Chapter - II

Financial Management and Budgetary Control

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 in respect of the budget communication, distribution of grants, watching the progress of revenue and actuals and control over expenditure.

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

2.2 Summary of Appropriation Accounts

2.2.1 The summarized position of actual expenditure during 2012-13 against 29 grants/appropriations is given in **Table 2.1.**

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

(₹ in crore)

Nature of Expenditure		Original grant/ appropriation	Supplementary grant/ appropriation	Total	Actual expenditure	Unspent provision
Voted	I Revenue	75,088.95	13,176.53	88,265.48	69,671.70	18,593.78
	II Capital	16,512.69	4,424.91	20,937.60	16,309.68	4,627.92
	III Loans and advances	2,339.39	62.26	2,401.65	1,298.09	1,103.56
Total Voted		**93,941.03**	**17,663.70**	**1,11,604.73**	**87,279.47**	**24,325.26**
Charged	IV Revenue	8,093.90	1,026.48	9,120.38	8,942.38	178.00
	V Public debt-repayment	5,670.08	0.00	5,670.08	3,733.10	1,936.98
Total Charged		**13,763.98**	**1,026.48**	**14,790.46**	**12,675.48**	**2,114.98**
Grand Total		**1,07,705.01**	**18,690.18**	**1,26,395.19**	**99,954.95**	**26,440.24**

***Source**: Appropriation Accounts.*

2.2.2 The total expenditure (test checked cases) stand inflated/unaccounted for at least to the extent of the following:

(i) ₹ 306.10 crore being kept in the Personal Deposit account of the Commissioner of Social Welfare department of which ₹ 300.60 crore relating to SCP/TSP, ₹ 0.50 crore relating to Comprehensive Development of Safai-Karmacharis and ₹ Five crore relating to construction of full-fledged unit of Sri Jayadeva Institute of Cardiology at Mysore released only during March 2013.

(ii) Non-submission of Non –Payable Detailed Contingent (NDC) bills before the close of the first week following the month to which the bill relates to in support of bills amounting to ₹ 55.09 crore for the year 2012-13 drawn on Abstract Contingent bills by the Drawing and Disbursing Officers, as required under paragraph 37 (b) (3) of 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 was 3431.

The total expenditure (test checked cases) stands understated on account of non-adjustment of revenues / expenditure to the Fund account under Public Account, as detailed below.

During 2012-13, due to non-availability of budget provisions, contributions/ transfers from the Consolidated Fund to the respective Reserve Funds under Public Account remained un-adjusted in case of two reserve funds, viz., (i) Financial Assistance of ₹ 2.63 crore received from the Government of India towards corpus fund for setting up of the Consumer Welfare Fund, (ii) ₹ 26.63 crore towards Market Fees and License Fee realized towards the Karnataka Silk Worm Cocoon and Silk Yarn Development and Price Stabilization Fund and (iii) the expenditure of ₹ 7.40 crore incurred on Sericulture Development schemes.

2.2.3 The overall unspent provision of ₹ 26,440.24 crore was the result of unspent provision of ₹ 26,934.26 crore under 29 grants/ appropriations under revenue section and 27 grants under Capital Section offset by excess expenditure of ₹ 494.02 crore over provision under demand No.8.

Article 266 (3) of the Constitution of India prohibits withdrawal of money from out of the Consolidated Fund of the State unless relevant Appropriation Acts under Articles 204 and 205 of the Constitution are passed by the Legislature. However, ₹ 313.33 crore covering seven grants under Revenue/Capital Section (this is only illustrative) through several executive orders for incurring expenditure not covered by the Budget, details of which are furnished under relevant grants, were released by Finance Department as additionalities during the year without the authorization of the Legislature. According to Article 205(b) of the Constitution, if any money has been spent on any service during a financial year in excess of the amount granted for that service for that year, a demand in respect of such excess showing the estimated amount of that expenditure is to be presented. However, in the above cases no such statements were placed before the Legislature. The expenditure in these cases was incurred first without the authority of the Legislature and then only brought before the Legislature through supplementary demands. Though such instances are pointed out year after year, no remedial action has been taken to set right the procedure followed for such expenditure.

Finance Department replied (December 2013) that, the orders for additionalities were issued, keeping the new service criteria in mind and the urgency for release of funds in emergent cases, for which the executive cannot wait until the Legislature meets.

The reply of the Finance Department is not tenable as in cases of emergency, withdrawal from Contingency Fund, keeping in mind, the rules in force could be resorted to pending authorisation by the Legislature. It was also seen that the additionalities were made where the expenditure were routine/administrative in nature e.g., honorarium payments, salaries of contract employees, procurement of computers, grants-in-aid for temples and religious institutions etc.

2.3 Scrutiny of Budget Estimates for the year 2012-13

2.3.1 Unauthorized changes to the Budget documents

The importance of accuracy in the estimation of the revenues and expenditures, by the Government is widely accepted in the context of effective implementation of fiscal policy for overall economic management. For prudent fiscal management, the State should prevent or minimize under-estimation/ over-estimation of revenues/ expenditure. The Budget papers, which are presented by the Government, provide descriptions about projections or estimation of revenue/ expenditure for a particular fiscal year. The Budget for the subsequent year gives details of the budget for that year together with the budget/revised estimates of the preceeding year. The estimates so presented should not undergo any change as these are documents which are placed before the Legislature for scrutiny/ vote. However, it was observed that in respect of the Direct releases of Union Government grants to State Implementing Agencies, the budget estimate for 2012-13 which was made on the receipt side of grants-in-aid (Major Head 1601, Sub-Major Head 03 and 04) was changed during presentation of 2013-14 budget without any authority. The amount involved in the change was ₹ 557.23 crore. Reasons have not been produced to audit.

2.3.2 Errors in Classification

Expenditures are classified according to the function, programme and their economic nature, using a 15 digit numerical code with the last three digits of classification at the object head level indicating nature of the expenditure. In respect of certain transactions (illustrative cases listed in the **Table 2.2** below), it was seen that there were overlapping of provision /expenditure, indicating thereby that the budget was not transparent to that extent. Action is required to be initiated to avoid overlapping of expenses, by opening separate object heads to record provision/expenditure.

Table 2.2: Details of errors in classification

(₹ in crore)

Item of Expenditure	Amount involved	Remarks
Pension and other Retirement Benefits	8,181.33	This expenditure included grants released to Urban Local Bodies (ULBs) for payment of pension (₹ 24.83 crore) which are not in the nature of pensions paid to Government servants.
Consolidated Salaries	907.02	This object head is intended for recording the salary expenditure of constitutional dignitaries, but includes releases made to ULBs for payment of salary (₹ 885.57 crore).
Maintenance	1,831.45	Includes releases made to ULBs for maintenance (₹ 464.17 crore). This expenditure out of the Consolidated Fund was not for maintenance but was only a release to ULBs for maintenance.
Subsidy	10,708.61	Includes releases made to ULBs for payment of subsidy (₹ 7.76 crore).

Source: *Finance Accounts.*

The salary expenditure relating to the employees of ULBs are depicted in a separate document brought out on the basis of XIII FC recommendations. The document indicated the transfers at the object head level with the same classification numbers given to various heads at the State level. For example, the object head for payment of salaries of staff of ULBs overlapped with payment of salary of constitutional dignitaries. Further, the expenditure data captured were the releases made to ULBs and not the actual expenditure.

Similarly, such overlapping of expenditure was noticed in respect of pensions and other retirement benefits, maintenance and subsidies.

2.3.3 Non transparency in estimation/ accounting of expenditure relating to Object Head 059 – Other expenses

Provision/ expenditure in Government Budget/ Accounts is classified according to Sector/ Sub-sector / Function/ Sub-function / Programme/ Sub/ Detailed/ Object head using 15 digit classification. Expenditure towards the Object head – last tier of classification exhibits the object/ nature of expenditure, required to be prepared by exercising high degree of accuracy/ acumen/ competency. In order to simplify the 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.

The Budget for the year 2012-13, included provision of ₹ 5,397.00 crore under revenue and ₹ 544.00 crore under capital account relating to '059 – Other expenses' constituting about seven *per cent* under revenue and four *per cent* under capital section, respectively. Review of vouchers in respect of six functional heads of account under Medical and Public Health, Jails, General Education, Secretariat – Economic Services, Crop Husbandry, Village and Small Industries for the month of February 2013 showed that provision/ expenditure relating to subsidy, honorarium, remuneration, Grants-in-Aid, purchase of stationery, payment of telephone/ electricity bills were accounted under the object head 059 - Other expenses, though separate distinct object heads were available to account/ record these expenses. The amount involved was ₹ 17.56 crore (details in **Appendix 2.1**).

Further, it was seen that certain book adjustments carried out in accounts during the year lacked transparency as expenditure amounting to ₹ 107.00 crore was accounted under the same omnibus object head – 059 Other Expenses. The book adjustments were made treating the amount as non-tax revenue – Guarantee Fee paid by the companies/ Corporations during the year.

While accepting the misclassification of transaction in accounts, Finance Department stated (December 2013) that, at the time of budget preparation and at the time of introduction of new scheme in the budget, the various categories of expenditure or itemized expenditure are not estimated by the departments. In order to see that such new schemes are captured in the budget, the object head 059 – Other expenses is given by the Finance Department in the expenditure volumes.

The reply of the Finance Department is not tenable as it was observed in audit that the practice of taking provision under the omnibus head continued on a year to year basis in respect of several schemes for which the detailed expenditure pattern were available at the time of budgetary exercise.

2.3.4 Inaccurate/ excessive provision under salaries – ₹ 3,513.00 crore

In terms of instructions contained in the Karnataka Budget Manual, 1975, the estimates for salaries are required to be framed with reference to the officers and staff likely to be on duty and with reference to the particulars of pay drawn by each irrespective of the sanctioned strength. However, it was observed that in respect of 10 Grants test checked in audit, excess provision of ₹ 3,513.00 crore **(vide Appendix 2.2)** was made during the year resulting in unspent provision.

Further, according to Section 6 (5) of the Karnataka Fiscal Responsibility Act, 2002, whenever one or more supplementary estimates are presented to the Houses of the Legislature, an accompanying statement indicating the corresponding curtailment of expenditure and/ or augmentation of revenue to fully off-set the impact of the supplementary estimates in relation to the Budget targets are required to be placed. During the year 2012-13, on account of the implementation of the recommendations of the Sixth Pay Commission, provision under salaries were obtained across several grants as supplementary grants to cover the excess expenditure. However, in the original budget, a provision of ₹ 3,500.00 crore had been made in Grant No.3 to take care of the impact of the Pay Commission's report. The action of the Finance Department to include the provision was also erroneous, discussed in para 2.6. This amount was not utilised and resulted in savings.

The inclusion of provision on salary expenses under only one demand was inappropriate as the complete details for the amount were not available, decision on implementation of the recommendations of Sixth Pay Commission were yet to be made known. Inclusion of the provision only inflated the Revenue Expenditure, distorting the fiscal indicators.

2.4 Financial accountability and budget management

2.4.1 Appropriation vis-à-vis allocative priorities

There were 29 cases of unspent provision, each exceeding ₹ 100 crore and above under 21 grants/appropriation, which aggregated to ₹ 25,966.01 crore during 2012-13. Large unspent provisions were in areas of Rural Development and Panchayat Raj, Finance, Urban Development, Water Resources, Debt Servicing, Public Works, Education, Agriculture and Horticulture, Energy, etc., as indicated in **Table 2.3**.

Table 2.3: Grants/appropriations with unspent provision of ₹ 100 crore and above

(₹ in crore)

Sl. No.	Grant	Provision			Expenditure	Unspent provision
		Original	Supplementary	Total		
1	01 – Agriculture and Horticulture Revenue-Voted	3,971.50	306.38	4,277.88	2,597.21	1,680.67
2	02 – Animal Husbandry and Fisheries Revenue-Voted	1,077.01	138.12	1,215.13	939.14	275.99
3	03 – Finance Revenue-Voted	11,725.58	93.68	11,819.26	7,718.22	4,101.04
4	04- Department of Personnel and Administrative Reforms Revenue Voted	486.03	183.44	669.47	456.53	212.94
5	05-Home and Transport Revenue-Voted	3,355.13	437.58	3,792.71	3,367.15	425.56
6	06 – Infrastructure Development Capital-Voted	669.00	0.00	669.00	462.82	206.18
7	07 – Rural Development and Panchayat Raj Revenue-Voted Capital-Voted	4,732.07 2,191.61	1,207.86 896.22	5,939.93 3,087.83	2,932.73 2,559.86	3,007.20 527.97
8	09 – Co-operation Revenue – Voted	564.92	1,963.14	2,528.06	1,590.06	938.00
9	10-Social Welfare Revenue-Voted Capital Voted	3,517.82 474.96	367.29 0.00	3,885.11 474.96	3,591.25 371.85	293.86 103.11
10	11-Women and Child Development Revenue-Voted	2,794.53	369.83	3,164.36	2,933.48	230.88
11	14- Revenue Revenue- Voted	3,207.87	2,359.79	5,567.66	4,567.19	1,000.47
12	16-Housing Revenue –Voted	1,487.88	523.73	2,011.61	1,531.81	479.80
13	17 - Education Revenue-Voted Capital – Voted	14,860.31 313.87	1,375.68 247.40	16,235.99 561.27	14,443.35 311.02	1,792.64 250.25
14	18 – Commerce and Industries Revenue – Voted Capital-Voted	1,269.37 258.47	115.30 152.08	1,384.67 410.55	1,250.29 176.43	134.38 234.12
15	19 – Urban Development Revenue-Voted Capital-Voted	6,213.17 1,562.82	500.90 0.00	6,714.07 1,562.82	4,641.53 1,226.85	2,072.54 335.97
16	20 – Public Works Revenue-Voted Capital – Voted	1,949.31 3,300.11	513.98 1,913.82	2,463.29 5,213.93	2,170.70 4,391.14	292.59 822.79

Sl. No.	Grant	Provision			Expenditure	Unspent provision
		Original	Supplementary	Total		
17	21 – Water Resources Revenue – Voted Capital - Voted	 982.43 6,388.58	 137.47 273.33	 1,119.90 6,661.91	 748.04 5,145.50	 371.86 1,516.41
18	22 – Health and Family Welfare Services Revenue - Voted	3,949.50	201.25	4,150.75	3,435.85	714.90
19	23 – Labour Revenue - Voted	536.59	53.43	590.02	421.52	168.50
20	24 – Energy Capital - Voted	1,729.63	750.00	2,479.63	1,264.93	1,214.70
21	29 – Debt Servicing Revenue – Charged Capital - Charged	 7,500.00 5,670.08	 1,000.00 0.00	 8,500.00 5,670.08	 7,876.29 3,733.10	 623.71 1,936.98
	Total	**96,740.15**	**16,081.70**	**1,12,821.85**	**86,855.84**	**25,966.01**

Source: *Appropriation Accounts.*

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

The reasons furnished by 17 departments for unspent provisions under a few Major Heads of account, as reported in Appropriation Accounts, are given below:

Agriculture and Horticulture

- Unspent provision under the Major Head '2401' - Crop Husbandry – Agricultural farms - Organic farming - Subsidies ₹ 64.02 crore, Special Component Plan ₹ 25.00 crore and Tribal Sub- Plan ₹ 15.00 crore was due to delay in implementation of Organic Farming scheme.
- Unspent provisions under the Major Head '2401'- Crop Husbandry – Agriculture Economics and Statistics- Agri Business Investment Fund – Other Expenses ₹ 73.26 crore, Special Component Plan ₹ 29.01 crore and Tribal Sub-Plan ₹ 15.99 crore were due to non- utilization of grants for stipulated programme.
- Unspent provision of ₹ 136.00 crore was due to non-adjustment of Central share of direct releases to State Implementing Agencies under the Major Head '2401'- Crop Husbandry- Horticulture and Vegetable Crops-Development of Farms and Nurseries- State share for National Horticulture Mission - Other expenses.

Finance

- Unspent provision of ₹ 999.98 crore under the Major Head '2070' – Other Administrative Services – Other expenditure – Filling up of vacant posts – Other Allowances was due to initial provision of funds for Revised Pay Scales under this head and subsequent provision of funds in the

Supplementary grants under the respective functional Major Heads. There has been persistent savings under the head for the past eight years.

- Unspent provision of ₹ 2,500.00 crore under the Major Head '2070' – Other Administrative Services – Other expenditure – Additional Provision of salaries- Other Allowances was due to provision of funds in the Supplementary grants under the respective functional Major Heads.
- Unspent provision of ₹ 245.13 crore under Major Head '2071' – Pensions and Other Retirement Benefits –Civil– Family Pensions- Other Family Pensions – Karnataka – Pensions and Retirement Benefits was due to less number of claimants.
- Unspent provision of ₹ 500.00 crore under the Major Head '3475' – Other General Economic Services – Other Expenditure – Contribution to Consolidated Sinking Fund out of General Revenue- Contributions was due to making separate provision for the same purpose under Major Head '2048'- Appropriation for Reduction or Avoidance of Debt for contributions to Consolidated Sinking Fund in the Supplementary provision (third and final installment).

Department of Personnel and Administrative Reforms

- Unspent provision of ₹ 77.12 crore under the Major Head '2015' – Elections- Charges for conduct of elections to State/ Union Territory Legislature– State Legislative Assembly- General Elections- Other Expenses was due to non- utilization of funds on account of shortage of time.
- Unspent provision of ₹ 27.78 crore under the Major Head '3451' Secretariat - Economic Services – Secretariat - Information Technology Secretariat-XIII FCG- Incentives for issuing Unique Identifications (UID's)- Other Expenses was due to stopping of registration of Aadhar from 12 February 2012 to 28 November 2012 as per directions of Central Government.

Home and Transport

- Unspent provision of ₹ 10.52 crore under the Major Head '2055'- Police- Welfare of Police Personnel - Karnataka Police Housing Corporation- Police Quarters- Financial Assistance/ Relief was due to non-adjustment of Guarantee Commission due to defective Government Order.
- Unspent provision of ₹ 10.27 crore under the Major Head '2055'- Police- Welfare of Police Personnel- Special Repairs to Police Quarters and Office Buildings- Maintenance Expenditure was due to economy measures.
- Unspent provision of ₹ 80.00 crore (entire provision) under the Major Head '2055'- Police- Modernization of Police Force was due to non-finalization of tenders and technical problems.

Rural Development and Panchayat Raj

- Unspent provision of ₹ 100.30 crore under the Major Head '2215'- Water Supply and Sanitation- Assistance to Grama Panchayats- Grama Panchayats- Accelerated Rural Water Supply Programme- Lumpsum – Zilla Parishads was due to non- adjustment of Central share of Direct Releases to State Implementing Agencies.
- Unspent provision of ₹ 1,375.27 crore under the Major Head '2505'- Rural Employment- Other Programmes- Assistance to Zilla Parishads/ District Level Panchayats- Zilla Panchayats - CSS/CPS- Mahatma Gandhi National Rural Employment Assurance Scheme- State share- Lumpsum – Zilla Parishads was due to non- adjustment of Central share of Direct releases to State Implementing Agencies.
- Unspent provision of ₹ 28.80 crore under the Major Head '2515'- Other Rural Development Programmes- Assistance to Zilla Parishads/ District Level Panchayats- Zilla Panchayats- CSS/CPS- Lumpsum- Zilla Parishads was due to non- adjustment of Central share of Direct releases to State Implementing Agencies.
- Unspent provision of ₹ 38.53 crore under the Major Head '2515'- Other Rural Development Programmes- Assistance to Zilla Parishads/ District Level Panchayats- Zilla Panchayats- CSS/CPS - XIII Finance Commission Grants (FCGs)- Block Grants - Lump sum- Zilla Parishads was due to non-receipt of Central grants.
- Unspent provision of ₹ 77.06 crore under the Major Head '2515'- Other Rural Development Programmes- Assistance to Block Level Panchayats/ Intermediate Level Panchayats - Taluk Panchayats - CSS/CPS- XIII FCG-Block Grants- Lumpsum - Zilla Parishads was due to non-receipt of XIII FCG maintenance Grants from Central Government.
- Unspent provision of ₹ 269.14 crore under the Major Head '2515'- Other Rural Development Programmes- Assistance to Grama Panchayats - Grama Panchayats - CSS/CPS was due to non- receipt of XIII FCG maintenance Grants from Central Government.

Co-operation

- Unspent provision of ₹ 875.00 crore under the Major Head '2425'- Co-operation - Assistance to Credit Co-operatives - General - Loan Waiver - Subsidies was due to delay in verification process of claims submitted by institutions.

Revenue

- Unspent provision of ₹ 352.58 crore under the Major Head '2245'- Relief on account of Natural Calamities- State Disaster Response Fund - Transfer to Reserve Funds and Deposit Accounts- State Disaster Response Fund- National Disaster Response Fund - Inter Account Transfers was due to error in budgeting.

Housing

- Unspent provision under the Major Head '2216'- Housing – General – Assistance to Grama Panchayats - Grama Panchayats- CSS/CPS- Block Grants – Lumpsum - Zilla Panchayats ₹ 173.15 crore and Bangalore Urban ₹ 2.00 crore was due to non - adjustment of grants for 'Indira Awas Yojana' directly released by the Central Government to State Implementing Agencies.

Education

- Unspent provision of ₹ 1,000.00 crore under the Major Head '2202' – General Education – Elementary Education - Sarva Shikshana Abhiyana (SSA) -Sarva Shikshana Abhiyana Society - Other expenses was due to non-adjustment of direct release by the Central Government to State Implementing Agencies.
- Unspent provision of ₹ 24.25 crore under the Major Head '2202' – General Education - General – Training - Computer Literacy Awareness in Secondary Schools - Other expenses was due to delay in identifying the agency for implementing the programme.
- Unspent provision of ₹ 26.12 crore under the Major Head '2203' – Technical Education- Polytechnics- Government Polytechnic Upgradation - One Time ACA- General expenses was due to shortage of time for processing purchase orders.

Commerce and Industries

- Unspent provision of ₹ 28.66 crore - entire provision under the Major Head '4851'- Capital Outlay on Villages and Small Industries- Investments in Public Sector & Other Undertakings - Karnataka State Handloom Development Corporation Limited- Investment was due to non-adjustment of Government Order for want of details.

Urban Development

- Unspent provision of ₹ 135.49 crore under the Major Head '3604' – Compensation and Assignments to Local Bodies and Panchayat Raj Institutions- Assistance to Municipal Corporation- XIII Finance Commission Grants - General - Grants-in-Aid - General was due to non release of anticipated grants by Government of India.

Public Works

- Unspent provision of ₹ 46.00 crore under the Major Head '3054'- Roads and Bridges - Road Works - State Highway Maintenance - Maintenance Expenditure was due to reduction in length of road works.

Water Resources

- Unspent provision under Major Head '4701' – Capital outlay on Medium Irrigation – UKP Zone - Other Expenditure- Upper Krishna Project - AIBP- Major Works ₹ 87.00 crore and Special Component Plan ₹ 43.00 crore was due to taking up less number of works under the scheme.
- Unspent provision under Major Head '4701' – Capital outlay on Medium Irrigation – General – Investments in Public Sector and Other Undertakings – Krishna Bhagya Jala Nigam Limited – Special Development Plan ₹ 20.00 crore was due to taking up less number of works and saving under Special Component Plan ₹ 114.31 crore and Tribal Sub- Plan ₹ 30.90 crore was due to economy measures.
- Unspent provision of ₹ 42.53 crore under the Major Head '4701' – Capital outlay on Medium Irrigation – General - Other Expenditure - New Schemes - Other expenses was due to economy measures and transfer of rejuvenation of Ranikere Feeder canals from Water Resources Department to Karnataka Neeravari Nigam Limited.
- Unspent provision of ₹ 82.54 crore under DAM Rehabilitation and Improvement Project- EAP- Other Expenses was due to economy measures.
- Unspent provision of ₹ 60.00 crore under the Major Head '4702' – Capital outlay on Minor Irrigation- Surface Water- World Bank Aided Tank Irrigation Project– Karnataka Community Based Tank Management Project- EAP- Major works was due to economy measures.

Health and Family Welfare Services

- Unspent provision under the Major Head '2210' –Medical and Public Health – Rural Health Services – Allopathy – Other Expenditure- National Rural Health Mission (NRHM)- State share- Other Expenses ₹ 416.19 crore, Special Component Plan ₹ 0.17 crore and Tribal Sub- Plan ₹ 0.67 crore was due to non-adjustment of direct releases from Government of India to State Implementing Agencies.
- Unspent provision of ₹ 42.13 crore under Major Head '4210' – Capital outlay on Medical and Public Health– Urban Health Services – Hospitals and Dispensaries – Buildings- Major works was due to non- achievement of progress in works.

Labour

- Unspent provision of ₹ 23.00 crore under the Major Head '2230'- Labour and Employment- Labour- General Labour Welfare- Labour Welfare Board- Rashtriya Swasthya Bima Yojana- Other expenses was due to non-implementation of the scheme.

Energy

- Unspent provision under the Major Head '6801'- Loans for Power Projects -Loans to Public Sector and Other undertakings- Accelerated Power Development and Reforms (APDRP) - Loans ₹ 368.81 crore and under Rural Electrification- Rajiv Gandhi Grameena Vidyuth Yojana (RGGVY)- Loans ₹ 18.72 crore was due to error in budgeting as similar provision was made on the Receipts on Capital Account below the Major Head '6004'. Further, as the loans and advances under this head had already been written off, provision of funds under the head was not required.

Debt Servicing

- Unspent provision of ₹ 74.98 crore under the Major Head '2049' – Interest Payments – Interest on Internal Debt – Interest on Market Loans – Interest on Current Loans – New Loans of 2012-13 – Debt Servicing was due to less market borrowings *vis-à-vis* provision.
- 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 the Reserve Bank of India (RBI) during the year. There has been persistent saving under the head for the past eight years.

2.4.2 Persistent unspent provision

In four grants there were persistent unspent provisions of more than ₹ 100 crore in each case during the last five years, as detailed in **Table 2.4.**

Table 2.4: Persistent unspent provision

(₹ in crore)

Sl. No.	Major Head	Year				
		2008-09	2009-10	2010-11	2011-12	2012-13
1	***03- Finance (Revenue-Voted)***	**854.49**	**1,731.17**	**2,925.79**	**260.68**	**4,101.04**
	2070-800-11 Filling up of vacant posts (District Sector)	450.00	400.00	850.00	849.97	999.98
2	***19- Urban Development (Revenue –Voted)***	**1,608.50**	**1,248.07**	**522.86**	**631.46**	**2,072.54**
	2217-05-191-1 Bangalore Metropolitan Regional Development Authority	503.45	577.40	245.00	258.00	359.61
3	***20 – Public Works (Revenue – Voted)***	**314.02**	**244.90**	**194.60**	**224.61**	**292.59**
	2059-80-53-799-1 Debits	111.26	116.74	121.49	127.83	134.42
4	***29- Debt Servicing (Capital- Charged)***	**1,379.28**	**1,374.74**	**1,005.76**	**1,142.23**	**1,936.98**
	6003-110-1 Clean and Secured Ways and Means Advances	1,000.00	1,000.00	1,000.00	1,000.00	1,500.00

Source: *Appropriation Accounts.*

2.4.3 Excess expenditure

In three cases, expenditure in excess of ₹ 25 crore of the budget provision was incurred under three Major Heads of account pertaining to three grants aggregating to ₹ 603.52 crore (**Appendix 2.4**). Of this, ₹ 494.03 crore related to Forestry and Wildlife – transfer of Forest Development Tax to Karnataka State Forest Development Fund, the details of which are discussed in para 2.4.7.

2.4.4 Persistent excess expenditure

Persistent excess expenditure over provision was incurred under two Major Heads of account pertaining to one grant during the last three years **(Appendix 2.5).**

2.4.5 Expenditure without provision

An expenditure of ₹ 64.72 crore was incurred in six cases under four grants without provision (**Appendix 2.6)**. Of this, expenditure of ₹ 63.94 crore also qualified for comment under criteria for new service/new instrument of service which are discussed in para 2.4.8.

Excess expenditure requiring regularization

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

2.4.6 Excess over provision relating to previous years

Mention was made in the Report of the Comptroller and Auditor General of India on State Finances for the year ended March 31, 2012 (Paragraph No. 2.3.6) regarding the excess expenditure requiring regularization aggregating ₹ 4,793.28 crore for the years 1989-90 to 2010-11.

On the basis of the replies furnished by the departments in respect of grants/ appropriation the Public Accounts Committee recommended regularization of the excess expenditure of ₹ 4,793.28 crore in its 19th Report (February 2013) submitted to the State Legislature Assembly/ Legislative Council. Accordingly, an Act has since been passed **(Act No.3 of 2013)** regularizing the excess expenditure of ₹ 4,793.28 crore.

2.4.7 Excess over provision during 2012-13

Excess expenditure of ₹ 4,94.02 crore against Demand No.8 – Forest, Ecology and Environment during 2012-13 is required to be regularized, the details of which are given in **Table 2.5.**

Table 2.5 : Excess expenditure over provision requiring regularization during 2012-13

(amount in ₹)

Sl. No.	Grant	Provision	Expenditure	Excess
1	08- Forest, Ecology and Environment Revenue – Charged	4,00,15,18,000	8,94,17,61,684	4,94,02,43,684

Budget provision of ₹ 400.00 crore was made to take care of the transfer of revenue realized from Forest Development Tax and money recovered for raising compensatory plantations in lieu of forest areas made over for non forestry purposes. The amount realized during the year under the above heads was ₹ 609.51 crore. This amount, together with ₹ 284.52 crore, was transferred through accounting adjustments during the year. The amount of ₹ 284.52 crore realized under the Forest Development Tax during 2011-12 had remained under the revenues of the Commercial Taxes Department in the Consolidated Fund of the State. On account of reconciliation made during 2012-13, the fact of misclassification was noticed and a Note of Error was placed in the Consolidated Abstract of revenue relating to the Major Head 0045 maintained in the office of the Principal Accountant General (Accounts & Entitlements). Further in order to set right the misclassification in the fund transaction during the year itself, the amount of ₹ 284.52 crore was transferred to the Public Account even though there existed insufficient budget provision.

2.4.8 New service/New instrument of service

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

In eight cases involving five grants, expenditure totaling ₹ 90.86 crore, which should have been treated as 'New Service/New Instrument of Service, was incurred without the approval of the Legislature **(Appendix 2.7)**.

Supplementary Provision

Supplementary provision (₹ 18,690.18 crore) made during the year constituted 17 *per cent* of the original provision (₹ 1,07,705.01 crore) which was 56 *per cent* more than the previous year.

2.4.9 Unnecessary supplementary provision

Supplementary provision of ₹ 1,052.59 crore made under 14 detailed / object heads relating to five out of 16 test checked grants proved unnecessary **(Appendix 2.8).**

2.4.10 Excessive supplementary provision

Supplementary grant of ₹ 3,744.38 crore obtained under 15 detailed heads relating to eight out of 16 test checked grants proved excessive. The resultant unutilized provision in these cases was ₹ 829.58 crore **(Appendix 2.9).**

2.4.11 Inadequate supplementary provision

Supplementary provision of ₹ 6.38 crore obtained under four detailed heads relating to two out of 16 test checked grants proved inadequate. The uncovered excess expenditure in these cases was ₹ 42.22 crore **(Appendix 2.10).**

Re-appropriation of funds

A grant or appropriation for disbursements is distributed by sub-head / detailed head / object head under which it is accounted for. The competent executive authority may approve 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 of funds should be made only when it is known or anticipated that the appropriation for the unit from which funds are to be transferred will not be utilised in full or will result in unspent provision in the unit of appropriation.

2.4.12 Injudicious re-appropriation of funds

In 57 cases re-appropriation of funds was made injudiciously resulting either in un-utilised provision or excess over provision of more than ₹ 25 lakh in each case (**Appendix 2.11**), as summerised below:

- In two cases additional funds of ₹ 1.98 crore, provided through re-appropriation, proved insufficient as the final expenditure exceeded the provision by ₹ 10.43 crore.
- In 31 cases the un-utilised provision was not properly assessed as, even after the withdrawal of ₹ 756.19 crore through re-appropriation, ₹ 900.90 crore remained un-utilised.
- In 23 cases additional funds of ₹ 387.24 crore, provided by re-appropriation, resulted in overall un-utilised provision of ₹ 1,207.47 crore and the re-appropriation made was unnecessary.
- In one case, withdrawal of ₹ 50.00 crore resulted in excess expenditure of ₹ 8.97 crore.

2.4.13 Defective re-appropriation

During 2012-13 461 re-appropriation orders for an amount of ₹ 5,631.16 crore were issued of which 37 re-appropriation orders for ₹ 611.76 crore were not acted upon as they violated the provisions of Article 309, 312 and 315(a) of the Karnataka Financial Code which stipulated the conditions under which the re-appropriation could not be done (**Appendix 2.12**).

Surrender of unspent provision

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

2.4.14 Unspent provision not surrendered

In the case of 19 grants/appropriations the entire unspent provision, aggregating ₹ 9,237.85 crore, was not surrendered **(Appendix 2.13).**

Further, in the case of 28 grants/appropriations there was only partial surrender and around 72 *per cent* (₹ 19,796.38 crore) of the total unspent provision (₹ 27,371.76 crore) was not surrendered (**Appendix 2.14).** Besides, in 13 grants where surrender of funds was in excess of ₹ five crore, ₹ 7,387.35 crore were surrendered on the last two working days of the financial year, indicating inadequate financial control (**Appendix 2.15).**

2.4.15 Substantial surrenders

Out of the total provision of ₹ 4,421.96 crore in 23 cases, ₹ 4,279.76 crore (97 *per cent*) were surrendered, which included cent *per cent* surrenders in 10 cases (₹ 3,737.12 crore) (**Appendix 2.16).** These surrenders were stated to be due to non-receipt or late receipt of sanctions from Government, non-receipt of grants, non-receipt of claims, non-finalization of tenders/ contracts etc.

2.5 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 2012-13, two sanctions for ₹ one crore each were issued for withdrawal from out of contingency fund during July 2012. The transactions related to release of loan for revival of TAPCMS, Puttur (Major Head 6425) and financial assistance towards rehabilitation of endosulphan affected victims (Major Head 2250). However, these amounts were withdrawn from the treasury during August 2012 when the relevant Appropriation Act had already been passed by the Legislature (July 2012).

2.6 Errors in budgeting

Errors in budgeting of ₹ 4,772.63 crore due to provision made under Revenue Charged instead of Revenue Voted, provision made in excess of requirement/ provision obtained under Loan head, when the balances of which had already been written off etc., were noticed (**Appendix 2.17).**

2.7 Outcome of review of selected grants

A review of budgetary procedures followed and expenditure controls exercised in respect of one selected grant showed the following:

2.7.1 Grant No. 18 – Commerce and Industries

2.7.1.1 Introduction

Grant No 18 of the Appropriation Accounts covers the Directorates of Mines and Geology, Cane Sugar, Handlooms and Textiles and Industries and Commerce. Commissionerate of Sericulture which was under Commerce and Industries Department was transferred to Agriculture and Horticulture Department under Grant No.1 during May, 2011. As a separate review relating to the Sericulture Department has been brought out in the Report of C&AG on Economic Sector covering the period 2008-09 to 2012-13 the budgetary control issue of the Department is not discussed in the present review.

2.7.1.2 Budget and expenditure

The overall position of budget provisions, actual disbursements and savings under the grant for the last three years are given below:

Table 2.6: Budget and expenditure

(₹ in crore)

<table>
<tr><th>Year</th><th>Section</th><th>Budget provision</th><th>Expenditure</th><th>Unutilized provision and its %</th></tr>
<tr><td rowspan="4">2010-11</td><td>Revenue- Original</td><td>1,016.24</td><td rowspan="2">1,145.63</td><td rowspan="2">35.83
(3)</td></tr>
<tr><td>Supplementary</td><td>165.22</td></tr>
<tr><td>Capital - Original</td><td>105.33</td><td rowspan="2">248.74</td><td rowspan="2">149.63
(38)</td></tr>
<tr><td>Supplementary</td><td>293.04</td></tr>
<tr><td rowspan="4">2011-12</td><td>Revenue- Original</td><td>1,269.67</td><td rowspan="2">1,374.38</td><td rowspan="2">171
(11)</td></tr>
<tr><td>Supplementary</td><td>275.71</td></tr>
<tr><td>Capital - Original</td><td>221.80</td><td rowspan="2">319.35</td><td rowspan="2">102.13
(24)</td></tr>
<tr><td>Supplementary</td><td>199.68</td></tr>
<tr><td rowspan="4">2012-13</td><td>Revenue- Original</td><td>1,269.37</td><td rowspan="2">1,250.29</td><td rowspan="2">134.38
(10)</td></tr>
<tr><td>Supplementary</td><td>115.30</td></tr>
<tr><td>Capital - Original</td><td>258.47</td><td rowspan="2">176.42</td><td rowspan="2">234.12
(57)</td></tr>
<tr><td>Supplementary</td><td>152.08</td></tr>
</table>

Source: *Appropriation Accounts.*

During 2010-13 unutilized provision under revenue section ranged between three to 11 *per cent* and under capital section between 24 to 57 percentages respectively.

The budget placed before the Legislature is further bifurcated into plan and non plan in the detailed demand for grants under revenue/capital section respectively. The bifurcation of provision/ expenditure during 2010-13 under revenue / capital is given below:

Table 2.7: Revenue

(₹ in crore)

Year	Budget including supplementary		Expenditure		Deviation in percentage	
	Non plan	Plan	Non plan	Plan	Non plan	Plan
2010-11	691.30	490.16	761.03	384.60	+10.08	- 21.53
2011-12	942.69	602.69	921.49	452.89	- 2.24	- 24.85
2012-13	962.44	422.23	933.57	316.72	- 2.99	- 24.98

***Source**: Grant Register.*

As evident from the table above, the deviation percentage was insignificant during 2011-13 under non-plan expenditure. In respect of plan expenditure the deviation was markedly high in all the three years thereby indicating shortfall in plan achievements.

Table 2.8: Capital

(₹ in crore)

Year	Budget including supplementary		Expenditure		Deviation in percentage	
	Non plan	Plan	Non plan	Plan	Non plan	Plan
2010-11	31.00	367.37	0.00	248.74	-100.00	-32.29
2011-12	48.08	373.40	29.95	289.40	-37.70	-22.49
2012-13	38.30	372.25	1.00	175.42	-97.00	-52.87

***Source**: Grant Register.*

The deviation both under non plan and plan during the period 2010-13 ranged between 37.70 *per cent* and 100 *per cent* and 22.49 *per cent* and 52.87 *per cent,* respectively. Plan schemes like Weaver Package, NCDC scheme of Assistance to Power loom Co-operatives, Construction of Regional Information and Training Centre and setting up of Industrial Clusters suffered on account of non-utilization/ partial utilization of allocations.

2.7.1.3 Budget process

The process of budget compilation starts every year during October with the Finance Department issuing instructions to all the estimating officers to route their requirement of funds, duly scrutinized by the Internal Financial Advisors (IFA). The IFAs are required to scrutinize the salary expenditure pertaining to the departments which gets reflected in Appendix B, a document providing details of estimates of expenditure on pay of officers, staff under state sector, meant for the purpose. In respect of expenditure other than salary the Secretariat in the department is required to process the estimates. The budget calendars fixed for transmission of data at various levels were generally adhered to. In the midterm fiscal plans of 2007-08, 2008-09 presented to the Legislature, the Government had emphasized the need for improving the expenditure management, with particular reference to avoiding a major portion of expenditure being incurred towards the end of the financial year. Accordingly every department had to prepare a Monthly Programme Implementation Calendar (MPIC) for each scheme setting out details of steps to be taken and this should be used for review of progress of each scheme in the monthly multi-level review meetings. However, in one test checked case, in the Department of Cane Sugar, provision relating to compensation to sugar growers, the budget provision of ₹ 5.50 crore (Head of Account 2852) was through supplementary estimate under Revenue Section. This related to payment of compensation to the Sugarcane Growers during 2012-13 and not included in the MPIC of the department. This indicated lack of co-ordination between the Directorate of Cane Sugar and the Finance Department. In two cases, under capital section (Major Head 4851) it was observed that provision of ₹ six crore was obtained under the grant No. 18, though the activities stood transferred to grant No.1 through an executive order.

2.7.1.4 Surrender of savings

All savings anticipated by the Controlling Officers should be reported with full details and reasons to the Finance Department immediately as soon as they are foreseen, unless these are required to meet the anticipated additional requirements of funds under some other heads within the total allotment under the same grant or Appropriation placed under their control. 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. Unutilized provision of ₹ 202.01 crore was surrendered on the last day of the financial year of which ₹ 139.79 crore was under revenue section and ₹ 62.22 crore under capital section as shown in **Table 2.9** below:

Table : 2.9 – Surrender of savings

(₹ in crore)

Year	Savings		Amount surrendered	
	Revenue	Capital	Revenue	Capital
2010-11	35.83	149.63	56.43	60.42
2011-12	171.01	102.13	82.41	1.80
2012-13	134.38	234.15	0.95	0.00
Total	**341.22**	**485.91**	**139.79**	**62.22**

Source: *Appropriation Accounts*

During the year 2010-11 saving in the Revenue section was ₹ 35.83 crore against which the amount surrendered was ₹ 56.43 crore. The excess under revenue section occurred mainly under Transfer of market fees and license fee to Karnataka Silkworm Seed Cocoon and Silkyarn Development and Price Stabilization Fund (₹ 16.89 crore) under inter accounts transfers. The transaction under this head is dependent on the revenues realized for eventual transfers to the fund.

2.7.1.5 Unrealistic Budgeting

In respect of following revenue/capital heads of account, provision remained unutilized during the period 2011-13 for which no specific reasons were available with the department. The detailed heads affected are given in **Table 2.10** below.

Table 2.10: Persistent savings

(₹ in crore)

Sl. No.	Head of account	2010-11	2011-12	2012-13
1	2852-80-003-12 Establishment of Industrial clusters	10.27	4.37	35.86
2	4702-102-1 Construction of RITC (Externally Aided Hydrology Project-II)	3.30	1.48	2.29
3	6851-108-04 NCDC schemes of loans for Power loom Co-operatives	1.20	6.00	6.00

Source: *Appropriation Accounts*

2.7.1.6 Unnecessary supplementary grants

Departments are required to ensure that supplementary grants are obtained in emergent cases only. Supplementary demands should be restricted and confined to genuine unforeseen expenditure which could not be envisaged at the time of preparation of annual budget or to meet the requirements of decisions or developments which have taken place after the approval of the budget i.e. post budget decisions and not for continuing schemes and programmes. During 2012-13 the four controlling officers/departments obtained unnecessary supplementary grants amounting to ₹ 65.75 crore in respect of various ongoing schemes, as detailed in **Table 2.11** below. The reasons for non-utilization of provision was on account of faulty orders issued for such adjustments as brought out in the appropriation accounts for the year.

Table 2.11: Unnecessary supplementary grants

₹ in crore)

Departments	Amount of unnecessary Supplementary grant Revenue /Capital	Total unnecessary Supplementary grant
Mines & Geology	4885-60-190-0-01-211 - Investments	2.00
	6853-02-190-3-00-395 - Loans to PSU	1.00
Industries & Commerce	2852-07-202-0-00-261 - Inter account transfers	1.01
	4851-00-102-0-14-132 - Capital expenses	1.00
	4858-01-190-0-01-211 - Investments	4.64
	4860-60-212-0-01-211 - Investments	9.94
Sugar	2852-08-201-0-07-106 - Subsidies	5.50
	4860-04-800-0-02-132 - Capital expenses	2.00
Handlooms & Textiles	2851-00-103-0-62-059 - Other expenses	10.00
	4851-00-190-0-15-211 - Investments	28.66
Total		**65.75**

Source: *Grant Register*

2.7.1.7 Excessive Supplementary Grants

The Departments are required to prepare their budget estimates keeping in view the disbursement trends during the previous years and other relevant factors such as the economy instructions issued by the Government from time to time. During 2012-13 supplementary grants proved excessive by ₹ 58.37 crore as per **Table 2.12** for which no specific reasons were forthcoming.

Table: 2.12 Excessive supplementary grants

(₹ in crore)

Departments	Amount of excessive supplementary grant Revenue /Capital	Total excessive supplementary grant
Mines & Geology	4702-00-102-1-80-396	2.29
Industries & Commerce	2851-00-102-0-69-106	20.00
	2851-00-102-0-14-014	3.48
	6858-01-190-2-01-395	5.00
Sugar	6860-04-101-0-27-394	10.00
Handlooms & Textiles	2851-00-103-0-62-059	17.60
Total		**58.37**

Source: *Grant Register*

2.7.1.8 Rush of expenditure

As per paragraph 6 of instructions issued by Finance Department dated 09 September 2004, regarding releases, drawal and accounting of funds in order 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 25 to 88 and expenditure during last quarter ranged from 50 to 100 during the year 2012-13. The sub-head wise details of expenditure are detailed in **Appendix 2.18.**

2.8 Outcome of Inspection of Treasuries

Principal Accountant General (A&E) Karnataka, Bangalore is entrusted with the responsibility of annual inspection of treasuries in Karnataka. The Review Report on the working of treasuries is prepared every year after the completion of the inspection of all District and Sub-Treasuries for submission to the State Government. The review report mainly relates to the matters arising from the monthly accounts rendered by the treasuries together with the points raised in local inspection of Treasury records.

2.8.1 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 and the Banks after crediting the Family Pension amount to the SB accounts concerned, forward the claim through the link branch which is settled by the Treasury.

During 2012-13, in 391 cases relating to 30 district treasuries, Public Sector Banks made payment of Family Pension at enhanced rates beyond the period mentioned in the Pension Payment Orders, resulting in excess payment of ₹ 2.24 crore **(Appendix-2.19).** In respect of 18 treasuries, further excess payment of ₹ 72.01 lakh was noticed in 182 cases in 2012-13 despite this fact having been pointed out in earlier years in these cases, resulting in an overall excess payment of ₹ 1.56 crore **(Appendix-2.20).**

Failure on the part of the Banks to monitor and adhere to the cutoff date for payment of Family Pension at enhanced rates resulted in the excess payments.

The Banks continued to make payments at enhanced rates beyond the period mentioned in the Pension Payment Orders although we had highlighted instances of such excess payments on a number of occasions[13] in the past.

Finance Department stated (December 2013) that, the payment of pensions is through Public Sector Banks (PSB) and even the recovery of excess pension is their responsibility. The issue has been discussed in several meetings wherein RBI and PSB officers were present. The audit observation is also being brought before the next meeting of RBI and PSBs.

2.8.2 Fraudulent Drawal of funds from Kolar Treasury

In the Computerized Treasury System (Khajane) the District Level Officer distributes budget allocation to his subordinate DDOs by duly forwarding the data in a floppy along with a hard copy containing subordinate DDO-wise allocation to the Treasury Officer through an authorized official. The Treasury Officer after verifying the signature of the authorized official and authenticity of the data, forwards the letter and the floppy to designated staff of the Treasury for uploading the allocation. The Assistant Treasury Officer (ATO) approves the uploaded allocation.

In the special audit taken up (June 2013) on the request of the Finance Department by the office of the Principal Accountant General (A&E), it was seen that a Second Division Assistant (SDA) of District Treasury, Kolar had unauthorisedly uploaded seven allocations aggregating ₹ 37.47 lakh in favour of Taluk Welfare Officer, Kolar on various dates between May 2012 and August 2012 under the head of account 2225-00-101-0-29-050 Voted/ Plan and one allocation of ₹15.00 lakh under 2225-00-102-0-33-050 Voted/ Plan. Against the allocation of ₹ 52.47 lakh, ₹ 49.93 lakh had been fraudulently drawn between May 2012 and July 2012 by presentation of 13 fictitious non-salary bills in the name of Taluk Social Welfare Officer, Kolar. These

[13] AR(Civil) 2005-06: Para 4.5.2.1, AR(Civil) 2006-07: Para 4.5.1, AR (Civil) 2008-09: Para 3.3.1, AR(Civil) 2009-10: Para 3.3.1, AR(Civil) 2010-11: Para 3.3.1, AR(Civil) 2011-12: Para 3.3.1

unauthorized allocations had been approved by the SDA himself instead of the ATO, due to lack of controls in the IT system and therefore, the necessity to review the security features at once.

Finance Department replied (December 2013) that, the issue was examined in detail and departmental enquiry has been ordered by the Government against the DTO, ATO, Chief Accountant and SDA. Further, action will be initiated against those found guilty and the enquiry is also expected to bring out issues relating to lack of supervisory and technical controls, if any.

2.9 Conclusion

Against the total provision of ₹ 1,26,395.19 crore during 2012-13 an expenditure of ₹ 99,954.95 crore was incurred. This resulted in an unspent provision of ₹ 26,440.24 crore (21 *per cent*). Excess expenditure of ₹ 4,793.28 crore relating to the period 1989-90 to 2010-11 has since been regularized. Expenditure aggregating ₹ 90.86 crore in eight cases, which should have been treated as 'New Service/New instrument of service', was incurred without the approval of the Legislature. While, supplementary provision of ₹ 1,052.59 crore in 14 cases was unnecessary re-appropriation of funds in 57 cases was made injudiciously resulting in either un-utilised provision or excess over provision. In 13 grants, ₹ 7,387.35 crore was surrendered in the last two working days of the financial year. Withdrawal of funds from Contingency Fund in two cases during August 2012 was not in order as the relevant appropriation act had already been passed by the Legislature.

Provisions had remained unutilized in the Commerce and Industries department indicating lack of proper planning in utilization of funds placed before the department. In contravention of instructions of Finance Department to avoid bunching of expenditure during the month of March, rush of expenditure was noticed in the department of Commerce and Industries.

2.10 Recommendations

Budgetary control should be strengthened in all departments to avoid cases of provision remaining unutilized. Figures once voted by the Legislature under appropriation in the budgets should not be altered in subsequent years. Excessive /unnecessary supplementary provision and re-appropriation of funds injudiciously should be avoided. Budget should be prepared keeping in view the actual requirement of funds and it should neither be under/over pitched as observed by the PAC of the Legislature. The re-appropriation of funds at the close of the financial year is also required to be avoided. The departmental budgets should be more realistic and cases of persistent non-utilization of funds, excessive provision of funds should be avoided. The departments are required to forecast the actual budget requirement as laid down in the provisions of Budget Manual. Rush of expenditure during the last quarter of the financial year particularly in the month of March should be avoided.