	Paragraph	Page
D. C.	number	number
Preface		ix
Executive Summary		xi
Chapter-I		
Finances of the State Government		
Introduction 2016 17	1.1	1
Summary of fiscal transactions in 2016-17	1.1.1	2
Review of fiscal situation	1.1.2	3
Major fiscal variables	1.1.3	6
Budget Estimates and Actuals 2016-17	1.1.4	7
Gender Budgeting	1.1.5	9
Major policy initiatives of Budget 2016-17	1.1.6	12
Resources of the State	1.2	13
Resources of the State as per the Annual Finance Accounts	1.2.1	13
Direct transfer of Central Scheme Funds to Implementing	1.2.2	15
Agencies in the State (Funds routed outside State Budget)		
Revenue receipts	1.3	16
State's own resources	1.3.1	19
Tax revenue	1.3.1.1	20
Non-tax revenue	1.3.1.2	22
Grants-in-aid from Government of India	1.3.2	24
Central tax transfers	1.3.3	25
Optimisation of XIV Finance Commission grants	1.3.4	26
Introduction	1.3.4.1	26
Release of Grants	1.3.4.2	26
Other Recommendations	1.3.4.3	27
Foregone revenue	1.3.5	31
Capital Receipts	1.4	31
Public Account Receipts	1.5	32
Application of resources	1.6	33
Growth and composition of expenditure	1.6.1	33
Revenue Expenditure	1.6.2	35
Committed Expenditure	1.6.3	36
Financial assistance to local bodies and other institutions	1.6.4	42
Quality of expenditure	1.7	43
Adequacy of public expenditure	1.7.1	43
Efficiency of expenditure	1.7.2	44
Financial Analysis of Government expenditure and	1.8	45
investments		
Incomplete projects	1.8.1	46
Investment and returns	1.8.2	46
Investment in Public Private Partnership (PPP) Projects	1.8.3	48
Departmental undertakings	1.8.4	49
Loans and advances by the State Government	1.8.5	49

Cash balances and investment of cash balances	1.8.6 <b>1.9</b>	50 <b>51</b>
Assets and Liabilities	**	
Growth and composition of assets and liabilities	1.9.1	51
Fiscal liabilities	1.9.2	53
Off-budget borrowings	1.9.3	54
Transactions under Reserve Fund	1.9.4	55
Contingent Liabilities	1.9.5	59
Status of Guarantees	1.9.5.1	59
Adequacy of disclosure about Guarantees	1.9.5.2	60
Debt Management	1.10	60
Debt profile	1.10.1	60
Debt Sustainability	1.10.2	61
Debt stability	1.10.3	62
Sufficiency of incremental non-debt receipts	1.10.4	62
Net availability of borrowed funds	1.10.5	63
Short receipt of interest relief on NSSF loans as per the award of	1.10.5.1	63
the XIII Finance Commission - ₹192.42 crore		0.5
Fiscal Imbalances	1.11	64
Trends in deficits	1.11.1	65
Composition of fiscal deficit and its financing pattern	1.11.2	68
Quality of deficit/surplus	1.11.3	69
Follow up	1.12	69
Conclusion and recommendations	1.13	70
Chapter - II		
Financial Management and Budgetary Cont	trol	
Introduction	2.1	75
Summary of Appropriation Accounts	2.2	75
Excess Expenditure	2.3	78
Excess expenditure requiring regularisation in the previous years	2.3.1	78
Excess expenditure over provision during 2016-17	2.3.2	80
New Service/New Instrument of Service	2.3.3	81
Scrutiny of Budget Estimates and Supplementary Estimates		
for the year 2016-17	2.4	82
Errors in budgeting	2.4.1	82
Misclassification between capital and revenue sections	2.4.1.1	82
Misclassification between voted and <i>charged</i> sections while		0.2
budgeting	2.4.1.2	83
Error in budgeting due to non-provision for transfer of Market	2 4 4 2	0.0
Fees/ License Fees	2.4.1.3	83
Incorrect provision made under Major Heads of Account	2.4.1.4	84
Incorrect provision made under Minor Heads	2.4.1.5	85
Errors in classification	2.4.1.6	85
Incorrect budgeting	2.4.1.7	86
Erroneous provision relating to adjustment of Guarantee		
Commission to Guarantee Reserve Fund	2.4.1.8	87
Error in Budgeting under the Fund Accounts	2.5	87
Lack of transparency in provisioning – Budget operation of		
Omnibus object head 059 – Other Expenses	2.6	88

Financial Accountability and Budget Management	2.7	89
Appropriation vis-à-vis allocative priorities	2.7.1	89
Persistent unspent provision	2.7.2	93
Supplementary provision	2.7.3	93
Incorrect Supplementary provision	2.7.4	94
Unnecessary Supplementary provision	2.7.5	95
Excessive Supplementary provision	2.7.6	95
Inadequate Supplementary provision	2.7.7	95
Re-appropriation of Funds	2.7.8	95
Belated receipt of re-appropriation and surrender orders	2.7.9	95
Unnecessary/Excessive/Insufficient re-appropriation of funds	2.7.10	96
Defective re-appropriation	2.7.11	96
Surrender of unspent provision	2.7.12	97
Substantial surrenders	2.7.13	97
Contingency Fund	2.8	98
Outcome of review of selected grants	2.9	98
Grant No.11 – Women and Child Development	2.9.1	98
Grant No.20 – Public Works	2.9.2	103
Excess payment of Family Pension	2.10	108
Conclusion	2.11	109
Recommendations	2.12	110
Chapter – III		
Financial Reporting		
Non-submission of Utilisation Certificates	3.1	113
Non-receipt of information pertaining to institutions	2.2	112
substantially financed by the Government	3.2	113
Status of submission of accounts of Autonomous Bodies and	3.3	114
placement of Audit Reports before the State Legislature	3.3	114
Departmental Commercial Undertakings	3.4	114
Misappropriations, losses etc.	3.5	115
Non-receipt of stores and stock accounts	3.6	115
Abstract Contingent bills	3.7	115
Personal Deposit (PD) Accounts	3.8	116
Funds kept in PD accounts	3.8.1	117
Parking of funds in PD Accounts	3.8.2	117
Reconciliation of PD Accounts	3.8.3	118
Reconciliation of receipts and expenditure	3.9	118
Comments on Accounts	3.10	119
Defective Budgeting resulting in excess expenditure under		
Demand No. 29 - Debt Servicing under interest and commitment	3.10.1	119
charges		
Irregular retention of scheme money	3.10.2	119
Avoidable payment of interest of ₹7 crore to National Thermal	3.10.3	120
Power Corporation (NTPC) Limited	5.10.5	120
Government money kept outside the Government Account for	3.10.4	121
avoiding lapse of budget grants		
Transparency in Accounts	3.11	122

Erroneous provisions made under omnibus head – 911 in the	3.11.1	122
Budget estimate/ Supplementary estimates	3.11.1	122
Provision/ expenditure made under defunct object heads of	3.11.2	122
account	3.11.2	122
Important factors affecting accuracy of accounts	3.12	123
Conclusion	3.13	125
Recommendations	3.14	126

Appendix number	Subject	Page number
	ber	
1.1	State Profile	129
1.2	Structure of Government Accounts	131
1.3	Abstract of Receipts and Disbursements	132
1.4	Time series data on the State Government Finances	136
1.5	Implicit Subsidies	139
1.6	Financial position of departmentally managed Commercial/ Quasi Commercial undertakings	140
1.7	Detailed Loan accounts maintained by Accountant General (A&E)	141
1.8	Summarised financial position of the Government of Karnataka as on 31 March 2017	142
2.1	Cases of incurring expenditure which are not covered by Budget, but released by FD as additionalities	143
2.2	Major heads of account under which excess expenditure was above ₹25.00 crore	144
2.3	Details of misclassification under the object head 059-Other expenses	147
2.4	Major head of accounts under which provision of ₹25 crore and above remained unspent	148
2.5	Unnecessary supplementary provision	150
2.6	Excessive supplementary provision	152
2.7	Inadequate supplementary provision	153
2.8	Unnecessary/Excessive/ Insufficient re-appropriation	154
2.9	Cases of defective Re-appropriation orders	157
2.10	Statement of various grants/appropriations in which unspent provisions occurred but no part of which was surrendered	160
2.11	Surrender of un-spent provisions	162
2.12	Cases where funds were surrendered in excess of ₹5 crore on 30 and 31 March 2017	165
2.13	Results of substantial surrenders made during the year	166
2.14	Rush of expenditure – Grant No. 11	168
2.15	Excess payment of Family Pension	169
2.16	Repeated excess payment of Family Pension	170
2.17	Avoidable payment of interest	171
3.1	Major head and Department-wise details of outstanding UCs separately for each year	172
3.2	Non-receipt of information pertaining to institutions substantially financed by the Government	173
3.3	Status of submission of accounts of Autonomous bodies and placement of Audit Reports before the State Legislature	174
3.4	Position of arrears in finalisation of Proforma Accounts by the departmentally managed Commercial and Quasi Commercial Undertakings	175
3.5	Department-wise/duration-wise breakup of the cases of theft and misappropriation	177

3.6	Department-wise and category-wise details of theft and misappropriation	178
3.7	Department wise details of non-submission of stores and stock accounts	179
3.8	Balances remaining under Inoperative PD accounts	182
3.9	Recovery under minor head 902/911 – Deduct recovery of overpayments of PRI	183
	Glossary	184
	Abbreviation	185