



# **Chapter I**

## **Introduction**



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### 1.1 Budget profile

The Accountant General (Economic & Revenue Sector Audit), Karnataka, Bengaluru, conducts audit of 12 departments and 25 autonomous bodies under the Economic Sector in the State. The position of budget estimates and actual expenditure there against by the State Government during 2014-19 is given in **Table 1.1**.

**Table 1.1: Budget and actual expenditure of the State during 2014-19**

Expenditure	2014-15		2015-16		2016-17		2017-18		2018-19	
	Budget Estimates	Actuals	Budget Estimates	Actuals	Budget Estimates	Actuals	Budget Estimates	Actuals	Budget Estimates	Actuals
General Services	29,570	28,265	30,997	30,799	35,018	31,265	38,009	34,484	45,744	42,655
Social Services	42,117	39,366	45,728	46,307	50,960	54,549	55,887	58,652	70,226	67,935
Economic Services	32,399	29,971	32,175	33,846	38,277	40,421	43,671	42,856	44,152	48,285
Grant-in-aid & Contributions	6,671	6,012	6,549	6,076	5,980	5,686	7,187	6,490	6,167	5,425
Total (1)	<b>1,10,757</b>	<b>1,03,614</b>	<b>1,15,449</b>	<b>1,17,028</b>	<b>1,30,235</b>	<b>1,31,921</b>	<b>1,44,754</b>	<b>1,42,482</b>	<b>1,66,289</b>	<b>1,64,300</b>
Capital outlay	20014	19,622	20,564	20,713	25,716	28,150	32,033	30,667	35,246	34,659
Loans & advance disbursed	477	576	733	657	625	1,934	1,597	5,093	5,817	4,487
Repayment of public debt	6,760	4,812	5,788	4,110	6,841	7,420	8,176	8,269	11,136	11,083
Contingency fund	5	0	5	0	5	0	5	0	5	0
Public accounts disbursement	2,57,940	1,29,574	2,83,523	1,55,095	3,42,036	1,67,154	5,09,624	1,94,537	5,10,667	2,34,330
Closing balance	0	23,901	0	27,118	0	34,354	0	26,184	0	22,004
Total (2)	<b>2,85,196</b>	<b>1,78,485</b>	<b>3,10,613</b>	<b>2,07,693</b>	<b>3,75,223</b>	<b>2,39,012</b>	<b>5,51,435</b>	<b>2,64,750</b>	<b>5,62,871</b>	<b>3,06,563</b>
Grand Total (1+2)	<b>3,95,953</b>	<b>2,82,099</b>	<b>4,26,062</b>	<b>3,24,721</b>	<b>5,05,458</b>	<b>3,70,933</b>	<b>6,96,189</b>	<b>4,07,232</b>	<b>7,29,160</b>	<b>4,70,863</b>

\*Does not include Investments

Source: Annual Financial Statement and State Finance Audit Reports of respective years.

### 1.2 Application of resources of the State Government

As against the total budget of ₹ 7,29,160 crore, the application of resources was ₹ 4,70,863 crore during 2018-19. The total expenditure<sup>1</sup> of the state increased by 64 per cent from ₹ 1,23,812 crore to ₹ 2,03,446 crore during the period 2014-15 to 2018-19 while the revenue expenditure increased by 59 per cent from ₹ 1,03,614 crore to ₹ 1,64,300 crore during the same period. The revenue

<sup>1</sup> Total of Revenue Expenditure, Capital Outlay and Loans and Advances.

expenditure constituted 35 to 36 *per cent* of the total expenditure while capital expenditure was 63 to 65 *per cent* during the period from 2014-15 to 2018-19.

During the period from 2014-15 to 2018-19, total expenditure increased at a rate of 10 to 17 *per cent* whereas revenue receipts grew at a rate of 8 to 15 *per cent*.

### 1.3 Persistent savings

During the last five years, four grants and appropriation showed persistent savings of more than ₹ 10 crore and which were also five *per cent* or more of the total grants (Table 1.2).

Table 1.2: Grants indicating persistent savings

(₹ in crore)

Sl. No	Number and name of the grant	Amount of savings				
		2014-15	2015-16	2016-17	2017-18	2018-19
<b>Revenue (Voted)</b>						
1	12-Information, Tourism and Youth Services	59.94(16)	18.04 (5)	34.15 (8)	94.01 (11)	98.11 (16)
2	21-Water Resources	701.51 (51)	198.62 (20)	119.16 (12)	169.89 (16)	125.31 (12)
<b>Capital (Voted)</b>						
3	12-Information, Tourism and Youth Services	67.18 (21)	7.80 (21)	93.28 (24)	169.34 (35)	242.22 (42)
4	21-Water Resources	588.80 (7)	2,231.65 (25)	1,252.97 (13)	2,638.20 (21)	547.46 (5)

Note: Figures in parenthesis show percentage of savings to total provision  
(Source: Appropriation Accounts of concerned years)

### 1.4 Grants-in-aid from Government of India

Grants-in-aid from GOI increased from ₹ 14,620 crore to ₹ 25,481 crore during 2014-15 to 2018-19 except during 2015-16. The details are shown in Table 1.3.

Table 1.3: Grants-in-aid received from GOI

(₹ in crore)

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Non-Plan Grants	3,635	5,548	7,045	-	-
Grants for State Plan Schemes	9,097	8,105	8,102	-	-
Grants for Central Plan Schemes	159	139	116	-	-
Grants for Centrally Sponsored Schemes	1,729	137	440	11,617	10,393
Other Transfer / Grants to States	-	-	-	7,316	11,714
Finance Commission Grants	-	-	-	2,708	3,374
<b>Total</b>	<b>14,620</b>	<b>13,929</b>	<b>15,703</b>	<b>21,641</b>	<b>25,481</b>

(Source: Finance Accounts for respective years)

### 1.5 Planning and conduct of Audit

The audit process commences with risk assessment of various departments, autonomous bodies and schemes/projects which involves assessing the criticality/complexity of activities, the level of delegated financial powers, internal controls and concerns of stakeholders and previous audit findings. Based on the risk assessment, the frequency and extent of Audit are decided and an Annual Audit Plan is formulated.

After completion of Audit, an Inspection Report containing audit findings is issued to the head of the office with the request to furnish replies within four weeks. Whenever replies are received, audit findings are either settled or further action for compliance is advised. Important audit observations pointed out in these Inspection Reports are processed for inclusion in the Audit Reports of the Comptroller and Auditor General of India which are submitted to the Governor of Karnataka under Article 151 of the Constitution of India.

During 2018-19, Compliance Audit of 138 drawing and disbursing officers of the State and four autonomous bodies under section 19 (2), 19 (3) and 20 (1) of Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act 1971, was conducted by the office of the Accountant General (Economic and Revenue Sector Audit), Karnataka.

### **1.6 Significant Audit observations and response of Government to Audit**

In the last few years, Audit had reported on several significant deficiencies in implementation of various programmes/activities as well as on the quality of internal controls in selected departments which have negative impact on the success of programmes and functioning of the Departments. The focus was on offering suitable recommendations to the Executive for taking corrective action and improving service delivery to the citizens. The departments are required to send their responses to draft Performance Audit reports/draft paragraphs proposed for inclusion in the Comptroller and Auditor General of India's Audit Report within six weeks.

Part I of this Audit Report contains one Compliance Audit on 'Management of Zoos by the Zoo Authority of Karnataka' and six Compliance Audit paragraphs which were forwarded to the concerned Administrative Secretaries. Replies from the Administrative Departments have been received for only three Compliance Audit paragraphs which have been suitably incorporated in the Audit Report.

### **1.7 Recoveries at the instance of Audit**

The Audit findings involving recoveries that came to notice in the course of test audit of accounts of Government departments were referred to the various departmental Drawing and Disbursing Officers (DDOs) for confirmation and further necessary action under intimation to Audit. An amount of ₹ 13.50 lakh was recovered in eight cases during 2018-19 by two departments after being pointed out by Audit through Inspection Reports.

### **1.8 Lack of responsiveness of Government to Audit**

After periodical inspection of the Government departments, the Accountant General (Economic & Revenue Sector Audit) issues the Inspection Reports (IRs) to the Head of Offices audited with copies to the next higher authorities. The executive authorities are expected to promptly rectify the defects and omissions pointed out and report compliances to the Accountant General within four weeks. Half yearly reports of IRs pending for more than six months are also sent to the concerned Administrative Secretaries of the departments to facilitate monitoring

and compliance of the Audit observations in the pending IRs. As of March 2019, 6,816 paragraphs pertaining to 1,128 IRs having money value of ₹ 19,473.91 crore were outstanding against various auditable units pertaining to Economic Sector (Non-Public Sector Undertaking). The large pendency of IRs indicated that the Controlling Officers did not initiate action or take remedial measures to settle the irregularities pointed out in Audit. Details of the year wise pendency has been detailed in **Table 1.4**

**Table 1.4: Year wise breakup of outstanding IRs and Paragraphs**

Year	No of IRs	No of Paragraphs	(₹ in crore)
			Amount
Upto 2013	357	1455	2,559.87
2013-14	154	805	1,484.68
2014-15	128	795	842.09
2015-16	143	910	4,060.82
2016-17	125	912	3,675.85
2017-18	124	1011	313.97
2018-19	97	928	6,536.63
<b>Total</b>	<b>1128</b>	<b>6816</b>	19,473.91

The details of outstanding paragraphs Department-wise has been detailed in **Appendix 1.1**.

## 1.9 Follow-up on Audit Reports

The Rules of Procedure (Internal Working), 1999, of the Public Accounts Committee provides that all the Departments of the Government should furnish detailed explanations in the form of Departmental Notes to the observations in Audit Reports, within four months of their being laid on the Table of Legislature to the Karnataka Legislature Secretariat with copies thereof to Audit Office.

The Administrative Departments did not comply with these instructions and eight Departments (as detailed in **Appendix 1.2**) did not submit Departmental Notes for 27 paragraphs for the period from 2003-04 to 2017-18 (as of March 2020).

Details of paragraphs pending discussion by the Public Accounts Committee as of March 2020 are given in **Appendix 1.3**. There are 81 paragraphs relating to the Audit Reports of various years from 1996-97 to 2017-18 pending for discussion in the Public Accounts Committee. Delay in discussion or non-discussion of paragraphs may result in erosion of accountability of the Executive.

## 1.10 Status of placement of Separate Audit Reports of Autonomous Bodies in the State Assembly

The Audit of accounts of three bodies in the State under Economic Sector has been entrusted to the CAG. In respect of KIADB and KVIB, accounts have been rendered upto 2018-19 and Separate Audit Reports (SARs) for the period 2017-18 has been placed in the State Legislature. In respect of KBB, accounts have been received upto the period 2019-20 and SAR is being sent to Legislature for placement.

## 1.11 Year-wise details of Performance Audits and Paragraphs that appeared in Audit Reports

The year-wise details of Performance Audits and Paragraphs that appeared in the Audit Reports for the last two years along with their money value are given in **Table 1.5** below:

**Table 1.5: Details regarding of Performance Audits and paragraphs that appeared in the Audit Report during 2016-18**

Year	Performance Audit		Paragraphs		Replies received	
	Number	Money value (₹ in crore)	Number	Money value (₹ in crore)	Performance Audit	Paragraphs
2016-17	1	1,164.40	13	187.25	--	4
2017-18	2	3,349.68	7	1,106.50	--	1

During 2018-19, one Compliance Audit and six Paragraphs (₹ 35.64 crore) have been included in this Report.

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