

सत्यमेव जयते

**Report of the
Comptroller and Auditor General of India
on
State Finances
for the year ended March 2016**



**Government of Karnataka
Report No. 1 of the year 2017**

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P R E F A C E

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 2016. Information has been obtained from the Government of Karnataka, wherever necessary.
3. Chapter III on 'Financial Reporting' provides an overview and status of the State Government's compliance with various financial rules, procedures and directives during the financial year 2015-16.
4. The report has been prepared by taking into account the recommendations of the Public Accounts Committee (5th Report-July 2015) to the Action Taken Report of the State Government in response to its earlier recommendations (13th Report-December 2011) to the Report on State Finances for the year ending 31 March 2010.
5. The Report containing the findings of performance audit and audit of transactions in various departments and observations arising out of audit of Statutory Corporations, Boards and Government Companies, Local Bodies, Panchayat Raj Institutions and the report containing observations on Revenue Receipts are presented separately.

Executive Summary

Background

In Karnataka, fiscal reforms and consolidation were brought to the forefront with the State Government formulating the first Medium Term Fiscal Plan (MTFP) for the period 2000-05, based on broad parameters of fiscal correction laid down by the Eleventh Finance Commission (EFC). MTFP became a rolling annual document and the fiscal targets and policies set out in MTFP were dovetailed to the annual budgetary exercise. 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 2016, 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 organizations. The report is structured in three chapters.

Chapter I is based on the audit of Finance Accounts and makes an assessment of Government of Karnataka's fiscal position as at 31 March 2016. 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 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 has been given at the end of the Report.

Audit findings and recommendations

Fiscal position

The State continued to maintain Revenue Surplus during 2011-12 to 2015-16 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 2015-16, the State had a Revenue Surplus of ₹1,789 crore, an increase of ₹1,261 crore over the previous year. Compression of Capital Expenditure of ₹2,418 crore through an adjustment entry under Consolidated Fund of the State, revenue expenditure (₹213.37 crore) accounting as recovery of over payment, write back of ZP Fund II and Taluk Panchayat Fund balances (₹419.10 crore) and write back of ₹18.80 crore relating to unutilised funds relating to XIII FC grants had a bearing on the achievement of revenue surplus and maintaining of the fiscal indicators as per the Karnataka Fiscal Responsibility Act (KFRA). There was an increase in revenue expenditure by 13 *per cent* over the previous year, while the growth rate of revenue receipts was 14 *per cent*.

Fiscal deficit during the year was ₹19,169 crore, a decrease of ₹407 crore over the previous year. Primary deficit was at ₹7,826 crore, a decrease of ₹1,946 crore over the previous year.

Incremental non-debt receipts of ₹14,993 crore was more than the incremental primary expenditure of ₹13,047 crore and could cover the incremental interest burden (₹1,539 crore).

State's own resources

The ratio of the State's tax revenue to GSDP has been hovering between 10 and 11 *per cent* during 2011-12 to 2015-16. It also included book adjustment of ₹82.83 crore which increased the revenue receipts artificially during the year on account of Guarantee Commission from Mines and Geology, Karnataka Slum Development Board, Rajiv Gandhi Rural Housing Corporation Ltd and waiver of interest on delay in payment towards Electricity Tax (₹41.46 crore), waiver of tax and penalty dues in respect of KSFIC, KSIC, ESCOMs, Coffee seeds and M/s Indian Coast Guard, Mangalore (₹2.42 crore) and settlement of statutory dues of Mysugar Company Limited (₹38.95 crore). Green tax being a cess collected for a particular purpose (₹45.90 crore) remained unutilised in the Consolidated Fund without proper accounting during the period 2006-07 to 2014-15.

Ratio of non-tax revenue to revenue receipts has significantly reduced from 5.85 *per cent* in 2011-12 to 4.51 *per cent* during the year. Its ratio to GSDP (₹7,35,975 crore) was insignificant (0.73 *per cent* in 2015-16), implying the need for mobilizing non-tax revenue in the coming years by revising user charges, as recommended by Expenditure Reforms Commission.

Optimization of XIV Finance Commission Grants

During first year of award period (2015-16), there was short release of ₹30.49 crore under Basic Grants to PRIs and ₹42.00 crore under Disaster relief. Grants under Disaster relief continued at 75:25 ratio as per the recommendations of the XIII Finance Commission pending passage of GST bill in Parliament. No recommendations were made for release of grants under State Specific needs, Improving Outcome sector etc. as it has recommended that a separate institutional arrangement be introduced for the purpose.

Revenue expenditure

Expenditure under social and economic sector registered growths of 18 and 13 *per cent* respectively over the previous year, while the growth in general services was 9 *per cent*. The share of plan expenditure in total revenue expenditure increased from ₹33,831 crore in 2014-15 to ₹40,009 crore in 2015-16. Eighty three *per cent* of revenue expenditure consisted of committed expenditure on salaries, pensions, interest payments, subsidies, administrative expenses, grants-in-aid and financial assistance and devolutions to Local Bodies. The committed expenditure consumed 81 *per cent* of revenue receipts. Explicit subsidy increased from ₹11,153 crore in 2014-15 to ₹13,149 crore during the year whereas implicit subsidy increased from ₹2,973 crore in 2014-15 to ₹3,913 crore during the year. As per the recommendation of the XII Finance Commission, expenditure forming implicit subsidy should be brought out in Finance Accounts for transparency. However, this is not being done.

Quality of expenditure

The share of capital expenditure to total expenditure during the current year was 15 *per cent* as against 16 *per cent* in the previous year. Funds aggregating ₹1,495 crore were blocked in incomplete projects as at the end of 2015-16. The return from investment of ₹61,356 crore as of 31 March 2016 in Companies / Corporations was negligible (₹69.40 crore). The investment included ₹25,002 crore (41 *per cent*) in Companies/ Corporations under perennial loss. During the year the Government invested ₹122 crore in these Companies and the cumulative loss had decreased by ₹213 crore.

Funds and other Liabilities

The interest accrued on the investment out of Consolidated Sinking Fund of ₹1,000 crore made in 2012-13 amounting to ₹142.86 crore did not form the part of the assets of the State Government as the transaction did not pass through the Government books. There was short transfer of ₹27.39 crore to Environment Protection Fund. Transfer of ₹2,418 crore from Consolidated Fund to Infrastructure Initiative Fund (IIF) in Public Account, write back of ZP Fund II and Taluk Panchayat Fund balances (₹419.10 crore) compressed the capital/revenue expenditure artificially. The database on Guarantees was incomplete as M/s Mysore Lamp Works Limited did not figure in the Statement on Guarantees while the guarantee fee was adjusted through book adjustment. The Guarantee Redemption Fund has not been revived.

Debt sustainability

Open Market Loans formed a predominant share (46 *per cent*) in the total fiscal liabilities of the State. The net debt available to the State during the year 2015-16 (₹16,962 crore) decreased by one *per cent* when compared to the previous year. There was delay in remittance of NABARD loans to Consolidated Fund, resulting in understatement of Public Debt receipts during 2013-14 to 2015-16.

Financial Management and Budgetary Control

Against total provision of ₹1,66,672 crore during 2015-16, an expenditure of ₹1,49,250 crore was incurred, resulting in unspent provision of ₹17,422 crore (10 *per cent*). The expenditure stood overstated as the funds released to ZP/TP funds remained unutilized to an extent of ₹1,312.74 crore. Excess expenditure over provision of ₹7.93 crore under Demand number 1, ₹44.94 crore under Demand number 5, ₹5.12 crore under Demand no 6 and ₹8.05 crore under Demand number 19 for the year 2015-16 are required to be regularized under Article 205 of the Constitution. While supplementary provision of ₹936.68 crore in 36 cases was unnecessary, re-appropriation of funds in 73 cases was made injudiciously, resulting in either unutilised provision of funds or excess over provision. In 15 grants, ₹7,343 crore was surrendered in the last two working days of the financial year.

A number of Misclassifications were noticed in the budget. Provision of ₹3,774.41 crore obtained for payment of pension to Government servants under the charged category instead of voted category in the budget estimate was rectified in Supplementary Estimate. An expenditure to an extent of ₹175.50 crore was classified under revenue section instead of capital section which affects the fiscal indicators on revenue surplus/deficit. Misclassification under the object head 059 – Other Expenses, an omnibus head to record minimum expenditure, amounted to ₹329.42 crore.

The amounts released from Contingency Fund were not justifiable as the releases were not based on circumstances but were released in a routine manner.

Payment of excess family pension continued as an amount of ₹1.80 crore in 172 cases was drawn in excess, and there was repetition of excess payment of family pension amounting to ₹1.67 crore in 98 cases.

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

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

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

Financial Reporting

Detailed bills, against abstract contingent bills, were wanting over a long period and large sums of money were being retained in Personal Deposit Accounts against the principle of legislative financial control. Non-reconciliation of expenditure and receipts was to the extent of 17 *per cent* of total expenditure and 2 *per cent* of total receipts, respectively, excluding loans and advances. 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 transaction of the Government Account should be transparent to exhibit the nature of transaction, as in one case it was observed that the expenditure on secret service was merged with scholarships and incentives.

Chapter – I

Finances of the State Government

Profile of the State

The State of Karnataka is the eighth largest State in terms of geographical area (1,91,791 Sq. Km) and the eighth largest by population. The State's population increased from 5.28 crore in 2001 to 6.11 crore in 2011, recording a decadal growth of about 16 *per cent*. The *percentage* of population below the poverty line was 21.90 compared to the All India Average of 29.50 during 2011-12. The State's Gross State Domestic Product (GSDP) in 2015-16 at market prices was ₹7,35,975 crore. The State's literacy rate increased from 66.64 *per cent* in 2001 to 75.36 *per cent* in 2011. The per-capita income of the state stands at ₹1,45,799 against the country average of ₹93,231 (As of March 2016 –Economic Survey 2015-16). General data relating to the State is given in **Appendix 1.1**

Gross State Domestic Product (GSDP)

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

Table 1.1: GSDP at current prices

Year	2011-12	2012-13	2013-14 (QE)	2014-15 (AE)	2015-16 (RE)
State's GSDP* (₹in crore)	4,34,270	5,20,766	6,01,633	6,85,207	7,35,975
Growth rate of GSDP (percentage)	14.02	19.92	15.53	13.89	7.41

Source: MTFP 2016-20

(QE: Quick Estimates, AE: Advance Estimates, RE: Revised Estimates)

*GSDP figures for the years 2011-12 to 2015-16 have been worked out with the base year 2004-05 as per MTFP 2016-20.

Comparison of the GSDP to that of national GDP has not been made as the GDP figures were worked out with base year 2011-12, whereas the State GSDP was made with base year 2004-05.

The growth rate of GSDP was 14.02 *per cent* during 2011-12, which increased to 19.92 *per cent* in 2012-13 and showed a reducing trend since then and was at 7.41 *per cent* during 2015-16.

1.1 Introduction

This chapter provides a broad perspective of the finances of the Government of Karnataka during 2015-16. It analyses important changes in the major fiscal indicators compared to the previous year, keeping in view the overall trends during the last five years. The analysis is based on the Finance Accounts and information obtained from the State Government. The structure of the

Government Accounts and the layout of the Finance Accounts have been explained in **Appendix 1.2**.

1.1.1 Summary of fiscal transactions in 2015-16

Table 1.2 and **Appendix 1.3** present the summary of the State Government's fiscal transactions during 2015-16 *vis-a-vis* the previous year (2014-15), while **Appendix 1.4** provides the details of receipts and disbursements as well as the overall fiscal position during the preceding four years.

Table 1.2 Summary of fiscal transactions in 2015-16

(₹ in crore)							
Receipts				Disbursements			
	2014-15	2015-16		2014-15	2015-16		
Section-A Revenue				Total	Non-Plan	Plan	Total
Revenue Receipts	1,04,142.15	1,18,817.31	Revenue Expenditure	1,03,614.29	77,018.84	40,009.74	1,17,028.58
Tax revenue	70,180.21	75,550.18	General Services	28,265.27	30,574.06	225.22	30799.28
Non-tax revenue	4,688.24	5,355.04	Social Services	39,366.25	22,191.29	24,115.79	46307.08
Share of Union taxes/duties	14,654.25	23,983.34	Economic Services	29,971.31	20,383.68	13,463.49	33,846.17
Grants-in-aid and contributions from GOI	14,619.45	13,928.75	Grants-in-aid and contributions	6,011.46	3,870.81	2,205.24	6,076.05
Section-B: Capital and others:							
Misc. Capital receipts	10.14	352.30	Capital Outlay	19,622.30	397.13	20,315.90	20,713.03
			General Services	618.46	41.74	949.67	991.41
			Social Services	4,180.89	218.76	5,095.15	5,313.91
			Economic Services	14,822.95	136.63	14,271.08	14,407.71
Recoveries of Loans and Advances	83.82	59.68	Loans and Advances disbursed	576.15	98.28	558.13	656.41
Public debt receipts**	21,874.63	21,072.33	Repayment of public debt**	4,812.23	4,110.20	-	4,110.20
Contingency Fund	-	-	Contingency Fund	-	-	-	-
Public Account Receipts	1,40,229.39	1,60,518.76	Public Account disbursements	1,29,573.99	-	-	1,55,094.83
Opening Cash Balance	15,759.73	23,900.90	Closing Cash Balance	23,900.90	-	-	27,118.23
Total	2,82,099.86	3,24,721.28	Total	2,82,099.86			3,24,721.28

Source: Finance Accounts 2015-16

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

The following are the significant changes during 2015-16 over the previous year:

- Revenue receipts grew by ₹14,675.16 crore (14 per cent) due to increase in Share of Union Taxes/Duties (₹9,329.09 crore), Own Tax Revenue (₹5,369.97 crore), and Non-Tax Revenue (₹666.80 crore), offset by decrease in Grants-in-aid and contributions from Government of India (₹690.70 crore). The revenue receipts for the year 2015-16 were short of the projection made in the Medium Term Fiscal Plan (MTFP) 2012-16 by ₹5,675.69 crore.
- Revenue expenditure increased by ₹13,414.29 crore (13 per cent). Increase was under Social Services Sector (₹6,940.83 crore), Economic

Services Sector (₹3,874.86 crore), General Services Sector (₹2,534.01 crore), and Grants-in-Aid and Contributions (₹64.59 crore). It exceeded the MTFP 2012-16 projections for the year by ₹335.58 crore.

- Capital outlay increased by ₹1,090.73 crore (6 per cent). Increase was mainly under Social Services Sector (₹1,133.02 crore) and General Services Sector (₹372.95 crore) and offset by decrease under Economic Services (₹415.24 crore).
- Recoveries of Loans & Advances decreased by ₹24.14 crore (29 per cent) and Disbursement of Loans & Advances increased by ₹80.26 crore (14 per cent).
- Public debt receipts (excluding ways and means advances) decreased by ₹802.30 crore (4 per cent) while repayments decreased by ₹702.03 crore (15 per cent).
- Public Account receipts and disbursements increased by ₹20,289.37 crore (14 per cent) and ₹25,520.84 crore (20 per cent), respectively.
- Cash balance of the State Government increased by ₹3,217.33 crore (13 per cent).

1.1.2 Review of Fiscal situation

In Karnataka, fiscal reforms and consolidation were brought to the forefront with the State Government formulating the first Medium Term Fiscal Plan (MTFP) for the period 2000-05 on the basis of broad parameters of the fiscal correction path laid down by the Eleventh Finance Commission (EFC). Towards this end, the Karnataka Fiscal Responsibility Act (KFRA) was enacted (September 2002), which became operational from 1 April 2003 and provided statutory backup to the MTFP.

The State Government had been on a fiscal consolidation path since passing of the KFRA and had maintained the guarantees within the limits prescribed under the Karnataka Ceiling on Government Guarantees Act, 1999. It had recorded revenue surplus since 2004-05 and the fiscal deficit was within the limit of 3 per cent of GSDP as prescribed under the Act. However, during 2008-09 and 2009-10, as per the directives of Government of India (GOI), the state deviated from the fiscal consolidation path and borrowed more money for public spending to tide over economic slowdown, by amending the Act.

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

The XIV Finance Commission (XIV FC) has recommended a set of rules for the State relating to fiscal deficit targets and annual borrowing limits for the State.

- Fiscal deficit will be anchored to an annual limit of 3 *per cent* of GSDP. The State will be eligible for flexibility of 0.25 *per cent* over and above this for any given year for which the borrowing limits are to be fixed if their debt GSDP ratio is less than or equal to 25 *per cent* in the preceding year.
- Eligible for an additional borrowing limit of 0.25 *per cent* of GSDP in a given year for which the borrowing limits are to be fixed if the interest payments are less than or equal to 10 *per cent* of the revenue receipts in the preceding year.
- The two options under these flexibility provisions can be availed of by the State either separately, if any of the above criteria is fulfilled, or simultaneously if both the above state criteria are fulfilled. Thus, a State can have a maximum fiscal deficit-GSDP limit of 3.5 *per cent* in any given year.
- The flexibility in availing the additional limit will be available if there is no revenue deficit in the year in which borrowing limits are to be fixed and immediately preceding year.
- If the State is not able to fully utilize its sanctioned borrowing limit of 3 *per cent* of GSDP in any particular year during the first four years of award period (2015-16 to 2018-19), it will have the option of availing this unutilised borrowing amount only in the following year but within the award period.

However, the KFRA was not amended during the period to reflect the above recommendations. The MTFP placed before the Legislature also did not contain the reasons behind the non-amendment.

The ratio of outstanding debt (inclusive of off-budget borrowings) and fiscal deficit to GSDP (₹7,35,975 crore) during 2015-16 were 24.91 *per cent* and 2.60 *per cent*, respectively, which were within the prescribed limit of 25 *per cent* and 3 *per cent* respectively.

The Fiscal Management Review Committee (FMRC), headed by Chief Secretary to Government was constituted in July, 2011. The committee recommended remedial measures to be adopted to ensure adherence to the parameters stipulated in KFRA, which were as under.

- A thorough scrutiny of the State's liabilities to be taken up including the treatment of liabilities, especially the Reserve Funds, in the fiscal act.
- Writing back of large amount of unspent balances in the Local Body Funds in Public Account to create additional fiscal space.

- Continuing the practice of resorting to budgetary borrowings only in the 3rd and 4th quarters.
- Alternate budgetary framework may be evolved as Union budget is doing away with Plan and Non-Plan distinction from FY 2017-18.
- Rationalize existing Government schemes so as to have focused approach on the outcomes by avoiding thin spread of resources.
- Approve new initiatives and works requiring implementation over multiple years based on fiscal sustainability of the total expenditure, rather than expenditure during the year of approval only to avoid buildup of fiscal stress due to unfunded expenditure commitments.
- To make more & more resources available for developmental expenditure, regulation of creation of new posts and filling up of vacancies in non-core spheres has to be continued.
- Implementation of schemes and programs through bank and personal deposit accounts outside the Consolidated Fund should be minimized.
- Large projects particularly in Water Resources Department (WRD), Urban Development Department (UDD) and Rural Development and Panchayat Raj (RDPR) department should be accompanied by a financing plan.
- Follow up with departments for improving their non-tax revenues by regular revision of fees, user charges etc.

Scrutiny of certain high end transactions during 2015-16 revealed that the fiscal deficit and the liabilities in the Public Account were reduced more through certain accounting adjustments than through fiscal management. Such adjustments are discussed below in brief.

- Consolidated Fund expenditure of ₹1,118 crore towards Capital Expenditure on Roads and Bridges was adjusted to the Infrastructure Initiative Fund (IIF) maintained in Public Account, thereby compressing capital expenditure to that extent. The cumulative liability in Public Account also got reduced to that extent.
- An expenditure of ₹800 crore incurred on power projects was withdrawn and shown as expenditure met out of IIF maintained in Public Account, thus compressing the Capital Expenditure under the Consolidated Fund to that extent. The resultant liability in the Public Account also got reduced to the extent indicated. There were no investments under the fund.
- During 2015-16, Capital Expenditure of ₹500 crore incurred on projects related to Bengaluru City was withdrawn and shown as expenditure met out of IIF maintained in Public Account, thus

compressing the Capital Expenditure under the Consolidated Fund to that extent. The resultant liability in the Public Account also got reduced to the extent indicated.

- During April 2015, the Chief Accounts Officer, Sarva Shiksha Abhiyan (SSA) remitted ₹213.41 crore to the Head of Account (HOA) '2202-01-Elementary Education' and accounted it as recovery of over payment. This was due to release of funds over and above the requirement during the previous years, which were kept in bank account, resulting in compression of expenditure to the extent cited and also a bearing on fiscal indicators.
- The grants to Panchayat Raj Institutions (PRIs) are released from functional heads under the Consolidated Fund and accounted under Public Account. The balances under the Zilla Panchayat (ZP) Fund II account and Taluk Panchayat (TP) Fund as the end of March every year should be written back to the Consolidated Fund in the next financial year. Write back of ₹188.50 crore for the year 2013-14 and ₹220.45 crore for the year 2014-15 under ZP Fund II and ₹10.15 crore under TP Fund was made during 2015-16 which has led to suppression of expenditure to the extent of ₹419.10 crore, treating the transaction as recoveries of over payments under revenue account. Write back of these amounts has overstated the Revenue Surplus and understated the Fiscal Deficit to this extent. Also the liabilities of the Government have reduced by the equivalent amount in Public Account.
- Any grants released by Government of India (GOI) on the recommendations of the XIII FC were required to be utilised before the award period i.e. 31 March 2015. A mention was made in the report on State Finances for the year ended March 2015 regarding non-utilisation of ₹9.00 crore of XIII FC grants relating to construction of Alternate Dispute Resolution (ADR) centers in 9 districts of the state under Improvement in Justice Delivery. During 2015-16, ₹8.46 crore relating to construction of ADR centers and ₹10.28 crore related to renovation of Heritage buildings released under XIII FC grants were remitted back to the Consolidated Fund of the State. The utilisation certificates for these released amounts have been sent to GOI as per the prescribed format giving the details of the amounts released to various authorities, which were treated as expenditure during those years on the Consolidated Fund of the State. These releases had the effect of overstatement of revenue expenditure and fiscal deficit of those years (during the award period of the XIII FC – 2010-11 to 2014-15). As the amount was remitted back in the current year to the Consolidated Fund, the expenditure stood compressed as also a bearing on the fiscal indicators. The remittance also resulted in the non-achievement of the purpose of the grants made by the Finance Commission.

Finance department clarified (October 2016) that reserve funds viz., IIF and PRI funds by their very nature are expected to cushion fiscal dynamics. If the fiscal position in a year allowed all expenditure to be met from the resources of that fiscal year, then there would be no need to draw down from the Reserve Fund. The observations of the FD have been examined in audit and it is stated that any transfer of revenues to the reserve fund is treated as expenditure on the Consolidated Fund adding up to fiscal deficit. During the period of fiscal stimulus package, moneys were borrowed from the open market and the reserve funds were fed from General Revenues. This transaction created only liability in the Public Account as no investment was made to draw down on the reserves in the current year as stated by the Finance Department. Public Account transactions were utilised to justify the fiscal deficit and borrowings without actual utilisation of borrowed money.

1.1.3 Major Fiscal Variables

Major fiscal variables provided in the budget and targeted in the KFRA, are depicted in **Table 1.3**.

Table 1.3 Major Fiscal variables

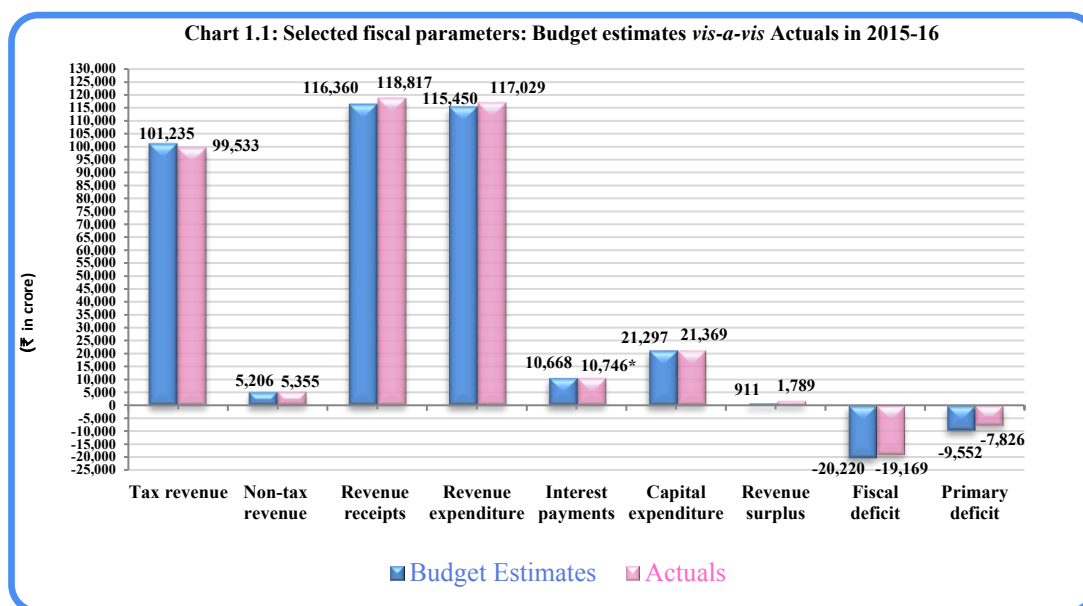
Fiscal variables	2015-16			
	Targets as prescribed in KFRA	Targets proposed in the budget	Projections made in MTFP (2012-16)	Actuals (2015-16)
Revenue Deficit (-)/ Surplus (+) (₹ in crore)	-	910.64	7,800	1,789
Fiscal Deficit/GSDP (per cent)	3.00	2.75	3.00	2.60
Ratio of total outstanding debt of the Government to GSDP (per cent)	25.00	24.56	22.13	24.91

During 2015-16, there was a surplus on revenue account (₹1,789 crore) which exceeded budget projections by ₹878 crore and fell short of MTFP 2012-16 projections by ₹6,011 crore. The ratio of total outstanding debt to GSDP exceeded budget estimates by 0.35 *per cent* and ratio of fiscal deficit to GSDP was 2.60 *per cent*, which fell short of budget projections by 0.15 *per cent*. This was well within the prescribed target as per KFRA.

1.1.4 Budget Estimates and Actuals 2015-16

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

Chart 1.1 presents the budget estimates and actuals of some important fiscal parameters for the year 2015-16.



Source: Annual Financial Statement and Finance Accounts

*The interest payments are exclusive of Off-budget borrowings.

Audit observed that the actuals of various fiscal variables were very close to the estimated figures. However, there were substantial variances and savings in budgetary allocations which are explained in detail in **Chapter II**.

The budget estimates envisaged revenue receipts of ₹1,16,360 crore against which the actual realisation was ₹1,18,817 crore, an increase of ₹2,457 crore (2 per cent). The increase was mainly under grants-in-aid and contributions from GOI (₹4,010 crore) and Non-Tax revenue (₹149 crore), offset by decrease under Tax revenue (₹895 crore) and Central tax transfers (₹807 crore).

Revenue expenditure was estimated at ₹1,15,450 crore against which the actual expenditure was ₹1,17,029 crore, an increase of ₹1,579 crore (one per cent). The increase in the actuals was noticed under economic services (₹1,671 crore) and social services (₹579 crore), off-set by decrease in grant-in-aid and contributions (₹473 crore) and general services (₹198 crore). Further details are available in **Chapter-II** of this report.

Interest payments were estimated at ₹10,668 crore (excluding off-budget borrowings – Borrowings by PSUs and other SPVs from financial institutions, on Government guarantee, where the responsibility of servicing the debt solely lies on the Government) shown against Major Head 2049 - Interest payments. The actual payment was ₹11,816 crore, (exclusive of off-budget borrowings of ₹597 crore). According to the KFRA, 2002 (as amended on 28.02.2014), the interest on off-budget borrowings recorded below various service heads are also to be treated as the interest liability of the State.

Major source of revenue receipts had been the State's own tax revenue which constituted 64 per cent. Including the non-tax revenue, the State's own resources were around 68 per cent during 2015-16. The variations between budget estimates and actuals together with the reasons for the same under four

major tax revenue heads and two non-tax revenue heads are brought out in **Table 1.4**.

Table 1.4: Variation between Budget and Actuals

(₹ in crore)

Source of revenue	Budget Estimate	Actuals	Increase (+) Decrease (-)	Reasons for variations according to MTFP 2016-20
Taxes on sales, trade etc.,	41,329	40,449	(-)880	The growth in tax revenue over the last few years is primarily attributable to the positive response of the tax payers to the extensive computerization programme by the department. However the moderation in growth during 2015-16 is mainly on account of fall in the crude oil prices internationally.
State Excise	15,200	15,333	133	The growth in revenue is from sale of Indian Made Foreign Liquor (IMFL).
Stamps and Registration fees	8,200	8,215	15	Under the Jawaharlal Nehru National Urban Renewal Mission (JnNURM) reforms, there was a commitment by the State to decrease stamp duty to 5 per cent. The decreased revenue on account of this move was expected to be made up by increased compliance in registering documents and revision of guidance values.
Motor vehicles tax	4,800	5,002	202	Increase was due to the collection of fees and tax, issue of driving licenses, vehicle registration and issue of permits, which have all been computerized.
Royalty on major and minor minerals	1,815	1,912	97	Due to delay in progress towards operationalisation of mines there was only a marginal increase in collections.
Interest receipts	754	1,293	539	Due to prudent cash management, the interest receipts out of excess cash balance invested in GOI's 91 day Treasury bills yielded more revenue.

Source: Budget documents-2015-16

1.1.5 Gender Budgeting

Gender budget of the State discloses the expenditure proposed to be incurred within the overall budget on schemes which are designed to benefit women fully or partly. The State had created the Gender Budget Cell (January 2007) and gender budgeting was introduced in 2007-08. The year-wise allocations in the gender budget document are detailed in **Table 1.5**.

Table 1.5: Gender budgetary allocations during 2011-12 to 2015-16

(₹ in crore)

Year	Outlay			Expenditure			
	Category A*	Category B^	Total	Category A*	Category B^	Total	Demands covered
2011-12	854.54	30,228.05	31,082.59	1,454.15	34,923.16	36,377.31	27
2012-13	1,509.36	44,647.43	46,156.79	2,643.91	41,026.57	43,670.48	27
2013-14	1,915.30	55,032.21	56,947.51	2,541.78	47,679.24	50,221.02	28
2014-15	3,684.91	66,615.81	70,300.72	3,513.71	50,912.24	54,425.95	28
2015-16 [#]	5,511.20	64,351.38	69,862.58	5,622.65	56,373.56	61,996.21	27

*Budgetary allocations to schemes designed for covering 100 per cent women beneficiaries.

^Budgetary allocations to schemes designed for covering at least 30 per cent women beneficiaries.

[#]Figures for 2015-16 are Revised Estimate figures and not actuals.

The total number of schemes under Category A and B in 2015-16 were 774, of which 54 schemes were under Category A and 720 schemes were under Category B. The Gender Budget document also gives a brief explanatory note about the schemes indicating the objective of such schemes.

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

a) Issue of Free bus passes to wife/widows of Freedom Fighters

The scheme is being implemented by Department of Personnel and Administrative Reforms in collaboration with the Transport Department. Under the scheme wife/widows of freedom fighters are issued coupons for ₹2000 every year by Transport Corporations and the beneficiaries are entitled to travel in the State run Transport Corporation buses utilizing the coupons. It was observed that from the year 2009-10 to 2015-16, the budget allocation for the scheme was ₹3.01 crore and the related expenditure was ₹0.31 crore. The sanction for the amount claimed towards subsidy by various corporations are being admitted based on the letter/ utilisation certificate, without any pre check.

b) Skill Development and Training for Minority Women

The scheme is being implemented by the Directorate of Minorities. The scheme is aimed at helping minority women to lead an independent life without depending on other training programmes under skill development. The physical targets, achievement and implementation of the scheme from its inception i.e. 2014-15 is brought out in **Table 1.6** and **Table 1.7**.

Table 1.6: Physical target fixed and achieved

Year	Number of minority women to be trained	Number of minority women actually trained	Shortfall	Percentage of shortfall
2014-15	1,101	924	177	16
2015-16	2,123	1,873	250	12

Table 1.7: Minority women who have taken up employment/self-employment

Year	Number of minority women trained	Number of minority women who got employment after training	Number of minority women who are self-employed	Percentage of women who got employment after training
2014-15	924	340	-	37
2015-16	1,873	665	-	36

Even though the physical targets have been achieved to a large extent, the percentage of minority women who took up employment/self-employment after the skill development and training programme was very low. Concerted efforts need to be made to ensure that a larger percentage of women who successfully completed the training were employed.

1.1.6 Major policy initiatives of Budget 2015-16

The results of scrutiny of records of certain schemes which were proposed for implementation in 2015-16 and the action taken on such proposals in the Departments of Forest, Environment and Ecology and Home are brought out in **Table 1.8**.

Table 1.8: Budget assurances and audit analysis thereon

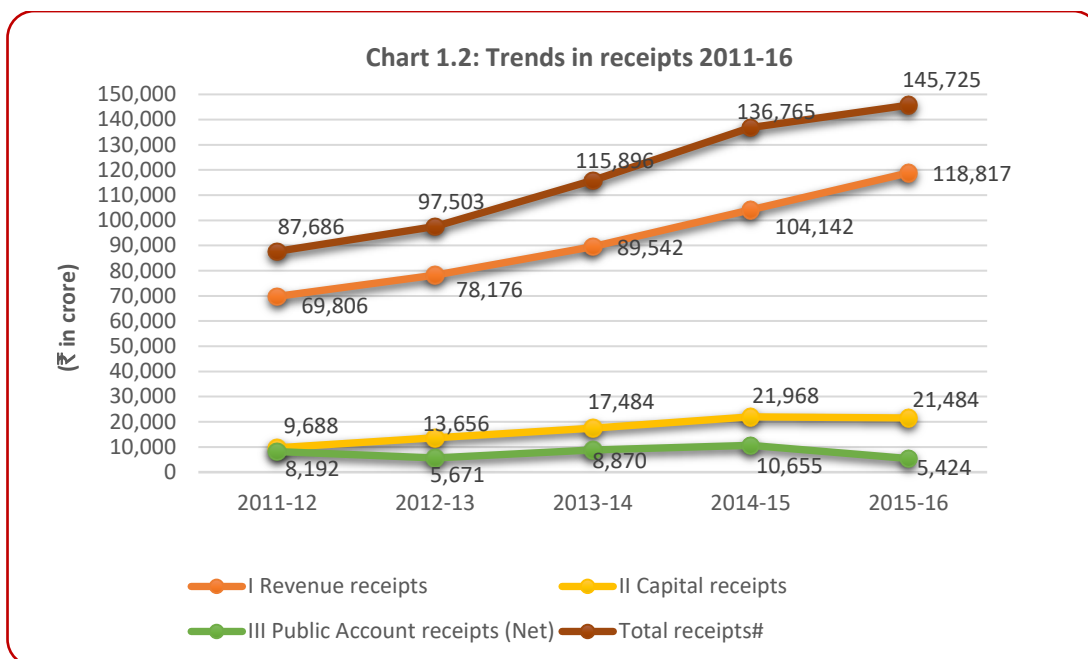
Budget Assurance	Action taken as per Action Taken Report	Audit Observations
It is proposed to establish Rehabilitation Cell to take up a programme of Relocation and Rehabilitation of forest dwellers of Tiger Reserve, Wildlife Sanctuaries and National Parks more effectively.	G.O.No: FEE 89 FAP 2015, dated: 15.07.2015 has been issued.	Proposals submitted by PCCF (February 2016) for the sanction of staff to the Rehabilitation Cell is still under the consideration of the Government (July 2016).
A grant of ₹5.56 crore is provided for the purpose of protection and development of lakes, enhancement of ground water and beautification of the lakes situated in metropolitan areas, by enacting Karnataka Lake Protection and Development Act.	G.O. No: FEE 116 ENV 2015, Dated: 19.01.2016 has been issued.	Out of ₹5.56 crore earmarked for the year 2015-16, the first tranche of ₹2.00 crore was released to Karnataka Lake Development Authority (KLDA) on 28.03.16 i.e. at the fag end of the financial year. The project work is yet to commence and amount remained unutilized with KLDA (July 2016). Reasons for release of money in advance were not available on record.
For the improvement of the health of the Police personnel in the State, ₹9.00 crore will be provided towards annual medical check-up at the rate of ₹1000/- for each personnel. In addition, for providing speedy treatment of Police personnel, the Government will establish 50 outpatient Police Health Centers in different units of the State.	1) G.O.No: HD 296 PoSeE 2014, dated 15.07.2015 has been issued in this regard. 2) The proposal of establishing 50 Outpatient Police Health Centers is under examination in Administrative Department.	1) Orders have been issued (July 2015) for the provision of annual medical check-up at the rate of ₹1000/- for each police personnel. 2)The Health Department did not agree to the proposal of establishing 50 Outpatient Police Health Centers as the department is facing shortage of staff and also separate medical facilities cannot be provided to a particular class of people or their family.

Budget Assurance	Action taken as per Action Taken Report	Audit Observations
30 new Police Stations including 10 women police stations will be opened in the State for public safety and security.	Finance Department concurred to the proposal and issued endorsement in File No: HD 180 POP 2015, Dated 08.02.2016.	Out of 30 new Police Stations to be opened in the State, notifications were issued for the establishment of 15 new police stations (July 2016 to August 2016) which did not include any women police station.
CCTVs system in 20 district prisons, solar lighting system in 10 important district prisons and telemedicine system in 5 central prisons will be installed.	<p>1) To provide solar lighting system in 10 district prisons, vide G.O. No: HD 347 PRA 2015, dated: 31.10.2015 has been issued.</p> <p>2) For purchase of CCTV cameras for security arrangement of 20 district jails, proposal was submitted to obtain the approval of the Cabinet in consultation with the Finance Department.</p> <p>3) The proposal of providing telemedicine system to 5 Central Jails has been decided to be dropped.</p>	<p>Solar lighting system was installed in 4 out of 10 district prisons (June 2016 to August 2016).</p> <p>2) An amount of ₹400 lakh was released (March 2016) and deposited with Karnataka State Police Housing & Infrastructure Development Corporation (KSPHIDC) (June 2016). The tender process is under progress and the amount was yet to be utilized (August 2016).</p> <p>3) Based on the report of the Health Department, the performance of the telemedicine system already established in Bengaluru and Belgaum Central jails would be reviewed before being implemented in other 5 Central Jails.</p>
Facility of VAT reimbursement on purchases up to ₹3,000/- per month for each Police Constable will be given on purchases made from Police Canteens.	This proposal is under consideration in Finance Department.	Information regarding the quantity of material sold through police canteen, together with details thereof and the tax on such items were called for from the police department in June 2015. However, there was no information from the department for initiating further action in the matter (August 2016).

1.2 Resource of the State

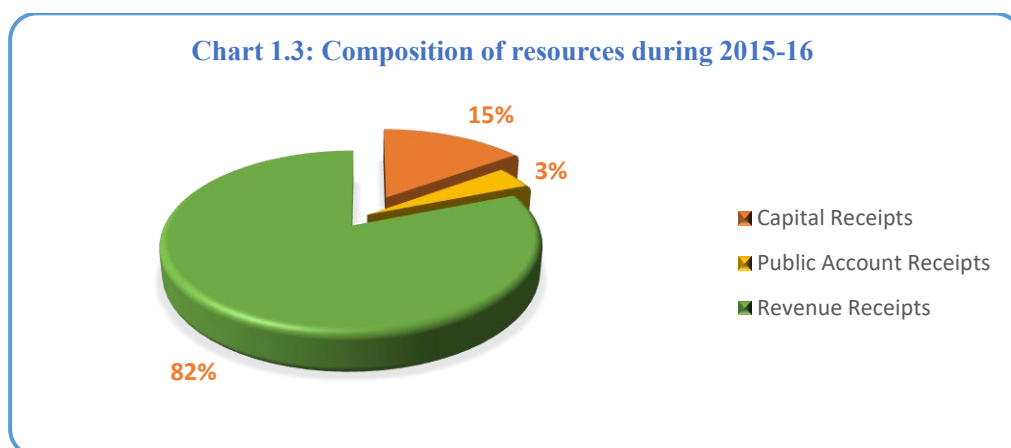
1.2.1 Resource of the State as per the Annual Finance Accounts

Revenue and Capital are the two streams of receipts that constitute the resources of the State Government. Revenue Receipts consist of tax revenues, non-tax revenues, States' share of Union taxes and duties and grants-in-aid and contributions from the GOI. Capital receipts comprise miscellaneous capital receipts such as proceeds from disinvestment, sale of assets, recoveries of loans and advances, debt receipts from internal sources (market loans, negotiated loans from financial institutions/commercial banks, National Small Savings Fund (NSSF) of the Central Government loans from RBI) and loans and advances from GOI. Besides, the net Public Account receipts are also utilised by the Government to finance its deficit. **Chart 1.2** depicts the trends in various components of receipts during 2011-12 to 2015-16.



#excluding Contingency Fund receipts

Chart 1.3 depicts the composition of resources of the State during 2015-16.



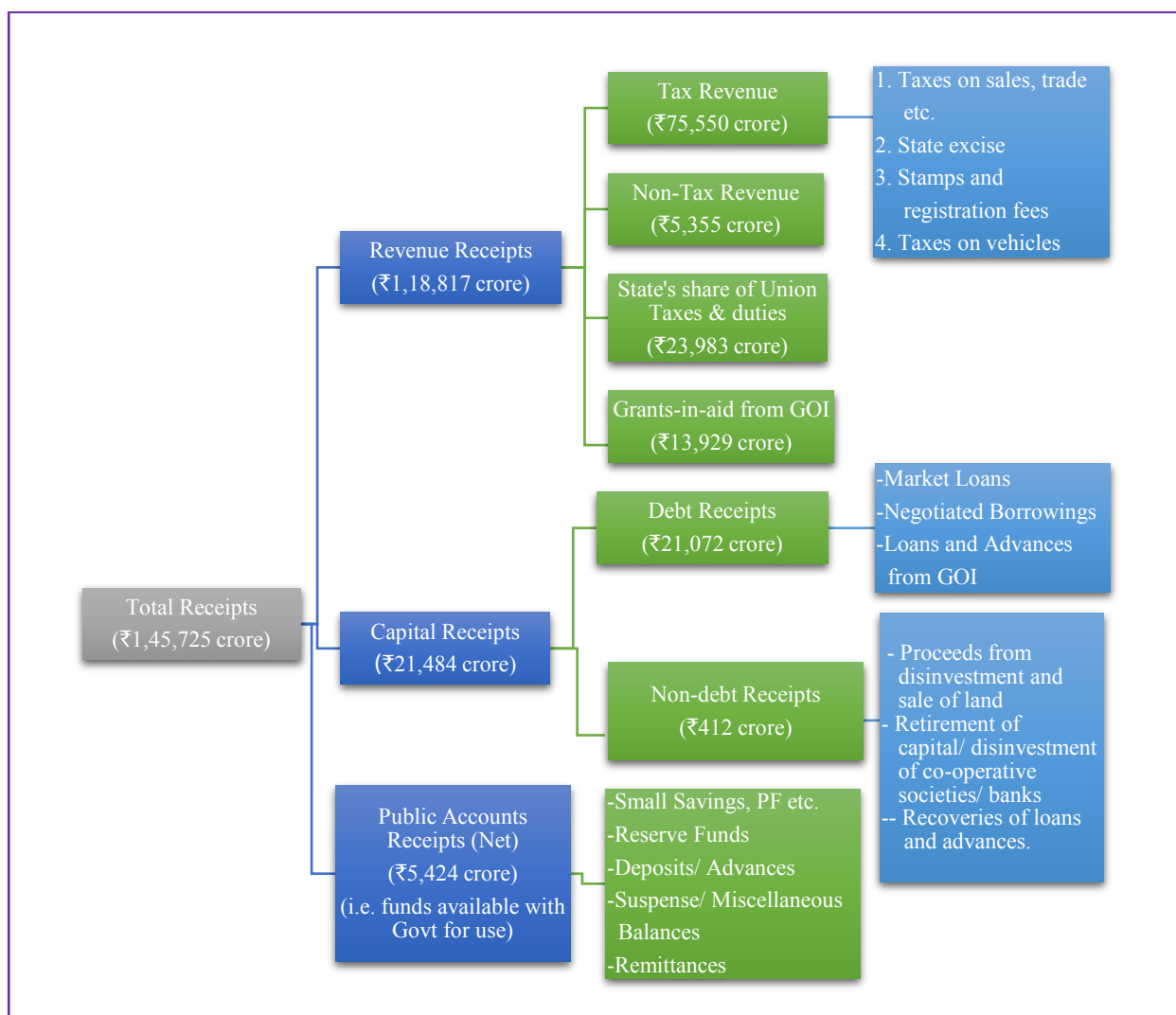
Total receipts (excluding Contingency Fund receipts) increased by 66 per cent from ₹87,686 crore in 2011 -12 to ₹1,45,725 crore in 2015 -16. Compared to the previous year, there was an increase by ₹8,960 crore (7 per cent) in the current year.

The share of revenue receipts in total receipts during 2015-16 was at 82 per cent. Further details are provided in **paragraph 1.3**.

Capital receipts increased by 122 per cent from ₹9,688 crore in 2011 -12 to ₹21,484 crore in 2015-16. During 2015-16, the capital receipts accounted for 15 per cent of total receipts. Debt receipts, the main constituent of capital receipts, decreased by ₹802 crore. Internal Debt and Loans & Advances from GOI are the two components of debt receipts whose share was 94 per cent (₹19,801 crore) and 6 per cent (₹1,271 crore) of the total debt receipts (₹21,072 crore) respectively.

Chart 1.4 depicts the components and sub-components of resources of the State during 2015-16.

Chart 1.4: Components and sub-components of Resources



Source: Finance Accounts

In 2015-16, there was a decrease in growth of 3 per cent in internal debt receipts. Loans and Advances decreased by 7 per cent over the previous year (**Appendix 1.4**). Apart from debt receipts, capital receipts include non-debt receipts such as recovery of loans and advances and receipts through sale of land, miscellaneous capital receipts & retirement of capital/ disinvestment of co-operative societies/ banks etc. During 2015-16, non-debt capital receipts showed 338 per cent growth over the previous year.

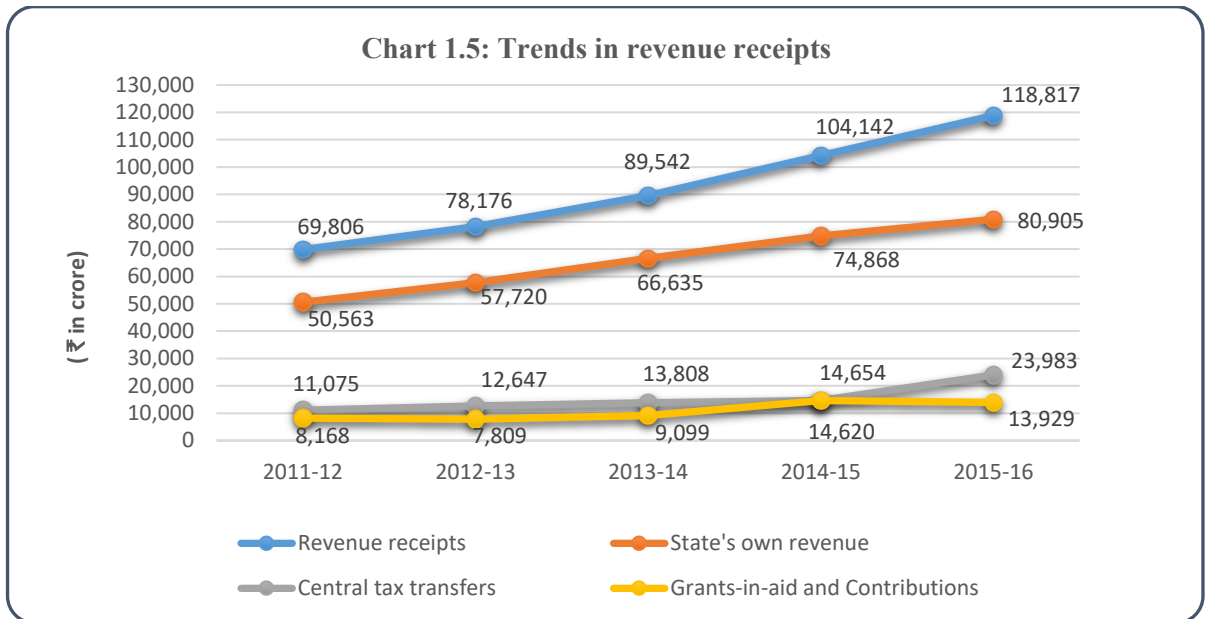
Public Account receipts refer to those receipts for which the Government acts as a banker/trustee for the public money. On an average, it constituted 7 per cent of the total receipts during 2011-12 to 2015-16. Net Public Account receipts, which totalled to ₹8,192 crore in 2011-12, decreased to ₹5,424 crore in 2015-16.

1.3 Revenue Receipts

The Government of Karnataka's fiscal position is largely influenced by the revenue side, as revenue receipts showed progressive increase from ₹69,806 crore in 2011-12 to ₹1,18,817 crore in 2015-16. On an average, 68 per cent of the revenue came from State's own resources during the period. The balance was transfers from GOI in the form of State's share of taxes and duties and grants-in-aid and contributions.

Simplification and rationalization of tax structure, along with simplification of process of filing tax returns like E-payment of taxes and anywhere registration has ensured effective mobilization of resources from various taxes which reflected consistent performance on the tax front. Though tax revenues have been consistently growing, Government of Karnataka has not improved revenues on the non-tax front, which hovered between 5 to 6 per cent during 2011-12 to 2015-16 which is discussed in detail in **paragraph 1.3.1.2**. The State's Fiscal Reforms and Budget Management Committee has recognized this issue and advised departments to improve their non-tax revenue by regular revision of fees, user charges etc.

Statement No.14 of the Finance Accounts projects the revenue receipts of the Government. The trends and composition of revenue receipts over the period 2011-12 to 2015-16 are presented in **Appendix 1.4** and are also depicted in **Chart 1.5**.



Source: Finance Accounts

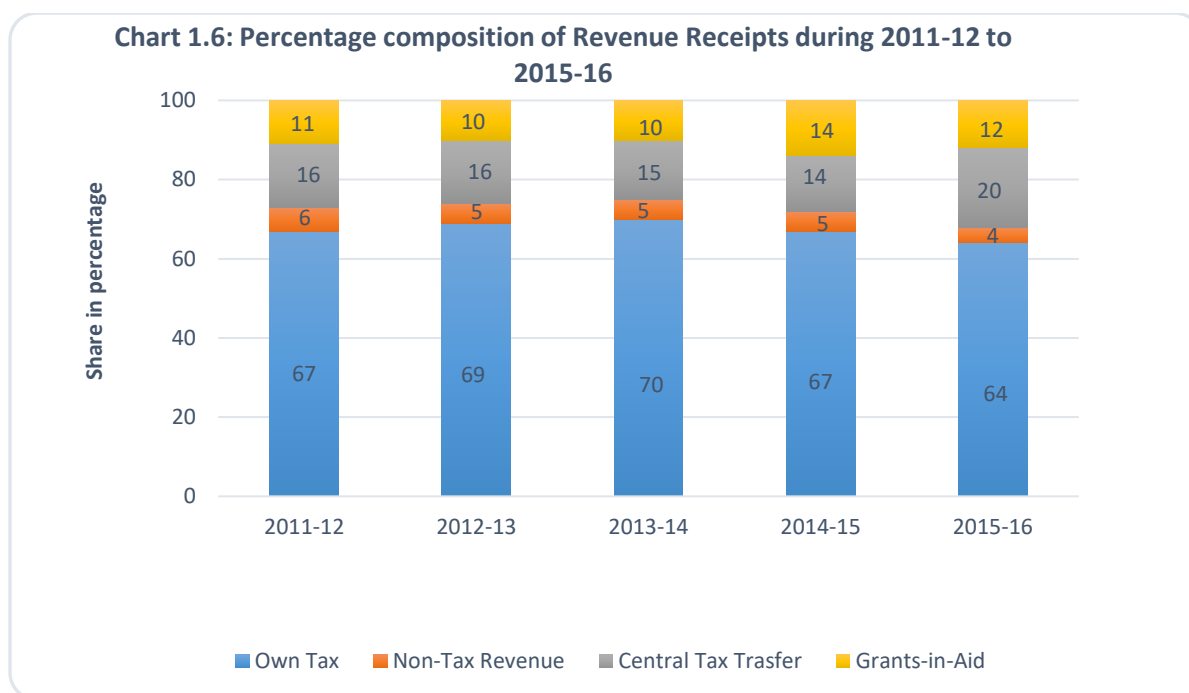


Chart 1.6 depicts that 68 per cent of revenue came from State's own resources during 2015-16 and the balance was from GOI in the form of State's share of taxes and Grants-in-aid. The share of own tax revenue increased from 67 per cent in 2011-12 to 70 per cent in 2013-14 and then decreased to 64 per cent in 2015-16. During 2015-16, there was a decrease under grants-in-aid and contributions from GOI. The trends in revenue receipts relative to GSDP are presented in **Table 1.9**.

Table 1.9: Trends in revenue receipts relative to GSDP

	2011-12	2012-13	2013-14	2014-15	2015-16
Revenue Receipts (RR) (₹ in crore)	69,806	78,176	89,542	1,04,142	1,18,817
Rate of growth of RR (per cent)	19.9	12.0	14.5	16.3	14.1
Rate of growth of State's own tax (per cent)	20.8	15.7	16.5	12.1	7.6
Own tax/GSDP (per cent)	10.7	10.3	10.4	10.2	10.3
Buoyancy ratios ¹					
RR/GSDP (per cent)	16.1	15.0	14.9	15.2	16.1
Revenue buoyancy w.r.t GSDP	1.4	0.6	0.9	1.2	1.9
State's own tax buoyancy w.r.t GSDP	1.5	0.8	1.1	0.9	1.0
Revenue buoyancy w.r.t States' own taxes	1.0	0.8	0.9	1.3	1.9
GSDP (₹ in crore)	4,34,270	5,20,766	6,01,633	6,85,207	7,35,975
Rate of growth of GSDP	14.0	19.9	15.5	13.9	7.4

Source: Finance Accounts, GSDP: MTFP 2016-20

In the Economic Survey for 2015-16, it was admitted that the ratio of non-tax revenue to total receipts has been continuously declining over the years. Further, the State has one of the lowest non-tax revenues to the GSDP ratios in the country (**Appendix 1.4**). It hovered around the one per cent mark over the

¹Buoyancy 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.

past three years. This is due to the low recovery of costs. In many departments, the revision of user charges, fees & fines and other such non-tax receipts have not taken place for many years. Even with revision of rates and better collection mechanisms, increase in revenues from this avenue may not be large due to existing low base. Though Expenditure Reforms Commission has made a number of recommendations during 2010 to enhance revenues from user charges, the same has not been accomplished. In reply the Government stated that instructions have been issued (September 2016) to give information relating to user charges that are being collected.

1.3.1 State's own resources

The tax revenue of the State in 2015-16 was less than the projection made in MTFP by ₹5,607 crore and budget estimates by ₹895 crore. Non-tax revenue was significantly more than the MTFP projections (₹1,724 crore) and budget estimates by ₹149 crore, as detailed in **Table 1.10** below.

Table 1.10: Projections of Tax and Non-tax Revenue

	(₹ in crore)		
	Budget estimates	MTFP projections	Actual
Tax revenue	76,445	81,157	75,550
Non-tax revenue	5,206	3,631	5,355

1.3.1.1 Tax revenue

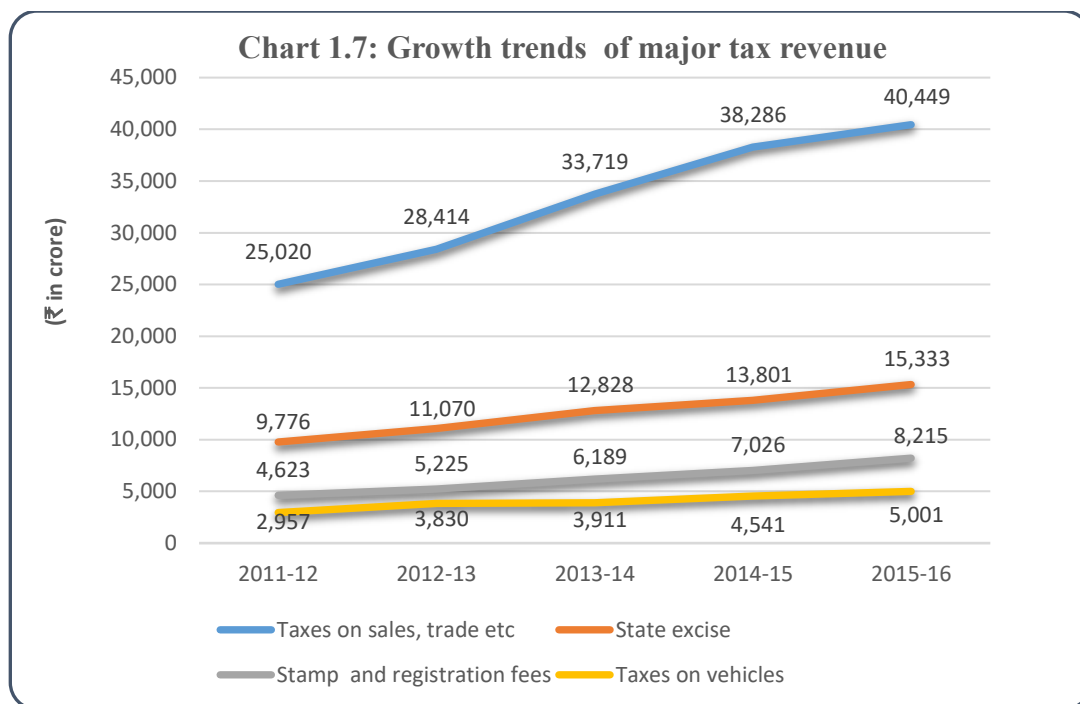
Taxes on sales, trade, etc., (54 per cent) were the main source of the State's tax revenue followed by State Excise (20 per cent), Stamps and Registration Fees (11 per cent) and Taxes on Vehicles (7 per cent) during 2015-16. The trends in the major constituents of tax revenue during the period 2011-12 to 2015-16 are shown in **Table 1.11** and **Chart 1.7** below.

Table 1.11: Components of State's own tax revenue

	(₹ in crore and growth rate in per cent)				
Revenue Head	2011-12	2012-13	2013-14	2014-15	2015-16
Taxes on sales, trade etc.,	25,020	28,414	33,719	38,286	40,449
Rate of growth	23.65	13.57	18.67	13.54	5.65
State excise	9,776	11,070	12,828	13,801	15,333
Rate of growth	18.00	13.24	15.88	7.58	11.10
Stamp and Registration fees	4,623	5,225	6,189	7,026	8,215
Rate of growth	30.93	13.02	18.45	13.52	16.92
Taxes on vehicles	2,957	3,830	3,911	4,541	5,001
Rate of growth	15.96	29.52	2.11	16.11	10.13
Land revenue	215	205	199	186	181
Rate of growth	20.79	(-4.65)	(-2.93)	(-6.53)	(-2.69)
Taxes on goods and passengers	1,690	2,181	2,626	3,038	3,125
Rate of growth	10.75	29.05	20.40	15.69	2.86
Other taxes ²	2,195	2,829	3,131	3,302	3,246
Rate of growth	1.2	28.88	10.68	5.46	(-1.70)
Total	46,476	53,754	62,603	70,180	75,550

Source: Finance Accounts of the respective years

²Other taxes include taxes on Agricultural Income, taxes and duties on Electricity, Other taxes on Income and Expenditure and other taxes and duties on Commodities and Services.



During the period 2011-12 to 2015-16, the rate of growth of taxes on sales, trade, etc., was between 5.65 per cent and 23.65 per cent. During 2015-16, the growth rate was 6 per cent. The moderation in growth rate was mainly on account of reduction in crude oil prices internationally.

State Excise, was the second largest contributor to State's own tax revenues. The strict enforcement of excise law and increased intensive patrolling and surveillance on manufacturing and selling units by the department has led to a healthy growth of revenue from sale of IMFL over the years. The growth rate was between 7.58 per cent and 18.00 per cent during 2011-12 to 2015-16.

Stamp and Registration fees also contributed to own tax revenues. There was a moderation in the growth rate during the years 2011-12 to 2015-16 due to decrease in the stamp duty to 5 per cent. During 2015-16, it stood at 16.92 per cent and efforts need to be made to ensure that collections are improved.

Motor vehicle taxes also contribute significantly to own tax revenues. The computerization in transport department has contributed towards better collection of fees and tax payment. The growth rate of revenue under the head was 2.11 per cent during 2013-14, which increased to 16.11 per cent during 2014-15 and was 10.13 per cent during 2015-16.

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 2013-14 to 2015-16 along with their All-India average cost of collection for the respective previous years are indicated in the **Table 1.12**.

Table 1.12: Cost of collection

Receipt	Year	Gross collection (₹ in crore)	Expenditure on collection	Percentage of cost of collection to gross collection	All India average percentage for the preceding year
Motor vehicles	2013-14	3,913.64	90.88	2.32	4.17
	2014-15	4,544.17	82.52	1.82	NA
	2015-16	5,004.35	83.18	1.66	NA
Taxes on sales, trade etc.,	2013-14	35,096.71	1,238.94	3.53	0.73
	2014-15	39,694.76	1,464.43	3.69	NA
	2015-16	41,891.72	250.47	0.60	NA
Stamp and registration fees	2013-14	6,240.21	86.92	1.39	3.25
	2014-15	7,063.35	68.28	0.96	NA
	2015-16	8,241.07	126.03	1.53	NA
State Excise	2013-14	12,833.71	110.57	0.86	2.96
	2014-15	13,805.75	130.11	0.94	NA
	2015-16	15,337.11	132.61	0.86	NA

The percentage of cost of collection to the gross collection was significantly less than the All India Average for the year 2013-14, except for ‘taxes on sales, trade etc.’

Improper accounting and Non-Utilisation of Green Tax cess collections of ₹45.90 crore

Honourable Chief Minister in his Budget speech on 21 March 2002 for the year 2002-2003 proposed that “As a measure to contain air pollution, it is decided to levy ‘Green Tax cess’ on old vehicles at the rate of ₹250 for two wheelers and ₹500 for other Non-transport vehicles which have completed fifteen years at the time of renewal of Certificate of Registration. Further, ₹200 per annum will be collected in respect of transport vehicles which have completed seven years. Necessary amendments will be effected in the Karnataka Motor Vehicles Taxation Act, 1957. The amount will be earmarked for implementation of various pollution control measure.”

Accordingly, The Karnataka Vehicles Taxation (Amendment) Act, 2002 was enacted (March 2002), wherein under section 3B of the said Act, the levy of a cess called ‘Green Tax’ at the rates mentioned above was proposed with effect from 01.04.2002.

During the Performance Audit on the ‘Levy and collection of Motor Vehicles Taxes’ by the Office of the AG (E&RSA), Karnataka, it was noticed on scrutiny of records in 20 RTOs/ARTOs that Green Tax cess collected is being accounted for under HOA ‘0041-00-102-0-01’ (‘Taxes on Motor Vehicles – Receipts under State Motor Vehicles Taxation Act’ – ‘Vehicles and Service Tax’) while in a few cases, the revenue is being accounted for under the Head ‘0041-00-800-0-02’ (Other Receipts) indicating non-uniformity in accounting of such transactions. The accounting mechanism did not distinguish green tax

cess receipts from others, since there was no specific detailed head for accounting of the above cess and the budget documents did not show this element of revenue separately. In the absence of proper accounting mechanism, the department was not able to identify the total collection of Green Tax cess and its use for the intended purpose. Further, no rules were framed for administration and accounting of Green Tax cess so far. The year wise (2006-07 to 2014-15) Green Tax cess collected as furnished by the department (₹45.90 crore) is summarised in the **Table 1.13**. The information for the year 2015-16 was not furnished till date (December 2016).

Table 1.13: Green Tax cess collections

Year	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	Total
Green Tax collected	3.65	3.81	3.95	4.30	5.17	5.73	5.92	6.59	6.78	45.90

In its reply, the Transport Department had stated (July 2016) that a separate HOA '0041-00-102-0-11' Green Tax cess has been opened as of 2016-17 to account for green tax cess collections and utilized for prevention of air pollution through various programmes. The reply of the department is not satisfactory as there was no data relating to its collection/expenditure for the period from 2002-03 to 2005-06 and a separate HOA was created after a lapse of 13 years. The expenditure incurred was meagre which ranged from 0.25 per cent to 3.31 per cent of the total green tax collected during 2008-09 to 2014-15. Also no concrete action plan had been made for utilisation of the funds towards air pollution control measures.

Finance Department in its reply (December 2016) stated that the accounting procedure is being put in place by opening a separate fund head in Public Account to account for the green tax cess. It was also stated that the expenditure heads and the contra debit head have also been identified for incurring expenditure and its eventual shifting to the fund head and that orders in that regard were being issued.

1.3.1.2 Non-tax revenue

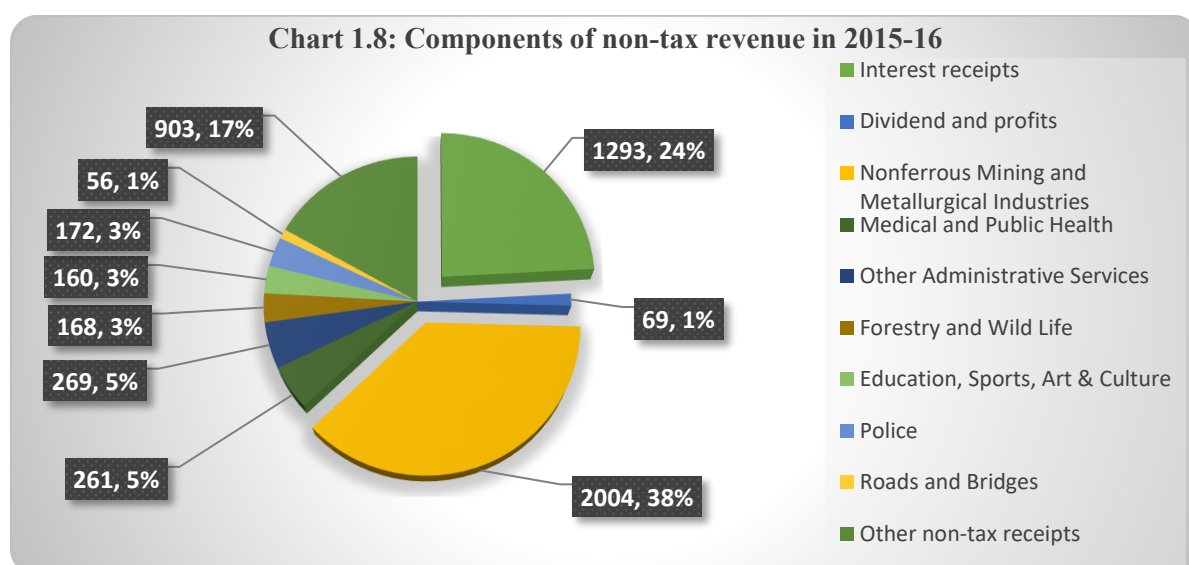
Non-tax receipts (fees, user charges, interest receipts, etc.) are generally raised through non-statutory mandates and usually a reciprocal benefit accrues to the citizens from whom such receipts are collected. The sources of non-tax receipts included receipts from fiscal services like interest receipts from 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 trend in collection of non-tax revenue under certain important heads of accounts is given in **Table 1.14**.

Table 1.14: Trends in collections of non-tax revenues

Revenue Head	2011-12	2012-13	2013-14	2014-15	2015-16	(₹ in crore) % increase (+)/ decrease (-) over previous year
Interest receipts	434.23	778.55	693.17	874.74	1,292.63	47.77
Dividend and profits	60.56	56.29	55.49	74.84	69.40	(-)-7.27
Nonferrous Mining and Metallurgical Industries	1,326.84	1,496.49	1,474.49	1,931.10	2,003.80	3.76
Medical and Public Health	87.82	100.70	207.54	224.00	260.74	16.40
Other Administrative Services	117.79	123.37	181.66	179.23	269.08	50.13
Forestry and Wild Life	168.32	171.54	161.14	178.21	168.15	(-)-5.65
Education, Sports and Culture	130.58	148.73	120.09	154.96	159.72	3.07
Police	118.26	110.84	150.71	152.07	171.87	13.02
Roads and Bridges	95.60	119.49	120.14	118.38	56.11	(-)-52.60
Other non-tax receipts	1,546.86	860.11	867.47	800.71	903.54	12.84
Total	4,086.86	3,966.11	4,031.90	4,688.24	5,355.04	14.22

Source: Finance Accounts

The components of non-tax revenue for the year 2015-16 are presented in Chart 1.8.



Interest receipts, Dividends and Profits

Apart from the regular source of interest receipts on account of repayment of loans, the other major source is interest proceeds out of investment of surplus cash balance of the State. As per RBI's regulations, the cash balance maintained by the State is invested in GOI's 14 day Treasury Bills (TBs). To improve cash management, excess cash balance (beyond the immediate requirement) is invested in GOI's 91 day TBs. Against the budgeted estimate of ₹754 crore during 2015-16, the revenue realized was ₹1,028.15 crore, of which 14 day TBs yielded ₹330.65 crore and 91 day TBs yielded ₹697.50 crore.

The interest realized on loans and advances given by the Government to its Companies/Corporations etc. stood at ₹263.68 crore, working out to 2 per cent of the outstanding balances of loans at the end of the year. The receipts also included ₹0.83 crore, being the interest on capital of departmentally run commercial undertakings, such as Silk Filatures, the adjustments of which were made through book transfer.

The return on investment in the form of dividends declared by the Companies/Corporations and credited to Government account during 2015-16 was ₹69.40 crore. Considering the magnitude of Government investment (₹61,356 crore), the return works out to a meager 0.11 per cent.

Other Non-tax receipts

The other major non-tax revenue is royalty on major and minor minerals. Against the Budget estimates of ₹1,815 crore, the actual realization was ₹1,912 crore.

1.3.2 Grants-in-aid from GOI

Grants-in-aid and Contributions from GOI increased from ₹8,168 crore in 2011-12 to ₹13,929 crore in 2015-16 as shown in **Table 1.15**.

Table 1.15: Grants-in-aid from GOI

Particulars	(₹ in crore)				
	2011-12	2012-13	2013-14	2014-15	2015-16
Non-Plan grants	2,129.42	2,455.43	3,139.79	3,634.58	5,547.34
Grants for State Plan schemes	3,626.00	2,908.74	3,341.15	9,096.87	8,105.31
Grants for Central Plan schemes	76.14	124.59	191.70	158.52	138.90
Grants for Centrally sponsored schemes	2,336.85	2,320.66	2,426.18	1,729.48	137.20
Grants for special plan schemes	-	-	-	-	-
Total	8,168.41	7,809.42	9,098.82	14,619.45	13,928.75
% of increase/decrease over previous year	18.93	(-) 4.39	16.51	60.67	(-)4.72
Total grants as % of revenue receipts	11.70	10.00	10.16	14.04	11.72

Source: Finance Accounts

As compared to the previous year, there was a decrease of ₹691 crore during 2015-16. This was on account of decrease in Grants for State Plan Schemes (₹992 crore), Grants for Central Plan schemes (₹20 crore) and Centrally

Sponsored Schemes (CSS) (₹1,592 crore), offset by increase in receipts under Non-plan grants (₹1,913 crore).

Due to transfer of central share of Centrally Sponsored Schemes directly to the Consolidated Fund of the State, these central shares were also available under State Budget.

1.3.3 Central tax transfers

The XIV FC had recommended that the State's share of Central Taxes be increased to 42 *per cent* from 32 *per cent* as recommended by XIII FC. The State's share in the net proceeds of Central Taxes (excluding Service Tax) and net proceeds of Service Tax had been fixed at 4.713 and 4.822 *per cent*, respectively. The share of Union taxes received during 2015-16 was ₹23,983 crore. There is an increase of ₹9,329 crore over the previous year under Corporation Tax (₹2,430 crore), Service Tax (₹1,993 crore), Union Excise duties (₹1,844 crore), Taxes on Income other than Corporation Tax (₹1,598 crore), Customs Duty (₹1,460 crore), Other taxes and duties on Commodities and Services (₹16.13 crore), Other taxes on Income and Expenditure (₹0.03 crore), offset by decrease in share of Wealth Tax (₹12.16 crore).

1.3.4 Optimization of XIV Finance Commission (XIV FC) Grants

1.3.4.1 Introduction

The XIV FC was constituted by the President under Article 280 of the Constitution on 2 January 2013 to make recommendations on specified aspects of Centre State Fiscal relations for the period from 2015-16 to 2019-20 (award period). As per the terms of reference, the commission shall make recommendations in the matter of distribution of net proceeds of taxes between the Union and the States, principles which should govern the grants-in-aid of the revenues of the States and measures needed to augment the Consolidated Fund of the State to supplement the resources of the Panchayat and Municipalities in the State.

1.3.4.2 Comparison of Devolution of Union Taxes and duties

The XIII FC had recommended that the State's share of net proceeds of all shareable Union Taxes and Duties be increased to 32 *per cent* from 30.50 *per cent* as recommended by the XII FC during its award period of 2010-11 to 2014-15 and the State's share in the net proceeds of Central Taxes (excluding Service Tax) and net proceeds of Service Tax had been fixed at 4.33 and 4.40 *per cent* respectively. The recommendations of the XIV FC with regard to the devolution of Union Taxes and duties are discussed in **paragraph 1.3.3** above. A comparison of the devolution of Union Taxes and duties during the last year of award period of XIII FC and first year of award period of XIV FC is brought out in the **Table 1.16**.

Table 1.16: Share of net proceeds of Union Taxes and Duties during 2014-15 and 2015-16

Nature of Tax	(₹ in crore)			
	2014-15	2015-16	Difference	Increase (+)/ decrease(-) in per cent
Corporation Tax	5,117.21	7,547.57	2,430.36	(+)47
Taxes on Income other than Corporation Tax	3,654.18	5,252.47	1,598.29	(+)44
Service Tax	2,160.75	4,153.56	1,992.81	(+)92
Taxes on Wealth	13.81	1.65	(-)12.16	(-)88
Customs	2,369.95	3,830.22	1,460.27	(+)62
Union Excise Duties	1,338.24	3,181.60	1,843.36	(+)138
Other Taxes and Duties on Commodities and Services	(-)0.01	16.12	16.13	-
Other Taxes on Income and Expenditure	0.12	0.15	0.03	(+)25
Total	14,654.25	23,983.34	9,329.09	(+)64

There had been a significant increase in the State's share in the net proceeds of Union Taxes and duties under Union Excise duties (138 per cent), Service Tax (92 per cent) and Customs duty (62 per cent) during the first year of the award period of the XIV FC as compared to the last year of the award period of the previous Finance Commission.

1.3.4.3 Release of Grants

The State Government had received ₹1,741.44 crore during 2015-16 as transfer to the State and a comparison of the grants released during the last year of award period (2014-15) of XIII FC is indicated in **Table 1.17**.

Table 1.17: Comparison of release of grants during 2014-15 and 2015-16

Sl. No.	Transfers	(₹ in crore)				
		Release as per XIII FC during 2014-15	Recommendation of XIV FC	Release as per XIV FC during 2015-16	Increase/Decrease over previous year	Percentage of increase(+)/decrease(-)
1	Local Bodies					
(a)	Basic Grants to PRIs	753.04	1002.85	972.36	219.32	29
(b)	Basic Grants to ULBs	333.02	562.08	562.08	229.06	69
2	Disaster Relief	146.74	249.00	207.00	60.26	41
	Total	1,232.80	1,813.93	1,741.44	508.64	41

As of March 2016, the State Government received ₹972.36 crore of Basic Grants for PRIs against the recommendation of ₹1,002.85 crore which is ₹219.32 crore (29 per cent) more over the previous year. Basic grants to ULBs showed an increase of ₹229.06 crore over the previous year, an increase of 69 per cent. The release of Performance Grants to PRIs and ULBs will commence from the 2nd year of award period i.e. 2016-17. The State Government (RDPR department and UDD) has issued guidelines to arrive at entitlement of the PRIs and ULBs with regard to the operational criteria to obtain Performance Grants under XIV Finance Commission.

Similarly, against the recommended amount of ₹249 crore towards State Disaster Relief Fund (SDRF), only ₹207 crore was released, an increase of ₹60.26 crore (41 per cent) over the previous year. The contributions from GOI together with the State's contribution are transferred to the SDRF account in Public Account of the State. An equivalent amount is also shown as expenditure met out of the Fund during the award period. However, the expenditure shown as incurred out of the fund, is not the real expenditure, but these releases were made to the Deputy Commissioners (DCs) of the districts to meet subsequent expenditure. The unspent balances remaining with the DCs are not readily ascertainable as the transactions under the calamity fund maintained by the DCs take place in the deposit account in Public Account. Audit observed that in respect of 9 Deputy Commissioners from whom the details were obtained, there remained ₹144.29 crore unspent balance under the calamity fund. Thus the charging of entire expenditure to the fund expenditure lacks transparency.

During 2015-16, the XIV FC has not recommended for release of any Improving Outcome Grants, State Specific Grants or grants towards Elementary Education, Roads and Bridges and Environment related funds. The XIV Finance Commission in its recommendation stated that health, education, drinking water and sanitation are considered as public services of national importance, having significant inter-state externalities. Therefore, the grants to these sectors should be carefully designed and implemented and an effective monitoring mechanism put in place with the involvement of the Union Government, State Governments and domain experts. As such the commission has desisted from recommending specific-purpose grants and suggested that a separate institutional arrangement be introduced for the purpose.

Finance Department replied (December 2016) that since there was no cash support for improving outcome grants etc., institutional arrangements for the purpose have not been implemented. It was further stated that the departments have their own regular monitoring system for their programmes.

1.3.5 Foregone revenue

As per the requirements under Section 5(2) (c) of the KFRA, additional statements are brought out in the MTFP 2016-20 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 2014-15 to 2015-16 are indicated in **Table 1.18**.

Table 1.18: Details of exemptions/revenue foregone

Particulars	₹ in crore)	
	2014-15	2015-16 [#]
Tax expenditure/revenue foregone under deferment of purchase tax on sugarcane	34.19	19.32
Exemption/deferment/re-imburement of tax	652.57	423.33
Total	686.76	442.65

Source: MTFP 2016-20

[#]for the first three quarters of 2015-16

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

However, 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.

1.4 Capital Receipts

Capital receipts of the State Government include non-debt and debt receipts, whose composition has been discussed in **paragraph 1.2.1**. The Public Debt receipts during 2015-16 (₹21,072 crore) comprised internal debt of ₹19,801 crore (94 *per cent*) and Loans and Advances from GOI ₹1,271 crore (6 *per cent*). Market borrowings had a predominant share under internal debt, comprising 82 *per cent* followed by NSSF loans (14 *per cent*) and negotiated loans (4 *per cent*). Loans from GOI comprised Plan loans only. The trends in composition of capital receipts during the period 2011-12 to 2015-16 are indicated in **Table 1.19**.

Table 1.19: Trends in growth and composition of capital receipts

(₹ in crore and growth rate in <i>per cent</i>)					
Sources of State Capital receipts	2011-12	2012-13	2013-14	2014-15	2015-16
Capital Receipts (CR)	9,688	13,656	17,484	21,968	21,484
Misc. Capital Receipts	89	33	88	10	352
Recovery of Loans and Advances	241	158	109	84	60
Public Debt receipts	9,358	13,465	17,287	21,874	21,072
Rate of growth of debt capital receipts	39.38	43.89	28.38	26.53	(-)3.67
Rate of growth of non-debt capital receipts	41.63	(-) 42.12	3.14	(-) 52.28	338.30
Rate of growth of GSDP	14.02	19.92	15.53	13.89	7.41
Rate of growth of capital receipts (%)	39.46	40.96	28.03	25.65	(-)2.20

Overall, capital receipts increased from ₹9,688 crore in 2011-12 to ₹21,484 crore in 2015-16. Debt receipts had a predominant share in capital receipts which were between 97 and 98 *per cent* during 2011-12 to 2015-16. The recovery towards loans and advances was very meager during the period. Recovery amounted to less than one *per cent* of the outstanding loans and advances as at the end of 2015-16. It also included book adjustment of ₹15.18 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 2011-12 to 2015-16 are indicated in **Table 1.20**.

Table 1.20: Net transactions under Public Account

(₹ in crore)					
Resources under sectors of Public Account (Net)	2011-12	2012-13	2013-14	2014-15	2015-16
I. Small Saving, PF etc.,	1,398	1,732	3,107	2,156	2,086
J. Reserve Funds	2,761	1,362	1,264	1,547	2,081
K. Deposits and Advances	1,410	2,511	2,840	3,702	284
L. Suspense and Misc.	2,634	98	2,671	3,282	990
M. Remittances	(-) 11	(-) 32	(-) 12	(-) 32	(-)17
Total	8,192	5,671	8,870	10,655	5,424

The net receipts from Public Account decreased from ₹8,192 crore in 2011-12 to ₹5,424 crore (34 per cent) in 2015-16. Net availability of funds under Small Savings, Provident Fund, and Reserve Funds had a predominant share in financing the fiscal deficit. Under Suspense and Miscellaneous, there was decrease in transactions relating to un-encashed cheques which amounted to ₹996 crore during 2015-16. An analysis of the transaction is brought out in **paragraph 1.8.6**.

1.6 Application of resources

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

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

1.6.1 Growth and composition of expenditure

The basic parameters of total expenditure, growth rate and comparison with GSDP etc., are furnished in the **Table 1.21**.

Table 1.21: Total expenditure – Basic parameters

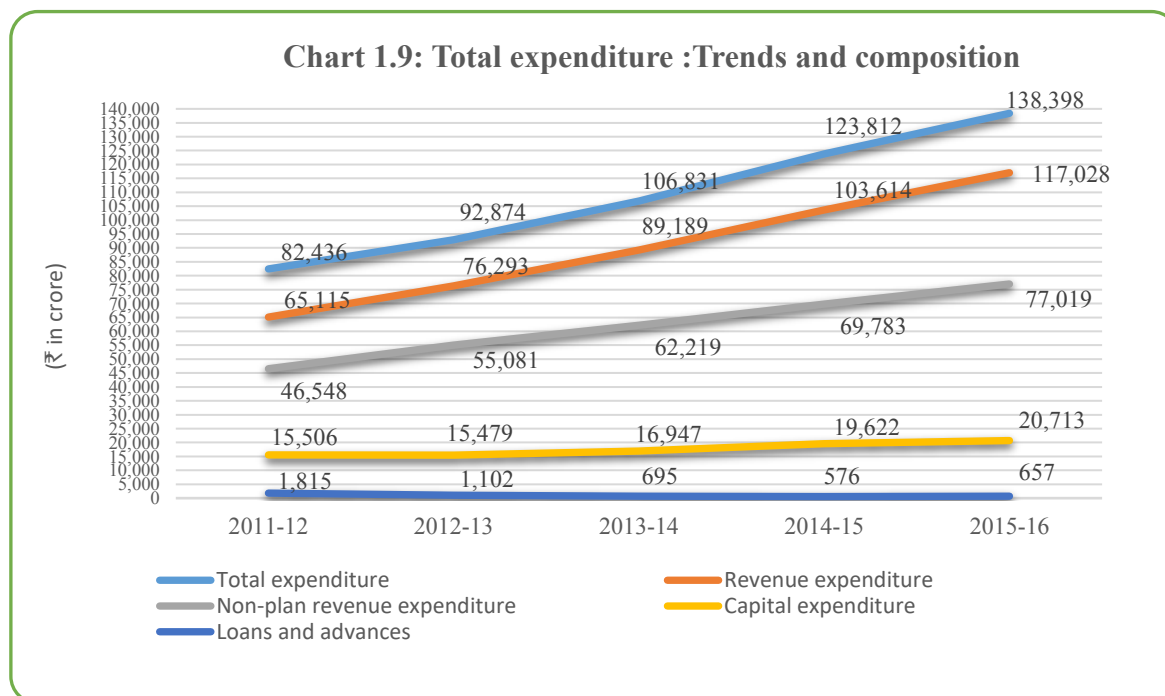
(₹ in crore and growth rate in per cent)

	2011-12	2012-13	2013-14	2014-15	2015-16
Total Expenditure (TE)*	82,436	92,874	1,06,831	1,23,812	1,38,398
Rate of growth	19.2	12.7	15.0	15.9	11.8
GSDP	4,34,270	5,20,766	6,01,633	6,85,207	7,35,975
Rate of growth	14.02	19.92	15.53	13.89	7.41
TE/GSDP	18.98	17.83	17.76	18.07	18.80
Revenue receipts/TE	84.7	84.2	83.8	84.11	85.85
Revenue expenditure	65,115	76,293	89,189	1,03,614	1,17,028
Rate of growth	20.5	17.2	16.9	16.2	12.9
Capital expenditure (including loans and advances)	17,321	16,581	17,642	20,198	21,370
Rate of growth	14.8	(-) 4.3	6.4	14.5	5.8
Buoyancy of total expenditure with GSDP					
GSDP	1.4	0.6	1.0	1.1	1.6
Revenue receipts	1.0	1.1	1.0	1.0	0.8
Buoyancy of revenue expenditure with					
GSDP	1.5	1.0	1.1	1.2	1.7
Revenue receipts	1.0	1.4	1.2	1.0	1.0

Source: Finance Accounts

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

Chart 1.9 presents the trends in total expenditure over a period of five years (2011-12 to 2015-16) and its composition under revenue, capital and loans and advances.



Source: Finance Accounts

Total expenditure increased by 68 per cent from ₹82,436 crore in 2011-12 to ₹1,38,398 crore in 2015-16 due to increase in revenue expenditure (₹51,913 crore), capital outlay (₹5,207 crore), offset by decrease in disbursement of loans and advances (₹1,158 crore).

During the period 2011-12 to 2015-16, on an average, 83 *per cent* of the total expenditure was on revenue account. During 2015-16, it was 85 *per cent*. The share of capital expenditure (including loans and advances) was 15 *per cent*.

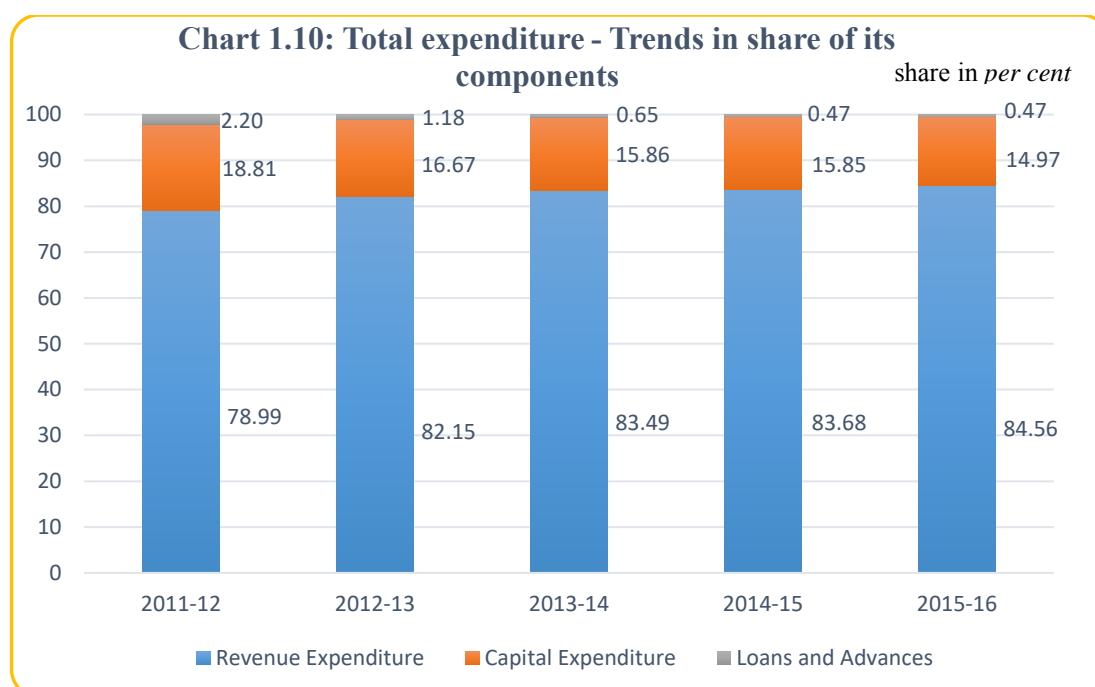
The share of Revenue Expenditure, Capital Expenditure and Loans and Advances for the years 2011-12 to 2015-16 is given in **Table 1.22**.

Table 1.22: Total Expenditure – Trends of Share of its components

	(figures in <i>per cent</i>)				
	2011-12	2012-13	2013-14	2014-15	2015-16
Revenue Expenditure	78.99	82.15	83.49	83.68	84.56
Capital Expenditure	18.81	16.67	15.86	15.85	14.97
Loans and Advances	2.20	1.18	0.65	0.47	0.47

Source: Finance Accounts of respective years

Chart 1.10 presents composition of total expenditure over a period of five years (2011-12 to 2015-16).



Revenue expenditure had a predominant share in total expenditure as around 80 *per cent* of the expenditure was committed expenditure 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 1.23**.

Table 1.23: Total Expenditure – Trends by activities

	(Share in <i>per cent</i>)				
	2011-12	2012-13	2013-14	2014-15	2015-16
General Services	20.71	22.36	23.83	23.33	22.97
Social Services	33.80	35.89	33.39	35.17	37.30
Economic Services	38.02	36.23	37.43	36.17	34.87
Loans and Advances	2.20	1.18	0.65	0.47	0.47
Grants-in-aid	5.27	4.34	4.70	4.86	4.39

Source: Finance Accounts of the respective years

The movement of relative share of these components exhibited relative stability during the period from 2011-12 to 2015-16 with marginal inter year variations. The share of both General and Social services increased marginally while the share of Economic Services decreased slightly in 2015-16. The share of loans and advances declined sharply from 2011-12 to 2015-16.

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 5 per cent of GSDP. The ratio of capital expenditure to GSDP which was at 4 per cent during 2011-12, however, dropped to 3 per cent during the remaining period of 2012-13 to 2015-16.

1.6.2 Revenue Expenditure

Revenue expenditure comprises of day-to-day expenditure of the Government, wages and salaries, pensions, interest payments, expenditure on operation and maintenance of capital works, subsidies and transfers to local bodies, co-operatives, Non-Government Organisations (NGO) 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 ₹65,115 crore in 2011-12 to ₹1,17,028 crore in 2015-16, an increase of 80 per cent. The revenue expenditure buoyancy during 2015-16 was 1.7 times compared to GSDP. Compared to the previous year, the increase was 13 per cent, due to increase in salary expenditure (₹822 crore), interest payments (₹1,539 crore), pensions (₹1,133 crore) and devolution to local bodies (₹1,211 crore) etc.

The revenue expenditure during 2015-16 also included ₹1,185.31 crore provided as Guarantee Commission³ (₹56.96 crore), waiver of penalty on Coffee seeds (₹1.60 crore), settlement of statutory dues of MySugar Company Ltd (₹38.95 crore), ESCOMs (₹1,087 crore) being the dues of electricity tax etc., treated as subsidy and adjustment of interest on Capital invested in Government Commercial Undertakings (GCU's) (₹0.80 crore) through book adjustment.

1.6.3 Committed Expenditure

Most of the revenue expenditure is in the nature of committed expenditure on salaries, pension, interest, subsidy etc., which affects the maneuverability of the State in prioritizing 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

³ Rajiv Gandhi Rural Housing Corporation Ltd., (₹40.26 crore), Karnataka Slum Development Board (₹0.29 crore), Mines and Geology (₹0.70 crore), Karnataka Power Transmission Corporation Limited (₹14.03 crore), Mysore Lamps Works Limited (₹0.14 crore) and Karnataka State Industrial Investment and Development Corporation (KSIIDC) (₹1.54 crore).

security schemes, Grant-in-aid & Other Financial Assistance, administrative expenses, implicit subsidies arising under various schemes of the Government, devolution to local bodies etc., which are treated as committed expenditure in the MTFP 2014-18 covering the period 2011-12 to 2015-16 is depicted in **Table 1.24** and **Chart 1.11**.

Table 1.24: Trends in committed expenditure

Sl. No	Particulars	2011-12	2012-13	2013-14	2014-15	2015-16	
						BE	Actuals
1	Salaries* of which	12,996	16,308	18,027	19,952	22,576	20,774
	Non-Plan head	11,446	8,324	15,211	16,733		17,342
	Plan head**	1,550	7,984	2,816	3,219		3,432
2	Interest payments [#]	6,604	7,454	8,027	9,804	10,668 [@]	11,343
3	Expenditure on pensions	5,436	7,227	9,152	10,118	10,714	11,251
4	Social Security Pensions	2,244	1,880	1,870	2,322	3,547	2,247
5	Subsidies of which					18,480	
	Explicit	7,390	10,709	13,323	11,153		13,149
	Implicit	1,270	1,849	1,690	2,973		3,913 [^]
6	Grants-in-aid and financial assistance	5,652	6,898	8,471	9,737	7,717	10,840
7	Administrative Expenses	1,029	1,358	1,549	1,708	2,331	1,958
8	Devolution of Local Bodies	12,628	13,445	15,570	19,952	20,813	21,163
9	Total Committed Expenditure	55,249	67,128	77,679	87,719	96,846	96,638
10	Revenue receipts	69,806	78,176	89,542	1,04,142	1,16,360	1,18,817
11	Revenue receipts of which committed expenditure as % of revenue receipts (9/10)	79	86	87	84	83	81

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

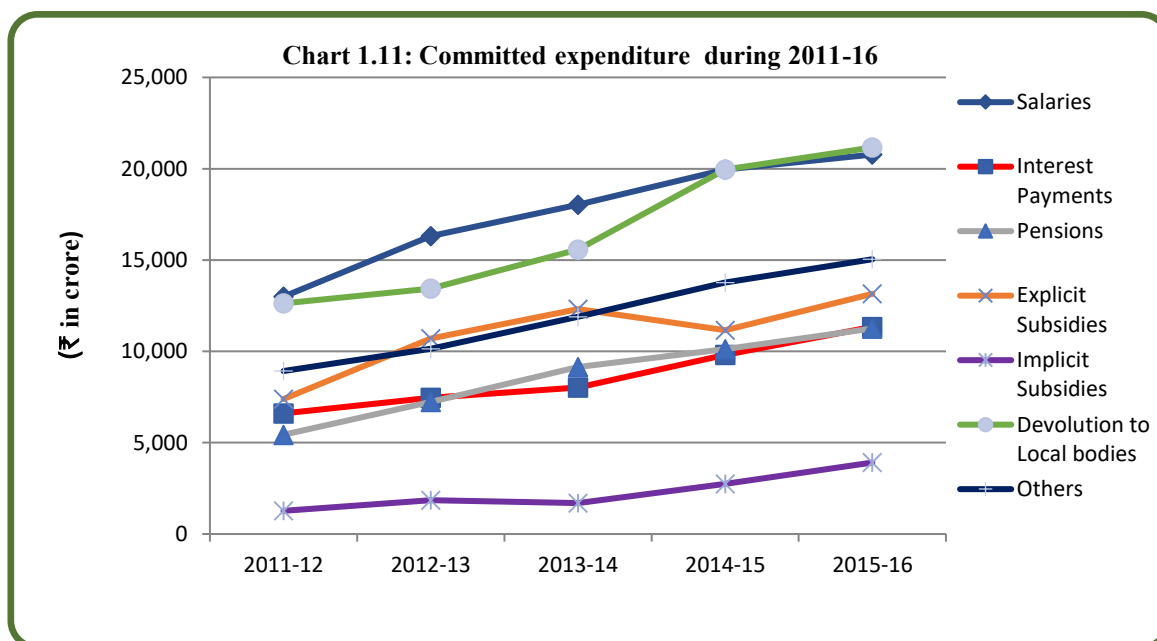
** Includes the salaries paid under centrally sponsored schemes.

Includes interest on off-budget borrowings

@ includes interest pertaining to 2049 only

[^] Excludes subsidy under Indira Awas Yojana, which was released as financial assistance

The ratio of committed expenditure to revenue receipts has been steadily increasing from 2011-12 to 2013-14 and there was decreasing trend from 2014-15 onwards. The high percentage 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 legislation 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.



Source: Finance Accounts

Expenditure on salaries

Expenditure on salaries increased from ₹12,996 crore in 2011-12 to ₹20,774 crore in 2015-16. It grew by 4 per cent over the previous year. It was noticed that the Finance Accounts captured data on salaries only in respect of State Sector, whereas the salary expenditure in case of PRIs (to the tune of ₹11,608 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 excluding the salary grant relating to Urban Local Bodies (ULBs) of the State was 22 per cent of the revenue expenditure net of interest payment and pensions, which was within the norm of 35 per cent fixed by the TFC.

FD 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 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 2.4.1.7** of this report.

Misclassification of salary expenditure under capital section amounting to ₹6.73 crore instead of under revenue during 2015-16 is discussed in **paragraph 2.4.1**.

Pension Payments

The expenditure on pension (₹11,251 crore) during 2015-16 exceeded MTFP (2012-16) projections by ₹991 crore. Increase of ₹1,133 crore in expenditure over the previous year was on account of increase in retirement of employees.

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 the NPS in the State. The State Government has adopted the NPS architecture designed by the Pension Fund Regulatory Development Authority (PFRDA) and has appointed the National Securities Depository Limited (NSDL) as the Central Record Keeping Agency (CRA) for NPS. Bank of India is the Trustee Bank in charge of operation of Pension Funds. The security of investment of the pension corpus is also given primacy by mandating that 85 *per cent* of corpus be invested in bonds and fixed maturity investments and the remaining 15 *per cent* in equity and equity related instruments. The employees are given an option to pay their backlog either in lump sum outside salary or in multiple installments through salary deductions.

The New Pension Implementation Cell (NPIC) stated that (May 2016) there were 1,57,719 officials registered in the State and allotted Permanent Retirement Account Number (PRAN) as on 31 March 2016. An amount of ₹388.33 crore was contributed towards the scheme by the Government through revenue account. Employees' contribution of ₹439.02 crore for the current year was also accounted against the scheme. The employee recoveries and backlog⁴ contribution as on 31 March 2016 is ₹1,673.20 crore and the matching contributions made by State Government since inception of the scheme is ₹1,625.97 crore.

An amount of ₹791.55 crore was transferred to NSDL/Trustee bank from Fund balance, leaving net balance of ₹16.01 crore (Employees' contribution, Government's contribution and Backlog/Interest) under Major Head 8342 and Minor head 117- Defined Contribution Pension Scheme for Government Employees. The discrepancy is due to misclassification by the Director of Treasuries and needs to be reconciled. Un-transferred amounts with accrued interest represent outstanding liabilities of the Government. During 2015-16, ₹3.50 crore has been 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 NPS.

Vide correction slip No 793 effective from 2015-16 issued to the List of Major and Minor Head (LMMH) a new minor head '119' below the functional Major head "2071 – Pension & Retirement benefits" has been opened to account the expenditure towards service charges paid to NSDL. Accordingly, for the year 2015-16, ₹6.12 crore had been paid to NSDL towards service charges under NPS and accounted under HOA '2071-01-119-0-01-NP'.

⁴Refers to the contribution the employee has to make from the date of his entry into service to the date of implementation of the scheme.

Government in its GO dated 31.01.2014 had issued the detailed procedure for effecting NPS deductions of Government employees on foreign services to Boards/ Corporations/ Societies/ Universities/ State Aided Institutions/ State Autonomous Bodies under all Ministries and Departments of State Government. For effecting the NPS deductions, NPS cell allocated a unique Non-Treasury PAO/DDO code to 28 organisations, of which 11 organisations have been registered by CRA as on 31.03.2016 and allotted PAO registration numbers and DDO numbers. As such there were 276 subscribers coming under the purview of NPS in these organizations.

The payment of pension and other retirement benefits to All India Service officers prior to 01 April 2008, was a liability to be borne by the State Government. The liability on account of pension payments that are to be borne by the GOI (from April 2008), are to be booked under suspense head - 8658 and a demand raised for reimbursement. In this regard a sum of ₹9.12 crore (March 2016) was outstanding for settlement, implying that the State Government was yet to receive amount due to it.

Interest Payments

Interest payments increased by ₹4,739 crore from ₹6,604 crore in 2011-12 to ₹11,343 crore in 2015-16. Interest payments during 2015-16 constituted interest on internal debt (₹8,222 crore), interest on small savings, provident fund etc., (₹1,844 crore), interest on loans and advances from the Central Government (₹680 crore) and interest on off-budget borrowings (₹597 crore).

The interest on internal debt increased by 17 *per cent* from ₹7,024 crore in 2014-15 to ₹8,222 crore in 2015-16 on account of increase in payment of interest on market loans by ₹1,138 crore (24 *per cent*), interest on special securities by ₹41 crore (2 *per cent*) issued to NSSF of the Central Government by the State Government, interest on other internal debt by ₹11 crore (2 *per cent*) and management of debt by ₹8 crore (113 *per cent*).

The interest on small savings, provident funds etc. increased by ₹178 crore (11 *per cent*) from ₹1,666 crore during 2014-15 to ₹1,844 crore in 2015-16, mainly on account of increase in interest on State provident funds and insurance and pension funds by 10 and 12 *per cent*, respectively, relating to the previous year.

Interest on off-budget borrowings

The ratio of interest payments to revenue receipts (IP/RR) determines the debt sustainability of the State. During 2015-16, the ratio of interest payments to total revenue receipts of the State was 10 *per cent*, which was well within the TFC norm of 15 *per cent*. During 2011-12 to 2015-16 the ratio hovered between 9 and 10 *per cent* on account of buoyancy in revenue receipts. By an amendment to the 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 (OBB) are part of the State's own liabilities for working out the Total Liabilities of the State.

The State Government in its MTFP 2016-20 on the ratio of IP/RR had included the interest payments serviced under the HOA 2049 only. But the interest on OBBs which are serviced through other heads of account is not part of this ratio of IP/RR. Even though the ratio of IP/RR are within the norms, the inclusion of interest on OBBs should also be considered for working out this ratio, in the MTFP by the State Government.

Payment of interest on Compensation Bonds

The interest payments by the Government is on the financial liabilities brought out in Government Accounts. These liabilities inter alia comprise borrowings under Public Debt and Liabilities on Public Account. The borrowings under compensation bonds forms a part under Public Debt.

Sanction was accorded by Finance department (January 2015) for payment of ₹1,45,765 to Reserve Bank of India, Banking Department, Bangalore towards the interest on Compensation Bonds, the transactions of which are reflected under the functional minor head 200-Interest on other Internal Debts. Finance department instructed RBI to take out this transaction from its books and afford equivalent credit to Government books.

However, audit observed that Office of Accountant General (A&E) [AG (A&E)] in their letter (March 2016) stated that the balance amount of Compensation bonds had already been adjusted to the 2075-‘Miscellaneous Government Accounts’ during 1996-97 in terms of instructions contained under Note (3) below 6003-Internal Debt of the State Government in the LMMH.

The State Government is paying interest on Compensation Bonds even though the bonds are not outstanding in the Government books. The un-redeemed bonds to the extent of ₹39.81 lakh are still shown as outstanding as per the books of RBI even though office of the AG (A&E) has clearly stated (March 2016) that the compensations bonds have been adjusted during 1996-97 itself. As there exists an anomaly between the figures of RBI and AG (A&E), early action is necessary to set right the discrepancy.

Delay in release of grants to PRIs and ULBs –Payment of Interest

A mention was made in the report on State Finances for the year ending March 2015 regarding delay in release of XIII FC grants to PRIs and ULBs wherein it was stated that the grants to the PRIs and ULBs should be released by the Rural Development Department within 05 days from the date of receipt of grant from Government of India. In the event of delay in release of grants, the State Government was liable to release the installment with interest at the bank rate of Reserve Bank of India for the number of days of delay. Accordingly, for the delay in release of General Basic Grants and Performance Grants for the year 2013-14, ₹5.03 crore in respect of PRIs and ₹1.92 crore in respect of ULBs has been paid as interest during 2015-16. Similarly, there has

been delay in release of first installment of XIV FC grants during 2015-16 to Gram Panchayats (GP) for which the Government had to pay interest of ₹1.43 crore. The grants to GP were required to be released within 15 days of receipt from Central Government. The reasons for the delay in release of grants to PRIs and ULBs is not forthcoming. Appropriate procedures may be put in place to ensure timely releases in future.

Subsidies

Subsidy expenditure increased from ₹7,390 crore in 2011-12 to ₹13,149 crore during 2015-16, which was 11 *per cent* of revenue receipts.

Explicit Subsidies

In MTFP (2013-17), the Government had stated that subsidies provided by the State could be of two kinds – explicit and implicit subsidies. Explicit subsidy is that which provides for expenditure in the form of a subsidy or interest subvention for certain schemes of the Government. It was stressed that the challenge lies in ensuring that these subsidies do not become a permanent source of additional support and thereby deter these sectors from undertaking reforms. The three largest explicit subsidy outgoes for the State were power subsidy provided for supply of free electricity to farmers for usage of agricultural pump sets, food subsidy and interest subsidy for crop loans. Finance Accounts (Appendix-II) showed an explicit subsidy of ₹13,149 crore during 2015-16 which was ₹1,996 crore more than the previous year. The increase was 18 *per cent* over the previous year. The details are given below.

Power

During 2015-16, subsidy to the power sector (₹8,693 crore) accounted for 66 *per cent* of the total subsidy (₹13,149 crore). It included financial assistance to electricity supply companies towards subsidy for supply to Irrigation Pump (IP) sets, Bhagya Jyothi (BJ)/ Kutira Jyothi (KJ) (₹8,143 crore) and pension contribution to the employees of Karnataka Power Transmission Corporation Limited (KPTCL) (₹550 crore). The power subsidy included book adjustment of ₹1,101.39 crore of which ₹1,029.86 crore was the tax dues retained by ESCOMs against power subsidy due.

Though Government stated (November 2007) that the KPTCL would be reflected as an off-budget entity in the budget documents, this was not complied with. Also subsidy of ₹19.19 crore given to the KPTCL for meeting its debt servicing obligations to the Power Finance Corporation (PFC) and Rural Electrification Corporation (REC), was not captured under revenue account.

Release of subsidy to ESCOMS

Government is providing subsidy to ESCOMs for supply of IP Sets, BJ/ KJ consumers. For the years from 2007-08 to 2014-15, the accepted subsidy dues to ESCOMs were ₹1,537.36 crore which were cleared during 2015-16. Postponing the expenditure of earlier years and making payment during the current year had the effect of altering the fiscal indicators of those years.

Food

Food subsidy to meet the differential cost of food grains in 2015-16 is ₹2,196 crore which includes subsidy towards Annabhagya for BPL beneficiaries towards subsidies for Food Grains (₹1,761 crore), Annabhagya for BPL beneficiaries towards subsidies for other items (₹429 crore) and Annabhagya for APL beneficiaries towards subsidies for food grains (₹5 crore) and Sugar (₹0.92 crore).

Co-operation

Subsidy in the co-operative sector predominantly represented waiver of overdue loans (principal as well as interest) given to farmers. Such waiver of loans and interest aggregated to ₹5,863 crore (₹447 crore in 2011-12, ₹1,323 crore in 2012-13, ₹2,704 crore in 2013-14, ₹624 crore in 2014-15 and ₹765 crore in 2015-16).

According to the Vaidyanathan Committee Report (March 2008), and as reiterated by the PAC, the Governments both at the Centre and in the States should desist from the practice of waiver of recovery of loans and interest to prevent deterioration of the health of the co-operative credit system.

Transport

Transport subsidy had increased from ₹651 crore in 2014-15 to ₹748 crore in 2015-16. This subsidy was mainly towards fare concession extended to students, freedom fighters, physically challenged, etc. It also included book adjustment of ₹328.43 crore being the motor vehicle tax dues of transport corporations, adjusted as subsidy towards concession value of bus passes issued to students, senior citizens, blind, handicapped and free bus passes provided to ex-MLAs and MLCs.

Implicit Subsidies

Implicit subsidies inter alia arise when the Government is unable to recover the costs it incurs 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 the implicit subsidies extended during 2015-16 are detailed in **Appendix 1.5**.

The implicit subsidies increased from ₹1,270 crore in 2011-12 to ₹3,913 crore during 2015-16. 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 2015-16, the subsidy under Indira Awas Yojana (₹1,020 crore) was accounted for under HOA '2216-80-198-6-02-300(P)' as financial assistance/block grant to ZPs instead of for under HOA '2216-80-103-0-21' (Indira Awas Yojana) & '2216-80-800-0-04' (Indira Awas Yojana – State share).

1.6.4 Financial assistance to local bodies and other Institutions

The quantum of assistance provided by way of grants to local bodies and other institutions during 2015-16, relative to the previous years, is presented in **Table 1.25**.

Table 1.25: Financial assistance to local bodies and other institutions

	(₹ in crore)				
	2011-12	2012-13	2013-14	2014-15	2015-16
Panchayat Raj Institutions	15,211.83	18,532.58	20,512.71	24,991.27	26,694.94
Urban Local Bodies*	4,343.96	4,018.42	5,020.43	6,011.45	6,076.05
Educational Institutions (including Universities)	630.47	738.69	961.62	1,145.04	1,406.50
Co-operative societies and co-operative institutions	357.79	47.04	849.85	818.09	1,023.13
Other institutions and bodies (including statutory bodies)	2,486.31	3,850.11	5,267.90	5,782.63	4,820.87
Assistance as a percentage of revenue expenditure	37	36	37	37	34
Total	24,030.36	27,186.84	32,612.51	38,748.48	40,021.49

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 ₹15,212 crore in 2011-12 to ₹26,695 crore in 2015-16, while the assistance to ULBs increased from ₹4,344 crore in 2011-12 to ₹6,076 crore in 2015-16.

Out of the total devolution of ₹26,695 crore to PRIs during 2015-16, ₹11,608 crore (43 per cent) was towards salaries as the State Government's functions viz., education, water supply and sanitation, housing, health and family welfare etc., were transferred to PRIs. It also included the XIV FC grants released to the State Government (₹972.36 crore).

Audit observed that in case of a CSS viz. Indira Awas Yojana, funds were being released to the M/s Rajiv Gandhi Rural Housing Corporation Ltd. for construction of houses under the State Sector. During 2015-16, ₹1,019.20 crore were released to the said company for the above purpose under District sector instead of State sector, to project increased devolutions to PRIs.

The assistance to ULBs increased by ₹65 crore and to Co-operatives by ₹205 crore respectively, as compared to the previous year. It increased for educational institutions by ₹261 crore and decreased by ₹962 crore during 2015-16 for other institutions. The assistance to ULBs included ₹2,972 crore towards creation of capital assets. It also included the XIV FC grants released to the State Government (₹562.08 crore).

Assistance to other institutions (₹4,821 crore) included assistance to Development Authorities (₹748 crore), NGOs (₹1,721 crore), PSUs (₹26 crore) and others (₹2,326 crore).

1.7 Quality of expenditure

The availability of better social and physical infrastructure in the State generally reflects the quality of its expenditure. The improvement in the quality of expenditure basically involves three aspects, *viz.*, adequacy of 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 1.26 analyses the fiscal priority of the State Government with regard to development expenditure, social expenditure and capital expenditure relative to GCS in 2012-13 and the current year 2015-16.

Table 1.26: Fiscal priority of the State in 2012-13 and 2015-16

Fiscal priority by the State	AE/ GSDP	DE#/ AE	SSE/ AE	CE/ AE	Education/ AE	Health/ AE
*General Category States Average (Ratio) 2012-13	14.14	70.03	38.47	13.70	17.72	4.72
Karnataka State's Average (Ratio) 2012-13	17.83	73.29	36.77	17.85	16.14	4.23
*General Category States Average (Ratio) 2015-16	16.05	70.03	36.29	14.89	15.63	4.45
Karnataka State's Average (Ratio) 2015-16	18.80	72.57	37.54	15.44	14.05	4.21

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 I.1.

Comparative analysis reveals the following:

- The State's spending ratio of aggregate expenditure to GSDP moderated marginally during 2015-16 compared to 2012-13.
- Development expenditure as a proportion of aggregate expenditure in the State has been higher than the 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 the GCS in 2012-13 and higher in 2015-16. As observed from the **Table 1.26**, adequate priority needs to be given to both education and health

sectors as the ratio under both these sectors is well below the GCS average during 2012-13 and 2015-16.

- Priority has been given by the State Government to capital expenditure in 2012-13 and 2015-16, as the ratio of capital expenditure to aggregate expenditure has been higher than the average ratio 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 rationalization measures with more emphasis on development expenditure⁵. The higher the ratio of these components to total expenditure, the better would be the quality of expenditure. **Table 1.27** presents the trends in development expenditure relative to the aggregate expenditure of the State during 2015-16 *vis-à-vis* that of previous years.

Table 1.27: Development expenditure

	(₹ in crore)				
	2011-12	2012-13	2013-14	2014-15	2015-16
Development Expenditure (DE)	60,930	68,067	76,328	88,904	1,00,441
Percentage of DE to total expenditure	74	73	71	72	73
Components of DE					
Revenue	44,326 (73)	52,094 (76)	59,215 (77)	69,337 (78)	80,153 (80)
Capital	14,880 (24)	14,889 (22)	16,446 (22)	19,004 (21)	19,722 (20)
Loans and Advances	1,724(3)	1,084(2)	667(1)	563(1)	566(-)*

Source: Finance Accounts

Figures in brackets indicate percentage to development expenditure.

*differs from those shown in appendix due to rounding.

Development expenditure increased from ₹60,930 crore in 2011-12 to ₹1,00,441 crore in 2015-16. As a percentage of total expenditure, it decreased from 74 in 2011-12 to 71 in 2013-14 and thereafter increased to 73 per cent during 2015-16. 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 2011-12 to 2015-16. In 2015-16, expenditure on salary (₹15,500 crore) and subsidy (₹13,106 crore) formed two major components of development revenue expenditure.

Table 1.28 provides the details of capital expenditure and the components of revenue expenditure incurred on salaries and maintenance of the selected social and economic services.

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

Table 1.28: Efficiency of expenditure in selected social and economic services

Sector	(ratio in per cent)					
	2014-15			2015-16		
	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	0.26	9.37	0.02	0.52	8.68	0.01
Health and family welfare	0.64	2.09	0.01	0.59	1.96	0.01
Water Supply, sanitation, housing and urban development	1.64	0.05	0.11	1.42	0.08	0.12
Others	1.14	0.62	0.02	1.55	0.55	0.02
Total (SS)	3.68	12.13	0.16	4.08	11.27	0.16
Economic Services						
Agriculture and allied activities	0.22	1.15	0.05	0.14	1.04	0.04
Irrigation and flood control	6.28	0.16	0.23	5.02	0.12	0.29
Power and energy	0.25	-	-	0.06	-	-
Transport	4.16	0.07	0.89	3.90	0.07	0.62
Others	1.22	0.78	0.03	1.46	0.74	0.02
Total (ES)	12.13	2.16	1.20	10.58	1.97	0.97
Total (SS+ES)	15.80	14.29	1.36	14.66	13.24	1.13

Source: Finance Accounts

Expenditure on Social Services

Capital expenditure on social services increased from ₹4,551 crore in 2014-15 to ₹5,641 crore in 2015-16 and the ratio of capital expenditure to total expenditure increased from 3.68 per cent in 2014-15 to 4.08 per cent in 2015-16. The share of salary expenditure (under social services) in total revenue expenditure was 11 per cent in 2015-16 (Table 1.28).

Expenditure on Economic Services

Capital expenditure on economic services decreased from ₹15,016 crore in 2014-15 to ₹14,647 crore in 2015-16. The share of salary expenditure (under economic services) in total revenue expenditure was 2 per cent during 2015-16 (Table 1.28).

The priority sectors identified by the Government in respect of economic services were agriculture, rural development, irrigation and flood control, transport, industries and minerals. In 2015-16, capital outlay was higher by ₹350 crore, ₹253 crore and ₹99 crore under industries and minerals, transport and special areas programmes respectively, while under irrigation and flood control, energy, agriculture and rural development it was lower by ₹824 crore, ₹203 crore, ₹84 crore and ₹7 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 implicit 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 2015-16 *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 2016 is given in **Table 1.29**.

Table 1.29: Incomplete projects

Department	Incomplete Projects*				Cumulative expenditure as of March 2016
	Number	Budgeted cost	Cost over run		
			Number	Amount	
Public Works					
Buildings	77	315.92	7	14.47	260.66
Roads & Bridges	212	1,243.18	47	14.30	1,155.70
Irrigation	57	99.90	7	0.88	78.87
Total	346	1,659.00	61	29.65	1,495.23

(₹ in crore)
Source: Finance Accounts

*Projects scheduled to be completed on or before 31 March 2016 have been included

Against the initial budgeted cost of ₹1,659 crore in respect of 346 works, stipulated to be completed on or before March 2016, the progressive expenditure was ₹1,495.23 crore as of 31 March 2016, out of which, in 61 cases, the cost overrun aggregated ₹29.65 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.

Sick / non-working PSUs/Departmentally managed organizations

As of 31 March 2016, the Government had invested ₹61,356 crore, in 84 Government Companies (₹56,229 crore including investment of ₹68 crore in 16 non-working Government Companies), Nine Statutory Corporations (₹2,445 crore), 43 Joint Stock Companies (₹2,299 crore), and Co-operative Institutions, Local bodies and Regional Rural Banks (₹382 crore). The return from investment was negligible (**Table 1.30**).

Table 1.30: Return on investment

	2011-12	2012-13	2013-14	2014-15	2015-16
Investment at the end of the year (₹ in crore)	44,294.86	49,463.80	55,048.00	61,726.92	61,355.89
Return (₹ in crore)	60.56	56.29	55.49	74.84	69.40
Return (per cent)	0.1	0.1	0.1	0.1	0.1
Average rate of interest on Government borrowings (per cent)	6.6	6.6	6.2	6.5	6.5
Difference between interest rate and return (per cent)	6.5	6.5	6.1	6.4	6.4

Source: Finance Accounts

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 the MTFPs placed before the Legislatures did not contain a road map for ensuring proper return on investments.

In addition, investment of ₹388.47 crore in respect of five⁶ Companies/Corporations has been lying in Public Account as at the end of March 2016 without actual utilisation by the institutions. This has resulted in locking up of funds in the Public Account. Efforts should be made for proper utilization of these funds and a system should be put in place for scrutiny of proposals received from the Companies seeking funds before releasing further money from the Consolidated Fund.

With regard to large sums remaining unutilised by certain entities, the Finance Department replied (October 2015) that a committee called Off Budget Borrowing Monitoring Committee (OMC) has been constituted under the chairmanship of the Principal Secretary to Government, Finance Department, that has the power to review the status of the existing loan or bond and suggest action as may be required in the overall interest of the finances of the Board / Corporation. The FD also stated (October 2015) that before releasing the amount towards payment of principal and interest, the utilisation of previous year's principal repayment and interest is also being ensured.

Out of the total investment of ₹61,356 crore up to the end of March 2016, ₹58,494 crore (95 per cent) were invested in 60 Government Companies and Statutory Corporations under irrigation sector (₹36,779 crore), transport sector (₹2,399 crore), infrastructure sector (₹3,686 crore), power sector (₹9,508 crore), industries sector (₹806 crore), housing sector (₹1,451 crore), financing sector (₹2,841 crore), construction sector (₹2 crore) and social sector (₹1,022 crore). The investment included ₹25,002 crore (41 per cent) in the following Companies/Corporations, which were running perennial losses and where the investments were substantial (Table 1.31).

⁶Krishna Bhagya Jala Nigam (₹128.71 crore), Karnataka Urban Infrastructure Development and Finance Corporation (₹191.09 crore), Karnataka Neeravari Nigam Limited (₹0.33 crore), Karnataka Rural Infrastructure Corporation Limited (₹61.21 crore), Karnataka Slum Development Board (₹7.13 crore).

Table 1.31: Investment in Companies/Corporations under perennial loss

				(₹ in crore)		
Company/Corporation				Investment up to 2015-16	Cumulative loss	Cumulative loss to the end of
North Western Karnataka Road Transport Corporation				266.85	562.17	2014-15
North Eastern Karnataka Road Transport Corporation				183.43	432.74	2014-15
The Karnataka Minorities Development Corporation Limited, Bengaluru				437.80	23.55	2013-14
Rajiv Gandhi Rural Housing Corporation Limited, Bengaluru				96.11	74.29	2014-15
Krishna Bhagya Jala Nigam Limited				23,745.34	511.78	2014-15
The Mysore Sugar Company Limited, Bengaluru				272.34	289.42	2012-13
Total				25,001.87	1,893.95	

Source: Finance Accounts

During 2015-16, the Government invested ₹122 crore in these Companies and the cumulative loss had increased by ₹213 crore over the previous year.

Krishna Bhagya Jala Nigam Limited was established (in 1994) as a wholly owned Government Company under the provisions of the Companies Act, 1956, mainly for execution, operation and maintenance of the Upper Krishna Project works in the Krishna River Basin and such other projects allocated to it by the Government from time to time. The cumulative loss of the company at the end of 2014-15 was ₹512 crore.

The transactions under investment account includes certain non-cash transactions like conversion of dues into equity and reconciling the investment of the Government with the books of the Companies. Outstanding Government dues amounting to ₹83.82 crore held by Karnataka State Industrial and Infrastructure Development Corporation Limited (KSIIDC) were converted into equity in order to increase the capital base of the Company.

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

1. Investments in 'Karnataka Road Development Corporation Limited', decreased' by ₹2,669.19 crore due to conversion of equity into capital grants under MH 5054-800-Other expenditure. Change in classification of expenditure of earlier years was done by correction of progressive balance under relevant heads without affecting the disbursement transactions for the year 2015-16.
2. Investments in 'Rajiv Gandhi Rural Housing Corporation Limited' decreased by ₹127.29 crore due to conversion of equity as capital grants under MH 4216-190 – Investments in Public Sector and Other Undertakings to minor head 800-Other Expenditure.
3. Progressive capital expenditure under 4425-Capital Outlay on Co-operation', decreased by ₹1.70 crore, due to retirement of Government investments in share capital of co-operative institutions,

proceeds of which stands accounted under ‘Miscellaneous Capital Receipts’ in 2015-16.

4. Government Investments in KSIIDC was increased by ₹15.00 crore due to conversion of capital releases into share capital.

During 2015-16, the Government invested ₹1,689.49 crore, in Statutory Corporations (₹75.00 crore), Government Companies (working) (₹1,570.35 crore) and co-operative institutions (₹44.14 crore).

Non-approval for establishment of company – Bangalore Bioinnovation Centre

A new company by name “The Bangalore Bioinnovation Centre” (BBC) has been incorporated on 10 April 2015 under the Administrative Control of Department of Information Technology/Bio-Technology & Science & Technology of Government of Karnataka as a Government of Karnataka undertaking. The company has been formed with Certificate of Incorporation by Registrar of Companies, Memorandum and Articles of Association, appointment of first directors and investment in the form of share capital by the Government.

Under the Karnataka Government (Transaction of Business) Rules, 1977, Rule 16 (i) of the First Schedule “creation of new corporations or companies either wholly owned or partially financed by the State Government or by a Public Sector Undertaking” shall be brought before the Cabinet. In the instant case the company was formed without the approval of the Cabinet which is against the rules. However, investment of ₹0.01 crore was made in this company.

1.8.3 Investment in Public Private Partnership (PPP) Projects

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

The summary of PPP projects that are completed, under implementation/ construction and in operation/ planning/ pipeline as on 31 March 2016 are detailed in **Table 1.32**.

Table 1.32: Sector and stage-wise status of PPP projects in the State

Sector	(₹ in crore)							
	Completed		Under implementation/ construction		Under planning/Pipeline		Grand Total	
	No	Cost	No	Cost	No	Cost	No	Cost
Agri-Infrastructure	-	-	1	105.90	13	6,739.00	14	6,844.90
Education	-	-	-	-	-	-	-	-

Sector	Completed		Under implementation/ construction		Under planning/Pipeline		Grand Total	
	No	Cost	No	Cost	No	Cost	No	Cost
Energy	-	-	-	-	4	10,520.00	4	10,520.00
Health	-	-	-	-	1	-	1	-
Industrial Infrastructure	-	-	-	-	10	61,851.50	10	61,851.50
Roads & Bridges	5	793.18	4	1,275.51	28	49,588.00	37	51,656.69
Tourism	1	32.00	1	108.00	20	1,982.00	22	2,122.00
Transportation & Logistics excluding roads and bridges	2	2,763.29	3	60.82	19	21,753.00	24	24,577.11
Urban and Municipal Infrastructure	7	325.00	1	40.00	54	34,084.00	62	34,449.00
Total	15	3,913.47	10	1,590.23	149	1,86,517.50	174	1,92,021.20

Source: PPP Cell of Infrastructure Development Department

From the table it is seen that as on 31 March 2016, 15 projects were completed at a cost of ₹3,913 crore. Another 10 projects of ₹1,590 crore are under implementation and 149 projects of ₹1,86,518 crore were under pipeline/planning indicating that 94 per cent of the projects are yet to materialize. The details are furnished in **Appendix 1.6**.

1.8.4 Departmental Undertakings

Nineteen undertakings of certain Government departments performed activities of a quasi-commercial nature. According to the latest accounts furnished by six undertakings, the State Government's investment in these undertakings was ₹10.04 crore. The total loss incurred by these undertakings was ₹6.24 crore. Details are furnished in **Appendix 1.7**.

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

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

1.8.5 Loans and advances by the State Government

In addition to investments in Companies, Corporations and Co-operative Institutions, the Government also provided loans and advances to many institutions. **Table 1.33** presents the position of outstanding loans and advances as of 31 March 2016 and interest receipts *vis-à-vis* interest payments during the last five years.

Table 1.33: Average interest received on loans advanced by the State Government

	(₹ in crore)				
	2011-12	2012-13	2013-14	2014-15	2015-16
Opening balance	9,623	11,198	12,142	12,724*	13,216
Amount advanced during the	1,816	1,102	695	576	657

	2011-12	2012-13	2013-14	2014-15	2015-16
year					
Amount repaid during the year	241	158	109	84	60
Closing balance	11,198	12,142	12,729	13,216	13,813
Net addition	1,575	944	586	492	597
Interest receipts	52	247	235	127	264
Interest receipts as per cent to outstanding loans and advances	0.5	2.2	1.9	1.0	1.9
Interest payments as per cent to outstanding fiscal liabilities of the State Government	6.3	6.2	5.8	6.0	6.2
Difference between interest receipts and interest	-5.8	-4.0	-3.9	-5.0	-4.3

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.

Loans outstanding as of 31 March 2016 aggregated to ₹13,813 crore. Interest spread of Government borrowings was negative during 2011-12 to 2015-16, which meant that the State's borrowings were more expensive than the loans advanced by it.

The amount advanced during 2015-16 was ₹657 crore. Repayment of loans during 2015-16 aggregated ₹60 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 ₹6,270 crore (Principal: ₹3,763 crore and Interest: ₹2,507 crore) were overdue as of 31 March 2016 from 21 institutions (**Appendix 1.8**).

The transaction during 2015-16 included a sum of ₹0.87 crore, being loan drawn by Silk Growers & Reelers under Indo-Dutch scheme written off through book adjustments. The book adjustment was made by booking the expenditure under '2851-00-792-0-01-100- Village and Small Industries' and crediting HOA '6851-00-107-1-07- Loans and Small Industries'.

Information in respect of overdue principal and interest contained in Statement No.7 of Finance Accounts is incomplete, as only 22 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 185 loans valued at ₹656.42 crore sanctioned by the State Government in 2015-16, 24 loans valued at ₹504.98 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 had stated (November 2014) that the department of Treasuries will be directed to categorically check whether GOs pertaining to release of loan amounts adhere to the instructions delineated in general loan GO issued by the FD in November 2013. It was observed in audit that even after the issue of instructions, compliance was poor.

1.8.6 Cash balances and investment of cash balances

Table 1.34 depicts the cash balances and investments made by the State Government during 2015-16.

Table 1.34: Cash balances and their investments

	(₹ in crore)		
	Opening Balance on 01-04-2015	Closing Balance on 31-03-2016	Increase (+)/ Decrease(-)
a) General cash balance			
Cash in treasuries	-	-	-
Deposits with RBI	4.84	(-)74.90	(-) 79.74
Deposits with other banks	-	-	-
Remittance in transit-Local	0.01	0.01	-
Sub Total	4.85	(-)74.89	(-)79.74
Investments held in cash balance Investment account	17,962.31	16,917.13	(-)1,045.18
Total (a)	17,967.16	16,842.24	(-)1,124.92
(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	1.69	1.69	-
Investment of earmarked funds	5,929.96	10,272.21	4,342.25
Total (b)	5,933.74	10,275.99	4,342.25
Grand Total (a+b)	23,900.90	27,118.23	3,217.33

Source: Finance Accounts

Claims against Government are settled by preferring bills at treasuries, against which cheques are issued (by debit to the Consolidated Fund) to the claimants. The Major Head 8670 – Cheques and Bills is credited with the amount of each cheque and paired off with its encashment at the Agency Banks. Thus, credit balances under this head indicate the value of cheques that remained un-encashed. Article 75(1) of the Karnataka Financial Code, 1958, prescribes that the Treasury Officer should propose an Alteration Memorandum for the value of cheques outstanding for more than 12 months from the date of issue on the 15th of May each year. Due to non-compliance with these instructions by the treasury officers, the credit balance under this head increased from ₹12,758 crore in 2014-15 to ₹13,754 crore during 2015-16, which includes un-encashed cheques issued during January to March 2016.

Audit observed that the net credit under the account during 2015-16 was ₹996 crore. Action is required to be taken for analysis of data for cleaning up of the balances.

The cash balance of the State at the end of the year was ₹27,118 crore. The increase in the cash balance was 13 *per cent* over the previous year. The surplus cash was on account of release of funds by the Government of India to the State Government during 2015-16, which remained un-utilised and were released during 2016-17 through supplementary estimates to the extent of ₹60.40 crore.

Surplus cash balance was mainly due to market borrowings of ₹16,188 crore raised during 2015-16. There was a decrease of ₹1,045 crore in the

investments held in cash balance investment account with RBI at the end of the year.

The surplus cash balance was invested partly in 14-day intermediate Treasury Bills of RBI with an average interest rate of 4.09 *per cent* per annum and partly in 91-day intermediate Treasury Bills of RBI with an average interest rate of 7.41 *per cent* against an average rate of 8.24 *per cent* per annum at which the borrowings were made. The interest received from investment in 91-day Treasury Bills during 2015-16 was ₹697.50 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 1.9** gives an abstract of such liabilities and assets as on 31 March 2016 compared with the corresponding position as on 31 March 2015.

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

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

Assets comprise assets under the Consolidated Fund and cash. The assets under the Consolidated Fund consist of capital outlay on fixed assets – investments in shares of Companies and Corporations and loans and advances, which consist of loans for power projects and other development loans. The growth rate of components of assets and liabilities is summarized in **Table 1.35**.

Table 1.35: Summarized position of Assets and Liabilities

				(₹ in crore)			
Liabilities				Assets			
	2014-15	2015-16	<i>per cent</i>		2014-15	2015-16	<i>per cent</i>
<i>Consolidated Fund</i>	1,05,585	1,22,547	16	<i>Consolidated Fund</i>	1,69,258	1,90,566	13
a. Internal Debt	92,904	1,09,545	18	Capital outlay	1,56,042	1,76,753	13

Liabilities				Assets			
b. Loans and advances from GOI	12,681	13,002	2	Loans and advances	13,216	13,813	5
Off-budget borrowings	5,727	7,699	34	Cash	23,901	27,118	13
Public Account*	52,967	53,076	-				
a. Small savings, Provident Funds etc.,	20,176	22,262	10				
b. Reserve Funds	12,632	10,371	(-18)				
c. Deposits	20,159	20,443	1				

Source: Finance Accounts

*The liabilities are on net basis. It does not include investments from earmarked funds of ₹5,930 crore (2014-15) and ₹10,272 crore (2015-16)

The growth rate of assets remained same at 13 per cent during 2014-15 and 2015-16, while that of liabilities inclusive of off-budget borrowings, decreased from 19 per cent in 2014-15 to 16 per cent in 2015-16.

The Finance Accounts reflected an amount of ₹1,09,545 crore as internal debt outstanding at the end of 2015-16 after taking into account the difference of ₹2,284.08 crore in the accounts of LIC, GIC, NABARD, NCDC etc. Further, the Reserve Bank of India (RBI) in its quarterly statement of outstanding balances of the Government of Karnataka as on 31 March 2016 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 the RBI books (two cases). In respect of six cases, there were differences which require reconciliation. In respect of five cases, the balances as per the books of accounts of the AG (A&E) tallied with those of RBI. Further, as per the communication from the Reserve Bank, there still exists a balance of ₹0.40 crore to be discharged in respect of Compensation bonds, the transactions of which are accounted under the minor head 106. However, these loans do not figure in the outstanding balances in the Finance Accounts. The loans and advances from the GOI reflected an amount of ₹13,002 crore as at the end of 2015-16.

In the furtherance of the recommendations of the XIII FC, the Ministry of Finance, GOI, in a series of orders, dated 29 February 2012, wrote off loans advanced to the State Government by various Ministries (except those advanced by the Ministry of Finance itself) as on 31 March 2010 (limited to current balances outstanding in the records of the Ministries) towards Central Plan and Centrally Sponsored Schemes. The Ministry of Finance permitted the State Governments to adjust the excess repayments of principal and interest made from the effective date of the order (31 March 2010) and its implementation against future repayments to the Ministry of Finance. In respect of the Government of Karnataka, this excess payment amounted to ₹68.66 crore, of which, the Ministry of Finance had adjusted ₹17.32 crore (June 2013) against the dues payable to the Ministry of Finance by end of

March 2013 and ₹5.48 crore (May 2014) against the dues payable by end of March 2014. The balance amount pending for adjustment was ₹45.87 crore (Principal ₹23.66 crore and Interest ₹22.21 crore). This had resulted in adverse balance (net debit) of ₹23.66 crore against the loans of the Ministries other than the Ministry of Finance in the books of the State Government.

The assets shown in the Finance Accounts (Statement No. 1 - Investment from earmarked funds - ₹10,272.21 crore) were understated to the extent of ₹142.86 crore. This is on account of the interest accrued on the investment of Consolidated Sinking Fund account made during 2012-13 which had not passed through the Government books.

Variation in Debt Servicing of Negotiated Loans and adverse balances of NCDC

The borrowings and the repayments in respect of negotiated loans (LIC, GIC, NABARD etc.) reflected in the Finance Accounts are based on the departmental figures, as the office of the AG (A&E) does not keep scheme wise details of transactions in respect of these loans. The maturity profile in respect of these borrowings are furnished by the Finance Department which are brought in the Finance Accounts of the State Government.

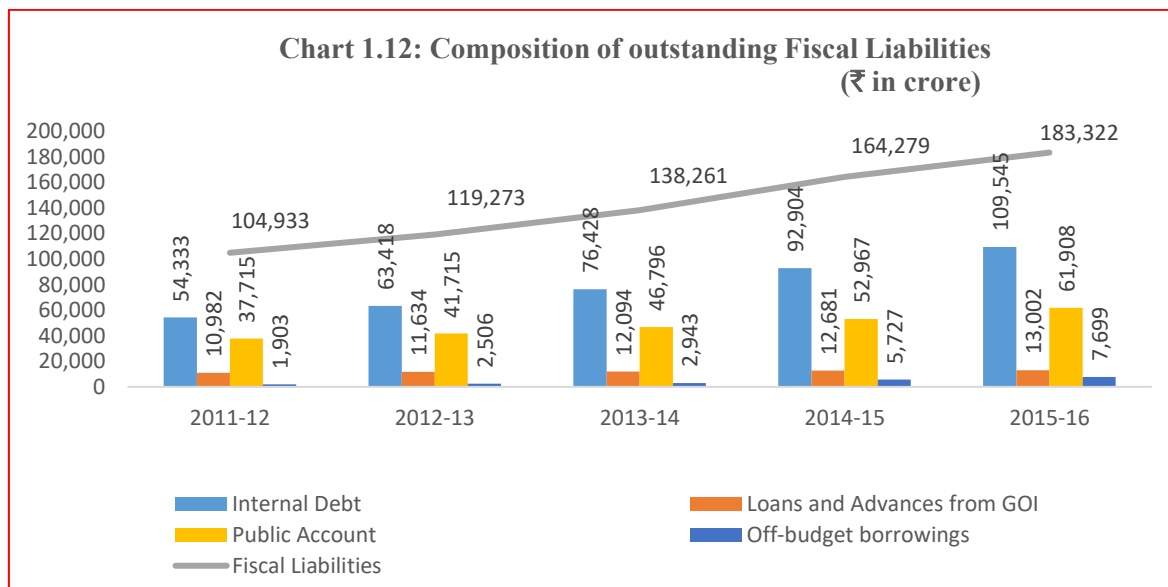
The Budget Estimates of debt servicing of these negotiated loans for the year 2015-16 should be as depicted in Finance Accounts of 2014-15. From the Budget Estimates and the actual repayments made during 2015-16 and Finance Accounts for the year 2014-15 in respect of the negotiated loans, it was observed that there are variations in respect of principal repayments which are brought out in the maturity profile and the actual repayments made, the details of which are discussed in **paragraph 2.4.1.8** of this report. As regards the variations in the budget and the maturity profile so prepared being pointed in audit, Finance Department replied (July 2016) that the Budget was obtained inadvertently in respect of LIC loan and that in respect of GIC loan it was admitted that the provision made for the purpose was excessive.

Further, in respect of HOA '6003-00-108-0-01-240-NCDC loans', the balances to the end of 31 March 2016 are (-) ₹117.63 crore. These adverse balances are due to the repayment of loans without routing the initial loans released by National Co-operative Development Corporation (NCDC) through the Consolidated Fund of the Government. Even though the adverse balances of NCDC loans in the Finance Accounts are being pointed by audit since 2008-09, Government is yet to clear these adverse balances.

The responsibility of clearing adverse balances rests with the Government as the initial and detailed accounts are being maintained by the departments of the Government. Public Accounts Committee also discussed (2010-11) the adverse balances of NCDC loans and recommended vide paragraph XVIII of the 13th Report of PAC on Report of Comptroller and Auditor General of India on State Finances (2009-10) for reconciliation of these adverse balances within six months.

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 2011-12 to 2015-16 is presented in **Chart 1.12**.



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 **Table 1.36**.

Table 1.36: Fiscal Liabilities – basic parameters

	2011-12	2012-13	2013-14	2014-15	2015-16
Fiscal Liabilities (₹ in crore)	1,04,933	1,19,273	1,38,261	1,64,279	1,83,322
Rate of growth (per cent)	11.6	13.7	15.9	18.8	11.6
Ratio of fiscal liabilities to					
GSDP	0.24	0.23	0.23	0.24	0.25
Revenue Receipts	1.50	1.53	1.54	1.58	1.54
Own resources	2.08	2.07	2.07	2.19	2.27
Buoyancy ratio of fiscal liabilities to					
GSDP	0.83	0.69	1.02	1.35	1.57
Revenue Receipts	0.58	1.14	1.10	1.15	0.82
Own resources	0.56	0.96	1.03	1.52	1.44

Source: Finance Accounts

The Fiscal liabilities of the State increased by 75 per cent from ₹1,04,933 crore in 2011-12 to ₹1,83,322 crore in 2015-16 comprising Consolidated Fund liabilities (₹1,22,547 crore), Public Account liabilities (₹53,076 crore) and off-budget borrowings (₹7,699 crore). In 2014-15 and 2015-16, due to increased borrowings, the growth rate of fiscal liabilities was 19 per cent and 12 per cent respectively. Further, the ratio of fiscal liabilities to GSDP during 2015-16 remained at 24.91 per cent and the buoyancy of fiscal liabilities to revenue receipts was at 1.15 per cent and 0.82 per cent in 2014-15 and 2015-16 respectively. Also, the buoyancy ratio of fiscal liabilities to own resources gradually increased from 0.56 per cent in 2011-12 to 1.44 per cent in 2015-16.

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' and the Government had been repaying the loans availed of by these Companies/Corporations/Societies including interest through regular budget provision under capital account.

During 2015-16, capital expenditure of ₹20,713 crore included ₹399.73 crore towards servicing of principal amount of off-budget borrowings. However, the accounts of the entities for the year show disbursement as ₹401.70 crore towards off budget borrowings. **Table 1.37** captures the trend in the off-budget borrowings of the State during 2011-12 to 2015-16 while **Table 1.38** gives the entity-wise position of borrowings to the end of 2015-16.

Table 1.37: Trend in off-budget borrowings

Year	(₹ in crore)				
	2011-12	2012-13	2013-14	2014-15	2015-16
Amount as furnished by entities*	512	18.16	1,914.50	3,081.50	2,372.00

Source: As reported by the concerned entities

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

Table 1.38: Entity-wise position of off-budget borrowings

Company/Corporation/Board	Outstanding Off-budget borrowings*	Borrowings during 2015-16	Repayment during 2015-16	
			Principal	Interest
			(₹ in crore)	
Krishna Bhagya Jala Nigam Limited	2,512.00	1,370.00	1.15*	270.81
Karnataka Neeravari Nigam Limited	1,051.16	610.00	98.84	127.56
Karnataka Road Development Corporation Limited	168.96	57.00	43.60*	17.72
Rajiv Gandhi Rural Housing Corporation Limited	1,392.33	-	207.01*	128.31
Karnataka Slum Development Board	13.73	-	8.02*	1.18
Karnataka Rural Infrastructure Development Limited	8.75	-	8.75	0.36
Karnataka State Police Housing and Infrastructure Development Corporation	69.71	-	24.81	7.07
Cauvery Neeravari Nigam Limited	500.00	335.00	-	38.17
Karnataka Residential Educational Institutions Society	3.82	-	3.82	0.22
Karnataka State Industrial Infrastructure Development Corporation Limited	5.53	-	5.53	0.71
Karnataka Power Transmission Corporation Limited	0.26	-	0.17	0.02
Total	5,726.25	2,372.00	401.70	592.13

*as there were differences in the closing balances of these entities (2014-15), the principal repayments have been adjusted to bring them in concordance with the closing balances of 2015-16.

Taking into account the off-budget borrowings of the State, the total liabilities at the end of March 2016 worked out to ₹1,83,322 crore. The ratio of fiscal liabilities (inclusive of off-budget borrowings) to GSDP thus worked out to 24.91 *per cent* at the end of the year.

1.9.4 Transactions under Reserve Fund

Reserves and Reserve Funds are created for specific and well defined purposes under the Sector 'J' in the accounts of the State Government (Public Account). These funds are fed by contributions or grants from the Consolidated Fund of India or State or from outside agencies. The contributions are treated as expenditure under the Consolidated Fund. 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.
- Funds accumulated from contributions made by outside agencies to the State Government.

As given in 'Notes to Accounts' for the year, out of the total outstanding balance of ₹20,643.36 crore available in various reserve funds as on 31 March 2016, the Government of Karnataka invested ₹10,272.20 crore (49.76 *per cent*). 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.

The operation of certain major reserve funds having a bearing on the liability position of the Government, its funding and expenditure are brought out below.

a) Consolidated Sinking Fund : The Government of Karnataka constituted a Consolidated Sinking Fund (CSF) in 2012-13 for the amortization 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 at the end of the previous financial

year. During 2015-16, against the requirement of ₹792.76 crore, the State Government has contributed ₹1,070 crore to the fund. The balance under the fund at the end of the year was ₹2,070 crore. However, the interest of ₹142.86 crore accrued (2015-16) on re-investment made by the RBI from the fund did not pass through the accounts.

b) Delay in transfer of Environment Protection Fees (EPF) to Fund Account

Government of Karnataka imposed (February 2009) Environment Protection Fee at the rate of ₹84,000 per hectare on the non-forest land/ patta land/ Revenue land permitted to be used for mining/ quarrying. The order was effective for both ongoing as well as fresh mining/ quarrying leases. The receipts under Environment Protection Fee were required to be accounted under the functional major head 0853- Mines and Geology, as this function is vested with them. However, the receipts were accounted under the functional major head 0406 –Forestry and Wild Life, which was not in order.

Further in the Government Order dated 11.05.2015, the Government advised the department to create a Reserve Fund for EPF in the Public Account of the State by transferring the receipts collected under it till the end of 2014-15 and that future receipts may be accounted for under the departmental receipts of Mines and Geology under the HOA ‘0853-00-800-0-02-EPF’. Also, the entire process of collection, implementation, enforcement and expenditure management had to be carried out by the Department of Mines. However, the EPF receipts continue to be accounted for under the HOA ‘0406-01-800-0-11’.

During the supplementary budget of 2015-16, an amount of ₹75.00 crore was provided under HOA ‘2853-00-797-0-01’ for transferring the EPF collected up to 2013-14 to the Reserve Fund and a deduct entry for ₹20.00 crore was made to adjust the related expenditure incurred from EPF under Demand No 18 – Industries and Commerce. Further a Government Order was issued (March 2016) to carry out the adjustment in accounts during 2015-16 for transfer of receipts of ₹75.00 crore into the fund and expenditure of ₹9.94 crore out of the fund.

It was noticed that though levy and collection of EPF was introduced in February 2009, it took seven years to create a fund. The amount collected was not utilized till 2014-15. Further, non-transfer of revenues to the fund account during those years had the effect of distorting the fiscal indicators of the relevant years. During the period from 2009-10 to 2015-16, though an amount of ₹102.39 crore was collected as revenues, only an amount of ₹75.00 crore was transferred to the fund account. Thus, short transfer of ₹27.39 crore to the fund account from the Consolidated Fund during 2015-16 resulted in overstatement of revenue surplus to that extent.

Finance Department stated (December 2016) that the balance of ₹27.39 crore has been proposed for transfer by obtaining Supplementary demand during 2016-17 for that purpose.

Inoperative Reserve Funds

Out of 76 reserve funds, 20 funds with balance of ₹11.01 crore under Major HOA '8115-Depreciation/Renewal Reserve Fund' and 14 funds with balance of ₹35.25 crore under Major HOA '8229 – Development and Welfare Funds' were liquidated during 2014-15 as per the directions of the State Government. During 2015-16, 22 funds were active with a balance of ₹7,915.75 crore and 21 funds remained inoperative with a balance of ₹2,455.24 crore.

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 given in **Table 1.39**.

Table 1.39: Guarantees given by the State Government

	(₹ in crore)				
	2011-12	2012-13	2013-14	2014-15	2015-16
Maximum amount guaranteed	13,262	14,306	16,145	16,869	18,358
Outstanding amount of guarantees as at 1 April (including interest)	6,515	6,688	7,783	11,033	11,327
Percentage of outstanding amount guaranteed to total revenue receipts of the second preceding year	13	11	11	14	13

Source: Finance Accounts

The Karnataka Ceiling on Government Guarantees Act, 1999 provides for a cap on outstanding guarantees extended by the Government at the end of any year at 80 *per cent* of the State's revenue receipts of the second preceding year. The outstanding guarantees on 1st April of each year were within the prescribed limit.

The outstanding guarantees amounting to ₹13,324 crore at the end of the year 2015-16 (principal + interest) included guarantees extended to 169 institutions/ companies under irrigation (₹6,278 crore), co-operative (₹1,805 crore), finance (₹1,552 crore), power (₹560 crore), housing (₹2,250 crore), transport (₹184 crore) and other sectors (₹695 crore).

Against the total estimated guarantee commission of ₹376.97 crore receivable as reported by the State Government, only ₹138.37 crore was received during 2015-16. The guarantee commission received includes book adjustment made by the State Government towards the guarantee commission payable to it by KSIIDC (₹2.24 crore), Karnataka Slum Development Board (₹0.29 crore), Rajiv Gandhi Rural Housing Corporation Ltd. (₹40.26 crore), Mysore Lamps Works Ltd. (₹0.14 crore) and Karnataka Power Transmission Corporation Ltd. (₹14.03 crore) by way of subsidies / grants-in-aid. Consequently, the net

shortfall in guarantee commission received was ₹295.56 crore (₹376.97 crore minus ₹81.41 crore, excluding book adjustment of ₹56.96 crore).

In the MTFPs (2015-19 and 2016-20) presented before the Legislatures, the Government had been stating that since the guarantees result in increase in contingent liability, they should be examined in the same manner as a proposal for a loan, taking into account, inter alia, the credit-worthiness of the borrower, the amount and risks sought to be covered by a sovereign guarantee, the terms of the borrowing, the justification and public purpose to be served, probabilities that various commitments will become due and possible costs of such liabilities, etc. The utility of having a functional Guarantee Reserve Fund and Guarantee Policy is under consideration with the State Government.

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

1.9.5.2 Incomplete Database on Guarantees

Karnataka Ceiling on Government Guarantees Act, 1999 came into force with effect from April 29, 1999 to fix the limits of Government Guarantees issued on behalf of Government Departments, Public Sector Undertakings, Local Authorities, Statutory Boards, and Corporations etc., for promoting fiscal discipline in the State. The act prescribes for a minimum guarantee fee at the rate of one *per cent*.

The responsibility for monitoring of guarantees was entrusted to the Directorate of Pensions, Small Savings and Asset-Liability Monitoring (ALM) section (April 2010). The existence of complete database about guarantees is a prerequisite for effective monitoring of guarantees. The information furnished by the Finance Department is reckoned for the preparation of Statement No 20 (previously Statement No 9) of Finance Accounts.

During 2015-16 in the Supplementary Demand I, a sum of ₹632.89 lakh was provided to M/s Mysore Lamp Works Limited for various activities. Out of the amount so provided, ₹20.32 lakh was made through book adjustments which included the adjustment of Guarantee Commission dues of ₹14.19 lakh. A perusal of the Guarantee Statement No. 20 of Finance Accounts (previously Statement No. 9) revealed that, M/s Mysore Lamp Works Limited did not figure in the Statement on Guarantees.

Thus a book adjustment proposed in respect of an entity not figuring in the statement clearly showed that the database on guarantees was incomplete, not updated at regular intervals or cross checked at the time of finalisation of the Statements, thus lacking accuracy of disclosure on guarantees.

Finance department in its reply (July 2016) stated that the due from this entity had been inadvertently left out from the statement furnished by the department.

Adjustment of Guarantee Commission of Companies/ Corporations/ Public Sector Under takings (PSUs) under off budget borrowings

Majority of the Guarantee Commission dues receivable from Companies/ Corporations/ PSUs under off budget borrowings are through book adjustments. These adjustments are related to receipts from Companies/ Corporations/ PSUs, adjusted as guarantee fee received on the Consolidated Fund on one side, with an equivalent amount being provided as grants etc., out of the Consolidated Fund with the approval of the Legislature. These adjustments, though not made in cash are accounted as cash transactions for working out borrowing requirements of the Government. These book adjustments were being resorted to due to the fact that these Companies/ Corporations/ PSUs were not in a position to pay guarantee commission dues and it was being done merely to clean up the guarantee revenues due to Government as also the balance of the concerned Companies. The Government Accounts being carried out on cash basis, the book adjustment of guarantee commission dues, though revenue neutral, inflate revenues/expenditure of those years artificially. Government may consider amending the “Karnataka Ceiling on Government Guarantees Act, 1999” suitably to bring in a provision that all those Companies/ Corporations/ PSUs to whom Government is providing grants be excluded from the purview of the Act.

1.10 Debt Management

1.10.1 Debt Profile

The revenues of the Government are of two type's 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 ₹1,598 crore during 2015-16. These transactions had the impact of showing the tax/non-tax revenues without actual cash flow. Such revenue, adjusted through book adjustment was ₹1,400 crore (tax revenues) and ₹163 crore (non-tax revenues) constituting 1.3 per cent of revenue receipts.

Table 1.40 gives details of outstanding fiscal liabilities of the Government under Consolidated Fund and Public Account compared with the per capita liability.

Table 1.40: Debt Profile of the State

	(₹ in crore)				
Borrowings through	2011-12	2012-13	2013-14	2014-15	2015-16
Open Market loans	30,770	39,920	53,326	69,419	84,334
Negotiated loans	2,972	3,425	3,372	3,318	3,482
NSSF loans	20,591	20,074	19,730	20,167	21,729
GOI loans	10,982	11,634	12,094	12,681	13,002

Borrowings through	2011-12	2012-13	2013-14	2014-15	2015-16
Public Account borrowings	37,715	41,714	46,796	52,968	53,076
Off budget borrowings	1,903	2,506	2,943	5,726	7,699
Total Fiscal Liabilities	1,04,933	1,19,273	1,38,261	1,64,279	1,83,322
Population (in crore)	6.11	6.11	6.11	6.11	6.11
Per capita debt ratio (in ₹)	17,174	19,521	22,629	26,887	30,004

Source: Finance Accounts

The per capita debt ratio has significantly increased from ₹17,174 in 2011-12 to ₹30,004 in 2015-16, an increase of 75 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 1.41** analyses the debt sustainability of the State according to these indicators for the period from 2011-12 to 2015-16.

Table 1.41: Debt sustainability indicators and trends

Debt sustainability indicators	(in per cent)				
	2011-12	2012-13	2013-14	2014-15	2015-16
Debt*/GSDP	15.04	14.41	14.71	15.41	16.65
Rate of growth of Outstanding Debt*	10.19	14.91	17.95	19.28	16.06
Rate of growth of GSDP	14.02	19.92	15.53	13.89	7.41
Average Interest rate of Outstanding Debt (Interest payments/(opening balance of Public debt + closing balance of Public Debt/2)	10.60	10.62	9.81	10.10	9.94
Interest/Revenue Receipts	9.5	9.5	9.0	9.4	9.6
Debt Repayment/Debt Receipts	35.48	27.68	22.08	22.00	19.50
Net Debt available to the State (₹in crore)	6,038	9,738	13,470	17,062	16,962

Source: Finance Accounts

*Excluding Public Account liabilities and Off Budget Borrowings.

- The rate of growth of outstanding debt was 16.06 per cent during 2015-16, being 6 per cent increase over the year 2011-12 (10.19 per cent).
- Interest payments on debt and other liabilities totalling ₹11,343 crore constituted 9.6 per cent of revenue receipts during 2015-16, being 0.20 per cent increase over previous year. Though the decrease in growth rate of outstanding debt was marginal (3.22 per cent), the increase in interest payment/Revenue Receipt ratio from 9.4 in 2014-15 to 9.6 in 2015-16 was due to increased interest payments (by 15.70 per cent) as compared to revenue receipts (14.10 per cent) during 2015-16.
- The decrease in Debt Repayment/Debt Receipts ratio was mainly due to decrease in total debt receipts by ₹802 crore as compared to debt repayment made during 2015-16 which decreased by ₹702 crore.

- Decrease in net debt available to the state was mainly due to decrease in receipt under internal debt from ₹20,509 crore in 2014-15 to ₹19,801 crore in 2015-16 (**Appendix 1.4**) and by ₹94 crore under Loans and Advances from Government of India.

1.10.3 Debt stability

Fiscal liabilities are considered sustainable if the Government is able to service these liabilities over the foreseeable future and the debt-GSDP ratio does not grow to unmanageable proportions. A necessary condition for stability is 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 2011-12 to 2015-16, the primary revenue balance was positive and sufficient to meet incremental interest expenditure.

1.10.4 Sufficiency of incremental non-debt receipts

Another indicator of debt sustainability is the adequacy of incremental non-debt receipts of the State to cover the incremental interest liabilities and incremental primary expenditure. Debt sustainability 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 1.42**.

Table 1.42: Sufficiency of incremental non-debit receipts

		(₹ in crore)				
Sl. No.		2011-12	2012-13	2013-14	2014-15	2015-16
1	Incremental non-debt receipts	11,697	8,231	11,372	14,497	14,993
2	Incremental Interest Payments	963	850	573	1,777	1,539
3	Incremental Primary Expenditure	12,346	9,588	13,384	15,204	13,047
	Resource gap	(-) 1,612	(-) 2,207	(-) 2,585	(-) 2,484	407

The resource gap, which was negative from 2011-12 to 2014-15 turned positive during 2015-16. This was mainly on account of high growth of revenue receipts compared to the growth of total expenditure. It is observed that during 2015-16, the State could meet the incremental interest payments and incremental primary expenditure from its own resources.

1.10.5 Net availability of borrowed funds

Debt sustainability also depends on the ratio of debt redemption (principal plus interest payments) to total debt receipts and application of available borrowed funds. The ratio of debt redemption to debt receipts indicates the extent to which the debt receipts are used in debt redemption indicating the net availability of borrowed funds for capital spending. The debt redemption to debt receipts ranged between 19.5 per cent and 35.5 per cent during 2011-12

to 2015-16. During 2015-16, the debt redemption ratio dropped by 2.5 per cent points compared to the previous year.

1.10.6 Inordinate delay in remittance of Borrowings to Government Account – resultant loss of Interest

The negotiated Loans borrowed from various financial institutions form part of Internal Debt of the State Government. The borrowings are made from financial institutions like LIC, GIC, NABARD and NCDC etc. and the Budget provisions for these borrowings are made in the detailed estimates of revenue and other receipts which are placed before the Legislature along with the Budget documents. The borrowings [Rural Infrastructure Development Fund (RIDF) loans] from NABARD for the year 2014-15 were estimated at ₹1,170.33 crore against which the actual borrowings accounted for were ₹558.42 crore (HOA '6003-105').

Rule 4 (a) of Karnataka Financial Code, 1958 envisages that all transactions to which any Government servant in his official capacity is a party must, without any reservation, be brought to account and all moneys received 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. The receipts are to be accounted for within a reasonable time as the delay would have implication on the interest foregone.

A scrutiny of transactions for the year 2015-16 showed that in one case, NABARD had remitted ₹48.61 crore (25/26.03.2015) to the agency bank i.e. State Bank of Mysore (SBM) in the current account (No 64040265974) through RTGS. In ideal circumstances the amount should have been brought to accounts during 2014-15 itself. However, the SBM has transferred the funds to Government account in May 2015, thus affecting the net borrowings under E-Public debt. During 2015-16, it was noticed that there was delayed accounting of the borrowings of ₹525.42 crore due to delay in remittances which ranged between 1 day to 739 days resulting in loss of revenue (interest) to the extent of ₹2.98 crore approximately as shown in **Appendix 1.10**.

Non-remittance of Government money in time to the Consolidated Fund resulted in understatement of Public Debt receipts and fiscal indicator such as fiscal deficit of the concerned year besides being in contravention of Rule 4 (a) of KFC.

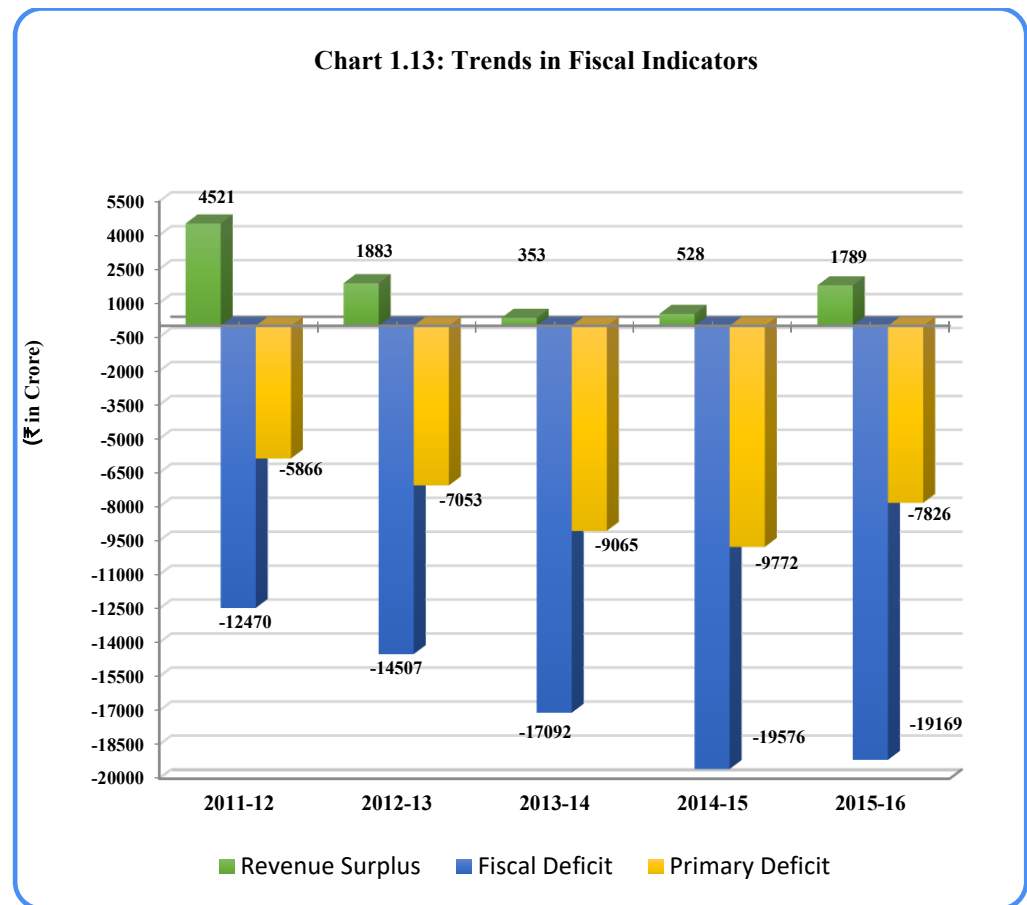
Finance department in its (September 2016) reply stated that the SBM had remitted ₹2.98 crore to the State Government Account under HOA '0049-04-190-0-12-Interest receipt' on account of delayed remittance of NABARD RIDF Loan.

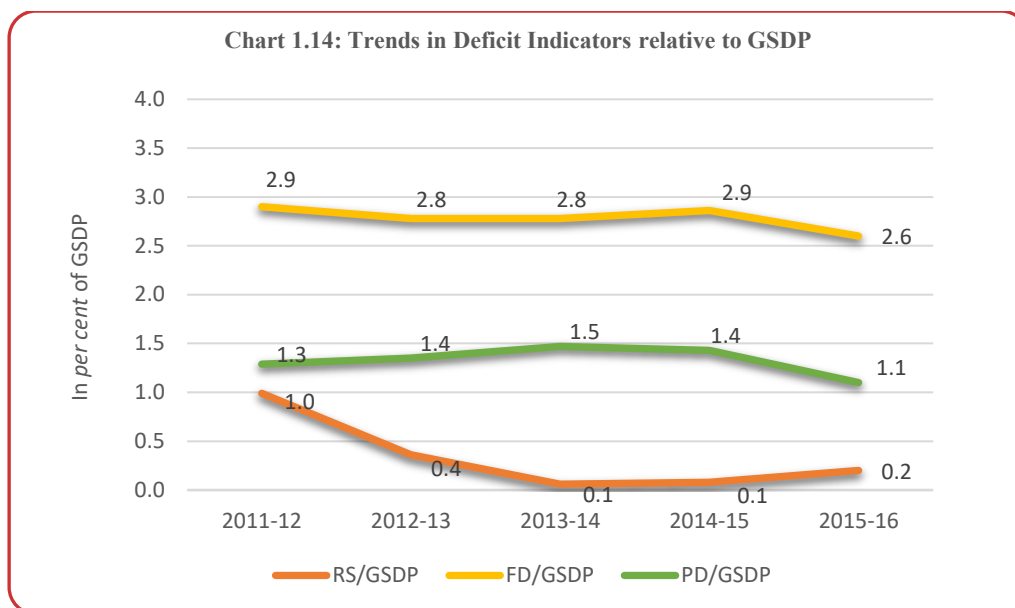
1.11 Fiscal Imbalances

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 2015-16.

1.11.1 Trends in deficits

Chart 1.13 and **Chart 1.14** presents the trends in deficit indicators over the period 2011-12 to 2015-16.





The targets for revenue and fiscal deficits set for XIII FC along with their actual levels are given in **Table 1.43**.

Table 1.43: Outcome vis-à-vis targets under KFRA

Period	Revenue Deficit/Surplus		Fiscal Deficit (in per cent)	
	Targets as per KFRA	Actual	Targets as per KFRA	Actual
XIII FC (2010-15)				
2011-12	Maintain Revenue Surplus	Achieved the target	3.00	2.74
2012-13			3.00	2.78
2013-14			3.00	2.78
2014-15			3.00	2.86
XIV FC (2015-20)				
2015-16	Maintain Revenue Surplus	Maintained Revenue Surplus	3.00	2.60

The Government was able to maintain revenue surplus during 2011-12 to 2015-16. The fiscal target of wiping out revenue deficit by March 2006, as laid down in KFRA, was achieved by the State one year ahead in 2004-05, which was appreciable. Thereafter, the State maintained revenue surplus till 2015-16 with inter-year variations. In 2014-15, the revenue surplus increased by ₹175 crore over previous year and was ₹528 crore. However, during 2015-16 there was a substantial increase and revenue surplus was ₹1,789 crore.

The KFRA target of reducing fiscal deficit to GSDP ratio to less than three per cent was also achieved. Moreover, the capital expenditure was also compressed to the extent of ₹500 crore on account of adjustment of the debit to the Infrastructure Initiative Fund in Public Account.

In 2015-16, there was a moderate decrease in the ratio of fiscal deficit to GSDP as compared to the previous year and was 2.60 *per cent* considering the figure of GSDP as communicated by the State Government (₹7,35,975 crore) which was well within the target of 3 *per cent*.

Revenue Surplus

Revenue surplus represents the difference between revenue receipts and revenue expenditure. Revenue surplus helps to decrease the borrowings. The revenue surplus had drastically reduced from ₹4,521 crore in 2011-12 to ₹353 crore in 2013-14, on account of increased expenditure (committed) on revenue account under salaries, pensions, interest, subsidies and devolutions affecting the fiscal space, but increased by ₹1,261 crore to ₹1,789 crore during 2015-16, due to increase in net proceeds of state share of Union Taxes and duties and increase in respect of devolutions to local bodies (₹508.64 crore) which helped the Government to maintain surplus.

The growth rate of revenue receipts and revenue expenditure was 14 *per cent* and 13 *per cent* respectively during 2015-16, 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 ‘the high percentage of committed revenue expenditure reduces maneuverability around expenditure decisions by the State 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 and streamlining revenue collections.

Fiscal Deficit

Fiscal deficit represents the net incremental liabilities of the Government or its additional borrowings. The shortfall could be met either by additional public debt (internal or external) or by the use of surplus funds from Public Account. Fiscal deficit trends along with the trends of the deficit relative to key components are indicated in **Table 1.44**.

Table 1.44: Fiscal deficit and its parameters

Period	Non-debit Receipts	Total expenditure	Fiscal deficit	Fiscal Deficit as <i>per cent</i> of		
				GSDP	Non-debt receipts	Total expenditure
2011-12	70,136	82,436	12,470	2.87	17.78	15.13
2012-13	78,367	92,874	14,507	2.79	18.51	15.62
2013-14	89,739	1,06,831	17,092	2.84	19.50	16.00
2014-15	1,04,236	1,23,812	19,576	2.86	18.78	15.81
2015-16	1,19,229	1,38,398	19,169	2.60	16.08	13.85

(₹ in crore)

Source: Finance Accounts

During 2011-12 to 2015-16, fiscal deficit as a percentage of GSDP decreased gradually from 2.87 *per cent* to 2.60 *per cent*, with marginal variations in between. The fiscal deficit as *per cent* of GSDP, Non-debt receipts and Total expenditure decreased during 2015-16 over the previous year, on account of increased revenue surplus.

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 1.45**.

Table 1.45: Primary deficit and its parameters

(₹ in crore)			
Period	Fiscal Deficit	Interest Payments	Primary Deficit
2011-12	12,470	6,604*	5,866
2012-13	14,507	7,454*	7,053
2013-14	17,092	8,027*	9,065
2014-15	19,576	9,804*	9,772
2015-16	19,169	11,343*	7,826

Source: Finance Accounts

*includes interest payments of ₹542 crore, ₹621 crore, ₹190 crore, ₹400 crore and ₹597 crore towards off-budget borrowings during 2011-12, 2012-13, 2013-14, 2014-15 and 2015-16 respectively.

During 2011-12 to 2015-16, 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.

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 **Table 1.46**. Breakdown of fiscal deficit reveals the extent of various borrowings resorted to by the State to meet its requirement of funds over and above revenue and non-debt receipts.

Table 1.46: Components of fiscal deficit and its financing pattern

Breakdown of fiscal deficit		(₹ in crore)									
		2011-12		2012-13		2013-14		2014-15		2015-16	
		Amount	% of GSDP	Amount	% of GSDP	Amount	% of GSDP	Amount	% of GSDP	Amount	% of GSDP
		(-)12,470	2.87	(-)14,507	2.79	(-)17,092	2.84	(-)19,576	2.86	(-)19,169	2.60
1	Revenue surplus	4,521	1.04	1,883	0.36	353	0.06	528	0.07	1,789	0.24
2	Net capital expenditure	15,417	3.55	15,446	2.96	16,859	2.80	19,612	2.86	20,361	2.76
3	Net loans and advances	1,574	0.36	944	0.18	586	0.10	492	0.07	597	0.08
Financing pattern of fiscal deficit*											
1	Market borrowings	6,207	1.43	9,149	1.76	13,406	2.23	16,093	2.34	14,914	2.03
2	Loans from GOI	637	0.15	652	0.13	461	0.08	586	0.09	321	0.04
3	Special securities issued to NSSF	(-844)	(-0.19)	(-517)	(-0.10)	(-344)	(-0.06)	437	0.06	1,563	0.21

Breakdown of fiscal deficit		2011-12		2012-13		2013-14		2014-15		2015-16	
		Amount	% of GSDP	Amount	% of GSDP	Amount	% of GSDP	Amount	% of GSDP	Amount	% of GSDP
4	Loans from financial institutions	208	0.05	454	0.09	(-)53	(-)0.01	(-)54	-	164	0.02
5	Small Savings, PF etc.,	1,398	0.32	1,732	0.33	2,107	0.35	2,156	0.31	2,086	0.28
6	Deposits and advances	1,410	0.32	2,511	0.48	2,840	0.47	3,702	0.54	284	0.04
7	Suspense and Miscellaneous	2,634	0.61	98	0.02	2,671	0.44	3,282	0.48	990	0.13
8	Remittances	(-)11	-	(-)32	(-)0.01	(-)12	-	(-)32	-	(-)17	-
9	Reserve Funds	2,761	0.63	1,362	0.26	135	0.02	1,547	0.23	2,081	0.28
10	Increase(-)/ decrease (+) in cash balance	(-)1,942	(-)0.45	(-)902	(-)0.17	(-)4,119	(-)0.68	(-)8,141	(-)1.19	(-)3,217	(-)0.43
11	Net of Contingency Fund transactions	12	-	-	-	-	-	-	-	-	-
Total		12,470	2.87	14,507	2.79	17,092	2.84	19,576	2.86	19,169	2.60

Source: Finance Accounts

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

The components of fiscal deficit are Deduct Revenue Surplus, Net Capital Expenditure and Net Loans and Advances. Since the State had attained revenue surplus in 2004-05 itself, the surplus on revenue account along with market borrowings, loans from GOI etc., were utilized to finance capital expenditure. The capital expenditure could be financed by revenue surplus to the extent of 29, 12 and 2 per cent in 2011-12, 2012-13 and 2013-14 respectively. In 2014-15 and 2015-16, revenue surplus could finance 3 and 9 per cent of capital expenditure.

In 2015-16, there was substantial decrease in market borrowings and its share in financing fiscal deficit decreased to 78 per cent. There was decrease in Small Savings, Provident Fund and Deposits and Advances over the previous year and increase in loans from financial institutions. There was also decrease in suspense and miscellaneous balances which comprised transactions relating mainly to cheques and bills, the net transactions of which were added for financing the fiscal deficit. There was a considerable increase in the receipts during 2015-16 under special securities issued to NSSF.

1.11.3 Quality of deficit/surplus

The position of primary deficit with bifurcation of factors are given in Table 1.47.

Table 1.47: 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)
2011-12	70,136	58,511	15,506	1,815	75,832	11,625	(-)5,866
2012-13	78,367	68,839	15,479	1,102	85,420	9,528	(-)7,053
2013-14	89,739	81,162	16,947	695	98,804	8,577	(-)9,065
2014-15	1,04,236	93,810	19,622	576	1,14,008	10,426	(-)9,772
2015-16	1,19,229	1,05,685	20,713	657	1,27,055	13,544	(-)7,826

Source: Finance Accounts

Primary deficit which was ₹5,866 crore during 2011-12 increased to ₹7,826 crore during 2015-16. The interest payment with respect to fiscal deficit was 59 per cent during 2015-16.

1.12 Follow up

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

1.13 Conclusion and recommendations

Fiscal Position

The State continued to maintain revenue surplus during 2011-12 to 2012-13 to 2015-16 and kept fiscal deficit relative to GSDP below the limit prescribed under KFRA.

During 2015-16, revenue surplus was ₹1,789 crore which was partly on account of compression of revenue expenditure of ₹213.37 crore relating to Sarvasiksha Abhiyan transactions, write back of ₹419.10 crore for the years 2013-14 and 2014-15 under Zilla Panchayat Fund II and Taluk Panchayat Fund and write back of ₹18.70 crore of unutilised funds relating to XIII FC grants contributed in maintaining surplus of Revenue Account.

The fiscal deficit during 2015-16 was 2.60 per cent of GSDP (₹7,35,975 crore), which was within the limit laid down under the KFRA as the capital expenditure was also compressed to the extent of ₹2,418 crore on account of adjustment of the expenditure under the Consolidated Fund to the Infrastructure Initiative Fund in Public Account.

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

State's own resources

The ratio of State's tax revenue to GSDP was between 10.24 and 10.70 per cent during 2011-12 to 2015-16 indicating attainment of the saturation level. However, there was no improvement in the ratio of non-tax revenue to GSDP and it continued to be less than one per cent of the GSDP during 2011-12 to 2015-16 also.

Recommendation: Revision of the rates of user charges etc., of the sources for Non-tax revenues is required to be considered from time to time as recommended by Expenditure Reforms Commission.

Revenue expenditure

During 2015-16 there was 18 *per cent* growth under social sector over the previous year and the share of expenditure on social services to total revenue expenditure increased by 2 *per cent* over the previous year and was at 40 *per cent* in 2015-16. The growth in expenditure on economic services remained at 13 *per cent* during 2014-15 as well as in 2015-16.

The share of plan revenue expenditure to total revenue expenditure increased from 33 *per cent* in 2014-15 to 34 *per cent* in 2015-16.

Eighty one *per cent* of revenue expenditure constituted of committed expenditure on salaries, pensions, interest payments, subsidies, grants-in-aid and financial assistance, administrative expenditure and devolution to local bodies. Expenditure on subsidy of ₹17,062 crore contained implicit subsidy amounting to ₹3,913 crore which was in the form of financial assistance under various schemes of socio-economic services.

Recommendation: Since the costs of salary, pension and interest are inflexible, the expenditure on subsidies, grants-in-aid other than to local bodies, which are increasing steadily, requires utmost attention from the State Government. Adequate priority needs to be given to both education and health sectors as the ratio under both these sectors are below the GCS average during 2015-16. Accounting adjustments should be done according to the orders issued and should not be belatedly resorted to resulting in distortion of the expenditure pattern.

Quality of expenditure

The share of capital expenditure to total expenditure during 2015-16 (15 *per cent*) decreased by one *per cent* from that of previous year which was mainly on account of debiting capital expenditure on infrastructure projects to fund account in Public Account of ₹2,418 crore. The percentage of developmental expenditure to total expenditure increased to 73 *per cent* in 2015-16 from 72 *per cent* in 2014-15.

Funds aggregating ₹1,495 crore were locked up in incomplete projects at the end of 2015-16.

The return from investment of ₹61,356 crore as of 31 March 2016 in Companies/Corporations was negligible (₹69.40 crore). The investment included ₹25,002 crore (41 *per cent*) to Companies/Corporations which were under perennial loss. A Government Company 'Bangalore Bioinnovation Centre' was established without the approval of the Cabinet.

Recommendation: The State Government should formulate guidelines for quick completion of incomplete projects and strictly monitor reasons for time and cost overrun with a view to take corrective action. The State Government should review the working of State Public Sector Undertakings incurring huge losses and take appropriate action for their closure/revival.

Funds and other Liabilities

Reserve funds of the State viz., corpus fund of Guarantee Redemption Fund was not created/ revived. During 2015-16, the transactions relating to the Consolidated Sinking Fund included interest of ₹142.86 crore accrued on re-investment made by the RBI, which did not pass through the accounts and inordinate delay in transfer of Environment Protection Fees to the Fund Account (₹75.00 crore) and Green Tax collections of ₹45.90 crore was not accounted and utilised.

Recommendation: Rules with regard to administration and investment pattern of various reserve funds are required to be framed. Also, expenditure should match the revenues so as to liquidate the balances within a reasonable period of time. Amendment to the Guarantees Act may be considered to exclude the Companies/Corporations/PSUs who are not in a position to pay the guarantee commission dues to the Government from the purview of the act to avoid book adjustments of Guarantee Commission dues.

Debt sustainability

Open Market Loans formed a predominant share (46 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) hovered between 9.0 per cent and 9.6 per cent during 2011-12 to 2015-16. The net debt available to the State during 2015-16 (₹16,962 crore) decreased by one per cent when compared to the previous year. Non-remittance of borrowings to Consolidated Fund resulted in understatement of Public Debt receipts during 2015-16.

Recommendation: Parking of funds especially with reference to developmental schemes either in nationalized banks/deposit account should be avoided. The accounting adjustments should be in accordance with the principles governing the adjustments. Delay in remittance of borrowings to Government Account should be avoided. Interest on Off-budget borrowings should form part of calculation of IP/RR ratio.

Chapter – II

Financial Management and Budgetary Control

2.1 Introduction

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

2.1.2 Audit of appropriation by the C&AG of India seeks to ascertain whether the expenditure actually incurred under various grants is within the authorization given under the Appropriation Act and that the expenditure required to be charged under the provisions of the Constitution and through various legislations of the Legislature is so charged. It also ascertains whether the expenditure so incurred is in conformity with law, relevant rules, regulations and instructions.

2.2 Summary of Appropriation Accounts

2.2.1 The summarized position of actual expenditure during 2015-16 against 29 grants/appropriations is given in **Table 2.1**.

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

Nature of expenditure		(₹ in crore)							
		Original grant/ Appropriation	Supplement ary grant/appro priation	Total	Actual expenditure	Unspent provision	Amount surrender ed	Amount surrender ed on 31st March	Per cent of savings surrender ed on 31 March
Voted	I Revenue	1,00,420.26	13,870.43	1,14,290.69	1,07,198.92	7,091.77	1,923.61	1,923.61	100
	II Capital	23,151.62	3,356.86	26,508.48	23,570.70	2,937.78	223.09	223.09	100
	III Loans and Advances	1,533.23	239.05	1,772.28	937.91	834.37	0.00	0.00	0.00
Total Voted		1,25,105.11	17,466.34	1,42,571.45	1,31,707.53	10,863.92	2,146.70	2,146.70	100
Charged	IV Revenue	16,657.06	1,241.68	17,898.74	13,031.13	4,867.61	4,033.44	4,033.44	100
	V Public Debt Repayment	5,787.90	0.00	5,787.90	4,110.20	1,677.70	1,677.70	1,677.70	100
	VI Capital	413.77	0.00	413.77	400.97	12.80	25.64	25.64	100
Total Charged		22,858.73	1,241.68	24,100.41	17,542.30	6,558.11	5,736.78	5,736.78	100
Grand Total		1,47,963.84	18,708.02	1,66,671.86	1,49,249.83	17,422.03	7,883.48	7,883.48	100

Source: Appropriation Accounts

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

Detailed accounts in support of advances drawn through Abstract Contingent bills amounting to ₹90.99 crore were not submitted by the Drawing and Disbursing Officers, as required under paragraph 37 (b) (3) of the Manual of Contingent Expenditure, 1958. In the absence of detailed contingent bills, the genuineness of the expenditure could not be vouchsafed. The total number of outstanding bills as on 31 March 2016 was 1,736.

2.2.3 The total expenditure stood overstated in the following cases:

- Non-provision of ₹99.67 crore for incurring expenditure out of revenue realized from Karnataka Forest Development Fund, Protected Area Management Fund and Afforestation Fund (Grant No.8).
- Out of the funds released to Zilla Panchayat/ Taluk Panchayat, an amount of ₹523.70 crore under the ZP Fund and ₹789.04 crore under the TP fund under category II (in Public Account) remained unutilized.

2.2.4 The total expenditure stood understated in the following cases:

Short transfer of ₹27.39 crore out of revenue collected in respect of Environment Protection Fees to Fund Account (Details vide **paragraph 1.9.4**).

Non- transfer of Green Tax Cess of ₹45.90 crore collected to the Public Fund Account (Details vide **paragraph 1.3.1.1**).

2.2.5 The overall unspent provision of ₹17,422.03 crore (2015-16) was the result of unspent provision of ₹17,355.99 crore under 29 grants/ appropriations which was offset by excess expenditure of ₹66.04 crore under Demand No.1, 5, 6 and 19 under voted/charged expenditure of the revenue/capital sections.

2.2.6 During 2015-16, ₹5,065.69 crore covering 25 grants under revenue/capital section, (this is only illustrative), through 190 executive orders (**Appendix 2.1**) for incurring expenditure not covered by the budget initially were released by the FD on the request of the Administrative Departments as additionalities without the authorization of the Legislature. These cases did not attract the criteria fixed (₹5.00 crore) for New Service/New Instruments of Service as recommended by PAC of the State Legislature. However, provision to cover these additionalities was made through supplementary demands under Article 205(1) (a) of the Constitution.

Details of such additionalities for the period 2013-14 to 2015-16 are shown in **Table 2.2**.

Table 2.2: No. of additionality orders issued during 2013-14 to 2015-16

(₹ in crore)			
Year	No. of Grants	Supplementary Demand	Additionality Amount
2013-14	04	12,198.48	186.58
2014-15	25	12,336.76	3,022.33
2015-16	25	18,708.02	5,065.69

Source: Appropriation Accounts

The practice of release of funds initially through executive orders and getting it ratified later by seeking approval of the Legislature through supplementary demands shows an increasing trend. It is suggested that such a procedure should be confined to the barest minimum and resorted to only in exceptional circumstances as recommended by the PAC vide Para 5 of GO dated 6 August 2016.

2.3 Excess Expenditure

In 11 cases, expenditure in excess of ₹25 crore of the budget provision was incurred under seven Major Heads of account pertaining to six grants aggregating to ₹1,042.24 crore (**Appendix 2.2**).

2.3.1 Excess expenditure requiring regularization 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 regularized by the State Legislature. Although no time limit for regularization of expenditure has been prescribed under the Article, the regularization of excess expenditure is done after the completion of discussion of the Appropriation Accounts by the Public Accounts Committee.

Excess expenditure aggregating to ₹1,058.64 crore for the years 2012-13, 2013-14 and 2014-15 is yet to be regularized as detailed in **Table 2.3**.

Table 2.3 Excess expenditure requiring regularization

(₹ in crore)

Year	Grant No./ Description	Excess required to be regularized as commented in the AA/AR	Remarks
2012-13	08 – Forest, Ecology and Environment	494.02	Excess expenditure of ₹209.51 crore was on account of transfer of Forest Development Tax to Public Fund account. The receipt was more than anticipated collection. Further, an amount of ₹284.51 crore which had remained as revenue in Commercial Tax Department was transferred to Public Account.
2013-14	08 – Forest, Ecology and Environment	355.39	Excess expenditure was on account of transfer of Forest Development Tax to Public Fund account. The receipt was more than the anticipated collection and also due to erroneous budgeting.
	26 – Planning, Statistics, Science and Technology	20.42	Withdrawal of budget provision in the budget presented in July 2013 in respect of certain heads for which budget was included in the Vote on Account presented during February 2013.
2014-15	08 – Forest, Ecology and Environment	188.75	Excess expenditure was on account of transfer of Forest Development Tax to Public Fund account. The receipt was more than the anticipated collection and also due to erroneous budgeting.

Year	Grant No./ Description	Excess required to be regularized as commented in the AA/AR	Remarks
	10 – Social Welfare	0.06	No specific reasons furnished for the excess
	Total	1,058.64	

2.3.2 Excess expenditure over provision during 2015-16

Excess expenditure of ₹66.04 crore against Demand No.1 - Agriculture and Horticulture, 05 - Home and Transport, 06 – Infrastructure Development and 19 – Urban Development during 2015-16 are required to be regularized, the details of which are given in **Table 2.4**.

Table 2.4: Excess expenditure over provision during 2015-16 requiring regularization

(Amount in ₹)				
Sl. No	Grant	Provision	Expenditure	Excess
1	01 – Agriculture and Horticulture Capital Voted	71,97,00,000	79,90,05,365	7,93,05,365
2	05 – Home and Transport Revenue Voted	47,21,80,78,000	47,66,75,12,163	44,94,34,163
3	06 – Infrastructure Development <i>Revenue Charged</i>	0	17,08,292	17,08,292
	<i>Capital Charged</i>	0	4,94,81,312	4,94,81,312
4	19 – Urban Development <i>Capital Charged</i>	0.00	8,04,77,000	8,04,77,000
	Total	47,93,77,78,000	48,59,81,84,132	66,04,06,132

Source: Appropriation Accounts

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

- Excess under Demand No.1 was on account of error in budgeting. Provision was made under Grant No. 18- Commerce and Industries instead of Grant No.1 – Agriculture and Horticulture. However, the expenditure was accounted for rightly under Grant No.1.
- Excess under Grant No.06 – Infrastructure Development and Grant No.19 –Urban Development were due to an error in the budget wherein the funds were provided under Voted category instead of under *Charged* category. However, the expenditure was accounted for rightly under the *charged* section as required under the amended provision Section 2 of KFRA, 2002 made during 2014.

2.4 Scrutiny of Budget Estimates and Supplementary Estimates for the Year 2015-16

2.4.1 Errors in budgeting

2.4.1.1 Misclassification between 'Capital' and 'Revenue' sections

During 2015-16, an expenditure of ₹175.50 crore was classified under the Revenue Section instead of Capital Section and *vice versa*, the details of which are given in **Table 2.5**.

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

(₹ in crore)				
Sl. No	Head of Account	Provision	Expenditure	Remarks
1	2055-00-109-1-04-132 – Capital Expenses	22.89	22.81	Acquisition of Land for construction of Training College at Kalaburagi and Yelahanka which is capital in nature.
2	2202-03-800-5-00-132 – Capital Expenses	3.00	2.89	Funds provided for acquisition of land for Educational Institutions under Revenue Section instead of Capital Section.
3	2415-80-004-2-01-103 – GIA Asset Creation	24.52	24.52	Fund provided under Revenue Section for construction of Hostel buildings to UAS for Dharwad Research Station which is Capital in nature.
4	2202-03-103-2-01-422&423 SCSP & TSP	51.99	19.28*	Provision/expenditure under revenue section is erroneous as the amount was spent on Construction of Hostel buildings which is capital in nature.
5	4225-01-800-0-22-132- Capital Expenses	106.00	106.00	Write-off of loans sanctioned to beneficiaries of SC/ST communities by Dr. B.R.Ambedkar Development Corporation Limited which should have been classified under Revenue, by treating the expenditure as subsidy to the Corporation. While accepting the error, the Government in its order dated October 17, 2016 has stated that for the year 2016-17, the provision under Capital head would be surrendered and the same would be provided under Revenue section.
Total		208.40	175.50	

*Expenditure upto December 2015.

- A mention was made in **paragraph 2.8.2.9** of the report on State Finances for the year ending 31-03-2015 that budget provisions were made under capital section for incurring expenditure on salaries instead of revenue HOA. In the year 2015-16 also, salaries amounting to ₹6.73 crore were booked under the capital account (Major Head 4700 and 4711). This inflated the capital expenditure and suppressed revenue expenditure.

2.4.1.2 Misclassification between 'voted' and 'charged' sections while budgeting.

Budget provisions were made under voted section instead of charged section under Revenue/Capital and *vice versa*. These cases of misclassification amounted to ₹3,825.41 crore. The details of such transaction are shown in **Appendix 2.3**. As seen from the **Appendix 2.3**, major misclassification occurred under Demand No.3 – Finance. This was on account of obtaining the provision relating to payment of pensions under the charged section of revenue instead of the voted section. It was replied (July 2016) that this was due to a technical snag which was rectified in Supplementary Estimate II of 2015-16.

2.4.1.3 Errors due to incorrect provisions made under grants

Errors in budgeting of ₹81.51 crore arose due to provision being made in Grant No.18 – Commerce and Industries instead of Grant No.1 – Agriculture and Horticulture as shown below:

- Provision of ₹71.24 crore made under MH 2851 – Village and Small Industries- Transfer Market fees and License Fee to Karnataka Silk Worm Cocoon and Silk Yarn Development and Price Stabilization Fund,
- Provision of ₹0.27 crore made under MH 2852-Industries-General-Direction and Administration – Director, Government Silk Industries,
- Provision of ₹10.00 crore made under 6860-Loans for Consumer Industries-Textiles-Loans to Public Sector and other undertakings-Silk Yarn Price Stabilization Scheme-Karnataka Silk Marketing Board – Loans.

All the activity relating to Sericulture department was transferred to the Department of Agriculture and Horticulture during 2011-12 itself. Hence provision should have been made under the correct demand.

2.4.1.4 Incorrect provision made under Major Heads of Account

- A provision of ₹10.00 crore was erroneously made in Grant No.9 under the Major Head 4860 – Capital Outlay on Consumer Industries – Investment of Government in the Share Capital to Karnataka State Industrial Commercial Co-operative Bank Limited instead of Major Head 4425 – Capital Outlay on Co-operatives.
- A provision of ₹0.10 crore was provided in Grant No.29 under 2049 - Interest payments for payment of interest on compensation bonds instead of under 2075 – Miscellaneous General Services contrary to the instruction contained in note (1) below 2049 in the LMMH.
- In the Supplementary Estimate-I (Grant No.3), a provision of ₹2 crore was made under 2020-Collection of Taxes on Income and Expenditure being the interest on delayed refunds of Sales Tax/VAT by Commercial Tax Department. The provision made under the functional major head was incorrect as it relates to the sub sector (a)

below Sector A-Taxes on Income and Expenditure and not sub-sector (c) – Taxes on Commodities and Services from where interest on delayed refunds was proposed to be made. However, no expenditure has been booked and the entire provision was surrendered.

2.4.1.5 Misclassification under Minor head level:

A provision of ₹27.69 crore was made erroneously under Grant No.18 under the HOA 4860 – Capital outlay on Consumer Industries 04- Sugar 190- Investment in Public Sector and Other Undertakings- Co-operative Sugar Mills- Share Capital to Sri Bhimashankar Sahakari Sakkare Kharkahne Niyamit, Indi – Investment. However, both the provision and the expenditure were classified under ‘4860-04-195’ Assistance to Co-operatives – Supply of Plant and Machinery – Investment by the AG (A&E) in accordance with the instructions contained in Paragraph 3.1(b) of LMMH (Demand No.18).

2.4.1.6 Error due to provision made under non-existent sub major head

A provision of ₹0.96 crore was made in Grant No. 20 under Major Head – 2216, sub-major head (01) and Minor Head (700). These heads were deleted by the Correction Slip 535 to the LMMH. However, they continued to be incorporated in the Budget Estimates and the expenditure has been accounted under the heads shown in the Budget Estimates.

2.4.1.7 Errors in classification

The budget/expenditure suffered on account of operation of incorrect budget lines for release and accounting of ULB grants at the object level of classification. Distinct heads were to be opened for accommodation of budget/expenditure of the ULB sector. Such details which are to be shown distinctly in a separate budget document are discussed below in **Table 2.6**.

Table 2.6: Details of errors in object level of classification

Item of Expenditure	Amount involved (₹ in crore)	Remarks
Pension and Other Retirement Benefits	12,351.13	This expenditure included grants released to Urban Local Bodies (ULBs) for payment of pension (₹49.17 crore) which are not in the nature of pensions paid to Government Servants, to be accounted under Consolidated Fund of the State.
Consolidated Salaries	794.56	This object head is intended for recording the salary expenditure of only constitutional dignitaries, but has included releases made to ULBs for payment of salary (₹751.55 crore).
Maintenance	1,714.21	This includes releases made to ULBs for maintenance expenditure of ₹1,019.85 crore in the form of grants.
Subsidy	14,040.90	Includes releases made to ULBs for payment of Subsidy (₹20.21 crore)

Source: Finance Accounts

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

2.4.1.8 Incorrect budgeting

The Finance department maintains the maturity profile of loans accounted for under the internal debt of the State Government and furnishes the details every year to the AG (A&E) for inclusion in the Finance Accounts of the Government. Further, in respect of the borrowings under internal debt, AG (A&E) does not maintain detailed accounts of loans.

The GOI, in the notification issued on 2 May 2014, revised the terms and conditions for NSSF loans sanctioned and stated that there is no moratorium on loans sanctioned under NSSF scheme from 1 April 2014. Further, the loans are repayable in ten years along with interest on half yearly basis.

As seen from the maturity profile of 2014-15, in respect of borrowings under 'special securities issued to NSSF of Central Government', the requirement of funds for the year 2015-16 was indicated as ₹1,031.95 crore and the provision for the same was made in the budget. However, the actual repayment to the end of March 2016 was ₹1,175.55 crore resulting in excess payment of ₹143.60 crore which was due to non-reckoning of GOI Notification ibid while working out the budget provision/maturity profile.

Finance Department replied (August 2016) that due to non-receipt of revised terms and conditions well in time, the complete liability could not be provided in the budget. Further, re-appropriation orders were issued on 31.3.2016 to cover the excess of ₹143.60 crore. Thus, though the notification was issued in May 2014, revised maturity profile was issued (August 2016) only after it was pointed out by audit.

2.5 Transactions under the Fund Account

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

During 2015-16, a sum of ₹963.25 crore was anticipated as collection of cess. As against this amount, provisions were made under the Major Heads 3054 (CMRRD ₹295.49 crore), 5465 (IIF ₹549.05 crore) and 6217 (BMRCL ₹800.00 crore) aggregating to ₹1,644.54 crore in the budget for its transfer to the fund account. It was observed that there was a mismatch between the anticipated collection and the provision made for expenditure by transfer, which resulted in the excess provision of funds to the extent of ₹681.29 crore.

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

2.6 Lack of Transparency in Provisioning - Budget Operation of Omnibus Object Head 059 – ‘Other Expenses’

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

During 2015-16, on a scrutiny of vouchers relating to six departments it was noticed that an expenditure of ₹329.42 crore was wrongly classified under the object head ‘059 – Other Expenses’ instead of under the relevant object heads, viz., 015- Subsidiary Expenses, 051- General Expenses 106- Subsidy, *etc.* The details of such misclassifications are detailed in **Appendix 2.4**. In reply, Departments of Agriculture and Health and Family Welfare stated that as the provision in the Budget was made under the object head ‘059 – Other Expenses’ by the Finance Department, the expenditure had been incurred under the same head and from 2016-17 onwards the expenditure would be made under the correct object heads.

2.7 Financial Accountability and Budget Management

2.7.1 Appropriation vis-à-vis allocative priorities

There were 16 cases of unspent provision, each exceeding ₹100 crore and above under 16 grants/appropriation, which aggregated to ₹16,259.17 crore during 2015-16. Large unspent provisions were in areas of Rural Development and Panchayat Raj, Finance, Water Resources, Debt Servicing, Education, Agriculture and Horticulture, Health and Family Welfare as indicated in **Table 2.7**.

Table 2.7: Grants/appropriations with unspent provision of ₹100 crore and above

Sl. No	Grant/ Nomenclature	Provision			Expenditure	Unspent provision and it's percent
		Original	Supplementary	Total		
1	01- Agriculture and Horticulture Revenue – Voted	4,790.91	770.53	5,561.44	4,758.26	803.18(14)
2	03– Finance Revenue - Charged Revenue -Voted	3,774.41	0.00	3,774.41	0.00	3,774.41(100)
		9,784.86	4,221.53	14006.39	12,790.95	1,215.44(9)
3	06-Infrastructure Development Capital - Voted	754.73	10.00	764.73	588.68	176.05(23)
4	07–Rural Development and Panchayat Raj					

Sl. No	Grant/ Nomenclature	Provision			Expenditure	Unspent provision and it's percent
		Original	Supplementary	Total		
	Revenue – Voted	8,553.46	1,487.91	10,041.37	9,581.96	459.41(5)
	Capital – Voted	1,165.07	17.41	1,182.48	864.24	318.24(27)
5	08-Forest, Ecology and Environment Revenue - Charged	600.18	0.00	600.18	400.77	199.41(33)
6	11-Women and Child Development Revenue - Voted	4,164.32	48.88	4,213.20	4,007.50	205.70(5)
7	14- Revenue Revenue -Voted	4,753.23	3,563.89	8,317.12	7,838.71	478.41(6)
8	17 – Education Revenue –Voted	19,434.02	194.74	19,628.76	18,762.72	866.04(4)
	Capital- Voted	666.65	159.67	826.32	679.84	146.48(18)
9	18 – Commerce and Industries Revenue-Voted	793.50	316.24	1,109.74	926.23	183.51(17)
	Capital- Voted	317.60	464.71	782.31	678.04	104.27(13)
10	19 – Urban Development Revenue - Voted	7,428.48	311.01	7,739.49	7,076.30	663.19(9)
11	20 – Public Works Revenue – Voted	2,425.60	46.17	2,471.77	2,189.10	282.67(11)
	Capital - Voted	4,966.26	2,044.87	7,011.13	6,779.76	231.37(3)
12	21 - Water Resources Revenue – Voted	1,000.78	8.63	1,009.41	810.79	198.62(20)
	Revenue – Charged	600.34	0.00	600.34	442.36	157.98(26)
	Capital - Voted	8,940.76	107.07	9,047.83	6,816.18	2,231.65(25)
13	22 – Health and Family Welfare Revenue - Voted	5,523.58	508.20	6,031.78	5,127.28	904.50(15)
14	23 – Labour Revenue - Voted	905.24	97.10	1,002.34	875.63	126.71(13)
15	26 – Planning, Statistics, Science and Technology Revenue – Voted	757.53	2.86	760.39	603.39	157.00(21)
	Capital - Voted	1,003.01	7.00	1,010.01	909.19	100.82(10)
16	29 – Debt Servicing Revenue – Charged	11,202.67	1,210.11	12,412.78	11,816.37	596.41(5)
	Capital - Charged	5,787.90	0.00	5,787.90	4,110.20	1,677.70(29)
	Total	1,10,095.09	15,598.53	1,25,693.62	1,09,434.45	16,259.17

Major Heads of accounts, under which the unspent provision including re-appropriation amount was more than ₹25 crore, are detailed in **Appendix 2.5**.

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 ₹3,773.56 crore under the Major Head 2071– Pension and Other Retirement Benefits was due to funds being provided erroneously under ‘charged’ category instead of ‘voted’ category under 77 schemes in the Budget Estimates 2015-16 due to a technical snag. The same was later corrected by providing an equal amount as additionality under ‘voted’

category in Supplementary Estimate – II. The amount provided under the ‘charged’ category was surrendered in March 2016.

Unspent provision of ₹39.73 crore under the Major Head 2054-Treasury and Accounts Administration-Directorate of Accounts and Treasuries-Director of Treasuries-Modernization was due to ‘Khajane-II’ being still under implementation.

Infrastructure Development

Unspent provision of ₹14.98 crore under the Major Head 5465-Investment in General Financial and Trading Institutions-Investment in General Financial Institutions-Investments in Public Sector and Other Undertakings-Banks-Investment in Rail Infrastructure Development Corporation (K-RIDE) was due to delay in land acquisition process.

Education

Unspent provision of ₹2.50 crore under the MH 2203-Technical Education-Quality Improvement of Technical Education-Other Expenses was due to insufficient time to incur expenditure, as the additional funds were provided on 26 March 2016.

Unspent provision of ₹22.50 crore under MH - 4202 Capital Outlay on Education, Sports, Art and Culture-General Education-University and Higher Education-Buildings – NABARD Works was due to insufficient time in uploading the third quarterly allotment of funds released by Government at Treasury Network Management Centre.

Unspent provision of ₹18.37 crore under Major Head 4202 - Capital Outlay on Education, Sports, Art and Culture-General Education-University and Higher Education-Buildings –Rasthriya Uchchar Shiksha Abhiyana – Other Expenses was due to insufficient time in incurring expenditure after completion of purchase procedures prescribed under KTPP Rules.

Public Works

Unspent provision of ₹25 crore under the Major Head ‘2059’-Public Works-General –Other Expenditure-Administration of Sand Mining –General Expenses was due to delay in calling tenders for Sand Block.

Unspent provision of ₹11 crore under the Major Head ‘3051’- Ports and Light Houses-Minor Ports- Port Management-Dredging Activities was due to the decision to carry out maintenance of dredging in alternate years, after completion of northern breakwater.

Unspent provision of ₹72.83 crore under the Major Head 5054-Capital Outlay on Roads and Bridges-State Highways-Road Works-MOR Works financed from NABARD was due to delay in progress of work and due to non-receipt of bills.

Water Resources

Unspent provision of ₹42 crore under the Major Head 4702-Capital Outlay on Minor Irrigation – Other Expenditure–Lump sum for new works was due to slow progress in works and delay in approval of New Projects.

Unspent provision of ₹18.55 crore under the Major Head 4702-Capital Outlay on Minor Irrigation – Surface water - Lift Irrigation Schemes was due to delay in land acquisition proceedings and Acquisition of Forest Land.

Health and Family Welfare

Unspent provision of ₹471.15 crore under the Major Head 2210-Medical and Public Health-Rural Health Services–Allopathy-Other Expenditure- Other Expenses (₹321 crore), SCSP (₹107.87 crore), and TSP (₹42.28 crore) was due to non-receipt of Government Orders for release of funds and non-honouring of bills submitted at the fag end of the financial year at the Treasuries.

Labour

Unspent provision of ₹23.10 crore under the Major Head 2230 – Labour and Employment-Employment Service-Direction and Administration-Directorate of Employment and Training was for want of clarification with regard to payment of daily allowance to CTI and for want of sufficient time to call for the tender to purchase machineries for 100 new ITIs.

Debt Servicing

Unspent provision of funds of ₹1,500.00 crore and ₹500.00 crore under the Major Head 6003- Internal Debt of the State Government was due to non-availing of Ways and Means Advances and Overdraft from RBI respectively during 2015-16.

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

The PAC, in its 13th Report submitted to the Legislature (December 2011), had observed that in order to have control over provision/expenditure, unutilized provision should be surrendered as and when it came to the notice of the grant controlling authority and that specific instructions were required to be issued in this regard. Finance department in its circular dated December 19, 2013 had directed all the Administrative department and the Heads of Department 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 unutilized/ un-surrendered, indicating poor quality of control over expenditure, despite PAC recommendations. As the compliance of the executive to the recommendation of the PAC were poor, strict action is required against officers who are not adhering to the above instructions in the Finance Department's circular.

2.7.2 Persistent Unspent Provision

In three grants, there were persistent unspent provisions of more than ₹100 crore in each case during the last five years, as detailed in **Table 2.8**.

Table 2.8: Persistent unspent provision

(₹ in crore)						
Sl. No.	Grant/Nomenclature Major head	Year				
		2011-12	2012-13	2013-14	2014-15	2015-16
1	03-Finance (Revenue – Voted)	260.68	4,101.04	116.64	489.34	1,215.44
	2070-00-800-11 Filling up of vacant posts	849.97	999.98	500.00	1,181.28	1,250.03
2	19-Urban Development (Revenue Voted)	631.46	2,072.54	1768.58	1,243.08	663.19
	2217-05-191-1 BMRDA	258.00	359.61	203.23	295.97	96.33
3	29 – Debt Servicing (Capital –Charged)	1,142.23	1,936.98	2,016.96	1,948.21	1,677.70
	6003-00-110-1 Clean and Secured Ways and Means Advances	1,000.00	1,500.00	1,500.00	1,500.00	1,500.00*
	6003-00-110-2 Overdraft with RBI	350.00	500.00	500.00	500.00	500.00*

(* the amount has been withdrawn in Revised Estimate for the year 2015-16 Budget Document 2016-17 Vol I)

Reasons for persistent savings in two demands revealed the following:

- Grant No.3 – Finance, under the HOA‘2070-800-11’ – Filling up of vacant posts, provisions made remained unutilized. The Finance department stated (July 2016) that though the provision remained unspent under this demand, the additionalities on filling up of vacant posts in other demands would be taken care of by the provision so that there would be no fresh cash outgo. The reply of the department is not satisfactory, as supplementary provision may be made under concerned demands whenever necessary during the course of the year.
- Grant No.29 – Debt Servicing, despite there being persistent savings under the head 6003-110-1 - Clean and Secured Ways and Means Advances and 6003-110-2- Overdraft with RBI, for past eight years, huge provisions were made which remained un-utilized. Instead, token provisions could have been made in these cases in the Budget Estimate and if necessity arose, the same could be included in the Supplementary Estimates.

2.7.3 Supplementary Provision

The Supplementary budgets are not ‘fiscally neutral’ as required by KFRA and commitments of significant amounts are included as a part of the 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 Estimates 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 Estimates.

Supplementary provision (₹18,708.02 crore) made during 2015-16 constituted 13 per cent of the original provision (₹1,47,963.84 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 2015-16, 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 2.9**.

Table 2.9: Details of curtailment of expenditure, augmentation of revenue, provision for book adjustment in the Supplementary Estimates

	(₹ in crore)		
	First Supplementary Estimate- ₹3,946.03	Second Supplementary Estimate- ₹6,783.50	Third Supplementary Estimate- ₹7,978.49
Amount met out of Reserve Funds	1,891.02	272.83	4,772.90
Amount covered by Central Assistance	22.87	191.39	2,063.80
Other receipts	6.00	0.00	1.94
Amount covered by adjustments	0.54	157.90	130.45
Incorrect booking of Pension expenditure as charged in BE 2015, which is now being corrected as voted.	0.00	3,811.17	0.00
Net Cash outgo	2,025.60	2,350.21	1,009.40

Source: Supplementary Estimates

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

2.7.4 Unnecessary Supplementary Provision

Supplementary provision of ₹936.68 crore made under 12 grants in 36 cases proved unnecessary (**Appendix 2.6**).

- With effect from 01 August 1989, the grant of advances to Government Servants for House Building Advance/House Purchase

Advance from out of Consolidated Fund of the State was dispensed with. However, Finance Department took a decision to re-introduce the scheme during 2015-16 and it was decided to make provision for House Building Advance/House Purchase Advance for officers and employees of the State Civil Services. Though a supplementary provision of ₹55 crore was provided for this purpose, the same remained un-utilised as the modalities for maintaining the accounts for the above advances were not in place.

- Supplementary provision for ₹7,978.49 crore was made in the third installment of supplementary demands for the year. Of these, ₹55.64 crore under nine demands could not be utilized as the supplementary estimates were approved by the Legislature only on 30 March 2016 giving little room for the spending department to complete transactions through the treasury.
- Supplementary demand for ₹11.42 crore was made (SE III) under Capital Section below Demand No.7, being the amount to be refunded to Government of India, Department of Economic Affairs, in respect of Gram Swaraj Project. The demand was unnecessary, as the amount in question had already been recovered from the loans released by GOI to the State Government during 2015-16.
- Supplementary provision of ₹15.00 crore was made under Major Head 2851-00-102-0-69-106(NP) – Subsidy, stating that the programme of self-employment was proposed to be implemented under ‘assistance to institutions for technology training’. Further it was mentioned that the original budget for the above scheme which was included under the HOA ‘2851-00-102-0-74-106(P)’, would be surrendered.

As the budget had already been made under the above demand, a token provision of ₹1,000 was sufficient and re-appropriation could have been made from the former HOA to the latter head. It was replied (July 2016) that since the shifting of provision was from ‘Plan’ to ‘Non-plan’, appropriation was not given effect to and instead additional budget was given under non-plan with a decision to surrender the same amount under plan. The reply is not satisfactory as the re-appropriation between Plan and Non-plan can be made with the concurrence of the Government as per Paragraph 277 of the Budget Manual 1975.

2.7.5 Excessive Supplementary Provision

Supplementary grant of ₹906.32 crore made under 24 detailed/object heads relating to 11 grants proved excessive. The resultant unutilized provision in these cases was ₹203.85 crore (**Appendix 2.7**).

2.7.6 Inadequate Supplementary Provision

Supplementary provision of ₹24.49 crore made under three detailed heads relating to three grants proved inadequate. The uncovered excess expenditure in these cases was ₹29.11 crore (**Appendix 2.8**).

2.7.7 Re-appropriation of Funds

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

2.7.8 Injudicious Re-appropriation of Funds

In 2015-16, 73 cases of re-appropriation of funds was made injudiciously as compared to 35 cases in 2014-15, resulting either in un-utilized provision or excess over provision in each case (**Appendix 2.9**), as summarized below:

In three cases, additional fund of ₹47.07 crore, provided through re-appropriation, proved insufficient as the final expenditure exceeded the provision by ₹82.62 crore.

In one case, withdrawal of ₹111.50 crore resulted finally in excess expenditure of ₹1.05 crore.

In 43 cases, the un-utilized provision was not properly assessed as, even after the withdrawal of ₹844.85 crore through re-appropriation, ₹600.74 crore remained un-utilized.

In 26 cases, additional funds of ₹1,083.62 crore, provided by re-appropriation, resulted in overall un-utilized provision of ₹649.27 crore.

2.7.9 Defective Re-appropriation

During 2015-16, 283 re-appropriation orders for an amount of ₹3,242.36 crore were issued of which 65 re-appropriation orders for 126.65 crore were not acted upon as they violated the provisions of Article 309, 312 and 315(a) of the Karnataka Financial Code which inter alia stipulated that no re-appropriation should be made from one grant voted by the Legislature to another such grant, from voted items of expenditure to charged items of expenditure, from capital to revenue and *vice versa* if the re-appropriation statement is not self-balanced and not in the prescribed form (Form No.22A of KFC) (**Appendix 2.10**).

Surrender of unspent provision

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

2.7.10 Unspent provision not surrendered

In the case of 17 grants/appropriations, the entire unspent provision, aggregating ₹5,655.03 crore, was not surrendered (**Appendix 2.11**).

Further, in the case of 29 grants/appropriations, there was only partial surrender and around 55 per cent (₹9,604.59 crore) of the total unspent provision (₹17,488.06 crore) was not surrendered (**Appendix 2.12**). Besides, in 15 grants where surrender of funds was in excess of ₹ five crore, ₹7,342.99 crore were surrendered on the last two working days of the financial year, indicating inadequate financial control (**Appendix 2.13**).

2.7.11 Substantial surrenders

Out of the total provision of ₹2,289.66 crore in 34 cases, ₹1,903.48 crore (83 per cent) were surrendered, which included cent per cent surrenders in 14 cases (₹546.88 crore) (**Appendix 2.14**). These surrenders were stated to be due to non-approval of revised action plan, non-identification of space for construction of Aahara Bhavan, non-receipt of claims from unit offices, non-receipt of application in time for fee concession, etc.

2.8 Contingency Fund

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

During 2015-16, an amount of ₹36.25 crore was released from Contingency Fund as shown in the **Table 2.10** given below which was recouped to the fund subsequently through supplementary provisions.

Table 2.10 Statement showing the advances sanctioned from Contingency Fund

(₹ in crore)					
Sl No	Gr. No.	Head of Account	GO No. and Date	Amount Sanctioned	SE in which it was recouped
1	01	6860-01-190-5-394(NP)	FD 01 BCF 2015 dated 19.05.2015	10.00	SE - I
2	18	6852-01-190-1-02	FD 01 BCF 2015 dated 05.11.2015	1.00	SE - II
3	18	6860-04-101-0-28-394(P)	FD 01 BCF 2015 dated 13.11.2015	6.00	SE - II
4	09	2425-00-108-0-70-100(P)	FD 01 BCF 2016 dated 16.02.2016	8.75	SE - III
5	17	2202-03-102-0-04-102 and 103(P)	FD 01 BCF 2016 dated 24.03.2016	10.50	SE - III

Audit observations on these transactions are given below:

- Decision was taken during October 2014 to provide loan of ₹30 crore to Karnataka Silk Marketing Board (KSMB) to encourage purchase of raw silk and protect the interests of farmers. Sanction was accorded (May 2015) for release of ₹10 crore from Contingency Fund to KSMB. Since the decision was taken in October 2014 itself, the loan amount

for purchase of silk could have been assessed and the provision included in the original budget estimate.

- Rupees One crore was sanctioned as loan from Contingency fund to Karnataka Mining Environment Restoration Corporation based on the proposal of Commerce and Industries Department (October 2015). There was a delay of nearly one month in sanctioning the loan, reasons for which are not on record. Even after the issue of orders, the amount could not be drawn from the treasury as the Government Order authorizing the withdrawal of the sum did not contain complete budget head details to which the amount was to be debited. Meanwhile, the Supplementary Estimate-II was placed before the Legislature and hence a revised order was issued by the Commerce and Industries Department on the opinion of FD that operation of Contingency Fund was not necessary after the approval of SE in the Legislature. Hence, the inclusion of recoupment of Contingency Fund in the Supplementary Estimate II when the amount was not drawn from the fund was unnecessary.
- An amount of ₹8.75 crore was released from Contingency Fund (February 2016) towards construction of new buildings and repair of Primary Co-operative Agriculture & Rural Development Banks, Taluk Agricultural Produce Co-operative Marketing Societies and Agricultural Service Co-operative Societies. As the work was ongoing and amounts had been released for it during Supplementary Estimates for 2014-15 also, the same could have been assessed and included in the Budget Estimate. In reply, the FD stated that as the repairs works were ongoing, and no provisions were made in the Budget Estimates, the funds were released from Contingency Fund to pay pending bills as per the requests made by the elected representatives. The reply is not tenable for the reasons already indicated above.
- An amount of ₹10.50 crore towards development and maintenance works of Pali, Samskurta and Comparative Philosophy Institute, Kalaburagi was released from Contingency Fund during February 2016. As grants were being released every year for the same purpose in Supplementary Estimates, the same could have been assessed in advance and included in the Budget Estimate rather than operating from the Contingency Fund. The Finance Department stated (October 2016) that provision was made in the SE-III for the year. It further stated that if the grants were released pending authorization by the Legislature, it would have attracted the criteria of New Service. The reply is not tenable as the Finance Department had already agreed in January 2014 for release of maintenance grants for five years.

2.9 Outcome of Review of Selected Grants

A review of budgetary procedures followed, and expenditure control exercised, in respect of two selected grants over a three year period 2013-14 to 2015-2016 showed the following:

2.9.1 Grant No. 1 - Agriculture and Horticulture

2.9.1.1. Introduction

The Agriculture Department implements various programme like Krishibhagya, Establishment of custom hiring centres, Bhoochethana, National e-governance, Bhoosamruddi, RKVY, organic farming etc., and timely supply of agricultural inputs like seeds, micro nutrients and bio-fertilizers to the farmers.

The Department of Horticulture is responsible for the overall development of Horticulture in the State, which includes production and distribution of quality planting materials of various Horticultural plants, promoting hi-tech Horticulture, assisting the farmers in value addition and export of Horticultural produce *etc.*,

During the year 2013-14 to 2015-16, more than 85 *per cent* of the budget allocation and expenditure under this grant was under the functional Major Heads 2401, 2402, and Capital outlay on these functional heads. Owing to the vastness of transactions, the scope of the review was limited to the budget/expenditure of above Major Heads.

A review of budgetary procedure and control over expenditure in the selected grant i.e., Grant No.1- Agriculture and Horticulture showed the following:

2.9.1.2 Budget and Expenditure

The overall position of budget provisions, actual disbursements and savings under the functional Heads of the grant for the last three years (2013-14 to 2015-16) is given in **Table 2.11**.

Table 2.11 Budget and Expenditure

(₹ in crore)					
Year	Section	Budget Provision	Total	Expenditure	Un-utilized provision and its percentage
2013-14	Revenue – Original (V)	3,382.93	4,011.74	2,622.37	1,389.37(35)
	Supplementary	628.81			
	Revenue – Original(C)	0.27	0.27	0.12	0.15(57)
	Supplementary	0.00			
	Capital - Original (V)	87.16	102.70	72.25	30.44(30)
Supplementary	15.54				
2014-15	Revenue – Original (V)	4,250.81	5,040.37	3,556.63	1,483.74(29)
	Supplementary	789.56			
	Revenue – Original(C)	0.28	0.28	0.04	0.24(86)
	Supplementary	0.00			
	Capital - Original(V)	60.30	94.04	68.98	25.06(27)
Supplementary	33.74				
2015-16	Revenue – Original (V)	3,878.79	4,586.27	3,768.12	818.15(18)
	Supplementary	707.48			
	Revenue – Original(C)	0.83	0.83	0.39	0.44(53)
	Supplementary	0.00			
	Capital - Original (V)	22.00	56.43	56.43	0.00
Supplementary	34.43				

During 2013-14 to 2015-16, as a percentage of total provision, unutilized provision ranged between 18 to 86 *per cent*, under Revenue Section and up to 30 *per cent* under Capital Section

2.9.1.3 Budget Revenue and Capital

The budget is presented under Revenue and Capital, Plan and Non-plan in the detailed demand for grants. The bifurcation of provision/expenditure during the period 2013-14 to 2015-16 under revenue/capital is given in **Table 2.12** and **Table 2.13**.

Table – 2.12 – Revenue

(₹ in crore)

Year	Budget including supplementary		Expenditure		Deviation in Percentage	
	Non - plan	Plan	Non - plan	Plan	Non - plan	Plan
2013-14						
(V)	548.55	3,463.18	539.09	2,083.28	2	40
(C)	0.27	0.00	0.12	0.00	56	0
2014-15						
(V)	524.35	4,516.12	497.32	3,059.31	5	32
(C)	0.28	0.00	0.04	0.00	87	0
2015-16						
(V)	513.48	4,072.79	509.15	3,258.98	1	20
(C)	0.03	0.80	0.00	0.39	100	51

As can be seen from the table above, the deviation was insignificant during 2013-14 to 2015-16 under non-plan (Voted) expenditure but ranged from 56 to 100 *per cent* in charged category. In respect of plan expenditure the deviation declined from 40 *per cent* in 2013-14 to 20 *per cent* in 2015-16.

Table – 2.13 - Capital

(₹ in crore)

Year	Budget including supplementary		Expenditure		Deviation in Percentage	
	Non - plan	Plan	Non - plan	Plan	Non - plan	Plan
2013-14 (V)	0.00	102.70	0	72.25	0	30
2014-15 (V)	0.00	94.04	0	68.98	0	27
2015-16 (V)	0	56.43	0	56.43	0	0

As seen from the table, the deviation under plan showed a declining trend for the period 2013-14 to 2015-16 under capital section.

2.9.1.4 Incorrect provision for funds:

Expenditure relating to the Krishibhagya Scheme, implemented from the year 2014-15 was accounted for under the budget head 2401-00-800-1-68-Krishibhagya, with object heads 059- Other Expenses, 422 - SCSP and 423-TSP. The scheme is aimed at improving rain-fed agriculture through the efficient management of rain water thereby, enhancing farm productivity. The thrust was on water conservation and tackling water energy excess. During 2015-16, a provision of ₹350 crore was made in the Budget Estimate. In the Supplementary Estimate-I, an amount of ₹351.14 crore was provided under 2401-00-800-40-Other Agricultural Schemes, stating that this additionality

was being released for payment of incentives to sugarcane growers. However, this expenditure was not connected with the above Scheme. This was done based on the proposal of the Commerce and Industries Department to avoid the criteria prescribed for New Service.

This was accepted by the Department stating that it would be rectified in future years.

2.9.1.5 Incorrect provision/expenditure under *Charged* Category

During 2015-16, a sum of ₹83 lakh was provided under *charged* category in the Revenue Section as per the Appropriation Act passed by Legislature. It was observed that the expenditure of ₹38.80 lakh incurred against the above provision of funds was not in order, as the scrutiny of records in the department revealed the expenditure was for purchase of stationery, furniture, equipment and other contingent expenditure for which suitable budget heads existed.

2.9.1.6 Lapse of Budget/surrender of savings

According to paragraph 264 of the Karnataka Budget Manual (KBM) and Article 314 of the KFC, all savings anticipated by the Controlling Officers should be reported by them with full details and reasons to the Finance Department immediately after these are foreseen. No amounts out of the savings should be held in reserve for meeting additional expenditure not definitely foreseen or not already approved by the competent authority. This provision was violated as the total amount surrendered was insignificant during 2013-15 and 57 *per cent* during 2015-16. The position of surrender of unutilized provision is brought out in **Table 2.14**.

Table 2.14 - Lapse of Budget/surrender of savings

Year	Savings			Amount surrendered		
	Revenue(V)	Revenue(C)	Capital(V)	Revenue(V)	Revenue(C)	Capital(V)
2013-14	1,389.37	0.15	30.44	0.00	0.00	0.00
2014-15	1,483.74	0.24	25.06	177.46	0.01	24.91
2015-16	818.15	0.44	0.00	464.40	0.02	0.00

(₹ in crore)

2.9.1.7 Persistent Savings

It was observed that a substantial portion of the budget allocation remained unutilized every year under certain heads of accounts during 2013-14 to 2015-16, indicating non-achievement of the projected financial outlays in the respective years. This indicates that the budget allocations were made without considering the previous years' expenditure as required under Rule 110 of the KBM, which resulted in persistent savings under the heads of accounts as shown in **Table 2.15**.

Table 2.15 – Persistent Savings

(₹in crore)				
Sl No	Head of Account/Nomenclature	2013-14	2014-15	2015-16
1	2401-00-102-07 National Mission on Food process	16.24	8.61	4.58
2	2401-00-104-12 Organic Farming- Agriculture	11.40	0.70	0.47
3	2401-00-108-2 Horticulture Department	155.09	15.31	50.78
4	2401-00-109-21 Farm related activities	21.38	26.95	1.14
5	2401-00-111-08 Comprehensive Horticulture Development	23.64	12.44	7.46
6	2401-00-119-4 Development of Farms and nurseries	121.31	532.33	54.59
7	2401-00-800-1 Agriculture Department	305.08	132.35	580.00
8	2401-00-800-2 Horticulture Department	47.48	10.67	7.64
9	2402-00-102-01 Directorate and Other establishment	0.88	0.18	0.16
10	2402-00-102-15 Soil and Water Conservation – Watershed Development Department –Directorate of Watershed Department	1.46	0.49	0.41
11	2402-00-102-25 Soil Conservation in the Catchment of River Valley Project by Watershed development Department	1.80	2.86	3.12
12	2402-00-102-28 Sujala Watershed Project – III EAP	42.72	60.52	57.88
13	2402-00-102-30 Integrated Watershed Management Programme	450.00	556.62	9.59
14	2402-00-109-02 Karnataka Watershed Training Centre	0.63	0.46	0.43

2.9.1.8 Rush of Expenditure

As per paragraph 6 of the instructions issued by the Department of Finance, GOK, dated 09 September 2004, regarding releases, drawal and accounting of funds, the Administrative Department and the Heads of Department were to plan the expenditure for the remaining part of the financial year with due diligence and within the available grants. Bunching of bills and rush of expenditure in the month of March was to be avoided. Administrative Orders were to be issued well in advance after obtaining necessary approvals at the required levels for expenditure likely to be incurred in February and March. However, it was noticed that the percentage of expenditure during March ranged from 47 to 100 *per cent* during 2015-16. The sub-head wise details of expenditure are detailed in **Appendix 2.15(a)**.

2.9.2 Grant No. 26 – Planning, Statistics, Science and Technology

2.9.2.1 Introduction

A review of budgetary procedures followed and expenditure controls exercised in respect of Grant No.26 - Planning, Statistics, Science and Technology showed the following.

2.9.2.2 Budget and Expenditure

The overall position of budget provisions, actual disbursements and savings under the functional Heads of the grant for the last three years (2013-14 to 2015-16) is given in **Table 2.16**.

Table 2.16 Budget and Expenditure

(₹ in crore)					
Year	Section	Budget Provision	Total	Expenditure	Un-utilized provision and its percentage
2013-14	Revenue – Original (V)	236.10	240.81	145.50	95.31(40)
	Supplementary	4.71			
	Capital - Original (V)	326.20	626.21	646.63	(+20.42(3)
	Supplementary	300.01			
2014-15	Revenue – Original (V)	175.40	175.64	152.21	23.42(13)
	Supplementary	0.24			
	Capital - Original(V)	614.00	614.00	590.46	23.54(4)
	Supplementary	0.00			
2015-16	Revenue – Original (V)	757.53	760.39	603.39	157.00(21)
	Supplementary	2.86			
	Capital - Original (V)	1,003.01	1,010.01	909.19	100.82(10)
	Supplementary	7.00			

2.9.2.3 Deviation from the budget

During 2013-14 to 2015-16, under the Revenue Section, the deviation of unutilized provision ranged between 13 to 40 *per cent*. Under the Capital Section, for the year 2013-14 the expenditure exceeded the budget provision and during 2014-15 and 2015-16 the percentage deviation of the unutilized provision was between 4 to 10 *per cent*.

2.9.2.4 Budget Revenue and Capital

The budget is presented under Revenue and Capital, Plan and Non-plan in the detailed demand for grants. The bifurcation of provision/expenditure during the period 2013-14 to 2015-16 under revenue/capital is given in **Table 2.17** and **Table 2.18**.

Table – 2.17 – Revenue

(₹ in crore)						
Year	Budget including supplementary		Expenditure		Deviation in Percentage	
	Non - plan	Plan	Non - plan	Plan	Non - plan	Plan
2013-14	59.62	181.19	51.01	94.49	(-)14	(-)48
2014-15	73.11	102.52	62.96	89.25	(-)14	(-)13
2015-16	55.09	705.30	51.59	551.80	(-)6	(-)22

Deviation from the budget

As can be seen from the **Table 2.17**, the deviation of percentage was between 6 and 14 *per cent* under Non-plan and 13 to 48 *per cent* under Plan.

Table – 2.18 - Capital

(₹ in crore)

Year	Budget including supplementary		Expenditure		Deviation in Percentage	
	Non - plan	Plan	Non - plan	Plan	Non - plan	Plan
2013-14	0.00	626.21	0.00	646.63	0.00	3
2014-15	0.00	614.00	0.00	590.46	0.00	(-)4
2015-16	0.00	1,010.01	0.00	909.19	0.00	(-)10

As seen from the **Table 2.18**, there was excess expenditure during 2013-14 and the deviation was between 4 to 10 *per cent* for the remaining two years.

2.9.2.5 Misclassification of Provision/Expenditure under Capital

According to Indian Government Accounting Standards (IGAS)-2, all grants-in-aid are in the nature of pass through grants and shall be classified and accounted as revenue expenditure in financial statements of the Union/State Governments, irrespective of the purpose for which such grants are spent by the ultimate grantee.

Karnataka Legislatures' Local Area Development (KLLAD) Scheme was introduced (2001-02) for asset creation, infrastructure development and employment generation for the benefit of the poor and weaker sections. While the expenditure for the period 2001-02 to 2009-10 was classified as revenue, the same from 2010-11 is being classified as capital.

The details of expenditure classified as capital instead of revenue for the period 2013-14 to 2015-16 is as shown in **Table 2.19**.

Table 2.19- Misclassification of expenditure between capital and revenue

(₹ in crore)

Year	Head of Account	Provision	Expenditure
2013-14	4575-60-800-0-01	600.01	593.44
2014-15	4575-60-800-0-01	600.01	576.46
2015-16	4575-60-800-0-01	600.01	600.00

On this being pointed out, the government replied (December 2013) that since grants under KLLADS are provided for capital assets creation which are executed through the concerned Deputy Commissioners(DCs), these cannot be classified as grants to Legislatures' as mentioned in IGAS-2.

The reply was not acceptable as the transaction was in the nature of pass through transaction and hence the classification of expenditure should remain under revenue head only. Thus the action of the Government in accounting revenue expenditure as capital has not only overstated capital expenditure to the extent stated above, but also gives leverage to borrow more.

2.9.2.6 Lapse of Budget/surrender of savings

According to paragraph 264 of the Karnataka Budget Manual (KBM) and Article 314 of the KFC, all savings anticipated by the Controlling Officers should be reported by them with full details and reasons to the Finance Department immediately after these are foreseen. No amounts out of the savings should be held in reserve for meeting additional expenditure not

definitely foreseen or not already approved by the competent authority. This provision was violated as the total amount surrendered was 19 *per cent* under revenue section and under capital section no amount was surrendered as shown in **Table 2.20**.

Table 2.20 - Lapse of Budget/surrender of savings

(₹ in crore)

Year	Savings		Amount Surrendered	
	Revenue	Capital	Revenue	Capital
2013-14	95.37	(+)20.42	27.03	0.00
2014-15	23.42	23.54	19.23	0.00
2015-16	157.00	100.82	6.38	0.00

2.9.2.7 Persistent Savings

It was observed that a substantial portion of the budget allocation remained unutilized every year under certain heads of accounts during 2013-14 to 2015-16. This indicates that the budget allocations were made without considering the previous years' expenditure as required under Rule 110 of the KBM, which resulted in persistent savings under the heads of accounts as shown in **Table 2.21**.

Table 2.21 – Persistent Savings

(₹ in crore)

Sl.No	Head of Account/Nomenclature	2013-14	2014-15	2015-16
1	2217-80-001-1 Inspection of Municipal Councils and Local Bodies	0.54	0.59	0.07
2	2515-00-003-01 Result Frame-work document(RFD) and monitoring reforms	0.83	0.69	0.01
3	3451-00-090-2 Information Technology Secretariat	0.78	0.85	0.51
4	3451-00-101-5 Evaluation and Manpower unit	0.24	0.30	0.20
5	3454-02-204-18 India Statistical Strengthening Project	9.87	7.00	0.31
6	3454-02-204-19 VI Economic Census	8.60	3.31	2.31

2.9.2.8 Rush of Expenditure

As per paragraph 6 of the instructions issued by the Department of Finance, GOK, dated 09 September 2004, regarding releases, drawal and accounting of funds, the Administrative Department and the Heads of Department were to plan the expenditure for the remaining part of the financial year with due diligence and within the available grants. Bunching of bills and rush of expenditure in the month of March was to be avoided. Administrative Orders were to be issued well in advance after obtaining necessary approvals at the required levels for expenditure likely to be incurred in February and March. However, it was noticed that the percentage of expenditure during March ranged from 50 to 82 *per cent* during the year 2015-16. The sub-head wise details of expenditure are in **Appendix 2.15(b)**.

2.10 Excess Payment of Family Pension

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

During 2015-16, it was noticed that in 172 cases relating to 31 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 ₹1.81 crore (**Appendix 2.16**). Further, in respect of 20 District Treasuries, excess payment of ₹75.62 lakh was noticed during 2014-15 in 98 cases, despite the excess payments in these cases having been pointed out in earlier years, resulting in cumulative continued excess payments of ₹1.67 crore (**Appendix 2.17**).

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.

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

However, the fact remained that excess payment of family pension continued even during 2015-16, though CPPCs have been established by many banks. Although, the detailed procedure to be followed for recovery after the excess payment was made, it was, however, silent about the action taken to prevent such excess payment. Further, action initiated for invoking the provisions of the Indemnity Bonds executed by the Banks for recovery of the excess payments along with interest was also not forthcoming. As the amounts are reimbursed to the Banks to the extent of excess payment, Government incurred an avoidable loss of interest of ₹5.15 lakh (**Appendix 2.18**) that could have accrued had the amount been invested in 14 days Treasury Bills. (The interest calculated refers to cases of excess payment pointed out during 2015-16 only and the period is reckoned from the month of issue of Inspection Report to the end of March 2016).

Finance Department replied (December 2016) that action would be taken to recover the excess amount immediately. It also stated that instructions had

been issued to all treasuries to send alert messages to all the bank branches in their jurisdiction, a month in advance to avoid excess payments. Based on the indemnity bonds signed by the banks, notices had also been sent to the banks to pay the excess payment made to the Government at once.

2.11 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 ₹1,66,671.86 crore during 2015-16 an expenditure of ₹1,49,249.83 crore was incurred. This resulted in an unspent provision of ₹17,422.03 crore (10 per cent). The budgetary exercise should be more robust as it was observed that provision of ₹3,825.41 crore was erroneously made under charged section instead of under voted section, leading to placement of Supplementary Estimate under voted section which could have been avoided.
- Executive Orders for expenditure, prior to approval of the Legislature, were issued for ₹5,065.69 crore, forming 27 per cent of Supplementary Estimate. Resorting to executive route of incurring expenditure before Legislature's sanction should be barest minimum and resorted to in exceptional circumstances.
- Errors in obtaining provisions under demands which are not connected with the activity continued during 2015-16 also.
- Supplementary Provision was not completely supported by the saving under other demands to make the transactions neutral.
- Provision made in Supplementary Estimate III could not be given effect to as the Appropriation Act was approved only on 30 March 2016, leaving no scope for the administrative heads to complete their transactions through the Treasury.
- Supplementary provision of ₹936.68 crore in 36 cases was unnecessary.
- Re-appropriation of funds in 73 cases was made injudiciously resulting in either un-utilized provision or excess over provision.
- In 15 grants, ₹7,342.99 crore was surrendered in the last two working days of the financial year.
- Resorting to withdrawal from Contingency Fund should be based on the facts /circumstances rather than releasing the amount as a matter of routine.
- Excess payment of Family Pension was noticed.

Chapter – III

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 Utilization Certificates

Financial Rules stipulate that for the grants provided for specific purposes, Utilization Certificates (UCs) should be obtained by the departmental officers from the Grantees and, after verification, these should be forwarded to the AG (A&E) within 18 months from the date of their sanction unless specified otherwise. However, 124 UCs aggregating ₹487.91 crore in respect of grants released up to 2015-16 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 Utilization Certificates

Year	No. of utilization certificates awaited	(₹ in crore)
		Amount
Upto 2013-14	44	34.41
2014-15	14	51.07
2015-16*	66	402.43
Total	124	487.91

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 Health and Family Welfare Department (71 per cent). 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.

Mention has been made in **Paragraph 1.1.2** of Chapter I regarding remittance of ₹8.46 crore and ₹10.28 crore to the Consolidated Fund of the State pertaining to construction of ADR Centre and renovation of Heritage Buildings respectively, out of the XIII Finance Commission Grants received. The UCs issued to Government of India included these amounts shown as expenditure. Thus, UCs issued were incorrect to the extent stated above.

The Finance Department issued a circular (December 2013) impressing upon the heads of departments, the dangers involved in not getting the UCs and requesting them to furnish the same to the Accountant General expeditiously. Subsequent to the circular, there was an improvement in the submission of UCs.

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

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

Fourteen Departments did not furnish the information pertaining to 435 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 could be seen from the appendix, major defaulter was the department of Education.

Circular instructions were issued by the Finance Department (December 2013) to all the Secretaries of Administrative Departments to furnish the required information to the AG (A&E) directly. However, there was no significant 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 have been 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 has been 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 three autonomous bodies for the year 2013-14, six autonomous bodies for 2014-15 and one autonomous body for 2015-16 were yet to be placed before the State Legislature. The Separate Audit Report in respect of one autonomous body has not been placed since 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 have been 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**.

The Finance Department replied (December 2013) that with the online computerization of treasury and the system of drawal on treasuries by preferring bills, there appears to be no necessity for preparation of proforma accounts. The Administrative Departments of these undertakings will be instructed to examine the necessity or otherwise of maintaining of proforma accounts. The Karnataka Government Insurance Department will continue to render proforma accounts. Further development in this matter is awaited.

3.5 Misappropriations, losses, etc.

There were 32 cases of misappropriation, losses, etc., involving Government money amounting to ₹13.84 crore as at the end of 2015-16 on which final action was pending. The department-wise break up of pending cases and age-wise analysis is given in **Appendix 3.5** and the nature of these cases is given in **Appendix 3.6**. The particulars of the pending cases in each category of theft and misappropriation are given in **Table 3.2**.

Table 3.2: Profile of pending cases of misappropriations and theft

Nature of the cases	Number of cases	(₹ in crore)
		Amount involved
Theft	9	0.05
Misappropriation	23	13.79
Total	32	13.84

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

Around 92 *per cent* of the amount involved pertained to Public Works, Ports and Inland Water Transport Department (₹11.80 crore) and Revenue Department (₹0.87 crore).

3.6 Non-receipt of Stores and Stock accounts

The annual accounts of Stores and Stock are required to be furnished by various departments to Audit by 15 June of the following year. The half yearly

accounts of 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 has been commented upon in successive Audit Reports.

The position of arrears relating to submission of stores and stock accounts by nine Departments involving 140 offices is indicated in **Appendix 3.7**.

3.7 Abstract Contingent bills

Under Rule 36 of the Manual of Contingent Expenditure, 1958, the Controlling and Disbursing Officers are authorized to draw sums of money by preparing Abstract Contingent(AC) bills, by debiting service heads and are required to present detailed contingent bills (vouchers in support of final expenditure) to the AG (A&E) through treasuries. Detailed bills aggregating ₹220.85 crore, drawn on 7,493 AC bills, were pending as at the end of March 2016, as detailed in **Table 3.3**. Controlling officers should also ensure that no amounts are drawn from the treasury unless required for immediate disbursement.

Table 3.3: Pending Abstract Contingent bills

Year	No. of pending NDC Bills	(₹ in crore)
		Amount
Up to 2013-14	4,299	86.97
2014-15	1,458	42.89
2015-16	1,736	90.99
Total	7,493	220.85

Source: Finance Accounts

Most of the outstanding NDC bills relate to Major Head 2015 – Elections (1,327 bills amounting to ₹77.72 crore), Major Head 2055 – Police (109 bills amounting to ₹42.87 crore), Major Head 2406 – Forestry and Wild Life (539 bills amounting to ₹15.12 crore), Major Head 2202-General Education (1,675 bills amounting to ₹11.17 crore), Major Head 2402 – Soil and Water Conservation(259 bills amounting to ₹4.17 crore), Major Head 2235- Social Security and Welfare (561 bills amounting to ₹2.45 crore).

The withdrawal of money on an AC bill is accounted for against the functional Major Head in the Consolidated Fund. Unless the accounts are settled within the time allotted, the expenditure stands inflated. 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 would 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) has taken a serious note on this issue and stated that strict action should be taken for non-submission of NDC bills by the DDOs.

Finance Department stated (December 2016) that in Khajane-II, a system is being put in place to check whether any of the NDC bills for the previous drawn AC bill is due. In that case if any NDC bills submission exceeds the configured time, then the system will automatically stop the bill creation to ensure better controls.

3.8 Personal Deposit Accounts

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

3.8.1 Funds kept in PD Accounts

The transactions relating to PD accounts for the period 2011-12 to 2015-16 are detailed in **Table 3.4**.

Table 3.4: Funds in PD accounts

(₹ in crore)				
Year	Opening Balance	Receipts/ Deposits	Withdrawals	Closing Balance
2011-12	1,472.90	2,737.35	2,732.00	1,478.25
2012-13	1,478.25	3,582.23	2,974.30	2,086.18
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

Source: Finance Accounts

As the balances in the deposit account have been showing an increasing trend over the years, action is required to follow the provisions of the code for write back/cleaning up of balances in respect of funds which have outlived their utility.

The net closing balance mainly related to the PD accounts as mentioned in **Table 3.5**.

Table 3.5: Closing balances in PD accounts

		(₹ in crore)
Sl. No	Administrators	Amount
1	Personal Deposits – General	259.66
2	Deputy Commissioners	4,907.83
3	PD Account of Money Lender & Pawn Broker	19.43
4	PD Account of Director, Department of Scheduled Tribe	200.00

Source: DDR Ledger

The Finance Department while confirming the facts stated (April/ December 2016) that out of balances in the PD accounts as on 31-03-2015, the first batch of 198 PD accounts have been identified as inoperative wherein no transactions are recorded for the past three or more years. The total of the balances outstanding in these 198 PD Accounts is ₹11.90 crore. The individual balances under these PD accounts have been verified by the concerned treasuries and a separate proposal is being submitted to Government for closure of these PD accounts and to write back the balance amounts to the Consolidated Fund of the State. Further, this process of identifying the inoperative PD accounts will be taken up periodically to write back the balance amounts to the Consolidated Fund of the State.

3.8.2 Reconciliation of Personal Deposit accounts

The purpose of PD accounts is to enable DDOs to incur expenditure pertaining to a scheme, for which funds are placed at their disposal, by transfer from the Consolidated Fund of the State. Administrators are required to close these accounts on the last working day of the year by crediting the unspent balances to the Consolidated Fund. Under the rules, Administrators of PD accounts are required to reconcile the balances of these accounts with the treasury officers (where the detailed accounts are maintained by the treasuries) and with the AG (A&E) (where the detailed accounts are maintained by the AG). Information on reconciliation of figures by the Administrators with the treasuries was not available, and none of the Administrators of the 56 PD accounts have reconciled their accounts with the AG (A&E).

As per Article 286A of Karnataka Financial Code, 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 2016, 22 PD Accounts (with an outstanding credit balance of ₹5.95 crore in 12 PD Accounts and debit balance of ₹1.28 crore in 10 PD Accounts) were inoperative for more than three years as on 31 March 2016 (**Appendix 3.8**). Action may be taken by administrators to analyze the balance and retention of the account and duly reconcile the balance with the accounts office before embarking upon the process of closure of accounts by writing back the transactions to the Consolidated Fund of the State.

PAC in its 5th Report (July 2015) had stated that the in-operative PD accounts should be closed and the amount outstanding in the PD accounts are to be transferred to the Consolidated Fund within three months from the date of submission of its report.

The Director of Treasuries stated that the balances under PD accounts have been verified by the treasuries and separate proposal is being submitted to the Government of Karnataka for closure of inoperative PD accounts.

3.9 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 has been completed for a value of ₹1,16,826.10 crore (98 *per cent* of total receipts of ₹1,19,169.61 crore). Reconciliation of expenditure has been completed for a value of ₹1,14,523.74 crore (83 *per cent* of total expenditure of ₹1,37,741.61 crore). No reconciliation has been carried out in respect of receipts (₹59.68 crore) and disbursements (₹656.41 crore) under loans and advances. Though the percentage of reconciliation of receipts and expenditure has been improved, necessary action for reconciliation in respect of receipts and expenditure under loans and advances is required to be taken.

Non-reconciliation of accounts has an impact on the assurance of the completeness and correctness of the receipts and expenditure figures depicted in the accounts. Failure to reconcile the expenditure figures by the Department may result in frauds, defalcations and over-drawals etc. remaining undetected.

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

3.10 Comments on Accounts

3.10.1 Defective Budgeting resulting in excess expenditure under Demand No.29-Debt Servicing under interest and Commitment Charges

The State Government avails external aids (Loans) through the Government of India for implementation of projects through different departments of Government and autonomous institutions. Such aid is passed on to the Government Departments on back-to-back basis⁷ from the lender. The repayment of loan and payment of interest thereon is through the RBI books. These re-payments are initially in the books of the Controller of Aid Accounts and Audit, GOI, which are later on passed on to the State books through the banker(RBI). These external loans carry with them commitment charges, which is the fee levied on the total committed loan amount not drawn from time to time, the rate of which is as per the relevant loan/credit agreement. These payments are reimbursed by the State Governments.

⁷Back to back basis means that the assistance is passed on as per the loan conditions of the external agency and the fluctuation in the exchange rate is to be met by the concerned State.

As per Karnataka Budget Manual 1975 and as per Article 204(3) of the Constitution, no money shall be withdrawn from the Consolidated Fund of the State except under appropriation made by law.

During the year 2015-16, a provision of ₹150 crore each was made towards repayment of principal and for payment of interest respectively on external loans released on back-to-back basis. With regard to payment of commitment charges, no provision was made either in the original or supplementary estimates. However, an expenditure of ₹5.35 crore was incurred during 2015-16 under the Major Head 2049-04-101-0-02-241(C/NP) for commitment charges in respect of External Loans to be released on back-to-back basis.

As commitment charge is a known liability, an estimated repayment amount/a token provision could have been included in the original/supplementary estimates as the fact of non-provision was brought to the notice of the Government in the report on State Finances for the year ended 31 March 2015 vide **Paragraph 3.10.4**. Hence, the action of the Government in incurring expenditure without budget allocation and not obtaining the provision after transactions started appearing in its books, was not in order and denotes the defective budgeting.

In reply, the Department stated (July/December 2016) that starting from budget 2017-18, efforts would be made to estimate the Commitment Charges on scientific lines or at least a token provision would be made under Major Head 2049-04-101-0-02-241 to take care of the liability.

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

Comments were made in the report on State Finances, 2013-14 and 2014-15, that expenditure on Compensatory Cost with specific object head of expenditure '060' included inadmissible expenditure on components like administrative expenses, salaries, wages to contract labourers etc., while the object head was intended for recording expenditure on compensation for deficient services rendered by the Government to the public.

During the year 2015-16, a budget provision of ₹9.07 crore was made for the guarantee of services to the citizens under 060-Compensatory Cost. On a scrutiny of records, it was observed that the expenditure on Compensatory Cost included inadmissible expenditure relating to the payment of telephone charges, purchase of stationery, salaries and wages, etc., to the extent of ₹0.51 crore recorded under the functional major head 2230 – Labour and Employment.

The Finance Department had stated that orders have been issued (December 2015) to curb such drawals by DDOs and Treasury Officers and to exercise utmost care in drawal of Compensatory Cost. Despite this, inadmissible expenditure continued during 2015-16 also.

3.11 Transparency in accounts

3.11.1 Merger of expenditure relating to Secret Service with Scholarships and Incentives

A comment was made in **Paragraph 3.10.3** of the report on State Finances for the year ended 31 March 2015 relating to the Secret Service Expenditure incurred by certain departments which stood merged under the newly created object head '117 - Scholarships and Incentives'. It was stated that as this expenditure was in the form of impetus/bonus given for specific purpose to the persons concerned for specific information, the classification of this expenditure under 'Scholarships and Incentives' requires reconsideration. The department, in the Joint Entry Conference between AG and Finance Department, had stated that an arrangement would be made to ensure that no expenditure under the said object head excluding the actual Secret Service Expenditure remained unaudited under the pretext of Secret Service Expenditure.

During the current year, on a test check of contingent bills, it was noticed that an expenditure of ₹1.10 crore towards settlement of bills to a Printer towards printing and supply of question papers for Gazetted Probationers Main Examination and payment for setting up of question paper for various examinations conducted by the Karnataka Public Service Commission which were in the nature of 'Secret Services' were classified under 'Scholarships and Incentives'.

The matter was brought to the notice of the Department in April 2016. The Government, vide its circular dated 11 August 2016, directed that all the Departments which are incurring expenditure under the head '117 – Scholarships & Incentives', other than Secret Service Expenditure shall be compulsorily audited and regarding secret service expenditure, the concerned controlling officer should conduct at least once every financial year, a sufficiently real administrative audit of the expenditure incurred and furnish a certificate to the Accountant General in the prescribed form as mentioned in Rule 47(4) of MCE not later than 31 August of the following year to which it relates.

However, as on date, no such certificate from any of the controlling officers has been received. In this context, it is suggested that the possibility of opening a separate object head for secret services can be explored as followed in the case of Union Government accounts.

3.12 Important factors affecting accuracy of accounts

The accounts of the Government are kept on cash basis. Certain transactions that arise in Government Account, the receipts and payments of which cannot

at once be, taken to a final head of receipt or expenditure owing to lack of information as to the nature or for any other reasons, are to be booked temporarily under the suspense head. This head is cleared on receipt of relevant details/information. Debt, Deposit and Remittances (DDR) heads 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 2015-16 has been adversely affected by factors like (i) large number of transactions under suspense heads awaiting final classification and (ii) increasing number and magnitude of adverse balances under DDR heads. 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 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 3.6**.

Table 3.6: Suspense Head (8658 – Suspense Accounts)

Name of Minor Head	2013-14		2014-15		2015-16	
	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
101- Pay and Accounts office Suspense	89.58	0.58	67.40	0.70	86.90	0.68
Net	Dr. 89.00		Dr. 66.70		Dr.86.22	
102-Suspense Account(Civil)	22.95	9.47	17.93	7.35	24.29	34.42
Net	Dr. 13.48		Dr. 10.58		Cr.10.13	
110-Reserve Bank Suspense	24.91	37.80	15.44	56.20	20.20	57.56
Net	Cr. 12.89		Cr. 40.76		Cr.37.36	

Source: Finance Accounts

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

❖ Pay and Accounts Office (PAO) Suspense

This head is intended for settlement of transactions between the Accountant General and the various separate Pay and Accounts Officers. The transactions initially recorded under this head in the books of the AG are cleared on receipt of the Cheques/Demand Drafts from the Pay and Accounts Officer and on the issue of Cheque/Demand Draft in respect of amounts received in the State Treasuries on behalf of the Pay and Accounts Officer. Outstanding debit balance under this head would mean that payments have been made by the 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 a decreasing trend in 2014-15 and an increasing trend during 2015-16. 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 debit balance under this head has decreased only marginally during the year. However, in so far as accounts with Railways (₹3.19 crore) and accounts with Defence (₹0.66 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.

During the year 2015-16, an amount of ₹5.34 lakh was written off by withdrawal of debit from Suspense HOA 8658-00-102-OBS and debited the same to HOA 2071-00-800-0-02-251- Write off of loss due to fraudulent payment of defence pension. It was a case of drawal of defence pension at DTO, Kalaburagi, during 1997 which was booked initially under PAO-Suspense-Transactions adjustable by CDA(P)-Allahabad. But CDA(P) had disallowed the amount in 2004 and the same was lying under the suspense head since then. The Government, vide order dated 19.02.2016, has decided to write off the amount as this could not be recouped.

❖ Reserve Bank Suspense, Central Accounts Office

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

During 2015-16, the credit balance under this head was ₹37.36 crore, which was a decrease of ₹3.40 crore over the previous year, indicating that corresponding clearances had not been made by the concerned Pay and Accounts Offices for the above amount.

b) Adverse Balances under DDR Heads

Adverse balances are negative balances appearing under those heads of accounts, where there should not be a negative balance. For 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 2015-16, adverse balance of E- Public Debt amounting to ₹117.62 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. In respect of 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 at 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 ₹224.70 crore which was on account of non-reconciliation/misclassification in accounts.

3.13 Conclusion

Detailed bills against abstract contingent bills have been found wanting for a long period and large sums of money were being retained in PD Accounts thereby going against the principle of Legislative financial control. Non-reconciliation of expenditure and receipts was to the extent of 17 *per cent* of the total expenditure and 2 *per cent* of total receipts respectively. There were adverse balances under certain accounts in Consolidated Fund heads, which required remedial action for clearance. Suspense Accounts needs speedy clearance by taking up the matter with the concerned authorities as they have a bearing on cash balance of the Government.

3.14 Recommendations

- *Accounting reforms by introducing separate object heads to capture data on salary/non-salary items of expenditure in respect of the maintenance, salary expenditure of the staff of Panchayat Raj Institutions, as recommended by the Finance Commission, are required to be undertaken.*
- *Immediate steps need to be taken for review of status of PD accounts and closure of inoperative ones.*
- *Review of suspense heads needs to be done to bring the transactions to the final heads in the accounting year itself.*



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Comptroller and Auditor General of India

A p p e n d i c e s

Appendix 1.1

State Profile

(Reference: Page 1)

A	General Data				
Sl. No.	Particulars		Figures		
1	Area		1,91,791 sq.km		
2	Population				
	a.	As per 2001 Census	5.28 crore		
	b.	As per 2011 Census	6.11 crore		
3	a.	¹ Density of Population (2001 Census) (All India Density = 325 persons per Sq. Km)	276 persons per sq.km		
	b.	Density of Population (2011 Census) (All India Density = 382 persons per Sq. Km)	319 persons per sq.km		
4	² Population below poverty line (All India Average= 29.5%)		21.9 per cent		
5	a.	¹ Literacy (2001 Census) (All India Average = 64.8 %)	66.64 per cent		
	b.	Literacy (2011 Census) (All India Average = 73 %)	75.36 per cent		
6	¹ Infant mortality (per 1,000 live births) (All India Average = 39 per 1,000 live births)		29 per 1,000 live births		
7	³ Life Expectancy at birth (All India Average = 67.5 years)		68 years		
8	^{2,4} Gini Coefficient ¹ (latest figures available for 2009-10 has been adopted)				
	a.	Rural (All India = 0.29)	0.24		
	b.	Urban (All India = 0.38)	0.33		
9	Gross State Domestic Product (GSDP) 2015-16 at current price		7,35,975 crore		
10	Per capita GSDP CAGR (2006-07 to 2015-16)		Karnataka	12.08	
			General Category States ²	14.27	
11	GSDP CAGR (2006-07 to 2015-16)		Karnataka	13.91	
			⁵ General Category States	15.75	
12	Population Growth (2006-16)		Karnataka	9.70	
			⁶ General Category States	12.24	
13	Financial Data				
Particulars		Figures (in per cent)			
CAGR		2006-07 to 2014-15		2014-15 to 2015-16	
		General Category States	Karnataka	General Category States	Karnataka
a.	of Revenue Receipts.	14.74	13.59	15.00	13.98
b.	of Own Tax Revenue.	15.08	14.78	13.28	7.65
c.	of Non-Tax Revenue.	10.20	1.69	6.00	11.82
d.	of Total Expenditure.	16.71	14.36	16.42	14.06
e.	of Capital Expenditure.	13.21	10.79	25.80	17.83
f.	of Revenue Expenditure on Education.	17.08	15.50	12.17	3.66
g.	of Revenue Expenditure on Health.	18.70	19.61	13.44	7.37
h.	of Salary and Wages.	15.49	15.21	9.95	4.12
i.	of Pension.	18.59	18.18	11.79	8.05

Source: Financial data is based on Finance Accounts

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

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

²States other than 9 States termed as Special Category States (Arunachal Pradesh, Assam, Himachal Pradesh, Meghalaya, Mizoram, Nagaland, Sikkim, Tripura, and Uttarakhand).

- (i) Surfaced roads per 100 sq. km is **39.09 km.**
- (ii) Unsurfaced roads per 100 sq. km is **0.65 km.**
- (iii) Percentage of villages electrified is **99.86.**
- (iv) Grossed cropped area is **122.67 hectares.**
- (v) Primary schools per lakh population (as of 2015-16) is **60,913.**
- (vi) Number of Primary health centres is **2,353.**
- (vii) Beds per lakh population is **78.**

1. *Census Info India 2011 Final population Totals (For Infant mortality rate, SRS Bulletin of September 2014).*
2. *Report of the Expert Group (Rangarajan) to Review the Methodology for Measurement of Poverty, Planning Commission (June 2014), page 66. For Population below poverty line, latest figures available for 2011-12 has been adopted. For Gini Coefficient latest figures available for 2009-10 has been adopted.*
3. *Economic Survey (GOI) 2015-16, Table 9.1, Page A 129.*
4. http://planningcommission.nic.in/data/datatable/data_2312/DatabookDec2014%20106.pdf.
5. *CSO (http://mospi.nic.in/Mospi_New/site/inner.aspx?status=3&menu_id=82).*
6. *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 19 General Category States such as Andhra Pradesh including Telangana, Bihar, Chattisgarh, Goa, Gujarat, Haryana, Jharkhand, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Odisha, Punjab, Rajasthan, Tamilnadu, Uttar Pradesh, West Bengal, Delhi and Puducherry.

Appendix 1.2

Structure of Government Accounts

(Reference Paragraph 1.1; Page 2)

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

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

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

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

Layout of Finance Accounts

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

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

(₹ in crore)

Receipts			Disbursements					
2014-15		2015-16	2014-15		Non-Plan	Plan	Total	2015-16
Part A: Abstract of Receipts and Disbursement for the year 2015-16								
Section-A: Revenue								
1,04,142.15	I. Revenue receipts	1,18,817.31	1,03,614.29	I. Revenue expenditure^{††}	77,018.84	40,009.74		1,17,028.58#
70,180.21	Tax revenue ^{††}	75,550.18 *	28,265.27	General Services	30,574.06	225.22	30,799.28	
4,688.24	Non-tax revenue ^{††}	5,355.04		Social Services				
14,654.25	State's share of Union Taxes & Duties	23,983.34	18,062.81	Education, Sports, Art and Culture	12,566.13	6,158.27	18,724.40	
3,634.58	Non-Plan grants	5,547.34	5,058.10	Health and Family Welfare	2,237.34	2,772.40	5,009.74	
9,096.87	Grants for State Plan Schemes	8,105.31	3,944.02	Water Supply, Sanitation, Housing and Urban Development	524.48	6,849.55	7,374.03	
1,888.00	Grants for Central and Centrally Sponsored Schemes	276.10	78.72	Information and Broadcasting	51.57	35.34	86.91	
			5,037.65	Welfare of Scheduled Castes, Scheduled Tribes, Other Backward Classes and minorities	1,148.32	4,413.95	5,562.27	
			380.54	Labour and Labour Welfare	118.60	461.04	579.64	
			6,597.02	Social Welfare and Nutrition	5,412.24	3,380.53	8,792.77	
			207.39	Others	132.61	44.71	177.32	
			39,366.25	Total Social Services	22,191.29	24,115.79	46,307.08	
Economic Services								
			10,562.77	Agriculture and Allied Activities	4,775.52	6,373.16	11,148.68	
			4,988.13	Rural Development	2,191.35	3,031.01	5,222.36	
			147.80	Special Areas Programmes	-	558.33	558.33	
			933.35	Irrigation and Flood Control	976.56	281.41	1,257.97	
			6,746.48	Energy	8,942.70	227.18	9,169.88	
			1,020.40	Industry and Minerals	389.82	828.95	1,218.77	
			3,231.71	Transport	1,907.41	1,644.32	3,551.73	
			82.55	Science, Technology and Environment	0.01	88.04	88.05	
			2,258.12	General Economic Services	1,199.31	431.09	1,630.40	
			29,971.31	Total Economic Services	20,382.68	13,463.49	33,846.17	

Receipts			Disbursements					
2014-15		2015-16	2014-15		Non-Plan	Plan	Total	2015-16
			6,011.46	Grants-in-aid and Contribution	3,870.81	2,205.24	6,076.05	
			527.86	II Revenue surplus carried over to Sec.-B				1,788.73
1,04,142.15		1,18,817.31	1,04,142.15	Total				1,18,817.31
Section B – Capital and others								
15,759.73	II. Opening Cash Balance including Permanent Advances & Cash Balance Investments & Investments from earmarked funds	23,900.90						
10.14	III. Miscellaneous Capital receipts ^{††}	352.30	19,622.30	III. Capital Outlay ^{††}	397.13	20315.90		20713.03 \$
			618.46	General Services	41.74	949.67	991.41	
				Social Services				
			317.21	Education, Sports, Art and Culture		717.96	717.96	
			790.43	Health and Family Welfare	-	819.71	819.71	
			1,666.48	Water Supply, Sanitation, Housing and Urban Development	216.28	1423.47	1639.75	
			4.47	Information and Broadcasting	-	4.57	4.57	
			1,326.27	Welfare of Scheduled Castes, Scheduled Tribes, Other Backward Classes and minorities	2.48	2011.88	2014.36	
			67.36	Social Welfare and Nutrition	-	71.80	71.80	
			8.67	Other Social Services		45.76	45.76	
			4,180.89	Total Social Services	218.76	5,095.15	5,313.91	
				Economic Services				
			266.40	Agriculture and Allied Activities	-	182.73	182.73	
			14.00	Rural Development	(-)8.56	15.19	6.63	
			801.45	Special Areas Programmes	-	900.00	900.00	
			7,779.22	Irrigation and Flood Control	105.33	6,849.81	6,955.14	
			252.09	Energy	0.19	49.19	49.38	
			239.98	Industry and Minerals	(-)3.50	593.43	589.93	
			5,146.77	Transport	38.65	5,360.80	5,399.45	

Receipts			Disbursements					
2014-15			2014-15		Non-Plan	Plan	Total	2015-16
			323.04	General Economic Services	4.52	319.93	324.45	
			14,822.95	Total Economic Services	136.63	14,271.08	14,407.71	
83.82	IV. Recoveries of Loans and Advances^{1†}	59.68	576.15	IV. Loans and Advances^{††}	98.28	558.13		656.41
16.31	From Power Projects	15.41	57.59	For Power Projects	28.19	-		
6.85	From Government Servants	7.37	5.44	To Government Servants	1.52	2.30		
60.66	From Others	36.90	513.12	To Others	68.57	555.83		
21,874.63	V. Public debt receipts	21072.33	4,812.23	V. Repayment of Public Debt				4,110.20
20,509.43	Internal debt other than Ways and Means Advances and Overdraft	19801.31	4,033.38	Internal debt other than Ways and Means Advances & Overdraft	3,160.67	-		
-	Ways and Means Advances from Reserve Bank of India	-	-	Ways and Means Advances from Reserve Bank of India	-	-		
1,365.20	Loans and Advances from the Central Government	1271.02	778.85	Repayment of Loans and Advances to Central Government	949.53	-		
-	VI. Contingency Fund (Recoupment)		-	VI. Contingency Fund Disbursements	-	-		-
1,40,229.39	VII. Public Account Receipts	1,60,518.76	1,29,573.99	VII. Public Account Disbursements				1,55,094.83
5,048.86	Small Savings and Provident Funds, etc.,	5,486.36	2,893.26	Small Savings and Provident Funds, etc.,			3,400.68	
2,734.28	Reserve Funds	4,590.52	1,186.79	Reserve Funds			2,509.46	
41,697.10	Deposits and Advances	42,411.31	37,994.70	Deposits and Advances			42,127.79	
90,723.30	Suspense and Miscellaneous	1,08,001.52	87,441.27	Suspense and Miscellaneous			1,07,011.27	
25.85	Remittances	29.05	57.97	Remittances			45.63	
527.86	VIII. Revenue Surplus carried over from Sec.-A	1,788.73	23,900.90	VIII. Cash Balance at the end of 31-03-2016				27,118.23
			0.01	Cash in Treasuries and Local Remittances			0.01	
			4.84	Deposits with Reserve Bank			(-)74.90	
			3.78	Departmental Cash Balances including Permanent Advances			3.78	
			17,962.31	Cash Balance Investment			16,917.13	
			5,929.96	Investment from Earmarked Funds			10,272.21	
1,78,485.57	Total	2,07,692.70	1,78,485.57	Total				2,07,692.70

Includes expenditure on interest payment in respect of off-budget borrowings etc., under various service heads ₹597 crore borrowed through Special Purpose Vehicles- General Services (₹7 crore), Social Services (₹130 crore) and Economic Services (₹460 crore).

\$ Includes expenditure of ₹400.97 crore on account of off-budget borrowings.

* Includes ₹127.65 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	1,399.72
Non-Tax Receipts	163.00
Misc. Capital Receipts	19.86
Loan Receipts	15.18
Revenue Expenditure	1,513.60
Capital Expenditure	83.96
Loan Expenditure	0.20

Appendix 1.4

Time series data on the State Government Finances

(Reference: Paragraphs 1.1.1, 1.2.1, 1.3, 1.9.2 and 1.10.2; Pages 2, 14, 15, 16, 52 and 60)

(₹ in crore)

	2011-12	2012-13	2013-14	2014-15	2015-16
Part A: Receipts					
1. Revenue Receipts	69,806	78,176	89,542	1,04,142	1,18,817
(i) Tax Revenue^{††}	46,476(66)	53,754(69)	62,603(70)	70,180(67)	75,550(64)
Taxes on Agricultural Income	15(-)	22(-)	21(-)	20(-)	12(-)
Taxes on Sales, Trade, etc.	25,020(54)	28,414(53)	33,719(54)	38,286(55)	40,449(53)
State Excise	9,776(21)	11,070(21)	12,828(21)	13,801(20)	15,333(20)
Taxes on Vehicles	2,957(6)	3,830(7)	3,911(6)	4,541(7)	5,001(7)
Stamps and Registration fees	4,623(10)	5,225(10)	6,189(10)	7,026(10)	8,215(11)
Land Revenue	215(-)	205(-)	199(-)	186(-)	181(-)
Taxes on Goods and Passengers	1,690(4)	2,181(4)	2,626(4)	3,038(4)	3,125(4)
Taxes and Duties on Electricity	654(2)	929(2)	897(2)	1,041(1)	1,170(2)
Other Taxes on Income and Expenditure	600(1)	693(1)	793(1)	868(1)	840(1)
Other Taxes and Duties on Commodities and Services	926(2)	1,185(2)	1,420(2)	1,373(2)	1,224(2)
(ii) Non Tax Revenue^{††}	4,087(6)	3,966(5)	4,032(5)	4,688(5)	5,355(4)
(iii) State's share of Union taxes and duties	11,075(16)	12,647(16)	13,808(15)	14,654(14)	23,983(20)
(iv) Grants-in-aid from Government of India	8,168(12)	7,809(10)	9,099(10)	14,620(14)	13,929(12)
2. Miscellaneous Capital Receipts	89	33	88	10	352
3. Recoveries of Loans and Advances^{††}	241	158	109	84	60
4. Total Revenue and Non-debt capital receipts (1+2+3)	70,136	78,367	89,739	1,04,236	1,19,229
5. Public Debt Receipts	9,358	13,465	17,287	21,874	21,072
Internal Debt (excluding Ways and Means Advances and Overdrafts)	8,091(86)	12,116(90)	16,132(93)	20,509(94)	19,801(94)
Net transactions under Ways and Means Advances and Overdrafts	-	-	-	-	-
Loans and Advances from Government of India	1,267(14)	1,349(10)	1,155(7)	1,365(6)	1,271(6)
6. Total Receipts in the Consolidated Fund (4+5)	79,494	91,832	1,07,027	1,26,110	1,40,301
7. Contingency Fund Receipts	13	1	-	-	-
8. Public Account Receipts	94,408	1,07,549	1,21,842	1,40,229	1,60,519
9. Total Receipts of the State (6+7+8)	1,73,915	1,99,382	2,28,869	2,66,339	3,00,820
Part B: Expenditure/Disbursements					
10. Revenue Expenditure^{††}	65,115	76,293	89,189	1,03,614	1,17,028
Plan	18,567(29)	21,212(28)	26,970(30)	33,831(33)	40,009(34)
Non-Plan	46,548(71)	55,081(72)	62,219(70)	69,783(67)	77,019(66)
General Services (including interest payments)	16,445(25)	20,181(27)	24,954(28)	28,265(27)	30,799(26)
Social Services	25,172(39)	30,420(40)	32,622(36)	39,366(38)	46,307(40)
Economic Services	19,154(29)	21,674(28)	26,593(30)	29,971(29)	33,846(29)
Grants-in-aid and contributions	4,344(7)	4,018(5)	5,020(6)	6,012(6)	6,076(5)
11. Capital Expenditure^{††}	15,506	15,479	16,947	19,622	20,713
Plan	14,922(96)	15,157(98)	16,620(98)	19,345(99)	20,316(98)
Non-Plan	584(4)	322(2)	327(2)	277(1)	397(2)
General Services	626(4)	590(4)	501(3)	618(3)	991(5)
Social Services	2,695(17)	2,916(19)	3,053(18)	4,181(21)	5,314(26)
Economic Services	12,185(79)	11,973(77)	13,393(79)	14,823(76)	14,408(69)

	2011-12	2012-13	2013-14	2014-15	2015-16
12. Disbursements of Loans and Advances^{††}	1,815	1,102	695	576	657
<i>Plan</i>	1,731	1,084	669	564	558
<i>Non-Plan</i>	84	18	26	12	99
General Services	-	-	-	-	-
Social Services	1,546	815	428	370	327
Economic Services	178	269	239	193	239
Miscellaneous Loans	91	18	28	13	91
13. Total Expenditure (10+11+12)	82,436	92,874	1,06,831	1,23,812	1,38,398
14. Repayment of Public Debt	3,320	3,727	3,817	4,812	4,110
Internal Debt (excluding Ways and Means Advances and Overdrafts)	2,520(76)	3,030(81)	3,123(82)	4,033(84)	3,161(77)
Net transactions under Ways and Means Advances and Overdraft	-	-	-	-	-
Loans and Advances from Government of India	800(24)	697(19)	694(18)	779(16)	949(23)
15. Appropriation to Contingency Fund	-	-	-	-	-
16. Total disbursement out of Consolidated Fund (13+14+15)	85,756	96,601	1,10,648	1,28,624	1,42,508
17. Contingency Fund disbursements	1	-	-	-	-
18. Public Account disbursements	86,216	1,01,878	1,12,972	1,29,574	1,55,095
19. Total disbursement by the State (16+17+18)	1,71,973	1,98,479	2,23,620	2,58,198	2,97,603
Part C: Deficits					
20. Revenue Deficit(-)/ Revenue Surplus(+) (1-10)	4,521	1,883	353	528	1,789
21. Fiscal Deficit (-)/Fiscal Surplus(+) (4-13)	12,470	14,507	17,092	19,576	19,169
22. Primary Deficit (21-23)	5,866	7,053	9,065	9,772	7,826
Primary Surplus (23-21)	-	-	-	-	-
Part D: Other data					
23. Interest Payments (included in revenue expenditure)	6,604	7,454	8,027	9,804	11,343#
24. Financial Assistance to local bodies etc.,	23,934	27,178	32,611	38,747	40,021
25. Ways and Means Advances/ Overdraft availed (days)					
Ways and Means Advances availed(days)	-	-	-	-	-
Overdraft availed (days)	-	-	-	-	-
26. Interest on Ways and Means Advances/Overdraft	-	-	-	-	-
27. Gross State Domestic Product (GSDP)	4,34,270	5,20,766	6,01,633	6,85,207	7,35,975
28. Outstanding Fiscal Liabilities (inclusive of off-budget borrowings)	1,04,933	1,19,273	1,38,261	1,64,279	1,83,322
29. Outstanding guarantees (year-end) (including interest)	6,640	6,688	7,791	11,033	13,324
30. Maximum amount guaranteed (year-end)	13,262	14,306	16,145	16,869	18,358
31. Number of incomplete projects	344	348	326	362	346
32. Capital blocked in incomplete projects	1,047	773	645	1,144	1,495
Part E: Fiscal Health indicators					
I Resource Mobilization					
Own Tax Revenue/GSDP	10.70	10.32	10.40	10.24	10.26
Own Non-Tax Revenue/GSDP	0.94	0.76	0.67	0.68	0.73

	2011-12	2012-13	2013-14	2014-15	2015-16
Central Transfers/GSDP	4.43	3.93	3.81	4.27	5.15
Non-tax revenue to Revenue Receipts	5.85	5.07	4.50	4.50	4.51
II Expenditure Management					
Total Expenditure/GSDP	18.98	17.83	17.76	18.07	18.80
Total Expenditure/Revenue Receipts	118.09	118.80	119.31	118.89	116.48
Revenue Expenditure/Total Expenditure	78.99	82.15	83.49	83.69	84.56
Expenditure on Social Services/Total Expenditure	35.68	36.77	33.80	35.47	37.54
Expenditure on Economic Services/Total Expenditure	38.23	36.52	37.65	36.33	35.04
Capital Expenditure/Total Expenditure	21.01	17.85	16.51	16.31	15.44
Capital Expenditure on Social and Economic Services/Total Expenditure	20.14	17.20	16.02	15.80	14.66
III Management of Fiscal Imbalances					
Revenue Deficit (surplus)/GSDP	1.04	0.36	0.06	0.08	0.24
Fiscal Deficit/GSDP	2.87	2.79	2.84	2.86	2.60
Primary Deficit (surplus)/GSDP	1.35	1.35	1.51	1.43	1.06
Revenue Deficit/Fiscal Deficit	-	-	-	-	-
Primary Revenue Balance/GSDP	2.60	1.80	1.39	1.51	1.78
IV Management of Fiscal Liabilities					
Fiscal Liabilities (inclusive of off-budget borrowings)/GSDP	24.16	22.90	22.98	23.98	24.91
Fiscal Liabilities/RR	150.32	152.57	154.41	157.75	154.29
V Other Fiscal Health Indicators					
Return on Investment (₹ in crore)	60.56	56.29	55.49	74.84	69.40
Balance from Current Revenue (₹ in crore)	17,219	16,741	21,364	23,374	34,487
Financial Assets/Liabilities	1.12	1.12	1.11	1.09	1.09

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

includes expenditure on interest payment in respect of off-budget borrowings etc. under various service heads (₹597 crore borrowed through Special Purpose Vehicles – General Services (₹7 crore), Social Services (₹130 crore) and Economic Services (₹460 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	1,399.72
Non-Tax Receipts	163.00
Misc. Capital Receipts	19.86
Loan Receipts	15.18
Revenue Expenditure	1,513.60
Capital Expenditure	83.96
Loan Expenditure	0.20

Appendix 1.5
Implicit Subsidies
(Reference: Paragraph 1.6.3; Page 37)

(₹ in crore)

Sl. No.	Head of Account	Scheme Description	2011-12	2012-13	2013-14	2014-15	2015-16
1	2401-00-103-0-15	Supply of seeds and other inputs	49.33	101.89	279.58	535.02	554.66
2	2401-00-105-0-27	Subsidy for Fertilizer Buffer stock	14.88	7.50	0.00	0.00	0.00
3	2401-00-108-1-15	Micro Irrigation	36.07	53.80	98.21	69.30	200.89
4	2401-00-108-2-30	Drip Irrigation	49.83	79.97	93.48	245.40	171.96
5	2401-00-111-0-02	New Agricultural Promotion Scheme	0.00	82.00	0.00	0.00	0.00
6	2405-00-103-0-20	Matsya Ashraya	0.00	9.00	12.00	11.43	0.00
7	2425-00-107-2-45	Interest subvention for Loans to SHG	0.00	4.00	2.50	0.00	0.00
8	2425-00-108-0-57	Yashaswini	30.00	35.00	45.00	71.95	109.56
9	3475-00-107-0-20	Minimum Floor Price Scheme	3.50	10.00	1.00	150.00	64.23
10	2235-02-102-0-25	Bhagya Lakshmi	486.09	755.40	353.42	339.87	473.35
11	2216-02-101-0-07	Vajpayee Urban Housing Scheme	177.00	85.00	108.25	100.00	100.00
12	2216-02-102-0-02	Housing for weaker section	33.00	40.00	25.00	10.00	15.00
13	2216-03-102-0-01	House sites for Landless	56.56	33.90	18.75	10.00	5.00
14	2216-03-104-0-01	Ashraya	0.00	1.98	229.22	647.13	1,668.24
15	2216-80-103-0-21, 2216-80-800-0-04	Indira Awas Yojana	130.85	218.10	50.00	428.00	0.00*
16	2202-01-109-0-03	Vidya Vikasa Scheme	88.10	78.72	82.28	96.74	230.11
17	2202-02-107-0-05	Bicycles to VIII standard students	0.00	155.73	171.90	177.21	189.66
18	2851-00-103-0-62	Weavers package	50.52	52.40	99.23	70.69	99.93
19	2851-00-103-0-69	Weavers Package-KHDC	23.25	20.00	19.87	9.95	30.01
20	2852-80-800-0-43	Refund of sales tax to Eligible industries	40.99	25.00	0.00	0.00	0.00
Total			1,269.97	1,849.39	1,689.69	2,972.69	3,912.60

Source: Consolidated Abstract of major heads

*During 2015-16, ₹1,020.00 crore was released as financial assistance under HOA 2216-80-198-6-02-300 (P) to RGRHCL.

Appendix 1.6
Status of completed/underimplementation/under pipeline Public Private Partnership
Projects as on 31 March 2016
(Reference: Paragraph 1.8.3; Page 46)

(1) Status of Completed Projects

Sl. No.	Name of the Project	Estimated Project Cost (₹ in crore)	Sponsoring Authority	Executing Agency
(A) Transportation & Logistics Sector				
1	Bangalore International Airport (BIAL)	2,470.29	Infrastructure Development Department	Karnataka Road Development Corporation Limited
2	Hassan-Mangalore Gauge conversion	293.00		
Sub Total of (A)		2,763.29		
(B) Roads and Bridges				
3	Bypass Road to Sandur Town	40.00	Infrastructure Development Department	Infrastructure Development Department
4	Development of Road from Hubli to Lakshmeshwar (Mangasuli-Lakshmeshwara SH-73)	103.50	Public Works Department	Karnataka Road Development Corporation Limited
5	Development of SH-132 from Bellary City to Andhra Pradesh border on DBFOT Annuity basis	169.33		
6	Improvements to Dharwad-Alnawar-Ramanagara road on BOT-VGF (Toll) for a length of 60.40 Km	237.60		
7	Improvements to State Highway (SH-10) from Maharashtra Border to Andhra Pradesh Border (Whagdhari-Ribbanpally road)	242.75		
Sub Total of (B)		793.18		
(C) Urban and Municipal Infrastructure Sector				
8	Sanitary Landfills in Bangalore	30.00	Urban Development Department	Bruhat Bangalore Mahanagar Palike
9	Integrated Municipal Solid Waste Treatment, Kannahalli	40.00		
10	Development of Commercial Complex at Makkaji Chowk, Mysore	40.00		Mysore City Corporation
11	SWM – O&M of processing of facilities	5.00		
12	Performance based water management contract in Mysore	200.00		
13	Management of Solid Waste of Belagavi City	5.00		Belgaum City Corporation
14	Integrated MSW Treatment & Landfill facility for Shivamogga City	5.00		City Municipal Council Shivamogga
Sub Total of (C)		325.00		
(D) Tourism Sector				
15	Luxury Tourist Train Project	32.00	Tourism Department	Directorate of Tourism
Sub Total of (D)		32.00		
Total (A+B+C+D)		3,913.47		

(2) Status of Projects under implementation/construction

Sl. No.	Name of the Project	Estimated Project Cost (₹ in crore)	Sponsoring Authority	Executing Agency
(A) Tourism Sector				
1	Development of 18 hole Golf Course & Allied facilities at Mangalore	108.00	Tourism Department	Tourism Department
Sub Total of (A)		108.00		
(B) Urban and Municipal Infrastructure Sector				
2	Development of SN Market Property	40.00	Urban Development Department	City Municipal Council Shivamogga
Sub Total of (B)		40.00		
(C) Agri-Infrastructure				
3	Development of Modern Agricultural Market Complex at Byatarayanapura	105.90	Co-operation Department	Karnataka State Agricultural Marketing Board
Sub Total of (C)		105.90		
(D) Transportation & Logistics				
4	Improvements to road from Andhra Pradesh border to Yelahanka	208.00	Public Works Department	Karnataka Road Development Corporation Limited
5	Development of road from NH-63 near Ginigere-Gangavathi to Sindhanoor	190.16		
6	WAP-1:Development of existing State Highway (SH-33 & SH-3) from Malavalli to Pavagada (193.34 Km) on DBFOMT Annuity basis	559.75		Karnataka State Highway Improvement Project
7	WAP-2:Development of existing State Highway (SH18) from Mudhol to Maharashtra border (107.937 Km) on DBFOMT Annuity basis	317.60		
Sub Total of (D)		1,275.51		
(E) Roads and Bridges				
8	Development of KSRTC site at Hassan under PPP basis	32.80	Transport Department	Karnataka State Road Transport Corporation
9	Development of KSRTC site at Mangalore under PPP basis	20.70		
10	Development of KSRTC site at Puttur under PPP basis	7.32		
Sub Total of (E)		60.82		
Total (A+B+C+D+E)		1,590.23		

(3) Status of Projects under planning/pipeline

Sl. No.	Name of the Project	Estimated Project Cost (₹ in crore)	Location	Status
(A) Agri-Infrastructure Sector				
1	Development of Automated milk conversion plants	650.00	Phase 1: Doddaballapur or Dabaspete Phase 2: Dharwad district	Feasibility report is under preparation
2	Development of Mega cattle feed manufacturing plants	600.00	Vijayapura, Davanagere and Chikkaballapur/Mandya	Feasibility report is under preparation
3	Development of Blown film plants for manufacturing pouches	120.00	Bidadi, Ramanagaram district	Feasibility report is under preparation
4	Development of corrugated box-Manufacturing plant	50.00	Bidadi, Ramanagaram district	Feasibility report is under preparation
5	Development of 2,000 MT cold chain storage facility	300.00	Phase 1: Hesarghatta in Bengaluru	Feasibility report is under preparation

Sl. No.	Name of the Project	Estimated Project Cost (₹ in crore)	Location	Status
			Phase 2: Mandya or Chikkaballapur	
6	Development of manufacturing plant for health drinks, functional & ready to eat foods, flavoured milk, milk shakes etc.	160.00	Phase 1: Hesarghatta in Bengaluru Phase 2: Mandya or Chikkaballapur	Feasibility report is under preparation
7	Development of Rice technology park	122.00	Navali-Somnal village, Koppal district	Feasibility report is under preparation
8	Development of Maize technology park	111.00	Ranebennur, Haveri district	Feasibility report is under preparation
9	Operation and Management of Warehouses of Karnataka Warehousing Corporation	2,500.00	Various locations in Karnataka	Feasibility report to be prepared
10	Solar Rooftop Installation on Warehouses of Karnataka State Warehousing Corporation	1,300.00	Various locations in Karnataka	Feasibility report to be prepared
11	Operation and Transfer of Modern Abattoir for Sheep & Goats	26.00	Cheelanahalli, Sira Taluk, Tumkuru District	DPR prepared
12	Development of Agri Logistics Hub in various regions of Karnataka	680.00	Belagavi (Collection centre) and processing units located in Vijayapura, Bagalkote, Dharwad & Gadag	Pre-feasibility report prepared
13	Seafood Park	120.00	Area between Mangalore and Udupi	Feasibility report to be prepared
	Sub Total of (A)	6,739.00		
(B) Energy Sector				
1	Development of Energy Efficiency in Street Lighting	20.00	Hubballi-Dharwad Municipal Corporation limits	Feasibility study is under preparation
2	Setting up Captive/Merchant Gas based Power Plants	3,500.00	Ragimasalavada Village, Harapanahlli Taluk, Davanagere District	Pre-feasibility report has been prepared
3	Setting up Captive/Merchant Gas based Power Plants	3,500.00	Vantamuri Village, Hukkeri Taluk, Belagavi District	Pre-feasibility report has been prepared
4	Setting up Captive/Merchant Gas based Power Plants	3,500.00	Mevundi Village, Mundargi Taluk, Gadag District	Pre-feasibility report has been prepared
	Sub Total of (B)	10,520.00		
(C) Health Sector				
1	Development of Dialysis Centers in various Districts	To be estimated	Various locations in Karnataka	Feasibility report under preparation
	Sub Total of (C)	0.00		
(D) Industrial Infrastructure Sector				
1	Development of Animation Visual Effects, Gaming and Comics (AVGC Lab) in Bengaluru	26.00	Bengaluru	DPR prepared
2	Development of Digital Media City in Bengaluru	782.00	Near Electronic City, Bengaluru	DPR prepared
3	Integrated Machine Tool Industry Park (IMTP) at National Investment & Manufacturing Zone (NIMZ)	410.00	Vasanthanarasapura and Sira, Tumkuru District	Feasibility Report prepared

Sl. No.	Name of the Project	Estimated Project Cost (₹ in crore)	Location	Status
4	National Investment & Manufacturing Zone (NIMZ)	12,000.00	Bidar and Bhalki Taluk, Bidar District	Feasibility report to be prepared
5	National Investment & Manufacturing Zone (NIMZ)	15,000.00	Chittapur Taluk, Kalaburagi District	Feasibility report to be prepared
6	National Investment & Manufacturing Zone (NIMZ)	13,543.00	Vasanthanarasapura and Sira, Tumkuru District	Feasibility report prepared
7	National Investment & Manufacturing Zone (NIMZ)	20,000.00	Mulabagal Taluk, Kolar District	Feasibility report to be prepared
8	Peninsular Region Industrial Development (PRIDE) Corridor Project	To be estimated	Concerned districts of Karnataka lying along the corridor	Comprehensive Integrated Master Plan for Chennai-Bengaluru and Draft Perspective Plan for Bengaluru-Mumbai corridor prepared
9	Aerospace Common Finishing Facility at Aerospace Park	90.50	Devanahalli, Bengaluru	DPR prepared
10	Setting up of Conduit for Optical Fibre Cables (OFC) for Broad Band and TV Cables using BESCO Electric Poles	To be estimated	Jurisdiction of BESCO covering eight districts of Karnataka	Feasibility report to be prepared
	Sub Total of (D)	61,851.50		
(E) Tourism Sector				
1	Development of Cruise Tourism in Karnataka	105.00	Along coastline in Dakshina Kannada, Uttara Kannada and Udupi Districts	Pre-feasibility report prepared
2	Development of Lego Theme Park	62.00	Bengaluru	Pre-feasibility report prepared
3	Development of Disney Land Theme Park	100.00	Bengaluru	Pre-feasibility report prepared
4	Development of Cruise Dinner Project	40.00	Halasuru Lake, Bengaluru	Pre-feasibility report prepared
5	Development of Snow Park	43.00	Bengaluru	Pre-feasibility report prepared
6	Development of Cable Car at four locations	80.00	Chamundi Hills (Mysore), Nandi Hills (Bengaluru), Kemmannugundi Hills (Chikamagaluru) and Madhugiri (Tumakuru)	Pre-feasibility report prepared
7	Area Development Near Almatti Dam	120.00	Almatti Dam, Vijayapura District	Pre-feasibility report prepared
8	Development of Heli-Tourism	To be estimated	Various Districts of Karnataka	Pre-feasibility report prepared
9	Development of Arts & Crafts Village	4.00	Bengaluru	Pre-feasibility report prepared
10	Development of River Cruises	128.00	Kabini Reservoir, Backwaters of Tungabhadra Dam and Backwater of Linganamakki Dam	Pre-feasibility report prepared
11	Development of Caravan Parks	To be estimated	Various locations of Karnataka	Pre-feasibility report prepared
12	Air Charter Services in Karnataka	To be estimated	Various locations of Karnataka	Pre-feasibility report prepared
13	Joint Venture Development	28.00	Ooty and Vijayapura	Pre-feasibility report

Sl. No.	Name of the Project	Estimated Project Cost (₹ in crore)	Location	Status
				prepared
14	Development of Bengaluru Eye	To be estimated	Bengaluru	Pre-feasibility report prepared
15	Development of Tourism Related Infrastructure	42.00	Hidkal Dam, Hukkeri Taluk, Belagavi District	Feasibility study report prepared
16	Development of Tourism Related Infrastructure	13.00	Near Malaprabha Reservoir, Belagavi District	Feasibility study report prepared
17	Development of Tourism Related Infrastructure	97.00	Near Gorur Dam, Hassan District	Feasibility study report prepared
18	Development of Tourism Related Infrastructure	85.00	Near Bhadra Dam, Chikamagalur District	Feasibility study report prepared
19	Development of International Aerospace Museum	To be estimated	Jakkur Airfield, Bengaluru	Pre-feasibility report to be prepared
20	Bengaluru International Convention Centre	1,035.00	Devanahalli, Bengaluru	Detailed Market Study has been carried out
	Sub Total of (E)	1,982.00		
(F) Transportation & Logistics Sector (Excluding Roads & Bridges)				
21	Light Rail Transit System	10,875.00	Bengaluru	Feasibility report prepared
22	Development of City Bus Terminal	To be estimated	Udupi Town	Pre-feasibility report to be prepared
23	Development of Second Phase of Bus Terminal and Commercial Space	To be estimated	Kanakapura Town	Pre-feasibility report to be prepared
24	Construction of Multi Level Car Parking (MLCP) lots in Bengaluru city	To be estimated	Five Places in Bengaluru namely Gandhinagar, Richmond Town, S P Road, Koramangala 5 th Block, Near Subbanna Circle	Pre-feasibility report to be prepared
25	Development of Traffic and Transit Management Center	250.00	Hebbal, Bengaluru	DPR prepared
26	Development of Traffic and Transit Management Center	240.00	Jayanagar 4 th T Block, Bengaluru	DPR prepared
27	Development of Traffic and Transit Management Center	375.00	Yelahanka, Bengaluru	DPR prepared
28	Development of Traffic and Transit Management Center	155.00	Katriguppe, Bengaluru	DPR prepared
29	Development of Traffic and Transit Management Center	83.00	Electronic City, Bengaluru	DPR prepared
30	Development of Traffic and Transit Management Center	To be estimated	Chikkabettahalli, Bengaluru	Feasibility report to be prepared
31	Construction of 2,000 Bus Shelters	To be estimated	Bengaluru City	Project Identification Stage
32	Development of Modern Sea Port at Tadadi in Kumta Taluk	3,800.00	Tadadi Village, Kumta Taluk, Uttara Kannada District	Feasibility Report prepared
33	Development of Belekeri Port	1,720.00	Belekeri Port, Ankola Taluk, U K District	Pre-feasibility Report is prepared
34	Development of 2 nd State of Karwar Port	2,500.00	Karwar	Pre-feasibility Report prepared
35	Development of Pavinakurve Port	1,700.00	Pavinakurve Village, Honnavara Taluk, U K District	Pre-feasibility Report is prepared
36	Development of Airstrips in Karnataka	To be estimated	Karwar, Chikmagaluru, Bagalkote, Udupi, Davanagere, Raichur &	Feasibility Report to be prepared

Sl. No.	Name of the Project	Estimated Project Cost (₹ in crore)	Location	Status
			Gadag Districts	
37	Development of 3 PL Logistic Park	Will be estimated at the time of implementation	Balepura Village, Devanahalli Taluk, Bengaluru Rural District	Pre-feasibility Report prepared
38	Development of Parking Management System in Bengaluru	55.00	56 roads in Bengaluru	Pre-feasibility Report prepared
39	Development of Shivamogga Airport	To be estimated	Sogane Village, Shivamogga	Pre-feasibility Report prepared
	Sub Total of (F)	21,753.00		
(G)	Roads & Bridges Sector			
1	Development of Road from Gotur to Kagewadi, Belagavi	174.00	Belagavi District	Feasibility report prepared
2	Development of Road from Devanahalli to Kolar (SH-9) via Vijayapura & Vemagal, Kolar District	148.00	Devanahalli to Kolar	Feasibility report prepared
3	Development of Road from Nelamangala to Chikkaballapura	168.00	Nelamangala to Chikkaballapura	Feasibility report prepared
4	Development of Road from Shivamogga to Harihara	148.00	Shivamogga to Harihara	Feasibility report prepared
5	Development of Road from Uppin Betageri to Tadas	7,000.00	Uppin Betageri to Tadas	Feasibility report under preparation
6	Development of Road from Chitradurga to Pavagada, border of Andhra Pradesh		Chitradurga to Border of Andhra Pradesh	Feasibility report under preparation
7	Development of Road from Jannapura to Shanivarasanthe		Janapura to Shanivarasanthe	Feasibility report under preparation
8	Development of Road from Sringeri to Mudigere		Sringeri to Mudigere	Feasibility Report under preparation
9	Development of Road from Shanivarasanthe to Kutta, Kerala border		Shanivarasanthe to Kutta, Kerala border	Feasibility Report under preparation
10	Development of Road from Kumta to Yekkumbi		Kumta to Yekkumbi	Feasibility Report under preparation
11	Development of Road from T.Narasipura to Border of Tamilnadu		T.Narasipura to border of Tamilnadu	Feasibility Report under preparation
12	Development of Road from Kanakapura to B R Hills		Kanakapura to B R Hills, Yelandur taluk	Feasibility Report under preparation
13	Development of Road from Bagalkote to Gadag		Bagalkote to Gadag	Feasibility Report under preparation
14	Development of Road from Chintamani to Border of Andhra Pradesh		Chintamani to Andhra Pradesh	Feasibility Report under preparation
15	Development of Road from Magadi to Somawarapete		Magadi to Somawarapete	Feasibility Report under preparation
16	Development of Road from Gadag to Honnali		Gadag to Honnali	Feasibility Report under preparation
17	Development of Road from Seegehalli to Magadi		Seegehalli to Magadi	Feasibility Report under preparation
18	Development of Elevated Corridor from K R Puram to Gorguntepalya, Bengaluru	To be estimated	Bengaluru	Feasibility report under preparation
19	Development of Elevated	To be estimated	Bengaluru	Feasibility report

Sl. No.	Name of the Project	Estimated Project Cost (₹ in crore)	Location	Status
	Corridor Connecting Jnanabharathi Varthur Kodi			under preparation
20	Development of Elevated Corridor Connecting Agara to Kalasipalya, Bengaluru	To be estimated	Bengaluru	Feasibility report under preparation
21	Development of Elevated Corridor Connecting Richmond Road to Halasuru	To be estimated	Bengaluru	Feasibility report under preparation
22	Development of Elevated Corridor Connecting Kalyan Nagar Junction at Outer ring Road to St. Johns Church Road and Wheelers Road Junction in Bengaluru	To be estimated	Bengaluru	Feasibility report under preparation
23	Development of Elevated North-South Corridor from Central Silk Board to Hebbal, Bengaluru	To be estimated	Bengaluru	Feasibility report under preparation
24	Construction of Satellite Town Ring Road (STRR) (204 km)	30,000.00	Bengaluru City	DPR prepared
25	Construction of Internal Ring Road (IRR) (185 km)	To be estimated	Bengaluru City	Project Identification Stage
26	Construction of Intermediate Ring Road (IRR) (197 km)	To be estimated	Bengaluru City	Project Identification Stage
27	Construction of Radial Ring Road (RR) (164 km)	To be estimated	Bengaluru City	Project Identification Stage
28	Construction of Eight-Lane Peripheral Ring Road	11,950.00	Bengaluru City	Feasibility Report prepared
	Sub Total of (G)	49,588.00		
(H) Urban and Municipal Infrastructure Sector				
1	Construction of Public Toilets in Bengaluru City	To be estimated	250 locations in Bengaluru City	Project Identification Stage
2	Construction of Skywalks	To be estimated	40 busy roads/junctions in Bengaluru City	Project Identification Stage
3	Re-Development of Existing Markets	To be estimated	11 markets in Bengaluru City	Project Identification Stage
4	Development of Mayur Commercial Complex	30.00	Lakshmipuram Extension, Mysuru City	Project Identification Stage
5	Development of Commercial Complex in Front of KSRTC Bus stand	24.00	KSRTC Bus stand, Mysuru City	Project Identification Stage
6	Processing of Solid Waste to Energy for Mysuru City Corporation	40.00	Vidyaranyapuram, Mysuru City	Project Identification Stage
7	Re-Development of Commercial Complex at Indiranagar, Bengaluru	335.00	Indiranagar, Bengaluru City	Pre-feasibility report prepared
8	Re-Development of Commercial Complex at R T Nagar, Bengaluru	34.00	R T Nagar, Bengaluru City	Project Identification Stage
9	Re-Development of Commercial Complex at Vijayanagar, Bengaluru	40.00	Vijayanagar, Bengaluru City	Project Identification Stage
10	Development of Commercial Property in Shivamogga City	12.00	Shivamogga City	Project Identification Stage
11	Multi-Level Car Parking in Shivamogga City	25.00	Shivamogga City	Project Identification Stage
12	Smart City Mission, Karnataka	To be estimated	Six cities in Karnataka	Project Identification

Sl. No.	Name of the Project	Estimated Project Cost (₹ in crore)	Location	Status
				Stage
13	Development of Multilevel Parking and Commercial Complex at Mysuru Zoo	29.00	Zoo, Mysuru City	Project Identification Stage
14	Development of Multilevel Car Parking	70.00	Near Court Circle, Hubballi	Project Identification Stage
15	Development of Shopping Mall at Super Market Site	120.00	Dharwad	Project Identification Stage
16	Development of M G Market	66.00	Hubballi	Project Identification Stage
17	Development of Residential Accommodation/Hotel for Legislators next to Suvarna Soudha	200.00	Survarna Soudha, Belagavi	Feasibility Report under preparation
18	Integrated Water and Waste Water Management, Smart Metering	153.00	Tumakuru City	Feasibility Report under preparation
19	Integration of Educational Institutions as Partners in Development	96.00	Tumakuru City	Feasibility Report under preparation
20	Upgradation of Government Hospital, Tumakuru to Multispeciality Hospital	158.00	Tumakuru City	Feasibility Report under preparation
21	Establishment of 18.77 HA of Rooftop Solar PV Energy Harvesting & Integration with Smart Grid	94.00	Tumakuru City	Feasibility Report under preparation
22	Integrated Facilities with Mixed Land use Development	20.00	Tumakuru City	Feasibility report under preparation
23	Development of Smart Governance and Quality Service Delivery	181.00	Tumakuru City	Feasibility report under preparation
24	Citizen-Driven Integrated Waste Management System	6.00	Tumakuru City	Feasibility report under preparation
25	Integrated Bus Terminal with Smart Infrastructure	165.00	Tumakuru City	Feasibility report under preparation
26	Providing Solar Energy Facility to Morarji Desai, Kitur Rani Channamma & Ekalavya Residential Schools and Colleges	105.00	Various locations in Karnataka	Feasibility report under preparation
27	Development of Commercial Complex at Moodabidri Municipal Town	25.00	Moodabidri Town, DK District	Feasibility report prepared
28	Devanahalli Business Park	To be estimated	Devanahalli, Bengaluru	Feasibility report under preparation
29	Bio Mining	To be estimated	Mandur Village, Bengaluru	Project Identification Stage
30	Waste Management and Waste-to-Energy Plants	To be estimated	Nearby places of Bengaluru	Project Identification Stage
31	Energy Efficient Street Lighting	To be estimated	Bengaluru City	Project Identification Stage
32	Re-Development of BDA Shopping Complex	21.00	Domlur, Bengaluru	DPR prepared
33	Waste to Energy Plants	45.00	Bengaluru Urban District	Project Identification Stage
34	Replacement of Bore wells with	To be estimated	Bengaluru Urban District	Project Identification

Sl. No.	Name of the Project	Estimated Project Cost (₹ in crore)	Location	Status
	Energy Efficient Motors			Stage
35	24x7 Water Supply to Entire Corporation Areas	1,809.00	Belagavi, Kalaburagi and Hubballi-Dharwad limits	Project Identification Stage
36	Development of Integrated Township	30,000.00	Bidadi, Ramanagaram	Project Identification Stage
37	Establishment of Modern Abattoir	7.00	Haveri	DPR prepared
38	Establishment of Modern Abattoirs	4.00	Davanagere,	Project Identification Stage
39	Establishment of Modern Abattoirs	9.00	Madikeri	Project Identification Stage
40	Establishment of Modern Abattoirs	3.00	Udupi	Project Identification Stage
41	Establishment of Modern Abattoirs	6.00	Koppal	Project Identification Stage
42	Establishment of Modern Abattoirs	6.00	Gadag	Project Identification Stage
43	Establishment of Modern Abattoirs	5.00	Ranebennur	Project Identification Stage
44	Establishment of Modern Abattoirs	10.00	Ballari	Project Identification Stage
45	Establishment of Modern Abattoirs	5.00	Hubballi-Dharwad,	Project Identification Stage
46	Opportunities in Metro Property-Development of Micro Market	To be estimated	Peenya, Bengaluru City	Project Identification Stage
47	Opportunities in Metro Property-Development of Multiplex with Retail and Food Court etc.	To be estimated	Mysuru Road, Bengaluru Urban District	Project Identification Stage
48	Opportunities in Metro Property – Establishment of IT/ITES Companies, Micro Markets and Parking facilities	To be estimated	Banashankari, Bengaluru City	Project Identification Stage
49	Development of Property for Commercial Activities IT-related Industry and Hospital	To be estimated	S V Road, Indiranagar, Bengaluru City	Project Identification Stage
50	Opportunities in Properties of North, South, West and Eastern part of Bengaluru – Setting up Destination Malls, Specialty Malls and Value –Retail format	To be estimated	Different areas of Metro Project, Bengaluru City	Project Identification Stage
51	Opportunities in Metro Properties at Jalahalli, Bengaluru with Budget Hotels with Conference Hall, Malls with Theatres	To be estimated	Jalahalli, Bengaluru City	Project Identification Stage
52	Redevelopment of Existing Market	123.00	Austin Town, Bengaluru	DPR under preparation
53	Redevelopment of Mavalli Market	3.00	R V Road, Bengaluru	DPR under preparation
54	Construction of Market Complex	To be estimated	Akkipete, Bengaluru	Feasibility Report to be prepared
	Sub Total of (H)	34,084.00		
	Grand Total (A+B+C+D+E+F+G+H)	1,86,517.50		

Source: PPP Cell of Infrastructure Development Department

Appendix 1.7
**Financial position of departmentally managed Commercial/
 Quasi Commercial Under takings**
 (Reference: Paragraph 1.8.4; Page 46)

(₹ in crore)

Undertaking	Year up to which proforma accounts finalized	Mean capital	Total Loss
Government Central Workshop, Madikeri	2008-09*	0.07	0.14
Government Silk Factory, Kollegal	2014-15	1.92	1.30
Government Silk Factory, Mamballi	2014-15	2.59	1.58
Government Silk Twisting and Weaving Factory, Mudigundam	2013-14#	1.83	0.70
Government Silk Factory, Chamarajanagar	2014-15	1.89	1.15
Government Silk Factory, Santhemarahalli	2014-15	1.74	1.37
Total		10.04	6.24

Source: Finance Accounts

*The workshop was closed vide G.O. No. CID2 IPD 2007 Bangalore dated 28.09.2011. Proforma Accounts up to the date of closure is in arrears (July 2016)

Proforma Accounts from 2014-15 is in arrears (July 2016)

Appendix 1.8
Detailed Loan Accounts Maintained by Accountant General (A&E)
 (Reference: Paragraph 1.8.5; Page 47)

(₹ in crore)

Sl. No.	Head of Account/Institutions	Arrears as on 31-03-2016	
		Principal	Interest
1	6215-01-190-2-86: Bangalore Water Supply and Sewerage Board	3,407.42	1,614.88
2	6215-01-190-1-00: Karnataka Urban Water Supply and Drainage Board	211.35	534.18
3	6216-02-201-1-00: Karnataka Housing Board	23.61	85.54
4	6217-60-191-1-03: Bangalore Development Authority (for repayment of HUDCO Loans)	17.17	27.58
5	6220-01-190-1-00: Karnataka State Film Industries Development Corporation	0.41	1.62
6	6401-00-113-2-00: Karnataka Agro Proteins Limited	0.70	3.39
7	6401-00-103-2-00: Karnataka State Seeds Corporation Limited	2.88	4.82
8	6401-00-103-3-00: Karnataka State Co-operative Oil Seeds Growers Federation	0.75	6.93
9	6852-02-190-3-00: Dandeli Steel and Ferro Alloys Limited	0.31	1.23
10	6858-01-190-3-00: Karnataka Implements and Machinery Company	1.10	4.69
11	6858-02-190-1-00: Electro Mobile India Limited	0.61	2.46
12	6858-02-190-0-01: Chamundi Machine Tools	0.18	0.26
13	6858-01-190-2-00: New Government Electric Factory	67.47	165.34
14	6859-01-190-0-01: Karnataka Telecommunication Limited	1.65	5.66
15	6851-00-200-0-00: Leather Industries Development Corporation	1.78	3.64
16	6853-02-190-1-00: Hutti Gold Mines Company Limited	0.30	1.57
17	6860-04-190-2-01: Mysore Sugar Company	20.00	12.78
18	6860-60-212-1-00: Karnataka Soaps and Detergents	2.25	14.55
19	6885-01-190-3-00: Karnataka State Finance Corporation	0.40	0.57
20	6860-60-600-3-00: Mysore Tobacco Company Limited	1.34	11.76
21	7452-80-190-1-00: Karnataka State Tourism Development Corporation	1.01	3.09
Total		3,762.69	2,506.54

Source: Finance Accounts

Appendix 1.9
Summarised Financial Position of the Government of Karnataka as on 31 March 2016
(Reference: Paragraph 1.9.1; Page 49)

(₹ in crore)

As on 31.03.2015		Liabilities		As on 31.03.2016
92,904.12		Internal Debt*		1,09,544.77
	69,418.79	Market Loans bearing interest	84,332.84	
	0.71	Market Loans not bearing interest	0.70	
	248.35	Loans from Life Insurance Corporation of India	210.94	
	3,069.43	Loans from other Institutions	3,270.93	
	20,166.84	Loans from RBI - Special Securities issued to National Small Savings Fund of the Central Government	21,729.36	
12,680.72		Loans and Advances from Central Government		13,002.21
	0.07	Pre 1984-85 Loans	0.07	
	61.98	Non-Plan Loans	56.27	
	12,642.33	Loans for State Plan Schemes	12,969.53	
	(-)5.41	Loans for Central Plan Schemes	(-)5.41	
	(-)18.25	Loans for Centrally Sponsored Plan Schemes	(-)18.25	
80.00		Contingency Fund		80.00
20,176.47		Small Savings, Provident Funds, etc.		22,262.14
18,562.31		Reserve Funds		20,643.37
20,159.27		Deposits		20,442.80
12,774.82		Suspense and Miscellaneous balances		13,765.44
1,77,337.71		Total		1,99,740.73
		Assets		
1,56,041.85		Gross Capital Outlay on Fixed Assets		1,76,753.17
	61,726.92	Investments in shares of Companies, Corporations etc.	61,355.88	
	94,314.93	Other Capital Outlay	11,15,397.29	
13,216.23		Loans and Advances		13,812.95
	1,439.19	Loans for Power Projects	1,451.97	
	11,758.24	Other Development Loans	12,280.21	
	18.80	Loans to Government Servants and Miscellaneous Loans	80.77	
520.42		Remittances		537.01
7.36		Other Advances		7.37
23,900.90		Cash		27,118.23
	-	Cash in treasuries	-	
	3.78	Departmental Cash Balance including Permanent Advances	3.78	
	4.84	Deposits with Reserve Bank of India	(-)74.90	
	0.01	Remittances in Transit	0.01	
	17,962.31	Cash Balance Investments	16,917.13	
	5,929.96	Investment from earmarked funds	10,272.21	
(-)16,349.05		Surplus on Government Accounts		(-)18,488.00
	(-)15,813.84	Accumulated Surplus	(-)16,349.05	
	(-)527.86	Deduct Revenue Surplus	(-)1,788.73	
	-	Deduct Other adjustments	0.37	
	(-)7.35	Deduct Capital Receipts	(-)350.59*	
1,77,337.71		Total		1,99,740.73

*The amount excludes ₹ 1.70 crore being the refund of investment in respect of co-operatives.

Explanatory Notes for Appendices 1.3 and 1.9: The abridged accounts in the foregoing statements have to be read with comments and explanations in the Finance Accounts. Government accounts being mainly on cash basis, the surplus on Government account, as shown in receivable or items like depreciation or variation in stock figures, etc., do not figure in the accounts. Suspense and Miscellaneous balances include cheques issued but not paid, payments made on behalf of the State and other pending settlements, etc. There was a difference of ₹133.08 crore (credit) between the figures reflected in the accounts (₹74.90 crore (credit)) and that intimated by the Reserve Bank of India (₹58.18 crore (credit)) as on March 2016. The entire difference is under reconciliation.

Appendix 1.10
NABARD – RIDF Loan – Delayed credit and Interest Compensation
(Reference: Paragraph 1.10.6; Page 61)

Sl. No.	Date of release	Amount in ₹	No. of days of delay	NABARD ROI (%)	RBI SDL ROI (%)	Difference (%)	Differential Interest (in ₹)
1	02.07.2013	40,36,46,000	727	6.75	8.81	2.06	1,65,61,872
2	20.06.2013	30,04,04,000	739	6.75	7.78	1.03	62,64,617
3	02.12.2014	43,30,44,000	208	7.5	8.24	0.74	18,26,141
4	20.08.2014	19,05,56,000	320	7.5	9.02	1.52	25,39,354
5	20.02.2015	6,60,74,000	206	7.25	8.06	0.81	3,02,058
6	31.03.2015	80,87,68,000	24	7	8.03	1.03	54,77,446
7	27.03.2015	13,26,05,000	28	7	8.03	1.03	1,04,776
8	26.03.2015	19,11,72,000	49	7	8.03	1.03	2,64,341
9	25.03.2015	29,49,27,000	48	7	8.03	1.03	3,99,485
10	04.06.2015	11,89,92,000	8	6.75	8.25	1.5	39,121
11	16.06.2015	5,39,36,000	3	6.75	8.25	1.5	6,650
12	23.06.2015	40,79,000	7	6.75	8.25	1.5	1,173
13	16.07.2015	6,66,10,000	7	6.75	8.31	1.56	19,928
14	06.08.2015	14,54,14,000	1	6.75	8.26	1.51	6,016
15	04.08.2015	5,33,62,000	3	6.75	8.26	1.51	6,623
16	11.08.2015	57,91,000	9	6.75	8.26	1.51	2,156
17	13.08.2015	5,85,79,000	7	6.75	8.26	1.51	16,964
18	20.08.2015	20,84,81,000	3	6.75	8.26	1.51	25,874
19	17.08.2015	2,07,57,000	6	6.75	8.26	1.51	5,251
20	25.08.2015	2,56,000	2	6.75	8.26	1.51	21
21	04.09.2015	6,22,83,000	7	6.75	8.23	1.48	17,678
22	08.09.2015	22,41,18,000	6	6.75	8.23	1.48	54,525
23	10.09.2015	14,06,000	18	6.75	8.23	1.48	1,026
24	15.09.2015	3,62,12,000	13	6.75	8.23	1.48	19,088
25	13.10.2015	4,10,49,000	12	6.25	7.98	1.73	23,347
26	06.10.2015	21,06,66,000	19	6.25	7.98	1.73	1,89,715
27	29.09.2015	22,96,86,000	26	6.25	8.23	1.98	3,23,952
28	08.10.2015	10,16,85,000	17	6.25	7.98	1.73	81,933
29	08.11.2015	14,45,17,000	6	6.25	8.14	1.89	44,899
30	17.11.2015	6,06,11,000	5	6.25	8.14	1.89	15,692
31	13.11.2015	10,41,86,000	9	6.25	8.14	1.89	48,554
32	26.11.2015	24,44,06,000	5	6.25	8.14	1.89	63,278
33	10.12.2015	1,85,81,000	3	6.25	8.27	2.02	3,085
34	08.12.2015	11,47,48,000	5	6.25	8.27	2.02	31,752
Total		525,42,11,000	2,556				2,98,58,593

Appendix 2.1

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

(Reference: Paragraph 2.2.6; Page 74)

(₹ in crore)

Sl. No.	Grant No./ Nomenclature	No. of cases	Amount
1	1 – Agriculture and Horticulture	13	469.81
2	2 – Animal Husbandry and Fisheries	20	63.80
3	3 – Finance	2	0.19
4	4 – Department of Personnel and Administrative Reforms	6	39.21
5	5 – Home and Transport	15	323.42
6	7 – Rural Development and Panchayat Raj	15	611.29
7	8 – Forest Ecology and Environment	2	11.00
8	9 – Co-operation	2	33.23
9	10 – Social Welfare	9	71.53
10	11 – Women and Child Development	4	9.09
11	12 – Information Tourism and youth Service	1	2.25
12	13 – Food and Civil Supplies	3	161.25
13	14 - Revenue	10	1,663.83
14	15 - Information Technology	1	10.00
15	17 - Education	12	84.09
16	18 – Commerce and Industries	12	179.72
17	19 – Urban Development	4	260.41
18	21 – Water Resources	3	22.77
19	22 – Health and Family Welfare	39	266.13
20	23 - Labour	5	100.13
21	24 - Energy	2	645.51
22	25 - Kannada and Culture	3	27.13
23	26 – Planning, Statistics, Science and Technology	1	0.05
24	27 - Law	1	2.43
25	28 – Parliamentary Affairs and Legislation	5	7.42
Total		190	5,065.69

Appendix 2.2
Major Heads of account under which excess expenditure was above ₹25 crore
(Reference: Paragraph 2.3; Page 75)

(₹ in crore)

Sl. No.	Grant No.	Major Head	Area	Total Provision	Re-appropriation	Total	Expenditure	Excess
1	01	2851	Village and Small Industries	0.00	0.00	0.00	30.24	30.24
		797	Transfer to Reserve Fund/Deposit Account					
		01	Transfer of market fees and License fee to Karnataka Silkworm seed cocoon and Silk yarn Development and Price Stabilization Fund					
2	03	2071	Pension and Other Retirement Benefits	0.00	931.83	931.83	1,274.97	343.14
		01	Civil					
		102	Commuted Value of Pensions					
3		3	Other Payments	0.00	1,003.85	1,003.85	1,160.12	156.27
		104	Gratuities					
4		2	Other Gratuities	0.00	998.90	998.90	1,071.86	72.96
		105	Family Pensions					
5		3	Other Family Pensions-Karnataka	350.00	0.00	350.00	388.33	38.33
		117	Government Contribution for Defined Contribution Pension Scheme					
6		01	State's matching contribution to Pension Scheme	963.25	0.00	963.25	1,005.20	41.95
		3475	Other General Economic Services					
		797	Transfer to Reserve Fund/Deposit Accounts					
7	05	01	Transfer of cess to the Infrastructure Initiative Fund	824.89	(+1.34)	826.23	905.42	79.19
		2055	Police					
		108	State Headquarters' Police					
8		01	Commissioner of Police	1,580.88	(-)2.99	1,577.89	1,622.29	44.40
		109	District Police					
9	14	1	Police Force	1,167.39	0.00	1,167.39	1,269.99	102.60
		2235	Social security and Welfare					
		60	Other Social Security and Welfare Programme					
		001	Direction and Administration					
10	20	02	New Social Security (Sandhya Suraksha)	120.00	0.00	120.00	162.66	42.66
		3054	Roads and Bridges					
		80	General					
		797	Transfer to/from Reserve Fund/Deposit Accounts					
11	29	02	Transfer of Grants from Central Road Funds to Deposit Head Subventions	1,859.56	0.00	1,859.56	1,950.06	90.50
		2049	Interest Payment					
		01	Interest on Internal Debt					
		123	Interest on Special Securities					

Sl. No.	Grant No.	Major Head	Area	Total Provision	Re-appropriation	Total	Expenditure	Excess
			issued to National Small Savings Fund (NSSF) of the Central Govt. by State Govt.					
		02	Interest on Special Securities issued to NSSF of the Central Govt. by the State Govt.					
Total				6,865.97	2,932.93	9,798.90	10,841.14	1,042.24

Appendix 2.3
Misclassification between 'Voted' and 'Charged'
Sections (Reference: Paragraph 2.4.1.2; Page 78)

(₹ in crore)

SI No	Grant No	Classification	Budget Provision	Remarks
1	03- Finance	2071-01-108 2071-01-109 2071-01-115 2071-01-200 Pension and Other Retirement Benefits- Civil	3,773.56	Funds were provided under Charged instead of Voted category.
2	06- Infrastructure	3465-01-800-01 Interest payment to HUDCO	0.20	Funds were provided under Voted instead of Charged.
3	Development	5465-01-190-1 Investment in Infrastructure	5.54	
4	19 - Urban Development	4217-60-800-3 Karnataka Slum Development Board	8.50	Funds were provided under Voted instead of Charged.
5	27 - Law	2071-01-111-1 Pension and Family Pension to MLAs 2071-01-111-2 Pension and Family Pension to MLCs	31.78 0.97 4.84 0.02	Funds were provided under Charged instead of Voted category.
Total			3,825.41	

Appendix 2.4
Details of misclassification under the object head 059 – Other Expenses
(Reference: Paragraph 2.6; Page 81)

(₹ in crore)

Sl. No	Major Head of account under which provision/expr. Booked under 059	Correct Object head to which provision/ expenditure should have been accounted	Nature of expenditure	Amount
01	2204, 2210, 2211, 2225	015-Subsidiary Expenses	Charges on supply of labour on daily wages, remuneration to KEONICS staff conducting training workshops, payment of incentive/remuneration to Asha/Anganwadi Workers (₹63.76 crore) etc.,	63.86
02	2204, 3452	051 – General expenses	Printing and supply of monthly magazines	5.82
03	2204	100-Financial Assistance/Relief	FA to youth organizations for conduct of YuvaKreedamitraprogramme, FA for implementation of 'Nammorashale, NammaYuvajanaru)	114.04
04	2204	180 – Machinery and Equipment	Supply and installation of lift to State Youth Centre	0.15
05	2204	102 – GIA Asset creation	Construction of Indoor Stadium at Training Centre	0.66
06	2210	230 –Hospital Accessories	Purchase and installation of Tele Radiology Software Mobility	0.28
07	2210	103 – GIA General	Grant to ArogyaSahayaVani for payment of salaries, maintenance and telephone expenses	3.49
08	2401, 2851, 2852, 3452	106 - Subsidy	Subsidy paid to farmers for purchase of seeds, manure, agricultural implements, etc., in agriculture and Horticulture departments, Tourism subsidy, power subsidy, textile subsidy etc.,	139.66
09	2225	071 – Building expenses	Payment of rents, rates and taxes in connection with building occupied by the department	0.22
10	3452	101-GIA-Salaries	Salary grants	1.24
Total				329.42

Appendix 2.5
Major Heads of account under which provision of ₹25 crore and above remained unspent
(Reference: Paragraph 2.7.1; Page 82)

(₹ in crore)

Sl. No.	Grant No.	Head of Account	Nomenclature	Unspent Provision
1	01	2401-00-102-0-08	National Food Security Missions	62.33
2		2401-00-108-2	Horticulture Department	50.78
3		2401-00-119-4	Development of Farms and Nurseries	54.59
4		2401-00-800-1	Agriculture Department	580.00
5		2402-00-102-0-28	Sujala Watershed Project-III EAP	57.88
6	02	2405-00-103-23	Reimbursement of Sales Tax on Diesel for Fishing Boats	35.06
7		4405-00-103-6	Construction of Fishing Harbour	47.33
8	03	2054-00-095-01	Director of Treasuries	40.33
9		2070-00-800-11	Filling up of Vacant Post	1,250.03
10		2515-00-198-1	Assistance to Gram Panchayats	50.00
11		7610-00-201-0-03	HBA to Gazetted Officers and Non-Gazetted Officers	55.00
12	05	2055-00-115	Modernization of Police Force	31.12
13		2055-00-113-03	Karnataka Police Housing Corporation- Police Quarters	38.34
14		4055-00-211-01	Karnataka Police Housing Corporation- Construction of Police Quarters	25.19
15	06	5465-01-190-3	Investment in Rail Infrastructure Development Corporation (Karnataka) Ltd. (K-RIDE)	167.26
16	07	2501-01-198-6	Village Panchayats – CSS/CPS	56.09
17		2515-00 -196-1	Zilla Panchayats	64.38
18		2515-00-196-6	Zilla Panchayats – CSS/CPS	120.19
19		2515-00-197-1	Taluk Panchayat	193.98
20		2515-00-197-6	Taluk Panchayat CSS/CPS	201.02
21		4702-00-101-1-14	Water Tanks – Construction of New Tanks Pick-ups etc.,	41.25
22		5054-03-337-0-71	Prime Minister GrameenSadakYojana	234.47
23	08	2406-01-797-01	Transfer of Forest Development Tax to Karnataka Forest Development Fund	199.37
24	09	6408-02-190-1	Construction of Godowns	30.10
25	10	4225-01-190-0-01	Dr. B.R. Ambedkar Development Corporation Limited	36.75
26	11	2235-02-102-0-36	Integrated Child Protection Scheme	30.84
27		2235-02-197-6	Taluk Panchayats – CSS/CPS	80.15
28	12	5452-01-800-14	Tourist Infrastructure at Various Places	29.09
29		5452-03-101-05	Implementation of Karnataka Tourism vision group Recommendations	35.01
30	13	2408-01-102-0-07	Annabhagya for APL Beneficiaries towards subsidies for Food grains	304.04
31		2408-01-102-0-08	Sugar	48.58
32	14	2235-60-102-1	Old Age Pension Scheme	202.38
33		2245-05-101-0-06	State's Additional contribution to State Disaster Response Fund	100.00
34		2245-80-102-0-01	Relief Operations	2,087.08
35		2245-80-102-0-03	Implementation of Natural Cyclone Risk Mitigation Project	40.84
36	16	2216-03-104-0-02	Payment of Interest	28.08
37	17	2202-01-800-1	Other Schemes	25.00
38		2202-02-109-0-21	RashtriyaMadhyamikShikshaAbhiyaan (RMSA)	143.21
39		2202-03-103-2	Other Government Colleges	161.43
40		2202-80-003-0-05	Computer Literacy Awareness Secondary Schools	74.99
41		2202-80-800-0-35	GIA for newly included Institution	40.00
42		2202-80-800-0-46	Reimbursement of fees to private schools under RTE	104.95
43		4202-01-202-1	Buildings	34.79

Sl. No.	Grant No.	Head of Account	Nomenclature	Unspent Provision	
44		4202-01-203-1	Buildings	105.27	
45	18	2851-00-102-0-69	Assistance to institutions for Technology Training	28.39	
46		2851-00-102-0-74	Rebate and assistance to Khadi and Small Scale IndustriesProduct	30.00	
47		2851-00-797-0-01	Transfer of Market fees and license fee to Karnataka Silk board Seed cocoon and Silk Board Development and Price StabilizationFund	71.24	
48		4860-04-190-3-02	Mahatma Gandhi SahakariSakkareKarkhaneNiyamita	39.95	
49		6860-04-190-1-16	Conversion of Purchase Tax into Interest free loans	32.78	
50	19	2217-05-191-1	BMRDA	96.33	
51		3604-00-191-2	Other Devolution	72.63	
52		3604-00-191-3	MukhyaManthrigalaNagorotthanaYojana	180.56	
53		3604-00-192-2	Other Devolution	121.12	
54		3604-00-192-3	MukhyaManthrigalaNagorotthanaYojana	55.24	
55		4215-02-190-0-03	Karnataka Urban Water Supply Modernization Project – EAP	28.50	
56		6215-01-190-2-86	BWSSB	45.24	
57		6217-60-800-0-04	Loans for BMRCL	498.23	
58		20	2059-80-053-4	Repairs Maintenance and Minor alterations to various Departmental Buildings	33.99
59			2059-80-799-1	Debits	155.54
60	2059-80-800-0-06		Administration of Sand Mining	78.18	
61	5051-80-800-0-80		Sustainable Coastal Protection and Management EAP	35.81	
62	5054-03-337-0-86		KSHIP – EAP II (ADB) – EAP	66.51	
63	5054-04-337-0-02		MDR works financed from NABARD	72.82	
64	7615-00-200-2		Miscellaneous Loans	65.35	
65	21		2705-00-202-0-01	Malaprabha and Ghataprabha Projects	25.00
66			2701-80-190-0-01	Assistance to KBJNL	121.30
67			2701-80-190-0-02	Assistance to KNNL	36.68
68		4701-73-800-0-01	UKP-AIBP	654.42	
69		4701-74-800-0-01	Accelerated Irrigation Benefit program (AIBP)	460.00	
70		4701-80-190-3	KBJNL	763.25	
71		4701-80-800-0-10	Karnataka Integrated and Sustainable Water Resources Management – EAP	46.65	
72		4702-00- 101-3	Lift Irrigation Schemes	62.17	
73		4702-00-789-2	SCP	43.82	
74		4702-00-800-8	Lump sum for New Works	50.46	
75	4705-00-800-0-01	CADA SCP	92.08		
76	22	2210-03-800-0-18	NHM	471.15	
77		2210-06-003-0-22	Compulsory Service Training	185.00	
78		2210-06-112-0-02	KHSDRP – Health Financing - EAP	28.72	
79		2211-00-103-0-11	Honorarium to Anganwadi and ASHA Workers	30.97	
80		4210-01-110-1	Buildings	51.59	
81	23	2230-02-001-0-01	Director of Employment and Training	27.92	
82		2230-03-101-0-35	New ITIs in 10 Taluks	29.64	
83	24	6801-00-205-1	Loans to KPTCL	44.81	
84	26	2575-60-265-0-03	Article 371J – Hyderabad Karnataka Region Development	150.00	
85		4575-60-800-0-02	Article 371J – Hyderabad Karnataka Region Development	100.00	
86	27	2071-01-111-1	Legislative Assembly	32.75	
87	29	2049-01-101-3	Interest on Current Loans	432.49	
88		2049-04-101-0-02	Back to Back External Loans	103.72	
89		6003-00-110-1	Clean and Secured ways and means Advance	1,500.00	
90		6003-00-110-2	Overdraft with RBI	500.00	
Total				15,251.57	

Appendix 2.6
Unnecessary Supplementary Provision
(Reference: Paragraph 2.7.4; Page 86)

(₹ in crore)

SL. No.	Grant No./ Nomenclature	Head Of Account	Original	Supplementary	Total	Expenditure	Unspent Provision
1	01 – Agriculture and Horticulture	2401-00-119-4-06-059 Other Expenses	88.94	50.06	139.00	86.40	52.60
2		2401-00-119-4-12-059 Other Expenses	0.00	1.37	1.37	0.00	1.37
3		2401-00-800-1-53-059 Other Expenses	44.45	4.76	49.21	38.81	10.40
4	03 - Finance	2020-00-108-0-01-059 Other Expenses	0.00	2.00	2.00	0.00	2.00
5		2040-00-101-0-10-059 Other Expenses	0.00	7.64	7.64	0.00	7.64
6		2071-01-101-3-01-251 Pension and Retirement Benefits	6,549.14	425.40	6,974.54	6,541.26	433.28
7		7610-00-201-0-02-393 Advances	3.00	1.00	4.00	2.30	1.70
8		7610-00-201-0-03-393 Advances	0.00	55.00	55.00	0.00	55.00
9	05 – Home and Transport	2055-00-001-0-01-101 Grant In Aid - Salaries	0.57	1.42	1.99	0.29	1.70
10		2070-00-106-0-01-051 General Expenses	0.13	1.04	1.17	0.06	1.11
11		5055-00-800-03-132 Capital Expenses	0.00	2.04	2.04	0.00	2.04
12	07 – Rural Development and Panchayat Raj	2515-00-196-1-05-300 Lump sum ZP	132.24	4.76	137.00	74.88	62.12
13		2515-00-197-1-10-300 Lump sum ZP	346.20	9.42	355.62	161.62	194.00
14		4515-00-103-3-00-132 Capital Expenses	0.00	11.42	11.42	0.00	11.42
15	08 – Forest, Ecology and Environment	2406-01-001-2-01-015 Subsidiary Expenses	90.00	7.04	97.04	87.41	9.63
16	10 – Social Welfare	2225-03-277-2-48-103 GIA – General	0.00	25.00	25.00	0.00	25.00
17	14 – Revenue	2052-00-099-0-01-071 Building Expenses	0.00	1.50	1.50	0.00	1.50
18		2235-60-102-2-01-251 Pension and retirement Benefits	764.52	1.50	766.02	730.21	35.81
19	17 – Education	2202-04-001-02-059 Other Expenses	1.50	1.14	2.64	1.50	1.14
20		2202-80-800-0-44-103 GIA – General	0.00	1.09	1.09	0.00	1.09
21		2205-00-105-0-15-101 GIA – Salaries	2.61	3.00	5.61	2.31	3.30
22		4202-01-202-1-04-386 Construction	5.00	1.00	6.00	5.00	1.00
23		18 – Commerce and Industries	2851-00-102-0-69-106 Subsidies	110.00	15.00	125.00	100.00
24	4860-04-190-3-02-211 Investment		0.00	39.95	39.95	0.00	39.95
25	6860-04-190-1-16-394		20.00	12.78	32.78	0.00	32.78

SL. No.	Grant No./ Nomenclature	Head Of Account	Original	Supplementary	Total	Expenditure	Unspent Provision
		Loans					
26	22 – Health and Family Welfare	2210-01-110-1-21-147	8.75	3.14	11.89	8.65	3.24
27		Land and Buildings					
		2210-03-800-0-18-059	816.90	40.72	857.62	536.62	321.00
		Other Expenses					
28		2210-03-800-0-18-422	241.03	11.47	252.50	144.63	107.87
		Scheduled Caste Sub Plan					
29		2210-03-800-0-18-423	97.09	4.53	101.62	59.34	42.28
		Tribal Sub Plan					
30		2210-06-003-0-22-117	0.00	185.00	185.00	0.00	185.00
		Scholarship and Incentives					
31		2210-06-101-1-06-071	0.05	1.00	1.05	0.04	1.01
		Building Expenses					
32		2210-06-101-1-06-180	0.50	1.00	1.50	0.00	1.50
	Machinery & Equipment						
33	3435-04-103-0-07-051	0.00	1.00	1.00	0.00	1.00	
	General Expenses						
34	5425-00-208-0-01-132	0.00	1.00	1.00	0.00	1.00	
	Capital Expenses						
35	23 – Labour	2230-01-111-0-02-106	0.00	1.36	1.36	0.00	1.36
	Subsidies						
36	25 – Kannada and Culture	2250-00-800-2-03-059	10.95	0.13	11.08	7.33	3.75
	Other Expenses						
Total			9,333.57	936.68	10,270.25	8,588.66	1,681.59

Appendix 2.7
Excessive Supplementary Provision
(All Selected Grants more than ₹ one crore)
(Reference: Paragraph 2.7.5; Page 87)

(₹ in crore)							
Sl. No.	Grant No./Nomenclature	Head Of Account	Original	Supplementary	Total	Expenditure	Unspent Provision
1	01 – Agriculture and Horticulture	2401-00-102-0-08-422 Scheduled caste Sub plan	14.24	13.90	28.14	17.45	10.69
2		2401-00-102-0-8-423 Tribal Sub Plan	5.77	5.63	11.40	6.68	4.72
3		2402-00-102-0-30-139 Major Works	154.70	54.06	208.76	207.03	1.73
4		2401-00-111-0-08-422 SCSP	10.50	16.14	26.64	25.53	1.11
5		2401-00-114-0-01-106 Subsidies	4.14	16.15	20.29	18.97	1.32
6		2851-00-107-1-48-422 SCSP	14.84	9.00	23.84	22.59	1.25
7	02 – Animal Husbandry and Fisheries	2403-00-101-0-21-051 General Expenses	9.86	34.75	44.61	20.69	23.92
8	04 – DPAR	2051-00-102-0-02-117 Scholarship & Incentives	2.90	8.80	11.70	9.35	2.35
9	05 – Home & Transport	2055-00-104-0-07-059 Other Expenses	3.25	3.71	6.96	4.25	2.71
10		2055-00-109-1-01-015 Subsidiary Expenses	34.32	6.50	40.82	39.54	1.28
11		2055-00-113-0-01-106 Subsidies	27.87	8.80	36.67	35.27	1.40
12		2070-00-108-1-01-015 Subsidiary Expenses	0.61	5.21	5.82	3.57	2.25
13	07 – Rural Development and Panchayat Raj	2501-01-198-6-01-300 Lump sum ZP	78.55	114.94	193.49	137.40	56.09
14		2515-00-101-0-11-059 Other Expenses	5.40	169.34	174.74	166.81	7.93
15		2515-00-198-1-11-300 Lump Sum ZP	0.00	95.44	95.44	92.02	3.42
16	8 – Forest Ecology and Environment	2406-01-102-1-03-139 Major Works	300.00	11.36	311.36	307.10	4.26
17		2406-01-800-0-15-139 Major works	0.00	100.00	100.00	78.78	21.22
18	10 – Social Welfare	2225-02-197-1-01-300 Lump Sum ZP	0.00	30.60	30.60	28.16	2.44
19		4225-03-277-2-10-386 Construction	0.00	75.00	75.00	71.15	3.85
20	14 – Revenue	2075-00-101-1-01-100 Financial Assistance/Relief	65.00	73.00	138.00	115.27	22.73
21	18 – Commerce and Industries	2853-02-102-0-17-059 Other Expenses	0.00	20.00	20.00	9.94	10.06
22	19 – Urban Development	2217-05-191-1-10-059 Other Expenses	16.00	10.00	26.00	19.17	6.83
23	28 – Parliamentary Affairs	2011-02-101-0-05-041 Travel Expenses	11.17	17.55	28.72	24.26	4.46
24		2011-02-101-0-05-059 Other Expenses	2.26	6.44	8.70	2.87	5.83
Total			761.38	906.32	1,667.70	1,463.85	203.85

Appendix 2.8
Inadequate Supplementary Provision
 (Reference: Paragraph 2.7.6; Page 87)

(₹ in crore)

Sl. No.	Grant No.	Head of Account	Provision			Expenditure	Excess uncovered
			Original	Supplementary	Total		
1	10 – Social Welfare	2225-03-277-2-48-101 GIA – Salaries	4.00	20.00	24.00	48.50	24.50
2	21- Water Resources	2702-80-001-3-07-015 Subsidiary Expenses	0.00	3.32	3.32	5.07	1.75
3	28 – Parliamentary Affairs	2011-02-101-0-05-001 Consolidated Salaries	16.23	1.17	17.40	20.26	2.86
Total			20.23	24.49	44.72	73.83	29.11

Appendix 2.9
Injudicious Re-appropriation
(Reference: Paragraph 2.7.8; Page 88)

(₹ in crore)

Sl. No.	Grant No.	Head of Account	Provision (Original + Supplementary)	Re-appropriation	Total	Expenditure	Excess(+)/ Unspent provision
1	01 – Agriculture and Horticulture	2401-00-800-1-40-059 Other Expenses	360.89	1.00	359.89	346.59	13.3
2		2401-00-800-1-57-133 Special Development Plan	200.00	95.60	104.40	103.29	1.11
3	02 – Animal Husbandry and Fisheries	2405-00-120-0-07-104 Contributions	3.30	0.19	3.11	1.09	2.02
4		4405-00-103-1-02-139 Major works	10.00	0.75	9.25	0.00	9.25
5		4405-00-103-6-01-059 Other Expenses	50.00	1.31	48.69	2.67	46.02
6	03 - Finance	2040-00-001-0-01-195 Transport Expenses	14.00	0.60	13.40	12.37	1.03
7	04 – Dept. Of Personnel and Administrative Reforms	2013-00-800-0-02-051 General Expenses	2.10	0.50	1.60	0.31	1.29
8		2015-00-103-0-01-051 General Expenses	15.00	2.49	12.51	8.30	4.21
9		2015-00-108-0-01-059 Other Expenses	4.00	1.90	2.10	0.18	1.92
10		2051-00-102-0-02-433 Examination Expenses	25.45	0.38	25.07	22.28	2.79
11		2070-00-115-1-01-195 Transport Expenses	13.55	0.70	12.85	7.89	4.96
12	05 – Home and Transport	2055-00-101-0-03-125 Modernization	10.82	8.60	2.22	0.30	1.92
13		2055-00-109-1-01-221 Materials and Supplies	35.70	6.57	29.13	27.76	1.37
14		2055-00-115-0-00-125 Modernization	170.37	2.34	168.03	139.25	28.78
15		2070-00-108-1-01-180 Machinery and Equipment	32.15	1.92	30.23	10.45	19.78
16	06 – Infrastructure Development	5465-01-190-2-05-211 Investment	12.00	7.29	4.71	0.00	4.71
17		5465-01-190-3-05-211 Investment	342.00	14.98	327.02	199.23	127.79
18	07 – Rural Development and Panchayat Raj	2702-01-101-0-73-059 Other Expenses	17.00	0.81	16.19	13.30	2.89
19	08 – Forest, Ecology and Environment	2406-02-110-0-47-139 Major Works	14.00	2.94	11.06	5.58	5.48
20	10 – Social Welfare	2225-03-277-2-53-059 Other expenses	179.14	43.08	136.06	128.98	7.08
21	13 – Food and Civil Supplies	2408-01-102-0-07-106 Subsidies	308.56	300.00	8.56	4.52	4.04
22		2408-01-102-0-08-106 Subsidies	49.50	40.00	9.50	0.92	8.58
23	14 – Revenue	2053-00-094-7-06-051	14.68	0.10	14.58	13.26	1.32

Sl. No.	Grant No.	Head of Account	Provision (Original + Supplementary)	Re-appropriation	Total	Expenditure	Excess(+)/ Unspent provision
		General Expenses					
24	17 – Education	2202-01-053-0-01-200 Maintenance Expenditure	14.24	0.50	13.74	11.53	2.21
25		2202-02-109-0-21-059 Other Expenses	151.09	1.08	150.01	51.53	98.48
26		2202-03-103-2-06-101 GIA – Salaries	175.00	97.75	77.25	68.53	8.72
27		2202-80-003-0-05-422 SCSP	20.00	9.00	11.00	3.00	8.00
28		2202-80-003-0-05-423 TSP	5.00	1.35	3.65	1.20	2.45
29	19- Urban Development	3604-00-191-1-51-051 General Expenses	28.20	13.71	14.49	6.99	7.50
30		3604-00-191-3-01-132 Grants for Creation of Capital Assets	19.50	4.75	14.75	4.75	10.00
31		3604-00-191-3-03-132 Grants for Creation of Capital Assets	19.50	4.75	14.75	9.75	5.00
32		3604-00-191-3-11-132 Grants for creation of Capital Assets	19.50	4.75	14.75	0.00	14.75
33		3604-00-191-3-14-132 Grants for creation of Capital Assets	19.50	4.75	14.75	9.75	5.00
34		3604-00-191-3-21-132 Grants for creation of Capital Assets	19.50	4.75	14.75	9.75	5.00
35		3604-00-191-3-25-132 Grants for creation of Capital Assets	26.60	7.72	18.88	13.32	5.56
36	20 – Public Works	5054-03-337-0-17-160 Renewals	132.38	32.45	99.93	73.32	26.61
37		5054-04-337-0-02-436 NABARD Works	376.00	52.69	323.31	303.18	20.13
38	21 – Water Resources	4702-00-101-1-02-436 NABARD Works	10.48	4.76	5.72	4.50	1.22
39		4702-00-101-3-01-436 NABARD Works	62.35	18.55	43.80	23.81	19.99
40		4702-00-800-8-00-133 Special Development Plan	100.00	42.00	58.00	49.54	8.46
41	23 – Labour	2210-01-102-0-01-222 Drugs and Chemicals	227.00	0.73	226.27	199.67	26.60
42		2230-02-001-0-01-059 Other Expenses	53.84	4.55	49.29	30.73	18.56
43		2230-03-101-0-42-059 Other Expenses	7.41	0.21	7.20	2.34	4.86
Total			3,371.30	(-)844.85	2,526.45	(-)1,925.71	(-)600.74
44	01 – Agriculture and Horticulture	2401-00-103-0-15-059 Other Expenses	401.48	12.50	413.98	410.00	3.98
45		2401-00-108-1-15-059 Other Expenses	164.18	75.00	239.18	186.57	52.61
46		2401-00-800-1-57-059	774.41	95.60	870.01	442.12	427.89

Sl. No.	Grant No.	Head of Account	Provision (Original + Supplementary)	Re-appropriation	Total	Expenditure	Excess(+)/ Unspent provision
		Other expenses					
47		2406-02-112-0-17-139 Major Works	21.00	13.02	34.02	30.81	3.21
48	02 – Animal Husbandry and Fisheries	2405-00-120-0-07-100 Financial Assistance	7.38	0.19	7.57	0.00	7.57
49	05 – Home and Transport	2055-00-109-1-01-051 General Expenses	45.00	4.49	49.49	48.03	1.46
50		2055-00-109-1-01-071 Building Expenses	10.82	1.00	11.82	10.31	1.51
51		2055-00-109-1-01-195 Transport Expenses	67.00	10.60	77.60	74.54	3.06
52	06 – Infrastructure Development	3451-00-090-1-06-059 Other Expenses	3.00	0.72	3.72	1.72	2.00
53		5465-01-190-1-05-211 Investment	41.21	42.27	83.48	79.19	4.29
54	07 – Rural development and Panchayat Raj	2515-00-198-6-11-300 Lump Sum ZP	703.43	300.85	1,004.28	971.56	32.72
55	09 – Co-Operation	2425-00-001-0-01-051 General Expenses	8.98	0.14	9.12	8.09	1.03
56	13 – Food and Civil Supplies	2408-01-102-0-01-106 Subsidies	1,434.00	340.00	1,774.00	1,761.45	12.55
57	17 – Education	2058-00-103-0-01-180 Machinery and Equipment	11.60	1.50	13.10	4.59	8.51
58		2202-01-197-1-01-404 Kolar	231.66	1.54	233.20	231.49	1.71
59		2202-01-197-1-01-461 Bagalkot	269.70	1.72	271.42	269.68	1.74
60		2202-03-104-1-01-101 GIA – Salaries	847.79	34.01	881.80	836.09	45.71
61		2204-00-102-1-01-051 General Expenses	7.00	1.10	8.10	6.17	1.93
62		18 – Commerce and Industries	2851-00-102-0-69-059 Other Expenses	17.84	0.14	17.98	14.85
63	2853-02-001-0-01- 125 Modernization		51.00	15.00	66.00	55.20	10.80
64	20 – Public works	4216-01-700-2-01-386 Construction	30.00	12.25	42.25	37.10	5.15
65		4216-00-700-2-24-386 Construction	100.00	5.88	105.88	104.61	1.27
66	21 – Water Resources	4702-00-101-1-07-436 NABARD Works	27.52	0.32	27.84	21.10	6.74
67		4702-00-101-5-01-436 NABARD Works	49.65	22.99	72.64	71.32	1.32
68		4702-00-800-1-00-132 Capital Expenses	15.00	77.75	92.75	87.13	5.62
69	22 – Health and Family Welfare	2210-06-101-7-20-101 GIA Salaries	47.73	13.04	60.77	59.01	1.76
Total			5,388.38	(+)1,083.62	6,472.00	(-)5,822.73	(-)649.27
70	01 – Agriculture and Horticulture	2401-00-800-1-68-059 Other Expenses	350.00	111.50	238.50	239.55	1.05
Total			350.00	(-)111.50	238.50	(-)239.55	(+)1.05
71	5 – Home and	2055-00-109-1-01-041	57.00	2.50	59.50	67.78	8.28

Sl. No.	Grant No.	Head of Account	Provision (Original + Supplementary)	Re-appropriation	Total	Expenditure	Excess(+)/ Unspent provision
	Transport	Travel Expenses					
72	17 – Education	2202-03-104-2-0-01-101 GIA – Salaries	38.41	0.30	38.71	43.12	4.41
73	19 – Urban Development	3604-00-191-1-51-200 Maintenance Expenditure	268.70	44.27	312.97	382.90	69.93
Total			364.11	(+)47.07	411.18	(-)493.80	(+)82.62

Appendix 2.10
Cases of Defective Re-appropriation Orders
(Reference: Paragraph 2.7.9; Page 88)

Sl. No.	Grant No.	Government Order No.	Date	Amount (₹ in crore)	Issuing Authority	Reasons for rejection
1	01	AD/30/ AST/15-16	11.03.2016	0.41	Under Secretary to Govt., Agriculture Department, Bengaluru	Less Amount for reappropriation
2	02	FD/227/BRS/2015	15.03.2016	3.00	Under Secretary to Govt., Finance Department (FR & BCC), Bengaluru	Form.22A not Self Balanced
3	02	AHF/59/AAP/2016	16.03.2016	0.63	Under Secretary to Govt., Veterinary and Fisheries Dept., Bengaluru	Form.22A not Self Balanced
4	03	CSA/1/ERG/ 2011-12/2859	26.11.2016	0.05	Principal Director, Karnataka State Audit & Accts Dept, B'luru	Form.22A not Self Balanced
5	03	CSA/1/ERG/ 2011-12/3792	29.02.2016	0.05	Principal Director, Karnataka State Audit & Accts Dept, B'luru	Form.22A not Self Balanced
6	03	FD/355/BRS/2011	31.03.2016	0.91	Under Secretary to Govt., Finance Department (FR & BCC), Bengaluru	Form.22A not Self Balanced
7	03	FD/356/BRS/2011	31.03.2016	0.15	Under Secretary to Govt., Finance Department (FR & BCC), Bengaluru	Form.22A not Self Balanced
8	04	DPAR 22 HeSaHa 2015	26.08.2015	0.23	Under Secretary to Govt, DPAR (Accts-2)	Form.22A not Self Balanced
9	04	DPAR 01 ART 2016	06.02.2016	0.17	Under Secretary to Govt, DPAR. Administrative Reforms (Trg)	Form.22A not Self Balanced
10	05	DPN/ACC 1/143/2015-16	05.01.2016	0.05	Director of Prosecution and Govt. Litigation, Bengaluru	Provision between Revenue and Capital
11	05	FD 137 BRS 2015	23.02.2016	0.51	Under Secretary to Govt,(FR & BCC)	Provision between Revenue and Capital
12	05	FD 331 BRS 2015	28.03.2016	2.87	Finance Department	Provision between Revenue and Capital
13	06	IDD 34 ITS	15.03.2016	0.45	Under Secretary to Govt, Infrastructure Development Dept, B'luru	Not self-Balanced
14	07	RDP/Exp-1/ 2014	04.08.2015	0.03	Director, SGY & Ex-Officio Under Secretary to Govt, RDPR	Form 22A not self-balanced
15	07	ZPT/CAO/ Accts-1/15-16	16.02.2016	0.11	Chief Accounts Officer, ZillaPanchayat, Tumakuru	Form 22A not self-balanced
16	07	RDP/52/REP 2015(1)	15.03.2016	0.47	Director(RIS-2) Cum Ex-Officio Joint Secretary, RDPR	Form 22A not self-balanced
17	07	RDP/83/REP/ 2015	10.03.2016	0.14	Director Cum Ex-Officio Joint Secretary, RDPR	Form 22A not self-balanced
18	07	RD P/146/ RWS(2) 16	10.03.2016	0.06	Commissioner & Ex-officio Secretary to Govt, RWS Dept.	Form 22A not self-balanced
19	07	RDPR/Re-app/REP/95/15-16	10.03.2016	0.02	Commissioner & Ex-officio Secretary to Govt, RWS Dept.	Form 22A not self-balanced

Sl. No.	Grant No.	Government Order No.	Date	Amount (₹ in crore)	Issuing Authority	Reasons for rejection
20	07	RDPR/ 21/ GPD 2015	10.03.2016	0.59	Under Secretary to Govt (ZP), RDPR	Form 22A not self-balanced
21	07	FD 349 BRS 2015	29.03.2016	0.81	Under Secretary to Govt, Finance Department (FR & BCC)	Form 22A not self-balanced
22	10	SWD 104 SAD 2014	01.02.2016	0.24	Under Secretary to Govt-2 (I/c) Social Welfare Dept	Form 22A not self-balance
23	10	DMW/Reapp/CR05/ 2015-16	10.03.2016	0.05	Director, Directorate of Minorities Welfare	Form 22A not self-balanced
24	10	MWD/102/ MDS/2016	10.03.2016	0.26	Joint Secretary to Government, Welfare of Minorities & Haj Dept	Form 22A not self-balanced
25	10	MWD/102/ MDS/2016	10.03.2016	0.50		Form 22A not self-balanced
26	10	SWD/79/SLP/ 2016	19.03.2016	0.14	Under Secretary to Govt-1, Social Welfare Dept	Form 22A not self-balanced
27	11	WCD/ACC 7/44/Re-app/2015-16	29.08.2015	0.05	Director, Women & Child Development Dept, B'luru	Form.22A not Self Balanced
28	11	WCD/ACC 7/44/Re-app/2015-16	30.10.2015	0.05	Director, Women & Child Development Dept, B'luru	Form.22A not Self Balanced
29	11	WCD/ACC 7/44/Re-app/2015-16	30.10.2015	0.05	Director, Women & Child Development Dept, B'luru	Form.22A not Self Balanced
30	11	WCD/66/MBB2016	16.03.2016	0.18	Under Secretary to Govt-1, Women & Child Development and Phy. Handicapped and Sr.citizen Empowerment dept, Bengaluru.	Form.22A not Self Balanced
31	12	TD/80/TDS 2016	14.03.2016	0.18	Under Secretary to Govt, Tourism Dept	Form 22A not self-balanced
32	12	DYSS-36-13-14/15-16	19.03.2016	0.05	Director, Dept of Youth Services & Sports,	Form 22A not self-balanced
33	13	FCS 73 DDT 2016	09.03.2016	0.50	Under Secretary to Govt, Food, Civil Supplies & Consumer Affairs Department	Form. 22A not Self Balanced
34	13	FD 355(F) EXP-5/2016	31.03.2016	0.65	Under Secretary to Govt, Finance Dept(Exp-4)	Object head in the order does not match the Form 22A
35	14	RD 156 DSP 2014	09.02.2016	0.08	Deputy Secretary to Govt., Revenue Dept (DM& Stamps and Registration), Bengaluru	Form. 22A not Self Balanced
36	14	RD 17 MST 2015	19.03.2016	0.22	Under Secretary to Govt, Revenue Dept, (Land Reform Cell)	Form 22A not self-balanced
37	14	RD 36 MST 2015	19.03.2016	0.03	Under Secretary to Govt, Revenue Dept, (Land Reform Cell)	Form 22A not self-balanced
38	17	NCA –AC-II- EXPR-369-2013-14	15.12.2015	0.04	Deputy Director General, NCC, B'luru	Form 22 A not self-balanced
39	17	DTE 7 BUD 2015 (2) 4138	21.12.2015	0.02	Director, Directorate of Technical Education	Insufficient balance
40	17	DTE 7 BUD	22.12.2015	0.03		Insufficient balance

Sl. No.	Grant No.	Government Order No.	Date	Amount (₹ in crore)	Issuing Authority	Reasons for rejection
		2015(3) 4139				
41	17	ED 40 HPC 2015 (P-2)	04.02.2016	0.41	Spl. Officer and E/o Under Secy to Govt, Higher Education Dept (P)	Not tallied with the original budget figures
42	17	ED 81 MCD 2015	08.02.2016	0.26	Spl. Officer and Ex-Officio Under Secy to Govt, Higher Education Dept (P)	Form 22 A not self-balanced
43	17	FD 122 BRS 2015	12.02.2016	37.59	Under Secretary to Govt , Finance Dept (BR & BCC)	Between plan and non-plan
44	17	DYES/BUD36/2013-14/15-16	08.03.2016	0.05	Director, Yourth Empowerment and Sports Dept, Bengaluru	Form 22 A not self-balanced
45	17	ED 159 TVE 2015	29.02.2016	0.25	Under Secretary to Govt (Gen), Primary & Higher Education Dept	Form 22 A not self-balanced
46	17	DYES/Bud-36/2013-14/15-16	08.03.2016	0.05	Director, Youth Empowerment & Sports, Department, Bengaluru	Form 22 A not self-balanced
47	17	DYES/Bud-36/2013-14/15-16	19.03.2016	0.05	Director, Youth Empowerment & Sports, Department, Bengaluru	Form 22 A not self-balanced
48	17	DYES/Bud-36/2013-14/15-16	21.03.2016	0.05	Director, Youth Empowerment & Sports, Department, Bengaluru	Form 22 A not self-balanced
49	17	DYES/Bud-36/2013-14/15-16	21.03.2016	0.49	Director, Youth Empowerment & Sports, Department, Bengaluru	Form 22 A not self-balanced
50	18	MGD/BUD/Reapp-7/15-16	22.05.2015	0.05	Director, Mines & Geology Dept, Bengaluru	Form 22A not self-balance
51	19	FD 225 BRS 2015	15.03.2016	70.44	Under Secretary to Govt of Karnataka, Finance Dept (FR & BCC),	Order from plan to non-plan
52	20	PWD/206/PSP/2015	10.09.2015	0.49	Under Secretary to Govt,(IC) PW&IWTD, Bengaluru	St. 22A not Self Balanced
53	20	CNH/ACT/Addl grant/15-16/	23.01.2016	0.02	Chief Engineer, National Highways, Bengaluru	St. 22A not Self Balanced
54	20	CNH/ACT/Addl Grant /15-16/	23.01.2016	0.03		St. 22A not Self Balanced
55	20	CE/C-13/15-16/12014	10.02.2016	0.05	Chief Engineer, Communication & Building, Dharwad	St. 22A not Self Balanced
56	22	DEV 230	07.01.2016	0.03	Director, KARAVI Medical Board, Rajajinagar,B'luru	St. 22A not Self Balanced
57	22	HFW/22/IMM 2016	12.02.2016	0.14	Under Secretary to Govt, Health & Family Welfare Dept, ISM	Less amount for re-appropriation
58	22	BUD(1)/2015-16	18.01.2016	0.05	Director, Ayurveda and Naturopathy, Yunani & Homeopathy, Bengaluru	Less amount for re-appropriation
59	22	HFW/71/PIM 2016	11.02.2016	0.11	Under Secretary to Govt.,HF&WF department, Bengaluru	Less amount for re-appropriation
60	22	HFW 350/PIM/2015	02.03.2016	0.50	Under Secretary to Govt,	Less amount for re-

Sl. No.	Grant No.	Government Order No.	Date	Amount (₹ in crore)	Issuing Authority	Reasons for rejection
					Health & Family Welfare Dept. ISM	appropriation
61	22	BGT 077P/2015	23.03.2016	0.05	Commissioner, Health & Family Welfare Dept,	Less amount for re-appropriation
62	22	AKK 45	14.03.2016	0.25	Under Secretary to Govt, H&FWS Dept,	Less amount for re-appropriation
63	23	EAT/Trg/Plan-1/Viva-36/15-16	25.02.2016	0.05	Commissioner, Employment & Training	Form.22 A not self-balanced
64	27	KJA BUD 2015-16	19.02.2016	0.05	Director, Karnataka Judicial Academy	Form.22 A not self-balanced
65	27	LAW 14 HRC 2016	23.03.2016	0.11	Under Secretary to Govt, Law Department (Human Rights), Bengaluru	Statement is not self-balanced
				126.65		

Appendix 2.11
Statement of various grants /appropriations in which unspent provision
Occurred but no part of which was surrendered
(Reference: Paragraph 2.7.10; Page 88)

(₹ in crore)

Sl. No.	Grant No.	Section	Unspent Provision
1	02	Animal Husbandry and Fisheries	
		Capital-Voted	67.83
2	03	Finance	
		Capital-Voted	67.61
3	05	Home and Transport	
		Revenue-Charged	38.34
4	06	Infrastructure Development	
		Revenue-Voted	2.80
		Capital-Voted	176.05
5	07	Rural Development and Panchayat Raj	
		Revenue-Voted	459.41
		Revenue- Charged	9.30
6	09	Capital- Voted	318.24
		Co-operation	
7	10	Capital- Voted	30.10
		Social Welfare	
8	11	Revenue- Voted	91.69
		Capital- Voted	41.39
		Women and Child Development	
9	14	Revenue - Voted	205.70
		Capital - Voted	11.22
		Revenue	
10	16	Capital – Voted	3.01
		Housing	
11	18	Revenue – Charged	28.08
		Commerce and Industries	
12	19	Revenue – Voted	183.51
		Capital – Voted	104.27
		Urban Development	
13	21	Revenue – Voted	663.19
		Water Resources	
		Revenue – Charged	157.98
		Capital – Voted	2,231.65
14	24	Capital – Charged	0.01
		Energy	
		Revenue – Voted	0.50
15	25	Capital – Voted	44.82
		Kannada and Culture	
16	26	Revenue – Voted	20.22
		Capital – Voted	0.88
17	29	Planning Statistics, Science and Technology	
		Capital – Voted	100.82
17	29	Debt Serving	
		Revenue – Charged	596.41
Total			5,655.03

Appendix 2.12
Surrender of Unspent Provision
(Reference: Paragraph 2.7.10; Page 89)

(₹ in crore)

Sl. No.	Grant/ Section	Amount of unspent provision	Amount surrendered	Amount not Surrendered
	01	Agriculture and Horticulture		
1		Revenue – Voted	803.18	471.50
2		Revenue – Charged	0.44	0.02
3		Capital - Voted	0.00*	0.11
	02	Animal Husbandry and Fisheries		
4		Revenue – Voted	80.20	1.17
5		Revenue -Charged	0.01	0.01
6		Capital – Voted	67.83	0.00
	03	Finance		
7		Revenue – Voted	1,215.44	72.41
8		Revenue – Charged	3,774.41	3,773.56
9		Capital – Voted	67.61	0.00
	04	Department of Personnel and Administrative Reforms		
10		Revenue – Voted	90.20	45.99
11		Revenue – Charged	16.24	17.40
12		Capital – Voted	6.41	0.41
	05	Home and Transport		
13		Revenue-Voted	0.00*	85.00
14		Revenue – Charged	38.34	0.00
15		Capital – Voted	0.17	0.02
16		Capital – Charged	25.19	25.19
	06	Infrastructure Development		
17		Revenue – Voted	2.80	0.00
18		Capital – Voted	176.05	0.00
	07	Rural Development and Panchayat Raj		
19		Revenue – Voted	459.41	0.00
20		Revenue – Charged	9.30	0.00
21		Capital – Voted	318.24	0.00
	08	Forest, Ecology and Environment		
22		Revenue – Voted	68.68	67.39
23		Revenue – Charged	199.41	195.29
24		Capital – Voted	0.01	0.01
	09	Co-operation		
25		Revenue - Voted	54.18	2.67
26		Capital Voted	30.10	0.00
	10	Social Welfare		
27		Revenue – Voted	91.69	0.00
28		Capital – Voted	41.39	0.00
	11	Women and Child Development		
29		Revenue – Voted	205.70	0.00
30		Capital – Voted	11.22	0.00
	12	Information, Tourism and Youth Services		

Sl. No.	Grant/ Section	Amount of unspent provision	Amount surrendered	Amount not Surrendered
31	Revenue – Voted	18.04	1.71	16.33
32	Capital – Voted	64.19	4.99	59.20
	13 Food and Civil Supplies			
33	Revenue – Voted	81.59	68.03	13.56
34	Revenue – Charged	0.04	0.04	0.00
35	Capital – Voted	7.80	7.80	0.00
	14 Revenue			
36	Revenue – Voted	478.41	0.87	477.54
37	Capital – Voted	3.01	0.00	3.01
	15 Information Technology			
38	Revenue – Voted	8.32	8.00	0.32
	16 Housing			
39	Revenue – Voted	1.68	0.67	1.01
40	Revenue – Charged	28.08	0.00	28.08
41	Capital – Charged	0.20	0.06	0.14
	17 Education			
42	Revenue – Voted	866.04	190.04	676.00
43	Capital – Voted	146.48	43.37	103.11
	18 Commerce and Industries			
44	Revenue – Voted	183.51	0.00	183.51
45	Capital – Voted	104.27	0.00	104.27
	19 Urban Development			
46	Revenue – Voted	663.19	0.00	663.19
47	Capital – Voted	85.83	0.45	85.38
	20 Public Works			
48	Revenue – Voted	282.67	159.26	123.41
49	Revenue - charged	8.93	8.93	0.00
50	Capital – Voted	231.37	165.04	66.33
51	Capital - Charged	0.39	0.39	0.00
	21 Water Resources			
52	Revenue – Voted	198.62	15.70	182.92
53	Revenue – Charged	157.98	0.00	157.98
54	Capital – Voted	2,231.65	0.00	2,231.65
55	Capital – Charged	0.01	0.00	0.01
	22 Health and Family Welfare			
56	Revenue – Voted	904.50	601.93	302.57
57	Capital – Voted	39.91	0.89	39.02
	23 Labour			
58	Revenue – Voted	126.72	74.40	52.32
59	Capital – Voted	0.02	0.01	0.01
	24 Energy			
60	Revenue – Voted	0.50	0.00	0.50
61	Capital – Voted	44.82	0.00	44.82
	25 Kannada and Culture			
62	Revenue – Voted	20.22	0.00	20.22
63	Capital – Voted	0.88	0.00	0.88
	26 Planning Statistics, Science and Technology			
64	Revenue – Voted	157.00	6.38	150.62

Sl. No.	Grant/ Section	Amount of unspent provision	Amount surrendered	Amount not Surrendered
65	Capital – Voted	100.82	0.00	100.82
	27 Law			
66	Revenue –Voted	45.28	21.58	23.70
67	Revenue –Charged	37.61	37.61	0.00
	28 Parliamentary Affairs and Legislation			
68	Revenue –Voted	28.94	28.89	0.05
69	Revenue –Charged	0.58	0.58	0.00
	29 Debt Serving			
70	Revenue – Charged	596.41	0.00	596.41
71	Capital - Charged	1,677.70	1,677.70	0.00
Total		17,488.06	7,883.47	9,604.59

Source: Appropriation Accounts

*Excess Expenditure

Appendix 2.13
Cases of surrender of funds in excess of ₹ five crore on 30 and 31 March 2016
(Reference: Paragraph 2.7.10; Page 89)

(₹ in crore)

Sl. No.	Grant No./ Nomenclature	No. of cases	Total Provision	Amount surrendered	Percentage to total provision
1	01 Agriculture and Horticulture	5	1,473.21	443.94	30
2	03 Finance	35	3,763.79	3,747.29	100
3	04 DPAR	1	10.00	5.60	56
4	05 Home and Transport	3	139.95	66.81	48
5	08 Forest, Ecology and Environment	5	821.33	234.62	29
6	13 Food and Civil Supplies	3	537.89	60.26	11
7	15 Information Technology	1	8.00	8.00	100
8	17 Education	11	613.26	168.18	27
9	20 Public Works	10	1,712.43	278.60	16
10	21 Water Resources	1	19.31	7.37	38
11	22 Health and Family Welfare	6	1,408.65	537.76	38
12	23 Labour	3	107.61	54.63	51
13	27 Law	2	43.38	39.13	90
14	28 Parliamentary Affairs and Legislation	2	30.57	14.41	47
15	29 Debt Servicing	2	2,000.00	1,676.39	84
Total		90	12,689.38	7,342.99	58

Appendix 2.14
Results of substantial surrenders made during the year
(Reference: Paragraph 2.7.11; Page 89)

(₹ in crore)

Sl. No.	Grant	Name of the Section (Head of account)	Provision	Amount Surrendered	Percentage of surrender	Remarks
1	01	2406-02-112-0-17-139 Major Works	21.00	13.02	62	Reasons not stated
2	20	2405-00-103-0-23-422 Special Component Plan	10.18	9.18	90	Savings due to less number of SC and no ST members who were having marine boats.
3		2405-00-103-0-23-423 Tribal Sub Plan	3.67	3.67	100	
4	03	2020-00-108-0-01-059 Other Expenses	2.00	2.00	100	Savings due to non-receipt of claims from the unit offices.
5		2039-00-001-0-01-125 Modernization	2.00	1.99	100	Due to non-finalization of proposal for purchase of office equipment, belated submission of bills to treasury, etc.,
6		2040-00-101-0-10-059 Other Expenses	7.64	7.64	100	Reasons not stated.
7	04	2013-00-800-0-02-051 General Expenses V(NP)	2.10	1.79	85	Due to economy measures
8		2013-00-800-0-05-071 Building Expenses	4.00	3.37	84	
9		2052-00-090-0-26-051 General Expenses	10.00	5.60	56	Non-receipt of proposal for infrastructure from DC/Departments and non receipt of proposal from ATI Mysore for sakala related training programme
10	5	2041-00-001-0-01-125 Modernization	17.03	12.83	75	Non receipt of orders from government for expenditure within 31.3.2016
11		2041-00-101-0-02-125 Modernization	3.00	2.22	74	Reasons not stated.
12		2059-80-053-5-05-200 Maintenance	2.10	2.10	100	
13	9	2425-00-004-0-01-125 Modernization	2.45	2.42	99	Non-computerization of the department
14	13	4408-01-800-0-01-386 Construction	2.00	2.00	100	Non identification of space for construction of Aahara Bhavan.
15	15	3455-00-200-0-01-059 Other Expenses	8.00	8.00	100	Due to separation of KSNDMC from IT and BT Department.
16	17	2202-02-108-0-01-422 Special Component Plan	2.69	2.68	100	Non approval of revised Action Plan.
17		2202-02-109-0-06-422 Special component Plan	6.50	6.50	100	
18		2202-02-109-0-06-423 Tribal Sub Plan	3.50	3.50	100	
19		2202-80-003-0-05-059	60.00	49.00	82	The amount provided

Sl. No.	Grant	Name of the Section (Head of account)	Provision	Amount Surrendered	Percentage of surrender	Remarks
		Other Expenses				through SE III under capital head.
20		2203-00-112-0-02-422 Special Component Plan	2.50	2.50	100	Non receipt of application in time for fee concession
21		4202-01-203-1-07-436 NABARD Works	40.00	22.43	56	Due to lack of time in uploading the funds released by Government at TNMC
22	20	3051-02-102-0-02-200 Maintenance	11.70	11.00	94	To carry out the maintenance of dredging in alternate years
23	22	2210-01-110-1-18-071 Building Expenses	2.26	2.14	95	
24		2210-06-800-0-15-059 Other Expenses	2.00	1.25	62	Non receipt of GO for release of grant
25		2211-00-001-0-01-051 General Expenses	4.62	3.90	84	No reasons stated
26		2211-00-102-0-01-195 Transport Expenses	2.00	1.99	100	Due to economy measure
27	23	2230-03-101-0-01-125 Modernization	2.15	1.64	76	
28		2230-03-101-0-35-133 Special Development plan	29.00	24.96	86	Due to non-completion of purchase procedure for necessary tools and equipments to Govt. ITIs coming under SCP
29		2230-03-101-0-42-059 Other Expenses	7.41	4.86	66	Due to non-receipt of administrative approval for construction of ITOT buildings
30	26	3454-02-204-0-19-059 Other Expenses	2.31	2.31	100	Due to economy measure
31	27	2014-00-105-0-11-059 Other Expenses	2.25	1.25	56	Due to non-receipt of funds
32		2014-00-105-0-15-101 GIA Subsidies	11.60	7.35	63	No specific reasons stated
33	29	6003-00-110-1-00-240 Debt Servicing (Charged)	1,500.00	1,176.39	78	Due to non-availment of overdraft
34		6003-00-110-2-00-240 Debt Servicing (Charged)	500.00	500.00	100	
Total			2,289.66	1,903.48		

Appendix 2.15 (a)
Rush of Expenditure – Grant No 1
(Reference: Paragraph 2.9.1.8; Page 94)

(₹ in crore)

Sl. No.	Head of Account and Nomenclature	Total expr. during the year	Expr. during the last quarter		Expenditure during March	
			Amount	%	Amount	%
1	2401-00-001-1-01-051 General Expenses	10.46	6.44	62	4.92	47
2	2401-00-001-2-01-071 Building Expenses	0.17	0.12	69	0.09	53
3	2401-00-001-2-01-139 Major Works	0.65	0.54	83	0.37	56
4	2401-00-102-0-07-051 General Expenses	12.26	12.26	100	12.26	100
5	2401-00-103-0-01-195 Transport Expenses	0.03	0.03	100	0.03	100
6	2201-00-103-0-15-071 Building Expenses	0.11	0.08	69	0.06	53
7	2401-00-103-0-15-200 Maintenance Expenditure	0.42	0.42	100	0.42	100
8	2401-00-104-0-10-180 Machinery and Equipment	0.06	0.05	84	0.04	64
9	2401-00-108-1-15-059 Other Expenses	186.56	176.79	95	135.43	73
10	2401-00-108-1-15-422 Scheduled Caste Sub Plan	10.27	9.71	94	6.35	62
11	2401-00-108-1-15-423 Tribal Sub Plan	4.04	3.74	92	2.32	57
12	2401-00-108-2-18-041 Travel Expenses	0.05	0.05	100	0.04	78
13	2401-00-108-2-30-059 Other Expenses	140.37	136.00	97	104.35	74
14	2401-00-108-2-30-422 Scheduled Caste Sub Plan	24.84	24.62	99	22.07	89
15	2401-00-108-2-30-423 Tribal Sub Plan	6.75	6.67	99	5.43	80
16	2401-00-108-2-51-100 Financial Assistance / Relief	4.24	3.11	73	2.23	53
17	2401-00-108-2-54-059 Other Expenses	0.25	0.25	100	0.25	100
18	2401-00-109-0-21-052 Telephone Charges	0.02	0.02	84	0.01	74
19	2401-00-109-0-21-195 Transport Expenses	0.06	0.05	83	0.04	71
20	2401-00-109-0-21-423 Tribal Sub Plan	1.86	1.29	69	0.97	52
21	2401-00-109-0-80-041 Travel Expenses	0.37	0.37	99	0.25	68
22	2401-00-111-0-08-059 Other Expenses	85.28	68.24	80	50.96	60
23	2401-00-111-0-08-422 Scheduled Caste sub Plan	25.53	25.11	98	22.99	90
24	2401-00-111-0-08-423 Tribal Sub Plan	11.63	10.85	93	10.00	86
25	2401-00-119-4-06-059	86.40	76.30	88	55.30	64

Sl. No.	Head of Account and Nomenclature	Total expr. during the year	Expr. during the last quarter		Expenditure during March	
			Amount	%	Amount	%
	Other Expenses					
26	2401-00-119-4-06-422 Scheduled Caste Sub Plan	17.61	16.46	93	13.23	75
27	2401-00-119-4-06-423 Tribal Sub Plan	5.77	5.29	92	4.13	72
28	2401-00-119-5-02-422 Scheduled Caste Sub Plan	0.25	0.23	92	0.16	63
29	2401-00-119-5-02-423 Tribal Sub Plan	0.08	0.08	90	0.05	65
30	2401-00-119-6-03-147 Land and Buildings	2.00	1.59	80	1.20	60
31	2401-00-800-1-40-059 Other Expenses	346.59	345.69	100	345.31	100
32	2401-00-800-1-57-133 Special Development Plan	103.29	89.96	87	51.78	50
33	2401-00-800-1-57-422 Scheduled Caste Sub Plan	77.29	69.28	90	51.19	66
34	2401-00-800-1-57-423 Tribal Sub Plan	32.86	30.02	91	20.80	63
35	2401-00-800-1-68-422 Scheduled Caste Sub Plan	76.54	65.17	85	48.27	63
36	2401-00-800-1-68-423 Tribal Sub Plan	39.36	33.17	84	23.86	61
37	2401-00-800-1-69-125 Modernization	1.17	1.17	100	1.17	100
38	2401-00-800-2-36-059 Other Expenses	3.50	2.62	75	1.75	50
39	2401-00-800-2-80-051 General Expenses	0.36	0.34	94	0.33	91
40	2401-00-800-2-80-059 Other Expenses	22.09	20.69	94	16.42	91
41	2402-00-101-0-01-041 Travel Expenses	0.01	0.01	100	0.01	100
42	2402-00-102-0-01-051 General Expenses	0.03	2.00	72	2.00	72
43	2402-00-102-0-15-051 General Expenses (charged)	0.39	0.32	83	0.29	76
44	2402-00-102-0-25-041 Travel Expenses	0.12	0.10	80	0.09	74
45	2401-00-102-0-28-139 Major Works	39.82	28.26	71	20.48	51
46	2402-00-102-0-30-423 Tribal Sub Plan	2.87	2.87	100	2.87	100
47	2402-00-109-0-02-071 Building Expenses	0.10	0.09	92	0.07	70
48	4401-00-001-1-01-139 Major Works	2.98	2.98	100	2.98	100
49	4401-00-800-1-02-436 NABARD Works	3.19	3.19	100	3.19	100
50	4401-00-800-1-06-436 NABARD Works	3.19	3.19	100	3.19	100
51	4401-00-800-2-00-059 Other Expenses	23.68	22.68	100	22.18	94
	Total	1,417.82	1,310.56		1,074.18	

Appendix 2.15 (b)
Rush of Expenditure – Grant No, 26
 (Reference: Paragraph 2.9.2.8; Page 97)

(₹ in crore)

Sl. No.	Head of Account and Nomenclature	Total expr. during the year	Expr. during the last quarters		Expenditure during March	
			Amount	%	Amount	%
1	2217-80-001-1-06-059 Other Expenses	9.83	7.47	76	5.09	52
2	2575-60-265-0-03-059 Other Expenses	2.47	1.24	50	1.24	50
3	2575-60-265-0-03-187 HKRDP-Schedule Caste Sub Plan	98.30	49.15	50	49.15	50
4	2575-60-265-0-03-188 HKRDP-Tribal Sub Plan	49.90	24.95	50	24.95	50
5	3451-00-090-2-26-059 Other Expenses	0.49	0.44	90	0.40	82
6	3454-02-111-0-02-059 Other Expenses	1.05	1.00	95	0.72	69
7	3454-02-204-0-17-059 Other Expenses	0.19	0.16	84	0.15	79
8	3454-02-204-0-18-103 Grants-in-Aid General	4.80	2.40	50	2.40	50
9	4515-00-101-1-03-132 Capital Expenses	7.00	3.50	50	3.50	50
10	4515-00-101-1-04-132 Capital Expenses	2.19	1.88	86	1.25	57
11	4575-60-800-0-02-187 HKRDP-Schedule Caste Sub Plan	64.00	32.00	50	32.00	50
12	4575-60-800-0-02-188 Tribal Sub Plan	36.00	18.00	50	18.00	50
Total		276.22	142.19		138.85	

Appendix 2.16
Excess payment of Family Pension
(Reference: Paragraph 2.10; Page 98)

(Amount in ₹)

Sl. No.	Treasury	No. of cases	Amount	Period
1	Bagalkote	7	4,95,158	04/2012 to 05/2015
2	Ballari	4	3,30,068	05-2014 to 12/2015
3	Belagavi	11	2,10,278	04/2014 to 02/2015
4	Bengaluru (Rural)	6	7,80,056	10/2010 to 05/2015
5	Bidar	9	8,01,865	09/2013 to 09/2015
6	Chamarajanagar	5	1,92,578	06/2014 to 09/2015
7	Chikkaballapur	3	3,89,071	01/2010 to 03/2015
8	Chikkamagalur	3	4,57,285	09/2012 to 11/2015
9	Chitradurga	9	19,23,301	02/2005 to 04/2015
10	Davanagere	5	13,06,745	03/2005 to 04/2015
11	Dharwad	1	88,000	11/2014 to 11/2015
12	Gadag	2	95,490	06/2014 to 05/2015
13	Hassan	5	6,51,764	11/2012 to 11/2015
14	Haveri	5	3,14,018	05/2014 to 06/2015
15	Hubballi	3	3,83,401	02/2007 to 08/2015
16	Kalaburagi	8	9,45,430	09/2012 to 03/2015
17	Karwar	10	6,92,912	10/2012 to 08/2015
18	Kolar	5	6,44,268	05/2012 to 12/2015
19	Koppal	5	3,51,760	03/2012 to 05/2015
20	Madikeri	3	1,23,516	08/2014 to 11/2015
21	Mandya	2	55,394	08/2014 to 04/2015
22	Mangaluru	6	4,67,815	06/2015 to 09/2015
23	Mysuru	3	56,415	09/2015 to 12/2015
24	Pension Payment Treasury, Bengaluru	6	9,91,867	07/2011 to 06/2015
25	Raichur	8	3,78,778	04/2014 to 06/2015
26	Ramanagara	3	5,52,975	01/2012 to 10/2015
27	Shivamogga	10	12,83,739	11/2006 to 03/2015
28	Tumakuru	10	21,37,004	01/2005 to 06/2015
29	Udupi	7	4,13,332	09/2012 to 10/2015
30	Vijayapura	5	4,27,376	10/2013 to 06/2015
31	Yadgir	3	1,45,631	12/2014 to 12/2015
Total		172	1,80,87,290	

Appendix 2.17
Repeated Excess Payment of Family Pension
(Reference: Paragraph 2.10; Page 98)

(Amount in ₹)

Sl. No.	Treasury	CEP during 2014-15		Overall excess payment (including cases which appeared in earlier Audit Reports)		
		No. of cases	Amount	Amount	Total amount	Period
1	Bagalkote	4	1,52,836	2,95,424	4,48,260	09/2011 to 10/2014
2	Belagavi	6	3,21,156	7,87,605	11,08,761	07/2007 to 02/2015
3	Chamarajanagar	3	1,70,913	1,08,992	2,79,905	02/2013 to 08/2015
4	Chikkaballapur	3	1,21,069	27,390	1,48,459	04/2013 to 04/2015
5	Chitradurga	4	5,65,346	4,29,780	9,95,126	07/2011 to 04/2015
6	Davanagere	7	3,20,650	3,86,116	7,06,766	10/2010 to 06/2015
7	Hassan	4	1,50,812	1,94,174	3,44,986	04/2013 to 11/2015
8	Haveri	1	19,026	40,750	59,776	11/2011 to 06/2015
9	Karwar	8	3,17,244	2,49,487	5,66,731	04/2012 to 08/2015
10	Kolar	4	2,28,716	5,58,098	7,86,814	02/2014 to 03/2015
11	Koppal	1	2,84,983	0	2,84,983	01/2012 to 06/2015
12	Madikeri	1	68,059	1,22,145	1,90,204	12/2012 to 11/2015
13	Mandya	7	24,157	1,66,170	1,90,327	08/2011 to 06/2014
14	Mysuru	5	4,06,485	5,11,326	9,17,811	12/2007 to 12/2015
15	Pension Payment Treasury, Bengaluru	24	24,26,345	35,14,505	59,40,850	09/2005 to 06/2015
16	Raichur	3	2,25,745	1,00,444	3,26,189	10/2011 to 06/2015
17	Tumakuru	2	4,46,701	5,39,024	9,85,725	02/2007 to 09/2015
18	Udupi	5	4,79,650	12,720	4,92,370	08/2013 to 10/2015
19	Vijayapura	4	7,96,273	10,62,768	18,59,041	08/2008 to 06/2015
20	Yadgir	2	36,137	36,255	72,392	12/2012 to 01/2016
Total		98	75,62,303	91,43,173	1,67,05,476	

Appendix 2.18
Avoidable loss of interest
(Reference: Paragraph 2.10; Page 98)

(Amount in ₹)

Sl. No.	Treasury	Excess payment amount	Continued Excess payment amount	Total	Pointed out during	No. of months up to March 2016	Interest @ 4%
1	Bagalkote	4,95,158	4,48,260	9,43,418	20-08-2015	7	22,013
2	Ballari	3,30,068	0	3,30,068	10-03-2016	0	0
3	Belagavi	2,10,278	11,08,761	13,19,039	06-08-2015	7	30,778
4	Bengaluru (Rural)	7,80,056	0	7,80,056	28-09-2015	6	15,601
5	Bidar	8,01,865	0	8,01,865	04-12-2015	3	8,019
6	Chamarajanagar	1,92,578	2,79,905	4,72,483	20-01-2016	2	3,150
7	Chikkaballapur	3,89,071	1,48,459	5,37,530	08-07-2015	8	14,334
8	Chikkamagalur	4,57,285	0	4,57,285	09-03-2016	0	0
9	Chitradurga	19,23,301	9,95,126	29,18,427	16-07-2015	8	77,825
10	Davanagere	13,06,745	7,06,766	20,13,511	01-09-2015	6	40,270
11	Dharwad	88,000	0	88,000	29-01-2016	2	587
12	Gadag	95,490	0	95,490	20-08-2015	7	2,228
13	Hassan	6,51,764	3,44,986	9,96,750	10-03-2016	0	0
14	Haveri	3,14,018	59,776	3,73,794	06-10-2015	5	6,230
15	Hubballi	3,83,401	0	3,83,401	22-12-2015	3	3,834
16	Kalaburagi	9,45,430	0	9,45,430	06-10-2015	5	15,757
17	Karwar	6,92,912	5,66,731	12,59,643	18-01-2016	2	8,398
18	Kolar	6,44,268	7,86,814	14,31,082	24-06-2015	9	42,932
19	Koppal	3,51,760	2,84,983	6,36,743	21-09-2015	6	12,735
20	Madikeri	1,23,516	1,90,204	3,13,720	24-02-2016	1	1,046
21	Mandya	55,394	1,90,327	2,45,721	30-07-2015	8	6,553
22	Mangaluru	4,67,815	0	4,67,815	21-01-2016	2	3,119
23	Mysuru	56,415	9,17,811	974,226	24-02-2016	1	3247
24	Pension Payment Treasury, Bengaluru	9,91,867	59,40,850	69,32,717	04-12-2015	3	69,327
25	Raichur	3,78,778	326,189	7,04,967	23-11-2015	4	9,400
26	Ramanagara	5,52,975	0	5,52,975	22-12-2015	3	5,530
27	Shivamogga	12,83,739	0	12,83,739	09-07-2015	8	34,233
28	Tumakuru	21,37,004	9,85,725	31,22,729	16-12-2015	3	31,227
29	Udupi	4,13,332	4,92,370	9,05,702	17-12-2015	3	9,057
30	Vijayapura	4,27,376	18,59,041	22,86,417	26-10-2015	5	38,107
31	Yadgir	1,45,631	72,392	2,18,023	18-03-2016	0	0
	Total	1,80,87,290	1,67,05,476	3,47,92,766			5,15,537

Appendix 3.1
Major Head and department-wise details of outstanding UCs separately for each year
(Reference: Paragraph 3.1; Page 103)

(₹ 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	5	0.01
			1998-99	2	0.95
				7	0.96
2	2210	Medical and Public Health	2013-14	19	72.32
			2014-15	42	273.25
				61	345.57
3	2217	Urban Development	2014-15	2	78.26
				2	78.26
4	2220	Information and Publicity	2007-08	3	0.30
			2008-09	1	0.05
			2010-11	6	1.98
			2011-12	5	2.18
			2012-13	5	2.58
			2013-14	6	3.35
		26	10.44		
5	2225	Welfare of Scheduled Caste, Scheduled Tribes and Other Backward Classes	2012-13	5	23.50
				5	23.50
6	2245	Relief on account of Natural Calamities	2001-02	3	1.41
				3	1.41
7	2851	Village and Small Industries	2006-07	1	0.19
				1	0.19
8	3451	Secretariat-Economic Services	2012-13	1	5.00
			2013-14	3	6.25
				4	11.25
9	3475	Other General Economic Services	1997-98	1	9.79
			1998-99	2	3.71
			2001-02	5	1.20
			2002-03	7	1.63
				15	16.33
Total				124	487.91

Source: Office of the AG (A&E)

Appendix 3.2

Non-receipt of information pertaining to institution substantially financed by the Government (Reference: Paragraph 3.2; Page 104)

SI No	Department	No.of Institutions	Years for which information not received
1	Education	383	1994-95 to 2015-16
2	Medical Education	13	2011-12 to 2015-16
3	Commerce and Industries	11	2000-01 to 2015-16
4	Health and Family Welfare	1	2015-16
5	Water Resources	4	2014-15 to 2015-16
6	Information, Tourism and Youth Services	3	1999-00 to 2015-16
7	Social Welfare	4	2003-04 to 2015-16
8	Labour	1	2014-15 to 2015-16
9	Minority Welfare	2	2013-14 to 2015-16
10	Animal Husbandry and Veterinary Services and Fisheries	3	2003-04 to 2015-16
11	Department of Parliamentary Affairs and Legislation	1	2014-15 to 2015-16
12	Endowments	3	2012-13 to 2015-16
13	ITBT, Science and Technology	5	2012-13 to 2015-16
14	Co-operation	1	1994-95 to 2015-16

(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 104)

Sl No	Name of the Autonomous Body	Section under which audited	Period of Entrustment	Year upto which accounts rendered	Year upto which audit report issued	Placement of audit report before the Legislature
1	Karnataka State Khadi and Village Industries Board, Bengaluru	19(3)	2012-13 To 2016-17	2014-15	2014-15	2012-13 Dt.27.03.2015
2	Karnataka Industrial Area Development Board, Bengaluru	19(3)	2014-15 to 2018-19	2014-15	2014-15	2013-14 Dt.23.07.2015
3	Karnataka Slum Development Board, Bengaluru	19(3)	2012-13 to 2016-17	2014-15	2014-15	2013-14 Dt. 18.11.2015
4	Bengaluru Water Supply and Sewerage Board, Bengaluru	19(3)	2012-13 to 2016-17	2014-15	2013-14	2013-14 Dt. 12/14.07.2016
5	Karnataka Housing Board, Bengaluru	19(3)	2011-12 to 2015-16	2015-16	2014-15	2013-14 Dt.02/03.03.2016
6	Karnataka State Legal Services Authority, Bengaluru and 30 District Legal Services Authorities	19(2)	As per Act	2014-15	2014-15	2013-14 Dt.12/14.07.2016
7	Karnataka Bio-Diversity Board, Bengaluru	20(1)	2014-15 To 2018-19	2014-15	2014-15	2012-13 Dt. 09.12.2014
8	Karnataka Urban Water Supply and Drainage Board, Bengaluru	19(3)	2015-16 To 2019-20	2015-16	2014-15	2013-14 Dt. 26.11.2015
9	Bangalore Development Authority, Bengaluru	19(3)	2015-16 To 2019-20	2013-14	2012-13	2012-13 Dt. 29.06.2015
10	Karnataka State Human Rights Commission, Bengaluru	19(2)	As per Act	2015-16	2014-15	2014-15 Dt.12/14.07.2016
11	Karnataka Building and other Construction Workers Welfare Board, Bengaluru	19(2)	As per act	2013-14	2013-14	Not placed

Source: Offices of 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 105)

(₹ in crore)

Sl No	Undertaking	Accounts Finalized up to	Investment as per the Last Accounts finalized	Remarks
1	Chamarajendra Technical Institute, Mysure	1984-85	-	Proforma Accounts due from 1985-86
2	Government Saw Mills, Joida	1968-69	-	Proforma Accounts due from 1969-70. Undertaking closed w.e.f.27.4.1971
3	Dasara Exhibition Committee, Mysure	1980-81	-	Proforma Accounts due from 1981-82 to 1995-96
4	Bangalore Dairy, Bengaluru	1973-74	-	Proforma Accounts for the period from 1.4.75 to 30.11.75 were furnished. The undertaking was transferred to Karnataka Dairy Development Corporation with effect from 1 December 1975.
5	Government Milk Supply Scheme, Hubballi-Dharwad	1980-81	-	Proforma Accounts due from 1981-82 to 1984-85(31.01.1985) Transferred to Karnataka Dairy Development Corporation(KDDC)
6	Government Milk Supply Scheme, Mysuru	1968-69	-	Proforma Accounts due from 1969-70 to 30.11.1975. Transferred to 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. Transferred to Karnataka Dairy Development Corporation w.e.f. 31.01.1985
8	Government Milk Supply Scheme, Kalaburagi	1982-83	-	Proforma Accounts due from 1983-84 to 1984-85 (UP TO 31.01.1985). Transferred to KDDC
9	Government Milk Supply Scheme, Bhadravathi	1982-83	-	Proforma Accounts due from 1983-84 to 1984-85 (Up to 14.02.1985). Transferred to KDDC
10	Government Milk Supply Scheme, Mangaluru	1982-83	-	Proforma Accounts due from 1983-84 to 1984-85 (Up to 14.02.1985). Transferred to KDDC
11	Government Milk Supply Scheme, Kudige	1972-73	-	Proforma Accounts due from 1973-74 to 1974-75 (Up to 30.11.1975). Transferred to KDDC
12	Vaccine Institute, Belagavi	1992-93	-	Proforma accounts due from 1993-94
13	Government Silk Filature, Kollegal	2014-15	1.92	-
14	Government Silk Filature, Mambally	2014-15	2.59	-
15	Government Silk Twisting and Weaving Factory, Mudigundam	2013-14	1.83	Proforma accounts due for 2014-15
16	Government Silk Filature, Chamarajanagar	2014-15	1.89	-
17	Government Silk Filature,	2014-15	1.74	-

Sl No	Undertaking	Accounts Finalized up to	Investment as per the Last Accounts finalized	Remarks
	Santhemarahalli			
18	Government Silk Filature, Madikeri	2008-09	0.07	Proforma accounts due from 2009-10
19	Karnataka Government Insurance Department, Bengaluru	-	No Capital Account	

Source: Finance Accounts

Appendix 3.5
Department-wise/duration-wise breakup of the cases of theft and mis-appropriation
(Reference: Paragraph 3.5; Page 105)

(₹ in lakh)

Department	<5 years		<10 Years		<15 Years		<20 Years		<25 Years		>25 Years		Total	
	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amount
AH & VS	0	0	0	0	0	0	0	0	1	1.10	0	0	1	1.10
Education	0	0	0	0	0	0	2	0.97	0	0	2	0.40	4	1.37
Forest, Environment and Ecology	1	6.25	0	0	0	0	0	0	0	0	0	0	1	6.25
Health and Family Welfare	0	0	0	0	0	0	0	0	0	0	10	1.60	10	1.60
Home	1	79.04	0	0	0	0	0	0	0	0	0	0	1	79.04
Labour	0	0	0	0	0	0	1	3.10	0	0	1	0.89	2	3.99
Law and Parliamentary Affairs	0	0	4	2.41	2	1.07	0	0	0	0	0	0	6	3.48
Public Works	2	1,180.18	0	0	0	0	0	0	0	0	0	0	2	1,180.18
Social Welfare	0	0	1	9.48	0	0	0	0	0	0	1	2.69	2	12.17
Water Resources	1	5.02	0	0	0	0	0	0	0	0	0	0	1	5.02
DPAR	1	2.76	0	0	0	0	0	0	0	0	0	0	1	2.76
Revenue	1	87.44	0	0	0	0	0	0	0	0	0	0	1	87.44
Total	7	1,360.69	5	11.89	2	1.07	3	4.07	1	1.10	14	5.58	32	1,384.40

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

Appendix 3.6
Department-wise category-wise details of theft and misappropriation cases
 (Reference: Paragraph: 3.5; Page 105)

(₹ in lakh)

Department	Theft		Misappropriation/Loss of Government Money		Total	
	No. of Cases	Amount	No. of Cases	Amount	No. of Cases	Amount
AH & VS	0	0	1	1.10	1	1.10
Education	1	0.90	3	0.47	4	1.37
Forest, Environment and Ecology	0	0	1	6.25	1	6.25
Health and Family Welfare	2	0.02	8	1.58	10	1.60
Home	0	0	1	79.04	1	79.04
Labour	1	3.10	1	0.89	2	3.99
Law and Parliamentary Affairs	5	1.44	1	2.04	6	3.48
Public Works	0	0	2	1,180.18	2	1,180.18
Social Welfare	0	0	2	12.17	2	12.17
Water Resources	0	0	1	5.02	1	5.02
DPAR	0	0	1	2.76	1	2.76
Revenue	0	0	1	87.44	1	87.44
Total	9	5.46	23	1,378.94	32	1,384.40

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

Appendix 3.7
Department-wise details of non-submission of Stores and Stock Accounts
(Reference: Paragraph: 3.6; Page 106)

Sl No	Department	Officer responsible for furnishing accounts	Period for which accounts are due
1	Agriculture	Director of Agriculture	2007-08 to 2009-10, 2011-12,2012-13 and 2015-16
2	Printing and Stationery	Director of Printing and Stationery	2015-16
3	AH&VS	Commissioner of AH&VS	2015-16
4	Health and Family Welfare	Director, H&FW Services	2008-09 to 2015-16
5		Karntaka State Drugs Logistics and Warehousing Society(Govt. Medical Stores)	2009-10 to 2012-13, 2014-15 to 2015-16
6		Indian System of Medicine and Homeopathy	2011-12 to 2015-16
7		Director of Medical Education	2008-09 to 2015-16
8	Forest	DCF Urban, Bengaluru	2013-14 to 2015-16
9		DCF Rural, Bengaluru	2013-14 to 2015-16
10		DCF(T) Kolar	2013-14 to 2015-16
11		DCF, Banneragatta, NP, Begaluru	2013-14 to 2015-16
12		DCF(T), Chikkaballapur	2013-14 to 2015-16
13		DCF(T), Davanagere	2014-15 to 2015-16
14		DCF(T) Kollegal	2013-14 to 2015-16
15		CF, Wild life dvn, Kollegal	2013-14 to 2015-16
16		CF, Wild Life Dvn, Chikmagaluru	2013-14 to 2015-16
17		CF Bhadra, Wildlife Dvn, Chikmagaluru	2014-15 to 2015-16
18		DCF(T) Koppa	2013-14 to 2015-16
19		DCF(T) Hassan	2013-14 to 2015-16
20		DCF(T) Tumakuru	2013-14 to 2015-16
21		DCF(T), Madikeri	2013-14 to 2015-16
22		CF, Wildlife Dvn, Madikeri	2013-14 to 2015-16
23		DCF(T), Virajpet	2013-14 to 2015-16
24		CF, Wildlife Dvn, Mysuru	2015-16
25		DCF(T), Mandya	2015-16
26		DCF(T), Hunsuru	2015-16
27		CF, kuduremukh Wildlife Dvn, Karkala	2013-14 to 2015-16
28		DCF(T) Shivamogga	2014-15 to 2015-16
29		DCF(T), Bhadravathi	2013-14 to 2015-16
30		DCF(T), Sagar	2013-14 to 2015-16
31		DCF Wildlife Dvn, Shivamogga	2014-15 to 2015-16
32		DCF FMS Bengaluru	2013-14 to 2015-16
33		DCF FMS Hassan	2013-14 to 2015-16
34		DCF FMS Mysuru	2013-14 to 2015-16
35		DCF FMS Shivamogga	2013-14 to 2015-16
36		CF Working Plan, Bengaluru	2013-14 to 2015-16
37		CF WP&FS Chikmagaluru	2013-14 to 2015-16
38		CF WP&FS Mysuru	2013-14 to 2015-16
39		CF WP&FS Shivamoga	2013-14 to 2015-16
40		DCF, FTATI Bengaluru	2013-14 to 2015-16
41		CF, Project Tiger, Mysuru	2013-14 to 2015-16
42		CF, Project Tiger Bandipur	2013-14 to 2015-16
43		DCF, Wildlife dvn, Hunsur	2013-14 to 2015-16
44		CF, Research, Ballari	2013-14 to 2015-16
45	CF, Sirsi	2013-14 to 2015-16	

Sl No	Department	Officer responsible for furnishing accounts	Period for which accounts are due
46		CF, WP&FS, Belgavi	2013-14 to 2015-16
47		CF, WP&FS, Dharwad	2013-14 to 2015-16
48		DCF(T) Haliyal	2013-14 to 2015-16
49		DCF(T), Yellapur	2013-14 to 2015-16
50		DCF(T), Sirsi	2013-14 to 2015-16
51		CF, Ballari	2013-14 to 2015-16
52		CF, WP & FS Ballari	2013-14 to 2015-16
53		DCF(T), Ballari	2013-14 to 2015-16
54		DCF(T), Davanagere	2013-14 to 2015-16
55		DCF(T), Koppal	2013-14 to 2015-16
56		DCF, FMS Ballari	2013-14 to 2015-16
57		ACF, FGTC, Bidar	2013-14 to 2015-16
58		CF, Kalaburagi	2013-14 to 2015-16
59		DCF(T), Bidar	2013-14 to 2015-16
60		DCF(T), Kalaburagi	2013-14 to 2015-16
61		DCF(T), Raichuru	2013-14 to 2015-16
62		DCF, FMS, Kalaburagi	2013-14 to 2015-16
63		ACF, FGTC, Tattihalla	2013-14 to 2015-16
64		CF, Research, Dharwad	2013-14 to 2015-16
65		DCF(T), Dharwad	2013-14 to 2015-16
66		DCF(T), Gadag	2013-14 to 2015-16
67		DCF(T), Haveri	2013-14 to 2015-16
68		CF, Belagavi	2013-14 to 2015-16
69		DCF(T), Bagalkot	2013-14 to 2015-16
70		DCF(T), Vijayapura	2013-14 to 2015-16
71		DCF(T) Gokak	2013-14 to 2015-16
72		DCF FMS Belagavi	2013-14 to 2015-16
73		CCF Training Gungaragatti	2013-14 to 2015-16
74		DCF(T), Honnavar	2013-14 to 2015-16
75		DCF(T), Karawara	2013-14 to 2015-16
76		DCF (T), Gungaragatti	2013-14 to 2015-16
77		DCF(T), Ramanagara	2013-14 to 2015-16
78		DCF(T), Chitradurga	2013-14 to 2015-16
79		DCF SF(Research) Bengaluru	2013-14 to 2015-16
Half Yearly Accounts			
1	Public Works, Port & Inland Water Transport Department	EE, PWP&IWTD, Bagalkot	March 2015 to March 2016
2		EE, PWP&IWTD, Belagavi	March 2014 to March 2015, March 2016
3		EE, PWP&IWTD, Ballari	March 2015 to March 2016
4		EE, PWP&IWTD, Bidar	March 2015 to March 2016
5		EE, PWP&IWTD, Vijayapura	March 2015 to March 2016
6		EE, PWP&IWTD, Chamarajanagar	March 2015 to March 2016
7		EE, PWP&IWTD, Chikkaballapur	March 2015 to March 2016
8		EE, PWP&IWTD, Chikkodi	March 2015 to March 2016
9		EE, PWP&IWTD, Chitradurga	March 2014 to March 2016
10		EE, PWP&IWTD, Davanagere	March 2014 to March 2016
11		EE, PWP&IWTD, Dharwad	March 2015 to March 2016
12		EE, PWP&IWTD, Gadag	March 2015 to March 2016
13		EE, PWP&IWTD, Hassan	March 2014 to March 2016
14		EE, PWP&IWTD, Haveri	March 2015 to March 2016
15		EE, PWP&IWTD, Hoovinahadagali	March 2015 to March 2016
16		EE, PWP&IWTD, Hunsur	March 2014 to March 2016
17		EE, PWP&IWTD, Kalaburagi	March 2014 to March 2016
18		EE, PWP&IWTD, Karwar	September 2015, March 2016
19		EE, PWP&IWTD, Kolar	March 2015 to March 2016
20		EE, PWP&IWTD, Koppal	March 2015, March 2016
21		EE, PWP&IWTD, Madikeri	September 2014 to March 2016

SI No	Department	Officer responsible for furnishing accounts	Period for which accounts are due
22		EE, PWP&IWTD, Mandya	March 2014 to March 2016
23		EE, PWP&IWTD, Mangaluru	March 2014 to March 2016
24		EE, PWP&IWTD, Mysuru	March 2014 to March 2016
25		EE, PWP&IWTD, Raichuru	March 2015 to March 2016
26		EE, PWP&IWTD, Ramanagara	March 2015 to March 2016
27		EE, PWP&IWTD, Sirsi	March 2014 to March 2016
28		EE, PWP&IWTD, Shivamogga	March 2015 to March 2016
29		EE, PWP&IWTD, Udupi	March 2014, March 2016
30		EE, PWP&IWTD, Yadgiri	March 2015 to March 2016
31		EE, PWP&IWTD, QA, Hassan	March 2015 to March 2016
32		EE, PWP&IWTD Bengaluru	March 2015 to March 2016
33		EE, PWP&IWTD, SplDvn, R&B, Bengaluru	March 2015-March 2016
34		EE, PWP&IWTD, Electrical Dvn, Bengaluru	Mach 2015 to March 2016
35		EE, PWP&IWTD, ESI Building Dvn, Bengaluru	March 2015 to March 2016
36	Minor Irrigation	EE, MI Dvn, Belgavi	March 2014 to March 2016
37		EE, MI Dvn, Bidar	March 2014 to March 2016
38		EE, MI Dvn, Bengaluru	March 2014 to March 2016
39		EE, MI Dvn, Dharwad	March 2014 to March 2016
40		EE, MI Dvn, Koppal	March 2015 to March 2016
41		EE, MI Dvn, Kustagi	March 2014 to March 2016
42		EE, MI Dvn, QC Dvn, Dharwad	March 2014 to March 2016
43		EE, MI Dvn, Sirsi	March 2014 to March 2016
44		EE, MI Dvn, Ballari	March 2014 to March 2016
45		EE, MI Dvn, Mangaluru	March 2014 to March 2016
46		EE, MI Dvn, Mysuru	March 2015 to March 2016
47		EE, MI Dvn, Shivamogga	March 2015 to March 2016
48		EE, MI Dvn, Vijayapura	March 2015 to March 2016
49	Water Resources	EE, W&M Hunsagi	March 2014 to March 2016
50		EE, CMO, W&M, Bhimarayanagudi	March 2014 to March 2016
51		EE, I&I, No.3, Kalaburagi	March 2014 to March 2016
52		EE, No.2, Gauging Dvn, Bagalkot	March 2014 to March 2016
53		EE, No.1 Gauging Dvn, Hassan	March 2014 to March 2016
54	National Highways Department	EE, NH Dvn, Dharwad	March 2014 to March 2016
55		EE, NH Dvn, Hubli	March 2014 to March 2016
56		EE, NH Dvn, Karwar	March 2014 to March 2016
57		EE, NH Dvn, Mangaluru	March 2015 to March 2016
58		EE, NH Dvn, Vijayapura	March 2014 to March 2016
59		EE, NH Dvn, Bengaluru	March 2015 to March 2016
60		EE, NH Dvn, Chitradurga	March 2015 to March 2016
61		EE, NH SplDvn, Bengaluru	September 2014 to March 2016

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

Appendix 3.8
Balances remaining under in-operative PD Accounts
(Reference: Paragraph: 3.8.2; Page 108)

(Amount in rupees)

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	
2	PD Account of PWD Officer	10,01,430.00	
3	Special Deputy Commissioner, DRDS, Mandya	4,49,156.07	
4	PD Account of Industries and Commerce	40,66,006.37	
5	PD Account of Deputy Commissioner, Dharwad	5,95,047.31	
6	Ramkumar Jalal Memorial Fund	195.00	
7	Ration Shop Depot	49,936.00	
8	Bagalkot Town Development Authority	1,26,08,444.93	
9	Special Land Acquisition Officer, SCR Project Karnataka	2,76,96,190.00	
10	PD Account of District Prison(Jail), Shivamogga	34,507.00	
11	PD Account of SLAO Bangalore Hassan Project	1,04,718.00	
12	PD Account of Director, Fiscal Policy Institute, Bengaluru	5,057.00	
	Total	5,95,22,376.78	
Debit Balance			
1	Harijan Development Welfare Fund	5,18,350.71	
2	Principal, Maharaja College of Education	570.00	
3	PD Account of Secretary, Karnataka Consumer Protection Board	1,91,908.00	
4	Village Land Area under Attachment	2,51,457.05	In-operative since 1994-95
5	CM's Drought Relief Fund	82,45,390.20	Prior to 2000
6	PD Account of Asha Kiran	26,350.00	In-operative since 1994-95
7	Deposits of Private Estates under Commercial Management	75.00	Prior to 2000
8	PD Account of Gram Panchayat Deposits	34,00,890.55	In-operative since 1994-95
9	Joint Labour Commissioner, Mysuru	26,059.44	Prior to 2009
10	Consumer Forum	1,24,360.00	
	Total	1,27,85,410.95	

Source: Office of the AG (A&E)

Glossary

Basis of calculation

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

Abbreviations

Sl. No	Abbreviation	Full Form
1	AC Bill	Abstract Contingent Bill
2	ADRC	Alternate Dispute Resolution Centre
3	AG (A&E)	Accountant General (Accounts and Entitlement)
4	ALM	Asset Liability Monitoring
5	ATR	Action Taken Report
6	BCR	Balance from Current Revenue
7	BBC	Bangalore Bio innovation Centre
8	BMRCL	Bangalore Metro Rail Corporation Limited
9	C&AG	Comptroller and Auditor General
10	CAGR	Compounded Annual Growth Rate
11	CMRRD	Chief Ministers Rural Road Development Fund
12	CPPC	Centralised Pension Processing Centers
13	CRA	Central Record keeping Agency
14	CSF	Consolidated Sinking Fund
15	CSSs	Centrally Sponsored Schemes
16	CST	Central Sales Tax
17	DC	Deputy Commissioner
18	DCPS	Defined Contribution Pension Scheme
19	DDOs	Drawing and Disbursing Officers
20	DDR	Debt, Deposit and Remittances
21	DE	Development Expenditure
22	DPC	Duties, Power and Conditions
23	EAP	Externally Assisted Project
24	EFC	Eleventh Finance Commission
25	EPF	Environment Protection Fees
26	ERC	Expenditure Reforms Commission
27	ESCOMs	Electricity Supply Companies
28	FD	Finance Department
29	FMRC	Fiscal Management Review Committee
30	FRA	Fiscal Responsibility Act
31	F&A	Finance and Accounts
32	GCU	Government Commercial Undertakings
33	GDP	Gross Domestic Product
34	GIC	General Insurance Corporation
35	GOI	Government of India
36	GOK	Government of Karnataka
37	GOs	Government Orders
38	GP	Gram Panchayat
39	GSDP	Gross State Domestic Product
40	HOA	Head of Account
41	IAY	Indira Aawas Yojana
42	IDD	Infrastructure Development Department
43	IGAS	Indian Government Accounting Standard
44	IIF	Infrastructure Initiative Fund
45	IMFL	Indian Made Foreign Liquor
46	JnNURM	Jawaharlal Nehru National Urban Renewal Mission
47	KBJNL	Krishna Bhagya Jala Nigam Limited
48	KBM	Karnataka Budget Manual

Sl. No	Abbreviation	Full Form
49	KFC	Karnataka Financial Code
50	KFRA	Karnataka Fiscal Responsibility Act
51	KLDA	Karnataka Lake Development Authority
52	KLLAD	Karnataka Legislators Local Area Development Scheme
53	KNNL	Karnataka Neeravari Nigama Limited
54	KPTCL	Karnataka Power Transmission Corporation Limited
55	K-RIDE	Karnataka Rail Infrastructure Development Corporation
56	KSIC	Karnataka Silk Industries Corporation
57	KSIIDC	Karnataka Small Industries Development Corporation
58	KSPHIDC	Karnataka State Police Housing & Infrastructure Development Corporation
59	KTPP	Karnataka Transparency in Public Procurement
60	LIC	Life Insurance Corporation
61	LMMH	List of Major and Minor Heads
62	MTFP	Medium Term Fiscal Plan
63	NABARD	National Bank for Agriculture and Rural Development
64	NCDC	National Co-operative Development Corporation
65	NDC	Non-Payment detailed Contingent Bill
66	NGOs	Non – Government Organizations
67	NPIC	New Pension Implementation Cell
68	NPS	New Pension Scheme
69	NSDL	National Securities Depository Limited
70	NSSF	National Small Savings Fund
71	NTR	Non-Tax Revenue
72	OBB	Off-Budget Borrowings
73	PAC	Public Accounts Committee
74	PAO	Pay and Accounts Office
75	PCCF	Principal Chief Conservator of Forests
76	PD	Personal Deposit
77	PDS	Public Distribution System
78	PF	Provident Fund
79	PFC	Power Finance Corporation
80	PFRDA	Pension Fund Regulatory Development Authority
81	PPP	Public Private Partnership
82	PRAN	Permanent Retirement Account Number
83	PRIs	Panchayat Raj Institutions
84	PSUs	Public Sector Undertakings
85	PWP&IWTD	Public Works, Ports & Inland Water Transport Department
86	RBI	Reserve Bank of India
87	RDPR	Rural Development and Panchayat Raj
88	REC	Rural Electrification Corporation
89	RFD	Result Framework Document
90	RGRHCL	Rajiv Gandhi Rural Housing Corporation Limited
91	RIDF	Rural Infrastructure Development Fund
92	RR	Revenue Receipts
93	SCSP	Special Component Sub Plan
94	SDRF	State Disaster Response Fund
95	SPVs	Special Purpose Vehicles
96	SSA	Sarva Shiksha Abhiyan
97	TBs	Treasury Bills
98	TE	Total Expenditure
99	TFC	Twelfth Finance Commission

Sl. No	Abbreviation	Full Form
100	TNMC	Treasury Network Management Centre
101	TP	Taluk Panchayat
102	TSP	Tribal Sub Plan
103	UC	Utilization Certificate
104	UDD	Urban Development Department
105	ULB	Urban Local Bodies
106	VAT	Value Added Tax
107	WRD	Water Resources Department
108	XIII FC	Thirteenth Finance Commission
109	XIV FC	Fourteenth Finance Commission
110	ZP	Zilla Panchayat



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