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

for the year ended March 2018

लोकहितार्थ सत्यनिष्ठा

Dedicated to Truth in Public Interest

Government of Karnataka

Report No. 2 of the year 2019

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

for the year ended March 2018

Government of Karnataka

Report No.2 of the year 2019

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PREFACE

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

2. Chapters I and II of this report contain audit observations on matters arising out of examination of Finance Accounts and Appropriation Accounts respectively, of the State Government for the year ended 31 March 2018. Information is obtained from the Government of Karnataka, wherever necessary.

3. Chapter III on 'Financial Reporting' provides an overview and status of the State Government's compliance with various financial rules, procedures and directives during the financial year 2017-18.

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

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

Executive Summary

Background

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

The Report

Based on the audited accounts of the Government of Karnataka for the year ended 31 March 2018, the Report provides an analytical review of the annual accounts of the State Government. The financial performance of the State has been assessed based on the KFRA, budget documents, Fourteenth Finance Commission Report (XIV FC) and other financial data obtained from various Government departments and organisations. The Report is structured in three chapters.

Chapter I is based on the audit of Finance Accounts and makes an assessment of Government of Karnataka's fiscal position as on 31 March 2018. It provides an insight into trends in committed expenditure and borrowing pattern and certain accounting adjustments that have a bearing on the fiscal parameters.

Chapter II is based on the audit of Appropriation Accounts and gives a description of appropriations and the manner in which the allocated resources were managed by the service delivery departments. Issues of budgeting affecting transparency of transactions are also brought out in this Chapter.

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

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

Audit findings and recommendations

Fiscal position

The State recorded Revenue Surplus during 2013-14 to 2017-18 and maintained the fiscal deficit relative to Gross State Domestic Product (GSDP) below the limit laid down under KFRA, as amended from time to time. During 2017-18, the State had a Revenue Surplus of ₹4,518 crore, an increase of ₹3,225 crore over the previous year. There was an increase in revenue expenditure of eight *per cent* over the previous year, while the revenue receipts increased by 10 *per cent* during the year.

Fiscal deficit during 2017-18 was ₹31,101 crore, increase of ₹2,437 crore (nine *per cent*) from ₹28,664 crore in 2016-17. Primary deficit was ₹16,128 crore, an increase of ₹314 crore over the previous year. Incremental non-debt receipts of ₹13,800 crore was less than the incremental primary expenditure of ₹14,114 crore.

State's own resources

The ratio of the State's tax revenue to GSDP was between 6.65 and 7.69 *per cent* during 2013-14 to 2017-18. It also included book adjustment of ₹139.46 crore, which increased the revenue receipts artificially during the year on account of Guarantee Commission (₹13.80 crore) from Karnataka State Khadi & Village Industries Board, Karnataka Slum Development Board, Rajiv Gandhi Rural Housing Corporation Limited, Karnataka Road Development Corporation Limited and adjustment of motor vehicle tax dues of transport corporations as subsidy (₹125.66 crore).

Ratio of non-tax revenue to revenue receipts reduced from 4.50 *per cent* in 2013-14 to 4.41 *per cent* during 2017-18. Its ratio to GSDP (₹13,10,879 crore) was insignificant (0.49 *per cent* in 2017-18), implying the need for mobilising non-tax revenue in the coming years by revising user charges, as recommended by Expenditure Reforms Commission. During 2017-18, user fees pertaining to Tiger Conservation Foundation (₹46.75 crore) and contribution to the District Mineral Foundation fund which is percentage of royalty (₹909.96 crore as on 31.03.2018) were not remitted to Consolidated Fund of the State. Non-remittance of user charges escapes the scrutiny by the Legislature. Therefore, a system for remittance/release of such money needs to be put in place for tracking the revenues/expenditure and assurance to indicate that the money generated from the sector is ploughed back into the same sector for development.

Optimisation of XIV Finance Commission Grants

During 2017-18, there was short release of ₹24.24 crore under Basic Grants to PRIs. Grants under Disaster relief continued at 75:25 ratio as per the recommendations of the XIII Finance Commission, even though the GST has been implemented from 2017-18 onwards. The Performance Grants to Panchayat Raj Institutions (PRIs) and Urban Local Bodies (ULBs) were not released till the end of March 2018.

Fourth State Finance Commission

The period of applicability of the Third State Finance Commission recommendations is extended until 2017-18, as the recommendations of the Fourth State Finance Commission are applicable from 2018-19 to 2022-23. The share of local bodies as percentage of Non-Loan Net Own Revenue Receipts (NLNORR) would be increased from 42 *per cent* to 48 *per cent* and for ULBs it would be increased from 10 to 12 *per cent* in a phased manner.

Revenue Expenditure

Expenditure under social and economic sector registered growth of eight and six *per cent* respectively over the previous year, while the growth in general services was ten *per cent*. Seventy-eight *per cent* of revenue expenditure consisted of committed expenditure on salaries, devolutions to local bodies, interest payments, pensions, subsidies, administrative expenses, grants-in-aid and financial assistance. The committed expenditure consumed 75 *per cent* of revenue receipts. Expenditure on subsidies decreased from ₹14,387 crore in 2016-17 to ₹14,148 crore during 2017-18 and subsidy in the form of financial assistance, incentives etc., also decreased from ₹3,714 crore in 2016-17 to ₹3,318 crore during 2017-18. The XII Finance Commission recommended that the expenditure forming subsidy in the form of financial assistance, incentives etc., should be brought out in Finance Accounts for transparency. However, this is not being done.

Quality of Expenditure

The share of capital expenditure to total expenditure during the year 2017-18 was 20 *per cent* (₹35,760 crore) as against 19 *per cent* (₹30,084 crore) in the previous year. Funds aggregating to ₹967 crore were blocked in incomplete projects at the end of 2017-18. The return from investment of ₹65,146 crore as on 31 March 2018 in Companies/Corporations was negligible (₹78.83 crore). The investment included ₹38,912 crore (60 *per cent*) in Companies/ Corporations under loss.

Funds and other Liabilities

The interest accrued on the investment out of Consolidated Sinking Fund of ₹2,070 crore amounting to ₹484.36 crore did not form the part of the assets of the State Government as the transaction did not pass through the Government books. Green Tax Cess of ₹62.25 crore along with relevant expenditure was not transferred to Green Tax Fund. Transfer of ₹2,768 crore from Consolidated Fund to Infrastructure Initiative Fund (IIF), Bangalore Metro Rail Corporation Limited (BMRCL) fund and Chief Minister Rural Road Development (CMRRD) fund and non-transfer of expenditure (₹299.09 crore) to Forest Development Fund in Public Account artificially inflated revenue expenditure. The Guarantee Redemption Fund was not revived.

Debt Sustainability

Open Market Loans had a major share (51 *per cent*) in the total fiscal liabilities of the State. The percentage of debt to GSDP in 2017-18 was 18.78 *per cent*, which was within the limit of 25 *per cent* as mandated under KFRA 2002. The net debt available to the State during the year 2017-18 (₹5,005 crore) decreased by 63 *per cent* when compared to the previous year.

Financial Management and Budgetary Control

Against total provision of ₹2,09,479 crore during 2017-18, an expenditure of ₹1,92,320 crore was incurred, resulting in unspent provision of ₹17,159 crore (eight *per cent*). Release of money from the Consolidated Fund to the implementing agencies should be based on requirement of funds rather than to avoid lapse of budget grants. It was revealed that expenditure stood overstated to an extent of ₹903.02 crore mainly due to release of funds to ZP/TP remaining unutilized. Excess expenditure of ₹199.44 crore (₹12.00 crore under Demand No.3, ₹80.98 crore under Demand No.8, ₹12.95 crore under Demand No.24, and ₹93.51 crore under Demand No.29) over provision for the year 2017-18 are required to be regularised under Article 205 of the Constitution.

Supplementary provision of ₹171.53 crore in 13 cases was unnecessary, re-appropriation of funds in 44 cases was made injudiciously, resulting in either un-utilised provision of funds or excess over provision. In 17 grants, savings in excess of rupees five crore amounting to ₹2,246.23 crore was surrendered in the last two working days of the financial year.

In six cases, involving six grants, excess expenditure amounting to ₹436.56 crore, which should be treated as 'New Service/New Instrument of Service' was incurred without the approval of the Legislature.

An amount of ₹3,476.63 crore was misclassified under the capital/revenue section affecting the fiscal indicators. Misclassification under the object head 059 – Other Expenses, an omnibus head to record minimum expenditure, amounted to ₹1,597.83 crore.

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

Payment of excess family pension continued, as an amount of ₹1.11 crore in 93 cases was drawn in excess, and there was continued excess payment of family pension amounting to ₹1.15 crore in 66 cases.

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

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

Financial Reporting

Non-payment Detailed Contingent (NDC) bills, against Abstract Contingent (AC) bills, were pending over a long period and large sums of money were retained in Personal Deposit (PD) accounts against the principle of Legislative financial control. Non reconciliation of expenditure was to the extent of 20 *per cent* of total expenditure. There were adverse balances under certain Debt, Deposit and Remittance (DDR) heads, which required remedial action for their clearance.

Suspense accounts needs speedy clearance by taking up the matter with the concerned authorities as they have a bearing on the cash balance of the Government. The departments of the Government should bring the revenues realized on behalf of Government to Consolidated Fund within the time stipulated in the Karnataka Financial Code. The transactions of Government Account should be transparent to exhibit the correct head of account as there were instances of misclassification of expenditure relating to revenue under capital/loan head of account.

Chapter – I

Finances of the State Government

Chapter 1

Finances of the State Government

Profile of the State

Karnataka is the sixth largest State in terms of geographical area (1,91,791 Sq. km) and the eighth largest by population. The State's population recorded a decadal growth of about 16 *per cent*. The percentage of population below the poverty line was 20.90 compared to the All India Average of 21.90 (2011-12). The Gross State Domestic Product (GSDP) in 2017-18 at market prices was ₹13,10,879 crore. The State's literacy rate grew from 66.60 *per cent* to 75.40 *per cent* during the period 2001-11. The per-capita income of the State stands at ₹1,74,551 against the country average of ₹1,11,782 (As of March 2018 - Economic Survey Government of Karnataka, 2017-18). General data relating to the State is given in **Appendix 1.1**.

Gross State Domestic Product (GSDP)

GSDP is the market value of all officially recognised final goods and services produced within the State in a given period of time. The growth of GSDP is an important indicator of the State's economy, as it indicates the standard of living of the State's population. The trends in the annual growth of India's Gross Domestic Product (GDP) and that of the State, at current prices, are indicated in **Appendix 1.1**. As seen from the appendix, in the years 2013-14 to 2017-18, Karnataka's GSDP growth rate at current prices, was more than that of the Nation's average growth rate.

1.1 Introduction

This chapter provides a broad perspective of the finances of the Government of Karnataka during 2017-18. It analyses important changes in major fiscal indicators compared to the previous year, keeping in view the overall trends during the last five years. The analysis is based on the Finance Accounts and information obtained from the State Government. The structure of the Government Accounts and the layout of the Finance Accounts have been explained in **Appendix 1.2**.

1.1.1 Summary of fiscal transaction in 2017-18

Table 1.1 and **Appendix 1.3** present the summary of the State Government fiscal transaction during 2017-18 *vis-à-vis* the previous year (2016-17), while **Appendix 1.4** provides the details of receipts and disbursement as well as the overall fiscal position during preceding four years.

Table 1.1 Summary of fiscal transactions in 2017-18

(₹ in crore)

Receipts			Disbursements		
	2016-17	**2017-18**		**2016-17**	**2017-18**
Section A: Revenue					
Revenue Receipts	**1,33,213.79**	**1,46,999.65**	**Revenue Expenditure**	**1,31,920.75**	**1,42,482.33**
Tax revenue	82,956.13	87,130.38*	General Services	31,264.56	34,484.44
Non-tax revenue	5,794.53	6,476.53	Social Services	54,549.24	58,652.35
Share of Union taxes/duties	28,759.94	31,751.96^	Economic Services	40,421.37	42,855.78
Grants-in-aid and contributions from GOI	15,703.19	21,640.78#	Grants-in-aid and contributions	5,685.58	6,489.76
Section B: Capital and others:					
Misc. Capital receipts	**26.96**	**3.70**	**Capital Outlay**	**28,150.43**	**30,666.76**
			General Services	1,060.39	977.45
			Social Services	6,896.84	8,676.76
			Economic Services	20,193.20	21,012.55
Recoveries of Loans and Advances	**99.84**	**136.93**	**Loans and Advances disbursed**	**1,934.38**	**5,092.22**
Public debt receipts**	**31,155.92**	**25,121.86**	**Repayment of public debt****	**7,420.24**	**8,269.16**
Contingency Fund	-	-	**Contingency Fund**	-	-
Public Account Receipts	**1,79,318.45**	**2,00,615.43**	**Public Account disbursements**	**1,67,153.81**	**1,94,536.63**
Opening Cash Balance	**27,118.23**	**34,353.58**	**Closing Cash Balance**	**34,353.58**	**26,184.05**
Total	**3,70,933.19**	**4,07,231.15**	**Total**	**3,70,933.19**	**4,07,231.15**

Source: Finance Accounts 2017-18.

** includes SGST of ₹24,182 crore; ^ includes IGST of ₹3,204.72 crore and CGST of ₹447.56 crore.*
 # includes ₹6,246 crore towards Compensation for loss of revenue arising out of implementation of GST
*** Excluding net transaction under ways and means advances and overdraft.*

The following are the significant changes during 2017-18 over the previous year:

- Revenue receipts grew by ₹13,785.86 crore (10 *per cent*);
- Revenue expenditure increased by ₹10,561.58 crore (eight *per cent*);
- Miscellaneous capital receipts decreased by ₹23.26 crore (86 *per cent*);
- The State was able to increase the capital outlay by nine *per cent* over the previous year despite decrease in public debt receipts by 19 *per cent*; Increased capital expenditure, despite far lower debt receipts, if sustained, would be a good indicator of the State's financial health;
- Recoveries of Loans and Advances increased by ₹37.09 crore (37 *per cent*) and Disbursement of Loans and Advances increased by ₹3,157.84 crore (163 *per cent*) which includes loan waiver of ₹3,400.67 crore treated as capital expenditure;
- In Power Sector, the recovery of loans (₹14.44 crore) was adjusted against the Rural Energy Subsidy to be given to Karnataka Power Transmission Corporation Limited by Government of Karnataka;
- Public Debt receipts (excluding ways and means advances) decreased by ₹6,034.06 crore (19 *per cent*) and repayments increased by ₹848.92 crore (11 *per cent*);
- Public Account receipts increased by ₹21,296.98 crore (12 *per cent*) and disbursements by ₹27,382.82 crore (16 *per cent*); and
- Though the cash balance of ₹26,184 crore as on 31 March 2018 decreased by 24 *per cent* over the previous year, this level of cash balances does not appear to be financially prudent as it represents an unnecessary cost, equivalent to cost of borrowings of the State. The

GOK needs to examine whether this magnitude of cash balance is required and reduce its borrowings to meet requirements of capital expenditure/outlays.

1.1.2 Review of Fiscal situation

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

The State has recorded revenue surplus since 2004-05 and the fiscal deficit was within the limit of three *per cent* of GSDP as prescribed under the Act. The targets for revenue and fiscal deficits and debt-GSDP ratio set for XIII FC and XIV FC periods along with their actual levels are given in **Table1.2**.

Table 1.2: Outcome vis-à-vis targets under KFRA

Period	Revenue Deficit/Surplus		Fiscal Deficit/GSDP (in *per cent*)		Debt/GSDP ratio (in *per cent*)	
	Ceiling as per KFRA	Actual	Ceiling as per KFRA	Actual	Ceiling as per KFRA	Actual
XIII FC (2010-15)						
2013-14	Maintain Revenue Surplus	Achieved the target	3.00	2.09	25.40	16.93
2014-15			3.00	2.14	25.20	18.00
XIV FC (2015-20)						
2015-16	Maintain Revenue Surplus	Achieved the target	3.00	1.89	25.00	18.10
2016-17			3.00	2.53	25.00	19.54
2017-18			3.00	2.37	25.00	18.78

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

The ratios of outstanding debt (inclusive of off-budget borrowings) and fiscal deficit to GSDP (₹13,10,879 crore) during 2017-18 were 18.78 *per cent* and 2.37 *per cent*, respectively, which were well within the prescribed limit of 25 *per cent* and three *per cent* respectively.

The Fiscal Management Review Committee (FMRC), headed by Chief Secretary was constituted in July, 2011. The Committee *inter alia* recommended (July, 2018) that all departments should initiate measures to increase non-tax revenues which has been discussed in **paragraph 1.3.1.2**.

Scrutiny of certain high end transactions during 2017-18

Scrutiny of certain high end transactions during 2017-18 revealed that the level of fiscal deficit and the liabilities in the Public Account were affected by certain accounting adjustments which are brought out in Notes to Accounts in Finance Accounts and detailed in **Table 1.3.** Further details are available in **paragraph 1.9.4**.

Table 1.3: Impact of high end transactions during 2017-18

(₹ in crore)

Sl. No.	Nature of transaction	Amount	Impact on fiscal indicators
1	Transfers from General Revenues to		
a	Infrastructure Initiative Fund (IIF)	1,578.00	In addition to the cess which was to be transferred to these funds additional funds amounting to ₹2,768 crore were transferred from general revenues to the fund accounts. The transfer had the effect of overstatement of revenue expenditure and fiscal deficit besides projecting reduced revenue surplus.
b	Bangalore Metro Rail Corporation Limited (BMRCL) Fund	775.00	
c	Chief Minister's Rural Road Development (CMRRD) fund	415.00	
2	Non-transfer of expenditure to State Urban Transport Fund (SUTF)	71.22	Transferring only cess without transferring expenditure resulted in overstatement of fiscal deficit to that extent.
3	Non-transfer of expenditure to Karnataka Forest Development Fund (KFDF)	299.09	Non-transfer of expenditure had the effect of overstatement of revenue expenditure and fiscal deficit and reduced revenue surplus.
4	Waiver of loans classified under Capital Expenditure instead of Revenue Expenditure	3,400.67	This resulted in inflating capital expenditure and reduced revenue expenditure and overstatement of revenue surplus.

Source: Notes to Accounts

1.1.3 Major Fiscal Variables

Major fiscal variables provided in the budget and targeted in KFRA, are depicted in **Table 1.4**.

Table 1.4: Major Fiscal variables

Fiscal variables	2017-18			
	Ceiling as prescribed in KFRA	Targets proposed in the Budget	Projections made in MTFP 2014-18	Actuals
Revenue Deficit (-) /Surplus (+) (₹ in crore)	-	137	1,538	4,518
Fiscal deficit/GSDP (*per cent*)	3.00	2.61*	2.86	2.37
Ratio of total outstanding debt of the Government to GSDP (*per cent*)	25.00	18.93*	23.03	18.78

**GSDP figures adopted in the BE were ₹12,80,465 crore (MTFP-2018-22) and were revised to ₹13,10,879 crore after the budget was presented.*

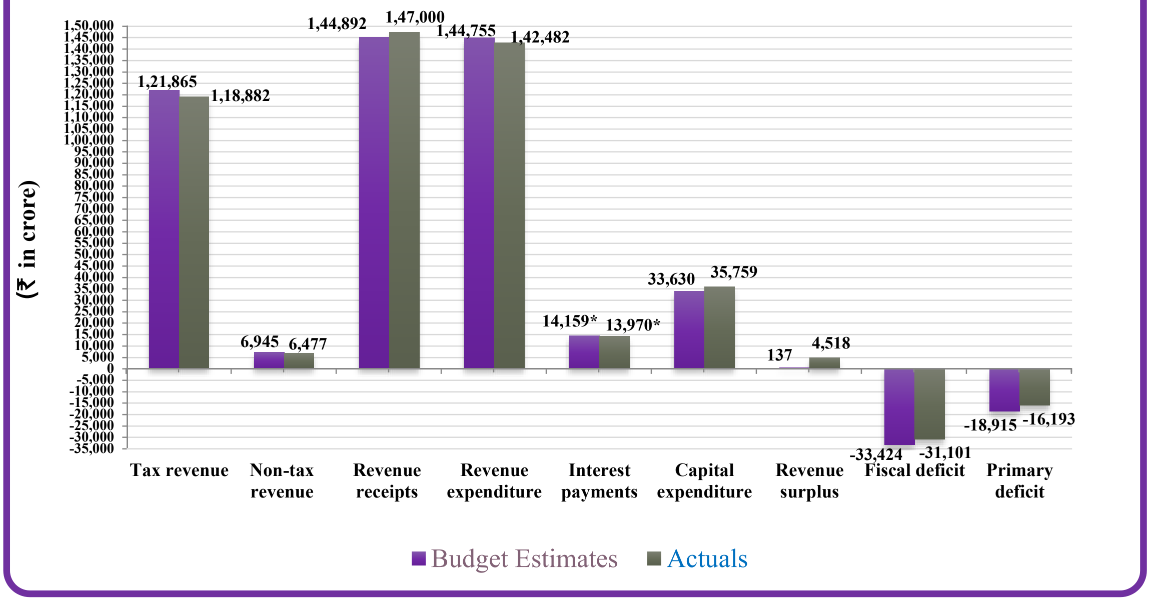
As evident from table above, all three parameters were well within the limits of KFRA.

1.1.4 Budget Estimates and Actuals 2017-18

Budget papers presented by the State Government provide descriptions for projections or estimations of revenue and expenditure for a particular fiscal year. The importance of accuracy in the estimations of revenue and expenditure is widely accepted in the context of effective implementation of fiscal policies for overall economic management. Deviations from budget estimates are indicative of non-attainment/ non-optimisation of desired fiscal objectives, due to a variety of factors, some of which are within the control of the Government while some are beyond its control.

Chart 1.1 presents the budget estimates and actuals of some important fiscal parameters for the year 2017-18.

Chart 1.1: Selected fiscal parameters: Budget estimates *vis-a-vis* Actuals in 2017-18



Source: Annual Financial Statement and Finance Accounts.

**excludes interest on off-budget borrowings.*

The budget estimates envisaged revenue receipts of ₹1,44,892 crore against which the actual realisation was ₹1,47,000 crore, an increase of ₹2,108 crore (one *per cent*). The increase was mainly under Grants-in-aid (GIA) and contributions from Government of India (GOI) (₹5,559 crore). The GIA includes ₹6,246 crore towards compensation for loss of revenue arising out of implementation of GST and off-set by decrease in Own-tax revenue (₹2,826 crore), Non-tax revenue (₹468 crore) and Central Tax transfers (₹156 crore).

Revenue expenditure was estimated at ₹1,44,755 crore against which the actual expenditure was ₹1,42,482 crore, a decrease of ₹2,273 crore (two *per cent*). The decrease in the actuals was noticed under general services (₹3,515 crore), economic services (₹825 crore) and grants-in-aid and contributions (₹697 crore) and off-set by increase under social services (₹2,765 crore).

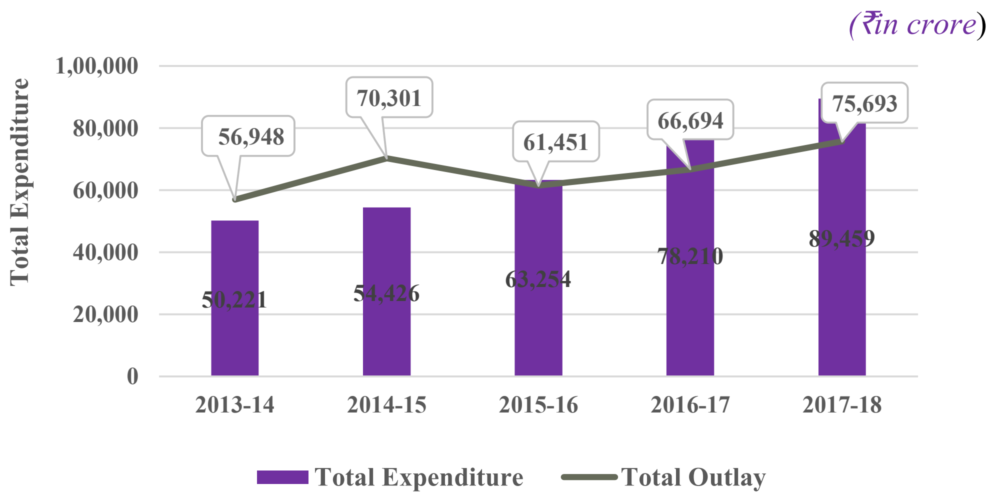
The budget estimated interest payments at ₹14,159 crore (excluding off-budget borrowings - Borrowings by PSUs and other SPVs from financial institutions, where the responsibility of servicing the debt solely lies on the Government) against Major Head 2049. The actual payment was ₹13,970 crore (exclusive of off-budget borrowings of ₹1,043 crore). According to KFRA, 2002 (as amended on 28.02.2014), the interest on off-budget borrowings recorded below various service heads is also to be treated as the interest liability of the State.

Major source of revenue receipts had been the State's own tax revenue which constituted 59 *per cent*. Including the non-tax revenue, the State's own resources were around 64 *per cent* during 2017-18.

1.1.5 Gender Budgeting

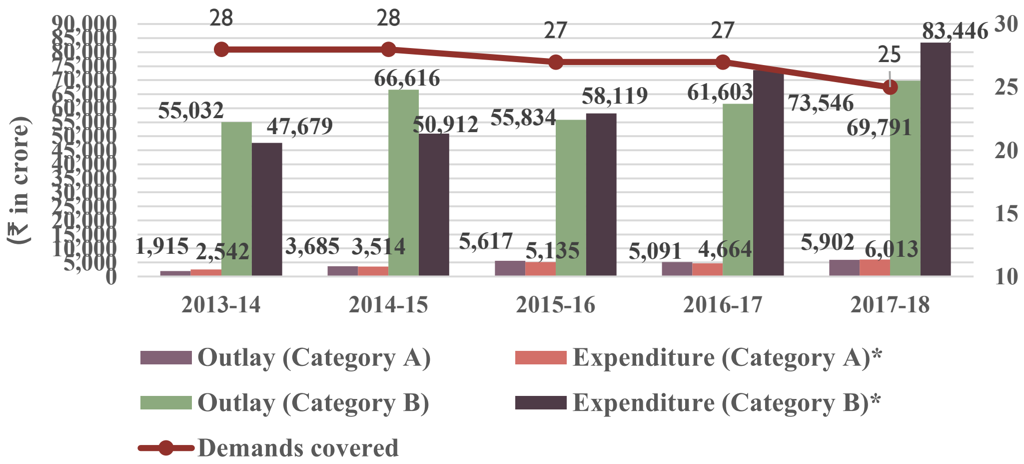
Gender budget discloses the expenditure proposed to be incurred within the overall budget on schemes which are designed to benefit women fully or partly. The State had created the Gender Budget cell (January 2007) and gender budgeting was introduced in 2007-08. The trends in total expenditure and total outlay under Gender Budgetary allocations during 2013-14 to 2017-18 are shown in **Chart 1.2.**

Chart 1.2 : Trends in Total Expenditure vs Total Outlay



As seen from the chart above, the total expenditure during 2013-14 and 2014-15 is less than the total outlay, whereas during 2015-16 to 2017-18 the expenditure is more than the outlay implying that the expenditure is not commensurate with the budget. The trends in the total outlay and total expenditure of Category A[1] and Category B[2] schemes under 28 demands covered during 2013-14 to 2017-18 are depicted in **Chart 1.3**.

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



**Expenditure figures for 2017-18 are Revised Estimate figures and not actuals.*

As seen from the **Chart 1.3**, in respect of Category A schemes during the year 2013-14, the expenditure was more than outlay and during 2014-15 to 2016-17, the expenditure is less than outlay. However, during 2017-18, the expenditure is more than the outlay implying that the entire budget was utilised. In case of Category B schemes, during the years 2013-14 to 2014-15, the expenditure is less than outlay, whereas during 2015-16 to 2017-18, the expenditure is more than outlay. The total number of schemes under Category A and B in 2017-18 were 724, of which 58 schemes were under Category A and 666 schemes were under Category B. The gender document also gives a brief explanatory note about the schemes indicating the objective of such schemes.

An analysis of some of the Category A schemes is brought out in the following paragraphs.

a) Samruddhi

The objective of the scheme is to stop exploitation of women by preventing them from taking loans with very high interest rates and also to overcome unemployment. Under this scheme 10,000 women who are running road side business are to be provided with financial assistance of ₹10,000 each. The scheme is being implemented by Women's Development Corporation, Bengaluru from 2016-17 onwards. The physical and financial targets,

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[1] Budgetary allocation to schemes designed covering 100 *per cent* women beneficiaries.

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

achievement and shortfall of the scheme is brought out in **Table 1.5** and **Table 1.6**.

Table 1.5: Financial target

(₹in crore)

Year	Budget	Releases	Expenditure	Savings
2016-17	10.00	10.00	8.87	1.13
2017-18	10.02	10.02	9.81	0.21

Table 1.6: Physical target fixed and achieved

Year	Number of BPL women given financial assistance		Shortfall	Percentage of shortfall
	Target	Achievement		
2016-17	10,000	8871	1129	11
2017-18	10,520	9810	710	7

Even though, the financial targets have been achieved, the department attributed the shortfall in physical progress due to the delay in the selection of beneficiaries by the selection committee during 2016-17. It also stated that due to election code of conduct, the complete target could not be achieved at the end of March 2018 and proposals received after March 2018 are under consideration.

b) Girl Guides

The scheme is under department of Education and has been introduced to support the voluntary organisation Bharat Scouts and Guides. The objective of the organization is to inculcate discipline and service motto among boys and girls studying in primary, middle and high schools. The physical target, achievement and shortfall of the scheme is brought out in **Table 1.7**.

Table 1.7: Physical target fixed and achieved

Year	Number of girl guides to be trained		Shortfall	Percentage of shortfall
	Target	Achievement		
2012-13	1,85,700	1,38,878	46,822	25.21
2013-14	2,68,600	2,03,664	64,936	24.18
2014-15	2,52,000	2,03,685	48,315	19.17
2015-16	2,13,000	1,62,939	50,061	23.50
2016-17	2,45,000	1,73,542	71,458	29.17
2017-18	2,76,500	2,22,868	53,632	19.40

There was shortfall in the percentage of girl guides to be trained during the period 2012-13 to 2017-18 to the extent of 19.17 *per cent* to 29.17 *per cent*. The department stated that the shortfall was due to lack of teachers attending the training courses who impart training to girl guides. Concerted efforts need to be made so as to train more girl guides and inculcate discipline and service motto.

1.1.6 Major policy initiatives of Budget 2017-18

Audit undertook a study on the action taken by the Government to implement major policy initiatives announced in the budget 2017-18 covering various departments of the Government with reference to the action taken report brought out along with the budget documents for 2018-19.

For this purpose, the Department of Health and Family Welfare was selected whose budget was ₹7,071 crore on revenue account and ₹1,162 crore on capital account. The expenditure as per accounts was ₹6,667 crore on revenue account and ₹1,133 crore on capital account indicating unutilised provision of ₹404 crore and ₹30 crore on revenue and capital accounts respectively constituting six and three *per cent* of budget provision. Some of the issues are summarised below and in **Appendix 1.5**.

a) Karnataka Ayush Drugs Manufacturing Society (KADMS) was not established as it was not approved by the Cabinet;

b) Out of 54 mortuaries to be constructed in CHCs, two are completed, one is under progress, 13 are yet to be taken up and the remaining 38 are not approved by the Government;

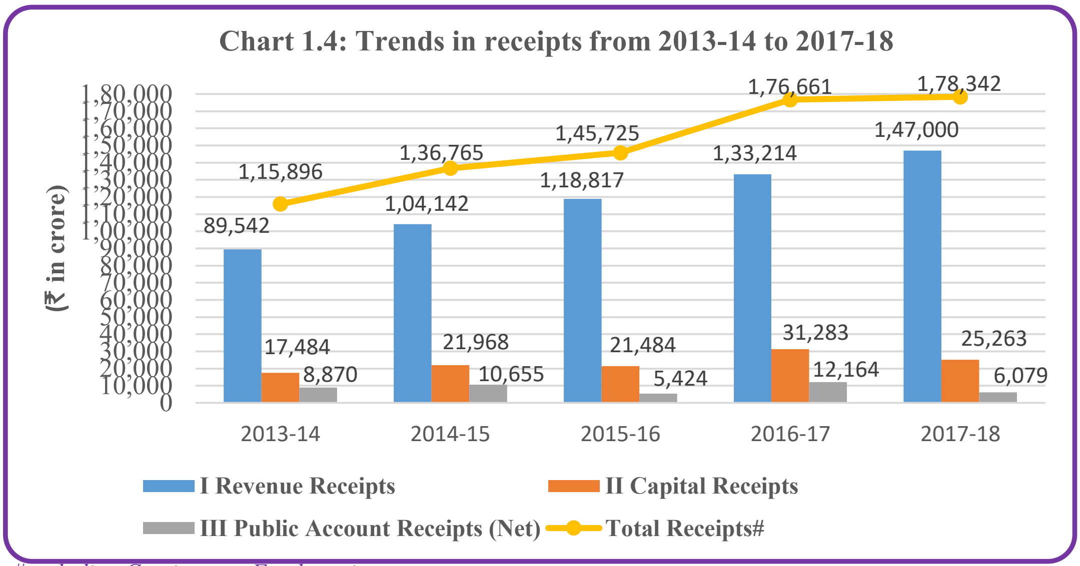
c) Out of the proposed Ayush Treatment Centres in 116 taluk hospitals, 93 are functioning and 23 are non-functioning; and

d) CT and MRI scan facility has been provided in 10 and 2 district hospitals against 14 and 6 district hospitals.

1.2 Resources of the State

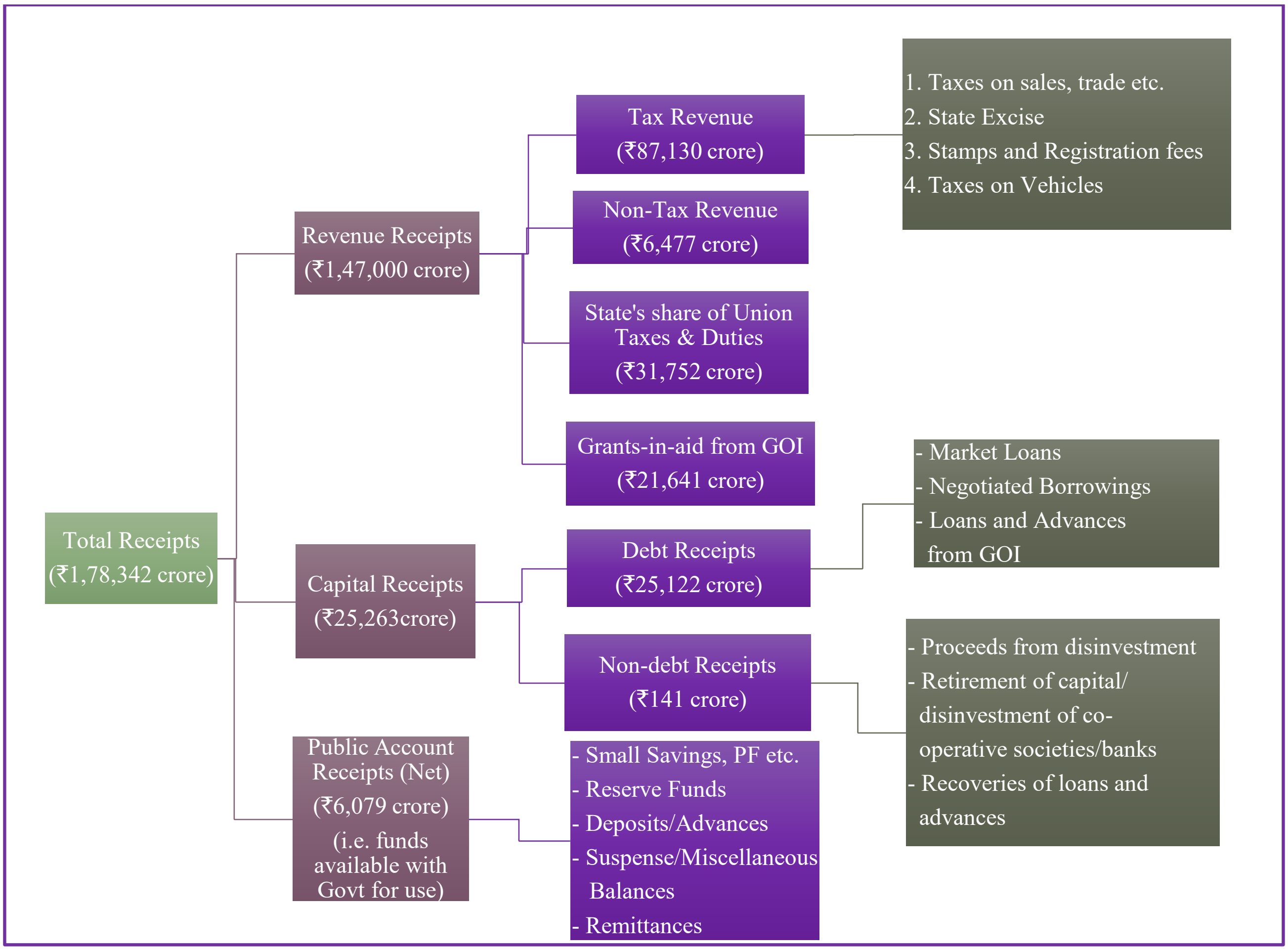
1.2.1 Resources of the State as per the Annual Finance Accounts

Revenue and Capital are the two streams of receipts that constitute the resources of the State Government. Revenue Receipts consist of tax revenue, non-tax revenues, States' share of Union taxes and duties and grants-in-aid and contributions from GOI. Capital receipts comprise miscellaneous capital receipts such as proceeds from disinvestment, recoveries of loans and advances, debt receipts from internal sources (market loans, negotiated loans from financial institutions/commercial banks) and loans and advances from GOI. Net Public Account receipts are also utilised by the Government to finance its deficit. **Chart 1.4** depicts the trends in various components of receipts during 2013-14 to 2017-18. **Chart 1.5** depicts the components and sub-components of resources of the State during 2017-18.



#excluding Contingency Fund receipts.

Chart 1.5: Components and sub-components of Resources



Source: Finance Accounts.

Total receipts (excluding Contingency Fund receipts) increased by 54 *per cent* from ₹1,15,896 crore in 2013-14 to ₹1,78,342 crore in 2017-18. Compared to the previous year (₹1,76,661 crore), there was an increase of ₹1,681 crore (less than one *per cent*) during 2017-18 (₹1,78,342 crore).

The share of revenue receipts in total receipts during 2017-18 was 82 *per cent*. Further details are provided in **paragraph 1.3**.

Capital receipts increased by 44 *per cent* from ₹17,484 crore in 2013-14 to ₹25,263 crore in 2017-18. During 2017-18, the capital receipts accounted for 14 *per cent* of total receipts. Debt receipts, the main constituent of capital receipts, decreased by ₹6,034 crore over the previous year. There was decrease in growth of internal debt receipts by 21 *per cent* and Loans and Advances increased by one *per cent* over the previous year. The non-debt capital receipts showed 11 *per cent* increase in growth during 2017-18 over the previous year.

Public Account receipts refer to those receipts for which the Government acts as a banker/ trustee for the public money. On an average, they constituted seven *per cent* of the total receipts during 2013-14 to 2017-18. Net Public Account receipts, which were ₹8,870 crore in 2013-14, increased to ₹12,164 crore in 2016-17, but decreased to ₹6,079 crore in 2017-18.

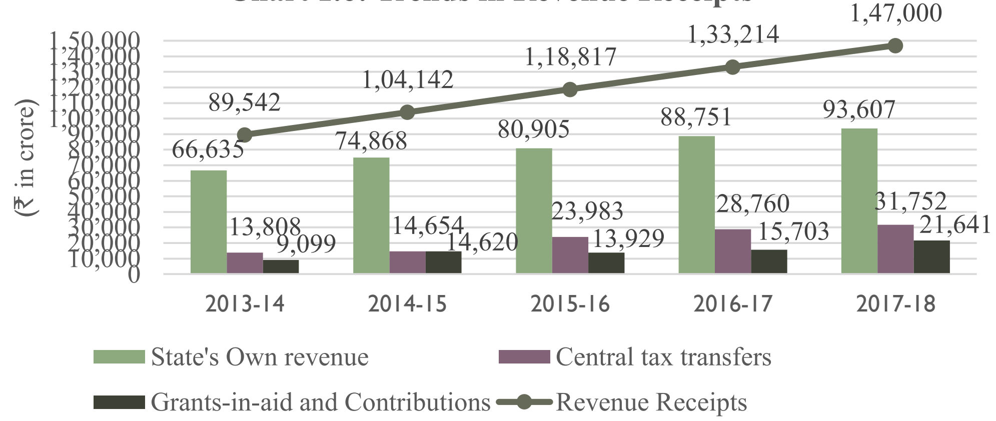
1.3 Revenue Receipts

The Government of Karnataka's fiscal position is largely influenced by the revenue side. On an average, 69 *per cent* of the revenue came from State's own resources during the period 2013-14 to 2017-18. The balance was transfers from GOI in the form of State's share of taxes and duties and grants-in-aid and contributions.

Simplification and rationalisation of tax structure, along with simplification of process of filing tax returns like e-payment of taxes and anywhere registration has ensured effective mobilisation of resources from various taxes which reflected consistent performance on the tax front. Though tax revenues have been consistently growing, the Government of Karnataka has not improved revenues on the non-tax front, which was between four and five *per cent* of revenue receipts during 2013-14 to 2017-18 which is discussed in detail in **paragraph 1.3.1.2**.

The trends in revenue receipts relative to GSDP over the period 2013-14 to 2017-18 are presented in **Appendix 1.4** and its composition are also depicted in **Chart 1.6**.

Chart 1.6: Trends in Revenue Receipts

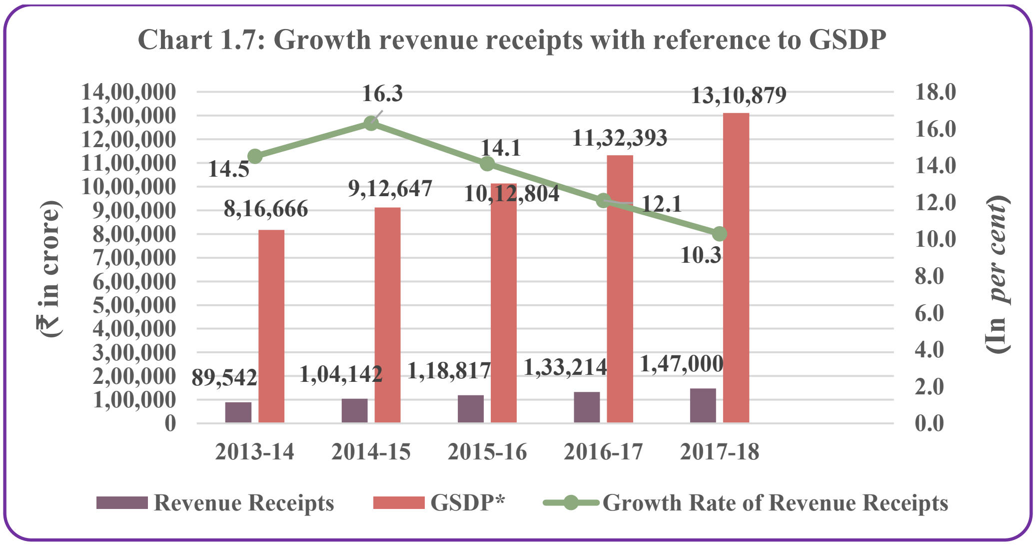


Source: Finance Accounts.

As seen from the appendix,

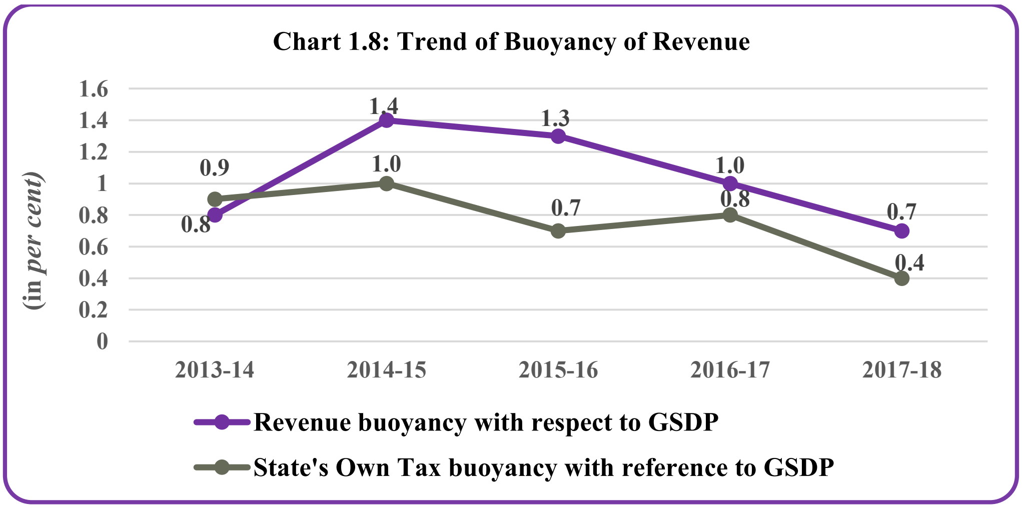
- Revenue buoyancy[3], which is directly proportionate to growth of revenue receipts and increase in GSDP, showed an oscillating trend and ranged between 0.83 and 1.39 during the five year period. The growth rate of Revenue Receipts decreased from 14.54 *per cent* in 2013-14 to 10.35 *per cent* in 2017-18; and
- Buoyancy of State's own tax revenue to GSDP showed an oscillating trend and recorded a sharp fall in the year 2017-18 due to fluctuation of growth of tax revenue. It was 0.94 in 2013-14, 0.70 in 2015-16, 0.83 during 2016-17 and was at its lowest of 0.32 during 2017-18.

Chart 1.7 depicts the rate of growth of revenue receipts compared to GSDP and total revenue receipts and **Chart 1.8** depicts the trends of buoyancy ratios.



Source: Finance Accounts and Economic Survey, GOK for 2017-18 and MOF, GOI letter dt 28 August 2017.

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



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

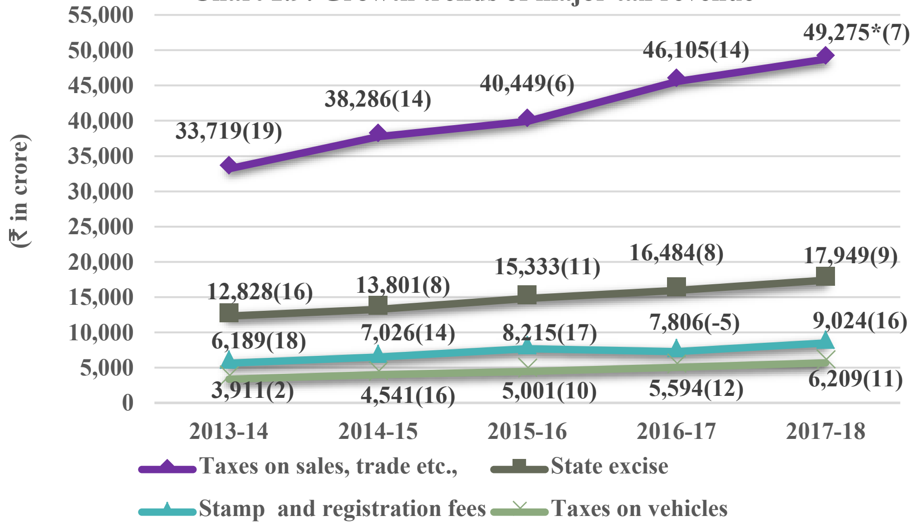
Revenue buoyancy with respect to GSDP showed growth till 2014-15 and a decline thereafter. The State's Own Tax Buoyancy with reference to GSDP increased marginally from 2013-14 to 2014-15 decreased thereafter with inter year variations.

1.3.1 State's Own Resources

1.3.1.1 Tax Revenue

Taxes on sales, trade, etc., (29 *per cent*) and State Goods and Service Tax (28 *per cent*) were the main source of the State's tax revenue followed by State Excise (21 *per cent*), Stamps and Registration Fees (ten *per cent*) and Taxes on Vehicles (seven *per cent*) during 2017-18. The components and trends of tax revenue during the period 2013-14 to 2017-18 are shown in **Appendix 1.4** and **Chart 1.9**.

Chart 1.9: Growth trends of major tax revenue



**includes SGST of ₹24,182 crore.*
figures in bracket denote rate of growth.

The taxes on sales, trade etc., increased from ₹33,719 crore in 2013-14 to ₹49,275 crore in 2017-18, an increase of 46 *per cent* (₹15,556 crore in terms of amount) which includes SGST of ₹24,182 crore also. State Excise, which was the second largest contributor to State's own tax revenues increased by 40 *per cent* during the same period. During the period 2013-14 to 2017-18, the Stamps and Registration fees increased from ₹6,189 crore to ₹9,024 crore, an increase of 46 *per cent*. The Motor vehicle taxes also contributed significantly to own tax revenues. It increased by 59 *per cent* (₹2,298 crore in terms of amount) during the period 2013-14 to 2017-18.

Cost of Collection

The gross collection of taxes on motor vehicles, taxes on sales, trade etc., stamp and registration fees and state excise, expenditure incurred on their collection and its percentage to gross collection during the years 2014-15 to 2016-17 along with their All-India average cost of collection for the respective previous years are indicated in the **Appendix 1.6**. As seen from the appendix, the percentage of cost of collection to the gross collection was significantly less than the All India Average for the period 2013-18 indicating that the expenditure on collection in Karnataka was significantly less than All India expenditure except for taxes on sales, trade etc., for 2013-14 and 2014-15.

Comparison of Own Tax Revenue to GSDP

A comparison of State's Own Tax Revenue to GSDP of Karnataka for 2017-18 with neighbouring States is given in **Table 1.8**.

Table 1.8: Comparison of Own Tax Revenue to GSDP with neighbouring States

(₹ in crore)

Sl. No.	Component	Karnataka	Kerala	Tamilnadu	Maharashtra
1	Own Tax revenue	87,130	46,460	93,737	1,67,932
2	GSDP	13,10,879	6,86,116	14,27,074	24,96,505
3	Own Tax/ GSDP (in *per cent*)	6.65	6.77	6.57	6.73

Own Tax Revenue as percentage of GSDP was better for Karnataka State (6.65 *per cent*) during 2017-18 when compared to the neighbouring State of Tamilnadu (6.57 *per cent*) but less than that of Maharashtra (6.73 *per cent*) and Kerala (6.77 *per cent*).

1.3.1.2 Non-tax revenue

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

The State's Fiscal Reforms and Budget Management Committee (FRBMC) has recognised the fact that non-tax revenue needs to be increased and advised departments every year to take forward measures to increase non-tax revenues and to adopt auction route in order to increase revenues from the mines and minerals. The Budget circular issued by the Government (2017-18) in this regard also emphasized the need to step up collections under non-tax revenue over the present level of collections. All Administrative Departments should conduct a thorough review of all non-tax revenue sources and initiate action to revise the rates of non-tax revenue/user charges.

Similarly, efforts should be made to collect interest receipts, dividends and capital recoveries from various Public Undertakings, Co-operatives, Autonomous Institutions and other departmental loans based on the terms and conditions of the loans, investment made and periodicity of the repayments.

The trends in collection of non-tax revenue are given in **Appendix 1.4**. The components of non-tax revenue for 2017-18 are presented in **Chart 1.10** and the trends in non-tax revenue and its growth rate during the period 2013-14 to 2017-18 is shown in **Chart 1.11**.

Chart 1.10: Components of non-tax revenue in 2017-18

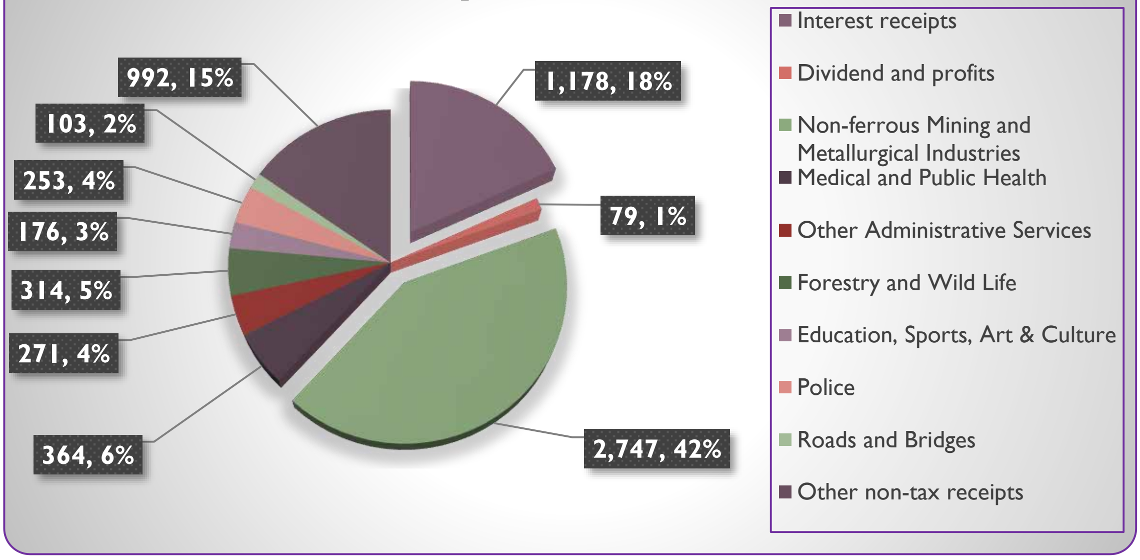
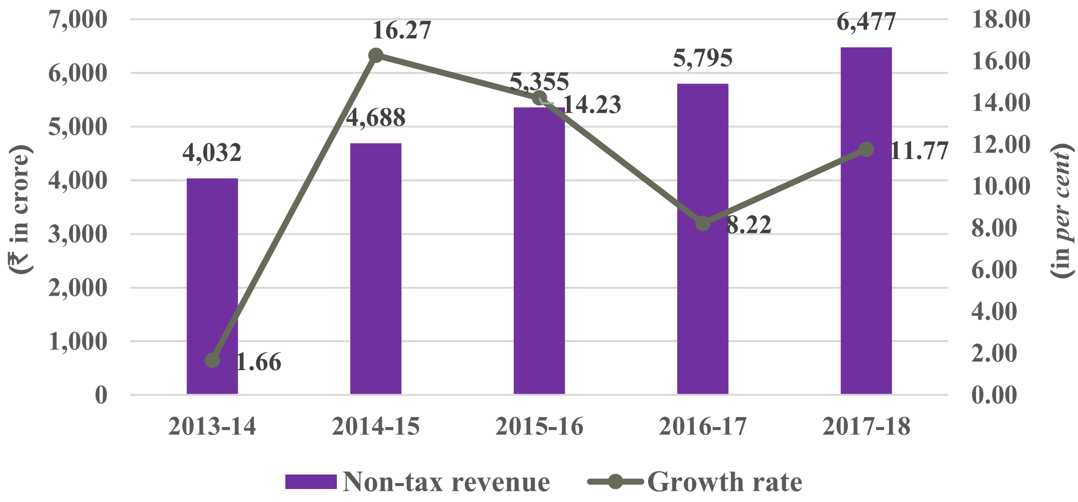


Chart 1.11: Non-tax revenue and its growth rate



As seen from the chart above, the growth rate of non-tax revenue increased from 1.7 *per cent* in 2013-14 to 11.8 *per cent* in 2017-18 with inter year variations.

In the Economic Survey for 2017-18, it was admitted that non-tax revenues are an important fiscal challenge faced by the State, which warrants necessary measures to recover user charges at optimal levels. The ratio of non-tax revenue to total receipts has been continuously low. This is due to low recovery of costs. In many departments, the revision of user charges, fees & fines and other such non-tax receipts has not taken place for many years.

The Finance Department stated that all administrative departments have been instructed to revise non-tax revenues. Based on the instructions, the Home department revised its user charges vide GO dated 27.10.2017 and 20.11.2017. Similarly, the Labour department has revised the fees payable for license and annual renewal fees by factories vide its notification dated 11.10.2017 and 24.03.2018. The Department of Personnel and Administrative Reforms has revised the user charges related to Karnataka Bhavan, New Delhi and Kumara

Krupa Guest House, Bengaluru in January 2018 and August 2018 respectively. All departments should review the revision of non-tax revenue/user charges from time to time based on the instructions/directions issued by the Finance Department.

A mention was also made in the earlier reports of State Finances where departments like Hospitals, Horticulture etc., collected user charges/ rent and utilised the same without remitting into the Consolidated Fund of the State. Even with revision of rates and better collection mechanisms, the increase in revenues from this avenue may not be large due to the existing low base. Though the Expenditure Reforms Commission has made a number of recommendations in 2010 to enhance revenues from user charges, the achievement is poor.

Interest receipts, Dividends and Profits

Apart from the regular source of interest receipts on account of repayment of loans, the other major source is interest proceeds out of investment of surplus cash balance of the State. As per Reserve Bank of India's (RBI) regulations, the cash balance maintained by the State is invested in GOI's 14-day Treasury Bills (TBs). To improve cash management, excess cash balance (beyond the immediate requirement) is invested partly in 14-day intermediate Treasury bills of RBI with an average interest rate of 3.35 *per cent* per annum and partly in 91 day intermediate TB's of RBI with an average interest rate of 6.17 *per cent* against an average rate of 7.69 *per cent* per annum at which the borrowings are made. Against the budgeted estimate of ₹1,097 crore during 2017-18, the revenue realised was ₹1,078.30 crore, of which 14 day TBs yielded ₹331.14 crore and 91 day TBs yielded ₹747.16 crore.

The interest realised on loans and advances given by Government to its Companies/ Corporations etc., stood at ₹99.45 crore, working out to less than one *per cent* of the outstanding balances of loans at the end of the year. The receipts also included interest on capital of departmentally run commercial undertakings[4].

Substantial sums of money are held in banks by the Departmental Officers in contravention to the financial rules, which preclude the Departmental Officers from depositing the money in the savings bank accounts. The budgetary grants released to the departments in previous years that remain unutilised are kept in banks. The Finance Department initiated action by issuing directions/ instructions (May 2018) for remittance of these balances/interest on the balances. A sum of ₹62.62 crore, being the interest earned on the balances in savings bank during 2017-18, was accounted under the HOA '0049-04-800-6-01 – Interest received from deposit accounts'.

The return on investment in the form of dividends declared by the Companies/ Corporations and credited to Government account during 2017-18 was ₹78.83 crore. Considering the magnitude of Government investment (₹65,146 crore), the return works out to a meagre 0.12 *per cent*.

[4] Interest on Capital in Silk Filatures of ₹0.63 crore, the adjustments of which were made through book transfer.

Other non-tax receipts

The other major non-tax revenue is royalty on major and minor minerals. Against the budget estimate of ₹2,251 crore, the actual realisation was ₹2,590 crore. There was an increase of ₹361 crore compared to the previous year.

Non-remittance of user charges/fees into Consolidated fund of the State

Article 266 (1) of the Constitution of India provides that all revenues received by the State Government, all loans raised by the Government by issue of treasury bills, loans or ways and means advances and all moneys received by the Government in repayment of loans form one Consolidated Fund called 'the Consolidated Fund of the State'. No moneys out of the Consolidated Fund of the State shall be appropriated except in accordance with law and for the purposes and in the manner provided in the Constitution.

Two cases of Non-remittance of user charges/fees into Consolidated Fund of the State are given below.

a) Tiger Conservation Foundation

Government of Karnataka approved (December 2007), the establishment of three Tiger Conservation Foundations in Tiger Reserves of Bandipura, Bhadra and Anshi-Dandeli. The foundation earned income in the form of user charges, through collection of entry fees, parking fees and other charges at these tiger reserves.

A check of records of these tiger reserves, showed that the user fees assigned to the tiger conservation foundation is being deposited in the bank account. During the period from 2012-13 to 2017-18, ₹46.75 crore of user charges collected were deposited in various nationalised banks as detailed in the **Table 1.9**.

Table 1.9: Remittance of user fees in bank account

(₹ in crore)

Sl. No.	Name of the Foundation	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	Total
1	Bhadra	0.21	0.32	0.44	0.53	0.71	1.01	**3.22**
2	Anshi-Dandeli	1.00	0.92	1.51	2.10	1.91	2.09	**9.53**
3	Bandipur	3.08	4.50	5.52	6.69	7.14	7.07	**34.00**
	Total	**4.29**	**5.74**	**7.47**	**9.32**	**9.76**	**10.17**	**46.75**

These user charges/fees are not remitted into the Consolidated Fund of the State but are utilised by Tiger Reserve Foundations to facilitate ecological, economic, social and cultural development.

b) District Mineral Foundation (DMF) fund

As per Government of India Notification dated 17.09.2015, all recipients of mining leases executed before 12.01.2015 (the date on which the MMDR amendment Act came into force) will have to contribute an amount equal to 30 *per cent* of the royalty payable to the DMF fund. In the cases where mining leases are granted after 12.01.2015, the rate of contribution will be 10 *per cent* of the royalty payable.

The State Government vide GO dated 05.11.2015 notified the establishment of District Mineral Foundation (DMF) fund in each district of Karnataka with effect from 12.01.2015 and accorded sanction (January 2016) for opening of Deposit account of DMF fund under HOA 8449-00-120-9-45 – District Mineral Foundation Fund in Public Account in each district treasury, where mining activities takes place. It is utilised for specific purposes to implement activities and welfare programmes[5].

As per notification dated 11.01.2016, DMF fund shall be kept in non-interest bearing deposit account under Public Account, one in each district and with the approval of the State Government, can be kept in interest bearing account in the treasury or designated bank as the State Government may in general or special guidelines permit. However, vide notification dated 08.03.2018 DMF trust shall open a bank account in any of the nationalised bank and shall operate the account as per the provisions of the trust guidelines. The balance in the fund was ₹909.96 crore as on 31 March 2018.

The contribution to the DMF fund is a percentage of royalty paid by the miners and in the nature of non-tax revenue of the State. Therefore, the contribution to the DMF fund should form a part of the Consolidated Fund of the State. Hence, directly accounting in the Public Account in treasuries till 07.03.2018 and then in the bank accounts thereafter is not correct.

When the issue was brought to the notice of the department that the percentage of royalty realised were not remitted to the Consolidated Fund of the State and it was in contravention to the provisions of Article 266(1) of the Constitution of India, Secretary to the Government of Karnataka (MSMEM), Commerce and Industries Department replied (August 2018) that contributions towards DMF is being collected from the miners and is to be spent in the mining affected area of the district only. Therefore, the contribution will not be part of the Consolidated Fund of the State but is part of the mineral wealth of that region, to be utilised for their benefit only.

The reply of the department is not acceptable as audit is commenting on the accounting of the receipts collected into DMF and not the utilisation of the amount. Further, non-remittance of user charges/fees escapes the scrutiny of the Legislature. Therefore, a system for remittance/release of such money needs to be put in place for tracking the revenues/expenditure.

[5] Like drinking water supply, healthcare, education, sanitary work etc., in the mining affected areas, to alleviate the adverse impact of mining on the people and environment and create long term sustainable livelihood opportunities for mining affected people.

1.3.2 Grants-in-aid from GOI

Grants-in-aid and Contributions from GOI increased from ₹9,099 crore in 2013-14 to ₹21,641 crore in 2017-18 as shown in **Appendix 1.4**. As compared to the previous year, there was an increase of ₹5,938 crore during 2017-18. As the distinction between plan and non-plan has been removed from 2017-18 onwards, the increase in receipts is mainly under Centrally Sponsored Schemes (CSS) (₹11,177 crore), Other transfers/Grants to States (₹7,316 crore) which includes ₹6,246 crore towards compensation for loss of revenue arising out of implementation of GST and Finance Commission Grants (₹2,708 crore).

1.3.3 Central tax transfers

The Government of India transfers share of the State Government in Union Taxes and Duties such as Corporation Tax, Income Tax, Service Tax, Union Excise Duties etc. The trends in these Central tax transfers during 2013-18 are given in **Table 1.10**.

Table 1.10: Trends in Central Tax transfers

(₹ in crore)

Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
Corporation Tax	4,643.76	5,117.21	7,547.57	9,211.05	9,721.29
Taxes on Income other than Corporation Tax	3,057.77	3,654.18	5,252.47	6,401.72	8,208.94
Taxes on Wealth	12.75	13.81	1.65	21.08	(-) 0.29
Customs	2,252.90	2,369.95	3,830.22	3,962.25	3,203.80
Union Excise duties	1,591.16	1,338.24	3,181.60	4,524.54	3,348.80
Service Tax	2,249.93	2,160.75	4,153.56	4,639.22	3,617.15
Other Taxes on Income and Expenditure	-	0.12	0.15	-	-
Other taxes and duties on Commodities and Services	0.01	(-) 0.01	16.12	0.08	(-) 0.01
Integrated Goods and Service Tax (IGST)	-	-	-	-	3,204.72
Central Goods and Service Tax (CGST)	-	-	-	-	447.56
Total	**13,808.28**	**14,654.25**	**23,983.34**	**28,759.94**	**31,751.96**

Source: Finance Accounts of the respective years.

Further, XIV FC recommended that the State's share in the net proceeds of Central Taxes (excluding Service Tax) and net proceeds of Service Tax be fixed at 4.713 *per cent* and 4.822 *per cent*, respectively. During 2017-18, out of total net collection of Union taxes of ₹6,73,012 crore, the net devolution of State's share is ₹31,751.96 crore and the share of Corporation tax, Taxes on income other than Corporation tax, Customs and IGST was 4.713 *per cent*, Union Excise duties was 4.666 *per cent*, CGST was 4.628 *per cent* and Service tax was 4.812 *per cent*.

1.3.4 XIV Finance Commission Grants

1.3.4.1 Introduction

As per the terms of reference of the XIV FC constituted by the President under Article 280 of the Constitution on 2 January 2013, the Commission shall make recommendations in respect of measures needed to augment the Consolidated

Fund of the State to supplement the resources of the Panchayats and Municipalities in the State.

1.3.4.2 Grants to PRIs/ULBs

The Commission recommended ₹2,969.74 crore during 2017-18 as transfer to the State in the areas indicated in **Table 1.11**.

Table 1.11: Transfer of recommended and actual release of grants during 2017-18

(₹ in crore)

	Transfers	Recommended amount	Actual release	Short fall
a	Basic Grants to PRIs	1,604.42	1,580.18	24.24
b	Performance Grants to PRIs	206.13	-	206.13
c	Basic Grants to ULBs	899.25	899.25	-
d	Performance Grants to ULBs	259.94	-	259.94
	Total	**2,969.74**	**2,479.43**	**490.31**

As of March 2018, the State Government received ₹1,580.18 crore of Basic Grants[6] for Panchayat Raj Institutions(PRIs) against the recommendation of ₹1,604.42 crore and received the entire recommended amount of ₹899.25 crore towards Basic Grants to Urban Local Bodies(ULBs).

The XIV FC recommended that to be eligible for Performance Grants, the gram panchayats will have to submit audited annual accounts that relate to a year not earlier than two years preceding the year in which the gram panchayat seeks to claim the Performance Grant. It will also have to show an increase in the own revenues of the local body over the preceding year, as reflected in the audited accounts. The release of Performance Grants to PRIs and ULBs commenced from 2016-17. The State Government {RDPR department and Urban Development Department (UDD)} issued guidelines to arrive at entitlement of PRIs and ULBs with regard to the operational criteria to obtain Performance Grants under XIV Finance Commission.

For the year 2017-18, the Performance Grants[7] to PRIs and ULBs were not released till the end of March 2018. Rural Development and Panchayatraj department in its reply (November 2018) stated that the claim for 2017-18 Performance Grants pertaining to PRIs has been submitted to Government of India (February 2018) after attending to compliance as suggested by GOI. Reply from ULBs is yet to be received.

1.3.5 Releases under Disaster Relief

Against the recommended amount of ₹305.00 crore towards State Disaster Relief Fund (SDRF), only ₹228.75 crore (75 *per cent*) was released, an increase of ₹11.25 crore (five *per cent*) over the previous year. The XIV FC recommended that the contribution to the fund is in the ratio of 90:10 between GOI and State Government. GOI accepted this recommendation with the modification that the *percentage* share of the States will continue to be as before

[6] The basic grants to PRIs and ULBs for 2016-17 was ₹1,368.21 crore and ₹778.29 crore respectively.

[7] The performance grants to PRIs and ULBs for 2016-17 was ₹179.45 crore and ₹229.70 crore respectively.

in the ratio of 75:25 and that the flows will also be of the same order as in the existing system and that, once GST is in place, the recommendations of XIV FC on disaster relief would be fully implemented.

Even though GST has been implemented from 2017-18 onwards, the contributions from GOI towards SDRF for 2017-18 was at 75 *per cent* only instead of 90 *per cent*. Failure on the part of the State Government to pursue the matter with Government of India, resulted in the State Government losing grants to the extent of ₹45.75 crore.

1.3.6 Foregone revenue

As per the requirements under Section 5(2) (c) of KFRA, additional statements are brought out in MTFP 2017-21 detailing the tax expenditure/ revenue foregone by exemption or deferment of VAT, CST and Entry Tax. The details of such exemptions/ revenue foregone during the years 2016-17 to 2017-18 are indicated in **Table 1.12**.

Table 1.12: Details of exemptions/revenue foregone

(₹ in crore)

Particulars	2016-17	2017-18#
Tax expenditure/ revenue foregone under deferment of purchase tax on sugarcane	78.20	29.10
Entry Tax Exemption/ VAT deferment/ CST deferment	712.00	137.38
Total	**790.20**	**166.48**

Source: MTFP – 2018-22.

#for the first three quarters of 2017-18.

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

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

1.3.7 Implementation of Goods and Service Tax (GST) in Karnataka

The State Government implemented the Goods and Services Tax (GST) Act which became effective from 1 July 2017. According to GST (Compensation to the States) Act 2017, the Central Government will compensate the States for loss of revenue arising on account of implementation of GST for a period of five years. The compensation payable to the State shall be calculated for every financial year after the receipt of final revenue figures, as audited by the CAG of India. A base year (2015-16) revenue figure of taxes subsumed under GST was finalised under the GST Act. In case of Karnataka State, the revenue was ₹36,144.15 crore during the base year (2015-16). The projected revenue for any year in a State shall be calculated by applying the projected growth rate (14 *per cent* per annum) over the base year revenue of that State. Therefore, the projected revenue for the year 2017-18 shall be ₹46,972.94 crore at 14 *per cent* growth rate.

The projected revenue for the period from 1st July 2017 to 31st March 2018 in accordance with the base year figure was ₹35,229.69 crore (₹3,914.41 crore X 9 months). Revenue figures under GST for the year 2017-18 have been depicted in Finance Accounts as per the nature of receipts i.e. State Goods and Services Tax (SGST), Input Tax Credit cross utilisation of SGST and IGST (Integrated Goods and Services Tax), Apportionment of IGST-Transfer-in of Tax component to SGST and Advance apportionment from IGST.

Against the projected revenue of ₹35,229.69 crore for the period from 1st July 2017 to 31st March 2018, taxes collected by the State (pre-GST taxes & SGST), IGST portion (including provisional/advance apportionment of IGST) received from the Central Government and GST compensation received aggregating to ₹35,095.12 crore and balance GST compensation receivable was ₹134.57 crore as detailed in **Appendix 1.7**.

1.4 Capital Receipts

Capital receipts of the State Government include non-debt (miscellaneous capital receipts and recovery of loans and advances) and debt receipts. The Public Debt receipts during 2017-18 (₹25,122 crore) comprised internal debt of ₹23,179 crore (92 *per cent*) and Loans and Advances from GOI ₹1,943 crore (eight *per cent*). Market borrowings had a major share under internal debt, comprising 95 *per cent* followed by negotiated loans (five *per cent*). Loans from GOI comprised other loans only. The composition of capital receipts during the period 2013-14 to 2017-18 are indicated in **Appendix 1.4**.

Overall, capital receipts increased from ₹17,484 crore in 2013-14 to ₹25,263 crore in 2017-18. Debt receipts had a predominant share in capital receipts which were between 98 and 99 *per cent* during 2013-14 to 2017-18. The recovery towards loans and advances was very meagre during the period. Recovery amounted to less than one *per cent* of the outstanding loans and advances as at the end of 2017-18. It also included book adjustment of ₹14.44 crore being the dues of Electricity Supply Companies (ESCOMs), treated as subsidy on revenue account.

1.5 Public Account Receipts

Receipts and disbursements in respect of certain transactions, such as Small Savings, Provident Fund, Reserve Funds, Deposits, Suspense, Remittances etc., which do not form part of the Consolidated Fund are kept in the Public Account set up under Article 266(2) of the Constitution and are not subject to vote by the State Legislature. Here, the Government acts as a banker/ trustee for custody of public money, since these transactions are mere pass through transactions. The net transactions under Public Account covering the period 2013-14 to 2017-18 are indicated in **Table 1.13**.

Table 1.13: Net transaction under Public Account

(₹ in crore)

Resources under sectors of Public Account (Net)	2013-14	2014-15	2015-16	2016-17	2017-18
I. Small Savings, PF etc.,	3,107	2,156	2,086	2,657	2,811
J. Reserve Funds	1,264	1,547	2,081	6,013	3,019
K. Deposits and Advances	2,840	3,702	284	3,041	1,834
L. Suspense and Misc.	2,671	3,282	990	491	(-) 1,509
M. Remittances	(-) 12	(-) 32	(-) 17	(-) 38	(-) 76
Total	**8,870**	**10,655**	**5,424**	**12,164**	**6,079**

The net receipts from Public Account increased from ₹8,870 crore in 2013-14 to ₹12,164 crore in 2016-17 and reduced to ₹6,080 crore in 2017-18. This includes transfer of ₹2,768 crore from General Revenues of the State to Infrastructure Funds in Public Account. Similarly, an amount of ₹71.22 crore was transferred to SUTF in Public Account. Net availability of funds under Reserve Funds, Small Savings and Provident Fund had a major share in financing the fiscal deficit. The receipts under Deposits and Advances include ₹1,807 crore deposits made in Panchayat Bodies Fund. Under Suspense and Miscellaneous, there was increase in transactions relating to un-encashed cheques which amounted to ₹1,521 crore during 2017-18. An analysis of the transaction is brought out in **paragraph 1.8.6**.

1.6 Applications of resources

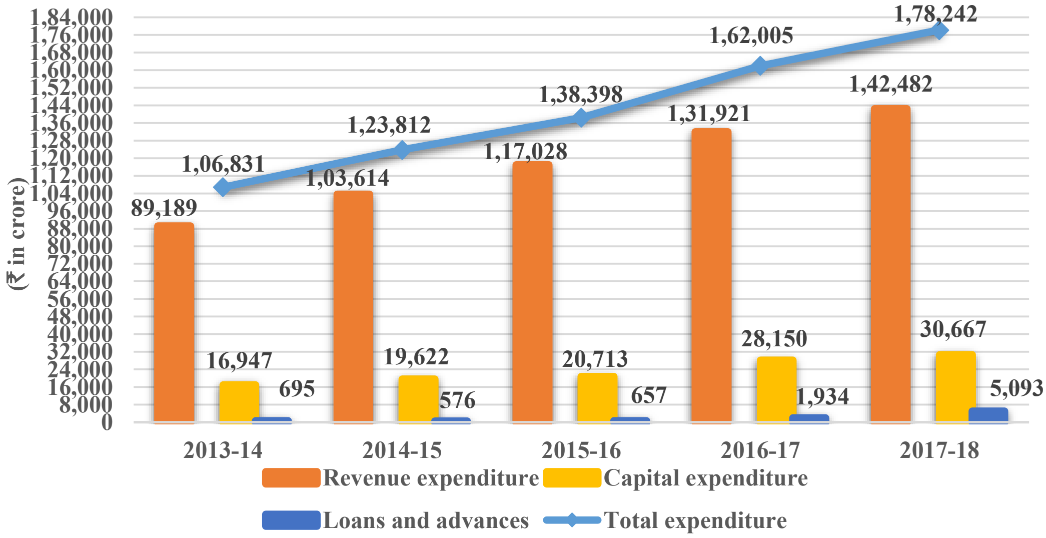
Analysis of the allocation of expenditure at the State Government level assumes significance since major expenditure responsibilities are entrusted with them. Within the framework of fiscal responsibility legislations, there are budgetary constraints in raising public expenditure financed by deficit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

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

1.6.1 Growth and composition of expenditure

The basic parameters of total expenditure, growth rate and comparison with GSDP etc., are furnished in the **Appendix 1.4**. **Chart 1.12** presents the trends in total expenditure over a period of five years (2013-14 to 2017-18) and its composition under revenue, capital and loan and advances.

Chart 1.12: Total expenditure :Trends and composition



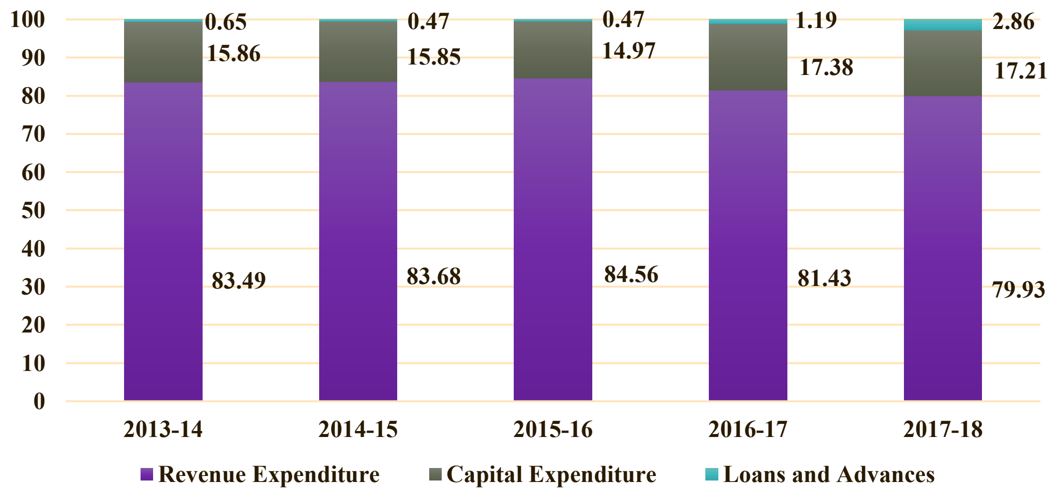
Total expenditure increased by 67 *per cent* from ₹1,06,831 crore in 2013-14 to ₹1,78,242 crore in 2017-18 due to increase in revenue expenditure (₹53,293 crore), capital outlay (₹13,720 crore) and disbursement of loans and advances (₹4,398 crore).

During the period 2013-14 to 2017-18, on an average, 83 *per cent* of the total expenditure was on revenue account. During 2017-18, it was 80 *per cent*. The share of capital expenditure (including loans and advances) was 20 *per cent*.

The share of Revenue Expenditure, Capital Expenditure and Loans and Advances for the years 2013-14 to 2017-18 is given in **Chart 1.13**.

Chart 1.13: Total expenditure - Trends in share of its components

(share in *per cent)*



Revenue expenditure had a predominant share in total expenditure as around 62 *per cent* of the expenditure was committed expenditure alone thus, leaving little scope for increase in capital expenditure. The trends of total expenditure by activities under General, Social, Economic, Loans and Advances and Grants-in-aid are given in **Table 1.14**.

Table 1.14: Total Expenditure – Trends by activities

(share in per cent)

	2013-14	2014-15	2015-16	2016-17	2017-18
General Services	23.83	23.33	22.97	19.95	19.90
Social Services	33.39	35.17	37.30	37.93	37.77
Economic Services	37.43	36.17	34.87	37.42	35.83
Loan and Advances	0.65	0.47	0.47	1.19	2.86
Grants-in-aid and contributions	4.70	4.86	4.39	3.51	3.64

Source: Finance Accounts of the respective years.

The movement of relative share of these components exhibited relative stability during the period from 2013-14 to 2017-18 with marginal inter year variations. The share of General Services decreased gradually while the share of Social and Economic Services decreased in 2017-18 when compared to the previous years. The share of loans and advances declined sharply from 2013-14 to 2015-16 and increased to 2.86 *per cent* in 2017-18.

The Expenditure Reforms Commission (ERC) in its First Report (February 2010) had recommended capital investments to be stepped up and protected from fiscal uncertainties through prudent allocations. It had also recommended maintaining the capital expenditure (excluding debt servicing) at five *per cent* of GSDP. However, the ratio of capital expenditure to GSDP which was at two *per cent* during 2013-14 to 2015-16, increased to three *per cent* during 2016-17 and 2017-18.

1.6.2 Revenue Expenditure

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

Revenue expenditure increased from ₹89,189 crore in 2013-14 to ₹1,42,482 crore in 2017-18, an increase of 60 *per cent*. Compared to the previous year, the increase was eight *per cent*, due to increase in salary expenditure (₹1,250 crore), interest payments (₹2,057 crore), pensions (₹389 crore) and devolution to local bodies (₹1,665 crore) etc.

The revenue expenditure during 2017-18 also included ₹3,382.21 crore provided as Guarantee Commission[8] (₹13.80 crore), Adjustment of interest on Karnataka Government Insurance Fund (₹190.48 crore), Adjustment of interest on fund balances under Karnataka Government Insurance Schemes (₹832.37 crore), Adjustment of interest on GP Fund balances under Karnataka General Provident Fund (₹1,054.67 crore), ESCOMs (₹1,290.24 crore) being the dues of electricity tax etc., treated as subsidy and adjustment of interest on Capital invested in Government Commercial Undertakings (GCU's) (₹0.65 crore) through book adjustment.

1.6.3 Committed Expenditure

Most of the revenue expenditure is in the nature of committed expenditure on salaries, interest, pension, subsidy etc., which affects the maneuverability of the State in prioritising expenditure and in meeting capital investments to meet growing needs of social and economic infrastructure. The expenditure on these components and also certain other expenses such as pensions under social security schemes, implicit subsidies arising under various schemes of the Government, Grant-in-aid & financial assistance, administrative expenses, devolution to local bodies etc., which are treated as committed expenditure as indicated in MTFP 2018-22 covering the period 2013-14 to 2017-18 is depicted in **Table 1.15** and **Chart 1.14**.

Table 1.15: Trends in Committed Expenditure

(₹ in crore)

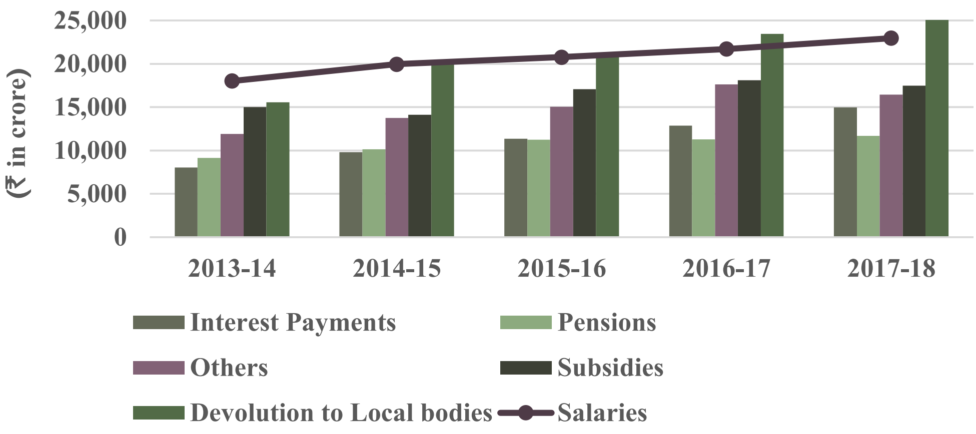
Sl. No.	Particulars	2013-14	2014-15	2015-16	2016-17	2017-18	
						BE	Actuals
1	Salaries* of which	18,027	19,952	20,774	21,708		
	Non-plan head	15,211	16,733	17,342	18,366	25,405	22,958
	Plan Head**	2,816	3,219	3,432	3,342		
2	Interest payments#	8,027	9,804	11,343	12,850	14,159@	14,973
3	Expenditure on pensions	9,152	10,118	11,251	11,295	13,183	11,684
4	Social Security Pensions	1,870	2,322	2,247	2,503	3,992	4,055
5	a) Subsidies	13,323	11,153	13,149	14,387	23,328	14,148
	b) Subsidies in the form of financial assistance etc.	1,690	2,973	3,913	3,714		3,318^
6	Grants-in-aid and financial assistance	8,471	9,737	10,840	13,163	9,534	11,812
7	Administrative Expenses	1,549	1,708	1,958	1,966	1,077	2,404
8	Devolution to Local Bodies	15,570	19,952	21,163	23,466	26,452	25,131
9	**Total Committed Expenditure**	**77,679**	**87,719**	**96,638**	**1,05,052**	**1,17,040**	**1,10,483**
10	**Revenue expenditure**	**89,189**	**1,03,614**	**1,17,028**	**1,31,921**	**1,44,755**	**1,42,482**
11	**Revenue receipts**	**89,542**	**1,04,142**	**1,18,817**	**1,33,214**	**1,44,893**	**1,47,000**
12	Committed expenditure as % of revenue receipts	**87**	**84**	**81**	**79**	**81**	**75**
13	Committed expenditure as % of revenue expenditure	**87**	**85**	**83**	**80**	**81**	**78**

** Includes salaries paid out of grants-in-aid released to PRIs and others.*
*** Includes the salaries paid under centrally sponsored schemes.*

[8] Rajiv Gandhi Rural Housing Corporation Ltd., (₹11.63 crore), Karnataka Slum Development Board (₹0.01 crore), Karnataka State Khadi & Village Industries Board (₹0.52 crore) and Karnataka Road Development Corporation Limited (₹1.64 crore).

 # Includes interest on off-budget borrowings.
@ includes interest pertaining to 2049 only.
^Excludes subsidy under Indira Awas Yojana which was released as financial assistance.

Chart 1.14: Committed Expenditure during 2013-14 to 2017-18



Though, the ratio of committed expenditure to revenue expenditure has decreased from 87 *per cent* in 2013-14 to 78 *per cent* in 2017-18 and the ratio of committed expenditure to revenue receipts has also been decreasing during 2013-14 to 2017-18, the high proportion of committed expenditure to revenue receipts indicates that the State has limited flexibility in allocation of its resources for new schemes. Medium term correction on the expenditure side is required to moderate such committed expenditure. There is also increasing demand on the public resources in the light of statutory legislations like Right to Education, Food Security Act and Employment Guarantee measures. These emerging concerns necessitate a review of public resources as a whole to assess their allocative and technical efficiency.

Expenditure on salaries

Expenditure on salaries increased from ₹18,027 crore in 2013-14 to ₹22,958 crore in 2017-18. It grew by six *per cent* over the previous year. It was noticed that the Finance Accounts captured data on salaries only in respect of the State Sector, whereas the salary expenditure in case of PRIs (₹12,412 crore) was not captured. Since the salaries in respect of PRIs are released as grant-in-aid, the total salary expenditure is not reflected in the accounts. The salary expenditure of Urban Local Bodies (ULBs) of the State (₹524.21 crore) excluding the salary grant was 20 *per cent* of the revenue expenditure net of interest payment and pensions, which was within the norm of 35 *per cent* fixed by the Twelfth Finance Commission (TFC).

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

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

Also, the salary expenditure relating to the employees of ULBs overlapped with those under the State sector (Constitutional dignitaries). This has been discussed in **paragraph 2.4.5**.

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

Pension Payments

The expenditure on pension during 2017-18 was ₹11,684 crore. There was a moderate increase in expenditure over the previous year (₹389 crore).

The payment of pension and other retirement benefits to All India Service (AIS) officers prior to 01 April 2008, was a liability to be borne by the State Government. From April 2008, the liability on account of pension payments that is to be borne by GOI is to be booked under suspense head – 8658 and a demand raised for reimbursement. At the end of March 2018, ₹92.18 crore was outstanding for settlement, compared to ₹50.65 crore (March 2017), implying that the State Government was yet to receive amount due to it.

New Pension Scheme (NPS)

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

The details of the scheme and contributions made by State Government and employees as furnished by Director of Treasuries (October 2018) are given below.

- The number of officials allotted Permanent Retirement Account Number (PRAN) was 1,99,316 as against 2,00,433 officials who joined service between 01.04.2006 and 31.03.2018;
- The employee contribution (regular and backlog[9]) till 31 March 2018 is ₹2,369.29 crore and the matching contributions made by State Government since inception of the scheme is ₹2,358.99 crore. This includes the Governments contribution of ₹581.70 crore and employees' contribution of ₹462.18 crore during the current year;

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

- Out of 1,18,995 employees eligible to receive Government backlog contribution, 25,959 employees were yet to receive due to non-receipt of employee wise details of schedules from DDOs;
- From the accretions during the year, ₹1,173.30 crore which included an opening balance of ₹37.64 crore was transferred to Trustee bank, (Employees' and Employer's contribution) leaving a closing balance of ₹6.23 crore under the deposit account as at the end of 31 March 2018;
- During 2017-18, ₹5.20 crore was paid from the Consolidated Fund as 'New Contributory Pension Schemes – Extension of benefit to the cases of persons/ families who retire/died while in service' and are covered under New Defined Pension Scheme;
- The Government has been paying compound interest at eight *per cent* on Government backlog contribution of NPS employees with effect from 01.04.2010. The interest paid on the Government backlog contribution up to the end of 31.03.2018 is ₹73.86 crore and for the current year it was ₹3.65 crore. However, the State Government has issued orders for stoppage of interest on the Government backlog contribution from 01.07.2016 due to non-submission of schedules by DDOs;
- The Human Resources Management System (HRMS) package was to incorporate a modification in the software to restrict the interest up to 30.06.2016 while generating the schedule for backlog payable to the employee. The modification is yet to be incorporated and payment of Government backlog had been put on hold from January 2018, which adds to the liability of the Government; and
- For effecting NPS deductions of Government employees on foreign services to Boards/ Corporations/ Societies/ Universities/ State Aided Institutions/ State Autonomous Bodies under various Departments of State Government, a unique Non-Treasury PAO/ DDO code has been allocated to 113 organisations, of which 104 organisations have been registered by CRA as on 31.03.2018 and allotted PAO and DDO registration numbers.

Interest Payments

Interest payments increased by ₹6,946 crore from ₹8,027 crore in 2013-14 to ₹14,973 crore in 2017-18. Interest payments during 2017-18 constituted interest on internal debt (₹11,196 crore), interest on small savings, provident fund etc., (₹2,081 crore), interest on loans and advances from the Central Government (₹652 crore) and interest on off-budget borrowings (₹1,043 crore).

The interest on internal debt increased by 18 *per cent* from ₹9,468 crore in 2016-17 to ₹11,196 crore in 2017-18, on account of increase in payment of interest on market loans by ₹1,765 crore (25 *per cent*), Interest on other Internal Debts by ₹9 crore (three *per cent*). The interest on small savings, provident funds etc. increased by ₹177 crore from ₹1,904 crore during 2016-17 to ₹2,081 crore in 2017-18, mainly on account of increase under interest on State Provident funds, Insurance and Pension funds and interest on Defined Contribution Pension Scheme by nine *per cent*.

Subsidies

Subsidy expenditure increased from ₹13,323 crore in 2013-14 to ₹14,148 crore during 2017-18, which was 10 *per cent* of revenue receipts. The four largest subsidy outgoes for the State were power subsidy provided for supply of free electricity to farmers for usage of agricultural pump sets, food subsidy, interest subsidy for crop loans and transport. The Finance Accounts (Appendix-II) showed subsidy of ₹14,148 crore during 2017-18 which was ₹240 crore less than the previous year. The decrease was two *per cent* over the previous year. The details of different subsidies are given in **Appendix 1.8**.

According to the Vaidyanathan Committee Report (March 2008), and as reiterated by PAC, the Governments both at the Centre and in the States should desist from the practice of waiver of recovery of loans and interest to prevent deterioration of the health of the co-operative credit system. However, during 2017-18, the waiver of loans accounted to ₹3,400.67 crore which has been discussed in detail in **paragraph 3.10.2**.

Subsidies in the form of financial assistance, incentives etc.

Subsidies *inter alia* arise when the Government is unable to recover the costs it incurs on the provision of social and economic goods/ services, even though sometimes these may have extended benefits. They can be indirect, in kind or take the shape of tax concessions. Some of these subsidies extended during 2017-18 are detailed in **Appendix 1.9**.

These subsidies increased from ₹1,690 crore in 2013-14 to ₹3,318 crore during 2017-18. They mainly include financial assistance for supply of seeds, weaver's package, Ashraya scheme, micro/ drip irrigation, minimum floor price scheme, housing for weaker sections, house site for landless etc.

During 2017-18 also, the subsidy under Indira Awas Yojana (₹1,219 crore) was accounted for under HOA '2216-80-198-6-02-300' as financial assistance/ block grant to GPs instead of for under HOA '2216-80-103-0-21' (Indira Awas Yojana) & '2216-80-800-0-04' (Indira Awas Yojana – State share).

Financial assistance to local bodies and other institutions

The quantum of assistance provided by way of grants to local bodies and other institutions during 2017-18, relative to the previous years, is presented in **Table 1.16**.

Table 1.16: Financial assistance to local bodies and other institutions

(₹ in crore)

	Name of the Institution	2013-14	2014-15	2015-16	2016-17	2017-18
a	**Panchayat Raj Institutions**	20,512.71	24,991.27	26,694.94	29,697.94	31,054.63
b	**Urban Local Bodies**	5,020.43*	6,011.45*	6,076.05	5,685.58	6,489.76
c	**Educational Institutions (including Universities)**	961.62	1,145.04	1,406.50	1,449.75	1,293.70
d	**Co-operative societies and co-operative institutions**	849.85	818.09	1,023.13	1,009.47	1,191.32
e	**Other institutions and bodies (including statutory bodies)**	5,267.90	5,782.63	4,820.87	6,656.29	7,067.08
	Assistance as a percentage of revenue expenditure	37	37	34	34	33
	Total	**32,612.51**	**38,748.48**	**40,021.49**	**44,499.03**	**47,096.49**

Source: Finance Accounts.

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

As a sequel to the recommendations of the Eleventh Finance Commission, grants are released to PRIs under three distinct programme minor heads namely 196, 197 and 198. The assistance to PRIs increased from ₹20,513 crore in 2013-14 to ₹31,055 crore in 2017-18, while the assistance to ULBs increased from ₹5,020 crore in 2013-14 to ₹6,490 crore in 2017-18.

Out of the total devolution of ₹31,055 crore to PRIs during 2017-18, ₹12,412 crore (40 *per cent*) was towards salaries as the State Government's functions *viz.*, education, water supply and sanitation, housing, health and family welfare etc., were transferred to PRIs. It also included XIV FC grants released to the State Government (₹1,580.18 crore).

The assistance to ULBs increased by ₹804 crore over the previous year. The assistance to ULBs included ₹1,971 crore towards creation of capital assets. It also included XIV FC grants released to the State Government (₹899.25 crore).

Assistance to other institutions (₹7,067 crore) included assistance to Statutory bodies and Development Authorities (₹2,340 crore), NGOs (₹1,762 crore), PSUs (₹75 crore) and others (₹2,890 crore). The assistance to Co-operatives increased by ₹182 crore and for other institutions by ₹411 crore as compared to the previous year. It decreased for educational institutions by ₹156 crore during 2017-18.

1.6.4. Entry tax devolution to Urban Local Bodies (ULBs)

The grants to ULBs are released pursuant to the recommendations of the State Finance Commission. Based on the recommendations of the Third State Finance Commission (December 2008), orders were issued in 2011 for release of grants to ULBs. Due to the extension of time for the Fourth State Finance Commission to submit its report, the recommendations of the Third SFC were extended till 2017-18. According to the operative portion of the GO dated 31 October 2011, grants to ULBs (including devolution of entry tax) for the period from 2011-12 to 2015-16 were made as shown in **Table 1.17**.

Table 1.17: Devolution under entry tax and other devolution

Devolution to ULBs	2011-12	2012-13	2013-14	2014-15	2015-16
Entry Tax Devolution (in ₹crore)	1,510 (3.3%)	As per actual collection			
Other Devolution (% of NLNORR[10])	5.2%	5.7%	6.2%	6.7%	6.7%

With regard to Entry Tax devolution, it was noticed in audit that the entry tax collected under tax revenue has not been completely devolved to ULBs during the period from 2011-12 to 2016-17 as indicated in **Table 1.18**.

Table 1.18: Collection of entry tax and its devolution

(₹ in crore)

Year	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Entry Tax collection (0042-106)	1,690	2,181	2,626	3,038	3,125	3,306	1,279
Entry Tax devolution (3604 - 191,192,193)	1,538	1,830	1,972	2,175	2,490	2,566	2,987

However, during 2017-18, the entry tax devolution was more when compared to the entry tax collection. Also, the devolution is made by taking expenditure route for obtaining the approval of the Legislature through Appropriation Acts under Demand for Grants. But on central side, the devolution to State of net proceeds of Union Taxes and Duties on the recommendations of the Finance Commission is made through the tax revenue head of account only (tax expenditure) without subjecting the transfer to Parliamentary approval.

1.6.5 Fourth State Finance Commission

The Fourth State Finance Commission was constituted by the Governor of Karnataka under Article 243 (I) and (Y) of the Constitution of India vide notification dated 21 December 2015.

The Commission was asked to review the financial positions of the Zilla Panchayats, Taluk Panchayats, Grama Panchayats, Municipal Corporations, City Municipal Councils, Town Municipal Councils and Town Panchayats and make recommendations as to

a) Distribution between the State Government and the local bodies of the net proceeds of the taxes, duties, tolls and fees leviable by the Government which may be divided between them and allocation between them the shares of such proceeds;

b) The Grants-in-Aid to the local bodies from the Consolidated Fund of the State;

c) Measures to improve the financial position of the local bodies;

[10] As against 10 *per cent* (₹9,360.69 crore) of Non-Loan Net Own Revenue Receipts (NLNORR) to be released to ULBs during 2017-18, the State Government had released only 6.93 *per cent* (₹6,489.76 crore) of NLNORR (₹93,606.91 crore) resulting in short release of ₹2,870 crore.

d) Determination of taxes, duties, tolls and fees which may be assigned to or appropriated by the local bodies;

e) Make a detailed analysis on repayment of loans and advances extended by Government from time to time to the local bodies; and

f) Examine and make suggestion on the extent to which and the manner in which the resources available to the local bodies could best be utilized for meeting the expenditure of these bodies.

The Commission was required to submit its report in six months. However, the Government of Karnataka vide notification dated 1 September 2016 stated that consequent on extension of the period of Fourth State Finance Commission for submission of its report up to 30.09.2017, the period of applicability of the Third State Finance Commission recommendations is extended till 2017-18. Since the work of the Commission could not be completed in time, the State Government extended its tenure till 31 May 2018. As such the recommendations of the Commission will be applicable from 2018-19 to 2022-23. The Commission submitted its recommendations in May 2018 and some of recommendations are highlighted below.

i) The relative share of the State and local bodies which are in the ratio of 58:42 in NLNORR is changed to 52:48;

ii) The Bruhat Bengaluru Mahanagara Palike (BBMP) gets one *per cent* of NLNORR as additional devolution, apart from its share as a part of ULBs. The remaining 47 *per cent* is the share of local bodies (PRIs and ULBs). As a result, the share of PRIs increased from the present 32 *per cent* to 35 *per cent* and in case of ULBs from 10 *per cent* to 12 *per cent* of NLNORR;

iii) Performance grants are recommended to each tier of PRIs and ULBs based on two criteria namely collection of tax revenue/property tax by 95 *per cent* and submission of audited accounts for the immediate preceding year;

iv) Establishment grant is recommended to newly formed PRIs and ULBs as a onetime measure; and

v) Assigned grants to local bodies from two/three *per cent* of surcharge on stamp duty collected for taluk panchayats/municipalities shall be distributed within a quarter to the TPs and Municipalities as per respective Acts.

The Government in its order dated 7 December 2018 accepted the following recommendations.

a) The recommendations would be implemented from financial year 2018-19 for a period of five years up to 2022-23;

b) Total funds to be devolved to local bodies will be increased from the current 42 *per cent* to 48 *per cent* of the NLNORR of the State in a phased manner depending on the availability of the resources;

c) The Central Finance Commission grants would be considered as part of State devolution;

d) GST compensation will be excluded from NLNORR calculation, as it is only a temporary measure;

e) Budget allocations to parastatal bodies like BWSSB, KUWS&DB, BMRCL would be considered as part of devolution to ULBs; and

f) 12% of total devolution to be passed on as untied devolution for ULB's, will be achieved in a phased manner from 2018-19 to 2022-23.

1.7 Quality of Expenditure

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

1.7.1 Adequacy of public expenditure

The expenditure responsibilities relating to the social sector and economic infrastructure, assigned to the State Governments, are largely State subjects. Enhancing human development levels requires the States to step up their expenditure on key social services like education, health, etc. Low fiscal priority (ratio of expenditure category to aggregate expenditure) can be stated to have been attached to a particular sector if the priority given to that particular head of expenditure is below the General Category States (GCS) average for that year. **Table 1.19** analyses the fiscal priority of the State Government with regard to development expenditure, social expenditure and capital expenditure relative to GCS in 2013-14 and the current year 2017-18.

Table 1.19: Fiscal priority of the State in 2013-14 and 2017-18

Fiscal priority by the State	AE/ GSDP	DE#/ AE	SSE/ AE	CE/ AE	Education/ AE	Health/ AE
General Category States* Average (Ratio) 2013-14	14.70	66.50	37.60	13.60	17.20	4.50
Karnataka (Ratio) 2013-14	13.08	71.45	33.79	16.51	15.50	4.24
General Category States* Average (Ratio) 2017-18	16.10	67.90	36.70	14.40	15.50	4.90
Karnataka (Ratio) 2017-18	13.60	76.46	38.43	20.06	12.60	4.55

AE: Aggregate Expenditure, DE: Development Expenditure, SSE: Social Sector Expenditure, CE: Capital Expenditure.
#Development expenditure includes Development Revenue Expenditure, Development Capital Expenditure and Loans and Advances disbursed.
Source: For GSDP, data is as per the Government of India conveyed figures, adopted by the State Government in its budget documents.
**refer note in Appendix 1.1.*

Comparative analysis reveals the following:

- The State's spending ratio of aggregate expenditure to GSDP increased marginally during 2017-18 compared to 2013-14. However, ratio is less than that of GCS;
- Development expenditure as a proportion of aggregate expenditure in the State has been markedly higher than GCS average. Development expenditure consists of both economic and social service sector expenditure. The social sector expenditure as a proportion of aggregate expenditure in the State, was lower than that of GCS in 2013-14 and higher in 2017-18;
- As observed from the **Table 1.19**, adequate priority needs to be given to education sector as the ratio of expenditure under this sector is well below GCS average during 2013-14 and 2017-18*;* and
- The ratio under health sector is less during 2013-14 as well as 2017-18 than that of GCS.

1.7.2 Efficiency of expenditure

In view of the importance of public expenditure on social and economic development, it is imperative for the State Government to take appropriate expenditure rationalisation measures with more emphasis on development expenditure. The higher the ratio of these components to total expenditure, the better would be the quality of expenditure. **Table 1.20** presents the trends in development expenditure relative to the aggregate expenditure of the State during 2017-18 *vis-à-vis* that of previous years.

Table 1.20: Development expenditure

(₹in crore)

	2013-14	2014-15	2015-16	2016-17	2017-18
Development Expenditure (DE)	76,328	88,904	1,00,441	1,23,988	1,36,286
Percentage of DE to total expenditure	71	72	73	77	76
Components of DE					
Revenue	59,215 (77)	69,337 (78)	80,153 (80)	94,970 (76)	1,01,508 (74)
Capital	16,446 (22)	19,004 (21)	19,722 (20)	27,090 (22)	29,690 (22)
Loans and Advances	667(1)	563(1)	566(-)	1,928(2)	5,088(4)

Source: Finance Accounts.

Figures in brackets indicate percentage to development expenditure.

Development expenditure increased from ₹76,328 crore in 2013-14 to ₹1,36,286 crore in 2017-18. As a percentage of total expenditure, it increased from 71 *per cent* in 2013-14 to 77 *per cent* in 2016-17 and decreased to 76 *per cent* during 2017-18. On an average, 77 *per cent* of the development expenditure was on revenue account while capital expenditure, including loans and advances accounted for the balance during 2013-14 to 2017-18. In 2017-18, expenditure on salary (₹16,764 crore) and subsidy (₹14,145 crore) formed two major components of development revenue expenditure.

Table 1.21 provides the details of capital expenditure and the components of revenue expenditure incurred on salaries and maintenance of the selected social and economic services.

Table 1.21: Efficiency of expenditure in selected social and economic services

(ratio in per cent)

Sector	2016-17			2017-18		
	Ratio of capital expenditure to total expenditure	Revenue expenditure		Ratio of capital expenditure to total expenditure	Revenue expenditure	
		Salaries and wages	Operation and Maintenance		Salaries and wages	Operation and Maintenance
Social Services						
Education, sports, art and culture	0.68	8.25	0.01	0.64	7.94	0.03
Health and family welfare	0.50	1.63	0.01	0.64	1.61	0.01
Water Supply, sanitation, housing and urban development	2.61	0.09	0.11	1.75	0.09	0.09
Others	1.54	0.51	0.02	1.84	0.49	0.02
Total (SS)	**5.29**	**10.48**	**0.15**	**4.87**	**10.13**	**0.15**
Economic Services						
Agriculture and allied activities	0.34	0.94	0.04	0.13	0.74	0.04
Irrigation and flood control	5.33	0.10	0.26	5.83	0.09	0.26
Power and energy	0.57	-	-	0.46	0.02	-
Transport	4.71	0.05	0.56	4.14	0.05	0.57
Others	1.69	0.67	0.03	1.23	0.67	0.03
Total (ES)	**12.62**	**1.76**	**0.89**	**11.79**	**1.57**	**0.90**
Total (SS+ES)	**17.91**	**12.24**	**1.04**	**16.66**	**11.70**	**1.05**

Source: Finance Accounts.

Expenditure on Social Services

Capital expenditure on social services increased from ₹8,571 crore in 2016-17 to ₹9,855 crore in 2017-18 and the ratio of capital expenditure to total expenditure decreased from 5.29 *per cent* in 2016-17 to 4.87 *per cent* in 2017-18. The share of salary expenditure (under social services) in revenue expenditure was ten *per cent* in 2017-18 (**Table 1.21**).

Expenditure on Economic Services

Capital expenditure on economic services increased from ₹20,447 crore in 2016-17 to ₹24,923 crore in 2017-18 and its ratio to total expenditure decreased from 12.62 *per cent* in 2016-17 to 11.79 *per cent* in 2017-18. The share of salary expenditure (under economic services) in revenue expenditure was two *per cent* during 2017-18 (**Table 1.21**).

The priority sectors identified by the Government in respect of economic services were agriculture, rural development, irrigation and flood control, energy, industries and minerals, transport. In 2017-18, capital outlay was higher by ₹1,757 crore, ₹381 crore, ₹64 crore, ₹30 under irrigation and flood control, industry and minerals, rural development, special area programme and under agriculture, transport, energy it was lower by ₹276 crore, ₹245 crore, ₹34 crore, respectively compared to the previous year.

1.8 Financial Analysis of Government expenditure and investments

In the post KFRA framework, the Government is expected to keep its fiscal deficit (borrowing) at low levels and still meet its capital expenditure/investment (including loans and advances) requirements. In addition, the State Government needs to initiate measures to earn adequate return on its investments rather than bearing the same in the form of subsidy, recover cost of borrowed funds and take requisite steps to infuse transparency in financial operations. This section presents the broad financial analysis of investments and other capital expenditure undertaken by the Government during 2017-18 *vis-à-vis* previous years.

1.8.1 Incomplete projects

Locking up of funds in incomplete works, which includes works stopped due to reasons like litigation, etc., impinge negatively on the quality of expenditure. The department-wise information pertaining to incomplete projects as of 31 March 2018 is given in **Table 1.22**.

Table 1.22: Incomplete projects

(₹ in crore)

Department	Incomplete Projects*				Cumulative expenditure as of March 2018
	Number	Budgeted Cost	Cost over run		
			Number	Amount	
Public Works					
Buildings	46	214.80	6	2.61	174.26
Roads and Bridges	124	757.51	17	12.24	699.06
Irrigation	66	123.81	8	20.31	94.13
Total	**236**	**1,096.12**	**31**	**35.16**	**967.45**

Source: Finance Accounts.

**projects scheduled to be completed on or before 31 March 2018 have been included.*

Against the initial budgeted cost of ₹1,096.12 crore in respect of 236 works, stipulated to be completed on or before March 2018, the progressive expenditure was ₹967.45 crore as of 31 March 2018, out of which, in 31 cases, the cost overrun aggregated ₹35.16 crore. No reasons for delay in completion of the works was given by the Public Works and Irrigation Departments.

1.8.2 Investment and returns

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

As of 31 March 2018, the Government had invested ₹65,146 crore, in 85 Government Companies (₹59,355 crore including investment of ₹68 crore in 16 non-working Government Companies), Nine Statutory Corporations

(₹2,595 crore), 43 Joint Stock Companies (₹2,733 crore) and Co-operative Institutions, Local bodies and Regional Rural Banks (₹441 crore). The return from investment was negligible **(Table 1.23)**.

Table 1.23: Return on investment

	2013-14	2014-15	2015-16	2016-17	2017-18
Investments at the end of the year (₹ in crore)	55,048.00	61,726.92	61,335.89	63,115.06	65,145.88
Return (₹ in crore)	55.49	74.84	69.40	82.50	78.83
Return (*per cent*)	0.1	0.1	0.1	0.1	0.1
Average rate of interest on Government borrowings (*per cent*)	6.2	6.5	6.5	6.3	7.7
Difference between interest rate and return (*per cent*)	6.1	6.4	6.4	6.2	7.6

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

Out of the total investment of ₹65,146 crore up to the end of March 2018, ₹61,883 crore (95 *per cent*) were invested in 78 Government Companies and Statutory Corporations under various sectors[11]. The investment included ₹38,912 crore (60 *per cent*) in the following Companies/ Corporations, which have significant losses and where the investments were substantial (**Table 1.24**).

Table 1.24: Investment in Companies/Corporations under loss

(₹ in crore)

Company/Corporation	Investment up to 2017-18	Cumulative loss	Cumulative loss to the end of
North Western Karnataka Road Transport Corporation	266.85	720.50	2016-17
North Eastern Karnataka Road Transport Corporation	183.43	509.11	2016-17
Karnataka Road Development Corporation Limited	1,145.70	130.41	2016-17
Krishna Bhagya Jala Nigam Limited	23,745.34	2,448.13	2016-17
Karnataka Neeravari Nigam Limited	13,034.03	2,971.09	2016-17
The Mysore Sugar Company Limited	298.78	416.67	2012-13
Mysore Paper Mills Limited	237.37	425.94	2013-14
Total	**38,911.50**	**7,621.85**	

Source: Finance Accounts.

[11] Irrigation (₹36,779 crore), Power (₹10,751 crore), Infrastructure (₹4,664 crore), Financing (₹3,155 crore), Transport (₹2,399 crore), Social (₹1,647 crore), Housing (₹1,451 crore), Industries (₹936 crore), Construction (₹2 crore) and Other sectors (₹98 crore).

Up to 2017-18, Government invested ₹38,911.50 crore in these companies and the cumulative loss accounted for is ₹7,621.85 crore. However, during 2017-18, no investment was made in these companies.

During 2017-18, the Government invested ₹1,963.61 crore in Government Companies (working) (₹1,659.38 crore), Joint Stock Companies (₹209.44 crore), Statutory Corporations (₹75.00 crore) and Co-operative institutions (₹19.79 crore).

The transactions under investment account includes certain non-cash transactions like conversion of loans into equity and reconciling the investment of the Government with the books of the companies. Loans amounting to ₹22.00 crore in respect of Karnataka Silk Industries Corporation and ₹47.91 crore in respect of Co-operative Spinning Mills were converted into equity in order to increase the capital base of the company.

During 2017-18, the investment account was reduced proforma due to decrease in the progressive capital expenditure under '4425-Capital Outlay on Co-operation' by ₹2.70 crore, due to retirement of Government investments in share capital institutions, the proceeds of which stand accounted under 'Miscellaneous Capital Receipts'.

Deposit Account in Public Sector Undertakings (PSU)

Investment in respect of Companies/Corporations were lying in the deposit account in Public Account. These investments are accounted under HOA '8449-00-120-9 – Investment Account'. The balances outstanding in this deposit account at the end of March 2018 as available in DDR Ledger and as furnished by the entities in respect of few PSUs is furnished in **Table 1.25**.

Table 1.25: Balances in Deposit Accounts of PSUs as of March 2018

(₹ in crore)

Sl. No.	Name of the Entity	Head of Account	Closing Balance as per Accounts	Closing Balance as per entity
1	Karnataka Slum Development Board	8449-00-120-9-52	7.13	Nil
2	Karnataka Rural Infrastructure Development Corporation Limited (KRIDCL)	8449-00-120-9-36*	62.90	Nil
3	Karnataka Urban Infrastructure Development and Finance Corporation Limited (KUIDFC)	8449-00-120-9-14	267.41	281.00
4	Krishna Bhagya Jala Nigam Limited (KBJNL)	8449-00-120-9-10	128.70	Nil
5	Karnataka Neeravari Nigam Limited (KNNL)	8449-00-120-9-16	0.33	0.0077

Source: DDR Ledger and information as furnished by entities

**being operated by three different authorities namely (1) Director, Department of Tourism, Bengaluru, (2) Special Secretary, Bhoomi Monitoring Cell, Revenue Department and (3) KRIDCL*

As seen from the above table, there are differences in balances as appearing in DDR Ledger and as furnished by the entities. The administrators are to reconcile the accounts with treasury/office of AG (A&E) to depict correct balances. Further, KUIDFC stated (January 2019) that the closing balance reflects the amount released from Government of Karnataka during the end of the financial year and also due to delay in obtaining clearances from line departments/land acquisition issues and change in scope of work.

1.8.3 Loans and advances by the State Government

In addition to investments in Companies, Corporations and Co-operative Institutions, the Government also provided loans and advances to many institutions. **Table 1.26** presents the position of outstanding loans and advances as on 31 March 2018 and interest receipts *vis-à-vis* interest payments during the last five years.

Table 1.26: Average interest received on loans advanced by the State Government

(₹ in crore)

	2013-14	2014-15	2015-16	2016-17	2017-18
Opening balance	12,142	12,724*	13,216	13,813	15,578^
Amount advanced during the year	695	576	657	1,934	5,092
Amount repaid during the year	109	84	60	100	137
Closing balance	12,729	13,216	13,813	15,648	20,533
Net addition	586	492	597	1,835	4,955
Interest receipts	235	127	264	145	99
Interest receipts as *per cent* to outstanding loans and advances	1.9	1.0	1.9	0.9	0.5
Interest payments as *per cent* to outstanding fiscal liabilities of the State Government	5.8	6.0	6.2	5.8	6.1
Difference between interest receipts and interest payments (*per cent*)	(-)3.9	(-)5.0	(-)4.3	(-)4.9	(-)5.6

Source: Finance Accounts.

**differs by ₹5 crore on account of conversion of outstanding loans into equity in respect of M/s MSIL during 2014-15.*

^differs by ₹70 crore on account of conversion of loans into equity during 2017-18.

Loans outstanding as on 31 March 2018 aggregated ₹20,533 crore. Interest spread of Government borrowings was negative during 2013-17 to 2017-18, which meant that the State's borrowings were more expensive than the loans advanced by it.

The amount advanced during 2017-18 was ₹5,092 crore which includes ₹3,401 crore released to Credit Co-operatives (6425-00-107-05) towards loan waiver scheme. Repayment of loans during 2017-18 aggregated to ₹137 crore.

Detailed accounts of recovery of loans which are maintained in the office of the AG (A&E) indicated that arrears in recovery of loans and advances aggregating ₹7,772 crore (Principal: ₹4,402 crore and Interest: ₹3,370 crore) were overdue as on 31 March 2018 from 21 institutions (**Appendix 1.10**).

Information in respect of overdue principal and interest contained in Statement No.7 of Finance Accounts of 2017-18 is incomplete, as only 18[12] out of 842 institutions in respect of whom the detailed accounts are maintained by the Heads of Departments / Chief Controlling Officers of the Government of Karnataka, have furnished the required information. Indian Government Accounting Standards (IGAS)-3 requires disclosure of loans that were sanctioned without specific terms and conditions governing such loans. Out of the 103 loans valued at ₹5,092.22 crore sanctioned by the State Government in 2017-18, 39 loans valued at ₹3,807.87 crore were sanctioned without specifying any terms and conditions. Details are available as additional disclosures under Statement No.18 of the Finance Accounts.

The Finance Department in its circular (August 2018) has stated that the State Government has revised the terms and conditions and other procedural aspects that has to be followed by departments relating to loans sanction vide G.O dated November 2013. All departments are instructed to adhere to the instructions delineated in general loan GO issued by the Finance Department in November 2013. Audit observed that the compliance was poor.

1.8.4 Cash balances and investment of cash balances

Table 1.27 depicts the cash balances and investments made by the State Government during 2017-18.

Table 1.27: Cash balances and their investments

(₹in crore)

	Opening Balance on 01-04-2017	Closing Balance on 31-03-2018	Increase (+)/ Decrease (-)
a) General cash balance			
Cash in treasuries	-	-	
Deposits with RBI	100.05	723.77	623.72
Deposits with other banks	-	-	-
Remittance in transit- Local	0.01	0.01	-
Sub Total	100.06	723.78	623.72
Investments held in cash balance investment account	23,977.48	12,655.49	(-)11,321.99
Total (a)	**24,077.54**	**13,379.27**	**(-)10,698.27**
b) Other cash balances and investments			
Cash with departmental officers viz. PWD officers, Forest Department, DCs	2.09	2.09	-
Permanent Advances for contingent expenditure with departmental officers	1.74	1.75	0.01
Investment of earmarked funds	10,272.21	12,800.94	2,528.73
Total (b)	**10,276.04**	**12,804.78**	**2,528.74**
Grand Total (a+b)	**34,353.58**	**26,184.05**	**(-)8,169.53**

Source: Finance Accounts.

Claims against due of Government are settled by preferring bills at treasuries, against which cheques are issued (by debit to the Consolidated Fund) to the claimants. The Major Head 8670 – Cheques and Bills is credited with the amount of each cheque and paired off with its encashment at the Agency Banks. Thus, credit balances under this head indicate the value of cheques that

[12] In 2016-17, 16 out of 842 institutions have furnished the information.

remained un-encashed. Article 75(1) of the Karnataka Financial Code, 1958, prescribes that the Treasury Officer should propose an Alteration Memorandum for the value of cheques outstanding for more than 12 months from the date of issue on the 15th of May each year. The opening balance of un-encashed cheques at the beginning of the year was ₹14,158.60 crore. Against issue of cheques worth ₹1,36,077.97 crore during 2017-18, cheques worth ₹1,37,599.39 crore were encashed. The balance of un-encashed cheques amounts to ₹12,637.18 crore as on 31 March 2018.

Audit observed that the net credit under the account during 2017-18 was ₹1,526 crore. Action is required to be taken for analysis of data for clearing of the balances.

The cash balance of the State at the end of the year was ₹26,184 crore. The decrease in the cash balance was 24 *per cent* over the previous year. The reduction in cash was on account of decrease in cash balance investment of 14-day and 91-day intermediate treasury bills of RBI during 2017-18 to the extent of ₹11,321.99 crore.

1.9 Assets and Liabilities

1.9.1 Growth and composition of assets and liabilities

In the existing Government accounting system, comprehensive accounting of fixed assets like lands and buildings owned by the Government is not done. However, Government accounts do capture the financial liabilities of the Government and the assets created out of the expenditure incurred. **Appendix 1.11** gives an abstract of such liabilities and assets as on 31 March 2018 compared with the corresponding position as on 31 March 2017.

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

The internal debt includes market loans, special securities issued to RBI and other negotiated loans. The Public Account liability includes small savings, provident funds etc., reserve funds and other deposits. The liabilities of the State as depicted in Finance Accounts, however, did not include pension, other retirement benefits payable to retired/ retiring State Government employees/ guarantees/ letters of comfort issued by the State Government and borrowings through SPVs, termed off-budget borrowings.

Assets comprise assets under the Consolidated Fund and cash. The assets under the Consolidated Fund consist of capital outlay on fixed assets – investments in shares of companies and corporations and loans and advances, which consist of loans for power projects and other development loans. The growth rate of components of assets and liabilities is summarised in **Table 1.28**.

Table 1.28: Summarised position of Assets and Liabilities

(₹ in crore)

Liabilities				Assets			
	2016-17	**2017-18**	***Growth rate (per cent)***		**2016-17**	**2017-18**	***Growth rate (per cent)***
Consolidated Fund	**1,46,283**	**1,63,135**	**12**	***Consolidated Fund***	**2,20,528**	**2,56,146**	**16**
a. Internal Debt	1,32,489	1,48,581	12	Capital Outlay	2,04,950	2,35,614	15
b. Loans and advances from GOI	13,794	14,555	6	Loans and Advances	15,578	20,533	32
Off-budget borrowings	**10,248**	**13,173**	**29**	**Cash**	**34,354**	**26,184**	**(-)24**
Public Account*	**64,788**	**69,923**	**8**				
a. Small savings, Provident Funds etc.,	24,920	27,731	11				
b. Reserve Funds	16,384	16,874	3				
c. Deposits	23,484	25,318	8				

**The liabilities are on net basis. It does not include investments from earmarked funds of ₹10,272 crore (2016-17) and ₹12,801 crore (2017-18).*

The growth rate of assets remained same at 16 *per cent* during 2016-17 and 2017-18 while that of liabilities inclusive of off-budget borrowings, decreased from 19 *per cent* in 2016-17 to 12 *per cent* in 2017-18.

The Finance Accounts reflected an amount of ₹1,48,581 crore as internal debt outstanding at the end of 2017-18 after taking into account the difference of ₹588.44 crore in the accounts of LIC, GIC, NABARD, NCDC etc. Further, the Reserve Bank of India in its quarterly statement of outstanding balances of the Government of Karnataka as on 31 March 2018 reflected closing balance of Market Loans – not bearing interest as ₹0.15 crore. However, the Finance Accounts reflected an amount of ₹0.70 crore, indicating that reconciliation of loan balances (capital account) was required. It was also observed that certain loan balances which figure in the Finance Accounts had not been reckoned in RBI books (two cases). In respect of seven cases, there were differences which require reconciliation. In respect of four cases, the balances as per the books of accounts of AG (A&E) tallied with those of RBI.

Further, as per the communication from the Reserve Bank of India, there still exists a balance of ₹0.40 crore to be discharged in respect of compensation bonds, the transactions of which are accounted under the minor head 106. However, these loans do not figure in the outstanding balances in the Finance Accounts. The loans and advances from GOI reflected an amount of ₹14,555 crore as at the end of 2017-18.

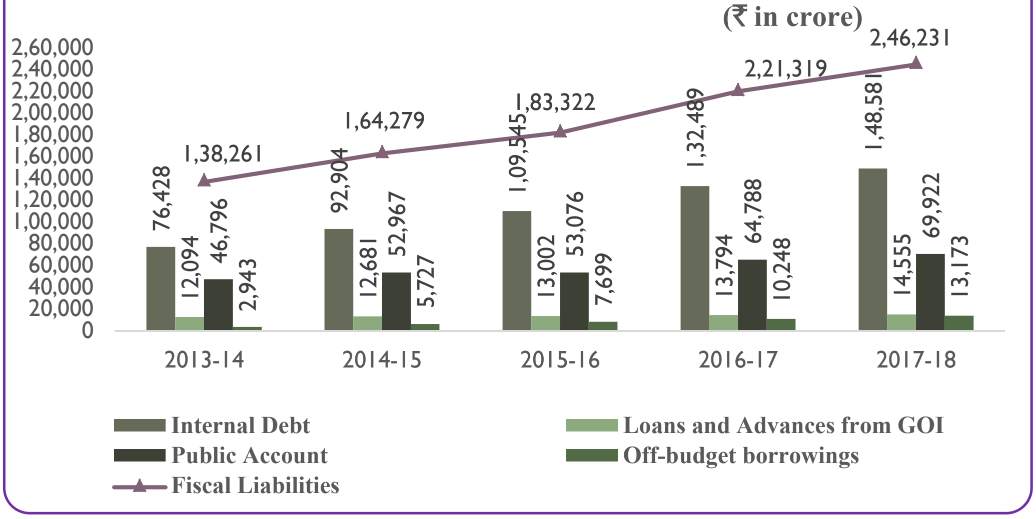
The assets shown in the Finance Accounts (Statement No. 1 - Investment from earmarked funds - ₹12,801 crore) were understated to the extent of ₹484.36 crore. This is on account of the interest accrued on the investment of Consolidated Sinking Fund account made during 2012-13 and 2015-16, which had not passed through the Government books.

1.9.2 Fiscal Liabilities

The trends in outstanding fiscal liabilities of the State are presented in **Appendix 1.4**. The composition of fiscal liabilities during the year 2013-14 to 2017-18 is presented in **Chart 1.15**.

Chart 1.15: Composition of outstanding Fiscal Liabilities

(₹ in crore)



Source: Finance Accounts.

The Fiscal liabilities of the State, their rate of growth, ratio of these liabilities to GSDP, revenue receipts and own resources as well as buoyancy of fiscal liabilities with respect to these parameters are brought out in **Appendix 1.4**. The fiscal liabilities of the State increased by 78 *per cent* from ₹1,38,261 crore in 2013-14 to ₹2,46,231 crore in 2017-18.

1.9.2.1 Internal Debt

The internal debt which is a part of Consolidated Fund liabilities increased from ₹76,428 crore in 2013-14 to ₹1,48,581 crore in 2017-18, an increase of 94 *per cent*.

1.9.2.2 Loans and Advances from Government of India

The loans and advances from GOI showed an increase of 20 *per cent* from ₹12,094 crore in 2013-14 to ₹14,555 crore.

Due to increased borrowings in 2016-17 and decreased borrowings in 2017-18, the growth rate of fiscal liabilities was 21 *per cent* and 11 *per cent* respectively. Further the buoyancy of fiscal liabilities to revenue receipts was at 1.71 *per cent* and 1.10 *per cent* in 2016-17 and 2017-18 respectively. Also, the buoyancy ratio of fiscal liabilities to own resources gradually increased from 1.03 *per cent* in 2013-14 to 2.07 *per cent* in 2017-18.

1.9.3 Off-budget borrowings

The borrowings of the State Government are governed by Article 293 (1) of the Constitution of India. The State stood as guarantor for loans availed by Government Companies/ Corporations/ Societies. These Companies/ Corporations/ Societies borrowed funds from the market/ financial institutions for implementation of various State Plan programmes projected outside the State budget. The borrowings of these concerns ultimately turn out to be the liabilities of the State Government termed 'off-budget borrowings' (OBB) and the Government had been repaying the loans availed of by these Companies/ Corporations/ Societies including interest through regular budget provision under capital/revenue account.

During 2017-18, capital expenditure of ₹35,760 crore included ₹575.92 crore towards servicing of principal amount of off-budget borrowings. However, the accounts of the entities for the year show disbursement as ₹575.12 crore towards off budget borrowings. **Table 1.29** captures the trend in the off-budget borrowings of the State during 2013-14 to 2017-18 while **Table 1.30** gives the entity-wise position of borrowings till the end of 2017-18.

Table 1.29: Trend in off-budget borrowings

(₹ in crore)

Year	2013-14	2014-15	2015-16	2016-17	2017-18
Amount as furnished by entities*	1,914.50	3,081.50	2,372.00	3,005.16	3,500.23

Source: As reported by the concerned entities.

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

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

(₹ in crore)

Company/Corporation/Board	Outstanding off budget borrowing*	Borrowings during 2017-18	Repayment during 2017-18		Closing Balance
			Principal	Interest	
Krishna Bhagya Jala Nigam Limited	5,111.58	1,498.23	0.58	699.97	6,609.23
Karnataka Neeravari Nigam Limited	2,174.12	765.00	302.50	208.89	2,636.62
Karnataka Road Development Corporation Limited	147.17	2.00	26.01	18.00	123.16
Rajiv Gandhi Rural Housing Corporation Limited	1,255.76	-	186.98	90.00	1,068.78
Karnataka Slum Development Board	1.60	-	1.60	0.08	-
Karnataka State Police Housing and Infrastructure Development Corporation	23.05	-	14.59	1.66	8.46
Cauvery Neeravari Nigam Limited	1,235.00	500.00	-	-	1,735.00
Visvesvaraya Jala Nigam Limited	300.00	735.00	42.86	24.60	992.14
Total	**10,248.28**	**3,500.23**	**575.12**	**1,043.20**	**13,173.39**

**as there were differences in the closing balances of these entities (2016-17), the principal repayments have been adjusted to bring them in concordance with the closing balances of 2017-18.*

Taking into account the off-budget borrowings of the State, the total liabilities at the end of March 2018 worked out to ₹2,46,231 crore.

1.9.3.1 Borrowings by Bangalore Metropolitan Transport Corporation (BMTC)

During 2017-18, Bangalore Metropolitan Transport Corporation (BMTC) obtained loan to the extent of ₹359.31 crore from M/s Karnataka Urban Infrastructure and Finance Corporation for the purchase of 1,500 new buses. The servicing of debt including interest of the Corporation has been taken over by the Government by providing budgetary support under HOA 3055-00-190-0-03-240-Debt servicing. The borrowings of BMTC during 2017-18 forms part of the State debt obligations as the borrowings by Public Sector Undertakings (PSUs) and Special Purpose Vehicles (SPVs), where the principal and or interest are to be serviced out of the State Budget as per Karnataka Fiscal Responsibility Act. These borrowings form the off-budget borrowings of the State Government.

Annexure to Statement No 17 in Finance Accounts which covers Off-budget borrowings, does not show the borrowings by BMTC, thus under stating the off-budget borrowings. The budget overview which gives the details of the extended public debt liability in the form of off-budget borrowings, also, did not contain the borrowings of the corporation, thus, affecting the transparency of the Budget document.

1.9.4 Public Account transactions

1.9.4.1 Reserve Funds

Reserves and Reserve Funds are created for specific and well defined purposes under the Sector 'J' in the accounts of the State Government (Public Account). These funds are fed by contributions or grants from the Consolidated Fund of India or State or from outside agencies. The contributions are treated as expenditure under the Consolidated Fund. The expenditure relating to the fund is initially accounted for under the Consolidated Fund itself for which the vote of the Legislature is obtained. At the end of the year, at the time of closure of accounts, the expenditure relating to the fund is transferred to Public Account. The funds may further be classified as 'Funds carrying interest' or 'Funds not carrying interest'. Generally, the Reserve Funds are classified under the following three categories based on the sources from which they are fed.

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

As given in 'Notes to Accounts' of Finance Accounts for the year, out of the total outstanding balance of ₹29,674.61 crore available in various reserve funds as on 31 March 2018, the Government of Karnataka invested ₹12,800.93 crore (43 *per cent*). This is mainly in the form of Capital Outlay on infrastructure projects (₹10,731 crore) and investment from Consolidated Sinking Fund of ₹2,070 crore. In addition, AG(A&E) had requested (June 2011) the State Government to review the necessity to continue two reserve funds, namely

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

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

a) Consolidated Sinking Fund

The Government of Karnataka constituted a Consolidated Sinking Fund (CSF) in 2012-13 for the amortisation of all loans as recommended by the Twelfth Finance Commission and transferred ₹1,000 crore towards its corpus in 2012-13. The fund is administered by the Reserve Bank of India which has invested the corpus in Government of India Securities. As per Government notification (February 2013), the State Government is required to make minimum annual contributions to the fund at 0.50 *per cent* of the outstanding liabilities (excluding off-budget borrowings) at the end of the previous financial year. During 2017-18, against the requirement of ₹1,055 crore, the State Government has made provision of ₹350 crore under Major Head 2048 – Contribution to Consolidated Sinking Fund. However, no investment has been made, despite the fact that the State Government had a surplus cash balance of ₹26,184 crore as at the end of 31 March 2018.

Even, XIV FC in its report has analysed that Consolidated Sinking Fund is an integral part of prudent fiscal management. CSF creates a cushion to meet repayment obligations in times of fiscal/ market stress, as it boosts investor confidence and thereby facilitates borrowings in the primary market at a reasonable cost even in normal times. The balance under the fund at the end of the year remained at ₹2,070 crore. However, the interest of ₹484.36 crore accrued (2014-15 to 2017-18) on re-investment made by RBI from the fund did not pass through the accounts. Failure to comply with the instructions contained in notification dated 28.02.2013 and non-investment has resulted in compression of revenue expenditure and also revenue/ fiscal deficit to the extent of ₹1,055 crore.

Finance Department in its reply (July 2017 and December 2017) stated that transfer to CSF & investment thereof is contingent on the State being able to balance all its fiscal needs. The commitment to contribute certain percentage of outstanding liabilities is dependent on available revenue/ fiscal space. The provision to the fund during budgeting depends on the fiscal space available then and investment also depends on the cash balance. The Government cannot fund its contribution from out of borrowings.

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

b) Green Tax

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

Vide **para 1.3.1.1** of the Report of the Comptroller and Auditor General of India on State Finances for the year ending 31 March 2016, on 'Improper accounting and Non-utilisation of Green Tax Cess collections', it was stated that the green tax cess collected is to be accounted under revenue receipt head '0041-00-102-0-11 – Green Tax'. A Reserve Fund to transfer the Green tax cess[13] collected is opened under Development and Welfare Funds – '8229-00-200-0-63 – Green Tax'.

During the year 2017-18, ₹4.36 crore has been collected under the revenue receipt head apart from the amount of ₹57.89 crore collected from 2006-07 to 2016-17. Hence the total green tax cess collected up to 2017-18 i.e. ₹62.25 crore along with the relevant expenditure needs to be transferred to fund account in Public Account. However, neither the revenue receipts of green tax cess collections nor its corresponding expenditure has been transferred to the Public Account. This has resulted in overstatement of revenue receipts/ expenditure.

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

Karnataka Act of 1998 provided for levy of infrastructure cess on taxes on sales, trade etc., excise license fee, motor vehicles tax and non-judicial stamp duty in the State. The cess collected was to be allocated to IIF and BMRCL fund in the ratio of 2:1 of the total collections which was subsequently revised in 2004. The total infrastructure cess collected was to be allocated between IIF, BMRCL fund and CMRRD fund in the ratio of 57, 28 and 15 *per cent* respectively. On the introduction of a uniform Value Added Tax (VAT) in 2005 levy of infrastructure cess was dispensed with and the Government decided to contribute to the fund out of general revenues of the State.

In 2017-18, the Infrastructure Cess realised (₹1,100.49 crore) through taxes on motor vehicles, stamp and registration and state excise was allocated to IIF, BMRCL fund and CMRRD fund. The sum transferred to the said funds were ₹627.28 crore, ₹308.14 crore and ₹165.07 crore respectively. The related expenditure of ₹2,693.80 crore which includes the expenditure of ₹240.72 crore pertaining to earlier year was booked to the fund. These transfer transactions has been utilized twice – once to show excess fiscal deficit and again to finance deficit.

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

Further, an amount of ₹2,768 crore available under General Revenues were transferred to Infrastructure Initiative Fund which included ₹1,578 crore to IIF, ₹775 crore to BMRCL fund and ₹415 crore to CMRRD fund respectively. This transfer of funds from general revenues had the effect of artificially inflating the revenue expenditure as also the fiscal deficit. Further, this has resulted in increased liability in the Public Account also and the same amount is used again for financing the fiscal deficit through surplus from Public Account.

d) State Disaster Response Fund

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

While 75 *per cent* of the contribution was to be from GOI, the balance 25 *per cent* was to come from the State Government, the XIV Finance Commission has however recommended that the contribution to the fund is to be in the ratio of 90:10 between Government of India and State Government respectively. Government of India accepted this recommendation with the modification that the percentage share of the States will continue to be as before (75:25) and the flows will also be of the same order as in the existing system and that once GST is in place, the recommendations of XIV Finance Commission on disaster relief would be fully implemented. However, despite the implementation of the GST with effect from July 2017, the contribution to the fund continued in the ratio of 75:25 during 2017-18.

During 2017-18, an aggregate amount of ₹1,218.04 crore was transferred to the fund account (contribution from GOI ₹228.75 crore and the State's contribution of ₹76.25 crore to the SDRF and the GOI contribution from National Disaster Response Fund ₹913.04 crore). Out of total fund balance of ₹2,453.56 crore, expenditure of ₹2,411.58 crore was released to the Deputy Commissioners of the Districts under the Major Head '2245-Relief on account of Natural Calamities' and was shown as met out of the SDRF. The amount released to Deputy Commissioners were kept in Personal Deposit accounts. Further, the unspent balance in the Personal Deposit accounts of the Deputy Commissioners for SDRF was not reflected in the accounts but merged with the general balances. However, these unspent balances resulted in understatement of the fund account in Public Account to that extent. This also resulted in overstatement of expenditure towards calamity relief in the Consolidated Fund. The balance in the fund as on 31 March 2018 was ₹41.98 crore.

Further, the State Government had to pay interest to the SDRF at the rate applicable to overdrafts and credit the same on a half yearly basis by a charge to Major Head '2049-Interest Payments'. However, no interest was paid on the fund balances during 2017-18.

e) State Urban Transport Fund (SUTF)

Based on the Ministry of Urban Development, GOI recommendations, Government of Karnataka created SUTF with a corpus of ₹10 crore from the State Finance Commission grants during November 2010. The fund was created initially under Deposit bearing interest for funding urban transport initiatives. During March 2012, one more fund was created under Reserve Fund (not bearing interest) under Major Head of Account '8229 – Development and Welfare Funds' with accruals from budgetary grants, cess on motor vehicles registration (one *per cent*) and cess on property tax.

The fund which had an opening credit balance of ₹101.38 crore, was credited with ₹45.27 crore from cess on motor vehicle tax, ₹5.95 crore from cess on property tax and ₹20.00 crore from general revenues during the year 2017-18. Thus, an amount of ₹71.22 crore was transferred to fund account However, the relevant expenditure incurred under the capital head was not transferred to the fund account, leaving a balance of ₹172.60 crore as on 31 March 2018. This has resulted in overstatement of capital expenditure and fiscal deficit to that extent.

f) Forest Development Fund

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

There was a balance of ₹2,565.94 crore as on 1 April 2017 and during the year 2017-18, an amount of ₹381.15 crore was credited to the fund. However, expenditure of ₹299.09 crore incurred during the year had not been transferred to the fund. The balance in the fund was ₹2,947.09 crore at the end of March 2018. Transferring only the revenue receipts to the fund, without transferring the corresponding expenditure has resulted in overstatement of revenue expenditure and fiscal deficit to the extent stated above. This has also resulted in increased liabilities in the Public Account.

Inoperative Reserve Funds

As at the end of 31 March 2018, out of 127 Reserve Funds, 108 funds remained inoperative. Of these 108 inoperative reserve funds, 83 reserve funds had zero balance, 14 reserve funds had a credit balance of ₹5,282.77 crore and 11 reserve funds had debit balance of ₹4,539.89 crore as on 31 March 2018. The impact on accounts is that the liability of the Government has increased by ₹742.88 crore (net) under reserve funds.

1.9.5 Contingent liabilities

1.9.5.1 Status of guarantees

Guarantees are contingent liabilities on the Consolidated Fund of the State in case of default by the borrower for whom the guarantee was extended. The details of last five years are available in **Appendix 1.4**.

The Karnataka Ceiling on Government Guarantees Act, 1999 provides for a cap on outstanding guarantees extended by the Government at the end of any year at 80 *per cent* of the State's revenue receipts of the second preceding year. The outstanding guarantees on 1 April of each year were within the prescribed limit. The outstanding guarantees amounting to ₹18,416 crore at the end of the year 2017-18 (principal + interest) included guarantees extended to 161 institutions/ companies under irrigation (₹11,496 crore), co-operation (₹1,796 crore), finance (₹1,395 crore), power (₹605 crore), housing (₹2,316 crore), transport (₹200 crore) and other sectors (₹608 crore).

Against the total estimated guarantee commission of ₹355.83 crore receivable as reported by the State Government, only ₹148.04 crore was received during 2017-18. The guarantee commission received includes book adjustment made by the State Government towards the guarantee commission payable to it by Karnataka Slum Development Board (₹0.01 crore), Rajiv Gandhi Rural Housing Corporation Limited (₹11.63 crore), Karnataka State Khadi and Village Industries Board (₹0.52 crore) and Karnataka Road Development Corporation Limited (₹1.64 crore) by way of subsidies / grants-in-aid/ financial assistance. Consequently, the net shortfall in guarantee commission received was ₹221.59 crore (₹355.83 crore minus ₹134.24 crore, excluding book adjustment of ₹13.80 crore).

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

The PAC also recommended (July 2015) that suitable efforts should be made to operate and continue the Guarantee Reserve Fund.

1.10 Debt Management

1.10.1 Debt Profile

The revenues of the Government are of two types viz. current revenues which are termed as revenue receipts, realised through administration of taxes, user charges and grants received from GOI and capital receipts that comprise of borrowings, non-debt receipts and surplus from Public Account. For working out the borrowings, certain book adjustments are also reckoned as if these are cash transactions. Such transactions are in the nature of subsidy dues of electricity supply companies, student/ elderly concession passes etc., which on one side are shown as expenditure and on the other, as revenues, under relevant receipt heads (tax/ non-tax). Such accounting amounted to ₹1,416 crore during 2017-18. These transactions had the impact of showing the tax/non-tax revenues without actual cash flow. Such revenue, adjusted through book adjustment was ₹1,362 crore (tax revenues) and ₹54 crore (non-tax revenues) constituting one *per cent* of revenue receipts.

Table 1.31 gives details of outstanding fiscal liabilities of the Government under Consolidated Fund and Public Account compared with the per capita liability.

Table 1.31: Debt Profile of the State

(₹ in crore)

Borrowings through	2013-14	2014-15	2015-16	2016-17	2017-18
Open market loans	53,326	69,419	84,334	1,08,359	1,25,708
Negotiated loans	3,372	3,318	3,482	3,973	4,289
NSSF loans	19,730	20,167	21,729	20,157	18,584
GOI loans	12,094	12,681	13,002	13,794	14,555
Public Account borrowings	46,796	52,968	53,076	64,788	69,922
Off budget borrowings	2,943	5,726	7,699	10,248	13,173
Total Fiscal Liabilities	**1,38,261**	**1,64,279**	**1,83,322**	**2,21,319**	**2,46,231**
Population (in crore)	6.28	6.35	6.42	6.49	6.56
Per capita debt ratio (in ₹)	22,016	25,871	28,555	34,102	37,535

Source: Finance Accounts and Economic Survey of GOK 2017-18.

During the period 2013-14 to 2017-18, the Open Market Loans increased by 136 *per cent* and the Government of India loans by 20 *per cent*. The Public Account borrowings increased from ₹46,796 crore in 2013-14 to ₹69,922 crore in 2017-18, an increase of 49 *per cent*. The off-budget borrowings increased from ₹2,943 crore in 2013-14 to ₹13,173 crore in 2017-18, an increase of 29 *per cent* over the previous year. The per capita debt ratio has significantly increased from ₹22,016 in 2013-14 to ₹37,535 in 2017-18, an increase of 70 *per cent*.

1.10.2 Debt Sustainability

Apart from the magnitude of the debt of the State Government, it is important to analyse various indicators that determine the debt sustainability of the State. Debt sustainability is defined as the ability of the State to maintain a constant debt-GDP ratio over a period of time and also embodies the concern about the ability to service its debt. This section assesses the sustainability of debt of the State Government in terms of debt as a percentage of GSDP, rate of growth of outstanding debt, interest payments/revenue receipts ratio and net debt available to the State. **Table 1.32** analyses the debt sustainability of the State according to these indicators for the period from 2013-14 to 2017-18.

Table 1.32: Debt Sustainability indicators and trends

(in per cent)

Debt Sustainability indicators	2013-14	2014-15	2015-16	2016-17	2017-18
Debt*/GSDP	10.84	11.57	12.10	12.92	12.44
Rate of growth of Outstanding Debt*	17.95	19.28	16.06	19.37	11.52
Rate of growth of GSDP	18.06	11.75	10.97	11.81	15.76
Average interest rate of Outstanding Debt (Interest payments/(opening balance of Public Debt +closing balance of Public Debt/2)	9.81	10.10	9.94	9.56	9.68
Interest Payment/Revenue Receipts	8.96	9.41	9.55	9.65	10.18
Net availability of borrowed funds (₹in crore)	7,117	9,324	8,060	13,609	5,005
Debt Repayment/ Debt Receipts**	58.83	57.37	61.75	56.32	80.08

Source: Finance Accounts.

**Excluding Public Account liabilities and Off Budget Borrowings.*
*** The figures differ from those of earlier reports due to inclusion of interest payments.*

- The rate of growth of outstanding debt was 11.52 *per cent* during 2017-18, being six *percentage points* decrease over the year 2013-14 (17.95 *per cent*);
- Though there was increase in Debt Repayment/Debt Receipts ratio, there was decrease in total debt receipts by ₹6,034 crore due to decrease in market loans during 2017-18 as compared to debt repayment which increased by ₹849 crore; and
- Decrease in net debt available to the State was mainly due to decrease in receipt under internal debt from ₹29,238 crore in 2016-17 to ₹23,179 crore in 2017-18 (**Appendix 1.4**) and off-set by increase of ₹25 crore under Loans and Advances from Government of India.

1.10.2.1 Interest on off-budget borrowings

The ratio of interest payment to revenue receipts (IP/RR) determines the debt sustainability of the State. During 2017-18, the IP/RR ratio of the State was 10.18 *per cent*, which was well within the TFC norm of 15 *per cent*. During 2013-14 to 2017-18, the ratio was between 8.96 *per cent* and 10.18 *per cent* on account of buoyancy in revenue receipts. By an amendment to KFRA in February 2014, the scope of the total liabilities was amplified to include the borrowings by PSU and SPVs and other equivalent instruments, where the principal and /or interest are to be serviced out of the State Budget. Thus, the off-budget borrowings are part of the State's own liabilities for working out the total liabilities of the State.

The State Government in its MTFP 2018-22 on the ratio of IP/RR had included the interest payment serviced under the HOA 2049 only. But the interest on off-budget borrowings which are serviced through other heads of account is not part of this ratio of IP/RR. Due to non-inclusion of interest on off-budget borrowings, the IP/RR ratio was between 8.75 *per cent* and 9.48 *per cent* during the period 2013-14 to 2017-18. Even though the ratio of IP/RR is within the norms, the inclusion of interest on off-budget borrowings should also be considered for working out this ratio, in the MTFP by the State Government.

1.10.2.2 Debt stability

Fiscal liabilities are considered sustainable if the Government is able to service these liabilities over the foreseeable future and the debt-GSDP ratio does not grow to unmanageable proportions. A necessary condition for stability is that if the rate of growth of economy exceeds the cost of borrowings, the debt-GSDP ratio is likely to be stable provided primary balances are positive/ zero/ moderately negative. Primary revenue balance is the difference between revenue receipts and primary revenue expenditure and indicates whether the balance of revenue receipts left out after meeting current revenue expenditure is sufficient for meeting the interest expenditure. During 2013-14 to 2017-18, the primary revenue balance was positive and sufficient to meet incremental interest expenditure.

1.10.2.3 Sufficiency of incremental non-debt receipts

Another indicator of debt sustainability is the adequacy of incremental non-debt receipts of the State to cover the incremental interest liabilities and incremental primary expenditure. Debt sustainability is facilitated if the incremental non-debt receipts meet the incremental interest burden and the incremental primary expenditure. Negative resource gap indicates non-sustainability of debt while positive resource gap indicates sustainability of debt. The details for the last five years have been indicated in **Table 1.33**.

Table 1.33: Sufficiency of incremental non-debit receipts

(₹ in crore)

Sl. No.		2013-14	2014-15	2015-16	2016-17	2017-18
1	Incremental Non-Debt Receipts	11,372	14,497	14,993	14,112	13,800
2	Incremental Interest Payments	573	1,777	1,539	1,507	2,123
3	Incremental Primary Expenditure	13,384	15,204	13,047	22,101	14,114
4	Resources gap	(-) 2,585	(-) 2,484	407	(-) 9,496	(-) 2,437

The resource gap, which was negative from 2013-14 to 2014-15 turned positive during 2015-16 and again turned negative from 2016-17 to 2017-18. This was mainly on account of growth of revenue receipts being same as that of growth of total expenditure. This meant that the State had to depend on borrowed funds for meeting current revenue and capital expenditure.

1.10.2.4 Net availability of borrowed funds

Debt sustainability also depends on the ratio of debt redemption (principal plus interest payments) to total debt receipts and application of available borrowed funds. The ratio of debt redemption to debt receipts indicates the extent to which the debt receipts are used in debt redemption indicating the net availability of borrowed funds for capital spending. The debt redemption to debt receipts ranged between 56.32 *per cent* and 80.08 *per cent* during 2013-14 to 2017-18. During 2017-18, the debt redemption ratio increased by 23.76 *per cent* compared to the previous year.

1.11 Fiscal Parameters

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

The nature of deficit is an indicator of the prudence of fiscal management of the Government. Further the ways in which the deficit is financed and the application of resources raised are important pointers to its fiscal health. This section presents trends, nature and magnitude and the manner of financing these deficits and also the assessment of actual levels of revenue and fiscal deficits *vis-à-vis* targets set under KFRA for the financial year 2017-18.

1.11.1 Trends in deficits

a) Revenue Surplus

Revenue surplus represents the difference between revenue receipts and revenue expenditure. Revenue surplus helps to decrease the borrowings. The revenue surplus had increased from ₹353 crore in 2013-14 to ₹1,789 crore in 2015-16, but decreased by ₹496 crore during 2016-17 and again increased to ₹4,518 crore in 2017-18, due to increase in net proceeds of State share of Union Taxes and duties and grants-in-aid from GOI which helped the Government to maintain surplus.

The growth rate of revenue receipts and revenue expenditure was 10 *per cent* and eight *per cent* respectively during 2017-18, as a result of which there was considerable increase in revenue surplus. The factors responsible for the surplus on revenue account have been discussed in **paragraph 1.1.2**.

The State Government in MTFP (2016-20) had stated that 'though the size of budget has gone up over the years, it is characterised by a substantial portion being in the nature of committed expenditure. This reduces maneuverability around expenditure decision and that the State has limited revenue space available after accounting for its committed expenditure needs'. Hence, the State Government needs to make medium term corrections on the expenditure side to moderate such committed expenditures.

b) Fiscal Deficit

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

Table 1.34: Fiscal deficit and its parameters

(₹in crore)

Period	Non-Debt Receipts	Total Expenditure	Fiscal deficit	Fiscal Deficit as *per cent* of		
				GSDP	Non-debt receipts	Total expenditure
2013-14	89,739	1,06,831	17,092	2.09	19.50	16.00
2014-15	1,04,236	1,23,812	19,576	2.14	18.78	15.81
2015-16	1,19,229	1,38,398	19,169	1.89	16.08	13.85
2016-17	1,33,341	1,62,005	28,664	2.53	21.50	17.69
2017-18	1,47,141	1,78,241	31,101	2.37	21.14	17.45

Source: Finance Accounts.

During the period from 2013-14 to 2017-18, fiscal deficit as a percentage of GSDP increased from 2.09 *per cent* to 2.37 *per cent*, with marginal variations in between. The fiscal deficit as *per cent* of GSDP, Non-debt receipts and Total expenditure decreased during 2017-18 over the previous year, on account of decreased borrowing/increased revenue surplus.

c) Primary Deficit

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

Table 1.35: Primary deficit and its parameters

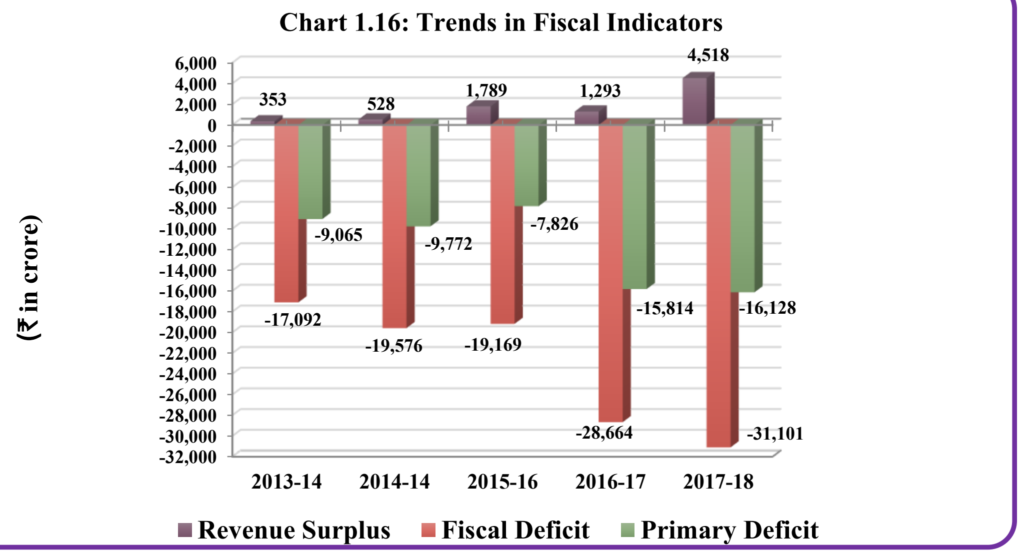
(₹in crore)

Period	Fiscal Deficit	Interest Payments	Primary Deficit
2013-14	17,092	8,027*	9,065
2014-15	19,576	9,804*	9,772
2015-16	19,169	11,343*	7,826
2016-17	28,664	12,850*	15,814
2017-18	31,101	14,973*	16,128

Source: Finance Accounts.

**includes interest payments of ₹190 crore, ₹400 crore, ₹597 crore, ₹817 crore and ₹1,043 crore towards off-budget borrowings during 2013-14, 2014-15, 2015-16 2016-17 and 2017-18 respectively.*

During 2013-14 to 2017-18, the fiscal deficit was almost twice the amount of interest payments. Containing the committed expenditure, which constitutes the major chunk of the revenue expenditure, would enable the State Government to attain surplus on revenue account to a considerable extent. Since the costs of salary, pension and interest are inflexible, the expenditure on subsidies and grants-in-aid other than to local bodies, which are increasing steadily, requires utmost attention from the State Government. The trends in deficit indicators over the period from 2013-14 to 2017-18 is shown in **Chart 1.16**.



1.11.2 Composition of fiscal deficit and its financing pattern

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

The components of fiscal deficit are Deduct Revenue Surplus, Net Capital Expenditure and Net Loans and Advances. Since the State had attained revenue surplus in 2004-05 itself, the surplus on revenue account along with market borrowings, loans from GOI etc., were utilised to finance capital expenditure. As seen from the appendix, the capital expenditure could be financed by revenue surplus to the extent of two, three and nine *per cent* in 2013-14, 2014-15 and 2015-16 respectively. In 2016-17 and 2017-18 revenue surplus could finance five and 15 *per cent* of capital expenditure.

In 2017-18, there was decrease in market borrowings and its share in financing fiscal deficit increased to 56 *per cent*. There was decrease in Deposits and Advances, loans from financial institutions and suspense and miscellaneous balances which comprised transactions relating mainly to cheques and bills, the net transactions of which were added for financing the fiscal deficit over the previous year. There was increase in Small Savings, Provident Fund marginally over the previous year. As per recommendations of the XIV FC, the State Governments are excluded from the operations of NSSF with effect from 1 April 2015. As such there were no receipts under NSSF from GOI from the financial year 2016-17 onwards.

1.11.3 Quality of deficit/surplus

The position of primary deficit with bifurcation of factors are given in **Table 1.36**.

Table 1.36: 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)**
2013-14	89,739	81,162	16,947	695	98,804	8,577	(-) 9,065
2014-15	1,04,236	93,810	19,622	576	1,14,008	10,426	(-) 9,772
2015-16	1,19,229	1,05,686	20,713	657	1,27,054	13,544	(-) 7,826
2016-17	1,33,341	1,19,071	28,150	1,934	1,49,155	14,270	(-) 15,814
2017-18	1,47,141	1,27,509	30,667	5,093	1,63,269	19,632	(-) 16,128

Source: Finance Accounts.

Primary deficit which was ₹9,065 crore during 2013-14 increased to ₹16,128 crore during 2017-18. The interest payment with respect to fiscal deficit was 48 *per cent* during 2017-18. A shrinking primary deficit indicates progress towards fiscal health. It also indicates how much of the Government borrowings are going to meet expenses other than the interest payments. The interest payments during the year was ₹14,973 crore, an increase of 17 *per cent* over previous year (₹12,850 crore).

1.12 Follow up

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

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

1.13 Conclusion and Recommendations

Fiscal Position

The State continued to maintain revenue surplus during 2013-14 to 2017-18 and kept fiscal deficit relative to GSDP below the limit prescribed under KFRA.

During 2017-18, revenue surplus was ₹4,518 crore which was partly on account of loan waiver of ₹3,401 crore booked under capital expenditure instead of under revenue account. Failure to carry out the adjustments to Consolidated Sinking Fund (₹1,055 crore) contributed in maintaining surplus of Revenue Account. The fiscal deficit during 2017-18 was 2.37 *per cent* of GSDP (₹13,10,879 crore), which was within the limit laid down under KFRA.

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

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

State's own resources

The ratio of State's tax revenue to GSDP showed a declining trend from 7.67 *per cent* in 2013-14 to 6.65 *per cent* in 2017-18. There was no improvement in the ratio of non-tax revenue to GSDP and it continued to be less than one *per cent* of GSDP during 2013-14 to 2017-18 also.

Recommendation: Revision of user charges/fees etc., of the sources for Non-tax revenues is required to be considered from time to time as recommended by FMRC (MTFP 2018-22) and Expenditure Reforms Commission.

Revenue expenditure

During 2017-18 there was eight *per cent* growth under social sector over the previous year and the share of expenditure on social services to total revenue expenditure remained at 41 *per cent* in 2016-17 and in 2017-18. The growth in expenditure on economic services was at 19 *per cent* during 2016-17 where as it was six *per cent* in 2017-18.

Seventy-eight *per cent* of revenue expenditure constituted of committed expenditure on salaries, interest payments, pensions, subsidies, grants-in-aid and financial assistance, administrative expenditure and devolution to local bodies. Expenditure on subsidy of ₹17,466 crore contained subsidy amounting to ₹3,318 crore which was in the form of financial assistance under various schemes of socio-economic services.

Recommendations: Adequate priority needs to be given to both education and health sectors as the ratios under both these sectors are below GCS average during 2017-18.

Since the costs of salary, pension and interest are inflexible, the expenditure on subsidies, grants-in-aid other than to local bodies, which are increasing steadily, requires utmost attention from the State Government.

Containing the Subsidies in committed expenditure, would enable the State Government to attain surplus on revenue account to a considerable extent.

Quality of expenditure

The share of capital expenditure to total expenditure during 2017-18 (20 *per cent*) increased by one *per cent* from that of previous year. The percentage of developmental expenditure to total expenditure decreased to 76 *per cent* in 2017-18 from 77 *per cent* in 2016-17. Funds aggregating ₹967 crore were locked up in incomplete projects at the end of 2017-18.

The return from investment of ₹65,146 crore as of 31 March 2018 in Companies/ Corporations was negligible (₹78.83 crore). The investment included ₹38,912 crore (60 *per cent*) to Companies/ Corporations which were under perennial loss.

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

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

Funds and other Liabilities

Reserve funds of the State viz., corpus fund of Guarantee Redemption Fund was not created. During 2017-18, there was no investment in the Consolidated Sinking Fund and the interest of ₹484.36 crore accrued on re-investment made on fund balances by RBI did not pass through the accounts. During the year, Green Tax collections of ₹62.25 crore were not transferred to fund account.

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

Debt sustainability

Open Market Loans had a major share (51 *per cent*) in the total fiscal liabilities of the State. The burden of interest payments measured by interest payments to revenue receipts ratio (IP/RR) was between 8.96 *per cent* and 10.19 *per cent* during 2013-14 to 2017-18. The net debt available to the State during 2017-18 (₹5,005 crore) decreased by 63 *per cent* when compared to the previous year. The State has limited revenue space available after accounting for its committed expenditure needs.

Recommendations: Interest on Off-budget borrowings should form part of calculation of IP/RR ratio.

The State Government needs to make medium term corrections on the expenditure side to moderate committed expenditures.

Chapter – II

Financial Management and Budgetary Control

Chapter 2

Financial Management and Budget Control

2.1 Introduction

Appropriation Accounts are accounts of the expenditure (voted and *charged*) of the Government, for each financial year compared with the amounts as specified in the schedules appended to the Appropriation Acts, passed by the Legislature. These accounts list the original budget estimates, supplementary grants, surrenders and re-appropriation distinctly and indicate actual capital and revenue expenditure on various specified service *vis-à-vis* those authorized by the Appropriation Act**.** The Karnataka Budget Manual contains the procedure for preparation of the estimates of budget, subsequent action regarding authorization to incur expenditure, distribution of grants, watching the progress of actual expenditure and control over it.

2.2 Summary of Appropriation Accounts

Audit of appropriation seeks to ascertain whether the expenditure actually incurred under various grants is within the authorization given under the Appropriation Act and that the expenditure required to be *charged* under the provision of the Constitution and through various legislations of the Legislature is so *charged*. It also ascertains whether the expenditure so incurred is in conformity with law, relevant rules, regulation and instructions. The summarised position of actual expenditure during 2017-18 against 29 grants/appropriations is given in **Table 2.1**.

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

(₹ in crore)

Nature of expenditure		Original grant/ Appropriation	Supplementary grant/ Appropriation	Total	Actual expenditure	Unspent Provision (-) / Excess over provision (+)	Amount surrendered	Amount surrendered on 31 March	*Per cent* of savings surrendered on 31 March
Voted	I Revenue	1,34,250.46	7,615.98	1,41,866.44	1,29,684.31	(-)12,182.13	4,486.69	4,486.69	100
	II Revenue Public Debt	0.00	3.05	3.05	0.00	(-)3.05	0.00	0.00	0
	III Capital	32,879.62	3,215.31	36,094.93	31,745.11	(-)4,349.82	715.38	715.38	100
	IV Loans and Advances	2,921.12	3,507.48	6,428.60	6,415.94	(-)12.66	0.00	0.00	0
Total Voted		**1,70,051.20**	**14,341.82**	**1,84,393.02**	**1,67,845.36**	**(-)16,547.66**	**5,202.07**	**5,202.07**	**100**
Charged	*V Revenue*	*16,107.76*	*220.31*	*16,328.07*	*15,631.68*	*(-)696.39*	*25.20*	*25.20*	*100*
	VI Public Debt Repayment	*8,175.65*	*0.00*	*8,175.65*	*8,269.16*	*(+)93.51*	*0.00*	*0.00*	*0*
	VII Capital	*582.58*	*0.18*	*582.76*	*574.04*	*(-)8.72*	*0.75*	*0.75*	*100*
Total Charged		***24,865.99***	***220.49***	***25,086.48***	***24,474.88***	***(-)611.60***	***25.95***	***25.95***	***100***
Grand Total		**1,94,917.19**	**14,562.31**	**2,09,479.50**	**1,92,320.24**	**(-)17,159.26**	**5,228.02**	**5,228.02**	**100**

Source: Appropriation Accounts

The unspent provision of ₹16,959.82 crore during the year 2017-18 was the result of overall unspent provision of ₹17,159.26 crore under 29 grants/appropriation, which was offset by excess expenditure of ₹199.44 crore under Demand Nos. 03, 08, 24 and 29 under voted/*charged* expenditure of the revenue/capital sections.

2.3 Comments on Expenditure

The summary of demands for grants placed before the Legislature, seeks approval for incurring the expenditure during the course of the year on various specified services, as brought out in the schedules appended to the demand. The expenditure so indicated implies that the amounts so drawn are expended for the purpose.

Audit observed that this assumption was vitiated by the following (this is only illustrative).

2.3.1 Overstatement/Understatement of expenditure

The expenditure stood overstated/understated as shown in **Table 2.2**.

Table 2.2: Overstatement/Understatement of expenditure

(₹ in crore)

Sl. No	Overstatement of expenditure	Amount	Understatement of expenditure	Amount
1	Non-submission of NDC bills for AC bills drawn by the DDOs during 2017-18 (details at **Para 3.6**)	27.79	Non-transfer of Green Tax collected to Public Account (details at **Para 1.9.4**)	4.36
2	Amount remained unutilized under ZP Fund in Public Account out of the amount (₹6,752 crore) released to it.	511.17	Non-investment and adjustment of amount to Consolidated Sinking Fund (details at **Para 1.9.4**)	1,055.00
3	Amount remained unutilized under TP Fund in Public Account out of the amount (₹11,877 crore) released to it.	1,014.03		
4	Non-transfer of expenditure incurred to fund account in case of: (i) SUTF (ii) Karnataka Forest Development Fund (details at **Para1.9.4**)	71.22 299.09		
5	Non-utilization of amount under UIDSSMT scheme for implementation of water supply projects by DMA (details at Para **2.7.2.3**)	39.80		
Total		**1,963.10**	**Total**	**1,059.36**

From the above, it was observed that overstatement of expenditure was to the extent of ₹903.74 crore.

Failure to adhere to the principles of accounting/financial reporting results in exhibition of transaction not confirming to the accounting principles, which should be avoided.

2.3.2 Additionality amount released through Executive orders

PAC in its Fifth report (Fourteenth Assembly) recommended (July 2015) that sanctioning of additionality through executive instruction should be limited to emergent cases **(**Para 5, GO dated 6 August 2015). During 2017-18, audit observed that ₹3,747.77 crore covering 20 grants under revenue/capital section, (this is only illustrative), (**Appendix 2.1**) was released through 128 executive orders which was later regularized through Supplementary Estimates. It was observed that expenditure incurred out of these additionalities was on routine items like salaries, other expenses, etc., which did not qualify as emergent expenditure. It was replied (March 2019) by the Finance Department that when compared to 2016-17 (293 executive order - ₹6057 crore), the number of additionality orders have come down by 56% in 2017-18.

Article 266(3) of the Constitution prohibits the appropriation of revenues without the approval of Legislature which should be followed through placement of supplementary demands before incurring expenditure.

2.3.3 Excess Expenditure

In five cases aggregating to ₹355.79 crore, expenditure in excess of ₹25 crore was incurred under four Major Heads of account pertaining to four grants **(Appendix 2.2)**.

2.3.4 Excess expenditure over provision during 2017-18

Excess expenditure of ₹199.44 crore against Demand No.03 - Finance, 08-Forest, Ecology and Environment, 24 – Energy, and 29 – Debt Servicing incurred during 2017-18 needs to be regularised. The details are given in **Table 2.3**.

Table 2.3: Excess expenditure during 2017-18

(Amount in ₹)

Sl. No.	Grant	Provision	Expenditure	Excess
1	*03 – Finance Revenue - Charged*	*1,87,21,000*	*13,86,58,383*	*11,99,37,383*
2	*08 - Forest, Ecology and Environment Revenue - Charged*	*3,00,20,00,000*	*3,81,18,05,156*	*80,98,05,156*
3	24 - Energy Capital - Voted	8,27,00,00,000	8,39,94,95,000	12,94,95,000
4	*29 - Debt Servicing Capital - Charged*	*81,75,65,00,000*	*82,69,16,25,086*	*93,51,25,086*
	Total	**93,04,72,21,000**	**95,04,15,83,625**	**1,99,43,62,625**

Source: Appropriation Accounts.

The main reasons for excess expenditure under the above demands are discussed below:

- The excess under Grant No. 3 - Finance was due to the settlement of claims towards reimbursement of pension paid to retired High Court Judges from the CPAO, Ministry of Finance, Government of India;
- The excess under Demand No.8 – Forest, Ecology and Environment was due to the error in budgeting wherein the provision of ₹85 crore was made erroneously under voted category instead of *charged* category under the HOA 2406 – Forestry and Wild Life – Forestry – Transfer to Reserve Funds/Deposit Accounts – Transfer of Forest Development Fee to Karnataka Forest Development Fund. However, the expenditure was accounted rightly under *charged* category;
- The excess under Grant No. 24 – Energy was due to adjustment of EAP loans of ₹12.95 crore as per classification provided in GO dated 31.03.2018 even though no funds were provided in the Budget for 2017-18; and
- The excess under Grant No.29 – Debt Servicing was due to non-provisioning in the budget to cover the repayment of Principal and Interest in respect of EAP loans released on Back to Back basis which were initially repaid and accounted by the Controller of Aid Accounts and Audit, MOF, New Delhi for eventual transfer to State Government through RBI clearance memos as accounted by AG(A&E).

Excess expenditure over the provision was in contravention to the provisions requiring Legislative sanction and was indicative of bad planning, which could be avoided by keeping track of expenditure progression with budget made for the purpose.

2.3.5 Excess expenditure requiring regularisation in the previous years

As per Article 205 of the Constitution of India, it is mandatory for a State Government to get the excess over a grant/appropriation regularised by the State Legislature. Although no time frame for regularisation of expenditure was prescribed under the Article, the regularisation of excess expenditure is done after the completion of discussion of the Appropriation Accounts by the Public Accounts Committee. Excess expenditure aggregating ₹2,210.09 crore for the years from the year 2012-13 to 2016-17 are yet to be regularised as detailed in **Appendix 2.3**.

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

2.3.6 New Service/New Instrument of Service

Article 205 of the Constitution provides that expenditure on a 'New Service' not contemplated in the Annual Financial Statement (Budget) can be incurred only after its specific authorization by the Legislature. The Government issued orders in August 2015 based on the recommendations of the Public Accounts Committee in its Fourth Report (Fourteenth Assembly), exempting certain items of expenditure for which 'New Service' criteria shall not be applicable and also prescribed the criteria, for treating the expenditure as "New Service'. The revised criteria for 'New Service' became effective from the financial year 2015-16. As per the above order, the cases already provided for and approved by the Legislature but where the expenditure is subsequently expected to exceed the amount originally provided in the budget will not be treated as 'NEW SERVICE', provided the increase over the actual provision does not exceed twice the provision or ₹5 crore, whichever is more.

During the year 2017-18, in six cases, involving six grants, excess expenditure amounting to ₹436.56 crore **(Appendix 2.4)**, which should have been treated as 'New Service/New Instrument of Service', was incurred without the approval of the Legislature.

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

2.4 Errors in Budgeting

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

2.4.1 Misclassification between 'Capital' and 'Revenue' section

During the year 2017-18, it was observed that an amount of ₹3,476.63 crore was misclassified between 'Capital' and 'Revenue' Sections as shown in **Appendix 2.5** resulting in inflating revenue/ capital expenditure as well as distorting fiscal indicator, namely revenue surplus.

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

A comment was made in the AR 2016-17 (Para 2.4.1.2) regarding the misclassification while budgeting between 'Voted' and '*Charged*' sections. During the year 2017-18 also, it was noticed that there were cases of misclassification where provision of ₹101.23 crore was made under Voted Section instead of *Charged* Section which is detailed in **Appendix 2.6**.

2.4.3 Error in budgeting due to improper application of provision relating to conversion of loans into equity – M/s. KSIC

In the Third and Final instalment of Supplementary Demand for 2017-18 (under Grant No.01- Agriculture and Horticulture), provision for an amount of ₹48.95 crore was made under the capital head 4860-01-190-0-02-211 – Investment in KSIC for conversion of Loans into Equity through book adjustment in the accounts with no cash outgo.

According to the provisions contained in GFR, which the State Government would generally follow, in the absence of specific provisions for conversion of loans into equity in its books, a token provision would suffice for the purpose of such conversion. In such cases, the accounting adjustment is made by correcting the balances under loans/equity proforma, without bringing the transactions into the current year's books. Hence, the full provision of ₹48.95 crore made instead of token provision was contrary to the principle of budgeting.

Further, in the above case, scrutiny of sanction orders of the Government pertaining to the releases of funds and loans to KSIC during the earlier period revealed that out of ₹48.95 crore, ₹22 crore related to part of the loans released for implementing VRS during the years 2003-04 to 2006-07 which was proposed for conversion, ₹22.91 crore related to loans for the period 1992-93 to 2002-03 released under Revenue Head 2851, which were charged off to the fund account in Public Account (Karnataka State Silk Worm Seed Cocoon and Silk Yarn Development and Price Stabilization Fund) in those years and ₹4.04 crore relating to purchase consideration of Departmental Commercial undertakings taken over by KSIC to be treated as investments of Government in KSIC. During 2017-18, only an amount of ₹22 crore relating to part loans released for VRS implementation was adjusted through book adjustment. The amount of ₹22.91 crore relating to loans of 1992-93 to 2002-03 was not converted into equity as it would not be correct to bring an expenditure of revenue nature of earlier year to capital account in the absence of enabling provision and since ₹4.04 crore relating to purchase consideration taken over by KSIC had not passed through the Government Accounts.

Hence the provision of ₹48.95 crore made for conversion of loans to equity had an effect of inflating the capital outgo during the year.

2.4.4 Incorrect provisions made under Major Heads of Account

During the year 2017-18, misclassifications were noticed under the several Major Heads of Account, which are shown in **Appendix 2.7**.

2.4.5 Errors in classification under object heads of account

The budget/expenditure suffered on account of operation of incorrect budget lines for release and accounting of ULB grants at the object level of classification. Such misclassification amounted to ₹48.62 crore under Pension and Other Retirement Benefits, ₹524.21 crore under Consolidated Salaries**,** ₹478.04 crore under Maintenance Expenditure and ₹1,017.93 crore under Subsidies. The lack of a separate object head with a distinct code prevents the segregation of expenditure incurred at the ULB from that incurred at the State.

Though this was pointed out in earlier Audit Reports, corrective action was not initiated.

In reply to SFR 2012-13, the Finance Department stated that the object head with respect of ULBs though being the same did not figure in the State Sector of Accounts as the budget heads in the link document of ULBs were not captured under the State Sector. The reply is not tenable as the bills are submitted by the DDOs of the ULBs and the amount drawn from the treasury, the same amount is booked under the same functional object heads as revealed in Statement - 4 B - Expenditure by nature of Finance Accounts.

2.4.6 Errors in budgeting under the Fund Accounts

A reference is invited to **Para No. 2.5** of the Report on State Finances for the year ending, March 2017, wherein the mismatch between the anticipated collection of cess and the provision made for its expenditure transfer to Public Account was brought out. However, during the year 2017-18 also, the mismatch of provision between collection of anticipated cess and provisions made for its transfer to fund account was noticed. A sum of ₹1,165.95 crore was anticipated as collection of cess during 2017-18. This amount was to be apportioned in the ratio of 57:28:15 among IIF, BMRCL and CMRRD Funds respectively. However, provisions of ₹659.01 crore under the Major Head 5465(IIF), ₹1,323.72 crore under the Major Head 6217 (BMRCL) and ₹323.42 crore under the Major Head 3054 (CMRRD), aggregating to ₹2,306.15 crore, were made in the budget for transfer to the fund account which had no linkage to the percentage of funds to be apportioned.

Hence there was a mismatch between anticipated collection and the provisions made for its related expenditure by transfer, which resulted in the excess provision of funds to the extent of ₹1,140.20 crore.

The Finance Department agreed to the observation (March 2019) and made correct allocation in the budget for fund transactions during 2019-20.

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

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

During 2017-18, on a scrutiny of vouchers relating to seven departments, it was noticed that an expenditure of ₹1,597.83 crore was wrongly classified under the object head "059-Other Expenses" instead of under the relevant objects heads, *viz*., 106 – Subsidy, 100 – Financial Assistance, 051 – General Expenses, 211-Investment, 015 – Subsidiary Expenses, 386 - Construction etc. the details of such misclassification are detailed in **Appendix 2.8**.

The Finance department stated that (March 2019) instructions are issued in the budget circular to the departments for making provision under specific object heads as listed in the circulars.

Errors in budgeting reflects poor understanding of the cannons of fiscal propriety, which should be avoided.

2.5 Financial Accountability and Budget Management

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

2.5.1 Appropriation *vis-a-vis* allocative priorities

There were 19 cases of unspent provisions, each exceeding ₹100 crore and above under 19 grants/appropriation, which aggregated to ₹16,385.90 crore during 2017-18. Large unspent provisions were in areas of Finance, Rural Development and Panchayat Raj, Food and Civil Supplies, Education, Urban Development, Water Resources as indicated in **Appendix 2.9**. Further, Major heads of accounts, under which the unspent provisions including re-appropriation amount was more than ₹25 crore, are detailed in **Appendix 2.10**.

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

Finance

Unspent Provision of ₹82.61 crore under 2040 – Taxes on Sales, Trade etc., - Direction and Administration – Commissioner for Commercial Taxes was due to implementation of Goods and Services Tax wherein a news Major Head 2043 – Collection Charges under State Goods and Services Tax was introduced and balance of budget provision under 2040 was surrendered.

Unspent Provision of ₹40.60 crore under 2040 – Taxes on Sales, Trade etc., - Collection Charges was due to implementation of Goods and Services Tax wherein a news Major Head 2043 – Collection Charges under State Goods and Services Tax was introduced and balance of budget provision under 2040 was surrendered.

At the time of budget formulation for 2018-19, GST was yet to be implemented. Hence complete provision under 2040-00-001 – Direction and Administration (₹181.89 crore) and under 2040-00-101 – Collection Charges (₹126.05 crore) were made. As GST was implemented with effect from 1 July 2017, a new functional head 2043 – Collection charges under SGST was required to be introduced for recording expenditure. However, the Government of Karnataka introduced the new Major Head with effect from 1 December 2017. In the Supplementary Estimate, a provision of ₹124.80 crore was made which was unnecessary in view of unutilized provision being available under the former head (2040) which was surrendered. A token provision under the new head/object heads could have made for the purpose and the amounts could have been re-appropriated from Major Head 2040.

Rural Development and Panchayat Raj

Unspent Provision of ₹24.57 crore under 2515 – Other Rural Development Programme –Assistance to Gram Panchayats – Gram Panchayats – CSS/CPS – XIV FCG Basic Grants – Lumpsum - ZP was due to a decision of High Level Committee to provide grants to Urban Development Department, for release of XIV FCG Basic Grants to 57 Gram Panchayats which was upgraded to Municipal Administrative Institutions.

With regard to unspent provision of ₹24.57 crore, it was seen that 57 Gram Panchayats had been upgraded to Municipal Administrative Institutions in 2015-16 itself. The grants received from GOI was ₹1,580.18 crore against which the actual release was 1,555.60 crore resulting in saving of the amount stated above for which budget provision was not required.

Education

Unspent Provision of ₹25.86 crore under Major Head 2203 - Technical Education – Scholarships – Scholarships and Seminars for Engineering Colleges and Polytechnics – SCSP/TSP was due to incurring of expenditure from the Unspent SCSP/TSP grants of 2016-17.

The reasons for savings given by the department is not tenable as in the present case the unspent grant of previous year has been appropriated to meet expenditure of the current year without Legislative sanction. Further, according to Para 13 of the Karnataka Scheduled Castes Sub-Plan and Tribal Sub-Plan (Allocation and utilization of Financial Resources) Act, 2013, 'in case of unspent amount out of allocation in a particular year, the same may be added to the next year allocation, but shall not be carried further beyond that year'. Hence the department should have remitted the unspent grant of the previous year and then could have been added to the current year allocation and obtained the Legislative sanction for the enhanced allocation.

It was observed that out of the savings of ₹16,385.90 crore, the reasons attributed by the departments for such savings was very small and no specific reasons were forthcoming for the large part of the savings.

PAC, in its 13th Report submitted to the Legislature (December 2011), observed that in order to have control over provision/expenditure, unutilised provisions should be surrendered as and when it came to the notice of the grant controlling authority and that specific instructions were required to be issued in this regard. Finance department in its circular dated December 19, 2013 directed all the Administrative department and the Heads of Departments to take appropriate action to surrender the full unspent provisions to Finance Department as soon as it was anticipated without waiting for the year end. However, it was observed in audit that large amounts remained unutilised/un-surrendered, indicating poor quality of control over expenditure, despite PAC recommendations.

2.5.2 Persistent Unspent Provision

In one grant, there was persistent unspent provisions of more than ₹100 crore during the last five years, as detailed in **Table 2.4**.

Table 2.4: Persistent unspent provision

(₹ in crore)

Sl. No.	Grant/ Nomenclature Major head	2013-14	2014-15	2015-16	2016-17	2017-18
1	03-Finance (Revenue – Voted)	116.64	489.34	1,215.44	3,028.48	3,303.03
	2070-00-800-11 Filling up of Vacant Post	500.00	1,181.28	1,250.03	1,575.00	1,362.00

Source: Appropriation Accounts

Reasons for persistent savings in the above grant revealed the following:

Under the head of account '2070-800-11- Filling up of vacant posts', provisions made remained unutilised. A mention was made vide **Paragraph 2.7.2** in the Report on State Finances for the year ending 31 March 2017 regarding the persistent unspent provision being made for filling up of vacant posts. The Finance Department had replied (December 2017) that filling up of the vacant posts was provided in order to take care of the posts that may get filled up during the course of the year. Further, it stated that from 2017-18, some amount would be allocated under the individual grants. However, it was observed that in addition to the provision of ₹1,362 crore made under Grant No.3 – Finance, an amount of ₹213 crore was also made across all grants for filling up of vacant post, thus, increasing the size of the budget resulting in inflation of budget provision on Revenue Account.

As the provision made under the above demand unnecessarily inflated the size of the budget and cannot be re-appropriated to other demands, such unnecessary provision should be avoided.

2.5.3 Supplementary Provisions

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

Supplementary provisions (₹14,562.31 crore) made during 2017-18 constituted seven *per cent* of the original provisions (₹1,94,917.19 crore).

As per sub-section (5) of section (6) of Karnataka Fiscal Responsibility Act, 2002, whenever one or more Supplementary Estimates are presented to the

Houses of Legislature, the State Government shall also present an accompanying statement indicating the corresponding curtailment of expenditure and/or augmentation of revenue to fully offset the Fiscal impact of the Supplementary Estimates in relation to the budget targets of the current year and the Medium Term Fiscal Plan objectives and targets for the future year.

During 2017-18, three installments of Supplementary Estimates (SE) were laid before the Legislature. The statement indicating the supplementary estimates, corresponding curtailment of expenditure and augmentation of revenue are shown in **Table 2.5**.

Table:2.5 Details of curtailment of expenditure, augmentation of revenue, provision for book adjustments in the Supplementary Estimates

(₹ in crore)

	First Supplementary Estimate – 1,733.96	Second Supplementary Estimate – 7,476.86	Third Supplementary Estimate – 5,351.49
Amount met out of Reserve Funds	1,131.88	805.99	296.00
Amount covered by Central Assistance	150.50	1,008.63	510.33
Amount covered by Adjustments	0.00	0.00	50.60
Net cash outgo	**451.58**	**5,662.24**	**4,494.56**

Source: Supplementary Estimates

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

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

2.5.3.1 Unnecessary Supplementary Provision

Supplementary provision of ₹171.53 crore made under 12 grants in 13 object heads proved unnecessary (**Appendix 2.11**).

2.5.3.2 Excessive[14] Supplementary Provision

Supplementary grant of ₹250.23 crore made under 13 object heads relating to 12 grants proved excessive. The resultant unutilised provision in these cases was ₹107.72 crore **(Appendix 2.12)**.

2.5.3.3 Inadequate Supplementary Provision

Supplementary provision of ₹1,677.70 crore made under 13 object heads relating to 11 grants proved inadequate. The uncovered excess expenditure in these cases was ₹1,367.43 crore (**Appendix 2.13)**.

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

2.5.4 Re-appropriation of Funds

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

2.5.4.1 Unnecessary/Excessive/Insufficient re-appropriation of Funds

In 2017-18, 44 cases of re-appropriation of funds was made injudiciously as compared to 62 cases in 2016-17, resulting either in un-utilised provision or excess over provision in each case **(Appendix 2.14)**, as summarised below:

In 24 cases, the un-utilised provision was not properly assessed as, even after the withdrawal of ₹1,078.68 crore through re-appropriation, ₹2,963.46 crore remained un-utilised.

In 15 cases, additional funds ₹511.03 crore, provided by re-appropriation, resulted in overall un-utilised provision of ₹1,091.13 crore.

In two cases, withdrawal of ₹13 crore resulted finally in excess expenditure of ₹5.18 crore.

In three cases, additional funds of ₹106.75 crore provided through re-appropriation, proved insufficient as the final expenditure exceeded the provision by ₹267.94 crore.

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

2.5.4.2 Defective Re-appropriation

Article 309, 312 and 315(a) of the Karnataka Financial Code *inter alia* stipulated that no re-appropriation should be made from one grant voted by the Legislature to another such grant, from voted items of expenditure to *charged* items of expenditure, from capital to revenue and *vice versa* if the re-appropriation statement is not self-balanced and not in the prescribed form (Form No.22A of KFC). During 2017-18, 351 re-appropriation orders for an amount ₹4,749.37 crore were issued of which 60 re-appropriation orders for ₹392.64 crore were not acted upon as they violated the provisions stated above (**Appendix 2.15**).

A scrutiny of the defective re-appropriation orders revealed that in 46 cases involving ₹114.92 crore, there were arithmetical inaccuracies in the statement forming part of re-appropriation, which resulted in their rejections. Further, in one case involving ₹1.49 crore, the re-appropriation was between voted and *charged* appropriation. Hence it was rejected. In two cases amounting to ₹205.38 crore, the re-appropriation orders were rejected as it attracts the criteria of New Service/New Instrument of Service. In four cases amounting to ₹45.82 crore, the re-appropriation orders were rejected due to insufficient balance.

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

The re-appropriation of funds, which is an exercise of the grant controlling authorities with reference to the budget/expenditure, rigorous checks needs to be employed while scrutinizing the re-appropriation orders.

2.5.5 Surrender of unspent Provision

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

2.5.5.1 Unspent provision not surrendered

In the case of 14 grants/appropriations, the entire unspent provision, aggregating ₹1,541.87 crore, was not surrendered **(Appendix 2.16)**.

Further, in the case of 24 grants /appropriations, there was only partial surrender and around 69 *per cent* (₹10,971.42 crore) of the total unspent provision (₹15,816.80 crore) was not surrendered (**Appendix 2.17**). Besides, in 17 grants where surrender of funds was in excess of ₹five crore, ₹2,246.23 crore was surrendered on the last two working days of the financial year, indicating inadequate financial control (**Appendix 2.18**).

2.5.5.2 Substantial surrenders

Out of the total provision of ₹1,398.77 crore, in 37 cases, ₹1,216.62 crore (87 *per cent*) were surrendered, which included *cent per cent* surrenders in 19 cases (₹554.62 crore) (**Appendix 2.19**). These surrenders were stated to be due to non-availability of beneficiaries, non-commencement of project within the prescribed period, release of grants at the fag end of the financial year, non-approval of work/administrative approval, non-receipt of bills in time, non-fulfilment of purchase procedure and non-appointment of part time employees etc.

2.6 Contingency Fund

The Contingency Fund of the State was established under the Contingency Fund Act, 1957, in terms of provisions of Articles 267(2) and 283(2) of the Constitution of India. Advances from the fund are to be made only for meeting expenditure of an unforeseen and emergent character, postponement of which till its authorisation by the Legislature, would be undesirable. The fund is in the nature of an imprest and its corpus is ₹80 crore. Fund drawn out of Contingency fund are subsequently recouped to the fund through supplementary provisions. During the year 2017-18, no amount was drawn from the Contingency Fund.

2.7 Outcome of review of Selected Grants

A review on Budgetary Procedures followed and Methodology employed for control over expenditure in respect of two selected grants over a three-year period from 2015-16 to 2017-18 showed the following:

2.7.1 Grant No.8 – Forest, Ecology and Environment

The department of Forest, Ecology and Environment is mainly entrusted with the responsibility to

- protect the existing forests (Flora & Fauna) including protection against smuggling, poaching, fire accidents etc.;
- increase the productivity of the degraded forests, and preserve the wild life and its management; and
- protect and manage forests as well as raise of plantations through joint forest planning by involving local communities through village forests communities and bio-diversity conservation and its management especially in degraded forest area.

2.7.1.1 Budget and Expenditure

The overall position of the budget provision, actual disbursements and savings under the functional heads of the grant for the last three years is brought out in **Table 2.6**.

Table: 2.6: Budget and Expenditure

(₹ in crore)

Year	Section	Budget Provision	Total	Expenditure	Savings (-) Excess (+) and its percentage
2015-16	Revenue-Original (V)	1,144.50	1,344.62	1,275.94	(-)68.68(5)
	Supplementary	200.12			
	Revenue-Original (C)	*600.18*	*600.18*	*400.76*	*(-)199.42(33)*
	Supplementary	*0*			
	Capital-Original(V)	12.00	12.00	11.99	0.01(0)
	Supplementary	0			
2016-17	Revenue-Original (V)	1,282.08	1,420.30	1,388.21	(-)32.09 (2)
	Supplementary	138.22			
	Revenue-Original (C)	*300.19*	*300.51*	*154.17*	*(-)146.34(49)*
	Supplementary	*0.32*			
	Capital-Original(V)	27.37	52.60	52.03	(-)0.57 (1)
	Supplementary	25.23			
2017-18	Revenue-Original (V)	1,411.60	1580.16	1496.36	(-)83.80(5)
	Supplementary	168.56			
	Revenue-Original (C)	*300.20*	*300.20*	*381.18*	*(+)80.98(27)*
	Supplementary	*0.00*			
	Capital-Original(V)	20.00	20.00	9.99	(-)10.01(50)
	Supplementary	0.00			

Source: Grant Registers

During 2015-16 to 2017-18, under the Revenue Voted Section, the deviation of unutilized provisions ranged between two to five *per cent*, in case of Capital Voted section, the percentage of deviation was up to 50 *per cent.* In the Revenue *Charged* Section, the deviation was between 33 and 49 *per cent* for the years 2015-16 and 2016-17 respectively. During the year 2017-18, there was excess expenditure in the Revenue *Charged* section due to erroneous provision made under Voted Section instead of *charged* section for transfer of Forest Development fees to Karnataka Forest Development Fund. However, the expenditure was accounted correctly under *Charged* section.

2.7.1.2 Budget - Revenue and Capital

The budget presented to the Legislature is further bifurcated into Revenue and Capital, Plan and Non-Plan in the detailed demand for grants. From 2017-18 onwards, there is no bifurcation of funds between Plan and Non-Plan**.**

It was noticed that under Revenue Voted (Plan) section there was saving of eight *per cent* and four *per cent* during 2015-16 and 2016-17 respectively. During 2017-18, there was excess expenditure of 27 *per cent* under *Charged* section. In respect of Capital Section, the percentage of deviation was negligible during 2015-16 and 2016-17. For the year 2017-18, the percentage of deviation was 50 *per cent.* The reason attributed for such deviation was that, as the Government revised the target, the expenditure was restricted to actual bills paid.

2.7.1.3 Misclassification between 'Capital' and 'Revenue'

A mention was made vide **paragraph 2.4.1.1** in the Report on State Finances for the year ending March 2017 regarding the expenditure related to acquisition of land under Capital Account as land is an asset and its acquisition has to be capital in nature as per circular issued by Finance Department dated 15.01.2013. However, during 2017-18 also, it was observed that an expenditure of ₹8 crore was classified under the Revenue Section (2406-02-110-0-55-059 – Other Expenses) towards rehabilitation and acquisition of land. The classification under revenue was incorrect which had the effect of distorting the fiscal indicators *viz*., revenue surplus.

2.7.1.4 Misclassification between 'Voted' and '*Charged*'

As per budget Circular issued by Finance Department, the budget proposals should be formulated with the greatest care and accuracy and also with due regard to sanctions and actual requirements. Proposals, therefore, be worked out on the basis of probable and realistic requirement of funds.

In the Budget Estimate for the year 2017-18, a provision of ₹300 crore was made under the Head of Account 2406-01-797-0-01-261 – Inter Account Transfer for transfer of Forest Development Fee to Karnataka Forest Development Fund under the *Charged* Category. However, in the Supplementary Demand-III instalment, an additional provision of ₹85 crore, provided for transfer of revenues to the Karnataka Forest Development Fund was incorrectly made under Voted Category. However, the expenditure was accounted correctly under the *Charged* Category which resulted in expenditure without budget provision.

2.7.1.5 Rush of Expenditure

As per paragraph 6 of instruction issued by Finance Department, GOK dated 09 September 2004, regarding releases, drawal and accounting of funds, the Administrative Departments and the Heads of Departments were to plan the expenditure for the remaining part of the financial year with due diligence and within the available grants. Bunching of bills and rush of expenditure in the month of March was to be avoided. Administrative orders were to be issued well in advance after obtaining necessary approvals at the required levels for expenditure likely to be incurred in February and March.

The object head wise details of expenditure where the percentage of expenditure during last quarter and March ranged between 35 and 61 *per cent* during 2017-18 are detailed in **Appendix 2.20**.

2.7.2 Grant No.19 – Urban Development

2.7.2.1 The Department of Urban Development is entrusted with the responsibility of providing Infrastructure facilities to people living in Urban Areas. The main objectives of the Department are:

- providing infrastructure facilities and good governance.
- providing potable drinking water and drainage system.
- to prepare town development plan for better maintenance of cities and towns and providing sites and other facilities to weaker sections.

Budget and Expenditure

The overall position of the budget provision, actual disbursements and savings under the functional heads of the grant (Revenue and Capital) for the last three years are brought out in **Table 2.7**.

Table 2.7: Budget and Expenditure

(₹ in crore)

Year	Section	Budget Provision	Total	Expenditure	Unutilised Provision and its percentage
2015-16	Revenue-Original (V)	7,428.48	7,739.49	7,076.30	663.19 (9)
	Supplementary	311.01			
	Revenue-Original (C)	*1.25*	*1.25*	*1.25*	*0*
	Supplementary	*0.00*			
	Capital-Original (V)	2,093.50	2,099.50	2,013.67	85.83 (4)
	Supplementary	6.00			
	Capital-Original (C)	*0*	*0*	*8.05*	*(+)8.05 (100)*
	Supplementary	*0*			
2016-17	Revenue-Original (V)	8,744.08	9,231.14	8,558.00	673.14 (7)
	Supplementary	487.06			
	Revenue-Original (C)	*0.50*	*0.50*	*0.38*	*0.12 (24)*
	Supplementary	*0.00*			
	Capital-Original (V)	4,348.58	4,786.78	3,448.10	1,338.68 (28)
	Supplementary	438.20			
	Capital-Original (C)	*0*	*4.50*	*4.11*	*0.39 (9)*
	Supplementary	*4.50*			
2017-18	Revenue-Original (V)	10,089.87	10,369.86	9,602.12	767.74 (7)
	Supplementary	279.99			
	Revenue-Original (C)	*0.08*	*0.08*	*0.08*	*0*
	Supplementary	*0.00*			
	Capital-Original (V)	5,599.48	5,599.48	5,330.75	268.73 (5)
	Supplementary	0.00			
	Capital-Original (C)	*1.41*	*1.59*	*1.59*	*0*
	Supplementary	*0.18*			

Source: Grant Registers

As seen from the table above, during 2015-16 to 2017-18, the deviation of unutilized provisions ranged between seven and nine *per cent* under the Revenue Voted Section, and in case of Capital Voted Section the same was between 4 and 28 *per cent*. There was a saving of 24 *per cent* and 9 *per cent* under Revenue *Charged* Section and Capital *Charged* Section respectively. Further, excess expenditure of ₹8.05 crore was incurred during 2015-16 under Capital *Charged* Section.

The department in its reply (February 2019) stated that the savings was due to implementation level constraints. It further stated that the observation was noted and all implementing officers who deal with the expenditure are advised to adhere to the budget provisions.

2.7.2.2 Budget - Revenue and Capital

The Budget presented to the Legislature is further bifurcated into Revenue and Capital, Plan and Non-Plan in the detailed demand for grants. From 2017-18 onwards, there is no bifurcation of funds between Plan and Non-Plan.

It was noticed that under Revenue Voted(Non-Plan) Section, there was saving of seven *per cent* during the period 2015-16 to 2016-17 and under *Charged Non-Plan Section,* the deviation was 24 *per cent* during 2016-17. In respect of Voted Plan Section, the deviation ranged between 8 and 10 *per cent* during 2015-16 and 2016-17. In respect of Capital Section, there was saving of 100 *per cent* under Voted Non-Plan section during 2015-16 and excess expenditure of ₹8.05 crore under the *Charged* Non-Plan Section. This was due to erroneous provision of ₹8.50 crore made under Voted Section (4217 – Capital Outlay on Urban Development– Debt Servicing of HUDCO Loans – Debt Servicing) instead of *Charged* Section as required under the amended provision of Section 2 of Karnataka Fiscal Responsibility Act 2014. However, the expenditure was accounted correctly under *Charged* Section resulting in excess expenditure.

Similarly, during 2016-17, there was saving of 100 *per cent* under Voted Non-Plan Section due to erroneous provision of ₹4.50 crore (4217-60-800-3-01-240 – Debt Servicing) instead of *Charged* Non-Plan. However, the expenditure was accounted correctly under *Charged* Non-Plan resulting in excess expenditure. Under Voted Plan, the deviation ranged between 4 and 28 *per cent* during 2015-16 to 2017-18.

2.7.2.3 Artificial increase in Consolidated Fund Expenditure – Amount drawn in advance and parked in banks.

The budget presented before the Legislature has two parts. Expenditure on Revenue Account and that on Capital Account. The expenditure is classified by using 15 – digit classification with the last three digits of the sixth tier of classification indicating the object of expenditure. Once the budget is approved by the Legislature, the DDOs operating on the treasury gets the authority for withdrawing the money against the presentation of bill/claims. Once the bill is passed on presentation of a claim, the Consolidated Fund gets debited, giving an impression that the expenditure has been met for the purpose for which it was earmarked. However, contrary to the above, it was noticed that the DMA withdrew large sums of money not needed for immediate purpose and deposited in the bank accounts in the following schemes.

(i) UIDSSMT/JnNURM

The Ministry of Urban Development has launched the Jawaharlal Nehru National Urban Renewal Mission (JnNURM) during 2005-06 of which Urban Infrastructure Development Scheme for Small and Medium Town (UIDSSMT) was one of the component. The funds for the scheme are released by the Government to the Director of Municipal Administration (DMA), Government of Karnataka. DMA is implementing the scheme through ULBs. It was noticed that the amount drawn under UIDSSMT scheme during January 2018 amounting to ₹39.80 crore for implementation of Water Supply Projects in Tumakuru was deposited in banks in fixed deposit account earning interest. It was stated by DMA (September 2018) that the scheme guidelines allowed him to operate a separate bank account. Further, as the implementing agency had sufficient funds to meet the expenditure on the project, as and when the expenditure exceeds 75 *per cent* of the released amount, the amount drawn from the treasury would be released to the implementing agency. In the present case, the amount was drawn during January 2018 and was lying with DMA without utilization in FD account, artificially inflating the revenue expenditure.

Further, funds lying with DMA included interest and savings amount earned over the years of the scheme amounting to ₹57.50 crore (Interest ₹55.10 crore and ₹2.40 crore). Instead of resuming the amount into the Consolidated Fund, the DMA sought the approval of the FD to utilize the interest and savings amount as part of State's Share for the projects sanctioned under UIDSSMT transition phase. Subsequently, the amount was appropriated without the authority of the Legislature on the approval of the Finance Department (November 2017), which was irregular.

(ii) Pourakarmika Gruha Bhagya Yojane

The Pourakarmika Gruha Bhagya Yojane was the priority housing scheme of Government of Karnataka brought into force in 2014-15 towards providing housing facility to permanent houseless Pourakarmikas who work under unhygienic environment. The amount of ₹98 crore released to ULBs during 2014-15 to 2017-18 was not fully utilized. It was observed that an amount of ₹50.47 crore (₹47.68 crore in banks and ₹2.79 crore in PD Account) remained unspent with the ULBs as at the end of March 2018, which indicates slow implementation of the scheme. The amount drawn in advance of requirement resulted in artificial increase in expenditure under the Consolidated Fund. The department replied (September 2018) that due to paucity of space for construction of houses at many places, the available space was being used for construction of multi-storied buildings. It was also stated that most of the projects were under tender process. Once the construction work starts, the expenditure would be incurred from the released funds and financial progress also would increase. The reply of the department is not tenable as the drawal of money in advance of requirement results in artificial increase in Consolidated Fund expenditure.

2.7.2.4 Persistent Savings

It was observed from the Grant Register that a substantial portion of the budget allocation remained unutilised every year under certain heads of accounts during 2015-16 to 2017-18. This indicates that the budget allocations were made without considering the previous years' expenditure as required under Rule 110 of the Karnataka Budget Manual, which resulted in persistent savings under the heads of accounts as shown in **Table 2.8** below.

Table 2.8: Persistent Savings

(₹ in crore)

Sl. No.	Head of Account/Nomenclature	2015-16	2016-17	2017-18
1	3604-00-191-2 Other Devolution	72.63	125.62	101.90
2	3604-00-192-2 Other Devolution	121.12	97.72	86.80
3	3604-00-192-3 Mukhyamantrigala Nagarothana Yojane	55.24	9.76	16.34
4	3604-00-193-2 Other Devolution	19.62	26.00	24.52
5	4215-02-190-0-03 KUWS Modernisation Project EAP	28.50	50.00	88.50

Source: Grant Registers

In reply to the audit observation (February 2019), the department stated that while preparing the budget, the expenditure of the last quarter was considered and hence there will always be variation in expected expenditure and actual expenditure. It also stated that observations are noted for future guidance.

2.7.2.5 Rush of Expenditure

As per the paragraph 6 of instructions issued by Finance Department, Government of Karnataka, dated 09 September 2004, regarding releases, drawal and accounting of funds, the administrative departments and the Heads of Departments were to plan the expenditure for the remaining part of the financial year with due diligence and within the available grants. Bunching of Bills and rush of expenditure in the month of March were to be avoided. Administrative orders were to be issued well in advance after obtaining necessary approval at the required levels for expenditure likely to be incurred in the month of February and March. However, it was noticed that the percentage of the expenditure to total expenditure during March ranged between 50 *per cent* and 54 *per cent*. The Head of Account wise details of expenditure are given below at **Table 2.9**.

Table 2.9: Rush of expenditure

(₹ in crore)

Sl. No.	Head of Account and Nomenclature	Total expenditure during the year	Expenditure during the last quarter		Expenditure during March	
			Amount	%	Amount	%
1	2217-80-001-0-08 Lake Development	50.00	37.50	75	25.00	50
2	4217-01-800-0-02 Capital Support to Special Infrastructure Project of Bengaluru	2,031.00	1,523.25	75	1,015.50	50
3	4217-60-800-5-02 Reimbursement of Taxes and Duties to BMRCL	77.20	41.57	54	41.57	54

Source: Grant Register

In reply, the department stated (February 2019) that due to unavoidable circumstances owing to administrative sanctions, technical sanctions, tendering and re-tendering process which consumed time, resulting in incurring expenditure at the fag end of the year. It also stated that all efforts will be taken in future to plan the expenditure across the financial year.

2.8 Excess payment of Family Pension

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

During 2017-18, it was noticed that in 93 cases relating to 30 District Treasuries, Public Sector Banks made payments of Family Pension at enhanced rates beyond the period mentioned in the Pension Payments Orders, resulting in excess payment of ₹1.11 crore (**Appendix 2.21**). Further, in respect of 21 District Treasuries, excess payment of ₹0.47 crore was noticed during 2017-18 in 66 cases, despite the excess payments in these cases having been pointed out in earlier years, resulting in cumulative continued excess payments of ₹1.15 crore (**Appendix 2.22**).

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

The Director, Directorate of Treasuries, replied (April 2019) that action has been taken both by the District Treasuries and the Directorate of Treasuries to recover the amount by the Public Sector Banks and that an amount of ₹0.846 crore have been recovered up to 31.01.2019. It is also stated that all District Treasury Officers were instructed to write a precautionary letter to banks prior to one month regarding regularizing of pension payment.

Further, as the excess amount of ₹1.11 crore was reimbursed to the banks, Government incurred an avoidable loss of interest of ₹0.05 crore (**Appendix 2.23**) that could have accrued, had the amount been invested in 14 days Treasury Bills. (The interest calculated refers to cases pointed out during 2017-18 only and the period is reckoned from the month of issue of Inspection Report to the end of March 2018).

2.9 Conclusion

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

- Against the total provision of ₹2,09,479.50 crore during 2017-18, an expenditure of ₹1,92,320.24 crore was incurred. This resulted in unspent provision of ₹17,159.26 crore (eight *per cent*). Cases of overstatement/understatement of expenditure were noticed;
- The budgetary exercise should be more rigorous as an amount of ₹3,476.63 crore was misclassified under the capital/revenue section affecting the fiscal indicators;
- Executive orders for expenditure, prior to approval of the Legislature, were issued for ₹3,747.77 crore forming 21 *per cent* of Supplementary Estimate. Resorting to executive route of incurring expenditure before Legislature's sanction should be the barest minimum and resorted to only in exceptional circumstances as recommended by PAC;
- Excess expenditure of ₹2,409.53 crore relating to the period 2012-13 to 2017-18 required regularization under Article 205 of the Constitution;
- In six cases, involving six grants, excess expenditure amounting to ₹436.56 crore, which should have been treated as 'New Service/New Instrument of Service' was incurred without the approval of the Legislature;
- Supplementary Provision was not completely supported by the savings under other demands to make the transaction revenue neutral as required under sub section (5) of Section (6) of KFRA, 2002;
- Supplementary provision of ₹171.53 crore in 13 object heads was unnecessary and ₹107.72 crore made under 13 object heads proved excessive;
- Re-appropriation in 44 cases was made injudiciously resulting in either un-utilised provision or excess over provision;
- In 17 grants, ₹2,246.23 crore was surrendered in the last two working days of the financial year; and
- Excess payment of family pension was noticed.

2.10 Recommendations

- ***Budgetary control should be strengthened in all the departments to avoid cases of provision remaining unutilised;***
- ***Overstatement/understatement of expenditure should be avoided as it affects the fiscal indicators viz., revenue surplus;***
- ***Scrupulous scrutiny of the budget proposal, rigorous monitoring of pace of expenditure and strict compliance with provisions of Karnataka Budget Manual are essential to eliminate the possibility of excess expenditure. Top priority should be accorded to regularise the excess expenditure from the year 2012-13 by bringing those cases before the PAC;***
- ***Excessive/unnecessary/inadequate supplementary provision should be avoided;***
- ***The re-appropriation orders should be issued in conformity with the provisions of the Karnataka Financial Code; and***
- ***Validation checks for facilitating adherence to cut-off date for payment of family pension is to be ensured.***

Chapter – III

Financial Reporting

Chapter 3

Financial Reporting

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

3.1 Non-submission of Utilisation Certificates

Financial Rules stipulate that for the grants provided for specific purposes, Utilisation Certificates (UCs) should be obtained by the departmental officers from the Grantees and, after verification, these should be forwarded to the AG (A&E) within 18 months from the date of their sanction unless specified otherwise. However, 303 UCs aggregating ₹2,585.26 crore in respect of grants released up to 2017-18 were in arrears as detailed in **Appendix 3.1**. The status of outstanding UCs is given in **Table 3.1**.

Table 3.1: Year-wise arrears of Utilisation Certificates

(₹ in crore)

Year	No. of utilisation certificates awaited	Amount
Up to 2015-16	96	315.61
2016-17	61	358.90
2017-18*	146	1,910.75
Total	**303**	**2,585.26**

Source: Finance Accounts

* *The year mentioned above relates to 'Due year' i.e., after 18 months of actual drawal.*

The majority of cases of non -submission of UCs related to the Medical and Public Health Department (64 *per cent*) and Urban Development Department (34 *per cent)*. Pendency in submission of UCs indicates lack of monitoring of utilisation of grants released to the grantees by the department. Non - submission of UCs defeats the very purpose of Legislative control over the public purse and is fraught with the risk of the funds released for various schemes/programme being locked-up, misused or diverted for unauthorized purposes.

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

3.2 Non-receipt of Information Pertaining to Institutions substantially financed by the Government

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

Fourteen Departments did not furnish the information pertaining to 487 institutions receiving grants aggregating ₹25 lakh or more for periods ranging from two years to more than 20 years, as detailed in **Appendix 3.2**. As seen from the appendix, the major defaulter was the department of Education.

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

3.3 Status of Submission of Accounts of Autonomous Bodies and Placement of Audit Reports before the State Legislature

Several Autonomous Bodies were set up by the State Government in the fields of Village and Small Industries, Urban Development, *etc*. The audit of accounts of 11 autonomous bodies in the State was entrusted to the C&AG under Sections 19 and 20 of CAG's DPC Act, 1971. These are audited with regard to their transactions, operational activities and accounts, conducting of regulatory/compliance audit, review of internal management and financial control, review of systems and procedures, *etc*.

Separate Audit Reports in respect of one autonomous body for the year 2014-15, two autonomous bodies for 2015-16 and seven autonomous bodies for 2016-17 were yet to be placed before the State Legislature. The Separate Audit Report in respect of one autonomous body was not placed since inception from 2006-07.

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

3.4 Departmental Commercial Undertakings

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

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

In reply to the same issue being pointed out in an earlier audit report (SFR 2015-16**)**, the Finance Department stated (March 2019) that in the meeting held on 18.08.2015 regarding rendering of Proforma Accounts to AG, concerned departments were instructed to continue furnishing of Proforma Accounts to AG, since the status of Departmental Commercial Undertakings were not withdrawn. Further, it stated that the administrative departments were instructed to send comprehensive proposals to close the units.

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 PWP and IWTD, 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 is commented upon in successive Audit Reports.

The position of arrears relating to submission of stores and stock accounts by 11 departments involving 169 offices is indicated in **Appendix 3.5**.

3.6 Abstract Contingent Bills

Under Rule 36 of the Manual of Contingent Expenditure, 1958, the Controlling and Disbursing Officers are authorised to draw sums of money by preparing Abstract Contingent (AC) bills by debiting service heads and are required to present Non-payment Detailed Contingent (NDC) bills (vouchers in support of final expenditure) to the AG(A&E) through treasuries before 15th of the month following the month to which the bill relates. Controlling officers should also ensure that no amounts are drawn from the treasury unless required for immediate disbursement. Detailed bills aggregating to ₹84.00 crore, drawn on 3,276 AC bills, were pending at the end of March 2018 as detailed in **Table 3.2** and **Table 3.3**.

Table 3.2: Abstract Contingent Bills

(₹in crore)

	Number	Amount
Opening balance as on 01.04.2017	3,272	84.81
AC bills drawn during the year	3,094	90.03
Total	6,366	174.84
Submission of NDC bills against pending AC bills	3,090	90.84
Closing balance of Pending AC bills as on 31.03.2018	3,276	84.00

Table 3.3: Year-wise pendency Abstract Contingent Bills

(₹ in crore)

Year	No. of pending AC Bills	Amount
Up to 2015-16	1,437	37.73
2016-17	759	18.48
2017-18*	1,080	27.79
Total	**3,276**	**84.00**

Source: Finance Accounts

**excludes bills drawn during March 2018*

During March 2018, ₹39.94 crore was drawn on AC bills, out of which ₹1.94 crore was drawn on the last day of the financial year.

Most of the outstanding NDC bills pertain to Police - Major Head 2055 (₹38.47 crore– 46 *per cent*) Elections - Major Head 2015 (₹5.04 crore – six *per cent*), General Education – Major Head 2202 (₹4.20 crore – five *per cent).*

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

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

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

3.7 Personal Deposit Accounts

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

3.7.1 Funds kept in PD Accounts

The transactions relating to PD accounts for the period 2013-14 to 2017-18 are detailed in **Table 3.4**.

Table 3.4: Funds in PD accounts

(₹ in crore)

Year	Opening Balance	Receipts/Deposits	Withdrawals	Closing balance
2013-14	2,086.18	3,782.85	3,571.93	2,297.10
2014-15	2,297.10	3,915.81	3,784.62	2,428.29
2015-16	2,428.29	6,368.39	6,061.07	2,735.61
2016-17	2,735.61	5,516.51	5,310.01	2,942.12
2017-18	2,942.12	4,194.46	4,395.06	2,741.52

Source: Finance Accounts

During the year 2017-18, out of ₹4,194.46 crore credited to PD Accounts, ₹864.21 crore was transferred to PD accounts during March 2018. Further, as seen from the above table, the balances in the deposit account were showing an increasing trend up to 2016-17 and there was a slight decrease in the balance during 2017-18.

The net closing balance in respect of some of the PD accounts having high balances is in **Table 3.5**.

Table 3.5: Closing balances in PD Accounts

(₹ in crore)

Sl. No.	Administrators	Amount
1	Personal Deposits - General	338.16
2	PD Accounts of Deputy Commissioners	6,158.66
3	PD Accounts of Director, Department of Scheduled Tribes	137.47

Source: DDR Ledger

Leaving significant balances in the Personal Deposit Accounts of the administrators is fraught with the risk of financial misappropriation and mismanagement**.**

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

3.7.2 Non Remittance of unutilised amount to Government – ₹3.05 crore

On review of the Personal Deposit Account of the Director, Directorate of Municipal Administration, it was noticed that in respect of following schemes which were inoperative, an amount of ₹3.05 crore was lying unutilised as detailed below in **Table 3.6**.

Table 3.6: In-operative scheme balance

Sl. No.	Name of the schemes	Amount in ₹
1	Integrated Programme for Low Cost Sanitary (IPLCS) 1. Beneficiary Contribution amount 2. Grant payment	 27,348 24,87,792
2	Integrated Development of Small Medium Town (Srirampuram Co-operative Bank Refund amount against the grant deposited)	2,80,15,000
Total		**3,05,30,140**

The unspent amount was not remitted to the Government account till date, which was in violation of Article 286-A of the Karnataka Financial Code (KFC). It was replied (January 2019) that in case of Sl. No.1 the unutilised amount of ₹25.15 lakh will be remitted to Government account and in case of Sl. No.2 a case is pending in City Civil Court and after completion of the case suitable action would be taken.

3.7.3 Reconciliation of Personal Deposit Accounts

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

As per Article 286 A of the KFC, the State Government is required to close all PD accounts remaining inoperative for more than three years. As brought out in Notes to Accounts of Finance Accounts 2018, out of 70 PD Accounts, 22 PD Accounts (with an outstanding credit balance of ₹4.75 crore in 11 PD Accounts and debit balance of ₹1.27 crore in nine PD Accounts and two PD accounts with nil balance) were inoperative (**Appendix 3.6**). Action may be taken by the administrators to analyze the balance and duly reconcile the balance before embarking upon the process of closure of accounts by writing back the transactions to the Consolidated Fund of the State.

3.8 Reconciliation of Receipts and Expenditure

To exercise effective budgetary control over revenue/expenditure and to ensure accuracy in accounts, all Controlling Officers are required to reconcile every month, the receipts and expenditure recorded in their books with the figures accounted for by the AG (A&E). Reconciliation of receipts was completed for a value of ₹1,45,344.52 crore (98.87 *per cent* of total receipts of ₹1,47,003.35 crore). Reconciliation of expenditure was completed for a value of ₹1,38,610.22 crore (80 *per cent* of total expenditure of ₹1,73,149.09 crore). No reconciliation was carried out in respect of receipts (₹136.93 crore) and disbursements (₹5,092.22 crore) under loans and advances. Necessary action for reconciliation in respect of receipts and expenditure under loans and advances is required to be taken.

PAC in its 5th Report (July 2015) instructed the Government to take strict action on implementation of circulars issued for reconciliation of Receipts and Expenditure.

3.9 Comments on Accounts

3.9.1 Non-remittance of compensation amount into Government Accounts

Article 4 of KFC stipulated that all moneys received by a Government Servant in his official capacity should be paid in full within two days into a Government Treasury, to be credited to the appropriate account and made part of the general treasury balance.

(i) Karnataka Text Book Society, Education Department

The Special Land Acquisition Officer (SLAO) and Competent Authority, National Highways, Bangalore acquired 4,356 Square feet of Government Land at Sy No. 54/2B and 54/3 of Bommanahalli Village towards Construction of Elevated Highway and widening of National Highway No.7 on Bommasandra-Hosur Road. The title of the land belonged to Education Department. The SLAO determined the compensation of ₹48.17 lakh and paid ₹42.71 lakh after deducting ₹5.46 lakh as Income Tax to the Assistant Director, Divisional Text Book Depot, Bangalore on 06.10.2008. Based on the resolution made by the Executive Committee of Karnataka Text Book Society (KTBS) dated 02.03.2009, the amount of ₹42.71 lakh was kept in fixed deposit in nationalized bank by the Society till date. The maturity value of the amount will be ₹82.85 lakh as at May 2019.

Further, the interest of ₹1.92 lakh on ₹42.71 lakh for the period from January 2008 to April 2010 was not reckoned at the time of investing the amount in the Fixed Deposit. Instead, it was credited (April 2011) to the account of Managing Director, KTBS, Bangalore as per the directions of MD, KTBS vide letter dated 25 March 2010. Hence, the compensation received and interest thereon towards land acquisition was retained by the Society without remittance to Government Account.

This was brought to the notice of the department during July 2017. The Society, while accepting the observation (December 2018) stated that the directions have been issued from the Principal Secretary, Education Department to remit the compensation amount along with the interest thereon to Government. Further, it was replied (March 2019) that the amount of ₹80.49 lakh (Principal ₹42.72 lakh+ interest ₹37.77 lakh) was remitted to Government account.

(ii) Bangalore Medical College and Research Institute.

The High Power Committee at its meeting held on 18 June 2011 approved construction of Metro Block/Ward at a cost of ₹13 crore in the premises of Vani Vilas Hospital towards land parted by the Hospital for metro construction work. Accordingly, a memorandum of understanding was entered (September 2011) into between Bangalore Medical College and Research Institute (BMCRI) and Bangalore Metro Rail Corporation Limited (BMRCL) for handing over a total area of approximately 11,970 square meters of land at the Hospital premises. Out of the area, an area of approximately 2,450 square meters was to be utilized for permanent purposes and remaining area of 9,520 sq.mtr. for temporary purposes. Further, it was agreed that the area of land taken up for temporary purpose shall be restored back to the Hospital after commissioning of the station. In compensation for land acquired for permanent purpose, BMRCL agreed to construct a metro block/ward at a cost of ₹13 crore which was completed and handed over to BMCRI. During the course of execution work, the BMRCL utilized excess land for permanent works measuring 1986 sq.mtr. for which a compensation of ₹17,21,86,200 (April 2018) was paid by them. This amount was however, credited to user fund account by BMCRI instead of crediting it to Government Account.

The retention of compensation paid for land amounting to ₹17.22 crore in the User Fund was in contravention of the Article 4 of KFC as the land belonged to Government as per land records. This was brought to the notice of the Institution and Finance Department (May 2018). In reply, the Finance Department stated (October 2018) that the Health and Family Welfare Department was requested to credit the compensation amount of ₹17.22 crore received by BMCRI into Consolidated Fund. Further action in this regard is awaited.

3.9.2 Non-remittance of departmental receipts to Government Account – ₹127.52 crore

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

Pursuant to the above Constitutional Provision, the Karnataka Financial Code issued in 1958 prohibited the retention of Government money by the Government Servant in his official capacity.

In GO dated 30.03.1996, Secretary in the Education Department constituted a 'Centralized Admission Cell (CAC)' for carrying out the admission process to courses of TCH and B.Ed. The Cell was also authorized to collect fee from aspiring students. The Government provided a grant of ₹25 lakh as seed money for establishing 10 computer units to handle admission processes. This amount was released from the Consolidated Fund.

The process of selection of candidates for the courses mentioned above went on from 1996 till date. The CAC instead of depositing the fees collected from the aspiring candidates for the purpose of examination kept the money in a Savings Bank Account outside the Government Books and met the administrative expenditure in connection with the process of selection of candidates from out of the money collected. The un-utilized balance remaining during the period were invested in Fixed Deposits which amounts to ₹127.52 crore (inclusive of interest) as on 31 March 2018.

The expenditure on the various activities connected with the recruitment process were in the nature of building repairs, constructions and modernization of computer room, purchase of computer, remuneration to examiners, advertisement and publicity, conducting exams, etc., which were in the nature of regular expenditure of the department for which distinct object heads were available. The Cell should have taken action to remit the fees realized to the Consolidated Fund and sought grants for the expenditure cited above, which was not done. Thus, money lying with the Cell should form part of the Consolidated Fund and non- remittance and appropriating the departmental receipts to meet departmental expenditure was in contravention with the provisions of the Constitution and KFC stated above.

The department in its reply (January 2019) stated that in addition to the activities stated above, the departmental examinations of other departments *viz*., KSRTC, BMTC etc. are being conducted by them. It also stated that the proposals for establishment of Examination Council or Recruitment Board are under examination.

The reply of the department is not tenable as it is silent on the issue of non-remittance of government revenues to Consolidated Fund as envisaged in Article 266(1) of the Constitution. Further, utilisation of departmental revenues for various activities without the approval of the Legislature was in violation of Article 202 of the Constitution.

3.10 Transparency in Accounts

3.10.1 Opaqueness of transaction under Revenue Account

The demands for grants placed before the Legislature for voting are for the gross amount required while the AFS placed before the Legislature shows the net expenditure on the Consolidated Fund for the year. While preparing demands for grants, the recoveries on account of certain Fund Transactions, detailed account of which is maintained in Public Account, are also reckoned. The expenditure relating to fund heads which are initially booked under the Consolidated Fund are shown through deduct entries in the demands for grants under the relevant functional heads. Thus, the net demand shown under the budget in AFS should only contain such transactions relating to fund account. However, it contained recoveries on account of over payment also.

During the year 2017-18 the gross demand as per the Appropriation Act (Act No.29 of 2017) showed a total amount of ₹1,94,917.19 crore while the net demand under the AFS was ₹1,86,561.09 crore. The recoveries accounted were ₹8,356.10 crore. A review of these recoveries shown in budget documents under various demands revealed the accounting of ₹4,029.15 crore under recoveries of overpayments spread across 15 grants under various functional major heads, which did not relate to fund account transactions (**Appendix 3.7**). Obtaining the budget under the omnibus Minor Head 911 – deduct recovery of overpayment was not in order and had the effect of compression of revenue expenditure to the extent of ₹4,029.15 crore as also leading to distortion of fiscal indicators like Revenue Surplus/Fiscal Deficit.

In the Entry Conference held on 15.11.2018, the Finance Department stated that a circular will be issued instructing not to take budget provisions under recovery of overpayments other than transactions relating to Fund Account.

3.10.2 Non-Transparency in Budget Allocation/Expenditure

Expenditure towards various objectives as contemplated in the Budget is to be booked under relevant heads of account to maintain accuracy and transparency in accounting of transactions.

During the year 2017-18, on a review of budget estimates including supplementary estimates presented by the State Government, it was noticed that a provision/expenditure of ₹3,400.67 crore was made under the HOA 6425-00-107-5-10-394, 422 and 423 (Loan, SCSP and TSP) towards the loan waiver scheme, in which short term loans up to ₹50,000/- due from the farmers to co-operative societies/co-operative banks as on 20.06.2017 were waived. Since the amount provided/expended was for the purpose of waiver of loans, accounting it under the capital/loan head was incorrect as the expenditure did not involve creation of a capital asset of a durable/permanent nature. This not only resulted in overstatement of capital expenditure to the tune of ₹3,400.67 crore, but had an effect on fiscal indicators like revenue surplus and affected the transparency in accounting of transactions as there was no capital/asset creation in this transaction.

While accepting the observation, the Finance Department during the Entry Conference held on 15.11.2018 stated that the observation is noted and will be avoided in future.

3.11 Important factors Affecting Accuracy of Accounts

The accounts of the Government are kept on cash basis. In case of certain transactions that arise in Government Account, for which the receipts and payments cannot at once be taken to a final head of receipt or expenditure owing to lack of information as to the nature or for any other reasons, these are to be booked temporarily under the suspense head. This head is cleared on receipt of relevant details/information.

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

The accuracy of the State Finance Accounts 2017-18 was adversely affected by factors like (i) large number of transactions under suspense heads awaiting final classification and (ii) increasing number and magnitude of adverse balances under DDR heads. On a general review of the transactions, the following were observed:

a) Outstanding balances under major suspense accounts

Certain intermediary/adjusting heads of accounts known as 'Suspense Heads' are operated in Government accounts to reflect transactions of receipts and payments, which cannot be booked to a final head of account due to lack of information as to their nature, or for other reasons. These heads of accounts are finally cleared by minus debit or minus credit when the amounts under them are booked to their respective final heads of accounts. If these amounts remain un-cleared, the balances under the suspense heads would accumulate and would not reflect the Government's receipts and expenditure accurately. The balances under certain major suspense heads of accounts, as recorded in the ledger maintained by AG (A&E), are indicated in **Table 3.7**.

Table 3.7: Suspense Head (8658 – Suspense Accounts)

(₹ in crore)

Name of the Minor Head	2015-16		2016-17		2017-18	
	Dr.	**Cr.**	**Dr.**	**Cr.**	**Dr.**	**Cr.**
101-Pay and Accounts Office Suspense	86.90	0.68	118.86	0.45	189.66	0.25
Net	**Dr.86.22**		**Dr.118.41**		**Dr.189.41**	
102-Suspense Account (Civil)	24.29	34.42	17.22	60.78	17.37	175.77
Net	**Cr.10.13**		**Cr.43.56**		**Cr.158.40**	
110-Reserve Bank Suspense	20.20	57.56	41.02	148.41	44.53	151.18
Net	**Cr.37.36**		**Cr.107.39**		**Cr.106.65**	

The Finance Accounts reflect the net balances under these heads. The outstanding balances are worked out by aggregating the outstanding debit and credit separately. The implications of the balances under these heads are discussed in the succeeding paragraphs:

❖ Pay and Accounts Office (PAO) Suspense

This head is intended for settlement of transactions between the Accountant General and the various separate Pay and Accounts Officers. The transactions initially recorded under this head in the books of the AG are cleared on receipt of the Cheque/Demand Drafts from the Pay and Accounts Officer and on the issue of Cheque/Demand Draft in respect of amounts received in the State Treasuries on behalf of the Pay and Accounts Officer. Outstanding debit balance under this head would mean that payments were made by the AG on behalf of a PAO, which were yet to be recovered. Outstanding credit balance would mean that payments have been received by the AG on behalf of a PAO, which were yet to be paid. The net debit balance under this head showed an increasing trend. On clearance/settlement of this, the cash balance of the State Government will increase. The transactions mainly related to National Highways, and payments made by State Government to Central Government Civil Pensioners.

❖ Suspense Account (Civil)

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

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

The net credit balance under this head increased by ₹114.84 crore during the year. However, in so far as accounts with Railways (₹3.15 crore) and accounts with Defence (₹0.81 crore) are concerned, the cash balance will increase on clearance. There is no impact on cash balance on the rest of the items on clearance.

❖ Reserve Bank Suspense, Central Accounts Office

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

During 2017-18, the credit balance under this head was ₹106.65 crore, and has come down by ₹0.74 crore compared to previous year.

b) Adverse Balances under DDR Heads

Adverse balances are negative balances appearing under those heads of accounts, where there should not be a negative balance. For example, against the accounting head of any loan or advance, a negative balance will indicate more repayment than the original amount advanced. As revealed by Finance Accounts for the year 2017-18, adverse balance of E- Public Debt amounting to ₹128.51 crore (Major Head 6003-Internal Debt- debit) was on account of credits of the direct release of loans by National Co-operative Development Corporation (NCDC) to loanee entities without routing these loans through the Consolidated Fund of the State, while repayments are made through the Consolidated Fund.

The adverse balance of ₹23.66 crore - debit (Major Head 6004- Loans and Advances from Central Government) was on account of write-off of Central Loans on the recommendations of XIII FC (balances outstanding as per books of accounts as on 31 March 2010). The excess payments made during 2010-12 to various PAOs are to be adjusted against the dues of the Finance Ministry, Government of India. In respect of loans and advances, the adverse balance was ₹101.67 crore, which was account of non-reconciliation/misclassification in accounts.

3.12 Conclusion

Non-payment Detailed Contingent (NDC) bills against Abstract Contingent (AC) bills were found wanting for a long period. Large sums of money were being retained in PD Accounts thereby going against the principle of legislative financial control. Non-submission of Utilisation Certificates by grantee institutions were noticed. Non-remission of Government money to the Consolidated Fund was noticed. Revenue expenditure was accounted under the Capital/Loan head of account thereby overstating the Capital Expenditure and Revenue Surplus.

3.13 Recommendations

- ***The Government should ensure adjustment of Abstract Contingent Bills within the stipulated period;***
- ***The Government needs to adopt a stringent follow-up mechanism to ensure that the department adhere to the rules and regulations in submission of UCs;***
- ***Cleaning up of balances in the PD Accounts which have outlived their utility needs to be examined and steps need to be taken for review of the status of PD accounts and closure of inoperative ones, in consultation with the Administrators and Treasury;***
- ***The departments of the Government should bring the revenues realized on behalf of the Government to the Consolidated Fund within the time stipulated in the Karnataka Financial Code; and***
- ***The transactions of Government account should be transparent to exhibit the correct nature of expenditure as there were instances of misclassification of expenditure between revenue and capital/loan heads.***

Bengaluru
The

(E.P.NIVEDITA)
Principal Accountant General
(General and Social Sector Audit)
Karnataka

Countersigned

New Delhi
The

(RAJIV MEHRISHI)
Comptroller and Auditor General of India

Appendices

Appendix 1.1

(A) State Profile

(Reference: Page 1)

A	General Data			
Sl. No.	**Particulars**			**Figures**
1	Area			1,91,791 sq.km
2	Population			
	a.	As per 2001 Census		5.28 crore
	b.	As per 2011 Census		6.11 crore
3	[1]Density of Population (2011 Census) (All India Density = **382 persons per Sq. Km**)			319 persons per sq.km
4	[2]Population below poverty line (All India Average= **21.90 %)**			20.90 *per cent*
5	[3]Literacy (2011 Census) (All India Average = **73 %**)			75.40 *per cent*
6	[4]Infant Mortality (per 1,000 live births) (All India Average = **34 per 1,000 live births**)			24
7	[5]Life Expectancy at birth (All India Average = **68.3 years**)			69 years
8	Gini Coefficient[1] (latest figures available for 2009-10 has been adopted)			
	a.	Rural (All India = **0.29**)		0.24
	b.	Urban (All India =**0.38**)		0.33
9	[6]Human Development Index[2] (2007-2008)			
	(All India = **0.467**)			0.519
10	[7]Gross State Domestic Product (GSDP) 2017-18 at current price (in crore)			13,10,879
11	Per capita GSDP (2017-18) (in Rupees)		Karnataka	2,14,546
			All India Average	1,29,800
12	Per capita GSDP CAGR (2008-09 to 2017-18)		Karnataka	14.09
			General Category States[3]	13.10
13	GSDP CAGR (2008-09 to 2017-18)		Karnataka	15.77
			[5]General Category States	14.45
14	[8]Population Growth (2008-18)		Karnataka	8.93
			[6]General Category States	11.60
B	**Financial Data**			
	Particulars		**Figures in *per cent***	
	CAGR		**2008-09 to 2017-18**	
			General Category States	**Karnataka**
a.	of Revenue Receipts.		14.69	14.55
b.	of Own Tax Revenue.		14.61	13.60
c.	of Non-Tax Revenue.		9.08	8.30
d.	of Total Expenditure.		14.55	14.61
e.	of Capital Expenditure.		12.49	14.46
f.	of Revenue Expenditure on Education.		13.52	10.76
g.	of Revenue Expenditure on Health.		15.56	16.46
h.	of Salary and Wages.		12.85	9.78
i.	of Pension.		16.91	12.30

Source: Financial data is based on Finance Accounts

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

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

[3] States other than 10 States termed as Special Category States (Arunachal Pradesh, Assam, Himachal Pradesh, Jammu & Kashmir, Manipur, Meghalaya, Nagaland, Sikkim, Tripura and Uttarakhand).

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

(i) Surfaced roads per 100 sq. km (2016-17) is **38.86 km.**
(ii) Unsurfaced roads per 100 sq. km (2016-17) is **0.80 km**.
(iii) Percentage of villages electrified (2016-17) is **99.97.**
(iv**)** Grossed cropped area (2015-16) is **120.09 hectares**.
(v) Number of Primary schools (as of 2017-18) is **61,992.**
(vi) Number of Primary health centers is **2,359.**
(vii) Beds per lakh population (2016-17) is **80**.

1. *Census Info India 2011 Final population Totals.*
2. *Economic Survey (GOI) 2017-18 (January 2018), Vol. II, Page A 160-161.*
3. *Economic Survey (GOI) 2017-18 (January 2018), Vol. II, Page A 155.*
4. *Economic Survey (GOI) 2017-18 (January 2018), Vol. II Page A 151.*
5. *Economic Survey (GOI) 2017-18 (January 2018), Vol. II Page A 151.*
6. *Economic Survey (GOI) 2017-18 (January 2018), Vol. II Page A 161.*
7. *GSDP estimate figures are as communicated by Ministry of Finance, Government of India letter dated 28 August, 2017.*
8. *Population projections for India and States 2001-2026 (Revised December 2006) Report of the Technical Group on Population Projections Constituted by the National Commission on Population Table-14 (Projected Total Population by Sex as on 1 October 2001-2026).*

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

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

Year	2013-14	2014-15	2015-16	2016-17	2017-18
India's GDP@ (₹ in crore)	112,33,522	124,45,128	137,64,037	152,53,714	167,73,145
Growth rate of GDP (percentage)	12.97	10.99	10.60	10.82	9.96
State's GSDP# (₹ in crore)	8,16,666	9,12,647	10,12,804	11,32,393	13,10,879
Growth rate of GSDP (percentage)	17.44	11.75	10.97	11.81	15.76

@ All India GDP figures are from MoSPI press release dated 28.07.2018.

 # GSDP figures for 2013-14 to 2016-17 are taken from Economic Survey of Karnataka 2017-18 and for 2017-18 as conveyed by Ministry of Finance, Government of India vide letter dated 28 August 2017.

Appendix 1.2

Structure of Government Accounts

(Reference: Paragraph 1.1: Page 1)

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

Part I: Consolidated Fund: All receipts and expenditure on Revenue and Capital Account, Public Debt and Loans and Advances form one Consolidated Fund entitled the Consolidated Fund of State established under Article 266(1) of the Constitution of India.

Part II: Contingency Fund: Contingency Fund of the State established under Article 267 (2) of the Constitution is in the nature of an imprest placed at the disposal of the Governor to enable him to make advances to meet urgent unforeseen expenditure, pending authorisation by the Legislature. Fund is recouped by debiting the expenditure to the concerned functional major head in the Consolidated Fund of the State.

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

Layout of Finance Accounts

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

Statement number	Layout
1	Statement of Financial Position
2	Statement of Receipts and Disbursements
3	Statement of Receipts (Consolidated Fund)
4	Statement of Expenditure (Consolidated Fund)
5	Statement of Progressive Capital Expenditure
6	Statement of Borrowings and Other Liabilities
7	Statement of Loans and Advances given by the Government
8	Statement of Investments of the Government
9	Statement of Guarantees given by the Government
10	Statement of Grants-in-aid given by the Government
11	Statement of Voted and Charged Expenditure
12	Statement on Sources and Application of funds for expenditure other than on Revenue Account
13	Summary of Balances under Consolidated Fund, Contingency Fund and Public Account
14	Detailed Statement of Revenue and Capital Receipts by Minor Heads
15	Detailed Statement of Revenue Expenditure by Minor Heads
16	Detailed Statement of Capital Expenditure by Minor Heads and Subheads
17	Detailed Statement of Borrowings and other Liabilities
18	Detailed Statement on Loans and Advances given by the Government
19	Detailed Statement of Investments of the Government
20	Detailed Statement of Guarantees given by the Government
21	Detailed Statement of Contingency Fund and other Public Account Transactions
22	Detailed Statement on Investment of Earmarked Balances

Appendix 1.3

Abstract of Receipts and Disbursements

(Reference: Paragraph 1.1.1; Page 1)

(₹ in crore)

Receipts			Disbursements		
2016-17		**2017-18**	**2016-17**		**2017-18**
Part A: Abstract of Receipts and Disbursement for the year 2017-18					
Section-A: Revenue					
1,33,213.79	**I. Revenue receipts**	**1,46,999.65**	**1,31,920.75**	**I. Revenue expenditure↑↑**	**1,42,482.33#**
82,956.13*	Tax revenue↑↑	87,130.38	**31,264.56**	**General Services**	**34,484.44**
5,794.53	Non-tax revenue↑↑	6,476.53		**Social Services**	
28,759.94	State's share of Union Taxes & Duties	31,751.96	20,084.05	Education, Sports, Art and Culture	21,306.81
7,045.21	Non Plan grants	0.00	6,139.22	Health and Family Welfare	6,984.62
8,101.62	Grants for State Plan Schemes	0.00	10,488.88	Water Supply, Sanitation, Housing and Urban Development	11,711.89
556.36	Grants for Central and Centrally Sponsored Schemes	21,640.78	134.05	Information and Broadcasting	355.19
0.00	Centrally Sponsored Schemes	11,617.25	6,780.40	Welfare of Scheduled Castes, Scheduled Tribes, Other Backward Classes and minorities	8,546.00
0.00	Finance Commission Grants	2,708.18	496.01	Labour and Labour Welfare	566.56
0.00	Other transfer/grants to State/UT with Legislature	7,315.35	10,208.76	Social Welfare and Nutrition	8,789.11
			217.87	Others	392.16
			54,549.24	**Total Social Services**	**58,652.35**
				Economic Services	
			11,976.46	Agriculture and Allied Activities	14,521.28
			5,546.74	Rural Development	5,209.49
			456.57	Special Areas Programmes	506.38
			1,588.91	Irrigation and Flood Control	1,845.44
			9,237.01	Energy	9,402.61
			1,313.60	Industry and Minerals	1,254.48
			4,844.18	Transport	4,969.53
			78.83	Science, Technology and Environment	95.81
			5,379.07	General Economic Services	5,050.76
			40,421.37	**Total Economic Services**	**42,855.78**
			5,685.58	**Grants-in-aid and Contribution**	**6,489.76**
			1,293.04	**II Revenue surplus carried over to Sec.-B**	**4,517.32**

Receipts			Disbursements		
2016-17		**2017-18**	**2016-17**		**2017-18**
Section B – Capital and others					
27,118.23	**II. Opening Cash Balance including Permanent Advances & Cash Balance Investments & Investments from earmarked funds**	**34,353.58**			
26.96	**III. Miscellaneous Capital receipts↑↑**	**3.70**	**28,150.43$**	**III. Capital Outlay↑↑**	**30,666.76**
			1,060.39	**General Services**	**977.45**
				Social Services	
			1,108.46	Education, Sports, Art and Culture	1,143.12
			743.66	Health and Family Welfare	1,132.32
			2,557.89	Water Supply, Sanitation, Housing and Urban Development	3,126.02
			18.51	Information and Broadcasting	33.29
			2,242.65	Welfare of Scheduled Castes , Scheduled Tribes, Other Backward Classes and Minorities	2,993.40
			130.15	Social Welfare and Nutrition	165.18
			95.52	Other Social Services	83.43
			6,896.84	**Total Social Services**	**8,676.76**
				Economic Services	
			501.42	Agriculture and Allied Activities	225.12
			49.25	Rural Development	113.74
			889.83	Special Areas Programmes	920.11
			8,634.90	Irrigation and Flood Control	10,391.83
			861.38	Energy	827.00
			352.09	Industry and Minerals	732.83
			7,623.61	Transport	7,378.51
			0.19	Science, Technology and Environment	0.21
			1,280.53	General Economic Services	423.20
			20,193.20	**Total Economic Services**	**21,012.55**
99.84	**IV. Recoveries of Loans and Advances↑↑**	**136.93**	**1,934.38**	**IV. Loans and Advances↑↑**	**5,092.22**
9.73	From Power Projects	14.44	55.08	For Power Projects	12.95
7.24	From Government Servants	4.27	3.66	To Government Servants	3.60
82.87	From Others	118.22	1,875.64	To Others	5,075.67

Receipts			Disbursements		
2016-17		2017-18	2016-17		2017-18
31,155.92	**V. Public debt receipts**	**25,121.86**	**7,420.24**	**V. Repayment of Public Debt**	**8,269.16**
29,237.99	Internal debt other than Ways and Means Advances and Overdraft	23,178.61	6,293.70	Internal debt other than Ways and Means Advances & Overdraft	7,086.99
---	Ways and Means Advances from Reserve Bank of India	---	---	Ways and Means Advances from Reserve Bank of India	----
1,917.93	Loans and Advances from the Central Government	1,943.25	1,126.54	Repayment of Loans and Advances to Central Government	1,182.17
---	**VI. Contingency Fund (Recoupment)**	---	---	**VI. Contingency Fund Disbursements**	--- --- ---
1,79,318.45	**VII. Public Account Receipts**	**2,00,615.43**	**1,67,153.81**	**VII. Public Account Disbursements**	**1,94,536.63**
5,805.48	Small Savings and Provident Funds, etc.,	6,262.21	3,147.99	Small Savings and Provident Funds, etc.,	3,450.71
7,545.43	Reserve Funds	5,667.50	1,532.70	Reserve Funds	2,648.98
47,614.16	Deposits and Advances	50,969.29	44,572.51	Deposits and Advances	49,135.43
1,18,333.71	Suspense and Miscellaneous	1,37,679.86	1,17,842.56	Suspense and Miscellaneous	1,39,189.14
19.67	Remittances	36.57	58.05	Remittances	112.37
1,293.04	**VIII. Revenue Surplus carried over from Sec.-A**	**4,517.32**	**34,353.58**	**VIII. Cash Balance at the end of 31-03-2018**	**26,184.05**
			0.01	Cash in Treasuries and Local Remittances	0.01
			100.05	Deposits with Reserve Bank	723.77
			3.83	Departmental Cash Balances including Permanent Advances	3.84
			23,977.48	Cash Balance Investment	12,655.49
			10,272.21	Investment from Earmarked Funds	12,800.94
2,39,012.44	**Total**	**2,64,748.82**	**2,39,012.44**	**Total**	**2,64,748.82**

 # Includes expenditure on interest payment in respect of off-budget borrowings etc., under various service heads (₹1,043 crore borrowed through Special Purpose Vehicles – General Services (₹2 crore), Social Services (₹90 crore) and Economic Services (₹ 951 crore).
$ Includes expenditure of ₹ 575.92 crore on account of off-budget borrowings.
**Includes ₹ 132.70 crore received from Ministry of Road Transport and Highways towards National Permit fee.*
*↑↑Non cash receipts and expenditure are as follows which are discussed in **paragraph 1.10.1** indicated against each.*

Book Adjustments	Amount (₹ in crore)
Tax Receipts	**1,362.17**
Non Tax Receipts	**54.06**
Misc. Capital Receipts	**-**
Loan Receipts	**14.44**
Revenue Expenditure	**1,430.50**
Capital Expenditure	**0.17**
Loan Expenditure	**-**

Appendix 1.4

Time series data on the State Government Finances

(Reference: Paragraphs 1.1.1, 1.3, 1.3.1.1, 1.3.1.2, 1.3.2, 1.4, 1.6.1, 1.9.2, 1.9.5.1 and 1.10.2; Pages 1,11,13,14,19,22,24,44,51 and 53)

(₹ in crore)

	2013-14	2014-15	2015-16	2016-17	2017-18
Part A: Receipts					
1. Revenue Receipts	**89,542**	**1,04,142**	**1,18,817**	**1,33,214**	**1,47,000**
2. Rate of growth	**14.54**	**16.31**	**14.09**	**12.12**	**10.35**
(i) Tax Revenue ⇈	**62,603(70)**	**70,180(67)**	**75,550(64)**	**82,956(62)**	**87,130(59)**
Rate of growth	**16.46**	**12.10**	**7.65**	**9.80**	**5.03**
State Goods and Service Tax	-	-	-	-	24,182(28)
Taxes on Agricultural Income	21(-)	20(-)	12(-)	1(-)	15(-)
Taxes on Sales, Trade, etc.	33,719(54)	38,286(55)	40,449(53)	46,105(56)	25,093(29)
State Excise	12,828(21)	13,801(20)	15,333(20)	16,484(20)	17,949(21)
Taxes on Vehicles	3,911(6)	4,541(7)	5,001(7)	5,594(7)	6,209(7)
Stamps and Registration fees	6,189(10)	7,026(10)	8,215(11)	7,806(9)	9,024(10)
Land Revenue	199(-)	186(-)	181(-)	209(-)	195(-)
Taxes on Goods and Passengers	2,626(4)	3,038(4)	3,125(4)	3,306(4)	1,279(1)
Taxes and Duties on Electricity	897(2)	1,041(1)	1,170(2)	1,451(2)	1,485(2)
Other Taxes on Income and Expenditure	793(1)	868(1)	840(1)	901(1)	964(1)
Other Taxes and Duties on Commodities and Services	1,420(2)	1,373(2)	1,224(2)	1,099(1)	736(1)
(ii) Non Tax Revenue⇈	**4,032(5)**	**4,688(5)**	**5,355(4)**	**5,795(4)**	**6,477(4)**
Rate of growth	**1.66**	**16.27**	**14.23**	**8.22**	**11.77**
Interest receipts	693	875	1,293	1,200	1,178
Dividend and profits	56	75	69	83	79
Nonferrous Mining and Metallurgical Industries	1,474	1,931	2,004	2,419	2,747
Medical and Public Health	208	224	261	153	364
Other Administrative Services	182	179	269	131	271
Forestry and Wild Life	161	178	168	292	314
Education, Sports and Culture	120	155	160	193	176
Police	151	152	172	176	253
Roads and Bridges	120	118	56	62	103
Other non-tax receipts	867	801	903	1,086	992
(iii) State's share of Union taxes and duties	**13,808(15)**	**14,654(14)**	**23,983(20)**	**28,760(22)**	**31,752(22)**
Rate of growth	**9.18**	**6.13**	**63.66**	**19.92**	**10.40**
(iv) Grants-in-aid from Government of India	**9,099(10)**	**14,620(14)**	**13,929(12)**	**15,703(12)**	**21,641(15)**
Rate of growth	**16.52**	**60.68**	**(-)4.73**	**12.74**	**37.81**
Non-Plan grants	3,140	3,635	5,548	7,045	-
Grants for State Plan schemes	3,341	9,097	8,105	8,102	-
Grants for Central plan schemes	192	159	139	116	-
Grants for Centrally sponsored schemes	2,426	1,729	137	440	11,617
Other transfers/Grants to States	-	-	-	-	7,316
Finance Commission Grants	-	-	-	-	2,708
3. Miscellaneous Capital Receipts	**88**	**10**	**352**	**27**	**4**
4. Recoveries of Loans and Advances⇈	**109**	**84**	**60**	**100**	**137**
5.Total Revenue and Non-debt capital receipts (1+3+4)	**89,739**	**1,04,236**	**1,19,229**	**1,33,341**	**1,47,141**
6. Public Debt Receipts	**17,287**	**21,874**	**21,072**	**31,156**	**25,122**

	2013-14	2014-15	2015-16	2016-17	2017-18
Rate of growth	**28.38**	**26.53**	**(-)3.67**	**47.85**	**(-)19.37**
Internal Debt (excluding Ways and Means Advances and Overdrafts)	16,132(93)	20,509(94)	19,801(94)	29,238(94)	23,179(92)
Net transactions under Ways and Means Advances and Overdrafts	---	---	---	---	---
Loans and Advances from Government of India	1,155(7)	1,365(6)	1,271(6)	1,918(6)	1,943(8)
7. Total Receipts in the Consolidated Fund (5+6)	**1,07,027**	**1,26,110**	**1,40,301**	**1,64,497**	**1,72,263**
8. Contingency Fund Receipts	---	---	---	---	---
9. Public Account Receipts	**1,21,842**	**1,40,229**	**1,60,519**	**1,79,318**	**2,00,615**
10. Total Receipts of the State (7+8+9)	**2,28,869**	**2,66,339**	**3,00,820**	**3,43,815**	**3,72,878**
Part B: Expenditure/Disbursements					
11. Revenue Expenditure↑↑	**89,189**	**1,03,614**	**1,17,028**	**1,31,921**	**1,42,482**
12. Rate of growth	**16.90**	**16.17**	**12.95**	**12.73**	**8.01**
Plan	**26,970(30)**	**33,831(33)**	**40,009(34)**	**47,962(36)**	**-**
Non Plan	**62,219(70)**	**69,783(67)**	**77,019(66)**	**83,959(64)**	**-**
General Services (including interest payments)	24,954(28)	28,265(27)	30,799(26)	31,265(24)	34,484(24)
Social Services	32,622(36)	39,366(38)	46,307(40)	54,549(41)	58,652(41)
Economic Services	26,593(30)	29,971(29)	33,846(29)	40,421(31)	42,856(30)
Grants-in-aid and contributions	5,020(6)	6,012(6)	6,076(5)	5,686(4)	6,490(5)
13. Capital Expenditure↑↑	**16,947**	**19,622**	**20,713**	**28,150**	**30,667**
Plan	**16,620(98)**	**19,345(99)**	**20,316(98)**	**27,684(98)**	**-**
Non Plan	**327(2)**	**277(1)**	**397(2)**	**466(2)**	**-**
General Services	501(3)	618(3)	991(5)	1,060(4)	977(3)
Social Services	3,053(18)	4,181(21)	5,314(26)	6,897(24)	8,677(28)
Economic Services	13,393(79)	14,823(76)	14,408(69)	20,193(72)	21,013(69)
14. Disbursements of Loans and Advances↑↑	**695**	**576**	**657**	**1,934**	**5,093**
Plan	**669**	**564**	**558**	**1,929**	**-**
Non Plan	**26**	**12**	**99**	**5**	**-**
General Services	---	---	---	---	---
Social Services	428	370	327	1,674	1,178
Economic Services	239	193	239	254	3,910
Miscellaneous Loans	28	13	91	6	5
15.Total Capital Expenditure (13+14)	**17,642**	**20,198**	**21,370**	**30,084**	**35,760**
16. Rate of growth	**6.40**	**14.49**	**5.80**	**40.78**	**18.87**
17. Total Expenditure (11+13+14)	**1,06,831**	**1,23,812**	**1,38,398**	**1,62,005**	**1,78,242**
18. Rate of growth	**15.03**	**15.90**	**11.78**	**17.06**	**10.02**
19. Repayment of Public Debt	**3,817**	**4,812**	**4,110**	**7,420**	**8,269**
Internal Debt (excluding Ways and Means Advances and Overdrafts)	3,123(82)	4,033(84)	3,161(77)	6,294(85)	7,087(86)
Net transactions under Ways and Means Advances and Overdraft	---	---	---	---	---
Loans and Advances from Government of India	694(18)	779(16)	949(23)	1,126(15)	1,182(14)
20. Appropriation to Contingency Fund	---	---	---	---	---
21. Total disbursement out of Consolidated Fund (17+19+20)	**1,10,648**	**1,28,624**	**1,42,508**	**1,69,425**	**1,86,511**
22. Contingency Fund disbursements	**---**	**---**	**---**	**---**	**---**
23. Public Account disbursements	**1,12,972**	**1,29,574**	**1,55,095**	**1,67,154**	**1,94,537**
24.Total disbursement by the State (21+22+23)	**2,23,620**	**2,58,198**	**2,97,603**	**3,36,579**	**3,81,048**

	2013-14	2014-15	2015-16	2016-17	2017-18
Part C: Deficit/Surplus					
25. Revenue Deficit (-)/ Revenue Surplus(+) (1-11)	**353**	**528**	**1,789**	**1,293**	**4,518**
26. Fiscal Deficit (-)/Fiscal Surplus (+) (5-17)	**17,092**	**19,576**	**19,169**	**28,664**	**31,101**
27. Primary Deficit (26-28)	**9,065**	**9,772**	**7,826**	**15,814**	**16,128**
Primary Surplus (28-26)	---	---	---	----	---
Part D: Other data					
28. Interest Payments (included in revenue expenditure)	**8,027**	**9,804**	**11,343**	**12,850**	**14,973#**
29. Financial Assistance to local bodies etc.,	**32,611**	**38,747**	**40,021**	**44,499**	**47,096**
30. Ways and Means Advances/ Overdraft availed (days)					
Ways and Means Advances availed (days)	---	---	---	---	---
Overdraft availed (days)	---	---	---	---	---
31. Interest on Ways and Means Advances/Overdraft	---	---	---	---	---
32. Gross State Domestic Product ** (GSDP)	**8,16,666**	**9,12,647**	**10,12,804**	**11,32,393**	**13,10,879**
33. Rate of growth	**17.43**	**11.75**	**10.97**	**11.81**	**15.76**
34. Outstanding Fiscal Liabilities (inclusive of off-budget borrowings)	**1,38,261**	**1,64,279**	**1,83,322**	**2,21,319**	**2,46,231**
35. Rate of growth	**15.92**	**18.82**	**11.59**	**20.73**	**11.26**
36. Outstanding guarantees (year-end) (including interest)	**7,791**	**11,033**	**13,324**	**15,392**	**18,416**
37. Maximum amount guaranteed (year-end)	**16,145**	**16,869**	**18,358**	**21,115**	**24,025**
38. Number of incomplete projects	**326**	**362**	**346**	**341**	**236**
39. Capital blocked in incomplete projects	**645**	**1,144**	**1,495**	**2,027**	**967**
Part E: Fiscal Health indicators					
I Resource Mobilization					
Revenue Receipts/GSDP	10.96	11.41	11.73	11.76	11.21
Own Tax Revenue/GSDP	7.67	7.69	7.46	7.33	6.65
Own Non-Tax Revenue/GSDP	0.49	0.51	0.53	0.51	0.49
Central Transfers/GSDP	2.80	3.21	3.74	3.93	4.07
Non-tax revenue to Revenue Receipts	4.50	4.50	4.51	4.35	4.41
Rate of growth of State's Own Tax	15.45	12.36	8.06	9.70	5.47
II Expenditure Management					
Total Expenditure/GSDP	13.08	13.57	13.66	14.31	13.60
Revenue Receipts/Total Expenditure	83.80	84.11	85.85	82.23	82.47
Revenue Expenditure/Total Expenditure	83.49	83.69	84.56	81.43	79.94
Expenditure on Social Services/Total Expenditure	33.80	35.47	37.54	38.96	38.43
Expenditure on Economic Services/Total Expenditure	37.65	36.33	35.04	37.57	38.03
Capital Expenditure/Total Expenditure	16.51	16.31	15.44	18.57	20.07
Capital Expenditure on Social and Economic Services/Total Expenditure	16.02	15.80	14.66	17.91	19.51
III Management of Fiscal Imbalances					
Revenue Deficit (surplus)/GSDP	0.04	0.06	0.18	0.11	0.34
Fiscal Deficit/GSDP	2.09	2.14	1.89	2.53	2.37
Primary Deficit (surplus)/GSDP	1.11	1.07	0.77	1.40	1.23

	2013-14	2014-15	2015-16	2016-17	2017-18
Revenue Deficit/Fiscal Deficit	---	---	---	---	---
Primary Revenue Balance/GSDP	1.03	1.13	1.30	1.25	1.49
IV Management of Fiscal Liabilities					
Fiscal Liabilities (inclusive of off-budget borrowings)/GSDP	16.93	18.00	18.10	19.54	18.78
Fiscal Liabilities/Revenue Receipts	154.41	157.75	154.29	166.14	167.50
Fiscal Liabilities/Own Resources	207.49	219.42	226.59	249.37	263.05
V Other Fiscal Health Indicators					
Return on Investment (₹in crore)	55.49	74.84	69.40	82.50	78.83
Financial Assets/Liabilities	1.11	1.09	1.09	1.08	1.10
Balance from Current Revenue (₹in crore)	21,364	23,374	34,487	40,597	-
Revenue Buoyancy* w.r.t					
GSDP	0.83	1.39	1.28	1.03	0.66
States' Own Tax	0.88	1.35	1.84	1.24	2.06
State's own tax Buoyancy w.r.t GSDP	0.94	1.03	0.70	0.83	0.32
Buoyancy of total expenditure with					
GSDP	0.86	1.35	1.07	1.44	0.64
Revenue receipts	1.03	0.97	0.84	1.41	0.97
Buoyancy of revenue expenditure with					
GSDP	0.97	1.38	1.18	1.08	0.51
Revenue receipts	1.16	1.00	0.92	1.05	0.77
Buoyancy of capital expenditure with					
GSDP	0.37	1.23	0.53	3.45	1.67
Revenue receipts	0.44	0.89	0.41	3.36	1.82
Buoyancy ratio of fiscal liabilities with					
GSDP	0.91	1.60	1.06	1.75	0.71
Revenue Receipts	1.10	1.15	0.82	1.71	1.10
Own Resources	1.03	1.52	1.44	2.14	2.06

Source: Finance Accounts

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

 # Includes expenditure on interest payment in respect of off-budget borrowings etc., under various service heads (₹1,043 crore borrowed through Special Purpose Vehicles – General Services (₹2 crore), Social Services (₹90 crore) and Economic Services (₹951 crore).

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

***GSDP figures adopted in previous audit reports are 2013-14(₹ 6,01,633 crore), 2014-15(₹ 6,85,207 crore), 2015-16(₹ 7,35,975 crore), 2016-17(₹ 11,17,334 crore).*

†† *Non cash receipts and expenditure are as follows which are discussed in **paragraph 1.10.1** indicated against each.*

Book Adjustments	Amount (₹ in crore)
Tax Receipts	**1,362.17**
Non Tax Receipts	**54.06**
Misc. Capital Receipts	**-**
Loan Receipts	**14.44**
Revenue Expenditure	**1,430.50**
Capital Expenditure	**0.17**
Loan Expenditure	**-**

Appendix 1.5

Budget Assurances and Audit Analysis

(Reference: Paragraph 1.1.6; Page 9)

Budget Assurance	Action taken as per Action Taken Report	Audit Observations
To provide treatment for spinal injury and trauma care, 20 bedded poly trauma centre and 10 bedded ICU having ventilator facility will be established in Sanjay Gandhi Accident, Trauma and Rehabilitation centre at a cost of ₹14.32 crore.	GO No. HFW 102 FPR 2017, dated :09-05-2017 has been issued.	The construction work of poly trauma centres (20) and ICU (10) having ventilator facility was entrusted to M/s HSCC India Limited, a Government of India undertaking under Ministry of Health and Family Welfare during August 2018 only.
One ambulance service will be provided for a radius of 10 to 15 km for population of every 35,000 by integrating 711 ambulance working under GVK EMRI and 827 ambulance working under State health department.	It is an ongoing programme, GO No. HFW 267 CGE 2016, dated 01-10-2016 has been issued.	Government did not integrate all the State ambulances into 108 Service as most of the State ambulances were very old and had passed their life cycle and cost of maintenance is very high. Government decided to redesign the entire 108 service offered by GVK EMRI due to its poor maintenance of fleet, non-existence of manpower, reporting of fake cases and fudging of data. Further, 108 service would be redesigned with latest IT technology and fix time frame for replacement of ambulances by hiring iDeCK as consultants (November 2018).
Ayush Drugs Manufacturing Centre will be established in the premises of Belagavi City Immunization Centre at a cost of ₹5 crore.	GO No. HFW 142 PIM 2017, dated: 03-06-2017 has been issued.	Karnataka Ayush Drugs Manufacturing Society (KADMS) was not established as it was not approved by the Cabinet. As it was decided to upgrade the existing Government Central Drugstore at Bengaluru, the proposal to establish Ayush Drugs Manufacturing Centre at Belagavi was dropped (July 2018).
Mortuaries will be constructed in 150 Community Health Centres each at a cost of ₹3 lakh, at a total cost of ₹4.5 crore.	GO No. HFW 80 CGM 2017, dated:06-05-2017 has been issued.	A decision was taken to construct mortuaries in 54 Community Health Centres (CHC) instead of 150 CHCs. Out of the 54 mortuaries to be constructed, two are completed, one work is under progress, 13 are yet to be taken up and the remaining 38 works are not approved by the Government (November 2018).

Budget Assurance	Action taken as per Action Taken Report	Audit Observations
Ayush Treatment Centres will be established in all taluk hospitals to provide integrated, comprehensive health service.	GO No. HFW 470 PIM 2016, dated:06-06-2017 has been issued.	Out of the proposed Ayush Treatment Centres in 116 taluk hospitals, 93 are functioning and 23 are non-functioning (August 2018).
Under National Free Diagnosis Programme, free diagnosis facility will be provided in all Government hospitals. CT scan facility in 14 district hospitals and MRI scan facility in 6 district hospitals will be provided.	GO No. HFW 109 FPR 2017, dated:23-05-2017 has been issued.	CT scan facility was provided in 10 district hospitals against 14 hospitals and MRI scan facility was provided in two against six district hospitals (September 2018).

Appendix 1.6

Cost of collection

(Reference: Paragraph 1.3.1.1;Page 13)

Receipt	Year	Gross collection	Expenditure on collection @	Percentage of cost of collection to gross collection	All India average percentage for the preceding year
		(₹ in crore)			
Motor vehicles	2013-14	3,914	90.88	2.32	4.17
	2014-15	4,544	82.52	1.82	6.25
	2015-16	5,004	83.37	1.67	6.08
	2016-17	5,598	81.41	1.45	4.99
	2017-18	6,212	94.07	1.51	2.61
Taxes on sales, trade etc.,	2013-14	35,097	1,239	3.53	0.73
	2014-15	39,695	1,464.43	3.69	0.88
	2015-16	41,892	250.47	0.60	0.91
	2016-17	48,034	259.35	0.54	0.66
	2017-18	27,622	183.84	0.67	0.69
Stamp and registration fees	2013-14	6,240	86.92	1.39	3.25
	2014-15	7,063	68.28	0.96	3.37
	2015-16	8,241	126.03	1.53	3.59
	2016-17	7,884	92.73	1.18	2.87
	2017-18	9,104	56.03	0.62	2.99
State Excise	2013-14	12,834	110.57	0.86	2.96
	2014-15	13,806	130.11	0.94	1.81
	2015-16	15,337	132.61	0.86	2.09
	2016-17	16,489	146.25	0.89	3.21
	2017-18	17,959	152.53	0.85	2.01

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

Appendix 1.7

GST Compensation for the period July 2017 to March 2018

(Reference: Paragraph 1.3.7; Page 22)

(₹ in crore)

Month and Year	Revenue to be protected	Pre-GST taxes collected*	SGST collected	Provisional settlement/ Advance apportionment of IGST	Total amount received	Compen sation received**	Deficit/ Surplus	Remarks
	1	2	3	4	5	6	7	8
July 17 to August 17	7,828.82	3,830.61	1,963.61	582.00	6,376.31	1,189.00	263.51	-
September 17 to October 17	7,828.82	-26.22	3,932.61	1,891.93	5,798.32	2,082.00	-51.50	-
November 17 to December 17	7,828.82	-207.02	3,376.14	3,389.58	6,558.70	859.00	411.12	-
January 18 to February 18	7,828.82	-7.33	3,541.10	2,667.06	6,200.83	2,116.00	-488.01	-
March 2018	3,914.41	-212.10	1,758.90	1,079.16	2,625.96	1,289.00	-0.55	-
Total	**35,229.69**	**3,377.94**	**14,5672.36**	**9,609.82**	**27,560.12**	**7,535.00**	**134.57**	

*Includes VAT & CST (net of refund) and revenue from the taxes subsumed in GST by excluding VAT and CST on petroleum and liquor.

**Figures for compensation are provisional.

Figures in the column 2,3,4 & 6 are provisional and yet to be placed before Legislature

Appendix 1.8

Department wise share of Subsidies

(Reference: Paragraph 1.6.3; Page 30)

(₹ in crore)

Departments	2013-14	2014-15	2015-16	2016-17	2017-18	Remarks
Energy	5,960	6,700	8,693	8,647	7,957	It includes financial assistance to ESCOMS for supply to IP sets, Bhagya Jyothi and Kutira Jyothi consumers. It includes book adjustment of ₹1,290 crore of which ₹1,237 crore was tax dues retained by ESCOMS against power subsidy due
Food & Supplies	3,046	2,533	2,196	1,854	1,917	It includes subsidy towards Annabhagya for BPL and APL beneficiaries.
Agricultural and Other Allied Activities	277	20	31	1,335	1,455	It includes subsidy towards crop husbandry, fisheries, forestry and wild life etc.
Co-operation	2,704	624	765	818	778	Represents waiver of overdue loans, both principal and interest.
Transport	691	651	749	799	757	Subsidy is towards fare concession extended to students, freedom fighters, physically challenged etc. It includes book adjustment of ₹126 crore of motor vehicle tax dues of transport corporations adjusted as subsidy towards concession value of bus passes issued to students, free bus passes provided to Ex-MLAs & Ex-MLCs.
Housing	448	243	223	402	362	Subsidy is towards Ashraya scheme.
Others	197	382	492	532	922	It includes subsidy under Social Welfare, Industries and Commerce department etc.,.
Total	**13,323**	**11,153**	**13,149**	**14,387**	**14,148**	

Source: Finance Accounts

Appendix 1.9

Subsidies in the form of financial assistance, incentives etc.

(Reference: Paragraph 1.6.3; Page 30)

(₹ in crore)

Sl. No.	Head of Account	Scheme Description	2013-14	2014-15	2015-16	2016-17	2017-18
1	2202-01-109-0-03	Vidya Vikasa Scheme	82.28	96.74	230.11	407.06	501.15
2	2202-02-107-0-05	Bicycles to VIII standard students	171.90	177.21	189.66	0.00	0.00
3	2216-02-101-0-07	Vajpayee Urban Housing Scheme	108.25	100.00	100.00	100.00	336.62
4	2216-02-102-0-02	Housing for weaker section	25.00	10.00	15.00	11.00	1.00
5	2216-03-102-0-01	House sites for Landless	18.75	10.00	5.00	0.00	0.00
6	2216-03-104-0-01	Ashraya	229.22	647.13	1,668.24	1,251.55	944.42
7	2216-80-103-0-21, 2216-80-800-0-04	Indira Awas Yojana	50.00	428.00	0.00	0.00	0.00**
8	2235-02-102-0-25	Bhagya Lakshmi	353.42	339.87	473.35	338.40	301.90
9	2401-00-103-0-15	Supply of seeds and other inputs (Agricultural inputs and Quality Control)	279.58	535.02	554.66	677.57	213.20
10	2401-00-108-1-15	Micro Irrigation	98.21	69.30	200.89	326.56	94.85
11	2401-00-108-2-30	Drip Irrigation*	93.48	245.40	171.96	36.97	288.47
12	2405-00-103-0-20	Matsya Ashraya	12.00	11.43	0.00	26.28	15.00
13	2425-00-107-2-45	Interest subvention for Loans to SHG	2.50	0.00	0.00	0.00	0.00
14	2425-00-108-0-57	Yashaswini	45.00	71.95	109.56	170.43	190.79
15	2851-00-103-0-62	Weavers package	99.23	70.69	99.93	114.54	38.75
16	2851-00-103-0-69	Weavers Package- KHDC	19.87	9.95	30.01	24.00	6.02
17	2852-80-103-0-59	Refund of sales tax to Eligible industries	0.00	0.00	0.00	89.41	80.00
18	3475-00-107-0-20	Minimum Floor Price Scheme	1.00	150.00	64.23	140.00	306.00
Total			**1,689.69**	**2,972.69**	**3,912.60**	**3,713.77**	**3,318.17**

Source: Consolidated Abstract of major heads

**Nomenclature changed to National Mission on Sustainable Agriculture from 2015-16 onwards.*
***During 2017-18, ₹ 1,219 crore was released as financial assistance under HOA 2216-80-198-6-02-300 to GPs.*

Appendix 1.10

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

(Reference: Paragraph 1.8.3; Page 40)

(₹ in crore)

Sl. No.	Head of Account/Institutions	Arrears as on 31-03-2018	
		Principal	Interest
1	6215-01-190-2-86: Bangalore Water Supply and Sewerage Board	4,020.55	2,394.82
2	6215-01-190-1-00: Karnataka Urban Water Supply and Drainage Board	211.35	578.56
3	6216-02-201-1-00: Karnataka Housing Board	23.61	90.49
4	6217-60-191-1-03: Bangalore Development Authority (for repayment of HUDCO Loans)	17.17	31.19
5	6220-01-190-1-00: Karnataka State Film Industries Development Corporation	0.41	1.73
6	6401-00-113-2-00: Karnataka Agro Proteins Limited	0.70	3.58
7	6401-00-103-2-00: Karnataka State Seeds Corporation Limited	2.88	5.58
8	6401-00-103-3-00: Karnataka State Co-operative Oil Seeds Growers Federation	0.75	7.13
9	6851-00-200-0-00: Leather Industries Development Corporation	1.26	4.04
10	6852-02-190-3-00: Dandeli Steel and Ferro Alloys Limited	0.31	1.31
11	6853-02-190-1-00: Hutti Gold Mines Company Limited	0.30	1.65
12	6858-01-190-3-00: Karnataka Implements and Machinery Company	1.10	4.98
13	6858-02-190-1-00: Electro Mobile India Limited	0.61	2.62
14	6858-02-190-0-01: Chamundi Machine Tools	0.18	0.30
15	6858-01-190-2-00: New Government Electric Factory	67.47	183.21
16	6859-01-190-0-01: Karnataka Telecommunication Limited	1.65	6.10
17	6860-04-190-2-01: Mysore Sugar Company	47.00	21.66
18	6860-60-212-1-00: Karnataka Soaps and Detergents Limited	2.25	15.14
19	6860-60-600-3-00: Mysore Tobacco Company Limited	1.34	12.11
20	6885-01-190-3-00: Karnataka State Finance Corporation	0.40	0.67
21	7452-80-190-1-00: Karnataka State Tourism Development Corporation	1.01	3.35
Total		**4,402.30**	**3,370.22**

Source: Finance Accounts

Appendix 1.11

Summarised Financial position of Government of Karnataka as on 31 March 2018

(Reference: Paragraph 1.9.1; Page 42)

(₹ in crore)

As on 31.03.2017		LIABILITIES		As on 31.03.2018
1,32,489.05		**Internal Debt**		1,48,580.67
	1,08,358.80	Market Loans bearing interest	1,25,706.80	
	0.70	Market Loans not bearing interest	0.70	
	174.70	Loans from Life Insurance Corporation of India	139.46	
	3,798.14	Loans from other Institutions	4,149.64	
	20,156.71	Loans from RBI - Special Securities issued to National Small Savings Fund of the Central Government	18,584.07	
13,793.61		**Loans and Advances from Central Government**		14,554.69
	0.07	Pre 1984-85 Loans	0.07	
	50.77	Non-Plan Loans	45.50	
	13,766.43	Loans for State Plan Schemes	12,589.53	
	(-)5.41	Loans for Central Plan Schemes	(-)5.41	
	(-)18.25	Loans for Centrally Sponsored Plan Schemes	(-)18.25	
	0.00	Other Loans	1,943.25	
80.00		**Contingency Fund**		80.00
24,919.63		**Small Savings, Provident Funds, etc.**		27,731.13
26,656.09		**Reserve Funds**		29,674.61
23,484.46		**Deposits**		25,317.89
14,256.59		**Suspense and Miscellaneous balances**		12,747.31
2,35,679.43		**TOTAL**		2,58,686.30
		ASSETS		
2,04,949.67		**Gross Capital Outlay on Fixed Assets**		2,35,613.73
	63,184.97	Investments in shares of Companies, Corporations etc.	65,145.88	
	1,41,764.70	Other Capital Outlay	1,70,467.85	
15,577.58		**Loans and Advances**		20,532.87
	1,497.32	Loans for Power Projects	1,495.82	
	14,072.94	Other Development Loans	18,946.29	
	7.32	Loans to Government Servants and Miscellaneous Loans	90.76	
575.39		**Remittances**		651.19
7.37		**Other Advances**		6.94
34,353.58		**Cash**		26,184.05
	---	Cash in treasuries	---	
	3.83	Departmental Cash Balance including Permanent Advances	3.84	
	100.05	Deposits with Reserve Bank of India	723.77	
	0.01	Remittances in Transit	0.01	
	23,977.48	Cash Balance Investments	12,655.49	
	10,272.21	Investment from earmarked funds	12,800.94	
(-)19,784.16		**Surplus on Government Accounts**		(-)24,302.48
	(-)18,488.00	Accumulated Surplus	(-)19,784.16	
	(-)1,293.04	Deduct Revenue Surplus	(-)4,517.32	
	--	Deduct Other adjustments	(-)1.00	
	(-)3.12*	Deduct Capital Receipts	0.00	
2,35,679.43		**Total**		2,58,686.30

**The amount excludes ₹ 23.84 crore being the refund of investment in respect of co-operatives.*

Appendix 1.12

Components of fiscal deficit and its financing pattern

(Reference: Paragraph 1.11.2;Page 57)

(₹ in crore)

Breakdown of fiscal deficit		2013-14		2014-15		2015-16		2016-17		2017-18	
		Amount	% of GSDP	Amount	% of GSDP	Amount	% of GSDP	Amount	% of GSDP	Amount	% of GSDP
		(-) 17,092	**2.09**	**(-) 19,576**	**2.14**	**(-) 19,169**	**1.89**	**(-) 28,664**	**2.53**	**(-) 31,101**	**2.37**
1	Revenue surplus	353	0.04	528	0.06	1,789	0.18	1,293	0.11	4,518	0.34
2	Net capital expenditure	16,859	2.06	19,612	2.15	20,361	2.01	28,123	2.48	30,663	2.34
3	Net loans and advances	586	0.07	492	0.05	597	0.06	1,834	0.16	4,956	0.37
Financing pattern of fiscal deficit*											
1	Market borrowings	13,406	1.64	16,093	1.76	14,914	1.47	24,026	2.12	17,348	1.33
2	Loans from GOI	461	0.06	586	0.06	321	0.03	791	0.07	761	0.06
3	Special securities issued to NSSF	(-) 344	(-) 0.04	437	0.05	1,563	0.15	(-) 1,573	(-) 0.14	(-) 1,573	(-) 0.12
4	Loans from financial institutions	(-) 53	-	(-) 54	(-) 0.01	164	0.02	491	0.04	316	0.03
5	Small savings, PF etc.,	2,107	0.26	2,156	0.24	2,086	0.20	2,657	0.24	2,812	0.21
6	Deposits and advances	2,840	0.35	3,702	0.40	284	0.03	3,041	0.27	1,833	0.14
7	Suspense and Miscellaneous	2,671	0.33	3,282	0.36	990	0.10	491	0.04	(-) 1,509	(-) 0.12
8	Remittances	(-) 12	(-) 0.01	(-) 32	-	(-) 17	-	(-) 38	-	(-) 76	(-) 0.01
9	Reserve Funds	135	0.02	1,547	0.17	2,081	0.21	6,013	0.53	3,019	0.23
10	Increase (-)/ decrease (+) in cash balance	(-) 4,119	(-) 0.50	(-) 8,141	(-) 0.89	(-) 3,217	(-) 0.32	(-) 7,235	(-) 0.64	8,170	0.62
11	Net of Contingency Fund transactions	-	-	-	-	-	-	-	-	-	-
	Total	**17,092**	**2.09**	**19,576**	**2.14**	**19,169**	**1.89**	**28,664**	**2.53**	**31,101**	**2.37**

Source: Finance Accounts

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

Appendix 2.1

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

(Reference: Paragraph: 2.3.2; Page 63)

(₹ in crore)

Sl. No.	Grant No./Nomenclature	No. of cases	Amount
1	1-Agriculture and Horticulture	12	260.47
2	2-Animal Husbandry and Fisheries	6	30.55
3	3-Finance	1	1.57
4	4-Deapartment of Personnel and Administrative Reforms	18	15.01
5	5-Home and Transport	20	286.44
6	7-Rural Development and Panchayat Raj	8	309.46
7	8-Forest, Ecology and Environment	6	48.91
8	10-Social Welfare	3	23.70
9	11-Women and Child Development	5	40.87
10	12-Information, Tourism and Youth Services	4	22.36
11	14-Revenue	13	2,014.99
12	17-Education	4	21.60
13	19-Urban Development	3	86.26
14	20-Public Works	2	6.00
15	21-Water Resources	1	0.23
16	22-Health and Family Welfare	9	556.75
17	26-Planning, Statistics, Science and Technology	2	0.51
18	27-Law	5	6.75
19	28-Parliamentary Affairs and Legislation	5	3.62
20	29-Debt Servicing	1	11.72
Total		**128**	**3,747.77**

Source: Appropriation Accounts

Appendix 2.2

Major Heads of Account under which excess expenditure was above ₹25 crore

(Reference: Paragraph: 2.3.3; Page 63)

(₹ in crore)

Sl. No	Grant No.	Major Head	Area	Total Provision	Re-appropriation	Total	Expenditure	Excess
1	07	2515	Other Rural Development Programmes	361.38	(+) 58.30	419.68	482.33	(+)62.65
		196	Assistance to Zilla Parishads/District Level Panchayat					
		1	Zilla Panchayats					
2	08	2406	Forestry and Wildlife	8.22	0.00	8.22	63.51	(+)55.29
		01	Forestry					
		797	Transfer to Reserve Funds / Deposit Accounts					
		04	Transfer to Afforestation Receipts to Afforestation Fund for Compensatory and Environmental Losses					
3		01	Transfer of Forest Development Fee to Karnataka Forest Development Fund	*300.00*	*0.00*	*300.00*	*381.15*	*(+)81.15*
4	19	3604	Compensation and Assignment to Local Bodies and Panchayat Raj Institutions	2,112.21	(-)0.85	2,111.36	2,167.07	(+)55.71
		191	Assistance to Municipal corporation					
		1	Entry Tax Devolution					
5	29	6004	Loans and Advances from the Central Government	*400.00*	*0.00*	*400.00*	*500.99*	*(+)100.99*
		02	Loans for State / Union Territory Plan Schemes					
		101	Block Loans					
		03	Additional Plan Assistance (Back to Back External Loans)					
Total				**3,181.81**	**(+)57.45**	**3,239.26**	**3,595.05**	**(+)355.79**

Source: Appropriation Accounts

Appendix 2.3

Excess Expenditure over Provision requiring regularization

(Reference: Paragraph: 2.3.5; Page 64)

(₹ in crore)

Year	Grant No./ Description	Excess required to be regularised as commented in the AA/AR	Remarks
2012-13	08-Forest, Ecology and Environment *Revenue Charged*	*4,94,02,43,684*	Excess expenditure of ₹209.51 crore was on account of transfer of Forest Development Tax to Public Account. The receipt was more than anticipated collection. Further, an amount of ₹284.51 crore, which was misclassified, remained as revenue of Commercial Tax Department and was transferred to Public Account on rectification of misclassification.
2013-14	08-Forest, Ecology and Environment *Revenue Charged*	*3,55,38,75,841*	Excess expenditure was on account of transfer of Forest Development Tax to Forest Development Fund in Public Account. The receipt was more than the anticipated collection.
	26-Planning, Statistics, Science and Technology Capital Voted	20,41,65,300	Withdrawal of budget provision in the budget presented in July 2013 in respect of certain heads for which, budget was included in the Vote on Account presented during February 2013.
2014-15	08 - Forest, Ecology and Environment *Revenue Charged*	*1,88,75,14,849*	Excess expenditure was on account of transfer of Forest Development Tax to Forest Development Fund in Public Account. The receipt was more than the anticipated collection and also due to erroneous budgeting.
	10 - Social Welfare *Revenue Charged*	*6,36,000*	No specific reasons furnished for the excess
2015-16	01 – Agriculture and Horticulture Capital Voted	7,93,05,365	This was due to error in budgeting. Provision was made under Grant No.18 instead of Grant No.1. However, expenditure was classified under Grant No.1.
	05 – Home and Transport Revenue Voted	44,94,34,163	No specific reason furnished for the excess.
	06 – Infrastructure Development *Revenue Charged* Capital Voted	*17,08,292* 4,94,81,312	This was due to error in budgeting. Provision provided under Voted category instead of under *Charged* category. However expenditure was accounted correctly.

Year	Grant No./ Description	Excess required to be regularised as commented in the AA/AR	Remarks
	19 - Urban Development *Capital Charged*	*8,04,77,000*	
2016-17	01 –Agriculture and Horticulture Capital Voted	1,76,74,83,304	This was due to shifting of expenditure (₹186.01 crore) from revenue head (MH 2401) to capital head (MH 4401). Requisite provision was not made through Supplementary Provision
	05 – Home and Transport Capital Voted	55,36,88,503	This was due to issue of re-appropriation orders between revenue and capital.
	14 –Revenue Revenue Voted	6,32,06,33,666	This was due to release of GOI's contribution of ₹1,235.52 crore towards NDRF on the last day of Financial year, which was transferred to fund account during 2016-17 itself.
	20 – Public Works Revenue Voted	59,81,01,797	This was due to transfer of actual receipts collected under Ports, Light Houses and Shipping to Port Development Fund. The provision made for transfer was less than the actual collection. The excess was also due to entire GOI grants(received on last day of March 2017) credited to Consolidated Fund of the State towards Central Road fund was transferred to Deposit Account of subvention from Central Road fund under Public Account.
	29– Debt Servicing Capital Charged	*1,61,41,83,927*	This was due to the provisions for discharge of debts, not being made scientifically based on requirement of funds, but made as per the actuals of previous years, without consultation from the beneficiary departments of such loans, assistance from the funding agencies.
Total		**22,10,09,32,703**	

Source: Appropriation Accounts.

Appendix 2.4

Cases of New Service/New Instrument of Service

(Reference: Paragraph 2.3.6; Page: 65)

(₹ in crore)

Sl. No.	Grant No./ Nomenclature	Head of Account	Total Grant	Expenditure	Excess
1	5 – Home and Transport	2055-00-101-0-03-002 – Pay-Officers	3.76	12.13	8.37
2	14 – Revenue	2053-00-800-0-12-251 – Pension and Retirement Benefits	0.00	8.30	8.30
3	17 – Education	2202-02-109-0-13-003 – Pay-Staff	21.27	175.74	154.47
4	19 – Urban Development	3604-00-191-1-51-051 – General Expenses	85.88	294.60	208.72
5	20 – Public Works	4711-02-103-2-00-139 – Major Works	12.97	56.72	43.75
6	24 - Energy	6801-00-205-1-80-394 - Loans	0.00	12.95	12.95
Total					**436.56**

Source: Appropriation Accounts

Appendix 2.5

Misclassification between 'Capital' and 'Revenue'

(Reference: Paragraph: 2.4.1; Page:65)

(₹ in crore)

Sl. No.	Grant No/ Nomenclature	Head of Account where provision/ expenditure made	Audit observation in brief	Amount involved
1	09 – Co-operation	6425-00-107-5-10 - 394 - Loans, 422 - SCSP and 423 - TSP	During 2017-18 provision/ expenditure was made under the Capital/Loan head towards loan waiver scheme in which short term loans up to ₹50,000 due from the farmers to co-operative societies/co-operative banks were waived. This was incorrect as expenditure towards waiver of loan to farmers is revenue in nature resulting in inflating capital expenditure.	3,400.67
2	05 – Home and Transport	3055-00-190-0-03-240 – Debt Servicing.	During the year, an amount of ₹80.97 crore was released by the Government for debt servicing by BMTC. On examination of the release order, it was observed that an amount of ₹8.17 crore was towards debt servicing and the remaining ₹72.80 crore was towards working capital requirement of the Corporation which was facing cash crunch. Since this amount was released as working capital, it should have been accounted under the Capital Section instead of charging it to Revenue Section resulting in inflating revenue expenditure. In reply (December 2018) the Finance department stated that the observation is noted and that it will be avoided in future.	72.80
3	25 – Kannada and Culture	4202-04-800-1-08-101 – Grants-in-Aid salaries 4202-04-800-1-08-103 – Grant in Aid General	As per Indian Government Accounting Standard (IGAS)-2, the Grants-in-Aid disbursed by a grantor to a grantee shall be classified and accounted for as	0.19 0.97

Sl. No.	Grant No/ Nomenclature	Head of Account where provision/ expenditure made	Audit observation in brief	Amount involved
			revenue expenditure in the Financial Statements of the grantor irrespective of the purpose for which the funds were disbursed as GIA to be spent by the grantee. However, during the scrutiny of the budget for the year 2017-18, it was noticed that a provision/expenditure was made under the capital head of account instead of revenue head. resulting in overstatement of capital expenditure.	
4	17 - Education	2202-03-800-5-00-106 – Subsidy	Provisions/expenditure under the Revenue Section towards acquisition of land was incorrect as land is an asset and its acquisition is of capital in nature as per circular issued by FD dated 15.01.2013. This misclassification resulted in overstatement of revenue expenditure.	2.00
Total				**3,476.63**

Appendix 2.6

Misclassification between 'Voted' and *'Charged'*

(Reference: Paragraph: 2.4.2; Page:65)

(₹ in crore)

Sl. No.	Demand No	Head of Account	Provision
1	04 – Department of Personnel and Administrative Reforms	2014-00-102-0-03-034 – Contract/Outsource	*0.35*
2		2014-00-102-0-09-034 - Contract/Outsource	*0.41*
3		2014-00-102-0-10-034 - Contract/Outsource	*0.29*
4		2062-00-103-0-02-034 - Contract/Outsource	*1.31*
5		2062-00-103-0-03-034 - Contract/Outsource	*0.65*
6	05 – Home and Transport	3055-00-190-0-03-240 – Debt Servicing	*8.17*
7	21 – Water Resources	2700-11-800-0-01-240 – Debt Servicing	*87.00*
8	29 – Debt Servicing	2049-60-101-1-00-240 - Debt Servicing	*3.05*
Total			***101.23***

Appendix 2.7

Budgeting Errors - Incorrect provisions made under Major Heads of Account

(Reference: Paragraph 2.4.4; Page:66)

(₹ in crore)

Sl. No.	Grant No.	Head of Account	Provision	Remarks
1	03- Finance	2071 – Pension and other retirement benefits	3.65	Provision for Interest of ₹3.65 crore paid on Government contribution towards NPS backlog was erroneously included under MH 2071 instead of MH 2049. However, the expenditure was accounted correctly under MH 2049. Under charged category.
2	17 - Education	2202 - Education	15.46	Provision for activities connected with MH 2205- Art and Culture was made incorrectly under MH 2202-General Education and MH 2203-Technical education.
			0.64	Provision relating to the activity connected with the functional Major Head 2852- Industries – dealing with industrial education, research and training was incorrectly classified under MH 2202 – General Education.
3	29 – Debt Servicing	2049 – Interest Payments	0.10	Provision was made for payment of interest on Compensation Bonds under MH 2049-Interest payments instead of MH 2075 – Miscellaneous General Services as per instructions contained in Note (1) below MH 2049 in LMMH.

Source: Appropriation Accounts

Appendix 2.8

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

(Reference: Paragraph: 2.4.7; Page 67)

(₹ in crore)

Sl. No.	Major head of account under which provision/expenditure booked under Object Head 059	Correct object head to which provision/ Expenditure should have been accounted	Nature of Expenditure	Amount
1	2211	015- Subsidiary Expenses	Remuneration to Asha and Anganawadi workers.	100.41
2	2225, 4225	422 – SCSP, 423 – TSP	Unspent SCSP and TSP amount	175.10
3	2425	100 – Financial Assistance	Financial Assistance to implement Yashaswini scheme,	155.55
4	2401, 2425 and 3452	106- Subsidies	Subsidy for providing new crop insurance, tourism subsidy, hotel subsidy, subsidies to farmers and interest waiver on default loans	817.10
5	3452	051 – General Expenses	Advertising Charges	18.57
6	4217	132 – Capital Expenses 386 - Construction	Land acquisition, compensation, civil works payment, Constructions of Bus Station at Jamakhandi	329.00
7	5465	211 - Investment	Equity in KEONICS for Tier II Cities- IT Development	2.10
Total				**1,597.83**

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

Appendix 2.9

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

(Reference: Paragraph: 2.5.1; Page: 68)

(₹ in crore)

Sl. No.	Grant/Nomenclature	Provisions			Expenditure	Unspent provision and it's *per cent*
		Original	Supplementary	Total		
1	01 - Agriculture and Horticulture Revenue – Voted	6,515.06	316.69	6,831.75	6,376.25	455.50
2	03 - Finance Revenue - Voted	19,454.17	129.55	19,583.72	16,280.69	3,303.03
3	04 – Department of Personnel and Administrative Reforms Revenue – Voted	757.62	31.04	788.66	681.56	107.10
4	07 - Rural Development and Panchayat Raj Revenue- Voted Capital – Voted	 12,730.26 1,330.31	 576.65 40.00	 13,306.91 1,370.31	 11,728.66 664.37	 1,578.25 705.94
5	10 – Social Welfare Revenue – Voted Capital – Voted	 8,623.75 3,093.62	 158.35 0.00	 8,782.10 3,093.62	 8,558.15 2,993.40	 223.95 100.22
6	11 – Women and Child Development Revenue – Voted	4,748.17	103.11	4,851.28	4,461.49	389.79
7	12 - Information, Tourism and Youth Services Capital - Voted	485.03	0.00	485.03	315.69	169.34
8	13 – Food and Civil Supplies Revenue – Voted	3,633.82	2.35	3,636.17	2,683.66	952.51
9	14 - Revenue Revenue - Voted	5,825.85	3,290.82	9,116.67	8,192.92	923.75
10	16 – Housing Revenue - Voted	4,430.53	139.02	4,569.55	4,076.97	492.58
11	17 – Education Revenue - Voted	21,581.08	93.09	21,674.17	20,884.56	789.61
12	18 – Commerce and Industries Revenue – Voted	828.96	179.12	1,008.08	874.61	133.47

Sl. No.	Grant/Nomenclature	Provisions			Expenditure	Unspent provision and it's *per cent*
		Original	Supplementary	Total		
13	19 – Urban Development Revenue – Voted Capital – Voted	 10,089.87 5,599.48	 279.99 0.00	 10,369.86 5,599.48	 9,602.12 5,330.75	 767.74 268.73
14	20 – Public Works Revenue – Voted	 2,393.27	 325.51	 2,718.78	 2,516.37	 202.41
15	21 – Water Resources Revenue – Voted Capital – Voted	 1,081.88 12,072.87	 0.00 515.87	 1,081.88 12,588.74	 911.99 9,950.54	 169.89 2,638.20
16	22 – Health and Family Welfare Revenue – Voted	 6,382.85	 688.26	 7,071.11	 6,667.20	 403.91
17	23 – Labour and Skill Development Revenue – Voted	 1,628.47	 43.08	 1,671.55	 1,065.20	 606.35
18	26 – Planning, Statistics, Science and Technology Revenue – Voted Capital – Voted	 686.30 1,141.34	 1.46 22.50	 687.76 1,163.84	 571.61 1,020.99	 116.15 142.85
19	*29 – Debt Servicing* *Revenue - Charged*	 *14,508.88*	 *165.42*	 *14,674.30*	 *13,929.67*	 *744.63*
Total		**1,49,623.44**	**7,101.88**	**1,56,725.32**	**1,40,339.42**	**16,385.90**

Source: Appropriation Accounts

Appendix 2.10

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

(Reference: Paragraph: 2.5.1; Page 68)

(₹ in crore)

Sl. No	Grant No	Head of Account	Nomenclature	Unspent Provision
1	01	2401-00-102-0-08	National Food Security Mission	29.65
2		2401-00-103-0-15	Agricultural Inputs and Quality Control	174.16
3		2401-00-111-0-08	Comprehensive Horticulture Development	30.31
4		2401-00-119-4	Development of Farms and Nurseries	73.43
5		2401-00-800-1	Agriculture Department	217.33
6		2401-00-800-2	Horticulture Department	76.25
7		2402-00-102-0-28	Sujala Watershed Project –III EAP	28.12
8		4860-01-190-0-02	Government Investment in KSIC	48.95
9	03	2040-00-001-0-01	Commissioner for Commercial Taxes	83.44
10		2040-00-101	Collection charges	40.64
11		2070-00-800-0-11	Filling up of Vacant Posts	1,362.00
12		2071-01-101-3	State Government Pensions	893.05
13		2071-01-105-3	Other Family Pensions-Karnataka	576.53
14		2071-01-115-1	General Services	68.32
15		2071-01-115-2	Social Services	36.23
16		2071-01-115-3	Economic Services	31.39
17		2515-00-198-1	Gram Panchayats	236.27
18		7610-00-201-0-03	HBA to others	29.83
19	04	3451-00-090-2	Information Technology –Secretariat	32.09
20	06	5465-01-190-3	Investment in Rail Infrastructure Development Corporation (Karnataka) Limited (K-RIDE)	142.39
21	07	2505-60-196-6	Zilla Panchayats – CSS /CPS	824.57
22		2515-00-102-0-14	Shyamaprasad Mukherjee Urban Mission	44.17
23		2515-00-197-1	Taluk Panchayats	217.78
24		2515-00-198-6	Grama Panchayats CSS/CPS	254.95
25		3054-04-337-1	Rural Road Works	268.97
26		5054-03-337-71	Prime Minister Grameena Sadak Yojana	600.96
27		5054-03-337-74	Road Works in Rural Areas-NABARD	51.57
28		6515-00-800-0-03	Loans to Grama Panchayats-Grama Swaraj - EAP	50.00
29	08	2406-01-797-0-01	Transfer of Forest Development Fee to Karnataka Forest Development Fund	85.00
30	10	2225-01-197-6	Taluk Panchayats CSS/CPS	90.93
31		4225-01-190-0-01	Dr.Ambedkar Development Corporation Limited	44.10
32	11	2235-02-103-0-61	Indira Gandhi Mathruthva Sahayoga Yojane	36.62
33		2236-02-197-6	Taluk Panchayats-CSS/CPS	203.48
34	12	4220-60-101-0-00	Buildings	42.10
35		5452-01-101-05	Tourist Infrastructure at Belur	37.77
36		5452-01-800-0-14	Tourist Infrastructure at various places	100.89
37	13	2408-01-102-0-01	Annabhagya for BPL beneficiaries towards subsidies for food grains	862.87
38		2408-01-102-0-06	Annabhagya for BPL beneficiaries towards subsidies for other items	53.12
39	14	2029-00-103-1	Survey, Settlement and Land Records	30.61
40		2053-00-094-7	Taluk Establishment	105.63
41		2235-02-101-0-57	Monthly Financial Assistance to the Physically Challenged and the Disabled Poor (NSAP)	26.62

Sl. No	Grant No	Head of Account	Nomenclature	Unspent Provision
42		2235-60-102-1	Old Age Pension Scheme	136.23
43		2235-60-102-02	Pension to Destitute widows	214.43
44		2245-05-101-0-06	State's Additional Contribution to State Disaster Response Fund	200.00
45	16	2216-02-800-0-04	Pradhan Mantri Awas Yojana- Urban	203.66
46		2216-80-198-6	Grama Panchayats-CSS/CPS	288.07
47	17	2202-01-111-0-01	State Initiatives under Sarva Siksha Abhiyan Society	253.71
48		2202-01-800-1	Other Schemes	45.20
49		2202-02-109-0-13	Government PU Colleges	93.21
50		2202-03-103-1	Government Colleges of Education	58.77
51		2202-80-003-0-05	Computer Literacy Awareness in Secondary School	71.48
52		2202-80-800-0-48	Education Quality Improvement Programme	38.32
53		2203-00-107-1	Scholarships and Seminars for Engineering Colleges and Polytechnics	25.86
54	18	2853-02-102-0-15	Environmental Geological Wing of the Department	56.55
55		4852-01-004-0-01	Industrial Infrastructure for Institutions	100.22
56	19	2217-80-800-0-35	Mukhya Mantri Nairmalya Yojane (Swacha Bharat)	145.73
57		3604-00-191-2	Other Devolution	101.90
58		3604-00-191-6	Rajiv Awas Yojane	176.35
59		3604-00-191-8	XIV Finance Commission Grants	259.98
60		3604-00-192-2	Other Devolutions	86.80
61		4215-02-190-0-03	Karnataka Urban Water Supply and Modernisation Project -EAP	88.50
62		4217-60-800-0-04	Bangalore Suburban Rail System	237.00
63	20	2059-80-001-0-09	Execution (C&B) North	29.10
64		2059-80-053-4	Repairs, Maintenance and minor alterations to various Departmental Buildings	61.59
65		2216-07-053-3-01	Ordinary Repairs	34.87
66	21	2700-11-800-0-01	Other Expenditure	60.62
67		4701-73-800-0-01	Upper Krishna Project -AIBP	169.32
68		4701-74-800-0-01	Accelerated Irrigation Benefit Programme (AIBP)	68.78
69		4701-80-190-3	Krishna Bhagya Jala Nigama Limited	1,878.40
70		4701-80-190-5	Vishweswaraya Jala Nigam Limited	200.00
71		4701-80-800-0-10	Karnataka Integrated and Sustainable Water Resources Management- EAP	51.69
72		4701-80-800-0-13	National Ground Water Management Improvement Scheme	177.71
73		4702-00-101-1	Water Tanks, Construction of new tanks, pick-ups etc.	85.27
74		4702-00-101-5	Barrages	38.55
75		4705-00-800-0-01	CADA-SDP	80.66
76	22	2210-80-800-0-18	Establishment of EMRI (Arogya Kavacha)	183.36
77		2210-80-800-0-26	Unspent SCSP / TSP amount as per the SCSP-TSP Act, 2013	38.02
78		2210-80-800-0-27	Rashtriya Swasthya Bhima Yojana	91.81
79		4210-03-105-1	Buildings	84.92
80	23	2230-02-001-0-03	Director of Employment and Training	190.82
81		2230-02-101-0-09	Skill Development Mission	128.73
82		2230-03-101-0-59	Pradhan Mantri Koushalya Vikas Programme	52.48

Sl. No	Grant No	Head of Account	Nomenclature	Unspent Provision
83		2851-00-102-0-82	Assistance to Institutions for Technology Training	140.83
84		3604-00-191-5	National Urban Livelihood Mission / Swarna Jayanti Shahari Rojgar Yojana	27.40
85	26	2575-60-265-0-03	Article 371 J- Hyderabad Karnataka Region Development	100.00
86		4575-60-800-0-02	Article 371 J Hyderabad Karnataka Region	100.00
87	*29*	*2048-00-101-4*	*Consolidated Sinking Fund (Charged)*	*350.00*
88		2049-03-108-1	State Government Insurance Fund	95.31
89		*2049-03-108-3*	*State Government Employee Group Insurance Fund*	*30.51*
90		*2049-04-101-0-02*	*Back – to – Back External Loans*	*179.23*
Total				**15,855.44**

Source: Appropriation Accounts

Appendix 2.11

Unnecessary Supplementary Provision

(Reference: Paragraph: 2.5.3.1; Page 71)

(₹ in crore)

Sl. No.	Grant No./ Nomenclature	Head of Account	Original	Supple-mentary	Total	Expen-diture	Unspent Provision
1	01-Agriculture and Horticulture	2401-00-102-0-08-106 Subsidies	158.09	17.17	175.26	152.79	22.47
2		2401-00-102-0-08-422 Scheduled Caste Sub- Plan	30.58	3.37	33.95	29.51	4.44
3		2851-00-107-1-01-033 Daily wages	5.68	0.91	6.59	4.14	2.45
4		4860-01-190-0-02-211 Investment	0.00	48.95	48.95	0.00	48.95
5	02-Animal Husbandry and Fisheries	2405-00-101-0-58-106 Subsidies	11.52	0.02	11.54	9.25	2.29
6	04-Department of Personnel and Administrative Reforms	*2012-03-103-0-04-059 Other Expenditure*	*0.13*	*2.86*	*2.99*	*0.08*	*2.91*
7		2070-00-115-1-01-195 Transport Expenses	14.72	0.74	15.46	11.89	3.57
8	05-Home and Transport	2070-00-108-1-01-180 Machinery and Equipment	12.57	2.00	14.57	2.46	12.11
9		5055-00-050-0-05-147 Land and Buildings	0.00	1.56	1.56	0.00	1.56
10	07-Rural Development and Panchayat Raj	2515-00-196-1-05-324 Honorarium	0.00	1.26	1.26	0.00	1.26
11		2515-00-197-1-10-324 Honorarium	0.00	0.67	0.67	0.00	0.67
12		2515-00-198-1-11-324 Honorarium	0.00	5.19	5.19	0.00	5.19
13	12-Information, Tourism and Youth Services	2220-60-106-0-04-059 Other Expenses	35.30	3.78	39.08	25.38	13.70
14	14-Revenue	2245-80-102-0-03-059 Other Expenses	21.13	8.90	30.03	16.47	13.56
15		2250-00-800-1-11-059 Other Expenses	175.00	15.00	190.00	175.00	15.00
16	17-Education	2203-00-107-1-00-422 Scheduled Caste Sub- Plan	0.00	17.93	17.93	0.00	17.93
17		2203-00-107-1-00-423 Tribal Sub Plan	0.00	7.93	7.93	0.00	7.93
18	22-Health and Family Welfare	2210-01-110-2-85-180 Machinery and Equipment	0.00	3.64	3.64	0.00	3.64
19		2210-06-104-0-15-103 Grants-in-Aid-General	0.00	5.68	5.68	0.00	5.68
20	25-Kannada and Culture	2250-00-800-2-03-059 Other Expenses	10.95	10.50	21.45	10.18	11.27
21	27-Law	2014-00-114-0-01-015 Subsidiary Expenses	10.42	10.42	20.84	10.35	10.49
22	29-Debt Services	2049-60-101-1-00-240 Debt Servicing (V)	0.00	3.05	3.05	0.00	3.05
Total			**486.09**	**171.53**	**657.62**	**447.50**	**210.12**

Source: Grant Register

Appendix 2.12

Excessive Supplementary Provision

(Ref: Paragraph: 2.5.3.2; Page 72)

(₹ in crore)

Sl. No	Grant No. / Nomenclature	Head of Account	Original	Supplementary	Total	Expenditure	Unspent Provision
1	01-Agriculture and Horticulture	2401-00-102-0-08-423 Tribal Sub Plan	12.23	1.49	13.72	12.35	1.37
2		2401-00-108-1-15-422 Scheduled Caste Sub Plan	11.63	33.40	45.03	33.31	11.72
3		2401-00-108-1-15-423 Tribal Sub Plan	4.52	13.73	18.25	12.72	5.53
4	03-Finance	2043-00-001-0-01-071 Building Expenses	0.00	5.03	5.03	3.19	1.84
5	05-Home and Transport	2055-00-001-0-06-059 Other Expenses	0.01	3.38	3.39	1.54	1.85
6		2055-00-109-1-01-195 Transport Expenses	72.48	8.00	80.48	77.16	3.32
7	07-RDPR	2515-00-198-1-10-300 Lumpsum -ZP	6.14	2.60	8.74	6.84	1.90
8	11-Women and Child Development	4235-02-102-0-06-386 Construction	44.00	18.00	62.00	57.82	4.18
9	12-Information, Publicity and Youth Services	2220-60-110-0-00-059 Other Expenses	52.00	31.25	83.25	75.99	7.26
10	17-Education	2202-03-103-2-06-101 Grants–in–Aid –Salaries	0.00	15.00	15.00	0.85	14.15
11		2202-03-104-1-01-102 Grants–in–Aid- Asset Creation	0.00	2.85	2.85	1.85	1.00
12	18-Commerce and Industries	4851-00-102-0-19-132 Capital Expenses	0.00	9.47	9.47	7.66	1.81
13		4851-00-102-0-18-132 Capital Expenses	31.03	53.00	84.03	74.56	9.47
14	20-Public Works	2059-80-053-1-11-200 Maintenance Expenditure	9.45	21.86	31.31	15.73	15.58
15	22-Health and Family Welfare	4210-01-110-1-21-139 Major Works	0.00	20.00	20.00	3.49	16.51
16	23-Labour and Skill Development	2230-02-101-0-08-059 Other Expenses	0.00	3.36	3.36	0.33	3.03
17	27- Law	2014-00-114-0-01-034 Contract/ Outsource	4.76	7.81	12.57	5.37	7.20
Total			**248.25**	**250.23**	**498.48**	**390.76**	**107.72**

Source: Grant Registers

Appendix 2.13

Inadequate Supplementary Provision

(Reference: Paragraph: 2.5.3.3; Page 72)

(₹ in crore)

Sl. No.	Grant No./ Nomenclature	Head of Account	Provision			Expenditure	Excess uncovered
			Original	Supplementary	Total		
1	01- Agriculture and Horticulture	2406-02-112-0-17-139 Major Works	10.00	15.47	25.47	44.01	18.54
2	03-Finance	2043-00-001-0-01-034 Contract / Outsourcing	0.00	8.07	8.07	10.42	2.35
3		2043-00-001-0-01-195 Transport Expenses	0.00	4.83	4.83	6.98	2.15
4	10-Social Welfare	2225-02-794-0-03-059 Other expenses	55.00	21.56	76.56	91.71	15.15
5	11-Women and Child Development	2235-02-101-0-20-100 Financial Assistance / Relief	437.74	9.13	446.87	631.41	184.54
6		2235-02-102-0-36-103 Grants-in-Aid - General	4.00	58.77	62.77	65.78	3.01
7		4235-02-101-1-01-059 Other Expenses	1.21	0.50	1.71	2.21	0.50
8	12-Information, Tourism and Youth Services	2204-00-104-0-29-103 Grants-in-Aid - General	5.02	1.74	6.76	9.46	2.70
9		2220-60-106-0-04-051 General Expenses	44.40	126.53	170.93	182.31	11.38
10		3452-80-104-0-01-051 General Expenses	30.53	15.00	45.53	55.67	10.14
11	14-Revenue	2235-60-001-0-01-059 Other Expenses	756.27	77.53	833.80	1102.19	268.39
12		2235-60-102-1-01-251 Pension and Retirement Benefits	117.93	83.18	201.11	300.13	99.02
13		2235-60-102-2-01-251 Pension and Retirement Benefits	441.49	96.60	538.09	728.00	189.91
14	15-Information Technology	3451-00-090-2-08-059 Other Expenses	9.43	5.00	14.43	21.43	7.00
15	20-Public Works	4216-01-700-2-01-386 Construction	30.00	15.00	45.00	56.92	11.92
16		5054-03-101-0-02-132 Capital Expenses	50.00	16.00	66.00	80.52	14.52
17		5054-03-337-0-16-154 Improvements	30.00	13.00	43.00	44.95	1.95
18		5054-03-337-0-18-154 Improvements	900.00	780.00	1,680.00	1,730.00	50.00
19		5054-03-337-0-86-172 Roads	360.35	125.26	485.61	860.40	374.79
20		5054-80-190-0-01-132 Capital Expense s	175.00	200.00	375.00	405.00	30.00
21	21-Water Resources	4702-00-101-5-01-139 Major Works	100.00	0.33	100.33	165.10	64.77
22	22-Health and Family Welfare	2210-05-105-1-20-103 Grants in Aid – General	11.91	3.88	15.79	17.79	2.00
23	29-Debt Servicing	2049-03-108-2-00-240 Debt Servicing	*12.12*	*0.32*	*12.44*	*15.14*	*2.70*
Total			**3,582.40**	**1,677.70**	**5,260.10**	**6,627.53**	**1,367.43**

Source: Grant Registers

Appendix 2.14

Unnecessary/Excessive/Inadequate Re-appropriation

(Reference: Paragraph: 2.5.4.1; Page 72)

(₹ in crore)

Sl. No.	Grant No.	Head of Account	Provision (Original + Supplementary)	Re-appropriation (-)	Total	Expenditure	Excess (+)/ Unspent Provision (-)
1	01-Agriculture and Horticulture	2401-00-103-0-15-106 Subsidies	448.65	63.87	384.78	336.23	48.55
2		2401-00-800-1-57-059 Other Expenses	395.15	111.88	283.27	251.53	31.74
3		2401-00-800-1-57-106 Subsidies	112.50	57.86	54.64	32.86	21.78
4		2851-00-107-1-80-059 Other Expenses	58.00	0.15	57.85	36.39	21.46
5	02-Animal Husbandry and Fisheries	2404-00-191-1-17-106 Subsidies	1,056.00	13.68	1,042.32	1,017.93	24.39
6	05- Home and Transport	2055-00-001-0-07-014 Other Allowances	75.65	8.14	67.51	0.00	67.51
7	07- Rural Development and Panchayat Raj	2515-00-197-1-10-300 Lumpsum- ZP	424.90	50.00	374.90	207.83	167.07
8		3054-04-337-1-12-059 Other Expenses	1,311.36	8.77	1,302.59	1,042.44	260.15
9	10- Social Welfare	2225-03-277-2-51-059 Other Expenses	326.25	3.00	323.25	250.72	72.53
10	12-Information, Tourism and Youth Services	5452-01-101-0-05-132 Capital Expenses	50.00	12.73	37.27	12.23	25.04
11	17- Education	2202-01-115-0-01-059 Other Expenses	357.76	27.15	330.61	155.00	175.61
12		2202-02-109-0-13-002 Pay-Officers	468.56	19.90	448.66	263.29	185.37
13		2202-02-109-0-13-011 Dearness Allowance	246.94	3.95	242.99	197.35	45.64
14		2202-03-104-1-01-101 Grants-in-Aid-Salaries	842.71	14.67	828.04	796.47	31.57
15		2202-80-003-0-05-059 Other Expenses	78.82	20.40	58.42	12.26	46.16
16		2202-80-800-0-48-059 Other Expenses	50.00	0.30	49.70	11.68	38.02
17	19- Urban Development	2217-80-800-0-35-059 Other Expenses	277.00	95.73	181.27	131.27	50.00
18		3604-00-191-1-51-001 Consolidated Salaries	65.16	6.43	58.73	2.50	56.23
19		4217-60-800-0-04-032 Grants for creation of Capital assets	317.00	79.00	238.00	80.00	158.00
20	20- Public Works	2059-80-053-4-00-200 Maintenance Expenditure	337.55	40.00	297.55	275.96	21.59
21		5051-02-201-0-04-059 Other Expenses	48.16	26.57	21.59	2.47	19.12
22	21- Water Resources	2700-11-800-0-01-240 Debt Servicing	87.00	12.53	74.47	24.60	49.87

Sl. No.	Grant No.	Head of Account	Provision (Original + Supplementary)	Re-appropriation (-)	Total	Expenditure	Excess (+)/ Unspent Provision (-)
23		4701-80-190-3-01-132 Capital Expenses	2,700.00	362.50	2,337.50	1,087.50	1,250.00
24	22- Health and Family Welfare	2210-80-800-0-18-059 Other Expenses	189.73	39.47	150.26	54.20	96.06
Total			**10,324.85**	**(-) 1,078.68**	**9,246.17**	**6,282.71**	**(-) 2,963.46**

Sl. No.	Grant No.	Head of Account	Provision (Original + Supplementary)	Re-appropriation (+)	Total	Expenditure	Excess (+)/ Unspent Provision (-)
1	03-Finance	2043-00-001-0-01-125 Modernization	33.92	3.00	36.92	25.63	11.29
2	05-Home and Transport	2055-00-115-0-00-125 Modernization	144.41	2.29	146.70	116.02	30.68
3	06-Infrastructure Development	5465-01-190-1-05-211 Investment	13.05	33.79	46.84	28.60	18.24
4	11-Women and Child Development	2235-02-104-2-06-103 Grants-in-Aid-General	45.92	8.01	53.93	43.23	10.70
5		2236-02-197-6-01-413 Belegavi	139.40	9.08	148.48	132.52	15.96
6		2236-02-197-6-01-417 Kalaburagi	98.61	0.70	99.31	85.80	13.51
7		2236-02-197-6-01-418 Ballari	79.12	20.35	99.47	89.43	10.04
8	17-Education	4202-01-202-1-05-386 Construction	110.00	28.22	138.22	125.82	12.40
9	20-Public Works	3054-03-337-0-07-200 Maintenance Expenditure	33.88	17.70	51.58	38.67	12.91
10		3054-04-105-0-01-200 Maintenance Expenditure	36.61	4.00	40.61	29.90	10.71
11		3054-04-337-1-13-200 Maintenance Expenditure	41.75	16.60	58.35	25.68	32.67
12		5054-04-337-0-01-422 Schedule Caste Sub Plan	1,038.20	0.87	1,039.07	790.15	248.92
13		5054-04-337-0-01-423 Tribal Sub Plan	488.57	3.92	492.49	395.29	97.20
14	21-Water Resources	4701-80-190-3-00-132 Capital Expenses	1,463.60	100.00	1,563.60	1,197.70	365.90
15		4701-80-190-4-00-132 Capital Expenses	903.38	262.50	1,165.88	965.88	200.00
Total			**4,670.42**	**(+) 511.03**	**5,181.45**	**4,090.32**	**(-)1,091.13**

Sl. No.	Grant No.	Head of Account	Provision (Original + Supplementary)	Re-appropriation (-)	Total	Expenditure	Excess (+)/ Unspent Provision (+)
1	05-Home and Transport	2055-00-104-0-01-041 Travel Expenses	15.15	10.00	5.15	7.53	2.38
2	17-Education	2202-02-053-0-01-133 Special Development Plan	5.00	3.00	2.00	4.80	2.80
Total			**20.15**	**(-) 13.00**	**7.15**	**12.33**	**(+) 5.18**

Sl. No.	Grant No.	Head of Account	Provision (Original + Supplementary)	Re-appropriation (-)	Total	Expenditure	Excess (+)/ Unspent Provision (-)
Sl. No.	Grant No.	Head of Account	Provision (Original + Supplementary)	Re-appropriation (+)	Total	Expenditure	Excess (+)/ Unspent Provision (-)
1	07-Rural Development and Panchayat Raj	2515-00-196-1-05-300 Lumpsum- ZP	87.32	58.30	145.62	209.54	63.92
2	19-Urban Development	3604-00-191-1-51-051 General Expenses	85.88	22.66	108.54	294.60	186.06
3	20-Public Works	4711-02-103-2-00-139 Major Works	12.97	25.79	38.76	56.72	17.96
Total			**186.17**	**(+) 106.75**	**292.92**	**560.86**	**(+) 267.94**

Source: Grant Registers

Appendix 2.15

Cases of Defective Re-appropriation Orders

(Reference: Paragraph:2.5.4.2; Page 73)

(₹ in crore)

Sl. No.	Grant No.	Government Order No.	Date	Amount	Issuing Authority	Reasons for rejection
1	01	AD 85 KMS 2017	29.11.2017	0.25	Under Secretary to Govt., Agriculture Department, Vidhana Soudha, Bengaluru	Form 22 A not Self-Balanced
2		AD 161 KYK 2017	20.12.2017	0.50		Original Provision differs and Form 22 A not signed
3		AD/06/KYS 2017	14.02.2018	0.25		Original Provision Differs
4	02	PSM 237 PAPAYA	30.01.2018	0.20	Under Secretary to Govt., Animal Husbandry and Fisheries Department, Vidhana Soudha, Bengaluru	Form 22 A not Self-Balanced
5		APS/Y-1/RA/ 2016-17	09.02.2018	0.04		
6	03	FD 136 BRS 2017	11.01.2018	10.60	Under Secretary to Govt., Finance Department (FR&BCC), Bengaluru	
7	04	Ci Aa Su Ei 164 Ei Aa Su 2017	09.08.2017	0.10	Under Secretary to Govt. DPAR(AR-Trg.) Bengaluru	
8		Ci Aa Su Ei 10 He Sa Aa 2017	01.02.2018	1.00	Under Secretary to Govt., DPAR (Accts-2), Bengaluru	
9		FD 191 BRS 2017	08.02.2018	0.88	Under Secretary to Govt., Finance Department (FR&BCC), Bengaluru	
10		Ci Aa Su Ei 10 He Sa Aa 2017	21.02.2018	0.50	Under Secretary to Govt., DPAR (Accts-2), Bengaluru	
11	05	Au (6) 41/17-18	07.10.2017	0.05	Director General of Police, Bengaluru	Sanction between salary and non-salary heads of account
12		FD 217 BRS 2017	21.02.2018	0.85	Under Secretary to Govt., Finance Department (FR&BCC), Bengaluru	Due to insufficient balance
13		MME 189 PHP 2017	15.03.2018	0.50	Under Secretary-2 to Govt., Women and Child Welfare Department, Bengaluru	Sanction order dated 15.03.2018 called for
14		FD 240 Exp-11/RA/ 2018	31.03.2018	44.22	Special Officer (ZP), Finance Department	Due to insufficient balance
15	07	CE/Pre-Accts 1/ 6402	13.12.2017	0.05	Chief Engineer, Panchayat Raj Engineering Department, Ananda Rao Circle, Bengaluru	Form 22 A not Self Balanced
16		CE/Pre-Accts-1/ 10100	17.02.2018	0.09		
17		Gra Aa Po 58 Zi Po So 2018	02.03.2018	0.14	Under Secretary to Govt., RD and PR Department (ZP), M.S. Building, Bengaluru	
18		RDP 79 PBS 2018	05.03.2018	0.40	IFA-cum-Ex-officio Deputy Secretary to Govt., RD and PR Department, M.S. Building, Bengaluru	

Sl. No.	Grant No.	Government Order No.	Date	Amount	Issuing Authority	Reasons for rejection
19		Gra Ao Po 14 Gro Mu Sow 180	05.03.2018	0.07	Director-cum-Ex-officio Joint Secretary to Government, RD and PR epartment, M.S. Building, Bengaluru	
20	08	APG 147 EPD 2017	05.03.2018	0.34	Under Secretary to Govt., (Ecology and Environment), Forest Department, M.S. Building, Bengaluru	Form 22 A not enclosed
21	09	CO 183 CLS 2017	22.02.2018	0.49	Officer on Special Duty and Ex-officio Deputy Secretary, Co-operation Dept., Vidhana Soudha, Bengaluru	Form 22 A not self-balanced
22	10	SWD 57 SAD 2017	21.09.2017	0.26	Under Secretary-2 to Govt., Social Welfare Department	
23		SWD 20 SAR 2017	23.02.2017	0.10		
24		SWD 338 SLP 2017	01.02.2018	0.50	Under Secretary-1 to Govt., Social Welfare Department	
25		MWD 221 MDS 2018	14.03.2018	0.50	Under Secretary to Govt., Welfare of Minorities, Haj and Wakf Department	
26		MWD 219 MDS 2018	16.03.2018	0.30		
27	11	OE KSS 2018	16.02.2018	0.06	Deputy Secretary, Home Department, Police Assistance Service, Vidhana Soudha, Bengaluru	
28		OE 17 KSS 2018	16.02.2018	0.07		
29		MME 189 YAD 2017	15.03.2018	0.50	Secretary to Govt., Woman and Child Development Department, M.S .Building	
30		MME 17 MAN 2018	23.03.2018	0.99		No Object Head
31	12	KSP 58 VSS 2017	29.08.2017	0.50	Under Secretary to Govt., Kannada, Culture and Information Department, Vidhana Soudha, Bengaluru	Form 22 A not Self Balanced
32	13	FCS 01 Ebata 2018	08.01.2018	0.25	Under Secretary to Govt. (I/C), Food, Civil Supplies and Consumer Affairs Department, Bengaluru	
33	14	RD 12 LGP 2017	26.10.2017	0.02	Under Secretary to Govt., Revenue Department (Land Allotment-1), Karnataka Government Secretariat, M.S.Building, Bengaluru	
34		RD 12 LGP 2018	09.01.2018	0.06		
35		RD 06 MST 2018	24.02.2018	0.06	Under Secretary to Govt., Revenue Department (Land Reform Cell), Karnataka Government Secretariat, M.S.Builiding, Bengaluru	
36		RD 07 MST2018	24.02.2018	0.12		

Sl. No.	Grant No.	Government Order No.	Date	Amount	Issuing Authority	Reasons for rejection
37		RD 78 DSP 2018	24.02.2018	0.08	Deputy Secretary to Govt., Revenue Department (Disaster Management and Stamps & Registration)	
38		RD 11 MST 2018	28.02.2018	0.06	Under Secretary to Govt., Revenue Department (Land Reform Cell), Karnataka Government Secretariat, M.S.Building, Bengaluru	
39		RD 37 SAR 2017	12.03.2018	0.50	Under Secretary to Govt., Revenue Department (Stamps and Registration), M.S.Building, Bengaluru	
40	17	FD 1 BRS 2017	03.04.2017	88.71	Under Secretary to Govt., Finance Department (FR&BCC)	
41		ED 60 HPT 2017	25.11.2017	0.50	Deputy Secretary to Govt., Education Department (Higher Education), M.S.Building, Bengaluru	Insufficient balance
42		FD 242 BRS 2017	08.03.2018	1.50	Under Secretary to Govt., Finance Department (FR&BCC)	Form 22 A not Self Balanced
43		ED 70 UNE 2018	12.03.2018	0.30	Under Secretary to Govt., Higher Education Department (Universities-1), M.S.Building, Bengaluru	
44		FD 258 BRS 2017	13.03.2018	3.00	Under Secretary to Govt., Finance Department (FR&BCC)	
45		ED 06 MCD 2018	31.03.2018	0.25	Under Secretary to Govt., Education Department (Plan), M.S.Building, Bengaluru	Insufficient balance
46	18	CI 8 MGS 2018	27.01.2018	0.50	Under Secretary-2(I/C) to Govt (Mines), Commerce and Industries Department	Form 22 A not Self Balanced
47		CI 20 MGS 2018	14.02.2018	0.50	Under Secretary-2 to Govt (Mines), Commerce and Industries Department	
48		MGD Hundi/ Grant/ RA/17-18	02.03.2018	0.05	Director, Mines and Geology Department, Khanija Bhavan, Bengaluru	
49		DSK EAP 61 4594	08.03.2018	0.04	Commissioner of Sugar Cane Development and Director of Sugar, Bengaluru	
50	19	FD 80 BRS 2017	21.11.2017	186.38	Under Secretary to Govt., Finance Department (FR &BCC)	New Service

Sl. No.	Grant No.	Government Order No.	Date	Amount	Issuing Authority	Reasons for rejection
51	20	PW 222 IFA 2018	26.02.2018	0.35	Under Secretary to Govt., Public Works, Ports and Inland Water Transport Department	Form 22 A not Self Balanced
52		FD 310 BRS 2017	26.03.2018	19.00	Under Secretary to Govt., Finance Department (FR & BCC)	New Service
53	21	FD 319 EFC-1/18	31.03.2018	0.11	Under Secretary to Govt., Finance Department, Bengaluru	Form 22 A not Self Balanced
54		FD 319 B 7 C-1/2018	31.03.2018	0.01	Under Secretary to Govt. (FD), Public Works Finance Cell, Vidhana Soudha, Bengaluru	
55	22	FD 179 BRS 2017	02.02.2018	22.68	Under Secretary to Govt., Finance Department (FR & BCC)	Budget Provision does not tally
56		AKK 17 IMM 2018	28.02.2018	0.12	Under Secretary to Govt., Health and Family Welfare Department, Vidhana Soudha, Bengaluru	Form 22 A not Self Balanced
57	23	LD 335 LET 2017	14.02.2018	0.05	Under Secretary to Govt., Labour Department	
58		LD 335 LET 2017	27.02.2018	0.40		
59	26	PP 40 PSP 2017	22.12.2017	0.25	Under Secretary to Govt. (1 & 2) Project, Project Coordinator and Statistics Department, Vidhana Soudha, Bengaluru	
60	28	FD 318 Exp-10/2018	31.03.2018	1.49	Under Secretary to Govt., Finance Department (Expenditure 2 &10), Vidhana Soudha, Bengaluru	Re-appropriation from Voted to *Charged*
Total				**392.64**		

Source: Office of the AG(A&E)

Appendix 2.16

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

(Reference: Paragraph; 2.5.5.1; Page: 73)

(₹ in crore)

Sl. No	Grant No.	Section	Unspent Provision
	02	**Animal Husbandry and Fisheries**	
1		*Revenue - Charged*	*0.01*
	06	**Infrastructure Development**	
2		Revenue - Voted	6.56
3		Capital - Voted	21.26
	10	**Social Welfare**	
4		Capital - Voted	100.22
	11	**Women and Child Development**	
5		Capital - Voted	21.56
	14	**Revenue**	
6		Capital - Voted	2.75
7		*Capital - Charged*	*7.97*
	15	**Information Technology**	
8		Revenue-Voted	0.59
	18	**Commence and Industries**	
9		Revenue-Voted	133.47
	19	**Urban Development**	
10		Capital-Voted	268.73
	21	**Water Resources**	
11		*Revenue-Charged*	*19.50*
	24	**Energy**	
12		Revenue-Voted	27.07
	25	**Kannada and Culture**	
13		Revenue-Voted	38.89
14		Capital-Voted	2.26
	26	**Planning, Statistics, Science and Technology**	
15		Capital-Voted	142.85
	27	**Law**	
16		Capital-Voted	0.50
	29	**Debt Servicing**	
17		Revenue-Voted	3.05
18		*Revenue-Charged*	*744.63*
Total			**1,541.87**

Source: Appropriation Accounts

Appendix 2.17

Surrender of Unspent Provision

(Reference: Paragraph:2.5.5.1; Page 73)

(₹ in crore)

Sl. No	Grant/Section		Amount of unspent provision	Amount surrendered	Amount not surrendered
	01	**Agriculture and Horticulture**			
1		Revenue-Voted	455.50	156.42	299.08
2		*Revenue-Charged*	*0.04*	*0.04*	*0.00*
3		Capital-Voted	58.31	8.31	50.00
	02	**Animal Husbandry and Fisheries**			
4		Revenue-Voted	95.71	66.02	29.69
5		Capital-Voted	*1.81*	*1.76*	*0.05*
	03	**Finance**			
6		Revenue-Voted	3,303.03	793.11	2,509.92
7		Capital –Voted	38.54	7.41	31.13
	04	**Department of Personnel and Administrative Reforms**			
8		Revenue-Voted	107.10	36.89	70.21
9		*Revenue-Charged*	*24.34*	*23.80*	*0.54*
10		Capital-Voted	0.24	0.24	0.00
	05	**Home and Transport**			
11		Revenue- Voted	36.39	116.69	0.00
12		*Revenue-Charged*	*0.36*	*0.36*	*0.00*
13		Capital-Voted	12.54	8.66	3.88
14		*Capital – Charged*	0.01	0.01	0.00
	07	**Rural Development and Panchayat Raj**			
15		Revenue-Voted	1,578.25	24.57	1,553.68
16		Capital-Voted	705.94	229.87	476.07
	08	**Forest, Ecology and Environment**			
17		Revenue - Voted	83.80	48.98	34.82
18		*Revenue-Charged*	*0.00*	*0.17*	*0.00*
19		Capital-Voted	10.00	10.00	0.00
	09	**Co-operation**			
20		Revenue-Voted	44.26	21.56	22.70
	10	**Social Welfare**			
21		Revenue-Voted	223.95	76.57	147.38
	11	**Women and Child Development**			
22		Revenue-Voted	389.80	281.94	107.86
	12	**Information, Tourism and Youth Services**			
23		Revenue-Voted	94.01	31.91	62.10
24		Capital-Voted	169.34	3.55	165.79
	13	**Food and Civil Supplies**			
25		Revenue-Voted	952.51	794.71	157.80
26		*Revenue-Charged*	*0.05*	*0.05*	*0.00*

Sl. No	Grant/Section		Amount of unspent provision	Amount surrendered	Amount not surrendered
	14	**Revenue**			
27		Revenue-Voted	923.75	603.53	320.22
	16	**Housing**			
28		Revenue-Voted	492.58	99.85	392.73
29		*Capital -Charged*	*0.74*	*0.74*	*0.00*
	17	**Education**			
30		Revenue-Voted	789.61	97.08	692.53
31		Capital-Voted	25.27	2.83	22.44
	18	**Commerce and Industries**			
32		Capital-Voted	41.15	17.45	23.70
	19	**Urban Development**			
33		Revenue-Voted	767.74	194.29	573.45
	20	**Public Works**			
34		Revenue-Voted	202.42	173.95	28.47
35		Capital-Voted	45.44	347.26	0.00
	21	**Water Resources**			
36		Revenue-Voted	169.89	10.60	159.29
37		Capital-Voted	2,638.20	19.27	2,618.93
	22	**Health and Family Welfare**			
38		Revenue-Voted	403.91	216.45	187.46
39		Capital-Voted	29.51	26.81	2.70
	23	**Labour and Skill Development**			
40		Revenue-Voted	606.35	519.02	87.33
41		Capital-Voted	16.99	10.00	6.99
	26	**Planning, Statistics, Science and Technology**			
42		Revenue-Voted	116.15	6.14	110.01
	27	**Law**			
43		Revenue-Voted	79.63	59.80	19.83
	28	**Parliamentary Affairs and Legislature**			
44		Revenue-Voted	59.21	56.57	2.64
45		*Revenue-Charged*	*0.43*	*0.78*	*0.00*
46		Capital-Voted	22.00	22.00	0.00
Total			**15,816.80**	**5,228.02**	**10,971.42**

Source: Appropriation Accounts

Appendix 2.18

Cases of surrender of funds in excess of ₹ five crore on 30 and 31 March 2018

(Reference: Paragraph 2.5.5.1; Page 73)

(₹ in crore)

Sl. No	Grant No./Nomenclature		No. of cases	Total Provision	Amount surrendered	Percentage to total provision
1	01	Agriculture and Horticulture	6	655.91	111.99	17
2	02	Animal Husbandry and Fisheries	3	1,102.09	43.05	4
3	03	Finance	1	8,366.88	643.22	8
4	05	Home and Transport	5	209.98	60.23	29
5	08	Forest, Ecology and Environment	2	77.47	18.46	24
6	10	Social Welfare	1	326.25	72.53	22
7	12	Information, Tourism and Youth Services	2	33.50	30.38	91
8	13	Food and Civil Supplies	5	2,778.16	183.63	7
9	14	Revenue	4	291.86	18.86	6
10	16	Housing	1	1,506.75	99.85	7
11	17	Education	4	267.20	65.21	24
12	19	Urban Development	4	489.69	194.30	40
13	20	Public Works	13	2,348.41	254.58	11
14	22	Health and Family Welfare	2	203.53	36.42	18
15	23	Labour and Skill Development	10	697.62	339.72	49
16	27	Law	4	77.73	37.74	49
17	28	Parliamentary Affairs and Legislation	3	53.89	36.06	67
Total			**70**	**19,486.92**	**2,246.23**	**12**

Source: Office of the AG(A&E)

Appendix 2.19

Results of substantial surrenders made during the year

(Reference: Paragraph 2.5.5.2; Page 73)

(₹ in crore)

Sl. No.	Grant No.	Name of the Section (Head of Account)	Provision	Amount surrendered	Percentage of surrender	Remarks
1	01	2401-00-800-1-70-014 Other Allowances	4.64	4.64	100	No specific reason furnished
2	02	2405-00-120-0-07-100 Financial Assists/Relief	9.80	9.80	100	Due to non-receipt of Central Funds
3	03	2040-00-001-0-01-125 Modernisation	41.60	33.04	79	Implementation of GST w.e.f 01-07-2017, an introduction of new Major Head 2043-Collection charges under SGST from 01-12-2017
4		7610-00-202-0-03-393 Advances	4.05	3.25	80	Due to non-receipt of claims from the MLCs
5	04	2013-00-800-0-05-071 Building Expenses	4.00	3.29	82	Due to economy measures
6		2052-00-090-0-27-014 Other Allowances	8.10	6.01	74	No specific reason furnished
7		2070-00-003-3-01-071 Building Expenses	5.32	3.94	74	Due to economy measures
8	07	5054-03-337-0-71-422 Other Expenses	129.11	129.11	100	No specific reason furnished
9		5054-03-337-0-71-423 Tribal Sub-Plan	60.76	60.76	100	
10	11	2236-02-197-6-03-300 Lumpsum-ZP	171.38	135.83	77	No specific reason furnished
11	12	2204-00-789-0-01-422 Other Expenses	23.84	21.67	91	
12		2204-00-796-0-01-423 Tribal Sub-Plan	9.66	8.70	90	
13	14	2235-02-101-0-57-423 Tribal Sub-Plan	8.00	8.00	100	No specific reason furnished
14		2506-00-101-5-10-125 Modernisation	10.00	10.00	100	Due to lack of time for completion of purchase process of Desktop and Laptop and installation of Land connection by 31-03-2018
15	16	2216-02-190-0-01-059 Other Expenses	10.00	10.00	100	Due to non-commencement of project within the prescribed period
16		2216-80-800-0-06-051 General Expenses	5.00	5.00	100	No specific reason furnished
17	17	2202-01-053-0-02-059 Other Expenses	23.00	17.00	74	
18		2203-00-107-1-00-422 Other Expenses	17.93	17.93	100	To meet the expenditure of payment of scholarship to SC/ST students studying in Polytechnic/ Engineering colleges in the technical education dept., as the expenditure was incurred from SCST/TSP grants of 2016-17
19		2203-00-107-1-00-423 Tribal Sub-Plan	7.93	7.93	100	

Sl. No.	Grant No.	Name of the Section (Head of Account)	Provision	Amount surrendered	Percentage of surrender	Remarks
20	18	2852-80-003-0-12-059 Other Expenses	17.84	14.16	79	Due to delay in obtaining approval from Central Govt. for proposal towards development of group industries
21	20	2059-80-053-1-09-200 Maintenance Expenditure	6.07	5.60	92	Due to non-completion of projects in time
22	21	4702-00-101-1-10-139 Major Works	40.29	35.00	87	Due to non-approval of any works from Central Govt.
23		4702-00-101-1-15-139 Major Works	30.00	30.00	100	Due to non-approval of works
24		4702-00-101-5-02-139 Major Works	100.00	95.00	95	Due to delay in the approval of Paschima Vahini Programme and also delay in administration approval
25	22	2210-06-112-0-07-422 SCSP	4.86	4.86	100	Due to non-commencement of the project
26		2210-80-800-0-18-059 Other Expenses	189.73	135.53	71	Due to non-receipt of bills in time
27		4210-03-105-1-20-422 Other Expenses	22.50	22.50	100	Additional funds released towards construction of Hospital and Hostels for Chamarajanagar, Gadag, Kodagu and Koppal Medical Colleges
28		4210-04-200-1-04-386 Construction	13.50	13.50	100	Due to non-receipt of Administrative sanction for Kalaburagi Govt. Pharmacy College
29	23	2230-02-001-0-03-059 Other Expenses	152.38	107.21	70	Due to non-fulfilment of purchase procedure and non-appointment of part time employees as per GO
30		2230-03-101-0-59-059 Other Expenses	52.48	52.48	100	Due to non-receipt of orders for incurring expenditure
31		2851-00-102-0-82-106 Subsidy	126.61	126.61	100	The amount required for ongoing schemes of Department of Commerce and Industries
32		3604-00-191-5-52-423 Tribal Sub-Plan	15.00	14.02	93	Due to non-receipt of orders for incurring expenditure from Government
33	28	2011-02-101-0-05-059 Other Expenses	8.70	6.57	76	No specific reason furnished
34		2011-02-101-0-13-200 Maintenance Expenditure	7.27	7.27	100	
35		2011-02-101-0-14-200 Maintenance Expenditure	12.23	12.19	100	
36		2011-02-103-1-01-125 Modernisation	23.19	16.22	70	Due to non-implementation of modernization work
37		4059-60-051-0-01-200 Maintenance Expenditure	22.00	22.00	100	Due to non-commencement of construction of the building
Total			**1,398.77**	**1,216.62**		

Source: Appropriation Accounts/Grant Register

Appendix 2.20

Grant No. 8 - Forest, Ecology and Environment - Rush of expenditure

(Reference: Paragraph No.2.7.1.5: Page: 76)

(₹ in crore)

Sl. No.	Head of Account and Nomenclature	Total expenditure during the year	Expenditure during the last quarter		Expenditure during March	
			Amount	%	Amount	%
1	2406-01-070-0-01-139 Major Works	11.99	8.12	68	5.16	43
2	2406-01-101-2-11-059 Other Expenses	2.71	2.18	80	1.62	60
3	2406-01-101-2-11-139 Major Works	10.22	8.75	86	4.23	41
4	2406-01-101-2-11-180 Machinery & Equipment	2.85	2.67	94	1.91	67
5	2406.01-101-2-21-139 Major Works	16.06	11.77	73	9.77	61
6	2406-01-101-2-83-139 Major Works	156.47	86.72	55	64.53	41
7	2406-01-102-1-03-139 Major Works	299.09	151.05	51	106.29	36
8	2406-02-110-0-46-139 Major Works	3.78	2.49	66	1.32	35

Appendix 2.21

Excess payment of Family Pension

(Reference: Paragraph 2.8; Page 81)

Sl. No.	Treasury	No .of cases	Amount in ₹	Period
1	Bengaluru (Rural)	2	4,98,428	11.02.2012 to 31.03.2017
2	Bagalkot	4	7,09,173	21.07.2013 to 31.03.2017
3	Bengaluru (Urban)	1	11,030	09.11.2016 to 30.06.2017
4	Ballari	5	3,78,464	30.08.2016 to 31.12.2017
5	Belagavi	3	10,40,082	21.08.2012 to 31.12.2016
6	Bidar	1	96,747	04.08.2016 to 31.12.2017
7	Chamarajanagar	3	69,240	13.06.2016 to 31.03.2017
8	Chikkaballapura	2	5,93,076	14.05.2010 to 28.02.2017
9	Chikkamagaluru	4	2,17,832	11.05.2016 to 30.06.2017
10	Chitradurga	4	3,94,681	26.06.2014 to 30.04.2017
11	Davanagere	2	11,06,046	20.08.2008 to 31.03.2017
12	Gadag	4	4,93,989	07.08.2014 to 30.04.2017
13	Hassan	5	13,01,187	23.02.2008 to 30.09.2017
14	Haveri	3	5,15,267	06.03.2012 to 31.05.2017
15	Hubballi	2	96,408	05.03.2016 to 28.02.2017
16	Kalaburagi	4	2,79,087	18.08.2016 to 31.10.2017
17	Karwar	1	1,35,945	24.10.2015 to 30.09.2017
18	Kolar	4	1,47,523	14.07.2016 to 28.02.2017
19	Koppal	2	44,698	12.09.2016 to 28.02.2017
20	Madikeri	3	2,15,459	17.04.2016 to 31.08.2017
21	Mandya	4	1,66,175	28.02.2016 to 30.04.2017
22	Mangaluru	5	3,62,101	24.04.2016 to 30.09.2017
23	Pension Payment Treasury	5	2,20,594	29.04.2016 to 30.06.2017
24	Raichur	1	1,68,186	20.03.2015 to 31.01.2018
25	Ramanagara	1	45,824	18.11.2016 to 31.07.2017
26	Shivamogga	5	5,31,258	13.03.2014 to 30.09.2017
27	Tumakuru	3	6,05,658	11.09.2013 to 30.06.2017
28	Udupi	5	4,53,738	24.09.2015 to 31.10.2017
29	Vijayapura	1	86,216	06.09.2016 to 31.12.2017
30	Yadgir	4	1,47,393	11.11.2016 to 30.11.2017
Total		**93**	**1,11,31,507**	

Source: Office of the AG(A&E)

Appendix 2.22

Repeated excess payment of Family Pension

(Reference: Paragraph 2.8; Page 81)

(Amount in ₹)

Sl. No.	Treasury	CEP POINTED IN 2017-18		Excess payment during earlier year	Recovery during 2017-18	Overall Excess Payment including cases which appeared in earlier Audit Reports	
		No. of cases	Amount			Total Amount	Period
1	Bengaluru (Rural)	1	47,451	12,012	0	59,463	28.12.2015 to 31.03.2017
2	Bagalkot	6	3,48,536	3,85,854	0	7,34,390	01.04.2012 to 31.03.2017
3	Belagavi	5	2,29,563	7,34,771	0	9,64,334	01.04.2012 to 31.12.2016
4	Bidar	10	7,45,814	10,36,243	5,57,589	12,24,468	23.09.2013 to 31.10.2017
5	Chikkaballapura	1	62,505	30,015	0	92,520	01.04.2018 to 28.02.2017
6	Chikkamagaluru	4	1,74,444	8,81,697	0	10,56,141	19.12.2011 to 30.06.2017
7	Chitradurga	3	2,06,384	10,14,137	97,000	11,23,521	19.06.2008 to 30.04.2017
8	Davanagere	1	92,019	2,37,249	0	3,29,268	10.05.2013 to 31.03.2017
9	Gadag	5	2,74,780	3,01,081	0	5,75,861	15.12.2013 to 30.06.2017
10	Hassan	2	2,16,163	3,37,322	1,66,154	3,87,331	08.08.2013 to 30.09.2017
11	Haveri	3	3,24,976	1,68,493	0	4,93,469	23.06.2014 to 31.05.2017
12	Kalaburagi	2	3,92,998	4,90,212	3,79,889	5,03,321	19.04.2006 to 31.10.2017
13	Kolar	6	2,80,369	11,89,558	0	14,69,927	11.02.2010 to 28.02.2017
14	Koppal	1	98,768	76,396	0	1,75,164	04.08.2015 to 31.03.2017
15	Madikeri	2	66,840	3,46,304	91,000	3,22,144	01.12.2012 to 31.08.2017
16	Raichur	1	9,874	30,979	0	40,853	17.12.2015 to 31.08.2016
17	Shivamogga	2	1,73,706	4,01,108	36,392	5,38,422	02.09.2010 to 30.09.2017
18	Tumakuru	2	2,03,148	2,01,801	0	4,04,949	06.01.2014 to 30.06.2014
19	Udupi	4	2,81,222	3,88,409	3,87,503	2,82,128	03.12.2014 to 31.10.2017
20	Vijayapura	3	3,28,895	2,33,446	0	5,62,341	16.07.2015 to 31.12.2017
21	Yadgir	2	96,408	71,386	12,000	1,55,794	23.11.2015 to 30.11.2017
Total		**66**	**46,54,863**	**85,68,473**	**17,27,527**	**1,14,95,809**	

Source: Office of the AG(A&E)

Appendix 2.23

Avoidable payment of interest

(Reference: Paragraph 2.8; Page 81)

(Amount in ₹)

Sl. No.	Treasury	EP Amount	CEP Amount	Total	Pointed out during	No. of months up to March 2018	Interest @ 4%
1	Bengaluru(Rural)	4,98,428	59,463	5,58,031	01.06.2017	10	18,601
2	Bagalkot	7,09,173	7,34,390	14,43,563	06.09.2017	7	33,683
3	Bengaluru (Urban)	11,030	0	11,030	17.11.2017	4	147
4	Ballari	3,78,464	0	3,78,464	09.04.2018	12	15,139
5	Belagavi	10,40,082	9,64,334	20,04,416	10.07.2017	9	60,132
6	Bidar	96,747	12,24,468	13,21,215	03.04.2018	12	52,848
7	Chamarajanagar	69,240	0	69,240	21.09.2017	6	1,385
8	Chikkaballapura	5,93,076	92,520	6,85,596	27.07.2017	8	18,283
9	Chikkamagaluru	2,17,832	10,56,141	12,73,973	22.11.2017	4	16,986
10	Chitradurga	3,94,681	11,23,521	15,18,202	05.07.2017	9	45,546
11	Davanagere	11,06,046	3,29,268	14,35,314	16.06.2017	9	43,060
12	Gadag	4,93,989	5,75,861	10,69,850	06.09.2017	7	24,963
13	Hassan	13,01,187	3,87,331	16,88,518	12.01.2018	3	16,885
14	Haveri	5,15,267	4,93,469	10,08,736	11.09.2017	7	23,537
15	Hubballi	96,408	0	96,408	06.11.2017	5	1,607
16	Kalaburagi	2,79,089	5,03,321	7,82,410	09.04.2018	0	0
17	Karwar	1,35,945	0	1,35,945	19.01.2018	2	906
18	Kolar	1,47,523	14,69,927	16,17,450	19.05.2017	10	53,915
19	Koppal	44,698	1,75,164	2,19,862	10.07.2017	9	6,596
20	Madikeri	2,15,459	3,22,144	5,37,603	21.11.2017	4	7,168
21	Mandya	1,66,175	0	1,66,175	09.06.2017	10	5,539
22	Mangaluru	3,62,101	0	3,62,101	02.02.2018	2	2,414
23	Pension Payment Treasury	2,20,594	0	2,20,594	17.10.2017	5	3,677
24	Raichur	1,68,186	40,853	2,09,039	03.04.2018	0	0
25	Ramanagara	45,824	0	45,824	03.01.2018	3	458
26	Shivamogga	5,31,258	5,38,422	10,69,680	02.02.2018	2	7,131
27	Tumakuru	6,05,658	4,04,949	10,10,607	21.02.2018	1	3,369
28	Udupi	4,53,738	2,82,128	7,35,866	02.02.2018	2	4,906
29	Vijayapura	86,216	5,62,341	6,48,557	03.04.2018	0	0
30	Yadgir	1,47,393	1,55,794	3,03,187	03.04.2018	0	0
Total		**1,11,31,507**	**1,14,95,809**	**2,26,27,316**			**4,68,881**

Source: Office of the AG(A&E)

Appendix 3.1

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

(Reference: Paragraph 3.1; Page 85)

(₹ in crore)

Sl. No.	Head of Account	Nomenclature	Year in which GIA released	Number of UCs Outstanding	Amount
1	2204	Sports and Youth Services	1989-90	1	0.01
			2004-05	1	0.23
				2	**0.24**
2	2210	Medical and Public Health	2013-14	10	48.33
			2014-15	59	371.54
			2015-16	111	614.29
			2016-17	57	632.06
				237	**1,666.22**
3	2217	Urban Development	2013-14	1	23.61
			2015-16	7	48.55
			2016-17	4	23.25
				12	**95.41**
4	2220	Information and Publicity	2007-08	3	0.30
			2008-09	1	0.05
			2010-11	6	1.98
			2011-12	5	2.18
			2012-13	5	2.58
			2013-14	6	3.35
				26	**10.44**
5	2245	Relief on account of Natural Calamites	2001-02	3	1.41
				3	**1.41**
6	3451	Secretariat-Economic Services	2012-13	1	5.00
			2013-14	3	6.25
				4	**11.25**
7	3475	Other General Economic Services	1997-98	1	9.79
			1998-99	2	3.71
			2001-03	5	1.20
			2002-03	7	1.63
				15	**16.33**
8	4217	Capital outlay on Urban Development	2016-17	4	783.96
				4	**783.96**
Total				**303**	**2,585.26**

Source: Office of the AG(A&E)

Appendix 3.2

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

(Reference: Paragraph 3.2; Page 86)

Sl. No.	Department	No. of Institutions	Years for which information not received
1	Education	430	1994-95 to 2017-18
2	Medical Education	22	2013-14 to 2017-18
3	Commerce and Industries	8	2003-04 to 2017-18
4	Health and Family Welfare	2	2016-17 to 2017-18
5	Information, Tourism and Youth Services	4	1999-00 to 2017-18
6	Social Welfare	4	2014-15 to 2017-18
7	Labour and Skill Development	1	2013-14 to 2017-18
8	Minority Welfare	2	2013-14 to 2017-18
9	Animal Husbandry and Veterinary Service and Fisheries	3	2014-15 to 2017-18
10	Parliamentary Affairs and Legislation	1	2014-15 to 2017-18
11	Endowments	3	2012-13 to 2017-18
12	IT, BT, Science and Technology	5	2014-15 to 2017-18
13	Co-operation	1	1994-95 to 2017-18
14	Kannada and Culture	1	2016-17 to 2017-18

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

Appendix 3.3

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

(Reference: Paragraph 3.3; Page 86)

Sl. No.	Name of the Autonomous Body	Section under which Audited	Period of Entrustment	Year up to which accounts rendered	Year up to which audit report issued	Placement of audit report before the Legislature
1	Karnataka State Khadi and Village Industries Board, Bengaluru	19(3)	2017-18 to 2021-22	2016-17	2016-17	2015-16 Dt:14-11-2017
2	Karnataka Industrial Area Development Board, Bengaluru	19(3)	2014-15 to 2018-19	2017-18	2016-17	2015-16 Dt:06-02-2018
3	Karnataka Slum Development Board, Bengaluru	19(3)	2017-18 to 2021-22	2017-18	2016-17	2015-16 Dt:14-11-2017
4	Bangalore Water Supply and Sewerage Board, Bengaluru	19(3)	2017-18 to 2021-22	2016-17	2015-16	2014-15 Dt:12-06-2017
5	Karnataka Housing Board, Bengaluru	19(3)	2016-17 to 2020-21	2016-17	2016-17	2015-16 Dt:14-11-2017
6	Karnataka State Legal Services Authority, Bengaluru and 30 District Legal Services Authorities	19(2)	As per Act	2016-17	2016-17	2014-15 Dt:25-11-2016
7	Karnataka Bio-Diversity Board, Bengaluru	20(1)	2014-15 to 2018-19	2017-18	2016-17	2015-16 Dt:14-11-2017
8	Karnataka Urban Water Supply and Drainage Board, Bengaluru	19(3)	2015-16 to 2019-20	2017-18	2016-17	2015-16 Dt:14-11-2017
9	Bangalore Development Authority, Bengaluru	19(3)	2015-16 to 2019-20	2017-18	2016-17	2013-14 Dt:14-11-2017
10	Karnataka State Human Rights Commission, Bengaluru	19(2)	As per Act	2017-18	2016-17	2015-16 Dt:14-11-2017
11	Karnataka Building and other Construction Workers Welfare Board, Bengaluru	19(2)	As per Act	2015-16	2015-16	Not placed

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

Appendix 3.4

Position of arrears in finalization of Proforma Accounts by the departmentally managed Commercial and Quasi-Commercial Undertakings

(Reference: Paragraph 3.4; Page 87)

(₹ in crore)

Sl. No.	Undertakings	Accounts Finalized up to	Investment as per the last Accounts Finalized	Remarks
1	Chamarajendra Technical Institute, Mysuru	1984-85	-	Proforma Accounts due from 1985-86
2	Government Saw Mills, Joida	1968-69	-	Proforma Accounts due from 1969-70. Undertakings closed w.e.f 27-4-1971
3	Dasara Exhibition Committee, Mysuru	1980-81	-	Proforma Accounts due from 1981-82 to 1995-96
4	Bangalore Diary, Bengaluru	1973-74	-	Proforma Accounts for the period from 1-4-75 to 30-11-75 were furnished. The undertaking was transferred to Karnataka Dairy Development Corporation (KDDC)with effect from 1st December 1975
5	Government Milk Supply Scheme, Hubballi-Dharwad	1980-81	-	Proforma Accounts due from 1981-82 to 1984-85 up to (31-01-1985)
6	Government Milk Supply Scheme. Mysuru	1968-69	-	Proforma Accounts due from 1969-70 to 30-11-1975. Transferred to Karnataka Dairy Development Corporation w.e.f 01-12-1975
7	Government Milk Supply Scheme, Belagavi	1976-77	-	Proforma Accounts due from 1977-78 to 1984-85 (up to 31-1-1985).
8	Government Milk Supply Scheme, Kalaburagi	1982-83	-	Proforma Accounts due from 1983-84 to 1984-85 (up to 31-01-1985)
9	Government Milk Supply Scheme, Bhadravathi	1982-83	-	Proforma Accounts due from 1983-84 to 1984-85 (up to 14-02-1985).
10	Government Milk Supply Scheme, Mangaluru	1982-83	-	
11	Government Milk Supply Scheme, Kudige	1972-73	-	Proforma Accounts due from 1973-74 to 1974-75 (Up to 30-11-1975) Transferred to KDDC

Sl. No.	Undertakings	Accounts Finalized up to	Investment as per the last Accounts Finalized	Remarks
12	Vaccine Institute, Belagavi	1992-93	-	Proforma Accounts due from 1993-94
13	Government Silk Filature, Kollegal	2015-16	1.69	Information not available
14	Government Silk Filature, Mambally	2015-16	2.38	Information not available
15	Government Silk Twisting and Weaving Factory, Mudigundam	2015-16	1.81	Information not available
16	Government Silk Filature, Chamarajanagar	2015-16	1.68	Information not available
17	Government Silk Filature, Santhemarahalli	2016-17	1.24	Information not available
18	Government Central Workshop, Madikeri	2008-09	0.07	Proforma Accounts due from 2009-10
19	Karnataka Government Insurance Department, Bengaluru	-	No Capital Account	Information not available

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

Appendix 3.5

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

(Reference: Paragraph 3.5; Page 87)

Sl. No.	Department	Officer responsible for furnishing accounts	Period for which accounts are due
Annual Accounts			
1	Agriculture	Director of Agriculture	2016-17 & 2017-18
2	Printing and Stationery	Director of Printing and Stationery	2017-18
3	Information and Publicity	Director of Information and Publicity	2016-17 & 2017-18
4	Animal Husbandry and Veterinary Services	Commissioner of Animal Husbandry and Veterinary Services	2015-16 to 2017-18
5	Home	Director General and Inspector General of Police	2017-18
6		Director General and Inspector General of Prisons	2016-17 & 2017-18
7	Health	Director, Health and Family Welfare Services	2008-09 to 2017-18
8		Karnataka State Drugs Logistics and Warehousing Society (Govt. Medical Stores)	2014-15 to 2017-18
9		Indian System of Medicine and Homeopathy	2011-12 to 2017-18
10		Director of Medical Education	2008-09 to 2017-18
11	Commerce and Industries	Director	2013-14 to 2017-18
12	Forest	CCF (Research), Bengaluru	2017-18
13		CCF, WP Bengaluru	2017-18
14		CCF (Evaluation), Bengaluru	2017-18
15		CCF, Mysore Circle, Mysuru	2017-18
16		CCF (FDPT), Mysuru	2017-18
17		CCF, Madikeri	2017-18
18		CF, Shivamogga	2017-18
19		CF, WP & FS Shivamogga	2017-18
20		CF, Chickmagaluru	2017-18
21		CF, WP&FS, Chickmagaluru	2017-18
22		CF, Bengaluru	2017-18
23		CF, WP&FS, Mysuru	2017-18
24		CF & Director Rajiv Gandhi NP Hunsuru	2017-18
25		CF, Mangaluru	2017-18
26		CF, Research Madikeri	2017-18
27		CF, Chamarajanagar	2017-18
28		CF & Director, BRT Tiger Reserve, Chamarajanagar	2017-18
29		CF, Hassan	2017-18

Sl. No.	Department	Officer responsible for furnishing accounts	Period for which accounts are due
Annual Accounts			
30		CCF, Training, Gungargatti	2017-18
31		CF, & DIR DATR, Dandeli	2017-18
32		CF, Belagavi	2017-18
33		CF, Ballari	2017-18
34		CF, Dharwar	2017-18
35		CF, Kalaburagi	2017-18
36		CF, Research, Ballari	2017-18
37		CF, Research, Dharwar	2017-18
38		CF, Sirsi	2017-18
39		CF, WP&FS, Belagavi	2017-18
41		CF, WP&FS, Ballari	2017-18
41		CF, WP&FS, Dharwar	2017-18
Half-yearly Accounts			
1	Public Works, Port & Inland Water Transport Department	CE C&B (South), Bengaluru	September 2017 to March 2018
2		EE, PWP&IWTD, Bengaluru	March 2017 to March 2018
3		SE, PW Circle, Shivamogga	September 2017 to March 18
4		EE, PWP&IWTD, Shivamogga	March 2017 to March 18
5		EE, PWP&IWTD, Chitradurga	March 2017 to March 18
6		EE, PWP&IWTD, Davanagere	March 2014 to March 2018
7		EE, PWP&IWTD, Spl Dn., Shivamogga	March 2015 to March 2018
8		SE, PW Building Circle, Bengaluru	September 2017 to March 2018
9		EE, No.1, Building Division, Bengaluru	March 2017 to March 2018
10		EE, No.2, Building Division, Bengaluru	September 2017 to March 2018
11		EE, ESI Building Dn, Bengaluru	March 2017 to March 2018
12		EE, PWP&IWTD Electrical Dn, Bengaluru	September 2016 to March 2018
13		EE, PWP&IWTD QC Dn., Bengaluru	September 2017 to March 2018
14		EE, Chief Architect, Bengaluru	September 2017 to March 2018

Sl. No.	Department	Officer responsible for furnishing accounts	Period for which accounts are due
Half-yearly Accounts			
15		EE, PWD QA, Hassan	March 2015 to March 2018
16		CE, PWD QA Dn, Bengaluru	September 2017 to March 2018
17		SE, PWD QA Circle, Bengaluru	September 2017 to March 2018
18		EE, PWP&IWTD, Ramanagara	March 2015 to March 2018
19		EE, PWP&IWTD, Kolar	March 2015 to March 2018
20		SE, PWD Circle, Bengaluru	September 2017 to March 2018
21		PD, PMU, SCP&MIP, Mangaluru	September 2017 to March 2018
22		EE, PWP&IWTD, Chickballapur	March 2015 to March 2018
23		EE, PWP&IWTD, Tumkuru	September 17, March 18
24		EE, PWP&IWTD, Madhugiri	September 17, March 18
25		SE, PW Circle, Mysuru	September 17, March 18
26		EE, PWP&IWTD, Mysuru	March 2014 to March 2018
27		EE, PWP&IWTD, Mandya	March 2014 to March 2018
28		EE, PWP&IWTD, Chamarajanagar	March 2017 to March 2018
29		EE, PWP&IWTD, Hunsuru	March 2014 to March 2018
30		SE, PW Circle, Mangaluru	September 2017 to March 2018
31		EE, PWP&IWTD, Mangaluru	March 2014 to March 2018
32		EE, PWP&IWTD, Madikeri	September 2014 to March 2018
33		EE, PWP&IWTD, Udupi	March 2016 to March 2018
34		EE, Ports & Fisheries Dn., Udupi	September 2017 to March 2018
35		EE, PWP&IWTD, Hassan	March 2014 to March 2018

Sl. No.	Department	Officer responsible for furnishing accounts	Period for which accounts are due
Half-yearly Accounts			
36		EE, PWP&IWTD, Chickmagaluru	September 2017 to March 2018
37		PD, PIU KSHIP, Bengaluru	September 2017 to March 2018
37		EE, KSHIP, Tumakuru	September 2017 to March 2018
39		EE, KSHIP, Shivamogga	September 2017 to March 2018
40		EE, CPO,PIU,SHDP, Bengaluru	September 2017 to March 2018
41		CE C&B (North), Dharwad	September 2017 to March 2018
42		EE, PWP & IWTD QA Dn., Kalaburagi	September 2017 to March 2018
43		EE, KSHIP, Belagavi	September 2017 to March 2018
44		EE, Ports Dn., Karwar	September 2017 to March 2018
45		EE, PWP&IWTD, Bagalkot	March 2015 to March 2018
46		EE, PWP&IWTD, Bela gavi	March 2017 to March 2018
47		EE, PWP&IWTD, Ballari	March 2015 to March 2018
48		EE, PWP&IWTD, Bidar	March 2015 to March 2018
49		EE, PWP&IWTD, Vijayapura	March 2015 to March 2018
50		EE, PWP&IWTD, Chikkodi	March 2015 to March 2018
51		EE, PWP&IWTD, Dharwar	March 2015 to March 2018
52		EE, PWP&IWTD, Gadag	March 2015 to March 2018
53		EE, PWP&IWTD, Kalaburagi	September 2017 to March 2018
54		EE, PWP&IWTD, Haveri	March 2015 to March 2018
55		EE, PWP&IWTD, Hoovinahadagali	March 2017 to March 2018
56		EE, PWP&IWTD, Karwar	March 2015 to March 2018
57		EE, PWP&IWTD, Koppal	March 2015 to March 2018

Sl. No.	Department	Officer responsible for furnishing accounts	Period for which accounts are due
Half-yearly Accounts			
58		EE, PWP&IWTD QC Dn., Dharwar	September 2017 to March 2018
59		EE, PWP&IWTD QC Dn., Kalaburagi	March 2014 to March 2018
60		EE, PWP&IWTD, Raichur	March 2015 to March 2018
61		EE, PWP&IWTD, Sedam	September 2017 to March 2018
62		EE, PWP&IWTD, Sirsi	March 2014 to March 2018
63		EE, PWP&IWTD, Yadgir	March 2015 to March 2018
64		SE, PW Circle, Belagavi	September 2017 to March 2018
65		SE, PW Circle, Ballari	September 2017 to March 2018
66		SE, PW Circle, Dharwar	September 2017 to March 2018
67		SE, PW Circle, Kalaburagi	September 2017 to March 2018
68		SE, QA Circle, Dharwar	September 2017 to March 2018
69		SLAO, NH, Dharwar	September 2017 to March 2018
70		EE, NH Dn., Mangaluru	March 2016 to March 2018
71		CE, NH, Bengaluru	September 2017 to March 2018
72		SE, NH Circle, Bengaluru	September 2017 to March 2018
73		SE, NH Circle, Dharwar	March 2014 to March 2018
74		EE, NH DN, Bengaluru	March 2015 to March 18
75		EE, NH Dn., Tumakuru	September 2017 to March 2018
76		EE, NH Dn., Chitradurga	September 2016 to March 2018
77		EE, SLAO NH, Bengaluru	September 2017 to March 2018
78		EE, PPP NH Cell, Mysuru	September 2017 to March 2018
79		EE, NH Dn., Hubballi	March 2014 to March 2018

Sl. No.	Department	Officer responsible for furnishing accounts	Period for which accounts are due
Half-yearly Accounts			
80	Water Resources	EE, NH Dn., Karwar	March 2014 to March 2018
81		EE, NH Dn., Vijayapura	March 2016 to March 2018
82		EE, NH, Kalaburagi	September 2017 to March 2018
83		CE, WRDO, Bengaluru	September 2017 to March 2018
84		CE, Hydrology & CMO, Bengaluru	September 2017 to March 2018
85		SE, M&E, Bengaluru	September 2017 to March 2018
86		EE, W&M, Gorur	September 2017 to March 2018
87		SE, I&I Circle, Mysuru	September 2017 to March 2018
88		EE, No.1 Gauging Dn, Hassan	September 2014 to March 2018
89		EE, No.1 I&I Dn., Mysuru	September 2017 to March 2018
90		Director, KERS, KR Sagar	September 2017 to March 2018
91		Principal of Engg. Staff College, Sagar	September 2017 to March 2018
92		CRO, CE, KR Sagar	September 2017 to March 2018
93		CRO, Hydraulics, No.1, KR Sagar	September 2017 to March 2018
94		CRO, TS D, KR Sagar	September 2017 to March 2018
95		EE, W&M Dn., Hunsagi	September 2017 to March 2018
96		SE, CMO Circle, Dharwar	March 2014 to March 2018
97		SLAO, BRP, Davanagere	March 2014 to March 2018
98		EE, No. 2 Gauging Dn., Bagalkot	September 2017 to March 2018
99		EE, No. 4, I&I Dn., Dharwad	September 2017 to March 2018
100		EE, No. 3, I&I Dn., Kalaburagi	March 2014 to March 2018

Sl. No.	Department	Officer responsible for furnishing accounts	Period for which accounts are due
Half-yearly Accounts			
101	Minor Irrigation	SE, WRD, IPC Circle, Bidar	September 2017 to March 2018
102		EE, WRD, QC Dn., Kalaburagi	September 2017 to March 2018
103		SLAO, KP, Bidar	September 2017 to March 2018
104		SLAO, M&M IP, Kalaburagi	September 2017 to March 2018
105		CE, MI (North), Vijayapura	September 2017 to March 2018
106		CE, MI (South), Bengaluru	September 2017 to March 2018
107		EE, MI Dn., Bengaluru	March 2017 to March 2018
108		EE, MI Dn., Belagavi	March 2014 to March 2018
109		EE, MI Dn., Ballari	March 2018
110		EE, MI Dn., Bidar	March 2014 to March 2018
111		EE, MI Dn., Chickballapur	September 2017 to March 2018
112		EE, MI Dn., Chitradurga	September 2017 to March 2018
113		EE, MI Dn., Dharwar	March 2014 to March 2018
114		EE, MI Dn., Kalaburagi	September 2017 to March 2018
115		EE, MI Dn., Hassan	September 2017 to March 2018
116		EE, MI Dn., Kolar	September 2017 to March 2018
117		EE, MI Dn., Kushtagi	March 2014 to March 2018
118		EE, MI Dn., Mysuru	March 2015 to March 2018
119		EE, MI Dn., Shivamogga	March 2015 to March 2018
120		EE, MI Dn., Tumakuru	September 2017 to March 2018
121		EE, MI Dn., Haliyal	March 2014 to March 2018
122		EE, MI, QC Dn., Bengaluru	September 2017 to March 2018

Sl. No.	Department	Officer responsible for furnishing accounts	Period for which accounts are due
Half-yearly Accounts			
123		EE, MI, QC Dn., Dharwar	March 2014 to March 2018
124		EE, MI Division, Vijayapura	March 2014 to March 2018
125		SE, MI Circle, Bengaluru	March 2014 to March 2018
126		SE, MI Circle, Belagavi	March 2014 to March 2018
127		SE, MI Circle, Kalaburagi	March 2014 to March 2018
128		SE, MI Circle, Mysuru	March 2014 to March 2018

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

Appendix 3.6

Balances remaining under In-operative PD Accounts

(Reference: Paragraph 3.7.3; Page 90)

(Amount in ₹)

Sl. No.	Administrator/Nomenclature	Balance as per the Books of AG(A&E)	Remarks
Credit Balance			
1	Religious Endowment Deposits	1,29,11,689.10	1994-95 onwards
2	Cash Order Deposits	10,228.81	Prior to 2000
3	Sugar Surcharge	7,14,048.55	Prior to 1993-94
4	PD Account of PWD Officer	10,01,430.00	Information not available
5	Special DC, DRDS Mandya	4,49,156.07	1994-95 onwards
6	Commerce and Industries	40,66,006.37	1995-96 onwards
7	PD Account of Deputy Commissioner, Dharwar	5,95,047.31	Information not available
8	Ram Kumar Jalal Memorial Fund	195.00	1994-95 onwards
9	Ration Shop Deposit	49,936.00	1994-95 onwards
10	ARCS, Shivamogga	10,000.00	Prior to 2000
11	Special Land Acquisition Officer, SCR Project	2,76,96,190.00	Information not available
Total		**4,75,03,927.21**	
Debit Balances			
1	Harijan Development Welfare Fund	5,18,350.71	Information not available
2	PD, Maharaja College of Education	9,052.00	2008-09 onwards
3	PD Account of SKC Protection Board	3,12,191.00	Information not available
4	Chief Minister's Drought Relief Fund	82,45,390.20	Prior to 2000
5	Asha Kiran	26,350.00	1994-95 onwards
6	Deposits of Private Estate under Commercial Management	75.00	Prior to 2000
7	Gram Panchayat Deposits	34,00,890.55	1994-95 onwards
8	Joint Labour Commissioner, Mysuru	26,059.44	Prior to 2000
9	Deposits of District Consumer Forum	1,24,360.00	Information not available
Total		**1,26,62,718.90**	
Nil Closing Balance			
1	Deputy Registrar, Bidar	0	Prior to 2000
2	ARCS, Vijayapura	0	Prior to 2000

Source: Office of the AG(A&E)

Appendix 3.7

Provisions made for recoveries of overpayments under grants

(Reference: Paragraph 3.10.1; Page 93)

(₹ in crore)

Sl. No.	Grant No.	HOA	Amount
1	01	2401-00-911-0-04-261 Inter-Account Transfers	20.61
2		2401-00-911-0-05-261 Inter-Account Transfers	6.01
3		2402-00-911-0-04-261 Inter-Account Transfers	24.14
4		2402-00-911-0-05-261 Inter-Account Transfers	0.7
5	02	2403-00-911-0-04-261 Inter-Account Transfers	53.93
6		2403-00-911-0-05-261 Inter-Account Transfers	71.90
7		2405-00-911-0-04-261 Inter-Account Transfers	6.22
8	07	2059-80-911-0-04-261 Inter-Account Transfers	76.86
9		2215-01-911-0-05-261 Inter-Account Transfers	2.92
10		2230-03-911-0-04-261 Inter-Account Transfers	2.75
11		2501-01-911-0-05-261 Inter-Account Transfers	0.83
12		2515-00-911-0-04-261 Inter-Account Transfers	128.78
13		2515-00-911-0-05-261 Inter-Account Transfers	195.37
14		3054-80-911-0-04-261 Inter-Account Transfers	33.28
15		3054-80-911-0-05-261 Inter-Account Transfers	0.96
16	08	2406-01-911-0-04-261 Inter-Account Transfers	8.67
17	09	2425-00-911-0-04-261 Inter-Account Transfers	0.10
18		2425-00-911-0-05-261 Inter-Account Transfers	0.19
19		3475-00-911-0-04-261 Inter-Account Transfers	0.90
20	10	2225-01-911-0-04-261 Inter-Account Transfers	8.79
21		2225-01-911-0-05-261 Inter-Account Transfers	10.99
22		2225-02-911-0-04-261 Inter-Account Transfers	15.18
23		2225-02-911-0-05-261 Inter-Account Transfers	79.77
24		2225-03-911-0-04-261 Inter-Account Transfers	112.03
25		2225-03-911-0-05-261 Inter-Account Transfers	9.38
26	11	2235-02-911-0-04-261 Inter-Account Transfers	46.17
27		2235-02-911-0-05-261 Inter-Account Transfers	2.01
28	12	2204-00-911-0-04-261 Inter-Account Transfers	5.64
29	17	2202-01-911-0-04-261 Inter-Account Transfers	13.24
30		2202-01-911-0-05-261 Inter-Account Transfers	1,965.71
31		2202-02-911-0-04-261 Inter-Account Transfers	551.65
32		2202-02-911-0-05-261 Inter-Account Transfers	128.53
33		2202-80-911-0-04-261 Inter-Account Transfers	0.06
34	18	2851-00-911-0-04-261 Inter-Account Transfers	30.89
35		2851-00-911-0-05-261 Inter-Account Transfers	0.20
36		2852-80-911-0-04-261 Inter-Account Transfers	2.21
37	21	2702-80-911-0-04-261 Inter-Account Transfers	7.71
38	22	2210-80-911-0-04-261 Inter-Account Transfers	336.61
39		2210-80-911-0-05-261 Inter-Account Transfers	24.70
40		2211-00-911-0-04-261 Inter-Account Transfers	31.34

Sl. No.	Grant No.	HOA	Amount
41	23	2230-03-911-0-05-261 Inter-Account Transfers	0.47
42	25	2205-00-911-0-04-261 Inter-Account Transfers	0.33
43	26	3425-60-911-0-04-261 Inter-Account Transfers	0.36
44		3451-00-911-0-04-261 Inter-Account Transfers	10.06
Total			**4,029.15**

GLOSSARY

Basis of calculation

Buoyancy of a parameter	Rate of Growth of the parameter/ GSDP Growth Rate
Buoyancy of a parameter (X) With respect to another parameter (Y)	Rate of Growth of parameter (X)/ Rate of Growth of parameter (Y)
Rate of Growth (ROG)	[(Current year Amount/Previous year Amount)-1]*100
Development expenditure	Social services + economic services
Average interest rate of Outstanding Debt	[Interest payments/(opening balance of Public debt + closing balance of Public Debt/2)]
Interest received as *per cent* to Loans Outstanding	Interest received [(Opening balance + Closing balance of Loans and Advances)/2*100]
Revenue Deficit/Revenue Surplus	Revenue Receipt – Revenue Expenditure
Fiscal Deficit	Revenue Expenditure + Capital Expenditure + Net Loans and Advances – Revenue Receipts – Miscellaneous Capital Receipts
Primary Deficit	Fiscal Deficit – Interest payments
Balance from Current Revenue (BCR)	Revenue Receipts *minus* all Plan Grants and Non-Plan Revenue Expenditure excluding expenditure recorded under the major head 2048 – Appropriation for reduction of avoidance of debt.

ABBREVIATIONS

Sl. No.	Abbreviation	Full Form
1	AC Bill	Abstract Contingent Bill
2	AG (A&E)	Accountant General (Accounts and Entitlement)
3	AIBP	Accelerated Irrigation Benefit Programme
4	BMRCL	Bangalore Metro Rail Corporation Limited
5	BPL	Below Poverty Line
6	C&AG	Comptroller and Auditor General
7	CAC	Centralised Admission Cell
8	CAGR	Compounded Annual Growth Rate
9	CHCs	Community Health Centres
10	CMRRD	Chief Minister's Rural Road Development Fund
11	CPAO	Central Pay and Accounts Office
12	CPS	Central Plan Schemes
13	CRA	Central Record keeping Agency
14	CSF	Consolidated Sinking Fund
15	CSS	Centrally Sponsored Schemes
16	DC	Deputy Commissioner
17	DCPS	Defined Contribution Pension Scheme
18	DDOs	Drawing and Disbursing Officers
19	DDR	Debt, Deposit and Remittances
20	DE	Development Expenditure
21	DMF	District Mineral Foundation
22	DPC	Duties, Powers and Conditions of Service
23	EAP	Externally Assisted Project
24	EFC	Eleventh Finance Commission
25	ERC	Expenditure Reforms Commission
26	ESCOMs	Electricity Supply Companies
27	FCI	Food Corporation of India
28	FD	Finance Department
29	FMRC	Fiscal Management Review Committee
30	FRBM	Fiscal Responsibility and Budget Management
31	GCS	General Category States
32	GCUs	Government Commercial Undertakings
33	GDP	Gross Domestic Product
34	GIA	Grants-In-Aid
35	GFR	General Financial Rules
36	GIC	General Insurance Corporation
37	GOI	Government of India
38	GOK	Government of Karnataka
39	GOs	Government Orders
40	GP	Gram Panchayat
41	GSDP	Gross State Domestic Product
42	GST	Goods and Service Tax
43	HFW	Health and Family Welfare
44	HOA	Head of Account
45	HUDCO	Housing and Urban Development Corporation Limited
46	IAY	Indira Aawas Yojana
47	IGAS	Indian Government Accounting Standard

Sl. No.	Abbreviation	Full Form
48	IIF	Infrastructure Initiative Fund
49	ITC	Indian Tobacco Company
50	KFC	Karnataka Financial Code
51	KFDF	Karnataka Forest Development Fund
52	KFRA	Karnataka Fiscal Responsibility Act
53	KPTCL	Karnataka Power Transmission Corporation Limited
54	KSIC	Karnataka Silk Industries Corporation
55	LIC	Life Insurance Corporation
56	LMMH	List of Major and Minor Heads
57	MMDR	Mines and Minerals (Development and Regulation)
58	MOF	Ministry of Finance
59	MSMEM	Master of Small and Medium Enterprise Management
60	MTFP	Medium Term Fiscal Plan
61	NABARD	National Bank for Agriculture and Rural Development
62	NAFED	National Agricultural Co-operative Marketing Federation of India
63	NCDC	National Co-operative Development Corporation
64	NCDEX	National Commodity and Derivatives Exchange Limited
65	NDC	Non-Payment Detailed Contingent Bill
66	NGOs	Non – Government Organisations
67	NLNORR	Non-Loan Net Own Revenue Receipt
68	NPIC	New Pension Implementation Cell
69	NPS	New Pension Scheme
70	NSDL	National Securities Depository Limited
71	NSSF	National Small Savings Fund
72	OBB	Off-Budget Borrowings
73	OMSS(D)	Open Market Sales Scheme
74	PAC	Public Accounts Committee
75	PAO	Pay and Accounts Office
76	PD	Personal Deposit
77	PF	Provident Fund
78	PFRDA	Pension Fund Regulatory Development Authority
79	PMKSY	Pradhan Mantri Krishi Sinchayee Yojana
80	PPP	Public Private Partnership
81	PRAN	Permanent Retirement Account Number
82	PRIs	Panchayat Raj Institutions
83	PSUs	Public Sector Undertakings
84	RBI	Reserve Bank of India
85	RDPR	Rural Development and Panchayat Raj
86	RR	Revenue Receipts
87	SCSP	Special Component Sub Plan
88	SDRF	State Disaster Response Fund
89	SLAO	Special Land Acquisition Officer
90	SPVs	Special Purpose Vehicles
91	SUTF	State Urban Transport Fund
92	TBs	Treasury Bills
93	TE	Total Expenditure
94	TFC	Twelfth Finance Commission
95	TP	Taluk Panchayat
96	TSP	Tribal Sub Plan
97	UC	Utilisation Certificate

Sl. No.	Abbreviation	Full Form
98	UDD	Urban Development Department
99	UIDSSMT	Urban Infrastructure Development Scheme for Small and Medium Towns
100	ULB	Urban Local Bodies
101	VAT	Value Added Tax
102	XIII FC	Thirteenth Finance Commission
103	XIV FC	Fourteenth Finance Commission
104	ZP	Zilla Panchayat