

2.1 Introduction

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

2.2 Summary of Appropriation Accounts

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

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

(₹ in crore)

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

Source: Appropriation Accounts

The unspent provision of ₹16,959.82 crore during the year 2017-18 was the result of overall unspent provision of ₹17,159.26 crore under 29

grants/appropriation, which was offset by excess expenditure of ₹199.44 crore under Demand Nos. 03, 08, 24 and 29 under voted/charged expenditure of the revenue/capital sections.

2.3 Comments on Expenditure

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

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

2.3.1 Overstatement/Understatement of expenditure

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

Table 2.2: Overstatement/Understatement of expenditure

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

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

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

2.3.2 Additionality amount released through Executive orders

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

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

2.3.3 Excess Expenditure

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

2.3.4 Excess expenditure over provision during 2017-18

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

Table 2.3: Excess expenditure during 2017-18

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

Source: Appropriation Accounts.

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

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

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

2.3.5 Excess expenditure requiring regularisation in the previous years

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

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

2.3.6 New Service/New Instrument of Service

Article 205 of the Constitution provides that expenditure on a ‘New Service’ not contemplated in the Annual Financial Statement (Budget) can be incurred only after its specific authorization by the Legislature. The Government issued orders in August 2015 based on the recommendations of the Public Accounts Committee in its Fourth Report (Fourteenth Assembly), exempting certain items of expenditure for which ‘New Service’ criteria shall not be applicable and also

prescribed the criteria, for treating the expenditure as ‘New Service’. The revised criteria for ‘New Service’ became effective from the financial year 2015-16. As per the above order, the cases already provided for and approved by the Legislature but where the expenditure is subsequently expected to exceed the amount originally provided in the budget will not be treated as ‘NEW SERVICE’, provided the increase over the actual provision does not exceed twice the provision or ₹5 crore, whichever is more.

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

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

2.4 Errors in Budgeting

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

2.4.1 Misclassification between ‘Capital’ and ‘Revenue’ section

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

2.4.2 Misclassification between ‘voted’ and ‘charged’ sections while budgeting

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

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

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

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

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

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

2.4.4 Incorrect provisions made under Major Heads of Account

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

2.4.5 Errors in classification under object heads of account

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

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

In reply to SFR 2012-13, the Finance Department stated that the object head with respect of ULBs though being the same did not figure in the State Sector of Accounts as the budget heads in the link document of ULBs were not captured under the State Sector. The reply is not tenable as the bills are

submitted by the DDOs of the ULBs and the amount drawn from the treasury, the same amount is booked under the same functional object heads as revealed in Statement - 4 B - Expenditure by nature of Finance Accounts.

2.4.6 Errors in budgeting under the Fund Accounts

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

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

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

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

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

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

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

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

2.5 Financial Accountability and Budget Management

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

2.5.1 Appropriation *vis-a-vis* allocative priorities

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

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

Finance

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

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

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

head/object heads could have made for the purpose and the amounts could have been re-appropriated from Major Head 2040.

Rural Development and Panchayat Raj

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

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

Education

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

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

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

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

2.5.2 Persistent Unspent Provision

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

Table 2.4: Persistent unspent provision

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

Source: Appropriation Accounts

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

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

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

2.5.3 Supplementary Provisions

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

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

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

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

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

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

(₹ in crore)

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

Source: Supplementary Estimates

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

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

2.5.3.1 Unnecessary Supplementary Provision

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

2.5.3.2 Excessive¹⁴ Supplementary Provision

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

2.5.3.3 Inadequate Supplementary Provision

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

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

2.5.4 Re-appropriation of Funds

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

2.5.4.1 Unnecessary/Excessive/Insufficient re-appropriation of Funds

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

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

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

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

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

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

2.5.4.2 Defective Re-appropriation

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

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

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

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

2.5.5 Surrender of unspent Provision

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

2.5.5.1 Unspent provision not surrendered

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

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

2.5.5.2 Substantial surrenders

Out of the total provision of ₹1,398.77 crore, in 37 cases, ₹1,216.62 crore (87 *per cent*) were surrendered, which included *cent per cent* surrenders in 19 cases (₹554.62 crore) (**Appendix 2.19**). These surrenders were stated to be due to non-availability of beneficiaries, non-commencement of project within the prescribed period, release of grants at the fag end of the financial year, non-

approval of work/administrative approval, non-receipt of bills in time, non-fulfilment of purchase procedure and non-appointment of part time employees etc.

2.6 Contingency Fund

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

2.7 Outcome of review of Selected Grants

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

2.7.1 Grant No.8 – Forest, Ecology and Environment

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

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

2.7.1.1 Budget and Expenditure

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

Table: 2.6: Budget and Expenditure

(₹ in crore)

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

Source: Grant Registers

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

2.7.1.2 Budget - Revenue and Capital

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

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

2.7.1.3 Misclassification between ‘Capital’ and ‘Revenue’

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

2.7.1.4 Misclassification between ‘Voted’ and ‘Charged’

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

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

2.7.1.5 Rush of Expenditure

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

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

2.7.2 Grant No.19 – Urban Development

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

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

Budget and Expenditure

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

Table 2.7: Budget and Expenditure

(₹ in crore)

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

Source: Grant Registers

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

The department in its reply (February 2019) stated that the savings was due to implementation level constraints. It further stated that the observation was noted

and all implementing officers who deal with the expenditure are advised to adhere to the budget provisions.

2.7.2.2 Budget - Revenue and Capital

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

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

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

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

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

(i) UIDSSMT/JnNURM

The Ministry of Urban Development has launched the Jawaharlal Nehru National Urban Renewal Mission (JnNURM) during 2005-06 of which Urban Infrastructure Development Scheme for Small and Medium Town (UIDSSMT) was one of the component. The funds for the scheme are released by the Government to the Director of Municipal Administration (DMA), Government of Karnataka. DMA is implementing the scheme through ULBs. It was noticed

that the amount drawn under UIDSSMT scheme during January 2018 amounting to ₹39.80 crore for implementation of Water Supply Projects in Tumakuru was deposited in banks in fixed deposit account earning interest. It was stated by DMA (September 2018) that the scheme guidelines allowed him to operate a separate bank account. Further, as the implementing agency had sufficient funds to meet the expenditure on the project, as and when the expenditure exceeds 75 per cent of the released amount, the amount drawn from the treasury would be released to the implementing agency. In the present case, the amount was drawn during January 2018 and was lying with DMA without utilization in FD account, artificially inflating the revenue expenditure.

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

(ii) Pourakarmika Gruha Bhagya Yojane

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

2.7.2.4 Persistent Savings

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

Table 2.8: Persistent Savings

(₹ in crore)

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

Source: Grant Registers

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

2.7.2.5 Rush of Expenditure

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

Table 2.9: Rush of expenditure

(₹ in crore)

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

Source: Grant Register

In reply, the department stated (February 2019) that due to unavoidable circumstances owing to administrative sanctions, technical sanctions, tendering

and re-tendering process which consumed time, resulting in incurring expenditure at the fag end of the year. It also stated that all efforts will be taken in future to plan the expenditure across the financial year.

2.8 Excess payment of Family Pension

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

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

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

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

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

2.9 Conclusion

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

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

2.10 Recommendations

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