. | 8.95 | 8.78 | 8.77 |
| h. of Salary and Wages#. | 9.37 | 12.42 | 9.43 |
| i. of Pension. | 12.03 | 12.68 | 8.89 |

Source: Financial data is based on figures in Finance Accounts. BPL (Planning Commission & NSSO data, 61st Round-http://planning_commission.nic.in/data/database/Data0910/tab%2021.pdf), Gini Coefficient (Unofficial estimates of Planning Commission & NSSO data,61st Round 2004-05 MRP), Life Expectancy at birth (Office of the Registrar General of India; Ministry of Home Affairs; Economic Survey, 2009-10) , Infant mortality rate (SRS Bulletin October,2009), Density of population (Office of the Registrar General and census commissioner of India; Ministry of Home Affairs and Literacy (Office of the Registrar General of India; Ministry of Home Affairs). #For the period 2001-02 to 2008-09 or 2009-2010 as the case may be.

¹ It is a measure of inequality of income distribution where zero refers to perfect equality and one refers to perfect inequality.

² GSDP= Gross State Domestic Product.

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

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

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

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

Part III: Public Account: Receipts and disbursements in respect of certain transactions such as small savings, provident funds, reserve funds, deposits, suspense, remittances etc., which do not form part of the Consolidated Fund, are kept in the Public Account set up under Article 266(2) of the Constitution and are not subject to vote by the State Legislature.

Layout of Finance Accounts

Finance Accounts is prepared in two volumes with Volume 1 presenting the summarized financial statements of Government and Volume 2 presenting the detailed statements. The layout is detailed below. Further, Volume 2 contains details such as comparative expenditure on salaries and subsidies by major head, grants-in-aid and assistance given by the State Government, externally aided projects, expenditure on plan scheme, direct transfer of Central scheme funds to implementing agencies, summary of balances, financial results of irrigation schemes, commitments on incomplete public works contracts and maintenance expenditure which are brought out in various appendices.

| Statement number | Layout |
|------------------|---|
| 1 | Summarized Financial position of the State giving cumulative figures of assets and liabilities of the Government as at the end of 2009-10. |
| 2 | Summary of Receipts and Disbursements during the year in all the three parts of accounts of Government. |
| 3 | Summary of receipts under Consolidated Fund, grants from Government of India and Capital, Public Debt and Other receipts. |
| 4 | Summary of expenditure for the current year under various sectors of Consolidated Fund of State. |
| 5 | Details of capital expenditure major head wise incurred during and to the end of 2009-10. |
| 6 | Summary of debt position of the State including borrowing from internal debt, Government of India, other obligations and servicing of debt. |
| 7 | Summary of loans and advances given by the State Government during the year and repayments made, recoveries in arrears etc. |
| 8 | Summarized statement of Grants-in-aid given by Government both in cash and in kind and also grants released for creation of capital assets. |
| 9 | Summary of guarantees given by the government for repayment of loans etc raised by statutory corporations, local bodies and other institutions. |
| 10 | Distribution of expenditure between charged and voted. |
| 11 | Detailed account of revenue and capital receipts by minor heads. |
| 12 | Detailed account of revenue expenditure by minor heads under non-plan, plan and centrally sponsored scheme separately. |
| 13 | Detailed accounts of capital expenditure by minor heads under non-plan, plan and centrally sponsored scheme separately during the year and total expenditure to the end of 2009-10. |
| 14 | Details of investments of the State Government in Statutory Corporations, Government companies, other joint stock companies, co-operative banks, society's etc., up to the end of 2009-10 and also giving the comparative summary of investment between the share capital and debentures. |
| 15 | Detailed account on borrowings and other liabilities showing public debt and other interest bearing obligation during and up to the end of 2009-10, maturity profile, repayment schedule and interest rate profile. |
| 16 | Detailed account of Loans and advances given by the Government of Karnataka, the amount of loan repaid during the year, the balance as on 31 st March 2010 and also loans advanced during the year for plan purpose and centrally sponsored schemes. |
| 17 | Detailed account on sources and application of funds other than on revenue account. |
| 18 | Detailed account on contingency fund and public account transactions. |
| 19 | Details of earmarked balance of reserve funds. |

APPENDIX 1.3
ABSTRACT OF RECEIPTS AND DISBURSEMENTS
(REFERENCE: PARAGRAPH 1.2, PAGE 1)

(₹ in crore)

| 2008-09 | Receipts | | 2009-10 | 2008-09 | Disbursements | | | 2009-10 |
|--|--|-----------|-----------|------------------|--|------------------|-----------------|------------------|
| | | | | | | Non Plan | Plan | |
| Part A: Abstract of Receipts and Disbursements for the year 2009-10 | | | | | | | | |
| Section-A: Revenue | | | | | | | | |
| 43,290.67 | I. Revenue receipts | | 49,155.70 | 41,659.29 | I. Revenue expenditure | 35,234.23 | 12,302.69 | 47,536.92 |
| 27,645.66 | Tax revenue | 30,578.60 | | 12,275.57 | General Services | 12,664.55 | 97.79 | 12,762.34 |
| 3,158.99 | Non-tax revenue | 3,333.80 | | | Social Services- | | | |
| 7,153.77 | State's share of Union Taxes & Duties | 7,359.98 | | 8,492.38 | Education, Sports, Art and Culture | 6,657.52 | 1,918.95 | 8,576.47 |
| 1,693.59 | Non Plan grants | 3,429.68 | | 1,772.70 | Health and Family Welfare | 1,164.66 | 762.51 | 1,927.17 |
| 2,020.37 | Grants for State Plan Schemes | 2,972.78 | | 1,384.33 | Water Supply, Sanitation, Housing and Urban Development | 207.83 | 1,350.02 | 1,557.85 |
| 1,618.29 | Grants for Central and Centrally Sponsored Schemes | 1,480.86 | | 54.24 | Information and Broadcasting | 29.52 | 7.95 | 37.47 |
| | | | | 1,318.93 | Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes | 476.30 | 1,226.45 | 1,702.75 |
| | | | | 182.34 | Labour and Labour Welfare | 65.34 | 207.14 | 272.48 |
| | | | | 2,540.25 | Social Welfare and Nutrition | 3,161.02 | 1,747.11 | 4,908.13 |
| | | | | 127.82 | Others | 111.42 | 25.12 | 136.54 |
| | | | | 15,872.99 | TOTAL | 11,873.61 | 7,245.25 | 19,118.86 |
| | | | | | Economic Services | | | |
| | | | | 3,338.42 | Agriculture and Allied Activities | 2,375.21 | 1,882.91 | 4,258.12 |
| | | | | 941.43 | Rural Development | 498.48 | 734.03 | 1,232.51 |
| | | | | 229.93 | Special Areas Programmes | --- | 501.51 | 501.51 |
| | | | | 262.23 | Irrigation and Flood Control | 173.69 | 158.07 | 331.76 |
| | | | | 1,952.07 | Energy | 2,342.95 | 9.55 | 2,352.50 |
| | | | | 457.46 | Industry and Minerals | 205.12 | 222.18 | 427.30 |
| | | | | 1,461.72 | Transport | 642.96 | 465.01 | 1,107.97 |
| | | | | 22.01 | Science, Technology and Environment | 0.01 | 23.59 | 23.60 |
| | | | | 2,471.37 | General Economic Services | 2,752.65 | 193.79 | 2,946.44 |
| | | | | 11,136.64 | Total | 8,991.07 | 4,190.64 | 13,181.71 |
| | | | | 2,374.09 | Grants-in-aid and Contributions | 1,705.00 | 769.01 | 2,474.01 |
| | | | | 1,631.38 | II Revenue surplus carried over to Sec-B | | | 1,618.78 |
| 43,290.67 | TOTAL | | 49,155.70 | 43,290.67 | TOTAL | | | 49,155.70 |

| 2008-09 | Receipts | | 2009-10 | 2008-09 | Disbursements | | | 2009-10 |
|---------------------------------------|--|----------|-----------|-----------|--|---------------|-----------------|-----------------|
| | | | | | | Non Plan | Plan | |
| Section-B – Capital and others | | | | | | | | |
| 3,919.45 | II. Opening Cash balance including Permanent Advances & Cash Balance Investments & investments from earmarked funds. | | 7,819.85 | 9,870.29 | | | | |
| 181.14 | III. Miscellaneous Capital receipts | | 69.79 | | III. Capital Outlay | | | 12,136.68 |
| | | | | 475.37 | General Services | 56.46 | 433.39 | 489.85 |
| | | | | | Social Services | | | |
| | | | | 199.32 | Education, Sports, Art and Culture | 3.73 | 211.97 | 215.70 |
| | | | | 300.65 | Health and Family Welfare | --- | 320.97 | 320.97 |
| | | | | 1,772.13 | Water Supply, Sanitation, Housing and Urban Development | 207.07 | 1,602.66 | 1,809.73 |
| | | | | 1.49 | Information and Broadcasting | --- | 6.00 | 6.00 |
| | | | | 227.80 | Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes | (-) 0.01 | 239.74 | 239.73 |
| | | | | 48.37 | Social Welfare and Nutrition | --- | 48.19 | 48.19 |
| | | | | 5.40 | Other Social Services | --- | 10.36 | 10.36 |
| | | | | 2,555.16 | Total Social Services | 210.79 | 2,439.89 | 2,650.68 |
| | | | | | Economic Services | | | |
| | | | | 39.85 | Agriculture and Allied Activities | (-) 1.04 | 64.93 | 63.89 |
| | | | | 134.35 | Rural Development | 0.93 | 73.00 | 73.93 |
| | | | | 2,985.89 | Irrigation and Flood Control | 540.83 | 3,401.16 | 3,941.99 |
| | | | | 936.62 | Energy | 75.37 | 1,675.00 | 1,750.37 |
| | | | | 261.43 | Industry and Minerals | (-) 0.02 | 205.77 | 205.75 |
| | | | | 2,246.74 | Transport | 132.40 | 2,513.99 | 2,646.39 |
| | | | | 234.88 | General Economic Services | 2.99 | 310.84 | 313.83 |
| | | | | 6,839.76 | Total Economic Services | 751.46 | 8,244.69 | 8,996.15 |
| 56.65 | IV. Recoveries of Loans and Advances | | 555.36 | 731.34 | IV. Loans and Advances | 65.16 | 916.42 | 981.58 |
| 17.26 | From Power Projects | 516.53 | | 500.01 | For Power Projects | --- | 5.34 | |
| 2.10 | From Government Servants | 3.24 | | 2.59 | To Government Servants | 5.08 | 0.04 | |
| 37.29 | From others | 35.59 | | 228.74 | To Others | 60.08 | 911.04 | |
| 8,592.16 | V. Public debt receipts | | 7,990.86 | 1,777.90 | V. Repayment of Public Debt | | | 2,308.33 |
| 7,995.99 | Internal debt other than Ways and Means Advances and Overdraft | 7,310.01 | | 1,316.47 | Internal debt other than Ways and Means Advances & Overdraft | 1,837.87 | | 1,837.87 |
| --- | Ways and Means advances from Reserve Bank of India | --- | | --- | Ways and Means advances from Reserve Bank of India | --- | | --- |
| 596.17 | Loans and Advances from the Central Government | 680.85 | | 461.43 | Repayment of Loans and Advances to Central Government | 470.46 | | 470.46 |
| --- | VI. Contingency Fund (recoupment) | | 2.10 | 2.10 | VI. Contingency Fund Disbursements | | | --- |
| 60,603.55 | VII. Public Account Receipts | | 71,172.45 | 54,782.85 | VII. Public Account Disbursements | | | 64,029.09 |
| 2,329.27 | Small Savings and Provident funds, etc. | 2,591.15 | | 1,153.03 | Small Savings and Provident Funds etc. | | | 1,123.64 |
| 2,628.57 | Reserve funds | 5,117.86 | | 454.72 | Reserve Funds | | | 1,917.29 |

| 2008-09 | Receipts | | 2009-10 | 2008-09 | Disbursements | | | 2009-10 |
|------------------|---|-----------|------------------|------------------|---|----------|------|------------------|
| | | | | | | Non Plan | Plan | |
| 18,720.45 | Deposits and Advances | 22,188.59 | | 17,165.98 | Deposits and Advances | | | 20,279.25 |
| 35,745.45 | Suspense and Miscellaneous | 40,023.81 | | 34,777.66 | Suspense and Miscellaneous | | | 39,421.39 |
| 1,179.81 | Remittances | 1,251.04 | | 1,231.46 | Remittances | | | 1,287.52 |
| 1,631.38 | VIII. Revenue Surplus carried over from Sec. -A. | | 1,618.78 | 7,819.85 | VIII Cash Balance at end | | | 9,773.51 |
| | | | | 0.01 | Cash in Treasuries and Local Remittances | | | 0.01 |
| | | | | -358.46 | Deposits with Reserve Bank | | | (-) 107.69 |
| | | | | 6.08 | Departmental Cash Balances including Permanent Advances | | | 10.77 |
| | | | | 7,519.31 | Cash Balance Investment | | | 8,889.98 |
| | | | | 652.91 | Investment from earmarked funds | | | 980.44 |
| 74,984.33 | Total | | 89,229.19 | 74,984.33 | Total | | | 89,229.19 |

Includes expenditure of ₹ 1,038.96 crore on account of off-budget borrowings

APPENDIX 1.4
OUTCOME INDICATORS OF THE STATE'S OWN FISCAL CORRECTION PATH

(REFERENCE: PARA 1.3, PAGE 4)

| | 2004-05 | Budget estimate | | Projection | | | |
|---|---------------|-----------------|---------------|---------------|---------------|---------------|---------------|
| | (base year) | 2005-06 | 2006-07 | 2007-08 | 2008-09 | 2009-10 | 2010-11 |
| State revenue account | | | | | | | (₹ in crore) |
| 1. Own tax revenue | 14,958 | 18,680 | 20,865 | 23,417 | 26,488 | 32,523 | 40,399 |
| 2. Own non- tax revenue | 4,486 | 4,090 | 4,516 | 5,009 | 5,491 | 6,318 | 2,447 |
| 3. Own tax + non-tax revenue (1+2) | 19,444 | 22,770 | 25,381 | 28,426 | 31,979 | 38,841 | 42,846 |
| 4. Share in central taxes & duties | 3,760 | 3,760 | 4,136 | 4,550 | 5,005 | 6,134 | 8,385 |
| 5. Grants | 2,306 | 2,688 | 2,954 | 3,306 | 3,530 | 5,675 | 6,438 |
| 6. Total central transfer (4 + 5) | 6,066 | 6,448 | 7,090 | 7,856 | 8,535 | 11,809 | 14,823 |
| 7. Total revenue receipts (3+6) | 25,510 | 29,218 | 32,471 | 36,282 | 40,514 | 50,650 | 57,699 |
| 8. Devolution to ULBs | 799 | 1,160 | 1,428 | 1,743 | 2,130 | 2,657 | 3,357 |
| 9. Major O&M (roads, bridges and irrigation) | 401 | 513 | 970 | 1,021 | 1,078 | 1,191 | 1,026 |
| 10. Salaries | 5,751 | 6,169 | 6,539 | 6,907 | 8,740 | 9,842 | 11,152 |
| 11. Pensions | 2,214 | 2,427 | 2,661 | 3,209 | 3,518 | 3,864 | 4,501 |
| 12. Interest payments | 3,920 | 4,029 | 4,492 | 5,053 | 5,640 | 6,199 | 7,330 |
| 13. Subsidies – (food, transport, housing & industry) | 905 | 1,573 | 1,203 | 1,258 | 1,317 | 1,878 | 2,867 |
| 14. Subsidies –power | 1,400 | 1,750 | 1,750 | 2,100 | 2,100 | 1,800 | 1,800 |
| 15. Other O&M (education, health, RD, WS, agriculture, forest) | 2,444 | 2,530 | 3,155 | 3,836 | 4,641 | 6,273 | 7,152 |
| 16. Administrative expenditure | 442 | 559 | 589 | 621 | 654 | 803 | 933 |
| 17. Other Revenue expenditure | 7,163 | 7,654 | 8,296 | 8,913 | 9,251 | 12,050 | 12,508 |
| 18. Total revenue expenditure (8 to 17) | 25,439 | 28,364 | 31,083 | 34,661 | 39,069 | 46,557 | 52,626 |
| 19. Salary + interest+ pensions (10+11+12) | 11,185 | 12,625 | 13,692 | 15,169 | 17,898 | 19,905 | 22,983 |
| 20. As percentage of revenue receipts (19/7) | 47 | 43 | 42 | 42 | 44 | 39 | 40 |
| 21. Revenue surplus / deficit (7-18) | -71 | -854 | -1,388 | -1,621 | -1,445 | -4,093 | -5,043 |
| 1. Interest payment on off-budget borrowings and SPV borrowing made by PSUs/SPUs outside budget | 638 | 791 | 1,203 | 817 | 480 | 465 | 920 |
| 2. Consolidated revenue deficit. | 567 | 63 | 185 | 804 | 965 | -3,628 | -4,123 |
| Total debt stock | 48,384 | 53,185 | 60,465 | 66,340 | 72,823 | 76,905 | 87,613 |
| 1. Expenditure on capital formation | 2,502 | 3,774 | 4,316 | 5,346 | 6,300 | 9,961 | 12,441 |
| 2. Recovery of loans and advances | 30 | 30 | 100 | 100 | 100 | 100 | 100 |
| Gross fiscal deficit | 4,247 | 4,714 | 5,603 | 5,875 | 6,483 | 7,351 | 8,823 |

APPENDIX 1.5

TIME SERIES DATA ON THE STATE GOVERNMENT FINANCES
(REFERENCE: PARAGRAPHS 1.6, 1.10.2; PAGE 9, 37)

(₹ in crore)

| | 2005-06 | 2006-07 | 2007-08 | 2008-09 | 2009-10 |
|--|-------------------|--------------------|-------------------|-------------------|-------------------|
| Part A. Receipts | | | | | |
| 1. Revenue Receipts | 30,352 | 37,587 | 41,151 | 43,290 | 49,156 |
| (i) Tax Revenue | 18,632(61) | 23,301 (62) | 25,987(63) | 27,645(64) | 30,579(62) |
| Taxes on Agricultural Income | 2 | 1(-) | 3(-) | 9(-) | 9(-) |
| Taxes on Sales, Trade, etc | 9,870(53) | 11,762(50) | 13,894(54) | 14,623(53) | 15,833(52) |
| State Excise | 3,397(18) | 4,495(19) | 4,767(18) | 5,749(21) | 6,946(23) |
| Taxes on Vehicles | 1,105(6) | 1,375(6) | 1,650(6) | 1,681(6) | 1,962(6) |
| Stamps and Registration fees | 2,213(12) | 3,206(14) | 3,409(13) | 2,927(10) | 2,628(9) |
| Land Revenue | 117(1) | 109(-) | 145(1) | 256(1) | 128(-) |
| Taxes on Goods and Passengers | 1,041(6) | 1,147(5) | 837(3) | 1,085(4) | 1,291(4) |
| Taxes and Duties on Electricity | 277(1) | 389(2) | 450(2) | 370(1) | 679(2) |
| Other Taxes | 610(3) | 817(4) | 832(3) | 945(4) | 1,103(4) |
| (ii) Non Tax Revenue | 3,875(13) | 4,099(11) | 3,358(8) | 3,159(7) | 3,334(7) |
| (iii) State's share of Union taxes and duties | 4,213(14) | 5,374(14) | 6,779(17) | 7,154(17) | 7,360(15) |
| (iv) Grants in aid from Government of India | 3,632(12) | 4,813(13) | 5,027(12) | 5,332(12) | 7,883(16) |
| 2. Miscellaneous Capital Receipts | Nil | Nil | 246 | 181 | 70 |
| 3. Recoveries of Loans and Advances | 124 | 60 | 52 | 57 | 555 |
| 4. Total Revenue and Non debt capital receipts (1+2+3) | 30,476 | 37,647 | 41,449 | 43,528 | 4,9781 |
| 5. Public Debt Receipts | 5,664 | 3,546 | 2,279 | 8,592 | 7,991 |
| Internal Debt (excluding Ways and Means Advances and Overdrafts) | 4,995(88) | 2,892(82) | 1,473(65) | 7,996(93) | 7,310(91) |
| Net transactions under Ways and Means Advances and Overdrafts | --- | --- | --- | --- | --- |
| Loans and Advances from Government of India | 669(12) | 654(18) | 806(35) | 596(7) | 681(9) |
| 6. Total Receipts in the Consolidated Fund (4+5) | 36,140 | 41,193 | 43,728 | 52,120 | 57,772 |
| 7. Contingency Fund Receipts | 39 | - | 13 | -- | 2 |
| 8. Public Account Receipts | 38,025 | 47,040 | 56,160 | 60,604 | 71,172 |
| 9. Total Receipts of the State (6+7+8) | 74,204 | 88,233 | 99,901 | 1,12,724 | 1,28,946 |
| Part B. Expenditure/Disbursement | | | | | |
| 10. Revenue Expenditure | 28,041 | 33,435 | 37,375 | 41,659 | 47,537 |
| Plan | 5,069(18) | 7,852(23) | 8,313(22) | 10,530(25) | 12,303(26) |
| Non Plan | 22,972(82) | 25,583(77) | 29,062(78) | 31,129(75) | 35,234(74) |
| General Services (including interest payments) | 10,036(36) | 10,419(31) | 10,872(29) | 12,275(29) | 12,762(27) |
| Social Services | 8,899(32) | 10,937(33) | 13,124(35) | 15,873(38) | 19,119(40) |
| Economic Services | 7,947(28) | 10,440(31) | 11,453(31) | 11,137(27) | 13,182(28) |
| Grants-in-aid and contributions | 1,159(4) | 1,639(5) | 1,926(5) | 2,374(6) | 2,474(5) |
| 11. Capital Expenditure | 5,822 | 8,543 | 8,649 | 9,870 | 12,137 |
| Plan | 5,806(100) | 8,411(98) | 7,199(83) | 9,135(93) | 11,118(92) |
| Non Plan | 16(-) | 132(2) | 1,450(17) | 735(7) | 1,019(8) |

| | 2005-06 | 2006-07 | 2007-08 | 2008-09 | 2009-10 |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| General Services | 218(4) | 321(4) | 339(4) | 475(5) | 490(4) |
| Social Services | 1,105(19) | 1,293(15) | 2,148(25) | 2,555(26) | 2,651(22) |
| Economic Services | 4,499(77) | 6,929(81) | 6,162(71) | 6,840(69) | 8,996(74) |
| 12. Disbursement of Loans and Advances | 300 | 357 | 757 | 731 | 982 |
| 13. Total (10+11+12) | 34,163 | 42,335 | 46,781 | 52,260 | 60,656 |
| 14. Repayments of Public Debt | 811 | 1,749 | 1,251 | 1,778 | 2,308 |
| Internal Debt (excluding Ways and Means Advances and Overdrafts) | 393(48) | 1,012(58) | 802(64) | 1,317(74) | 1,838(80) |
| Net transactions under Ways and Means Advances and Overdraft | - | - | -- | --- | --- |
| Loans and Advances from Government of India | 418(52) | 737(42) | 449(36) | 461(26) | 470(20) |
| 15. Appropriation to Contingency Fund | - | - | -- | --- | --- |
| 16. Total disbursement out of Consolidated Fund (13+14+15) | 34,974 | 44,084 | 48,032 | 54,038 | 62,964 |
| 17. Contingency Fund disbursements | -- | 13 | -- | 2 | --- |
| 18. Public Account disbursements | 36,702 | 42,637 | 54,055 | 54,783 | 64,029 |
| 19. Total disbursement by the State (16+17+18) | 71,676 | 86,734 | 1,02,087 | 1,08,823 | 1,26,993 |
| Part C. Deficits | | | | | |
| 20. Revenue Deficit(-)/ Revenue Surplus (+) (1-10) | 2,311 | 4,152 | 3,776 | 1,631 | 1,619 |
| 21. Fiscal Deficit (-)/Fiscal Surplus (+) (4-13) | 3,687 | 4,688 | 5,332 | 8,732 | 10,875 |
| 22. Primary Deficit (21+23) | --- | 452 | 826 | 4,200 | 5,662 |
| Primary Surplus (23-21) | 78 | --- | --- | --- | --- |
| Part D. Other data | | | | | |
| 23. Interest Payments (included in revenue expenditure) | 3,765 | 4,236 | 4,506 | 4,532 | 5,213 |
| 24. Financial Assistance to local bodies etc., | 11,183 | 13,915 | 16,725 | 15,262 | 16,420 |
| 25. Ways and Means Advances/ Overdraft availed (days) | | | | | |
| Ways and Means Advances availed (days) | --- | --- | 4 | --- | --- |
| Overdraft availed (days) | --- | --- | --- | --- | --- |
| 26. Interest on Ways and Means Advances/ Overdraft | --- | --- | 0.04 | --- | --- |
| 27. Gross State Domestic Product (GSDP)[@] | 1,83,796 | 2,05,784 | 2,40,062 | 2,70,699 | 2,98,465 |
| 28. Outstanding Fiscal liabilities (year end) | 52,236 | 57,682 | 60,142 | 71,550 | 83,482 |
| 29. Outstanding guarantees (year end) (including interest) | 8,984 | 9,879 | 10,786 | 8,693 | 7,203 |
| 30. Maximum amount guaranteed (year end) | 20,107 | 19,793 | 23,109 | 18,732 | 18,420 |
| 31. Number of incomplete projects | 120 | 261 | 429 | 197 | 261 |
| 32. Capital blocked in incomplete projects | 3,450 | 1,174 | 1,480 | 1,107 | 1,015 |

| Part E: Fiscal Health Indicators | | | | | |
|--|--------|--------|--------|--------|--------|
| I Resource Mobilization | | | | | |
| Own Tax revenue/GSDP | 10.1 | 11.3 | 10.8 | 10.2 | 10.2 |
| Own Non-Tax Revenue/GSDP | 2.1 | 2.0 | 1.4 | 1.2 | 1.1 |
| Central Transfers/GSDP | 4.3 | 4.9 | 4.9 | 4.6 | 5.1 |
| II Expenditure Management | | | | | |
| Total Expenditure/GSDP | 18.6 | 20.6 | 19.5 | 19.3 | 20.3 |
| Total Expenditure/Revenue Receipts | 112.56 | 112.63 | 113.68 | 120.72 | 123.39 |
| Revenue Expenditure/Total Expenditure | 82.08 | 78.98 | 79.89 | 79.71 | 78.37 |
| Expenditure on Social Services/Total Expenditure | 29.70 | 29.66 | 33.92 | 35.59 | 37.22 |
| Expenditure on Economic Services/Total Expenditure | 36.84 | 45.82 | 37.99 | 35.46 | 36.84 |
| Capital Expenditure/Total Expenditure | 17.92 | 21.02 | 20.11 | 20.29 | 21.63 |
| Capital Expenditure on Social and Economic Services/Total Expenditure. | 17.24 | 20.26 | 19.38 | 19.37 | 20.81 |
| III Management of Fiscal Imbalances | | | | | |
| Revenue deficit (surplus)/GSDP | 1.26 | 2.02 | 1.57 | 0.60 | 0.54 |
| Fiscal deficit/GSDP | 2.01 | 2.28 | 2.22 | 3.22 | 3.64 |
| Primary Deficit (surplus) /GSDP | 0.04 | 0.22 | 0.34 | 1.55 | 1.90 |
| Revenue Deficit/Fiscal Deficit | --- | --- | --- | --- | --- |
| Primary Revenue Balance/GSDP | 3.4 | 4.1 | 3.6 | 2.4 | 2.5 |
| IV Management of Fiscal Liabilities | | | | | |
| Fiscal Liabilities/GSDP | 28.42 | 28.03 | 25.05 | 26.43 | 27.97 |
| Fiscal Liabilities/RR | 172.10 | 153.46 | 146.15 | 165.28 | 169.83 |
| Primary deficit vis-à-vis quantum spread | --- | -0.08 | -0.20 | --- | 1.94 |
| Debt Redemption (Principal +Interest) / Total Debt Receipts | 0.9 | 0.9 | 1.1 | 0.8 | 0.8 |
| V Other Fiscal Health Indicators | | | | | |
| Return on Investment (Rupees in crore) | 16.9 | 19.5 | 23.4 | 40.2 | 29.5 |
| Balance from Current Revenue (Rs in crore) | 5,483 | 9,415 | 8,593 | 8,523 | 9,468 |
| Financial Assets/Liabilities | 0.8 | 0.9 | 1.0 | 1.0 | 1.0 |

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

@ GSDP figures communicated by the Government adopted.

APPENDIX 1.6

SUMMARISED FINANCIAL POSITION OF THE GOVERNMENT OF KARNATAKA
AS ON 31 MARCH, 2010

(REFERENCE: PARAGRAPH 1.10.1; PAGE 35)

| | | | | (₹ in Crore) |
|--------------------|--------------|---|--------------|--------------------|
| As on 31.3.2009 | | Liabilities | | As on 31.3.2010 |
| 39,995.86 | | Internal Debt * | | 45,468.00 |
| | 18,571.99 | Market Loans bearing interest | 23,525.76 | |
| | 1.36 | Market Loans not bearing interest | 1.42 | |
| | 609.09 | Loans from Life Insurance Corporation of India | 446.75 | |
| | 1,462.91 | Loans from other Institutions | 1,896.56 | |
| | 19,350.51 | Loans from RBI – Spl. Securities issued to National Small Savings fund of the Central Government. | 19,597.51 | |
| 9,691.81 | | Loans and Advances from Central Government - | | 9,902.20 |
| | 0.07 | Pre 1984-85 Loans | 0.07 | |
| | 98.92 | Non-Plan Loans | 92.62 | |
| | 9,407.29 | Loans for State Plan Schemes | 9,639.38 | |
| | 29.16 | Loans for Central Plan Schemes | 25.48 | |
| | 156.37 | Loans for Centrally Sponsored Plan Schemes | 144.65 | |
| 77.90 | | Contingency Fund | | 80.00 |
| 9,709.55 | | Small Savings, Provident Funds, etc. | | 11,177.06 |
| 7,053.46 | | Reserve Funds | | 10,254.03 |
| 5,752.41 | | Deposits | | 7,660.97 |
| 3,957.65 | | Suspense and Miscellaneous balances | | 4,495.66 |
| 76,238.64 | | Total | | 89,037.92 |
| Assets | | | | |
| 63,023.27 | | Gross Capital Outlay on Fixed Assets - | | 75,159.96 |
| | 26,670.72 | Investments in shares of Companies, Corporations, etc. | 32,481.93 | |
| | 36,352.55 | Other Capital Outlay | 42,678.03 | |
| 7,620.19 | | Loans and Advances - | | 8,046.42 |
| | 1,728.48 | Loans for Power Projects | 1,217.29 | |
| | 5,891.28 | Other Development Loans | 6,827.14 | |
| | 0.43 | Loans to Government servants and Miscellaneous Loans | 1.99 | |
| 362.56 | | Remittances | | 399.03 |
| 10.95 | | Other Advances | | 10.17 |
| 7,819.85 | | Cash - | | 9,773.51 |
| | --- | Cash in treasuries | --- | |
| | 6.08 | Departmental Cash Balance including permanent Advances | 10.77 | |
| | (-) 358.46 | Deposits with Reserve Bank of India | (-) 107.69 | |
| | 0.01 | Remittances in Transit | 0.01 | |
| | 7,519.31 | Cash Balance Investments | 8,889.98 | |
| | 652.91 | Investment from earmarked funds | 980.44 | |
| -2,598.18 | | Surplus on Government Accounts | | (-) 4,351.17 |
| | (-) 719.27 | Accumulated Surplus | (-) 2,598.18 | |
| | (-) 1,631.38 | Deduct Revenue Surplus | (-) 1,618.78 | |
| | (-) 66.39 | Deduct Other adjustments | (-) 64.42 | |
| | (-) 181.14 | Deduct Capital Receipts | (-) 69.79 | |
| 76,238.64 | | Total | | 89,037.92 |

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

Explanatory Notes for Appendices 1.3 and 1.6

The abridged accounts in the foregoing statements have to be read with comments and explanations in the Finance Accounts. Government accounts being mainly on cash basis, the surplus on Government account, as shown in Appendix 1.6, indicates the position on cash basis, as opposed to accrual basis in commercial accounting. Consequently, items payable or receivable or items like depreciation or variation in stock figures, etc., do not figure in the accounts. Suspense and Miscellaneous balances include cheques issued but not paid, payments made on behalf of the State and other pending settlements, etc. There was a difference of ₹ 21.61 crore (Net credit) between the figures reflected in the Accounts and that intimated by the Reserve Bank of India under "Deposits with Reserve Bank". A net difference to the extent of ₹ 0.81 crore (Net credit) had been reconciled (June 2010) leaving a balance of net credit of ₹ 20.80 crore which was under reconciliation.

APPENDIX 1.7

FINANCIAL POSITION OF DEPARTMENTALLY MANAGED COMMERCIAL /
QUASI COMMERCIAL UNDERTAKINGS

(REFERENCE: PARAGRAPH 1.9.3, PAGE 32)

(₹ in crore)

| Undertaking | Year upto which proforma accounts finalised | Mean capital | Total loss |
|--|---|--------------|-------------|
| Government Silk Factory, Mamballi | 2007-08 | 3.02 | 1.43 |
| Government Silk Twisting and Weaving Factory, Mudigundam | 2007-08 | 1.41 | 0.50 |
| Government Silk Factory, Chamarajanagar | 2007-08 | 2.84 | 1.14 |
| Government Silk Factory, Santhemarahalli | 2007-08 | 2.77 | 1.20 |
| Government Silk Factory, Kollegal | 2007-08 | 2.25 | 1.41 |
| Government Central workshop, Madikeri | 2007-08 | 0.07 | 0.14 |
| Total | | 12.36 | 5.82 |

APPENDIX 2.1

MAJOR HEADS OF ACCOUNT
UNDER WHICH PROVISION OF MORE THAN 25 CRORE REMAINED UNSPENT
(REFERENCE PARAGRAPH 2.3.1; PAGE 59)

| (₹ in crore) | | | | |
|--------------|-----------|------------|--|------------------------------|
| Sl. No. | Grant No. | Major Head | Area | Unspent provision |
| 1 | 2 | 3 | 4 | 5 |
| 1 | 01 | 2401 | Crop Husbandry -Crop Insurance -Subsidy for Crop Loan Crop Husbandry - Other Expenditure - Agriculture Department | 210.00 129.51 |
| | | | Crop Husbandry - Other Expenditure - Horticulture Department | 32.50 |
| | | 2402 | Soil and Water Conservation -Assistance to Grama Panchayats -Grama Panchayats – CSS/CPS | 26.49 |
| | | | Soil and Water Conservation -Other expenditure -Rastriya Krishi Vikasa Yojana – Watershed | 30.00 |
| | | 2415 | Agricultural Research and Education - General -Research -UAS Bangalore | 26.30 |
| 2 | 02 | 2404 | Dairy Development -Assistance to Co-operatives and Other Bodies -Karnataka Milk Producer's Co-operative Federation Limited | 63.93 |
| 3 | 03 | 2070 | Other Administrative Services -Other expenditure -Filling up of Vacant Posts (District Sector) | 400.00 |
| | | | Other Administrative Services -Other expenditure -Additional Provision for Salaries | 600.00 |
| | | 2071 | Pensions and Other Retirement Benefits -Civil -Commutated value of Pensions -Other Pensions | 78.95 |
| | | | Pensions and Other Retirement Benefits -Civil -Gratuities -Other Gratuities - Karnataka | 27.26 |
| | | | Pensions and Other Retirement Benefits -Civil -Family Pensions -Other family Pensions -Karnataka | 144.20 |
| | | | Pensions and Other Retirement Benefits -Civil -Pension of Employees of Local Bodies -Payment to Municipal Employees | 32.63 |
| | | | Pensions and Other Retirement Benefits -Civil -Leave Encashment Benefits -Social Services | 26.09 |
| | | | Pensions and Other Retirement Benefits -Civil -Government contribution to Defined Contributions Pension Scheme -State's Matching contribution to Pension Scheme | 174.95 |

| Sl. No. | Grant No. | Major Head | Area | Unspent provision |
|---------|-----------|------------|---|-------------------|
| 1 | 2 | 3 | 4 | 5 |
| 4 | 07 | 2059 | Public Works -General -Maintenance and Repairs -Maintenance Grants from XII Finance Commission | 61.19 |
| | | 2215 | Water Supply and Sanitation -Water Supply -Assistance to Grama Panchayats -Grama Panchayats | 33.27 |
| | | | Water Supply and Sanitation -Water Supply -Assistance to Grama Panchayats -Grama Panchayats-CSS/CPS | 37.09 |
| | | 2515 | Other Rural Development Programmes - Assistance to Grama Panchayats - Grama Panchayats | 57.10 |
| | | 3054 | Roads and Bridges -General -Assistance to Zilla Panchayats -Zilla Panchayats | 173.73 |
| | | 4215 | Capital Outlay on Water Supply and Sanitation -Water supply -Rural Water Supply -Capital Release to Grama Panchayats | 406.94 |
| | | 4515 | Capital Outlay on other Rural Development Programme -Rural Development -Karnataka Rural Poverty and Panchayat Project (Gramma Swaraj) | 45.00 |
| | | 5054 | Capital outlay on Roads and Bridges -District and other roads -Other expenditure -NABARD Assisted Works | 34.29 |
| 5 | 09 | 2425 | Co-operation -Assistance to Credit Co-operatives -General | 103.92 |
| 6 | 10 | 2225 | Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes -Welfare of Scheduled Castes - Assistance to Taluk Panchayats -Taluk Panchayats CSS/CPS | 38.71 |
| | | | Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes -Welfare of Scheduled Tribes - Housing -Tribal Sub-Plan – Pooled-Fund | 50.00 |
| | | | Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes -Welfare of Backward Classes -Assistance to Public Sector and Other Undertakings -Assistance to Workers in Traditional Occupation | 35.00 |
| 7 | 11 | 2235 | Social Security and Welfare -Social Welfare -Child Welfare -Bhagya Lakshmi | 125.00 |
| 8 | 16 | 2216 | Housing -Rural Housing -Other expenditure -Ashraya - SDP | 60.00 |
| | | | Housing -General -Assistance to Gramma Panchayatas -Gramma Panchayatas | 60.02 |

| Sl. No. | Grant No. | Major Head | Area | Unspent provision |
|---------|-----------|------------|---|-------------------|
| 1 | 2 | 3 | 4 | 5 |
| 9 | 17 | 2058 | Stationery and Printing -Purchase and supply of Stationery Stores -Stationery Depots | 26.58 |
| | | 2202 | General Education -Elementary Education -Assistance to Zilla Panchayats -Akshara Dasoha Scheme | 161.75 |
| | | | General Education -Secondary Education -Govt. Secondary Schools -Junior Colleges | 54.19 |
| | | | General Education -Secondary Education -Government Secondary Schools -Assistance to GIA High Schools and Junior colleges for providing Computer Education | 25.00 |
| | | | General Education -General -Other expenditure -Other Schemes | 64.27 |
| | | | General Education -General -Other expenditure -Computer Literacy-Awareness in Secondary School | 60.73 |
| 10 | 18 | 2851 | Village and Small Industries -Small Scale Industries -Interest Waiver Package for Small Loanees of KSFC | 28.70 |
| | | | Village and Small Industries -Sericulture Industries -State Sericulture Industries | 29.99 |
| | | 2852 | Industries -Consumer Industries -Sugar -Special Package to Sugarcane Growers and Sugar Industries | 27.26 |
| | | 3475 | Other General Economic Services -Transfers to Reserve Fund and Deposit Accounts -Transfers of Cess to the Infrastructure Initiative Fund | 364.49 |
| 11 | 19 | 2217 | Urban Development -Other Urban Development Schemes -Assistance to Local Bodies, Corporations, Urban Development Authorities, Town Improvement Boards, etc -Bangalore Metropolitan Regional Development Authority | 577.40 |
| | | | Urban Development -General -Other expenditure -Basic Urban Service Programme – Urban Infrastructure | 78.39 |
| | | | Urban Development -General -Other expenditure - Sub-Mission for Basic Services for Urban Poor | 54.66 |
| | | | Urban Development -General -Other expenditure -Urban infrastructure Development Scheme for small and medium town (UIDSSMT) | 84.45 |
| | | 3604 | Compensation and Assignment to Local Bodies and Panchayat Raj Institutions -Assistance to Municipalities / Municipal Councils -Devolution to Municipalities | 208.44 |

| Sl. No. | Grant No. | Major Head | Area | Unspent provision |
|---------|-----------|------------|---|-------------------|
| 1 | 2 | 3 | 4 | 5 |
| | | | Compensation and Assignment to Local Bodies and Panchayat Raj Institutions -Assistance to Municipalities/ Municipal Council -Developmental works in Urban Local Bodies | 100.01 |
| | | | Compensation and Assignment to Local Bodies and Panchayat Raj Institutions -Assistance to Nagara Panchayaths / Notified Area Committees -Devolution for Nagara Panchayaths/Notified Area Committees | 67.45 |
| | | 4217 | Capital outlay on Urban Development -Other Urban Development Schemes -Other expenditure -Equity in BMRCL | 139.57 |
| | | 6215 | Loans for Water Supply and Sanitation Water Supply Loans to Public Sector and Other Undertakings Bangalore Water Supply and Sewerage Board | 97.42 |
| 12 | 20 | 2059 | Public Works -General -Suspense | 116.74 |
| | | 3054 | Roads and Bridges -District and other roads -Road Works -Rural Road Works | 29.90 |
| | | 4216 | Capital Outlay on Housing -Government Residential Buildings -Other Housing -Construction | 34.78 |
| | | 5054 | Capital Outlay on Roads and Bridges -State Highways -Road Works -Development of State Highways - EAP | 282.62 |
| | | | Capital Outlay on Roads and Bridges -Other expenditure -Karnataka Road Fund | 500.00 |
| 13 | 21 | 4701 | Capital Outlay on Major and Medium Irrigation -Medium Irrigation - Commercial -Karnataka Neeravari Nigam Limited -Accelerated Irrigation Benefit Programme (AIBP) | 341.76 |
| | | | Capital Outlay on Major and Medium Irrigation -General -Investment in Public Sector and Other Undertakings -Krishna Bhagya Jala Nigam Ltd. | 232.28 |
| | | 4702 | Capital Outlay on Minor Irrigation -Surface Water -Water Tanks-Construction of New Tanks, Pick ups, etc. | 80.81 |
| | | | Capital Outlay on Minor Irrigation Surface Water World Bank Aided Tank Irrigation Projects | 175.00 |
| | | | Capital Outlay on Minor Irrigation -Surface Water -Barrages | 33.50 |
| 14 | 22 | 2210 | Medical and Public Health -Urban Health Services-Allopathy -Hospitals and Dispensaries -Hospitals Attached to Teaching Institutions | 26.72 |
| | | 4210 | Capital Outlay on Medical and Public Health -Urban Health Services -Hospitals and Dispensaries -Buildings | 43.26 |

| Sl. No. | Grant No. | Major Head | Area | Unspent provision |
|---------|-----------|------------|--|-------------------|
| 1 | 2 | 3 | 4 | 5 |
| 15 | 24 | 2801 | Power -General -Other Expenditure -Accelerated Power Development Project | 25.68 |
| | | 4801 | Capital Outlay on Power Projects -Hydel Generation -Other Expenditure -Power infrastructure improvement (Dr. Nanjundappa Report) | 175.00 |
| 16 | 26 | 2575 | Other Special Area Programmes -Others -Special Area Programme -Legislators Constituency Development Fund | 103.86 |
| | | 4575 | Capital Outlay on Other Special Area Programmes -Other -Other Expenditure -Legislator's Constituency Development Fund | 100.00 |
| 17 | 29 | 2049 | Interest Payments -Interest on Internal Debt -Interest on Special Securities issued to National Small Savings Fund of the Central Government by State Government -Interest on Special Securities issued to NSSF of the Central Government by the State Government | 250.20 |
| | | | Interest Payments -Interest on Internal Debt -Interest on other Internal Debts - Interest on other Loans | 37.85 |
| | | | Interest Payments -Interest on Small Savings, Provident Funds, etc -Interest on Insurance and Pension Fund -State Government Insurance Funds | 47.91 |
| | | | Interest Payments -Interest on Loans and Advances from Central Government -Interest on Loans for State/Union Territory Plan Schemes | 152.76 |
| | | 6003 | Internal Debt of the State Government -Ways and Means Advances from the Reserve Bank of India -Clean and Secured Ways and Means Advances | 1,000.00 |
| | | | Internal Debt of the State Government -Ways and Means Advances from the Reserve Bank of India -Over-draft with the Reserve Bank of India | 350.00 |
| | | 6004 | Loans and Advances from the Central Government -Loans for State / Union Territory Plan Schemes -Block Loans -Normal Assistance | 38.61 |
| | | | Total | 9,754.06 |

APPENDIX 2.2

UNSPENT PROVISION DUE TO NON/SHORT/ LATE RELEASE OF FUNDS AND
NON/LATE RECEIPT OF SANCTIONS FROM GOVERNMENT

(REFERENCE: PARAGRAPH 2.3.2; PAGE 60)

| (₹ in crore) | | | |
|--------------|--|---|--|
| Sl. No. | Grant | Head of account | Unspent provision |
| 1 | 01 –Agriculture and Horticulture | 2401-105-01- Soil Health Centres -Subsidiary expenses | 4.27 |
| 2 | | 2401-109-80 Project for Agriculture training of farm women and youth with DANIDA Assistance-EAP-Subsidiary Expenses | 3.15 |
| 3 | | 2401-114-01-Oilseeds Production Programme Subsidies | 6.86 |
| 4 | | 2401-800-1-Other expenditure –Agriculture Department –Tribal Sub-Plan | 3.74 |
| 5 | | 2401-800-1- Other expenditure –Agriculture Department – Special Development Plan | 1.14 |
| 6 | | 2402-198-6-Grama Panchayat –CSS/CPS-Block Grants | 26.49 |
| 7 | | 2402-800-02- Other expenditure – Development of Saline and Alkaline Water Logged Areas –Other expenses | 14.00 |
| 8 | | 2402-800-07-Recharge of Open well – Strengthening of Watershed Training Centre - Other Expenses | 3.06 |
| 9 | | 2402-800-08-Construction of Water harvesting structures – Other Expenses | 4.79 |
| 10 | | 2402-800-10-Rejuvenation of Dried up Open Wells – Special Development Plan | 19.47 |
| 11 | | 2402-800-80-Sujala Watershed Project -III-EAP-Major works | 10.00 |
| 12 | | 2402-800-81- Sujala Watershed Project -IV-EAP-Major works | 7.00 |
| 13 | | 4401-001-1-Direction and Administration – Agriculture Department -State Plan Schemes –Major works | 1.00 |
| 14 | | 4402-800-01-RIDF Assisted Watershed Development -NABARD Works | 10.00 |
| 15 | 02- Animal Husbandry and Fisheries | 2403-102-2- Cattle and Buffalo Development - Animal Husbandry Department - Goshalas at Taluk level with Private Partnership –Other Expenses | 2.00 |
| 16 | | 2403-107-06- Fodder and feed Development –Enrichment of Fodder Demonstration Programme –Grant-in-aid | 1.01 |
| 17 | | 2403-800-36- Other Expenditure-Animal Insurance | 1.50 |
| 18 | | 2404-191-1- Assistance to Co-operatives and Other Bodies-Karnataka Milk Producers Co-operative Federation Limited –Other Expenses | 25.02 |
| 19 | | 2404-191-1- Assistance to Co-operatives and Other Bodies-Karnataka Milk Producers Co-operative Federation Limited – Special Component Plan | 2.47 |
| 20 | | 2405-103-06- Marine Fisheries – Remission of Central Excise Duty on HSD used by Mechanical Fish Craft- Financial Assistance/Relief | 2.00 |
| 21 | | 4403-101-02-Veterinary Services and Animal Health - Construction of Dispensaries under RIDF –NABARD Work | 2.84 |
| 22 | | 4403-101-06- Veterinary Services and Animal Health - Major Works | 2.05 |
| 23 | | 4403-101-08-Veterinary Services and Animal Health – Dairy Science College, Gulbarga- Special Development Plan | 1.06 |
| 24 | | 05 – Home and Transport | 2056-800-07-Other Expenditure – Rehabilitation Centre for Prisoners – Other Expenses |
| 25 | 2056-800-08 - Other Expenditure – Video Conferencing Facility in Jails - Construction | | 2.00 |
| 26 | 2055-109-1 – District Police – Police Force - Creation of Special Police Stations in connection with prohibition of Arrack and Lotteries in the State - Other Expenses | | 1.15 |
| 27 | 07 – Rural Development and Panchayat Raj | 2402-800-04 – Other Expenditure - PM's Relief Package, Participatory Watershed Project – Other Expenses | 4.12 |
| 28 | 08- Forest, Ecology and Environment | 2406-02-110-02-Environmental Forestry and Wild Life –Wild Life Preservation -Central Sector Scheme of Project Tiger, Bandipur -Major Works | 2.52 |

| | | | |
|----|---|--|---------------|
| 29 | 09-Co-operation | 2425-107-2 – Assistance to Credit Co-operatives – General –Interest Subvention for Loans to S.H.G.-Subsidies | 1.43 |
| 30 | | 6425-108-3 – Loans to other Co-operatives-Other Societies-Loans to COMARK-Loans | 5.00 |
| 31 | | 6425-800-02 – Other Loans-Karnataka State Arecanut Co-operative Marketing Board-Loans | 3.00 |
| 32 | 15- Information, Technology | 3451-090-2-Secretariat – Information Technology Secretariat - Institute of Bio Informatics and Applied Bio Technology (IBAB)-Financial Assistance / Relief | 4.00 |
| 33 | 19-Urban Development | 3604-192-01-Assistance to Municipalities\Municipal Councils-Devolution to Municipalities- Special Component Plan | 16.68 |
| 34 | | 3604-192-01-Assistance to Municipalities\Municipal Councils-Devolution to Municipalities- Tribal Sub-plan | 26.78 |
| 35 | | 3604-192-07-Assistance to Municipalities\Municipal Councils-Development works in Urban Local Bodies-Financial Assistance / Relief | 15.01 |
| 36 | | 3604-193-01- Assistance to Nagara Panchayaths/Notified Area Committees- Devolution of Nagarpanchayaths/Notified Area Committees-Special Component Plan | 4.91 |
| 37 | | 3604-193-01- Assistance to Nagara Panchayaths/Notified Area Committees- Devolution of Nagarpanchayaths/Notified Area Committees – Tribal Sub-plan | 11.01 |
| 38 | 26-Planning, Statistics, Science and Technology | 3454-02-204- Surveys and Statistics-Central Statistical Organisation-India Statistical Strengthening Project | 2.00 |
| | | Total | 255.65 |

APPENDIX 2.3

**MAJOR HEADS OF ACCOUNT UNDER WHICH EXCESS EXPENDITURE WAS ABOVE ₹ 25 CRORE
(REFERENCE: PARAGRAPH 2.3.4; PAGE 60)**

(₹ in crore)

| Sl. No. | Grant No. | Major Head | Area | Total Provision | Expenditure | Excess |
|---------|-----------|------------|---|-----------------|-----------------|-----------------|
| 1 | 05 | 2055 | Police -District Police -Police Force | 824.07 | 869.28 | 45.21 |
| 2 | 08 | 2406 | Forestry and Wild life -Forestry -Transfer to Reserve Fund and Deposit Accounts -Transfer of Forest Development Tax to Karnataka Forest Development fund | 11.00 | 271.47 | 260.47 |
| 3 | 14 | 2245 | Relief on Account of Natural Calamities -Drought -Drinking water supply | 70.61 | 113.24 | 42.63 |
| | | | Relief on Account of Natural Calamities - Calamities Relief Fund -Transfer to Reserve Fund and Deposit Accounts –Calamity Relief Fund -Central Share to Calamity Relief Fund -Inter Account Transfers | 104.52 | 1,698.88 | 1,594.36 |
| 4 | 16 | 2216 | Housing -Rural Housing -Provision of House sites for Landless -House Sites for Landless | 75.00 | 157.79 | 82.79 |
| 5 | 17 | 2202 | General Education -Elementary Education -Assistance to Zilla Panchayats -Zilla Panchayat | 204.77 | 334.72 | 129.95 |
| 6 | 20 | 3051 | Ports and Light Houses -Minor Ports -Transfer to Port Development Fund -Transfer of Receipt under Ports, Light Houses and Shipping | 1.25 | 29.09 | 27.84 |
| 7 | 20 | 5054 | Capital Outlay on Roads and Bridges -State Highways -Road Works -Other Road Formation | 591.46 | 757.37 | 165.91 |
| | | | Capital Outlay on Roads and Bridges -District and Other Roads -Other Expenditure -NABARD Assisted Works | 257.52 | 379.68 | 122.16 |
| 8 | 21 | 2049 | Interest Payments -Interest on Internal Debt -Interest on Market Loans -Interest on Current Loans | 1,450.67 | 1,522.91 | 72.24 |
| | | | Interest Payments -Interest on Internal Debt -Interest on other Internal Debt -Interest on Loan from LIC of India | 135.06 | 163.34 | 28.28 |
| | | | Total | 3,725.93 | 6,297.77 | 2,571.84 |

APPENDIX 2.4

PERSISTENT EXCESS EXPENDITURE OVER PROVISION
(REF:PARAGRAPH 2.3.5; PAGE 61)

(₹ in crore)

| Sl. No. | Grant & Head of account | 2005-06 | | | 2006-07 | | | 2007-08 | | | 2008-09 | | | 2009-10 | | |
|---------|--|-----------|-------------|--------|-----------|-------------|--------|-----------|-------------|--------|-----------|-------------|--------|-----------|-------------|--------|
| | | Provision | Expenditure | Excess | Provision | Expenditure | Excess | Provision | Expenditure | Excess | Provision | Expenditure | Excess | Provision | Expenditure | Excess |
| 1 | 08-Forest, Ecology and Environment 2406-01-797-01 Transfer of Forest Development Tax to Karnataka Forest Development Fund | 7.00 | 9.70 | 2.70 | 8.00 | 10.16 | 2.16 | 8.00 | 11.43 | 3.43 | 10.50 | 11.89 | 1.39 | 11.00 | 271.47 | 260.47 |
| 2 | 14 – Revenue 2029-101-1 Bangalore Division | 90.17 | 98.06 | 7.89 | 94.79 | 98.48 | 3.69 | 122.97 | 126.95 | 3.98 | 108.70 | 124.44 | 15.74 | 134.80 | 143.30 | 8.50 |
| 3 | 20 – Public Works 2059-80-001-01 Chief Engineer (C&B South, Bangalore) | 2.71 | 4.27 | 1.56 | 3.10 | 4.60 | 1.50 | 3.23 | 5.23 | 2.00 | 3.98 | 5.94 | 1.96 | 3.64 | 6.15 | 2.51 |
| 4 | 2059-80-001-02 Chief Engineer (C&B North, Dharwad) | 1.70 | 2.26 | 0.56 | 1.91 | 2.30 | 0.39 | 2.27 | 2.81 | 0.54 | 2.62 | 3.49 | 0.87 | 2.47 | 3.94 | 1.47 |
| 5 | 2059-80-001-02 Supervision (C&B South) | 4.49 | 5.47 | 0.98 | 5.09 | 5.52 | 0.43 | 6.10 | 7.02 | 0.92 | 8.25 | 8.68 | 0.43 | 7.00 | 9.53 | 2.53 |
| 6 | 4701-01-359-1 -Direction and Administration | 0.88 | 1.60 | 0.72 | 0.78 | 3.08 | 2.30 | 0.96 | 3.86 | 2.92 | 1.05 | 1.55 | 2.50 | 1.10 | 4.41 | 3.31 |

APPENDIX 2.5
EXPENDITURE INCURRED WITHOUT PROVISION DURING 2009-10
(REFERENCE: PARAGRAPH 2.3.6; PAGE 61)

| | | | | (₹ in crore) |
|---------|-------|--|-------------|---|
| Sl. No. | Grant | Head of Account | Expenditure | Reasons |
| 1 | 01 | 2401-00-001-1-01-021- Reimbursement of Medical Expenses | 0.29 | On account of introduction of new object head to capture the data on reimbursement of medical expenses as per the recommendation of the pay commission. |
| 2 | 01 | 2401-00-001-2-01-021- Reimbursement of Medical Expenses | 0.11 | |
| 3 | 01 | 2401-00-001-0-01-021- Reimbursement of Medical Expenses | 0.30 | |
| 4 | 03 | 2040-00-101-0-00-021- Reimbursement of Medical Expenses | 0.70 | |
| 5 | 03 | 2235-60-110-1-00-021- Reimbursement of Medical Expenses | 0.12 | |
| 6 | 04 | 2014-00-102-0-01-021- Reimbursement of Medical Expenses | 0.19 | |
| 7 | 04 | 2014-00-102-0-02-021- Reimbursement of Medical Expenses | 0.29 | |
| 8 | 04 | 2015-00-102-0-01-021- Reimbursement of Medical Expenses | 0.15 | |
| 9 | 04 | 2052-00-090-0-01-021- Reimbursement of Medical Expenses | 0.83 | |
| 10 | 04 | 2070-00-115-1-01-021- Reimbursement of Medical Expenses | 0.14 | |
| 11 | 04 | 3451-00-090-1-01-021- Reimbursement of Medical Expenses | 0.42 | |
| 12 | 05 | 2055-00-001-0-01-021- Reimbursement of Medical Expenses | 0.37 | |
| 13 | 05 | 2055-00-003-0-01-021- Reimbursement of Medical Expenses | 0.33 | |
| 14 | 05 | 2055-00-101-0-01-021- Reimbursement of Medical Expenses | 0.60 | |
| 15 | 05 | 2055-00-101-0-03-021- Reimbursement of Medical Expenses | 0.71 | |
| 16 | 05 | 2055-00-111-0-00-021- Reimbursement of Medical Expenses | 0.21 | |
| 17 | 05 | 2070-00-108-1-01-021- Reimbursement of Medical Expenses | 0.27 | |
| 18 | 08 | 2401-01-001-2-01-021- Reimbursement of Medical Expenses | 0.12 | |
| 19 | 08 | 2406-01-001-2-01-021- Reimbursement of Medical Expenses | 0.41 | |
| 20 | 09 | 2425-00-001-0-01-021- Reimbursement of Medical Expenses | 0.22 | |
| 21 | 09 | 2425-00-101-0-01-021- Reimbursement of Medical Expenses | 0.24 | |
| 22 | 09 | 3475-00-107-0-02-021- Reimbursement of Medical Expenses | 0.24 | |
| 23 | 10 | 2225-01-800-0-03-021- Reimbursement of Medical Expenses | 0.13 | |
| 24 | 13 | 2408-01-001-0-01-021- Reimbursement of Medical Expenses | 0.28 | |
| 25 | 14 | 2029-00-101-1-01-021- Reimbursement of Medical Expenses | 0.48 | |
| 26 | 14 | 2030-03-001-1-00-021- Reimbursement of Medical Expenses | 0.23 | |
| 27 | 14 | 2053-00-093-1-01-021- Reimbursement of Medical Expenses | 0.30 | |

| | | | | |
|----|----|--|--------------|---|
| 28 | 14 | 2053-00-094-1-01-021- Reimbursement of Medical Expenses | 0.17 | |
| 29 | 14 | 2053-00-094-7-01-021- Reimbursement of Medical Expenses | 1.00 | |
| 30 | 17 | 2058-00-103-0-01-021- Reimbursement of Medical Expenses | 0.30 | |
| 31 | 17 | 2202-02-001-0-01-021- Reimbursement of Medical Expenses | 0.13 | |
| 32 | 17 | 2202-02-001-0-13-021- Reimbursement of Medical Expenses | 0.69 | |
| 33 | 17 | 2202-02-109-0-13-021- Reimbursement of Medical Expenses | 0.19 | |
| 34 | 17 | 2202-03-103-2-01-021- Reimbursement of Medical Expenses | 0.47 | |
| 35 | 17 | 2202-80-800-0-19-021- Reimbursement of Medical Expenses | 0.16 | |
| 36 | 17 | 2203-00-105-0-01-021- Reimbursement of Medical Expenses | 0.20 | |
| 37 | 18 | 2851-00-107-1-01-021- Reimbursement of Medical Expenses | 0.35 | |
| 38 | 20 | 2059-80-001-0-04-021- Reimbursement of Medical Expenses | 0.12 | |
| 39 | 20 | 2059-80-001-0-05-021- Reimbursement of Medical Expenses | 0.81 | On account of introduction of new object head to capture the data on reimbursement of medical expenses as per the recommendation of the pay commission. |
| 40 | 20 | 2059-80-001-0-09-021- Reimbursement of Medical Expenses | 0.46 | |
| 41 | 20 | 3054-01-337-1-01-021- Reimbursement of Medical Expenses | 0.14 | |
| 42 | 22 | 2210-01-110-1-22-021- Reimbursement of Medical Expenses | 0.43 | |
| 43 | 22 | 2210-01-110-2-39-021- Reimbursement of Medical Expenses | 0.16 | |
| 44 | 22 | 2210-03-110-0-01-021- Reimbursement of Medical Expenses | 0.19 | |
| 45 | 23 | 2210-01-102-0-01-021- Reimbursement of Medical Expenses | 0.26 | |
| 46 | 23 | 2230-01-101-0-01-021- Reimbursement of Medical Expenses | 0.11 | |
| 47 | 23 | 2230-03-101-0-01-021- Reimbursement of Medical Expenses | 0.15 | |
| 48 | 26 | 3454-02-204-0-01-021- Reimbursement of Medical Expenses | 0.11 | |
| 49 | 27 | 2014-00-114-0-02-021- Reimbursement of Medical Expenses | 0.13 | |
| 50 | 27 | 2014-00-116-1-00-021- Reimbursement of Medical Expenses | 0.15 | |
| 51 | 28 | 2011-02-103-1-01-021- Reimbursement of Medical Expenses | 0.16 | |
| 52 | 28 | 2011-02-103-2-01-021- Reimbursement of Medical Expenses | 0.11 | |
| | | Total | 15.83 | |
| 53 | 01 | 2401-01-800-0-08-059- | 0.11 | Recovery of forest advances paid by the departmental officers |
| 54 | 07 | 2501-05-101-0-02-139- | 0.15 | |
| 55 | 18 | 2852-08-202-1-01-243- | 0.15 | |
| 56 | 21 | 2702-80-196-1-02-452- | 0.25 | |
| 57 | 21 | 2702-80-196-1-02-453- | 0.71 | |
| | | Total | 1.37 | |
| | | Grand Total | 17.20 | |

APPENDIX 2.6
EXCESS EXPENDITURE OVER PROVISION REQUIRING REGULARISATION
(REFERENCE: PARAGRAPH 2.3.7; PAGE 61)

(₹ in crore)

| Year | Number of grants/ Appropriation | Grant/Appropriation numbers | Amount of excess required to be regularised as commented in the Appropriation Accounts/Audit Reports | Actual excess | Remarks |
|--------------|---------------------------------|--|--|-----------------|--|
| 1989-90 | 12/5 | 7,8,10,24,27,46,47,49,53,20,35, 56, 23,45,12, Interest payments | 25.89 | 25.89 | |
| 1990-91 | 13/4 | 6,7,10,13,20,32,45,46,47,52,27, 33, 35,47,4 | 35.73 | 35.68 | Excess reduced on account of reconciliation of expenditure |
| 1991-92 | 13/3 | 7,11,14,22,23,36,45,46,47,51, 57,27,24,41, 43 | 58.99 | 58.47 | Excess reduced on account of reconciliation of expenditure |
| 1992-93 | 12/3 | 6,9,27,32,34,41,43,44,45,46,50, 52, 25,33, 34,48 | 107.47 | 107.47 | |
| 1993-94 | 7/3 | 22,36,46,49,54,13,29,49,24,43, Internal debt, Loans and advances from Central Government and Inter State Settlements | 57.47 | 57.47 | |
| 1994-95 | 4/6 | 21,35,3,48,15,24,46,47,55 | 8.35 | 7.95 | Due to erroneous budget provision |
| 1995-96 | 9/2 | 2,33,39,43,45,49,1,46,52,21,44 | 27.79 | 27.79 | |
| 1996-97 | 9/3 | 2,16,33,43,49,51,8,24,25,45,1, 21,43,44 | 104.40 | 104.40 | |
| 1997-98 | 11 | 12,33,37,39,43,49,51,24,27, 32,55 | 84.01 | 84.01 | |
| 1998-99 | 12 | 9,17,33,37,39,40,4,25,46,43,52 | 35.86 | 34.74 | Excess reduced on account of reconciliation of expenditure |
| 1999-00 | 11/2 | 10, 16, 19, 33, 34, 39, 48, 49, 65, 66, 8, 43. | 333.22 | 333.22 | |
| 2000-01 | 11 | 5, 15, 24, 35, 38, 49, 7, 10, 42, 30, 44 | 114.46 | 114.46 | |
| 2001-02 | 10 | 5, 10, 13, 15, 24, 30, 35, 42, 44, 50 | 112.64 | 112.64 | |
| 2002-03 | 3/5 | 53,13,60,15,30,44,55,44 | 1,090.49 | 1,090.49 | |
| 2003-04 | 6/1 | 14,16,27,24,8,20,29 | 2,817.82 | 2,811.36 | Reduction of ₹ 6.46 crore is the net result of increase of ₹ 0.04 crore due to reconciliation and decrease of ₹ 6.50 crore due to rectification of misclassification. |
| 2004-05 | 5/1 | 8,17,18,20,24,29 | 1,919.02 | 2,204.68 | Excess increased due to proforma correction of ₹ 285.66 crore under Grant 24 on account of book adjustments relating to power subsidy for 2004-05, not shown in the annual accounts 2004-05. |
| 2005-06 | 4/1 | 3,14,18,24,25 | 809.02 | 809.02 | |
| 2006-07 | 4/1 | 8,14,15,18,24 | 483.45 | 483.45 | |
| 2007-08 | 2/2 | 4,8,27 | 5.15 | 5.15 | |
| 2008-09 | 1/1 | 8,14 | 65.85 | 65.85 | |
| Total | | | 8,297.08 | 8,574.19 | |

APPENDIX 2.7

CASES OF NEW SERVICE/NEW INSTRUMENT OF SERVICE
(REFERENCE: PARAGRAPH 2.3.9; PAGE 62)

(₹ in crore)

| Sl. No. | Grant | Head of account | | Budget Provision | Expenditure | Excess |
|---------|------------------------------------|-----------------|---|------------------|-------------|--------|
| (1) | (2) | (3) | | (4) | (5) | (6) |
| 1 | 02- Animal Husbandry and Fisheries | 2405 | Fisheries | | | |
| | | 800 | Other Expenditure | | | |
| | | 02 | Share of Expenditure on Tungabhadra Board Fisheries Scheme | | | |
| | | | Other Expenses | 0.60 | 1.92 | 1.32 |
| 2 | 03 – Finance | 2071 | Pension and Other Retirement Benefits | | | |
| | | 01 | Civil | | | |
| | | 101 | Superannuation and Retirement Allowances | | | |
| | | 3 | State Government Pensions | | | |
| | | 02 | Pensions paid in England | | | |
| | | 251 | Pension and Retirement Benefits | 0.02 | 1.75 | 1.73 |
| | | 2071 | Pensions and other Retirement Benefits | | | |
| | | 01 | Civil | | | |
| | | 110 | Pensions of Employees of Local Bodies | | | |
| | | 1 | Payments to Municipal Employees | | | |
| | | 03 | Gratuities | | | |
| | | 251 | Pension and Retirement Benefits | 0.87 | 5.63 | 4.76 |
| | | 2071 | Pensions and other Retirement Benefits | | | |
| | | 01 | Civil | | | |
| | | 115 | Leave Encashment Benefits | | | |
| | | 1 | General Services | | | |
| | | 14 | Administration of Justice | | | |
| | | 251 | Pensions and Retirement Benefits | 0.22 | 2.91 | 2.69 |
| | | 2071 | Pensions and other Retirement Benefits | | | |
| | | 01 | Civil | | | |
| | | 115 | Leave Encashment Benefits | | | |
| | | 1 | General Services | | | |
| | | 52 | Secretariat General Services | | | |
| | | 251 | Pension and Retirement Benefits | 0.22 | 2.11 | 1.89 |
| | | 2071 | Pensions and other Retirement Benefits | | | |
| | | 01 | Civil | | | |
| | | 115 | Leave Encashment Benefits | | | |
| | | 1 | General Services | | | |
| | | 53 | District Administration | | | |
| | | 251 | Pension and Retirement Benefits | 0.22 | 1.74 | 1.52 |
| | | 2071 | Pensions and other Retirement Benefits | | | |
| | | 01 | Civil | | | |
| | | 115 | Leave Encashment Benefits | | | |
| | | 1 | General Services | | | |
| | | 59 | Public Works – Roads and Bridges | | | |
| | | 251 | Pension and Retirement Benefits | 0.22 | 1.64 | 1.42 |
| | | 2071 | Pensions and other Retirement Benefits | | | |
| | | 01 | Civil | | | |
| | | 115 | Leave Encashment Benefits | | | |
| | | 3 | Economic Services | | | |
| | | 01 | Crop Husbandry | | | |
| | | 251 | Pension and Retirement Benefits | 0.22 | 1.83 | 1.61 |
| 3 | 05- Home and Transport | 2055 | Police | | | |
| | | 104 | Special Police | | | |
| | | 01 | Karnataka State Reserve Police and Karnataka Armed Reserve Police | | | |
| | | 021 | Reimbursement of Medical Expenses | --- | 3.75 | 3.75 |

| Sl. No. | Grant | Head of account | Budget Provision | Expenditure | Excess |
|---------|---------------------------------------|--|------------------|-------------|---------|
| (1) | (2) | (3) | (4) | (5) | (6) |
| | | 2055 Police | | | |
| | | 108 State Headquarters Police | | | |
| | | 01 Commissioner of Police | | | |
| | | 021 Reimbursement of Medical Expenses | --- | 10.44 | 10.44 |
| | | 2055 Police | | | |
| | | 109 District Police | | | |
| | | 1 Police Force | | | |
| | | 01 Police Establishment in Existing | | | |
| | | 021 Districts | | | |
| | | Reimbursement of Medical Expenses | --- | 10.24 | 10.24 |
| 4 | 7-Rural Development and Panchayat Raj | 2215 Water Supply and Sanitation | | | |
| | | 01 Water Supply | | | |
| | | 102 Rural Water Supply Programmes | | | |
| | | 7 Schemes with Bilateral Assistance | | | |
| | | 82 Integrated Rural Water Supply and Environmental Sanitation Project-Phase II (Danida Assisted) | --- | 1.11 | 1.11 |
| | | 2515 Other Rural Development Programmes | | | |
| | | 197 Assistance to Taluk Panchayats | | | |
| | | 1 Taluk Panchayats | | | |
| | | 22 Development Grants | | | |
| | | 404 Kolar | 0.75 | 2.68 | 1.93 |
| | | 2515 Other Rural Development Programmes | | | |
| | | 197 Assistance to Taluk Panchayats | | | |
| | | 1 Taluk Panchayats | | | |
| | | 22 Development Grants | | | |
| | | 415 Dharwar | 0.68 | 2.82 | 2.14 |
| 5 | 14-Revenue | 2235 Social Security and Welfare | | | |
| | | 60 Other Social Security and Welfare Programmes | | | |
| | | 001 Direction and Administration | | | |
| | | 01 Directorate of Pension | | | |
| | | 003 Pay-Staff | 0.18 | 1.23 | 1.05 |
| | | 2245 Relief on Account of Natural | | | |
| | | 01 Calamities | | | |
| | | 104 Drought | | | |
| | | 100 Supply of Fodder | | | |
| | | Financial Assistance / Relief | 1.05 | 7.50 | 6.45 |
| | | 2245 Relief on Account of Natural | | | |
| | | 05 Calamities | | | |
| | | 101 Calamity Relief fund | | | |
| | | Transfer to Reserve Fund and Deposit | | | |
| | | Accounts –Calamity Relief fund | | | |
| | | 01 Central Share to Calamity Relief fund | | | |
| | | 261 Inter Account Transfers | 104.52 | 1698.88 | 1594.36 |
| 6 | 17 - Education | 2202 General Education | | | |
| | | 01 Elementary Education | | | |
| | | 196 Assistance to Zilla Panchayats | | | |
| | | 1 Zilla Panchayats | | | |
| | | 01 Block Grants | | | |
| | | 463 Haveri | 3.49 | 10.91 | 7.42 |
| | | 2202 General Education | | | |
| | | 02 Secondary Education | | | |
| | | 109 Government Secondary Schools | | | |
| | | 13 Junior Colleges | | | |
| | | 003 Pay – Staff (Plan) | 5.35 | 42.45 | 37.10 |
| | | 2202 General Education | | | |
| | | 02 Secondary Education | | | |
| | | 109 Government Secondary Schools | | | |

| Sl. No. | Grant | Head of account | Budget Provision | Expenditure | Excess |
|---------|---------------------------------------|--|--|---|---|
| (1) | (2) | (3) | (4) | (5) | (6) |
| | | 13 Junior Colleges 003 Pay – Staff (Non-Plan) | 11.89 | 114.54 | 102.65 |
| | | 2202 General Education 03 University and Higher Education 103 Government Colleges and Institutes 2 Other Government Colleges 01 Other Government Colleges 003 Pay – Staff (Plan) | 3.11 | 12.00 | 8.89 |
| | | 2203 Technical Education 105 Polytechnics 01 Polytechnics 003 Pay – Staff (Non-Plan) | 0.77 | 3.85 | 3.08 |
| 7 | 19 - Urban Development | 6215 Loans for Water Supply and Sanitation 01 Water Supply 190 Loans to Public Sector and Other Undertakings 2 Bangalore Water Supply and Sewerage Board 87 Bangalore Water Supply and Sewerage Project – Phase II, IDP 65 394 Loans | -- | 2.58 | 2.58 |
| 8 | 20- Public Works | 2059 Public Works 80 General 001 Direction and Administration 03 Government Architect and Other Public Works Offices 003 Pay-Staff 3051 Ports and Light Houses 02 Minor Ports 797 Transfer to Port Development Fund 01 Transfer of Receipts under Ports, Light Houses and Shipping 261 Inter Account Transfers | 0.51 1.25 | 2.02 29.09 | 1.51 27.84 |
| 9 | 21-Water Resources | 4701 Major and Medium Irrigation 01 Major Irrigation –Commercial 317 Tunga Bhadra Project – Left Bank 1 Direction and Administration 04 Establishment Charges Transfer from '2701' 029 Establishment Charges Transferred from '2701'- Major and Medium Irrigation 4701 Major and Medium Irrigation 01 Major Irrigation –Commercial 359 Bennithora Project 1 Direction and Administration 04 Add CE,s Establishment Charges Transferred from '2701' 029 Establishment Charges transferred from '2701'- Major and Medium Irrigation | --- --- | 11.24 3.24 | 11.24 3.24 |
| 10 | 22-Health and Family Welfare Services | 2210 Medical and Public Health 01 Urban Health Services 001 Direction and Administration 01 Directorate of Health and Family Welfare Services (Medical Branch) 002 Pay Officers 2210 Medical and Public Health 01 Urban Health Services 001 Direction and Administration | 0.20 | 4.04 | 3.84 |

| Sl. No. | Grant | Head of account | Budget Provision | Expenditure | Excess |
|---------|--------------|---|------------------|-----------------|-----------------|
| (1) | (2) | (3) | (4) | (5) | (6) |
| | | 01 Directorate of Health and Family Welfare Services (Medical Branch) | | | |
| | | 014 Other Allowances | 0.35 | 1.38 | 1.03 |
| | | 2210 Medical and Public Health | | | |
| | | 01 Urban Health Services | | | |
| | | 110 Hospital and Dispensaries | | | |
| | | 2 Major Hospitals | | | |
| | | 80 Secondary Level Hospitals EAP | | | |
| | | 051 General Expenses | 0.31 | 2.35 | 2.04 |
| | | 2210 Medical and Public Health | | | |
| | | 01 Urban Health Services | | | |
| | | 110 Hospital and Dispensaries | | | |
| | | 2 Major Hospitals | | | |
| | | 83 Karnataka Health Systems Project – EAP | | | |
| | | 051 General Expenses | - | 17.84 | 17.84 |
| 11 | 27 -Law | 2014 Administration of Justice | | | |
| | | 105 Civil and Session Courts | | | |
| | | 01 Establishment Charges | | | |
| | | 021 Reimbursement of Medical Expenses | -- | 1.39 | 1.39 |
| | | 2014 Administration of Justice | | | |
| | | 800 Other Expenditure | | | |
| | | 1 EFC Grant for Up gradation of Judicial Administration | | | |
| | | 03 State Law Commission | | | |
| | | 059 Other Expenses | 0.10 | 1.19 | 1.09 |
| | Total | | 137.10 | 2,018.29 | 1,881.19 |

APPENDIX 2.8

**UNNECESSARY SUPPLEMENTARY PROVISION
(REFERENCE : PARAGRAPH 2.3.10; PAGE 62)**

(₹ in crore)

| Sl. No. | Grant No. and Section | No. of Detailed Heads | Provision | | Expenditure | Unspent Provision |
|---------|-----------------------|-----------------------|---------------|---------------|---------------|-------------------|
| | | | Original | Supplementary | | |
| 1 | 1- (Revenue Voted) | 4 | 3.17 | 10.10 | 3.17 | 10.10 |
| 2 | 3- (Revenue Voted) | 4 | 7.34 | 152.50 | 6.72 | 153.12 |
| | 3- (Revenue Charged) | 1 | 0.00 | 0.05 | 0.00 | 0.05 |
| 3 | 8- (Revenue Voted) | 2 | 0.00 | 0.10 | 0.00 | 0.10 |
| 4 | 10- (Revenue Voted) | 1 | 3.36 | 0.30 | 3.36 | 0.30 |
| 5 | 14- (Revenue Voted) | 10 | 4.62 | 0.47 | 4.27 | 0.82 |
| 6 | 17- (Revenue Voted) | 9 | 107.01 | 17.48 | 56.58 | 67.91 |
| 7 | 18- (Revenue Voted) | 15 | 32.36 | 1.83 | 30.64 | 3.55 |
| 8 | 21- (Capital Voted) | 2 | 15.98 | 8.00 | 15.40 | 8.58 |
| 9 | 22- (Revenue Voted) | 4 | 1.39 | 0.12 | 1.39 | 0.12 |
| | 22- (Capital Voted) | 1 | 0.00 | 2.00 | 0.00 | 2.00 |
| 10 | 24- (Revenue Voted) | 1 | 0.11 | 0.01 | 0.10 | 0.02 |
| | Total | 54 | 175.34 | 192.96 | 121.63 | 246.67 |

APPENDIX 2.9

EXCESSIVE SUPPLEMENTARY PROVISION
(REFERENCE: PARAGRAPH 2.3.11; PAGE 62)

(₹ in crore)

| Sl. No. | Grant No. and Section | No. of detailed Heads | Provision | | Expenditure | Unspent Provision |
|---------|-----------------------|-----------------------|---------------|---------------|---------------|-------------------|
| | | | Original | Supplementary | | |
| 1 | 01- (Revenue Voted) | 3 | 20.01 | 31.00 | 31.56 | 19.45 |
| 2 | 03- (Revenue Voted) | 1 | 2.90 | 2.25 | 4.30 | 0.85 |
| | 03- (Capital Voted) | 1 | 0.00 | 20.00 | 10.00 | 10.00 |
| 3 | 08- (Revenue Voted) | 4 | 2.14 | 0.90 | 2.52 | 0.52 |
| 4 | 09-(Revenue Voted) | 3 | 13.33 | 94.11 | 54.26 | 53.18 |
| 5 | 10-(Revenue Voted) | 5 | 3.87 | 21.48 | 21.98 | 3.37 |
| | 10-(Capital Voted) | 1 | 5.00 | 10.00 | 7.25 | 7.75 |
| 6 | 14- (Revenue Voted) | 20 | 416.93 | 128.12 | 525.14 | 19.91 |
| | 14-(Capital Voted) | 1 | 22.00 | 10.00 | 30.67 | 1.33 |
| 7 | 17-(Revenue Voted) | 5 | 48.56 | 16.14 | 63.01 | 1.69 |
| 8 | 18-(Revenue Voted) | 6 | 23.98 | 21.66 | 26.82 | 18.82 |
| | 18-(Capital Voted) | 2 | 50.02 | 25.68 | 68.43 | 7.27 |
| 9 | 20-(Revenue Voted) | 1 | 0.06 | 1.00 | 0.45 | 0.61 |
| | 20-(Capital Voted) | 1 | 0.00 | 10.00 | 5.72 | 4.28 |
| 10 | 21-(Revenue Voted) | 3 | 0.02 | 0.69 | 0.49 | 0.22 |
| | 21-(Capital Voted) | 2 | 28.14 | 11.25 | 39.11 | 0.28 |
| 11 | 22-(Revenue Voted) | 3 | 10.08 | 13.02 | 18.59 | 4.51 |
| | Total | 62 | 647.04 | 417.30 | 910.30 | 154.04 |

APPENDIX 2.10

INADEQUATE SUPPLEMENTARY PROVISION
(REFERENCE: PARAGRAPH 2.3.12, PAGE 62)

(₹ in crore)

| Sl. No. | Grant No. and Section | No. of detailed heads | Provision | | Expenditure | Excess Uncovered |
|---------|-----------------------|-----------------------|---------------|---------------|---------------|------------------|
| | | | Original | Supplementary | | |
| 1 | 01- (Revenue Voted) | 2 | 5.74 | 2.82 | 11.56 | 3.00 |
| 2 | 03- (Capital Voted) | 1 | 1.00 | 1.95 | 4.15 | 1.20 |
| 3 | 10- (Revenue Voted) | 3 | 4.27 | 2.36 | 9.76 | 3.13 |
| 4 | 14- (Revenue Voted) | 8 | 256.64 | 270.44 | 711.13 | 184.05 |
| 5 | 17- (Revenue Voted) | 4 | 27.59 | 19.70 | 63.74 | 16.45 |
| 6 | 18- (Revenue Voted) | 4 | 1.52 | 0.16 | 1.84 | 0.16 |
| 7 | 22- (Revenue Voted) | 2 | 2.41 | 0.07 | 2.54 | 0.06 |
| 8 | 28- (Revenue Voted) | 5 | 1.66 | 2.95 | 4.99 | 0.38 |
| | Total | 29 | 300.83 | 300.45 | 809.71 | 208.43 |

APPENDIX 2.11

**INJUDICIOUS RE-APPROPRIATION OF FUNDS
(REFERENCE: PARAGRAPH 2.3.13; PAGE 63)**

| | | | | | | | (₹ in crore) |
|---------|-----------------------|---|---|------------------|--------------|--------------|-----------------------------------|
| Sl. No. | Head of account | | Provision (Original plus Supplementary) | Re-appropriation | Final Grant | Expenditure | Excess (+)/ unspent provision (-) |
| 1 | 2425-001-01-003- | Co-operation Direction and Administration Registrar of Co-operative Societies Pay – Staff | 11.53 | (+) 1.98 | 13.51 | 15.63 | (+) 2.12 |
| 2 | 2071-01-115-3-06-251- | Pensions and Other Retirement Benefits Civil Leave Encashment benefits Economic Services Forestry and Wild Life Pensions and Retirement Benefits | 0.22 | (+) 0.30 | 0.52 | 1.20 | (+) 0.68 |
| 3 | 4210-01-110-1-01-139- | Capital Outlay on Medical and Public Health Urban Health Services Hospitals and Dispensaries Buildings State Plan Scheme Major Works | 35.92 | (+) 12.00 | 47.92 | 48.42 | (+) 0.50 |
| 4 | 2210-05-101-1-03-011- | Medical and Public Health Medical Education Training and Research Ayurveda Education College with Attached Hospitals Dearness Allowance | 1.44 | (+) 0.21 | 1.65 | 2.13 | (+) 0.48 |
| 5 | 2030-03-001-1-071- | Stamps and Registration Registration Direction and Administration Inspector General of Stamps and Registration Building Expenses | 2.24 | (+) 1.00 | 3.24 | 3.70 | (+) 0.46 |
| 6 | 2204-102-1-01-051- | Sports and Youth Services Youth Welfare Programmes for Students National Cadet Corps National Cadet Corps General Expenses | 3.86 | (+) 1.30 | 5.16 | 5.49 | (+) 0.33 |
| | | | 55.21 | (+) 16.79 | 72.00 | 76.57 | (+) 4.57 |
| 7 | 2245-02-110-01-100- | Relief on accounts of Natural Calamities Floods, Cyclones, etc Assistance for Repairs and Restoration of Damaged Water Supply and Sewerage Works Flood Relief – Repairs of Flood damages and Rescue Financial Assistance/Relief | 2,533.50 | (-) 8.05 | 2,525.45 | 1,701.18 | (-) 824.27 |

| Sl. No. | Head of account | Provision (Original plus Supplementary) | Re-appropriation | Final Grant | Expenditure | Excess (+)/ unspent provision (-) |
|---------|--|---|------------------|-------------|-------------|-----------------------------------|
| 8 | 2070- Other Administrative Services 800- Other Expenditure 11- Filling of Vacant posts (District Sector) 14- Reimbursement of Medical Expenses | 400.00 | (-) 150.00 | 250.00 | --- | (-) 250.00 |
| 9 | 2071- Pensions and Other Retirement Benefits 01- Civil 105- Family Pensions 3- Other Family Pensions 251- Pension and Retirement Benefits | 610.00 | (-) 0.30 | 609.70 | 465.80 | (-) 143.90 |
| 10 | 4701- Capital outlay on Major and Medium Irrigation 80- General 190- Investment in Public Sector and Other Undertakings 4- Karnataka Neeravari Nigama Ltd. 240- Debt Servicing | 218.04 | (-) 8.76 | 209.28 | 151.29 | (-) 57.99 |
| 11 | 2202- General Education 02- Secondary Education 109- Government Secondary Schools 14- Assistance to GIA High Schools and Junior Colleges for providing Computer Education 059- Other Expenses | 25.00 | (-) 5.00 | 20.00 | 0.01 | (-) 19.99 |
| 12 | 2851- Village and Small Industries 102- Small Scale Industries 68- Resource Support to KSFC 100- Financial Assistance / Relief | 48.47 | (-) 3.88 | 44.59 | 28.97 | (-) 15.62 |
| 13 | 2030- Stamps and Registration 03- Registration 001- Direction and Administration 2- Up-gradation of Standards of Administration 04- Charges of supply of Registered Documents 051- General Expenses | 39.52 | (-) 1.00 | 38.52 | 27.82 | (-)10.70 |
| 14 | 4702- Capital outlay on Minor Irrigation 101- Surface Water 5- Barrages 01- Construction of Barrages 423- Tribal Sub Plan | 18.71 | (-) 0.77 | 17.94 | 8.80 | (-) 9.14 |
| 15 | 2202- General Education 03- University and Higher Education 800- Other Expenditure 9- Karnataka Knowledge Commission 101- Grant- in-Aid | 15.00 | (-) 1.95 | 13.05 | 5.05 | (-) 8.00 |
| 16 | 4210- Capital outlay on Medical and Public Health 01- Urban Health Services 110- Hospitals and Dispensaries | | | | | |

| Sl. No. | Head of account | Provision (Original plus Supplementary) | Re-appropriation | Final Grant | Expenditure | Excess (+)/ unspent provision (-) |
|---------|--|---|------------------|-------------|-------------|-----------------------------------|
| | 7- Capital Release to Zilla Panchayats | | | | | |
| | 03- Establishment of Super Speciality Health Complex | | | | | |
| | 139- Major Works | 10.00 | (-) 2.00 | 8.00 | --- | (-) 8.00 |
| 17 | 4059- Capital outlay on Public Works | | | | | |
| | 80- General | | | | | |
| | 051- Construction | | | | | |
| | 38- Construction of High Court Circuit Bench at Dharwad and Gulbarga | | | | | |
| | 386- Construction | 42.00 | (-) 10.00 | 32.00 | 25.00 | (-) 7.00 |
| 18 | 2040- Taxes on Sales, Trade, etc. | | | | | |
| | 001- Direction and Administration for | | | | | |
| | 01- Commissioner for Commercial Taxes | | | | | |
| | 125- Modernization | 18.40 | (-) 0.03 | 18.37 | 12.09 | (-) 6.28 |
| 19 | 2245- Relief on account of Natural Calamities | | | | | |
| | 01- Drought | | | | | |
| | 800- Other Expenditure | | | | | |
| | 1- Other Miscellaneous Items of Relief Expenditure | | | | | |
| | 01- Employment Generation | | | | | |
| | 100- Financial Assistance / Relief | 53.34 | (-) 26.58 | 26.76 | 21.76 | (-) 5.00 |
| 20 | 4216 Capital outlay on Housing | | | | | |
| | 01 Government Residential Buildings | | | | | |
| | 700 Other Housing | | | | | |
| | 2 Construction | | | | | |
| | 25 Residential Quarters for Judges of High Court and Staff at HSR Layout | | | | | |
| | 386 Construction | 15.00 | (-) 10.00 | 5.00 | 1.19 | (-) 3.81 |
| 21 | 2202- General Education | | | | | |
| | 02- Secondary Education | | | | | |
| | 800- Other Expenditure | | | | | |
| | 1- Other Schemes | | | | | |
| | 05- Financial Assistance and Reimbursement of fees and Vidya Vikas | | | | | |
| | 101- Grant- in-Aid | 6.67 | (-) 1.00 | 5.67 | 2.22 | (-) 3.45 |
| 22 | 2702- Minor Irrigation | | | | | |
| | 01- Surface Water | | | | | |
| | 102- Lift Irrigation Schemes | | | | | |
| | 1- Chief Engineer, Minor Irrigation, Bangalore | | | | | |
| | 02- Maintenance and Repairs | | | | | |
| | 200- Maintenance | 29.80 | (-) 0.30 | 29.50 | 26.16 | (-) 3.34 |
| 23 | 4210- Capital outlay on Medical and Public Health | | | | | |
| | 03- Medical Education, Training and Research | | | | | |
| | 105- Allopathy | | | | | |
| | 1- Buildings | | | | | |
| | 02- New Colleges | | | | | |
| | 386- Construction | 100.00 | (-) 1.00 | 99.00 | 95.72 | (-) 3.28 |
| 24 | 2202- General Education | | | | | |
| | 80- General | | | | | |

| Sl. No. | Head of account | Provision (Original plus Supplementary) | Re-appropriation | Final Grant | Expenditure | Excess (+)/ unspent provision (-) |
|---------|---|---|------------------|-------------|-------------|-----------------------------------|
| | 800- Other Expenditure 35- GIA in Education 101- Grants-in-Aid | 5.00 | (-) 0.93 | 4.07 | 1.00 | (-) 3.07 |
| 25 | 2054- Treasury and Accounts Administration 098- Local Fund Audit 02- Fiscal Policy and Analysis Cell 051- General Expenses | 3.59 | (-) 0.01 | 3.58 | 0.51 | (-) 3.07 |
| 26 | 4702- Capital outlay on Minor Irrigation 101- Surface Water 1- Water Tanks – Construction of New Tanks, Pick ups, etc. 07- Modernization of Tanks by NABARD 422- Special Component Plan | 24.91 | (-) 11.88 | 13.03 | 10.17 | (-) 2.86 |
| 27 | 2045- Other Taxes and Duties on Commodities and Services 103- Collection Charges – Electricity Duty 02- Rebate Payable to KEB and Licenses 106- Subsidies | 4.16 | (-) 0.25 | 3.91 | 1.08 | (-) 2.83 |
| 28 | 4702- Capital outlay on Minor Irrigation 101- Surface Water 1- Water Tanks – Construction of New Tanks, Pick ups, etc. 07- Modernization of Tanks by NABARD 139- Major Works | 39.73 | (-) 3.00 | 36.73 | 33.91 | (-) 2.82 |
| 29 | 2202- General Education 02- Secondary Education 106- Text Books 09- Text Books – Directorate, Press and Depots 221- Materials and Supplies | 6.33 | (-) 1.91 | 4.42 | 1.78 | (-) 2.64 |
| 30 | 4702- Capital outlay on Minor Irrigation 101- Surface Water 5- Barrages 01- Construction of Barrages 436- NABARD Works | 70.00 | (-) 6.55 | 63.45 | 61.08 | (-) 2.37 |
| 31 | 2202- General Education 05- Language Development 103- Sanskrit Education 23- Sanskrit University 101- Grants-in-Aid | 3.00 | (-) 0.74 | 2.26 | --- | (-) 2.26 |
| 32 | 2202- General Education 03- University and Higher Education 102- Assistance to Universities 31- Davanagere University 101- Grants-in-Aid | 10.00 | (-) 1.50 | 8.50 | 7.50 | (-) 1.00 |
| 33 | 4702- Capital outlay on Minor Irrigation 101- Surface Water 1- Water Tanks – Construction of New Tanks, Pick ups, etc. | | | | | |

| Sl. No. | Head of account | Provision (Original plus Supplementary) | Re-appropriation | Final Grant | Expenditure | Excess (+)/ unspent provision (-) |
|---------|---|---|-------------------|-----------------|-----------------|-----------------------------------|
| | 07- Modernization of Tanks by NABARD | | | | | |
| | 423- Tribal Sub Plan | 10.94 | (-) 6.08 | 4.86 | 3.93 | (-) 0.93 |
| 34 | 2852- Industries | | | | | |
| | 80- General | | | | | |
| | 800- Other Expenditure | | | | | |
| | 47- Establishment of Urban Haat | | | | | |
| | 059- Other Expenses | 1.35 | (-) 0.40 | 0.95 | 0.10 | (-) 0.85 |
| 35 | 2204- Sports and Youth Services | | | | | |
| | 102- Youth Welfare Programmes for Students | | | | | |
| | 1- National Cadet Corps | | | | | |
| | 01- National Cadet Corps | | | | | |
| | 059- Other Expenses | 3.42 | (-) 0.30 | 3.12 | 2.44 | (-) 0.68 |
| 36 | 2210- Medical and Public Health | | | | | |
| | 01- Urban Health Services – Allopathy | | | | | |
| | 110- Hospitals and Dispensaries | | | | | |
| | 2- Major Hospitals | | | | | |
| | 41- Geriatric Services | | | | | |
| | 059- Other Expenses | 1.10 | (-) 0.45 | 0.65 | 0.15 | (-) 0.50 |
| 37 | 2211- Family Welfare | | | | | |
| | 103- Maternity and Child Health | | | | | |
| | 05- Women Health Care | | | | | |
| | 059- Other Expenditure | 1.01 | (-) 0.51 | 0.50 | --- | (-) 0.50 |
| 38 | 2506- Land Reforms | | | | | |
| | 101- Regulation of Land Holdings and Tenancy | | | | | |
| | 4- Annuity payable to Religious Charitable and Other Institutions | | | | | |
| | 01- Annuity Charges | | | | | |
| | 101- Grants-in-Aid | 3.00 | (-) 1.16 | 1.84 | 1.35 | (-) 0.49 |
| 39 | 4702- Capital outlay on Minor Irrigation | | | | | |
| | 101- Surface Water | | | | | |
| | 3- Lift Irrigation Schemes | | | | | |
| | 01- Chief Engineer (Minor Irrigation) | | | | | |
| | 133- Special Development Plan | 10.00 | (-)2.80 | 7.20 | 6.73 | (-) 0.47 |
| | | 4,380.99 | (-) 269.09 | 4,111.90 | 2,704.79 | (-) 1407.11 |
| 40 | 4702- Capital Outlay on Minor Irrigation | | | | | |
| | 101- Surface Water | | | | | |
| | 5- Barrages | | | | | |
| | 01- Construction of Barrages | | | | | |
| | 422- Special Component Plan | 36.92 | (+) 3.37 | 40.29 | 16.57 | (-) 23.72 |
| 41 | 4702- Capital Outlay on Minor Irrigation | | | | | |
| | 101- Surface Water | | | | | |
| | 3- Lift Irrigation Schemes | | | | | |
| | 01- Chief Engineer, Bangalore | | | | | |
| | 422- Special Component Plan | 26.02 | (+) 7.94 | 33.96 | 29.11 | (-) 4.85 |
| 42 | 2851- Village and Small Industries | | | | | |
| | 102- Small Scale Industries | | | | | |
| | 69- Modernization / Technology Training | | | | | |
| | 059- Other Expenses | 8.68 | (+) 4.28 | 12.96 | 9.85 | (-) 3.11 |
| 43 | 5054- Capital Outlay on Roads and Bridges | | | | | |

| Sl. No. | Head of account | Provision (Original plus Supplementary) | Re-appropriation | Final Grant | Expenditure | Excess (+)/ unspent provision (-) |
|---------|---|---|------------------|-------------|-------------|-----------------------------------|
| | 04- District and Other Roads 800- Other expenditure 3- NABARD assisted works 01- Rural Roads 436- NABARD Works | 118.70 | (+) 150.00 | 268.70 | 265.67 | (-) 3.03 |
| 44 | 4059- Capital Outlay on Public works 80- General 051- Construction 29- Departmental Buildings 386- Construction | 198.58 | (+) 20.00 | 218.58 | 215.96 | (-) 2.62 |
| 45 | 4702- Capital Outlay on Minor Irrigation 101- Surface Water 3- Lift Irrigation Schemes 01- Chief Engineer, Bangalore 423- Tribal Sub Plan | 10.08 | (+) 6.85 | 16.93 | 14.77 | (-) 2.16 |
| 46 | 4702- Capital Outlay on Minor Irrigation 101- Surface Water 1- Water Tanks-Construction of New Tanks, Pick Ups etc. 02- Chief Engineer, Minor Irrigation, Bangalore 133- Special Development Plan | 10.00 | (+) 0.80 | 10.80 | 8.98 | (-) 1.82 |
| 47 | 2425- Co-operation 001- Direction and Administration 01- Registrar of Co-operative Societies 002- Pay-officers | 3.24 | (+) 1.57 | 4.81 | 3.13 | (-) 1.68 |
| 48 | 5054- Capital Outlay on Roads and Bridges 03- State Highways 337- Road Works 02- Other Roads formation 172- Roads | 452.64 | (+) 250.00 | 702.64 | 701.05 | (-) 1.59 |
| 49 | 2202- General Education 03- University and Higher Education 102- Assistance to Universities 23- Tumkur University 101- Grants-in-Aid | 5.75 | (+) 4.19 | 9.94 | 8.50 | (-) 1.44 |
| 50 | 4702- Capital Outlay on Minor Irrigation 101- Surface Water 1- Water Tanks-Construction of New Tanks, Pick Ups etc. 02- Chief Engineer, Minor Irrigation, Bangalore 422- Special Component Plan | 3.15 | (+) 0.56 | 3.71 | 2.54 | (-) 1.17 |
| 51 | 2202- General Education 05- Language Development 103- Sanskrit Education 02- Samskritha Patashala 101- Grants-in-Aid | 7.74 | (+) 1.43 | 9.17 | 8.15 | (-) 1.02 |
| 52 | 2075- Miscellaneous General Services 101- Pensions in lieu of Resumed Jagirs, Lands, Territories etc. 1- Land Revenue | | | | | |

| Sl. No. | Head of account | Provision (Original plus Supplementary) | Re-appropriation | Final Grant | Expenditure | Excess (+)/ unspent provision (-) |
|---------|---|---|------------------|-------------|-------------|-----------------------------------|
| | 01- Amount Payable to Religious and Charitable Institutions on Abolition of Inams | | | | | |
| | 100- Financial Assistance / Relief | 22.98 | (+) 0.83 | 23.81 | 22.87 | (-) 0.94 |
| 53 | 4702- Capital Outlay on Minor Irrigation | | | | | |
| | 101- Surface Water | | | | | |
| | 5- Barrages | | | | | |
| | 01- Construction of Barrages | | | | | |
| | 139- Major Works | 36.30 | (+) 4.00 | 40.30 | 39.51 | (-) 0.79 |
| 54 | 6860- Loans for Consumer Industries | | | | | |
| | 04- Sugar | | | | | |
| | 190- Loans to Public Sector and Other Undertakings | | | | | |
| | 1- Conversion of Purchase Tax into Interest Free Loans | | | | | |
| | 16- Conversion of Purchase Tax into Interest Free Loans | | | | | |
| | 394- Loans | 25.91 | (+) 18.34 | 44.25 | 43.56 | (-) 0.69 |
| 55 | 2202- General Education | | | | | |
| | 02- Secondary Education | | | | | |
| | 108- Examination | | | | | |
| | 01- Pre-University Education (Examination Charges) | | | | | |
| | 015- Subsidiary Expenses | 9.27 | (+) 0.59 | 9.86 | 9.32 | (-) 0.54 |
| 56 | 2851- Village and Small Industries | | | | | |
| | 102- Small Scale Industries | | | | | |
| | 14- Promotional Schemes of DICs and Industries | | | | | |
| | 071- Building Expenses | 0.44 | (+) 0.19 | 0.63 | 0.20 | (-) 0.43 |
| 57 | 4702- Capital Outlay on Minor Irrigation | | | | | |
| | 101- Surface Water | | | | | |
| | 1- Water Tanks-Construction of New Tanks, Pick Ups etc. | | | | | |
| | 02- Chief Engineer, Minor Irrigation, Bangalore | | | | | |
| | 436- NABARD Works | 19.50 | (+) 4.72 | 24.22 | 23.83 | (-) 0.39 |
| 58 | 4702- Capital Outlay on Minor Irrigation | | | | | |
| | 101- Surface Water | | | | | |
| | 1- Water Tanks-Construction of New Tanks, Pick Ups etc. | | | | | |
| | 07- Modernization of Tanks by NABARD | | | | | |
| | 436- NABARD Works | 72.13 | (+) 1.84 | 73.97 | 73.59 | (-) 0.38 |
| 59 | 3435- Ecology and Environment | | | | | |
| | 60- Others | | | | | |
| | 800- Other Expenditure | | | | | |
| | 04- Protection of Bio – diversity in the State | | | | | |
| | 059- Other Expenses | 1.32 | (+) 0.30 | 1.62 | 1.32 | (-) 0.30 |
| 60 | 2210- Medical and Public Health | | | | | |
| | 05- Medical Education Training and Research | | | | | |
| | 200- Other Systems | | | | | |
| | 11- Opening of ISM Units in District and Private Hospitals | | | | | |

| Sl. No. | Head of account | Provision (Original plus Supplementary) | Re-appropriation | Final Grant | Expenditure | Excess (+)/ unspent provision (-) |
|---------|---|---|-------------------|-----------------|-----------------|-----------------------------------|
| | 003- Pay-Staff | 0.25 | (+) 0.10 | 0.35 | 0.09 | (-) 0.26 |
| | | 1,069.60 | (+) 481.90 | 1,551.50 | 1,498.57 | (-) 52.93 |
| 61 | 6852- Loans for Iron and Steel Industries 02- Manufacture 190- Loans to Public Sector and Other Undertakings 4- Vijayanagar Steel Limited 02- State Renewal Fund (VRS and Other Relief) 394- Loans | 30.00 | (-)18.34 | 11.66 | 14.33 | (+) 2.67 |
| 62 | 2701- Major and Medium Irrigation 80- General 001- Direction and Administration 08- Chief Engineer, Central Mechanical Organization 003- Pay-Staff | 1.99 | (-) 0.12 | 1.87 | 2.16 | (+) 0.29 |
| | | 31.99 | (-) 18.46 | 13.53 | 16.49 | (+) 2.96 |

APPENDIX 2.12

DEFECTIVE RE-APPROPRIATION ORDERS
(REFERENCE: PARAGRAPH 2.3.14; PAGE 63)

(₹ in crore)

| Sl. No. | Grant | | Re-appropriation Order | | Amount | Issuing Authority | Reasons for rejection |
|---------|-------|--|------------------------------|------------|--------|--|---|
| | | | Number | Date | | | |
| 1 | 1 | Agriculture and Horticulture | KRU TO EE/23/KR UYO KAA/2010 | 20/03/2010 | 0.10 | Deputy Secretary to Government, Agriculture Department, Bangalore. | Sanction order /re-appropriation statement has not been signed in ink. |
| 2 | 4 | Department of Personnel and Administrative Affairs | ACT (1)/VIVA-24/2009-10 | 22/02/2010 | 0.05 | Director General, Administrative Training Institute, Mysore. | i) The reappropriation statement is not self balanced and original provision does not tally. ii) Specific reasons for the excess/saving have not been indicated in the relevant columns for each item. |
| 3 | 4 | Department of Personnel and Administrative Affairs | SIAASUE E 05 PRB 2010 | 09/03/2010 | 0.10 | Under Secretary to Government DPAR (Political). | i) The reappropriation statement columns not entered completely. ii) Sanction for reappropriation with correct amount has not been communicated in the order. |
| 4 | 4 | Department of Personnel and Administrative Reforms | DPE 15 ARU 2009 | 08/02/2010 | 0.04 | Under Secretary to Government – 2, Public Sector Undertakings | i) The reappropriation statement is not self balanced. ii) Specific reasons for the excess/saving have not been indicated in the relevant columns for each item. iii) The object head in Form 22A have not been indicated iv) Sanction for reappropriation has not been communicated in the order. |
| 5 | 4 | Department of Personnel and Administrative Reforms | SA TA SAM / 13 / emp / 2010 | 09/03/2010 | 0.001 | Deputy Director, Karnataka Government Secretariat Training Centre, Bangalore | i) The reappropriation statement is not self balanced. ii) Specific reasons for the excess/saving have not been indicated in the relevant columns for each item. |
| 6 | 8 | Forest, Ecology and Environment | FEE 45 FAP 2010 | 01/03/2010 | 0.42 | Under Secretary to Government, Forest, Ecology and Environment Department, Bangalore | i) Saving under the head "Salaries" (pay, DA etc.) has been re-appropriated to meet the expenditure under Other heads. ii) Specific reasons not furnished. |
| 7 | 10 | Social Welfare | SAKAEE 70 PAVAYO 2010 | 10/03/2010 | 0.05 | Under Secretary to Government (2), Social Welfare Department. | Re-appropriation Statement was not self balanced and not in the prescribed form. |

| Sl. No. | Grant | | Re-appropriation Order | | Amount | Issuing Authority | Reasons for rejection |
|---------|-------|-----------------------------|---|------------|--------|--|---|
| | | | Number | Date | | | |
| 8 | | | SAKAEE 19 SLP 2010 | 10/03/2010 | 0.35 | Under Secretary to Government (1), Social Welfare Department. | i) Re-appropriation Statement was not self balanced and not in the prescribed form. ii) Specific reasons for the excess/savings had not been indicated in the relevant columns for each item. |
| 9 | | | SAKAEE 90 PAKAVI 2010 | 10/03/2010 | 0.13 | Under Secretary to Government (1), Social Welfare Department. | i) Re-appropriation Statement was not self balanced and not in the prescribed form. ii) Specific reasons for the excess/savings had not been indicated in the relevant columns for each item. |
| 10 | | | SAKAEE 96 PAKAVI 2010 | 15/03/2010 | 0.16 | Under Secretary to Government (1), Social Welfare Department. | i) Re-appropriation Statement was not self balanced and not in the prescribed form. ii) Specific reasons for the excess/savings had not been indicated in the relevant columns for each item. |
| 11 | | | AASAMK AEE 47 AASANY O 2010 | 11/02/2010 | 0.14 | Under Secretary to Government, Minorities Welfare Department. | i) Reappropriation Statement was not self balanced. ii) Sanction for reappropriation order has not been communicated in the order. iii) Sanction order / re-appropriation order had not been signed in ink. |
| 12 | 11 | Women and Child Development | MAMAE 25 PHP 2010 | 15/02/2010 | 0.02 | Under Secretary to Government (2), Women and Child Development Department. | i) Reappropriation Statement was not self balanced and not in prescribed form. ii) Specific reasons for the excess/savings had not been indicated in the relevant columns for each item. |
| 13 | 14 | Revenue | Tapusa 30 Reappropriation 2008-09 | 29/04/2009 | 0.01 | Member Secretary, Taluk re-organisation committee, Bangalore. | Re-appropriation Statement in KFC Form 22A not received. |
| 14 | | | Pra Aa Gu /Budget-25 2009-10/ 2526 | 19/02/2010 | 0.02 | Regional Commissioner Gulbarga Division, Gulbarga. | i) Reappropriation Statement was not self balanced. ii) Statement does not tally. iii) Sanction for reappropriation had not been communicated in the order. |
| 15 | | | RD 53 MU Aa Bi 2010 | 09/03/2010 | 0.24 | Under Secretary to Government, Revenue Department (Mujarai), Bangalore. | i) Reappropriation Statement was not self balanced. Not in the prescribed form, no specific reasons for excess/savings. ii) Sanction for reappropriation had not been communicated in the order. Non-plan to plan without specific approval of the Government. |

| Sl. No. | Grant | | Re-appropriation Order | | Amount. | Issuing Authority | Reasons for rejection |
|---------|-------|-------------------------|---|--------------------|---------|---|---|
| | | | Number | Date | | | |
| 16 | | | RD 6 Mu no Mu 2010 | 05/02/2010 | 0.50 | Under Secretary to Government, Revenue Department (Stamps and Registration), Bangalore. | i) Sanction for reappropriation had not been communicated in the order. ii) Reappropriation Statement not signed in ink. iii) Exceeds the limit prescribed in Article 311 (a) and (b) of KFC 1958. iv) Reappropriation statement not in the prescribed form. |
| 17 | | | FD 47 BRS 2009 | 26/08/2009 (II) | 5.00 | Under Secretary to Government, Finance Department (FR & BCC). | New Service |
| 18 | | | FD 43 BRS 2009 | 20/08/2009 | 1.45 | Under Secretary to Government, Finance Department (FR & BCC). | New Service |
| 19 | | | FD 244 EXP - 7 /2010 | 31/03/2010 | 1.27 | Under Secretary to Government, Finance Department, (EXP 7/8) Bangalore. | New Service |
| 20 | | | RD 39 Mu No Mu 2010 | 10/03/2010 | 0.50 | Under Secretary to Government, Revenue Department (Stamps and Registration), Bangalore. | i) Reappropriation Statement was not self balanced and not in the prescribed form. ii) Sanction for reappropriation had not been communicated. iii) Reappropriation Statement not signed in ink. |
| 21 | 17 | Education | ED39 YO YO KA 2010 | 10-02-2010 | 0.48 | Special officer and Ex-officio Under Secretary to Government, Education Department (Planning), Bangalore. | Re-appropriation Statement was not self balanced and not signed in ink. |
| 22 | | | PLD/Accts 2/33/ Reappropriation/ 2009-10 / 8668 | 05/02/2010 | 0.02 | Director, Department of Public Libraries, Bangalore. | i) Specific reasons for the excess/saving had not been indicated in the relevant columns for each item. ii) Sanction for reappropriation had not been communicated. |
| 23 | 18 | Commerce and Industries | FD 292 BRS 09 | 10/02/2010 | 0.02 | Under Secretary to Government, Finance Department (FR & BCC). | Reappropriation of funds made between different schemes with in the same ZP. |

| Sl. No. | Grant | | Re-appropriation Order | | Amount | Issuing Authority | Reasons for rejection |
|---------|-------|---|---|------------|--------------|---|--|
| | | | Number | Date | | | |
| 24 | | | FD 451 BRS 09 | 18/03/2010 | 0.02 | Deputy Secretary to Government, Finance Department (FR & BCC). | Reappropriation of funds made between different schemes with in the same ZP |
| 25 | | | KAIJAE/L EKKA/Accts/A3/MA Ho / 2009-10 | 13/11/2009 | 0.02 | Commission for Textile Development Handloom and Textile | Sanction order / reappropriation Statement not signed in ink. KFC Form 22A to be furnished in original. |
| 26 | 19 | Urban Development | UD 25 GEL 2010 | 04/02/2010 | 0.08 | Under Secretary to Government, Urban Development Department. | i) Reappropriation Statement was not self balanced. ii) Specific reasons for the excess/saving had not been indicated in the relevant column for each item. iii) Sanction for reappropriation had not been communicated. |
| 27 | | | UD 363 NAYOSE 2010 | 11/03/2010 | 0.03 | Under Secretary to Government, Urban Development Department. | The reappropriation statement in the prescribed form duly indicating the reasons for the excess/savings not enclosed. |
| 28 | 20 | Public Works | KERS/LESHA/Reappropriation / 4919 | 29/01/2010 | 0.01 | Director (Chief Engineer) Karnataka Engineering Research Station, Krishnarajasa gar | Sanction for reappropriation had not been communicated. |
| 29 | | | PWD 59 EAP 2008 | 01/02/2010 | 34.00 | Under Secretary to Government, Public Works, Ports and Inland Water Transport Department | Sanction for reappropriation with GO along with statement in Form 22A KFC not forwarded. |
| 30 | 26 | Planning Statistics, Science and Technology | PD 50 SPA 2009 (a) | 07/01/2010 | 0.04 | Under Secretary to Government, S-3, Planning, Programme Monitoring and Statistics Department. | Budget provision indicated in Form 22A did not tally with Budget Estimates for 2009-10. |
| 31 | | | PD 50 SPA 2009 | 24/11/2009 | 0.03 | Under Secretary to Government, S-3, Planning, Programme Monitoring and Statistics Department. | i) Supplementary provision allotted to the head to the extent of ₹ 17.43 lakh had not been taken into account. ii) The statement indicated the previous year 2008-09 instead of 2009-10. |
| | | Total | | | 45.30 | | |

APPENDIX 2.13

**STATEMENT OF VARIOUS GRANTS/APPROPRIATIONS
IN WHICH UNSPENT PROVISION OCCURRED BUT NO PART OF WHICH WAS SURRENDERED**

(REFERENCE: PARAGRAPH 2.3.15; PAGE 63)

| | | (₹ in crore) | |
|--------|-------------------|--|-------------------|
| Sl.No. | Grant and section | | Unspent provision |
| 1 | 3 | Finance (Revenue Charged) (Capital Voted) | 0.37 16.83 |
| 2 | 7 | Rural Development and Panchayat Raj (Capital Voted) | 514.26 |
| 3 | 10 | Social Welfare (Capital Voted) | 27.54 |
| 4 | 11 | Women and Child Development (Capital Voted) | 25.39 |
| 5 | 14 | Revenue (Capital Voted) | 1.61 |
| 6 | 17 | Education (Capital Voted) | 55.69 |
| 7 | 23 | Labour (Capital Voted) | 3.05 |
| 8 | 24 | Energy (Revenue Voted) | 88.66 |
| 9 | 26 | Planning, Statistics, Science and Technology (Capital Voted) | 113.00 |
| | | Total | 846.40 |

APPENDIX 2.14

SURRENDER OF UNSPENT PROVISION

(REFERENCE: PARAGRAPH 2.3.15; PAGE 63)

| | | | | | (₹ in crore) |
|---------|---------------|---|-----------------------------|--------------------|------------------------|
| Sl. No. | Grant/Section | | Amount of unspent provision | Amount surrendered | Amount not surrendered |
| (1) | (2) | | (3) | (4) | (5) |
| 1 | 1 | Agriculture and Horticulture | | | |
| | | Revenue Voted | 624.79 | 475.68 | 149.11 |
| | | Capital Voted | 13.50 | 11.00 | 2.5 |
| 2 | 2 | Animal Husbandry & Fisheries | | | |
| | | Revenue Voted | 121.90 | 70.84 | 51.06 |
| | | Capital Voted | 28.73 | 9.44 | 19.29 |
| 3 | 3 | Finance | | | |
| | | Revenue Voted | 1,731.17 | 32.81 | 1,698.36 |
| 4 | 4 | Department of Personnel and Administrative Reforms | | | |
| | | Revenue Voted | 91.04 | 70.03 | 21.01 |
| 5 | 5 | Home and Transport | | | |
| | | Capital Voted | 18.21 | 0.002 | 18.21 |
| 6 | 6 | Infrastructure Development | | | |
| | | Capital Voted | 19.51 | 15.57 | 3.94 |
| 7 | 7 | Rural Development and Panchayat Raj | | | |
| | | Revenue Voted | 471.36 | 5.16 | 466.20 |
| 8 | 8 | Forest, Ecology and Environment | | | |
| | | Revenue Voted | 27.14 | 11.68 | 15.46 |
| | | Capital Voted | 0.17 | 0.09 | 0.08 |
| 9 | 9 | Co-operation | | | |
| | | Revenue Voted | 126.06 | 24.01 | 102.05 |
| | | Capital Voted | 13.61 | 12.26 | 1.35 |
| 10 | 10 | Social Welfare | | | |
| | | Revenue Voted | 348.63 | 6.74 | 341.89 |
| 11 | 11 | Women and Child Development | | | |
| | | Revenue Voted | 265.84 | 7.75 | 258.09 |
| 12 | 12 | Information, Tourism and Youth Services | | | |
| | | Revenue Voted | 33.24 | 20.52 | 12.72 |
| | | Capital Voted | 16.27 | 0.27 | 16.00 |
| 13 | 13 | Food and Civil Supplies | | | |
| | | Revenue Voted | 17.13 | 11.86 | 5.27 |
| 14 | 16 | Housing | | | |
| | | Revenue Voted | 120.68 | 0.45 | 120.23 |
| | | Capital Voted | 35.10 | 7.10 | 28.00 |
| 15 | 17 | Education | | | |
| | | Revenue Voted | 414.55 | 40.89 | 373.66 |
| 16 | 18 | Commerce and Industries | | | |
| | | Revenue Voted | 531.68 | 42.51 | 489.17 |
| | | Capital Voted | 19.07 | 4.71 | 14.36 |
| 17 | 19 | Urban Development | | | |
| | | Revenue Voted | 1,248.07 | 440.82 | 807.25 |
| | | Capital Voted | 259.34 | 138.70 | 120.64 |
| 18 | 20 | Public Works | | | |
| | | Revenue Voted | 244.90 | 7.35 | 237.55 |
| | | Capital Voted | 517.33 | 33.21 | 484.12 |
| 19 | 21 | Water Resources | | | |
| | | Revenue Voted | 60.96 | 12.89 | 48.07 |

| Sl. No. | Grant/Section | Amount of unspent provision | Amount surrendered | Amount not surrendered |
|-----------|-----------------|---|--------------------|------------------------|
| | Capital Voted | 983.71 | 637.18 | 346.53 |
| 20 | 22 | Health and Family Welfare Services | | |
| | Revenue Voted | 207.33 | 123.91 | 83.42 |
| | Capital Voted | 65.27 | 28.39 | 36.88 |
| 21 | 23 | Labour | | |
| | Revenue Voted | 85.13 | 15.20 | 69.93 |
| 22 | 24 | Energy | | |
| | Capital Voted | 181.29 | 175.00 | 6.29 |
| 23 | 25 | Kannada and Culture | | |
| | Revenue Voted | 60.44 | 31.08 | 29.36 |
| 24 | 26 | Planning, Statistics, Science and Technology | | |
| | Revenue Voted | 145.76 | 12.75 | 133.01 |
| 25 | 28 | Parliamentary Affairs and Legislation | | |
| | Revenue Charged | 0.22 | 0.19 | 0.03 |
| | Total | 9,149.13 | 2,538.04 | 6,611.09 |

APPENDIX 2.15

**CASES OF SURRENDER OF FUNDS IN EXCESS OF ₹ ONE CRORE ON 30 AND 31 MARCH 2010
(REFERENCE: PARAGRAPH 2.3.15; PAGE 63)**

| | | (₹ in crore) | | | |
|---------|-------|--|---------------------|-------------------------------|-----------|
| Sl. No. | Grant | Total provision | Amount of surrender | Percentage to total provision | |
| 1 | 1 | Agriculture and Horticulture | 1,398.61 | 422.21 | 30 |
| 2 | 3 | Finance | 38.00 | 23.77 | 63 |
| 3 | 4 | Department of Personnel and Administrative Reforms | 210.00 | 69.75 | 33 |
| 4 | 5 | Home and Transport | 322.97 | 60.49 | 19 |
| 5 | 6 | Infrastructure Development | 571.91 | 17.23 | 3 |
| 6 | 7 | Rural Development and Panchayat Raj | 16.00 | 4.12 | 26 |
| 7 | 8 | Forest, Ecology and Environment | 194.84 | 6.24 | 3 |
| 8 | 9 | Co-operation | 171.21 | 33.18 | 19 |
| 9 | 10 | Social Welfare | 23.01 | 5.30 | 23 |
| 10 | 11 | Women and Child Development | 15.35 | 7.10 | 46 |
| 11 | 12 | Information, Tourism and Youth Services | 104.13 | 14.58 | 14 |
| 12 | 13 | Food and Civil Supplies | 1,177.00 | 11.54 | 1 |
| 13 | 14 | Revenue | 420.00 | 45.11 | 11 |
| 14 | 15 | Information Technology | 116.97 | 1.73 | 1 |
| 15 | 16 | Housing | 153.78 | 7.10 | 5 |
| 16 | 17 | Education | 277.98 | 37.33 | 13 |
| 17 | 18 | Commerce and Industries | 136.83 | 41.51 | 30 |
| 18 | 19 | Urban Development | 4,355.53 | 576.87 | 13 |
| 19 | 20 | Public Works | 425.95 | 38.15 | 9 |
| 20 | 21 | Water Resources | 1,931.26 | 187.27 | 10 |
| 21 | 22 | Health and Family Welfare Services | 1,005.86 | 113.91 | 11 |
| 22 | 25 | Kannada and Culture | 300.80 | 28.44 | 9 |
| 23 | 26 | Planning, Statistics, Science and Technology | 12.20 | 5.00 | 41 |
| 24 | 27 | Law | 35.51 | 15.99 | 45 |
| 25 | 28 | Parliamentary Affairs and Legislation | 32.25 | 11.38 | 35 |
| 26 | 29 | Debt Servicing | 4,537.29 | 175.86 | 4 |
| | | Total | 17,985.24 | 1,961.16 | 11 |

APPENDIX 2.16

RESULTS OF REVIEW OF SUBSTANTIAL SURRENDERS MADE DURING THE YEAR
(REFERENCE: PARAGRAPH 2.3.16; PAGE 64)

(₹ in crore)

| Sl No | Grant | Name of the scheme (Head of Account) | Provision | Amount Surrendered | Percentage of Surrender | Reasons |
|-------|---------------------------------|--|-----------|--------------------|-------------------------|---|
| 1. | 01 Agriculture and Horticulture | 2401-105-01 Soil Health Centres | 8.02 | 4.91 | 61 | Due to Non-receipts of Sanction orders from Government |
| 2. | | 2401-108-1-13 Mini – Mission II under Technology Mission on Cotton | 2.30 | 1.14 | 49 | |
| 3. | | 2401-109-80 Project for Agricultural Training of Farm Women and Youth with DANIDA Assistance - EAP | 7.64 | 4.59 | 60 | Due to Non-receipt of Sanction orders from Government |
| 4. | | 2401-110-09 Subsidy for crop loan | 2.50 | 2.10 | 84 | Due to Non-receipts of Sanction orders from Government |
| 5. | | 2401-114-01 Oil Seeds Production Programme | 16.50 | 7.18 | 43 | Due to release of Central share and cutting short in State share |
| 6. | | 2401-1-800-43 Organic farming | 100.00 | 51.45 | 51 | Due to late receipt of Sanction from Government. |
| 7. | | 2401-1-800-44 New Agricultural Scheme | 20.00 | 10.02 | 50 | Due to limited appropriation |
| 8. | | 2401-1-800-53 Agricultural Technology Management Agency (ATMA) Model | 2.00 | 1.72 | 86 | Due to limited demand |
| 9. | | 2401-1-800-54 AGRISNET | 1.00 | 0.87 | 87 | Due to limited demand |
| 10. | | 2401-1-800-58 Environment of Soil Fertility | 40.00 | 18.92 | 47 | Due to delay in identifying the beneficiaries |
| 11. | | 2401-1-800-59 Amruth Mahalkaval | 5.00 | 5.00 | 100 | Due to implementation of the scheme under Animal Husbandry |
| 12. | | 2401-800-3-06 Hasieru Habba (Krishi Mela) | 5.00 | 3.05 | 61 | No specific reasons |
| 13. | | 2401-800-3-08 Karnataka Agricultural Mission | 0.50 | 0.31 | 62 | Due to late receipt of payment orders from Government |
| 14. | | 2402-102-87 Comprehensive Watershed Development Project -EAP | 8.00 | 6.07 | 76 | Expenses not incurred up to expected level |
| 15. | | 2402-109-03 Training and Evaluation of Watershed Development Department | 1.00 | 0.52 | 52 | Due to non-receipt of sanction from Government to incur expenditure for 3 rd and 4 th installment |
| 16. | | 2402-800-02 Development of Saline and Alkaline Water Logged Areas | 14.39 | 14.39 | 100 | Due to non-receipt of sanction from Government |
| 17. | | 2402-800-06 Rashtriya Krishi Vikas Yojana | 30.00 | 30.00 | 100 | No specific reasons |
| 18. | | 2402-800-07 Recharge of Open well – Strengthening of Watershed Training Centre | 5.00 | 3.06 | 61 | Non-receipt of sanction from Government |

| Sl No | Grant | Name of the scheme (Head of Account) | Provision | Amount Surrendered | Percentage of Surrender | Reasons | |
|-------|------------|--|--|--------------------|-------------------------|--|--|
| 19. | 03 Finance | 2402-800-08 Construction of Water Harvesting Structures | 9.57 | 4.79 | 50 | Non-receipt of sanction from Government | |
| 20. | | 2402-800-10 Rejuvenation of Dried Up Open Wells | 20.00 | 19.47 | 97 | Due to non-payment of subscription by farmers and non-release of grants by Government | |
| 21. | | 2402-800-80 Sujala Watershed Project – III - EAP | 10.00 | 10.00 | 100 | Due to non-receipt of sanction from Government | |
| 22. | | 2402-800-81 Sujala Watershed Project – IV - EAP | 7.00 | 7.00 | 100 | Due to non-receipt of sanction from Government | |
| 23. | | 4401-001-1-01 State Plan Scheme | 1.00 | 1.00 | 100 | Due to non-receipt of sanction from Government | |
| 24. | | 4402-800-01 RIDF Assisted Watershed Development | 10.00 | 10.00 | 100 | Due to non-receipt of Orders from Government | |
| 25. | | 2039-00-800-02 Enforcement Activities | 7.50 | 3.22 | 42 | Due to delay in submission of bills | |
| 26. | | 2235-800-1-02 Building Grants to State Government Employees Association in the State | 7.00 | 7.00 | 100 | Due to non-receipt of demand from the Association | |
| 27. | | 2250-800-2-01 Miscellaneous | 5.20 | 5.13 | 99 | Due to non-receipt of requests for financial assistance from beneficiary organizations | |
| 28. | | 08 Forest, Ecology and Environment | 2406-01-101-2-19 Implementation and Management Action Plan for Mangroves | 1.50 | 1.50 | 100 | Delay in receipt of sanction from Government of India |
| 29. | | | 2406-01-101-2-22 Utilization of CAMPA Fund | 0.10 | 0.10 | 100 | As per the revised guidelines Government of India stopped releases to the Scheme |
| 30. | | | 2406-02-110-0-20 Nilgiris Biosphere Reserve | 2.00 | 0.90 | 45 | Short release of grants by Government of India |
| 31. | | 09 Co-operation | 6416-00-190-1 Karnataka State Co-operative Agricultural and Rural Development Bank | 7.00 | 3.70 | 53 | Due to non-release of funds by NABARD |
| 32. | | | 6425-00-108-52 Loan to COMARK | 5.00 | 5.00 | 100 | Due to non-release of grants from Government |
| 33. | | 15 Information | 3451-090-2-08 Karnataka – State Remote Sensing Technology Centre- Other Expenses | 6.80 | 3.00 | 44 | No specific reasons |
| 34. | | 18 Commerce and Industries | 2851-102-71 Interest Waiver Package for Small Loanees of KSFC | 36.00 | 28.70 | 80 | Being the one time settlement the amount was already released during earlier years |
| 35. | | 21 Water Resources | 2701-80-005-03 Other Expenditure – Survey Works | 5.18 | 5.05 | 97 | |
| 36. | | | 4701-01-402-02 Dams and Appurtenant Works | 2.27 | 1.83 | 81 | Non-receipt of sanction orders from Government and Technical Advisory Committee |
| 37. | | | 4701-01-402-03 Canals and Branches | 2.70 | 2.29 | 85 | Non-receipt of sanction orders from Government and Technical Advisory Committee |

| Sl No | Grant | Name of the scheme (Head of Account) | Provision | Amount Surrendered | Percentage of Surrender | Reasons |
|--------------|---------------------------------------|---|-----------------|--------------------|-------------------------|---|
| 38. | | 4701-01-402-04 Distributaries | 5.83 | 5.81 | 99 | Non-receipt of sanction orders from Government and Technical Advisory Committee |
| 39. | | 4702-101-2-80 Karnataka Tank Development Project (Jala Samvardhane Yojana Sangha) | 225.00 | 153.00 | 68 | Term of the community Guidance Team expired Hence could not be utilized |
| 40. | 22 Health and Family Welfare Services | 2210-06-800-81 KHSDRP Organisation Development – EAP | 4.88 | 3.82 | 78 | Due to non-selection of consultants and OD consultants in time |
| 41. | | 2210-06-800-82 KHSDRP Public Health Competitive Fund - EAP | 15.60 | 15.46 | 99 | Due to non-selection of consultant and finalization of activities at the end of the period |
| 42. | | 2210-06-800-83 KHSDRP Health Financing – EAP – Other Expenses | 7.66 | 7.10 | 93 | Due to non-finalization of functioning pattern and modalities integrating the Bank Sponsored Scheme with State Government Programme |
| 43. | | 2210-06-800-85 KHSDRP Service Improvement Challenge Fund - EAP | 18.45 | 15.47 | 84 | Due to late finalization of contracts |
| 44. | | 2211-003-01 Regional Health and Family Training Centres | 1.56 | 0.75 | 48 | Due to economy measures |
| 45. | | 4210-01-110-86 KHSDRP Project Management and Evaluation - EAP | 9.61 | 8.35 | 87 | Delay in procurement of Machineries and Equipment. |
| 46. | | 4210-03-101-04 Ayurveda University | 2.00 | 1.00 | 50 | |
| 47. | 29 Debt Servicing | 2049-01-101-45-240 Debt Servicing | 6.24 | 3.12 | 50 | Though the provision was for full year, RBI debited only 50% of the liability |
| 48. | | 2049-03-107-1-240 Debt Servicing | 0.20 | 0.10 | 50 | Reasons not furnished |
| 49. | | 6003-110-1 Clean and Secured Ways and Means Advances | 1,000.00 | 1,000.00 | 100 | No ways and Means Advance availed during the year |
| 50. | | 6003-110-2 Overdraft with Reserve Bank of India | 350.00 | 350.00 | 100 | Non-availment of Over draft facility from the Reserve Bank of India |
| Total | | | 2,062.40 | 1,849.16 | 90 | |

APPENDIX 2.17

RUSH OF EXPENDITURE
(REFERENCE: PARAGRAPH 2.3.17; PAGE 64)

(₹ in crore)

| Sl. No. | Major Head | Expenditure incurred during | | Total expenditure | % of total expenditure incurred during | |
|---------|------------|-----------------------------|------------|-------------------|--|------------|
| | | Jan – Mar 2010 | March 2010 | | Jan-Mar 2010 | March 2010 |
| 1 | 2215 | 72.72 | 38.36 | 146.01 | 49.80 | 26 |
| 2 | 2501 | 26.05 | 21.69 | 56.61 | 46.01 | 38 |
| 3 | 2551 | 17.85 | 9.39 | 26.60 | 67.11 | 35 |
| 4 | 2705 | 36.84 | 26.96 | 68.54 | 53.75 | 39 |
| 5 | 2810 | 8.49 | 6.95 | 9.13 | 92.99 | 76 |
| 6 | 3055 | 86.34 | 80.45 | 131.65 | 65.58 | 61 |
| 7 | 3435 | 3.81 | 2.93 | 8.30 | 45.90 | 35 |
| 8 | 4055 | 54.75 | 34.75 | 99.46 | 55.04 | 34 |
| 9 | 4220 | 6.00 | 3.63 | 6.00 | 100.00 | 60 |
| 10 | 4225 | 151.00 | 113.53 | 239.73 | 62.99 | 47 |
| 11 | 4250 | 5.01 | 4.68 | 10.35 | 48.41 | 45 |
| 12 | 4403 | 18.27 | 15.60 | 39.68 | 46.04 | 39 |
| 13 | 4405 | 6.27 | 5.79 | 6.52 | 96.17 | 89 |
| 14 | 4406 | 2.31 | 1.98 | 2.90 | 79.66 | 68 |
| 15 | 4705 | 15.76 | 8.67 | 23.93 | 65.86 | 36 |
| 16 | 4860 | 1.87 | 1.19 | 2.15 | 86.98 | 55 |
| 17 | 5051 | 2.44 | 1.85 | 6.34 | 38.49 | 29 |

APPENDIX 2.18

ERRORS IN BUDGETING

(REFERENCE: PARAGRAPH 2.5; PAGE 65)

| (₹ in crore) | | | | |
|--------------|--|--|-----------------|--|
| Sl. No. | Grant | Head of account | Amount involved | Error |
| 1 | 4 – Department of Personnel and Administrative Reforms | 2070 – Other Administrative Services – Vigilance – Director General - Bureau of Investigation - Medical Allowances | 0.09 | Provision made under 'Voted' instead of 'Charged'. |
| 2 | 7 – Rural Development and Panchayat Raj | 3054 – Roads and Bridges – District and Other Roads – Roads Works – Rural Road Works – Prime Minister Gramodaya Sadak Yojane - Roads | 0.75 | Provision was to be made under Grant No. 20 – Public Works |
| | | 4702-Capital Outlay on Minor Irrigation – Surface water – Capital Release to Gram Panchayats – Restoration and Rejuvenation of ZP Tanks – Special Development Plan | 2.58 | Provision was to be made under Grant No. 21 – Water Resources |
| 3 | 9 – Co-operation | 2408 – Food, Storage and ware Housing – Food – Assistance to Public Sector and Other Undertakings _ Karnataka State Warehousing Corporation – Other Expenses | 13.00 | Provision as well as expenditure accounted under this Grant instead of Grant No. 13 – Food and Civil supplies |
| | | 6860 – Loans for Consumer Industries – Textiles - Loans to Co-operative Spinning Mills – Loans for Co-operative Spinning Mills, Banahatti - Loans | 5.85 | Provision as well as expenditure accounted under this Grant instead of Grant No. 18 – Commerce and Industries |
| | | Total | 22.27 | |
| 4 | 9 – Co-operation | 2425 – Co-operation | 98.40 | According to correction slip number 620, the provision was to be made under 2235 of Grant 10 |
| 5 | 17 – Education | 2202-General Education | 70.00 | According to correction slip number 583 new minor head (111) was to be opened to accommodate 'Sarva Shikshana Abhiyan' |
| 6 | 20 – Public Works | 2216 - Housing | 57.48 | According to correction slip number 535, the provision was be made under 2216-05-06-07 |
| | | Total | 225.88 | |

APPENDIX 2.19

HUGE UNSPENT AMOUNTS AGAINST BUDGET PROVISION

(REFERENCE PARAGRAPH 2.6.3 PAGE 66)

| | | | | | | (₹ in crore) |
|--|---|--|---------------|--------------|----------------------|-------------------------------|
| Grant | Sl No. | Head of Account | Total Budget | Expenditure | (-)Unspent provision | Per cent of unspent provision |
| 01 Agriculture and Horticulture | 1 | 2401- 00 -7-01 | | | | |
| | | - 405 Shimoga | 0.22 | 0.07 | 0.15 | 68 |
| | | -414 Bijapur | 0.30 | 0.05 | 0.25 | 83 |
| | | -417 Gulbarga | 0.30 | 0.05 | 0.25 | 83 |
| | | - 420 Raichur | 0.15 | 0.05 | 0.10 | 67 |
| | 2 | 2401- 00 – 2 – 44 | | | | |
| | | - 101 Grants In Aid | 5.00 | 3.75 | 1.25 | 25 |
| | 3 | 2402 -00- 198 – 1– 01 | | | | |
| | | -414 Bijapur | 0.46 | 0.34 | 0.11 | 24 |
| | | - 415 Dharwar | 0.15 | 0.05 | 0.10 | 67 |
| | | -463 Chikballapur | 0.20 | 0.03 | 0.17 | 85 |
| | | -456 Chamrajnagar | 0.30 | 0.04 | 0.26 | 87 |
| | | -462 Gadag | 0.50 | 0.11 | 0.39 | 78 |
| | 4 | 2415- 80 -004 – 12 – 059 Other expenses (plan) | 29.80 | 3.50 | 26.30 | 88 |
| | 5 | 2415- 80 -004-2 -01-101- Grants-in-aid (Plan) | 13.00 | 6.50 | 6.50 | 50 |
| 7 | 2415- 80 -004 – 2 – 13-059 Other expenses | 20.00 | 10.00 | 10.00 | 50 | |
| 8 | 2415- 80 -004- 277 -1 – 01 - 101 Grants In Aid | 19.00 | 14.75 | 4.25 | 22 | |
| 9 | 2415- 80 004 -277- 2 -01- 101- Grants-in-aid | 15.00 | 8.00 | 7.00 | 47 | |
| Total Grant No.01 | | | 104.38 | 47.29 | 57.08 | 55 |
| 18 Commerce and Industries | 10 | 2851-0 -00-102 -69 - 106- 422 Special Component Plan(plan) | 20.00 | 10.00 | 10.00 | 50 |
| | 11 | 2851- 00 102 -70 - 059 Other expenses(plan) | 5.70 | 4.52 | 1.18 | 21 |
| | 12 | 2851- 00 102 -73 -059 Other expenses(plan) | 7.73 | 1.19 | 6.54 | 85 |
| | 13 | 2851 -00-103 – 49 – 059 Other expenses(plan) | 0.45 | 0.15 | 0.30 | 67 |
| | 14 | 2851 -00-103- 55 – 059 Other expenses (plan) | 15.00 | 10.00 | 5.00 | 33 |
| | 15 | 2851 -00-103- 59 – 059 Other expenses(plan) | 1.40 | 0.77 | 0.63 | 45 |
| | 16 | 2851 -00-103 – 60 – 059 Other expenses (plan) | 6.80 | 2.67 | 4.13 | 61 |
| | 17 | 2851 -00-103-62 - 422 Special Component Plan - 423 Tribal Sub Plan | 5.34 2.16 | 1.83 1.13 | 3.51 1.03 | 66 48 |
| | 18 | 2851 -00-103-63 – 100 Financial Assistance/relief | 1.80 | 0.27 | 1.53 | 85 |

| Grant | Sl No. | Head of Account | Total Budget | Expenditure | (-)Unspent provision | Per cent of unspent provision |
|--------------------------|--------|--|---------------|---------------|----------------------|-------------------------------|
| | 19 | 2851 -00-103-64 – 100 Financial Assistance/relief | 1.50 | 0.34 | 1.16 | 77 |
| | 20 | 2851 -00-107- 35 Catalytic Development Programme | | | | |
| | | -059 Other expenses | 23.18 | 18.53 | 4.65 | 20 |
| | | -422 - Special Component Plan | 4.86 | 1.05 | 3.81 | 78 |
| | | -423 Tribal Sub Plan | 1.97 | 0.88 | 1.09 | 55 |
| | 21 | 2851 -00-107- 38 | | | | |
| | | - 059 Other expenses | 5.00 | 3.56 | 1.44 | 29 |
| | | - 422 Special Component Plan | 3.00 | 0.54 | 2.46 | 82 |
| | | - 423 Tribal Sub Plan | 1.50 | 0.39 | 1.11 | 74 |
| | 22 | 2851 -00-107 – 04- 059 Other expenses | 4.00 | 2.98 | 1.02 | 25 |
| | 23 | 2852 – 08 – 201-04- 059 Other expenses | 1.70 | 0.70 | 1.00 | 59 |
| | 24 | 2852 – 08 – 201 – 07 | | | | |
| | | -106 Subsidies | 43.24 | 24.63 | 18.61 | 43 |
| | | - 422 Special Component Plan | 8.02 | 2.61 | 5.41 | 67 |
| | 25 | 2852 – 80 -003- 12 - 059- Other expenses | 12.00 | 5.80 | 6.20 | 51 |
| | 26 | 2852 – 80 – 800- 47 -059- Other expenses | 0.95 | 0.10 | 0.85 | 89 |
| | 27 | 3475-0 -00 – 797 - 0 – 01 – 261 Inter Account Transfers | 750.00 | 385.51 | 364.49 | 49 |
| Total Grant No.18 | | | 927.30 | 480.15 | 447.15 | 48 |

APPENDIX 2.20

RUSH OF EXPENDITURE
(REFERENCE PARAGRAPH 2.6.6 PAGE 67)

(₹ in crore)

| Grant | Head of Account | Budget provision | Total Expenditure | Expenditure during March | Percent of expenditure during March |
|-------------------------------|----------------------|------------------|-------------------|--------------------------|-------------------------------------|
| 01 Agriculture & Horticulture | 2401-00-001-1-01-147 | 1.45 | 1.45 | 0.89 | 61 |
| | 2401-00-103-0-02-101 | 10.00 | 10.00 | 10.00 | 100 |
| | 2401-00-105-0-01-015 | 0.77 | 0.92 | 0.48 | 52 |
| | 2401-00-107-0-03-041 | 0.03 | 0.03 | 0.02 | 67 |
| | 2401-00-107-0-03-051 | 0.02 | 0.02 | 0.02 | 100 |
| | 2401-00-107-0-03-106 | 1.22 | 1.22 | 0.48 | 39 |
| | 2401-00-109-0-21-059 | 0.48 | 0.48 | 0.26 | 54 |
| | 2401-00-109-0-21-200 | 0.85 | 0.85 | 0.46 | 54 |
| | 2401-00-109-0-80-041 | 0.36 | 0.36 | 0.27 | 75 |
| | 2401-00-110-0-09-106 | 40.00 | 40.00 | 40.00 | 100 |
| | 2401-00-114-0-01-059 | 0.50 | 0.50 | 0.50 | 100 |
| | 2401-00-119-5-02-200 | 2.86 | 2.86 | 1.73 | 60 |
| | 2401-00-196-6-13-413 | 1.24 | 1.24 | 0.57 | 46 |
| | 2401-00-196-6-13-420 | 1.36 | 1.36 | 0.58 | 43 |
| | 2401-00-800-1-43-106 | 37.31 | 37.31 | 19.02 | 51 |
| | 2401-00-800-1-43-422 | 7.98 | 7.98 | 6.32 | 79 |
| | 2401-00-800-1-43-423 | 3.26 | 3.26 | 2.61 | 80 |
| | 2401-00-800-1-46-059 | 1.01 | 1.00 | 1.00 | 100 |
| | 2401-00-800-1-53-059 | 0.28 | 0.28 | 0.28 | 100 |
| | 2401-00-800-1-54-059 | 0.13 | 0.13 | 0.13 | 100 |
| | 2401-00-800-1-57-059 | 235.55 | 235.55 | 132.31 | 56 |
| | 2401-00-800-1-58-133 | 21.08 | 21.08 | 17.42 | 83 |
| | 2401-00-800-1-64-059 | 4.00 | 4.00 | 4.00 | 100 |
| | 2401-00-800-2-05-422 | 11.80 | 8.84 | 5.73 | 65 |
| | 2401-00-800-2-34-059 | 8.00 | 8.00 | 4.00 | 50 |
| | 2401-00-800-2-35-133 | 1.00 | 1.00 | 1.00 | 100 |
| | 2401-00-800-2-43-059 | 10.82 | 10.60 | 5.03 | 47 |
| | 2401-00-800-2-43-133 | 39.05 | 38.27 | 29.96 | 78 |
| | 2401-00-800-3-07-059 | 4.00 | 4.00 | 3.30 | 83 |
| | 2402-00-102-0-01-041 | 0.02 | 0.02 | 0.02 | 100 |
| | 2402-00-102-0-15-051 | 0.69 | 0.66 | 0.36 | 55 |
| | 2402-00-109-0-03-059 | 0.48 | 0.48 | 0.22 | 46 |
| | 2402-00-197-1-01-417 | 0.02 | 0.02 | 0.02 | 100 |
| | 2402-00-198-1-01-407 | 0.20 | 0.50 | 0.30 | 60 |
| 2402-00-198-1-01-412 | 0.25 | 0.45 | 0.20 | 44 | |

| Grant | Head of Account | Budget provision | Total Expenditure | Expenditure during March | Percent of expenditure during March |
|----------------------|----------------------------|----------------------|-------------------|--------------------------|-------------------------------------|
| | 2402-00-198-1-01-414 | 0.46 | 0.34 | 0.13 | 38 |
| | 2402-00-198-1-01-415 | 0.15 | 0.05 | 0.05 | 100 |
| | 2402-00-198-1-01-417 | 0.51 | 0.51 | 0.25 | 49 |
| | 2402-00-198-1-01-419 | 0.34 | 0.33 | 0.13 | 40 |
| | 2402-00-198-1-01-463 | 0.25 | 0.38 | 0.13 | 34 |
| | 2402-00-198-6-01-419 | 1.80 | 1.80 | 1.50 | 83 |
| | 2402-00-800-0-04-059 | 11.88 | 11.88 | 10.69 | 90 |
| | 2402-00-800-0-05-059 | 0.41 | 0.41 | 0.23 | 56 |
| | 2402-00-800-0-07-059 | 1.94 | 1.94 | 0.68 | 35 |
| | 2402-00-800-0-09-133 | 2.99 | 2.99 | 2.99 | 100 |
| | 2402-00-800-0-10-133 | 0.53 | 0.53 | 0.53 | 100 |
| | 18 Commerce And Industries | 2851-00-102-0-09-100 | 2.00 | 1.00 | 1.00 |
| 2851-00-102-0-69-106 | | 20.00 | 10.00 | 10.00 | 100 |
| 2851-00-102-0-69-422 | | 3.08 | 3.08 | 3.08 | 100 |
| 2851-00-102-0-69-423 | | 1.24 | 1.24 | 1.24 | 100 |
| 2851-00-103-0-55-059 | | 15.00 | 10.00 | 6.66 | 67 |
| 2851-00-103-0-69-422 | | 1.23 | 1.23 | 1.08 | 88 |
| 2851-00-103-0-69-423 | | 0.50 | 0.50 | 0.40 | 80 |
| 2851-00-107-1-37-059 | | 1.50 | 1.40 | 0.81 | 58 |
| 2852-08-201-0-01-041 | | 0.04 | 0.04 | 0.02 | 50 |
| 2852-08-201-0-01-051 | | 0.19 | 0.15 | 0.09 | 60 |
| 2852-08-201-0-01-059 | | 0.07 | 0.07 | 0.06 | 86 |
| 2852-80-196-1-01-452 | | 0.19 | 0.19 | 0.08 | 42 |
| 2852-80-800-0-43-059 | | 1.01 | 0.94 | 0.94 | 100 |

APPENDIX 3.1

NON-RECEIPT OF INFORMATION PERTAINING TO INSTITUTIONS
SUBSTANTIALLY FINANCED BY THE GOVERNMENT

(REFERENCE: PARAGRAPH 3.1; PAGE 71)

| Sl. No. | Department | Number of institutions | Years for which information not received |
|---------|--------------------------------------|------------------------|--|
| 1. | Co-operation | 20 | 1980-81 to 1982-83, 1993-94 to 2009-10 |
| 2. | Commerce and Industries | 16 | 2000-01 to 2009-10 |
| 3. | Education | 219 | 1992-93 to 2009-10 |
| 4. | Forest, Environment and Ecology | 36 | 2007-08 to 2009-10 |
| 5. | Health & Family Welfare Services | 8 | 1999-2000 to 2009-10 |
| 6. | Labour | 1 | 1999-2000 to 2009-10 |
| 7. | Planning | 3 | 2001-02 to 2009-10 |
| 8. | Public Works and CADA | 6 | 2000-01 to 2009-10 |
| 9. | Revenue | 1 | 2001-02 to 2003-04 & 2008-09 to 2009-10 |
| 10. | Rural Development and Panchayati Raj | 1 | 2009-10 |
| 11. | Science and Technology | 3 | 2007-08 to 2009-10 |
| 12. | Urban Development | 8 | 1994-95 to 2009-10 |
| 13. | Youth Services and Sports | 4 | 1999-2000 to 2009-10 |
| 14. | Animal Husbandry & Fisheries | 4 | 2003-04 to 2009-10 |
| 15. | Social Welfare | 3 | 2003-04 to 2009-10 |
| | TOTAL | 333 | |

APPENDIX 3.2

**STATUS OF SUBMISSION OF ACCOUNTS OF AUTONOMOUS BODIES AND
PLACEMENT OF AUDIT REPORTS BEFORE THE STATE LEGISLATURE
(REFERENCE: PARAGRAPH 3.2; PAGE 71)**

| Sl. No | Body | Period of entrustment | Year upto which accounts rendered | Year up to which audit report issued | Placement of audit reports before the Legislature |
|--------|--|--------------------------|-----------------------------------|--------------------------------------|---|
| 1. | Karnataka State Khadi and Village Industries Board, Bangalore | 2007-08 to 2011-12 | 2008-09 | 2008-09 | <u>2007-08</u> 21-12-09 |
| 2. | Karnataka Industrial Areas Development Board, Bangalore | 2009-10 to 2013-14 | 2009-10 | 2008-09 | <u>2007-08</u> 21-12-09 |
| 3. | Karnataka Slum Clearance Board, Bangalore | 2007-08 to 2011-12 | 2009-10 | 2008-09 | <u>2008-09</u> 06-07-10 |
| 4. | Bangalore Water Supply and Sewerage Board, Bangalore | 2009-10 to 2011-12 | 2009-10 | 2008-09 | <u>2006-07</u> 25-07-08 |
| 5. | Karnataka Housing Board, Bangalore | 2006-07 to 2010-11 | 2009-10 | 2008-09 | <u>2007-08</u> 21-12-09 |
| 6. | Karnataka State Legal Services Authority, Bangalore and 30 District Legal Services Authorities | - | 2008-09 | 2008-09 | <u>2006-07</u> 21-12-09 |
| 7. | Karnataka Bio Diversity Board, Bangalore | 2008-09 to 2010-11 | 2009-10 | 2008-09 | <u>2007-08</u> 21-12-09 |
| 8. | Karnataka Urban Water Supply & Drainage Board | 2007-08 to 2009-10 | 2009-10 | 2008-09 | <u>2008-09</u> 02-03-10 |
| 9. | Bangalore Development Authority | 2007-08 to 2009-10 | 2009-10 | 2008-09 | <u>2007-08</u> 17-07-09 |

APPENDIX 3.3
POSITION OF ARREARS IN FINALIZATION OF PROFORMA ACCOUNTS BY THE
DEPARTMENTALLY MANAGED COMMERCIAL AND QUASI-COMMERCIAL
UNDERTAKINGS
(REFERENCE: PARAGRAPH 3.3; PAGE 72)

(₹ in crore)

| Sl. No. | Undertaking | Accounts finalized upto | Investment as per the last accounts finalized | Remarks |
|---------|--|-------------------------|---|--|
| 1 | Chamarajendra Technical Institute Mysore | 1984-85 | - | Proforma accounts due from 1985-86 |
| 2 | Government Saw Mills, Joida | 1968-69 | - | Proforma accounts due from 1969-70. Undertaking closed w.e.f. 27-4-1971. |
| 3 | Dasara Exhibition Committee, Mysore | 1980-81 | - | Proforma accounts due from 1981-82 |
| 4 | Bangalore Dairy, Bangalore | 1973-74 | - | Company stands transferred to Karnataka Milk Producers Co-operative Federation Limited from November 1984. |
| 5 | Government Milk Supply Scheme, Hubli Dharwad | 1980-81 | - | Proforma accounts due from 1981-82. Transferred to Karnataka Dairy Development Corporation (KDDC). |
| 6 | Government Milk Supply Scheme, Mysore | 1968-69 | - | Proforma accounts due from 1969-70. Transferred to KDDC |
| 7 | Government Milk Supply Scheme, Belgaum | 1976-77 | - | Proforma accounts due from 1977-78. Transferred to KDDC. |
| 8 | Government Milk Supply Scheme, Gulbarga | 1982-83 | - | Proforma accounts due from 1983-84. Transferred to KDDC. |
| 9 | Government Milk Supply Scheme, Bhadravathi | 1980-81 | - | Proforma accounts due from 1981-82. Transferred to KDDC. |
| 10 | Government Milk Supply Scheme, Mangalore | 1982-83 | - | Proforma accounts due from 1983-84. Transferred to KDDC. |
| 11 | Government Milk Supply Scheme, Kudige | 1972-73 | - | Proforma accounts due from 1973-74. Transferred to KDDC |
| 12 | Vaccine Institute, Belgaum | 1992-93 | - | Proforma accounts due from 1993-94 |
| 13 | Government Silk Filature, Kollegal | 2007-08 | 2.25 | Proforma accounts due for 2008-09 |
| 14 | Government Silk Filature, Chamrajanagar | 2007-08 | 2.84 | Proforma accounts due for 2008-09 |
| 15 | Government Silk Filature, Santhemarahally | 2007-08 | 2.77 | Proforma accounts due for 2008-09 |
| 16 | Government Silk Filature, Mambally | 2007-08 | 3.02 | Proforma accounts due for 2008-09 |
| 17 | Government Silk Twisting and Weaving Factory, Mudigundam | 2007-08 | 1.41 | Proforma accounts due for 2008-09 |
| 18 | Government Central Workshop, Madikeri | 2007-08 | 0.07 | Proforma accounts due for 2008-09 |
| 19 | Karnataka Government Insurance Department, Bangalore | -- | No capital account | |

Source: Finance Accounts

APPENDIX 3.4
DEPARTMENT WISE/DURATION WISE BREAK UP OF THE CASES OF THEFT AND MISAPPROPRIATION
(REFERENCE: PARAGRAPH 3.4; PAGE 72)

| Department | Upto 5 years | | Upto 10 years | | Upto 15 years | | Upto 20 years | | Upto 25 years | | More than 25 years | | Total | |
|---|--------------|--------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|-------------|--------------------|--------------|------------|----------------|
| | No. | Amount | No. | Amount | No. | Amount | No. | Amount | No. | Amount | No. | Amount | No. | Amount |
| Animal Husbandry and Veterinary Services | | | | | | | 1 | 1.10 | | | | | 1 | 1.10 |
| Commerce and Industries | | | | | 6 | 17.79 | 2 | 2.39 | | | | | 8 | 20.18 |
| Education | | | | | 3 | 1.74 | | | 1 | 0.08 | 2 | 0.09 | 6 | 1.91 |
| Finance | | | | | 2 | 4.89 | | | 1 | 0.53 | | | 3 | 5.42 |
| Forest, Environment and Ecology | 2 | 2.93 | | | 8 | 264.47 | | | 1 | 0.10 | 3 | 2.78 | 14 | 270.28 |
| Health and Family Welfare | | | 1 | 4.90 | 3 | 9.86 | 2 | 1.02 | | | 14 | 4.40 | 20 | 20.18 |
| Home | | | | | 1 | 20.40 | 2 | 65.50 | | | 1 | 0.65 | 4 | 86.55 |
| Horticulture | | | 2 | 26.68 | 5 | 14.52 | | | | | | | 7 | 41.20 |
| Information(No cases), Tourism and Youth Services | | | | | 14 | 32.04 | | | | | | | 14 | 32.04 |
| Labour | | | 2 | 8.16 | 2 | 3.98 | | | 2 | 0.89 | 1 | 0.89 | 7 | 13.92 |
| Law and Parliamentary Affairs | | | 9 | 3.49 | | | | | | | | | 9 | 3.49 |
| Planning | | | | | 1 | 1.01 | | | | | | | 1 | 1.01 |
| Public works | 1 | 23.82 | 6 | 10.62 | 14 | 168.83 | 4 | 35.54 | | | 2 | 1.09 | 27 | 239.90 |
| Revenue | | | | | 5 | 8.99 | | | | | 5 | 1.19 | 10 | 10.18 |
| Rural Development and Panchayat Raj | | | | | 1 | 0.04 | | | 2 | 0.14 | 6 | 0.19 | 9 | 0.37 |
| Social Welfare | | | | | | | | | 1 | 0.25 | 1 | 2.69 | 2 | 2.94 |
| Water Resources | | | 5 | 111.28 | 12 | 72.89 | 27 | 54.84 | 1 | 0.97 | 27 | 16.14 | 72 | 256.12 |
| Women and Child Development | | | | | | | 2 | 0.87 | 1 | 0.01 | | | 3 | 0.88 |
| Total | 3 | 26.75 | 25 | 165.13 | 77 | 621.45 | 40 | 161.26 | 10 | 2.97 | 62 | 30.11 | 217 | 1007.67 |

APPENDIX 3.5

DEPARTMENT WISE AND CATEGORY-WISE DETAILS OF THEFT AND MISAPPROPRIATION CASES

(REFERENCE: PARAGRAPH 3.4; PAGE 72)

(₹ in lakh)

| Department | Theft | | Misappropriation/Loss of Government Money | | Total | |
|--|--------------|--------------|---|---------------|--------------|-----------------|
| | No. of cases | Amount | No. of cases | Amount | No. of cases | Amount |
| Animal Husbandry and Veterinary Services | 0 | 0 | 1 | 1.10 | 1 | 1.10 |
| Commerce and Industries | 1 | 1.42 | 7 | 18.76 | 8 | 20.18 |
| Education | 3 | 0.44 | 3 | 1.47 | 6 | 1.91 |
| Finance | 0 | 0 | 3 | 5.42 | 3 | 5.42 |
| Forest, Environment and Ecology | 1 | 0.01 | 13 | 270.27 | 14 | 270.28 |
| Health and Family Welfare | 4 | 1.04 | 16 | 19.14 | 20 | 20.18 |
| Home | 0 | 0 | 4 | 86.55 | 4 | 86.55 |
| Horticulture | 0 | 0 | 7 | 41.20 | 7 | 41.20 |
| Youth Services | 0 | 0 | 14 | 32.04 | 14 | 32.04 |
| Labour | 3 | 8.55 | 4 | 5.37 | 7 | 13.92 |
| Law and Parliamentary Affairs | 8 | 1.44 | 1 | 2.05 | 9 | 3.49 |
| Planning | 0 | 0 | 1 | 1.01 | 1 | 1.01 |
| Public Works | 0 | 0 | 27 | 239.90 | 27 | 239.90 |
| Water Resources | 7 | 5.32 | 65 | 250.80 | 72 | 256.12 |
| Revenue | 1 | 0.06 | 9 | 10.12 | 10 | 10.18 |
| Rural Development and Panchayat Raj | 6 | 0.29 | 3 | 0.08 | 9 | 0.37 |
| Social Welfare | 0 | 0 | 2 | 2.94 | 2 | 2.94 |
| Women and Child Development | 0 | 0 | 3 | 0.88 | 3 | 0.88 |
| Total | 34 | 18.57 | 183 | 989.10 | 217 | 1,007.67 |

APPENDIX 3.6

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

(REFERENCE: PARAGRAPH 3.5; PAGE 72)

| Sl. No. | Department | Officer responsible for furnishing accounts | Period for which accounts are due |
|-----------------------------|--|--|-----------------------------------|
| Annual Accounts | | | |
| 1 | Agriculture | Director of Agriculture | 2007-08 to 2009-10 |
| 2 | Animal Husbandry & Veterinary Services | Commissioner of Animal Husbandry & Veterinary Services | 2007-08 to 2009-10 |
| 3 | Commerce and Industries | Director of Industries and Commerce | 2007-08 to 2009-10 |
| 4 | Information and Publicity | Director of Information and Publicity | 2009-10 |
| 5 | Stamps and Registration | Inspector General of Registration & Commissioner of Stamps | 2001-02 to 2009-10 |
| 6 | Home | Director General of Prisons | 2009-10 |
| 7 | Health and Family Welfare | Director, Health and Family Welfare Services | 2008-09 & 2009-10 |
| | | Karnataka State Drugs Logistics and Warehousing Society (Govt. Medical Stores) | 2009-10 |
| | | Indian System of Medicine and Homeopathy (AYUSH) | 2007-08 & 2009-10 |
| | | Director, Medical Education | 2008-09 & 2009-10 |
| HALF YEARLY ACCOUNTS | | | |
| 8 | Public Works | EE, Building Division, Mysore. | 2006 -07 to 2009-10 |
| | | EE, No. 1, Buildings Dvn., Bangalore | 2009-10 |
| | | EE, NH, Hubli. | March 2007, |
| | | EE, PWD, Yadgir. | 2007-08 to |
| | | EE, PWD, Haveri. | 2009-10 |
| | | EE, ESI Building Division, Bangalore. | |
| | | EE, PWD, Chitradurga. | 2007-08 |
| | | EE, PWD, Udupi. | to |
| | | EE, PWD, Gadag. | 2009-10 |
| | | EE, PWD, Belgaum. | |
| | | EE, PWD, Bidar. | |
| | | EE, PWD, Chikodi. | |
| EE, NH, Mangalore. | | | |

| Sl. No. | Department | Officer responsible for furnishing accounts | Period for which accounts are due |
|---------------------|------------------|---|-----------------------------------|
| | | EE, Ports Division, Karwar. | March 2008, 2008-09 & 2009-10 |
| | | EE, PWD, QCD, Bangalore. | |
| | | EE, PWD, Dharwar. | |
| | | EE, PWD, Karwar. | |
| | | EE, PWD, Koppal. | |
| | | EE, PWD, Kolar. | |
| | | EE, PWD, Bijapur. | 2009-10 |
| | | EE, NH, Special Division, Bangalore. | |
| | | EE, PWD Ramnagara | |
| | | EE, PWD Chickballapur | |
| | | EE, PWD, Mysore. | |
| | | EE, PWD, Chamarajanagara. | March 2010 |
| | | EE, PWD, Mandya. | |
| | | EE, PWD, Madikeri. | |
| | | EE, PWD, Chickmagalur. | |
| | | EE, PWD, Bagalkot. | |
| | | EE, PWD, Bellary. | |
| | | EE, PWD, Gulbarga. | |
| | | EE, NH, Bangalore. | |
| | | EE, NH, Bijapur. | |
| | | EE, NH, Karwar. | |
| | | EE, Special Division Hassan | |
| | | EE, PWD Hoovinahadagali | |
| | | EE, Special Division, Shimoga | |
| EE, PWD, Davanagere | | | |
| 9 | Minor Irrigation | EE, MI Division, Kolar. | 2006 -07 to 2009-10 |
| | | EE, MI Division, Shimoga. | March 2007, 2007-08 to 2009-10 |
| | | EE, MI Division, Bidar. | |
| | | EE, MI Division, Mangalore. | 2007-08 to 2009-10 |
| | | EE, MI Division, Dharwar. | |
| | | EE, MI QC Division, Dharwad. | March 2008, 2008-09 & 2009-10 |
| | | EE, MI Division, Mysore. | |
| | | EE, MI Division, Haliyal. | |
| | | EE, MI Division, Bangalore. | 2009-10 |
| | | EE, MI Division, Belgaum. | |
| | | EE, MI QC Division, Bangalore. | |
| | | EE, MI Division, Chitradurga. | |
| | | EE, MI Division, Hassan. | March 2010 |
| | | EE, MI Division, Gulbarga. | |
| EE, MI Bijapur. | | | |
| 10 | Water Resources | CRO, TS Wing, KERS, Mysore | March 06, 2006 -07 to 2009-10 |

| Sl. No. | Department | Officer responsible for furnishing accounts | Period for which accounts are due |
|---------|------------|---|-----------------------------------|
| | | EE, QC Division, Munirabad. | 2006 -07 to 2009-10 |
| | | EE, W&M Division, Gorur. | March 2007, 2007-08 to 2009-10 |
| | | EE, No. 2, KPCD, Bhalki. | |
| | | EE, No. 1, TRD, Munirabad. | |
| | | EE, No. 4, CD, Sirwar. | 2007-08 to 2009-10 |
| | | EE, No. 3, I&I Division, Gulbarga. | |
| | | EE, No. 5, CD, Yermarus. | |
| | | EE, I&I Division, BR Project. | |
| | | EE, No. 1, Gauging Division, Hassan | March 2008, 2008-09 & 2009-10 |
| | | EE, No. 4, I&I Division, Dharwad. | |
| | | EE, QCD, IPZ, Gulbarga. | |
| | | EE, W&M Division, Hunsagi. | 2008-09 & 2009-10 |
| | | EE, No. 1, I&I Division, Mysore. | March 2009 & 2009-10 |
| | | EE, W&M Division, Bheemaranagudi. | |
| | | EE, No. 1, KPCD, Bidar. | |
| | | EE, No. 3, CD, Sindhanoor. | 2009-10 |
| | | EE, No. 2, Gauging Division, Bagalkot. | |
| | | EE, No. 2, CD, Odderahatty. | March 2010 |

APPENDIX – 3.7

RECONCILIATION OF BALANCES
(REFERENCE: PARAGRAPH 3.7.3; PAGE 74)

(₹ in crore)

| Sl. No. | Name of the Administrator / Department | Balance as per Administrator | Balance as per Treasury | Difference |
|---------|--|------------------------------|-------------------------|-----------------|
| 1 | Deputy Commissioner, Bangalore Urban | | | |
| | CRF | 0.23 | 0.12 | (+)0.11 |
| | Miscellaneous | 50.15 | 56.49 | (-)6.34 |
| 2 | Deputy Commissioner, Mandya | | | |
| | CRF | 11.01 | 11.02 | (-)0.01 |
| | Miscellaneous | 25.48 | 26.01 | (-)0.53 |
| 3 | Deputy Commissioner, Ramnagaram | | | |
| | CRF | 2.09 | 2.21 | (-)0.12 |
| 4 | Deputy Commissioner, Hassan | | | |
| | CRF | 0.98 | 1.48 | (-)0.50 |
| 5 | Deputy Commissioner, Bangalore | | | |
| | Rural | 8.35 | 13.27 | (-)4.92 |
| | Miscellaneous | 10.72 | 25.83 | (-)15.11 |
| | Total | 109.01 | 136.43 | (-)27.42 |

CRF - Calamity Relief Fund

GLOSSARY

BASIS OF CALCULATION

| Terms | Basis of calculation |
|---|---|
| Buoyancy of a parameter | Rate of Growth of the parameter/GSDP Growth Rate |
| Buoyancy of a parameter (X) With respect to another parameter (Y) | Rate of Growth of parameter (X)/ Rate of Growth of parameter (Y) |
| Rate of Growth (ROG) | $[(\text{Current year Amount} / \text{Previous year Amount}) - 1] * 100$ |
| Development expenditure | Social services + economic services |
| Average interest paid by the State | Interest payment / $[(\text{Amount of previous year's Fiscal Liabilities} + \text{Current year's Fiscal Liabilities}) / 2] * 100$ |
| Interest spread | GSDP growth – Average Interest Rate |
| Quantum spread | Debt stock * Interest spread |
| Interest received as <i>per cent</i> to Loans Outstanding | Interest Received $[(\text{Opening balance} + \text{Closing balance of Loans and Advances}) / 2] * 100$ |
| Revenue Deficit | Revenue Receipt – Revenue Expenditure |
| Fiscal Deficit | Revenue Expenditure + Capital Expenditure + Net Loans and Advances – Revenue Receipts – Miscellaneous Capital Receipts |
| Primary Deficit | Fiscal Deficit – Interest payments |
| Balance from Current Revenue (BCR) | Revenue Receipts minus all Plan Grants and Non-Plan Revenue Expenditure excluding expenditure recorded under the major head 2048 – Appropriation for reduction of Avoidance of debt. |