

## Overview

This Report of the Comptroller and Auditor General of India (C&AG) contains two parts. Part I relating to Expenditure Audit contains eight paragraphs and Part II relating to Revenue Audit contains 12 paragraphs. Some of the major findings are mentioned below:

### Part-I: Expenditure Audit

#### Introduction

##### *Budget profile and application of resources of the State Government*

During the year 2020-21, as against the total outlay of ₹6,94,913 crore, the application of resources was ₹ 5,48,481 crore. While the total expenditure (*i.e.*, total of revenue expenditure, capital outlay and loans and advances) increased by 38 *per cent* during the period 2016-17 to 2020-21, the revenue expenditure increased by 33 *per cent* during the above period. The revenue expenditure (₹1,76,054 crore) constituted 79 to 81 *per cent* of the total expenditure (₹2,24,129 crore) during 2020-21.

**(Paragraph 1.2 and 1.3)**

##### *Responsiveness of Government to audit*

A total of 7,526 Inspection Reports containing 38,999 paragraphs were outstanding against 48 departments as at the end of March 2021.

**(Paragraph 1.10.1)**

##### *Status of placement of Separate Audit Reports of autonomous bodies in the State Legislature*

The Karnataka Building and Other Construction Workers' Welfare Board has not placed before the State Legislature, the SARs for the years 2006-07 to 2016-17. The Karnataka State Commission for Protection of Child Rights (established in July 2009) was yet to submit the annual accounts since inception. Delay in finalisation of accounts carries the risk of financial irregularities going undetected, and therefore, the accounts need to be finalised and submitted to Audit at the earliest.

**(Paragraph 1.11)**

## Compliance Audit

### Department of Women and Child Welfare

##### *Thematic Audit on Adequacy (sufficiency and assessment of quality) of Working Women's Hostels*

GoI approved the construction of WWH with children day care facility for 104 working women estimated to cost ₹ 39.12 lakh and released (March 1993) ₹ 6.60 lakh to Janatha Trust, Raichur. The State Government released ₹ 1.22 lakh in September 1995. Audit observed that only foundation and pillars were

laid, and the construction of hostel building was not completed even after 28 years.

**(Paragraph 2.1.3.1)**

Audit observed that the Department had neither undertaken a need based assessment for establishing hostels in each district nor had prepared any action plan.

Non-provision of adequate funds to sanctioned hostel buildings resulted in the building remaining incomplete for long and rendered the expenditure unfruitful.

**(Paragraph 2.1.4.1)**

Audit observed that DWCD, the authority to implement and oversee the scheme, had not brought it to the notice of the State Government to earmark public land in all new institutional areas and economic zones being set up in the States, keeping in view the huge employment potential for women in the area.

**(Paragraph 2.1.4.2)**

Audit noticed that the 26 hostels established with Government assistance of ₹ 11.22 crore (released during the period from 1975 to 2017) failed to provide all the prescribed facilities to the inmates. The joint inspection noted that nine hostels lacked signing points for Beat Police, 18 hostels did not have a day care centre, 19 hostels did not have washing machine, 21 hostels did not have ramps with railing facilities, 23 hostels did not have disabled friendly toilets and 10 hostels did not have fire extinguishers.

**(Paragraph 2.1.4.3)**

Audit noticed that two hostels constructed with government assistance were not used for providing hostel facility for working women.

**(Paragraph 2.1.4.5)**

The Department permitted hostels to function despite the accessibility issues and absence of basic requirements. This indicates the lack of regular inspections by the Department.

**(Paragraph 2.1.5.1.3)**

**Department of Agriculture**

***Thematic Audit on the Implementation of Per Drop More Crop (micro irrigation) component under Pradhan Mantri Krishi Sinchayee Yojana.***

The overall area coverage under micro irrigation during 2017-21 was 11.81 lakh hectares representing 75 per cent achievement of the area envisaged in the State Irrigation Plan. The shortfall in area coverage was 3.89 lakh hectares (25 per cent). While the achievement looked good, it is to be read with the fact that the implementation was not based on covering

priority/focus/ areas viz., based on ground water status, high value crops, covering beneficiaries of Ganga Kalyan scheme etc., specified in the Operational Guidelines of GoI and Micro Irrigation Policy of the State

**(Paragraph 2.2.6 and 2.2.7)**

The District Level Implementation Committee set up as per the Operational Guidelines, did not cover its mandated role in implementing the programme. Karnataka Antharganga Micro Irrigation Company, the Company formed in 2018 for accelerating and improving the implementation of the programme is proposed to be closed.

**(Paragraph 2.2.7 and 2.2.11.1)**

The coverage under Quality Control inspections, Third Party Inspections, and departmental inspections were all weak as the mandated quantum of checks were not being exercised. Manufacturers of micro irrigation systems did not comply with some of obligations such as providing manuals in vernacular language, providing a toll-free number for assistance, and conducting of mandatory campaigns.

**(Paragraph 2.2.10 and 2.2.11.2 to 2.2.11.4)**

#### **Department of Higher Education**

##### ***Unproductive expenditure under Scheduled Castes Sub-Plan and Tribal Sub-Plan allocation***

Failure of Director of Technical Education to assess the demand for construction of hostels coupled with non-provision of boarding facility rendered the hostels remained vacant which were constructed at a cost of ₹ 43.82 crore under SCSP/TSP funds. Injudicious decision to construct additional rooms for these vacant hostels rendered the additional release of ₹ 27.90 crore unproductive.

**(Paragraph 2.3)**

##### ***Short remittance of receipts by Grant-in-Aid polytechnics***

Non enforcing of Grant-in-Aid Codal provisions by the Commissioner of Technical Education resulted in non-remittance of 50 *per cent* of the receipts by Grantee institutions amounting to ₹ 2.79 crore to the Government.

**(Paragraph 2.4)**

##### ***Non-regulation of house rent allowance as per entitlement***

Commissioner for Collegiate and Technical Education failed to regulate payment of house rent allowance as prescribed by Government which resulted in excess payment of ₹ 2.18 crore in respect of 68 officials, besides denial of the benefit to other 337 officials

**(Paragraph 2.5)**

### Department of Animal Husbandry and Veterinary Services

#### *Excess expenditure due to incorrect consideration of rate for Vaccine Vial Monitors in Foot and Mouth Disease Control Programme*

The Department of Animal Husbandry Veterinary Services considered the rates of Vaccine Vial Monitors on the number of doses instead of considering of number of vials which resulted in excess expenditure of ₹ 7.66 crore.

**(Paragraph 2.6)**

### Department of a Health and Family Welfare Services

#### *Avoidable extra expenditure*

Inclusion of 'Plastering to Ceiling' as a separate item by the Health and Family Welfare Department Engineering Divisions, in contravention of codal provisions, resulted in avoidable extra expenditure of ₹ 3.73 crore.

**(Paragraph 2.7)**

### Department of Rural Development and Panchayat Raj

#### *Wasteful expenditure on execution of road works on Forest Land*

Execution of road works on Forest Land by violating the Codal provisions and in contravention to IRC provisions resulted in wasteful expenditure of ₹ 62.09 lakh due to non-achievement of all-weather road connectivity to two Rural Habitations.

**(Paragraph 2.8)**

## Part-II: Revenue Audit

Part-II of this Report pertaining to Revenue Audit contains 12 paragraphs including two Subject Specific Compliance Audits. These paragraphs contain observations relating to non/short-levy of tax, revenue foregone etc. amounting to ₹ 77.54 crore.

### *General*

Total revenue receipts of the State Government for the year 2020-21 amounted to ₹ 1,56,716.41 crore against ₹ 1,75,442.79 crore for the previous year. Of this, 67 per cent was raised by the State through tax revenue (₹ 97,052.54 crore) and non-tax revenue (₹ 7,893.84 crore). The balance 33 per cent was received from the Government of India as State's share of divisible Union taxes (₹ 21,694.11 crore) and grants-in-aid (₹ 30,075.92 crore).

**(Paragraph 1.1)**

A total of 1,260 Inspection Reports, containing 4,035 observations, involving money value of ₹ 1,807.64 crore, were pending with the Departments for settlement at the end of June 2021.

**(Paragraph 1.5)**

Test-check of the records of 130 units of Value Added Tax/Goods and Services Tax, State Excise, Stamp Duty and Registration Fee conducted during the year 2020-21 showed under-assessment/short-levy/loss of revenue aggregating ₹ 293.04 crore in cases pointed out through 560 paragraphs.

**(Paragraph 1.8)**

## **Taxes/VAT on Sales, Trade, etc. and Goods and Services Tax**

### ***Subject Specific Compliance Audit on Transitional Credits***

Correctness of the transitional credit claims of 23 dealers amounting to ₹ 2.83 crore could not be verified as the dealers claimed transitional credit without filing all the returns for the tax periods between January 2017 to June 2017, though mandated under the transitional provisions.

**(Paragraph 2.5.9.1 (a))**

The VAT return for June 2017 showed zero credit in 30 cases, however the dealers had claimed transitional credit amounting to ₹ 0.93 crore.

**(Paragraph 2.5.9.2 (a))**

Excess transitional credit amounting to ₹ 2.08 crore was claimed in 49 cases, as the dealers claimed transitional credit of ₹ 4.33 crore even though credit available in their June 2017 VAT return was only ₹ 2.25 crore.

**(Paragraph 2.5.9.2 (b))**

In 58 cases, consequent on filing of the audited statement in Form VAT 240, the credit available was only ₹7.76 crore, whereas the dealers had claimed transitional credit of ₹ 8.72 crore which led to excess claim of ₹0.96 crore.

**(Paragraph 2.5.9.3 (a))**

In 32 cases, the dealers had claimed transitional credit of ₹ 5.82 crore. But their credits for June 2017 were subsequently reduced to ₹ 33.11 lakh in the re-assessment orders passed by the Departmental Officers based on detailed scrutiny of their books of accounts resulting in excess claim of ₹ 5.49 crore.

**(Paragraph 2.5.9.3 (b))**

### ***Subject Specific Compliance Audit on GST Refunds***

The provisions envisaged issue of provisional refund within seven days from the date of acknowledgement and issue of final refund within sixty days from the date of receipt of application. Audit noticed;

- Delay upto two months in 39 cases and more than two months in two cases in issue of provisional refund orders.
- Delay ranging from two to 229 days in issue of final refund orders in 61 cases.

**(Paragraphs 2.6.8.1 and 2.6.8.2)**

In 11 cases, input tax of ₹ 1.89 crore pertaining to capital goods was treated as net input tax credit for the purpose of calculation of refund amount, resulting in incorrect refund.

**(Paragraph 2.6.8.4)**

The provisions under the GST Acts, stipulated that input tax credits were not available for supplies like food and beverages, outdoor catering etc. It also prescribed a formula for refund in case of zero-rated supply of goods or services. Audit noticed;

- Excess refund in 20 cases due to allowing ineligible credits amounting to ₹ 0.65 crore.
- Excess refund amounting to ₹ 1.11 crore in 23 cases due to adoption of incorrect turnover

**(Paragraphs 2.6.8.5 and 2.6.8.6)**

### ***Other paragraphs***

In two cases, tax collected in excess amounting to ₹ 4.65 crore by two assesseees was not forfeited to the Government though stipulated under the KVAT Act. Total liability including interest amounted to ₹ 6.65 crore.

**(Paragraph 2.7)**

Non levy of tax on sale of liquor by four Bars and Restaurants situated in urban areas for the period from April 2014 to March 2017 amounted to ₹ 0.37 crore inclusive of interest and penalty.

**(Paragraph 2.8)**

Short levy of tax due to incorrect allowance of sub-contractor payments, by four dealers, amounted to ₹ 3.37 crore inclusive of interest and penalty.

**(Paragraph 2.9)**

Incorrect/excess adjustment of credit amounts by three dealers amounted to ₹ 0.54 crore inclusive of interest and penalty.

**(Paragraph 2.10)**

In five cases, allowance of excess deduction under labour and like charges resulted in short-levy of tax amounting to ₹ 3.77 crore inclusive of interest and penalty.

**(Paragraph 2.11)**

### **Stamp Duty and Registration Fee**

Misclassification of Release deed, Sale-agreement and Power of Attorney with respect to their sub-clauses in eight cases led to short-levy of stamp duty and registration fee of ₹ 14.71 crore.

**(Paragraph 3.4)**

Non-disclosure of existence of building, the status of development of the property and non-reckoning of existence of power of attorney led to short-levy of SD and RF amounting to ₹ 1.70 crore in 10 cases.

**(Paragraph 3.5)**

Undervaluation of properties by the District Registrars in the documents referred to them in eight cases led to short-levy of SD and RF amounting to ₹ 15.09 crore.

**(Paragraph 3.6)**

In eight cases, additional stamp duty amounting to ₹ 1.87 crore was not levied on documents relating to amalgamation of companies.

**(Paragraph 3.7)**

Adoption of incorrect rates and valuation based on inadequate inputs in 70 Joint Development Agreements in nine SROs led to short-levy of SD and RF amounting to ₹ 8.09 crore.

**(Paragraph 3.8)**