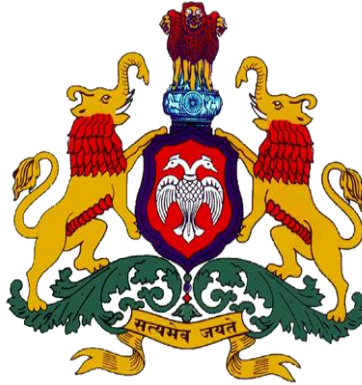




State Finance Audit Report of the Comptroller and Auditor General of India for the year ended March 2023



SUPREME AUDIT INSTITUTION OF INDIA
लोकहितार्थं सत्यनिष्ठा
Dedicated to Truth in Public Interest



Government of Karnataka
Report No. 01 of the year 2024

**State Finance Audit Report of the
Comptroller and Auditor General of India**

for the year ended 31 March 2023

**Government of Karnataka
Report No. 01 of the year 2024**

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PREFACE

1. This Report has been prepared for submission to the Governor of Karnataka under Article 151 of the Constitution of India for being placed in the Karnataka Legislature.
2. Chapter 1 of this report contains the basis and approach to State Finances Audit Report, structure of the Report, structure of Government Accounts, budgetary processes, trends in key fiscal parameters like revenue surplus, fiscal deficit, *etc.*, and fiscal correction path.
3. Chapters 2 and 3 of the Report contain audit findings on matters arising from an examination of the Finance Accounts and Appropriation Accounts respectively, of the State Government for the year ended 31 March 2023. Information has been obtained from the Government of Karnataka, wherever necessary.
4. Chapter 4 provides an overview and status of the State Government's compliance with various financial rules, procedures and directives during the financial year 2022-23.
5. Chapter 5 discusses the financial performance of State Public Sector Undertakings and the impact of comments issued as a result of supplementary audit of the Financial Statements of these State Public Sector Undertakings.
6. The Report has been prepared by taking into account the recommendations of the Public Accounts Committee (5th Report - July 2015) to the Action Taken Report of the State Government in response to its earlier recommendations (13th Report - December 2011) to the Report on State Finances for the year ending 31 March 2010 and 10th Report of Public Accounts Committee (February 2023) to the State Finance Audit Report for the year 2011-12 to 2019-20.
7. The Reports containing the findings of performance audit and audit of transactions in various departments and observations arising out of audit of Statutory Corporations, Boards and Government Companies, Local Bodies, Panchayati Raj Institutions and the report containing observations on Revenue Receipts are presented separately.

Executive Summary

About the Report

This Report of the CAG of India is on the State Finances for the year 2022-23. It provides an overview of the finances, budgetary management and quality of accounts, financial reporting practices and other matters relevant to State Finances.

This executive summary highlights the contents of this report and through snapshots of the important figures and aspects, provides insight into fiscal sustainability, performance against the budget intent, revenue and expenditure projection, the reasons for variations and its impact.

Gross State Domestic Product (GSDP) (at current prices) grew at an average growth rate of 10.52 *per cent* from ₹14,79,391 crore in 2018-19 to ₹21,81,217 crore in 2022-23. Budget Outlay of the State grew at an average growth rate of 4.94 *per cent* from ₹2,24,110.77 crore in 2018-19 to ₹2,71,542.22 crore in 2022-23.

There was 11.13 *per cent* growth in GSDP over 2021-22. The revenue receipts grew at 17.02 *per cent* and the percentage of revenue receipts over GSDP improved from 9.97 in 2021-22 to 10.50 in 2022-23. The tax revenue increased by 15.76 *per cent* and the State's own-Tax revenue increased by 19.02 *per cent* during 2022-23 when compared to 2021-22. The total expenditure (revenue expenditure, capital expenditure and loans and advances) of the State of Karnataka increased from ₹2,61,511 crore in 2021-22 to ₹2,76,183 increasing by 5.61 *per cent*. Of this, revenue expenditure showed 2.94 *per cent* increase from 2021-22. Due to higher growth rate of revenue receipts than the revenue expenditure, the State saw revenue surplus of ₹13,496 crore in 2022-23 when compared to revenue deficit of ₹13,666 crore during 2021-22. The fiscal deficit also decreased from ₹66,036 crore in 2021-22 to ₹46,623 crore in 2022-23.

Receipt-Expenditure Mismatch

The continuous mismatch between receipts and expenditure indicates rising fiscal stress. The State has different sources of receipts such as the State's own-Tax revenue, non-Tax revenue, Devolution of States' share in taxes, grants-in-aid and transfers from the Union Government and non-debt capital receipts. The State Government's expenditure includes expenditure on revenue account as well as capital expenditure (assets creation, loans and advances, investments, *etc.*).

From 2018-19 to 2022-23, revenue receipts grew from ₹1,64,979 crore to ₹2,29,080 crore, with an average annual growth rate of 9.97 *per cent*. Capital receipts also increased from ₹41,939 crore to ₹45,029 crore during this period.

During 2022-23, the grants-in-aid had increased by 23 *per cent* over the previous year. The share of grants-in-aid in revenue receipts was 16 *per cent* in 2022-23,

indicating the State was dependent on its own revenue (tax and non-Tax). The State Government received ₹36,868 crore as Grants-in-aid for Centrally Sponsored Schemes (CSS) and Finance Commission grants in the year.

Revenue expenditure is incurred to maintain the current level of services and payment for the past obligation. As such, it does not result in any addition to the State's infrastructure and service network. Between 2018-19 and 2022-23, revenue expenditure increased from ₹1,64,300 crore (11.11 per cent of GSDP) to ₹2,15,584 crore (9.88 per cent of GSDP). It consistently made up a significant portion (78 to 81 per cent) of the total expenditure during this period, growing at an average annual growth rate of 8.86 per cent.

Result of expenditure beyond means

The gap between the revenue receipt and revenue expenditure results in revenue deficit/surplus. The revenue surplus of the State increased to ₹13,496 crore during 2022-23 (0.62 per cent of GSDP) from ₹679 crore (0.05 per cent of GSDP) in the year 2018-19.

The State Government spent ₹60,599 crore on capital account (including Loans and Advances). This was 22 per cent of the total expenditure in the year 2022-23. Capital expenditure exceeded the borrowing by ₹16,050 crore. Thus, the Revenue surplus was being used for meeting the Capital expenditure.

The gap between the total expenditure and total non-debt receipt of the State results in fiscal deficit. The fiscal deficit of the State increased to ₹46,623 crore (2.14 per cent of GSDP) in 2022-23 from ₹38,442 crore (2.60 per cent of GSDP) in 2018-19.

Under the revenue expenditure, the quantum of committed expenditure constitutes the largest share. Committed expenditure has the first charge on the resources and consists of interest payments, expenditure on salaries and wages and pensions. Committed expenditure on interest payments, salaries and pensions constituted 37 to 48 per cent of revenue expenditure during 2018-19 (37 per cent) and 2020-21 (48 per cent). The Committed expenditure increased from ₹60,461 crore in 2018-19 to ₹92,219 crore in 2022-23 (an increase of 10 per cent over 2021-22).

In addition to the committed expenditure, inflexible expenditure increased from 33.26 per cent to 35.92 per cent of revenue expenditure during 2018-19 to 2022-23, indicating a rising trend. The inflexible expenditure increased from ₹73,799 crore in 2021-22 to ₹77,432 crore in 2022-23 registering an increase of 4.9 per cent. The average growth of inflexible expenditure during the period from 2018-19 (₹54,644 crore) to 2022-23 (₹77,432 crore) was 9.27 per cent.

Taken together, the committed and inflexible expenditure in 2022-23 was ₹1,69,651 crore; 79 per cent of the revenue expenditure. Upward trend on committed and inflexible expenditure leaves the Government with lesser flexibility for other priority sectors and capital creation.

Subsidies constitute major portion of the non-committed expenditure

Within the non-committed expenditure, there is an increasing trend of subsidies, which increased from ₹15,400 crore in 2018-2019 to ₹22,754 crore in 2022-23 i.e., from 9.37 per cent of the total revenue expenditure in 2018-19 to 10.55 per cent in 2022-23. Power subsidies constituted a significant portion, ranging from 49 per cent to 52 per cent of the total subsidies during this period.

Apart from this, the State Government also spent ₹3,010.86 crore during 2022-23 on subsidies in the form of financial assistance, incentives, *etc.*

Off-budget borrowings

The State Government, through Public Sector Undertaking and para-statals, raised ₹4,029 crore during 2022-23 as off-budget borrowings, which did not flow into the Consolidated Fund of the State but are required to be repaid and serviced through budget. In 2022-23, the State Government provided assistance / grants-in-aid of ₹4,621.51 crore for repayment and servicing of the off-budget borrowings. This was in addition of the repayment and interest paid on the borrowings by the Government.

Contingent Liabilities on account of Guarantees

As at the end of 2022-23, the Government guarantees amounted to ₹38,356 crore. Against the total estimated Guarantee commission of ₹594.28 crore receivable, the State received ₹341.91 crore during 2022-23.

Fiscal sustainability

Fiscal sustainability is examined in terms of macro-fiscal parameters such as deficits, level of debt and liabilities, commitments on account of off-budget borrowings, guarantees, subsidies, *etc.* So far as revenue and expenditure mismatch is concerned, one of the important constraints is committed and inflexible expenditure, which includes salaries and wages, pension payments, interests, *etc.* and also other inflexible expenditure such as those arising out of commitment for Centrally Sponsored Schemes, transfer to reserve funds, transfer to local bodies, *etc.*

Fiscal Responsibility and Budget Management (FRBM) requirements and compliance with fiscal parameters

The Fiscal Responsibility and Budget Management (FRBM) Act / Rules prescribes certain limits within which, revenue deficit, fiscal deficit, debt as a percentage of the GSDP should be, and similarly for guarantees as a percentage of revenue receipts of the second preceding year. In 2022-23, revenue surplus was 0.62 per cent indicating the State has achieved the target; fiscal deficit was 2.14 per cent as against the limit of 3.5 per cent; debt including off-budget borrowings was 23.97 per cent as against limit of 25 per cent and guarantees given were 30.59 per cent as against the prescribed limit of 80 per cent.

As per the debt stabilisation analysis, the public debt of the Government of Karnataka has grown on an average at a rate of 19.11 per cent annually between 2018-19 to 2022-23. Public debt-GSDP ratio of Karnataka has increased from 14.12 per cent in 2018-19 to 20.07 per cent in 2020-21, thereafter it was on a decreasing trend and decreased to 19.27 per cent in 2022-23. This indicates that debt stabilisation could be possible in the near future.

During 2018-2023, the primary deficit of the State ranged between ₹21,828 crore and ₹16,980 crore. The DOMAR analysis showed that the Domar gap (g-r) was positive during the period from 2018-19 to 2022-23, except in 2020-21. During the pre-COVID period *i.e.*, 2018-19 and 2019-20, the real growth rate of the GSDP was 6.40 per cent and 5.90 per cent respectively and the Domar gap (expressed as g-r) remained positive but there was primary deficit in the State. Covid-19 affected the real growth rate of GSDP during 2020-21 and the Domar gap turned negative during the year. In the subsequent years (2021-22 and

2022-23), the Domar gap became positive along with primary deficit, which reflects that Public debt as a percentage of GSDP tends towards a stable value and is therefore sustainable. Depending on the stock of debt, it will either increase or decrease in time to reach a stable level greater than zero.

Budget performance

Aggregate Budget outturn

Budget performance in terms of budgetary intent and budget implementation is examined to assess the extent to which the aggregate expenditure outturn reflects the amount originally approved both in terms of excess and saving. In the Revenue section, deviation in outturn compared with BE was 6.1 *per cent*. This was due to deviation between 0 and ± 25 *per cent* in 27 grants, between ± 25 *per cent* and ± 50 *per cent* in two grants and equal to or more than 50 *per cent* in no grant. In the Capital section, deviation in outturn compared with BE was 2.05 *per cent*. This was due to deviation between 0 and ± 25 *per cent* in 17 grants, between ± 25 *per cent* and ± 50 *per cent* in four grants, between ± 50 *per cent* and ± 100 *per cent* in seven grants and equal to or more than 100 *per cent* in no grant.

Expenditure composition outturn

Budget performance also looks at the extent to which the re-allocation between the main budget categories during the execution have contributed to variance in expenditure composition. This measure indicates the extent of variation between the final budget and the actual expenditure. In the Revenue section, deviation in outturn compared with RE was (-)0.52 *per cent*. This was due to deviation between 0 and ± 25 *per cent* in 29 grants and equal to or more than 25 *per cent* in no grant. In the Capital section, deviation in outturn compared with RE was 4.03 *per cent*. This was due to deviation between 0 and ± 25 *per cent* in 26 grants, between ± 25 *per cent* and ± 50 *per cent* in one grant, between ± 50 *per cent* and ± 100 *per cent* in one grant and equal to or more than 100 *per cent* in no grant.

It was noticed that supplementary provisions of ₹341.97 crore during the year 2022-23 in 12 cases (more than ₹ one crore in each case) proved unnecessary, as the expenditure did not come up even to the level of original provisions.

Regularisation of Excess over Grants/ Appropriations

The State Government has to get excesses over grants/appropriations regularised by the State Legislature as per article 204 and 205 (1) (b) of the Constitution. It was observed that in 2022-23 there was excess expenditure of ₹1,907.83 crore under eight grants which required regularisation. Further, excess expenditure of ₹415.90 crore pertaining to 2020-21 were yet to be regularised.

Misclassification between Revenue and Capital

Misclassification of ₹51.10 crore revenue expenditure as capital expenditure and ₹0.75 crore of capital expenditure as revenue expenditure resulted in understatement of revenue expenditure to the tune of ₹50.35 crore and overstatement of revenue surplus to that extent.

Quality of Accounts and Financial Reporting

Quality of accounts and financial reporting covers items, transactions and events which relate to gaps in compliance, regularity weaknesses and issues relating to delay in receipt of those accounting records or adjustment records which

evidence the actual expenditure. It also highlights issues pertaining to the accounts and financial reporting such as parking of funds outside the Government accounts, non or short discharging of liabilities and misclassification of transactions and data gaps.

Reconciliation

To exercise effective budgetary control over revenue/expenditure and to ensure accuracy in accounts, all Controlling Officers are required to reconcile every month, the receipts and expenditure recorded in their books with the figures accounted for by the AG (A&E).

The State Government reconciled 99 *per cent* of the total expenditure and total receipts.

Compliance with IGAS

As against the requirements of the Indian Government Accounting Standards (IGAS), the State Government had partially complied with IGAS-2: Accounting and Classification of Grants-in-Aid and IGAS-3: Loans and Advances made by the Government.

Operation of Personal Deposit Accounts

The closing balance in the Personal Deposit accounts was on an increasing trend since 2020-21 and increased enormously during 2022-23. Retention of such large sums of money was against the principle of Legislative financial control. Review of PD Accounts reveal that the Government has not closed 29 in-operative PD Accounts which had a balance of ₹542.64 crore. Also, there were twelve PD Accounts with negative balance of ₹5,963.79 crore. In order to avoid lapse of Budget, the State has transferred ₹8,801.64 crore from consolidated fund to PD Accounts in the month of March during the period 2018-19 to 2022-23.

Utilisation Certificates against conditional grants

Despite the requirement of submitting Utilisation Certificates (UCs) against conditional grants within a stipulated time period, 48 UCs of ₹41.67 crore were pending as on 31st March 2023.

NDC bills against AC bills

Similarly, despite the requirement of submitting Non-payment Detailed Contingency (NDC) Bills against the advance money withdrawn through Abstract Contingency (AC) Bills, 1,462 AC bills of ₹72.76 crore were pending for submission of NDC bills as on 31st March 2023, out of which 1,235 AC Bills amounting to ₹60.96 crore pertained to the period upto 2021-22.

Non remittance of interest earned out of Government grants

The interest of ₹198.99 crore earned on the grants by the Government in 13 Departments/Government Companies/Corporations were not remitted to Government Account in spite of instructions issued by the Finance Department.

Compliance with prevailing rules and codal provisions are meant to ensure control and accountability in accounting and financial reporting. Non-compliance and deviations impact the quality of accounting and financial reporting adversely. Non-timely submission of UCs against conditional grants; non-submission of NDC

bills against AC bills; non-compliance with IGAS-2 and IGAS-3; Non remittance of interest earned out of Government grants have impacted the quality of accounts adversely.

Working of State Public Sector Undertakings

As on 31 March 2023 there were 127 State Public Sector Undertakings (SPSUs) including six Statutory Corporations and 121 Government companies and Government controlled other companies. Out of 121 Government Companies 14 are non-working. These 127 SPSUs have a capital investment of ₹1,12,988.39 crore and long-term loans of ₹12,684.67 crore by the Government.

Out of 127 SPSUs, 57 SPSUs earned profit during 2022-23. Three SPSUs contributed around 60 *per cent* of the total profit of ₹3,132.14 crore. The Return on Capital, which measures a company's profitability and the efficiency with which its capital is employed decreased from 3.61 *per cent* in 2019-20 to 1.18 *per cent* during 2021-22. In 2022-23, it once again increased to 4.71 *per cent*. As on 31 March 2023, 60 SPSUs had accumulated losses. Out of this, the net worth of 40 SPSUs had been completely eroded by accumulated losses and their net worth was either zero or negative.

SPSUs were not adhering to the prescribed timeline regarding submission of their Financial Statement as per the Companies Act, 2013. As a result, 233 accounts of 96 Government companies were in arrears. Also, accounts of 2022-23 in respect of all six Statutory Corporations were in arrears.

The State Government may impress upon the managements of SPSUs to ensure timely submission of their financial statements. In the absence of finalised accounts, Government investments in such SPSUs remain outside the oversight of the State Legislature. The State Government may also analyse the reasons for losses in loss making SPSUs and initiate steps to make their operations efficient and profitable.

Chapter – 1

Overview

CHAPTER 1 OVERVIEW

1.1 Introduction

This chapter provides a brief profile of the State and describes the basis and approach to the Report. The underlying data provides an overview of the structure of Government Accounts, budgetary processes, macro-fiscal analysis of key indices and State's fiscal position including the deficits/surplus.

1.2 Profile of the State

Karnataka is the sixth largest State in India in terms of geographical area (1,91,791 Sq. km) and the ninth largest by population. The State's population was 6.11 crore (2011 census) and recorded a decadal growth of about 16 *per cent* (2001-11). As per population projections for India and States 2011-2036 by National Commission on Population, Ministry of Health & Family Welfare, the projected population of the State in 2022-23 stands at 6.77 crore. The percentage of population below the poverty line¹ was 20.90 compared to the All-India average of 21.90 (2011-12). Literacy rate of the State was 75.36 *per cent* (2011 Census). The State has 31 districts and 227 taluks as of March 2023. General and financial data relating to the State is given in **Appendix 1.1**.

1.2.1 Gross State Domestic Product and Gross State Value Added of the State

Growth of GSDP and GSVA is an important indicator of the State's economy.

Gross State Domestic Product (GSDP): GSDP is the market value of all officially recognised goods and services produced within the boundaries of the State in a given period of time.

Gross State Value Added (GSVA): GSVA is the value of goods and services produced by industry sector, manufacturer around a region in an economy *i.e.*, it is total value of output product without intermediary costs that went into production.

Gross Value Added (GVA) is being used for economic analysis by Government of India (GoI) and international organisations like International Monetary Fund (IMF) and World Bank since GVA is considered better indicator of economic growth compared to Gross Domestic Product (GDP), as it ignores the impact of taxes and subsidies. GDP can be and is also calculated as the sum of total of various expenditures incurred in the economy including private consumption spending, government consumption spending and gross fixed capital formation or investment spending, reflecting essentially on the demand conditions in the economy. Both measures have differences in treatment of net taxes as a result of which the inclusion of taxes in GDP may differ from the real output situation. From a policy maker's perspective, it is therefore vital to have comparison of the GVA and GSVA data for better analysis and making policy interventions.

¹ As per Economic Survey of India 2022-23.

It is important to understand changes in sectoral contribution to the GSDP and GSVA since they indicate changing structure of economy. Economic activity is generally divided into Primary, Secondary and Tertiary sectors, which correspond to the Agriculture, Industry and Service sectors. The trends in the annual growth of nation's GDP and GVA and that of the State, at current prices for the years 2018-19 to 2022-23 are indicated in **Table 1.1** and the trends in growth rate of GSDP with respect to GSVA at current prices is depicted in **Chart 1.1**.

Table 1.1 Trends in GSDP/GSVA compared to the GDP/GVA (at current prices)

Year	2018-19	2019-20	2020-21	2021-22	2022-23
INDIA					
GDP* (₹ in crore)	1,88,99,668	2,01,03,593	1,98,29,927	2,34,71,012	2,72,40,712
GVA[^]	1,71,75,128	1,83,81,117	1,81,88,780	2,14,38,883	2,47,42,871
Growth rate of GDP over previous year (in per cent)	10.58	6.37	(-).1.36	18.36	16.06
Growth rate of GVA over previous year (in per cent)	10.76	7.02	(-).1.05	17.87	15.41
Per Capita GDP^a (in ₹)	1,42,424	1,49,915	1,46,301	1,71,498	1,96,983
State					
GSDP[#] (₹ in crore)	14,79,391	16,11,134	16,25,073	19,62,725	21,81,217
GSVA^{\$}	13,38,719	14,72,147	14,93,668	18,01,695	20,53,015
Growth rate of GSDP over previous year (in per cent)	10.96	8.90	0.86	20.77	11.13
Growth rate of GSVA over previous year (in per cent)	11.63	9.96	1.46	20.62	13.94
Per Capita GSDP (in ₹)[@]	2,25,586	2,43,727	2,43,906	2,92,542	3,22,189

Source: *All India GDP (2018-19 to 2022-23) figures as per Economic Survey 2022-23, Government of Karnataka (GoK).

[#]GSDP (2018-19 to 2021-22) figures as per Economic Survey 2022-23, GoK and GSDP for 2022-23, as per Ministry of Finance, GoI.

[^] GVA figures have been taken from National Accounts Statistics, CSO, MoSPI.

^{\$} GSVA figures as per Directorate of Economics and Statistics, Karnataka.

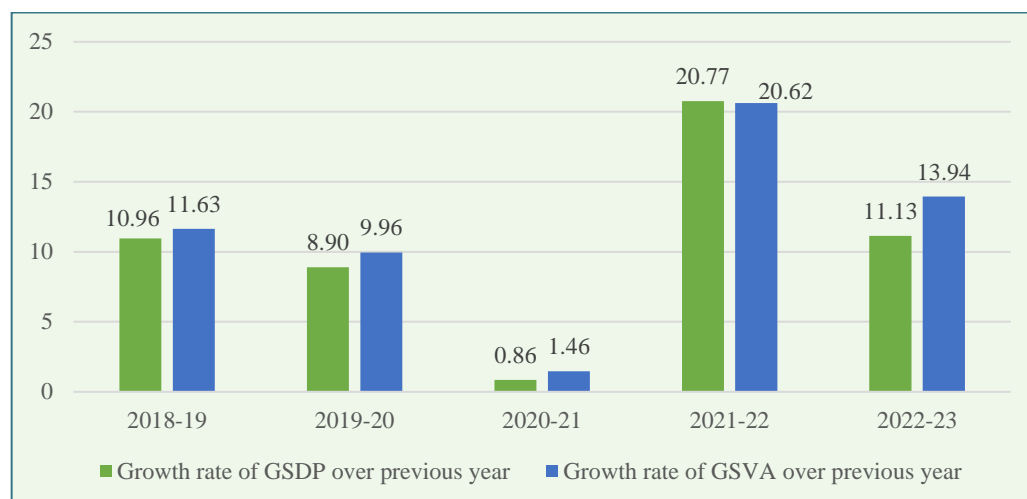
[@] Per Capita GSDP (2018-19 to 2021-22) as per Economic Survey 2022-23, GoK and the per capita GSDP for the year 2022-23 has been worked out based on the projected population of the State of 6.75 crore as per Economic survey of Karnataka 2022-23.

a. The per capita GDP for the years 2018-19 to 2022-23 is as per MosPI, GoI.

As seen from the **Table 1.1**, the Karnataka's GSDP growth rate at current prices was more than that of nation's growth rate in all the years up to 2021-22. However, during 2022-23, the growth rate of GSDP at current prices is less when compared to nation's growth rate. Similarly, the GSVA growth rate is more than that of nation's GVA in all the years except during the year 2022-23. Further, it is noticed that per capita GSDP of the State is more than the per capita GDP in all the years during the period 2018-23. The GSDP for the State during 2022-23 has been adopted as per the figure projected for the State by the Ministry of Finance, GoI. The sectoral contribution in GSDP has been made as per the

analysis made by the Directorate of Economics and Statistics², Government of Karnataka (GoK).

Chart 1.1: Growth of GSDP vs GSVA (2018-19 to 2022-23)

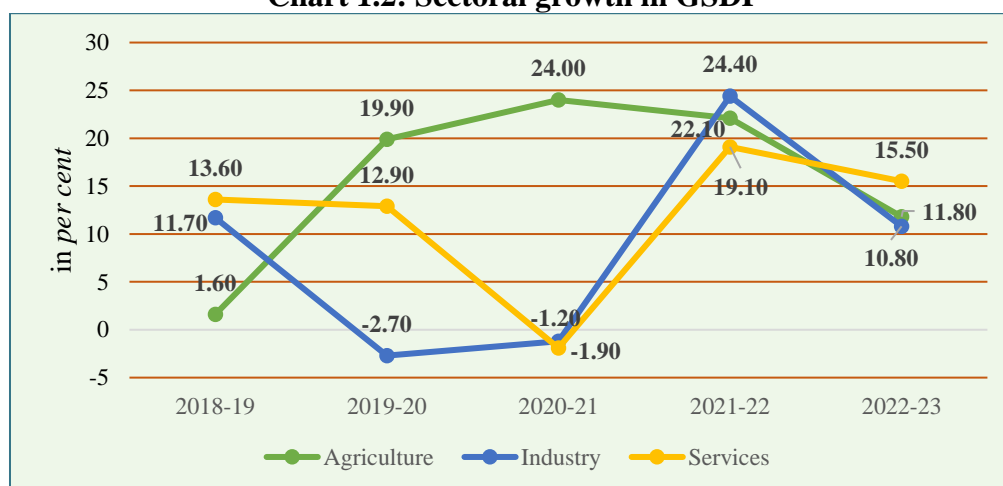


Source: Ministry of Statistics and Programme implementation, GoI

As seen from the **Chart 1.1**, the Karnataka's GSDP growth rate at current prices was less than growth rate of GSVA in all the years from 2018-19 to 2022-23 except 2021-22. This indicated that during 2021-22, the taxes earned by the State was more than the subsidies provided and hence the growth rate of GSDP was more than the GSVA.

The trend in Sectorial growth in GSDP for the period 2018-19 to 2022-23 is indicated in **Chart 1.2**. From the Chart, it can be seen that the growth rate in Agricultural sector which was on an increasing trend since 2018-19 decreased in 2021-22. During 2022-23, it further decreased by almost 50 per cent when compared to the previous year. Meanwhile the growth rate under Industry and Service sectors which were in decreasing trend had decreased drastically and both showed a negative growth rate during 2020-21. It rebounded back in 2021-22.

Chart 1.2: Sectoral growth in GSDP



Source: Directorate of Economics and Statistics, Karnataka

² The GSDP as per the Economic Survey of Karnataka is ₹22,41,368 crore, which differs from the GSDP (₹21,81,217 crore) projected by Ministry of Finance, GoI.

The significant growth seen in Industries and Services sector during 2021-22 which was attributed to recovery of economic activity post Covid-19 pandemic, as per the advance estimate, further saw a steep decline during 2022-23. The reasons for the decline in the Agricultural, Industries and Service sectors were mainly attributed to Crop sub-sector, Fishing, Forestry & Logging, Mining and Quarry, Restaurant and Air Transport sub-sectors respectively.

1.3 Basis and Approach to State Finance Audit Report

The State Finance Audit Report (SFAR) is prepared under Article 151 (2) of the Constitution of India, which states that the reports of the Comptroller and Auditor General of India (C&AG) relating to the accounts of a State are to be submitted to the Governor of the State, who shall cause them to be laid before the Legislature of the State.

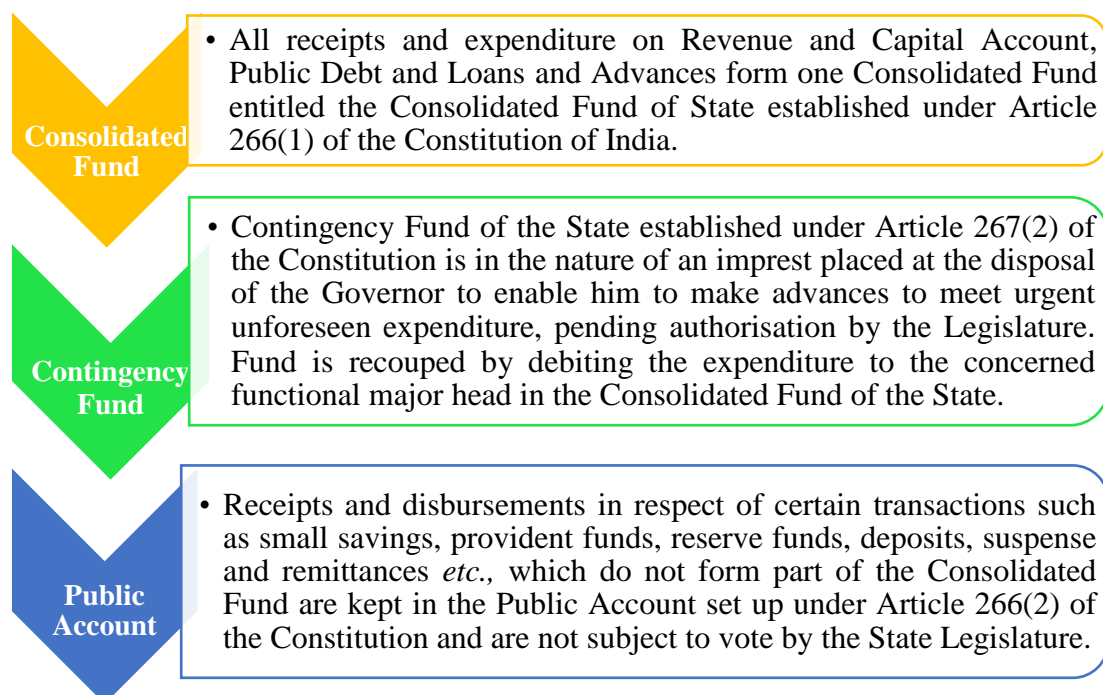
Accountant General (Accounts & Entitlements) {AG (A&E)} prepares the Finance Accounts and Appropriation Accounts of the State annually, from initial and subsidiary accounts rendered by the treasuries, offices and other departments responsible for maintaining initial accounts and the statements received from the Reserve Bank of India (RBI). These accounts are audited independently by the Pr.AG (Audit) and certified by the C&AG.

Finance Accounts and Appropriation Accounts of the State constitute the core data for this report. Other sources include the following:

- The State's Budget for assessing the fiscal parameters and allocative priorities *vis-à-vis* projections, as well as for evaluating the effectiveness of budget's implementation and compliance with the relevant rules and prescribed procedures;
- Results of audit carried out by the Offices of the Pr.AG (Audit I) and Pr.AG (Audit II);
- Other financial data obtained from various Government departments and organisations;
- GSDP data and other State related Statistics from Directorate of Economics and Statistics, GoK;
- Recommendations of XV Finance Commission (FC);
- Karnataka Fiscal Responsibility Act (KFRA) 2002; and
- Guidelines of the GoI.

1.4 Structure of Government Accounts

The Accounts of the State Government are kept in three parts:

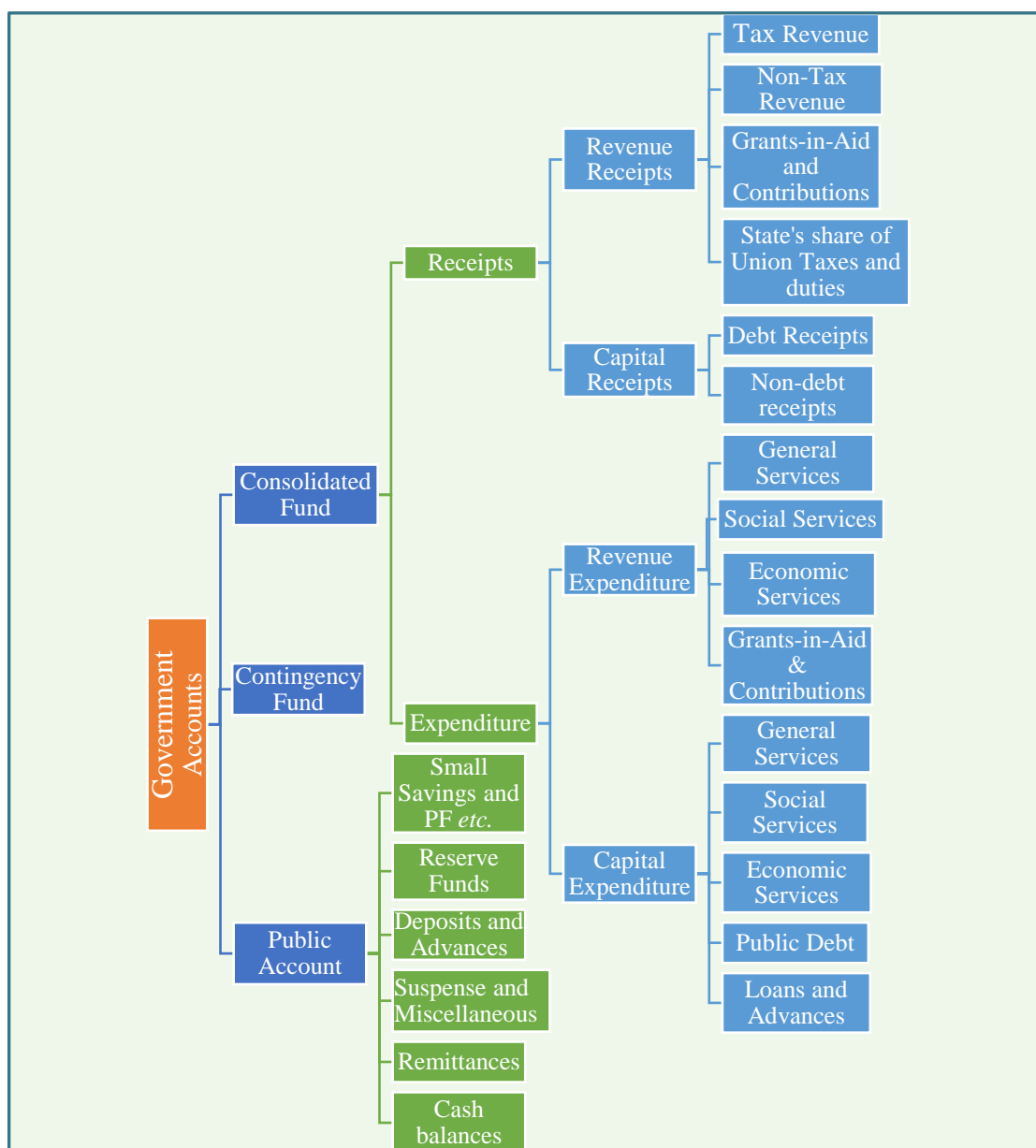


The Budget is to be presented to both the Houses of the Legislature of the State, in terms of Article 202 of the Constitution of India. The 'Annual Financial Statement' constitutes the main budget document. It includes,

- **Revenue receipts** consists of tax revenue (own-Tax revenue plus share of union taxes/duties), non-Tax revenue and grants from GoI.
- **Revenue expenditure** consists of all the expenditures of the Government, which do not result in the creation of physical or financial assets. It relates to those expenses incurred for the normal functioning of the Government departments and various services, interest payments on debt incurred by the Government and grants given to various institutions (even though some of the grants may be meant for creation of assets).
- **Capital receipts** consist of:
 - **Debt receipts:** Market loans, bonds, loans from financial institutions, net transaction under ways and means advances, loans and advances from Central Government, *etc.*
 - **Non-debt receipts:** Proceeds from disinvestment, recoveries of loans and advances.
- **Capital expenditure** includes expenditure on the acquisition of land, building, machinery, equipment, investment in shares, and loans and advances by the Government to the Public Sector Undertakings (PSUs) and other entities.

The layout of the Finance Accounts is shown in **Appendix 1.2** and the pictorial depiction of the structure of Government Accounts is given in **Chart 1.3**.

Chart 1.3: Pictorial depiction of the structure of Government Accounts



1.5 Budgetary Processes

In terms of Article 202 of the Constitution of India, the Governor of State shall cause to be laid before the State Legislature, a statement of the estimated receipts and expenditure of the State for the year 2022-23, in the form of an Annual Financial Statement. In terms of Article 203, the statement is submitted to the State Legislature in the form of Demands for Grants/Appropriations. On approval, the Appropriation Bill is passed by the Legislature under Article 204 to provide for appropriation of the required money out of the Consolidated Fund. In the State of Karnataka, the budget documents include documents like Gender Budget (detailed in **Chapter 3 - Paragraph 3.3**), Child Budget (detailed in **Chapter 3 - Paragraph 3.4**) and document for district wise and scheme wise allocation to Panchayati Raj Institutions (PRIs) and Urban Local Bodies (ULBs) etc.

The State Budget Manual prescribes the process of budget formulation and guides the State Government in monitoring its expenditure activities. Results of audit scrutiny of budget and implementation of other budgetary initiatives of the State Government are included in **Chapter 3** of this Report.

1.6 Snapshot of Finances

The **Table 1.2** provides the details of actual financial results *vis-à-vis* Budget Estimates for the year 2022-23 *vis-à-vis* actuals of 2021-22.

Table 1.2: Actual financial results *vis-à-vis* Budget Provisions

(₹ in crore)						
Sl. No.	Components	2021-22 (Actual)	2022-23 (BE)	2022-23 (Actual)	Percentage of Actual to BE	Percentage of Actuals to GSDP
Section A: Revenue Receipts						
1	Tax Revenue	1,54,023	1,56,666	1,78,298*	113.81	8.17
i	Own-Tax Revenue	1,20,739	1,26,883	1,43,702	113.26	6.59
ii	Share of Union Taxes and Duties	33,284	29,783	34,596	116.16	1.59
2	Non-Tax Revenue	11,777	10,940	13,914	127.18	0.64
3	Grants-in-Aid and Contributions	29,962^	22,281	36,868^	165.47	1.69
4	Revenue Receipts (1+2+3)	1,95,762	1,89,887	2,29,080	120.64	10.50
Section B: Capital Receipts						
5	Recoveries of Loans and Advances	127	71	478	673.24	0.02
6	Miscellaneous Capital Receipts	6	18	2	11.11	0.00
7	Public Debt Receipts	80,641^^	72,000	44,549	61.87	2.04
8	Capital Receipts (5+6+7)	80,774	72,089	45,029	62.46	2.06
9	Total Receipts (4+8)	2,76,536	2,61,976	2,74,109	104.63	12.57
Section C: Expenditure/Disbursement						
10	Revenue Expenditure	2,09,428	2,04,587	2,15,584	105.38	9.88
a	Interest Payments#	26,276	29,395	29,643	100.84	1.36
11	Capital Expenditure	47,874	43,573	57,349	131.61	2.63
12	Loan and Advances	4,209	3,382	3,250	96.10	0.15
13	Public Debt Repayment	13,972	14,179	15,942	112.43	0.73
14	Transfer to Contingency Fund	420	-	-	-	-
15	Total Disbursement out of Consolidated Fund (10+11+12+13+14)	2,75,903	2,65,721	2,92,125	109.94	13.39
Section D: Fiscal Indicator						
16	Revenue Deficit (-)/Surplus (+) (4-10)	(-)13,666	(-)14,700	13,496	91.81	0.62
17	Fiscal Deficit (-) {(4+5+6)-(10+11+12+14)}	66,036	61,566	46,623	75.73	2.14
18	Primary Deficit (-) (17-10a)	39,760	32,171	16,980	52.78	0.78
	Buoyancy Ratio					
	Revenue Receipt	1.20	0.92	1.53		
	Revenue Expenditure	0.91	0.82	0.26		

Source: Finance Accounts, Annual Financial Statement and Overview of Budget 2022-23

*Tax Revenue Includes Major Heads 0005 – Central Goods and Services Tax (₹9,786.19 crore), 0006 – State Goods and Services Tax (₹61,403.30 crore including advance apportionment of IGST of ₹2,089.65 crore) and 0008 – Integrated Goods and Services Tax (Nil).

Includes Interest amounting to ₹1,216.04 crore on Off-Budget borrowings.

^includes compensation of ₹8,976.43 crore and ₹29,288.40 crore during 2021-22 and 2022-23 respectively for loss of revenue arising out of implementation of GST.

^^ Effective Public Debt Receipts for the year 2021-22 would be ₹62,532 crore, as the Department of Expenditure, GoI had decided that GST compensation of ₹18,109 crore in 2021-22 given to the State as back-to-back loan under Debt Receipts would not be treated as debt of the State for any norms which may be prescribed by the Finance Commission.

The total receipts under Goods and Services Tax (GST) during 2022-23 were ₹71,189.49 crore.

The State's Revenue Receipts (₹2,29,080 crore) as well as Revenue expenditure (₹2,15,584 crore) exceeded over the Budget provision of ₹1,89,887 crore and ₹2,04,587 crore by 20.64 per cent and by 5.38 per cent respectively. The State attained Revenue surplus after Revenue Deficit in previous two years, which is mainly attributed to increase in Revenue Receipts (17.02 per cent) compared to very marginal increase of 2.94 per cent in Revenue Expenditure of current year over the previous year. There was a decrease in Revenue Expenditure over the previous year mainly under Health and Family Welfare, Social Welfare and Nutrition and Water Supply, Sanitation, Housing and Urban Development of social sector.

The Capital expenditure also exceeded the Budget provision by around 32 per cent. This was basically due to an increase in the Capital expenditure under Roads and Bridges, Medium Irrigation and Urban Development.

1.7 Snapshot of Assets and Liabilities of the Government

Government accounts capture the financial liabilities of the Government and the assets created out of the expenditure incurred. The liabilities consist mainly of internal borrowings, loans and advances from GoI, receipts from public account and reserve funds, and the assets comprise mainly the capital outlay, loans and advances given by the State Government and cash balances. The growth rate components of Assets and Liabilities is given in **Table 1.3** and summarised position of Assets and Liabilities as on 31 March 2023 compared with the corresponding position as on 31 March 2022 is given in **Appendix 1.3**.

Table 1.3: Summarised position of Assets and Liabilities

(₹ in crore)

		Liabilities			Assets				
		2021-22	2022-23	Percentage increase/decrease		2021-22	2022-23	Percentage increase/decrease	
Consolidated Fund									
A	Internal Debt	3,29,042	3,53,894	7.55	a	Gross Capital Outlay	3,99,069	4,56,417	14.36
B	Loans and Advances from GoI	45,385*	49,139*	8.27	b	Loans and Advances	35,329	38,101	7.84
	Contingency Fund	500	500	-		Contingency Fund	-	-	-
Public Account									
A	Small Savings, Provident Funds etc.	42,333	45,736	8.03	a	Advances	7	7	-
B	Deposits	33,682	59,874	77.76	b	Remittance	1,207	1,048	(-)13.17
C	Reserve Funds	53,046	60,328	13.72	c	Suspense and Miscellaneous	-	-	-

Liabilities					Assets			
		2021-22	2022-23	Percentage increase/decrease		2021-22	2022-23	Percentage increase/decrease
					Cumulative Excess of Receipts over expenditure	7,188	-	-
D	Suspense and Miscellaneous	2,224	3,421	53.82	Cash balance (including investment in Earmarked Fund)	63,412	83,629	31.88
E	Remittances	-	-	-	Total	5,06,212	5,79,200	14.41
	Cumulative Excess of Receipts over expenditure	-	6,310	-	Deficit in Revenue Account	-	-	-
	Total	5,06,212	5,79,202	14.41	Total	5,06,212	5,79,202	14.41

Source: Finance Accounts

* Effective Loans and Advances for GoI would be ₹14,869 crore for 2021-22 and ₹18,623 crore for 2022-23 as the Department of Expenditure, GoI had decided that GST compensation of ₹12,407 and ₹18,109 crore given to the State as back-to-back loan during 2020-21 and 2021-22 respectively under Debt Receipt would not be treated as debt of the State for any norms which may be prescribed by the Finance Commission.

The growth rate of assets in the Consolidated Fund increased (14 per cent) under Gross capital outlay and increased by around eight per cent under Loans and Advances when compared to the previous year. While the growth rate of Liabilities under internal debt excluding of off-budget borrowings increased by around eight per cent. The Loans and Advances by GoI increased by eight per cent when compared to the previous year. The cash balance including investment in Earmarked Funds increased by 32 per cent and as at the end of March 2023 was ₹83,629 crore.

1.8 Fiscal parameters

The three key fiscal parameters – revenue, fiscal and primary deficits indicate the extent of overall fiscal imbalances during a specified period.

The nature of deficit is an indicator of the extent of prudence in fiscal management. Further, the ways in which the deficit is financed, and the application of resources raised are important pointers to its fiscal health. This section presents trends, nature and magnitude and the manner of financing these deficits and the assessment of actual levels of revenue and fiscal deficits *vis-à-vis* targets set under KFRA for the financial year 2022-23.

1.8.1 Trends in Deficit/Surplus

The targets set by XV Finance Commission and those projected in the State budget *vis-à-vis* achievements in respect of major fiscal aggregates with reference to GSDP during 2022-23 are given in the **Table:1.4** below:

Table 1.4: Targets vis-à-vis achievements in respect of major fiscal aggregates for the year 2022-23

Fiscal Variables	Targets as prescribed by XV FC	Targets in the Budget	Actuals*	Percentage variation of actual over	
				Targets of XV FC	Targets in Budget
Revenue Deficit/GSDP (per cent)	(-)0.80	(-)0.78	0.62	1.42	1.40
Fiscal Deficit/GSDP (per cent)	(-)3.50	(-)3.26	(-)2.14	1.36	1.12
Total Outstanding Liability/GSDP^ (per cent)	33.30	27.30	23.97	9.33	3.33

Source: Recommendations of XV FC, Annual Financial Statement, Overview of Budget 2022-23 and Finance Accounts

Note: Deficit figures have been shown in minus.

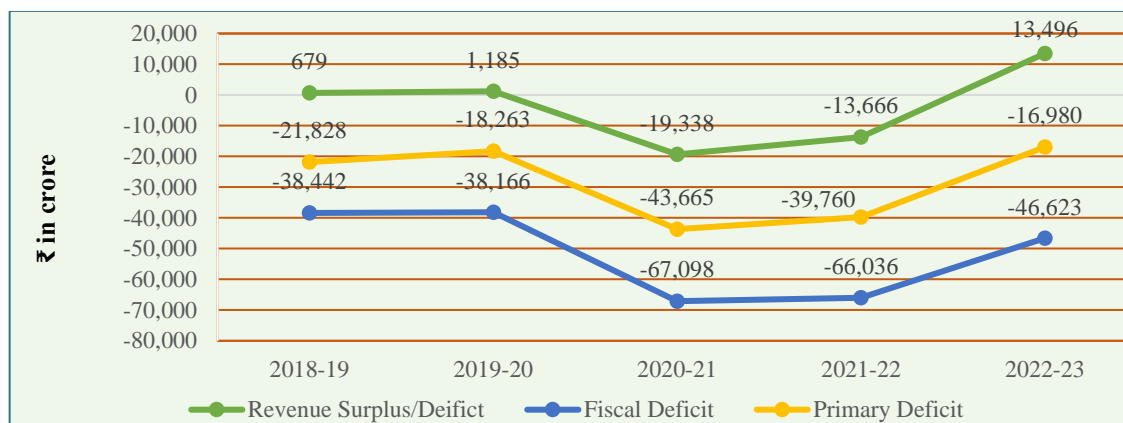
* Calculated on the basis of GSDP figures of ₹21,81,217 crore as per Ministry of Finance, GoI.

^ The back-to-back Loan (₹30,516 crore) received from GoI during 2020-21 and 2021-22 in lieu of GST compensation has not been considered as Debt for working out the indicator.

During 2022-23, the State attained revenue surplus (0.62 per cent) against the Revenue deficit projections of XV FC and budget. The ratio of fiscal deficit to GSDP and total outstanding Liability to GSDP was less than the target set by both XV FC as well as budget.

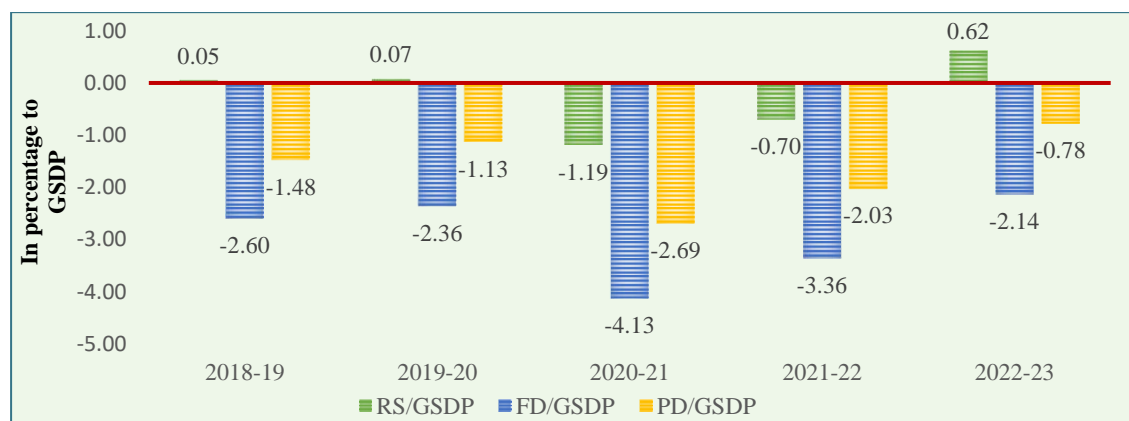
The trend of surplus and deficits of key fiscal parameters over the five-year period from 2018-19 to 2022-23 is depicted in **Chart 1.4** and trend in surplus and deficit relative to GSDP is given in **Chart 1.5**.

Chart 1.4: Trends in fiscal parameters



Source: Finance Accounts

Chart 1.5: Trends in Surplus/Deficit relative to GSDP



Source: Directorate of Economics and Statistics, GoK, and Finance Accounts

During 2022-23, the State observed revenue surplus after a gap of two years and fiscal deficit was least at 2.14 in the last five years. This was on account of the high revenue surplus achieved during 2022-23.

1.8.2 Trends in Fiscal Liabilities and its ratio to GSDP

Table 1.5 gives details of the composition of outstanding fiscal liabilities of the State and its ratio to GSDP during the years 2018-19 to 2022-23.

Table 1.5: Trends in Fiscal Liabilities and its ratio to GSDP

Liabilities	(₹ in crore)				
	2018-19	2019-20	2020-21	2021-22	2022-23
Internal Debt	1,79,309	2,20,337	2,81,140	3,29,042	3,53,894
GoI Loans	14,657	13,908	26,617*	45,385*	49,139*
Public Account	76,410	85,172	89,748	99,147	1,33,024
Off-Budget Borrowings	14,862	18,103	18,421	16,682	17,306
Total Fiscal Liabilities	2,85,238	3,37,520	4,15,926	4,90,256	5,53,363
Total Liabilities to GSDP (in per cent)	19.28	20.95	24.83*	23.42*	23.97*
Target (in per cent)	25.00	25.00	25.00	25.00	25.00

Source: Finance Accounts

* Effective Loans and Advances for GoI would be ₹14,210 crore for 2020-21, ₹14,869 crore for 2021-22 and ₹18,623 crore for 2022-23 as the Department of Expenditure, GoI had decided that GST compensation of ₹12,407 crore and ₹18,109 crore given to the State as back-to-back loan during 2020-21 and 2021-22 respectively under Debt Receipt would not be treated as debt of the State for any norms which may be prescribed by the Finance Commission.

The ratio of total liabilities to GSDP which was on an increasing trend from 2018-19 was at peak in the year 2020-21. However, the ratio was within the target of KFRA in all the five years. During 2022-23, the ratio was within the prescribed target due to less internal debt (less by 35 per cent³) by the State when compared to the previous year.

The total fiscal liabilities of the State increased by 94 per cent from ₹2,85,238 crore in 2018-19 to ₹5,53,363 crore in 2022-23 and by 13 per cent over the previous year. Internal debt which includes market borrowings constituted 56.36 per cent and Public Account constituted 24 per cent of the total fiscal liabilities during 2022-23. The ratio of total liabilities to GSDP increased from 19.28 per cent during 2018-19 to 23.97 per cent during 2022-23. During 2022-23, the ratio exceeded the previous year though within the limit set under the KFRA/Medium Term Fiscal Plan (MTFP) of 2022-23.

1.9 Fiscal situation of the State

The KFRA, 2002 as amended from time to time was enacted with the objective of achieving inter-generational equity in fiscal management and long-term macro-economic stability.

1.9.1 KFRA targets on key fiscal parameters and achievements thereon

The KFRA, 2002 envisaged sufficient revenue surplus and prudential debt management through limits on borrowings, debt and deficits. The targets for revenue and fiscal deficits along with their actual levels are given in **Table 1.6**.

³ Internal debt during 2022-23 was ₹39,283 crore and during the previous year it was ₹60,462 crore, which indicates that during the current year, the internal debt was less by 35 per cent over the previous year.

Table 1.6: Compliance with targets of KFRA

Fiscal Parameters	KFRA target	Achievement				
		2018-19	2019-20	2020-21	2021-22	2022-23
Revenue Surplus/Deficit (₹ in crore)	To maintain Revenue Surplus up to 2019-20.	679	1,185	(-)19,338	(-)13,666	13,496
	Revenue Surplus may not be attained during 2020-21 due to covid 19 & in 2021-22 and 2022-23 Revenue Deficit would arise due to slow recovery of the economy.	√	√	State saw Revenue Deficit		State achieved Revenue Surplus
Fiscal Deficit (as percentage of GSDP)	3.00 per cent (upto 2019-20)	2.60 (38,442)	2.36 (38,166)	4.13 (67,098)	3.36 (66,036)	2.14 (46,623)
	5.00 per cent (2020-21), 4.00 per cent (2021-22) and 3.5 per cent (2022-23)	√	√	√	√	√
Ratio of total outstanding debt to GSDP (in per cent)	25.00 per cent (up to 2022-23) Debt to GSDP ratio may increase (2021-22 and 2022-23)	19.28	20.95	24.83	23.42	23.97
		√	√	√	√	√

* The back-to-back Loan (₹30,516 crore) received from GoI during 2020-21 and 2021-22 in lieu of GST compensation has not been considered as Debt for working out the indicator.

By an amendment to KFRA, 2002 in February 2014, the scope of total liabilities as defined under Section-2(g) was amplified to include the borrowings by PSUs and Special Purpose Vehicles⁴ (SPVs) and other equivalent instruments where the principal and/or interest are to be serviced out of the State Budget. The State Government has been amending the KFRA from time to time keeping in view the parameters prescribed by successive Finance Commissions (FC) and also based on the fiscal situation.

During the year 2022-23, the State Government amended the KFRA to reduce the fiscal deficit from four per cent to 3.5 per cent of the estimated GSDP. In addition, the State envisaged revenue deficit due to slow recovery of the economy to the pre covid level. It also envisaged total liabilities to exceed 25 per cent of the estimated GSDP.

The State Government recorded revenue surplus from 2004-05 to 2019-20 and during 2020-21 and 2021-22, the State witnessed revenue deficit and the revenue deficit was met out of the borrowed funds. During 2022-23, the State recorded revenue surplus. The fiscal deficit was well within the target fixed by KFRA in all the years. The total debt outstanding ratio to GSDP as prescribed under the Act, was well within the target of 25 per cent provided in the Act.

1.9.2 Actuals vis-à-vis projections of Medium Term Fiscal Plan for 2022-23

As per the KFRA, the State Government has to lay before the State Legislature, a Five-Year Fiscal Plan along with the Annual Budget. The MTFP has set forth a five-year rolling target for the prescribed fiscal indicators. **Table 1.7** indicates

⁴ Borrowings by PSUs and SPVs are off-budget borrowings

the variation between the projections made for 2022-23 in MTFP and actuals for the year.

Table 1.7: Actuals vis-à-vis projection in MTFP for 2022-23

(₹ in crore)

Sl. No.	Fiscal Variables	Projection as per MTFP 2021-25	Actuals (2022-23)	Variation (in per cent)
1	Own-Tax Revenue	1,30,535	1,43,702	10.09
2	Non-Tax Revenue	8,589	13,914	62.00
3	Share of Central Taxes	26,719	34,596	29.48
4	Grants-in-aid from GoI	14,073	36,868	161.98
5	Revenue Receipts (1+2+3+4)	1,79,916	2,29,080	27.33
6	Revenue Expenditure	2,08,004	2,15,584	3.64
7	Total Debt	5,12,585	5,53,363	7.95
8	GSDP	18,85,750	21,81,217	15.67
9	Revenue Deficit (-) / Surplus (+) (5-6)	(-)28,088	13,496	148.04
10	Fiscal Deficit (-)/ Surplus (+)	(-)54,687	(-)46,623	(-)14.74
11	Fiscal Deficit/ GSDP	2.90	2.14	0.76
12	Debt-GSDP ratio (per cent)	27.18	23.97	3.21
13	GSDP growth rate at current prices (per cent)	10.80	11.13	0.33

Source: Finance Accounts and MTFP 2021-25

As seen from the above table, while actual receipts and debt increased from the projection made in MTFP, the expenditure and GSDP was less than projected. As a result, there was variation in the fiscal parameters. which has been discussed in previous paragraphs.

1.10 Impact of certain transactions on major fiscal indicators during 2022-23

Scrutiny of certain major transactions during 2022-23 revealed that revenue deficit and fiscal deficit were affected by certain accounting adjustments (some of them are brought out in Notes to Accounts of Finance Accounts) and through post audit analysis which are detailed in **Table 1.8**.

Table 1.8: Impact of certain major transactions during 2022-23

(₹ in crore)

Sl. No.	Nature of transaction	Revenue Surplus		Fiscal Deficit	
		Over-statement	Under-statement	Over-statement	Under-statement
1	Booking of capital expenditure instead of revenue expenditure	1.10	-	-	-
1a	Booking of capital expenditure instead of revenue expenditure (Grants-in-aid)	50.00	-	-	-
2	Booking of Revenue expenditure instead of Capital expenditure	-	0.75	-	-

Sl. No.	Nature of transaction	Revenue Surplus		Fiscal Deficit	
		Over-statement	Under-statement	Over-statement	Under-statement
3	Non-transfer of receipts under Green Tax Cess to Reserve Fund	14.94	-	-	14.94
4	Non-transfer of expenditure under Green Tax Cess to Reserve Fund	-	22.83	22.83	-
5	Non-transfer of receipts under Road Safety Cess	70.09	-	-	70.09
6	Non payment of Interest in respect of Karnataka Employees Group Insurance Fund.	84.66	-	-	84.66
7	Non payment of interest in respect of State Disaster Response Fund/ State Disaster Mitigation Fund	17.94	-	-	17.94
Total		238.73	23.58	22.83	187.63

Source: Notes to Accounts 2022-23 and Post audit analysis

The above transactions are discussed below:

- Expenditure of ₹50 crore which was to be treated as Revenue was treated as Capital Expenditure which is detailed in **paragraph 3.6.1.2 of Chapter 3**;
- Expenditure of ₹1.10 crore under Capital head were utilised towards expenditure of revenue nature which is discussed in **paragraph 3.6.1.2 of Chapter 3**;
- Expenditure of ₹0.75 crore under Revenue head were utilised towards expenditure of Capital nature which is discussed in **paragraph 3.6.1.2 of Chapter 3**;
- Green Tax Cess collected (₹14.94 crore), expenditure incurred their against (₹22.83 crore) and Road safety Cess (₹70.09 crore) collected under Consolidated Fund of the State were not transferred to the fund account in Reserve Fund, which is discussed in **paragraph 2.6.2 (c) &(d) of Chapter 2**;
- The State did not provide interest of ₹84.66 crore (₹6.81 crore as interest for insurance fund and ₹77.85 crore as interest for saving fund) in respect of Karnataka Group Insurance Department during the fourth quarter of the year.
- The State Government was required to pay interest of ₹17.94 crore on the un-expended balance lying under Reserve Funds and Deposits bearing interest in respect of State Disaster Response Fund and State Disaster Mitigation Fund.

The Revenue Surplus and Fiscal Deficit would have an impact because of the above transactions. The Revenue Surplus would reduce by ₹215.15 crore and would stand at ₹13,281 crore and the effective Fiscal Deficit would increase by ₹164.80 crore and would stand at ₹46,788 crore. The FD-GSDP ratio would thus stand at 2.15 per cent.

Chapter – 2

Finances of the State

CHAPTER 2 FINANCES OF THE STATE

2.1 Introduction

This chapter provides a broad perspective of the finances of the State, analyses the critical changes in major fiscal variables relative to the previous year, overall trends during the five-year period from 2018-19 to 2022-23, debt sustainability of the State and key Public Account transactions based on the Finance Accounts of the State.

2.2 Major changes in key fiscal aggregates in 2022-23 vis-à-vis 2021-22

Table 2.1 presents a bird's eye view of the major changes in key fiscal aggregates of the State during 2022-23, *vis-à-vis* the previous year (2021-22). Details are given in **Appendix 2.1**. The details of receipts and disbursement for 2022-23 as well as the overall fiscal position during preceding four years are shown in **Appendix 2.2**.

Table 2.1: Changes in key fiscal aggregates during 2022-23 compared to 2021-22

Revenue Receipts	<ul style="list-style-type: none"> ✓ Revenue Receipts of the State increased by 17.02 <i>per cent</i>. ✓ Own-Tax Receipts of the State increased by 19.02 <i>per cent</i>. ✓ Own non-Tax Receipts increased by 18.15 <i>per cent</i>. ✓ State's share of Union Taxes and Duties increased by 3.94 <i>per cent</i>. ✓ Grants-in-Aid from GoI increased by 23.05 <i>per cent</i>.
Revenue Expenditure	<ul style="list-style-type: none"> ✓ Revenue Expenditure increased by 2.94 <i>per cent</i>. ✓ Revenue Expenditure on General Services increased by 14.60 <i>per cent</i>. ✓ Revenue Expenditure on Social Services increased by 1.51 <i>per cent</i>. ✓ Revenue Expenditure on Economic Services decreased by 5.38 <i>per cent</i>. ✓ Expenditure on Grants-in-aid decreased by 14.42 <i>per cent</i>.
Capital Receipts	<ul style="list-style-type: none"> ✓ Debt Capital Receipts decreased 44.76 <i>per cent</i>. ✓ Non-debt Capital Receipts increased 261 <i>per cent</i>.
Capital Expenditure	<ul style="list-style-type: none"> ✓ Capital Expenditure increased by 19.79 <i>per cent</i>. ✓ Capital Expenditure on General Services increased by 75.74 <i>per cent</i>. ✓ Capital Expenditure on Social Services decreased by 5.68 <i>per cent</i>. ✓ Capital Expenditure on Economic Services increased by 28.23 <i>per cent</i>.

Loans and Advances	<ul style="list-style-type: none"> ✓ Recoveries of Loans and Advances increased by 276.38 per cent. ✓ Disbursement of Loans and Advances decreased by 22.78 per cent.
Public Debt	<ul style="list-style-type: none"> ✓ Public Debt Receipts decreased by 44.76 per cent. ✓ Repayment of Public Debt increased by 14.10 per cent.
Public Account	<ul style="list-style-type: none"> ✓ Public Account Receipts increased by 12.16 per cent. ✓ Disbursement of Public Account increased by 5.40 per cent.
Cash Balance	<ul style="list-style-type: none"> ✓ Cash Balance (including investment of Earmarked funds and deposits with RBI) increased by ₹20,217 crore (31.80 per cent).

Each of the above indicators are analysed in the succeeding paragraphs.

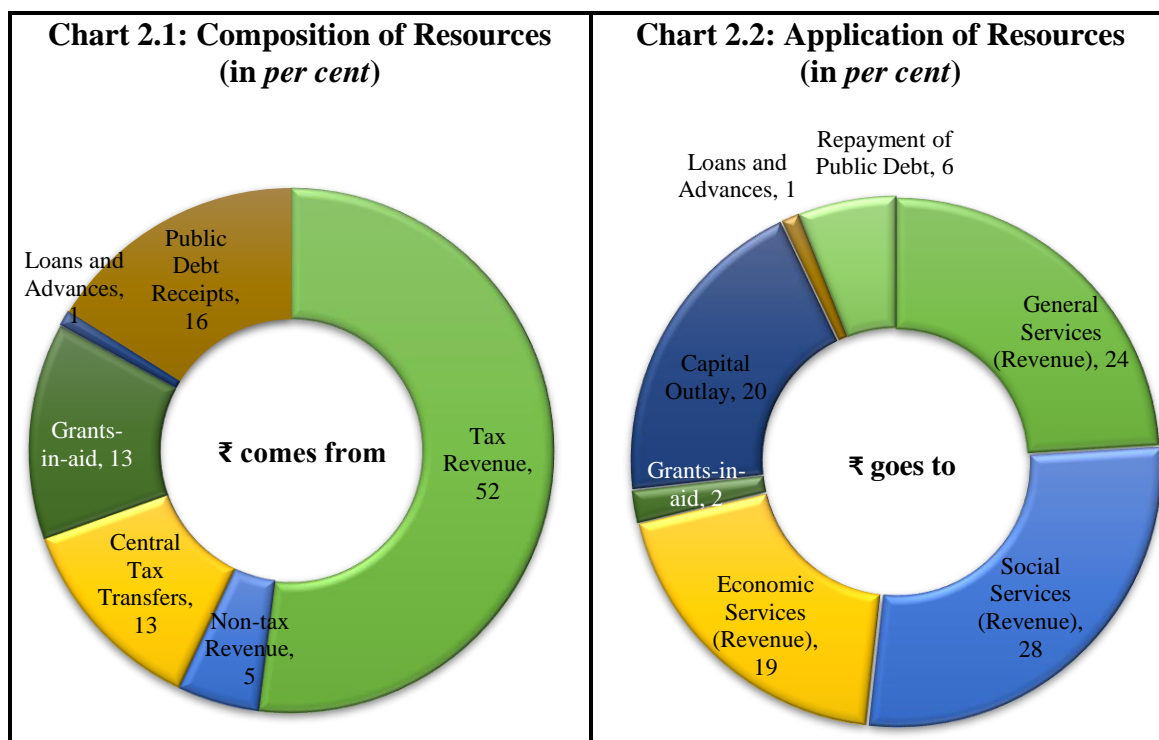
2.3 Sources and Application of funds

Table 2.2 compares the sources and application of funds of the State during 2021-22 with 2022-23, while **Chart 2.1** and **Chart 2.2** give the details of receipts and expenditure from the Consolidated Fund during 2022-23 in terms of percentages.

Table 2.2: Details of Sources and Application of funds during 2021-22 and 2022-23

		(₹ in crore)		
Particulars		2021-22	2022-23	Increase/Decrease
Sources	Opening Cash Balance (including investment of Earmarked funds and deposits with RBI)	47,143	63,412	16,269
	Revenue Receipts	1,95,762	2,29,080	33,318
	Recoveries of Loans and Advances	127	478	351
	Public Debt Receipts (Net)	66,669	28,607	(-)38,062
	Public Account Receipts (Net)	15,217	38,232	23,015
	Total	3,24,918	3,59,809	34,891
Application	Revenue Expenditure	2,09,428	2,15,584	6,156
	Capital Expenditure	47,874	57,349	9,475
	Disbursement of Loans and Advances	4,209	3,250	(-)959
	Closing Cash Balance (including investment of Earmarked funds and deposits with RBI)	63,412	83,629	20,217
	Total	3,24,923	3,59,812	34,889

Source: Finance Accounts



Source: Finance Accounts

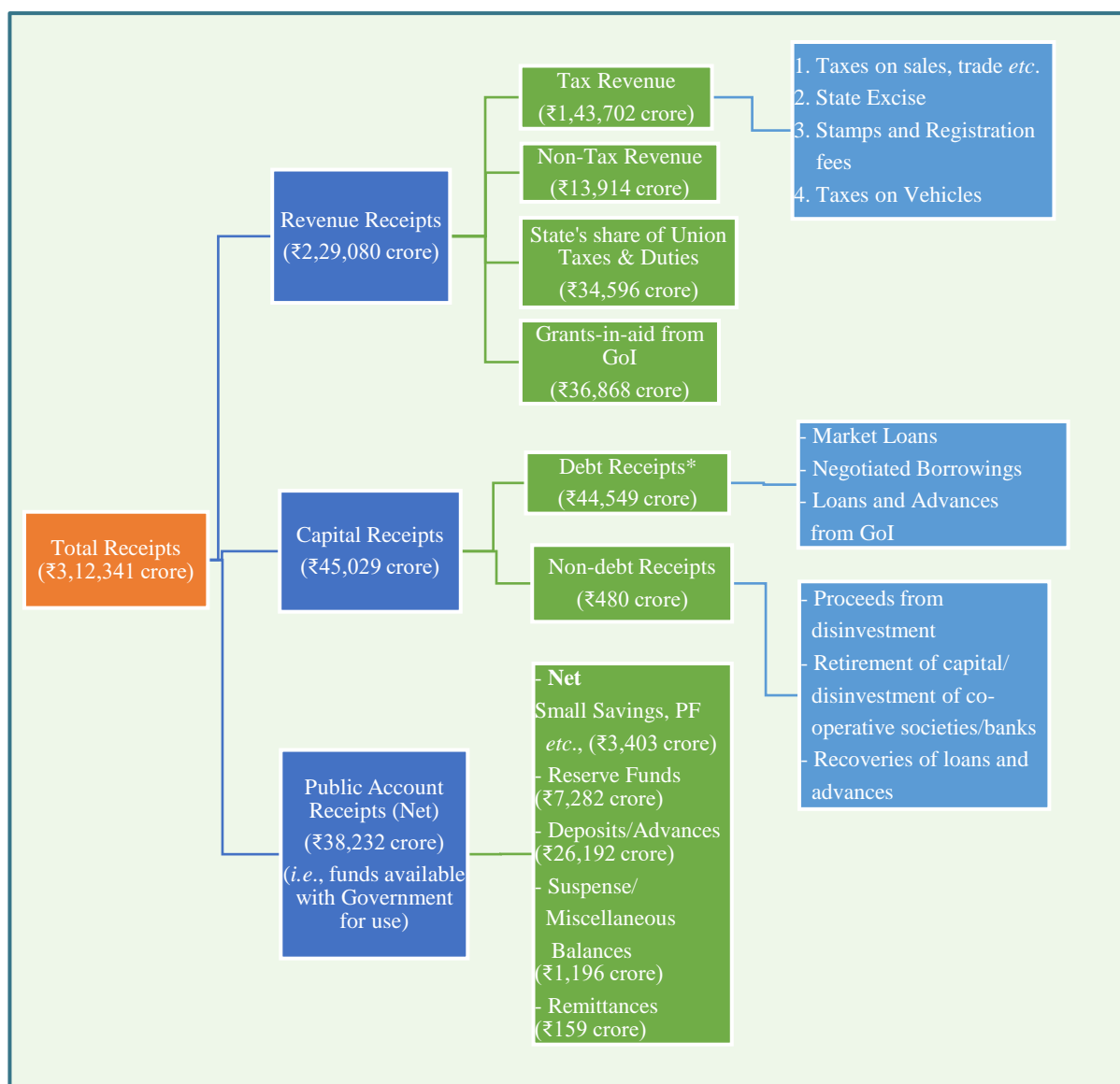
2.4 Resources of the State

The resources of the State consist of Revenue Receipts, Capital Receipts and Net Public Account Receipts. The composition of these is already discussed in **Para 1.4 of Chapter 1**. The components and sub-components of overall receipts of the State during 2022-23 are shown in **Chart 2.3**.

2.4.1 Revenue Receipts

The GoK's fiscal position is largely influenced by the revenue side. On an average, 60 per cent of the revenue came from the State's own resources during the period 2018-19 to 2021-22. During 2022-23, the State own resources constituted 69 per cent of the total Revenue Receipts. The balance was transferred from GoI in the form of the State's share of taxes and duties and Grants-in-aid contributions. Tax Revenue increased in terms of value by ₹22,963 crore and its rate of growth was 19.02. When compared to the previous year, percentage share of Revenue Receipts increased nominally by one per cent and was at 63 per cent. On the other hand, the State had improved revenues on the non-Tax during the last two years by ₹2,137 crore. The non-Tax revenue which was four to five per cent of Revenue Receipts during 2018-19 to 2021-22, increased to six per cent during 2021-22 and remained the same during 2022-23 also.

Chart 2.3: Composition of receipts of the State during 2022-23



Source: Finance Accounts

2.4.2 Trends and growth of Revenue Receipts

Table 2.3 provides trends in Revenue Receipts as well as revenue buoyancy with respect to GSDP over the five-year period 2018-19 to 2022-23. Further, trends in Revenue Receipts relative to GSDP and composition of Revenue Receipts are given in **Chart 2.4** and **Chart 2.5** respectively.

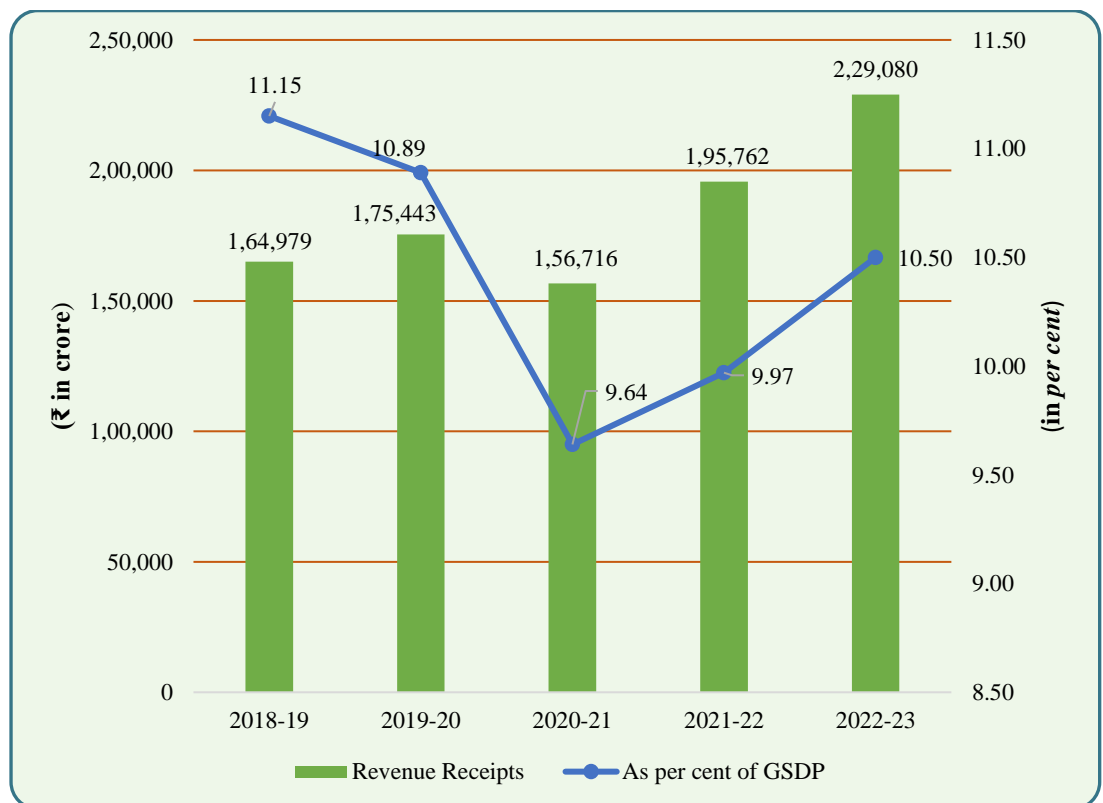
Table 2.3: Trends and growth in Revenue Receipts

Parameters	2018-19	2019-20	2020-21	2021-22	2022-23
Revenue Receipts (RR) (₹ in crore)	1,64,979	1,75,443	1,56,716	1,95,762	2,29,080
Rate of growth of RR (per cent)	12.23	6.34	(-)10.67	24.92	17.02
Own-Tax Revenue (₹ in crore)	96,830	1,02,363	97,052	1,20,739	1,43,702
Non-Tax Revenue (₹ in crore)	6,773	7,681	7,894	11,777	13,914

Parameters	2018-19	2019-20	2020-21	2021-22	2022-23
State's Own Revenue (own-Tax revenue + non-Tax revenue)	1,03,603	1,10,044	1,04,946	1,32,516	1,57,616
Grants-in-aid from GoI	25,481	34,480	30,076	29,962	36,868
Rate of growth of Grants-in aid from GoI (per cent)	17.74	35.32	(-)12.77	(-)0.38	23.05
Rate of growth of State's own Revenue (own-Tax revenue + non-Tax revenue) (per cent)	10.68	6.22	(-)4.63	26.27	18.94
GSDP (₹ in crore)	14,79,391	16,11,134	16,25,073	19,62,725	21,81,217
Rate of growth of GSDP (per cent)	10.96	8.91	0.87	20.78	11.13
RR/GSDP (per cent)	11.15	10.89	9.64	9.97	10.50
Buoyancy ratios⁵					
Revenue Buoyancy⁶ w.r.t GSDP	1.12	0.71	(-)12.26	1.19	1.53
State's own revenue buoyancy⁷ w.r.t GSDP	1.02	0.64	(-)5.96	1.17	1.70

Source: Finance Accounts and Economic Survey of GoK

Chart 2.4: Trends of Revenue Receipts



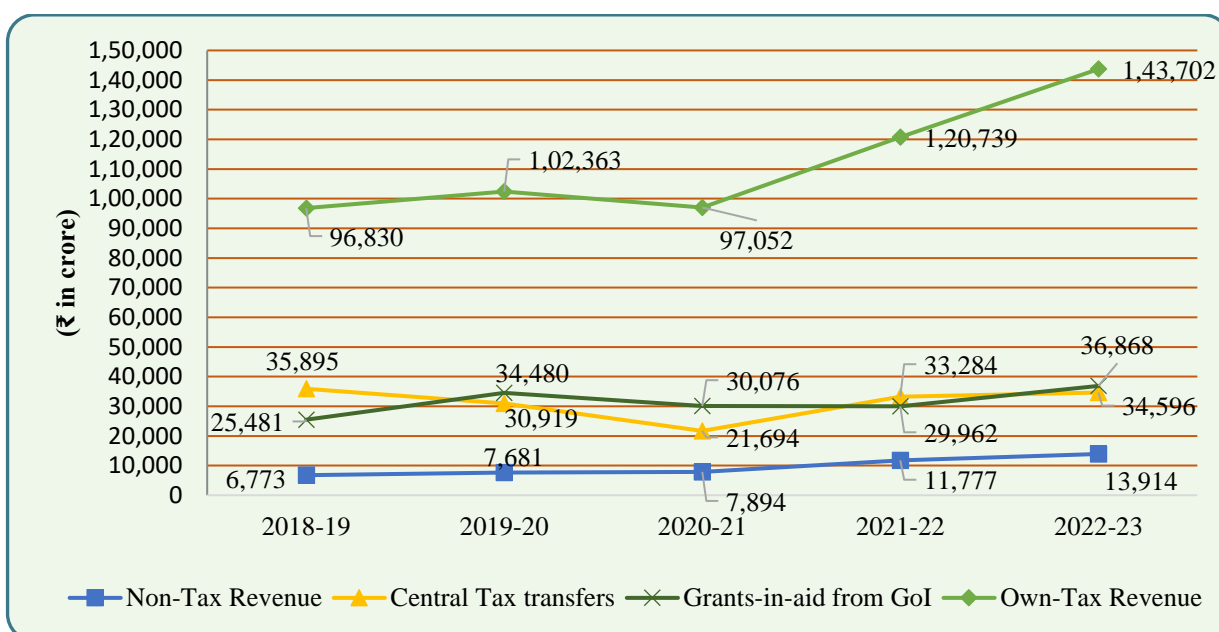
Source: Finance Accounts and Economic Survey of GoK

⁵ Buoyancy ratio indicates the elasticity or degree of responsiveness of a fiscal variable with respect to a given change in the base variable. For instance, revenue buoyancy with respect to GSDP at 0.63 implies that Revenue Receipts tend to increase by 0.63 percentage points, if the GSDP increases by one *per cent*.

⁶ Revenue buoyancy refers to the growth rate of Revenue Receipts to growth rate of GSDP.

⁷ Own revenue buoyancy refers to growth rate of Tax Revenue and non-Tax revenue to growth rate of GSDP. It excludes devolution from GoI.

Chart 2.5: Trends of components of Revenue Receipts



Source: Finance Accounts

General trends relating to Revenue Receipts of the State are as follows:

- Revenue Receipts increased by 38.85 per cent from ₹1,64,979 crore in 2018-19 to ₹2,29,080 crore in 2022-23. During 2022-23, the Revenue Receipt increased by 17.02 per cent when compared to the previous year.
- About 69 per cent of the Revenue Receipts during 2022-23 came from the State’s own resources, while Central tax transfers and Grants-in-aid together contributed 31 per cent. This is indicative that Karnataka’s fiscal position is largely influenced by own resources.
- During the year 2022-23, the increase of 17.02 per cent (₹33,318 crore) in Revenue Receipts when compared to previous year was mainly due to an increase of own-Tax Revenue (19.02 per cent), non-Tax Revenue (18.15 per cent), Grants-in-aid (23.05 per cent) and States share of Union Taxes and Duties (3.94 per cent).
- The revenue buoyancy of the State with respect to GSDP was positive in all the years except 2020-21. The revenue buoyancy showed a decreasing trend from 2018-19 to 2020-21 and increased in the year 2021-22 and 2022-23. This was on account of revival of the economy post Covid 19 lockdown. The buoyancy showed positive due to positive growth rate of revenue receipts as well as the GSDP.
- Similarly, the State’s own revenue buoyancy with respect to GSDP showed positive (Table 2.3) during all the years except for the year 2020-21. During the current year the reason for the increase in Grants-in-Aid receipts was attributed to increase in the compensation for loss of revenue arising due to implementation of GST by 126 per cent.

2.4.3 State’s Own Resources

State’s performance in mobilisation of additional resources should be assessed in terms of its own resources comprising revenue from its own -Tax and non-Tax sources.

Gross collections in respect of major Tax and non-Tax revenue and their relative share in GSDP during 2018-19 to 2022-23 are given in **Appendix 2.2**.

2.4.3.1 Own-Tax Revenue

Trends of own-Tax Revenue of the State during the five-year period 2018-19 to 2022-23 are given in **Chart 2.6** and **Chart 2.7**.

Chart 2.6: Trends of own-Tax Revenue during 2018-19 to 2022-23

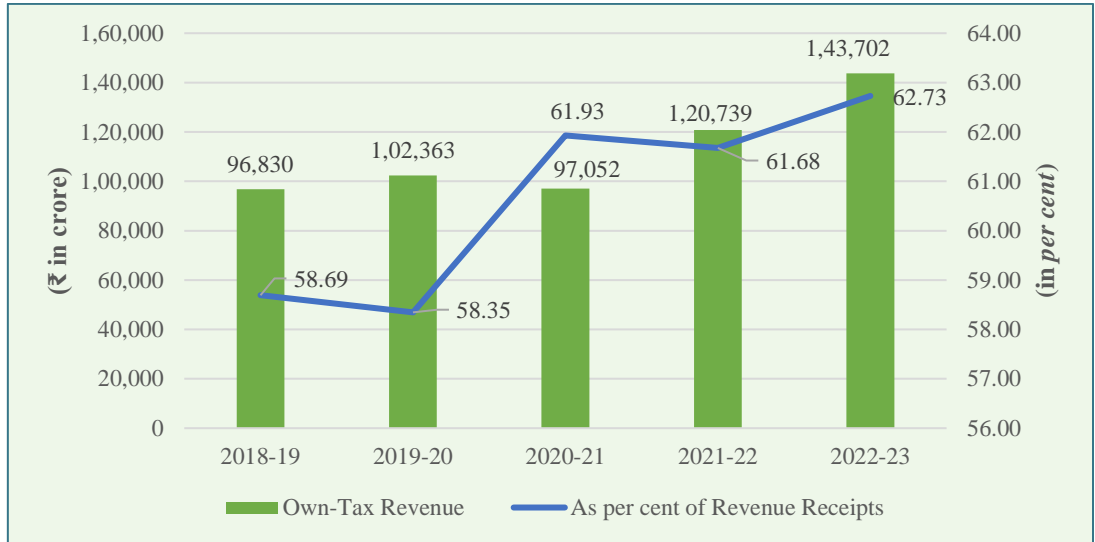
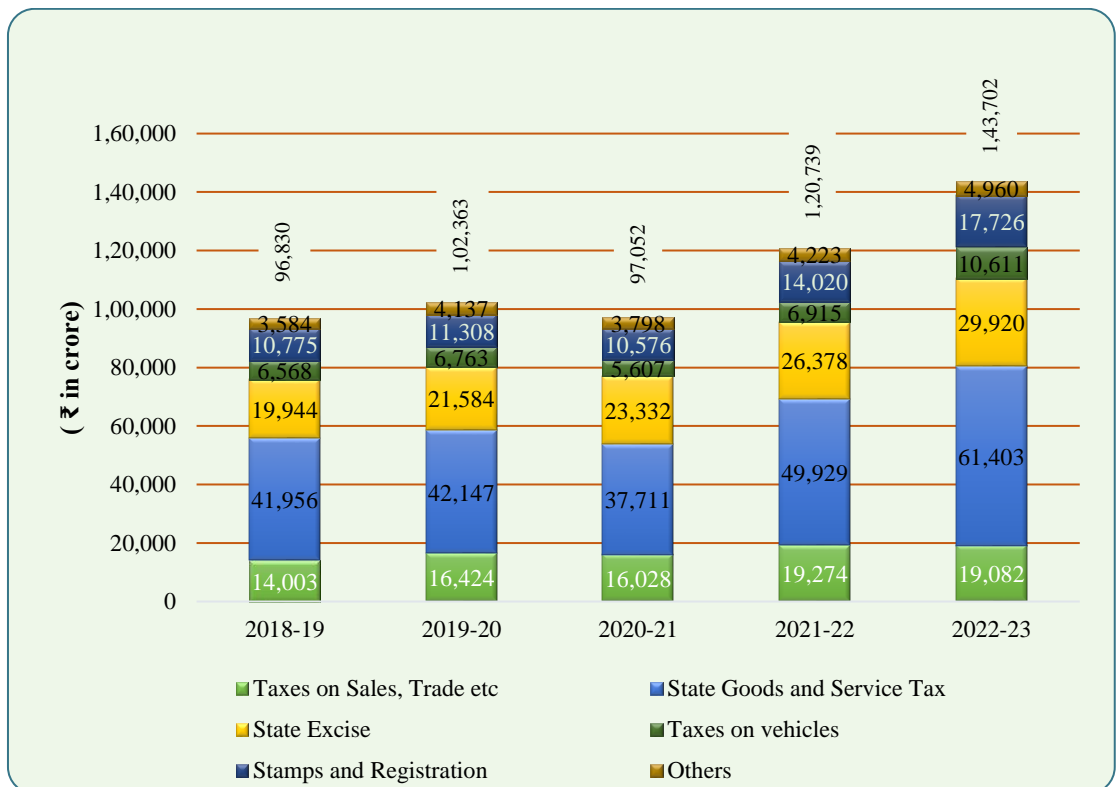


Chart 2.7: Growth/Decline of own-Tax Revenue during 2018-19 to 2022-23



Source: Finance Accounts

The component wise details of State's own-Tax Revenue collected during 2018-19 to 2022-23 are given in **Table 2.4** and **Chart 2.7**.

Table 2.4: Components of State's own-Tax Revenue during 2018-23

(₹ in crore)

Components of State's Own Tax Revenue						
Revenue Head	2018-19	2019-20	2020-21	2021-22	2022-23	Sparkline
Taxes on Sales, Trade etc.	14,003	16,424	16,028	19,274	19,082	
State Goods and Service Tax	41,956	42,147	37,711	49,929	61,403	
State Excise	19,944	21,584	23,332	26,378	29,920	
Taxes on Vehicle	6,568	6,763	5,607	6,915	10,611	
Stamps and Registration Fees	10,775	11,308	10,576	14,020	17,726	
Land Revenue	144	203	184	181	364	
Other Taxes	3,440	3,934	3,614	4,042	4,596	
Total	96,830	1,02,363	97,052	1,20,739	1,43,702	

Source: Finance Accounts

Own-Tax Revenue of the State increased by ₹22,963 crore from ₹1,20,739 crore in 2021-22 to ₹1,43,702 crore in 2022-23. The growth rate of own-Tax Revenue decreased during 2019-20 and 2020-21 due to onset of COVID 19 Pandemic imposed lockdown. During the current year, the major contributors of Tax Revenue were Goods and Services Tax (43 per cent), State Excise (21 per cent), Taxes on Sales, Trade etc., (13 per cent) and Stamps and Registration Fees (12 per cent).

(a) State Goods and Services Tax

Actual collection of revenue under State Goods and Service Tax (SGST) during 2021-22 and 2022-23 are shown in **Table 2.5**.

Table 2.5: SGST receipts of GoK

(₹ in crore)

State Goods and Services Tax	2021-22	2022-23	Increase/Decrease
Tax	24,084	30,315	6,231
Advance Apportionment of Taxes from IGST	3,099	2,090	(-1,009)
Others	22,746	28,998	6,252
Total SGST collection	49,929	61,403	11,474

Source: Finance Accounts

During 2022-23, the SGST collections was ₹61,403 crore, an increase of ₹11,474 crore (22.98 per cent) over 2021-22 as against the Budget Estimate of ₹53,220 crore (15.38 per cent). This included Advance Apportionment of IGST amounting to ₹2,090 crore. In addition, the State received ₹9,786 crore as its share of net proceeds out of CGST. Hence, the total receipts under GST during 2022-23 were ₹71,189 crore⁸. The State received compensation of ₹20,288 crore on account of loss of revenue arising out of the implementation of GST during 2022-23.

⁸Under Major Heads 0005 – CGST (₹9,786.19 crore), 0006 – SGST (₹61,403.30 crore) and 0008 – IGST (Nil).

(b) Analysis of arrears of revenue and arrears of assessment

The arrears of revenue indicate delayed realisation of revenue due to the Government. Similarly, arrears of assessment indicate potential revenue which is blocked due to delayed assessment. Both deprive the State of potential revenue receipts and ultimately affect the revenue deficit.

(c) Arrears of revenue

As on 31 March 2023, the arrears of revenue in respect of principal heads of revenue *viz.*, Taxes/VAT on Sales, Trade, *etc.*, (₹15,636.59 crore) and Goods and Services Tax (₹1,554.30 crore) were ₹17,190.89 crore as depicted in **Table 2.6**.

Table 2.6 Arrears of revenue

(₹ in crore)			
Sl. No.	Head of revenue	Amount outstanding as on 31 March 2023	Amount outstanding for more than five years as on 31 March 2023
1	Taxes/VAT on Sales, Trade, <i>etc.</i>	15,636.59	-
2	Goods and Services Tax	1,554.30	-
Total		17,190.89	-

Source: Departmental information

(d) Arrears in assessment

The information on number of cases pending at the beginning of the year, cases becoming due for assessment, cases disposed of during the year and number of cases pending for finalisation at the end of the year in respect of Sales Tax / VAT is depicted in **Table 2.7**.

Table 2.7 Arrears of assessment

(₹ in crore)					
Sl. No.	Head of Revenue	Cases pending at the beginning of 2022-23	Cases disposed of during 2022-23	Balance at the end of the year*	Percentage of disposal
1	Taxes/VAT on Sales, Trade, <i>etc.</i>	2,071	1,818	253	88
2	Goods and Services Tax (U/s 73 & 74 Adjudication)	13,287	4,674	8,613	35
Total		15,358	6,492	8,866	42

Source: Departmental information

*Does not include the case for the year 2022-23 as these would be due for assessment in the next financial year.

As seen in **Table 2.7**, there were no new cases due for assessment under Taxes/VAT on Sales, Trade, *etc.*, and Goods and Services Tax during 2022-23. The disposal of cases in the year for the arrears of earlier years are 88 *per cent* and 35 *per cent* respectively.

(e) Details of evasion of tax detected by the Department. Refund cases, *etc.*

The cases of evasion of tax detected, cases finalised and the demands for additional tax raised are important indicators of revenue collection efforts of the

State Government. Promptness in disposal of refund cases is an important indicator of the performance of the Department concerned.

The details of cases of evasion of tax detected by the Excise and Taxation, cases finalised and the demand for additional tax raised during the year 2022-23, as reported by the Departments concerned, is depicted in **Table 2.8**.

Table 2.8 Evasion of tax detected

Sl. No.	Head of Revenue	Cases pending as on 31 March 2022	Cases detected during 2022-23	Total	No. of cases in which assessment / investigation completed with penalty, etc., raised		No. of cases pending for finalisation as on 31 March 2023
					No. of Cases	Amount of demand (₹ in crore)	
1	Goods and Services Tax	8,959	10,867	19,826	9,530	1,320.18	10,296
Total		8,959	10,867	19,826	9,530	1,320.18	10,296

Source: Departmental information

During 2022-23, a refund of ₹2,251.32 crore and ₹379.19 crore were made under GST and Sales Tax/VAT.

2.4.3.2 Non-Tax Revenue

Non-Tax receipts (fees, user charges, interest receipts, etc.) are generally raised through non-statutory mandates. The sources of non-Tax receipts included receipts from fiscal services like interest receipts from outstanding advances, dividends and profits from equity investments, royalty fees for allowing use of assets held as custodian like minerals, forests and wildlife, or other such services and user charges for various social and economic services provided through the apparatus of the Government.

While the share of non-Tax revenue in Revenue Receipts during 2018-19 to 2019-20 was four *per cent*, it increased to five *per cent* during 2020-21 and to six *per cent* during 2021-22 and 2022-23. In terms of value, during 2022-23, the non-Tax revenue increased by ₹2,137 crore from ₹11,777 crore in 2021-22 to ₹13,914 crore in 2022-23. The FMRC taking notice (February 2023) of observations in various SFAR's of earlier years suggested Finance Department to review all major non-Tax revenue sources in the Financial Year 2023-24 and revise the user charges/fees which have not been revised since many years.

The XV FC has noted that there needs to be a focus on user charges and these revenues should keep pace with the growth of GSDP of the State. The Expenditure Reforms Commission of the State in its fourth report (June 2021) has stated that the Government should articulate a clear policy on user charges. In this regard, the Finance Department in its reply to PAC in the SFAR for the year ending March 2020 stated the following:

- With the approval of Legislature, the user charges received by Forest, Hospital, Horticulture departments, etc., were allowed to retain with the departments and use it for their immediate use.
- Conducted meetings with Education, Health, Tourism and Kannada & Culture departments to revise the user charges.

Contrary to the Finance department's reply we noticed that the State had allowed the Education department to retain its revenue which is discussed below:

Non-remittance of Revenue Receipts (Non-Tax revenue) to the Consolidated Fund of the State (CFS)

The Karnataka Educational Institutions (Collegiate Education) Rules, 2003 *vide* rule 18(1) authorises the Managing Committee of Government aided colleges to collect tuition and laboratory fees from the students at rates not exceeding twice the standard rates fixed by the Government. Further, as per rule 18(4), the Managing Committee shall credit all fees collected under 18(1) to the joint account. Subsequently, the Government amended (2014) rule 18(4) and directed the managing committee to credit one rate of tuition fees collected to the joint account and another to the college account. This was contrary to the article 266(1) of the Constitution of India which stipulates that all revenues received by the State Government are to form part of CFS.

From the information furnished by 751 colleges with six regional offices under the administrative control of Higher Education, we noticed that during the period 2004 to 2023 tuition fees amounting to ₹211.74 crore was remitted to the joint account which was outside the CFS. In addition, it was noticed that many of the colleges had not remitted one part of the tuition fees collected during the said period to the joint account which worked out to ₹152.09 crore. However, no action was taken by the department to ensure proper remittance of the fees. The details of tuition fee remitted and short remittance by the colleges are detailed in **Table 2.9**.

Table 2.9: Details of tuition fee remitted and short remittance by the colleges

Sl. No.	Year	Tuition Fee (₹ in crore)	
		Remitted to Joint Account	Not Remitted
1	2004-2015	106.35	137.27
2	2015-2022	94.16	14.59
3	2023	11.23	0.23
TOTAL		211.74	152.09

Source: Inspection Reports and information furnished by colleges and Department of Higher Education

Thus, framing of rules which was inconsistent with article 266(1) of Constitution of India and poor monitoring by the department resulted in understatement of non-Tax revenue to the extent of ₹363.83 crore.

In addition, as discussed in **Paragraph 4.2**, in spite of Finance Department issuing directions to all departments to remit interest earned on the Government funds to CFS, interest amounting to ₹198.99 crore earned during 2020-21 to 2022-23 by 13 Institutions/Government companies/Corporations was not remitted to Government account.

The component wise details of non-Tax revenue collected during 2018-19 to 2022-23 are indicated in **Table 2.10**.

Table 2.10: Components of State's non-Tax Revenue

(₹ in crore)

Components of State's non-tax revenue						
Revenue Head	2018-19	2019-20	2020-21	2021-22	2022-23	Sparkline
Interest Receipts	1,112	895	920	1,315	1,377	
Dividend and Profits	38	54	81	350	429	
Non-ferrous Mining and Metallurgical Industries	3,027	3,629	3,893	6,308	5,946	
Other non-Tax receipts	2,596	3,103	3,000	3,804	6,162	
a) Medical and Public Health	330	599	419	522	431	
b) Other Administrative Services	253	305	388	417	1156	
c) Forestry and Wild Life	309	267	276	281	325	
d) Education, Sports and Culture	200	183	175	287	178	
e) Police	241	308	367	500	579	
f) Roads and Bridges	105	71	50	60	25	
g) Others	1,158	1,370	1,325	1,737	3468	
Total	6,773	7,681	7,894	11,777	13914	

Source: Finance Accounts

During the year 2022-23, there was an increase of ₹2,137 crore (18.15 per cent) in total non-Tax Revenue over the previous year which was mainly under other non-Tax receipts viz., Other Administrative Services (₹739 crore) and others (₹1,731 crore). The royalty under non-Ferrous Mining and Metallurgical industries which had increased considerably during 2021-22 saw decrease during 2022-23. This was due to less receipts under licence fees. There was marginal increase under internal receipts and dividends and profits (₹429 crore) over the previous year.

During audit of Department of Mines and Geology for the period up to 2021-22, audit noticed loss of revenue on account of short accounting of minerals extracted on account of illegal mining which are discussed below:

(a) Loss of Revenue on account of short accounting

The audit conducted upto 2021-22 revealed that, during 2018-19 and 2019-20, the Department of Mines and Geology had incurred a loss of ₹5.72 crore in revenue receipts on account of under assessment of accounting of mineral, production quantity and non-levy of statutory dues as detailed in **Table 2.11**.

Table 2.11: Loss of Revenue on account of under assessment

(₹ in crore)

Year	Details	Amount of Understatement
2018-19	Short accounting of Mineral	1.58
	Short accounting of production quantity	0.91
2019-20	Short accounting of Minerals and non-levy of statutory dues.	3.23
Total		5.72

(b) Loss of non-Tax Revenue on account of illegal mining, non-levy of royalty and short collection of dead rent from idle leases.

Illegal mining as defined under Rule 2(1)(c) of the Minerals (Other than Atomic and Hydrocarbons Energy Minerals) Concession Rules, 2016 means any reconnaissance or prospecting or mining operation undertaken by any person or a company in any area without holding a mineral concession. In addition, raising,

transporting or causing to raise or transport any mineral by a person without prospecting license, mining lease or composite license or in contravention of the rules made under section 23C is unlawful and hence illegal. The audit conducted upto 2021-22 revealed that, loss of revenue on account of dispatch without permit, non-levy of royalty is indicated in **Table 2.12**.

Table 2.12: Loss of revenue

Year	Details	Amount (₹ in crore)
Upto 2018-19	Dispatch without permit	130.29
	Non-levy of Royalty	143.31
2019-20	Dispatch without permit	28.04
	Non-levy of Royalty	8.23
	Short collection of dead rent from idle leases	4.06
2021-22	Dispatch without permit	0.62
	Non-levy of Royalty	0.37
	Total	314.92

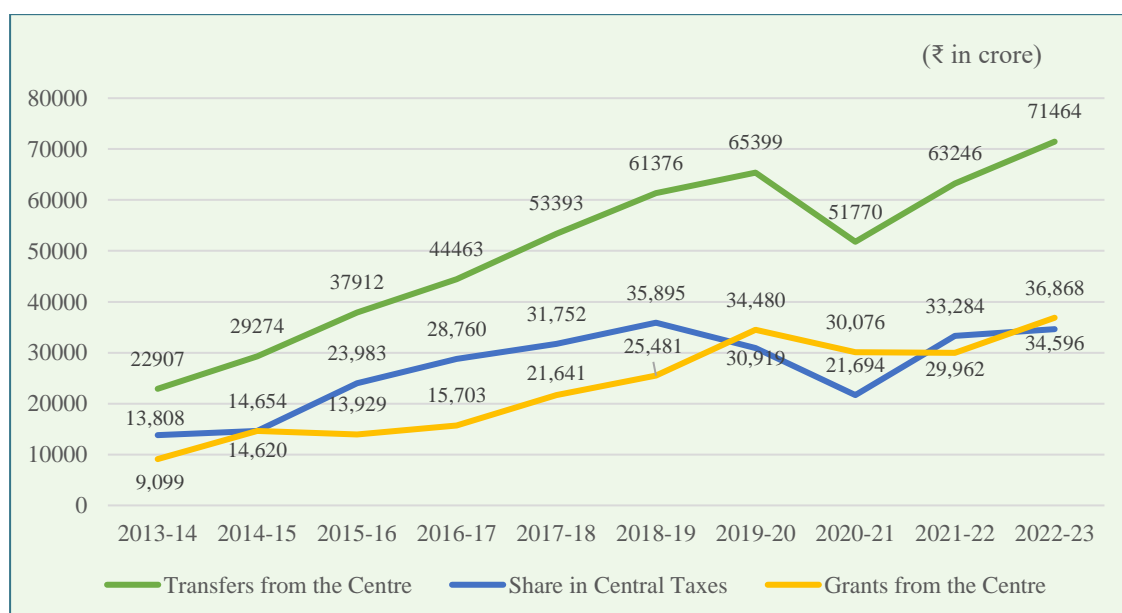
From the **Table 2.12**, it is seen that the shortfall in collection of non-Tax Revenue was ₹314.92 crore over the period up to 2021-22 due to dispatch of minerals without permit, non-levy of royalty, penalty and short collection of dead rent from ideal leases. Hence, the department needs to focus on adopting IT services and other new technologies available in order to curb the illegal practices and loss of revenue.

The PAC in its 10th report (February 2023) reiterated the Department of Mines & Geology to adopt new technologies to increase its royalties. Further, the PAC during its deliberations noticed that the royalties were not levied on the extraction but were levied during transportation which resulted in lesser collection of royalties. Hence, it recommended for the department to take corrective measures in this regard.

2.4.4 Transfers from Centre

Transfer from the Centre are of two forms viz., Central Tax transfers and Grants from GoI. Trends in transfers from the centre is shown in **Chart 2.8**.

Chart 2.8: Trends in transfers from centre



Central Tax transfer

GoI transfers share of the State Government in Union Taxes and Duties such as Corporation Tax, Income Tax, Service Tax, Union Excise Duties *etc.* The trends in these Tax transfers during 2018-19 to 2022-23 are shown in **Table 2.14**.

The XV FC recommended the State's share in the net proceeds of Central Taxes to be fixed at 3.647 *per cent*. The actual release of share in Union taxes and duties to State Government *vis-à-vis* projections made by XIV FC and XV FC during the period from 2015-16 to 2022-23 are tabulated in **Table 2.13**.

**Table 2.13: State's share in union taxes and duties:
Actual devolution *vis-à-vis* Finance Commission Projections**

(₹ in crore)					
Year	Finance Commission projections	Projections in FCR	Actual tax devolution	Difference	
2015-16	4.328 <i>per cent</i> of net proceeds of all sharable taxes excluding tax and 4.397 <i>per cent</i> of sharable service tax	32,489	23,983	(-)8,506	
2016-17		37,654	28,760	(-)8,894	
2017-18		43,693	31,752	(-)11,941	
2018-19		50,758	35,895	(-)14,863	
2019-20		59,026	30,919	(-)28,107	
Total of XIV FC		2,23,620	1,51,309	(-)72,311	
2020-21	<i>Inter se</i> shares of Karnataka in the net proceeds of the taxes (divisible pool) is 3.647 <i>per cent</i>	20,931	21,694	763	
2021-22		24,019	33,284	9,265	
2022-23		26,719	34,596	7,877	

As seen in the **Table 2.13**, the actual receipts to the State was less than projections made by XIV FC, whereas during the XV FC period (till 2022-23), the releases had been more than the projections.

Table 2.14: Trends in Central Tax transfers

(₹ in crore)					
Head	2018-19	2019-20	2020-21	2021-22	2022-23
Central Goods and Services Tax (CGST)	8,858.76	8,773.82	6,236.01	9,158.36	9,786.19
Integrated Goods and Service Tax (IGST)	707.00	-	-	-	-
Corporation Tax	12,481.94	10,542.17	6,656.01	9,823.19	11,574.64
Taxes on Income other than Corporation Tax	9,192.40	8,260.51	6,837.75	9,623.93	11,335.59
Customs	2,544.18	1,959.84	1,110.05	2,573.81	1,361.47
Union Excise Duties	1,690.77	1,362.62	714.26	1,539.33	427.12
Service Tax	331.65	-	119.03	528.33	54.17
Taxes on Wealth	4.58	0.46	-	2.63	-
Other Taxes on Income and Expenditure	65.01	-	-	0.07	-
Other Taxes and Duties and Commodities and Services	18.54	19.58	21.00	33.93	57.00
Total	35,894.83	30,919.00	21,694.11	33,283.58	34,596.18
Percentage of increase over previous year	13.05	(-)13.86	(-)29.84	53.42	3.94
Percentage of Central Tax transfers to Revenue Receipts	21.76	17.62	13.84	17.00	15.10

Source: Finance Accounts

During 2022-23, out of the total share of the States in divisible pool of Union Taxes and Duties net devolution of State's share was ₹34,596.18⁹ crore.

2.4.5 Grants-in-Aid from Government of India

Grants-in-aid from GoI, was on an increasing trend till 2019-20 and then saw a declining trend in the next two years. During 2022-23 it however increased to ₹36,868 crore as shown in **Table 2.15**.

Table 2.15: Grants-in-aid from GoI

Head	2018-19	2019-20	2020-21	2021-22	2022-23
Grants for Centrally Sponsored Schemes	10,393	12,214	9,852	12,659	11,629
Other transfers/ Grants to States ¹⁰	11,714	17,593	14,667	11,064	21,744
Finance Commission Grants	3,374	4,673	5,557	6,239	3,495
Total	25,481	34,480	30,076	29,962	36,868
Percentage of increase/decrease over the previous year	17.74	35.32	(-)-12.77	(-)-0.38	23.05
Percentage of GIA to Revenue Receipts	15.44	19.65	19.19	15.31	16.09

Source: Finance Accounts

When compared to the previous year, there was an increase of ₹6,906 crore (23 per cent) during 2022-23. This increase was under Other transfers/ Grants to States by ₹10,680 crore, which was on account of increase in transfers ₹20,288 crore under compensation for loss of revenue arising out of implementation of GST. However, this increase was offset by decrease of ₹1,031 crore and ₹2,743 crore under Grants for Centrally Sponsored Schemes (CSS) and Finance Commission Grants respectively.

(a) Fifteenth Finance Commission Recommendations

As per the terms of reference of the XV FC constituted by the President under Article 280 of the Constitution on 27 November 2017, to give recommendations for vertical and horizontal devolution of taxes for five years (2020-2025), the Commission has submitted two reports. While the first report has the recommendations for the financial year 2020-21, the second and final report gives recommendations for the period 2021-22 to 2024-25. The second and final report recommended the following for the State for the year 2022-23.

- Empowering local bodies - ₹1,213 crore for Urban Local Bodies (ULBs) and ₹2,463 crore for Rural Local Bodies (RLBs).
- Disaster Risk Management ₹1,107 crore.
- Health grants ₹552 crore.

Out of the above, the State received *inter se* shares, empowering Local Bodies and Disaster Risk Management. While net proceeds of tax is discussed in **Paragraph 2.4.4** the remaining grants received are discussed in subsequent paragraphs. The recommended and actual release of Finance Commission Grants is indicated in **Table 2.16**.

⁹ Out of the total devolution of ₹34,596.18 crore, the share of Corporation Tax 33.45 per cent, Customs Duty 3.93 per cent, Union Excise Duties 1.23 per cent, CGST was 28.28 per cent.

¹⁰ It includes Grants towards contribution to National Disaster Response Fund and Compensation for loss of revenue arising out of implementation of GST.

Table 2.16: Recommended and actual release of grants during 2022-23

Year		2020-21		2021-22		2022-23		Total
Type of Grant		Basic Grants	Tied Grants	Basic Grants	Tied Grants	Basic Grants	Tied Grants	
RLB	Recommended	1,608.50	1,608.50	950.80	1,426.20	985.20	1,477.80	8,057.00
	Actual	1,608.50	1,608.50	949.30	1,426.20	2,093.55		7,686.05
	Short-fall (-)/ Excess (+)	0.00		(-)1.50		(-)369.45		(-)370.95
ULBs	Recommended	1,549.00		1,171.00		1,213.00		3,933.00
	Actual	1,549.00		890.00		737.70		3,176.70
	Short-fall (-)/ Excess (+)	0.00		(-)281		(-)485.30		(-)766.30
SDRMF	Recommended	1,054.00		1,054.00		1,107.00		3,215.00
	Actual	1,054.00		1,054.00		885.34		2,993.34
	Short-fall (-)/ Excess (+)	0.00		0.00		(-)221.66		(-)221.66
HEALTH	Recommended	0.00		552.00		552.00		1,104.00
	Actual	0.00		552.00		0.00		552.00
	Short-fall (-)/ Excess (+)	0.00		0.00		(-)552.00		(-)552.00

Source: XV FC Report and Finance Accounts

1. Grants to Rural Local Bodies/Urban Local Bodies

Out of the total grant recommended for RLBs, 40 *per cent* was towards Basic grants and 60 *per cent* towards Tied Grants for sanitation and maintenance of Open Defecation Free (ODF) status (30 *per cent*), supply of drinking water, rainwater harvesting and water recycling (30 *per cent*). The grants towards ULBs include grants for million plus cities and other than million plus cities. The grants for million plus cities are given in two instalments for air quality improvement and meeting service benchmarks. The grants for other than million plus cities are given in two equal parts, one as Basic Grant and another as Tied Grants towards drinking water and solid waste management.

During 2022-23, there was shortfall in receipts of grants of ₹369.45 crore and ₹485.30 crore under RLBs and ULBs respectively against the recommendations.

2. Releases under Disaster Relief

As per the recommendation of XV FC, the Disaster Mitigation along with Disaster Response is the State Disaster Risk Management Fund (SDRMF). During 2022-23, under SDRF, the allocation to the State was ₹1,107 crore with ₹830 crore being the Central share and ₹277 crore being the State share. The State transferred ₹885.34 crore to the Fund with ₹664 crore as Union share and ₹221.34 crore as State share during 2022-23. However, no amount was allocated under SDRMF. The GoI as well as State contribution were transferred to Fund account under Public Account. This is discussed in **Paragraph 2.6.2(e)** and **(f)**.

3. Health Grants

The XV FC had recommended grant of ₹552 crore in 2021-22 and 2022-23 for Health Sector at the RLB and ULB levels to support diagnostic infrastructure facility in the Primary Health Care Centre and Public Health Centre, provide infrastructure to Sub Centre, Primary Health Centre and Community Health Centre and for establishment of wellness centre *etc.* While the State received entire amount during 2021-22, it did not receive grants during 2022-23.

2.4.6 Capital Receipts

Capital Receipts of the State Government consist of Public Debt Receipts, non-Debt Receipts like proceeds from disinvestment (under miscellaneous Capital Receipts) and recoveries of Loans and Advances. The net Public Debt Receipts after discharging of Public Debt plus other Capital Receipts is the net Capital Receipts. The composition of Capital Receipts and trend in growth during the period 2018-19 to 2022-23 are shown in **Table 2.17**.

Table 2.17: Trends in growth and composition of Capital Receipts

Sources of State's Receipts	2018-19	2019-20	2020-21	2021-22	2022-23
Public Debt Receipts	41,914	50,459	84,528*	80,641*	44,549
<i>Internal Debt</i>	40,470	49,473	70,414	60,462	39,283
<i>Growth rate (per cent)</i>	74.59	22.24	42.32	(-)14.13	(-)35.02
<i>Loans and advances from GoI</i>	1,444	675	14,114 [#]	20,179 [#]	5,266
<i>Growth rate (per cent)</i>	(-)25.68	(-)53.25	152.80	21.26	154.39
Miscellaneous Capital Receipts	(-)6	45	45	6	2
Recovery of Loans and Advances	31	203	270	127	478
Capital Receipts	41,939	50,707	84,843	80,774	45,029
Rate of growth of debt Capital Receipts (per cent)	66.84	20.39	67.52	(-)4.60	(-)44.76
Rate of growth of Non-debt Capital Receipts (per cent)	(-)82.26	892.00	27.01	(-)57.77	260.90
Rate of growth of Capital Receipts (per cent)	66.00	20.91	42.85	(-)13.48	(-)28.14

Source: Finance Accounts

* The effective public debt would be ₹72,121 crore and ₹62,532 crore by deducting the GST compensation of 12,407 crore for 2020-21 and ₹18,109 crore for 2021-22 received as back-to-back loans. The Department of Expenditure, GoI had decided that GST compensation given to the State as back-to-back loan under Debt Receipts would not be treated as debt of the State for any norms which may be prescribed by the FC.

The effective Loans and Advances from GoI would be ₹1,707 crore and ₹2,070 crore by deducting the GST compensation of ₹12,407 crore for 2020-21 and ₹18,109 crore for 2021-22 received as back-to-back loans. The Department of Expenditure, GoI had decided that GST compensation given to the State as back-to-back loan under Debt Receipts would not be treated as debt of the State for any norms which may be prescribed by the FC.

The Capital Receipts were on an increasing trend during 2018-19 to 2020-21 and decreased in 2021-22 and 2022-23. Since the Public Debt had predominant share in Capital Receipts, it influenced the increase/decrease of Capital Receipts. It constituted 99.80 per cent during 2018-19 to 2022-23.

The Public Debt receipts increased from ₹41,914 crore in 2018-19 to ₹44,549 crore in 2022-23. When compared to the previous year, there was decrease in Public Debt Receipts. This was mainly due to a decrease in Market Borrowings by the State. The recovery towards Loans and Advances was very meagre during the period. In absolute terms, the recovery in 2022-23 increased from previous year by ₹351 crore.

2.4.7 State's performance in mobilisation of resources

State's performance in mobilisation of resources is assessed in terms of its own resources comprising own-Tax and non-Tax sources. The budget presented by the State Government indicates projections/estimations of revenue and expenditure for a particular fiscal year. Deviations from budget estimates are indicative of non-attainment/ non-optimisation of desired fiscal objectives, due

to a variety of factors, some of which are within the control of the Government while some are beyond its control. **Table 2.18** presents Tax and non-Tax receipts *vis-à-vis* assessment of XV FC and Budget projections during 2022-23.

Table 2.18: Tax and non-Tax receipts *vis-à-vis* projections during 2022-23

	XV FC assessment	Budget Estimates	Actual	Percentage variation of actual over	
	(₹ in crore)			Budget Estimates	XV FC Assessment
Own-Tax revenue	1,18,236	1,26,883	1,43,702	13.26	21.54
Non-Tax revenue	8,655	10,940	13,914	27.18	60.76

Source: XV FC Report and Finance Accounts

As seen from the table, the variation of actuals over budget projection and XV FC of own-Tax revenue was 13 *per cent* and 27 *per cent* respectively and non-Tax Revenue was 22 *per cent* and 61 *per cent* respectively, more than the estimate indicating substantial attainment of the desired objective.

2.5 Application of Resources

Analysis of the allocation of expenditure at the State Government level assumes significance since major expenditure responsibilities are entrusted with them. The expenditure is to be within the framework of fiscal responsibility legislations. It is, therefore, important to ensure that the ongoing fiscal correction and consolidation process at the State level is not at the cost of expenditure, especially the expenditure directed towards development of social and economic sectors.

Prudent fiscal management should aim at creating savings by raising Revenue Receipts in excess of Revenue Expenditure. Use of borrowed funds for either directly revenue yielding activities or indirectly productive uses create returns by way of tax or non-Tax Revenues that can be used for debt servicing and repayment of loans.

2.5.1 Growth and composition of expenditure

The basic parameters of total expenditure, its composition under Revenue, Capital, Loans and Advances and comparison with GSDP over a five-year period of 2018-19 to 2022-23 are furnished in the **Table 2.19**.

Table 2.19: Total expenditure – Trends and composition

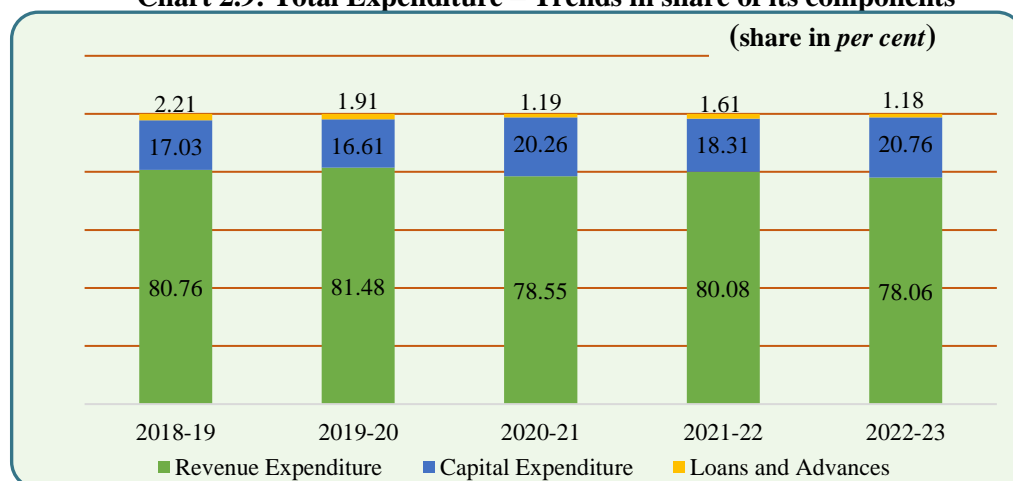
Parameters	(₹ in crore)				
	2018-19	2019-20	2020-21	2021-22	2022-23
Total Expenditure (TE)	2,03,446	2,13,857	2,24,129	2,61,511	2,76,183
Revenue Expenditure (RE)	1,64,300	1,74,258	1,76,054	2,09,428	2,15,584
Capital Expenditure (CE)	34,659	35,530	45,406	47,874	57,349
Loans and Advances	4,487	4,069	2,669	4,209	3,250
TE/GSDP	13.75	13.27	13.79	13.32	12.66
RE/GSDP	11.11	10.81	10.83	10.67	9.88
CE/GSDP	2.34	2.21	2.79	2.44	2.63
Loans and Advances/GSDP	0.30	0.25	0.16	0.21	0.15

Source: Finance Accounts

During the period 2018-19 to 2022-23, on an average, 80 *per cent* of the total expenditure was on revenue account. During 2022-23, it reduced to 78 *per cent*

and the share of Capital Expenditure (including Loans and Advances) was 22 per cent. The share of Revenue Expenditure, Capital Expenditure and Loans and Advances for the years 2018-19 to 2022-23 are shown in **Chart 2.9**.

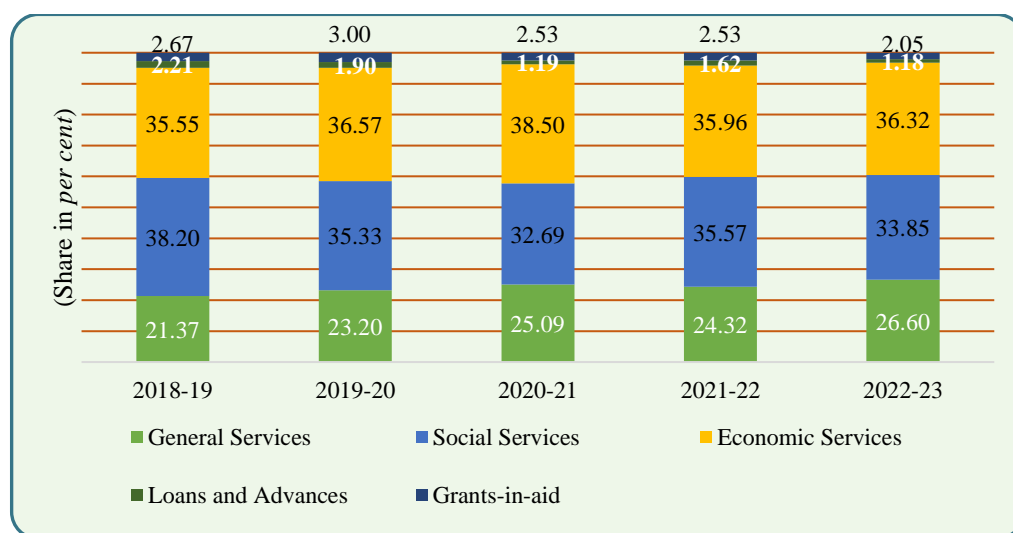
Chart 2.9: Total Expenditure – Trends in share of its components



Source: Finance Accounts

The trends of total expenditure by activities under General, Social, Economic, Loans and Advances and Grants-in-aid are shown in **Chart 2.10**.

Chart 2.10: Total expenditure – Expenditure by activities



Source: Finance Accounts

From the above chart, it can be seen that the relative share of General Services is on an increasing trend (marginally) since 2018-19. The other components exhibited stability during the period from 2018-19 to 2022-23 with marginal inter year variations. During 2022-23, the share of expenditure on social services decreased by around two per cent when compared to previous year.

2.5.2 Revenue Expenditure

Revenue Expenditure is incurred to maintain the current level of services and payment for the past obligation.

Revenue Expenditure comprises wages and salaries, interest payments, pensions, expenditure on operations and maintenance of capital works, subsidies and transfers to local bodies, co-operatives, Non-Government Organisations (NGOs)

and others. Expenditure is also classified into various functional categories such as General Services, Social Services and Economic Services. Expenditure on Social and Economic Services is incurred to create physical infrastructure and human resource development and, therefore, is considered productive, whereas expenditure on General Services and Debt Servicing is considered unproductive.

The overall Revenue Expenditure, its rate of growth, its ratio to total expenditure and buoyancy *vis-à-vis* GSDP and Revenue Receipts are indicated in **Table 2.20**. The Buoyancy of Revenue Expenditure with GSDP was high in 2020-21 and saw a decreasing trend thereafter. It was least in 2022-23. This was due to a low growth rate of Revenue Expenditure.

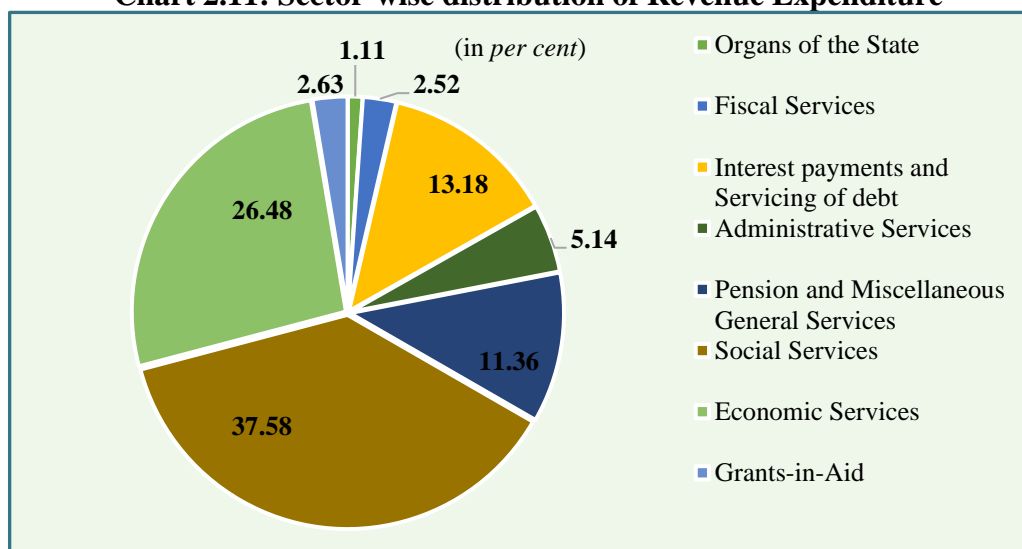
Table 2.20: Revenue Expenditure – Basic parameters

Parameters	2018-19	2019-20	2020-21	2021-22	2022-23
Total Expenditure (TE)	2,03,446	2,13,857	2,24,129	2,61,511	2,76,183
Revenue Expenditure (RE)	1,64,300	1,74,258	1,76,054	2,09,428	2,15,584
Rate of Growth of RE (per cent)	15.31	6.06	1.03	18.96	2.94
RE as percentage of TE	80.76	81.48	78.55	80.08	78.06
RE/GSDP (per cent)	11.11	10.81	10.83	10.67	9.88
Revenue Receipts (RR)	1,64,979	1,75,443	1,56,716	1,95,762	2,29,080
RE as percentage of RR	99.59	99.32	112.34	106.98	94.11
Buoyancy of RE with					
GSDP (ratio)	1.40	0.68	1.18	0.91	0.26
Revenue Receipts (ratio)	1.25	0.96	0.10	0.76	0.17

Source: Finance Accounts of respective years

Revenue Expenditure increased from ₹1,64,300 crore in 2018-19 to ₹2,15,584 crore in 2022-23, an increase of 31 *per cent*. Compared to the previous year, the increase was around three *per cent*, due to an increase in interest payments (14 *per cent*), pensions (16 *per cent*), salaries (five *per cent*) *etc.* The Sector-wise distribution of Revenue expenditure during 2022-23 is indicated in **Chart 2.11**.

Chart 2.11: Sector-wise distribution of Revenue Expenditure



Source: Finance Accounts

In absolute terms the Revenue Expenditure increased marginally by ₹6,156 crore. (around three *per cent*) over the previous year. However, Revenue Expenditure as a percentage of GSDP, RE as a percentage of RR, buoyancy of RE with GSDP and buoyancy of RE with Revenue Receipts had decreased during 2022-23 when compared to previous year. The major reason for the decrease was a lower growth rate of Revenue Expenditure.

2.5.2.1 Major changes in Revenue Expenditure

Table 2.21 details significant variations under various Heads of Account with regard to Revenue Expenditure of the State during the current year and the previous year.

Table 2.21: Variation in Revenue expenditure during 2022-23 compared to 2021-22

(₹ in crore)				
Major Heads of Account	2021-22	2022-23	Increase (+)/ Decrease (-)	Percentage
2049 - Interest Payments	24,983.61	28,427.16	3,443.55	13.78
2515 - Other Rural Development Programmes	5,767.03	7,736.99	1,969.96	34.16
2202 - General Education	27,600.96	29,489.66	1,888.70	6.84
2055 - Police	6650.83	7,956.15	1,305.32	19.63
2235 - Social Security and Welfare	10,562.40	11,296.56	734.16	6.95
2215 - Water Supply and Sanitation	4,821.96	5,356.12	534.16	11.08
2041 - Taxes on Vehicles	264.89	643.88	378.99	143.07
2401 - Crop Husbandry	6,182.86	6,478.56	295.70	4.78
2701 - Medium Irrigation	1,215.72	1,120.40	(-)95.32	(-)7.84
2425 - Co-operation	1,948.05	1,419.79	(-)528.26	(-)27.12
2245 - Relief on account of Natural Calamities	5202.28	3,015.11	(-)2,187.17	(-)42.04
2801 - Power	17,444.93	14,093.43	(-)3,351.50	(-)19.21
2408 - Food, Storage and Warehousing	6,718.68	3,059.50	(-)3,659.18	(-)54.46

Source: Finance Accounts

While the percentage of Revenue Expenditure under Social Security and Welfare, General Education, Water Supply and Warehousing, Interest payments, Other Rural Development Programmes, Taxes on Vehicles, Crop Husbandry and Police increased during the year when compared to previous year, it declined under Food, Storage and Warehousing, Power, Relief on account of Natural Calamities, Co-operation and Medium Irrigation.

The increase/decrease in the above major heads was mainly under the following:

- Increase of ₹1,305.32 crore under 2055-Police was mainly under Special Protection Groups, Forensic Science and Wireless Computer.
- Increase of ₹1,888.70 crore under 2202-General Education was on account of increase in Elementary, Secondary and University and Higher Education. This was on account of more assistance given to Zilla Panchayats/Districts Level Panchayats/Taluk Panchayats *etc.* In addition, grants given under Samagra Shikshana contributed for increase.

- Increase of ₹3,443.55 crore under 2049-Interest payments was mainly on account of increase in payment of interest on Market loans and GoI loans and Interest provided to Small Savings, Provident Funds *etc.*
- Increase of ₹1,969.96 crore under 2515-Other Rural Development Programmes was mainly under Assistance to Zilla Panchayats/Districts Level Panchayats/Taluk Panchayats *etc.*
- Decrease of ₹3,659.17 crore under 2408-Food, Storage and Warehousing was mainly under PM Formalisation of Micro Food Processing Enterprises due to non-release of funds from GoI.
- Decrease of ₹3,351.50 crore under 2401- Power was mainly on account of giving lesser assistance to Electricity Boards.

2.5.2.2 Object head wise expenditure

Finance Accounts depicts transactions only up to the Minor Head level. A drill down view of budgetary allocation and expenditure in 117 Object Heads revealed that there existed expenditure of more than ₹100 crore in 17 Object Head as given in **Table 2.22**.

Table 2.22: Object Head-wise expenditure *vis-à-vis* budget authorisation

Head	Budget 2022-23	Expenditure	Utilisation percentage
Salaries*	19,932.40	17,816.51	89.38
Daily Wages	191.74	143.52	74.85
Grants for creation of Capital Assets	1,059.31	2,614.10	246.77
Contract/Outsource	1,063.26	1,180.16	110.99
General Expenses	1,506.33	1,852.22	122.96
Other Expenses	10,195.88	12,083.60	118.51
Building Expenses	357.39	393.06	109.98
Grants-in-Aid Salaries	5,836.64	5,037.84	86.31
Grants-in-Aid General	3,352.49	3,655.69	109.04
Subsidies	17,407.27	22,753.66	130.71
Scholarships and Incentives	452.25	906.26	200.39
Capital Expenses	2,515.90	2,231.77	88.71
Major Works	1,154.72	2,279.25	197.39
Transport Expenses	453.50	452.21	99.72
Maintenance Expenditure	2,994.17	3,142.26	104.95
Materials and Supplies	440.58	380.06	86.26
Pension and Retirement benefits	24,247.60	24,369.39	100.50

Source: Finance Accounts

*Includes object heads Consolidated Salary, pay of officers, pay of staff, Interim Relief, Dearness Allowance, Other allowances, medical allowance and reimbursement of medical expenses.

Against total budgetary allocation of ₹3,05,572.68 crore, the actual expenditure on various Object Heads during 2022-23 was ₹2,97,325.39 crore (97.30 *per cent*). Out of the 17 (including salaries) Object Heads mentioned above, while 11 of the Object Head exceeded their budgetary allocation, six Object Heads' utilisation was between 75 to 99 *per cent* of their allocation.

2.5.2.3 Committed Expenditure

The committed expenditure of the State Government on Revenue account includes expenditure to be incurred irrespective of the fiscal position of the State, except in emergency situations *viz.*, Salaries and wages, pension and interest payments.

Apart from the above, there are certain items of expenditure which cannot be ordinarily altered or varied or are statutorily required on an annual basis, unlike for variable transactions such as capital expenditure, *etc.* For example, the following items which cannot be altered ordinarily are:

- (i) Devolution to Local Bodies – Statutory devolutions to Local Bodies for pay and allowances (devolution / transfer for capital expenditure).
- (ii) Statutory requirements of contribution to Reserve Funds – Contribution to Consolidated Sinking Fund (CSF), Guarantee Redemption Fund (GRF), State Disaster Mitigation / Response Fund (SDMF/SDRF), *etc.*
- (iii) Recoupment of Contingency Fund – Amount recouped within the year.
- (iv) Transfer of cess to Reserve Fund / other body, which are statutorily required.
- (v) Share contribution of CSS against the Central Fund received – amount of State share to be transferred to SNAs / spent by the State.
- (vi) Payment of interest on the balances of the interest-bearing funds as if they could have been invested and payment of interest on public debt as *charged* expenditure – Interest payment.

As a result, most of the Revenue Expenditure is in the nature of committed expenditure.

However, as per the State Government (as stated in MTFP 2022-26 and 2023-27), committed expenditure are classified as non-scheme based committed expenditure and scheme based committed expenditure. Scheme based committed expenditure constitutes subsidies, social security pension, financial assistance, grants-in-aid and devolution to local bodies. On the other hand, non-scheme based committed expenditure constitutes salaries, interest payments, pension, and administrative expenses.

Expenditure on these components covering the period 2018-19 to 2022-23 is depicted in **Table 2.23**. An upward trend in committed expenditure affects the maneuverability of the State in prioritising expenditure and increasing capital investments to meet growing needs of social and economic infrastructure.

Table 2.23: Components of Committed Expenditure

(₹ in crore)

Components of Committed Expenditure	2018-19	2019-20	2020-21	2021-22	2022-23
Salaries & Wages [#]	28,738	32,449	33,113	36,890	38,556
Pensions	15,109	18,404	18,936	20,666	24,020
Interest Payments	16,614	19,903	23,433	26,276	29,643
Total of Committed Expenditure	60,461	70,756	75,482	83,832	92,219
Components of Inflexible Expenditure					
Statutory devolution to local bodies	26,720	27,514	26,537	27,949	31,192
Contribution to reserve funds	3,197	4,728	6,274	9,173	7,282
Recoupment of Contingency funds	-	-	-	420	-
Transfer of cess to reserve fund /other body	1,269	1,433	1,205	1,588	2,031
Share contribution of CSS against the Central Fund received	10,393	12,214	9,852	12,659	11,629
Payment of interest on the balances of the interest-bearing funds as if	13,065	15,769	19,207	22,010	25,298

Components of Committed Expenditure	2018-19	2019-20	2020-21	2021-22	2022-23
they could have been invested and payment of interest on public debt as <i>charged</i> expenditure – Interest payment.					
Total of Inflexible Expenditure	54,644	61,658	63,075	73,799	77,432
Total	1,15,105	1,32,414	1,38,557	1,57,631	1,69,651
As a percentage of Revenue Receipts (RR)					
Committed expenditure					
Salaries & Wages	17.42	18.50	21.13	18.84	16.83
Expenditure on Pensions	9.16	10.49	12.08	10.56	10.49
Interest Payments	10.07	11.34	14.95	13.42	12.94
Total	36.65	40.33	48.16	42.82	40.26
Inflexible expenditure	33.12	35.14	40.25	37.70	33.80
Total (including Inflexible expenditure)	69.77	75.47	88.41	80.52	74.06
As a percentage of Revenue Expenditure (RE)					
Salaries & Wages	17.49	18.62	18.81	17.61	17.88
Pensions	9.20	10.56	10.76	9.87	11.14
Interest Payments	10.11	11.42	13.31	12.55	13.75
Total	36.80	40.60	42.87	40.03	42.77
Inflexible expenditure	33.26	35.38	36.82	36.24	35.92
Total (including Inflexible expenditure)	70.06	75.98	78.69	75.27	78.69
Non-committed RE	49,195	41,844	37,497	51,797	45,933
Percentage of RE	29.94	24.01	21.30	32.86	21.31
Percentage of TE	24.18	17.89	16.73	19.81	16.63
Subsidies	15,400	17,534	18,432	28,219	22,754
Subsidies as percentage of non-committed expenditure	31.30	41.90	49.16	54.48	48.15

Source: Finance Accounts

Includes salaries of PRIs (₹19,415.29crore) and Wages (₹1,323.68 crore).

During 2018-19 to 2022-23, the committed expenditure including inflexible expenditure ranged between 70 to 79 *per cent* of Revenue expenditure. The non-committed expenditure ranged between 21 to 30 *per cent* during the period. The Revenue expenditure available for other Social and Economic Services during 2022-23 was 21 *per cent* and as on percentage of total expenditure it was 17*per cent*.

The FMRC (February 2023) observed that many of the grants-in-aid Organisations/ Corporations are parking funds in Banks due to slow utilisation of released funds. Hence, the committee suggested to study the GoI's Just in Time Fund Release Model and adopt the same in the State for better expenditure and cash management.

(a) Salaries and Wages

Expenditure on salaries and Wages increased from ₹28,738 crore in 2018-19 to ₹38,556 crore in 2022-23. It grew marginally by ₹1,666 crore over the previous year. It accounted for 18 *per cent* of Revenue Expenditure during 2022-23. It includes salaries of PRIs but does not include salaries relating to ULBs. Thus, the expenditure on salaries was understated to that extent.

In reply to the SFAR of the C&AG of India for the year ended March 2021, Finance Department stated (December 2021) that funds released to ULBs were in nature of Grants-in-aid and since Finance Accounts capture expenditure up to

minor head only, salaries of ULBs are not exhibited separately. It though had stated that action would be taken to capture the salary expenditure of ULB from the financial year 2022-23 onwards, it was not implemented.

(b) Pensions

The expenditure on pension during 2022-23 was ₹24,020 crore, with an increase of ₹3,354 crore (16.22 *per cent*) over the previous year expenditure.

• **New Pension System**

Defined Contribution Pension Scheme known as New Pension Scheme (NPS), for all employees who joined the State Government service on or after 01 April 2006, became fully operational from 01 April 2010. A dedicated NPS Cell was created under the Commissionerate of Treasuries to operationalise NPS in the State. The State Government has adopted NPS architecture designed by the Pension Fund Regulatory Development Authority (PFRDA) and has appointed the National Securities Depository Limited (NSDL) as the Central Record Keeping Agency (CRA) for NPS. Axis Bank is the Trustee Bank in charge of the operation of Pension Funds.

The contributions made by State Government and employees as furnished by Commissioner of Treasuries (July 2023) during 2022 (both regular and backlog¹¹) was ₹1,869.43 crore and ₹1,328.21 crore respectively.

As per records maintained at AG(A&E) office, the employee contribution (regular and backlog¹²) was ₹1,344.16 crore and the Government contribution was ₹1,868.97 crore.

Hence, the difference of ₹15.49 crore between the figures of AG(A&E) office and NPS cell at Commissioner of Treasuries is to be reconciled.

The State Government in its reply (November 2023) stated that though the State Treasury uploads the Subscribers' Contribution Files on the last day of the financial year, NSDL matches the same and books it after three to five days. Since the booking would fall in the next financial year, there would be difference between the figures of AG(A&E) and NSDL.

In the scenario, the figures maintained by the AG(A&E) should be more than that indicated by NSDL. However, the accounts of AG(A&E) indicate figures which is less than NSDL in respect of regular contribution. Hence, the difference needs to be reconciled at the earliest.

(c) Interest Payments

Interest payments increased by ₹13,029 crore (78 *per cent*) from ₹16,614 crore in 2018-19 to ₹29,643 crore in 2022-23. When compared to 2021-22, the interest payment increased by 12.81 *per cent*. Interest payments during 2022-23 constituted interest on internal debt (₹24,743 crore), interest on small savings, provident fund *etc.*, (₹3,129 crore), interest on Loans and Advances from the Central Government (₹517 crore), interest on off-budget borrowings

¹¹ Refers to the contribution the employee had to make from the date of his entry into service to the date of implementation of the scheme.

¹² Refers to the contribution the employee had to make from the date of his entry into service to the date of implementation of the scheme.

(₹1,216 crore), interest on Reserve Funds (₹37 crore) and interest on other obligations (₹1 crore).

The interest on internal debt increased by 15 *per cent* from ₹21,549 crore in 2021-22 to ₹24,743 crore in 2022-23, on account of increase in payment of interest on market loans by ₹3,332 crore (17 *per cent*). The interest on Loans and Advances from Central Government increased by ₹99 crore from ₹418 crore during 2021-22 to ₹517 crore in 2022-23, mainly on account of increase under interest of Loans for State/Union Territory Plan scheme (38 *per cent*).

2.5.2.4 Inflexible Expenditure

The components of inflexible expenditure which include among others Statutory devolution to local bodies and contribution to Reserve Funds showed a continued increase during the period 2018-19 to 2022-23. As a percentage of revenue expenditure, the inflexible expenditure increased from 33.26 *per cent* to 35.92 *per cent*. Further, the inflexible expenditure (₹77,432 crore) increased by five *per cent* during 2022-23 over the previous year (₹73,799 crore).

2.5.2.5 Subsidies

There was a decrease in expenditure on subsidies during the year 2022-23 as can be seen from the details given in **Table 2.24**. While subsidies as a percentage of Revenue Receipts decreased from 14 *per cent* in 2021-22 to 10 *per cent* in 2022-23, as percentage of Revenue Expenditure decreased from 13 *per cent* in 2021-22 to 11 *per cent* in 2022-23. Power subsidy constituted major portion of around 50 *per cent* of the total subsidies and Subsidy on Food and Supplies constituted around 15 *per cent* during all the years.

Table 2.24 Expenditure on subsidies during 2018-2023

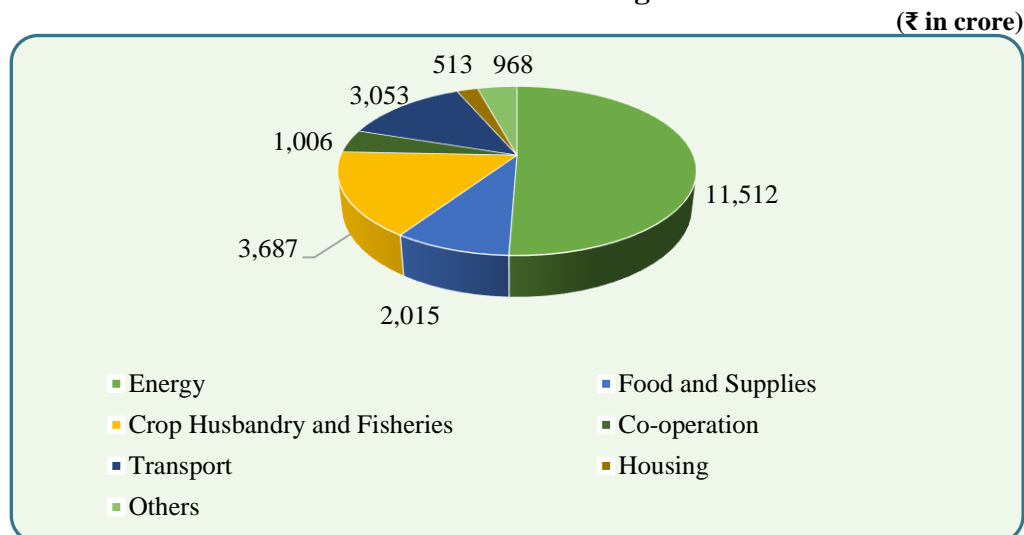
Subsidies and its Parameters	2018-19	2019-20	2020-21	2021-22	2022-23
Subsidies (₹ in crore)	15,400	17,534	18,432	28,219	22,754
Power Subsidy (₹ in crore)	7,593	9,110	9,139	14,736	11,512
Subsidy on Food and Supplies (₹ in crore)	2,404	2,692	2,324	6,057	2,015
Subsidies on others (₹ in crore)	5,403	5,732	6,969	7,426	9,227
Subsidies as percentage of Revenue Receipts	9.33	9.99	11.76	14.41	9.93
Subsidies as percentage of Revenue Expenditure	9.37	10.06	10.47	13.47	10.55
Subsidies as percentage of Total Expenditure	7.57	8.20	8.22	10.79	8.24
Power subsidy as percentage to total subsidy	49.31	51.96	49.58	52.22	50.59

Source: Finance Accounts

The largest subsidy component was power subsidy provided for supply of free electricity to farmers for usage of agricultural pump sets followed by food subsidy, transport and interest subsidy for crop loans. The power subsidy constituted 50 *per cent* of the total subsidies given in the State. The subsidies as a percentage of Revenue Receipts, Revenue Expenditure and Total Expenditure which was highest during 2021-22 decreased considerably during 2022-23 as shown in **Table 2.24** above.

The details of subsidies for the last five years are indicated in **Appendix 2.3** and for the year 2022-23 the same is shown in **Chart 2.12**.

Chart 2.12: Subsidies during 2022-23



Source: Finance Accounts

- **Subsidies in the form of financial assistance, incentives etc.**

Subsidies provided by the State Government could be of two kinds *i.e.*, Explicit¹³ and Implicit subsidy. Implicit subsidy is one where the State provides for expenditure in nature of subsidy and the other where grants are provided for certain State schemes of the Government. These subsidies can be indirect, in kind or take the shape of tax concessions.

These subsidies in the form of financial assistance increased from ₹2,972.15 crore in 2018-19 to ₹3,010.86 crore during 2022-23. They mainly include financial assistance for supply of seeds, weaver's package, Ashraya scheme, minimum floor price scheme *etc.* These subsidies extended during 2018-19 to 2022-23 are detailed in **Appendix 2.4**. Thus, if the subsidies in the form of financial assistance were considered, the actual expenditure on subsidies would increase to ₹25,765 crore.

2.5.2.6 Financial Assistance to Local Bodies and Other Institutions

- **Local Bodies**

The quantum of assistance provided by way of grants to local bodies and other institutions during the period from 2018-19 to 2022-23 is presented in **Table 2.25**.

Table 2.25: Financial Assistance to Local Bodies

(₹ in crore)

Institutions	2018-19	2019-20	2020-21	2021-22	2022-23
Local Bodies					
Municipal Corporations and Municipalities	5,425.31	6,424.72	5,681.04	6,615.83	5,661.86
Panchayati Raj Institutions	35,897.61	38,049.61	38,106.18	39,835.19	44,947.51
Total(A)	41,332.92	44,474.33	43,787.22	46,451.02	50,609.37

¹³ Explicit subsidy is that which provides for expenditure in the form of a subsidy or interest subvention for certain schemes of the Government. It was stressed that the challenge lies in ensuring that these subsidies do not become a permanent source of additional support and thereby deter these sectors from undertaking reforms.

Institutions	2018-19	2019-20	2020-21	2021-22	2022-23
Others					
Educational Institutions (Aided Schools, Colleges, Universities, etc.)	1,081.29	1,405.90	1,140.43	1,134.75	1,217.01
Development Authorities	1,848.83	184.66	1,864.88	2,564.04	2,586.85
Other Institutions	6,349.52	6,848.00	6,978.06	7,432.23	8,294.53
Total (B)	9,279.64	10,128.56	9,983.37	11,131.02	12,098.39
Total (A+B)	50,612.56	54,602.89	53,770.59	57,582.04	62,707.76
GIA on Salary	4,308.06	5,282.39	4,883.45	4,919.17	5,037.84
GIA for creation of Capital assets	2,731.81	2,724.70	1,862.66	1,815.24	2,722.46
GIA for non-salary	674.99	747.57	955.47	1,066.21	1,299.51
Revenue Expenditure	1,64,300.00	1,74,258.00	1,76,054.00	2,09,428.00	2,15,584.00
Assistance as percentage of Revenue Expenditure	30.80	31.33	30.54	27.49	29.09

Source: Finance Accounts

As seen in **Table 2.25**, during the period 2018-19 to 2022-23, the financial assistance to local bodies was on increasing trend except during the year 2020-21. Similarly, in respect of other institutions also, the financial assistance was on an increasing trend during the said period except in 2020-21. In 2022-23, the financial assistance to the local bodies and other institutions increased by ₹5,126 crore (nine *per cent*) over the previous year. The increase was mainly due to an increase in assistance to Panchayati Raj Institutions (PRIs) by ₹5,112 crore (13 *per cent*).

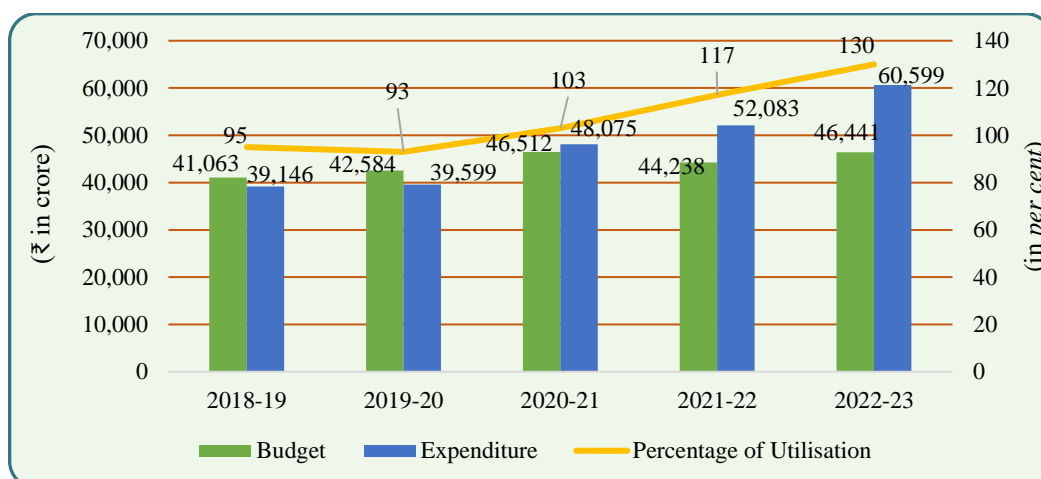
While the financial assistance for salary showed inter year variations during the period 2018-19 to 2022-23, assistance for creation of capital assets showed decreasing trend upto 2021-22 and increased during 2022-23. Whereas financial assistance for non-salary showed an increasing trend during the said period. During 2022-23, the financial assistance in respect of salary, non-salary and creation of Capital assets increased over the previous year.

2.5.3 Capital Expenditure

Capital Expenditure has a high multiplier effect, it increases the production capacity of the economy and is a key contributor to economic growth.

Capital Expenditure includes primarily expenditure on creation of fixed infrastructure assets, such as buildings, roads, bridges, *etc.* Capital Expenditure is met from budgetary support and extra budgetary resources/off-budget. Of late, the infrastructure requirements have increased manifold and SPVs have been set up to carry out bulk of Capital Expenditure.

Capital Expenditure (including Disbursement of Loans and Advances) of the State showed an increase from ₹39,146 crore in 2018-19 to ₹52,083 crore in 2021-22. During 2022-23, the Capital Expenditure increased by ₹8,516 crore from the previous year and was at ₹60,599 crore. The comparison of Capital expenditure to Budget allocation is indicated in **Chart 2.13**.

Chart 2.13: Trend of Capital Expenditure (inclusive of Loans and Advances) over the five-year period from 2018-19 to 2022-23

Source: Finance Accounts

As seen from the above chart, the actual expenditure was more than the estimated Capital Expenditure during 2020-21 to 2022-23. During 2018-19 and 2019-20, the actual Capital Expenditure was less than the estimate by five *per cent* and seven *per cent* respectively. The increase in the Capital expenditure was on account of releases of ₹1,940.35 crore towards Special Assistance to Capital investments extended by the GoI.

(a) Major Changes in Capital Expenditure

Table 2.26 highlights the cases of significant increase or decrease in various Heads of Account in Capital Outlay during 2022-23 *vis-à-vis* the previous year.

Table 2.26: Capital Expenditure during 2022-23 compared to 2021-22
(₹ in crore)

Major Heads of Account	2021-22	2022-23	Increase (+)/ Decrease (-) in amount	Variation in percentage
5054-Capital Outlay on Roads and Bridges	9,806.83	12,706.29	2,899.46	29.57
4701-Capital Outlay on Medium Irrigation	16,361.95	17,989.46	1,627.51	9.95
4217-Capital Outlay on Urban Development	4,541.04	5,818.39	1,277.35	28.13
5055-Capital Outlay on Road Transport	312.72	1,400.88	1,088.16	347.97
4702-Capital Outlay on Minor Irrigation	2,512.53	3,047.59	535.06	21.30
4801-Capital Outlay on Power Projects	200.00	724.00	524.00	262.00
4225-Capital Outlay on Welfare of Scheduled Castes, Scheduled Tribes, Other Backward Classes and Minorities	1,952.86	2,315.07	362.21	18.55
4059-Capital Outlay on Public Works	778.26	1,037.07	258.81	33.25
4711-Capital Outlay on Flood Control Projects	142.09	141.60	(-)0.49	(-)0.34

Major Heads of Account	2021-22	2022-23	Increase (+)/ Decrease (-) in amount	Variation in percentage
4202-Capital Outlay on Education, Sports, Art and Culture	1,634.07	1,590.01	(-)44.06	(-)2.70
4215-Capital Outlay on Water Supply and Sanitation	1,967.79	911.92	(-)1,055.87	(-)53.66
4210-Capital Outlay on Medical and Public Health	2,574.84	1,230.26	(-)1,344.58	(-)52.22

Source: Finance Accounts

The above table reveals that the increase in Capital Expenditure was mainly under Roads and Bridges followed by Road Transport, Medium Irrigation, Urban Development etc. Though the State had acknowledged (MTFP 2023-27) that it has primary role in making capital investment particularly in education, healthcare, Skill Development, Infrastructure, and Research and Development, we can see from the table that capital expenditure under Education and Health had reduced when compared to previous year.

The Expenditure Reforms Commission (ERC) of the State Government, in its first report (February 2010) had recommended that capital investments be stepped up and protected from fiscal uncertainties through prudent allocations. It had also recommended maintaining the Capital Expenditure (excluding debt servicing) at five per cent of GSDP. However, the ratio of Capital Expenditure to GSDP was only two to three per cent during 2018-19 to 2022-23.

2.5.4 Quality of Capital Expenditure

In the post KFRA framework, the Government is expected to keep its fiscal deficit (borrowing) at low levels and still meet its Capital Expenditure/investment (including Loans and Advances) requirements. In addition, the State Government needs to initiate measures to earn adequate return on its investments rather than bearing the same in the form of subsidy at the cost of borrowed funds and take requisite steps to infuse transparency in financial operations. This section presents the broad financial analysis of investments and other Capital Expenditure undertaken by the Government during 2022-23 vis-à-vis previous years.

2.5.4.1 Investments in Companies, Corporations and other bodies

As on 31 March 2023, the Government had invested ₹72,799.77 crore in 92¹⁴ Government Companies (₹62,077.26 crore), Nine Statutory Corporations (₹4,196.53 crore), 44 Joint Stock Companies (₹6,070.66 crore) and Co-operative Institutions, Local Bodies and Regional Rural Banks (₹455.32 crore). During 2022-23, the Government invested ₹2,142.34 crore as equity, in Government Companies (Working) (₹1,017.33 crore) and Statutory Corporations (₹1,125.98 crore). The investment under Statutory Corporations and Government Companies were spread under various sectors¹⁵.

¹⁴Includes investment of ₹68 crore in 16 non-working Government Companies.

¹⁵Irrigation (₹36,779.37 crore), Power (₹12,739.64 crore), Infrastructure (₹4,997.06 crore), Finance (₹3,696.50 crore), Transport (₹2,815.02 crore), Housing (₹1,233.05 crore), Industries (₹1,645.76 crore) and other sectors (₹2,209.84 crore).

During 2022-23, the increase in investment was under Statutory Corporations by 37 per cent.

The investment was reduced under Co-operative Institutions and Local Bodies by ₹0.97 crore, due to disinvestment in Co-operative Institutions.

- **Return on Investment**

The details of investment as well as its return for the last five years are indicated in **Table 2.27**. It is evident from the table that the return on investment is negligible.

Table 2.27: Return on Investment

	2018-19	2019-20	2020-21	2021-22	2022-23
Investments as at the end of the year (₹ in crore)	66,518.28	67,816.71	68,256.68	70,657.43	72,799.77
Return (₹ in crore)	38.30	53.64	80.70	349.77	425.23
Return (in per cent)	0.10	0.10	0.12	0.49	0.58
Average rate of interest on Government borrowings (in per cent)	6.25	6.39	6.22	6.00	5.70
Difference between interest rate and return on investment (in per cent)	6.15	6.29	6.10	5.51	5.12

Source: Finance Accounts

The Return on investment increased from ₹38.30 crore in 2018-19 to ₹425.23 crore in 2022-23 and it has increased by 22 per cent when compared to previous year. The increase was mainly under Karnataka State Minerals Corporation Limited (₹234.24 crore), Karnataka Soaps and Detergents Limited (₹41.36 crore) and Karnataka Rural Infrastructure Development limited (₹37.27 crore), etc.

The State Government in its reply (November 2023) stated that the State Government does not expect returns for every investment made by it and investments in public interest are made to provide benefits like infrastructure, employment creation, service etc., to the people of the State and to fulfil social objectives.

The return though minimal has increased from 0.10 per cent to 0.58 per cent over the period from 2018-19 to 2022-23 due to action taken by the State Government which is appreciated. Further, in respect of investments in the loss making companies, PAC in its 5th Report (July 2015) recommended to assess the viability of the loss-making Companies/Corporations and also to identify the Companies/Corporations not functioning in the core areas for closure as recommended by XIII FC.

- **Investment in loss making companies**

The above investment included ₹43,211 crore (59 per cent) in the following Companies/Corporations, which have significant losses and where the investments were substantial (**Table 2.28**).

Table 2.28: Investments made in loss making Companies

(₹ in crore)

Statutory Company/Corporation	Cumulative loss at the end of 2018-19	Cumulative loss at the end of 2019-20	Cumulative loss at the end 2020-21	Cumulative loss at the end 2021-22	Investment made up to 2022-23
North Western Karnataka Road Transport Corporation (NWKRTC)	881.55	1,068.00	1,068	1,919.66	593.91
Kalyana Karnataka Road Transport Corporation (KKRTC)	610.65	699.92	699.92	1,112.19	575.76
Karnataka State Financial Corporation Limited (KSFC)	386.17	361.35	318.46	251.85	1,383.01
Government Companies					
Krishna Bhagya Jala Nigama Limited (KBJNL)	2,811.73	2,946.51	3,419.93	34.70	23,745.34
Karnataka Neeravari Nigama Limited (KNNL)	4,469.21	5,149.92	6,333.94	7,512.32	13,034.03
Mysore Sugar Company Limited (Mysugar)	460.89	460.89	463.89	504.02	335.78
Mysore Paper Mills Limited (MPM)	425.95	425.95	519.50	51.95	237.37
Hubli Electricity Supply Company Limited (HESCOM)	1,955.76	2,637.98	5,128.24	6,421.87	1,359.77
Gulbarga Electricity Supply Company Limited (GESCOM)	1,002.44	1,995.03	3,112.65	3,101.41	1,049.55
Chamundeswari Electricity Supply Company Limited (CESCOM)	875.74	1,242.37	1,965.56	2,388.40	896.49
Total	13,880.09	16,987.92	23,030.09	23,298.37	43,211.01

Source: Finance Accounts

Up to 2022-23, the Government invested ₹43,211.01 crore in these companies and the cumulative loss accounted up to end of 2021-22 is ₹23,298.37 crore. Out of the said cumulative loss, 51 per cent of the loss was contributed by State Electricity companies (ESCOMs). The weakening financial position of ESCOMs poses risks to the financial position of the State. The State Government as at the end of March 2022 has given guarantee of ₹52,335.74 crore for borrowings of the ESCOMs and KPCL. Due to the losses being increased by these ESCOMs, eventually the entire liability could fall on the State Government. In addition, the outstanding loans of ESCOMs till March 2022 was ₹11,911.68 crore and subsidy of ₹11,512 crore was provided during 2022-23.

In the MTFP 2023-27, the State has stated that the ESCOMs are facing various challenges like inability to recover the fixed cost, high level of cross- subsidisation, high cost of power purchase *etc.*, It also stated that, to strengthen financial position of ESCOMs, one-man expert committee was formed, and report received. Further, it has stated that the recommendations of the committee would be implemented to strengthen the ESCOMs and prevent spill over of the liabilities on to the State Government.

The State Government in its reply (November 2023) reiterated the facts stated in MTFP 2023-27 and stated that continuation of investments, providing Loans and

Guarantees to the Electricity Supply Companies is inevitable as their proper functioning is crucial for society and industry sectors.

While the Committee's Report has recommended reforms at various levels ranging from policy to operation, additional resource mobilisation methods to bail the ESCOMs out of the large debts classify ESCOMs as service companies and setup of holding company for the entire power sector, the Government needs to implement the recommendations at the earliest.

In addition, Finance Department in the inaugural meeting (August 2023) of Committee on Public Undertaking (COPU) stated that M/s BCG was appointed for taking up study of the loss making companies and come up with recommendations for their revival and making them sustainable and profitable.

2.5.4.2 Loans and advances by the State Government

In addition to investments in Companies, Corporations and Co-operative Institutions, the Government also provided Loans and Advances to many institutions. **Table 2.29** presents the position of outstanding Loans and Advances as on 31 March 2023 and interest receipts *vis-à-vis* interest payments during the last five years.

Table 2.29: Quantum of loans disbursed and recovered during the last five years

Particulars	(₹ in crore)				
	2018-19	2019-20	2020-21	2021-22	2022-23
Opening Balance of loans outstanding	20,525	24,981	28,847	31,247	35,329
Amount advanced during the year	4,487	4,069	2,669	4,209	3,250
Amount recovered during the year	31	203	270	127	478
Closing Balance of the loans outstanding	24,981	28,847	31,246	35,329	38,101
Interest received	108	357	278	309	7
Interest rate on Loans and Advances given by the Government	0.4	1.23	0.88	0.87	0.02
Rate of Interest paid on the outstanding borrowings of the Government	5.8	5.9	5.6	5.4	5.4
Difference between the rate of interest received and interest paid (in per cent)	(-)5.4	(-)4.7	(-)4.7	(-)4.5	(-)5.38

Source: Finance Accounts

- The outstanding loans as on 31 March 2023 aggregated ₹38,101 crore. The interest in arrears as at the end March 2023 in respect of loans maintained by AG(A&E) was ₹6,165.81 crore. During 2022-23, the interest received was ₹7 crore which works out to 0.10 per cent of the interest due of the loans maintained by AG(A&E). However, interest in arrears in respect of loans maintained by the State Government was not available.
- Out of total loans advanced during 2022-23 (₹3,250 crore), Social Services accounted for ₹1,846 crore (57 per cent), Economic Services for ₹1,401 crore (43 per cent) and the remaining ₹ four crore to Government Servants. Within the Social Services, Water Supply, Sanitation, Housing and Urban Development received major share of ₹1,843 crore and in Economic Services it was for Industry and Minerals ₹866 crore.

- Detailed accounts of recovery of loans in respect of 27 institutions are maintained by Office of the AG(A&E) and for other institutions it is maintained by Heads of Departments/Chief Controlling Officers of the GoK.
- The recovery of Loans and Advances was on increasing trend during 2018-19 to 2022-23 except during 2021-22. During the year 2022-23, the recovery increased by 276.37 per cent over the previous year.
- In respect of loan accounts maintained by AG(A&E), the recovery of Loans and Advances aggregating ₹12,671.62 crore (Principal: ₹6,505.81 crore and Interest: ₹6,165.81 crore) were overdue as on 31 March 2023 (**Appendix 2.5**).
- However, the information in respect of overdue principal and interest in respect of loans maintained by the Heads of Departments/Chief Controlling Officers contained in **Statement No.7 of Finance Accounts** of 2022-23 was incomplete, as only 16 institutions, had furnished the required information.
- Indian Government Accounting Standards (IGAS-3) requires disclosure of loans that were sanctioned without specific terms and conditions governing such loans. Out of the 82 loans valued at ₹3,250.39 crore sanctioned by the State Government during 2022-23, 28 loans valued at ₹1,462.01 crore were sanctioned without specifying any terms and conditions. Details are available as additional disclosures under **Statement No.18 of the Finance Accounts**.

2.5.4.3 Capital locked in incomplete projects

Locking up funds in incomplete works, which includes works stopped due to reasons like litigation, *etc.*, impinges negatively on the quality of expenditure. The year wise age profile of the incomplete projects as on 31 March 2023 are shown in **Table 2.30** and the department-wise information is given in **Table 2.31**.

Table 2.30: Age profile of incomplete projects which are more than ₹ one crore as on 31 March 2023 (₹ in crore)				Table 2.31: Department wise profile of incomplete projects which are more than ₹ one crore as on 31 March 2023 (₹ in crore)			
Year	No. of incomplete projects	Estimated cost	Expenditure	Works under	No. of incomplete projects	Estimated cost	Expenditure
Up to 2012-13	22	35.87	31.33	Roads and Bridges	1,035	4,785.22	3,014.85
2013-14	4	8.72	8.67				
2014-15	18	65.46	59.30	Irrigation	361	1,474.92	1,062.77
2015-16	39	88.15	83.64	Buildings	193	918.42	527.18
2016-17	39	192.29	190.37	Others	275	1,297.84	916.79
2017-18	165	553.54	503.93				
2018-19	198	1,475.66	706.56				
2019-20	311	1,253.67	919.70				
2020-21	267	1,292.54	797.73				
2021-22	435	1,748.01	1,125.04				
2022-23	366	1,762.49	1,095.12				
Total	1,864	8,476.40	5,521.59	Total	1,864	8,476.40	5,521.59

Source: Finance Accounts

Against the initial budgeted cost of ₹8,749.13 crore in respect of 1,864 works, stipulated to be completed on or before March 2023, the progressive expenditure was ₹5,521.59 crore. The delay in the projects was in the range of more than five years (287), less than five years but greater than one year (1,211) and less than one year (366). No reasons for delay in completion of the works were given

by the Public Works, Ports & Inland Water Transport and Irrigation Departments.

Out of 1,864 projects, which were incomplete as on 31 March 2023, 43 per cent of the projects remained incomplete for more than three years. FMRC advised (July 2018) that in order to minimise escalation of time and cost, projects which were nearing completion were to get funds on priority. However, the audit noticed that the number of incomplete projects had increased from 1,208 on 31 March 2022 to 1,864 as on 31 March 2023. This was mainly due to increase in the number of projects under Roads and Bridges and Buildings.

Further, the funds borrowed for implementation of these projects during the respective years remained futile and the State had to share the extra burden in terms of servicing of debt and interest liabilities. Effective steps need to be taken to complete all these above projects without further delay to avoid cost overrun due to time overrun.

2.5.4.4 Public Private Partnership projects

Public Private Partnership (PPP) is an arrangement between Government or statutory entity and a private sector entity, to provide a framework that enables them to work together to meet the rising demand of the public for Infrastructure Development. Liabilities in Public Private Partnership as on 31 March 2023 which are planned for future are detailed in **Table 2.32**.

Table 2.32: Liabilities in Public Private Partnership as on 31st March 2023
(₹ in crore)

Sl. No.	Department	Total Projects		Dropped Projects		In Pipeline	
		No.	Estimated Cost	No.	Estimated Cost	No.	Estimated Cost
1	Energy	1				1	117.72
2	Industries & Commerce	3				3	120.00
3	Medical	1				1	20.00
4	Urban Development	3				3	30,504.00
5	Tourism	3				3	273.90
6	Youth Empowerment & Sports	10		1	0.00	9	1,711.30
7	Rural Development & Panchayat Raj	1				1	182.00
8	Fisheries	9		5	0.00	4	10.82
9	Food and Civil Supplies	3				3	155.63
10	Water Resources	2				2	1,794.49
11	Animal Husbandry	8		2	0.00	6	372.85
12	Transport	5		1	26.50	4	582.00
13	Horticulture	5		2	40.00	3	250.00
14	Forest, Ecology & Environment	1				1	0.00
15	Public Works Department	6		1	10.00	5	1,863.90
16	Kannada and Culture	1				1	14.51
17	Sericulture	1				1	150.00
18	Backward Classes	1				1	40.00
19	Infrastructure Development	5		2	0.00	3	887.50
20	Agriculture	1				1	43.40
Total		70	0.00	14	76.50	56	39,094.02

Source: Department of Infrastructure Development, Ports and Inland Water Transport

2.5.5 Expenditure priorities

The expenditure responsibilities relating to the social sector and economic infrastructure are largely State subjects. Enhancing human development levels requires the States to step up their expenditure on key social services like education, health, etc. Low fiscal priority (ratio of expenditure category to aggregate expenditure) is attached to a particular sector, if the allocation given to that particular head of expenditure is below the General Category State's (GCS)/National Average. The higher the ratio of these components to total expenditure, the quality of expenditure is considered to be better. **Table 2.33** analyses the fiscal priority of the State Government with regard to development expenditure, social expenditure and capital expenditure relative to GCS and neighboring States in the current year 2022-23.

Table 2.33: Fiscal priority of the States in 2022-23

	(in per cent)				
	AE/ GSDP	CE/ AE	DE/AE	Education/ AE	Health & Family Welfare/ AE
GCS	15.79	15.22	67.28	14.85	5.68
Karnataka	12.32	21.94	71.35	11.56	4.54

Source: Finance Accounts

AE: Aggregate Expenditure, CE: Capital Expenditure, DE: Development Expenditure (includes total expenditure under social and economic sectors)

Comparative analysis for the year 2022-23 revealed the following:

- The ratio of CE to AE of the State was higher than the ratio of GCS, which indicated that the State had better quality of expenditure when compared to other GCS.
- The ratio of capital expenditure to AE of the State was higher than GCS.
- The DE/AE ratio of the State was higher when compared to GCS.
- Adequate priority needs to be given to Education sector, as the ratio of expenditure under the sector to AE is less than GCS.
- Adequate priority needs to be given to the ratio of expenditure towards Health to AE as its ratio is less when compared to the ratio of GCS.

2.6 Public Account

Receipts and disbursements in respect of certain transactions, such as Small Savings, Provident Fund, Reserve Funds, Deposits, Suspense, Remittances etc., which do not form part of the Consolidated Fund are kept in the Public Account set up under Article 266(2) of the Constitution and are not subject to vote by the State Legislature. The Government acts as a banker/trustee for custody of public money since these transactions are mere pass-through transactions.

2.6.1 Net Public Account balances

The net transactions under Public Account covering the period 2018-19 to 2022-23 are indicated in **Table 2.34** and the yearly changes in composition of Public Account balances are depicted in **Chart 2.14**.

Table 2.34: Component-wise net balances in Public Account as of 31 March of the year

		(₹ in crore)				
Sector	Sub Sector	2018-19	2019-20	2020-21	2021-22	2022-23
I. Small Savings, Provident Funds, etc.	Small Savings, Provident Funds, etc.	3,292	4,156	3,632	3,522	3,403
J. Reserve Funds	(a) Reserve Funds bearing Interest	393	839	(-)99	(-)46	(-)141
	(b) Reserve Funds not bearing Interest	2,804	3,889	6,374	9,219	7,422
K. Deposits and Advances	(a) Deposits bearing Interest	62	99	16	(-)18	51
	(b) Deposits not bearing Interest	3,006	3,074	(-)702	2,826	26,141
	(c) Advances	-	-	-	-	-
L. Suspense and Miscellaneous	(a) Suspense	(-)15	178	(-)242	(-)60	(-)72
	(b) Other Accounts	(-)6,072	(-)1,542	(-)2,679	(-)93	1,268
	(c) Accounts with Governments of Foreign Countries	-	-	-	-	-
	(d) Miscellaneous	-	-	-	-	-
M. Remittances	(a) Money Orders and other remittances	(-)81	(-)263	(-)53	-	(-)0.01
	(b) Inter-Governmental Adjustment Account	42	(-)84	17	(-)133	159
Total		3,431	10,346	6,264	15,217	38,232

Source: Finance Accounts

Note: +ve denotes debit balance and -ve denotes credit balances

Chart 2.14: Yearly changes in composition of Public Account balances

Source: Finance Accounts

The net receipts from the Public Account increased from ₹3,431 crore in 2018-19 to ₹38,232 crore in 2022-23. The increase in net balance during

2022-23 (₹23,015 crore) by 151 *per cent* over the previous year was due to increase under Deposits and Advances as well as Suspense and Miscellaneous. The increase was on account of the opening of Personal Deposit accounts for accounting receipt of Karnataka Mining Environment Restoration Corporation. Net availability of funds under Reserve Funds, Small Savings and Provident Fund had a major share in financing the fiscal deficit.

2.6.2 Reserve Funds

Reserve Funds are created for specific and well-defined purposes under the Sector 'J' in the accounts of the State Government (Public Account). These funds are fed by contributions or grants from the Consolidated Fund of India or the State or from outside agencies. The contributions are treated as expenditure under the Consolidated Fund. The expenditure relating to the fund is initially accounted for under the Consolidated Fund itself for which the vote of the Legislature is obtained. At the end of the year, at the time of closure of accounts, the expenditure relating to the fund is transferred to Public Account. The funds may further be classified as 'Funds bearing interest' and 'Funds not bearing interest'.

Analysis of certain major reserve funds having a bearing on the liability position of the Government for the year 2022-23, its funding and expenditure are detailed below.

(a) Consolidated Sinking Fund

The GoK constituted a Consolidated Sinking Fund (CSF) in 2012-13 for the amortisation of all loans as recommended by the XII FC and transferred ₹1,000 crore towards its corpus in 2012-13. The fund is administered by the RBI which had invested the corpus in GoI Securities. As per Government Notification (February 2013), the State Government may make minimum annual contributions to the fund at 0.50 *per cent* of the outstanding liabilities (excluding off-budget borrowings) at the end of the previous financial year. During 2022-23, the Fund had opening balance of ₹8,600 crore and the State Government contributed ₹3,000 crore (0.70 *per cent*) to the Fund under Major Head 2048 – Contribution to CSF. The balance under the fund at the year ended March 2023 was at ₹11,600 crore as per books of accounts.

(b) Guarantee Redemption Fund:

The State Government constitutes 'Guarantee Redemption Fund' for meeting the payment obligations arising out of the Guarantees issued by the Government in respect of bonds issued and other borrowings by the State Public Sector Undertakings or other Bodies and invoked by the beneficiaries. The accumulations in the Fund are to be utilised only towards payment of the Guarantees issued by the Government and not paid by the institutions on whose behalf the Guarantee was issued.

In terms of recommendations of the XII Finance Commission, the State Government constituted 'Guarantee Redemption Fund' (GRF) in December 2007 (revised in January 2014 with effect from the financial year 2013-14) with the objective of meeting its obligations arising out of the Guarantees issued on behalf of the State bodies. As per the guidelines, the State Government was required to make an initial contribution of at least one *per cent* of outstanding Guarantees at the end of the previous year (2012-13) and thereafter at least

0.50 per cent of outstanding guarantees at the close of previous year to achieve a minimum level of three per cent of outstanding Guarantees in next five years.

Though the Karnataka Ceiling on Government Guarantees Act 1999 did not provide for setting up of Guarantee Redemption Fund, in order to provide for sudden discharge of the State's obligation on Guarantees, the GoK had set up a Fund during 1999-2000 with corpus of ₹1 crore under HoA 8235-00-200-0-02. During the year 2022-23, the State Government has invested ₹314 crore under HoA 8235-00-120 - Guarantee Redemption Fund Investment Account. At the end of 31 March 2023, the balance in the Guarantee Redemption Fund stood at ₹314 crore.

(c) Green Tax

The GoK *vide* the Karnataka Motor Vehicles Taxation (Amendment) Act, 2002 introduced collection of a Cess called 'Green Tax'¹⁶ to control air pollution.

The Green Tax Cess collected under Revenue Receipt Head '0041-00-102-0-11 – Green Tax' and expenditure under '2041-00-001-0-07-Implementation of measures to control air pollution and other such activities' are to be transferred to the Green Tax Cess Fund opened under Development and Welfare Funds – '8229-00-200-0-63 – Green Tax'.

The Fund had an opening balance of ₹50.17 crore. Receipts and Expenditure for the years 2020-21 and 2021-22 was not transferred to the Fund. During the year 2022-23, though ₹14.94 crore was collected as Green Tax and ₹22.83 crore expenditure was incurred towards control of Air Pollution, no amount was transferred/booked to the Fund. The closing balance at the credit of the Fund continued to be ₹50.17 crore as on 31 March 2023.

The State Government in its reply (November 2023) stated that while Orders for transfer of receipts and expenditure for the years 2020-21 and 2021-22 has been issued during January 2023, Orders for transfer of receipts and expenditure for the year 2022-23 has been issued in October 2023. Though the transfers have been effected, State Government may take action to issue the transfer Orders in the respective financial year itself as it would affect the financial parameters of the previous and the next financial year.

(d) Road Safety Cess

GoK *vide* the Karnataka State Road Safety Authority Act, 2017 has provided for the constitution of a Road Safety Authority for the implementation of Road Safety programmes and for the establishment of a Road Safety Fund. Road Safety Cess is levied and collected once at the time of vehicle registration at different rates for different class of motor vehicles.

The collection of Road Safety Cess which is initially accounted as Revenue Receipts under the Head of Account 0041-00-102-0-12 – Road Safety Cess needs to be subsequently transferred to the Reserve Fund specially created for the purpose under the Head of Account 8229-00-200-0-64 – Road Safety Fund through adjustment entries. During the year, the fund had a credit balance of

¹⁶ Green Tax Cess is cess on old vehicles which have completed fifteen years in respect of two wheelers and non-transport vehicles and seven years in respect of transport vehicles at the time of renewal of Certificate of Registration in addition to the tax levied at the rates specified for the purpose of implementation of various measures to control air pollution.

₹844.18 crore and ₹205.18 crore was spent from the fund account. It was observed that receipts amounting to ₹70.09 crore in 2022-23 though was accounted but not transferred to the fund. Thus, understating the Revenue Deficit and Fiscal Deficit to that extent. The closing balance at the credit of the fund remains at ₹1,108.59 crore as on 31 March 2023.

The State Government in its reply (November 2023) stated that order for transfer of receipts and expenditure of Home Department for the years 2017-18 to 2021-22 and of the Transport Department for the years 2020-21 and 2021-22 have been issued in May 2023. Though the transfers have been effected in 2023-24, the State Government may take action to issue the transfer orders in the respective financial year itself as it would affect the fiscal parameters of the previous and the next financial year. However, the reply is silent on the transfer of receipts and expenditure for the year 2022-23.

(e) State Disaster Response Fund (SDRF)

The SDRF constituted under Disaster Management Act, 2005, is operative from 2010-11 under Reserve Fund bearing interest. Natural Calamities such as drought, flood, cyclone, earthquake, fire *etc.*, qualify for relief under this scheme.

The sharing pattern of 75:25 between GoI and State Government of XIV FC continues in the XV FC period also. During 2022-23, as per XIV FC recommendations, an aggregate amount of ₹885.60 crore was to be transferred to the fund account. The contribution from GoI and GoK being ₹664.20 crore (75 *per cent* of ₹885.60 crore) and ₹221.40 crore (25 *per cent* of ₹885.60 crore) respectively. However, against requirement of ₹664.20 crore, GoI transferred ₹664 crore (less by ₹0.20 crore) and GoK transferred ₹221.34 crore as against requirement of ₹221.40 crore (less by ₹0.06 crore). Hence, there was a total shortfall of ₹0.26 crore in the release. During 2022-23, entire amount of ₹885.34 crore was transferred to the Fund.

In addition, during 2022-23, the State received an amount of ₹939.83 crore as GoI contribution from National Disaster Response Fund (NDRF) which was transferred to the fund.

The contribution of ₹1,738.43 was released to the Deputy Commissioners of the districts under the Major Head '2245-Relief on account of Natural Calamities'. Thus, there was a closing balance of ₹89.20 crore which included the opening balance of ₹2.42 crore. However, no interest has been provided on the opening balance.

The State Government, while accepting the observations of Audit (November 2023) stated that it would provide interest for the closing balance during 2023-24.

(f) State Disaster Mitigation Fund (SDMF)

The fund has been constituted in November 2013 under Section 48(c) of the Disaster Management Act 2005, in the Public Account under the Reserve Fund bearing interest in the Major Head 8121 General and Other Reserve Funds. SDMF provides funds for projects which are of State-level significance, protecting assets, ecosystems and settlements, promoting a regional approach to mitigation *etc.*, within the State.

Since, SDMF is under an interest-bearing Reserve Fund, the State Government is to pay interest for the amount not invested in the identified interest-bearing instruments to the SDMF at the rate applicable to overdrafts under overdraft Regulation Guidelines of the RBI. The contribution to the Fund is in the ratio of 75:25 by GoI and GoK.

During the year 2022-23, as per XV FC recommendations, an aggregate amount of ₹221.40 crore was to be transferred to the fund account being the contribution from GoI and GoK. However, the State did not receive grants towards SDMF from GoI in the current year. As a result, the State also did not transfer its share. The State had ₹237.10 crore as opening balance with SDMF for which interest was to be credited. However, no interest was provided by the State Government.

The State Government accepted the observation of Audit and stated (November 2023) that interest for two years at the rate of 8.50 *per cent* would be provided in 2023-24.

The details of expenditure/receipts under SDRF/SDMF 2022-23 are shown in **Table 2.35**.

Table 2.35: Details of expenditure/receipts under SDRF/SDMF

	Minor Head of Account	(₹ in crore) Expenditure during 2022-23
	Opening Balance	2.42
05-State Disaster Response Fund	Transfers to Reserve Funds and Deposit Accounts – SDRF	885.34
	Transfers to Reserve Funds and Deposit Accounts – NDRF	939.83
	Deduct-Amount met from-SDRF	(-)798.56
	Deduct-Amount met from-NDRF	(-)939.83
	Transfers of interest in respect of unutilised amount under SDRF during 2021-22	-
	Closing Balance	89.20
10-State Disaster Mitigation Fund	Opening Balance	237.10
	Transfers to Reserve Funds and Deposit Accounts – SDMF	-
	Deduct-Amount met from-SDMF	-
	Transfers of interest in respect of unutilised amount under SDMF during 2021-22	-
	Closing Balance	237.10

Source: XV Finance Commission Report and Ledger

The balance in the SDRF and SDMF as on 31 March 2023 was ₹89.20 crore and ₹237.10 crore respectively.

(g) Karnataka Real Estate Regulatory Authority Fund

Real Estate Regulatory Authority (RERA) came into existence as per the Real Estate (Regulation and Development) Act, 2016, which aims to enhance accountability and transparency with respect to housing transactions and real estate. In Karnataka, the Karnataka Real Estate Regulation and Development Rules 2017 was approved and notified on 10 July 2017.

As per the Government Order dated 14 July 2017, fund under Interest bearing Deposit head 8342-00-120-0-02 - Real Estate Regulatory Fund was opened to account the transactions under Real Estate (Regulation and Development). The accumulation in the fund shall be utilised by the State Government for meeting the expenditure relating to the salaries and allowances and

administrative expenses in respect of RERA and the Appellate Tribunal and any other expenses of RERA in connection with the discharge of its functions and for the purposes of this Act.

During 2021-22, GoK created (April 2021) a new non-interest bearing Reserve Fund called Real Estate Authority Regulatory Reserve Fund under HoA 8235-00-200-0-22. As a consequent the balance under the former deposit was transferred to the new Reserve Fund.

During the year 2022-23, an amount of ₹19.28 crore was transferred to the fund (from the Consolidated Fund out of the fees collected under HOA 0216-02-800-0-01 - RERA) and an expenditure of ₹10.80 crore was booked to the fund. However, the receipts collected, and expenditure incurred during the periods 2017-18 and 2018-19 were not transferred. In spite of being pointed by audit in previous year SFAR, no action was initiated to transfer the receipts and expenditure to the fund account. The closing balance at the credit of the fund was ₹66.67 crore as on 31 March 2023.

Though the State Government had replied in the previous year that receipts and expenditure relating to years 2017-18 and 2018-19 would be transferred to the fund after reconciliation, action in this regard is yet to be initiated.

(h) Consumer Welfare Fund

The Consumer Welfare Fund and Consumer Welfare Corpus Fund have been created under Public Account – Reserve Fund not bearing interest and under Interest bearing Deposit Account respectively.

According to Karnataka State Consumer Fund Rules, 2005 read with Central Goods and Services Tax Act, 2017, the seed money from Central Consumer Welfare fund from GoI, assistance provided by Central Government, matching grants by the State Government, Court Fee/Penalty accrued with the District and State Consumer Fora, the money which are non-refundable to the manufactures *etc.*, and any returns from the investment of the accumulation in the Fund are to be credited to the fund. The accumulations in the Funds are to be utilised by the State Government for the welfare of the Consumers.

Apart from these, Consumer Welfare Corpus Fund was established during 2013-14, by crediting the Central share of ₹7.50 crore and State share of ₹2.50 crore under the Interest bearing deposit account 8342-00-120-29 – Deposits of Consumer Welfare Fund in Public Account. As per the GoI guidelines, the corpus is not to be spent on any activities and only the interest generated from the Corpus Fund should be utilised for meeting the expenditure on local programmes and activities relating to welfare and protection of Consumers.

The Consumer Welfare Fund, Consumer Welfare Fund under KGST Act, Consumer Welfare Corpus Fund had an opening balance of ₹1.19 crore, ₹0.39 crore and ₹13.60 crore respectively.

During 2022-23, though there was total receipts of ₹0.41 crore which was not transferred to the concerned Consumer Welfare Fund Accounts. In addition, the expenditure incurred towards activities relating to welfare and protection of consumers were also not transferred to the Fund. Further, the State Government *vide* has credited (March 2023) ₹1.49 crore as interest for the years 2020-21 to

2022-23 towards Consumer Welfare Corpus Fund and no expenditure has been met out of the interest amount. Hence there was a closing balance of ₹0.94 crore, ₹0.39 crore and ₹15.09 crore respectively.

The State Government in its reply (November 2023) stated that an expenditure of ₹0.25 crore incurred during 2022-23 has been transferred to the fund in May 2023. However, the reply is silent on the transfers on receipts to the fund account. Further, the State Government may take action to issue the transfer orders in the respective financial year itself as it would affect the fiscal parameters of the previous and the next financial year.

(i) Bhoomi User Fund

Department of Revenue, GoK allowed (August 2002) to the Bhoomi User charges to be deposited in the Personal Deposit Account of the District Commissioners with terms and conditions for incurring expenditure out of it. The terms and conditions were once again reiterated in their circular issued during April 2003. Subsequently, Government approved (July 2021) opening of Bhoomi Reserve Fund and directed to deposit Bhoomi User charges to the Consolidated fund under Head of Account 0506-00-103-0-01 and transfer expenditure from Head of Account 2506-00-103-0-03 to the Reserve Fund.

During 2021-22, only ₹3.45 crore was collected as receipts and an expenditure of ₹0.07 crore was indicated as expenditure. However, both receipts and expenditure were not transferred to the Reserve Fund. During 2022-23 receipts and expenditure amounting to ₹127.44 crore and ₹25.64 crore were transferred to the Bhoomi User fund and the closing balance was ₹101.80 crore. Further, during audit of District Commissioner, Bengaluru Urban and Mysuru, it was observed that user charges during 2021-22 and 2022-23 were continued to be deposited in the Miscellaneous Personal Deposit of the DCs and the closing balances in these accounts were ₹3.39 crore and ₹3.77 crore respectively. Further, the State Government had not issued any Order for the transfer of balances in the Personal Deposit Accounts to the Reserve Fund. Account.

2.6.3 Impact of Transfers of Reserve funds to the Fiscal parameters

The impact of the transactions of the Reserve funds during 2022-23 to the Fiscal parameters are given below:

- I. Non-transfer of receipts to the Green Tax Fund, Road Safety Cess Fund and Consumer Welfare Fund resulted in overstatement of Revenue Surplus.
- II. Non-transfer of interest on the opening balances of SDRF and SD MF resulted in overstatement of Revenue Surplus.

2.6.4 In-operative Reserve Funds

As at the end of 31 March 2023, out of 52 reserve funds, 19 remained inoperative. Of these 19 inoperative reserve funds, 12 reserve funds had a credit balance of ₹731.67 crore and seven reserve funds had a debit balance of ₹33.07 crore as on 31 March 2022.

Action is required to be taken for closure of such in-operative funds after due reconciliation and credit the balance to the Consolidated Fund.

2.6.5 Compensatory Afforestation Fund Management and Planning Authority (CAMPA)

Subsequent to enactment of Compensatory Afforestation Act (CAF), 2016, the State Compensatory Afforestation Fund (SCAF) - Karnataka was created (February 2019) under Section 4 of the CAF Act, 2016. In addition, the Ministry of Environment, Forest and Climate Change in exercise of powers conferred under Section 30 of the CAF Act, 2016 framed CAF (Accounting Procedure) Rules, 2018 to regulate the manner of crediting amount to the National Fund (NCAF) and State Fund (SCAF) in each year. In continuation to the Rules, the Ministry in order to maintain transparency and uniformity in reporting issued (28 January 2019) opening of standard Heads of Accounts for NCAF and SCAF for all the States.

As per the Compensatory Afforestation Fund (Accounting Procedure) Rules, 2018:

- i. Consequent upon issue of notification for establishment of respective State Compensatory Afforestation Funds by the concerned State Governments in terms of sub-section (1) of section 4 of the Act, State share (90 *per cent* of the amount with ad hoc Authority) so credited to the National Compensatory Afforestation Deposits under Major Head 8336-Civil Deposits, shall be transferred to State Compensatory Afforestation Fund (SCAF) as per each State share.
- ii. The amount received by the State Governments from the User Agencies shall be credited in 'State Compensatory Afforestation Deposits' at Minor Head level below 'Major Head 8336-Civil Deposit' in Public Account of State.
- iii. Out of the money credited under 8336-Civil Deposit, 90 *per cent* shall be transferred to the Major Head 8121 in Public Account of State and 10 *per cent* credited into the National Fund on yearly basis as per subsection (4) of section 3 of the Act; provided that, the credit of 10 *per cent* Central share of funds should be ensured on monthly basis so that the same is transferred to the National Fund.
- iv. The applicable rate of interest on balances available under 'State Compensatory Afforestation Deposits' under '8336-Civil Deposits' and 'State Compensatory Afforestation Fund' under 8121- General and other Reserve Funds shall be as per the rate declared by the Central Government on year-to-year basis.

In line with the CAF (Accounting procedures) Rules, 2018, though the Ministry transferred (19 Aug 2019) ₹13,50,37,43,189 from NCAF to SCAF, it did not incorporate suitable mechanism in the Parivesh portal¹⁷ in line with the CAF Rules, 2018. Hence, the accounting procedure for collection and transfer of user charges prior to implementation of CAF Rules, 2018 continued. As a result, though the State had received ₹566.79 crore as user charges during 2019-20 to 2022-23, entire amount was transferred to NCAF instead of ₹56.68 crore (10 *per cent*). During the period 2019-20 to 2021-22, an expenditure of

¹⁷ Portal maintained by CEO, National Authority, Ministry of Environment, Forest and Climate change for collection and transfer of user charges to NCAF.

₹477.23 crore was transferred to the Fund and interest of ₹86.08 crore for the year 2019-20 and 2020-21 was also transferred to the fund.

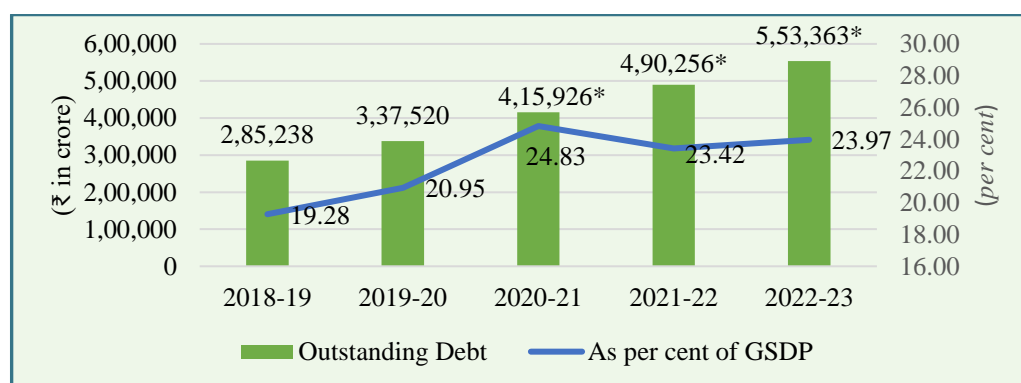
During 2022-23, an amount of ₹42.07 crore (₹37.51 crore being interest and ₹4.56 crore pertaining to earlier years) is credited to the Fund account. During 2022-23, the opening balance of the Fund account was ₹889.23 crore, an expenditure of ₹269.73 crore was incurred leaving the closing balance to ₹661.93 crore under the Fund.

State Government in reply to SFAR for the year ended March 2022 stated that the CEO, National Authority, Ministry of Economics, Forest and Climate change has been requested (September 2022) to create suitable mechanism integrated with Parivesh portal for the online remittance of user charges by the user agencies to SCAF. Further, in the Entry Conference (November 2023), it was stated that in addition to pursuing the matter with the National Authority, the Finance Department would look into the procedures adopted in other States.

2.7 Debt Management

Debt Management is the process of establishing and executing a strategy for managing the Government's debt in order to raise the required amount of funding, achieve its risk and cost objectives and to meet any other sovereign debt management goals that the Government may have set through enactment or any other annual budget announcements. Total outstanding debt and its percentage to GSDP during the period 2018-19 to 2022-23 are depicted in **Chart 2.15**.

Chart 2.15: Outstanding Debt and its percentage to GSDP during 2018-19 to 2022-23



Source: Finance Accounts

* The back-to-back Loan (₹12,407 crore in 2020-21 and ₹18,109 crore in 2021-22) received from GoI in lieu of GST compensation has not been considered as Debt for working out debt-GSDP ratio.

As seen from the chart above, the outstanding debt as a *per cent* to GSDP had increased from 19.28 *per cent* during 2018-19 to 23.97 *per cent* during 2022-23. However, it was well within the KFRA target of 25 *per cent*. This was on account of non-treating of the back-to-back loans received from GoI as debt of the State for any norms provided by Finance Commission.

The FMRC while reviewing the borrowings of the State Government suggested Finance Department to take necessary measures to reduce the committed expenditure and simultaneously increase State revenues in order to bring down the debt level within the financial norms prescribed by KFRA.

2.7.1 Debt profile components

Total debt of the State Government typically comprises internal debt of the State (Market loans, ways and means advances from RBI, special securities issued to National Small Savings Fund and loans from financial institutions, etc.), Loans and Advances from the GoI, public account liabilities and off-budget borrowings.

The component wise details of Debt, their rate of growth, ratio of these liabilities to GSDP are shown in **Table 2.36** and the buoyancy of fiscal liabilities with respect to Revenue Receipts and own resources are brought out in **Appendix 2.2**. The fiscal liabilities of the State increased by 94 per cent from ₹2,85,238 crore in 2018-19 to ₹5,53,363 crore in 2022-23. The composition of overall debt during 2022-23 is presented in **Chart 2.16** and the details of internal debt taken vis-à-vis repayment made during 2018-19 to 2022-23 is shown in **Chart 2.17**.

Table 2.36: Component wise debt trends

(₹ in crore)					
Component of fiscal liability	2018-19	2019-20	2020-21	2021-22	2022-23
Outstanding Total Liability	2,85,238	3,37,520	4,15,926*	4,90,256*	5,53,363*
Public Debit					
Internal Debt	1,79,309	2,20,337	2,81,140	3,29,042	3,53,894
Loans from GoI	14,657	13,908	26,617 [^]	45,385 [^]	49,139 [^]
Public Account Liabilities	76,410	85,172	89,748	99,147	1,33,024
Small Saving, Provident Funds, etc.	31,023	35,179	38,811	42,333	45,736
Reserve Funds bearing Interest	435	1,273	1,175	1,129	988
Reserve Funds not bearing Interest	16,566	17,160	18,888	22,003	26,425
Deposits bearing Interest	402	502	518	500	551
Deposits not bearing Interest	27,984	31,058	30,356	33,182	59,324
Rate of growth of outstanding total liability (per cent)	15.84	18.33	23.23	10.53	12.87
Gross State Domestic Product (GSDP)	14,79,391	16,11,134	16,25,073	19,62,725	21,81,217
Liability / GSDP (per cent)	19.28	20.95	24.83	23.42	23.97
Total Receipts	41,914	50,459	84,528	80,641	44,549
Total Repayments	11,083	10,180	11,016	13,972	15,942
Net funds available	30,831	40,279	73,512	66,669	28,607
Repayments / Receipts (per cent)	26.44	20.17	13.03	17.33	35.79

Source: Finance Accounts

[^] Effective Loans and Advances from GoI would be ₹14,210 crore as on year ending 2020-21, ₹14,869 crore as on year ending 2021-22 and ₹18,623 crore as on year ending 2022-23 as the Department of Expenditure, GoI had decided that GST compensation of ₹12,407 crore and ₹18,109 crore given to the State as back-to-back loan during 2020-21 and 2021-22 respectively under Debt Receipt would not be treated as debt of the State for any norms which may be prescribed by the Finance Commission.

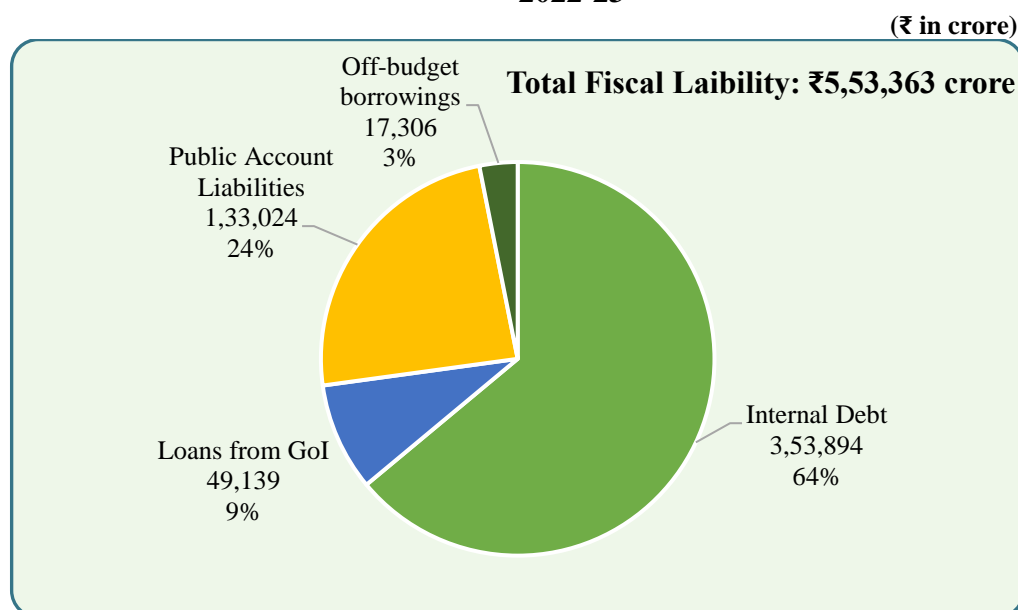
* Effective Outstanding Fiscal Liabilities would be ₹4,03,519 crore, ₹4,59,740 crore and ₹5,22,847 crore as the Department of Expenditure, GoI had decided that GST compensation of ₹12,407 crore in 2020-21 and ₹18,109 crore in 2021-22 given to the State as back-to-back loan under Debt Receipts respectively would not be treated as debt of the State for any norms which may be prescribed by the Finance Commission.

The total debt liabilities of the State is on the increasing trend during the period from 2018-19 to 2022-23. It increased by ₹2,68,125 crore. This was mainly under internal debt of ₹1,74,585 crore, Loans from GoI of ₹34,482 crore and Public Account Liabilities ₹56,614 crore. When compared to the previous year, the outstanding liability increased by ₹63,107 crore. This was mainly under Reserve

funds not bearing interest (₹9,859 crore) and Deposits not bearing interest (₹31,340 crore).

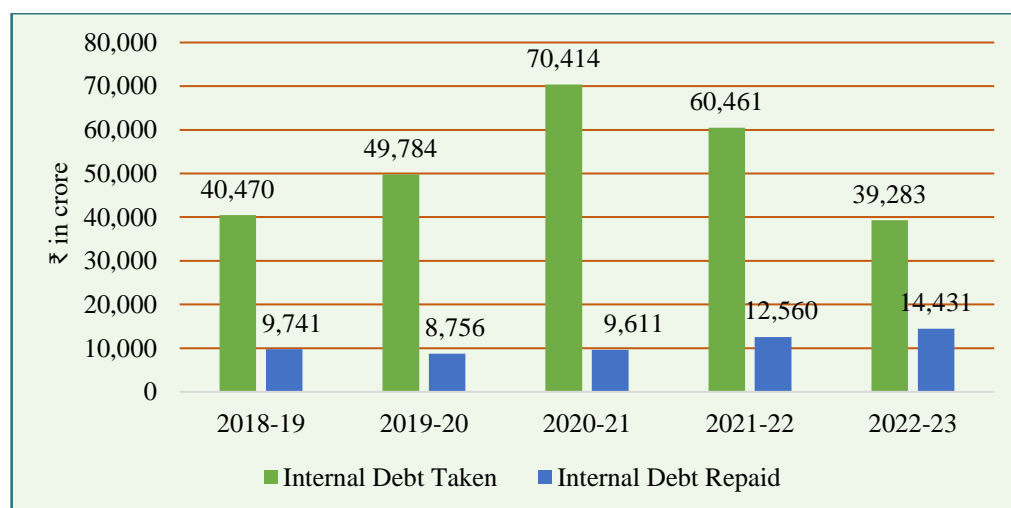
During 2022-23, the Public Debt available to the State increased by ₹28,606 crore over the previous year from ₹3,74,427 crore to ₹4,03,033 crore.

Chart 2.16: Breakup of overall debt at the end of financial year 2022-23



Source: Finance Accounts

Chart 2.17: Internal Debt receipts vis-à-vis repayment



Source: Finance Accounts

Out of the total outstanding debt, internal debt consisting of market borrowings, loans from NABARD, LIC, GIC and special securities issued to NSSF of Central Government constituted 63.95 per cent (₹3,53,894 crore). Public Account liabilities account for 24.03 per cent, loans from GoI comprise 8.88 per cent and off-budget borrowings 3.12 per cent.

2.7.1.1 Off-Budget Borrowings

The borrowings of the State Government are governed by Article 293 (1) of the Constitution of India. The State stood as guarantor for loans availed by

Government Companies/ Corporations/ Boards. These Companies/ Corporations/ Boards borrowed funds from the market/ financial institutions for implementation of various State Plan programme projected outside the State budget. The borrowings of these concerns ultimately turn out to be the liabilities of the State Government termed 'Off-Budget Borrowings' (OBB). In the State, these are disclosed in the Budget Overview and also in the MTFPs.

The trend of OBB during 2018-19 to 2022-23 is detailed in **Table 2.37**. Though State's OBB was on an increasing trend during the years 2018-19 and 2019-20, the trend showed decrease since 2020-21. However, during 2022-23, the OBBs increased by ₹1,679 crore when compared to previous year.

Table 2.37: Trend in off-budget borrowings (OBB)

(₹ in crore)					
Year	2018-19	2019-20	2020-21	2021-22	2022-23
OBB	3,523.65	4,435.49	3,045.10	2,350.00	4,029.00

In the State, the Government had been repaying the loans availed of by these Companies/ Corporations/ Societies including interest through regular budget provision under capital account. During 2022-23, Capital Expenditure of ₹57,349 crore included ₹3,405 crore towards servicing of principal amount of off-budget borrowings. The interest payment during the year was ₹1,216 crore. **Table 2.37 (a)** gives the entity-wise position of borrowings as at the end of 2022-23.

Table 2.37 (a): Entity-wise position of off-budget borrowings

Company/ Corporation/ Board	Outstanding off-budget borrowing	Borrowings during 2022-23	Repayment during 2022-23		Closing Balance
			Principal	Interest	
Krishna Bhagya Jala Nigam Limited	6,252.14	850.00	1,450.70	455.26	5,651.44
Karnataka Neeravari Nigam Limited	3,672.81	1,500.00	767.43	269.38	4,405.38
Karnataka Road Development Corporation Limited	393.24	379.00	29.69	42.47	742.55
Rajiv Gandhi Rural Housing Corporation Limited	1,227.72	0.00	263.11	90.77	964.61
Cauvery Neeravari Nigam Limited	2,767.50	400.00	367.50	201.18	2,800.00
Visvesvaraya Jala Nigam Limited	1,807.15	900.00	433.06	128.40	2,274.09
Skill Development	561.54	0.00	93.98	28.58	467.56
Total	16,682.10	4,029.00	3,405.47	1,216.04	17,305.63

Source: Finance Accounts

All the seven entities mentioned in the above table do not have their own source of revenue and are incurring losses. The cumulative loss of these companies are around ₹7,637.50 crore.

Taking into account the OBBs of the State, the total liabilities at the end of March 2023 worked out to ₹5,53,363 crore. The rate of effective outstanding liabilities of ₹5,22,847 crore (including OBBs) which was excluding back-to-back loan of ₹30,516 crore received from GoI in lieu of GST compensation to GSDP works out to 23.97 per cent at the end of the year. The position of the fiscal deficit and outstanding debt to GSDP of the State for the year 2018-19 to 2022-23 is indicated in **Table 2.38**.

Table 2.38: Impact of Off-Budget Borrowing on Fiscal Indicators

Year	GSDP	Off-Budget Borrowing	Fiscal Deficit	Fiscal Deficit + Off-Budget Borrowing	Fiscal Deficit/ GSDP	(Fiscal Deficit + Off-Budget Borrowing)/ GSDP	Outstanding debt/GSDP
2018-19	14,79,391	3,523.65	38,442	41,966	2.60	2.84	19.28
2019-20	16,11,134	4,435.49	38,166	42,601	2.37	2.64	20.95
2020-21	16,25,073	3,045.10	67,098	70,143	4.13	4.32	24.83
2021-22	19,62,725	2,350.00	66,036	68,386	3.36	3.48	23.42
2022-23	21,81,217	4,029.00	46,623	50,652	2.14	2.32	23.97

It is also pertinent to mention that the State Government had paid ₹1,216.04 crore (details in **Paragraph 4.1 and 4.12**) on account of interest payment on OBB.

The State Government in its reply (November 2023) stated that since the repayment of borrowings (Off- Budget) of the current Financial Year has already been included in the fiscal deficit of the State, measuring the fiscal deficit by including off-budget borrowings availed is not a correct measure, as these loans will be serviced in the future years based on their maturity.

The ratio of Fiscal deficit to GSDP even after including the off-budget borrowings is less than the targets set by the KFRA 2002 as amended from time to time.

The XV FC has opined that these are implicit contingent liabilities, outside the framework of standard guarantee that can eventually devolve heavily on State Government. Hence, it was recommended to observe strict discipline by resisting further additions to the stock of off-budget borrowing as it is against the norm of fiscal transparency and detrimental to fiscal sustainability. Further, it was stated that these obligations need to be cleared in time bound manner and it has also recommended that the resources for clearing should not be from the regular inflow of tax and non-Tax, but additional resources should be mobilised by the Government. This could include monetisation of assets.

In Exit Conference (November 2023), the State Government stated that the State Government is aware of the rising liabilities on account of off-budget borrowings and measures are being taken to reduce such liabilities.

2.7.2 Composition of fiscal deficit and its financing pattern

The financing pattern of fiscal deficit has undergone a compositional shift as reflected in **Table 2.39**. The breakdown of fiscal deficit reveals the extent of various borrowings resorted to by the State to meet its requirement of funds over and above revenue and non-debt receipts. The component wise trends of the debt are depicted in **Chart 2.18**.

Table 2.39: Components of fiscal deficit and its financing pattern

(₹ in crore)

Sl. No.	Particulars	2018-19	2019-20	2020-21	2021-22	2022-23
Composition of Fiscal Deficit		(-38,442)	(-38,166)	(-67,098)	(-66,036)	(-46,623)
1	Revenue Surplus/Deficit	679	1,185	(-19,338)	(-13,666)	13,496
2	Net Capital Outlay	34,665	35,485	45,361	47,868	57,347
3	Net Loans and Advances	4,456	3,866	2,399	4,082	2,772
4	Appropriation to Contingency Fund	-	-	-	420	-

Sl. No.	Particulars	2018-19	2019-20	2020-21	2021-22	2022-23
Financing Patterns of Fiscal Deficit*						
1	Market Borrowings	32,183	42,499	61,900	49,000	26,000
2	Loans from GoI	103	(-)749	12,709 [^]	18,767 [^]	3,755
3	Special Securities issued to NSSF	(-)1,595	(-)1,628	(-)1,628	(-)1,628	(-)1,627
4	Loans from Financial Institutions	141	156	531	529	480
5	Small Savings, PF etc.	3,292	4,156	3,632	3,522	3,403
6	Deposits and Advances	3,068	3,174	(-)685	2,808	26,192
7	Suspense and Miscellaneous	(-)6,087	(-)1,364	(-)2,921	(-)153	1,196
8	Remittances	(-)40	(-)347	(-)35	(-)133	159
9	Reserve Funds	3,197	4,728	6,275	9,173	7,282
10	Overall Deficit	34,262	50,625	79,778	81,885	66,840
11	Appropriation to Contingency Fund	-	-	-	420	-
12	Increase (-) /Decrease (+) in cash balance	4,180	(-)12,459	(-)12,680	(-)16,269	(-)20,217
13	Gross Fiscal Deficit	38,442	38,166	67,098	66,036	46,623

Source: Finance Accounts

*All these figures are net disbursement/outflows during the year.

[^] The effective Loans and Advances from GoI would be ₹1,707 crore and ₹2,070 crore by deducting the GST compensation of 12,407 crore for 2020-21 and ₹18,109 crore for 2021-22 received as back-to-back loans.

The State had attained revenue surplus since 2004-05 and the surplus on revenue account along with market borrowings, loans from GoI etc., were utilised to finance capital expenditure except during the years 2020-21 and 2021-22, where State witnessed Revenue deficit due to COVID-19 pandemic, which resulted in utilisation of borrowing towards Revenue Expenditure. However, the State attained revenue surplus in 2022-23 again. There was increase in Deposits and Advances, Suspense and Miscellaneous and Remittances (marginally) and decrease in market borrowing, Loans and Advances from GoI, Small Savings, PF etc., Suspense and Miscellaneous balances which comprised transactions relating mainly to cheques and bills over the previous year. The financing pattern of fiscal deficit for the year 2022-23 is shown in **Table 2.40**.

Table 2.40: Receipts and Disbursements under components financing the fiscal deficit during 2022-23

Sl. No.	Particulars	(₹ in crore)		
		Receipt	Disbursement	Net
1	Market Borrowings	36,000	10,000	26,000
2	Loans from GoI	5,266	1,511	3,755
3	Special Securities issued to NSSF	0	1,628	(-)1,628
4	Ways and Means advances from RBI	1,798	1,798	0
5	Loans from Financial Institutions	1,485	1,005	480
6	Small Savings, PF etc.	9,192	5,789	3,403
7	Deposits and Advances	1,01,650	75,458	26,192
8	Suspense and Miscellaneous	2,47,324	2,46,128	1,196
9	Remittances	0	(-)159	159
10	Reserve Fund	10,069	2,787	7,282
11	Overall Deficit	4,12,785	3,45,945	66,839
12	Increase/Decrease in cash balance	63,412	83,629	(-)20,216
13	Appropriation to Contingency Fund	0	0	0
14	Gross Fiscal Deficit	4,76,197	4,29,574	46,623

Source: Finance Accounts

During 2022-23, the major contributors for financing fiscal deficit Market borrowings and Deposits and Advances.

2.7.3 Debt profile: Maturity and Repayment

Debt maturity and repayment profile indicates commitment on the part of the Government for debt repayment or Debt Servicing. The repayment of Principal and Interest (variable) of the outstanding Public Debt is shown in **Table 2.41** and **Chart 2.18**.

Table 2.41: Maturity profile of Public Debt

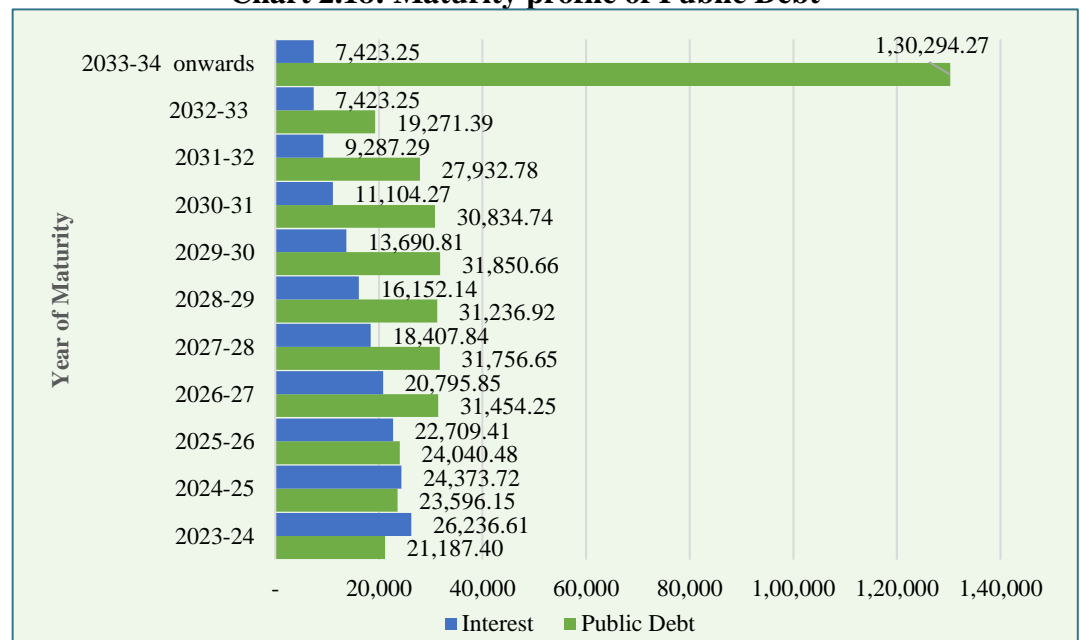
(₹ in crore)

Year of Maturity	Amount		
	Public Debt	Interest	Total
2023-24	21,187.40	26,236.61	47,424.01
2024-25	23,596.15	24,373.72	47,969.87
2025-26	24,040.48	22,709.41	46,749.89
2026-27	31,454.25	20,795.85	52,250.10
2027-28	31,756.65	18,407.84	50,164.49
2028-29	31,236.92	16,152.14	47,389.06
2029-30	31,850.66	13,690.81	45,541.47
2030-31	30,834.74	11,104.27	41,939.01
2031-32	27,932.78	9,287.29	37,220.07
2032-33	19,271.39	7,423.25	26,694.64
2033-34	12,734.21	6,038.88	18,773.09
2034-35	15,225.57	5,138.91	20,364.48
2035-36	8,189.55	4,032.73	12,222.28
2036-37	8,065.63	3,484.94	11,550.57
2037-38	14,563.57	2,911.92	17,475.49
2038-39 onwards	71,515.74	4,798.38	76,314.12
Total	4,03,455.70*	1,96,587.00	6,00,042.64

Source: Finance Accounts

*The net public debt is ₹4,03,023.00 crore after taking into account the miscellaneous amount of ₹(-)422.70 crore.

Chart 2.18: Maturity profile of Public Debt



The maturity profile of the Public Debt as on 31 March 2023 indicates that out of the outstanding public debt of ₹4,03,455.70 crore, 40.47 per cent belongs to the maturity bracket of 1-6 years (₹1,63,271.85 crore) and 27.24 per cent (₹1,09,889.57 crore) in the maturity bracket of 7-10 years and 32.30 per cent (₹1,30,294.27 crore) in the maturity bracket of more than ten years. The State has acknowledged that even though the additional borrowing was necessary for the State to meet its expenditure component, it would burden the State with debt repayment in the near future. Even though FMRC has suggested to reduce its committed expenditure, with the committed expenditure being a major share in the share of expenditure, the raising debt level would eventually result increasing its interest payments which is part of committed expenditure. As seen from the **Table 2.41**, in the next two years *i.e.*, 2023-24 and 2024-25, the repayment of interest exceeds the principal and in the next four years, though it is decreasing, it would be more than 50 per cent of the principal.

2.8 Debt Sustainability Analysis

Debt sustainability analysis has been carried out on the basis of fiscal and debt parameters; Domar approach and compliance of macro-fiscal parameters to the respective FRBM targets. The results of the analysis are given in the following paragraphs:

(a) Public Debt of the Government refers to all financial liabilities of the Government, irrespective of whom they are owned. Debt is considered sustainable if the State is in a position to service its debt now and in future. Apart from the magnitude of the debt of the State Government, it is important to analyse various indicators that determine the debt sustainability of the State. Debt sustainability indicators accordingly seek to assess the credit worthiness and the liquidity position of the State by examining their ability to service the debt through timely interest payments and repay debt out of current and regular sources of revenue.

This section assesses the sustainability of debt of the State Government in terms of Debt-GSDP ratio, fiscal deficit and burden of interest payments (measured by ratio of interest payments to Revenue Receipts).

Table 2.42 indicates the time series data on different variables and the debt sustainability of the State according to these indicators for the five-year period beginning from 2018-19.

Table 2.42: Trends in Debt Sustainability indicators

Debt Sustainability Indicators	2018-19	2019-20	2020-21	2021-22	2022-23
Outstanding Public Debt* (as on 31st March of the year)	2,08,828	2,52,348	3,26,178**	3,91,109**	4,20,339**
Rate of Growth of Outstanding Public Debt	18.08	20.84	29.26	19.91	7.47
GSDP	14,79,391	16,11,134	16,25,073	19,62,725	21,81,217
Rate of Growth of GSDP	10.96	8.91	0.87	20.78	11.13
Public Debt/GSDP (in per cent)	14.12	15.66	20.07^	19.93^	19.27^

Debt Sustainability Indicators	2018-19	2019-20	2020-21	2021-22	2022-23
Average interest rate on Public Debt (in per cent)	7.39	7.44	7.15	6.49	6.53
Interest Payment on Public Debt	14,256	17,153	20,671	23,259	26,475
Revenue deficit/surplus without Interest payment	14,935	18,338	1,333	9593	39,944
Revenue Deficit due to interest payments	679	1,185	(-)19,338	(-)13,666	13,496
Percentage of Interest payment to Revenue Receipts	8.64	9.78	13.19	11.88	11.56
Percentage of Debt Repayment to Debt Receipts	27.34	20.72	18.28	27.84	39.83
Net Debt available to the State [#]	33,016	43,520	40,752	23,562	29,231
Net Debt available as percentage to Debt Receipts	20.01	24.81	54.22	36.32	12.76
Primary deficit (-) / Primary surplus (+)	(-)21,828	(-)18,263	(-)43,665	(-)39,760	(-)16,980
Debt Stabilization (quantum spreads ^{##} + Primary Deficit)	(-)14,373	(-)14,553	(-)63,370	(+)11,769	(+)952

Source: Finance Accounts

*Outstanding Public Debt is the sum of outstanding balances under the heads 6003-Internal Debt and 6004-Loans and Advances from GoI and Off-Budget borrowings.

#For the years 2020-21 and 2021-22, Net debt available to the State Government is calculated as excess of Public Debt receipts over Public Debt repayment and interest payments on Public Debt and does not include back-to-back loans received from GoI as GST compensation.

^The back-to-back Loan (₹30,516 crore) received from GoI in lieu of GST compensation has not been considered as Debt for working out the indicator.

** Effective Outstanding Public Debt would be ₹3,13,771 crore, ₹3,60,593 crore and ₹3,89,823 crore as the Department of Expenditure, GoI had decided that GST compensation of ₹12,407 crore in 2020-21 and ₹18,109 crore in 2021-22 given to the State as back-to-back loan under Debt Receipts respectively would not be treated as debt of the State for any norms which may be prescribed by the Finance Commission.

Quantum Spread is Interest Spread as percentage of debt stock. Interest Spread is the difference between the rate of growth of GSDP and Average interest rate on Outstanding public debt. If the Quantum Spread together with primary deficit is zero, debt-GSDP ratio would be constant, or debt would stabilise eventually. If it is negative, debt-GSDP would be rising and in case if it is positive, debt-GSDP would eventually tally.

Effective outstanding public debt for 2020-21, 2021-22 and 2022-23 would be ₹3,13,771 crore, ₹3,60,593 crore and ₹3,89,823 crore respectively, as the Department of Expenditure, GoI had decided that GST compensation of ₹12,407 crore in 2020-21 and ₹18,109 crore in 2021-22 given to the State as back-to-back loan under debt receipts would not be treated as debt of the State for any norms which may be prescribed by the Finance Commission. The outstanding public debt of the State have increased from ₹2,08,828 crore to ₹4,20,339 crore in 2022-23. Analysis of the above table and based on the Fiscal

consolidated road map recommended by the XIV and XV Finance Commission, the following were observed;

- A falling Debt-GSDP ratio (in percentage) can be considered as leading towards stability. The Debt-GSDP ratio saw an increasing trend during 2018-19 to 2020-21. However, it decreased in the year 2021-22 and further during 2022-23. This was on account of the rate of growth of GSDP being more than the rate of growth outstanding public debt.
- Interest payment on Public Debt showed an increasing trend during the years.
- The ratio of interest payments to revenue receipts is a good measure of debt sustainability. This ratio was on an increasing trend from 2018-19 to 2020-21 and decreased during 2021-22 and 2022-23. The decreasing trend indicates that the interest burden is decreasing.
- The higher the percentage of public debt repayments to public debt receipts, the greater the proportion of debt utilised for Debt Servicing rather than productivity. During the period 2018-19 to 2022-23, percentage of public debt repayments to public debt receipts ranged from 27.34 to 39.83, which meant that the borrowings were utilised towards repayment leaving lesser space for productivity. During 2022-23, the ratio was maximum which was due to less borrowings than previous years.
- Net debt available to the State which was on an increasing trend up to 2020-21 saw a decrease during 2021-22 and again increased during 2022-23. This was mainly due to repayment of interest through Revenue receipts and not through borrowings.

(b) Domar’s approach towards debt stability

Fiscal liabilities are considered sustainable if the Government is able to service the stock of these liabilities over the foreseeable future and the Debt-GSDP ratio does not grow to unmanageable proportions. The Domar model is one of the models for analysis of public debts, which lays down that the Debt-GSDP ratio is likely to be stable if the rate of growth of the economy exceeds the rate of interest on the debt. **Table 2.43** provides the Domar sustainability condition.

Table 2.43: The dynamics of public debt depending on the interest rate, the growth rate of GDP and the primary budget balance

g-r (g: real economic growth rate; r: real interest rate), called Domar gap	s<0 (primary deficit)	s>0(primary surplus)
g-r > 0 (strong economic growth)	Public debt as a percentage of GSDP tends towards a stable value and is therefore sustainable. Depending on the stock of debt, it will either increase or decrease in time to reach a stable level greater than zero.	Public debt as a percentage of GSDP should converge to a stable level less than zero leading to public savings
g-r < 0 (slow economic growth)	Public debt as a percentage of GSDP will increase indefinitely, without converging to a stable level	Undefined situation

Applying the DOMAR analysis to Karnataka, it is observed that except in 2020-21, in all the years the Domar gap (g-r) was positive as shown in **Table 2.44**.

Table 2.44: Public Debt Sustainability-real growth and real interest

Year	Real economic growth (g)	Real Interest rate (r)	Domar gap (g-r)	Primary deficit (-)/ Surplus (+)
	(in per cent)		(₹ in crore)	
2018-19	6.40	4.09	2.31	(-)21,828
2019-20	5.90	1.84	4.06	(-)18,263
2020-21	(-)3.50	1.35	(-)2.15	(-)43,665
2021-22	11.00	0.89	10.11	(-)39,760
2022-23	7.90	0.53	7.37	(-)16,980

- Real economic growth rate has been calculated for real GSDP (i.e., at constant prices*).
- Real interest rate is calculated as average interest rate on fiscal liabilities minus inflation. Average inflation** has been obtained from RBI.

* Information furnished by Directorate of Economics and Statistics

** As published by RBI on November 19, 2022 and Handbook on statistics of Indian States

During 2018-2023, the primary deficit of the State ranged between ₹21,828 crore and ₹16,980 crore. The DOMAR analysis showed that the Domar gap (g-r) was positive during the period from 2018-19 to 2022-23, except in 2020-21. During the pre-Covid period i.e., 2018-19 and 2019-20, the real growth rate of the GSDP was 6.40 per cent and 5.90 per cent respectively and the Domar gap (expressed as g-r) remained positive but there was primary deficit in the State. Covid-19 affected the real growth rate of GSDP during 2020-21 and the Domar gap turned negative during the year. In the subsequent years (2021-22 and 2022-23), the Domar gap became positive along with primary deficit, which reflects that Public Debt as a percentage of GSDP tends towards a stable value and is therefore sustainable. Depending on the stock of debt, it will either increase or decrease in time to reach a stable level greater than zero.

It may be mentioned that the sustainability of Public Debt will depend on whether the State economy maintains the real growth rate in the long run keeping the real interest rate under control.

2.8.1 Utilisation of borrowed funds

Borrowed funds should ideally be used to fund capital creation and developmental activities. Using borrowed funds for meeting current consumption and repayment of interest on outstanding loans is not sustainable. The details of utilisation of borrowed funds during the period 2018-19 to 2022-23 are given in **Table 2.45**.

Table 2.45: Utilisation of borrowed funds

Sl. No.	Year	(₹ in crore)				
		2018-19	2019-20	2020-21	2021-22	2022-23
1	Total borrowings*	41,914	50,459	84,528	80,641	44,549
2	Repayment of earlier borrowings (Principal)	11,083	10,180	11,016	13,972	15,942
3	Net capital expenditure	34,665	35,485	45,361	47,868	57,347
4	Net loans and advances	4,456	3,866	2,399	4,082	2,772
5	Net availability of borrowed funds (1-2-3-4)	(-)8,290	928	25,752	14,719	(-)31,512

Source: Finance Accounts

* During 2020-21 and 2021-22, total borrowings are inclusive of back-to-back loan. GoI had decided that GST compensation of ₹12,407 crore and ₹18,109 crore given to the State as back-to-back loan during 2020-21 and 2021-22 respectively under Debt Receipt would not be treated as debt of the State for any norms which may be prescribed by the Finance Commission.

From the above table, it is noticed that during the period 2019-20 to 2021-22, the borrowed funds were sufficient to service the capital expenditure (including loans and Advances). During 2018-19 and 2022-23 the State witnessed Revenue Surplus and as a result the State borrowed less. The Revenue Surplus was utilised towards Capital Expenditure in these years.

2.8.2 Status of Guarantees - Contingent Liabilities

Guarantees are contingent liabilities on the Consolidated Fund of the State in case of default by the borrower for whom the guarantee was extended. The Karnataka Ceiling on Government Guarantees Act, 1999 provides for a cap on outstanding guarantees extended by the Government as on first day of April of any year at 80 per cent of the State's Revenue Receipts of the second preceding year. The details of the last five years are shown in **Table 2.46**.

Table 2.46: Guarantees given by the State Government

Guarantees	2018-19	2019-20	2020-21	2021-22	2022-23
Ceiling applicable to the outstanding amount of guarantees (80 per cent of revenue receipts of second preceding year)	1,06,571	1,17,600	1,31,983	1,40,354	1,25,343
Outstanding amount of guarantees	24,091	26,830	32,733	33,192	38,356

Source: Finance Accounts

The outstanding guarantees on 1 April of each year were within the prescribed limit. The outstanding guarantees amounting to ₹38,356 crore at the end of the year 2022-23 (principal + interest) included guarantees extended to 151 institutions/ companies under various sectors¹⁸.

Against the total estimated guarantee commission of ₹594.28 crore receivable as reported by the State Government, only ₹341.91 crore was received during 2022-23. The guarantee commission received includes book adjustment made by the State Government towards the guarantee commission payable to it by different entities by way of subsidies/grants-in-aid/financial assistance.

As per the recommendation of XII FC the State Government had setup guaranteed Redemption Fund in 1999-2000 with a corpus of ₹ one crore. However, since there are no transactions the PAC in its report recommended (July 2015) that suitable efforts should be made to operate and continue the Guarantee Reserve Fund. Taking note of the observations of earlier SFARs and based on the recommendation of PAC, the State Government, during 2022-23 invested ₹314 crore under Guarantee Redemption Fund Investment Account.

¹⁸ Irrigation (₹14,475 crore), Co-operation (₹1,374 crore), Finance (₹695 crore), Power (₹18,179 crore), Housing (₹1,900 crore), Transport (₹911 crore) and other sectors (₹728 crore)

2.8.3 Management of Cash Balances

As per an agreement with the Reserve Bank of India (RBI), State Government has to maintain a minimum daily cash balance of ₹2.63 crore with the Bank. If the balance falls below the agreed minimum on any day, the deficiency is made good by taking ordinary Ways and Means Advances (WMA)/Special Ways and Means Advances (SWMA)/Overdrafts (OD) from time to time. The limits for ordinary WMA to the State Government are revised by the RBI from time to time.

- The RBI grants Normal and Special Ways and Means Advances. Limit for Normal Ways and Means Advances to the State was reduced from ₹3,176 crore as on 01 April 2020 to ₹3,137 crore with effect from 31 March 2022. Since March 1999, the limits for Special Ways and Means Advance of the State Government are linked exclusively to their holdings of GoI Securities. These advances carry interest at such rates as may be fixed by the RBI from time to time.
- During 2022-23, the State Government had availed ¹⁹ways and means advances of ₹1,797.84 crore from RBI and has repaid.
- It is not desirable that the State Government take recourse to market loans despite having large cash balances leading to further accretion to cash balances without putting it to productive use. **Table 2.47** depicts the cash balances and investments made by the State Government during 2022-23.

Table 2.47: Cash Balances and their investment

	(₹ in crore)	
	Opening balance as on 1 April 2022	Closing balance as on 31 March 2023
A. General Cash Balances		
Deposits with Reserve Bank of India	1,518.39	2,788.21
Investments held in Cash Balance Investment Account	31,973.89	47,919.99
Total (A)	33,492.28	50,708.20
B. Other Cash Balances and Investments		
Cash with departmental officers <i>viz.</i> , forest and Public Works	2.09	2.09
Permanent advances with departmental officers for contingent expenditure	3.55	3.90
Investment of earmarked funds	29,914.43	32,914.43
Total (B)	29,920.07	32,920.42
Total (A + B)	63,412.35	83,628.62
Interest realised	899.44	1,139.09

Source: Finance Accounts

Cash with treasuries/departments, Deposits with RBI and Remittance in transit form cash and cash equivalent. In addition to the Treasury bills, cash balance is also invested in Earmarked funds *viz.*, Consolidated Sinking Fund, Guarantee Redemption Fund *etc.* Out of the investment of ₹32,914.43 crore in earmarked funds, ₹11,600 crore was invested in the Consolidated Sinking Fund and ₹314 crore in Guarantee Redemption Fund.

¹⁹ As per the annexure to Statement 2, Finance Accounts Vol 1.

The increase in the General cash balance was 32 *per cent* over the previous year. The General cash balances of the State Government at the end of the year increased significantly by ₹17,215.92 crore from ₹33,492.28 crore in 2021-22 to ₹50,708.20 crore in 2022-23.

The State Government in its reply (November 2023) stated that the investments of Earmarked funds should not be part of the cash balance of the State. However, as these investments are part of the cash balance as per annexure to Statement 2 of Finance Accounts, the same has been included.

The State Government invests its surplus cash balance in short and long-term GoI Securities and Treasury Bills. The profits derived from such investments are credited as receipts under the head '0049-Interest Receipts'. The State Government has earned an interest of ₹1,139.09 crore during 2022-23 with an average interest rate of 1.17 *per cent* for 14-day Treasury bills and 3.46 *per cent* for 91-day Treasury bills against an average rate of 6.38 *per cent* per annum at which the borrowings were made.

The cash balance investments of the State during the five-year period 2018-19 to 2022-23 are given in **Table 2.48**.

Table 2.48: Cash Balance Investment Account (Major Head-8673)

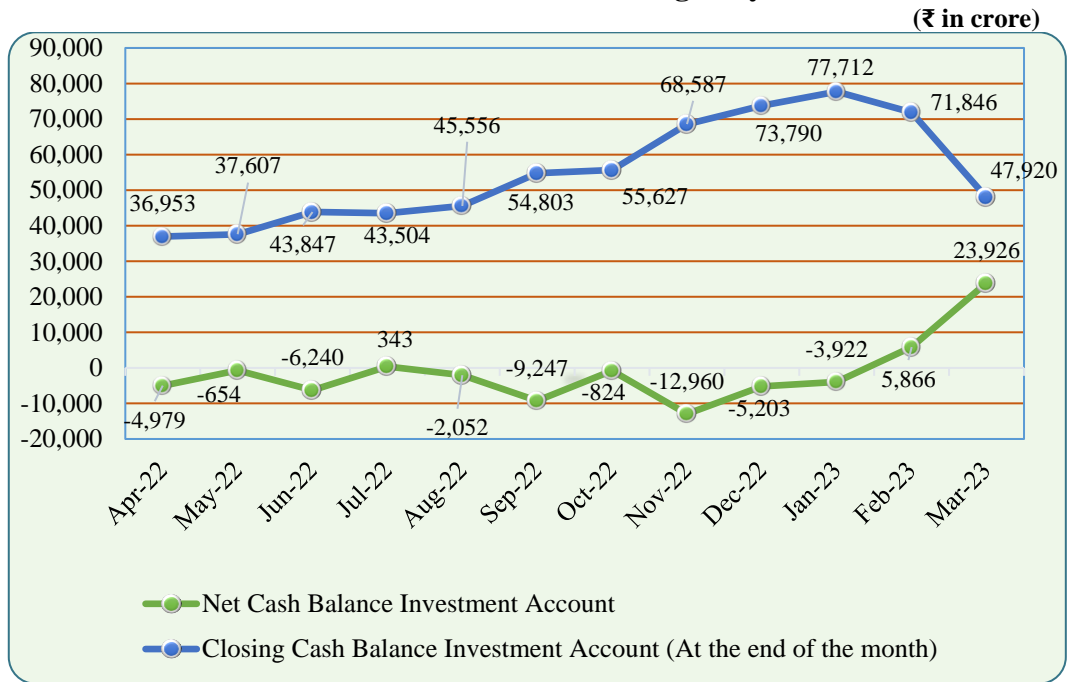
(₹ in crore)				
Year	Opening Balance	Closing Balance	Increase (+)/ Decrease (-)	Interest earned
2018-19	12,655.49	5,139.28	(-)7,516.21	936.47
2019-20	5,139.28	13,634.21	8,494.93	535.10
2020-21	13,634.21	21,744.33	8,110.12	627.42
2021-22	21,744.33	31,973.89	10,229.56	899.44
2022-23	31,973.89	47,919.99	15,946.10	1,139.09

Source: Finance Accounts

The trend analysis of the cash balance investment of the State Government during 2018-19 to 2022-23 revealed that investment increased significantly from 2019-20 to 2022-23 though there was a marginal decrease in the year 2020-21.

Chart 2.19 compares month-wise movement of Cash balances and net Cash Balance Investments during the year.

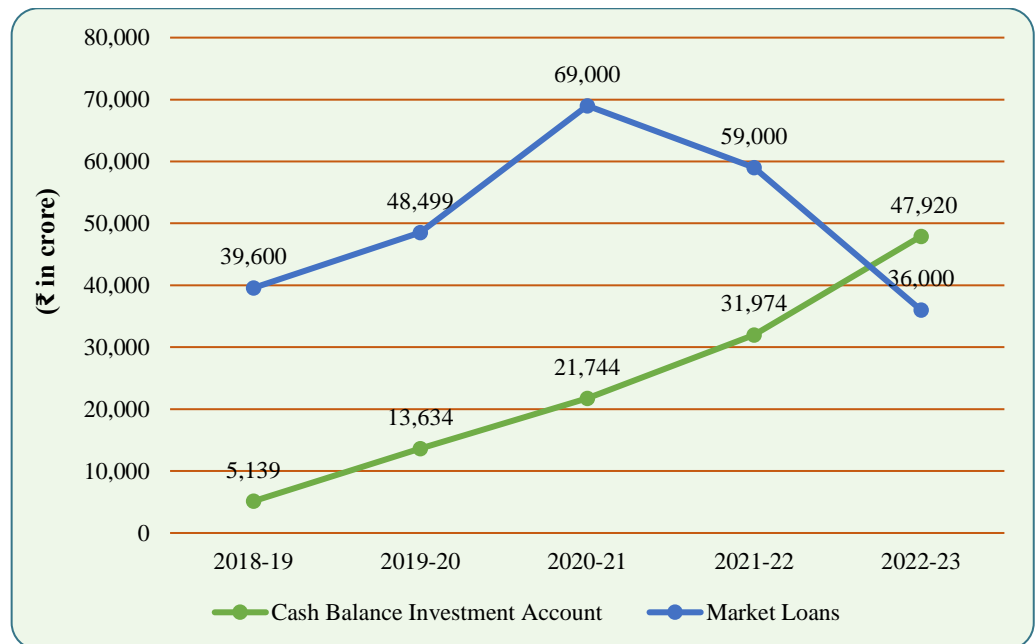
Chart 2.19: Month-wise movement of Cash Balances and Net Cash Balance Investments during the year



Source: Office of the AG(A&E)

Chart 2.20 compares the balances available in the Cash Balance Investment Account and the Market Loans raised by the State during the period 2018-19 to 2022-23. It is evident from **Chart 2.20** that the Cash Balance Investment Account is on an increasing trend. At the end of March 2023, the cash balance investment was ₹36,000 crore whereas Market loans raised were ₹47,920 crore. This is pertinent to mention that Market Loans were taken at higher interest rates whereas investment in Treasury Bills yielded interest at lower rates.

Chart 2.20: Market Loans vis-à-vis Cash Balance Investment Account



Source: Finance Accounts

2.9 Conclusion and Recommendations

State's own resources

While the State Government registered an increase of 17.02 *per cent* in its Revenue Receipts during 2022-23, when compared to previous year, it was least in 2020-21 with negative growth rate which had rebounded in 2021-22 decreased once again during 2022-23. The growth rate of Revenue Receipts was on a decreasing trend from 2019-20 to 2020-21 due to Covid 19 pandemic lockdown. Own-Tax revenue contributed a major part (63 *per cent*) of the Revenue Receipts of the State and the ratio of State's tax revenue to GSDP increased when compared to 2021-22. The State witnessed a growth rate in non-Tax revenue (18.15 *per cent*) during 2022-23. With considerable increase in own-Tax and non-Tax Revenue during the current year, the State witnessed a revenue surplus of ₹13,496 crore. There was a potential to increase the State's revenue by ₹17,191 crore through collection of arrears of revenue.

Recommendation: The State Government should put a significant thrust through regular and periodical monitoring of the revenues which were either falling in full arrears or were short realised in order to further increase the revenue of the State.

Revenue expenditure

During 2022-23, while there was no change in Revenue Expenditure under the social sector over the previous year, the growth in expenditure on economic services decreased by two *per cent* during 2022-23. However, there was an increase in general services by three *per cent* over the previous year.

Seventy-nine *per cent* of revenue expenditure comprised committed expenditure including inflexible expenditure, devolution to local bodies, transfer of cess to reserve funds *etc.*

Recommendations: Since the costs of salary, pension, interest, Grants-in-aid other than to local bodies are increasing steadily, it requires utmost attention from the State Government.

Quality of expenditure

The share of capital expenditure (including Loans and Advances) to total expenditure was 22 *per cent* during the current year. Funds aggregating ₹5,511.39 crore were locked up in incomplete projects at the end of 2022-23.

The return from investment of ₹72,800 crore as of 31 March 2023 in Companies/Corporations was negligible (₹425.23 crore). The investment included ₹43,211 crore (59 *per cent*) to Companies/Corporations which were under continuous loss.

Recommendations: The State Government should formulate guidelines for quick completion of incomplete projects and strictly monitor reasons for time and cost overrun with a view to take corrective action. In addition, it should give priority to works nearing completion.

The State Government should review the working of State Public Sector Undertakings incurring huge losses and take appropriate action for disinvestment/revival/closure.

Funds and other Liabilities

During the year, Green Tax Cess, Road Safety Cess and Consumer Welfare Receipts of ₹14.94 crore, ₹70.09 crore and ₹0.41 crore respectively were not transferred to the respective Reserve Funds.

Debt sustainability

Open Market Borrowings had a major share (64 *per cent*) of the total fiscal liabilities of the State. The burden of interest payments measured by interest payments to Revenue Receipts ratio (IP/RR) is in a decreasing trend and is 11.56 *per cent* during 2022-23. The net debt available to the State during 2022-23 (₹29,231 crore) increased by 24 *per cent* when compared to the previous year.

Position of Cash Balance

The cash balance (including investment of Earmarked funds and deposits with RBI) of the State at the end of the year increased by 82 *per cent* over the previous year.

Recommendations: Maintaining idle cash balance is not prudent cash management. Hence, the Government needs to borrow based on its requirements.

Chapter – 3

Budgetary Management

CHAPTER 3 BUDGETARY MANAGEMENT

3.1 Introduction

Effective financial Management ensures decisions taken at the policy level are implemented successfully at the administrative level without wastage or diversion of funds. This chapter is based on the audit of Appropriation Accounts of the State. It reviews allocative priorities of the Government, reports on deviations from Constitutional provisions and highlights issues affecting transparency.

3.2 Budget Process

In compliance with Article 202 of the Constitution of India, in respect of every financial year, a statement of the estimated receipts and expenditure of the State for that year, called “the annual financial statement (Budget)” is to be laid before the State Legislature. The estimates of the expenditure show ‘*charged*’ and ‘*voted*’ items²⁰ of expenditure separately and distinguish expenditure on revenue account from other expenditure. Legislative authorisation is necessary before incurring any expenditure by the State Government.

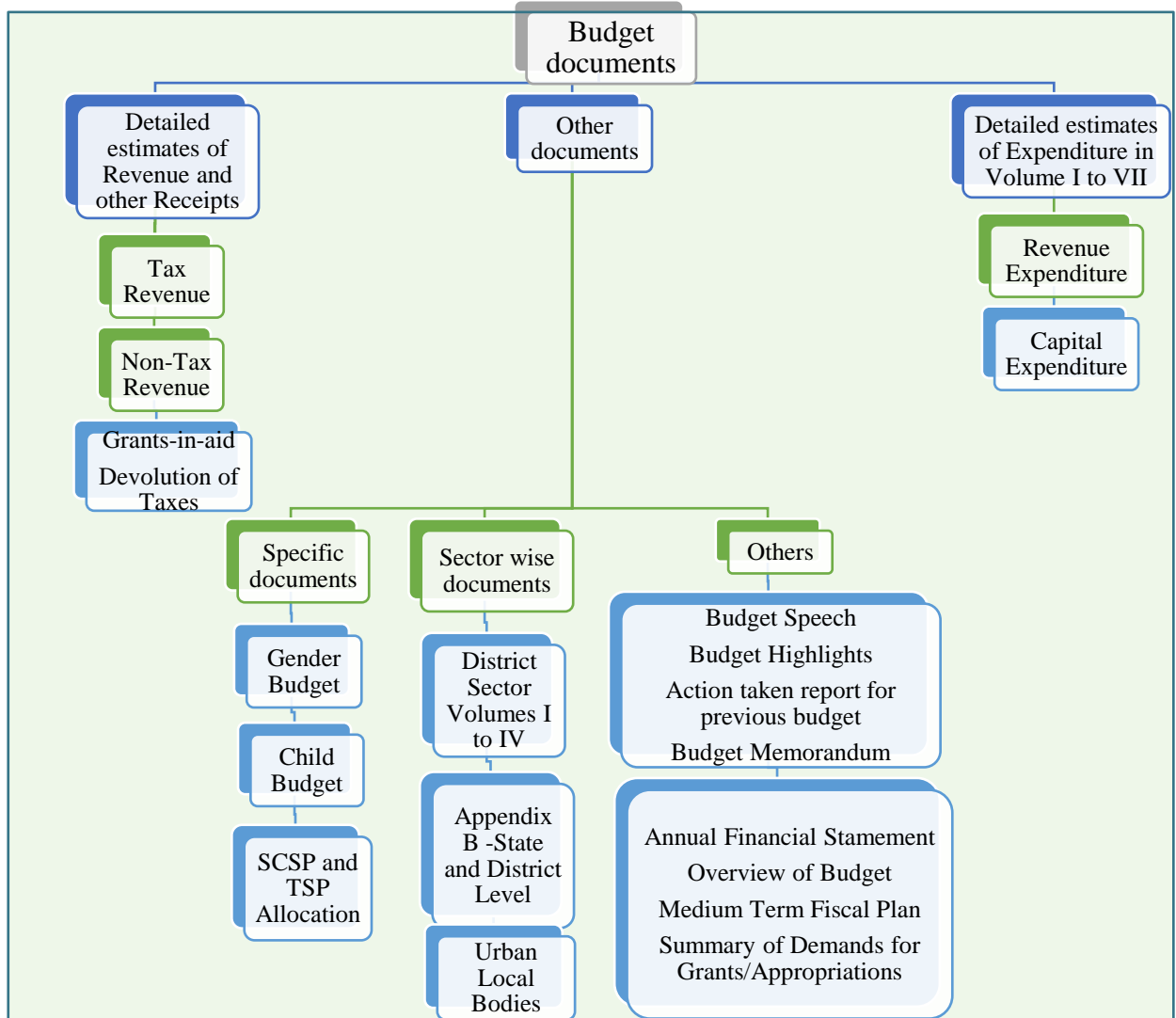
The Karnataka Budget Manual (KBM) prescribes the procedure to be followed for preparation of budget estimates and subsequent action relating to authorisation of expenditure. The Budget is prepared by the Finance Department on the basis of the proposals received from the Heads of the departments on the dates prescribed by the Finance Department. The Finance Department consolidates the Estimates embodying the decision of Government and prepares the following:

- i) Summary statement of the financial position for the budgeted year;
- ii) Detailed Estimates of receipts; and
- iii) Statements of demands for grants followed by detailed estimates of expenditure.

These estimates include both voted and *charged* expenditure to be met from the Consolidated Fund of the State. The State budget comprises the following documents as given in **Chart 3.1**.

²⁰ **Charged Expenditure:** Certain categories of expenditure (e.g. salaries of Constitutional authorities, loan repayments, *etc.*) constitute a charge on the Consolidated Fund of the State and are not subject to vote by the Legislature. **Voted Expenditure:** All other expenditure is voted by the Legislature.

Chart 3.1: Details of State Budget Documents

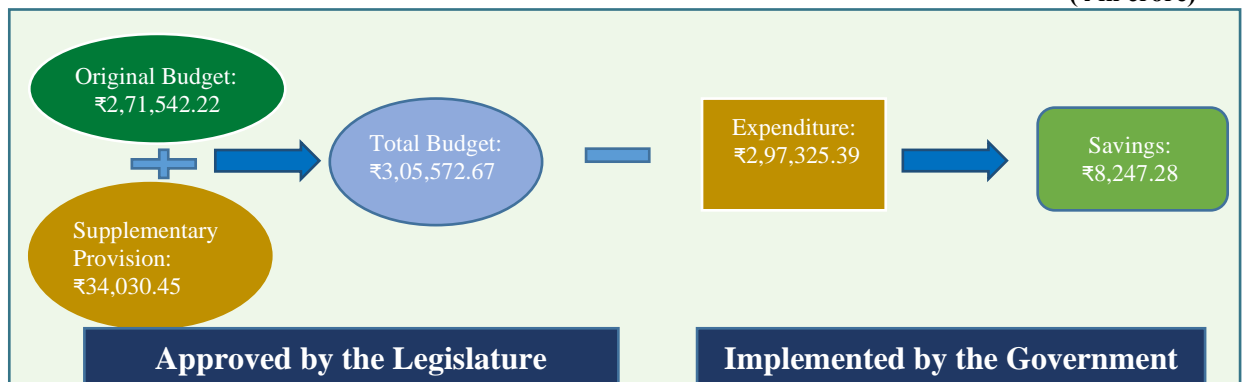


Source: Budget Documents

The annual budget is tabled in both the houses of the State Legislature by the Finance Minister each year.

The total amount approved by the State Legislature including the original and supplementary budgets, expenditure and savings during 2022-23 is depicted in **Chart 3.2**.

Chart 3.2: Summary of Budget and Expenditure of Karnataka for 2022-23
(₹ in crore)



3.3 Gender Budgeting in Karnataka

Gender Budget is considered worldwide as a significant policy tool to promote, directly or indirectly, various indicators and indices relating to gender development through allocation of budgetary resources on programmes and schemes. The gender indicators point towards the need for targeted or desired attainment levels to eliminate or reduce gender gaps and gender inequalities, especially in areas like health, education, empowerment, protection, participation *etc.*

A Gender Budgeting Statement was introduced for the first time as a part of the expenditure budget in the Union in the year 2005-06. GoK is placing the Gender Budget document in the Legislature since 2007-08. A Gender Budget Cell in the Fiscal Policy Institute prepares the Gender Budget in co-ordination with various departments, non-Government Organisations and experts. The Department of Women and Child Development is the nodal agency for monitoring and evaluation of Gender Budgeting in collaboration with the Planning Department.

In the SFAR of the C&AG for the year ending March 2020 (Paragraph 3.3), a review of Gender Budgeting in Karnataka was taken up and the audit findings on planning and formulation of policy, analysis of Gender budget documents, Gender Budgeting Processes were brought out in detail. The State Government replied that the issues brought out in the report would be examined and the action would be taken thereof.

The total allocation earmarked for women across different departments for the period 2018-19 to 2022-23 under Category A (women specific schemes with 100 *per cent* allocation) and Category B (pro-women schemes with allocations more than 30 *per cent* and less than 100 *per cent*) along with their percentage to total allocation is indicated in **Table 3.1**.

Table 3.1: Category-wise allocation during 2018-19 to 2022-23

(₹ in crore)

Year	Budget Provision (Original)	Total Category 'A'		Total Category 'B'		30 <i>per cent</i> of Category 'B' allocation	Percentage of Category 'A' to total allocation	Percentage of Category 'B' to total allocation
		No. of Schemes	Allocation	No. of Schemes	Allocation			
2018-19	2,24,110.77	60	4,673.65	701	83,749.92	25,124.98	2.09	11.21
2019-20	2,40,745.86	59	5,222.46	725	1,05,790.40	31,737.12	2.17	13.18
2020-21	2,44,733.57	63	4,732.34	890	1,10,170.20	33,051.06	1.93	13.50
2021-22	2,52,391.98	58	4,585.66	818	1,08,674.22	32,602.27	1.82	12.92
2022-23	2,71,542.22	71	6,495.24	781	1,22,311.69	36,693.51	2.39	13.51

Source: Grant Register and Gender Budget of the respective years

The percentage of the Category 'A' allocation to total allocation, which was in a decreasing trend since 2019-20, increased sharply in 2022-23. Analysis of trends in total number of schemes covered indicate that there were inter-year variations since 2018-19 and was maximum in 2022-23 in respect of Category 'A'. In respect of Category 'B', it showed a decreasing trend since 2020-21.

The State Government in its reply (November 2023) accepted the observations of Audit and included the five-step framework to be followed for finalising the Gender Budget in the Gender Budget circular issued during November 2023.

3.4 Child Budget

The Child Budget Statement (CBS) is a policy tool to identify and classify the allocations and expenditure on children (0 -18 years) within the annual budget of GoK. This statement gives information on how much budgetary resource is allocated and spent on child development programme in various departments of the State. GoK decided (August 2019) to prepare the CBS from the Financial Year 2020-21 onwards.

The allocation and expenditure in the different categories of Child Centric Programmes /Schemes from 2020-21 to 2022-23 are shown in the **Table 3.2**. The table also indicates the percentage of allocation of Child Centric Programmes to total budget allocation (Original) for each financial year.

Table 3.2: Details of allocation under Child Centric Programme/Schemes
(₹ in crore)

Sl. No.	Category	Allocation			Expenditure			Percentage of Allocation to total Budget allocation		
		2020-21	2021-22	2022-23	2020-21	2021-22	2022-23	2020-21	2021-22	2022-23
1	100% Child Centric Programme	11,881.94	12,402.13	16,798.52	10,321.61	12,071.41	16,604.33	4.86	4.91	6.19
2	Less than 100% Child Centric Programme	18,892.79	18,433.01	13,861.08	16,950.08	17,065.39	16,926.91	7.72	7.30	5.10
3	100% Child Centric Non-programme	15,421.42	18,917.05	20,083.94	13,869.29	18,757.53	19,944.90	6.30	7.50	7.40
4	Less than 100% Child Centric Non-programme	4,888.13	9,711.88	10,758.22	4,418.79	9,590.56	9,484.94	2.00	3.85	3.96
Total		51,084.28	59,464.07	61,501.76	45,559.77	57,483.89	62,961.08	20.87	23.56	22.65

Source: Grant Register and Child Budget Document

As seen from the table, there is an increase in allocation under all categories except programmes less than 100 *per cent* Child Centric Programme when compared to previous years. Despite the focus on Child Budget, the Child Centric allocation as a *per cent* of GSDP was less than five *per cent* from 2020-21 to 2022-23.

The category wise/department wise budget allocation and expenditure during 2022-23 are shown in **Appendix 3.1**.

It is pertinent to mention that several deficiencies were observed in one of the schemes for Women and Child Welfare, which was featured in the C&AG's Compliance Audit Report for the year ended March 2022, GoK, wherein the Department of Women and Child Welfare failed to productively implement the hostel facilities for working women with children day care facilities. The observations included absence of action plan, non-allotment of hostels, non-construction of the hostels, deficiencies in infrastructure facilities, accessibility issues *etc.* The programme mentioned above for Women and Child Welfare is a one-off case and the Government should proactively look into other such schemes where the intended benefits could not be extended to the targeted women and child beneficiaries. Unless the provisions and allocations for gender and child budgeting are translated into effective implementation of the schemes

followed by robust monitoring mechanism, the entire objective of gendering budgeting would remain defeated.

The State Government in its reply (November 2023) stated that action would be taken to hold a meeting with the Department of Women and Child Welfare and Secretary (Women and Child Welfare) regarding the monitoring mechanism, implementation of child day care facilities and hostel facilities for women *etc.*

3.5 Appropriation Accounts

Appropriation Accounts are accounts of the expenditure of the Government for each financial year, compared with the amounts of grants voted and appropriations *charged* for different purposes as specified in the schedules appended to the Appropriation Act passed under Article 204 and 205 of the Constitution of India. Expenditure in Appropriation Accounts is on a Gross basis. These Accounts depicts the original budget provision, supplementary grants, surrenders and re-appropriations distinctly and indicate actual capital and revenue expenditure on various specified services *vis-à-vis* those authorised by the Appropriation Act in respect of both voted and *charged* items of the budget. Appropriation Accounts thus facilitate understanding of utilisation of funds, the management of finances and monitoring of budgetary provisions and are, therefore, complementary to the Finance Accounts²¹.

3.5.1 Summary of total provisions, actual disbursements and savings during financial year 2022-23

The summarised position of budget provision including supplementary budget, actual expenditure and savings/excess during 2022-23 under 29 grants/appropriation with its further bifurcation into revenue/capital and voted/*charged* is given in **Table 3.3**.

Table 3.3: Number of Grants Appropriations operated by the State in 2022-23
(₹ in crore)

Sl. No.	Description	Total No. of Grants/ Appropriations	Items of Expenditure Voted/ Charged	Revenue	Capital	Budget Provision	Disbursements
A	Grants	28	Voted/ Charged	1,96,809.25	61,392.37	2,58,201.62	2,65,897.98
B	Appropriations	01	Charged	31,394.61	15,976.44	47,371.05	31,427.41
Total (A+B)						3,05,572.67	2,97,325.39

Source: Appropriation Accounts

3.5.2 Voted and Charged disbursements

Summarised position of Voted and *Charged* disbursements for the period from 2018-19 to 2022-23 is shown in **Table 3.4**.

Table 3.4: Voted and Charged disbursement for the period from 2018-19 to 2022-23

Year	Provisions		Disbursements		Savings (percentage of provision)	
	Voted	Charged	Voted	Charged	Voted	Charged
2018-19	2,13,106.26	32,566.81	1,89,840.99	30,693.11	23,265.27(11)	1,873.70(6)
2019-20	2,29,742.85	34,061.82	2,01,922.89	32,055.34	27,819.96(12)	2,006.48(6)

²¹ Finance Accounts provides broad perspective of finances of GoK during the financial year which is dealt in the Chapter 1 and 2 of this Report.

Year	Provisions		Disbursements		Savings (percentage of provision)	
	Voted	Charged	Voted	Charged	Voted	Charged
2020-21	2,24,755.56	40,465.17	2,03,425.05	39,269.44	21,330.51(9)	1,195.73(3)
2021-22	2,43,817.37	49,367.94	2,34,244.94	48,090.76	9,572.43(4)	1,277.18(3)
2022-23	2,53,087.25	52,485.42	2,44,900.49	52,424.90	8,186.76(3)	60.52(0.1)

Source: Appropriation Accounts

During the period 2018-19 to 2019-20, the unspent provision under voted section was more than 10 per cent. However, it reduced to nine per cent in 2020-21, four per cent in 2021-22 and then to three per cent in 2022-23. In the charged section the same was six per cent during 2018-19 and 2019-20 which reduced to three per cent during 2020-21 and 2021-22. The saving under charged section was almost nil (0.1 per cent) in 2022-23.

3.5.3 Budget Marksmanship

Budget Marksmanship is about examining the relations between the budget projections of revenue and expenditure against actual receipt and spending. The World Bank's Public Expenditure and Financial Accountability (PEFA) measures the Budget Reliability in terms of Aggregate Expenditure Outturn and Expenditure Composition Outturn.

3.5.3.1 Aggregate Budget Outturn

Aggregate Budget Outturn measures the extent to which the aggregate budget expenditure outturn/ actual expenditure reflects the amount originally approved, both in terms of less than approved and in excess of approved. Summarised position of original provision and its deviation from the actual outturn during the year 2022-23 is shown in **Table 3.5**

Table 3.5: Deviation of outturn in compared with BE

Description	Original Approved Budget (BE)	Actual Outturn	Difference between Actual and BE*	(₹ in crore)
				Percentage of deviation in Actual Outturn with BE
Revenue	2,07,519.80	2,20,179.32	12,659.52	6.10
Capital	64,022.42	77,146.07	13,123.65	20.50
Total	2,71,542.22	2,97,325.39	25,783.17	9.50

Source: Appropriation Accounts

*Excess of actuals over original provision is denoted as (+) figure and shortage of actuals over original provision is denoted as (-) figure.

In the Revenue section, deviation in outturn compared with BE was 6.1 per cent. This was due to deviation between 0 and ± 25 per cent in 27 grants, between ± 25 per cent and ± 50 per cent in two grants and equal to or more than 50 per cent in no grant.

In the Capital section, deviation in outturn compared with BE was 2.05 per cent. This was due to deviation between 0 and ± 25 per cent in 17 grants, between ± 25 per cent and ± 50 per cent in four grants, between ± 50 per cent and ± 100 per cent in seven grants and equal to or more than 100 per cent in no grant.

The grant wise budget allocation, outturn and deviation of the outturn compared with Budget Estimate and Revised Estimate during 2022-23 are shown in **Appendix 3.2**.

3.5.3.2 Expenditure Composition Outturn

Expenditure Composition Outturn measures the extent to which re-allocations between the main budget categories during execution have contributed to variance in expenditure composition. Summarised position of original provision and actual outturn and their deviation from the revised estimate is shown in **Table 3.6**.

Table 3.6: Deviation of outturn in compared with RE

(₹ in crore)					
Description	Original Approved Budget (BE)	Revised (RE)	Actual Outturn	Difference between BE and RE	Difference between Actual and RE*
Revenue	2,07,519.80	2,21,320.83	2,20,179.32	13,801.03	(-)1,141.51
Capital	64,022.42	74,154.50	77,146.07	10,132.08	2,991.57
Total	2,71,542.22	2,95,475.33	2,97,325.39	23,933.11	1,850.06

Source: Appropriation Accounts

*Excess of actuals over revised estimate is denoted as (+) figure and shortage of actuals over revised estimate is denoted as (-) figure

In the Revenue section, deviation in outturn compared with RE was (-)0.52 per cent. This was due to deviation between 0 and ± 25 per cent in 29 grants and equal to or more than 25 per cent in no grant.

In the Capital section, deviation in outturn compared with RE was 4.03 per cent. This was due to deviation between 0 and ± 25 per cent in 26 grants, between ± 25 per cent and ± 50 per cent in one grant, between ± 50 per cent and ± 100 per cent in one grant and equal to or more than 100 per cent in no grant.

The grant wise budget allocation, outturn and deviation of the outturn compared with Budget Estimate and Revised Estimate during 2022-23 are shown in **Appendix 3.2**.

3.6 Audit of Appropriation

Audit of appropriation by the C&AG seeks to ascertain whether the expenditure actually incurred under various grants is in accordance with authorisation given under the Appropriation Act and that the expenditure required to be *charged* under the provisions of the Constitution (Article 202) is so *charged*. It also ascertains whether the expenditure incurred is in conformity with the laws, relevant rules, regulations and instructions.

3.6.1 Comments on integrity of budgetary and accounting process

3.6.1.1 Additional amount released through executive orders

Article 266(3) of the Constitution of India prohibits withdrawal of money from the Consolidated Fund of the State unless relevant Appropriation Acts under the Article 204 and 205 of the Constitution are passed by the Legislature.

During the year 2022-23 audit, it was observed that ₹10,948.60 crore covering 21 grants under capital/revenue section (this is only illustrative), (**Appendix 3.3**) was released through 147 executive orders which were later regularised through the supplementary demands. It was observed that the expenditure incurred out of these additionalities included mainly expenditure on routine items *viz.*, improvements, subsidies, major works, other expenses, general expenses, electricity, construction, *etc.*, which did not qualify as emergent/unforeseen expenditure and could have waited for placement of supplementary demands.

The PAC in its fifth report (Fourteenth Assembly) had recommended that sanctioning of additionality through executive instructions should be limited to emergent cases (July 2015). However, it is observed that incurring the expenditure first without the authority of Legislature and later obtaining the approval in the supplementary demands was not only continuing but was on an increasing trend despite the PAC's recommendations.

The details of additional amount released through the executive orders for the period 2019-20 to 2022-23 are shown in **Table 3.7**.

Table 3.7: Additional amounts released through executive orders during 2019-20 to 2022-23

(₹ in crore)			
Year	No. of grants covered	No. of cases	Amount
2019-20	19	78	3,518.84
2020-21	10	36	5,281.70
2021-22	21	68	8,489.40
2022-23	21	147	10,948.60

Source: Appropriation Accounts

During 2022-23, the number of cases and the amount, where the additional amount released through executive orders showed an increase compared to the previous year. Drawing the amount through executive order and later obtaining the authority of the Legislature is not a good practice.

The State Government in its reply (November 2023) stated that the Public Accounts Committee in its 5th Report submitted to the Assembly (July 2015) had given approval to release additionalities in extra ordinary cases of emergent or inventible necessities within the limits laid down for "New Service" criteria that is upto ₹500.00 lakh or twice the provision, subject to approval of the additionalities in the subsequent Supplementary Estimates by the legislature. Hence, additionality orders are issued in emergent cases.

The reply is not acceptable as the PAC in its 10th Report submitted to the Assembly (February 2023) had stated to restrict this practice. Further, the subsidies to electricity were issued during the month of November 2022, December 2022 and January 2023, while the Supplementary II of 2022-23 was placed during December 2022. Hence, the subsidies could have been estimated in the Supplementary Estimates.

3.6.1.2. Misclassification of capital expenditure as revenue expenditure and vice-versa

Misclassification of transactions as revenue/capital are characterised by lack of application of rules of classification of transactions under relevant heads. Misclassification between revenue and capital expenditure has a bearing on revenue account and the fiscal indicator viz., revenue surplus/deficit.

- During 2022-23, revenue expenditure amounting to ₹1.10 crore was shown as capital expenditure even though the expenditure was of revenue in nature as detailed below.

Grant No.	Head of Account	Nature of expenditure	Amount (₹ in crore)
01 – Agriculture and Horticulture	4851-00-107-1-01-139 Major Works	Electrical repair works in the premises of Silk farm Grainage Building Unit - 1	0.94

Grant No.	Head of Account	Nature of expenditure	Amount (₹ in crore)
	4851-00-107-1-01-422 Scheduled Caste Sub Plan	Repair work of silk farm market building of Kollegala Taluk in Chamarajanagar District. (Power UG cable installation work)	0.04
	4851-00-107-1-01-423 Tribal Sub Plan	Repair work of silk farm Market building of Malavalli Taluk in Mandya district. (Grill door installation work)	0.02
18 – Commerce and Industries	4851-00-102-0-12-386 Construction	The expenditure was towards minor repairs of buildings and toilets.	0.10

- Similarly, capital expenditure amounting to ₹0.75 crore was classified as revenue expenditure.

Grant No.	Head of Account	Nature of expenditure	Amount (₹ in crore)
03 – Finance	2052-00-090-0-12-195 Transport Expenses	Purchase of four vehicles for the President and Members of Seventh Pay Commission	0.75

- As per IGAS-2, the grants-in-aid distributed by the granting institution to grantees shall be classified as revenue expenditure in the financial statement of the grantor irrespective of the purpose for which the funds were distributed. However, during 2022-23, it was noticed ₹50.00 crore which were in the nature of grants-in-aid were treated as capital expenditure which was contradictory to IGAS-2.

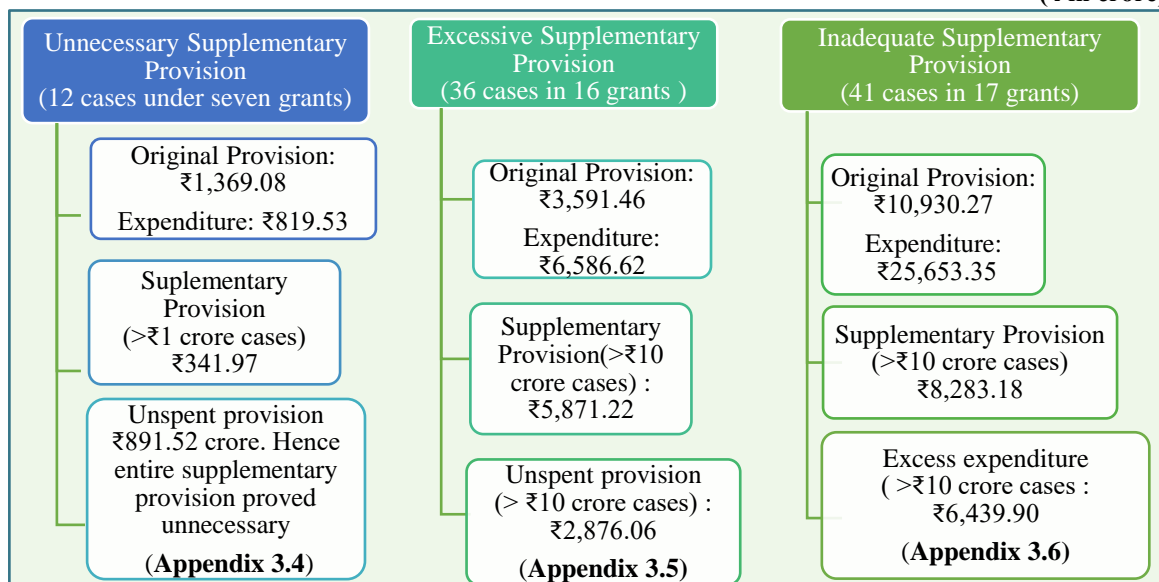
Head of Account	Institution	Amount (₹ in crore)
4210-01-110-1-22-132 Capital Expenses	Indira Gandhi Institute of Child Health	30.00
4210-03-105-1-09-386 Construction	BMCRI Bengaluru, MMCRI Mysuru, VIMS Ballari and KIMS Hubballi	2.50
4210-03-105-1-14-386 Construction	Sri Atal Bihari Vajpayee Medical College Research Institute	17.50

The State Government in its reply (November 2023) stated that instructions were issued (October 2023) to classify all repair works under Revenue Head and purchase of vehicles under Capital Head. In the exit meeting (November 2023) the State Government accepted the observations on non-compliance to IGAS-2 and stated that necessary action would be initiated. Hence, the State Government may review the budget in the coming years and allocate the provision in the correct Head of Account.

3.6.1.3 Unnecessary /Excessive /Inadequate supplementary grants

Test checked cases of supplementary provisions without taking into consideration the re-appropriation orders issued (does not have Legislature approval) showed instances of unnecessary/excessive/inadequate provisions (Appendix 3.4, Appendix 3.5 and Appendix 3.6) as detailed in Chart 3.3.

Chart 3.3: Unnecessary/Excessive/Inadequate Supplementary provision*
(₹ in crore)



Source: Grant Register

* Re-appropriation orders have not been considered for working out the unnecessary/ excessive/inadequate supplementary provision.

From the above, it was noticed that there were instances where supplementary provision provided were unnecessary/excessive as original provisions were enough to take care of the expenditure. Further, it was also noticed that under certain heads of accounts, the total provision, including supplementary provision was insufficient resulting in excess expenditure.

3.6.1.4 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 utilised in full or will result in unspent provision in the unit of appropriation.

During 2022-23, 941 re-appropriation orders for an amount ₹40,501.09 crore were issued, as against 708 re-appropriation orders for ₹16,695.58 crore issued during 2021-22. Review of the orders/cases revealed the following.

(a) Unnecessary/Excessive/inadequate re-appropriation of Funds

In test checked cases of re-appropriation of funds during 2022-23, it was observed that there were cases of unnecessary/ excessive/inadequate re-appropriation of funds (**Appendix 3.7**) as detailed below:

- In 11 cases under seven grants, additional funds of ₹285.88 crore were provided through re-appropriation (cases more than ₹ five crore) which proved unnecessary, as it resulted in unspent provision (cases more than

₹ five crore) of ₹456.20 crore. The State Government attributed (November 2023) delay in submission of bills, non-utilisation of maintenance cost for new vehicles *etc.* as reasons for the savings.

- In 10 cases under six grants, additional funds (cases more than ₹ five crore) of ₹699.84 crore provided through re-appropriation were found excessive resulting in unspent provision (cases more than ₹ five crore) of ₹184.92 crore. The State Government attributed (November 2023) to non-release of grants from GoI towards CSS.
- In two cases under one grant, additional funds of ₹113.96 crore provided through re-appropriation (cases more than ₹ five crore) were insufficient as it resulted in excess expenditure (cases more than ₹ five crore) of ₹94.59 crore. The State Government attributed (November 2023) release of State share towards CSS after placement of final Supplementary Estimates resulted in inadequate re-appropriation.
- In 13 cases, under six grants, injudicious withdrawal (cases more than ₹ five crore) of ₹228.06 crore through re-appropriation, where the original provision itself was insufficient, resulted in excess expenditure (cases more than ₹ five crore) of ₹1,573.36 crore.

The Finance Department has to monitor that all the Heads of the Departments follow the instructions issued by them in order to avoid unnecessary/excessive Re-appropriation of funds.

(b) Defective re-appropriation

Article 309, 312 and 315(a) of Karnataka Financial Code (KFC) *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 head to revenue head and *vice-versa*, if the re-appropriation statement is not self-balanced and not in the prescribed form (Form 22A of KFC). During the year 2022-23, 52 re-appropriation orders for ₹17.09 crore (**Appendix 3.8**) were not accepted by AG (A&E) for reasons like difference in budget provisions, Form 22A not self-balanced and insufficient balance.

3.6.1.5 Unspent provisions against allocation/large savings/surrenders

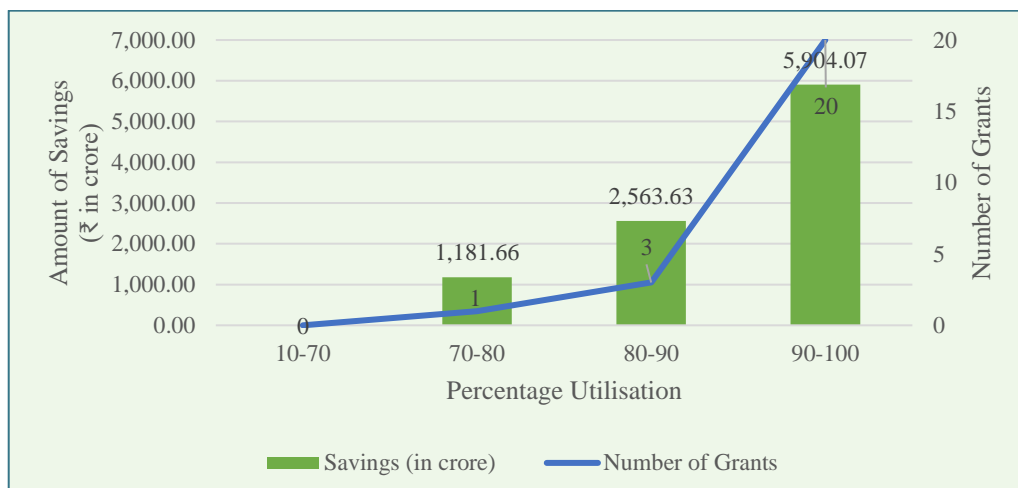
(a) Grants having large savings (savings above ₹50 crore and above) during 2022-23.

There were 16 cases of unspent provisions, each exceeding ₹50 crore and above under 14 grants/appropriation, which aggregated ₹6,226.01 crore. Large unspent provisions, *i.e.*, more than ₹500 crore were in the areas of Revenue Voted under Home and Transport, Women and Child Development, Urban Development and Health and Family Welfare as indicated in the **Appendix 3.9**.

As per Rule 264 of the KBM, all savings anticipated by the Controlling Officers should be reported by them with full details and reasons to the Finance Department immediately after they are foreseen. However, it was observed that the reasons were either not appropriately explained or furnished by the departments.

Details of grants grouped by the percentage of utilisation along with total savings during 2022-23 have been shown in **Appendix 3.10** and **Chart 3.4**.

Chart 3.4: The distribution of the number of Grants/Appropriations grouped by the percentage of utilisation along with total savings



Source: Appropriation Accounts

*Out of 29 grants, five grants with excess have not been included in the chart.

From the above **Chart 3.4**, we noticed that 24 out of 29 grants had utilised more than 70 per cent of its allocation and out of 24 grants, 20 grants had utilised more than 90 per cent of its allocation. During 2022-23, there is an overall savings of ₹10,155.12 crore. No object is served by retaining savings which need to be surrendered in time. Observation on analysis of surrenders during 2022-23 is brought out in the succeeding paragraph.

(b) Surrender of Unspent provision

Rule 66(1) of GFR, 2017 states that departments are required to surrender all the anticipated unspent provision noticed in grants/appropriation controlled by them to Finance Department by the stipulated date. During 2022-23, there was total unspent provision of ₹8,247.28 crore which was around 2.70 per cent of the total provision. This was on account of ₹10,155.12 crore of saving offset with ₹1,907.84 crore of excess. The amount surrendered during 2022-23 was ₹11,078 crore.

The observation in Grant wise analysis of unspent provision is detailed below:

- In the case of five grants/appropriations, the entire unspent provision, aggregating ₹4.16 crore, was not surrendered (**Appendix 3.11**). These savings/unspent provisions are against the budget estimates and not against the actual releases and hence the savings/unspent provision of ₹4.16 crore. Since the actual release against these grants could not be ascertained by Audit, the savings/unspent provision could, therefore, be notional in nature.
- In the case of nine grants/appropriations, the entire unspent provision, aggregating ₹749.31 crore was surrendered (**Appendix 3.12**).
- Further, in 19 grants/appropriations, there were only partial surrenders. In these grants against unspent provision of ₹5,729.48 crore, ₹4,712.78 crore was surrendered leaving ₹1,016.70 crore as not surrendered. The percentage of surrender ranged between 1.10 per cent to 99.91 per cent. (**Appendix 3.13**).
- Detailed analysis of grants/ appropriations, where surrenders were made revealed that there were substantial surrenders (more than 50 per cent

including 100 per cent surrenders) in 94 cases (₹3,633.88 crore) (**Appendix 3.14**).

- Besides, in 25 grants where surrender of funds was in excess of ₹ five crore, ₹9,168.99 crore was surrendered on the last two working days of the financial year indicating inadequate financial control (**Appendix 3.15**).

3.6.1.6 Excess expenditure requiring regularisation

As per Article 204 of the Constitution of India, no money shall be withdrawn from the Consolidated Fund except under appropriation made by law by the State Legislature. Article 205 stipulates that the Government should get the excess expenditure over a grant/appropriation regularised by the State Legislature. Although no timeframe 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 PAC.

(a) Excess expenditure over provision during 2022-23

Excess expenditure of ₹1,907.83 crore incurred against eight grants during the year 2022-23 was required to be regularised, the grant wise details of which are given in **Table 3.8**.

Table 3.8: Excess expenditure over the provision during 2022-23 requiring regularisation

(Amount in ₹)				
Sl. No.	Grant	Provision	Expenditure	Excess
1	03 - Finance Revenue Voted	2,88,57,90,05,000	2,90,34,86,32,428	1,76,96,27,428
2	06 - Infrastructure Development Capital Voted	14,07,81,00,000	14,62,20,51,231	54,39,51,231
3	07 - Rural Development and Panchayat Raj Capital Voted	37,50,60,42,000	38,99,19,49,094	1,48,59,07,094
4	10 - Social Welfare Capital Voted	21,52,93,45,000	23,60,06,75,262	2,07,13,30,262
5	13 - Food and Civil Supplies Revenue Voted	29,89,87,45,000	30,94,15,40,672	1,04,27,95,672
6	14 - Revenue Revenue Voted	1,63,97,99,77,000	1,68,65,11,81,736	4,67,12,04,736
7	20 - Public Works Capital Voted	93,33,80,17,000	1,00,50,35,25,498	7,16,55,08,498
8	29 - Debt Servicing Revenue Charged	3,13,94,60,58,000	3,14,27,40,75,000	32,80,17,000
Total		9,62,85,52,89,000	9,81,93,36,30,921	19,07,83,41,921

Source: Appropriation Accounts and Grant Register

The excesses were attributed the reasons detailed below:

Grant	Amount (₹ in crore)	Reason for excess
3 - Finance	240.92	3475-797-01-Transfer to Reserve Funds and Deposit Accounts Expenditure under Inter Account Transfers depends on the actual collection of cess. Actual collection of cess exceeding the estimates under Inter Account Transfers resulted in excess expenditure under the Head.

Grant	Amount (₹ in crore)	Reason for excess
6 - Infrastructure Development	103.00	5465-01-190-1-Investment in Infrastructure Assistance provided for development of Shivamogga Airport and for development of works of small airports was insufficient.
7 - Rural Development and Panchayat Raj	257.06	5054-03-337-71 and 76-Central and State share - Prime Minister Grameena Sadak Yojana The excess was due to release of central share of the scheme after providing the third and final instalment of Supplementary Provision for the year 2022-23.
10 - Social Welfare	196.50	4225-01-277-2-Construction The additional funds provided through supplementary provisions for construction of Hostel and Residential School Buildings and SC Hostels under Special Assistance to States for Capital Investment proved insufficient.
13 - Food and Civil Supplies	148.69	2408-01-101-05-CSS Central Share-Assistance to Intra State Movement of Foodgrains and FPS dealers' margin under NFSA No specific reason furnished.
14 - Revenue	1,163.30	2245-05-101-05-NDRF and 2245-80-102-01-SDRF Due to transfer of amount received by GoI under NDRF and SDRF without providing budget provision and release of Central Share after closure of third and final Supplementary Provision.
20 - Public Works	626.33	5054-03-337-18-State Highways Development Project No specific reason furnished.
29 - Debt Servicing	1,000.00	2048-101-4-Consolidated Sinking Fund No specific reason furnished.

The State Government stated (November 2023) that audit has not considered funds provided through re-appropriation and additionalities after final Supplementary Estimate (SE). The reply is not acceptable for the following reasons:

- As per the article 205 the Government should get the excess expenditure over a grant/appropriation regularised by the State Legislature. Hence, any expenditure which exceeds the Budget (including SE) is an excess.
- Since, the surrender/ reappropriation orders / Additionalities are not approved by the Legislature it does not become part of the budget. Hence, these are not considered.

(b) Excess expenditure and its regularisation

Excess expenditure aggregating to ₹415.90 crore for the year 2020-21 is yet to be regularised as detailed in **Appendix 3.16**. For the year 2021-22 there was no excess expenditure under the grants/appropriations.

3.6.2 Comments on effectiveness of budgetary and accounting process

3.6.2.1 Budget Projection and gap between expectation and actual

Efficient management of tax administration/ other receipts and public expenditure holds the balance for achievement of various fiscal indicators. Budgetary allocations based on unrealistic proposals, poor expenditure

monitoring mechanism, weak scheme implementation capacities and weak internal controls lead to sub-optimal allocation among various developmental needs. Excessive savings in some departments deprive other departments of the funds which they could have utilised.

During the year 2022-23, as against the provision of ₹3,05,572.67 crore, expenditure of ₹2,97,325.39 crore was incurred resulting in the unspent provision of ₹8,247.28 crore (around three per cent) under 29 grants/appropriation. The details are given in **Table 3.9**.

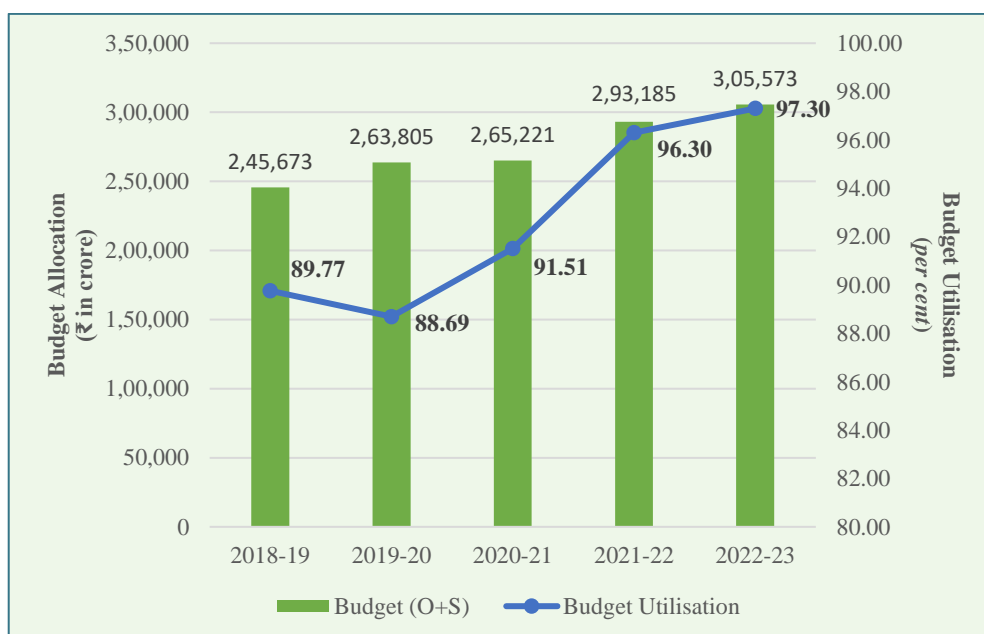
Table 3.9: Actual expenditure vis-à-vis budget provision during the financial year 2022-23

Nature of expenditure		Original grant/ Appropriation	Supplementary grant/ Appropriation	Total	Actual expenditure	Unspent Provision (-) / Excess over provision (+)	(₹ in crore) Amount surrendered
Voted	I Revenue	1,74,432.51	20,668.52	1,95,101.03	1,87,101.25	(-7,999.78)	9,526.85
	II Capital	42,494.68	11,127.50	53,622.18	54,548.85	(+)926.67	968.93
	III Loans and Advances	3,946.63	417.41	4,364.04	3,250.39	(-)1,113.65	499.94
Total Voted		2,20,873.82	32,213.43	2,53,087.25	2,44,900.49	(-)8,186.76	10,995.72
Charged	IV Revenue	33,087.27	15.56	33,102.83	33,078.06	(-)24.77	46.99
	V Public Debt Repayment	14,178.70	1,797.74	15,976.44	15,942.49	(-)33.95	33.92
	VI Capital	3,402.43	3.72	3,406.15	3,404.35	(-)1.80	1.80
Total Charged		50,668.40	1,817.02	52,485.42	52,424.90	(-)60.52	82.71
Grand Total		2,71,542.22	34,030.45	3,05,572.67	2,97,325.39	(-)8,247.28	11,078.43

Source: Appropriation Accounts

The position of budget utilisation during the previous five years is given in **Chart 3.5**

Chart 3.5: Budget Utilisation during 2018-19 to 2022-23



Source: Appropriation Accounts

Trends in the original budget, revised estimate, actual expenditure for the period 2018-19 to 2022-23 are given in **Table 3.10**.

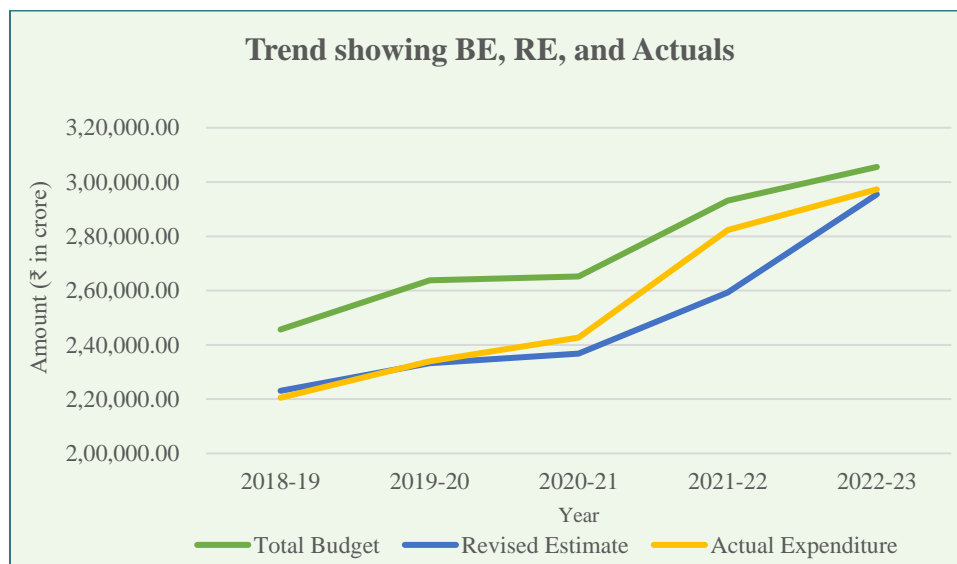
Table 3.10: Original Budget, Revised Estimate and Actual Expenditure during 2018-19 to 2022-23

(₹ in crore)

	2018-19	2019-20	2020-21	2021-22	2022-23
Original Budget	2,24,110.77	2,40,745.86	2,44,733.57	2,52,391.98	2,71,542.22
Supplementary Budget	21,562.30	23,058.81	20,487.16	40,793.33	34,030.45
Total Budget (TB)	2,45,673.07	2,63,804.67	2,65,220.73	2,93,185.31	3,05,572.67
Revised Estimate (RE)	2,23,073.64	2,33,217.90	2,36,764.97	2,59,350.00	2,95,475.34
Actual Expenditure (AE)	2,20,534.10	2,33,978.23	2,42,694.49	2,82,335.70	2,97,325.39
Savings	25,138.97	29,826.44	22,526.24	10,849.61	8,247.28
Percentage of supplementary to the original provision	9.62	9.58	8.37	16.16	12.53
Percentage of overall saving/excess to the overall provision	10.23	11.31	8.49	3.70	2.70
TB – RE	22,599.43	30,586.77	28,455.76	33,835.31	10,097.33
RE – AE	2,539.54	(-)760.33	(-)5,929.52	(-)22,985.70	(-)1,850.05
(TB - RE) as a percentage of TB	9.20	11.59	10.73	11.54	3.30
(RE - AE) as a percentage of TB	1.03	(-)0.29	(-)2.24	(-)7.84	(-)0.61

Source: Summary of Demands for Grants and Charged Appropriations, and Appropriation Accounts

Table 3.10 shows that supplementary provision of ₹34,030.45 crore during 2022-23 constituted 12.53 per cent of the original provision as against 16.16 per cent in the previous year.



From the above chart, it can be seen that over the years from 2018-19 to 2022-23, the Revised Estimate (RE) was always lower than the Total Budget (TB) of the State. The gap between RE and the TB showed an increasing trend during the first four years upto 2021-22 wherein the gap was less than five per cent for the year 2022-23.

The actual expenditure was more than the Revised Estimates in all the years except 2018-19. The deviation which was in an increasing trend from 2019-20 to 2021-22 saw a decrease in 2022-23.

3.6.2.2 Missing/incomplete explanation for variation from budget

Apart from showing the expenditure against the approved budget, Appropriation Accounts also provide explanation for cases where the expenditure varies significantly from the budgeted provision including supplementary provision.

The threshold levels for inclusion of detailed comments in the Appropriation Accounts are as per the limits approved by the PAC. These norms are effective from the financial year 1983-84.

The norms for selection of sub-heads for comments and for detailed comments in Appropriation Accounts are as shown below:

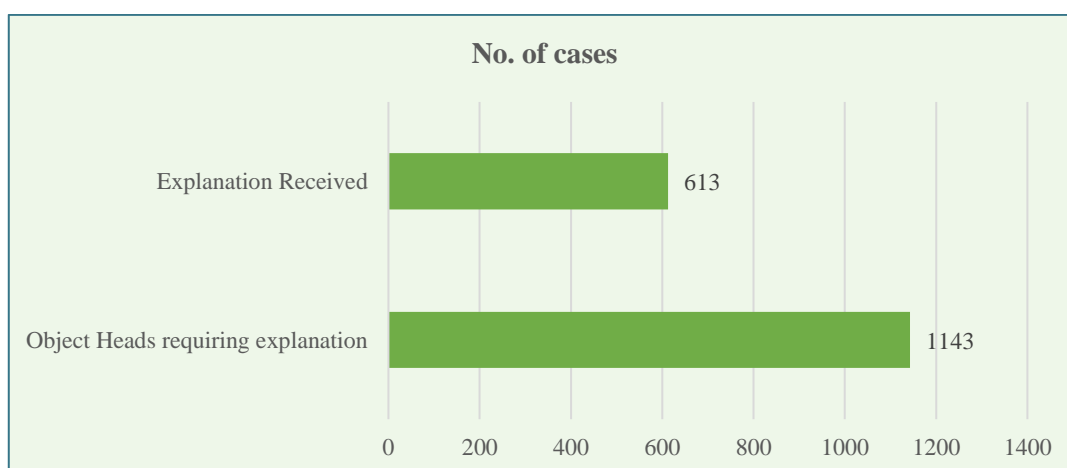
Savings	Comments are to be made if overall saving is more than two <i>per cent</i> of Grants/Appropriation and if saving is more than 10 <i>per cent</i> under any Sub-head.
Excess	Comments are to be made if the overall excess is more than 10 <i>per cent</i> of the Grant/Appropriation and also if excess is more than ₹ two lakh under any sub-head.

Source: Appropriation Accounts

In the Audit of Appropriation Accounts of 2022-23, it was noticed that the Controlling Officers have not provided explanation/specific reasons for the variations in the expenditure *vis-à-vis* budgeted allocation in about 78 *per cent* of the savings. Of the 29 grants/appropriations, in 27 grants/appropriations specific reasons for variation for an amount of ₹7,915.97 crore was not furnished by the Controlling Officers of Government Departments. The grant-wise details are shown in **Appendix 3.17**.

The summary of explanations received in case of variation in Appropriation Accounts is depicted in **Chart 3.6**.

Chart 3.6: Summary of Explanation for Variation in Appropriation Accounts

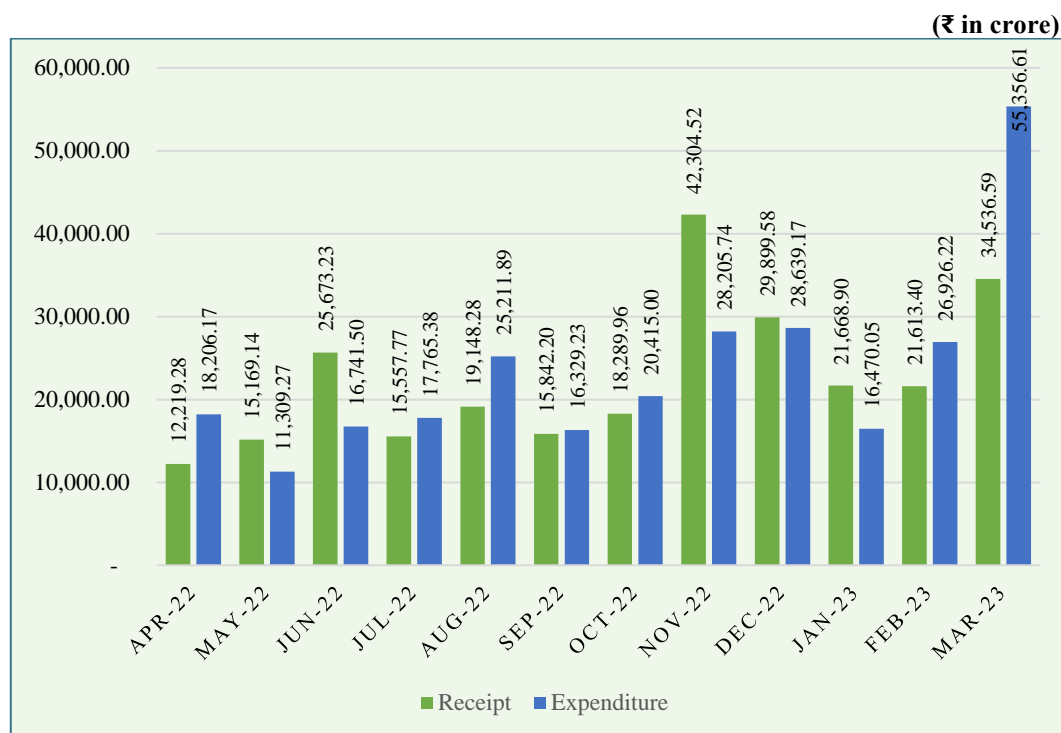


Source: Appropriation Accounts

3.6.2.3 Rush of Expenditure during 2022-23

The monthly flow of receipts to the State's exchequer and disbursements during 2022-23 is given in **Chart 3.7**.

Chart 3.7: Monthly Receipts and Disbursements during 2022-23



Source: Monthly Civil Accounts

It was observed that the State Government incurred an expenditure of ₹55,356.61 crore constituting 19 per cent of the total expenditure of ₹2,97,325.39 crore (including public debt expenditure) during March 2023 alone.

Major cases where more than 50 per cent of the total expenditure was incurred in March 2023 alone are detailed in **Table 3.11**.

Table 3.11: Quantum of Expenditure in March 2023

Major Head/Description	1 st Qtr	2 nd Qtr	3 rd Qtr	4 th Qtr	Total Expenditure	₹ in crore	
						Expenditure in March 2023	Expenditure in March as a percentage of TE
2041-Taxes on Vehicles	36.23	34.37	48.35	352.96	471.91	269.59	57.13
2215-Water Supply and Sanitation	35.39	34.77	624.40	4,661.54	5,356.10	4,582.95	85.57
2401-Crop Husbandry	360.75	886.77	566.41	4,664.62	6,478.55	3,664.67	56.57
2435-Other Agriculture Programmes	0.00*	8.18	5.32	34.58	48.08	30.61	63.66
3475-Other General Economic Services	27.88	42.59	27.96	1,080.12	1,178.55	1,047.41	88.87
5051-Capital Outlay on Ports and Light Houses	0.00	11.02	2.93	20.72	34.67	18.63	53.74
6852-Loans for Iron and Steel Industries	0.00	212.55	26.55	514.94	754.04	427.48	56.69

Source: Monthly Civil Accounts

* The expenditure is ₹(-)3,301 and hence indicated as zero.

As seen from the table, a substantial quantum of expenditure was incurred by the Government at the fag end of the year indicating inadequate control over expenditure.

3.7 Outcome of review of selected Grants

Budgetary Procedures followed and methodology employed for control over expenditure in the following two grants were reviewed.

1. Grant No. 01 – Agriculture and Horticulture
2. Grant No. 22 – Health and Family Welfare

The two grants were selected based on the highest percentage of savings in both revenue and capital heads over a three-years period from 2020-21 to 2022-23, which had not been reviewed in previous five years. Audit findings are detailed in the subsequent paragraph.

3.7.1 Review of Grant No.1 - Agriculture and Horticulture

3.7.1.1 Introduction

Grant No. 1 – Agriculture and Horticulture of the Appropriation Accounts comprises the following functional major heads.

- 2013 – Council of Ministers
- 2202 – General Education
- 2401 – Crop Husbandry
- 2402 – Soil and Water Conservation
- 2406 – Forestry and Wildlife
- 2408 – Food, Storage and Warehousing
- 2415 – Agriculture Research and Education
- 2435 – Other Agricultural Programmes
- 2851 – Village and Small Industries
- 2852 – Industries
- 4401 – Capital Outlay on Crop Husbandry
- 4402 – Capital Outlay on Soil and Water Conservation
- 4851 – Capital Outlay on Village and Small Industries

The Budget Allocation received under Grant No. 1 is primarily disbursed to three Departments – the Department of Agriculture, Department of Horticulture and Department of Sericulture.

3.7.1.2 Overview of Departments

- **Department of Agriculture**

The Department of Agriculture implements various schemes and programmes of the Central and State such as PM Kisan, Rashtriya Krishi Vikas Yojana, National Mission on Sustainable Agriculture *etc.*, for the welfare of the farming community and organises demonstrations for the farmers to obtain the maximum yield from the natural resources such as land, water *etc.*, besides timely arrangements of seeds, chemical fertilisers, plant protection chemicals, micro-irrigation units and agricultural machinery. It plays a major role in agricultural technology transfer.

- **Department of Horticulture**

The Department of Horticulture is responsible for increasing crop production, productivity, promoting research and development, enhancing supportive infrastructure and services for farmers, implementing region-specific schemes, and facilitating market intervention through Farmer Producer Organisations.

• **Department of Sericulture**

The Department of Sericulture plays an important part in the development of sericulture development. It provides technical guidance and training and supplies high-yielding mulberry varieties and silkworm races to sericulturists. The Department encourages adoption of improved technologies, strengthening of research and development and liaisons with financial institutions to obtain loans for sericulturists.

3.7.1.3 Budget and Expenditure

The overall position of Budget provision, Expenditure and Unutilised Provision under the functional major heads for the Grant – 01 (Agriculture & Horticulture) for the last three years (2020-21 to 2022-23) is given in **Table 3.12**.

Table 3.12: Budget and Expenditure

(₹ in crore)					
Year	Section	Budget Provision	Expenditure	Unutilised Provision	Unutilised Provision (Percentage)
2020-21	Revenue	8,929.99	8,060.26	869.73	9.70
	Capital	71.67	39.61	32.06	44.70
2021-22	Revenue	8,317.34	7,874.08	443.26	5.30
	Capital	128.39	112.06	16.32	12.70
2022-23	Revenue	9,260.49	8,725.04	535.45	5.78
	Capital	386.31	325.66	60.65	15.69

Source: Grants Register, Voucher Level Computerisation Cell, O/o AG A& E, Karnataka

As seen from the above table, the unutilised provision under revenue section ranged between 5.3 per cent and 9.7 per cent and under capital section, it ranged between 12.7 per cent and 44.7 per cent.

The State Government replied (February 2024) that due to release of grants at the fag end of the year with respect to Central Sector and State Sector schemes (Agriculture) and also due to delay in identification of beneficiaries, entire provision could not be utilised.

3.7.1.4 Management of Budget and Expenditure

(a) Persistent Savings

Para 110 of the KBM stipulates that due note of the past performance of the preceding three financial years may be taken while preparing the budget estimates for the ensuing year. This past performance may form the basis for intelligent anticipation of any expenditure trends or special features that may arise during the budget year. Budget estimates so formed will ensure that surrender of savings do not arise at a later stage and hence, be a testament to prudent fiscal planning.

However, persistent savings were observed during 2020-21 to 2022-23 in the Heads of Accounts detailed in **Table 3.13** which were in contravention of the provisions of para 110 of KBM.

Table 3.13: Heads of Accounts with Persistent Savings in Grant No. 1

(Amount in ₹)

Head Of Account	Nomenclature	Year wise Savings		
		2020-21	2021-22	2022-23
2401-00-103-0-15	Agricultural Inputs and Quality Control	70,65,11,013	4,20,02,420	22,61,97,210
2415-80-004-2-01-101	University of Agriculture Sciences - Dharwad	11,43,31,500	13,50,34,650	2,72,91,091
2415-80-004-3	Raichur Agriculture University Research and Education	6,65,19,250	8,32,43,827	3,01,10,114
2851-00-107-1	State Sericulture Industries	20,68,65,487	15,89,93,307	38,38,83,330

Source: Grants Register, Voucher Level Computerisation Cell, O/o AG (A & E), Karnataka

(b) Anticipated Savings not Surrendered/ Partially Surrendered

As per 264 of the KBM 1975, the spending departments are required to surrender grants/appropriations or portion thereof to the Finance Department as and when savings are anticipated. Further, surrender of funds should be made upon anticipation of savings without waiting for the end of the financial year, to enable the Finance Department to efficiently redeploy the anticipated savings in other needy schemes.

The details of savings, amount surrendered and amount not surrendered under Revenue and Capital section of the Grant during the period 2020-21 to 2022-23 are given in **Table 3.14**.

Table 3.14: Details of Anticipated Savings Surrendered/Partially Surrendered

(₹ in crore)

Year	Revenue			Capital		
	Savings	Amount surrendered	Amount not surrendered	Savings	Amount surrendered	Amount not surrendered
2020-21	869.74	15.37	854.37	32.05	0.00	32.05
2021-22	443.27	381.89	61.38	16.32	16.31	0.01
2022-23	535.44	695.44	(-)160.00	60.65	60.65	0.00

Source: Grant Register, Voucher Level computerisation cell, O/o AG & E, Karnataka

During 2020-21, while the amount not surrendered under Revenue and Capital was 98 per cent and 100 per cent respectively, in 2021-22, it reduced to 14 per cent under Revenue and 0.1 per cent under Capital. However, in 2022-23 while the amount surrendered under Capital was 100 per cent, it exceeded the savings under Revenue. The reason for surrender exceeding the savings was analysed and the following were noticed:

- Many reappropriation orders were issued for transferring savings from one unit of grant/appropriation to meet excess expenditure under another unit within the same grant.
- In many of the units which had been provided with additional funds through reappropriation for meeting its excess expenditure had in-turn surrendered the funds for non-implementation of the intended objective.
- The surrender of such re-appropriated funds resulted in surrender being excess of actual total savings in the grant.

(c) Inordinate delay in sending proposal for surrender

In addition to non-surrendering of funds, on review of records pertaining to the surrender of funds, audit observed that the proposal of Budget surrender was sent to the Government on last day of the year or during the month of April of the next financial year for issue of surrender order by Finance Department for incorporation in the Government Accounts as detailed in **Table 3.15**.

Table 3.15: Details of proposals for surrender and their acceptance

Year	Details of surrender proposals sent by Commissioner of Agriculture	Amount (₹ in lakh)	Details of Issue of GO by FD
Department of Agriculture			
2020-21	No. ACABGT: Surrender 2020-21 dated: 16/04/2021	3,308.67	Not available in the records
2021-22	No. ACT/BGT/ Grant Surrender 2021-22 dated: 31/03/2022	1,472.79	No. RE 59 Exp-4/ 2022, Bengaluru, dated: 31.03.2022
2022-23	No. ACT/BGT/ Grant Surrender 2022-23 dated: 31/03/2023	43,824.85	No. RE 45 Exp-4/ 2023, Bengaluru, dated: 31.03.2023
Department of Horticulture			
2020-21	No. DH-PLN0PLNT/28/2021-PLAN/AHO-1/488877 dated: 24/06.2021 and No. DH: ACC:42:2021/103 dated: 30/06/2021	2,086.27	No. RE 85 Exp-4/ 2021, Bengaluru, dated: 31.03.2021
2021-22	No. DH-PLN0PLNT/28/2021-PLAN/AHO-1/488877 dated: 01/06.2022, and No. DH: ACC:26:2022 dated: 08/04/2022	7,117.77	No. RE 72 Exp-4/ 2022, Bengaluru, dated: 31.03.2022
2022-23	No. DH-PLN0PLNT/12/2022-PLAN/AHO-1/74266 dated: 09/05/2023	5,404.29	No. RE 50 Exp-4/ 2023, Bengaluru, dated: 31.03.2023
Department of Sericulture			
2021-22	No. DOS: AGEN0CW4(ASUR) /1/ 2022 dated: 28.04.2022	1,067.58	No. RE 69 Exp-4/ 2022, Bengaluru, dated: 31.03.2022
2022-23	No. DOS/ACTG/15/2023 dated: 28/04/2023	904.58	No. RE 46 Exp-4/ 2023, Bengaluru, dated: 31.03.2023

Sending the surrender proposal after the closing of financial year for the year 2020-21 and on the last day of the financial year for the year 2021-22 and 2022-23 defeated the intended purpose envisaged in the Budget Manual.

The Department of Agriculture in its reply (August 2023) explained that in some cases the Finance Department directs to surrender funds of the Schemes where no expenditure was incurred. In such cases surrender would be sent. As per the Department of Agriculture, this is the normal procedure followed for reappropriation and usually the surrender of proposal is sent to the Finance Department after the closing of the Financial Year.

(d) Rush of Expenditure

As per paragraph 6 of instructions issued by Finance Department, GoK dated 9 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 available grants. The bunching of bills and rush of expenditure in the month of March should 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. Further, Article 161 (b) (2) of Karnataka Financial Code also reiterates that the expenditure of the offices should be disbursed evenly in the financial year and there should be no occasion for rush of expenditure during the month of March.

On review of expenditures incurred it was noticed that about 80 *per cent* of the total expenditure in the Grant for the year 2022-23 was incurred under three major heads – 2401 (Crop Husbandry), 2402 (Soil and Water Conservation) and 4401 (Capital Outlay on Crop Husbandry). The total expenditure was over ₹10 lakh with substantial expenditure incurred during the last quarter and the month of March 2023 for the aforesaid Major Heads.

- In 13 Heads of Accounts, the expenditure during March 2023 was more than 95 *per cent* of the total expenditure incurred during the year 2022-23 as shown in **Table 3.16**.

Table 3.16: Rush of Expenditure

(Amount in ₹)

Sl. No.	Head of Account	Total expenditure	Expenditure in last quarter		Expenditure in March	
			Amount (in rupees)	As percentage of total expenditure	Amount (in rupees)	As percentage of total expenditure
1	2401-00-001-1-14-059 Other Expenses	2,42,60,048	2,42,60,048	100.00	2,42,60,048	100.00
2	2401-00-114-0-01-059 Other Expenses	15,00,000	15,00,000	100.00	15,00,000	100.00
3	2401-00-800-1-05-100 Financial Assistance/Relief	8,30,05,78,000	8,30,05,78,000	100.00	8,30,05,78,000	100.00
4	2401-00-800-1-05-422 SCSP	80,65,00,000	80,65,00,000	100.00	80,65,00,000	100.00
5	2401-00-800-1-05-423 TSP	49,07,54,000	49,07,54,000	100.00	49,07,54,000	100.00
6	2402-00-101-0-03-422 SCSP	17,08,000	17,08,000	100.00	17,08,000	100.00
7	2402-00-101-0-04-422 SCSP	11,39,000	11,39,000	100.00	11,39,000	100.00
8	2402-00-101-0-03-059 Other Expenses	87,37,000	87,35,256	99.98	87,35,256	99.98
9	2402-00-101-0-04-059 Other Expenses	58,25,000	58,23,837	99.98	58,23,837	99.98
10	2401-00-108-2-58-059 Other Expenses	6,00,00,000	5,92,00,000	98.67	5,92,00,000	98.67
11	2401-00-108-2-30-059 Other Expenses	6,76,00,000	6,64,00,000	98.22	6,64,00,000	98.22
12	2401-00-001-1-01-103 Grants-in-aid	18,46,27,000	18,07,51,000	97.90	17,68,77,000	95.80
13	2401-00-119-4-06-059 Other Expenses	2,04,78,000	2,00,00,000	97.67	2,00,00,000	97.67

- The percentage of expenditure during March 2023 in respect of the above Heads in the **Table 3.16** and the remaining 47 Heads of Accounts ranged between 45 and 95 *per cent*.

- In 60 Heads of Accounts, the expenditure during the last quarter of 2022-23, ranged between 51 and 12 *per cent* of the total expenditure for the year.

The Department of Agriculture replied (July 2023) that in the Direct Benefit Transfer Schemes, the funds withheld during release of second quarter for non-achievement of the desired level of expenditure, were released in the third and fourth quarter. As a result, there was a rush of expenditure in the last quarter of the financial year by the Agriculture Department.

The State Government reiterated (February 2024) the reply of the Agriculture Department. The reply is not acceptable as the entire expenditure was incurred in the month of March 2023.

3.7.1.5 Role of Executives

(a) Role of Internal Financial Advisor

As per the notification issued by GoK in July 1982, Internal Financial Advisor (IFA) is responsible for ensuring that the budget estimates are properly framed, time schedule is scrupulously followed and examine and advice for all new schemes or new expenditure *etc.* Further, IFA renders advice on financial prudence, preparation of department budget, tracking audit reports and action taken reports *etc.*

Further, the circular issued (July 2003) instructs the IFA to conduct a meeting with their controlling officers every month and monitor expenditure, identify areas where savings are possible and report to the Finance Department. They should also keep a close watch and ensure that expenditure is within budget limits and reconcile the expenditure figures within those of the Accountant General figures.

From the records it was observed that the IFA had not conducted a meeting with their controlling officers every month for the defined purpose as instructed in the circular. This fact was confirmed by their reply (August 2023) which stated that monthly meetings would be conducted after filling up the vacant posts.

The State Government in its reply (February 2024) confirmed the fact that IFA was not involved in preparation of budget *etc.*

(b) Delay in submission of Budget Estimates

As per 88 of KBM, the Heads of Departments and the Estimating Officers should prepare the estimates separately for each head of account with which they are concerned based on the material obtained by them from their subordinate officers and forward these to the Finance Department by the prescribed dates. Simultaneously they should submit copies of the estimates to the appropriate administrative departments of the Secretariat. The Administrative Departments will scrutinise these estimates and make available their comments to the Finance Department. The Administrative Departments of the Secretariat should also frame and furnish to the Finance Department estimates relating to items for which they are Estimating Officers. Similarly, the Accountant General also frames the estimates in respect of certain heads and furnishes these to the Finance Department. The dates for submission of various estimates (both budget and revised) by the Estimating Officers and the dates by which these should reach the Finance Department are available through the circulars made available by the Finance Department every year.

During 2020-21 to 2022-23, Finance Department had issued various Government Orders through which the Department of Agriculture, Department of Horticulture and Department of Sericulture submitted their Budget estimates on the dates as detailed in **Table 3.17** below.

It was noticed that there was a delay in the submission of Budget Estimates to the Finance Department as detailed in **Table 3.17**.

Table 3.17: Details of delay in submission of Budget Estimates

Sl. No.	Year	Due date to send estimates by the Department	Department	Date of submission to FD	Delay (days)
1	2020-21	26-10-2019	Agriculture	02-12-2019	37
			Horticulture	02-12-2019	37
			Sericulture	19-11-2019	23
2	2021-22	13-11-2020	Agriculture and Horticulture	01-12-2020	18
		13-11-2020	Sericulture	17-11-2020	3
3	2022-23	20-11-2021	Horticulture	24-01-2022	65
			Sericulture	07-12-2021	17
		20-11-2021	Horticulture	25-11-2021	5
			Sericulture	07-12-2021	17

From the table, it is noticed that there was a delay ranging from 3 days to 65 days in submission of Budget Estimates. Submission of the estimates within the time schedule prescribed is to be adhered to by all the Departments as it would enable a smooth budget making process.

The State Government replied (February 2024) that on account of delay in obtaining information from subordinate offices, the budget proposals were not submitted within the due date prescribed.

(c) Working of Single Nodal Agency – Department of Agriculture

The Department of Agriculture implements many CSS through implementing agencies like Boards/Corporations/Societies constituted by the GoK. Earlier to 2021-22, the Department of Agriculture released funds to these Boards/Societies from the budget allocations²² made for implementation of various schemes. Subsequently, GoI brought in a procedure for monitoring utilisation of funds under CSS wherein the State Government was required to designate a Single Nodal Agency (SNA) for implementing each CSS. The Department of Agriculture is SNA for implementing many CSS.

On review of Rashtriya Krishi Vikas Yojana (RKVY), a CSS implemented through the Department of Agriculture, the following observations detailed in subsequent paragraphs were noticed.

- ***Parking of funds outside Consolidated Fund of the State***

The Department of Agriculture implemented the scheme through 21 Implementing Agencies. On review of funds released and expenditure incurred in two Implementing Agencies, it was observed that during the period 2020-21 to 2022-23, an amount of ₹41.97 crore shown as expenditure in the Consolidated

²² GoI released their funds through State Budget

Fund, was parked in the Accounts of Implementing Agencies. This resulted in overstatement of expenditure to the tune of ₹41.97 crore as detailed in **Table 3.18**.

Table 3.18: Details of expenditure incurred as per SNA and Implementing Agencies

						(₹ in crore)
Sl. No.	Name of the Sub-scheme	Year	Expenditure as per SNA	Expenditure as per Implementing Agency	Difference in Expenditure	Name of Implementing Agency
1	Upgradation of DATC in Belthangady and Kagathi	2021-22	4.60	0.80	3.80	KRIDL
2	Construction of 28 RSK Godowns	2021-22	19.00	17.23	1.77	
3	Construction of 52 RSK Godowns	2022-23				
4	Construction of 20 RSK Buildings	2022-23	20.00	2.28	17.72	
5	Strengthening of Seed Farms	2020-21	14.08	9.85	4.23	Engineering Wing of Health and Family Welfare Department
6	Upgradation of DATC in Shivamogga and Bagalkote	2020-21	3.06	1.41	1.65	
7	Construction of RSK Buildings	2020-21	18.00	5.20	12.80	
Total			78.74	36.77	41.97	

The State Government replied (February 2024) that as ₹78.74 crore was transferred to implementing agencies, it was accounted as expenditure by the SNA. Whereas the actual expenditure was ₹36.77 crore as at the end of March 2023 by the implementing agencies. It further stated that action would be initiated to ascertain the progress of work as well as expenditure. However, the reply does not explain the reason for non-transfer of unspent balance to the SNA account at the end of the year.

• **Opening of SNA Account in a Private Bank**

The procedure for release of funds under CSS issued by GoI and also the circular of the Finance Department (June 2021) stipulated that SNA would open a Single Nodal Account for each CSS at the State level in a Scheduled Commercial Bank authorised to conduct government business by the State Government. As per the existing directions (January 2017) of the Finance Department, the new bank account should be opened in Public Sector Bank (PSB) or Regional Rural Bank (RRB) with the exception that other scheduled bank could be considered for

opening of bank account only when a specific banking solution for its operational convenience is not provided by a PSB.

Contrary to the directions of Finance Department, the Department of Agriculture (SNA) had opened single nodal account in ICICI Bank. Further from the records made available to Audit it was noticed that no quotations were solicited from PSBs.

The State Government replied (February 2024) that as per the procedure for monitoring utilisation of funds under CSS, the SNA account was opened in a private sector scheduled bank recognised by RBI. The reply is not acceptable since, as per the procedure for monitoring utilisation of funds under CSS the GoI specified that SNA account at the State level could be opened in a scheduled commercial bank authorised to conduct government business by the State Government. As per the existing directions (January 2017) of the Finance Department the new bank account were to be opened in Public Sector Bank or Regional Rural Bank and the other scheduled bank could be considered only when a specified banking solution was not provided by a Public Sector Bank.

- ***Non-registration of zero balance²³ accounts of Implementing Agencies***

The procedure for release of funds under CSS issued by GoI and also the circular of the Finance Department (June 2021) stipulated that Implementing Agencies down the ladder should use the SNA's account with clearly defined drawing limits set for that account. Further, depending on operational requirements, zero-balance subsidiary accounts for each scheme may also be opened for the Implementing Agencies either in the same branch of the selected bank or in different branches.

However, Department of Agriculture was yet to complete the process of registering zero-balance account of implementing agencies with unique PFMS IDs and mapping in PFMS and integration of SNAs and Implementing Agencies for using the Expenditure Advance and Transfer Modules (EAT) Module of PFMS.

The State Government replied (February 2024) that action has been taken to register zero balance account of the implementing agencies and integration with PFMS using EAT Module has been completed.

- ***Non-Reconciliation of expenditure figures***

There was variation between the total expenditure of RKVY scheme indicated in the Agriculture Department, Treasury and PFMS portal of GoI as detailed in **Table 3.19**.

Table 3.19: Variation in total expenditure

(₹ in crore)			
Year	Department of Agriculture (SNA)	PFMS Portal (GoI)	State Treasury - Khajane 2 integrated with PFMS
2022-23	79.60	204.30	230.52

The State Government replied (February 2024) that a letter has been addressed to the Commissioner of Treasuries indicating the actual utilisation for the year 2022-23 and reflecting the same in both Treasury as well as PFMS.

²³ Saving bank account with the zero Balance.

(d) Working of SNA – Department of Horticulture

GoI brought (July 2021) in a procedure for monitoring utilisation of funds under CSS wherein the State Government was required to designate a SNA for implementing each CSS. The Department of Horticulture is SNA for implementing many CSS. Review of the records of the SNA revealed the following:

• **Opening of SNA Account in a Private Bank**

The procedure for release of funds under CSS issued by GoI and also the circular of the Finance Department (June 2021) stipulated that SNA would open a Single Nodal Account for each CSS at the State level in a Scheduled Commercial Bank authorised to conduct government business by the State Government. As per the existing directions (January 2017) of the Finance Department, the new bank account should be opened in Public Sector Bank (PSB) or Regional Rural Bank (RRB) with the exception that other scheduled bank could be considered for opening of bank account only when a specific banking solution for its operational convenience is not provided by a PSB.

Contrary to the directions of the Finance Department, the Department of Horticulture (SNA) had opened single nodal accounts for the CSS schemes indicated in **Table 3.20** in Private Banks.

Table 3.20: CSS Scheme and Designated Bank for SNA Account

Sl. No.	Central Plan Scheme	Designated Bank for SNA account
1	National Food Security Mission	HDFC Bank
2	Grants for implementing Coconut Development Board Schemes/ Programme	Axis Bank
3	Paramparagath Krishi Vikas Yojana	ICICI Bank

• **Variation in figures**

Audit observed variation in figures between that of Treasury and PFMS portal of GoI for total Expenditure which had not been reconciled, as detailed below in **Table 3.21**.

Table 3.21: Variation in figures

Sl. No.	Head	(₹ in crore)	
		Reflected in Khajane - 2	Reflected in PFMS portal
1	GoI releases directly to implementing agencies.	5.52	5.52
2	Amount released to SNA by treasury	3.69	3.71
3	Total Expenditure	7.55	7.46
4	Balance as indicated	1.66	1.77

From the table, it is noticed that the balance of unspent provision as indicated in PFMS Portal was ₹1.66 crore against the actual unspent balance of ₹1.77 crore. This difference of ₹0.11 crore indicates that the balance reflected in PFMS is not validated and uploaded.

3.7.1.6 Other points of interest

(a) Non-refund of amount recovered

The PM Kisan Scheme’s Operational Guidelines issued by GoI specify that the financial benefits transferred to all persons based on incorrect self-declaration

are liable for recovery. Two accounts²⁴ were designated for depositing such recoveries. Scrutiny of the accounts revealed that the accounts had a balance of ₹11.80 crore which were kept not remitted back to the Consolidated Fund of India.

(b) Parking of funds outside the Government Accounts

Withdrawing money from the Consolidated Fund of the State without actual requirement is not a prudent fiscal practice. Charging expenditure without actual utilisation for the purpose for which it was released results in distortion of fiscal indicators of the relevant financial years.

The Department of Agriculture implements many GoK schemes through implementing agencies. It releases funds to these Implementing Agencies from the budget allocations made for implementation of various schemes. On review of funds released and expenditure incurred by two implementing agencies it was observed that unutilised funds were parked in the Savings Bank Accounts of the implementing Agencies. Individual observations are discussed below:

- During 2014-15 to 2021-22 the Department of Agriculture had released ₹7.75 crore to Karnataka State Agricultural Produce Processing and Export Corporation Limited (KAPPEC) an Implementing Agency for implementing Interest Subsidy Scheme. Out of the amount released, ₹1.37 crore remained unutilised. The unutilised amount as well as interest earned out of it was not remitted to the Consolidated Fund of the State.
- During 2021-22, ₹18.55 crore was released (February 2022) to KAPPEC by Department of Agriculture towards Marketing of Millets under Savayava Siri Scheme. Subsequently, the Department of Agriculture restricted (September 2022) the amount to be utilised as ₹10 crore and directed to remit the balance ₹8.55 crore to the Consolidated Fund of the State. While KAPPEC utilised ₹10 crore, ₹8.55 crore was not surrendered to Government Accounts. Further, the interest of ₹0.32 crore earned was also not remitted back to the Government Account.

3.7.2 Review of Grant No.22 - Health and Family Welfare

3.7.2.1 Introduction

The Karnataka State has established health infrastructure at different levels both at Urban as well as Rural areas of the State. In addition, it has been implementing various health schemes to provide better health services. These are operated through existing health infrastructure. These are implemented through the Department of Health and Family Welfare Services and the Department of Medical Education. Funds to these two departments are provided under Grant No.22-Health and Family Welfare. To implement all the activities of the above Departments, four separate Directorates/Department indicated below are established.

- Directorate of Health and Family Welfare Services.
- Directorate of Medical Education
- Directorate of Ayush

²⁴ Account No.6402677843 of State Bank of India, Vidhana Soudha Branch and Account No. 00425201001227 of Canara Bank, Hebbal Branch

- Department of Drugs Controller

The functional major heads covered under Grant No.22 are:

2210	Medical and Public Health
2211	Family Welfare
4210	Capital Outlay on Medical and Public Health

3.7.2.2 Current Study

The National Health Profile (2020) recognises that health financing is one of the keyways to achieve universal health coverage. Appropriate financing will help to ensure adequate funds for healthcare, provide equitable access to all and reduce barriers to utilise health services. In the current study, audit examined the trends in the financial allocation, expenditure, reasons for savings *etc.*, under the Department of Health and Family Services for the period 2020-21 to 2022-23.

3.7.2.3 Overview of finances

In 2022-23, the overall revenue and capital allocation under Grant 22 was ₹12,574.54 crore and ₹1,583.31 crore respectively. There was a decrease in allocation under both revenue and capital by 4.5 and 40.9 *per cent* respectively when compared to the previous year.

The overall position of budget provisions, actual disbursements and savings in the Department for the last three years is detailed in **Table 3.22**.

Table 3.22: Budget and expenditure under the Department of Health and Family Welfare Services for the years 2020-21 to 2022-23

(₹ in crore)					
Year	Section (All voted, including supplementary provisions)	Budget Provision	Expenditure	Unutilised provision	Percentage of unutilised provision
Health and Family Welfare Services					
2020-21	Revenue	4722.04	4530.20	191.84	4.06
	Capital	285.60	157.53	128.07	44.84
2021-22	Revenue	7285.99	6904.68	381.31	5.23
	Capital	572.93	500.97	71.96	12.56
2022-23	Revenue	5797.62	4860.06	937.56	16.17
	Capital	766.40	607.65	158.75	20.71
Ayush					
2020-21	Revenue	168.51	163.53	4.98	2.96
	Capital	35.00	13.98	21.02	60.06
2021-22	Revenue	180.00	170.02	9.98	5.54
	Capital	20.00	19.57	0.43	2.15
2022-23	Revenue	199.11	203.96	(-)4.85	(-)2.44
	Capital	15.00	12.87	2.13	14.20
Drugs Controller					
2020-21	Revenue	56.38	53.49	2.89	5.13
	Capital	9.01	1.45	7.56	83.91
2021-22	Revenue	50.14	46.18	3.96	7.90
	Capital	9.79	7.40	2.39	24.41
2022-23	Revenue	67.25	64.52	2.73	4.06
	Capital	2.93	1.80	1.13	38.57

Source: Appropriation Accounts, Grant Register

During 2020-21 to 2022-23 as a percentage of total provision, unutilised provision ranged between three and 16 *per cent* under Revenue Section and between two and 84 *per cent* under Capital Section.

3.7.2.4 Persistent savings

Scrutiny of Appropriation Accounts for the years 2020-21 to 2022-23 showed that there were persistent savings under six heads of accounts during the above period.

It was observed that budget allocations remained unutilised every year indicating non-achievement of the projected financial outlays in the respective years. The budget allocations were made without considering the expenditure for previous years as required under Rule 110 of the KBM, which resulted in persistent savings under the Heads of Accounts as shown in **Table 3.23** below.

Table 3.23: Persistent Savings

Sl. No.	Head of Account	Savings (₹ in lakh)		
		2020-21	2021-22	2022-23
1	2210-03-104-0-02-Community Mental Health Programme in all districts	154.84	159.85	118.52
2	2210-05-101-3-Departmental Drugs Manufacture	39.43	65.40	53.38
3	2210-06-003-0-23-Health-Information, Education and Communication	113.35	156.98	3.67
4	2210-06-104-0-01-Drugs Controller	307.36	269.49	189.53
5	2210-80-800-0-18-Arogya Kavacha	14,368.66	12,795.01	16,616.78
6	4210-03-105-2-03-Buildings -Drugs Controller	755.00	146.00	112.71

Source: Grant Register

3.7.2.5 Rush of Expenditure

Rule 62 (3), GFR, 2017 States that rush of expenditure particularly in the closing month of the financial year shall be avoided as it is regarded as breach of financial propriety. Further, as per Paragraph 6 of the instructions issued by the Department of Finance, GoK dated 09 September 2004, regarding releases, drawal and accounting of funds, 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 in the Heads of account detailed in **Table 3.24** showed the 100 *per cent* expenditure done in last quarter of the year and **Appendix 3.18** ranged between 52 *per cent* to 100 *per cent* during March and 57 *per cent* to 100 *per cent* during the last quarter of the year 2022-23.

Table 3.24: Rush of Expenditure

(₹ in lakh)

Sl. No.	HOA/Nomenclature	Total Expenditure	Expenditure during last quarter		Expenditure during March	
			Amount	Percentage	Amount	Percentage
1	CSS-Central Share-PM Ayushman Bharat Health Infrastructure Mission 2210-01-200-0-05	3,384.00	3,384.00	100.00	3,384.00	100.00
2	CSS-State Share-PM Ayushman Bharat Health Infrastructure Mission 2210-01-200-0-06	2,256.00	2,256.00	100.00	2,256.00	100.00
3	Purchase of Ambulance (Arogya Kavacha - 108) 4210-04-200-2-01	9,399.00	9,399.00	100.00	9,399.00	100.00
4	Unspent SCSP-TSP Amount as per the SCSP-TSP Act 2013 4210-80-800-0-01	1,852.86	1,852.86	100.00	1,852.86	100.00

Source: Grant Register

3.7.2.6 Working of SNA

With a view to having more effective cash management and bring more efficiency in the public expenditure management, GoI implemented (July 2021) procedure for release and monitoring utilisation of funds under CSS. The guidelines issued in this regard stated that the State Governments were required to designate a SNA for implementing CSS. The guidelines issued gives detailed procedures for opening SNA Account, Accounts of Implementing Agencies, transfer of funds to SNA Account, transfer of interest received in the SNA Account to the Consolidated Fund of India or State *etc.*

In Karnataka, two CSS viz., National Health Mission and Pradhan Mantri Ayushman Bharat Health Infrastructure Mission under Health and Family Welfare Department are being implemented through Karnataka State Health and Family Welfare Society. Scrutiny of adherence to the guidelines revealed the following:

(a) Non-reconciliation of expenditure

The total expenditure in respect of the above two CSS in the records of the SNA varied from that indicated in PFMS Portal and State Treasury - Khajane 2. The details of the expenditure indicated in these are indicated in the **Table 3.25**.

Table 3.25: Variation in expenditure for the year 2022-23 in respect of two CSS implemented by Health and Family Welfare Department

(₹ in crore)

Name of the Scheme	Expenditure as per		
	SNA	PFMS Portal	Khajane 2
National Health Mission	1,831.42	1,995.39	755.61
Pradhan Mantri Ayushman Bharat Health Infrastructure Mission	18.75	18.68	18.75

The variation in the expenditure between the SNA, PFMS and Khajane indicated that the expenditure was not reconciled. Further, it indicates that the expenditure was not validated before uploading it in the PFMS portal.

(b) Delay in release of funds

The guidelines issued by the GoI specified that the State Government had to transfer the Central Share of the CSS received in its account in the RBI to the concerned SNA account within a period of 21 days of its receipt. Further it specified that the State Share was required to be released within 40 days of the release of Central share.

Contrary to the above condition, it was observed that in 2021-22 as well as 2022-23, there was delay in release of both Central as well as State Share of funds by the State Government. While the delay in the release of Central Share by the State Government ranged from six days to 263 days, the delay in release of State Share ranged from six days to 276 days.

3.8 Conclusion

- The supplementary provision constituted 12.53 *per cent* of the original budget. There were cases of unnecessary, excessive and inadequate supplementary provision that resulted in savings/excess expenditure.
- Excess expenditure of ₹1,907.83 crore for the year 2022-23 is required to be regularised under Article 205 of the Constitution. An amount of ₹415.90 crore for the year 2020-21 is yet to be regularised.
- Re-appropriations were obtained without adequate justification resulting in savings/excess. In 52 cases, the re-appropriation orders issued were defective and hence were rejected; and
- Misclassification of ₹51.10 crore revenue expenditure as capital expenditure and ₹0.75 crore of capital expenditure as revenue expenditure resulted in understatement of revenue expenditure to the tune of ₹50.35 crore and overstatement of revenue surplus to that extent.

3.9 Recommendations

- *An appropriate control mechanism needs to be instituted by the Government to identify anticipated savings and surrender it within the specified timeframe so that the funds can be utilised for other development purposes.*
- *The Government should ensure that the re-appropriation orders are issued in conformity with the provisions of Karnataka Financial Code.*
- *GoK should analyze the reasons for the excess expenditure and work on its budget preparation to avoid such future occurrences.*

Chapter – 4

Quality of Accounts and Financial Reporting Practices

CHAPTER 4 QUALITY OF ACCOUNTS AND FINANCIAL REPORTING PRACTICES

A sound internal financial reporting system based on compliance with financial rules and accurate accounts is one of the attributes of good governance. This chapter provides an overview and status of compliance with various financial rules, procedures and directives during the current year.

A. Observations relating to completeness of accounts

4.1 Loans of State Government not being credited to the Consolidated Fund

The borrowings of the State Government are governed by Article 293 (1) of the Constitution of India. The State stood as guarantor for loans availed by Government Companies/ Corporations/ Boards. These Companies/ Corporations/ Boards borrowed funds from the market/ financial institutions for implementation of various State Plan programme projected outside the State budget. The borrowings of these concerns ultimately turn out to be the liabilities of the State Government termed 'Off-Budget Borrowings' (OBB). In the State, these are disclosed in the Budget Overview and also in the MTFPs.

The trend of OBB during 2018-19 to 2022-23 is detailed in **Table 4.1**. Though State's OBB was on an increasing trend during the years 2018-19 and 2019-20, the trend showed decrease since 2020-21. However, during 2022-23, the OBBs increased by ₹1,679 crore when compared to previous year.

Table 4.1: Entity-wise position of off-budget borrowings

(₹ in crore)

Year	2018-19	2019-20	2020-21	2021-22	2022-23
OBB	3,523.65	4,435.49	3,045.10	2,350.00	4,029.00

In the State, the Government had been repaying the loans availed of by these Companies/ Corporations/ Societies including interest through regular budget provision under capital account. During 2022-23, Capital Expenditure of ₹60,599 crore included ₹3,405 crore towards servicing of principal amount of off-budget borrowings. The interest payment during the year was ₹1,216 crore. **Table 4.1(a)** gives the entity-wise position of borrowings as at the end of 2022-23.

Table 4.1(a): Entity-wise position of off-budget borrowings

(₹ in crore)

Company/ Corporation/ Board	Outstanding Off-Budget Borrowing	Borrowings during 2022-23	Repayment during 2022-23		Closing Balance
			Principal	Interest	
Krishna Bhagya Jala Nigam Limited	6,252.14	850.00	1,450.70	455.26	5,651.44
Karnataka Neeravari Nigam Limited	3,672.81	1,500.00	767.43	269.38	4,405.38
Karnataka Road Development Corporation Limited	393.24	379.00	29.69	42.47	742.55

Company/ Corporation/ Board	Outstanding Off-Budget Borrowing	Borrowings during 2022-23	Repayment during 2022-23		Closing Balance
			Principal	Interest	
Rajiv Gandhi Rural Housing Corporation Limited	1,227.72	0.00	263.11	90.77	964.61
Cauvery Neeravari Nigam Limited	2,767.50	400.00	367.50	201.18	2,800.00
Visvesvaraya Jala Nigam Limited	1,807.15	900.00	433.06	128.40	2,274.09
Karnataka Skill Development Corporation	561.54	0.00	93.98	28.58	467.56
Total	16,682.10	4,029.00	3,405.47	1,216.04	17,305.63

Source: Finance Accounts

All the seven entities mentioned in the above table do not have their own source of revenue and are incurring losses. The cumulative loss of these companies is around ₹10,332.89 crore.

Taking into account the liabilities under OBB, the outstanding liabilities to GSDP ratio stood at 23.97 per cent.

4.2 Non remittance of interest earned out of Government grants

The Government releases funds to Companies, Corporations, Autonomous Bodies including Statutory Boards and Regional Societies in the form of paid-up share capital of the organisation concerned, grants, subsidies, re-imburement of expenditure, loans and funds released for schemes, etc.

The Finance Department *vide* Government Order (July 2003) directed all Corporation / Companies /Autonomous Bodies etc., to remit interest earned on Government funds received by them to the Government account by crediting the head of account “0049 Interest Receipts”. It also emphasised that the interest so earned shall not be used for any expenditure by the institutions. This was reiterated *vide* its circular in August 2019.

Audit observed that the Companies/Corporations in contravention to the above instructions had not remitted the interest earned amounting to ₹19,898.59 lakh to Government. The details of interest earned and its treatment during 2020-21 to 2022-23 are indicated in the **Table 4.2:**

Table 4.2: Details of interest earned

Name of the Institution	Interest earned (₹ in lakh)				
	Upto 2019-20	2020-21	2021-22	2022-23	Total
Department of IT & BT	-	310.58	161.20	806.26	1,278.04
Karnataka Road Development Corporation Ltd.	-	328.51	399.23	*	727.74
Department of Science and Technology	-	61.50	59.45	21.00	141.95
BESCOM	-	6.64	15.09	0.47	22.20
Karnataka State Commission for Women	22.33	4.48	8.88	*	35.69
Karnataka State Tribal Research institute, Mysuru	-	-	280.84 (up to 2021-22)	*	280.84
Karnataka Residential Educational Institutions Society	246.95	4,143.16	2,727.05	*	7,117.16

Name of the Institution	Interest earned				
	Upto 2019-20	2020-21	2021-22	2022-23	Total
Karnataka Maharshi Valmiki Scheduled Tribes Development Corporation Ltd.	4,084.20	*	*	*	4,084.20
EE/ Panchayat Raj Engineering Departments in 8 Districts	-	334.60	2,315.00	*	2,649.60
EE/Rural Drinking Water Sanitation Department in 7 Districts	-	188.23	1,163.13	*	1,351.36
CEO, Zilla Panchayat in 6 Districts	-	6.48	1,054.83	*	1,061.31
EO, Taluk Panchayat in 21 Districts	-	4.86	184.64	*	189.50
Rural Development and Panchayat Raj University, Gadag	-	-	959.00	*	959.00
Total	4,353.48	5,389.04	9,328.34	827.73	19,898.59

Source: Offices of the Pr.AG (Audit-I) and Pr.AG (Audit-II)

*The Institutions are yet to be audited.

The Government should take action in respect of Departments to remit the interest earned on Government grants, as it would help to increase the non-Tax Revenue of the State.

The State Government in its reply (November 2023) stated that instructions would be issued to the concerned department to remit the interest to the Government.

4.3 Non-discharge of liability in respect of interest towards Interest-bearing Deposits/ Reserve Funds

The Government has a liability to provide and pay interest on the amounts in the Interest-bearing Deposits/ Reserve Funds.

Audit observed that ₹102.60 crore were required to be paid as interest on the funds/Deposits as indicated in the **Table 4.3**. Non-payment of interest liability has resulted in overstatement of Reserve surplus and understatement of Fiscal deficit.

Table 4.3: Details of interest not paid

Sl. No.	Funds/Deposits	₹ in crore	
		Balance as on 1 April, 2022	Interest due
1	State Disaster Response Fund	2.42	0.18
2	State Disaster Mitigation Fund	237.10	17.76
3	Non-payment of Interest on Government employees' Group Insurance Fund	5,060.05*	84.66
Total			102.60

* Closing Balance as of Dec 2022

4.4 Funds transferred directly to State implementing agencies

The GoI has been transferring sizeable funds directly to the State implementing agencies for implementation of various schemes. GoI decided to route these funds through State Budget from 2014-15 onwards. However, during the year 2022-23 GoI transferred ₹2,879.81 crore directly to the implementing agencies

as detailed in **Appendix 4.1**, bypassing the Consolidated Fund of the State. This constitutes 1.26 per cent and 7.81 per cent of total Revenue Receipts (₹2,29,079.74 crore) and Grants-In-Aid (₹36,867.50 crore) respectively. Thus, the State Revenue for the year 2022-23 was understated to that extent. The amount of direct transfer to the Implementing Agencies under these 14 CSS ranged from 0.41 per cent to 100 per cent of the total transfers (**Appendix 4.1**).

B. Observation relating to transparency

4.5 Delay in submission of Utilisation Certificates

Rule 161(5) of the Karnataka Financial Code (KFC), 1958 stipulates Utilisation Certificates (UCs) should be obtained by the departmental officers from the Grantees in respect of grants provided for specific purposes and these should be forwarded to the AG (A&E) after verification within 18 months from the date of their sanction unless specified otherwise.

Utilisation certificates (UC) outstanding beyond the specified periods indicate absence of assurance on utilisation of the grants for intended purposes and the expenditure shown in the accounts to that extent can't be treated as final. The status of outstanding UCs as on 31 March 2023 is given in **Table 4.4**.

Table 4.4: Age wise pendency of Utilisation Certificates

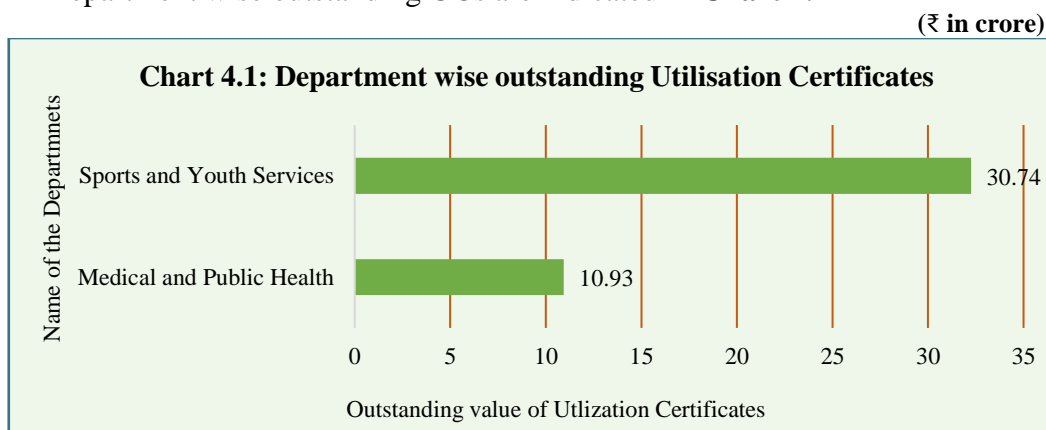
(₹ in crore)		
Year*	Number of UCs	Amount
2017-18	1	0.76
2020-21	16	13.18
2021-22	17	16.59
2022-23	14	11.14
Total	48	41.67

Source: Office of the AG(A&E)

*The year mentioned above relates to "Due year" i.e., after 18 months of actual drawal

Further, under Rule 161(5) the form of UC required to be submitted clearly indicates that the grant unutilised in a year should be surrendered or adjusted towards the grants payable in the subsequent year. The number of outstanding UCs of 132 amounting to ₹325.50 crore at the year end of 2021-22 decreased to 48 with ₹41.67 crore as outstanding. This indicates that the departments have stepped up its monitoring of utilisation of grants.

Department wise outstanding UCs are indicated in **Chart 4.1**



Source: Office of the AG(A&E)

As in previous year it is evident that ₹30.74 crore *i.e.*, 73.77 *per cent* and ₹10.93 crore *i.e.*, 26.23 *per cent* of the total outstanding UCs (₹41.67 crore) pertains to two Departments *viz.* Sports and Youth Services and Medical and Public Health respectively. Major Head-wise and Department-wise details of outstanding UCs separately for each year is detailed in **Appendix 4.2**.

Since non-submission of UCs is fraught with the risk of misutilisation, the State Government should continue its effort to monitor this aspect closely and hold the concerned persons accountable for submission of UCs in timely manner.

The State Government in its reply (November 2023) stated that instructions were issued (July 2023) to all the administrative Departments to submit UCs for the grant received.

4.6 Abstract Contingent Bills

Under Rule 37(b)(3) of the Manual of Contingent Expenditure (MCE), 1958, the Controlling and Disbursing Officers are authorised to draw sums of money by preparing Abstract Contingent (AC) bills by debiting service heads and are required to present Non-payment Detailed Contingent (NDC) bills (vouchers in support of final expenditure) to the AG(A&E) through the treasuries before the 15th of the month following the month to which the bill relates. Controlling officers should also ensure that no amounts are drawn from the treasury through AC bills unless required for immediate disbursement.

Detailed bills aggregating to ₹72.76 crore, drawn on 1,462 AC bills, were pending at the end of March 2023 as detailed in **Table 4.5**.

Table 4.5: Year wise progress in submission of NDC bills against the AC bills
(₹ in crore)

Year	Opening Balance		Addition		Clearance		Closing Balance	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Up to 2018-19	3,276	84.00	2,286	188.64	3,467	179.37	2,095	93.27
2019-20	2,095	93.27	2,109	182.90	2,245	179.49	1,959	96.68
2020-21	1,959	96.68	2,247	153.46	1,985	123.80	2,221	126.34
2021-22	2,221	126.34	2,577	154.00	3,422	216.45	1,376	63.89
2022-23	1,376	63.89	2,217	158.65	2,131	149.78	1,462	72.76

Source: Finance Accounts

*Excluding Bills for the Month of March 2023

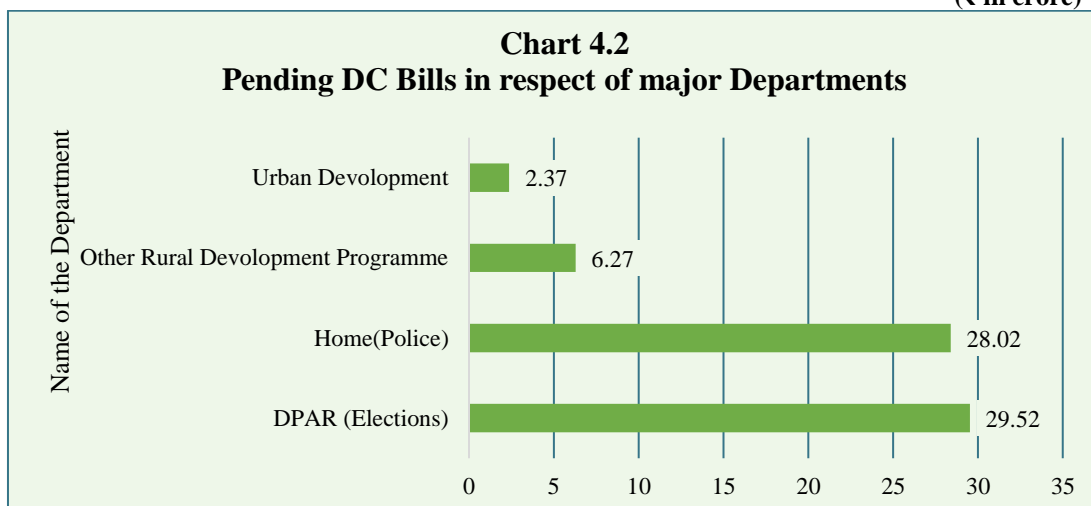
The age wise pendency of AC bills is detailed in **Table 4.6** below.

Table 4.6: Age-wise pendency of AC bills

Year of Grant	No. of AC bills	(₹ in crore)
		Amount
Up to 2020-21	1,041	52.13
2021-22	194	8.83
2022-23	227	11.80
Total	1,462	72.76

During 2022-23, 2,217 AC bills amounting to ₹158.65 crore were drawn and out of these 357 AC bills amounting to ₹23.59 crore (15 *per cent*) were drawn in March 2023.

(₹ in crore)



Source: Office of the AG(A&E)

Chart 4.2 reveals that ₹66.18 crore *i.e.*, around 91 *per cent* of the total outstanding AC bills amounting to ₹72.76 crore pertains to four Departments *viz.* Elections (₹29.52 crore) 41 *per cent*, Police (₹28.02 crore) 39 *per cent*, Other Rural Development Programmes (₹6.27 crore) nine *per cent* and Urban Development (₹2.37 crore) three *per cent*.

The withdrawal of money on an AC bill is accounted for against the functional Major Head in the Consolidated Fund. Unless the accounts are settled within the time allotted, the expenditure stands inflated. Further, non-adjustment of advances for long periods is fraught with the risk of misappropriation and therefore, requires close monitoring by the respective DDOs for ensuring submission of DC Bills. In reply to the audit observation at Paragraph 4.3 of the report on State Finances for the year ending March 2021, the Finance Department (December 2021) stated that all the administrative departments would be instructed to comply with the instructions. In compliance to this, though the State saw a considerable decrease in outstanding AC Bills (50 *per cent*) during 2021-22, it increased once again nominally during 2022-23.

The State Government in its reply (November 2023) stated that instructions were issued (July 2023) to all the administrative Departments to submit NDC bills for the pending AC bills.

4.7 Personal Deposit Accounts

Article 286 of the KFC, 1958 provides for opening of PD accounts with permission from the Government in cases where the ordinary system of accounting is not suitable for transactions. PD accounts created by debit to the Consolidated Fund of the State should be closed at the end of the financial year. However, this rule is not strictly followed in the State as significant balances are carried forward to the subsequent year which are discussed in paragraphs below. Administrators of the accounts should intimate the Treasury Officer about the balance to be transferred to the Consolidated Fund. For continuation of PD accounts beyond the period of their currency, administrators are required to seek the permission of the Finance Department. Periodical reconciliation of PD accounts with treasury accounts is the responsibility of the administrators concerned.

4.7.1 Status of PD Accounts

The details of PD Accounts operated during 2022-23 as per the records of AG(A&E) is given in the **Table 4.7**.

Table 4.7: Details of PD Accounts during the year 2022-23

Opening Balance		PD Accounts opened	Transfers to PD Accounts	PD Accounts closed	Withdrawals from PD Accounts	Closing Balance	
Number	Amount					Number	Amount
78	4,105.61	07	32,201.44	--	6,797.51	85	29,509.54

4.7.2 Trends in the closing balance of PD Accounts

The closing balances in the PD Accounts for the period from 2018-19 to 2022-23 are indicated in **Table 4.8**.

Table 4.8: Funds kept in PD Accounts

Year	Opening Balance	Receipts/Deposits	Withdrawals	Closing balance
2018-19	2,741.52	5,350.98	4,007.36	4,085.14
2019-20	4,085.14	6,557.67	6,221.25	4,421.56
2020-21	4,421.56	4,711.16	5,143.49	3,989.23
2021-22	3,989.23	4,787.13	4,670.75	4,105.61
2022-23	4,105.61	32,201.44	6,797.51	29,509.54

Source: Finance Accounts

The closing balance in the deposit accounts showed huge increase of ₹25,403.93 crore during 2022-23 from that of 2021-22.

The net closing balance in respect of some of the PD accounts of the administrators having huge balances as at the end of 2022-23 are shown in **Table 4.9**. This was offset by some of the PD accounts which had negative balances.

Table 4.9: Closing balances in PD Accounts

Sl. No.	Administrator	Amount
1	Personal Deposits – General	372.21
2	PD Accounts of Deputy Commissioners	8,172.75
3	PD Accounts of Director, Department of Scheduled Tribes	351.46
4	Personal Deposits, Assistant Commissioner under the Revenue Department	167.16
5	Karnataka Mining Environment Restoration Corporation	23,122.88

Source: DDR Ledger

It is evident from **Table 4.9**, that there had been a huge increase in the closing balance of PD Accounts during 2022-23, which was due to Karnataka Mining Environment Restoration Corporation. The Hon'ble Supreme Court *vide* its order dated 21.04.2022 directed the State Government to channelize the receipts and expenditure of the Special Purpose Vehicle for executing Comprehensive Environment Plan for Mining Impact Zone through opening of PD Account in the Public Accounts of the State.

4.7.3 Review of PD Accounts

A review of PD Accounts was conducted covering the period 2018-19 to 2022-23 with test check of records of PD Accounts maintained in the District Commissioners (DC) of Bengaluru (Urban) and Mysuru. Audit observations noticed during the review are discussed in the subsequent paragraphs.

4.7.3.1 Operation of PD Accounts

(a) Opening of PD Accounts

Government Orders for opening of new PD accounts stipulate that a requisition for authorisation from the AG (A&E) has to be obtained and the accounts have to be reconciled on monthly basis and permission is to be obtained from the Government for continuation of the accounts for subsequent years.

The details of the PD accounts yet to be migrated to Integrated Financial Management System Khajane-2 (K-2) from Khajane - 1(K-1) were not made available to audit. The details of the PD accounts opened and closed during the period 2018-19 to 2022-23 are as shown in the **Table 4.10**.

Table 4.10: Information of the PD accounts opened and closed during 2018-19 to 2022-23.

Sl. No.	Description	Number of Accounts
1	PD Accounts existing (including new PD accounts opened)	399
2	No. of PD Accounts closed	04
3	No. of PD Accounts existing	395

Audit observed that there were 395 PD accounts which existed as on 31 March 2023 whereas the number of PD accounts maintained in the books of AG(A&E) was 85. This mismatch was on account of treasury maintaining PD account distinctly for each purpose.

(b) In-operative PD Accounts.

As per Article 286 A of the KFC, if a PD account is not operated for a considerable period and then if the need for the deposit account has ceased, the same should be closed in consultation with the officer in whose favour the deposit account has been opened.

During the year 2022-23, out of 85 PD accounts, 29 PD accounts were inoperative for more than three years as detailed in **Table 4.11** and **Appendix 4.3**.

Table 4.11: Inoperative PD Accounts during 2022-23

Inoperative PD Accounts	Number	Amount
With negative balances	09	19.54
With zero balances	02	0.00
With positive balances	18	562.18

The books of AG(A&E) indicated there were 29 PD Accounts which were in-operative. Whereas, as per K-1, there were 78 in-operative PD Accounts. Out of the 29 PD Accounts which were inoperative as per records of AG (A&E), 21 were inoperative since 2011-12. Though the Finance Department are issuing orders time and again for closure of in-operative PD accounts, due to non-reconciliation in number of PD Accounts and its balances as discussed in previous paragraphs has resulted in non-closure of many of the inoperative PD accounts.

In the test checked PD Accounts of DC, Bengaluru (Urban) and Mysuru, scrutiny of cash book of PD Miscellaneous Account revealed the following:

- 11 schemes having an amount of ₹13.83 crore in Bengaluru (Urban) District and three schemes having an amount of ₹0.44 crore in Mysuru District have been in-operative for more than five years (**Appendix 4.3 (A)**)
- Out of these 14 schemes, the amount released towards construction of Bhavans²⁵ (₹117 lakh) and District Innovation Fund (₹10 lakh) remained unutilised.
- An amount of ₹8.00 crore released (March 2019) towards construction of building for Press Club of Bengaluru remained unutilised on account of the litigation on the land granted by the Government on lease basis for the said work.

(c) PD Accounts with negative balances

The receipts under PD Accounts are either credited into PD Accounts by debit to Consolidated Fund or remitted from other sources. Expenditure is incurred out of the available balances under PD Accounts. Hence, there should not be any negative balances in the PD Accounts. There were, however, 12 PD Accounts as per books of AG (A&E) with negative balances amounting to ₹5,963.79 crore. (**Appendix 4.4**)

4.7.3.2 Maintenance of PD Accounts

(a) Variation in the balances of PD Accounts

The Karnataka Financial Code (Rule 286) stipulates that Periodical reconciliation of PD accounts with treasury accounts is the responsibility of the administrators concerned. It was however, noticed that at the end of March 2023 there was huge difference in the figures depicted in the books of accounts of some of the test checked Departments, Commissionerate of Treasuries and AG (A&E) as detailed in **Table 4.12**.

Table 4.12: Difference in the PD Account balances depicted in the Books of Accounts

(₹ in lakh)				
Head of Account of PD Account as per AG(A&E)	Nomenclature	Balance as per the books of AG(A&E)	Balance as per K-1	Balance as per Department
8443-00-106-0-12-000	Tahasildar	272.64	0	Not furnished
8443-00-106-0-21-000	Deputy Commissioner	8,17,275.38	1,58,328.50	Not furnished
8443-00-106-0-54-000	Assistant Commissioner under Revenue	16,716.96	23,999.80	Not furnished
8443-00-106-0-64-000	Tahasildar, Calamity Relief Fund	6,653.47	6,827.74	Not furnished
8443-00-106-0-70-000	Chief Electoral Officer, Karnataka	14,081.20	13,515.65	13,515.65
8443-00-106-3-24-000	Director, SC/ST Welfare	35,145.91	8,160.32	Not furnished
8443-00-106-0-52-000	Under Secretary, Karnataka Legislative Council	4,250.88	2,399.40	2,563.49
8443-00-106-0-53-000	Under Secretary, Karnataka Legislative Assembly	9,279.41	2,533.40	3,512.93

²⁵ Ambedkar Bhavana in Anekal Taluk - ₹48 lakh; Construction of Samskruthi Bhavana - ₹10 lakh; Chalavadi Bhavana - ₹20 lakh; Bayalu Ranga Mandira - ₹4 lakh; Gangothri Bhavana for Physically Challenged Person - ₹20 lakh and Mahila Bhavana - ₹15 lakh.

Further, in test-checked unit - District Commissioner²⁶, Bengaluru (Urban) there were huge difference between the figures depicted in the books of Accounts of the DC, Bengaluru (Urban) and Treasury Department as shown in **Table 4.13**.

Table 4.13: Difference in the figures depicted in the Books of Accounts as on 31 March 2023

Year	Amount depicted in the Cash Book of DC	Amount depicted in Treasury (Khajane-2)	Difference
2020-21	1,97,55,67,124	1,97,75,82,557	20,15,433
2021-22	1,86,93,08,872	1,87,09,42,337	16,33,465
2022-23	1,93,57,48,737	1,93,73,20,015	15,71,278

(Amount in ₹)

The non-reconciliation is in contravention to the conditions stipulated in the GO issued at the time of opening of new PD accounts.

(b) Renewal of PD Accounts

According to Article 286 A of KFC, PD accounts are to be closed at the end of the financial year with a minus debit of the balance to the relevant service heads in the Consolidated Fund of the State. The account may be opened again in the following year, if necessary, in the usual manner. Further, Article 202 of the Constitution of India provides for Legislative financial control over public expenditure through the Annual Financial Statement / Budget. Not transferring the unspent balances lying in PD Accounts to the Consolidated Fund before the closure of the financial year violates Legislative intent, which is to ensure that funds approved by it for the financial year are spent during the financial year itself.

Audit observed in the test checked DC offices, departments were forwarding the proposal for renewal of the existing PD Accounts for continuation of the schemes/programmes to the Finance Department. The proposed programmes were also inclusive of the scheme/projects which had been in-operative for many years. Though the Finance Department instructed DC offices to remit the unutilised amount in the inoperative schemes and renewed the continuation of the other PD accounts, the concerned departments are yet to remit the fund back to the consolidated fund.

(c) Transfer of funds at the fag end of the financial year

Audit observed an amount of ₹8,801.64 crore were transferred from Consolidated Fund to PD Accounts in the months of March during the period 2018-19 to 2022-23. This indicates that these PD accounts were being utilised to transfer funds at the fag end of financial year to avoid lapse of budget.

(d) Migration of Accounts from Khajane-1 to Khajane-2 module

The Khajane - 1 (K1) application was upgraded to Khajane-2 (K2) during 2019. During the transition, PD accounts were also migrated to K2 module. As already discussed in the earlier paragraph, there were variations in closing balances in PD Accounts between the Department and Treasury Accounts. During migration of PD Accounts from K1 to K2, it was noticed that lowest closing balance among the two was migrated to K2 and difference amount was shown under the Suspense Account.

²⁶ Information in respect of DC, Mysuru was not made available.

In the test checked unit of DC²⁷, Mysuru it was noticed that ₹25,11,740 and ₹48,68,117 in respect of PD Miscellaneous Account and Calamity Relief Fund Account respectively were transferred to Suspense Account.

In the case of PD Miscellaneous Account, the amount needed to be claimed from suspense account after reconciliation and in respect of Calamity Relief Fund, the amount was to be traced and reconciled with Treasury. No action was taken to reconcile and claim the amounts.

4.7.4 Other observations

(a) Operationalisation of PD Accounts in the Public Sector Enterprises

GoK in its Order dated July 2003 stated all companies, corporations, autonomous bodies including statutory boards and registered societies shall deposit funds released by Government to them including paid up share capital, grants, subsidies *etc.*, in the Public Account of the Government. The balances in the deposit account shall be reconciled with the treasury balance every month. Further, the Order stated that only such schemes' funds shall be deposited in the PD Accounts where specific permission has been accorded by Government, and the normal process of drawing and accounting shall be followed in respect of other schemes. Treasury Officers shall not credit the amounts released into PD Accounts without the specific permission of the Government.

However, it was observed that an amount of ₹7.42 crore released to the Karnataka State Women's Development Corporation as share capital amount was kept in the PD Account since 2009. This was contrary to the Government Order issued which requires corrective action.

(b) Diversion of unspent balances in PD Accounts of various schemes

The Director, Revenue Villages Formation Cell and Ex-officio Secretary to Government, Revenue Department with the approval of Finance Department issued Government Order (February 2023) for utilising the unspent balances in DC, Miscellaneous PD Account for conducting conference to distribute Government benefits to various beneficiaries. It was specified that apart from scheme funds in the PD Account other balances were to be utilised for the conference. The details of the scheme and other funds utilised are detailed in the **Appendix 4.5**.

According to Article 286 A of KFC, PD accounts were to be closed at the end of the financial year by minus debit of the balance to the relevant service heads in the Consolidated Fund of the State. Contrary to this, the unutilised balances of ₹69.71 lakh were diverted for other purposes which were irregular.

4.8 Indiscriminate use of Minor Head - 800

Minor Head-800 relating to Other Receipts and Other Expenditure is intended to be operated only when the appropriate minor head has not been provided in the accounts. Routine operation of Minor Head-800 is to be discouraged since it renders the accounts opaque. Classification of large amounts under the omnibus Minor Head 800 affects transparency in financial reporting and distorts proper analysis of allocative priorities and quality of expenditure.

²⁷ Records of DC Bengaluru Urban was not provided.

It was observed that during the year 2022-23, ₹15,964.70 crore under 41 Major Heads of account, constituting 5.85 per cent of the total Revenue and Capital expenditure (₹2,72,932.13 crore) was classified under the Minor Head-800-Other Expenditure in the accounts. Details of substantial expenditure (20 per cent and above) booked under Minor Head-800-Other Expenditure are given at **Appendix 4.6**. Out of this, under five major heads the expenditure booked under minor head 800 was more than 90 per cent of the total expenditure.

C. Observation relating to measurement

4.9 Outstanding balances under suspense and DDR heads

4.9.1 Balances under Major Suspense and DDR heads

The accounts of the Government are kept on a cash basis. Certain intermediary/adjusting heads of accounts known as ‘Suspense Heads’ are operated in Government Accounts to reflect transactions of receipts and payments, which cannot be booked to a final head of account due to lack of information as to their nature, or for other reasons. These heads of accounts are finally cleared by minus debit or minus credit when the amounts are booked to their respective final heads of accounts. If these amounts remain uncleared, the balances under the suspense heads would accumulate and would not reflect the Government’s receipts and expenditure accurately. The balances under certain major suspense heads of accounts, as recorded in the ledger maintained by AG (A&E), for the last three years are indicated in **Table 4.14**.

Table 4.14: Balances under Suspense and Remittance Head

(₹ in crore)

Minor Head	2020-2021		2021-22		2022-23	
	Dr	Cr	Dr	Cr	Dr	Cr
Major Head 8658-Suspense						
101-PAO Suspense	283.51	3.40	273.17	4.07	245.19	Nil
Net	Dr.280.11		Dr.269.10		Dr.245.19	
102-Suspense Account-Civil	18.42	378.75	16.94	372.49	Nil	411.74
Net	Cr.360.33		Cr.355.55		Cr.411.74	
110- Reserve Bank Suspense-Central Accounts Office	72.61	53.35	172.52	35.49	273.45	Nil
Net	Dr.19.26		Dr.137.03		Dr.273.45	
Major Head 8782-Remittances						
102-1 Public Works remittances into treasury	82.61	0.00	82.61	0.00	82.61	Nil
Net	Dr.82.61		Dr.82.61		Dr.82.61	
103-1 Forest remittances	12.13	0.00	12.13	0.00	12.13	Nil
Net	Dr.12.13		Dr.12.13		Dr.12.13	

Source: Finance Accounts

Debt, Deposit and Remittances (DDR) are heads of account for such transactions where the Government, as a custodian of public money, receives and holds such money in trust.

The accuracy of the State Finance Accounts 2022-23 was adversely affected by factors such as:

- (i) Large number of transactions under suspense heads awaiting final classification; and
- (ii) Increased magnitude and quantum of adverse balances under DDR heads.

The Finance Accounts reflect the net balances under these heads. The outstanding balances are worked out by aggregating the outstanding debit and credit separately. The implications of the balances under these heads are discussed in the succeeding paragraphs:

- **Pay and Accounts Office Suspense**

This head is intended for settlement of transactions between the AG and the various separate Pay and Accounts Offices (PAO) of GoI. The transactions initially recorded under this head in the books of the AG are cleared on receipt of the Cheque/Demand Drafts from the PAO and on the issue of Cheque/Demand Draft in respect of amounts received in the State Treasuries on behalf of the PAO. An outstanding debit balance under this head would mean that payments were made by the AG on behalf of a PAO, which were yet to be recovered. Outstanding credit balance would mean that payments have been received by the AG on behalf of a PAO, which were yet to be paid. The net debit balance under this head showed a decreasing trend since 2020-21. On clearance/settlement of this, the cash balance of the State Government will increase. The transactions mainly related to National Highways, and payments made by the State Government to Central Government Civil Pensioners.

- **Suspense Account (Civil)**

Transactions where full particulars of the classification are not available, or where the relevant vouchers/schedules in support thereof are not available or where there is some discrepancy between the figures reported in the treasury schedules of payment/cash accounts and those appearing in the supporting vouchers, schedules, *etc.* constitute the major portion of outstanding figure under this head. Transactions taking place at State treasuries on behalf of Railways, Defence and Postal and Telecommunication Department are also initially classified under this head, pending settlement of claims by these authorities. The net credit balance under this head increased by ₹56.19 crore during the year. In so far as accounts with Railways (₹3.14 crore) and accounts with Defence (₹0.39 crore) are concerned, the cash balance will increase on clearance. There is no impact on cash balance in respect of the rest.

- **Reserve Bank Suspense, Central Accounts Office**

This head is operated for recording inter-governmental transactions where monetary settlement between the cash balances of two Governments is done by sending advice to the Central Accounts Section of the RBI. This head is cleared by transferring the amount to the final head of account on receipt of intimation of the monetary settlement having been carried out by the RBI. The main transactions, which get settled through this suspense head are grants, loans received from the GoI and their repayments, discharge of securities and interest paid thereon by the Public Debt Offices of RBI, and payments made by the Director General of Supplies and Disposals for materials supplied to Government Departments. During 2022-23, the debit balance under this head increased by ₹136.42 crore compared to previous year and was ₹273.45 crore. On

clearance/settlement of this, the cash balance of the State Government will increase.

- **Public Works Remittance into Treasury**

This head is operated to watch whether the Treasury acknowledges amounts remitted by the divisional officers of Public Works. The debit balance of ₹82.61 crore at the end of year 2022-23 is due to non-reconciliation by the Division Offices with the Treasury and these differences could lead to non-detection of cases of defalcation, which may result in loss to Government.

- **Forest Remittances into Treasury**

Collection for Forest Revenues by the divisions and their remittance to the Government Accounts at treasury initially takes place under this head. The debits under this head get cleared by credits appearing in the treasury accounts when the remittances are acknowledged and accounted by the treasury officers. Due to the time lag between actual realisation of revenue and its remittance into the treasury, the debits appearing in the division accounts under this head would continue to appear till remittance made is finally accounted in the Treasury Accounts. There is a debit balance of ₹12.13 crore at the end of 2022-23 under this head.

4.9.2 Adverse Balances under DDR Heads

Adverse balances are negative balances appearing under those heads of accounts where there should not be a negative balance. For example, against the accounting head of any loan or advance, a negative balance will indicate more repayment than the original amount advanced. **Table 4.15** indicates adverse balance under Public Debt and Loans & Advances. The balance under Public Debt, Head of Account (HoA) 6003-00-108-0-01 – Internal debt of the State Government Loans from National Co-operative Development Corporation increased by ₹0.01 crore in the year 2022-23 as compared to year 2021-22 and under the Loans and Advances, HoA 7610 – Loans and Advances to Government servants, the balance Increased by ₹0.65 crore in the year 2022-23 as compared to year 2021-22. Necessary action for clearing the adverse balances in respect of Public Debt and Loans and Advances is required to be taken.

Table 4.15: Adverse balance under DDR Heads

(₹ in crore)

Sl. No.	HoA	Description	Amount	Reason
Public Debt				
1	6003-00-108-0-01	Loans from National Co-operative Development Corporation, State Plan Schemes	Dr.174.41	Due to non-accounting of loan receipts from National Co-operative Development Corporation Ltd., in the Government accounts; whereas repayments were made through the Government accounts.
2	6004-04	Loans for Centrally Sponsored Plan Schemes	Dr.18.25	This was on account of the write-off of Central Loans on the recommendations of XIII FC (balances outstanding as per books of accounts as on 31 March 2010). The excess payments made during 2010-12 to various PAOs are to be adjusted against the dues of the Finance Ministry, GoI.
Total			Dr.192.66	

Sl. No.	HoA	Description	Amount	Reason
Loans and Advances				
3	6435 & 7615	Loans to State Institutions	Cr.81.58	Adverse balance is due to misclassification, which is under reconciliation.
4	7610	Loans and Advances to Government servants	Cr.8.89	
Total			Cr.90.47	

Source: Office of the AG(A&E)

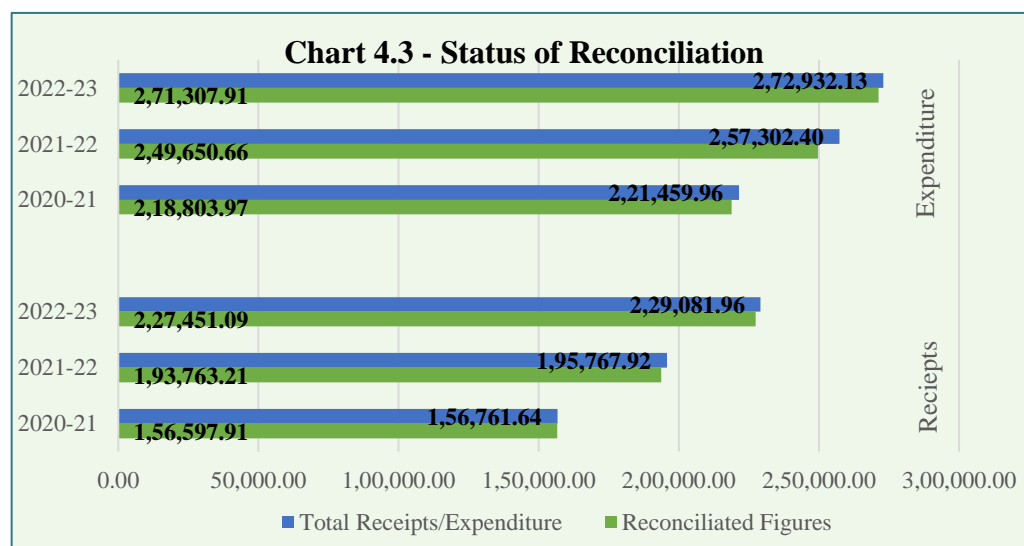
Note - There was minus balance under MH 6505, 6506 and 6701, which has not been depicted in the table due to balance being less than rupees one lakh.

Non-reconciliation of these adverse balances has resulted in understatement of the loans given and borrowed by the State Government.

4.10 Non-reconciliation of Departmental figures

To exercise effective budgetary control over revenue/expenditure and to ensure accuracy in accounts, all Controlling Officers are required to reconcile every month, the receipts and expenditure recorded in their books with the figures accounted for by the AG (A&E). The details of the last three years from 2020-21 revenue and expenditure reconciliation is indicated in **Chart 4.3**.

(₹ in crore)



Source: Finance Accounts

* Excludes loans and advances

The details relating to the number of Controlling Officers and the extent of reconciliation during the last three years are given in **Table 4.16**.

Table 4.16: Status of Reconciliation of Receipts and Expenditure figures
(₹ in crore)

Year	Total No. of Controlling Officers	Fully reconciled	Partially Reconciled	Not reconciled at all	Controlling Officers not transacted during the month	Total Amount	Reconciled Amount	Percentage
Receipts								
2020-21	101	86	-	15	0	1,56,761.64	1,56,597.91	99.90
2021-22	103	71	20	12	0	1,95,767.92	1,93,763.21	98.98
2022-23	96	72	14	7	3	2,29,081.96	2,27,451.09	99.29

Year	Total No. of Controlling Officers	Fully reconciled	Partially Reconciled	Not reconciled at all	Controlling Officers not transacted during the month	Total Amount	Reconciled Amount	Percentage
Expenditure								
2020-21	322	289	-	33	0	2,21,459.96	2,18,803.97	98.80
2021-22	333	260	42	31	0	2,57,302.40	2,49,650.66	97.03
2022-23	346	280	23	7	36	2,72,932.13	2,71,307.91	99.40

Source: Report on MCA and Finance Accounts

As indicated in the table above, during 2022-23, there was an increase in reconciliation of both Receipts and Expenditure. No reconciliation was carried out in respect of receipts and disbursements under loans and advances. Necessary action for reconciliation in respect of receipts and expenditure under loans and advances is required to be taken.

4.11 Reconciliation of cash balance

There should be no difference between cash balance of the State as per books of Accounts of the AG (A&E) and the cash balances as reported by RBI for the financial year as on 30 June of the following year as per the provisions made at para 3.65 in Report of the Working Group on Accounting and Reconciliation procedure of the State Government transactions by RBI.

As of March 2023, there was a difference of {₹2,786.67 crore (Dr.)}, between the figures reflected in the accounts {₹2,788.21 crore (Dr.)} and that intimated by the RBI {₹1.54 crore (Dr.)}, mainly due to non-reporting and non-reconciliation of figures by the Agency Banks as well as non-accounting of cheques issued by State Huzur Treasury for secret services, etc. It is under reconciliation in the office of AG (A&E).

4.12 Impact of certain transactions on major fiscal indicators during 2022-23

Scrutiny of certain major transactions during 2022-23 revealed that revenue deficit and fiscal deficit were affected by certain accounting adjustments (some of them are brought out in the Notes to Accounts of Finance Accounts) and through post audit analysis which are detailed in **Table 4.17**.

Table 4.17: Impact of certain major transactions during 2022-23

(₹ in crore)

Sl. No.	Nature of transaction	Revenue Surplus		Fiscal Deficit	
		Over-statement	Under-statement	Over-statement	Under-statement
1	Booking of capital expenditure instead of revenue expenditure	1.10	-	-	-
1a	Booking of capital expenditure instead of revenue expenditure (Grants-in-aid)	50.00	-	-	-
2	Booking of Revenue expenditure instead of Capital expenditure	-	0.75	-	-
3	Non-transfer of receipts under Green Tax Cess to Reserve Fund	14.94	-	-	14.94
4	Non-transfer of expenditure under Green Tax Cess to Reserve Fund	-	22.83	22.83	-
5	Non-transfer of receipts under Road Safety Cess	70.09	-	-	70.09

Sl. No.	Nature of transaction	Revenue Surplus		Fiscal Deficit	
		Over-statement	Under-statement	Over-statement	Under-statement
6	Non payment of Interest in respect of Karnataka Employees Group Insurance Fund.	84.66	-	-	84.66
7	Non payment of interest in respect of State Disaster Response Fund/ State Disaster Mitigation Fund	17.94	-	-	17.94
Total		238.73	23.58	22.83	187.63

Source: Notes to Accounts 2022-23 and Post audit analysis

4.13 Compliance with Accounting Standards

The Government Accounting Standards Advisory Board (GASAB) set up in the office of the C&AG with the support of the GoI is entrusted with the responsibility of formulating and proposing accounting and financial reporting standards for Government departments and organisations. On the advice of the C&AG of India, the President of India has so far notified three Indian Government Accounting Standard (IGAS).

The details of IGAS and compliance with these by GoK for the year 2022-23 are discussed in **Table 4.18**.

Table 4.18: Compliance to Accounting Standards

Sl. No.	Accounting Standards	Essence of IGAS	Status	Impact of deficiency
1	IGAS-1 Guarantees given by the Government-Disclosure requirement	The standard is set out to disclose the norms in respect of Guarantees given by Government in their respective Financial Statements along with the maximum amount of guarantees given during the year, addition, deletions (other than invoked during the year), outstanding at the beginning and end of the year and Guarantee commission or fee.	Complied	Guarantees disclosure has been complied with the standard.
2	IGAS-2 Accounting and Classification of Grants-in-Aid	It states that grants-in-aid should be classified under revenue expenditure under the accounts of grantor and revenue receipts in the accounts of grantee even if it involves creation of assets, except in cases specifically authorised by the President on the advice of the C&AG of India.	Partially Complied	Grants-in-Aid for creation of capital assets has been granted to Grants-in-Aid institutions viz., Indira Gandhi Institute of Child Health, Atal Bihari Vajpayee Medical College etc., as capital expenditure.
3	IGAS-3 Loans and Advances made by Government	This Standard relates to recognition, measurement, valuation and reporting in respect of loans and advances made by the Government in its Financial Statements to ensure complete, accurate and uniform accounting practices.	Partially Complied	The State government complied with the format prescribed by the Standard. However, the information in this regard is incomplete since the details of all the outstanding principal and interest in respect of loans accounts maintained by the State Government Departments have not been provided to the AG (A&E).

D. Observation relating to disclosure

4.14 Submission of accounts and placing of Separate Audit Reports of Autonomous Bodies in the Legislature

Several Autonomous Bodies were set up by the State Government in the fields of Village and Small Industries, Urban Development, *etc.* The audit of accounts of 14 autonomous bodies in the State was entrusted to the C&AG under Sections 19 and 20 of the C&AG's (DPC) Act, 1971.

The status of entrustment of audit, rendering of accounts, issuing of Separate Audit Reports (SAR) and their placement before the State Legislature is indicated in (**Appendix 4.7**). As seen from the Appendix, one SAR in respect of eight Autonomous Bodies, two SAR in respect of four Autonomous Bodies, three SAR in respect of two Autonomous Bodies were due for placement in the Legislature.

4.15 Departmental Commercial Undertakings/Corporations/Companies

The departmental undertakings of certain Government Departments performing activities of commercial and quasi-commercial nature are required to prepare proforma accounts in the prescribed format annually, showing the working results of financial operations, so that the Government can assess their working. The finalised accounts of departmentally managed commercial and quasi commercial undertakings reflect their overall financial health and efficiency. In the absence of timely finalisation of accounts, the investment of the Government remains outside the scrutiny of Audit/State Legislature. Consequently, corrective measures, if any, required for ensuring accountability and improving efficiency cannot be taken in time. Besides, the delay renders the system vulnerable to the risk of fraud and leakage of public money.

The Heads of Departments in the Government are to ensure that the undertakings prepare and submit accounts to the AG for audit within a specified timeframe. Out of the nine undertakings, which are closed/ transferred/converted into co-operative federations, proforma accounts in respect of two undertakings were due from 1969-70. The position of arrears in preparation of proforma accounts by the undertakings is given in **Appendix 4.8**.

As seen in the Appendix an investment of ₹8.87 crore has been made in the six undertakings as per the accounts finalised up to 2008-09 in respect of one undertaking, 2015-16 in respect of four undertakings and 2016-17 in respect of one undertaking.

4.16 Non-Submission of details of grants/ loans given to bodies and authorities

Under Section 14 of the C&AG's (DPC) 1971 whenever anybody or authority is substantially financed by grants or loans from Consolidated Fund of the State, the C&AG shall, subject to the provisions of any law for the time being in force applicable to the body or authority, as the case may be, audit all such receipts and expenditure of that body or authority and report the receipts and expenditure audited by him. Under Section 15 of the C&AG's (DPC) 1971, where any grant or loan is given for any specific purpose, the C&AG shall scrutinise the

procedures by which sanctioning authority satisfies itself as to the fulfilment of the conditions.

The institutions/bodies/authorities, which are audited under the above sections needs to be identified and the heads of the Government Departments are required to furnish to audit every year information about the institutions to which financial assistance of ₹25 lakh or more was given, the purpose for which assistance was granted and the total expenditure of the institutions.

Sixteen Departments did not furnish the information pertaining to 1,054 institutions receiving grants aggregating ₹25 lakh or more for periods ranging from two years to more than 20 years, as detailed in **Appendix 4.9**. As seen from the Appendix, the major defaulter was the Department of Education.

In reply to the State Finance Audit Report of the C&AG of India for the year ended March 2021, the Finance Department had stated (December 2021) that the concerned departments have been requested to furnish information to Audit Office. As a result, there was a marginal decrease in number of Institutions not furnishing the information.

4.17 Timelines and Quality of Accounts

The accounts of the State Government are compiled by the AG (A&E) from the initial accounts rendered by 36 Treasuries, 103 Forest Divisions, 59 Public Works Divisions, 35 Minor Irrigation Divisions, 10 Pay and Accounts Offices on the advice of Reserve Bank of India. Though there was a delay in rendering Monthly accounts in the first three quarters by some of the sections of the department, the State Government has monitored and ensured timely rendering of accounts. This timely submission of accounts continued during 2022-23 and as a result, the AG (A&E) excluded no accounts from the Monthly Civil Accounts.

4.18 Misappropriation, losses, thefts etc.

There were 61 cases of misappropriation, losses *etc.*, involving Government money amounting to ₹42.88 crore as at the end of 2022-23 on which final action is pending. The department wise break up of pending cases is given below in **Table 4.19** and age wise break up is indicated in **Appendix 4.10**.

Table 4.19: Pending cases of misappropriation, losses and thefts etc.

(₹ in lakh)

Name of the Department	Cases of misappropriation/ losses/ thefts of Government material		Reasons for the delay in final disposal of pending cases of misappropriation, losses, thefts etc.					
			Awaiting departmental and criminal investigation		Departmental action initiated but not finalised		Criminal proceedings finalised but recovery of the amount pending	
	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
Animal Husbandry and Veterinary Services	4	643.70	4	643.70	-	-	-	-
Food and Civil Supplies	1	525.00	1	525.00	-	-	-	-
Medical Education	2	1.98	2	1.98	-	-	-	-

Name of the Department	Cases of misappropriation/ losses/ thefts of Government material		Reasons for the delay in final disposal of pending cases of misappropriation, losses, thefts etc.					
			Awaiting departmental and criminal investigation		Departmental action initiated but not finalised		Criminal proceedings finalised but recovery of the amount pending	
	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
Forest	2	0.74	2	0.74	-	-	-	-
Home	6	129.69	-	-	6	129.69	-	-
Law	1	227.00	1	227.00	-	-	-	-
Health and Family Welfare	10	1.60	10	1.60	-	-	-	-
Social Welfare	1	9.48	1	9.48	-	-	-	-
Public Works	2	1180.18	-	-	2	1,180.18	-	-
Rural Development and Panchayat Raj	1	1.04	1	1.04	-	-	-	-
Karnataka Soaps and Detergents Ltd.	1	499.21	-	-	1	499.21	-	-
Karnataka Handloom Development Corporation	4	23.26	-	-	1	12.50	3	10.76
Karnataka State Coir Development Corporation	8	30.32	2	1.74	6	28.58	-	-
BESCOM	5	181.05	5	181.05	-	-	-	-
CESCOM	2	99.30	2	99.30	-	-	-	-
GESCOM	4	261.68	3	169.15	1	92.53	-	-
HESCOM	2	91.58	1	60.40	1	31.18	-	-
KPTCL	2	369.73	2	369.73	-	-	-	-
Archaeology, Museums and Heritage	1	3.38	1	3.38	-	-	-	-
Urban Development Department	1	2.02	1	2.02	-	-	-	-
Fisheries	1	6.25	-	-	1	6.25	-	-
Total	61	4,288.19	39	2,297.31	19	1,980.12	3	10.76

Source: Offices of the Pr.AG (Audit-I) and Pr.AG (Audit-II)

4.19 Follow up action on State Finance Audit Report

The Report of C&AG of India on State Finances for the year 2019-20 was discussed by the PAC in July 2022. The similar paras and important points of State Finance Audit Report for the years 2012-13 to 2018-19 were also taken up in PAC. It deliberated on regularisation of the Excess expenditure of ₹2,409.53 crore for the period from 2012-13 to 2017-18. The recommendations of the PAC is placed (Feb 2023) in the State Legislature.

4.20 Conclusion

The interest earned on the grants by the Government in certain Departments/Government Companies/Corporations were not remitted to Government Account in spite of instructions issued by the Finance Department.

Non-submission of Utilisation Certificate (UCs) which had increased during 2021-22 and was 132 amounting to ₹325.50 crore decreased to 48 amounting to ₹41.67 crore in 2022-23.

However, the pending Non-payment Detailed Contingent bills (NDC) increased nominally by 14 *per cent* when compared to the previous year.

The closing balance in the Personal Deposit accounts was on an increasing trend since 2020-21 and increased enormously during 2022-23. Retention of such large sums of money was against principle of Legislative financial control.

In spite of the Finance Department issuing instructions to Administrative Departments to furnish information to audit about the Institutions which were substantially financed by the Government, there was increase in number of Institutions not furnishing the required information. This points to inadequate internal control as well as monitoring mechanisms in the State Government. Further, in 15 cases of theft, misappropriation, loss of Government materials and defalcations, departmental action was pending for more than 25 years.

4.21 Recommendations

- *The Government should ensure adjustment of Abstract Contingent (AC) bills within the stipulated period and responsibility should be fixed on the defaulting officials for non-submission.*
- *The Government may also consider adopting a module similar to Expenditure Advance Transfer (EAT) available in Public Financial Management System (PFMS) to address the problem of pending UCs and AC bills.*
- *Cleaning up of balances in the PD Accounts which have outlived its utility needs to be examined and steps taken to close such PD Accounts after reconciliation of balances and in consultation with the Administrators and Treasury.*

Chapter – 5

State Public Sector Undertakings

CHAPTER 5 STATE PUBLIC SECTOR UNDERTAKINGS

This chapter discusses the financial performance of Government Companies, Statutory Corporations and Government controlled Other Companies as revealed²⁸ from their accounts. Impact of significant comments issued as a result of supplementary audit of the Financial Statements of these State Public Sector Undertakings (SPSUs) conducted by the C&AG of India for the year 2022-23 (or of earlier years which were finalised during the current year²⁹) has also been discussed.

5.1 Definition of Govt Companies / Corporations

A Government Company is defined in Section 2 (45) of the Companies Act, 2013 as a company in which not less than 51 *per cent* of the paid-up share capital is held by Central Government, or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments and includes a company which is a subsidiary of a Government Company.

Besides, any other company³⁰ owned or controlled, directly or indirectly, by the Central Government, or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments are referred to in this Report as Government Controlled Other Companies.

The Statutory Corporations set up under Statutes enacted by the State Legislature have also been categorised as SPSUs.

5.2 Mandate of audit

Audit of Government Companies and Government Controlled Other Companies is conducted by the C&AG of India under the provisions of Section 143(5) to 143 (7) of the Companies Act, 2013 read with Section 19 of the C&AG's (Duties, Powers, and Conditions of Service) Act, 1971 and the Regulations made thereunder. Under the Companies Act, 2013, the C&AG appoints the Chartered Accountants as Statutory Auditors for Companies and gives directions on the manner in which the accounts are to be audited. In addition, C&AG has the right to conduct a supplementary audit. The statutes governing some Statutory Corporations require their accounts to be audited only by C&AG.

²⁸ Six SPSUs failed to provide SFAR related information sought (July 23), which includes two working companies viz., Karnataka State Medical Supplies Corporation Limited, and Karnataka Handloom Development Corporation Limited.

²⁹ Latest accounts certified upto 30 September 2023

³⁰ Companies (Removal of Difficulties) Seventh Order, 2014 issued by Ministry of Corporate Affairs vide Gazette Notification dated 4 September 2014.

5.3 SPSUs and their contribution to GSDP of the State

5.3.1 Number of SPSUs

SPSUs consist of State Government Companies and Statutory Corporations. SPSUs are established to carry out activities of commercial nature keeping in view the welfare of people and occupy an important place in the State economy. As on 31 March 2023, there were 127 SPSUs in Karnataka, including six Statutory Corporations³¹, 121 Government Companies and Government Controlled Other Companies (including fourteen³² non-working Government Companies³³) under the audit jurisdiction of the C&AG. The names of these SPSUs are given in **Appendix 5.1**. Of these Government Companies, one SPSU (The Mysore Paper Mills Limited) is listed on the stock exchange. The non-working SPSUs have investment of ₹160.21 crore towards capital and ₹449.39 crore towards long term loans. This is a critical area as the investments in non-working PSUs do not contribute to the economic growth of the State.

The State Government while agreeing to the Audit observation stated (January 2024) that the investment in the inactive Government Companies were made between 1967 and 2015 and no investments were made thereafter. It also stated that these SPSUs incurred losses continuously which finally led these companies to become inactive. The State Government attributed obsolescence of machinery/production technologies, inability of the SPSUs to sustain highly competitive market conditions and aggressive strategies of private sectors as the reasons for these SPSUs to become inactive.

5.3.2 Contribution of SPSUs to GSDP of the State

The ratio of turnover of the SPSUs to the GSDP shows the extent of activities of the SPSUs in the State economy. The details of turnover of SPSUs and GSDP for a period of three years ending 31 March 2023 are given in **Table 5.1** below.

Table 5.1: Details of turnover of SPSUs vis-à-vis GSDP of Karnataka

Particulars	(₹ in crore)		
	2020-21	2021-22	2022-23
Number of SPSUs / Corporations	124	125	127
Turnover	77,635.92	77,410.25	88,824.60
GSDP of Karnataka	16,25,073	19,62,725	21,81,217
Percentage of Turnover to GSDP of Karnataka	4.78	3.94	4.07

It can be seen from the table above that the turnover of these SPSUs recorded

³¹ Karnataka State Road Transport Corporation, North Western Karnataka Road Transport Corporation, Kalyana Karnataka Road Transport Corporation (Previously North Eastern Karnataka Road Transport Corporation), Bangalore Metropolitan Transport Corporation, Karnataka State Financial Corporation and Karnataka State Warehousing Corporation

³² Karnataka Agro Industries Corporation Limited, The Mysore Tobacco Company Limited, Karnataka Pulpwood Limited, The Karnataka State Veneers Limited, The Mysore Match Company Limited, The Mysore Lamp Works Limited, Mysore Cosmetics Limited, The Mysore Chrome Tanning Company Limited, NGEF Limited, Karnataka Telecom Limited, The Mysore Acetate and Chemicals Company limited, Bangalore Suburban Rail Company Limited, Vijayanagar Steel Limited and Bangalore Airport Rail Link Limited (under voluntary liquidation).

³³ Non-working government company means a company which has not been carrying on any business or operation.

increase during 2022-23 as compared to 2020-21 by 14.41 *per cent* and by 14.75 *per cent* when compared to 2021-22 as per their latest audited accounts available in respective years. However, the contribution of SPSUs in GSDP is marginal in all three years with inter year variations.

5.4 Investment in SPSUs and Budgetary Support

5.4.1 Equity holding and Loans in SPSUs

The sector-wise Total Equity, Equity Contribution by State Government and Long-Term Loans including the loans given by State Government as on 31 March 2023 is given below in **Table 5.2**.

Table 5.2: Sector-wise investment in SPSUs

Name of the Sector	Total Equity	State Government Contribution	Total Long Term Loans	(₹ in crore)	
				State Government Loans	Total Equity and Long Term Loans
Power	18,815.04	15,048.61	70,996.86	1,730.4	89,811.90
Finance	3,816.34	3,721.48	866.27	71.75	4,682.61
Service	2,349.98	2,300.86	1,228.95	0.00	3,578.93
Infrastructure	92,869.99	91,250.51	23,744.88	9,091.82	1,16,614.87
Others	759.8	666.93	2,487.67	1,790.70	3,247.47
Total	1,18,611.15	1,12,988.39	99,324.63	12,684.67	2,17,935.78

Source: Information furnished by SPSUs

The thrust of SPSUs investment was mainly on Infrastructure and Power sectors as these two sectors have accounted for 94.72 *per cent* of total investment of ₹2,17,935.78 crore (Infrastructure sector - 53.51 *per cent* and Power sector - 41.21 *per cent*).

Out of the total equity of ₹1,18,611.15 crore, ₹1,13,887.29 crore was equity contribution from State as well as Central Government. Out of this, the investment in the profit (57) and loss (56) making SPSUs were ₹8,058.59 crore and ₹1,05,664.40 crore respectively. Similarly, out of the total long term loans by the State and Central Government of ₹12,743.40 crore, the loans towards profit making and loss making SPSUs were ₹989.04 crore and ₹11,693.65 crore respectively.

5.4.2 Market Capitalisation of Equity Investments in Government Companies

As on 31 March 2023, only One SPSU (The Mysore Paper Mills Limited) has got its shares listed in Bombay Stock Exchange (BSE). During the year 2014-15, the company was registered as a sick company under BIFR which has been notified on 06 June 2017. The shares are not traded consequent to suspension of trading in securities by BSE for non-compliance of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

5.4.3 Disinvestment, restructuring and privatisation

5.4.3.1 Disinvestment

The State Government approved (May 2022) closure of Bangalore Airport Rail Link Limited through voluntary liquidation and the unspent amount of ₹1.17 crore has been remitted (March 2023) by the Company to the shareholders (GoK and KSIIDC).

5.4.3.2 Restructuring

The State Government has directed (August 2022) for the creation of a new Company (Karnataka Forest Corporation Limited) through merger of three companies viz., Karnataka Forest Industries Corporation Limited, and Karnataka Cashew Development Corporation Limited with Karnataka Forest Development Corporation under the purview of Forest, Ecology and Environment Department, GoK. The process of merger / amalgamation has not completed till December 2023.

5.4.4 Budgetary support to SPSUs under Power Sector

Apart from investments through Equity infusion and Long-Term Loans, the State Government also provides financial support to Power Sector SPSUs in various forms through the annual budget. As on 31 March 2023, there were 11 Power Sector SPSUs (including one Subsidiary – KPC Gas Power Corporation Private Limited, one Joint Venture – Raichur Power Corporation Limited, and one Associate Company – Power Company of Karnataka limited). The budgetary outgo towards equity, loans, grants/subsidies, loans written off and interest waived in respect of these Power Sector SPSUs for the past three years are as shown in **Table 5.3**.

Table 5.3: Details regarding budgetary support to Power Sector SPSUs by State Government

(₹ in crore)

Sl. No.	Particulars	2020-21		2021-22		2022-23	
		No of SPSUs	Amount	No of SPSUs	Amount	No of SPSUs	Amount
1	Equity	4	537.33	7	311.93	7	727.97
2	Long Term Loans	0	0	1	150.00	1	396.92
3	Grants / Subsidy	6	11,885.85	6	18,320.34	7	14,263.63
	Total	10	12,423.18	14	18,782.27	15	15,388.52
4	Waiver of loans and Interest	0	0.00	0	0.00	0	0.00
5	Guarantees issued	4	7,250	4	3,617.14	5	8,755.47
6	Guarantee Commitment	6	10,764.30	6	12,919.08	6	16,890.47

As on 31 March 2023, the activity-wise investment (Equity and Long Term Loans) in 11 Power Sector PSUs was ₹89,811.90 crore as detailed in the **Table 5.4**.

Table 5.4: Activity wise Investment in Power Sector PSUs

(₹ in crore)

Sl. No.	Activity	No of PSUs	Investment		
			Equity	Long Term Loans	Total
1	Power Generation	3	8,822.18	32,552.33	41,374.51
2	Power Transmission	1	2,242.67	10,117.98	12,360.65
3	Power Distribution	5	7,749.64	26,035.58	33,785.22
4	Others	2	0.55	2,290.97	2,291.52
	Total	11	18,815.04	70,996.86	89,811.90

This investment accounts for 4.12 *per cent* of the GSDP³⁴ of the State during 2022-23. Further, the loan component alone accounts for nearly 3.25 *per cent*. One of the key indicators of financial distress of the ESCOMs is mounting power

³⁴ GSDP of Karnataka for FY 2022-23 - ₹21,81,217 crore.

purchase dues towards the Generation Companies. The delayed payments by ESCOMs are considered as one of the major reasons for financial stress. To overcome this distress, GoI had launched the LPS Rules, 2022 (Late Payment Surcharge), which had enabled the Distribution companies to pay the dues in equated monthly instalments. The overdue amount for generating companies engaged in conventional generation in Karnataka was ₹20,077.32 crore³⁵ as of March 2022. The cumulative overdue amount payable to generating companies at the end of March 2023³⁶ was ₹18,225.01 crore³⁷, which is indicative of the fact that over a period of 12 months, the overdue amount was reduced only by 9.22 per cent.

5.5 Returns from SPSUs

5.5.1 Profit earned by SPSUs

As per the companies latest Accounts finalised, 57 SPSUs have reported profit of ₹3,132.14 crore in 2022-23 as compared to profit of ₹2,608.22 crore by 55 SPSUs in 2021-22. The Return on Equity (RoE) of the 57 SPSUs also increased to 14.79 per cent in 2022-23 as compared to RoE of 6.70 per cent in 55 SPSUs during 2021-22. The RoE in all the 127 SPSUs in 2022-23, including 56 loss making SPSUs, was (-)6.96 per cent.

The details of top three SPSUs which contributed maximum profit during the year 2022-23 are summarised in **Table 5.5** below.

Table 5.5: Top three SPSUs which contributed maximum profit

Name of SPSU	Net profit earned (₹ in crore)	Percentage of Profit to total SPSUs profit
Karnataka Power Transmission Corporation Limited (KPTCL)	828.61	26.46
Karnataka State Minerals Corporation limited (KSMCL)	790.92	25.25
Karnataka State Investment and Infrastructure Development Corporation (KSIIDC)	269.78	8.61
Total	1,889.31	60.32

Source: Latest Financial Statements of SPSUs

The net profit of ₹1,889.31 crore contributed by above three SPSUs constituted 60.32 per cent of total profit of ₹3,132.14 crore by 57 SPSUs.

5.5.2 Dividend paid by the SPSUs

The guidelines³⁸ formulated (November 2021)³⁹ by the State Government, and subsequently notified (October 2022)⁴⁰ through an Order, stipulates that Board

³⁵ Represent dues towards State Generating Companies, viz. Karnataka Power Corporation Limited (KPCL): ₹17,295.58 crore and Raichur Power Corporation Limited (RPCL): ₹2,781.74 crore (Amounts are taken as per the books of KPCL/RPCL).

³⁶ The LPS Rules, 2022 came into effect from 3 June 2022 and ESCOMs paid ₹1,852.31 crore under LPS during August 2022 to March 2023.

³⁷ Represents dues to KPCL (₹15,934.58 crore) and RPCL (₹2,290.43 crore). This amount does not include dues accumulated during April 2022 to March 2023 and repayments received outside LPS during that period.

³⁸ Original guidelines issued in May 2003 had been replaced by a Circular dated 29.03.2021 envisaging dividend payout of 30 per cent of profit after tax or 5 per cent of Net worth whichever is higher. The said Circular was withdrawn with a issue of fresh circular envisaging dividend payout equivalent to 30 per cent profit after tax (PAT)

³⁹ Finance Department Circular dated 25.11.2021.

⁴⁰ Government Order dated 19.10.2022.

of Directors of SPSUs which are wholly owned or partially financed by the GoK shall decide the payment of dividend of not less than 30 *per cent* of the profit after tax in a particular year duly considering its operational and financial performance, advice of the GoK and other related matters. Out of 127 SPSUs in the State, GoK has infused equity in 104 SPESs (including six Statutory Corporations). The details of dividend payout by SPSUs in the last three years are shown in **Table 5.6**.

Table 5.6: Dividend Payout of SPSUs

(₹ in crore)							
Year	Total No. of SPSUs	Total No. of SPSUs which earned Profit	No. of SPSUs which made dividend payout	Paid Up Capital	GoK Equity	Net Profit	Dividend Paid
2020-21	124	50	16	208.65	178.11	583.28	59.01
2021-22	125	55	18	222.15	191.61	1,116.45	189.35
2022-23	127	57	16	220.44	193.13	1,439.37	307.46

Source: Latest Financial Statement of SPSUs

Out of 127 SPSUs, 57 SPSUs had earned profit during 2022-23 and only 16 SPSUs (28 *per cent*) had paid dividend of ₹307.46 crore. The State Government has infused equity in 13 out of 16 SPSUs which made dividend payout as per latest financial statements finalised till September 2023. Of those, only four SPSUs⁴¹ complied with the Government guidelines by making dividend payout equivalent to 30 *per cent* of profit after tax (PAT) and dividend payout by the remaining nine SPSUs⁴² were lower than 30 *per cent* ranging from 5.89 *per cent* to 25.96 *per cent* of PAT.

No dividend payout was made by two⁴³ Statutory Corporations which earned profits.

The State Government replied (January 2024) that a circular would be issued to pay the dividend as per the Government Order issued earlier.

5.6 Debt Servicing

5.6.1 Interest Coverage Ratio

Interest coverage ratio (ICR) is used to determine the ability of a company to pay interest on outstanding debt and is calculated by dividing a company's Earnings Before Interest and Taxes (EBIT) by interest expenses of the same period. The lower the ratio, the lesser the ability of the company to pay interest on debt. An ICR of below one indicates that the company is not generating sufficient revenues to meet its expenses on interest. The details of positive and negative interest coverage ratio of SPSUs, which had outstanding loans during the period from 2020-21 to 2022-23 are given in **Table 5.7**.

⁴¹ Karnataka State Minerals Corporation Limited, Karnataka Rural Infrastructure Development Limited, Karnataka State Small Industries Development Corporation Limited and Karnataka State Beverages Corporation Limited

⁴² Karnataka Soaps and Detergents Limited, The Mysore Electrical Industries Limited, Karnataka Silk Industries Corporation Limited, The Hutti Gold Mines Company Limited, Mysore Paints and Varnish Limited, Mysore Sales International Limited, Karnataka State Seeds Corporation Limited, Karnataka State Police Housing and Infrastructure Development Corporation Limited and Karnataka State Electronics Development Corporation Limited

⁴³ Karnataka State Warehousing Corporation (KSWC) and Karnataka State Financial Corporation (KSFC).

Table 5.7: Interest Coverage Ratio

Year	Interest	Earnings Before Interest and Tax (EBIT)	Number of SPSUs having liability of loans from Government and other financial institutions	(₹ in crore)	
				Number of companies having interest coverage ratio more than 1 ⁴⁴	Number of companies having interest coverage ratio less than 1 ⁴⁵
2020-21	9,285.89	5,041.69	52	15	24
2021-22	9,887.90	1,873.97	52	17	23
2022-23	10,344.07	7,452.80	51	13	26

Source: Latest Financial Statement of SPSUs

It was observed that during 2022-23 while 13 SPSUs had ICR of more than one, 26 SPSUs had ICR of less than one and for the remaining 12 SPSUs ICR could not be calculated due to nil value either in interest expenses or EBIT. Thus, 26 SPSUs were not generating sufficient revenues to meet their interest expenses. Further, from the table it can be seen that number of companies with ratio more than one had decreased during 2022-23.

5.7 Listed SPSUs in the State

One listed SPSU (The Mysore Paper Mills Limited) in Karnataka, mainly dealing with paper products, sugar, pulp *etc.*, has no operations since financial year 2015-16 for making any comparative analysis with private sector.

5.8 Operating efficiency of Government Companies

5.8.1 Return on Capital Employed (RoCE)

Return on Capital Employed (RoCE) is a ratio that measures a company's profitability and the efficiency with which its capital is employed. RoCE is calculated by dividing a company's EBIT by the capital employed⁴⁶. The details of RoCE during 2020-21 to 2022-23 are given below in **Table 5.8**.

Table 5.8: Return on Capital Employed

Year	EBIT (₹ in crore)	Capital Employed (₹ in crore)	ROCE (in per cent)
2020-21	5,041.69	1,45,117.01	3.47
2021-22	1,873.97	1,58,153.43	1.18
2022-23	7,452.80	1,58,382.98	4.71

Source: Latest Financial Statement of SPSUs

It was observed that RoCE was positive during 2020-21 to 2022-23 and had increased from 3.47 per cent in 2020-21 to 4.71 per cent in 2022-23.

5.8.2 Return on Equity by SPSUs

Return on Equity (RoE) is a measure of financial performance to assess how effectively a company's assets are being used to create profits. RoE is calculated by dividing net income (*i.e.*, net profit after taxes) by shareholder's fund. It is expressed as a percentage and can be calculated for any company if both net

⁴⁴ This doesn't include SPSUs which have loan liability, but interest coverage ratio couldn't be calculated due to nil value either in interest expenses or EBIT.

⁴⁵ This doesn't include SPSUs which have loan liability, but interest coverage ratio couldn't be calculated due to nil value either in interest expenses or EBIT.

⁴⁶ Capital Employed = Paid up Share capital + Free Reserves and surplus + Long term loans less Accumulated losses less Deferred Revenue Expenditure

income and shareholder's funds are positive numbers.

The shareholder's fund is calculated by adding paid up capital and free reserves minus net of accumulated losses and deferred revenue expenditure and reveals how much would be left for a company's stakeholders if all assets were sold and all debts paid. A positive shareholder's fund reveals that the company has enough assets to cover its liabilities while negative shareholder equity means liabilities exceed assets.

The details of Shareholders' fund and RoE relating to the SPSUs are given below in **Table 5.9**.

Table 5.9: Return on Equity relating to SPSUs where funds were infused by the State Government

Year	Net Income (₹ in crore)	Shareholder's Fund (₹ in crore)	ROE (Percentage)
2020-21	(-)5,259.47	54,429.18	-
2021-22	(-)8,839.63	60,956.73	-
2022-23	(-)4,317.61	62,056.99	-

The actual percentage of RoE could not be arrived at as overall net income of all the SPSUs was negative during 2020-2023.

5.9 SPSUs incurring losses

5.9.1 Losses incurred by SPSUs

There were 56 SPSUs⁴⁷ that incurred losses as per their latest finalised accounts. It is pertinent to mention that the State Government had invested ₹1,05,664.40 crore as on 31 March 2023 in the form of equity in 56 loss making PSUs. The losses incurred by these SPSUs decreased to ₹7,449.75 crore compared to losses of ₹8,246.47 crore in 2020-21 as given below in **Table 5.10**.

Table 5.10: SPSUs that incurred losses during 2020-21 to 2022-23

Year	No of loss making SPSUs	Net loss for the year	Accumulated loss	Net Worth ⁴⁸
Statutory Corporations				
2020-21	5	(-)985.32	(-)3,141.26	(-)2,464.55
2021-22	4	(-)1,282.43	(-)3,877.52	(-)2,981.46
2022-23	4	(-)1,289.96	(-)5,912.82	(-)4,806.56
Government Companies				
2020-21	45	(-)7,261.15	(-)26,567.37	21,844.26
2021-22	46	(-)10,165.42	(-)32,951.29	25,000.29
2022-23	52	(-)6,159.79	(-)31,764.40	45,491.21
Total				
2020-21	50	(-)8,246.47	(-)29,708.63	19,379.71
2021-22	50	(-)11,447.85	(-)36,828.81	22,018.83
2022-23	56	(-)7,449.75	(-)37,677.22	40,684.65

⁴⁷ 56 SPSUs include eight non-working SPSUs.

⁴⁸ Net worth means the sum total of the paid-up share capital and free reserves and surplus less accumulated loss and deferred revenue expenditure. Free reserves mean all reserves created out of profits and share premium account but do not include reserves created out of revaluation of assets and write back of depreciation provision.

In 2022-23, out of total loss of ₹7,449.75 crore incurred by 56 SPSUs, significant loss of ₹4,417.77 crore was contributed by four SPSUs.⁴⁹

5.9.2 Erosion of capital in SPSUs

As on 31 March 2023, there were 60 SPSUs with accumulated losses of ₹46,814.47 crore. Of these 60 SPSUs, 45 SPSUs incurred losses amounting to ₹7,231.07 crore and 15 SPSUs had not incurred loss, even though they had accumulated loss of ₹3,551.88 crore as per their latest finalised accounts. Three out of 60 SPSUs were under liquidation⁵⁰.

The net worth of 40 out of 60 SPSUs had been completely eroded by accumulated loss and their net worth was either zero or negative and the details are indicated in **Appendix 5.2**. The net worth of these 40 SPSUs was ₹(-)23,297.91 crore against paid up equity of ₹10,695.05 crore as on 31 March 2023. Out of 40 SPSUs, whose capital had been eroded (being zero or negative net worth), six SPSUs had earned profit of ₹32.10 crore during 2022-23. In 19 out of 40 SPSUs whose capital had been eroded, State Government loans outstanding as on 31 March 2023 amounted to ₹3,231.65 crore.

Further, out of the total equity and loans in the 40 companies, 96.73 per cent of equity and 53.55 per cent of loan constituted in Power and Transport Sectors. State Governments are the sole owners of most Power Sector entities and the Government Departments undertakings of the State provide public transport services. The financial health of the power sector entity directly affects the fiscal position of the States. Since Power and Transport Sectors contributed to majority of the losses in SPSUs, the XIV FC in addition to recommending addressing the inefficiencies in the SPSUs, had also suggested for establishment of State Electricity Regulatory Commission Fund for providing financial autonomy to the State Electricity Regulatory Commission and setting up of independent regulatory authority for Transport Sector. In respect of other SPSUs, it had upheld the recommendation of XIII FC to draw a road map for closure of non-working companies. Meanwhile, the Finance Department in the inaugural meeting of Committee of Public Undertakings (August 2023) stated that a consulting group was entrusted with study of loss making SPSUs and recommend operational and management strategies to turnaround the companies. In addition, a single man committee was set up for restructuring the power sector which submitted its report during May 2022 (discussed in **Paragraph 2.5.4.1**).

The State Government in its reply (January 2024) stated the following:

- The commercial parameters like dividend declared, return on capital, return on equity, etc., brought out in **Paragraph 5.6 to 5.9.2** are generally applied to determine performance of an enterprise which is set up with objective of earning profits.
- The SPSUs apart from commercial enterprises, also included organisations

⁴⁹ Bangalore Electricity Supply Company Limited (BESCOM) - ₹1,767.49 crore, Hubli Electricity Supply Company Limited (HESCOM) - ₹836.22 crore, Raichur Power Corporation Limited (RPCL) - ₹678.22 crore and Karnataka Neeravari Nigam Limited (KNNL) - ₹1,135.84 crore.

⁵⁰ The Karnataka State Veneers Limited (KSVL), Mysore Cosmetics Limited (MCL) and Bangalore Airport Rail Link Limited (under voluntary liquidation).

with objective of social service, community development, creation of employment, infrastructure development *etc.*

- Hence the performance of SPSUs cannot be analysed only by the factor of investment or profit earned by them but needs to be assessed by the services provided, infrastructures/employment created *etc.*

5.10 Audit of SPSUs

C&AG appoints the Statutory Auditors of a Government Company and Government Controlled Other Company, exercising the powers vested under Section 139 (5) and (7) of the Companies Act, 2013. C&AG has a right to conduct a supplementary audit and issue comments upon or supplement the Audit Report of the Statutory Auditor. Statutes governing some Corporations require that their accounts be audited by the C&AG and a report be submitted to the Legislature.

5.11 Appointment of Statutory Auditors of SPSUs by C&AG

Sections 139 (5) of the Companies Act, 2013 provides that the Statutory Auditors in case of a Government Company or Government Controlled Other Company are to be appointed by the C&AG within a period of 180 days from the commencement of the financial year. In the case of a new Government Company, Section 139 (7) of the Companies Act, 2013 provides for such appointment within 60 days from the date of registration of the Company.

The Statutory Auditors of the above Companies for the year 2022-23 were appointed by the C&AG during August / September 2022.

5.12 Submission of Accounts by SPSUs

5.12.1 Need for timely submission

According to Section 395 (1) (a) of the Companies Act, 2013 Annual Report on the working and affairs of a State Government Company is to be prepared within three⁵¹ months of its Annual General Meeting⁵² (AGM). As soon as may be after such preparation, the Annual Report must be laid before the House or both Houses of the State Legislature, together with a copy of the Audit Report and comments of the C&AG upon or as supplement to the Audit Report. Similar provisions exist in the respective Acts regulating Statutory Corporations. This mechanism provides the necessary Legislative control over the utilisation of public funds invested in the Companies from the Consolidated Fund of State.

Section 96 of the Companies Act, 2013 requires every company to hold an AGM of the shareholders once in every calendar year. It is also stated that not more than 15 months shall elapse between the date of one AGM and that of the next. Further, Section 129 of the Companies Act, 2013 stipulates that the audited Financial Statements for the financial year have to be placed in the said AGM for their consideration.

⁵¹ Time specified in Section 394 (1) (a) of the Companies Act, 2013

⁵² In case of the first AGM, it shall be held within a period of nine months from the date of closing of the first financial year of the company and in any other case within a period of six months, from the date of closing of the financial year i.e., 30 September.

Section 129 (7) of the Companies Act, 2013 also provides for levy of penalty like fine and imprisonment on the persons including Directors of the company responsible for non-compliance with the provisions of Section 129 of the Companies Act, 2013.

Taking note of inordinate delay in holding AGM by SPSUs, the State Government fixed (January 2023) a timeline finalisation of accounts and completion of statutory audit by 30th June, obtaining Board's approval / statutory audit report / CAG comments by 31st August and hold AGM on or before 30th September. The Managing Director, Finance head and / or Accounts head of the Government company were responsible for ensuring the compliance of the above directives.

Many SPSUs failed to comply with Government directives as the annual accounts of various SPSUs were continued to be pending as on 30 September 2023⁵³, as detailed in the following paragraph.

5.12.2 Timeliness in preparation of accounts by SPSUs

As of 31 March 2023, there were 121 Government Companies under the purview of C&AG's audit. Of these, only 85 Government Companies submitted 98 accounts (including accounts of earlier years) for audit by C&AG and got them certified by 30 September 2023. This included only 25 accounts pertaining to the financial year 2022-23 which is indicative of non-adherence to Government directives.

Accounts of 96 Government Companies were in arrears for various reasons. The details of arrears in submission of accounts of Government Companies are given in **Table 5.11**.

Table 5.11: Details of arrears in submission of accounts of SPSUs

Sl. No.	Particulars	No. of SPSUs	
1	Number of accounts in arrears ⁵⁴ (96 Government Companies)	233	
2	Break- up of Arrears	(i) Under Liquidation	77
		(ii) Defunct	16
		(iii) Others	140
3	Age-wise analysis of arrears against 'Others' category	(i) One year (2022-23)	62
		(ii) Two years (2021-22 and 2022-23)	14
		(iii) Three years and more	64

Since the State Government had made investment in the form of equity and loans in the PSUs whose accounts had been falling in arrears, the non-finalisation of accounts by these companies would lead to the Government investments remaining outside the oversight of Audit as well as the State Legislature thereby making them highly susceptible to instances of fraud and misappropriation.

Citing non-adherence to the directives issued in January 2023 and as a measure of financial control as well as to ensure financial discipline, the State Government has directed (November 2023) all the Government Owned Companies to prepare quarterly financial statements with effect from 01.04.2024

⁵³ Due date of holding AGM of Companies for the financial year 2021-22 is 30 September 2023 as per the Companies Act, 2013.

⁵⁴ Includes 22 financial statements from 21 companies (including one non-working company) received before September 2023 but under various stages of audit / certification.

and placement of audited quarterly financial statements along with draft reports before the Audit Committee, if any, for recommendation and review by Board of Directors.

5.12.3 Timeliness in preparation of accounts by Statutory Corporations

Audit of six Statutory Corporations is conducted by the C&AG. Of these, C&AG is the sole auditor for four Statutory Corporations (in transport sector) and for other two⁵⁵ Statutory Corporations, C&AG conducts supplementary audit after financial statements are audited by Statutory Auditors.

As on 30 September 2023, Accounts for the year 2022-23 are in arrears⁵⁶ in respect of all the six Statutory Corporations.

5.13 CAG's oversight: Audit of accounts and supplementary audit

5.13.1 Financial reporting framework

Companies are required to prepare the Financial Statements in the format laid down in Schedule III to the Companies Act, 2013 and in adherence to the mandatory Accounting Standards prescribed by the Central Government, in consultation with National Advisory Committee on Accounting Standards. The Statutory Corporations are required to prepare their accounts in the format prescribed under the rules, framed in consultation with the C&AG and any other specific provision relating to accounts in the Companies Act, 2013 governing such Corporations.

5.13.2 Audit of Accounts of SPSUs by Statutory Auditors

The Statutory Auditors appointed by the C&AG under Section 139 of the Companies Act, 2013 conduct audit of accounts of the Government Companies and submit their report thereon in accordance with Section 143 of the Companies Act, 2013.

The C&AG plays an oversight role by monitoring the performance of the Statutory Auditors in audit of PSUs with the overall objective that the Statutory Auditors discharge the functions assigned to them properly and effectively. This function is discharged by exercising the power to:

- issue directions to the Statutory Auditors under section 143(5) of the Companies Act, 2013 and
- supplement or comment upon the Statutory Auditor's Report under Section 143(6) of the Companies Act, 2013.

5.13.3 Supplementary Audit of accounts of SPSUs

The prime responsibility for preparation of Financial Statements in accordance with the financial reporting framework prescribed under the Companies Act, 2013 or other relevant Act is of the management of an entity.

The Statutory Auditors appointed by the C&AG under Section 139 of the Companies Act, 2013 are responsible for expressing an opinion on the Financial

⁵⁵ *Karnataka State Financial Corporation (KSFC) and Karnataka State Warehousing Corporation (KSWC).*

⁵⁶ *Includes three financial statements from three Statutory Corporations received before September 2023 but under various stages of audit / certification.*

Statements under Section 143 of the Companies Act, 2013 based on an independent audit in accordance with the Standard Auditing Practices of Institute of Chartered Accountants of India and directions given by the C&AG. The Statutory Auditors are required to submit the Audit Report to the C&AG under Section 143 of the Companies Act, 2013.

The certified accounts of selected Government Companies along with the report of the Statutory Auditors are reviewed by C&AG by carrying out a supplementary audit. Based on such review, significant audit observations, if any, are reported under Section 143(6) of the Companies Act, 2013 to be placed before the AGM.

5.14 Result of CAG's oversight role

5.14.1 Audit of accounts of SPSUs under Section 143 of the Companies Act, 2013

Ninety-eight Financial Statements were received (25 for the year 2022-23 and remaining 73 for earlier years) from 85 Government Companies and audited by C&AG by 30 September 2023. Of these, 76 Financial Statements of Government Companies were reviewed in audit by the C&AG and Non-Review Certificate was issued for 22 Government Companies. The results of the review are detailed below:

5.14.2 Amendment of financial statements

Financial Statements of 13 Government Companies were amended as a result of supplementary audit conducted by the C&AG as indicated in **Appendix 5.3** before laying the same in the AGM. The financial impact of amendments was ₹(-)357.15 crore on the profitability and ₹509.55 crore on assets and liabilities.

5.14.3 Revision of Statutory Auditors' Report

The Statutory Auditors' Reports on 48 Financial Statements were revised as a result of supplementary audit of the Financial Statements conducted by the C&AG as indicated in **Appendix 5.4**.

5.14.4 Significant comments of the CAG issued as supplement to the Statutory Auditors' Reports on SPSUs

The comments issued by C&AG during supplementary audit on Financial Statements of SPSUs had an impact of ₹94.04 crore on profitability and ₹129.87 crore on assets/liabilities, which are detailed in **Appendix 5.5** and **Appendix 5.6**.

5.14.5 Significant comments of the CAG issued on the accounts of Statutory Corporations

The comments issued by the C&AG on the accounts of Statutory Corporations where C&AG is the sole auditor had an impact of ₹241.48 crore on the profitability and ₹55.36 crore on assets/liabilities. The significant comments included by the C&AG in Separate Audit Reports (SAR) on the accounts of Statutory Corporations are detailed below:

Karnataka State Road Transport Corporation (2020-21)

- Non-provision for the compensation payable due to revised guidelines in respect of 671 accidental death cases during the period June 2018 to March 2021 has resulted in understatement of liability towards Motor Vehicle

Accident (MVA) claims by ₹5.72 crore for 2020-21 and ₹25.14 crore for the previous years and understatement of loss for the year to that extent.

- Non-provision for the compensation payable in respect of 36 MVA Claim cases awarded before the end of March 2021 has resulted in understatement of liability towards MVA claims by ₹2.24 crore and understatement of loss for the year to that extent.

Karnataka State Road Transport Corporation (2021-22)

- Non-inclusion of amount of ₹2.95 crore, being the interest payable on enhanced compensation awarded by the Hight Court of Karnataka in respect of a land at Doddahunasuru, Hunasuru acquired for construction of bus station has resulted in understatement of liabilities, expenditure and consequent understatement of loss by ₹2.95 crore.
- Non-provision for the compensation payable in respect of 68 cases pertaining to Mandya, Mysuru Rural, Ramanagara, Chitradurga, Kolar and Bengaluru Central Division awarded before the end of March 2021 has resulted in understatement of liability by ₹2.79 crore and understatement of loss for the year to that extent.

Bengaluru Metropolitan Transport Corporation (2020-21)

- Non-provision of ₹124.68 crore being the amount payable to KUIDFC as contribution to Revolving Fund under JnNURM guidelines as demanded by KUIDFC has resulted in understatement of liability and consequent understatement of loss by ₹124.68 crore.
- Non-provision of ₹6.12 crore being amount payable as interest levied on delay in making payment towards building and other construction cess to Karnataka State Building & Other Construction Workers Welfare Board has resulted in understatement of liability, understatement of expenses and understatement of loss by ₹6.12 crore.

Bengaluru Metropolitan Transport Corporation (2021-22)

- Failure to charge penalty imposed on M/s Ashok Leyland towards low KPML and faulty LED Board and Voice Announcing System in respect of 450 vehicles amounting to ₹11.85 crore has resulted in understatement of claims receivable, understatement of income and overstatement of loss by ₹11.85 crore.
- Non provision of ₹5.51 crore being the interest on the delay in remittance of Labour Welfare Cess payable to concerned Department for the year resulted in understatement of liability, expenditure and consequent understatement of loss by ₹5.51 crore.

Kalyana Karnataka Road Transport Corporation (2021-22)

- Inclusion of penalty/ liquidated damages from the bills of M/s Tata Motors, M/s Ashok Leyland and M/s KMS Bus Body Builders under unspecified liabilities has resulted in overstatement of liabilities, understatement of income and consequent overstatement of loss for the year by ₹5.66 crore.

North Western Karnataka Road Transport Corporation (2021-22)

- Inclusion of ₹52.51 crore and ₹26.34 crore under receivables towards Student

Concession Passes and Senior Citizen concession, pending reimbursement from the Government without any formal assurance has resulted in overstatement of Current assets, understatement of expenditure and understatement of loss by ₹78.85 crore.

5.14.5.1 Non compliance to Accounting Standards 15

Accounting Standard 15 States that liability for employee benefits should be calculated according to the actuarial valuation. In the absence of actuarial valuation, the adequacy of provision for gratuity and leave encashment made could not be ascertained and ensured in audit in none of the six financial statements of four Statutory Corporations stated above. The non-compliance to provisions of Accounting Standard 15 is being consistently commented upon every year.

5.15 Management Letters

One of the objectives of financial audit is to establish communication on audit matters arising from the audit of Financial Statements, between the auditor and those charged with the responsibility of governance of the corporate entity.

The material observations on the Financial Statements of Public Sector Enterprises were reported as comments by the C&AG under Section 143 (5) of the Companies Act, 2013. Besides these comments, irregularities or deficiencies observed by C&AG in the financial reports or in the reporting process, were also communicated to the Management through 'Management Letter' for taking corrective action. During the year, C&AG issued Management Letters to 27 Government Companies and four Statutory Corporations on the deficiencies related to accounting treatment and policies, non-compliance to accounting standards on disclosures and non-compliance to assurances to audit on rectification of errors, *etc.*, noticed in 33 financial statements.

5.16 Conclusion

- As on 31 March 2023, there were 127 SPSUs including six Statutory Corporations. Out of 127 SPSUs, there were 14 non-working SPSUs. Of these, five⁵⁷ SPSUs have commenced liquidation process, closure process had not yet started for eight SPSUs, and closure order for one SPSU (NGEF Limited) were withdrawn by the GoK⁵⁸.
- Twenty-six SPSUs out of 51 SPSUs having liability towards Government Loans, have an Interest Coverage Ratio of less than one indicating their inability to generate sufficient revenue to meet their interest expenses.
- Out of the total profit of ₹3,132.14 crore earned by 57 SPSUs, profit of ₹1,889.31 crore constituting 60.32 per cent of total profit was contributed by only three SPSUs. Out of total loss of ₹7,449.75 crore incurred by 56 SPSUs, loss of ₹4,417.77 crore (59.30 per cent) was contributed by four SPSUs.
- Except for 25 SPSUs whose accounts for the year 2022-23 were submitted and certified by 30 September 2023, remaining SPSUs have failed in adhering to the timeline prescribed (January 2023) regarding submission / certification of their Financial Statements as per the Companies Act, 2013. As a result, 233 accounts of 96 Government Companies were in arrears as at the end of September 2023.
- Submission / certification of financial statements for the year 2022-23 were pending in respect of all six Statutory Corporations.

⁵⁷ The Karnataka State Veneers Limited, Mysore Cosmetics Limited, Karnataka Telecom Limited, The Mysore Acetate and Chemicals Company Limited and Bangalore Airport Rail Link Limited.

⁵⁸ The Government of Karnataka (GoK) decided to withdraw the closure orders of NGEF as there were no arrears of loan and proposed for utilisation of land and other valuable properties of the Company for public projects. Based on the application from GoK, the Hon'ble High Court of Karnataka admitted (June 2017) for withdrawal of closure orders passed earlier.

5.17 Recommendations

- *Delay in submission of accounts would attract levy of fines and/or imprisonment as per the provisions of section 129(7) of the Companies Act, 2013. Hence, the Government should fix responsibility on the concerned Chief Executive Officers/Chief Managing Directors for such delays.*
- *The State Government must reiterate its directives for dividend payout to all profit earning SPSUs to ensure its compliance and improve its Return on Equity (RoE).*
- *The State Government should review the performance of the loss making SPSUs and chalk out a roadmap to firm up operational and management strategies to improve performance efficiency.*

**Bengaluru
The**

**(Shanthi Priya S)
Principal Accountant General (Audit I)
Karnataka**

Countersigned

**New Delhi
The**

**(Girish Chandra Murmu)
Comptroller and Auditor General of India**

Appendices

Appendix 1.1

State Profile

(Reference: Paragraph 1.2; Page 1)

A		General Data					
Sl. No.	Particulars		Figures				
1	Area		1,91,791 sq.km				
2	Population						
	a	As per 2001 Census	5.29 crore				
	b	As per 2011 Census	6.11 crore				
3	¹ Density of Population (2011 Census) (All India Density = 382 persons per Sq. Km)		319 persons per sq.km				
4	² Population below poverty line (2011 Census) (All India Average= 21.90 per cent)		20.90 per cent				
5	³ Literacy (2011 Census) (All India Average = 73.00 per cent)		75.36 per cent				
6	⁴ Infant Mortality (per 1,000 live births) (All India Average = 33 per 1,000 live births)		19 per 1,000 live births				
7	⁵ Life Expectancy at birth (All India Average = 67.9 years)		68.8 years				
8	⁶ Human Development Index [#] (2012) (India = 0.587)		0.644				
9	⁷ Gross State Domestic Product (GSDP) 2022-23 at current price (in crore)		21,81,217				
10	Per capita GSDP (2022-23) (Rupee)	Karnataka [@]	3,22,189				
		All India Average	1,96,983				
11	Per capita GSDP/GDP CAGR (2013-14 to 2022-23)	Karnataka	2.38				
		All India	2.18				
12	GSDP/GDP CAGR (2013-14 to 2022-23)	Karnataka	4.26				
		All India	3.11				
13	Population Growth (2011-23)	Karnataka	13.95				
		All India	10.51				
B		Financial Data					
Particulars		Figures in per cent					
CAGR		General Category States [*]			Karnataka [^]		
		2017-18 to 2020-21	2020-21 to 2021-22	2021-22 to 2022-23	2017-18 to 2020-21	2020-21 to 2021-22	2021-22 to 2022-23
1	of Revenue Receipts	3.41	25.59	13.41	2.16	24.91	17.02
2	of own-Tax Revenue	3.52	25.62	19.78	3.66	24.41	19.02
3	of non-Tax Revenue	(-)1.04	44.81	12.94	6.82	49.19	18.15
4	of Total Expenditure	7.17	14.00	12.53	7.94	16.68	5.61
5	of Capital Expenditure	1.13	25.62	18.93	10.37	8.34	16.35
6	of Revenue Expenditure on Education	6.72	11.47	13.21	4.92	20.12	6.63
7	of Revenue Expenditure on Health & Family Welfare	12.25	19.71	0.88	11.83	30.73	(-)11.44
8	of Salary and Wages	7.63	11.82	8.52	11.56	15.07	4.23
9	of Pension	10.39	11.88	11.38	17.46	9.14	16.23

Source: Financial data is based on Finance Accounts

[#] Human Development Index is a composite index comprising of life expectancy, education and per-capita income.

^{*} GC States figures are adopted from the information sent by Economic Advisor, O/o the CAG, New Delhi.

[^]2017-18 to 2022-23 figures are arrived by considering the Finance Accounts of the respective years.

[@] Per Capita GSDP (2018-19 to 2021-22) as per Economic Survey 2022-23, GoK and the per capita GSDP for the year 2022-23 has been worked out based on the projected population of the State of 6.77 crore as per National Commission on Population, Ministry of Health and Family Welfare.

The development indicators relating to the major infrastructures are as follows:

- (i) Surfaced roads per 100 sq. km (2022-2023) is **47.73 km.**
- (ii) Unsurfaced roads per 100 sq. km (2022-2023) is less than **0.5 km.**
- (iii) Percentage of households with electricity (2022-2023) is **99.22.**
- (iv) Grossed cropped area (2022-2023) is **149.1 hectares.**
- (v) Number of Primary schools (2022-2023) is **55,408.**
- (vi) Number of Primary Health Centres is **2,531.**

1. *Economic Survey, GoK 2022-23.*
2. *Economic Survey, GoK 2022-23.*
3. *Economic Survey, GoK 2022-23.*
4. *Economic Survey, GoK 2022-23.*
5. *Economic Survey, GoK 2022-23.*
6. *Economic Survey, GoK 2022-23.*
7. *As per Ministry of Finance, GoI.*

Note: All India average of General Category States has been calculated on the basis of figures provided by 16 General Category States such as Andhra Pradesh including Telangana, Bihar, Chhattisgarh, Gujarat, Haryana, Jharkhand, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Odisha, Punjab, Rajasthan, Tamilnadu, Uttar Pradesh and West Bengal.

Appendix 1.2

Structure of Government Accounts

(Reference: Paragraph 1.4; Page 5)

The Layout of Finance Accounts of the State Government is detailed below:

Finance Accounts is prepared in two volumes with Volume-I presenting the summarised financial statements of Government and Volume-II presenting the detailed statements. The layout is detailed below. Further, Volume II contains details such as comparative expenditure on salaries and subsidies by major head, Grants-in-Aid and assistance given by the State Government, Externally Aided Projects, expenditure on Plan Scheme, Direct Transfer of Central scheme funds to implementing agencies, summary of balances, financial results of irrigation schemes, commitments on incomplete public works contracts and maintenance expenditure which are brought out in various appendices.

Statement number	Layout
1	Statement of Financial Position
2	Statement of Receipts and Disbursements
3	Statement of Receipts (Consolidated Fund)
4	Statement of Expenditure (Consolidated Fund)
5	Statement of Progressive Capital Expenditure
6	Statement of Borrowings and Other Liabilities
7	Statement of Loans and Advances given by the Government
8	Statement of Investments of the Government
9	Statement of Guarantees given by the Government
10	Statement of Grants-in-aid given by the Government
11	Statement of Voted and <i>Charged</i> Expenditure
12	Statement on Sources and Application of funds for expenditure other than on Revenue Account
13	Summary of Balances under Consolidated Fund, Contingency Fund and Public Account
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21	Detailed Statement of Contingency Fund and other Public Account Transactions
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Appendix 1.3

Summarised Financial position of GoK as on 31 March 2023

(Reference: Paragraph 1.7; Page 8)

As on 31.03.2022		LIABILITIES		(₹ in crore) As on 31.03.2023
3,29,041.81		Internal Debt		3,53,893.89
	3,11,289.80	Market Loans bearing interest	3,37,289.84	
	0.04	Market Loans not bearing interest	(-)0.04	
	7.85	Loans from Life Insurance Corporation of India	(-)24.11	
	5,639.28	Loans from other Institutions	6,151.24	
	12,104.84	Loans from RBI - Special Securities issued to National Small Savings Fund of the Central Government	10,476.92	
45,385.00 [^]		Loans and Advances from Central Government		49,139.16
	0.07	Pre 1984-85 Loans	0.07	
	25.34	Non-Plan Loans	20.43	
	7,013.92	Loans for State Plan Schemes	5,506.97	
	7.89	Loans for Central Plan Schemes	7.89	
	(-)18.25	Loans for Centrally Sponsored Plan Schemes	(-)18.25	
	0.03	Loans for Centrally Sponsored Schemes	0.03	
	38,356.00	Other Loans	43,622.02	
500		Contingency Fund		500
42,332.89		Small Savings, Provident Funds, etc.		45,736.19
53,045.85		Reserve Funds		60,327.72
33,682.31		Deposits		59,874.35
2,224.32		Suspense and Miscellaneous balances		3,420.65
5,06,212.18		Total		5,72,891.96
		ASSETS		
3,99,069.27		Gross Capital Outlay on Fixed Assets		4,56,417.44
	70,657.43	Investments in shares of Companies, Corporations etc.	72,799.77	
	3,28,411.84	Other Capital Outlay	3,83,617.67	
35,329.29		Loans and Advances		38,101.37
	5,185.88	Loans for Power Projects	5,305.08	
	30,053.61	Other Development Loans	32,705.84	
	89.80	Loans to Government Servants and Miscellaneous Loans	90.45	
1,206.25		Remittances		1,047.50
6.94		Other Advances		6.94
63,412.36		Cash		83,628.63
-		Cash in treasuries		
	5.64	Departmental Cash Balance including Permanent Advances	5.99	
	1,518.39	Deposits with Reserve Bank of India	2,788.21	
	0.01	Remittances in Transit	0.01	
	31,973.89	Cash Balance Investments	47,919.99	
	29,914.43	Investment from earmarked funds	32,914.43	
7,188.07		Surplus on Government Accounts		(-)6,309.93
	(-)6,898.15	Accumulated Surplus	7,188.07	
	(+)13,666.23	Deduct Revenue Surplus/Add Revenue Deficit	(-)13,495.79	
		Deduct Other adjustments		
	420.00			
	(-)0.01	Deduct Capital Receipts	(-)2.21	
5,06,212.18		Total		5,72,891.96

[^] Effective Loans and Advances for GoI would be ₹14,869 crore as the Department of Expenditure, GoI had decided that GST compensation of ₹12,407 crore and ₹18,109 crore given to the State as back-to-back loan during 2020-21 and 2021-22 respectively under Debt Receipt would not be treated as debt of the State for any norms which may be prescribed by the Finance Commission.

Appendix 2.1

Abstract of Receipts and Disbursements

(Reference: Paragraph 2.2; Page 17)

(₹ in crore)

Receipts		Disbursements			
2022-23		2021-22	2022-23		2021-22
Section-A: Revenue					
2,29,079.74	I. Revenue receipts	1,95,761.84	2,15,583.99	I. Revenue expenditure	2,09,428.04#
1,43,701.93	Tax revenue	1,20,738.79	71,816.05	Total General Services	62,669.05
13,914.13	Non-tax revenue	11,777.04		Social Services	
34,596.18	State's share of Union Taxes & Duties	33,283.58	31,263.04	Education, Sports, Art and Culture	29,140.26
36,867.50	Grants for Central and Centrally Sponsored Schemes	29,962.43	11,308.77	Health and Family Welfare	12,769.90
11,628.10	Centrally Sponsored Schemes	12,659.36	12,502.78	Water Supply, Sanitation, Housing and Urban Development	11,207.12
3,495.25	Finance Commission Grants	6,239.03	298.12	Information and Broadcasting	215.53
21,744.15	Other transfer/grants to State/UT with Legislature	11,064.04	8,515.43	Welfare of Scheduled Castes, Scheduled Tribes, Other Backward Classes and minorities	7,573.54
			637.96	Labour and Labour Welfare	996.66
			15,893.28	Social Welfare and Nutrition	17,716.82
			591.77	Others	184.09
			81,011.15	Total Social Services	79,803.92
				Economic Services	
			16,214.41	Agriculture and Allied Activities	19,917.55
			11,234.31	Rural Development	8,121.35
			213.25	Special Areas Programmes	218.48
			1,890.57	Irrigation and Flood Control	1,978.82
			14,103.43	Energy	17,445.23
			1,579.66	Industry and Minerals	1,681.63
			6,346.71	Transport	4,605.46
			38.50	Science, Technology and Environment	44.82
			5,474.09	General Economic Services	6,325.91
			57,094.93	Total Economic Services	60,339.25
			5,661.86	Grants-in-aid and Contribution	6,615.82
			13,495.75	II Revenue Deficit carried over to Sec.-B	(-)13,666.23
2,29,079.74		1,95,761.84	2,29,079.74	Total	1,95,761.84

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Section B – Capital and others					
Receipts			Disbursements		
2022-23		2021-22	2022-23		2021-22
63,412.36	II. Opening Cash Balance including Permanent Advances & Cash Balance Investments & Investments from earmarked funds	47,143.18			
2.21	III. Miscellaneous Capital receipts	6.08	57,348.17	III. Capital Outlay	47,874.34*
			1,651.39	Total General Services	939.79
				Social Services	
			1,590.01	Education, Sports, Art and Culture	1,634.07
			1,230.26	Health and Family Welfare	2,574.84
			7,018.25	Water Supply, Sanitation, Housing and Urban Development	6,843.87
			-	Information and Broadcasting	0.50
			2,315.07	Welfare of Scheduled Castes, Scheduled Tribes, Other Backward Classes and Minorities	1,952.86
			151.99	Social Welfare and Nutrition	72.82
			171.36	Other Social Services	149.42
			12,476.94	Total Social Services	13,228.38
				Economic Services	
			1,166.13	Agriculture and Allied Activities	851.87
			263.87	Rural Development	306.13
			3,399.96	Special Areas Programmes	2,114.80
			21,221.14	Irrigation and Flood Control	19,075.59
			724.00	Energy	200.00
			686.24	Industry and Minerals	144.06
			14,127.54	Transport	10,142.79
			1,630.96	General Economic Services	870.93
			43,219.84	Total Economic Services	33,706.17
478.30	IV. Recoveries of Loans and Advances	126.70	3,250.38	IV. Loans and Advances	4,209.46
	From Power Projects	67.55		For Power Projects	150.00
	From Government Servants	6.42		To Government Servants	4.51
	From Others	52.73		To Others	4,054.95
44,548.73	V. Public Debt receipts	80,640.80**	15,942.49	V. Public Debt repayment	13,971.54
39,282.63	Internal debt other than Ways and Means Advances and Overdraft	60,461.42	14,430.55	Internal debt other than Ways and Means Advances and Overdraft	12,559.79

Receipts			Disbursements		
2022-23		2021-22	2022-23		2021-22
	Ways and Means Advances from Reserve Bank of India	-	-	Ways and Means Advances from Reserve Bank of India	-
5,266.10	Loans and Advances from the Central Government	20,179.38	1,511.94	Repayment of Loans and Advances to Central Government	1,411.75
-	VI. Contingency Fund	420.00	-	VI. Contingency Fund Disbursements	420.00
3,68,235.82	VII. Public Account Receipts	3,28,313.19	3,30,003.50	VII. Public Account Disbursements	3,13,096.05
9,192.22	Small Savings and Provident Funds, etc.	8,881.95	5,788.92	Small Savings and Provident Funds, etc.	5,360.16
10,069.18	Reserve Funds	12,405.50	2,787.31	Reserve Funds	3,232.74
1,01,650.21	Deposits and Advances	73,546.48	75,458.16	Deposits and Advances	70,738.26
2,47,324.26	Suspense and Miscellaneous	2,33,480.35	2,46,127.93	Suspense and Miscellaneous	2,33,633.07
(-)0.05	Remittances	(-)1.09	(-)158.82	Remittances	131.82
(+)13,495.75	VIII. Revenue Surplus (+)/ Deficit(-) carried over from Sec.-A	(-)13,666.23	83,628.63	VIII. Cash Balance at the end of 31-03-2023	63,412.36
			0.01	Cash in Treasuries and Local Remittances	0.01
			2,788.21	Deposits with Reserve Bank	1,518.39
			5.99	Departmental Cash Balances including Permanent Advances	5.64
			47,919.99	Cash Balance Investment	31,973.89
			32,914.43	Investment from Earmarked Funds	29,914.43
4,90,173.17	Total	4,42,983.75	4,90,173.17	Total	4,42,983.75

Includes expenditure on interest payment in respect of off-budget borrowings etc., under various service heads ₹1,216.04 crore borrowed through Special Purpose Vehicles - Social Services (₹119.35 crore) and Economic Services (₹1,096.69 crore).

*Includes expenditure of ₹4,621.51 crore on account of off-budget borrowings.

** Effective Public Debts would be ₹62,531.89 crore as the Department of Expenditure, GoI had decided that GST compensation of ₹18,108.91 crore given to the State as back-to-back loan under Debt Receipts would not be treated as debt of the State for any norms which may be prescribed by the Finance Commission.

Appendix 2.2

Time series data on the State Government Finances

(Reference: Paragraph 2.2, 2.4.3, 2.7.1; Page 17,23,62)

	2018-19	2019-20	2020-21	2021-22	2022-23
	(₹ in crore)				
	Part A: Receipts				
1. Revenue Receipts	1,64,979	1,75,443	1,56,716	1,95,762	2,29,080
Rate of growth	12.23	6.34	(-)10.67	24.92	17.02
(i) Tax Revenue	96,830(59)	1,02,363(58)	97,052(62)	1,20,739(62)	1,43,702(63)
Rate of growth	11.13	5.71	(-)5.19	24.41	19.02
State Goods and Services Tax	41,956(43)	42,147(41)	37,711(39)	49,929(41)	61,403(43)
Taxes on Agricultural Income	-	1(-)	---	-	-
Taxes on Sales, Trade, etc.	14,003(15)	16,424(16)	16,028(17)	19,274(16)	19,082(13)
State Excise	19,944(21)	21,584(21)	23,332(24)	26,378(22)	29,920(22)
Taxes on Vehicles	6,568(7)	6,763(7)	5,607(6)	6,915(6)	10,611(7)
Stamps and Registration fees	10,775(11)	11,308(11)	10,576(11)	14,020(12)	17,726(12)
Land Revenue	144	203	184	181	364
Taxes on Goods and Passengers	28	65	16	18	3
Taxes and Duties on Electricity	2,334(2)	2,693(3)	2,433(2)	2,724(2)	3,052(2)
Other Taxes on Income and Expenditure	1,057(1)	1,140(1)	1,127(1)	1,269(1)	1,499(1)
Other Taxes and Duties on Commodities and Services	21	34	38	31	42
(ii) Non Tax Revenue	6,773(4)	7,681(4)	7,894(5)	11,777(6)	13,914(6)
Rate of growth	4.57	13.41	2.77	49.19	18.15
Interest receipts	1,112	895	920	1,315(11)	1,377(10)
Dividend and profits	38	54	81	350(3)	429(3)
Nonferrous Mining and Metallurgical Industries	3,027	3,629	3,893	6,308(54)	5,946(44)
Medical and Public Health	330	599	419	522(4)	431(3)
Other Administrative Services	253	305	388	417(4)	1,156(8)
Forestry and Wild Life	309	267	276	282(2)	325(2)
Education, Sports and Culture	200	183	175	287(2)	178(1)
Police	241	308	367	500(4)	579(4)
Roads and Bridges	105	71	50	61(1)	25
Other non-Tax receipts	1,158	1,370	1,325	1,735(15)	3,468(25)
(iii) State's share of Union taxes and duties	35,895(22)	30,919(18)	21,694(14)	33,284	34,596(15)
Rate of growth	13.05	(-)13.86	(-)29.84	53.42	3.94
(iv) Grants-in-aid from GoI	25,481(15)	34,480(20)	30,076(19)	29,962(15)	36,868(16)
Rate of growth	17.74	35.32	(-)12.77	(-)0.38	23.05
Grants for State Plan schemes	-	-	-	-	-
Grants for Central plan schemes	-	-	-	-	-
Grants for Centrally Sponsored Schemes	10,393	12,214	9,852	12,659(42)	11,629(32)
Other transfers/Grants to States	11,714	17,593	14,667	11,064(37)	21,744(59)
Finance Commission Grants	3,374	4,673	5,557	6,239(21)	3,495(9)
2. Capital Receipts	41,939	50,707	84,843	80,774	45,029
(i) Miscellaneous Capital Receipts	(-)6	45	45	6	2
(ii) Recoveries of Loans and Advances	31	203	270	127	478
(iii) Public Debt Receipts	41,914	50,459	84,528 ^{##}	80,641 ^{##}	44,549
Rate of growth of Public Debt Receipts	66.84	20.39	67.52	(-)4.60	(-)44.76
Internal Debt (excluding Ways and Means Advances and Overdrafts)	40,470(97)	49,473(98)	70,414(83)	60,462(75)	39,283(88)
Net transactions under Ways and Means Advances and Overdrafts	-	310(1)	-	-	-
Loans and Advances from GoI	1,444(3)	675(1)	14,114(17) [§]	20,179(25) [§]	5,266(12)

	2018-19	2019-20	2020-21	2021-22	2022-23
3. Total Revenue and Non-debt capital receipts (1+2(i)+2(ii))	1,65,004	1,75,691	1,57,031	1,95,895	2,29,560
4. Total Receipts in the Consolidated Fund (3+2(iii))	2,06,919	2,26,150	2,41,559	2,76,536	2,74,109
5. Contingency Fund Receipts	-	-	-	420	-
6. Public Account Receipts	2,37,760	2,55,638	2,72,457	3,28,313	3,68,236
7. Total Receipts of the State (4+5+6)	4,44,679	4,81,787	5,14,016	6,05,269	6,42,345
Part B: Expenditure/Disbursements					
8. Revenue Expenditure	1,64,300	1,74,258	1,76,054	2,09,428	2,15,584
Rate of growth	15.31	6.06	1.03	18.96	2.94
General Services (including interest payments)	42,655(26)	48,824(28)	55,018(31)	62,669(30)	71,816(33)
Social Services	67,935(41)	66,373(38)	61,726(35)	79,804(38)	81,011(38)
Economic Services	48,285(29)	52,636(30)	53,629(30)	60,339(29)	57,095(26)
Grants-in-aid and contributions	5,425(4)	6,425(4)	5,681(4)	6,616(3)	5,662(31)
9. Capital Expenditure	34,659	35,530	45,406	47,874	57,349
General Services	827(2)	779(2)	1,206(3)	940(2)	1,652(3)
Social Services	9,794(28)	9,192(26)	11,547(25)	13,228(28)	12,477(22)
Economic Services	24,038(70)	25,559(72)	32,653(72)	33,706(70)	43,220(75)
10. Disbursements of Loans and Advances	4,487	4,069	2,669	4,209	3,250
General Services	-	-	-	-	-
Social Services	2,441	1,061	1,393	2,770(66)	1,846(57)
Economic Services	2,035	3,002	1,271	1,435(34)	1,400(43)
Miscellaneous Loans	11	6	5	4	4
11. Total Capital Expenditure (9+10)	39,146	39,599	48,075	52,083	60,599
Rate of growth	9.47	1.15	21.40	8.34	16.35
12. Total Expenditure (8+9+10)	2,03,446	2,13,857	2,24,129	2,61,511	2,76,183
Rate of growth	14.14	5.11	4.80	16.68	5.61
13. Repayment of Public Debt	11,083	10,180	11,016	13,972	15,942
Internal Debt (excluding Ways and Means Advances and Overdrafts)	9,741(88)	8,446(83)	9,611(87)	12,560(90)	14,430(91)
Net transactions under Ways and Means Advances and Overdraft	-	310(3)	-	-	-
Loans and Advances from GoI	1,342(12)	1,424(14)	1,405(13)	1,412(10)	1,512(9)
14 Appropriation to Contingency Fund	-	-	-	420	-
15. Total disbursement out of Consolidated Fund (12+13+14)	2,14,528	2,24,037	2,35,145	2,75,903	2,92,125
16. Contingency Fund disbursements	-	-	-	-	-
17. Public Account disbursements	2,34,330	2,45,292	2,66,193	3,13,096	3,30,004
18. Total disbursement by the State (15+16+17)	4,48,858	4,69,329	5,01,338	5,88,999	6,22,129
Part C: Surplus/Deficit					
19. Revenue Deficit (-)/ Revenue Surplus (+) (1-8)	679	1,185	(-)19,338	(-)13,666	13,496
20. Fiscal Deficit (3-12)	38,442	38,166	67,098	66,036	46,623
21. Primary Deficit (20-22)	21,828	18,263	43,665	39,760	16,980
Primary Surplus (22-20)	-	-	-	-	-
Part D: Other data					
22. Interest Payments (included in revenue expenditure)	16,614	19,903	23,433	26,276[#]	29,643
23. Financial Assistance to local bodies etc.	50,603	54,603	53,771	57,582	62,708
24. Ways and Means Advances/	-	-	-	-	-

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	2018-19	2019-20	2020-21	2021-22	2022-23
Overdraft availed (days)					
Ways and Means Advances availed (days)	-	2	-	-	-
Overdraft availed (days)	-	-	-	-	-
25. Interest on Ways and Means Advances/Overdraft	-	0.05	-	-	-
26. Gross State Domestic Product * (GSDP)	14,79,391	16,11,134	16,25,073	19,62,725	21,81,217
27. Rate of growth	10.96	8.91	0.87	20.78	11.13
28 Off-Budget Borrowings during the year	3,523.65	4,435.49	3,045.10	2,350	4,029
28.(a) Outstanding Fiscal Liabilities (inclusive of off-budget borrowings)	2,85,238	3,37,520	4,15,926 ^{^^}	4,90,256	5,53,363
29. Rate of growth	15.84	18.33	23.23	10.53	20.36
30. Outstanding guarantees (year-end) (including interest)	24,091	26,830	32,733	33,193	38,356
31. Maximum amount guaranteed (year-end)	30,719	35,694	45,104	49,467	70,095
32. Number of incomplete projects	881	978	1,133	1,208	1,864
33. Capital blocked in incomplete Projects	3,128	4,359	6,469	5,938	8,476
Part E: Fiscal Health indicators					
I Resource Mobilisation					
Revenue Receipts/GSDP	11.15	10.89	9.64	9.97	10.50
Own-Tax Revenue/GSDP	6.55	6.35	5.97	6.15	6.59
Own non-Tax Revenue/GSDP	0.46	0.48	0.49	0.60	0.64
Central Transfers/GSDP	2.42	2.90	2.46	3.22	2.22
Non-Tax revenue to Revenue Receipts	4.11	4.38	5.04	6.02	6.07
Rate of growth of State's own-Tax	10.68	6.22	4.63	26.27	18.94
II Expenditure Management					
Total Expenditure/GSDP	13.75	13.27	13.79	13.32	12.66
Revenue Receipts/Total Expenditure	81.09	82.04	69.92	74.86	82.95
Revenue Expenditure/Total Expenditure	80.76	81.48	78.55	80.08	78.06
Expenditure on Social Services/Total Expenditure	39.41	35.83	33.31	36.63	34.52
Expenditure on Economic Services/Total Expenditure	36.55	37.97	39.06	36.51	36.83
Capital Expenditure/Total Expenditure	19.24	18.52	21.45	19.92	21.94
Capital Expenditure on Social and Economic Services/Total Expenditure	18.83	18.15	20.91	19.56	21.34
III Management of Fiscal Imbalances					
Revenue Surplus (Deficit)/GSDP	0.05	0.07	(-)1.19	(-)0.70	0.62
Fiscal Deficit/GSDP	2.60	2.36	4.13	3.36	2.14
Primary Deficit /GSDP	1.48	1.13	2.69	2.03	0.78
Primary Revenue Balance (₹ in crore)	17,293	21,088	4,095	12,610	16,147
Primary Revenue Balance/GSDP	1.17	1.31	0.24	0.73	0.74
IV Management of Fiscal Liabilities					
Fiscal Liabilities (inclusive of off-budget borrowings)/GSDP [^]	19.28	20.95	24.83	23.42	23.97
Fiscal Liabilities/Revenue Receipts	172.89	192.38	257.48	234.85	228.24
Fiscal Liabilities/Own Resources	275.32	306.71	384.50	346.93	331.72
V Other Fiscal Health Indicators					
Return on Investment (₹ in crore)	38.30	53.64	80.70	349.78	425.23

	2018-19	2019-20	2020-21	2021-22	2022-23
Financial Assets/Liabilities	1.00	1.00	1.00	1.00	1.00
Revenue Buoyancy** w.r.t					
GSDP	0.59	7.29	(-)1.20	2.27	1.53
States' own-Tax	1.10	1.11	(-)2.06	0.94	0.90
State's own-Tax Buoyancy w.r.t GSDP	0.97	0.70	(-)5.32	1.26	1.70
Buoyancy of total expenditure with					
GSDP	1.29	7.3	5.52	0.80	0.50
Revenue receipts	1.16	0.82	0.45	0.67	0.33
Buoyancy of revenue expenditure with					
GSDP	1.40	8.66	1.18	0.91	0.26
Revenue receipts	2.53	0.96	0.10	0.76	0.17
Buoyancy of capital expenditure with					
GSDP	0.86	1.64	24.60	0.40	1.47
Revenue receipts	0.77	0.18	2.00	0.33	0.96
Buoyancy ratio of fiscal liabilities with					
GSDP	1.45	26.19	26.70	0.51	1.83
Revenue Receipts	1.30	2.89	2.18	0.42	1.20
Own Resources	1.48	2.95	5.05	0.40	1.07

Figures in brackets represent percentages (rounded) to total of each sub-heading.

Includes expenditure on interest payment in respect of off-budget borrowings etc., under various service heads (₹1,206.04 crore borrowed through Special Purpose Vehicles- Social Services (₹156.67 crore) and Economic Services (₹1,135.59 crore).

*GSDP figures adopted in previous audit report are 2018-19 (₹14,76,496 crore), 2019-20 ₹16,15,457 crore), 2020-21 (₹17,30,991 crore) and 2021-22(₹17,21,336 crore)

**Buoyancy ratio indicates the elasticity or degree of responsiveness of a fiscal variable with respect to a given change in the base variable. For instance, revenue buoyancy at 0.4 implies that revenue receipts tend to increase by 0.4 percentage points, if the GSDP increases by one.

^The back-to-back Loan ₹12,407 crore in 2020-21 and ₹18,109 crore in 2021-22 received from GoI in lieu of GST compensation has not been considered as Debt for working out the indicator

The effective public debt would be ₹72,121 crore and ₹62,532 crore by deducting the GST compensation of 12,407 crore for 2020-21 and ₹18,109 crore for 2021-22 received as back-to-back loans. The Department of Expenditure, GoI had decided that GST compensation given to the State as back-to-back loan under Debt Receipts would not be treated as debt of the State for any norms which may be prescribed by the FC.

\$ The effective Loans and Advances from GoI would be ₹1,707 crore and ₹2,070 crore by deducting the GST compensation of 12,407 crore for 2020-21 and ₹18,109 crore for 2021-22 received as back-to-back loans. The Department of Expenditure, GoI had decided that GST compensation given to the State as back-to-back loan under Debt Receipts would not be treated as debt of the State for any norms which may be prescribed by the FC.

^^ Effective Outstanding Fiscal Liabilities would be ₹4,03,519 crore, ₹4,59,740 crore and ₹5,22,847 crore as the Department of Expenditure, GoI had decided that GST compensation of ₹12,407 crore in 2020-21 and ₹18,109 crore in 2021-22 given to the State as back-to-back loan under Debt Receipts respectively would not be treated as debt of the State for any norms which may be prescribed by the Finance Commission.

Appendix 2.3

Department-wise share of Subsidies

(Reference: Paragraph 2.5.2.5; Page 42)

(₹ in crore)

Department	2018-19	2019-20	2020-21	2021-22	2022-23	Remarks
Energy	7,593	9,110	9,139	14,736	11,512	It includes financial assistance to ESCOMS for supply to IP sets, Bhagya Jyothi and Kutira Jyothi consumers.
Food & Civil Supplies	2,404	2,692	2,324	6,057	2,015	It includes subsidy towards Annabhagya for BPL and APL beneficiaries.
Agricultural and Other Allied Activities	2,336	2,254	2,774	2,447	3,687	It includes subsidy towards crop husbandry, fisheries, forestry, Soil and Water Conservation and wildlife <i>etc.</i>
Co-operation	777	1,074	1,231	1,026	1,006	Represents waiver of overdue loans, both principal and interest.
Transport	820	728	1,529	1,705	3,053	Subsidy is towards fare concession extended to Students.
Housing	459	943	450	1,150	513	Subsidy is towards Ashraya scheme.
Others	1,011	733	985	1,098	968	It includes interest subsidy for Crop loan and Self Help Group.
Total	15,400	17,534	18,432	28,219	22,754	

Source: Finance Accounts

Appendix 2.4

Subsidies in the form of financial assistance, incentives etc.

(Reference: Paragraph 2.5.2.5; Page 43)

(₹ in crore)

Sl. No.	Head of Account	Name of the Scheme	2018-19	2019-20	2020-21	2021-22	2022-23
1	2202-01-109-0-03	Vidya Vikasa Scheme	466.27	538.08	266.98	248.83	339.16
2	2216-02-101-0-07	Vajpayee Urban Housing Scheme	250.00	93.75	150.00	250.00	100.00
3	2216-02-102-0-02	Housing for weaker section	0.00	0.00	0.00	0.00	0.00
4	2216-03-104-0-01	Ashraya	654.00	1,461.35	600.00	1,600.00	265.19
5	2235-02-102-0-25	Bhagya Lakshmi	294.27	294.30	46.82	97.26	137.04
6	2401-00-103-0-15	Supply of seeds and other inputs (Agricultural inputs and Quality Control)	559.95	590.85	550.38	491.63	852.80
7	2405-00-103-0-20	Matsya Ashraya	4.00	0.00	0.00	0.00	0.00
8	2425-00-108-0-57	Yashaswini	99.75	0.00	0.00	0.00	100.00
9	2851-00-103-0-62	Weavers package	114.76	127.15	260.10	135.00	125.77
10	2851-00-103-0-69	Weavers Package-KHDC	9.39	20.00	40.00	15.00	15.00
11	2852-80-103-0-59	Refund of sales tax to Eligible industries	299.46	155.26	195.00	50.00	0.00
12	3475-00-107-0-20	Minimum Floor Price Scheme	220.30	0.00	60.00	60.00	1,075.90
Total			2,972.15	3,280.74	2,169.28	2,947.72	3,010.86

Source: Consolidated Abstract of major heads

Appendix 2.5

Detailed Loan Accounts maintained by Accountant General (A&E)

(Reference: Paragraph 2.5.4.2; Page 50)

(₹ in crore)

Sl. No.	Head of Account/Institutions	Arrears as on 31 March 2023	
		Principal	Interest
1	6215-01-190-2-86: Bangalore Water Supply and Sewerage Board	5,827.26	4,927.03
2	6215-01-190-1-00: Karnataka Urban Water Supply and Drainage Board	486.35	728.90
3	6216-02-201-1-00: Karnataka Housing Board	23.61	102.89
4	6217-60-191-1-03: Bangalore Development Authority (for repayment of HUDCO Loans)	17.17	40.20
5	6220-01-190-1-00: Karnataka State Film Industries Development Corporation	0.41	1.98
6	6401-00-113-2-00: Karnataka Agro Proteins Limited	0.70	4.04
7	6401-00-103-2-00: Karnataka State Seeds Corporation Limited	2.88	7.49
8	6401-00-103-3-00: Karnataka State Co-operative Oil Seeds Growers Federation	0.75	7.62
9	6851-00-200-0-00: Leather Industries Development Corporation	1.26	4.88
10	6852-02-190-3-00: Dandeli Steel and Ferro Alloys Limited	0.31	1.51
11	6853-02-190-1-00: Hutti Gold Mines Company Limited	0.30	1.85
12	6858-01-190-3-00: Karnataka Implements and Machinery Company	1.10	5.71
13	6858-02-190-1-00: Electro Mobile India Limited	0.61	3.02
14	6858-02-190-0-01: Chamundi Machine Tools	0.18	0.42
15	6858-01-190-2-00: New Government Electric Factory	67.47	227.91
16	6859-01-190-0-01: Karnataka Telecommunication Limited	1.65	7.19
17	6860-04-190-2-01: Mysore Sugar Company	68.80	58.58
18	6860-60-212-1-00: Karnataka Soaps and Detergents Limited	2.25	16.63
19	6860-60-600-3-00: Mysore Tobacco Company Limited	1.34	13.00
20	6885-01-190-3-00: Karnataka State Finance Corporation	0.40	0.94
21	7452-80-190-1-00: Karnataka State Tourism Development Corporation	1.01	4.02
Total		6,505.81	6,165.81

Source: Finance Accounts

Appendix 3.1

Category wise/department wise budget allocation/expenditure for Child Budget for the year 2022-23

(Reference: Paragraph 3.4; Page 84)

(₹ in crore)

Sl. No.	Grant	Child Centric Programme/Schemes				Child Centric Non Programme/Schemes			
		100% CCP		Less than 100%		100% CCP		Less than 100%	
		Budget	Expr.	Budget	Expr.	Budget	Expr.	Budget	Expr.
1	01 - Agriculture and Horticulture	0.00	0.00	200.00	599.12	0.00	0.00	0.00	0.00
2	05 - Home and Transport	4.56	9.27	1,630.84	4,031.60	0.00	0.00	275.36	268.84
3	08 - Forest, Ecology and Environment	0.00	0.00	286.56	294.35	0.00	0.00	0.00	0.00
4	09 - Co-operation	0.00	0.00	100.00	100.00	0.00	0.00	0.00	0.00
5	10 - Social Welfare	2,037.00	2,688.57	3,893.41	4,090.24	0.00	0.00	0.00	0.00
6	11 - Women and Child Development	4,314.76	3,398.25	187.96	198.60	5.42	6.03	0.00	0.00
7	12 - Information, Tourism and Youth Services	0.00	0.00	288.49	521.95	0.00	0.00	0.00	0.00
8	13 - Food and Civil Supplies	0.00	0.00	2,810.02	2,803.86	0.00	0.00	0.40	0.35
9	15 - Information Technology	0.00	0.00	50.00	55.00	0.00	0.00	2.58	2.19
10	17 - Education	10,379.20	10,493.77	134.57	137.35	20,007.78	19,847.67	1,088.08	893.46
11	22 - Health and Family Welfare	59.00	10.00	3,868.39	3,647.14	70.74	91.20	9,151.10	8,087.08
12	23 - Labour and Skill Development	4.00	4.48	405.84	421.20	0.00	0.00	229.84	206.03
13	25 - Kannada and Culture	0.00	0.00	5.00	26.50	0.00	0.00	0.00	0.00
14	27 - Law	0.00	0.00	0.00	0.00	0.00	0.00	10.86	26.99
Total		16,798.52	16,604.33	13,861.08	16,926.91	20,083.94	19,944.90	10,758.22	9,484.94

Source: Child Budget

Appendix 3.2

Grant wise Budget allocation/outrun and the deviation of outrun from BE and RE

(Reference: Paragraph 3.5.3.1, 3.5.3.2; Page 87)

(₹ in crore)

Sl. No.	Grant Name/ Nomenclature	Description	Original Budget (BE)	Revised Estimate (RE)	Actual Outturn	RE - BE	Actual - BE	Actual - RE
1	01 - Agriculture and Horticulture	Revenue	8,187.27	8,107.17	8,725.05	-80.10	537.78	617.88
		Capital	269.81	378.33	325.66	108.52	55.85	(-)52.67
2	02 - Animal Husbandry and Fisheries	Revenue	2,625.07	2,699.27	2,603.87	74.20	(-)21.20	(-)95.40
		Capital	230.08	214.54	235.19	(-)15.54	5.11	20.65
3	03 – Finance	Revenue	28,443.29	28,859.92	29,034.86	416.63	591.57	174.94
		Capital	81.27	88.20	76.23	6.93	(-)5.04	(-)11.97
4	04 - Department of Personnel and Administrative Reforms	Revenue	934.84	1,328.99	1,206.48	394.15	271.64	(-)122.51
		Capital	32.17	306.83	337.99	274.66	305.82	31.16
5	05 - Home and Transport	Revenue	10,286.33	13,592.66	13,298.43	3,306.33	3,012.10	(-)294.23
		Capital	985.58	2,269.88	2,268.97	1,284.30	1,283.39	(-)0.91
6	06 - Infrastructure Development	Revenue	106.11	106.11	93.70	0.00	(-)12.41	(-)12.41
		Capital	804.30	1,407.81	1,462.21	603.51	657.91	54.40
7	07- Rural Development and Panchayat Raj	Revenue	15,599.65	16,069.98	16,935.46	470.33	1,335.81	865.48
		Capital	1,724.98	3,720.60	3,899.19	1,995.62	2,174.21	178.59
8	08 - Forest, Ecology and Environment	Revenue	1,658.46	1,745.80	1,754.63	87.34	96.17	8.83
		Capital	582.00	607.00	606.77	25.00	24.77	(-)0.23
9	09 - Co-operation	Revenue	1,597.84	2,595.80	2,580.79	997.96	982.95	(-)15.01
		Capital	189.23	290.61	224.57	101.38	35.34	(-)66.04
10	10 - Social Welfare	Revenue	7,765.73	9,157.15	8,664.81	1,391.42	899.08	(-)492.34
		Capital	1,622.79	2,150.93	2,360.07	528.14	737.27	209.14
11	11 - Women and Child Development	Revenue	4,578.36	4,719.34	4,322.96	140.98	(-)255.40	(-)396.38
		Capital	134.64	155.01	155.37	20.37	20.73	0.36
12	12 - Information, Tourism and Youth Services	Revenue	521.33	812.23	806.15	290.90	284.82	(-)6.08
		Capital	226.00	282.76	282.73	56.76	56.73	(-)0.03
13	13 - Food and Civil Supplies	Revenue	2,987.21	2,964.87	3,094.15	(-)22.34	106.94	129.28
		Capital	1.00	4.75	4.59	3.75	3.59	(-)0.16
14	14 - Revenue	Revenue	14,065.23	16,345.10	16,865.12	2,279.87	2,799.89	520.02
		Capital	322.51	354.51	337.45	32.00	14.94	(-)17.06
15	15 - Information Technology	Revenue	171.29	171.29	169.50	0.00	(-)1.79	(-)1.79
		Capital	0.00	0.00	0.00	0.00	0.00	0.00
16	16 - Housing	Revenue	3,330.48	3,638.81	3,757.60	308.33	427.12	118.79
		Capital	263.07	519.07	363.07	256.00	100.00	(-)156.00
17	17 - Education	Revenue	30,612.38	30,876.81	30,831.84	264.43	219.46	(-)44.97
		Capital	1,367.35	1,380.00	1,397.46	12.65	30.11	17.46
18	18 - Commerce and Industries	Revenue	1,083.46	1,152.74	1,222.64	69.28	139.18	69.90
		Capital	1,054.54	984.57	1,036.00	(-)69.97	-18.54	51.43
19	19 - Urban Development	Revenue	8,431.19	9,534.32	8,946.29	1,103.13	515.10	(-)588.03
		Capital	7,644.52	6,600.98	8,201.18	(-)1,043.54	556.66	1,600.20
20	20 - Public Works	Revenue	2,684.07	2,884.07	2,810.46	200.00	126.39	(-)73.61
		Capital	7,763.09	9,178.80	10,070.35	1,415.71	2,307.26	891.55
21	21 - Water Resources	Revenue	1,972.38	1,972.39	1,892.78	0.01	(-)79.60	(-)79.61
		Capital	18,628.59	20,943.59	21,178.48	2,315.00	2,549.89	234.89

Sl. No.	Grant Name/ Nomenclature	Description	Original Budget (BE)	Revised Estimate (RE)	Actual Outturn	RE - BE	Actual - BE	Actual - RE
22	22 - Health and Family Welfare	Revenue	12,486.12	11,943.36	10,858.91	(-)542.76	(-)1,627.21	(-)1,084.45
		Capital	1,495.57	1,228.31	1,230.97	(-)267.26	(-)264.60	2.66
23	23 - Labour and Skill Development	Revenue	1,550.76	1,773.67	1,670.62	222.91	119.86	(-)103.05
		Capital	283.59	287.95	287.94	4.36	4.35	(-)0.01
24	24 – Energy	Revenue	12,034.01	14,136.62	14,130.38	2,102.61	2,096.37	(-)6.24
		Capital	620.92	1,074.29	1,120.92	453.37	500.00	46.63
25	25 - Kannada and Culture	Revenue	202.13	286.21	268.68	84.08	66.55	(-)17.53
		Capital	32.00	68.00	65.40	36.00	33.40	(-)2.60
26	26 - Planning, Statistics, Science and Technology	Revenue	325.92	344.68	328.15	18.76	2.23	(-)16.53
		Capital	3,484.06	3,669.76	3,669.72	185.70	185.66	(-)0.04
27	27 – Law	Revenue	1,577.63	1,739.43	1,539.82	161.80	(-)37.81	(-)199.61
		Capital	0.02	9.94	4.11	9.92	4.09	(-)5.83
28	28 - Parliamentary Affairs and Legislation	Revenue	306.65	367.43	337.78	60.78	31.13	(-)29.65
		Capital	0.04	1.04	0.99	1.00	0.95	(-)0.05
29	29 - Debt Servicing	Revenue	31,394.61	31,394.61	31,427.41	0.00	32.80	32.80
		Capital	14,178.70	15,976.44	15,942.49	1,797.74	1,763.79	(-)33.95
Total		Revenue	2,07,519.80	2,21,320.83	2,20,179.32	13,801.03	12,659.52	(-)1,141.51
		Capital	64,022.42	74,154.50	77,146.07	10,132.08	13,123.65	2,991.57
Grand Total			2,71,542.22	2,95,475.33	2,97,325.39	23,933.11	25,783.17	1,850.06

Source: Grant Register and Budget Documents

Appendix 3.3

Cases of incurring expenditure, which are not covered by the budget, but released by FD as additionalities

(Reference: Paragraph 3.6.1.1; Page 87)

(₹ in crore)			
Sl. No.	Grant No./Nomenclature	No. of cases	Amount
1	02 - Animal Husbandry and Fisheries	1	9.24
2	03 - Finance	12	82.94
3	04 - Department of Personnel and Administrative Reforms	26	338.02
4	05 - Home and Transport	3	1,063.28
5	07 - Rural Development and Panchayat Raj	8	1,445.65
6	09 - Co-operation	3	39.83
7	12 - Information, Tourism and Youth Services	11	97.22
8	14 - Revenue	14	1,371.08
9	16 - Housing	3	308.32
10	17 - Education	4	186.13
11	18 - Commerce and Industries	10	300.93
12	19 - Urban Development	8	1,227.95
13	20 - Public Works	3	1,703.81
14	21 - Water Resources	1	2,000.00
15	22 - Health and Family Welfare	2	6.76
16	23 - Labour and Skill Development	2	8.91
17	24 - Energy	3	492.61
18	25 - Kannada and Culture	11	50.26
19	26 - Planning, Statistics, Science and Technology	1	54.00
20	27 - Law	17	160.03
21	28 - Parliamentary Affairs and Legislation	4	1.63
Total		147	10,948.60

Source: Appropriation Accounts

Appendix 3.4

Unnecessary Supplementary Provision

(Reference: Paragraph 3.6.1.3; Page 89)

(₹ in crore)

Sl. No.	Grant No/ Nomenclature	Head of Account	Budget Provision			Expenditure	Unspent Provision (>1cr)
			Original Provision	Supplementary (>1cr)	Total		
1	01 – Agriculture and Horticulture	2401-00-103-0-15-103 Grants-in-Aid General	52.00	1.67	53.67	49.96	3.72
2		2851-00-107-1-51-139 Major Works	5.15	5.00	10.15	4.25	5.90
3	07 – Rural Development and Panchayat Raj	2515-00-196-6-12-300 Lump sum for Zilla Panchayath	123.15	35.66	158.81	38.81	119.99
4		2515-00-197-1-10-300 Lump sum for Zilla Panchayath	428.34	78.43	506.77	278.63	228.14
5		2515-00-197-6-12-300 Lump sum for Zilla Panchayath	246.30	71.31	317.61	70.97	246.64
6		4702-00-101-9-04-132 Capital Expenses	50.00	7.49	57.49	23.00	34.49
7	10 – Social Welfare	2225-01-196-1-01-418 Ballari	30.33	1.26	31.59	25.34	6.25
8		2225-01-197-1-01-418 Ballari	25.55	1.94	27.49	21.05	6.44
9	11 – Women and Child Development	2235-02-103-0-99-100 Financial Assistance/Relief	28.75	2.50	31.25	23.64	7.61
10	14 – Revenue	2506-00-103-0-03-034 Contract/Outsource	9.73	4.00	13.73	9.65	4.08
11	17 – Education	2202-01-197-1-01-300 Lump sum for Zilla Panchayath	366.72	131.63	498.35	272.26	226.09
12	27 – Law	2014-00-103-0-03-034 Contract/Outsource	3.06	1.08	4.14	1.97	2.17
Total			1,369.08	341.97	1,711.05	819.53	891.52

Source: Grant Register

Appendix 3.5

Excessive Supplementary Provision
(Reference: Paragraph 3.6.1.3; Page 89)

(₹ in crore)

Sl. No.	Grant No/ Nomenclature	Head of Account	Budget Provision			Expenditure	Savings (>10 crore)	
			Original Budget	Supplementary (>10crore)	Total			
1	01 – Agriculture and Horticulture	2202-80-107-0-06-117 Scholarships and Incentives	160.00	810.00	970.00	579.12	390.88	
2		6401-00-195-0-01-394 Loans	0.00	12.00	12.00	0.00	12.00	
3	02 – Animal Husbandry and Fisheries	2202-80-107-0-08-117 Scholarships and Incentives	0.00	39.72	39.72	0.01	39.71	
4	04 – Department of Personnel and Administrative Reforms	2015-00-106-1-01-059 Other Expenses	15.00	300.00	315.00	280.93	34.07	
5	05 – Home and Transport	2041-00-101-0-04-059 Other Expenses	1.00	42.00	43.00	15.89	27.11	
6		2041-00-797-0-01-261 Inter Account Transfers	0.00	577.14	577.14	377.14	200.00	
7		2041-00-797-0-02-261 Inter Account Transfers	0.00	39.70	39.70	0.00	39.70	
8		2055-00-109-1-01-195 Transport Expenses	180.00	12.00	192.00	181.24	10.76	
9		2055-00-797-0-01-261 Inter Account Transfers	0.00	597.05	597.05	467.05	130.00	
10		2202-80-107-0-07-117 Scholarships and Incentives	0.00	50.00	50.00	4.07	45.93	
11		06 – Infrastructure Development	5465-01-190-3-05-132 Capital Expenses	500.00	250.00	750.00	730.00	20.00
12		07 – Rural Development and Panchayat Raj	2515-00-101-0-31-059 Other Expenses	27.33	65.72	93.05	27.32	65.73
13	2515-00-101-0-31-422 Scheduled Caste Sub Plan		6.17	14.85	21.02	6.17	14.85	
14	2515-00-101-0-32-059 Other Expenses		18.22	43.82	62.04	18.22	43.82	
15	2515-00-196-6-12-300 Lump sum for Zilla Panchayath		123.15	35.66	158.81	38.81	120.00	
16	2515-00-197-1-10-300 Lump sum for Zilla Panchayath		428.34	78.43	506.77	278.63	228.14	
17		2515-00-197-6-12-300 Lump sum for Zilla Panchayath	246.30	71.31	317.61	70.97	246.64	
18	09 – Co-operation	6860-04-101-0-10-394 Loans	0.00	24.30	24.30	0.00	24.30	
19	10 – Social Welfare	2225-01-796- 0-02-059 Other Expenses	302.00	226.25	528.25	510.03	18.22	
20	11 – Women and Child Development	2235-02-101-0-53-059 Other Expenses	0.00	14.44	14.44	0.00	14.44	
21		2235-02-102-0-48-009 Transfer of Salary Share to SNA	0.00	18.51	18.51	0.00	18.51	

Sl. No.	Grant No/ Nomenclature	Head of Account	Budget Provision			Expenditure	Savings (>10 crore)
			Original Budget	Supplementary (>10crore)	Total		
22		2235-02-102-0-49-009 Transfer of Salary Share to SNA	0.00	12.46	12.46	0.00	12.46
23		2235-02-102-0-52-009 Transfer of Salary Share to SNA	0.00	38.46	38.46	4.90	33.56
24		2235-02-102-0-52-015 Subsidiary Expenses	0.00	317.77	317.77	102.81	214.96
25		2235-02-102-0-52-059 Other Expenses	0.00	36.51	36.51	4.34	32.17
26		2235-02-102-0-53-009 Transfer of Salary Share to SNA	0.00	108.19	108.19	12.74	95.45
27		2235-02-102-0-53-015 Subsidiary Expenses	0.00	212.86	212.86	60.15	152.71
28		2235-02-102-0-53-059 Other Expenses	0.00	27.28	27.28	1.72	25.56
29	14 – Revenue	2029-00-102-1-07-051 General Expenses	0.00	65.84	65.84	17.55	48.29
30		2245-80-102-0-01-139 Major Works	332.00	1,030.58	1,362.58	1,347.58	15.00
31	16 – Housing	6216-03-190-0-01-394 Loans	0.00	256.00	256.00	100.00	156.00
32	17 – Education	2202- 01-197-1-01-300 Lump sum for Zilla Panchayath	366.72	131.63	498.35	272.26	226.09
33	19 – Urban Development	3604-00-191-1-51-032 Grants for Creation of Capital Asset	281.00	21.50	302.50	282.86	19.64
34	20 – Public Works	3054-03-337-0-05-200 Maintenance Expenditure	430.00	75.00	505.00	489.35	15.65
35	23 – Labour and Skill Development	2501-06-198-6-01-300 Lump sum for Zilla Panchayath	120.00	81.45	201.45	162.94	38.51
36	27 – Law	2014-00-105-0-01-002 Pay of Officers	54.23	132.79	187.02	141.82	45.20
Total			3,591.46	5,871.22	9,462.68	6,586.62	2,876.06

Source: Grant Register

Appendix 3.6
Inadequate Supplementary Provision
(Reference: Paragraph 3.6.1.3; Page 89)

(₹ in crore)

Sl. No.	Grant No	Head of Account	Budget Original	Supplementary (>10 crore)	Total	Expenditure	Excess Expenditure (>10 crore)
1	01	2402-00-102-0-30-139 Major Works	20.50	69.14	89.64	120.10	30.46
2		2402-00-102-0-33-139 Major Works	13.67	46.09	59.76	80.07	20.31
3	02	2404-00-191-1-17-100 Financial Assistance/Relief	1,025.00	30.00	1,055.00	1,071.00	16.00
4	03	2071-01-109-1-02-251 Pension and Retirement Benefits	25.00	54.25	79.25	124.70	45.45
5	05	4055-00-207-0-04-386 Construction	70.00	184.94	254.94	270.12	15.18
6	06	5465-01-190-1-05-132 Capital Expenses	150.00	275.00	425.00	533.00	108.00
7	07	2505-60-196-6-04-300 Lump sum for Zilla Panchayath	960.00	1,015.00	1,975.00	2,442.09	467.09
8		2515-00-102-0-14-059 Other Expenses	7.20	24.37	31.57	54.96	23.39
9		2515-00-102-0-15-059 Other Expenses	4.80	16.25	21.05	36.64	15.59
10		5054-03-337-0-75-059 Other Expenses	470.00	1,497.13	1,967.13	1,985.60	18.47
11		5054-03-337-0-76-172 Roads	37.95	240.60	278.55	384.85	106.30
12		5054-03-337-0-76-422 Scheduled Caste Sub Plan	8.58	54.37	62.95	84.51	21.56
13	09	2425-00-107-2-74-125 Modernisation	0.00	25.46	25.46	40.25	14.79
14	10	2225-03-190-0-06-059 Other Expenses	52.53	41.09	93.62	106.62	13.00
15		4225-01-277-2-03-386 Construction	345.00	270.00	615.00	815.00	200.00
16		4225-03-277-2-04-386 Construction	24.85	30.14	54.99	85.13	30.14
17	11	2235-02-103-0-68-059 Other Expenses	41.98	38.55	80.53	106.23	25.70
18	12	5452-01-800-0-14-132 Capital Expenses	20.00	20.00	40.00	73.47	33.47
19	14	2245-80-102-0-01-059 Other Expenses	442.67	758.19	1,200.86	1,526.12	325.26
20	16	2216-02-800-0-04-422 SCSP	164.48	29.77	194.25	334.46	140.21
21		2216-02-800-0-05-422 SCSP	0.00	200.00	200.00	385.00	185.00
22		2216-02-800-0-06-106 Subsidies	0.00	100.00	100.00	300.00	200.00
23	18	2851-00-102-0-76-422 SCSP	178.57	60.00	238.57	249.07	10.50
24		6860-04-190-2-01-394 Loans	10.00	22.58	32.58	47.58	15.00
25	19	2217-05-191-0-04-032 Grants for Creation of Capital Assets	50.00	150.00	200.00	600.00	400.00

Sl. No.	Grant No	Head of Account	Budget Original	Supplementary (>10 crore)	Total	Expenditure	Excess Expenditure (>10 crore)
26		2217-05-191-1-16-059 Other Expenses	0.00	49.00	49.00	98.00	49.00
27		2217-05-191-1-18-059 Other Expenses	0.00	49.00	49.00	98.00	49.00
28		2217-05-191-1-25-059 Other Expenses	0.00	49.00	49.00	98.00	49.00
29		2217-05-191-1-27-059 Other Expenses	0.00	49.00	49.00	98.00	49.00
30		3604-00-191-2-18-032 Grants for Creation of Capital Assets	90.20	146.94	237.14	316.91	79.77
31		4217-01-800-0-02-132 Capital Expenses	2,245.29	500.00	2,745.29	4,713.22	1,967.93
32	20	5054-03-337-0-17-154 Extensions and Improvements	285.00	370.00	655.00	859.73	204.73
33		5054-03-337-0-18-154 Extensions and Improvements	1,400.00	450.00	1,850.00	2,476.33	626.33
34		5054-03-800-0-02-132 Capital Expenses	100.00	86.90	186.90	344.62	157.72
35		5054-04-337-0-01-154 Extensions and Improvements	940.00	653.81	1,593.81	1,967.79	373.98
36	21	4702-00-101-1-07-139 Major Works	325.00	30.00	355.00	368.98	13.98
37		4702-00-101-3-01-139 Major Works	850.00	120.00	970.00	1,102.99	132.99
38		4702-00-101-5-01-139 Major Works	200.00	60.00	260.00	328.43	68.43
39		4702-00-101-5-02-139 Major Works	250.00	250.00	500.00	544.00	44.00
40		4711-01-103-1-00-140 Minor Works	40.00	40.00	80.00	118.86	38.86
41	23	2501-06-198-6-02-300 Lump sum for Zilla Panchayath	82.00	126.61	208.61	262.92	54.31
Total			10,930.27	8,283.18	19,213.45	25,653.35	6,439.90

Source: Grant Register

Appendix 3.7

Unnecessary/Excessive/Inadequate/Injudicious Re-appropriation

(Reference: Paragraph 3.6.1.4(a); Page 90)

(₹ in crore)

Sl. No.	Grant No	Head of Account	Budget including supplementary	Re-appropriation (>5 crore) (+)	Total	Expenditure	Savings (> 5 crore) (-)
Unnecessary Re-appropriation of funds							
1	05	2055-00-109-1-01-014 Other Allowances	742.61	21.51	764.12	730.20	33.92
2		2055-00-109-1-01-195 Transport Expenses	192.00	9.50	201.50	181.24	20.26
3	07	2515-00-196-1-05-300 Lump sum for Zilla Panchayath	203.10	50.00	253.10	180.62	72.48
4	10	2225-01-196-1-01-300 Lump sum for Zilla Panchayath	0.01	56.08	56.09	0.00	56.09
5		2225-01-197-1-01-300 Lump sum for Zilla Panchayath	0.01	28.20	28.21	0.00	28.21
6	11	2235-02-102-0-52-059 Other Expenses	36.51	51.11	87.62	4.34	83.28
7		2235-02-102-0-53-059 Other Expenses	27.28	32.40	59.68	1.72	57.96
8	17	2202-03-102-0-31-101 GIA – Salaries	26.70	6.91	33.61	25.97	7.64
9	19	3604-00-191-1-51-051 General Expenses	64.50	7.12	71.62	36.12	35.50
10	22	2210-80-101-0-01-422 SCSP	173.22	15.42	188.64	145.33	43.31
11		2210-80-101-0-01-423 TSP	70.20	7.63	77.83	60.28	17.55
Total			1,536.14	285.88	1,822.02	1,365.82	456.20
Excessive re-appropriation resulting in savings							
Sl. No.	Grant No.	HOA	Budget including Supplementary	Re-appropriation (> ₹5 crore) (+)	Total	Expenditure	Savings (>₹5 crore) (-)
1	01	2401-00-110-0-07-422 SCSP	100.00	200.00	300.00	265.00	35.00
2		2401-00-110-0-07-423 TSP	50.00	76.90	126.90	111.90	15.00
3	05	2070-00-108-1-01-003 Pay of Staff	193.02	10.35	203.37	198.25	5.12
4	07	2515-00-198-1-11-300 Lump sum for Zilla Panchayath	136.94	35.98	172.92	162.30	10.62
5	14	2030-03-001-1-00-071 Building Expenses	15.00	11.16	26.16	20.96	5.20
6	19	2217-05-191-1-16-059 Other Expenses	49.00	74.00	123.00	98.00	25.00
7		2217-05-191-1-18-059 Other Expenses	49.00	70.00	119.00	98.00	21.00
8		2217-05-191-1-23-059 Other Expenses	0.10	70.00	70.10	49.00	21.10
9	22	2210-01-110-1-22-034 Contract/Outsource	72.66	144.40	217.06	175.56	41.50
10		2210-05-105-1-65-101 GIA – Salaries	39.59	7.05	46.64	41.26	5.38
Total			705.31	699.84	1,405.15	1,220.23	184.92

Inadequate Re-appropriation							
Sl. No.	Grant No	HOA	Budget including supplementary	Re-appropriation (>₹5 crore) (+)	Total	Expenditure	Excess (>₹5 crore) (+)
1	01	2401-00-108-2-58-106 Subsidies	96.90	87.70	184.60	260.17	75.57
2		2401-00-108-2-58-422 SCSP	22.64	26.26	48.90	67.92	19.02
Total			119.54	113.96	233.50	328.09	94.59
Injudicious Re-appropriation							
Sl. No.	Grant No	Head of Account	Budget including supplementary	Re-appropriation (>5 crore) (-)	Total	Expenditure	Excess (>5 crore) (+)
1	03	2071-01-104-2-03-251 Pensions	1,760.91	64.77	1,696.14	1,796.14	100.00
2		2071-01-105-3-01-251 Pensions	3,122.90	7.38	3,115.52	4,034.14	918.62
3		2071-01-110-1-01-251 Pensions	190.00	25.40	164.60	201.24	36.64
4		2071-01-110-1-02-251 Pensions	40.00	5.97	34.03	42.07	8.04
5		2071-01-110-1-03-251 Pensions	45.00	7.14	37.86	46.34	8.48
6		2071-01-110-1-04-251 Pensions	150.00	13.97	136.03	166.07	30.04
7		2071-01-117-0-01-251 Pensions	1,817.75	13.78	1,803.97	1,868.97	65.00
8	10	2225-01-196-1-01-405 Shivamogga	23.07	5.46	17.61	23.74	6.13
9	11	2236-02-197-6-01-401 Bengaluru (Urban)	46.61	10.98	35.63	125.46	89.83
10		2236-02-197-6-02-401 Bengaluru (Urban)	46.61	10.98	35.63	128.46	92.83
11	19	2217-05-191-1-25-059 Other Expenses	49.00	24.84	24.16	98.00	73.84
12	21	4702-00-101-5-01-436 NABARD Works	56.60	7.39	49.21	104.44	55.23
13	29	2049-04-101-0-02-240 Debt Servicing	200.00	30.00	170.00	258.68	88.68
Total			7,548.45	228.06	7,320.39	8,893.75	1,573.36

Source: Grant Register

Appendix 3.8

Cases of Defective Re-Appropriation Orders
(Reference: Paragraph 3.6.1.4 (b); Page 91)

(₹ in crore)

Sl. No.	Grant No.	Government Order No.	Date	Amount	Issuing Authority	Reasons for rejection
1	02	DOF/TECHO/E-819516	07.07.2022	0.10	The Director of Fisheries, Bengaluru	Form 22A is not Self Balanced
2		E-232	14.12.2022	0.50		
3	04	ATI/Act(1)/Viva/4/22-23	01.12.2022	0.01	The Director General, Administrative Training Institute, Mysuru	Form 22A is not self balanced
4		DPAR(AR)11 EASU 2022(1)	06.02.2023	0.03	The Under Secretary to Government, DPAR (AR- Training & RTI Section), Vidhana Soudha, Bengaluru	
5		DPAR(AR) 46 EKA 2022	20.02.2023	0.02		
6		DPAR(AR) 11 EASU 2022	03.03.2023	0.09		
7	05	CT/AC1/RA-26/22-23	24.01.2023	0.06	The Commissioner of Transport, Bengaluru	Budget Provision not tallied
8		TC/AC-1/RA-26/22-23	08.03.2023	0.04		
9		TD/48/TDO/23	17.03.2023	0.40	The Under Secretary to Government, Transport Department, Bengaluru	
10	07	KPRC/MISC/206/2022	14.10.2022	0.05	The Additional Chief Secretary to Government, Rural Development and Panchayat Raj Department, M.S.Building, Bengaluru	Form 22 A is not self balanced
11		RDC/EGS/203/2021	14.12.2022	0.04	The Commissioner, Rural Development and Panchayat Raj Department, M.S.Building, Bengaluru	
12		RDC/EGS/203/2021	02.02.2023	0.01		
13		RDPR/68/ZPS/2022	02.02.2023	0.50	The Under Secretary to Government, Zilla Panchayat, RDPR, M.S.Building, Bengaluru	Insufficient balance
14		SEC/29/ACT/19-20	22.02.2023	0.10	The Secretary, State Election Commission, Ballari Road, Bengaluru	Form 22 A is not self balanced
15		RDPR/722/RRC/2022(895795)	27.02.2023	0.09	Internal Finance Advisor, RDPR, M.S. Building, Bengaluru	
16		KPRC/SCM/106/2022	16.03.2023	0.10	The Additional Chief Secretary to Government (Panchayat Raj), Rural Development and Panchayat Raj Department, M.S.Building, Bengaluru	Form 22 A is not self balanced
17		RDPR/ACCT ONSG/1/487663 (e-Office)/2021	18.03.2023	0.50	The Additional Chief Secretary to Government, Rural Development and Panchayat Raj Department, M.S.Building, Bengaluru	
18		RDPR/ACCT ONSG/1/487663 (e-Office)/2021	24.03.2023	0.26		

Sl. No.	Grant No.	Government Order No.	Date	Amount	Issuing Authority	Reasons for rejection
19		KPRC/CSM/194/2022	27.03.2023	0.11		
20		KPRC/DEV/526/2021	27.03.2023	0.07		
21	10	SWD/Est/Accts/CR/50	07.06.2022	0.10	The Commissioner, Social Welfare Department, Bengaluru	Form 22 A is not self balanced
22		WSCD/Accts/CR-14	21.09.2022	0.09	The Director, Department of Welfare of Scheduled Castes, Bengaluru	
23		BCWD/C9/CR-34/22-23	10.11.2022	0.10	The Commissioner, Department of welfare of Backward Classes, Bengaluru	
24		SWD/ACT/A2/12/22/E-944775/2022	03.01.2023	0.50	The Deputy Secretary to Government, Social Welfare Department, Bengaluru	Budget Provision differs
25	11	MME 60 MMA 2022	06.12.2022	0.12	The Under Secretary -3 to Government, Department of Women and Child Development, Bengaluru	Form 22 A is not enclosed
26		MME/Acct7/RA/421/22-23	02.03.2023	0.10	The Director, Department of Women and Child Development, Bengaluru	Form 22 A is not self balanced
27		KSICPS/Accts/GIA/Bill-01/22-23	13.03.2023	0.10	The Member Secretary, Karnataka State Integrated Child Protection Society & Director, Directorate of Child Protection, Bengaluru	
28	14	Accts-2/CR-10/10-11/3782	06.02.2023	0.05	The Registrar, Karnataka Appellate Tribunal, M.S.Building, Bengaluru	Form 22 A is not self balanced
29	17	ED 02 HPT 2023	27.02.2023	0.06	The Joint Secretary to Government (Technical Education & Planning), Higher Education Department, M.S.Building, Bengaluru	Form 22 A is not self balanced
30		EP 38 YOYOKA 2023	09.03.2023	0.35	The Special Officer & Ex-officio Under Secretary to Government (Planning), Education Department (School Education & Literacy), M.S.Building, Bengaluru	
31		FD 701 BRS 2022 & FD 905 Exp-8/2022	09.03.3023 & 23.03.2023	10.00	The Joint Secretary to Government, Finance Department (FR &BCC), Bengaluru	
32		EP 48 YOYOKA 2023	20.03.2023	0.25	The Special Officer & Ex-officio Under Secretary to Government (Planning), Education Department (School Education & Literacy), M.S.Building, Bengaluru	Budget Provision not tallied
33	18	HTD/Accts/A2/Uplod/1/22-23	28.02.2023	0.10	The Commissioner for Handloom Development & Director, Handloom & Textiles, Bengaluru	Form 22 A is not self balanced
34		DSK/EAP/28/22-23	17.03.3023	0.02	The Commissioner, Sugar Cane Development and Director of Sugar, Bengaluru	

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Sl. No.	Grant No.	Government Order No.	Date	Amount	Issuing Authority	Reasons for rejection
35	19	TRP/LP(2)1/RA/23	06.03.2023	0.06	The Director, Town Planning, Bengaluru	Form 22 A is not self balanced
36		TRP/LV(2)/RA/23	29.03.2023	0.02	The Director, Town Planning, Bengaluru	Budget Provision not tallied
37	21	MID/S/FIN/23	04.02.2023	0.02	The Under Secretary to Government, Minor Irrigation and Ground Water Department, Bengaluru	Form 22 A is not self balanced
38		MID/16/FIN/23	10.03.2023	0.04		Budget Provision not tallied
39		MID/41/FIN/23	18.03.2023	0.02		
40	22	AKK/103/CGE/2022	06.01.2023	0.46	The Under Secretary to Government, Health and Family Welfare Department, Bengaluru	Form 22 A is not self balanced
41		AKK/1489/GM-2022	02.03.2023	0.50		
42		HFW/174/PIM/2022	14.03.2023	0.35		
43	23	KTU/TRG/Plg-1/VV-2/22-23	30.11.2022	0.01	The Commissioner, Industrial Training and Employment Department, Bengaluru	Form 22 A is not self balanced
44		ME/BGT/34/22-23	15.02.2023	0.10	The Director, Directorate of Medical Education, Bengaluru	
45		KOUSHALYA 01 KTS 2023	23.02.2023	0.04	The Under Secretary to Government, Skill Development, Livelihood and Entrepreneurship Department, Bengaluru	
46		Act-2/Misc/CR-65/2022-23	07.03.2023	0.05	The Director, Factories and Boilers Department, Bengaluru	
47		KOUSHALYA 33 KTS 2023	20.03.2023	0.30	The Under Secretary to Government, Skill Development, Livelihood and Entrepreneurship Department, Bengaluru	
48		LD/19/CLC/2022	20.03.2023	0.01	The Under Secretary to Government, Labour Department, Bengaluru	
49	25	KZD/Est(1)/36/2021-22	24.02.2023	0.01	The Chief Editor, Karnataka Gazetteer Department, Bengaluru	
50		KSA-16016/1/2021/KS A/Adm/KSA	16.03.2023	0.01	The Director, Karnataka State Archives Department, Vidhana Soudha, Bengaluru	
51	26	PDS 01 PSD 2023	24.03.2023	0.03	The Under Secretary (1 &2) to Government, Planning, Programme Coordination and Statistics Department, Bengaluru	Form 22 A is not self balanced
52		PDS 01 PSD 2023	24.03.2023	0.04		
Total				17.09		

Source: Office of the AG (A&E)

Appendix 3.9

Grants/Appropriations with unspent provisions of ₹50 crore and above

(Reference: Paragraph 3.6.1.5(a); Page 91)

(₹ in crore)						
Sl. No.	Grant	Budget Original	Supplementary	Total	Expenditure	Savings
	1 – Agriculture and Horticulture					
1	Capital - Voted	269.81	116.50	386.31	325.66	60.65
	2 – Animal Husbandry and Fisheries					
2	Revenue - Voted	2,625.07	108.23	2,733.30	2,603.87	129.43
3	Capital - Voted	230.08	101.93	332.01	235.19	96.82
	4 – Department of Personnel and Administrative Reforms					
4	Revenue - Voted	778.41	353.48	1,131.89	1,053.01	78.88
	5 – Home and Transport					
5	Revenue - Voted	10,286.33	3,780.64	14,066.97	13,298.43	768.54
	9 – Co-operation					
6	Capital - Voted	189.23	101.38	290.61	224.57	66.04
	11 – Women and Child Development					
7	Revenue - Voted	4,578.36	925.53	5,503.89	4,322.96	1,180.93
	16 – Housing					
8	Capital - Voted	0.00	256.00	256.00	100.00	156.00
	17 – Education					
9	Capital - Voted	1,367.35	261.13	1,628.48	1,397.46	231.02
	18 – Commerce and Industries					
10	Capital - Voted	1,054.54	230.03	1,284.57	1,036.00	248.57
	19 – Urban Development					
11	Revenue - Voted	8,431.19	1,328.13	9,759.32	8,946.29	813.03
	20 – Public Works					
12	Revenue - Voted	2,639.49	200.00	2,839.49	2,768.96	70.53
	21 – Water Resources					
13	Revenue - Voted	944.36	0.01	944.37	864.75	79.62
	22 – Health and Family Welfare					
14	Revenue - Voted	12,486.12	88.42	12,574.54	10,858.91	1,715.63
15	Capital - Voted	1,495.57	87.74	1,583.31	1,230.97	352.34
	27 – Law					
16	Revenue - Voted	1,273.91	167.96	1,441.87	1,263.89	177.98
	Total	48,649.82	8,107.11	56,756.93	50,530.92	6,226.01

Source: Appropriation Accounts

Appendix 3.10

Statement showing grant-wise savings for the year 2022-23

(Reference: Paragraph 3.6.1.5(a); Page 91)

(₹ in crore)

Sl. No.	Grant No.	Total Budget	Total Expenditure	Savings	Utilisation (per cent)	Range of utilisation (per cent)
1	11	5,659.99	4,478.33	1,181.66	79.12	70 to 80
	Total	5,659.99	4,478.33	1,181.66		
2	18	2,538.30	2,258.64	279.66	88.98	80 to 90
3	22	14,157.85	12,089.88	2,067.97	85.39	
4	27	1,759.93	1,543.93	216.00	87.73	
	Total	18,456.08	15,892.45	2,563.63		
5	01	9,646.80	9,050.71	596.09	93.82	90 to 100
6	02	3,065.31	2,839.06	226.25	92.62	
7	04	1,635.81	1,544.46	91.35	94.42	
8	05	16,336.85	15,567.40	769.45	95.29	
9	07	21,413.59	20,834.66	578.93	97.30	
10	08	2,475.78	2,361.40	114.38	95.38	
11	09	2,938.40	2,805.36	133.04	95.47	
12	10	11,522.59	11,024.88	497.71	95.68	
13	12	1,125.24	1,088.88	36.36	96.77	
14	15	171.29	169.49	1.80	98.95	
15	16	4,507.88	4,120.67	387.21	91.41	
16	17	33,556.75	32,229.30	1,327.45	96.04	
17	19	18,024.30	17,147.47	876.83	95.14	
18	21	23,150.98	23,071.25	79.73	99.66	
19	23	2,072.26	1,958.57	113.69	94.51	
20	24	15,257.54	15,251.30	6.24	99.96	
21	25	354.21	334.08	20.13	94.32	
22	26	4,014.45	3,997.87	16.58	99.59	
23	28	368.47	338.77	29.70	91.94	
24	29	47,371.05	47,369.90	1.15	100.00	
	Total	2,19,009.55	2,13,105.48	5,904.07		

Source: Appropriation Accounts

Appendix 3.11

Statement of various grants/appropriations in which unspent provision occurred but no part of which was surrendered

(Reference: Paragraph 3.6.1.5(b); Page 92)

			(₹ in crore)
Sl. No.	Grant No	Section	Unspent Provision
1	05	Home and Transport	
		Capital Voted	0.91
2	20	Public Works	
		<i>Revenue Charged</i>	3.09
3	21	Water Resources	
		Capital Voted	0.11
4	23	Labour and Skill Development	
		Capital Voted	0.01
5	26	Planning, Statistics, Science and Technology	
		Capital Voted	0.04
Total			4.16

Source: Appropriation Accounts

Appendix 3.12
Surrender of entire unspent provision
(Reference: Paragraph 3.6.1.5(b); Page 92)

(₹ in crore)

Sl. No.	Grant/Section	Amount of unspent provision	Amount surrendered
1	1 Agriculture and Horticulture		
	Capital – Voted	60.65	60.65
2	3 Finance		
	<i>Revenue – Charged</i>	2.02	2.02
	Capital – Voted	11.97	11.97
3	9 Co-operation		
	Capital – Voted	66.04	66.04
4	13 Food and Civil Supplies		
	Capital – Voted	0.16	0.16
5	14 Revenue		
	<i>Capital – Charged</i>	1.72	1.72
6	16 Housing		
	Capital – Voted	156.00	156.00
7	17 Education		
	Capital – Voted	231.02	231.02
8	27 Law		
	Revenue – Voted	177.98	177.98
	<i>Revenue – Charged</i>	32.21	32.21
	Capital – Voted	5.79	5.79
9	28 Parliamentary Affairs and Legislation		
	<i>Revenue – Charged</i>	3.70	3.70
	Capital – Voted	0.03	0.03
	<i>Capital – Charged</i>	0.02	0.02
	Total	749.31	749.31

Source: Appropriation Accounts

Appendix 3.13
Surrender of unspent provision
(Reference: Paragraph 3.6.1.5(b); Page 92)

						(₹ in crore)
Sl. No.	Grant/Section	Amount of unspent provision	Amount surrendered	Amount not surrendered	Percentage of surrender	
1	2 Animal Husbandry and Fisheries					
	Revenue – Voted	129.43	126.91	2.52	98.05	
	Capital – Voted	96.82	96.54	0.28	99.71	
2	4 Department of Personnel and Administrative Reforms					
	Revenue – Voted	78.88	49.01	29.87	62.13	
	Revenue – Charged	11.97	8.98	2.99	75.02	
	Capital – Charged	0.03	0.02	0.01	66.67	
3	5 Home and Transport					
	Revenue – Voted	768.54	398.10	370.44	51.80	
4	8 Forest, Ecology and Environment					
	Revenue – Charged	4.55	0.05	4.50	1.10	
5	11 Women and Child Development					
	Revenue Voted	1,180.93	1,019.66	161.27	86.34	
6	12 Information, Tourism and Youth Services					
	Revenue – Voted	36.33	22.38	13.95	61.60	
7	14 Revenue					
	Capital – Voted	15.34	14.25	1.09	92.89	
8	15 Information Technology					
	Revenue – Voted	1.80	1.79	0.01	99.44	
9	16 Housing					
	Revenue – Charged	0.04	0.03	0.01	75.00	
10	18 Commerce and Industries					
	Revenue – Voted	31.10	29.52	1.58	94.92	
	Capital – Voted	248.57	242.77	5.80	97.67	
11	19 Urban Development					
	Revenue – Voted	813.03	623.48	189.55	76.69	
12	20 Public Works					
	Revenue – Voted	70.53	17.58	52.95	24.93	
13	21 Water Resources					
	Revenue – Voted	79.62	18.41	61.21	23.12	
14	22 Health and Family Welfare					
	Revenue – Voted	1,715.63	1,685.50	30.13	98.24	
	Capital – Voted	352.34	270.72	81.62	76.83	
15	25 Kannada and Culture					
	Revenue – Voted	17.53	17.39	0.14	99.20	
16	26 Planning, Statistics, Science and Technology					
	Revenue – Voted	16.53	10.11	6.42	61.16	
17	27 Law					
	Capital – Charged	0.04	0.03	0.01	75.00	
18	28 Parliamentary Affairs and Legislation					
	Revenue – Voted	25.95	25.63	0.32	98.77	
19	29 Debt Servicing					
	Capital – Voted	33.95	33.92	0.03	99.91	
Total		5,729.48	4,712.78	1,016.70		

Source: Appropriation Accounts

Appendix 3.14

Results of substantial surrenders made during the year
(Reference: Paragraph 3.6.1.5(b); Page 93)

(₹ in crore)

Sl. No.	Grant No/ Nomenclature	Head of Account	Provision	Amount Surrendered	Percentage of surrender	Remarks
1	01 - Agriculture and Horticulture	2401-00-108-1-15-436 NABARD works	11.38	6.04	53	Non-release of funds by Govt of India
2		2401-00-800-1-05-422 SCSP	240.00	121.35	51	Due to less number of beneficiaries
3		2401-00-800-1-05-423 TSP	120.00	60.92	51	
4		2401-00-800-1-57-059 Other Expenses	13.96	13.27	95	
5		2401-00-800-1-57-103 GIA General	81.87	67.51	82	
6		2401-00-800-1-57-422 SCSP	30.00	24.58	82	
7		2401-00-800-1-57-423 TSP	15.00	12.83	86	
8		2401-00-800-1-70-014 Other Allowances	39.60	24.64	62	
9		2401-00-800-1-73-059 Other Expenses	9.31	8.85	95	
10		2401-00-800-1-73-103 GIA General	54.58	45.00	82	
11		2401-00-800-1-73-106 Subsidies	48.23	27.31	57	
12		2401-00-800-1-73-422 SCSP	15.30	11.69	76	
13		02 - Animal Husbandry and Fisheries	2408-01-103-0-01-106 Subsidies	12.36	7.17	
14	4401-00-001-1-01-139 Major Works		12.50	7.50	60	No specific reason furnished
15	4401-00-800-1-07-436 NABARD Works		34.16	25.62	75	Due to non-receipt of claims
16	4851-00-107-1-01-436 NABARD Works		15.98	15.52	97	No specific reason furnished
17	6401-00-195-0-01-394 Loans		12.00	12.00	100	
18	2202-80-107-0-08-117 Scholarships and Incentives		39.72	38.02	96	Due to non-receipt of claims
19	2403-00-106-0-03-059 Other Expenses		7.37	7.37	100	Non-release of funds by Govt of India
20	2403-00-800-0-40-014 Other Allowances	28.81	16.96	59	Due to non-filling up of vacant posts	
21	4403-00-190-0-03-211 Investment	100.00	95.00	95	Non-receipt of sanction from Co-operative banks	

Sl. No.	Grant No/ Nomenclature	Head of Account	Provision	Amount Surrendered	Percentage of surrender	Remarks
22	05 - Home and Transport	2041-00-101-0-04-059 Other Expenses	43.00	27.11	63	Proposal to enter into an agreement for distribution of Smartcard through post is under review
23		2202-80-107-0-07-117 Scholarships and Incentives	50.00	44.28	89	Due to delay in intimation of the plan
24	07 - Rural Development and Panchayat Raj	2515-00-101-0-11-059 Other Expenses	172.00	168.86	98	Elections to Local bodies was not conducted.
25		2515-00-101-0-31-059 Other Expenses	93.05	65.72	71	Non-receipt of proposals
26		2515-00-101-0-31-422 SCSP	21.02	14.85	71	
27		2515-00-101-0-31-423 TSP	8.52	6.02	71	
28		2515-00-101-0-32-059 Other Expenses	62.03	43.82	71	
29		2515-00-101-0-32-422 SCSP	14.02	9.90	71	
30		2515-00-196-6-12-300 Lump sum for Zilla Panchayath	158.81	119.99	76	
31		2515-00-197-6-12-300 Lump sum for Zilla Panchayath	317.61	246.64	78	
32		2515-00-198-1-10-300 Lump sum for Zilla Panchayath	35.00	24.72	71	Non-receipt of proposals
33		2515-00-800-0-19-014 Other Allowance	30.00	20.64	69	Due to non-filling up of vacant posts
34	4215-01-102-2-01-133 Special Development Plan	4215-01-102-2-01-133 Special Development Plan	91.55	69.60	76	Non-receipt of proposals
35		4702-00-101-1-14-436 NABARD Works	5.00	5.00	100	
36	08 - Forest, Ecology and Environment	2406-01-101-2-30-139 Major Works	9.10	7.38	81	No specific reason furnished
37		2406-01-102-2-39-139 Major Works	8.28	8.28	100	Action plan was not sanctioned by the Centre
38		2406-02-110-0-47-139 Major Works	12.90	11.73	91	Grant was not released as per the action plan sanctioned by the Centre
39		2406-02-110-0-53-139 Major Works	9.87	6.94	70	
40		2406-02-110-0-56-139 Major Works	7.59	5.64	74	
41		2406-02-110-0-57-139 Major Works	8.35	7.57	91	
42	12 - Information, Tourism and Youth Services	2220-60-106-0-05-423 TSP	10.00	8.16	82	No specific reason furnished

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Sl. No.	Grant No/ Nomenclature	Head of Account	Provision	Amount Surrendered	Percentage of surrender	Remarks
43	13 - Food and Civil Supplies	2408-01-101-0-04-051 General Expenses	25.00	25.00	100	Entire expenditure will be borne by the Govt of India
44	14 - Revenue	2245-08-101-0-01-059 Other Expenses	221.33	221.33	100	Non-release of any guidelines by Govt of India
45		2245-80-102-0-01-051 General Expenses	110.67	86.78	78	No specific reason furnished
46		2245-80-102-0-05-059 Other Expenses	8.34	8.34	100	Incurring of expenditure towards State Share under the HOA 2245-80-102-0-03
47		4059-80-051-0-56-132 Capital Expenses	10.00	10.00	100	Incurring of expenditure from the grants lying in the bank account
48		16 - Housing	2216-03-104-0-03-423 TSP	60.00	50.00	83
49	6216-03-190-0-01-394 Loans		256.00	156.00	61	
50	17 - Education	2202-03-103-1-03-059 Other Expenses	10.80	10.80	100	Non-receipt of anticipated grants from Govt of India
51		2202-03-103-1-06-059 Other Expenses	7.20	7.20	100	
52		2202-03-107-1-14-106 Subsidies	18.98	10.58	56	The students applied for scholarship through SSP portal
53		2203-00-107-1-01-117 Scholarships and Incentives	14.00	7.45	53	
54		4202-01-201-1-04-436 NABARD Works	121.50	98.58	81	No specific reason furnished
55		4202-01-202-1-05-436 NABARD Works	58.34	57.04	98	
56		4202-01-203-1-11-059 Other Expenses	45.00	45.00	100	Non-receipt of anticipated grants from Govt of India
57		4202-01-203-1-13-059 Other Expenses	30.00	30.00	100	
58	18 - Commerce and Industries	2851-00-103-0-72-423 TSP	32.43	21.00	65	No specific reason furnished
59		6885-60-800-3-00-394 Loans	5.00	5.00	100	
60	19 - Urban Development	2217-05-191-1-16-059 Other Expenses	49.00	25.00	51	Non-receipt of anticipated grants from Govt of India
61		2217-05-191-1-23-059 Other Expenses	0.10	21.10	21100	
62		2217-05-800-0-11-014 Other Allowance	8.27	6.72	81	No specific reason furnished
63		3604-00-191-1-51-008 ULB Salaries	50.00	31.61	63	
64		3604-00-191-1-51-051 General Expenses	64.50	35.50	55	
65		4215-02-190-0-03-422 SCSP	12.00	12.00	100	
66		21 - Water Resources	2701-80-001-0-21-014 Other Allowance	24.88	12.46	

Sl. No.	Grant No/ Nomenclature	Head of Account	Provision	Amount Surrendered	Percentage of surrender	Remarks	
67	22 - Health and Family Welfare	2210-01-110-1-22-034 Contract/Outsource	72.66	41.49	57	Due to non-receipt of bills in time	
68		2210-01-200-0-05-139 Major Works	127.76	93.92	74	Non-release of funds by Govt of India	
69		2210-01-200-0-06-139 Major Works	85.17	62.61	74		
70		2210-03-800-0-21-422 SCSP	9.84	5.10	52		
71		2210-06-800-0-04-059 Other Expenses	551.53	551.53	100		
72		4210-01-110-1-01-422 SCSP	60.00	45.00	75		No specific reason furnished
73		4210-01-110-1-01-423 TSP	30.00	16.27	54		
74		4210-01-110-1-13-139 Major Works	10.00	10.00	100		
75		4210-01-110-1-24-386 Construction	5.00	5.00	100		
76		4210-01-200-0-01-180 Machinery and Equipment	6.00	6.00	100	Non-release of funds by Govt of India	
77		4210-03-105-1-09-386 Construction	15.00	12.50	83	No specific reason furnished	
78		4210-03-105-1-24-386 Construction	25.00	25.00	100		
79		4210-03-105-1-25-386 Construction	7.00	7.00	100		
80		4210-03-105-1-27-422 SCSP	24.00	17.64	74		
81		4210-03-105-1-27-423 TSP	11.00	8.15	74		
82		23 - Labour and Skill Development	2230-02-101-0-13-059 Other Expenses	12.00	12.00	100	Non-release of funds by Govt of India
83	2230-02-101-0-16-059 Other Expenses		8.00	5.69	71		
84	2501-06-198-6-09-300 Lump sum for Zilla Panchayath		15.00	13.58	91		
85	2501-06-198-6-10-300 Lump sum for Zilla Panchayath		10.00	9.06	91		
86	3604-00-191-5-52-059 Other Expenses		22.68	22.68	100		
87	3604-00-191-5-52-422 SCSP		6.66	6.66	100		
88	26 - Planning, Statistics, Science and Technology	3454-01-800-0-04-014 Other Allowance	12.08	10.11	84	Due to non-filling up of vacant posts	
89	27 – Law	2014-00-102-0-14-014 Other Allowance	9.52	9.16	96	Due to non-filling up of vacant posts	
90		2014-00-102-0-14-014 Other Allowance	55.81	42.67	76		

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Sl. No.	Grant No/ Nomenclature	Head of Account	Provision	Amount Surrendered	Percentage of surrender	Remarks
91		2014-00-103-0-06-009 Transfer of Salary Share to SNA	5.21	5.21	100	Due to non-switching over to SNA system during the current year
92		2014-00-114-0-01-051 General Expenses	7.50	6.88	92	Due to non-finalisation of tender procedure towards the CCMS, e-filing project
93		4059-60-051-0-03-386 Construction	5.00	5.00	100	No specific reason furnished
94	28 - Parliamentary Affairs and Legislation	2011-02-800-0-09-014 Other Allowance	11.83	11.48	97	Due to non-filling up of vacant posts
Total			4,574.42	3,633.88		

Source: Grant Register

Appendix 3.15

Cases of surrender of funds in excess of ₹ five crore on 30 and 31 of March 2023

(Reference: Paragraph 3.6.1.5(b); Page 93)

(₹ in crore)

Sl. No.	Grant No.	Nomenclature	No. of cases	Total Provision	Amount Surrendered	Percentage to total provision
1	01	Agriculture and Horticulture	23	2,385.92	441.25	18
2	02	Animal Husbandry and Fisheries	4	175.90	157.35	89
3	03	Finance	3	263.14	18.29	7
4	04	Department of Personnel and Administrative Reforms	2	70.41	14.74	21
5	05	Home and Transport	12	6,397.52	398.10	6
6	06	Infrastructure Development	3	817.38	43.70	5
7	07	Rural Development and Panchayat Raj	19	3,781.58	1,322.55	35
8	08	Forest, Ecology and Environment	9	451.85	82.29	18
9	09	Co-operation	3	162.22	48.96	30
10	10	Social Welfare	10	1,027.17	658.42	64
11	11	Women and Child Development	44	2,153.06	1,014.57	47
12	13	Food and Civil Supplies	1	25.00	25.00	100
13	14	Revenue	20	3,191.81	524.95	16
14	16	Housing	1	256.00	156.00	61
15	17	Education	26	5,829.09	1,059.48	18
16	18	Commerce and Industries	2	1,005.00	242.77	24
17	19	Urban Development	49	3,196.60	722.74	23
18	20	Public Works	3	1,387.15	104.22	8
19	21	Water Resources	2	37.54	18.41	49
20	22	Health and Family Welfare	53	5,029.00	1,675.37	33
21	23	Labour and Skill Development	10	387.77	150.02	39
22	26	Planning, Statistics, Science and Technology	1	12.08	10.11	84
23	27	Law	12	1,316.34	234.53	18
24	28	Parliamentary Affairs and Legislation	1	11.83	11.48	97
25	29	Debt Servicing	1	850.00	33.69	4
Total			314	40,221.36	9,168.99	23

Source: Office of the AG (A&E)

Appendix 3.16

Excess Expenditure over Provision requiring regularisation

(Reference: Paragraph 3.6.1.6(b); Page 94)

(Amount in ₹)

Year	Grant No./ Description	Excess required to be regularised as commented in the AA/AR	Remarks
2020-21	14-Revenue Revenue -Voted	3,54,59,49,004	This was due to deduct entries not made for transfer under NDRF.
	<i>Capital - Charged</i>	48,00,88,483	Provision made under voted instead of <i>charged</i> .
	24-Energy Revenue- Voted	13,29,91,400	Deduction of late payment charges payable by HESCOM to SECI.
	Total	4,15,90,28,887	

Source: Appropriation Accounts

Appendix 3.17

Grant-wise details under which reasons for savings not intimated

(Reference: Paragraph 3.6.2.2; Page 97)

		(₹ in crore)
Sl. No.	Grant No./ Description	Savings for which reasons not furnished
1	01 - Agriculture and Horticulture	95.57
2	02 - Animal Husbandry and Fisheries	3.26
3	03 - Finance	425.85
4	04 - Department of Personnel and Administrative Reforms	109.76
5	05 - Home and Transport	83.74
6	06 - Infrastructure Development	59.49
7	07 - Rural Development and Panchayat Raj	191.51
8	08 - Forest, Ecology and Environment	2.26
9	09 - Co-operation	68.25
10	10 - Social Welfare	368.68
11	11 - Women and Child Development	276.39
12	12 - Information, Tourism and Youth Services	7.08
13	13 - Food and Civil Supplies	6.81
14	14 - Revenue	591.29
15	16 - Housing	1,126.72
16	17 - Education	647.36
17	18 - Commerce and Industries	90.42
18	19 - Urban Development	906.52
19	20 - Public Works	999.05
20	21 - Water Resources	46.80
21	22 - Health and Family Welfare	903.78
22	23 - Labour and Skill Development	28.91
23	25 - Kannada and Culture	1.21
24	26 - Planning, Statistics, Science and Technology	4.20
25	27 - Law	6.54
26	28 - Parliamentary Affairs and Legislation	5.75
27	29 - Debt Servicing	858.77
Total		7,915.97

Source: Appropriation Accounts

Appendix 3.18

**Rush of Expenditure for Grant No. 22 - Health and Family Welfare
for the year 2022-23**

(Reference: Paragraph 3.7.2.5; Page 111)

(₹ in lakh)

Sl. No.	Head of Account	Total Expenditure	Expenditure during last quarter		Expenditure during March	
			Amount	Percentage	Amount	Percentage
1	2210-01-104-0-01 Karnataka State Drug Logistics and Warehousing	136.20	136.20	100.00	71.25	52.31
2	2210-01-110-1-21 Buildings for Health, ISM and Drugs Control Department	2,491.14	1,427.31	57.30	1,313.11	52.71
3	2210-01-200-0-05 CSS-Central Share-PM Ayushman Bharat Health Infrastructure Mission	3,384.00	3,384.00	100.00	3,384.00	100.00
4	2210-01-200-0-06 CSS-State Share-PM Ayushman Bharat Health Infrastructure Mission	2,256.00	2,256.00	100.00	2,256.00	100.00
5	2210-01-200-0-08 Cochlear Implant Programme	3,107.70	2,953.85	95.05	1,653.85	53.22
6	2210-03-104-0-02 Community Mental health Programme in all Districts	123.48	90.46	73.26	64.64	52.35
7	2210-06-101-7-15 Karnataka State AIDS Prevention Society	1,002.00	751.50	75.00	751.50	75.00
8	2210-80-101-0-01 Ayushman Bharat - Pradhan Mantri Jan Arogya Yojana (PMJAY)	1,27,916.29	76,484.24	59.79	76,445.83	59.76
9	2210-06-112-0-06 Oral Health for BPL Senior Citizens	95.49	62.46	65.41	54.23	56.79
10	2210-80-800-0-26 Unspent SCSP-TSP Amount as per the SCSP-TSP Act 2013	369.86	278.45	75.29	248.04	67.06
11	4210-04-107-3-01 Mobile Cancer Detection Units	9,399.00	9,399.00	100.00	9,399.00	100.00
12	4210-80-800-0-01 Miscellaneous Works	1,852.86	1,852.86	100.00	1,852.86	100.00

Source: Grant Register

Appendix 4.1
Funds transferred directly to State Implementing Agencies
(Reference: Paragraph 4.4; Page120)

(₹ in crore)

Sl. No.	Government of India Scheme	Amount transferred directly to implementing Agency	Released in State Budget	Total Amount released	Percentage of Direct transfers to total Releases
1	National Rural Drinking Water Programme	2,728.72	-	2,728.72	100.00
2	Mahatma Gandhi National Rural Employment Guarantee Act	-	2,595.52	2,595.52	-
3	Rashtreeya Krishi Vikas Yojana	4.72	58.41	63.13	7.48
4	Pradhan Mantri Matsya Sampada Yojana	54.78	66.08	120.86	45.33
5	Rashtreeya Gram Swaraj Abhiyan (RGSA)	0.15	36.00	36.15	0.41
6	Formulation of MFP	3.68	5.20	8.88	41.44
7	PM Ayushman Bharat Health Infrastructure	3.26	33.84	37.10	8.78
8	National Livestock Mission	1.82	4.66	6.48	28.08
9	Agriculture Extension	0.15	13.00	13.15	1.14
10	National Service Scheme	24.66	0.59	25.25	97.66
11	Tertiary Care Programmes	23.94	-	23.94	100
12	Beti Bachao Beti Padhao	1.31	7.50	8.81	14.87
13	Agricultural Census and Statistics	11.82	3.39	15.21	77.71
14	National Rural Livelihood Mission	20.80	284.61	305.41	6.81
Total		2,879.81	3,108.80	5,988.61	

Source: PFMS Website

Appendix 4.2
Major Head and Department-wise details of outstanding UCs
separately for each year
 (Reference: Paragraph 4.5; Page 121)

(₹ in crore)

Sl. No.	Head of Account	Department	Due Year	Number of UCs	Amount
1	2204	Sports and Youth Services	2020-21	13	8.83
			2021-22	12	14.20
			2022-23	10	7.71
			Total	35	30.74
2	2210	Medical & Public Health	2017-18	01	0.75
			2020-21	03	4.36
			2021-22	05	2.39
			2022-23	04	3.43
			Total	13	10.93
Total				48	41.67

Source: Office of the AG(A&E)

Appendix 4.3
Balances remaining under in-operative PD accounts
(Reference: Paragraph 4.7.3.1(b); Page 124)

(Amount in ₹)

Sl. No.	P.D. Account Nomenclature	Balance as per the Books of Pr.AG (A&E)	Remarks
Credit Balances			
1	Pvt. Estate Under Government Management	1,01,93,50,802.53	2011-12 onwards
2	Cash Order Deposit	1,72,67,836.81	2011-12 onwards
3	Sugar Surcharge	3,08,14,048.55	2012-13 onwards
4	Scholarship account of Backward Classes & Minorities	3,47,08,940.30	2011-12 onwards
5	Special DC	50,62,99,828.90	2011-12 onwards
6	P.W.D. Officer	11,46,375.00	2011-12 onwards
7	Commerce and Industries Karnataka	35.00	2011-12 onwards
8	Director of Small Savings and State Lottery	35,43,374.00	2011-12 onwards
9	Permanent & Temporary Deposits	28,31,395.86	2011-12 onwards
10	Ram Kumar Jalal Memorial Fund	195.00	2011-12 onwards
11	Bagalkot Town Development Authority	49,41,519.93	2011-12 onwards
12	Asst Registrar of Co-operative Societies	10,000.00	2011-12 onwards
13	Special Land Acquisition Officer SCR Project Karnataka	1,41,66,00,000.00	2011-12 onwards
14	Director of Fiscal Policy Institute, Bengaluru	13,057.00	2018-19 onwards
15	C.A.O. Rural Road Development Agency	59,98,08,000.00	2020-21 onwards
16	Commissioner, Watershed Development Department	783.00	2020-21 onwards
17	The Officer on Special Duty, Sippu (TEQUIP) Phase II Director Technical Education Bengaluru	1,03,42,496.00	2019-20 onwards
18	Commissioner, Department of Collegiate Education, Bengaluru	1,97,41,16,390.00	2020-21 onwards
Total		5,62,17,95,077.88	
Debit Balances			
1	Harijan Development Welfare Fund	5,18,030.71	2011-12
2	Maharaja College of Education	9,052.00	2011-12
3	Director Watershed Development	16,28,01,956.00	2011-12
4	CM's Drought Relief Fund	82,23,760.20	2011-12
5	Asha Kiran Scheme	92,24,567.00	2011-12
6	Municipal Commissioner, Tumkur	23,72,940.16	2011-12
7	Deposits Of Pvt Estate Under Commercial Management	75.00	2011-12
8	Gram Panchayat	34,00,890.55	2011-12
9	S.L.A.O Bengaluru - Hassan Railway Project	88,41,300.00	2016-17
Total		19,53,92,571.62	
Nil Closing Balance			
1	Asst Registrar of Co-operative Societies, Vijayapura	0.00	2011-12
2	Secretary (Bhoomi UPOR and Disaster Management) Bengaluru	0.00	2019-20

Source: Office of the AG(A&E)/DDR Ledger

Appendix 4.3 (A)
Balances remaining under in-operative PD accounts
for more than five years
(Reference: Paragraph 4.7.3.1(b); Page 124)

(Amount in ₹)

Sl. No.	Inoperative schemes under PD miscellaneous account of test checked units	Closing Balance
Bengaluru Urban		
1	Auction sale of Government land (25 per cent of bid amount)	3,43,30,867
2	Construction of Ambedkar Bhavana in Anekal Taluk	48,09,298
3	Construction of Samskruthi Bhavana (Ranga Mandira)	10,00,000
4	Construction of Chalavadi Bhavana	20,00,000
5	Construction of Bayalu Ranga Mandira	4,00,000
6	Construction of Gangotri Bhavana for Physically Challenged Persons	20,00,000
7	Border Development Project	5,36,000
8	Recovery of Land Revenue	1,07,75,000
9	District Innovation Fund	10,00,000
10	Press Club	8,00,00,000
11	Construction of Mahila Bhavana	15,00,000
Total		13,83,51,165
Mysuru		
1	RRT	19,33,175
2	Jeeta Vimukta	14,550
3	Purchase of Rudrabhumi	25,00,000
Total		44,47,725

Source: Office of the AG(A&E)/DDR Ledger

Appendix 4.4
PD accounts with Negative balance
(Reference: Paragraph 4.7.3.1(c); Page 125)

(Amount in ₹)

Sl. No.	P.D. Account Nomenclature	Balance as per the Books of Pr.AG (A&E)
1	Deposits Under National Scholarship Scheme	1,33,18,315.37
2	Block Development Officer	7,49,32,561.15
3	Labour Officer	2,52,58,413.52
4	Secondary Karnataka Consumer Production Board	1,90,50,09,843.00
5	Industrial Training Institute	56,90,485.21
6	Member Secretary	44,34,795.89
7	Malnad Area Development Board Shivamogga	14,79,657.00
8	Receipts Awaiting Transfers	57,59,91,79,028.00
9	Land Compensation	3,83,016.40
10	Superintendent, Central Prison, Ballari	10,19,781.00
11	Superintendent of Central Prison, Belagavi	2,08,757.00
12	Superintendent of Central Prison, Bengaluru	70,17,221.00
Total		59,63,79,31,874.54

Source: Office of the AG(A&E)

Appendix 4.5
Details of diversion of funds from unspent balances in PD accounts
 (Reference: Paragraph 4.7.4(b); Page 127)

(Amount in ₹)

Sl. No.	Scheme Name	Closing Balance as on 31.03.2022	Utilised as per Order dated 28.03.2023	Closing Balance as on 31.03.2023	Utilised as per Order dated 16.08.2023	Balance
1	Tiger Project	15,79,289	15,76,750	2,539	2,537	2
2	N.R.Y.	9,399	0	9,399	9,322	77
3	Development Fund	14,850	14,850	0	0	0
4	Rajiv Gandhi Yuva Shakti	5,00,000	4,90,250	9,750	9,747	3
5	Nirmala Nagara	93,305	0	93,305	93,220	85
6	Solid Waste Management	15,68,785	15,51,660	17,125	17,098	27
7	Agriculture Department	21,000	21,000	0	0	0
8	ADM Charges	14,075	14,075	0	0	0
9	Golden Independence	2,91,915	2,91,900	15	0	15
10	Communal Riot	87,100	86,940	160	0	160
11	Co-operative Society	4,99,998	4,95,110	4,888	4,778	110
12	Child Labour	5,00,000	4,96,100	3,900	3,822	78
13	Mini Ambedkar	3,25,000	3,24,870	130	0	130
14	Road Safety	3,933	3,635	298	0	298
15	Cauvery Riot	4,62,077	4,62,000	77	0	77
16	Negila Yogi	10,000	0	10,000	9,971	29
17	Kyathamarahalli Riot	1,08,773	0	1,08,773	1,08,692	81
18	Independence Day Celebration	1,00,000	94,290	5,710	5,708	2
19	Innovation Fund	6,57,133	6,54,510	2,623	2,596	27
20	Land Justice Board	1,24,500	0	1,24,500	1,24,490	10
Total		69,71,132	65,77,940	3,93,192	3,91,981	1,211

Source: Departmental Records

Appendix 4.6

Substantial Expenditure (20 per cent and above of total expenditure under Major Head) booked under Minor head 800 – Other expenditure.

(Reference: Paragraph 4.8; Page 128)

(Amount in ₹)

Sl. No.	Major Head of Account	Total Expenditure	Expenditure under Minor Head 800	Percentage to Total Expenditure
1	2013-Council of Ministers	25,69,36,110	7,52,37,621	29.28
2	2052-Secretariat-General Services	15,15,73,559	25,00,00,000	164.94
3	2216-Housing	37,43,45,04,324	17,74,42,33,000	47.40
4	2700-Major Irrigation	3,90,08,62,754	1,25,75,06,000	32.24
5	4070-Capital Outlay on Other Administrative Services	15,16,64,351	14,46,93,607	95.40
6	4217-Capital Outlay on Urban Development	58,18,39,00,000	55,67,93,00,000	95
7	4401-Capital Outlay on Crop Husbandry	2,73,91,32,214	1,08,46,77,000	39.60
8	4403-Capital Outlay on Animal Husbandry	1,27,78,76,291	60,00,00,000	46.95
9	4515-Capital Outlay on other Rural Development Programmes	2,63,86,96,385	2,42,58,40,330	91.93
10	4575-Capital Outlay on other Special Areas Programmes	33,99,96,18,064	33,99,96,18,064	100
11	4705-Capital Outlay on command Area Development	42,47,71,523	45,00,00,000	105.94
12	5452-Capital Outlay on Tourism	1,55,45,91,589	73,45,91,589	47.25
Total		1,42,71,41,27,164	1,14,44,56,97,211	

Source: Departmental Records

Appendix 4.7
Status of submission of accounts of Autonomous Bodies
and placement of Audit Reports before the State Legislature
(Reference: Paragraph 4.14; Page 134)

Sl. No.	Name of the Autonomous Body	Section under DPC Act	Period of entrustment	Year up to which audit report issued	Placement of audit reports before the Legislature	No. of Audit Reports pending for placement in Legislature
1	Karnataka Urban Water Supply & Drainage Board, Bengaluru	19 (3)	2020-21 to 2024-25	2019-20	2018-19	1
2	Karnataka Slum Development Board, Bengaluru	19 (3)	2022-23 to 2026-27	2020-21	2019-20	1
3	Bangalore Water Supply and Sewerage Board, Bengaluru	19 (3)	2017-18 to 2021-22	2019-20	2018-19	1
4	Karnataka Housing Board, Bengaluru	19 (3)	2021-22 to 2025-26	2019-20	2017-18	2
5	Bangalore Development Authority, Bengaluru	19 (3)	2020-21 to 2024-25	2020-21	2018-19	2
6	Karnataka State Legal Services Authority, Bengaluru	19 (2)	As per Act	2019-20	2018-19	1
7	Karnataka State Human Rights Commission, Bengaluru	19 (2)	As per Act	2021-22	2018-19	3
8	Karnataka Industrial Areas Development Board, Bengaluru	19 (3)	2019-20 to 2024-25	2020-21	2018-19	2
9	Karnataka State Khadi and Village Industries Board, Bengaluru	19 (3)	2022-23 to 2026-27	2020-21	2019-20	1
10	Karnataka Biodiversity Board, Bengaluru	20 (1)	2002 onwards as per Act	2021-22	2020-21	1
11	The Compensatory Afforestation Fund Management and Planning Authority (CAMPA)	As per CAMPA guidelines 2009-10 audit entrusted from 2009-10	From 2009-10 as per guidelines	2019-20	Not placed	1
12	Karnataka Building and Other Construction Workers Welfare Board, Bengaluru	19(2)	As per Act	2015-16 2016-17	Not placed	2
13	Karnataka State Real Estate Regulatory Authority, Bengaluru	19 (2)	As per Act	2018-19	Not placed	1
14	Karnataka Electricity Regulatory Commission	19(2)	As per Act	2021-22	2018-19	3

Source: Offices of the Pr. AG (Audit-I) & Pr. AG (Audit-II)

Appendix 4.8
Position of arrears in finalisation of proforma accounts by the
departmentally managed Commercial and Quasi-Commercial
Undertakings

(Reference: Paragraph 4.15; Page 134)

(₹ in crore)

Sl. No.	Undertaking	Accounts finalised up to	Investment as per the last accounts finalised	Remarks
1	Chamarajendra Technical Institute Mysuru	1984-85	-	Proforma accounts due from 1985-86.
2	Government Sawmills, Joida	1968-69	-	Proforma accounts due from 1969-70. Undertaking closed w.e.f. 27-04-1971.
3	Dasara Exhibition Committee, Mysuru	1980-81	-	Proforma accounts due from 1981-82 to 1995-96.
4	Bengaluru Dairy, Bengaluru	1973-74	-	Company stands transferred to Karnataka Milk Producers Co-operative Federation Limited from November 1984.
5	Government Milk Supply Scheme, Hubballi-Dharwad	1980-81	-	Proforma accounts due from 1981-82 to 1984-85 (31.01.1985). Transferred to KDDC.
6	Government Milk Supply Scheme, Mysuru	1968-69	-	Proforma accounts due from 1969-70 to 30.11.1975. Transferred to KDDC w.e.f 01.12.1975.
7	Government Milk Supply Scheme, Belagavi	1974-75	-	Proforma accounts due from 1977-78 to 1984-85. Transferred to KDDC w.e.f 01.12.1975.
8	Government Milk Supply Scheme, Kalaburgi	1982-83	-	Proforma accounts due from 1983-84 to 1984-85 (up to 31.01.1985). Transferred to KDDC.
9	Government Milk Supply Scheme, Bhadravathi	1980-81	-	Proforma accounts due from 1983-84 to 1984-85 (up to 14.02.1985). Transferred to KDDC.
10	Government Milk Supply Scheme, Mangaluru	1982-83	-	Proforma accounts due from 1983-84 & 1984-85 (up to 14.02.1985). Transferred to KDDC.
11	Government Milk Supply Scheme, Kudige	1972-73	-	Proforma accounts due from 1973-74 & 1974-75 (up to 30.11.1975). Transferred to KDDC.
12	Vaccine Institute, Belagavi	1992-93	-	Proforma accounts due from 1993-94.
13	Government Silk Filature, Kollegal	2015-16	1.69	The due period of accounts information, not available.
14	Government Silk Filature, Chamarajanagar	2015-16	1.68	

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Sl. No.	Undertaking	Accounts finalised up to	Investment as per the last accounts finalised	Remarks
15	Government Silk Filature, Santhemarahalli	2016-17	1.24	
16	Government Silk Filature, Mamballi	2015-16	2.38	
17	Government Silk Twisting and Weaving Factory, Mudigundam	2015-16	1.81	
18	Government Central Workshop, Madikeri	2008-09	0.07	Proforma accounts due from 2009-10
19	Karnataka Government Insurance Department, Bengaluru	-	No Capital Account	Information not available.
20	Government Silk Filature, Tolahunase	-	-	Proforma Accounts in arrears.

Source: Offices of the Pr. AG (Audit-I) & Pr. AG (Audit-II)

Appendix 4.9
Non-receipt of information pertaining to institutions substantially
financed by the Government
(Reference: Paragraph 4.16; Page 135)

Sl. No.	Department	Number of Institutions	Years for which information not received
1	Education	991	2015-16 to 2021-22
2	Medical Education	25	2016-17 to 2022-23
3	Health & Family Welfare	2	2018-19 to 2022-23
4	Electronics Information Technology, Biotechnology, Science & Technology	4	2021-22 to 2022-23
5	Kannada & Culture	11	2016-17 to 2022-23
6	Youth Services & Sports Department	2	2020-21 to 2021-22
7	Social Welfare	4	2010-11 to 2022-23
8	Women & Child Development	2	2016-17 to 2022-23
9	Minority Welfare Department	2	2013-14 to 2022-23
10	Backward Classes Department	1	2016-17 to 2022-23
11	Department of Personnel and Administrative Reforms	1	2018-19 to 2022-23
12	Revenue Department	1	2018-19 to 2022-23
13	Department of Information and Public Relation Department	2	2016-17 to 2022-23
14	Hindu religious Institutions and charitable endowments	1	2012-13 to 2022-23
15	Commerce and Industries	2	2003-04 to 2022-23
16	Law and Justice	3	2014-15 to 2021-22
Total		1,054	

Source: Offices of the Pr.AG (Audit-I) & Pr. AG (Audit-II)

Appendix 4.10

Department-wise/ duration-wise breakup of the cases of theft and misappropriation

(Reference: Paragraph 4.18; Page 135)

(₹ in lakh)

Department	<5years		<15 years		<20 years		<25 years		>25 years		Total	
	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.
Animal Husbandry and Veterinary Services	4	643.70	-	-	-	-	-	-	-	-	4	643.70
Food and Civil Supplies	1	525.00	-	-	-	-	-	-	-	-	1	525.00
Medical Education	-	-	-	-	-	-	-	-	2	1.98	2	1.98
Forest	-	-	-	-	-	-	-	-	2	0.74	2	0.74
Home	2	9.09	3	100.20	-	-	-	-	1	20.40	6	129.69
Law	1	227.00	-	-	-	-	-	-	-	-	1	227.00
Health and Family Welfare	-	-	-	-	-	-	-	-	10	1.60	10	1.60
Social Welfare	-	-	-	-	1	9.48	-	-	-	-	1	9.48
Public Works	-	-	2	1,180.18	-	-	-	-	-	-	2	1,180.18
RDPR	1	1.04	-	-	-	-	-	-	-	-	1	1.04
Karnataka Soaps and Detergents Ltd.	-	-	1	499.21	-	-	-	-	-	-	1	499.21
Karnataka Handloom Development Corporation	3	10.76	1	12.50	-	-	-	-	-	-	4	23.26
Karnataka State Coir Development Corporation	-	-	5	7.56	2	17.66	1	5.10	-	-	8	30.32
BESCOM	-	-	5	181.05	-	-	-	-	-	-	5	181.05
CESCOM	1	44.85	1	54.45	-	-	-	-	-	-	2	99.30
GESCOM	2	134.81	2	126.87	-	-	-	-	-	-	4	261.68
HESCOM	-	-	2	91.58	-	-	-	-	-	-	2	91.58
KPTCL	-	-	2	369.73	-	-	-	-	-	-	2	369.73
Archology, Museums and Heritage	-	-	1	3.38	-	-	-	-	-	-	1	3.38
Urban Development Department	1	2.02	-	-	-	-	-	-	-	-	1	2.02
Fisheries	-	-	1	6.25	-	-	-	-	-	-	1	6.25
Total	16	1,598.27	26	2,632.96	3	27.14	1	5.10	15	24.72	61	4,288.19

Source: Offices of the Pr.AG (Audit-I) and Pr.AG (Audit-II)

Appendix 5.1
List of State Public Sector Undertakings under jurisdiction of Audit in
Karnataka
(Reference: Paragraph 5.3.1, Page 142)

Finance		
1	D Devaraj Urs Backward Classes Development Corporation Limited	DUBCDCL
2	Karnataka State Women's Development Corporation	KSWDC
3	Dr. B.R. Ambedkar Development Corporation Limited	BRADCL
4	Karnataka Maharshi Valmiki Scheduled Tribes Development Corporation Limited	KMVSTDCL
5	The Karnataka Minorities Development Corporation Limited	KMDC
6	Karnataka Thanda Development Corporation Limited	KTDCCL
7	Karnataka Vishwakarma Community Development Corporation Limited	KVCDCL
8	Karnataka Bhovi Development Corporation Limited	KBDCL
9	Nijasharana Ambigara Chowdaiah Development Corporation Limited	NACDCL
10	Karnataka State Safai Karmachari Development Corporation Limited	KSSKDCL
11	Karnataka Adi Jambava Development Corporation	KAJDC
12	Karnataka Uppara Development Corporation Limited	KUDCL
13	The Karnataka Handloom Development Corporation Limited	KHDCL Handloom
14	Karnataka State Handicrafts Development Corporation Limited	KHDC; Handicrafts
15	Karnataka State Industrial Infrastructure and Development Corporation Limited	KSIIDC
16	Karnataka Urban Infrastructure Development and Finance Corporation Limited	KUIDFC
17	Sree Kanteerava Studios Limited	KSL
18	Karnataka Asset Management Company Private Limited	KAMCPL
19	Karnataka Trustee Company Private Limited	KTCPL
20	Karnataka Brahmin Development Board	KBDB Brahmin
21	Karnataka Savitha Samaja Development Corporation Limited	KSSDCL Savitha Samaja
22	Karnataka Madiwala Machideva Development Corporation Limited	KMMDCL Madiwala
23	Karnataka Arya Vysya Community Development Corporation Limited	KAVCDCL Arya Vysya
24	Karnataka Alemari Are-Alamari Development Corporation Limited	KAADCL Alemari
25	Karnataka Veerashaiva-Lingayath Development Corporation Limited	KVLDCCL Veerashaiva
Infrastructure		
26	Karnataka State Construction Corporation Limited	KSCCL
27	Karnataka Rural Infrastructure Development Limited	KRIDL
28	Karnataka State Police Housing and Infrastructure Development Corporation Limited	KSPHIDCL
29	Rajiv Gandhi Rural Housing Corporation Limited	RGRHCL
30	Karnataka Road Development Corporation Limited	KRDCL
31	Krishna Bhagya Jala Nigam Limited	KBJNL

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32	Karnataka Neeravari Nigam Limited	KNNL
33	Cauvery Neeravari Nigama Limited	CNNL
34	Vishveswaraya Jala Nigam Limited	VJNL
35	Tadadi Port Limited	TPL
36	Hubli Dharwad BRTS Company Limited	HDBRTS
37	Invest Karnataka Forum	IKF
38	Tumakuru Machine Tool Park	TMTP
39	Hubballi Dharwad Smart City Limited	HDSCS
40	Davanagere Smart City Limited	DSCL
41	Belagavi Smart City Limited	BSCL Belagavi
42	Shivamogga Smart City Limited	SSCL
43	Tumakuru Smart City Limited	TSCL
44	Mangaluru Smart City Limited	MSCL
45	Bengaluru Smart City Limited	BSCL Bengaluru
46	Bengaluru PRR Development Corporation Limited	BPRRDCL
47	Rail Infrastructure Development Company (Karnataka) Limited	RIDCKL
48	CBIC Tumakuru Industrial Township Limited	CTITL CBIC Tumakuru
49	Bengaluru Integrated Rail Infrastructure Development Enterprises Limited	Bi-Ride
50	Bangalore Solid Waste Management Company Limited	BSWML
51	Bangalore Airport Rail Link Limited (under voluntary liquidation)	BARL
52	Bangalore Suburban Rail Company Limited (Non working)	BSRCL
Power		
53	Karnataka Power Corporation Limited	KPCL
54	KPC Gas Power Corporation Limited	KPCGPCL
55	Raichur Power Corporation Limited	RPCL
56	Karnataka Power Transmission Corporation Limited	KPTCL
57	Bangalore Electricity Supply Company Limited	BESCOM
58	Hubli Electricity Supply Company Limited	HESCOM
59	Mangalore Electricity Supply Company Limited	MESCOM
60	Chamundeshwari Electricity Supply Corporation Limited	CESC
61	Gulbarga Electricity Supply Company Limited	GESCOM
62	Karnataka Renewable Energy Development Limited	KREDL
63	Power Company of Karnataka Limited	PCKL
Service		
64	Karnataka State Tourism Development Corporation Limited	KSTDC
65	Jungle Lodges and Resorts Limited	JLR
66	D. Devraj Urs Truck Terminals Limited	DDUTTL
67	Karnataka Food and Civil Supplies Corporation Limited	KFCSCS
68	Karnataka Tourism Infrastructure Limited	KTIL
69	Karnataka State Medical Supplies Corporation Limited	KSMSCL Medicals

Others		
70	Dr. Babu Jagjivan Ram Leather Industries Development Corporation Limited	LIDKAR
71	Karnataka State Coir Development Corporation Limited	KSCDCL
72	Karnataka Soaps and Detergents Limited	KSDL
73	The Mysore Paper Mills Limited	MPM
74	Karnataka Vidyuth Karkhane Limited	KAVIKA
75	The Mysore Electrical Industries Limited	MEI
76	NGEF (Hubli) Limited	NGEFH
77	Karnataka Silk Industries Corporation Limited	KSIC
78	Karnataka Silk Marketing Board Limited	KSMB
79	Karnataka State Textile Infrastructure Development Corporation Limited	KSTIDCL
80	Karnataka State Minerals Corporation Limited	KSMCL
81	The Hutti Gold Mines Company Limited	HGML
82	Mysore Sugar Company Limited	MYSUGAR
83	Mysore Paints and Varnish Limited	MPVL
84	Mysore Sales International Limited	MSIL
85	Marketing Communication and Advertising Limited	MCA
86	Karnataka State Agro Corn Products Limited	KSACPL
87	Karnataka State Agricultural Produce Processing and Export Corporation Limited	KAPPEC
88	Karnataka State Pulses Abhivridhi Mandali Limited	KSACPL
89	Karnataka Fisheries Development Corporation Limited	KFDC Fisheries
90	Karnataka Sheep and Wool Development Corporation Limited	KSAWDCL
91	Karnataka Compost Development Corporation Limited	KCDCL Compost
92	Karnataka Cashew Development Corporation Limited	KCDCL Cashew
93	Karnataka Forest Development Corporation Limited	KFDCL Forest Dev
94	Karnatak State Forest Industries Corporation Limited	KSFIC
95	Karnataka State Seeds Corporation Limited	KSSCL
96	Food Karnataka Limited	FKL
97	Karnataka State Mango Development and Marketing Corporation Limited	KSMDMCL
98	Karnataka Antharaganga Micro Irrigation Corporation Limited	KAMICL
99	Bangalore Bio-innovation Centre	BBC
100	Karnataka State Small Industries Development Corporation Limited	KSSIDC
101	Karnataka State Electronics Development Corporation Limited	KEONICS
102	Karnataka State Beverages Corporation Limited	KSBCCL
103	Karnataka Vocational Training and Skill Development Corporation Limited	KVTSDCL
104	Karnataka Public Lands Corporation Limited	KPLCL
105	Karnataka Mining Environment Restoration Corporation Limited	KMERCL
106	Science Gallery Bengaluru	SGB
107	International Flower Auction Bangalore Limited	IFAB
108	Canara Plastic Forum	CPF

109	Shiggaon Textile Park	STP
110	Karnataka Agro Industries Corporation Limited (Non working)	KAIC
111	The Mysore Tobacco Company Limited (Non working)	MTC
112	Karnataka Pulpwood Limited (Non working)	KPL (Pulpwood)
113	The Karnataka State Veneers Limited (under liquidation)	KSVL
114	The Mysore Match Company Limited (Non working)	MMCL
115	The Mysore Lamp Works Limited (Non working)	MLW
116	Mysore Cosmetics Limited (under liquidation)	MCL
117	The Mysore Chrome Tanning Company Limited (Non working)	MCT
118	NGEF Limited (Non working)	NGEF
119	Karnataka Telecom Limited (under liquidation)	KTL
120	The Mysore Acetate and Chemicals Company Limited (under liquidation)	MACCL
121	Vijayanagar Steel Limited (Non working)	VSL
Statutory Corporations		
122	Karnataka State Road Transport Corporation	KSRTC
123	Bengaluru Metropolitan Transport Corporation	BMTC
124	North Western Karnataka Road Transport Corporation	NWKRTC
125	Kalyana Karnataka Road Transport Corporation (Previously North Eastern Karnataka Road Transport Corporation)	KKRTC
126	Karnataka State Financial Corporation	KSFC
127	Karnataka State Warehousing Corporation	KSWC

Appendix 5.2
Details of SPSUs whose Net worth has eroded as per their latest finalised accounts
(Reference: Paragraph 5.9.2, Page 149)

Sl. No.	Name of SPSU	Latest year of finalised Accounts	Total paid up capital (exclusive of Share Deposit) as per latest finalised accounts	Net profit (+)/Loss (-) after Interest, tax and dividend	Accumulated losses	Net worth	State Government Equity as on 31 March 2023 (exclusive of Share Deposit)	State Government Loans as on 31 March 2023
1	KPCGPCL (formerly KPCB)	2021-22	14.05	-	(33.85)	(19.80)	-	-
2	RPCL	2021-22	2,999.76	(678.22)	(7,088.48)	(4,088.72)	-	-
3	BESCOM	2022-23	1,343.54	(1,767.4)	(4,479.94)	(3,136.40)	1,343.54	547.86
4	HESCOM	2022-23	2,151.94	(836.22)	(7,258.09)	(5,106.15)	2,151.94	759.58
5	CESCOM	2022-23	1,108.16	(298.40)	(2,686.05)	(1,577.89)	1,108.16	-
6	GESCOM	2021-22	1,640.16	10.45	(3,101.41)	(1,461.25)	1654.37	422.96
7	KUDCL	2021-22	0.10	(0.86)	(1.11)	(1.01)	0.10	-
8	KHDCL Handloom	2019-20	51.88	(14.47)	(169.37)	(117.49)	46.68	60.13
9	LIDKAR	2019-20	6.85	(1.24)	(23.74)	(16.89)	6.85	9.77
10	KSCDCL	2021-22	3.01	(0.75)	(4.19)	(1.18)	3.01	2.51
11	MPM	2014-15	118.89	(92.87)	(519.50)	(400.61)	76.97	839.55
12	Kavika	2021-22	5.62	(19.01)	(7.06)	(1.44)	5.62	7.84
13	NGEFH	2021-22	3.20	0.81	(15.71)	(12.51)	-	2.00
14	KSMB	2021-22	31.45	(0.16)	(49.40)	(17.95)	31.45	22.00
15	MYSUGAR	2014-15	8.73	(43.02)	(504.02)	(495.29)	-	2.22
16	KSTDC	2021-22	6.41	(2.88)	(28.93)	(22.52)	5.00	-
17	KSACPL	2021-22	2.44	1.32	(39.74)	(37.30)	2.44	24.32
18	KSPAML (Formerly KTAML)	2022-23	5.00	(0.01)	(11.48)	(6.48)	5.00	-
19	KCDCL Compost	2021-22	0.50	(1.21)	(5.32)	(4.82)	-	-
20	RGHCL	2021-22	3.00	19.25	(14.27)	(11.27)	3.00	100
21	HDSCL	2021-22	0.10	(0.65)	(3.65)	(3.55)	0.05	-
22	SSCL	2022-23	0.10	(0.26)	(1.98)	(1.88)	0.05	-
23	TSCL	2021-22	0.10	(0.42)	(2.79)	(2.69)	0.05	-
24	KVTS DCL	2018-19	0.01	(2.94)	(2.24)	(2.23)	0.01	-
25	KMERCL	2021-22	0.01	(1.21)	(4.44)	(4.43)	0.01	-
26	KSRTC	2021-22	291.89	(423.31)	(1,477.50)	(1,185.61)	242.79	-
27	BMTC	2021-22	314.45	(178.25)	(1,403.47)	(1,089.02)	679.72	-
28	NWKRTC	2021-22	368.80	(462.58)	(1,919.66)	(1,550.86)	142.31	-
29	KKRTC (NEKRTC)	2021-22	131.12	(225.82)	(1,112.19)	(981.07)	523.45	-
30	KAIC	2022-23	7.54	(40.47)	(453.01)	(445.47)	7.54	68.98
31	MTC	2021-22	0.77	0.24	(3.91)	(3.14)	0.62	1.54
32	KPL (Pulpwood)	2020-21	15.16	(0.01)	(21.03)	(5.87)	13.91	-
33	KSVL	2004-05	1.00	(0.45)	(8.85)	(7.85)	-	-
34	MMCL	2022-23	0.05	(0.07)	(0.76)	(0.71)	0.01	0.23
35	MLW	2021-22	11.81	(13.07)	(374.10)	(362.29)	10.76	120.97
36	MCL	2003-04	0.16	(0.79)	(3.12)	(2.96)	-	-
37	MCT	2022-23	0.76	0.03	(8.35)	(7.59)	-	0.12
38	NGEF	2019-20	46.51	(55.44)	(1,149.55)	(1,103.04)	46.51	239.07

State Finance Audit Report for the Year ended 31st March 2023

Sl. No.	Name of SPSU	Latest year of finalised Accounts	Total paid up capital (exclusive of Share Deposit) as per latest finalised accounts	Net profit (+)/Loss (-) after Interest, tax and dividend	Accumulated losses	Net worth	State Government Equity as on 31 March 2023 (exclusive of Share Deposit)	State Government Loans as on 31 March 2023
39	KMMDCL Medical	2019-20	0.01	(0.01)	(0.01)	-	-	-
40	KVLDCL Veerashaiva	Jan 2021-Mar 2022	0.01	(0.69)	(0.69)	(0.68)	0.01	-
Total			10,695.05	(5,131.15)	(33,992.96)	(23,297.91)	8,111.93	3,231.65

**Information in column 3 to 7 has been taken from latest finalised accounts. With respect to column 8 and 9, it has been taken as per the information provided by respective companies as on 31 March 2023.*

Appendix 5.3
Details of SPSUs whose financial statements were amended as a result of
supplementary audit conducted by C&AG
(Reference: Paragraph 5.14.2, Page 153)

(Amount in crore)

Sl. No.	Name of SPSU	Year of Certified Accounts	Decrease in loss	Increase in loss	Decrease in Profit	Increase in Profit	Increase in Assets/ Liabilities	Decrease in Assets/ Liabilities
1	BESCOM	2022-23	0.00	125.36	0.00	0.00	964.38	0.00
2	CESCOM	2022-23	0.00	10.66	0.00	0.00	10.04	0.00
3	GESCOM	2021-22	0.00	0.00	0.00	1.01	0.00	1.11
4	HESCOM	2022-23	0.00	504.04	0.00	0.00	0.00	818.60
5	HESCOM	2021-22	278.22	0.00	0.00	0.00	327.04	0.00
6	MESCOM	2022-23	0.00	0.00	0.00	4.03	2.42	0.00
7	MESCOM	2021-22	0.00	0.00	4.00	0.00	7.80	0.00
8	JLR	2021-22	0.00	0.00	0.00	0.50	0.18	0.00
9	LIDKAR	2019-20	0.00	0.00	0.00	3.16	17.34	0.00
10	NACDCL	2021-22	0.00	0.00	0.00	0.00	0.00	0.00
11	KSWDC	2021-22	0.00	0.00	0.005	0.00	0.01	0.00
12	KAJDC	2020-21	0.00	0.00	0.005	0.00	0.05	0.00
13	KSMB	2021-22	0.00	0.00	0.00	0.00	0.00	0.00
Total			278.22	640.06	4.01	8.70	1,329.26	819.71

Appendix 5.4
Details of SPSUs where Statutory Auditors' Report was revised as a
result of supplementary audit conducted by C&AG
 (Reference: Paragraph 5.14.3, Page 153)

Sl. No.	Name of SPSU	Year of Certified Accounts
1	NACDCL	2021-22
2	LIDKAR	2019-20
3	KSSKDCL	2019-20
4	KSWDC	2021-22
5	DSCL	2022-23
6	BSCL (Bengaluru)	2022-23
7	HDBRTS	2021-22
8	BSWML	2021-22
9	KUIDFC	2021-22
10	KSBCL	2022-23
11	KFDCL Forest	2022-23
12	KSIIDC	2021-22
13	RIDCKL	2022-23
14	KSFIC	2020-21
15	BESCOM	2022-23
16	CESCOM	2022-23
17	GESCOM	2021-22
18	HESCOM	2022-23
19	HESCOM	2021-22
20	MESCOM	2022-23
21	MESCOM	2021-22
22	KPCL	2021-22
23	KPCGPCL	2021-22
24	RPCL	2021-22
25	PCKL	2021-22
26	KSDL	2021-22
27	KSMCL	2021-22
28	MSIL	2021-22
29	CTITL CBIC Tumkur	2021-22
30	MCA	2021-22
31	IKF	2021-22
32	KMERCL	2021-22
33	MCT	2021-22
34	NGEFH	2021-22
35	MEI	2021-22
36	MLW	2021-22
37	VSL	2021-22
38	JLR	2021-22
39	KSTDC	2021-22
40	MPVL	2022-23
41	KSAWDCL	2019-20
42	KSAWDCL	2018-19
43	VJNL	2021-22
44	KSMB	2021-22
45	CNNL	2021-22
46	KSPHIDCL	2022-23
47	KAIC	2022-23
48	KSMDMCL	2021-22

Appendix 5.5
Comments of Profitability
(Reference: Paragraph 5.14.4, Page 153)

Sl. No.	Name of the Company / Comment
1	<p>D Devaraj Urs Truck Terminals Limited</p> <p>Statement of Profit and Loss-Expenses Depreciation and amortisation-₹12.86 lakh</p> <p>The above does not include depreciation of ₹57.95 lakh in respect of Mysore Truck Project costing ₹288.05 lakh which was commissioned in 2012. Non-accounting of depreciation resulted in overstatement of property, plant and equipment by ₹57.95 lakh, understatement of prior period expenditure by ₹50.43 lakh, understatement of current year expenditure by ₹7.52 lakh and consequent understatement of loss by ₹57.95 lakh. Consequently, the same also had an impact on deferred tax to the extent of ₹4.24 lakh. Further the diversion of other grants/excess expenditure over grant has not been reconciled /adjusted despite assurance given during the previous year to disclose the same.</p>
2	<p>Karnataka Food and Civil Supplies Corporation Limited</p> <p>Note No 7- Others - Non current financial assets Provision for doubtful advances Net advance recoverable from Government</p> <p>A reference is invited to Note 7.2 wherein it has been stated that Receivable towards MSP operations and supply of sugar through PDS is treated as non-current and full provision, for dues outstanding upto F.Y. 2009-10 has been made as final costing sheets have been issued. On test check of detailed schedule, short provision of ₹2,681.72 lakh has been observed which resulted in understatement of provision for doubtful advances, overstatement of Net advance receivable from Government and Profit before tax by ₹2,681.72 lakh.</p> <p>Note No 7- Others - Non current financial assets Net Other advances- Cost recoverable from Government</p> <p>During the year 2020-21, the final settlement of MSP Ragi for the period 2014-15 was completed and the Corporation received an amount of ₹2,913.70 lakh as against. ₹3,465.74 lakh receivable as per the books of accounts. The balance amount of ₹552.05 lakh being no longer receivable should be charged to Profit & Loss Account. This has resulted in over statement of cost recoverable from Government and profit for the year by ₹552.05 lakh.</p>
3	<p>Karnataka Power Corporation Limited</p> <p>Statement of Profit and Loss Expenses – Finance cost – Note 40 – ₹2,930.56 crore</p> <p>This does not include ₹1.01 crore being interest charges on loan availed from Rural Electrification Corporation Limited for the Renovation & Modernisation (R&M) of Units 1,2&3 at Nagjhari Power House which was accounted under Capital Work in Progress. As per Ind AS 23, an entity shall suspend capitalisation of borrowing</p>

Sl. No.	Name of the Company / Comment
	<p>costs during extended periods in which it suspends active development of a qualifying asset. An entity may incur borrowing costs during an extended period in which it suspends the activities necessary to prepare an asset for its intended use or sale. Such costs are costs of holding partially completed assets and do not qualify for capitalisation. As the R&M works were stopped from 2020-21 and yet to resume, the interest charges on the loan for the period 2020-22 should have been charged off as revenue expenditure instead of capitalising the same. This resulted in overstatement of the Capital Work in Progress by ₹2.14 crore, overstatement of other equity by ₹1.13 crore and understatement of the Loss to the extent of ₹1.01 crore.</p>
4	<p>Dr.Babu Jagajivan Ram Leather Industries Development Corporation Ltd., Bengaluru</p>
	<p>Revised Statement of Profit and Loss -Note No.21-Other Income-₹965.67 lakh Reference is invited to Notes 21 Other Income of the revised financial statements for the year ending March 2020 wherein it has been mentioned that the Company is following the policy of recognising 7 per cent of the grants received during the year as income which is utilised towards supervision and maintenance. In this regard, it was seen that despite non-receipt of any Administrative Grants from Government during 2019-20, the company has recorded ₹280.00 lakh as Government Grant for Supervision & Maintenance. Consequently, recognising this income of ₹280 lakh has resulted in overstatement of other income and understatement of liabilities and consequent understatement of loss for the year by ₹280.00 lakh.</p>

Appendix 5.6
Comments of Financial Position
(Reference: Paragraph 5.14.4, Page 153)

Sl. No.	Name of the Company / Comments
1	<p>Dr.Babu Jagajivan Ram Leather Industries Development Corporation Ltd., Bengaluru</p> <p>Balance Sheet (Revised) - Equity and Liabilities Note No.7 - Other Long-Term Liabilities - ₹10,665.15 lakh</p> <p>The above includes ₹115.08 lakh stated to be amount of grants adjusted against assets capitalised (Samudaya Bhavan and Compound wall at Mandya and Dharwar). All the amounts received towards purchase of specified assets from GoK, GoI, other Government Agencies has been spent for the specified purpose and ‘Capital Approach’ method as specified in AS -12 ‘Accounting for Government Grants’ have been adopted. However, there were no documents in support of grants received and the cost of the assets created. Consequently, adjustment of grants ₹115.08 lakh against value of assets and valuation thereof at nominal value of ₹1 could not be ensured in audit.</p>
2	<p>Karnataka Thanda Development Corporation Limited, Bengaluru</p> <p>Balance Sheet - Note No.4 - Reserves and Surplus - Capital Reserve - ₹90 Assets-Note No.8 (a) - Tangible Assets - ₹407.58 lakh</p> <p>The Company has capitalised Land for ₹20 and Buildings for ₹70 and corresponding Balance of Capital Reserve was ₹90. As per Company’s Accounting Policy on Utilisation of Grants- ‘The Company transfers the assets constructed/purchased by utilising the Government Grants except Banjara Bhavan are transferred to GoK. Banjara Bhawan are capitalised at nominal value by creating Capital Reserve in the books of accounts.’ However, the details of Land (except land at Chitradurga which was received as Gift through Gift Deed) and Buildings capitalised and the Grants against which those were adjusted were not produced for audit. Consequently, the existence of these assets and corresponding Grants received and accounting thereof cannot be ensured.</p>
3	<p>Karnataka Maharishi Valmiki Schedule Tribes Development Corporation Limited</p> <p>Balance Sheet II Assets Current Assets (C) Other Current Assets (Note 11) ₹3,445 lakh</p> <p>The company’s Board resolved (January 2022) to make provision towards loans and interest thereon which are more than five years old. However, it was observed that a provision of ₹690.31 lakh was made towards interest receivables out of which interest on Loans and interest on Margin Money due upto 31.03.2015 (more than 5 years old) was ₹87.39 lakh (₹72.24 lakh + ₹15.15 lakh) and should have been provided for as per Board’s resolution. However, provision is made for interest dues upto 2020-21 which resulted in overstatement of Provision by ₹602.92 lakh (₹690.31 lakh - ₹87.39 lakh). This provision was not in accordance with Board Resolution. Consequently, Other Current Assets are understated, and provision are overstated to the extent of ₹602.92 lakh.</p>
4	<p>D Devaraj Urs Truck Terminals Limited</p> <p>Non-Current Assets - Fixed Assets - Tangible Assets - ₹4,490.96 lakh</p> <p>The above included ₹40 lakh towards the cost of 43 acres (1,74,014.98 sq. mtr) of land allotted by BDA. However, as per the documents furnished to audit, the actual land was 1,248.25 sq. mtr. In the absence of details, the correctness of land accounted by the company could not be ensured to that extent.</p>
5	<p>Karnataka Food and Civil Supplies Corporation Limited</p> <p>Note No 7 - Others - Non current financial assets - ₹1,31,316.40 lakh Net Other advances- Cost recoverable from Government - ₹1,30,960.90 lakh</p> <p>It includes ₹10,456.75 lakh shown as receivable from the GoI/ Food Corporation of India in the books of accounts of the Corporation towards incidental expenses and differential cost receivable towards carrying out Open Market Sugar/Levy Sugar operations.</p> <p>Out of the above, claim of ₹6,760.78 lakh was rejected by GoI and an amount of ₹2,333.30 lakh shown as pending claims towards levy sugar. Thus, there is a difference of ₹1,362.67 lakh between amount as per records and amount claimed which remain un-reconciled resulting in over statement of cost recoverable from Government.</p>

Sl. No.	Name of the Company / Comments
6	<p>Karnataka Food and Civil Supplies Corporation Limited</p> <p>Current Assets - Note 13 - Other Current Assets - ₹15,789.49 lakh Advance payment to suppliers - ₹15,771.77 lakh</p> <p>This includes ₹3,850.85 lakh being advance towards supply of toor dal by NAFED included under Trade Payables (₹3311.20 lakh during 2018-19 and ₹539.65 lakh during 2019-20) as per the directions of the Government for issue under Public Distribution System.</p> <p>The Company has not accounted the above amount in the books of accounts as purchases and this balance remains unadjusted due to the fact that the purchase price was approved by Government without considering conversion charges and without changing issue price. Non-adjustment of advances pertaining to the transaction resulted in overstatement of Other Current Assets and understatement of Trade Payables by ₹3,850.85 lakh.</p>
7	<p>Karnataka Power Corporation Limited</p> <p>Assets</p> <p>1. Non-current Assets: ₹23,208.85 crore</p> <p>As per Para 9 of Ind AS 36 on Impairment of Assets – An entity shall assess at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the entity shall estimate the recoverable amount of the asset. Despite indications of impairment, the Company failed to assess the impairment loss in the cases detailed below:</p> <p>(i) Property Plant and Equipment (PPE) - Note 3 - ₹10,437.77 crore</p> <p>This includes ₹4.66 crore being the carrying cost of de-recognised assets (i) temporary building proposed for dismantling in 2008-09 (₹0.27 crore) and (ii) faulty inverters at Solar Power Plants proposed for scrap sales (₹4.39 crore) during 2021-22. Though there was already an indication regarding impairment of the aforesaid assets, the Company did not assess the recoverable amount and the consequent impairment loss.</p> <p>(ii) Financial Assets - Investments - Note 7 - ₹2,649.59 crore</p> <p>Investment in joint ventures</p> <p>(a) Raichur Power Corporation Limited - ₹2,648.29 crore</p> <p>The above represents investment in the Joint Venture Company M/s Raichur Power Corporation Limited (RPCL). The audited financial statements of M/s RPCL (78 per cent JV Company) for the year ended March 31, 2022 exhibits accumulated loss amounting to ₹7,088.48 crore (loss for the year ₹678.22 crore) and deficit net worth of ₹4,088.72 crore which is a serious indicator of impairment. Though the Company disclosed <i>vide</i> Note 7 that the carrying value of investment reflects the fair value, in the absence of any documentation in this regard, there was no reasonable assurance as to whether the impairment loss was assessed.</p> <p>(b) Karnataka EMTA Coal Mines Limited - ₹1.30 crore</p> <p>The above represents investments in the Joint Venture Company – Karnataka EMTA Coal Mines Limited. No operational activities have been carried out by this Company since April 1, 2015 pursuant to an Order of Hon’ble Supreme Court of India dated 24 September 2014 towards cancellation of coal blocks due to which the Company is no longer a going concern. As such the investment was impaired and loss was required to be provided for. Non-assessment of impairment loss in all the aforesaid cases is not in compliance to Ind AS 36 due to which the reasonableness of the carrying value of ₹2,654.25 crore and its consequential impact on the financial results could not be ensured.</p> <p>2. Property Plant and Equipment (PPE) - Note 3 - ₹10,437.77 crore</p> <p>This does not include land costing ₹4.34 crore at Tadadi for which lease cum sale agreement was executed and registered (October 2019) between the Company and Karnataka Industrial Area Development Board (KIADB). Non accounting of lease hold land in accordance with Ind AS 116 resulted in overstatement of ‘Capital Work in Progress’ by ₹4.34 crore, understatement of PPE by ₹4.23 crore, expenditure being the amortisation cost by ₹0.11 crore and consequent understatement of loss to that extent.</p>

Sl. No.	Name of the Company / Comments
	<p>3. Capital Work-in-progress (CWIP) - Note 4 - ₹2,274.13 crore</p> <p>(i) The above includes preliminary project expenses of ₹3.42 crore incurred towards Tadadi Gas project which could not be taken up due to environmental issues and other reasons and hence was required to be provided for. Non provision of the same resulted in overstatement of CWIP, understatement of expenditure and consequent understatement of 'Loss' for the year by ₹3.42 crore.</p> <p>(ii) The above does not include the cost of Generator Transformer (250 MVA) valuing ₹9.65 crore purchased for installation and commissioning at the Raichur Thermal Power Station. The same was accounted for inventory which is not in order as it was meant for use in a project of the Company and not for resale. This resulted in overstatement of 'inventories' and consequent understatement of CWIP by ₹9.65 crore.</p> <p>II. Liabilities</p> <p>Current Liabilities - Other Current Liabilities - Note 32 - ₹475.43 crore</p> <p>Income Received in Advance - ₹448.20 crore</p> <p>The above represents the additional levy of ₹448.20 crore (₹110.43 crore: 26 per cent of Company's share and ₹337.77 crore: 74 per cent share of the private partner) deposited with Ministry of Coal by the Company during February 2015 and March 2017 respectively. This was in accordance with the Order (September 2014) of the Hon'ble Supreme Court of India for re-allotment of mines at Baranj which were earlier allotted to its joint venture Company Karnataka EMTA Coal Mines Limited (KECML) The Company in February 2015 and in April 2017, raised invoices, for the aforesaid amount of ₹448.20 crore, thereby considering it as sale of power on Electricity Supply Companies (ESCOs), however the amount was not recognised as income on the ground that the same was sub-judice. Instead, the Company accounted the same as receivable from ESCOMs as a Liability – 'Income Received in Advance'. Though the Company accounted the principal amount of ₹448.20 crore due from ESCOMs as liabilities without routing it through income, interest of ₹290.92 crore on this amount which was receivable from ESCOMs was accounted as income in the Statement of Profit and Loss which is not in order. This resulted in overstatement of 'other income' for the year by ₹53.78 crore overstatement of asset and consequent understatement of Loss for the year to that extent. This issue was also commented upon since 2016-17 and remained un-rectified resulting in overstatement of income for 2020-21 (comparative figures), overstatement of asset and consequent overstatement of profit to the extent of ₹48.42 crore. Further, the opening balance of other equity and 'current assets' representing the interest income of the previous years' have been overstated by ₹188.72 crore.</p>

Glossary

Basis of Calculation	
Buoyancy of a parameter	Rate of Growth of the parameter/GSDP Growth Rate
Buoyancy of a parameter (X) With respect to another parameter (Y)	Rate of Growth of parameter (X)/ Rate of Growth of parameter (Y)
Rate of Growth (ROG)	$[(\text{Current year Amount}/\text{Previous year Amount})-1]*100$
Development expenditure	Social Services + Economic Services
Average interest rate of Outstanding Debt	$[\text{Interest payments}/(\text{opening balance of Public Debt} + \text{closing balance of Public Debt}/2)]$
Ratio of Debt Redemption	Total Debt payment + Interest payment(Debt)/Total Debt Receipts
Revenue Deficit/Revenue Surplus	Revenue Receipt – Revenue Expenditure
Fiscal Deficit	Revenue Expenditure + Capital Expenditure + Net Loans and Advances – Revenue Receipts – Miscellaneous Capital Receipts
Primary Deficit	Fiscal Deficit – Interest payments
Balance from Current Revenue (BCR)	Revenue Receipts <i>minus</i> all Plan Grants and Non-Plan Revenue Expenditure excluding expenditure recorded under the major head 2048 – Appropriation for reduction of avoidance of Debt.

Abbreviations

Sl. No.	Abbreviation	Full Form
1	AC Bill	Abstract Contingent Bill
2	AE	Aggregate Expenditure
3	ALM	Asset Liability Monitoring
4	AYUSH	Ayurveda, Yoga and Naturopathy, Unani, Siddha and Homeopathy
5	BMTC	Bengaluru Metropolitan Transport Corporation
6	BPL	Below Poverty Line
7	C&AG	Comptroller and Auditor General of India
8	CAGR	Compounded Annual Growth Rate
9	CAPEX	Capital Expenditure
10	CBS	Child Budget Statement
11	CE	Capital Expenditure
12	CESCOM	Chamundeswari Electricity Supply Company
13	CGST	Central Goods and Services Tax
14	CHCs	Community Health Centres
15	CMRRD	Chief Minister's Rural Road Development Fund
16	CNNL	Cauvery Neeravari Nigam Limited
17	CPAO	Central Pay and Accounts Office
18	CPS	Central Plan Schemes
19	CRA	Central Record keeping Agency
20	CRF	Central Road Fund
21	CSF	Consolidated Sinking Fund
22	CSS	Centrally Sponsored Schemes
23	DC	Deputy Commissioner
24	DCB	Demand Collection Balances
25	DCPS	Defined Contribution Pension Scheme
26	DDOs	Drawing and Disbursing Officers
27	DDR	Debt, Deposit and Remittances
28	DE	Development Expenditure
29	DMA	Directorate of Municipal Administration
30	DPAR	Department of Personnel and Administrative Reforms
31	DPC	Duties, Power and Conditions of Service
32	DSA	Debt Sustainability Analysis
33	EAP	Externally Assisted Project
34	EFC	Eleventh Finance Commission
35	ERC	Expenditure Reforms Commission
36	ESCOMs	Electricity Supply Companies
37	FD	Finance Department
38	FMRC	Fiscal Management Review Committee
39	FPI	Fiscal Policy Institute
40	GASAB	Government Accounting Standards Advisory Board
41	GB	Gender Budget
42	GCS	General Category States
43	GCU _s	Government Commercial Undertakings
44	GDP	Gross Domestic Product
45	GESCOM	Gulbarga Electricity Supply Company

Sl. No.	Abbreviation	Full Form
46	GIA	Grants-In-Aid
47	GFR	General Financial Rules
48	GIC	General Insurance Corporation
49	GoI	Government of India
50	GoK	Government of Karnataka
51	GOs	Government Orders
52	GP	Gram Panchayat
53	GSDP	Gross State Domestic Product
54	GSVA	Gross State Value Added
55	GST	Goods and Services Tax
56	HESCOM	Hubli Electricity Supply Company
57	HOA	Head of Account
58	HRMS	Human Resource Management System
59	IFA	Internal Financial Advisor
60	IGAS	Indian Government Accounting Standard
61	IGST	Integrated Goods and Services Tax
62	ITI	Industrial Training Institute
63	KBJNL	Krishna Bhagya Jala Nigam Limited
64	KFC	Karnataka Financial Code
65	KFDF	Karnataka Forest Development Fund
66	KFRA	Karnataka Fiscal Responsibility Act
67	KIADB	Karnataka Industrial Area Development Board
68	KILT	Karnataka Institute of Leather Technology
69	KNNL	Karnataka Neeravari Nigam Limited
70	KRDCL	Karnataka Road Development Corporation Limited
71	KSFCL	Karnataka State Financial Corporation Limited
72	KSCARDB	Karnataka State Co-operative Agriculture and Rural Development Bank
73	KSCOMF	Karnataka State Co-operative Marketing Federation
74	KSSIDC	Karnataka State Small Industries Development Corporation Limited
75	KUWSDB	Karnataka Urban Water Supply and Drainage Board
76	LIC	Life Insurance Corporation
77	LMMH	List of Major and Minor Heads
78	LROT	Lease Rehabilitate Operate and Transfer
79	MCE	Manual of Contingent Expenditure
80	MOF	Ministry of Finance
81	MTFP	Medium Term Fiscal Plan
82	NABARD	National Bank for Agriculture and Rural Development
83	NCDC	National Co-operative Development Corporation
84	NDC Bill	Non-Payment Detailed Contingent Bill
85	NDRF	National Disaster Response Fund
86	NGOs	Non-Government Organisations
87	NLNORR	Non Loan Net Own Revenue Receipts
88	NPIC	New Pension Implementation Cell
89	NPS	New Pension Scheme
90	NSDL	National Securities Depository Limited
91	NSSF	National Small Savings Fund
92	OBB	Off-Budget Borrowings
93	OD	Overdraft

Sl. No.	Abbreviation	Full Form
94	PAC	Public Accounts Committee
95	Pr.AG (A&E)	Principal Accountant General (Accounts and Entitlement)
96	Pr.AG (Audit)	Principal Accountant General (Audit)
97	PAO	Pay and Accounts Office
98	PD	Personal Deposit
99	PF	Provident Fund
100	PFRDA	Pension Fund Regulatory Development Authority
101	PF	Provident Fund
102	PMAY	Pradhan Mantri Awas Yojane
103	PRAN	Permanent Retirement Account Number
104	PRIs	Panchayati Raj Institutions
105	PSUs	Public Sector Undertakings
106	PWP&IWT	Public Works, Port and Inland Water Transport
107	RBI	Reserve Bank of India
108	RDPR	Rural Development and Panchayat Raj
109	RE	Revenue Expenditure
110	RERA	Real Estate Regulatory Authority
111	RR	Revenue Receipts
112	SCSP	Special Component Sub Plan
113	SDMF	State Disaster Mitigation Fund
114	SDRF	State Disaster Response Fund
115	SDL	State Development Loans
116	SE	Supplementary Estimate
117	SFAR	State Finance Audit Report
118	SGST	State Goods and Services Tax
119	SLAO	Special Land Acquisition Officer
120	SPVs	Special Purpose Vehicles
121	SWMA	Special Ways and Means Advances
122	TBs	Treasury Bills
123	TE	Total Expenditure
124	TFC	Twelfth Finance Commission
125	TP	Taluk Panchayat
126	TSP	Tribal Sub Plan
127	UC	Utilisation Certificate
128	ULB	Urban Local Bodies
129	VJNL	Visvesvaraya Jala Nigam Limited
130	WMA	Ways and Means Advances
131	XII FC	Twelfth Finance Commission
132	XIII FC	Thirteenth Finance Commission
133	XIV FC	Fourteenth Finance Commission
134	XV FC	Fifteenth Finance Commission
135	ZP	Zilla Panchayat

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