

Preface

This Report has been prepared for submission to the Governor under Article 151 of the Constitution.

Chapters 1 and 2 of this Report respectively contain audit observations on matters arising from examination of Finance Accounts and Appropriation Accounts of the State Government for the year ended 31 March 2010. Information has also been obtained from the Government of Karnataka, wherever necessary.

Chapter 3 on 'Financial Reporting' provides an overview and status of the State Government's compliance with various financial rules, procedures and directives during the current year.

The reports containing the findings of performance audit, results of audit of transactions in various departments, observations arising from audit of Government companies, Statutory corporations, Boards and Panchayat raj institutions and points arising from audit of revenue receipts are presented separately.

EXECUTIVE SUMMARY

Background

In Karnataka, fiscal reforms and consolidation were brought to the forefront with the State Government formulating the first Medium Term Fiscal Plan (MTFP) for the period 2000-05 based on broad parameters of fiscal correction laid down by the Eleventh Finance Commission (EFC). MTFP became a rolling annual document and the fiscal targets and policies set out in MTFP were dovetailed to the annual budgetary exercise to operationalise the restructuring plan. Karnataka was the first State to enact (September 2002) the Fiscal Responsibility Act (FRA) providing statutory backing to MTFP. The Act aims at ensuring fiscal stability and sustainability, enhance the scope for improving social and physical infrastructure and human development by achieving revenue surplus, reducing fiscal deficit, removing impediments to effective conduct of fiscal policy and prudent debt management through limits on borrowings, debt and deficits, greater transparency in fiscal operations by the use of medium-term fiscal framework.

Though, the Comptroller and Auditor General (C&AG) has been commenting upon the State's Finances, the comments formed part of the civil audit report and remained camouflaged in the large body of audit findings on compliance and performance audits. In recognition of the need to bring State finances centre-stage, a stand-alone report on State Government finances was considered appropriate. Accordingly from the report year 2008-09 onwards, the C&AG has decided to bring out a separate volume titled "Report on State Finances".

The Report

Based on the audited accounts of the Government of Karnataka for the year ending March 2010, this report provides an analytical review of the annual accounts of the State Government. This report is structured in three chapters.

Chapter 1 is based on the audit of Finance Accounts and makes an assessment of Government of Karnataka's fiscal position as at 31 March 2010. It, *inter-alia*, provides an insight into trends in committed expenditure, borrowing pattern besides, a brief account of Government of India funds transferred directly to the State implementing agencies through off-budget route.

Chapter 2 is based on the audit of Appropriation Accounts, gives description of appropriations and the manner in which the allocated resources were managed by the service delivery departments.

Chapter 3 is an inventory of Karnataka Government's compliance with various reporting requirements and financial rules.

The report also has an appendage of additional data collated from several sources in support of these findings.

Audit findings and recommendations

Fiscal position

In 2009-10, the State was on the road to recovery from the effects of economic slow-down. Decrease in revenue surplus was contained, if not reversed. The increase in fiscal deficit in 2009-10 was less pronounced than the increase in fiscal deficit in 2008-09. The increase in primary deficit was also contained in 2009-10. Despite increase in revenue and non-debt receipts by ₹ 6,253 crore in 2009-10 over the previous year, primary deficit increased by ₹ 1,462 crore as the incremental non-debt receipts were short of incremental primary expenditure by ₹ 1,462 crore.

Primary deficit of ₹ 5,622 crore at the end of the year implied that non-debt receipts were sufficient for meeting primary revenue expenditure and that the State had to depend on borrowed funds for meeting 10 *per cent* (₹ 5,622 crore) of its primary expenditure. *This underlined the need for augmentation of own revenue for fiscal correction and consolidation.*

Revenue expenditure

Non-plan revenue expenditure (NPRE) was 74 *per cent* of revenue expenditure during 2009-10. It included devolutions to PRIs and ULBs, interest payments, subsidies, pension payments, salaries and maintenance expenditure.

Merit subsidy constituted around seven *per cent* of the total subsidy expenditure of the State during the year. *Subsidies will not meet the aims of social policy unless the beneficiaries are properly identified and targeted. The delivery of product or service at subsidized price results in large scale corruption, diversion and misuse. The Government should take action to implement the purchaser-provider model proposed in 2005 and ensure that beneficiaries are properly identified and targeted.*

Quality of capital expenditure

Capital expenditure of the State included certain items of expenditure which either do not qualify as capital expenditure or which do not involve any cash outflow.

Funds aggregating ₹ 1,015 crore were blocked in incomplete projects as at the end of 2009-10.

Investment to the end of 2009-10 included ₹ 16,993 crore (52 *per cent*) to four companies/corporations under perennial loss. Investment of ₹ 981.40 crore in respect of five Companies / Corporations was lying in Public Account to the end of March 2010. The State Government should also review the working of State Public Sector Undertakings incurring huge losses and work out either a revival strategy or close down such units. *The State Government should formulate guidelines for quick completion of incomplete projects and strictly monitor reasons for time and cost over-runs with a view to take corrective action.*

Position of Cash Balance

The cash balance of the State at the end of the year increased by 25 *per cent* over the previous year. *Since, maintaining idle cash balance is not prudent cash management, a shelf of projects should be ready and techno-economic feasibility should have been appraised and approved so that mismatch between timing of borrowings and channeling it towards productive investment is considerably reduced.*

Oversight of funds transferred directly from the Union to the State implementing agencies

The Central Government transferred a sizeable quantum of funds (₹ 7,594 crore during 2009-10) directly to the State implementing agencies for implementation of Central plan schemes. Funds flowing directly to the implementing agencies through off-budget routing inhibits FRA requirements of transparency and therefore, escape accountability. There is no single agency monitoring its use and there is no readily available data on the amounts spent in any particular year on major flagship and other important schemes. *A system has to be put in place to ensure proper accounting of these funds and the updated information should be validated by the State Government as well as the Accountant General (Accounts & Entitlement).*

Financial management and budgetary control

There was an over-all unspent provision of ₹ 10,962.72 crore off-set by an excess expenditure of ₹ 915.42 crore over provision during 2009-10. The excess expenditure requires regularisation under Article 205 of the Constitution of India. Large unspent provisions were in areas viz., urban development, water resources, debt servicing, public works, finance, agriculture and horticulture, etc. There were also instances of inadequate provision of funds and unnecessary/excessive re-appropriations. Besides, there was a rush of expenditure at the end of the year. In many cases, the anticipated unspent provisions were either not surrendered or surrendered on the last two days of the year leaving no scope for utilizing these funds for other development purposes. Cases of non-drawal of Contingency Fund sanctioned, were noticed. *Budgetary controls should be strictly followed to avoid such deficiencies in financial management. Last minute fund releases and issuance of re-appropriation/surrender orders should be minimised.*

Financial reporting

There were instances of losses and misappropriations. *The departmental enquiries in such cases should be expedited to bring the guilty to book.* Internal controls should be strengthened to prevent such cases in future.

Profile of Karnataka

Karnataka is the eighth largest State in terms of geographical area and accounts for around five *per cent* of India's population.

The economic growth of the State was on par with the other General Category States as the compounded annual growth rate of its GSDP for the year 2000-01 to 2008-09 was 12.71 *per cent* as against 12.54 *per cent* of the General Category States. However, the population growth rate of the State during 2000-2010 (10.57 *per cent*) was lower than that of the General Category States (13.42 *per cent*) which indicated higher *per capita* income growth in the State.

The social indicators *viz.*, literacy rate, infant mortality, life expectancy at birth etc., indicated that the State was better off than the all India average (**Appendix 1.1**).

1.1 Introduction

This chapter provides a broad perspective of the finances of the Government of Karnataka during the current year and analyses critical changes in the major fiscal aggregates relative to the previous year keeping in view the overall trends during the last five years. The analysis is based on the Finance Accounts and the information obtained from the State Government. The structure of the Government Accounts and the layout of the Finance Accounts have been explained in **Appendix 1.2**.

1.2 Summary of fiscal transactions

Table 1.1 and Appendix.1.3 presents the summary of the State Government's fiscal transactions and provides details of receipts and disbursements as well as overall fiscal position respectively during the current year (2009-10) *vis-à-vis* the previous year.

Table 1.1: Summary of fiscal transactions

(₹ in crore)

Receipts			Disbursements				
	2008-09	2009-10		2008-09	2009-10		
Section-A: Revenue				Total	Non Plan	Plan	Total
Revenue receipts	43,290.67	49,155.70	Revenue expenditure	41,659.29	35,234.23	12,302.69	47,536.92
Tax revenue	27,645.66	30,578.60	General services	12,275.57	12,664.55	97.79	12,762.34
Non-tax revenue	3,158.99	3,333.80	Social services	15,872.99	11,873.61	7,245.25	19,118.86
Share of union taxes/ duties	7,153.77	7,359.98	Economic services	11,136.64	8,991.07	4,190.64	13,181.71
Grants-in-aid from Government of India	5,332.25	7,883.32	Grants-in-aid and contributions	2,374.09	1,705.00	769.01	2,474.01
Section-B: Capital and others							
Misc. Capital receipts	181.14	69.79	Capital outlay	9,870.29	1,018.71	11,117.97	12,136.68
			General services	475.37	56.46	433.39	489.85
			Social services	2,555.16	210.79	2,439.89	2,650.68
			Economic services	6,839.76	751.46	8,244.69	8,996.15
Recoveries of loans and advances	56.65	555.36	Loans and advances disbursed	731.34	65.16	916.42	981.58
Public debt receipts*	8,592.16	7,990.86	Repayment of public debt*	1,777.90	2,308.33	---	2,308.33
Contingency Fund	---	2.10	Contingency Fund	2.10	---	---	---
Public Account receipts	60,603.55	71,172.45	Public Account disbursements	54,782.85	---	---	64,029.09
Opening cash balance	3,919.45	7,819.85	Closing cash balance	7,819.85	---	---	9,773.51
Total	1,16,643.62	1,36,766.11	Total	1,16,643.62			1,36,766.11

*Excluding net transactions under ways and means advances and overdraft.

Source : Finance Accounts

Following are the significant changes during 2009-10 over the previous year:

- Revenue receipts grew by ₹ 5,866 crore (14 per cent) due to increase in own tax revenue (₹ 2,934 crore), Government of India (GOI) grants (₹ 2,551 crore), State's share of Union taxes and duties (₹ 206 crore) and non-tax revenue (₹ 175 crore). However, revenue receipts during the current year fell short of projection in the Medium Term Fiscal Plan (MTFP) 2008-12 by ₹ 4,348 crore.

The compounded annual growth rate of revenue receipts of the State during 2000-2009 was 14.34 per cent as against 14.40 per cent of General Category States. This was mainly due to the lower compounded growth rate of non-tax revenue which was at 8.38 per cent in the State as against 12.08 per cent with respect to General Category States.

- Revenue expenditure increased by ₹ 5,878 crore (14 per cent). Increase was under social services sector (₹ 3,246 crore), economic services sector (₹ 2,045 crore), general services sector (₹ 487 crore) and grants-in-aid (₹ 100 crore). It fell short of MTFP projection for the year by ₹ 1,445 crore.

The compounded annual growth rate of revenue expenditure of the State under social sector such as education and health during 2000-2009 was at 11.78 per cent and 8.78 per cent respectively as against 9.33 per cent and 8.95 per cent of General Category States.

- Miscellaneous capital receipts (₹ 70 crore) represented the sale proceeds of Government land as in previous year. The projection made in MTFP for the year, however, was ₹ 3,377 crore.
- Capital outlay was more by ₹ 2,267 crore (23 per cent). Increase was under economic services sector (₹ 2,156 crore), social services sector (₹ 96 crore) and general services sector (15 crore).

The compounded annual growth rate of capital expenditure of the State during 2000-2009 was 22.50 per cent as against 21.41 per cent of General Category States.

- Public debt receipts (excluding ways and means advances) decreased by ₹ 601 crore (seven per cent) while repayment of public debt increased by ₹ 530 crore (30 per cent).
- Public Accounts receipts and disbursements increased by ₹ 10,568 crore (17 per cent) and ₹ 9,246 crore (17 per cent) respectively.
- Cash balance of the State Government increased by ₹ 1,954 crore (25 per cent).

1.3 Fiscal reforms path in Karnataka

In Karnataka, fiscal reforms and consolidation were brought to the forefront with the State Government formulating the first MTFP for the period 2000-05 based on the broad parameters of fiscal correction laid down by the Eleventh Finance Commission (EFC). MTFP became a rolling annual document to report on the actual performance of the State against fiscal targets of the previous year and to put in place a multi-year medium term reform framework dovetailed to the budgetary exercise.

Karnataka was the first State to enact (September 2002) the Fiscal Responsibility Act (FRA) providing statutory backing to MTFP. The Act aims to ensure fiscal stability and sustainability, enhance the scope for improving social and physical infrastructure and human development by achieving revenue surplus, reducing fiscal deficit, removing impediments to the effective conduct of fiscal policy and prudent debt management through limits on borrowings, debt and deficits and greater transparency in fiscal operations by the use of medium-term fiscal framework. To give effect to the fiscal management principles, the Act prescribed the following fiscal targets for the State Government.

- Elimination of revenue deficit by the end of the financial year 2005-06.
- Reduction of fiscal deficit to not more than three per cent of the estimated GSDP by the end of the financial year 2005-06.
- Limiting the total liabilities to not more than 25 per cent of the estimated GSDP within a period of 13 financial years, i.e., by the end of the financial year 2014-15.
- Maintaining outstanding guarantees within the limit stipulated under the Karnataka Ceiling on Government Guarantees Act, 1999.

Revenue and fiscal deficits may exceed the specified limits due to unforeseen demands on the State finances on account of natural calamities to the extent of actual fiscal costs attributable to the situation.

Outcome indicators for the period 2004-10 are given in **Appendix 1.4**

By adhering to the policy changes in revenue generation strategies and expenditure control envisaged in MTFPs, the State achieved the fiscal targets laid down in FRA one year ahead, with the year 2004-05 ending in revenue surplus and fiscal deficit for the year at less than three *per cent* of GSDP. By an amendment to the FRA, the fiscal deficit limit of three *per cent* was enhanced to 3.5 *per cent* in 2008-09 and to four *per cent* in 2009-10 in order to over-come the impact of economic slow-down. During the period 2005-10 also, the State continued to maintain the revenue surplus and kept the fiscal deficit relative to GSDP below the limit laid down under FRA. Outstanding guarantees given by the Government were within the limit prescribed under the Karnataka Ceiling on Government Guarantees Act, 1999. The ratio of fiscal liabilities (excluding off-budget borrowings) to GSDP which continued to decline from 2004-05 to 2008-09 and was around 26 *per cent* in 2008-09, increased to 28 *per cent* in 2009-10. This was on account of increase in borrowings. Under GOI's scheme of States' Debt Consolidation and Relief Facility (DCRF) recommended by the Twelfth Finance Commission (TFC), the State got the benefit of interest relief of ₹ 1,252 crore for the period 2005-10 along with waiver of GOI loan of ₹ 1,792 crore as brought out in **Table 1.2**.

Table 1.2: Gains from debt consolidation and debt waiver as per the recommendations of Twelfth Finance Commission

(₹ in crore)

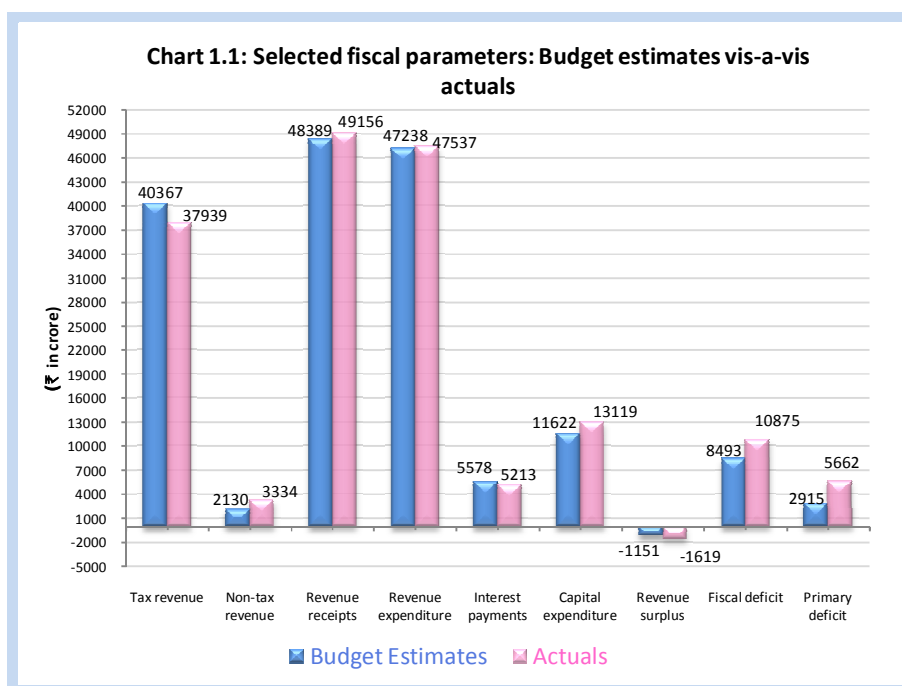
Year	Before DCRF		Post DCRF		Savings		Debt waiver
	Principal	Interest	Principal	Interest	Principal	Interest	
2005-06	371	829	358.3	538	13	291	358.3
2006-07	404	787	358.3	511	45	276	358.3
2007-08	472	740	358.3	484	114	256	358.3
2008-09	468	685	358.3	457	109	228	358.3
2009-10	506	631	358.3	430	148	201	358.3
	2,221	3,672	1,791.5	2,420	429	1,252	1,791.5

1.4 Budget 2009-10

1.4.1 Actuals vis-à-vis budget estimates

Budget papers presented by the State Government provide description about estimation of revenue and expenditure for a particular fiscal year. The importance of accuracy in estimation of revenue and expenditure is widely accepted in the context of effective implementation of fiscal policies for overall economic management. Deviations from budget estimates are indicative of non-attainment and non-optimisation of desired fiscal objectives.

Chart 1.1 presents the budget estimates and actuals of some important fiscal parameters for the year 2009-10.



Source: Annual Financial Statement and Finance Accounts

During 2009-10, the State's revenue receipts were estimated at ₹ 48,389 crore. In order to give stimulus to the State's economy, the Government provided exemption from VAT on some food grain items. Luxury tax and profession tax exemption limit was raised. Entertainment tax on movies and stamp duty on sale transaction of all kinds of immovable properties were reduced. Revenue expenditure was estimated at ₹ 47,238 crore. After implementation of the State's Pay Commission award, as stated in MTFP 2008-12, salary burden and pension liabilities were expected to stabilize at normal growth rate of 2.75 per cent and 9.7 per cent respectively. It was proposed to give special emphasis on distributing food grains at subsidized prices to poor families through Public Distribution System (PDS). Agriculture and allied activities, rural development, irrigation, power generation, roads and education were the priority sectors of the Government. Capital expenditure was estimated at ₹ 11,622 crore.

The State's revenue receipts were more than the budget estimate by ₹ 767 crore (two per cent) mainly due to increase in non tax revenue. The State's tax revenue (inclusive of State's share of Union taxes and duties) was less than the budget estimate by ₹ 2,428 crore (six per cent), while non-tax revenue was more than the budget estimate by ₹ 1,204 crore (57 per cent). Revenue expenditure and capital expenditure were more than the budget estimate by ₹ 299 crore (one per cent) and ₹ 1,497 crore (13 per cent) respectively. Interest payments were less than the budget estimate by ₹ 365 crore (seven per cent). Revenue surplus, fiscal deficit and primary deficit were more than the budget estimate by ₹ 468 crore, ₹ 2,382 crore and ₹ 2,747 crore respectively.

1.4.2 Gender Budgeting

Gender budget of the State discloses expenditure proposed to be incurred within the overall budget on schemes which are designed to benefit women fully or partly. Based on the Finance Minister's proposal (Budget speech 2006-07), the State created the Gender Budget Cell (January 2007) and gender budgeting was introduced in 2007-08. The year-wise allocations in the gender budget document is detailed in **Table 1.3**.

Table 1.3: Gender budgetary allocations during 2007-10

Year	Total Outlay	Outlay under			(₹ in crore)	
		Category A*	Category B^	Total	Demands covered	Percentage of total outlay
2007-08	5,04,65.61	562.63	1,72,35.88	1,77,98.51	20	35
2008-09	6,04,97.19	661.77	2,07,64.82	2,14,26.59	25	35
2009-10	6,24,13.81	845.10	2,22,85.31	2,31,30.41	27	37

*Budgetary allocations to Schemes designed to benefit women- 100 per cent

^Budgetary allocations for Schemes designed to benefit women to the extent of 30 per cent of allocations

The Gender Budget Cell which had to implement gender budget effectively by coordinating between various departments, NGOs, experts and administrative departments, also, had to carry out activities like formulation of policies and other activities including publicity. The Department of Women and Child Development was entrusted with the monitoring of the impact analysis of the schemes on the socio-economic status of women in the State.

Study of the functioning of the above revealed the following:

- The Gender Budget Cell was entrusted only with the task of publishing / bringing out the budget document based on proposals / demand of various departments accepted by Government.
- The Cell was not involved in assessing and working out budgetary requirement of Category A and B schemes nor in policy decision on actual allotment of funds to the schemes under the Category A and B.
- The Department of Women and Child Development did not conduct any impact analysis study.
- The Department only collected statistical information and progressive expenditure from all departments with respect to the schemes under Category B.
- There were discrepancies between the statistical information furnished by the Department and gender budget document.

Analysis of the gender budget documents for the period 2007-10 revealed that:

- Gender budgeting exercise was based on certain assumptions relating to the proportion of allocations under a scheme that directly benefited women. Some of these assumptions were unrealistic and weakened the

gender budgeting exercise. Schemes like National Family Benefit Scheme (Department of Revenue) and State Plan Schemes (Department of Commerce and Industries) benefited both men and women.

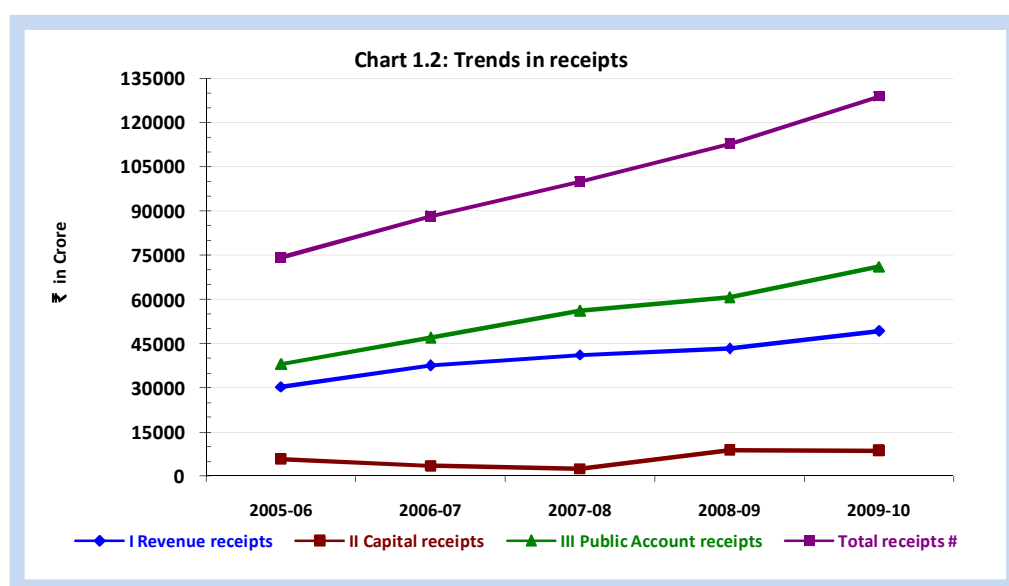
- There were no clear guidelines for identification of items in the gender budget under both Category A and B schemes. Routine expenditure of various departments, debt servicing of HUDCO loans, civil works such as construction of colleges, universities etc., allocation towards child welfare, grant-in-aids to Jain Pilgrim Centres and Kannada Sahithya Parishad etc were included under Category B schemes.

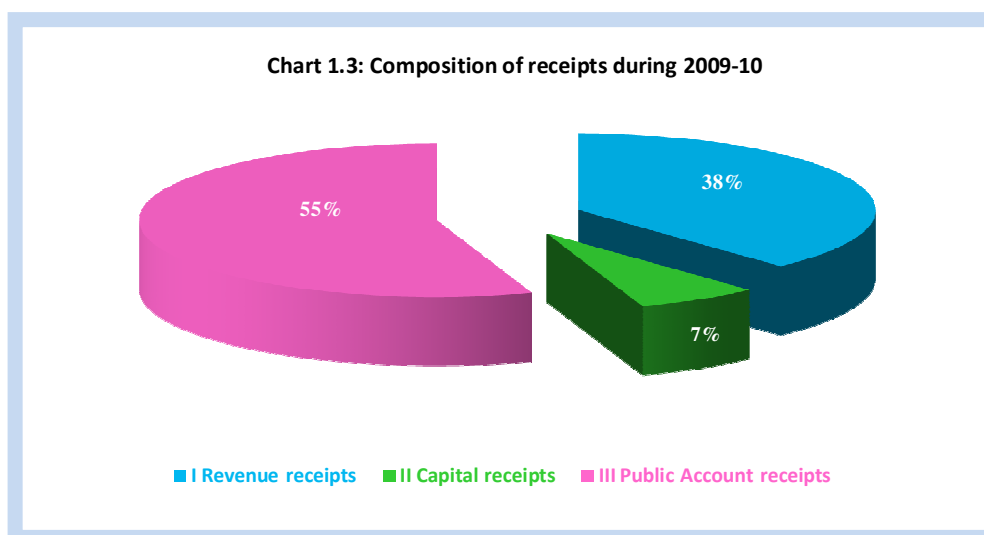
1.5 Resources of the State

1.5.1. Resources of the State as per annual Finance Accounts

Revenue and capital are the two streams of receipts that constitute the resources of the State Government. Revenue receipts consist of tax revenue, non-tax revenue, State's share of Union taxes and duties and grants-in-aid from GOI. Capital receipts comprise miscellaneous capital receipts such as proceeds from disinvestments, recoveries of loans and advances, debt receipts from internal sources (market loans, borrowings from financial institutions/commercial banks) and loans and advances from GOI as well as accruals from Public Account. **Table 1.1** presents receipts and disbursements of the State during the current year as recorded in Finance Accounts.

Chart 1.2 depicts the trends in various components of receipts during 2005-10, while **Chart 1.3** depicts the composition of resources of the State during the current year.





Excluding Contingency Fund receipts

Source : Finance Accounts

Total receipts increased by 74 per cent from ₹ 74,204 crore in 2005-06 to ₹ 1,28,946 crore in 2009-10, of which increase of revenue receipts was by 62 per cent from ₹ 30,352 crore to ₹ 49,156 crore during the period.

Capital receipts increased by 49 per cent from ₹ 5,788 crore to ₹ 8,616 crore. Public account receipts increased by 87 per cent from ₹ 38,025 crore to ₹ 71,172 crore.

During the current year, revenue receipts accounted for 38 per cent of total receipts while Capital and Public Account receipts accounted for seven and 55 per cent respectively. Public debt receipts which create future re-payment obligation were 93 per cent of total capital receipts.

1.5.2 Funds transferred by Central Government to the State implementing agencies outside the State budget

The Central Government transferred ₹ 7,594.32 crore during 2009-10 directly to the State implementing agencies¹ for implementation of various schemes/programmes in social and economic services sectors recognized as critical as against transfer of ₹ 3,326.29 crore during 2008-09. There was an increase of transfer in 2009-10 by 128 per cent. As these funds were not routed through the State budget/State treasury system, Finance Accounts do not capture the flow of these funds and to that extent State's receipts and expenditure as well as other fiscal variables/ parameters derived from these are understated. Details in respect of major Central plan schemes are furnished in **Table 1.4**.

¹ State implementing agency includes any organization/institution including non-governmental organizations which are authorized by the State Government to receive funds from GOI for implementing specific programmes in the State, e.g., State implementation society for SSA.

Table-1.4: Funds transferred directly to the State implementing agencies

Programme / scheme	Implementing agency in the State	₹ in crore)	
		2008-09	2009-10
National Rural Employment Guarantee Scheme	Zilla Panchayats	234.01	2769.98
Accelerated Rural Water Supply Scheme	Karnataka Rural Water Supply and Sanitation Agency	0.69	467.46
Sarva Shiksha Abhiyan (SSA)	Sarva Shiksha Abhiyan Samithi	515.78	442.21
Pradhan Mantri Gram Sadak Yojna (PMGSY)	Karnataka Rural Roads Development Agency	---	438.00
Rural Housing (IAY)	Zilla Panchayats	94.97	356.27
National Rural Health Mission (NRHM)	Karnataka State Health and Family Welfare Society	176.88	308.80
Integrated Watershed Management Programme (IWMP)	Zilla Panchayats and State Level Nodal Agency	17.83	219.23
Swaranjayanti Gram Swarozgar Yojana (SGSY)	Zilla Panchayats	40.99	90.97
Member of Parliament Local Area Development Scheme (MPLADS)	Deputy Commissioners	63.50	88.50
National Horticulture Mission	Karnataka State Horticulture Mission Agency	125.37	80.02

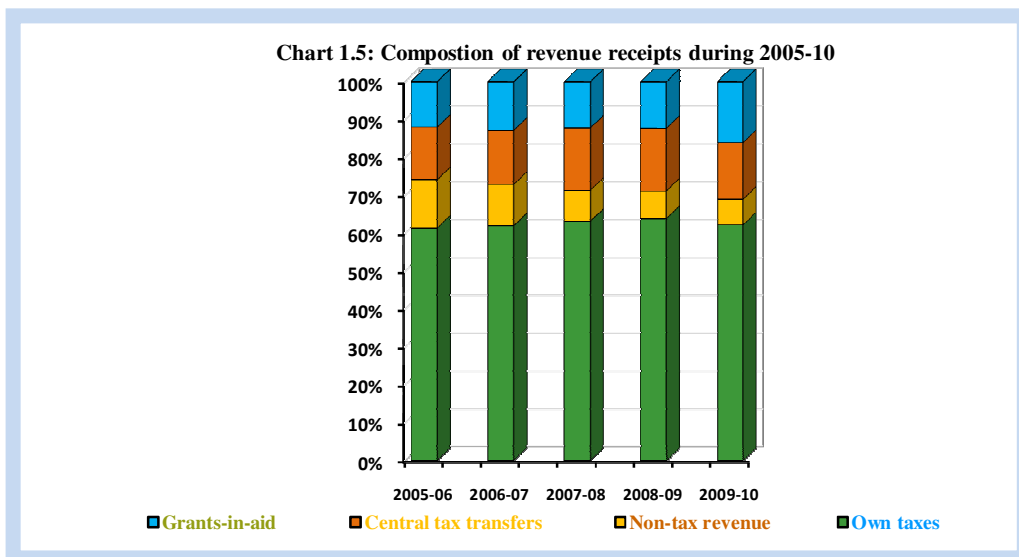
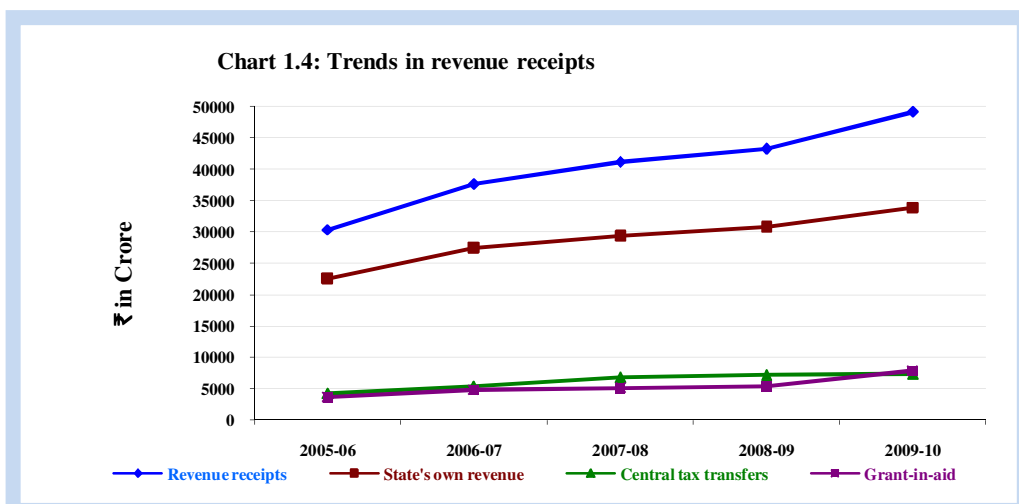
Source : CGA's website.

Direct transfer from the Union to the State implementing agencies runs the risk of poor oversight of utilisation of funds by these agencies. Unless uniform accounting practices are diligently followed by all these agencies and there is proper documentation and timely reporting of expenditure, it will be difficult to monitor the end use of these direct transfers.

In the memorandum submitted to the Thirteenth Finance Commission, the State Government stated that the direct transfers considerably eroded accountability and undermined the role of the State.

1.6 Revenue receipts

Revenue receipts consist of State's own tax and non-tax revenues, Central tax transfers and grants-in-aid from GOI. The trends and composition of revenue receipts over the period 2005-10 are presented in **Appendix 1.5** and also depicted in **Charts 1.4 and 1.5** respectively.



Source: Finance Accounts

Revenue receipts showed progressive increase from ₹ 30,352 crore in 2005-06 to ₹ 49,156 crore in 2009-10 with inter-year fluctuations in the growth rate. On an average 72 per cent of the revenue came from State's own resources during the period 2005-10. The balance was from transfers from GOI in the form of State's share of taxes and grants-in-aid.

The share of tax revenue in revenue receipts was between 61 and 64 per cent during 2005-10. Non-tax revenue as a per cent of revenue receipts showed steady fall during the period 2005-10. It decreased from 13 per cent in 2005-06 to seven per cent in 2009-10.

The trends in revenue receipts relative to GSDP are presented in **Table 1.5**.

Table 1.5: Trends in revenue receipts relative to GSDP

	2005-06	2006-07	2007-08	2008-09	2009-10
Revenue receipts (RR) (₹ in crore)	30,352	37,587	41,151	43,290	49,156
Rate of growth of RR (<i>per cent</i>)	14.2	23.8	9.5	5.2	13.6
R R/GSDP (<i>per cent</i>)	16.5	18.3	17.1	16.0	16.5
Buoyancy ratios²					
Revenue buoyancy w.r.t GSDP	0.8	2.0	0.6	0.4	1.3
State's own tax buoyancy w.r.t GSDP	0.9	2.09	0.7	0.5	1.04
Revenue buoyancy with reference to State's own taxes	0.9	0.9	0.8	0.8	1.3
GSDP (₹ in crore)	1,83,796	2,05,784	2,40,062	2,70,699	2,98,465
Rate of growth	17.6	12.0	16.6	12.8	10.2

Source: Finance Accounts.

GSDP: State's Economic Survey 2009-10

Revenue buoyancy widely fluctuated during the period due to fluctuations in the growth rate of revenue receipts. During 2005-10, the growth rate of revenue receipts was not only the highest in 2006-07 but it was also twice the growth rate of GSDP. In the next two years the lower growth rate of revenue receipts relative to GSDP pushed the revenue buoyancy ratio down. Revenue buoyancy ratio, which was at its lowest at 0.4 in 2008-09, increased to 1.3 in 2009-10 due to increase in the growth rate of revenue receipts.

During 2005-10, on an average own tax revenue constituted 62 *per cent* of the revenue receipts of the State and trends in own tax revenue receipts largely influenced the trends in revenue receipts. During this period, growth rate of own tax revenue and buoyancy ratio of own tax revenue w.r.t. GSDP was the highest in 2006-07 and so also was the growth rate of revenue receipts and revenue buoyancy w.r.t. GSDP. The next two years witnessed fall in the growth rate of own tax revenue and the buoyancy ratio of own tax revenue with GSDP. This influenced the growth rate of revenue receipts and revenue buoyancy w.r.t. GSDP. In 2009-10, the growth rate of own tax revenue, buoyancy ratio of own tax revenue with GSDP, and growth rate of revenue receipts increased over the previous year.

1.6.1 State's own resources

As the State's share in Central taxes and grants-in-aid are determined on the basis of recommendations of the Finance Commission, collection of Central tax receipts and Central assistance for plan schemes etc, the State's performance in mobilization of additional resources should be assessed in terms of revenue from its own tax and non-tax sources.

State's actual tax and non-tax receipts for the year 2009-10 vis-à-vis assessment made by TFC and the State Government in FCP and MTFP (2008-12) are given in **Table 1.6**.

² 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 *per cent*.

Table 1.6

	(₹ in crore)			
	TFC projection	FCP projection	MTFP projection	Actual
Tax revenue	32,291	32,523	36,800	30,579
Non-tax revenue	4,620	6,318	2,070	3,334

The tax revenue of the State in 2009-10 was less than the projection made in the State's MTFP as well as the normative assessment made by TFC and the projection in FCP. Non-tax revenue was less than the TFC and FCP projections but exceeded the MTFP projection. Due to continuance of effects of economic slowdown during 2009-10, the actual tax revenue was less than the MTFP projection. Due to increase in mineral concession fees, rent and royalties, guarantees fees and other receipts under forestry and wild life, the actual non-tax revenue was more than MTFP projection.

Tax revenue

Taxes on sales, trade, etc. was the main source of State's tax revenue with a contribution of 52 per cent of the State's tax revenue followed by State excise (23 per cent) and stamps and registration fees (nine per cent). The trend in the major constituents of tax revenue during the period 2005-10 is shown in Table 1.7.

Table 1.7: Tax revenue

	(₹ in crore)				
	2005-06	2006-07	2007-08	2008-09	2009-10
Taxes on sales, trade, etc.	9,870	11,762	13,894	14,623	15,833
Rate of growth	13.45	19.17	18.13	5.25	8.27
State excise	3,397	4,495	4,767	5,749	6,946
Rate of growth	21.06	32.32	6.05	20.60	20.82
Stamps and registration fees	2,213	3,206	3,409	2,927	2,628
Rate of growth	25.74	44.87	6.33	(-)-14.14	(-) 10.21
Taxes on vehicles	1,105	1,375	1,650	1,681	1,962
Rate of growth	12.41	24.43	20.00	1.88	16.72

Source : Finance Accounts

The rate of growth of taxes on sales, trade, etc which had witnessed a steep fall in 2005-06 from 31 per cent in 2004-05, following the introduction of value added tax with effect from April 2005, ranged between 18 and 19 per cent in the next two years. It again decreased to five per cent in 2008-09 due to reduction of Central sales tax from three to two per cent and fall in sale of industrial inputs and goods due to general slowdown of economy. During 2009-10, there was increase in rate of growth in taxes on sales, trade, etc by three per cent as the general slowdown of economy which had continued in the first half of 2009-10 reversed during the second half.

Due to ban on sale of arrack, the growth rate of State excise witnessed a steep fall from 32 per cent in 2006-07 to six per cent in 2007-08. The growth rate increased to 21 per cent in 2008-09 due to increase in the consumption of Indian made foreign liquor of lower price band. The growth rate was maintained in 2009-10.

Negative growth rate of stamps and registration fees in 2008-09 was due to economic slow down which stressed the real estate market and led to fall in the number of registrations. Reduction of stamp duty from 7.5 to six *per cent* to stimulate the real estate market during 2009-10 resulted in the negative growth rate declining from 14 to 10 *per cent*.

The fall in the growth rate of tax on vehicles during 2008-09 was also due to fall in sale of vehicles on account of general economic slow-down. According to MTFP 2010-14, measures of GOI to stimulate the automobile industry by reducing excise duty and allocation of funds for purchase of buses under Jawaharlal Nehru National Urban Renewal Mission (JnNURM) resulted in higher rate of growth in taxes on vehicles during 2009-10.

Cost of collection

The gross collection of taxes on motor vehicles and taxes on sales, trade etc., expenditure incurred on their collection and its percentage to gross collection during the years 2007-10 along with their all India average cost of collection for the respective previous years are indicated in **Table 1.8**.

Table 1.8: Details of cost of collection

Receipt	Year	Gross collection	Expenditure on collection	Percentage of cost of collection to gross collection	All India average percentage for the preceding year
Motor vehicles	2007-08	1,651.82	29.39	1.78	2.47
	2008-09	1,682.90	34.84	2.04	2.58
	2009-10	1,962.62	36.35	1.85	2.93
Taxes on Sales, Trade etc.,	2007-08	15,036.11	74.30	0.49	0.82
	2008-09	16,259.37	81.62	0.50	0.83
	2009-10	16,546.34	84.46	0.51	0.88

The percentage of cost of collection to the gross collection was less than the all India average for the period 2007-10.

Non-tax revenue

During 2005-10, 54 *per cent* of the non-tax revenue on an average was on account of interest receipts, dividends, fees and fines and user charges for socio-economic services. The balance 46 *per cent* on an average represented receipts (gross) from State lotteries, amount received from GOI under the scheme of DCRF, amounts written back from Public Account and pooling of cess collection under the head 1475-Other General Economic Services. Thus non-tax revenue reflected in Finance Accounts stood inflated by 46 *per cent* as revealed by the details of composition of non-tax revenue shown in **Table 1.9**.

Table 1.9: Composition of non-tax revenue

(₹ in crore)

	2005-06	2006-07	2007-08	2008-09	2009-10	Average percentage composition during 2005-10	
						Interest, dividends, user charges, fees, fines	Others
Interest and dividends receipts	300 (8)	396 (10)	399 (12)	377 (12)	413 (12)	11	
General services	2,030 (52)	2,127 (52)	679 (20)	675 (21)	846 (26)		
Receipts (gross) from State lotteries	1,767 (46)	1,128 (28)	---	---	---		15
Relief under DCRF	---	716 (17)	358 (11)	358 (11)	358 (11)		10
Fees, fines etc,	263 (7)	283 (7)	321 (10)	317 (10)	488 (15)	10	
Economic services	1,416 (37)	1,428 (35)	2,099 (63)	1,921 (61)	1,836 (55)		
Write-back from Public Account	426 (11)	299 (7)	749 (22)	484 (15)	2 (-)		11
Pooling of cess collections	275 (7)	357 (9)	377 (11)	365 (12)	386 (12)		10
User charges	715 (18)	772 (19)	973 (29)	1,072 (34)	1448 (43)	28	
Social services –user charges	129 (3)	148 (3)	181 (5)	186 (6)	239 (7)	5	
Total	3,875	4,099	3,358	3,159	3,334	54	46

Figures in parenthesis denote percentage composition in non-tax revenue

Source : Finance Accounts.

Twenty six *per cent* of the total non-tax revenue of the State in 2009-10 was on account of royalty receipts which increased from ₹ 554 crore in 2008-09 to ₹ 858 crore in 2009-10 as a result of revision of royalty rates by the Central Government in August 2009.

According to FRA, the State Government had to pursue non-tax revenue policies with due regard to cost recovery and equity. During 2000-08, the compounded annual growth rate of non-tax revenue of the State (8.38 *per cent*) was less than that of the General Category States (12.08 *per cent*) and in 2000-10, the State's CAGR of non-tax revenue fell to 8.06 *per cent*. The State Government stated in MTFP (2007-11) that the condition and quality of public services made the task of making any appreciable changes in user charges difficult.

The ratio of non-tax revenue to non-plan revenue expenditure is considered as an indicator of cost-recovery from socio-economic services. The details of recovery of current cost as ratio of non-tax revenue receipts to non-plan revenue expenditure in respect of Education, Health and Family Welfare, Water Supply and Sanitation and Irrigation during 2009-10 are given in **Table 1.10**.

Table 1.10: Cost-recovery from socio-economic services
(₹ in crore)

Service	Non tax revenue receipts (NTR)	Non plan revenue expenditure (NPRE)	Cost recovery (ratio of NTR/ NPRE in per cent)
Education, sports, art and culture	95.85	6,657.52	1
Health and family welfare	54.98	1,164.66	5
Water supply and sanitation	0.34	11.30	3
Irrigation	28.09	173.25	16

Source: Finance Accounts.

However, bulk of user charges in respect of Health and Education is not credited to the Consolidated Fund of the State resulting in under-statement of non-tax revenue of the State. The cost-recovery ratio calculated in respect of Health and Family Welfare and Education is therefore, under-stated³ to that extent.

Total non-tax revenue increased by ₹ 175 crore from ₹ 3,159 crore in 2008-09 to ₹ 3,334 crore in 2009-10 mainly due to increase in non-tax revenue from General Services (₹ 171 crore) partly off-set by decrease in non-tax revenue from Economic Services (₹ 85 crore).

Grants-in-aid from GOI

Grants-in-aid from GOI increased from ₹ 3,632 crore in 2005-06 to ₹ 7,883 crore in 2009-10 as shown in **Table 1.11**.

Table 1.11: Grant-in-aid from GOI
(₹ in crore)

	2005-06	2006-07	2007-08	2008-09	2009-10
Non-plan	1,736	2,224	1,531	1,694	3,429
Plan					
State	915	1,284	1,916	2,020	2,973
Central	37	43	71	94	61
Centrally sponsored	944	1,262	1,509	1,524	1,420
Total	3,632	4,813	5,027	5,332	7,883

Source : Finance Accounts.

The increase of GOI grants by ₹ 2,551 crore in 2009-10 over the previous year was due to increase in non-plan grants (₹ 1,735 crore) and grants for State plan schemes (₹ 953 crore). The increase in non-plan grants was mainly under Grant for National Calamity Contingency Fund (₹ 1,405 crore), Grant for loss of revenue on account of phasing out of Central Sales Tax (₹ 555 crore) and Grants for State Specific needs (₹ 272 crore) and the increase in grants for State plan schemes was mainly under Accelerated Irrigation Benefit Programme (₹ 477 crore) and Crop Husbandry – other grants (₹ 253 crore).

³ All district hospitals, PHCs, CHCs and THCs in the State have been authorized under order dated 22 August 2003 to retain user charges which were to form part of Arogya Raksha Samithi's fund. These receipts were to be utilized for development work of hospitals. Similarly, laboratory fee, library fee etc., collected by colleges are not remitted to treasury and form part of College Development Fund.

Central tax transfers

Increase of State's share of Union taxes by ₹ 206 crore over the previous year was mainly under corporation tax (₹ 683 crore) and taxes on income other than corporation tax (₹ 214 crore) partly offset by decrease in customs (₹ 338 crore) and Union excise duties (₹ 363 crore).

The share of Central taxes and duties received in the State during 2005-10 was ₹ 30,880 crore as against ₹ 27,362 crore recommended by TFC. During 2005-10, Central tax transfers were also more than the estimated tax transfers (₹ 30,296 crore) by ₹ 584 crore. Surplus devolution of ₹ 1,697 crore during 2005-08 was off-set by short devolution of ₹ 1,113 crore during 2008-10.

1.6.2 Optimization of TFC grants

TFC recommended amounts aggregating ₹ 4,054.40 crore as transfers to the State during 2005-10. The recommendations and the actual releases are detailed in **Table 1.12**.

Table 1.12: Transfers recommended and actual release of Grant-in-aid
(₹ in crore)

	Transfers recommended	Actual Releases	Shortfall
Maintenance (Public Works)	205.12	205.12	--
Maintenance (Forest)	55.00	55.00	--
Heritage & conservation	50.00	50.00	--
Local Bodies	1,211.00	1,211.00	--
Maintenance (Roads and Bridges)	1,458.12	1,275.85	182.27
State Specific needs	600.00	540.00	60.00
Calamity relief	475.16	475.16	--
Total	4,054.40	3,812.13	242.27

As of March 2010, the State Government received grants aggregating ₹ 3,812 crore. The balance (₹ 242.27 crore) pertaining to Maintenance –Roads and Bridges (₹ 182 crore) and State Specific Needs (₹ 60 crore) was not received. In respect of Maintenance –Roads and Bridges, the State lost ₹ 182 crore due to non-fulfillment of TFC conditions. Test check revealed the following irregularities in utilization of TFC grants received during 2005-10.

Improvement of Health Services

A grant of ₹ 150 crore was recommended by the TFC for improvement of health services in Karnataka. Detailed action plan which included up-gradation of 275 Community Health Centres (CHCs) as trauma care centres, 18 primary trauma care centres, 44 trauma care centres in district hospitals and Sanjay Gandhi hospital as Apex hospital, purchase of 550 ambulances, supply of equipments to trauma care centres and Sanjay Gandhi hospital, training etc., was drawn for utilizing the grant during 2006-10.

There was short-fall in the achievement of physical and financial progress as the State took up only civil works in respect of 175 CHCs, purchase of ambulance and up-gradation of Sanjay Gandhi hospital. Out of the first instalment of ₹ 54.88 crore released in 2006-07, the total expenditure incurred in 2006-07 was ₹4.97 crore on purchase of 44 ambulances. The State failed to achieve physical progress in respect of up-gradation of 175 CHCs which remained incomplete as on March 2010.

The State Government replied (November 2010) that based on a review of implementation of activities in 2007-08, the number of civil works was limited to 137. The reply cannot be accepted because as per the Utilization Certificate furnished to GOI, 175 civil works had been started and were in various stages of completion and as admitted by the State Government completion of the civil works will involve the State Government having to bear the necessary budgetary burden.

Due to short-fall in achievement of targets and under-utilisation of TFC grants, the State did not receive the instalments due in 2007-08 and 2008-09. GOI released ₹ 80.12 crore in 2009-10 as against ₹ 95.12 crore due. The State thus, lost TFC grant amounting to ₹ 15 crore.

Further, out of TFC grant amounting to ₹ 135 crore received from GOI, the State used ₹ 98.35 crore for its ongoing scheme Arogya Kavacha (implemented during 2008-09).

The State Government (November 2010) replied that the State Cabinet had approved the use of TFC grants towards Arogya Kavacha and that there was no deviation. However, the State Government had announced in 2008-09 (budget speech) that it had a commitment of providing ₹ 221 crore (regardless of TFC grants) during 2008-11 for implementation of Arogya Kavacha. Also, the infrastructure envisaged in the action plan for utilization of TFC grants was not fully created.

1.6.3 Arrears of revenue

As of March 2010, arrears of revenue pertaining to taxes on sales, trade, etc., (₹ 3,751 crore), State excise (₹ 738 crore), mineral receipts (₹ 241 crore), taxes and duties on electricity (₹ 73 crore), stamp duty and registration fees (₹ 60 crore) and taxes on motor vehicles (₹ four crore) aggregated ₹ 4,867 crore. Revenue of ₹ six crore relating to State excise was pending on account of litigation in courts.

1.7 Application of resources

Analysis of the allocation of expenditure at the State Government level assumes significance since major expenditure responsibilities remained entrusted with them. Within the framework of fiscal responsibility legislations, there are budgetary constraints in raising public expenditure financed by deficit or borrowings. 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 expenditure directed towards development and social sectors.

1.7.1 Growth and composition of expenditure

Growth rates of total expenditure during 2005-10, its ratio and buoyancy with reference to GSDP and revenue receipts are presented in **Table 1.13**.

Table 1.13: Total expenditure – Basic parameters**(₹ in crore, ratio in per cent)**

	2005-06	2006-07	2007-08	2008-09	2009-10
Total expenditure (TE)*	34,163	42,335	46,781	52,260	60,656
Rate of growth	13.1	23.9	10.5	11.7	16.1
TE/GSDP (ratio)	18.6	20.6	19.5	19.3	20.3
Revenue receipts / TE (ratio)	88.8	88.8	88.0	82.8	81.0
Buoyancy of total expenditure with					
GSDP(ratio)	0.7	2.0	0.6	0.9	1.6
Revenue receipts (ratio)	0.9	1.0	1.1	2.2	1.2

*Total expenditure includes revenue expenditure, capital expenditure including loans and advances

Source : Finances Accounts.

Total expenditure increased by 78 *per cent* from ₹ 34,163 crore in 2005-06 to ₹ 60,656 crore in 2009-10 due to increase in revenue expenditure (₹ 19,496 crore), capital outlay (₹ 6,315 crore) and disbursement of loans and advances (₹ 682 crore).

During the period 2005-10, the growth rate of total expenditure was at the highest (24 *per cent*) in 2006-07 and lowest (11 *per cent*) in 2007-08. The growth rate of total expenditure which was at 12 *per cent* in 2008-09 increased to 16 *per cent* in 2009-10.

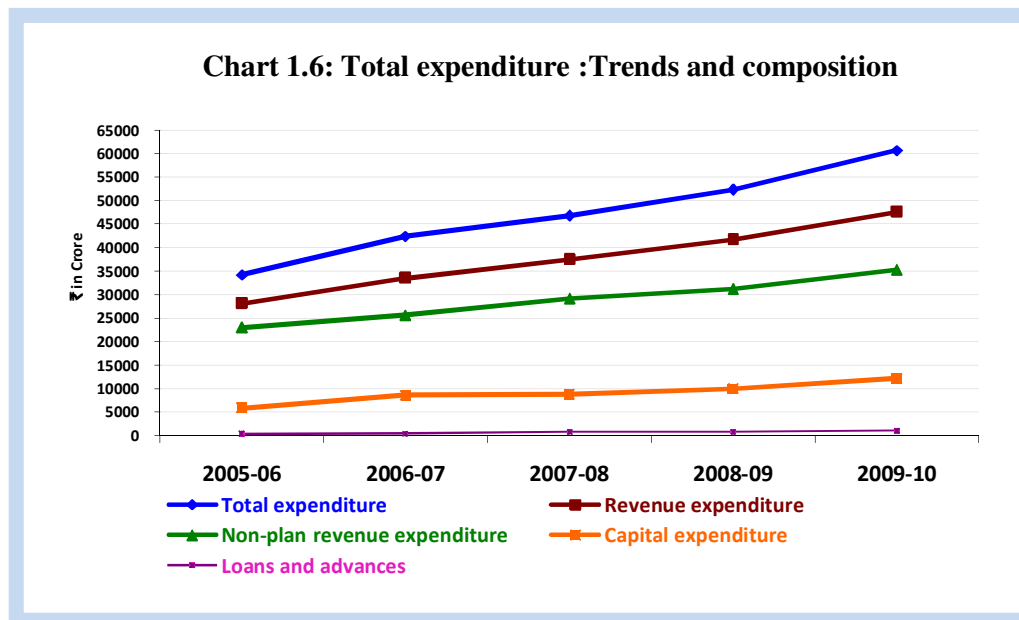
In 2009-10, total expenditure was 1.2 times the revenue receipts. The buoyancy ratio of total expenditure to revenue receipts was around 1.2 *per cent* and the growth rate of total expenditure was more than the growth rate of revenue receipts by 1.2 times.

During the period 2005-10, on an average, 80 *per cent* of the total expenditure constituted revenue expenditure. While the share of revenue expenditure in the total expenditure decreased from 80 *per cent* in 2008-09 to 78 *per cent* in 2009-10, the share of capital expenditure increased from 20 *per cent* in 2008-09 to 22 *per cent* in 2009-10.

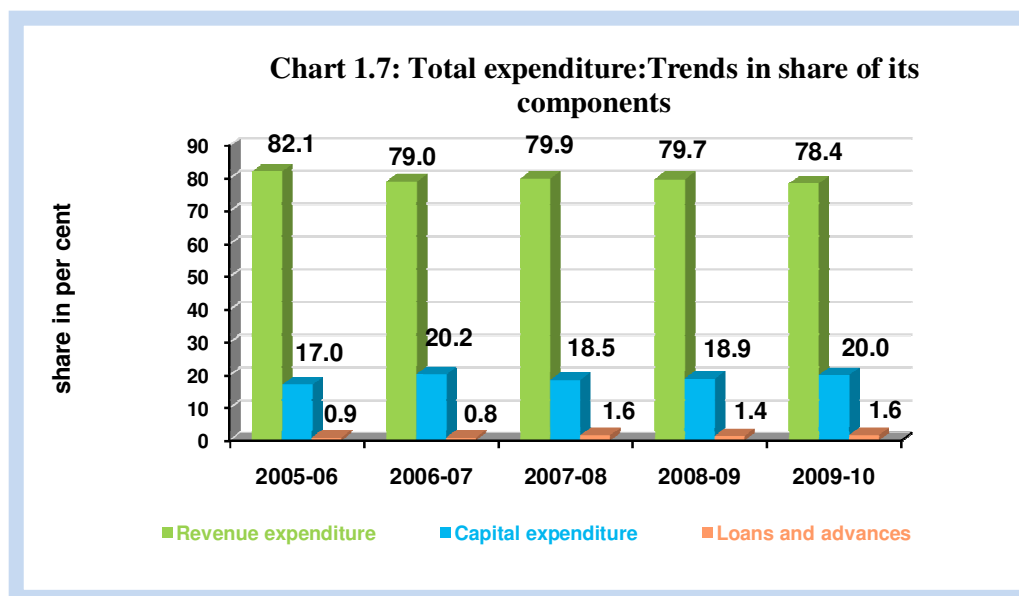
The State identified agriculture, rural development, power, education and health under socio-economic services as high priority sectors with greater capital outlay. Though capital outlay increased from ₹ 5,822 crore in 2005-06 to ₹ 12,137 crore in 2009-10 (108 *per cent*), there was minimal increase in the capital outlay in the priority sectors of health and family welfare (₹ 20 crore), education (₹ 16 crore) and agriculture and allied activities (₹ 24 crore) while there was decrease in capital outlay on rural development (₹ 60 crore) during 2009-10 relative to the previous year.

In 2009-10, the growth rate of total expenditure (16.1 *per cent*) was 1.6 times more than the growth rate of GSDP (10.2 *per cent*) and the buoyancy of total expenditure to GSDP which was less than one *per cent* in 2008-09 increased to 1.6 *per cent* in 2009-10. Revenue receipts as a ratio of total expenditure stood at 81 *per cent* in 2009-10 which meant that 81 *per cent* of the total expenditure could be met out of revenue receipts.

Chart 1.6 presents the trends in total expenditure under revenue, capital and loans and advances, while **Chart 1.7** exhibits the share of these components in total expenditure.



Source: Finance Accounts.



Source: Finance Accounts.

1.7.2 Incidence of revenue expenditure

Revenue expenditure is incurred to maintain the current level of services and make payment for past obligations and as such does not result in any addition to the State's infrastructure and services network.

Revenue expenditure increased by 70 per cent from ₹ 28,041 crore in 2005-06 to ₹ 47,537 crore in 2009-10. While plan expenditure increased by 143 per cent from ₹ 5,069 crore to ₹ 12,303 crore, non-plan expenditure increased by 53 per cent from ₹ 22,972 crore to ₹ 35,234 crore.

Increase of plan revenue expenditure by ₹ 1,773 crore over the previous year was mainly under Social Welfare and Nutrition (₹ 639 crore), Welfare of SCs, STs and OBCs (₹ 377 crore), Agriculture (₹ 290 crore), Special Areas Programme (₹ 272 crore), Rural Development (₹ 151 crore) and Water Supply, Housing and Urban Development (₹ 111 crore). Plan revenue expenditure included devolutions to Panchayat Raj Institutions (PRI) (₹ 3,506 crore) and Urban Local Bodies (ULB) (₹ 769 crore), Subsidies (₹ 429 crore) and Salaries (₹ 841 crore).

Non-plan revenue expenditure (NPRE) was 74 per cent of revenue expenditure during 2009-10. It included devolutions to PRIs (₹ 7,901 crore) and ULBs (₹ 1,703 crore), interest payments (₹ 5,213 crore), subsidies (₹ 3,689 crore), pension payments (₹ 3,408 crore), salaries (₹ 9,501 crore) and maintenance expenditure (₹ 548 crore).

The trend in non-plan revenue expenditure *vis-à-vis* the normative assessment made by TFC about NPRE while estimating the pre-devolution non-plan revenue deficit/surplus for the State indicated that actual NPRE exceeded TFC's projections during 2005-10 as shown in **Table 1.14**.

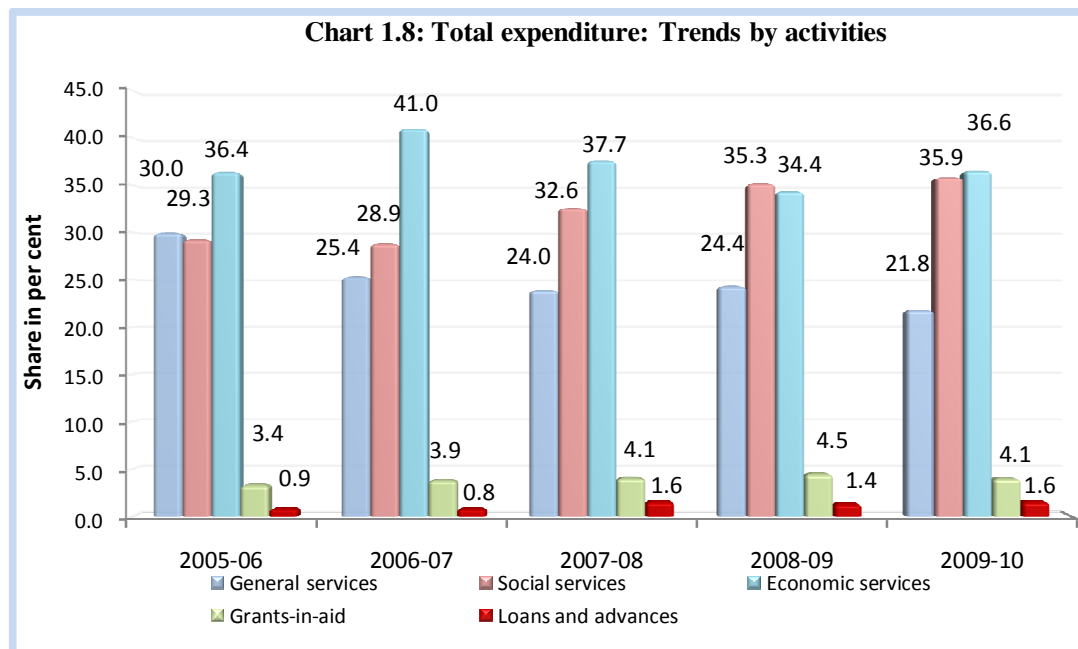
Table 1.14: Non-plan revenue expenditure- Actuals *vis-à-vis* TFC projection

	Normative assessment of TFC	Actual expenditure	Percentage variation
2005-06	17,001	22,972	35
2006-07	18,473	25,583	38
2007-08	21,735	29,062	34
2008-09	23,574	31,129	32
2009-10	25,643	35,234	37

Source: TFC Report and Finance Accounts.

1.7.3 Trends in expenditure by activities

In terms of activities, total expenditure could be considered as being composed of expenditure on general services (including interest payments), social and economic services, grant in aid and loans and advances. Relative share of these components in total expenditure (including loans and advances) is indicated in **Chart 1.8**.



Source : Finance Accounts.

In the MTFP 2010-14, the Government stated that it has been enhancing outlays on social service and restricting expenditure on general services, as part of its strategy to improve structure of expenditure. The expenditure on social services which was at 29 *per cent* of total expenditure in 2005-06 increased to 36 *per cent* in 2009-10 while expenditure on general services decreased from 30 *per cent* in 2005-06 to 22 *per cent* in 2009-10.

The share of expenditure on economic services which had increased from 36 in 2005-06 to 41 *per cent* in 2006-07 decreased to 38 *per cent* in 2007-08. During 2008-09, the share of expenditure on economic services which had further decreased to 34 *per cent* increased to 37 *per cent* in 2009-10.

As stated in the MTFP-2010-14, the State had to incur expenditure on relief measures for flood which hit the State in 2009-10. This expenditure (₹ 1,750 crore accounted under the HOA 2245-05) was eight *per cent* of the total expenditure on social services.

1.7.4 Committed expenditure

Committed expenditure of the State Government on revenue account mainly consisted of interest payments, expenditure on salaries, pensions and subsidies. **Table 1.15** and **Chart 1.9** present the trends in the expenditure on these components during 2005-10.

Table 1.15: Committed expenditure

(₹ in crore)

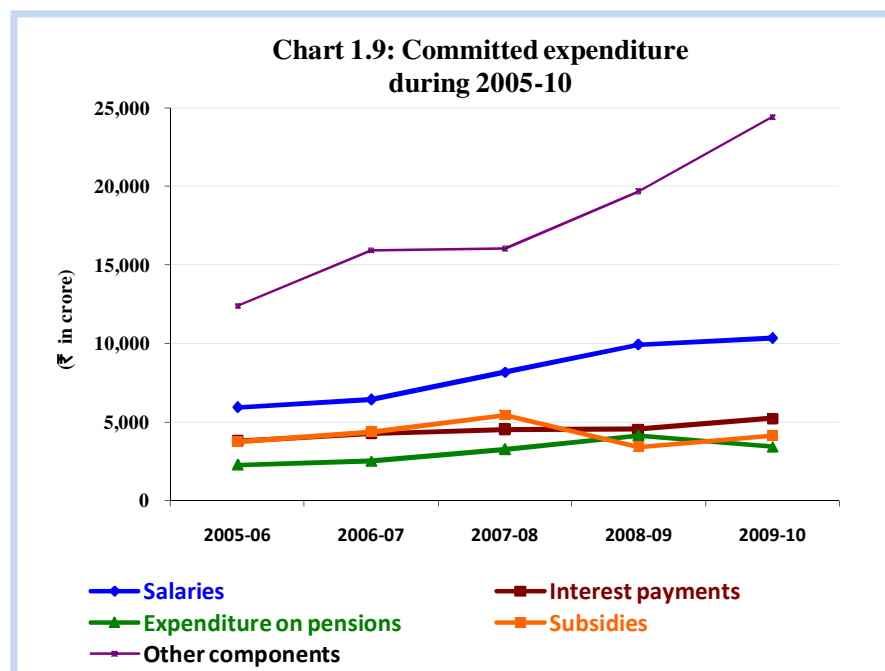
	2005-06	2006-07	2007-08	2008-09	2009-10
Salaries*, of which	5,932 (19.5)	6,426 (17.1)	8,169 (19.8)	9,912 (22.9)	10,342 (21.04)
Non-plan head	5,597	6,111	7,705	9,254	9,501
Plan head**	335	315	464	658	841
Interest payments	3,765 (12.4)	4,236 (11.3)	4,506 (10.9)	4,532 (10.5)	5,213 (10.6)
Expenditure on pensions	2,237 (7.4)	2,496 (6.6)	3,241 (7.9)	4,113 (9.5)	3,408 (6.9)
Subsidies	3,712 (12.2)	4,355 (11.6)	5,420 (13.2)	3,399 (7.8)	4,118 (8.4)
Total committed expenditure	15,646 (51.55)	17,513 (46.59)	21,336 (51.85)	21,956 (50.72)	23,081 (46.9)
Other than committed expenditure ***	12,395 (40.8)	15,922 (42.4)	16,039 (39.0)	19,703 (45.5)	24,456 (49.7)
Total revenue expenditure	28,041	33,435	37,375	41,659	47,537
Revenue receipts	30,352	37,587	41,151	43,290	49,156

Figures in the parentheses indicate percentage to revenue receipts

* Includes salaries paid out of grants-in-aid released to PRIs and others

** Includes the salaries paid under Centrally sponsored schemes.

*** Includes expenditure on financial assistance / relief (₹ 4,935 crore), other expenses (₹ 3,722 crore), grants-in-aid (₹ 2,235 crore), special component plan (₹ 987 crore), maintenance (₹ 619 crore), pensions under social services sector (₹ 922 crore), inter account transfers (₹ 2,809 crore).



Source : Finance Accounts.

Expenditure on salaries

Expenditure on salaries as a percentage of revenue receipts which had increased from 20 in 2007-08 to 23 in 2008-09 due to implementation of fifth pay commission (FPC) award reduced to 21 during 2009-10. It was, however, 27 per cent of revenue expenditure (net of pensions and interest payments), within the limit of 35 per cent recommended by TFC. The expenditure on salaries for 2009-10 was less than the MTFP-2008-12 projection of ₹ 10,990 crore by ₹ 648 crore.

Pension payments

Expenditure on pension (₹ 3,408 crore) was at seven per cent of total revenue receipts of the State during the year. The expenditure on pension during the year was less than MTFP (2008-12) projection by ₹ 430 crore. Decrease of ₹ 705 crore over the previous year was on account of increase in retirement age from 58 years to 60 years during 2008-09.

Adopting budget estimates (₹ 2,214 crore) of pension expenditure for 2004-05 as base figure, TFC projected growth rate of 10 per cent per annum during the forecast period. The pension expenditure was less than TFC projection during 2005-07. It was more than TFC projection during 2007-08 and 2008-09 on account of FPC award. It once again was less than TFC projection during 2009-10 as shown in **Table 1.16**.

Table 1.16: Pension expenditure vis-à-vis TFC projection

	TFC Projection	Actual expenditure	(₹ in crore) Percentage variation
2005-06	2,435	2,237	(-) 8
2006-07	2,679	2,496	(-) 9
2007-08	2,947	3,241	10
2008-09	3,242	4,113	27
2009-10	3,566	3,408	(-) 4

Interest payments

Interest payments increased by ₹ 1,448 crore from ₹ 3,765 crore in 2005-06 to ₹ 5,213 crore in 2009-10. It constituted interest on internal debt (₹ 3,675 crore), interest on small savings, PF etc., (₹ 786 crore) and interest on loans and advances from Central Government (₹ 752 crore).

The interest on internal debt increased by 21 per cent from ₹ 3,038 crore in 2008-09 to ₹ 3,675 crore in 2009-10 on account of increase in payment of interest on markets loans and other internal debts by 58 per cent relative to previous year.

The interest on small savings, provident funds etc increased by seven *per cent* from ₹ 736 crore during 2008-09 to ₹ 786 crore in 2009-10 mainly on account of increase in interest on State provident funds and insurance and pension funds by 18 and 12 *per cent* respectively relative to previous year.

During 2005-10, interest payment on GOI loans fell to ₹ 745 crore on an average from ₹ 1,296 crore during 2004-05 as a result of implementation of DCRF scheme.

The ratio of interest payments to revenue receipts determines the debt sustainability of the State. During the year, interest payments pre-empted 11 *per cent* of total revenue receipts of the State *which was below the TFC norm of 15 per cent*.

Subsidies

In any welfare State, it is not uncommon to provide subsidies/subventions to disadvantaged sections of the society. Subsidies are dispensed not only explicitly but also implicitly by providing subsidised public service to the people. Budgetary support to financial institutions, inadequate returns on investments and poor recovery of user charges from social and economic services provided by the Government fall in the category of implicit subsidies.

Finance Accounts (**Appendix III**) showed an explicit subsidy of ₹ 4,118 crore during the year. Test check revealed implicit subsidy of ₹ seven crore provided as assistance to Karnataka State Financial Corporation (KSFC) towards waiver of interest due from small farmers and implicit subsidy of ₹ 122 crore provided as equity investment to KSFC to cover loss of earlier years.

Subsidy provided by the State may also be classified as merit and non-merit subsidy. Subsidy (₹ 276 crore)⁴ on education, housing, health, social welfare and nutrition, rural and urban development, agriculture and village and small industries considered to be merit subsidy constituted around seven *per cent* of the total subsidy expenditure of the State during the year.

Subsidy payments during the year were mainly in the areas of power (₹ 2,341 crore), food (₹ 1,164 crore), transport (₹ 157 crore) and co-operation (₹ 125 crore). The details are given in **Box 1.1**.

⁴ Education - ₹ 7.03 crore, urban development - ₹ 66 crore, social welfare and nutrition - ₹ 2.00 crore, village and small industries - ₹ 15.00 crore, agriculture- ₹ 96.43 crore and housing - ₹ 89.75 crore.

Box – 1.1

Major subsidies

Power

During the year, subsidy to power sector (₹ 2,341 crore) accounted for 57 per cent of the total subsidy (₹ 4,118 crore). It included financial assistance to electricity supply companies to cover loss due to rural electrification (₹ 2,091 crore) and contribution towards pension (₹ 250 crore).

Subsidy on rural electrification during the year, however, did not include subsidy of ₹ 75 crore given to the Karnataka Power Transmission Corporation (KPTCL) for meeting its debt servicing obligations of Power Finance Corporation (PFC) and Rural Electrification Corporation (REC). Finance Accounts did not show this liability as these loans were not taken over by the Government. The State Government had also paid subsidy of ₹ 330 crore, in 2006-07 (₹ 130 crore), 2007-08 (₹ 113 crore) and 2008-09 (₹ 87 crore). Though the Government stated (November 2007) that debt would be included on off-budget side in 2008-09, neither did MTFPs 2007-11 to 2010-14 nor overview of budget 2009-10 and 2010-11 exhibited this liability on off-budget side.

Food

Food subsidy to meet the differential cost of food grains under Public Distribution System (PDS) increased from ₹ 650 crore in 2007-08 to ₹ 1,164 crore in 2009-10. Against food subsidy of ₹ 264 crore recommended for Karnataka by TFC for the award period 2005-10, the amount of food subsidy was ₹ 804 crore per annum, on an average, during 2005-10.

Co-operation

Subsidy in the co-operative sector predominantly represented waiver of overdue loans (principal as well as interest) given to farmers. Such waiver of loans and interest aggregated ₹ 3,795 crore in 2005-06 (₹ 917 crore), 2006-07 (₹ 801 crore), 2007-08 (₹ 1,793 crore), 2008-09 (₹ 186 crore) and 2009-10 (₹ 98 crore).

According to Vaidyanathan Committee Report (March 2008), the Governments both at the Centre and in the States should desist from the practice of waiver of recovery of loans and interest to prevent deterioration of co-operative credit system. The aggregate amount of loan and interest waived during 2008-09 which had decreased to ₹ 186 crore further decreased to ₹ 98 crore in 2009-10 (50 per cent less than that of previous year).

Transport

Transport subsidy increased from ₹ 143 crore in 2008-09 to ₹ 157 crore in 2009-10. Forty nine per cent of the subsidy (₹ 66.66 crore) during 2009-10 was towards fare concession extended to students, freedom fighters, physically challenged, etc.

1.7.5 Financial assistance to local bodies

The quantum of assistance provided by way of grants to local bodies and others during the current year, relative to the previous years is presented in **Table 1.17**.

Table 1.17: Financial assistance to local bodies and other institutions

	(₹ in crore)				
	2005-06	2006-07	2007-08	2008-09	2009-10
Panchayat Raj Institutions	6,088.61	7,767.93	9,122.39	10,804.46	11,406.81
Urban Local Bodies	1,605.85	2,113.48	2,468.20	2,339.11	2,471.69
Educational Institutions (including universities)	695.62	750.27	878.23	379.23	387.57
Co-operative societies and co-operative institutions	955.45	882.98	1,895.60	119.00	239.41
Other institutions and bodies (including statutory bodies)	1,837.43	2,400.54	2,361.00	1,620.24	1,914.55*
Assistance as a percentage of revenue expenditure	40	42	45	37	35
Total	11,182.96	13,915.20	16,725.42	15,262.04	16,420.03

Source : Finance Accounts

*Includes assistance to ULBs for urban local election (₹ 25 crore) and grants to ULBs under FC recommendation (₹ 97 crore).

The assistance to PRIs increased from ₹ 6,089 crore in 2005-06 to ₹ 11,407 crore in 2009-10 while the assistance to ULBs increased from ₹ 1,606 crore to ₹ 2,472 crore.

Out of the total devolution of ₹ 11,407 crore to PRIs during 2009-10, ₹ 5,886 crore (52 per cent) were towards salaries as the State Government's functions viz., Education, Water Supply and Sanitation, Housing, Health and Family Welfare etc., were transferred to PRIs.

The assistance to ULBs, Co-operatives and other institutions increased by ₹ 133 crore, ₹ 120 crore and ₹ 295 crore respectively during the year 2009-10 from previous year. Assistance to other institutions (₹ 1,915 crore) included assistance to Development Authorities (₹ 252 crore), NGOs (₹ 617 crore) and various boards and institutions (₹ 358 crore). It also included assistance to schemes such as Modernization of Police (₹ 48 crore) and Rashtriya Krishi Vikasa Yojane – Animal Husbandry (₹ 33 crore).

As a sequel to the Second State Finance Commission's recommendation, the State Government decided (June 2006) to increase devolution of funds to ULBs from six to eight per cent of non loan net own revenue receipts (NLNORR) during the period 2005-10. The devolution to ULBs which was seven per cent of NLNORR during 2005-06 increased to eight per cent in 2006-09. It once again decreased to seven per cent during 2009-10. However, taking into account, assistance of ₹ 122 crore to ULBs accounted for as assistance to other institutions in Finance Accounts, assistance to ULBs would be eight per cent of NLNORR.

1.8 Quality of expenditure

The availability of better social and physical infrastructure in the State generally reflects the quality of its expenditure. The improvement in the quality of expenditure basically involves three aspects, viz., adequacy of the expenditure (i.e. adequate provisions for providing public services); efficiency of expenditure use and the effectiveness of expenditure.

1.8.1 Adequacy of public expenditure

The expenditure responsibilities relating to social sector and economic infrastructure are largely assigned to the State Governments. Enhancing human development levels requires the States to step up their expenditure on key social services like education, health, etc. The low level of spending on any sector by a particular State may be said to be due to low fiscal priority attached by the State Government. Low fiscal priority (ratio of expenditure category to aggregate expenditure) is attached to a particular sector if the priority given to that particular head of expenditure is below the General Category States average for that year.

Table 1.18 brings out the fiscal priority given to different categories of expenditure of the State relative to General Category States in 2005-06 and the current year 2009-10.

Table-1.18 Fiscal Priority of the State in 2005-06 and 2009-10

Fiscal Priority by the State	(In per cent)					
	AE/GSDP	DE/AE	SSE/AE	CE/AE	Education/ AE	Health/ AE
General Category States Average (Ratio) 2005-06	17.75	61.76	30.76	13.97	14.95	4.05
Karnataka State's Average (Ratio) 2005-06	18.59	66.44	29.68	17.04	14.34	3.37
General Category States Average (Ratio) 2009-10	18.24	66.05	35.76	14.85	16.21	4.28
Karnataka State's Average (Ratio) 2009-10	20.32	74.06	37.22	20.01	14.50	3.71

AE: Aggregate Expenditure, DE: Development Expenditure, SSE: Social Sector Expenditure
CE: Capital Expenditure
Development expenditure includes Development Revenue Expenditure, Development Capital Expenditure and Loans and Advances disbursed.
Source : For GSDP, the information was collected from the State's Directorate of Economics and Statistics

Comparative analysis reveals the following:

- The ratio of AE to GSDP in 2005-06 and 2009-10 (18.59 and 20.32 *per cent*) were above the average ratios of General Category States (17.75 and 18.24 *per cent*). Hence, Government of Karnataka is spending more proportion of GSDP compared to General Category States.
- Adequate fiscal priority to DE and CE was given by the State Government in 2005-06 and 2009-10 as the ratio of DE to AE and CE to AE was higher than the average ratio of General Category States.

- Low priority to social sector was given by the State during 2005-06 as the ratio of SSE to AE (29.68 *per cent*) was less than the average ratio of General Category States (30.76 *per cent*). However, during 2009-10 adequate priority was given to the sector as the State's average of SSE to AE was 37.22 *per cent* as against the ratio of 35.76 *per cent* of General Category States.
- The State's average ratio of expenditure on education was less than the average ratio of General Category States in 2005-06 and 2009-10 which implied that there was low priority by the State in the said area. However, as per the census of 2001, the State had a literacy rate of 67 *per cent*.
- The State also gave low priority to health as the State's average ratio of expenditure on health was less than the average ratio of General Category States in 2005-06 and 2009-10. However, as per census of 2001, two parameters viz., infant mortality rate and life expectancy at birth of the State was at 45 per 1000 live births and 65 years which was better than the national average.

1.8.2 Efficiency of expenditure use

In view of the importance of public expenditure on development heads for social and economic development, it is imperative for the State Governments to take appropriate expenditure rationalization measures and lay emphasis on provision of core public and merit goods⁴. Apart from improving the allocation towards development expenditure⁵, particularly in view of the fiscal space being created on account of decline in debt servicing in recent years, the efficiency of expenditure use is also reflected by the ratio of capital expenditure to total expenditure and proportion of revenue expenditure being spent on operation and maintenance of the existing social and economic services. The higher the ratio of these components to total expenditure, the better would be the quality of expenditure. While **Table 1.19** presents the trends in development expenditure relative to the aggregate expenditure of the State during the current year *vis-à-vis* that of

⁴ *Core public* goods are which all citizens enjoy in common in the sense that each individual's consumption of such a good leads to no subtractions from any other individual's consumption of that good, e.g. enforcement of law and order, security and protection of citizen's rights; pollution free air and other environmental goods and road infrastructure etc.

Merit goods are commodities that the public sector provides free or at subsidized rates because an individual or society should have them on the basis of some concept of need, rather than ability and willingness to pay the Government and therefore wishes to encourage their consumption. Examples of such goods include the provision of free or subsidized food for the poor to support nutrition, delivery of health services to improve quality of life and reduce morbidity, providing basic education to all, drinking water and sanitation etc.

⁵ The analysis of expenditure data is disaggregated into development and non development expenditure. All expenditure relating to revenue account, capital outlay and loans and advances is categorized into social, economic and general services. Broadly, the social and economic services constitute development expenditure, while expenditure on general services is treated as non-development expenditure.

previous years, **Table 1.20** provides the details of capital expenditure and the components of revenue expenditure incurred on the maintenance of the selected social and economic services.

Table-1.19: Development expenditure

	(₹ in crore)				
	2005-06	2006-07	2007-08	2008-09	2009-10
Development expenditure (DE)	22,734	29,953	33,642	37,134	44,930
Percentage of DE to total expenditure	67	71	72	71	74
Components of DE					
Revenue	16,846	21,377	24,577	27,010	32,301
	(74)	(71)	(73)	(73)	(72)
Capital	5,604	8,222	8,310	9,395	11,647
	(25)	(27)	(25)	(25)	(26)
Loans and advances	284	354	755	729	982
	(1)	(1)	(2)	(2)	(2)

Figures in parentheses indicate percentage to development expenditure

Source: Finance Accounts.

Development expenditure comprising revenue expenditure, capital outlay and loans and advances on socio-economic services increased from ₹ 22,734 crore in 2005-06 to ₹ 44,930 crore in 2009-10. As a *percentage* of total expenditure, it increased from 67 in 2005-06 to 74 in 2009-10. In the current year, development expenditure as a percentage of aggregate expenditure, increased by three *per cent* relative to the previous year due to increase in development capital expenditure and loans disbursed. On an average, 73 *per cent* of the development expenditure was on revenue account while capital expenditure including loans and advances accounted for the balance during 2005-10.

In 2009-10, development revenue expenditure included, *inter alia*, expenditure on salary (₹ 7,550 crore), subsidy (₹ 4,106 crore) and financial assistance to local bodies and other institutions (₹ 10,517 crore).

Table 1.20: Efficiency of expenditure use in selected social and economic services

	(Ratios in per cent)			
	2008-09		2009-10	
	Ratio of CE to TE	Share of salaries (excluding wages and O&M) in RE	Ratio of CE to TE	Share of salaries (excluding wages and O&M) in RE
Social services (SS)				
Education, sports, art and culture	0.38	11.40	0.35	10.33
Health and family welfare	0.58	2.35	0.53	2.05
Water supply, sanitation, housing and urban development	3.72	0.05	4.31	0.05
Others	0.54	1.00	0.50	0.86
Total (SS)	5.22	14.80	5.70	13.29
Economic services (ES)				
Agriculture & allied activities	0.14	1.61	0.15	1.46
Irrigation and flood control	5.71	0.24	6.50	0.22
Power & energy	2.75	---	2.89	---
Transport	4.30	0.06	4.43	0.05
Others	1.25	0.98	1.14	0.87
Total (ES)	14.15	2.89	15.11	2.60
Total (SS+ES)	19.37	17.69	20.81	15.89

TE: Total expenditure; CE: Capital expenditure; RE: Revenue expenditure

Expenditure on social services

Capital expenditure on social services increased from ₹ 2,728 crore in 2008-09 to ₹ 3,456 crore in 2009-10 and there was a corresponding marginal increase in ratio of capital expenditure to total expenditure.

Capital expenditure on social services during 2009-10 included ₹ 226 crore (seven *per cent*) on account of repayment of off budget borrowings.

The share of salary expenditure (under social services) in total revenue expenditure decreased from 15 *per cent* in 2008-09 to 13 *per cent* in 2009-10.

Expenditure on economic services

Capital expenditure on economic services increased from ₹ 7,395 crore in 2008-09 to ₹ 9,167 crore in 2009-10 with a growth rate of 24 *per cent*.

The priority sectors identified by the Government in respect of economic services were agriculture, power and rural development. In 2009-10, the capital outlay on power (₹ 1,750 crore) was 87 *per cent* more than the outlay in 2008-09. Capital outlay on power (₹ 1,750 crore) in 2009-10 included expenditure of ₹ 75 crore on REC and PFC loans of KPTCL taken over by the Government. In 2009-10, capital outlay on agriculture and rural development was more by ₹ 1,122 crore compared to 2008-09.

The share of salary expenditure (under economic services) in total revenue expenditure remained at three *per cent* in 2008-10.

Capital expenditure on economic services in 2009-10 included expenditure of ₹ 759 crore (eight *per cent*) on repayment of off budget borrowings.

1.9 Analysis of Government expenditure and investments

In the post-FRA framework, the Government is expected to keep its fiscal deficit (borrowing) not only at low levels but also meet its capital expenditure/investment (including loans and advances) requirements. In addition, in a transition to complete dependence on market based resources, the State Government needs to initiate measures to earn adequate return on its investments and recover cost of borrowed funds rather than bearing the same on its budget in the form of implicit subsidy 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 the current year *vis-à-vis* previous years.

1.9.1 Incomplete projects

Blocking of funds on incomplete works which include works stopped due to reasons like litigation, etc. impinge negatively on the quality of expenditure. The department-wise information pertaining to incomplete projects as of March 2010 is given in **Table 1.21**.

Table 1.21: Incomplete projects

Department	Incomplete projects					Cumulative expenditure as of March 2010
	Number	Budgeted cost	Revised cost	Cost over run ⁶		
				Number	Amount	
Public works						
Buildings	109	581.82	591.13	12	157.90	495.76
Roads & bridges	121	590.31	593.84	29	99.08	411.06
Irrigation	31	104.06	120.26	3	24.24	107.78
Total	261	1,276.19	1,305.23	44	281.22	1,014.60

Source: Finance Accounts

As against the initial budgeted cost of ₹ 1,276 crore in respect of 261 works stipulated to be completed on or before March 2010, the progressive expenditure was ₹ 1,015 crore as of March 2010. In 44 cases, the cost over run aggregated ₹ 281.22 crore.

No reasons for delay in completion of the works were given by the Public Works and Irrigation Departments.

1.9.2 Investment and returns

As of March 2010, Government had invested ₹ 32,483 crore in 88 Government companies (₹ 29,341 crore) including investment of ₹ 52 crore in 17 non-working Government companies, nine statutory corporations (₹ 1,674 crore), 45 joint stock companies (₹ 1,106 crore) and 15 co-operative societies/banks including regional rural banks (₹ 362 crore). The return from investment was negligible (Table 1.22).

Negligible returns from the investment were partly on account of locking up of funds in the Public Account without actual release to the institutions. Investment of ₹ 981.40 crore⁷ in respect of five Companies / Corporations was lying in Public Account to the end of March 2010.

Table-1.22: Return on investment

	2005-06	2006-07	2007-08	2008-09	2009-10
Investment at the end of the year (₹ in crore)	14,052.53	18,698.37	22,279.35	26,672.11	32,483.28
Return (₹ in crore)	16.9	19.5	23.4	40.2	29.48
Return (per cent)	0.1	0.1	0.1	0.1	0.1
Average rate of interest on Government borrowings (per cent)	7.6	7.7	7.6	6.9	6.7
Difference between interest rate and return (per cent)	7.5	7.6	7.5	6.8	6.6

Source: Finance Accounts.

⁶ Includes four cases where expenditure exceeded the revised cost and the cost overrun aggregated to ₹ 3.08 crore.

⁷ Krishna Bhagya Jala Nigama (₹ 131.28 crore), Karnataka Infrastructure Development and Finance Corporation (₹ 283.35 crore), Karnataka Neeravari Nigam Limited (₹ 30.33 crore), Karnataka Rural Infrastructure Development Corporation Ltd (₹245.70 crore) and Mega Area Development (₹ 290.74 crore)

Out of the total investment of ₹ 32,483 crore upto the end of 2009-10, investment of ₹ 30,925 crore (95 per cent) during 2005-10 was in 63 Government companies and Statutory corporations under irrigation sector (₹ 19,084 crore), transport sector (₹ 924 crore), infrastructure sector (₹ 4,595 crore), power sector (₹ 3,717 crore), industries sector(₹ 316 crore), housing sector (₹ 1,220 crore), financing sector (₹ 427 crore), construction sector (₹ 261 crore) and social sector (₹ 381 crore).

The investment included ₹ 16,993 crore (52 per cent) in the following companies/corporations under perennial loss (Table 1.23).

Table 1.23: Investment in companies/corporations under perennial loss

Company/Corporation	₹ in crore)	
	Investment during 2005-10	Cumulative loss as at 2008-09
Krishna Bhagya Jala Nigam Limited	14,267	156
Karnataka Road Development Corporation Ltd	2,505	85
North Western Karnataka Road Transport Corporation	137	334
North Eastern Karnataka Road Transport Corporation	84	293
Total	16,993	868

Source : Finance Accounts.

During the year, Government invested ₹ 5,039 crore in Government companies, ₹ 572 crore in Joint stock companies, ₹ 196 crore in Statutory corporations and ₹ four crore in Co-operative societies. This included;

- ₹ 122 crore invested in KSFC for removal of negative net-worth (₹ 110 crore) and for reimbursement of amount paid by loanees as equity (₹ 12 crore).
- Conversion of interest dues (₹ 4 crore) of Mysore Sales International Limited as equity.
- Conversion of interest free loans (₹ 500 crore) released to Electricity Supply Company (ESCOM) during 2008-09 as equity in 2009-10.

1.9.3 Departmental undertakings

Nineteen undertakings of certain Government departments performed activities of quasi-commercial nature. According to the latest accounts furnished by six undertakings, the State Government's investment was ₹ 12.36 crore. The total loss incurred by these undertakings was ₹ 5.82 crore. Details are furnished in **Appendix 1.7.**

In view of the continued losses sustained by these undertakings, the Government should review their working so as to wipe out their losses in the short term and make these self sustaining in medium to long term.

1.9.4 Loans and advances by the State Government

In addition to investments in companies, corporations and co-operative institutions, Government also provided loans and advances to many institutions/organizations. **Table 1.24** presents the position of outstanding loans and advances as of March 2010 and interest receipts *vis-à-vis* interest payments during the last five years.

Table-1.24: Average interest received on loans advanced by the State Government

	(₹ in crore)				
	2005-06	2006-07	2007-08	2008-09	2009-10
Opening balance	5,768	5,944	6,241	6,946	7,620
Amount advanced during the year	300	357	757	731	982
Amount repaid during the year	124	60	52	57	555
Closing balance	5,944	6,241	6,946	7,620	8,047
Net addition	176	297	705	674	427
Interest receipts	95	38	58	103	74
Interest receipts as <i>per cent</i> to outstanding loans and advances	1.6	0.6	0.8	1.3	0.9
Interest payments as <i>per cent</i> to outstanding fiscal liabilities of the State Government.	7.2	7.3	7.5	6.3	6.2
Difference between interest payments and interest receipts (<i>per cent</i>)	-5.6	-6.7	-6.7	-5.0	-5.3

Source: Finance Accounts.

Loans outstanding as of March 2010 aggregated ₹ 8,047 crore. Interest spread of Government borrowings was negative during 2005-10 which meant that the State's borrowings were more expensive than the loans advanced by it.

Loans aggregating ₹ 982 crore were disbursed during 2009-10 which included ₹ 26 crore to sugar cane industry for conversion of purchase tax on sugar cane and ₹ 42 crore to Karnataka State Road Transport Corporation for conversion of motor vehicle tax due into interest free loan respectively. Terms and conditions of repayment were not received for loans amounting to ₹ 928 crore.

Recovery of loans and advances aggregating ₹ 1,315 crore (principal: ₹ 469 crore and interest: ₹ 846 crore) was overdue as of March 2010 from 23 institutions [detailed accounts of which were kept by the Accountant General, (Accounts and Entitlements)]. Around 94 *per cent* of this pertained to five major defaulters viz., Karnataka Urban Water Supply and Drainage Board, Bangalore Water Supply and Sewerage Board, New Government Electric Factory, Karnataka Housing Board and Bangalore Development Authority. In these cases the overdue interest and principal for recovery was ₹ 798 crore and ₹ 442 crore respectively.

Further, recovery of loans and advances aggregating ₹ 321 crore (principal: ₹ 201 crore and interest: ₹ 120 crore) was overdue as of March 2010 from 14 institutions (detailed accounts of which were kept by the State Government).

Around 61 per cent of this pertained to only two major defaulters viz., Mysore Electrical Industries Limited and Mysore Lamp Works. In these cases, the overdue interest and principal for recovery was ₹ 80 crore and ₹ 122 crore respectively.

1.9.5 Cash balances and investment of cash balances

Table 1.25 depicts the cash balances and investments made there from by the State Government during the year.

Table-1.25: Cash balances and investment of cash balances

	As of March 2009	As of March 2010	(₹ in crore) Increase(+)/ Decrease (-)
Cash balances	7,819.85	9,773.51	1,953.66
Investments from cash balances	7,519.31	8,889.98	1,370.67
GOI treasury bills	7,518.98	8,889.67	1,370.69
GOI securities	0.32	0.20	-0.12
Other securities	---	---	---
Other investments	0.01	0.11	0.10
Funds-wise break-up of investment from earmarked balances	652.92	980.45	327.53
Sinking fund	-0.06	-0.21	-0.15
Industrial development fund	0.01	0.01	---
Co-operative development fund	0.49	0.49	---
Other development and welfare fund	652.47	980.15	327.68
Miscellaneous deposits	0.01	0.01	---
Interest realized	232.53	309.04	76.51

Source : Finance Accounts.

The cash balance of the State at the end of the year was ₹ 9,774 crore, an increase of 25 per cent over the previous year. The position of holding the surplus balances is brought out in **Box 1.2**.

Box – 1.2

Position of holding surplus cash balances

Surplus cash balance was mainly due to market borrowings of ₹ 6,000 crore raised during 2009-10 on 30 July (₹ 1,000 crore at 7.76 per cent), 04 August (₹ 1,000 crore at 7.95 per cent), 09 September (₹ 750 crore at 8.25 per cent), 25 November (₹ 2,000 crore at 8.05 per cent and 09 March (₹ 1,250 crore at 8.52 per cent).

The entire loan amount was invested in fourteen days intermediate treasury bills of RBI with an interest rate of five per cent per annum as against an average rate of seven per cent per annum at which the borrowings were made. The amount of investments at the year end was ₹ 8,890 crore. The balance of investments in April, May and June 2010 was ₹ 6,019 crore, ₹ 6,998 crore and ₹ 7,590 crore respectively. The balance at the end of June 2010 after meeting all short term liabilities of the State Government was ₹ 1,590 crore.

In view of the comfortable position of cash balances, the open market borrowings, could have been limited to ₹ 4,410 crore to meet the short term liabilities of the Government.

The State Government replied that the entire borrowings were required to meet short time liabilities of 2009-10. Audit conclusion was however drawn on the basis of surplus cash balance during the first quarter of 2009-10 after meeting all short term commitments.

Maintaining idle cash balance is not prudent cash management. A shelf of projects should be ready so that mismatch between timing of borrowings and channeling it towards productive investment is considerably reduced.

1.10 Assets and liabilities

1.10.1 Growth and composition of assets and liabilities

In the existing Government accounting system, comprehensive accounting of fixed assets like land and buildings owned by the Government is not done. However, the Government accounts do capture the financial liabilities of the Government and the assets created out of the expenditure incurred. **Appendix 1.6** gives an abstract of such liabilities and assets as on 31 March 2010 compared with the corresponding position as on 31 March 2009.

Total liabilities, as defined in the Karnataka Fiscal Responsibility Act, 2002 are the liabilities under the Consolidated Fund and the Public Account of the State. Consolidated Fund liabilities consist of Internal Debt and Loans and Advances from GOI.

Further, the internal debt includes market loans, special securities issued to RBI and other negotiated loans. The Constitution of India provides that State may borrow within the territory of India upon the security of its Consolidated Fund, within such limits, as may from time to time, be fixed by an Act of the Legislature and give guarantees within such limits as may be fixed. The Public Account liability includes small savings, provident funds, etc., reserve funds and other deposits. The liabilities of the State as depicted in Finance Accounts, however, did not include pension, other retirement benefits payable to retired/retiring State Government employees/guarantees/letters of comfort issued by the State Government and borrowings through special purpose vehicles, termed off-budget borrowings.

Assets comprise, assets under Consolidated Fund and cash. The assets under Consolidated Fund consists of capital outlay on fixed assets – investments in shares of companies and corporations and loans and advances which in turn consist of loans for power projects and other development loans.

The growth rate of composition of assets and liabilities are summarized in the **Table 1.26**.

Table 1.26 Summarised position of Assets and Liabilities

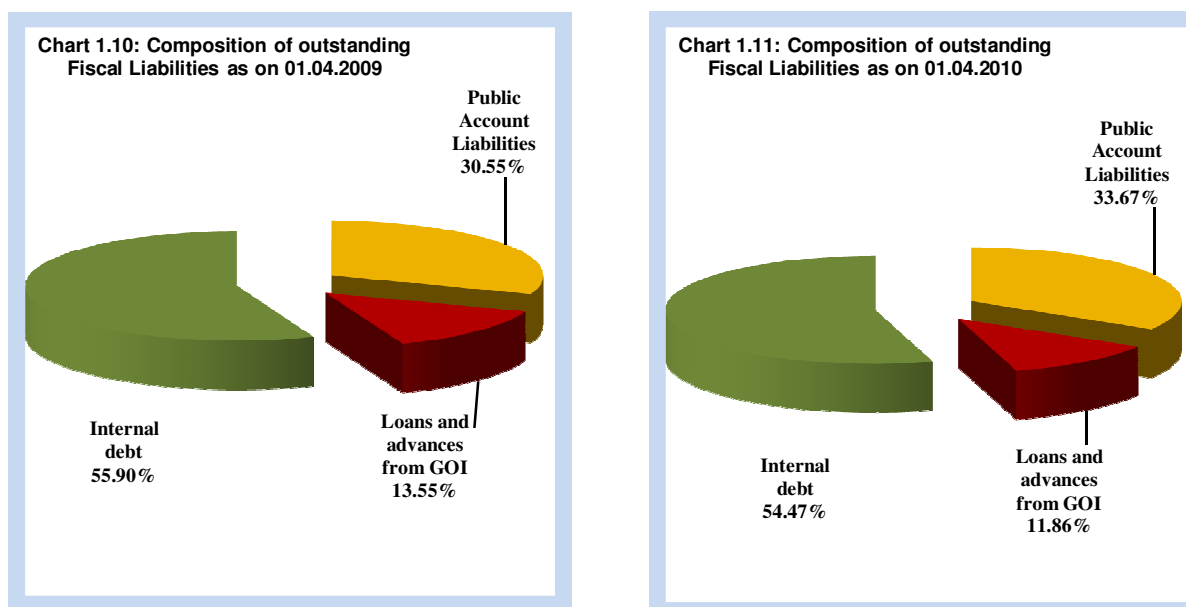
(₹ in crore)

Liabilities				Assets			
	2008-09	2009-10	(per cent)		2008-09	2009-10	(per cent)
Consolidated Fund	49,688	55,370	11	Consolidated Fund	70,643	83,206	18
a. Internal Debt	39,996	45,468	14	i. Capital outlay	63,023	75,160	19
b. Loans and advances from GOI	9,692	9,902	2	ii. Loans and advances	7,620	8,046	6
Public Account	22,515	29,092	29	Cash	7,820	9,774	25
a. Small savings, Provident funds, etc	9,710	11,177	15				
b. Reserve Funds	7,053	10,254	45				
c. Deposits	5,752	7,661	33				

The growth rate of assets decreased from 23 per cent in 2008-09 to 18 per cent in 2009-10, and that of liabilities decreased from 19 per cent in 2008-09 to 17 per cent in 2009-10.

1.10.2 Fiscal liabilities

The trends in outstanding fiscal liabilities of the State are presented in **Appendix 1.5**. The composition of fiscal liabilities during the current year *vis-à-vis* the previous year, are presented in **Charts 1.10 and 1.11**.



Source: Finance Accounts.

Fiscal liabilities of the State, their rate of growth, ratio of these liabilities to GSDP, revenue receipts and own resources as well as buoyancy of fiscal liabilities with respect to these parameters is brought out in **Table 1.27**.

Table 1.27: Fiscal liabilities –basic parameters

(₹ in crore and ratios in per cent)

	2005-06	2006-07	2007-08	2008-09	2009-10
Fiscal liabilities	52,236	57,682	60,142	71,550	83,482
Rate of growth (<i>per cent</i>)	11.3	10.4	4.3	19.0	17.0
Ratio of fiscal liabilities to					
GSDP	28.42	28.03	25.05	26.43	27.97
Revenue receipts	172.1	153.5	146.1	165.3	171.4
Own resources	232.1	210.5	204.9	232.3	246.2
Buoyancy ratio of fiscal liabilities to					
GSDP	0.64	0.87	0.26	1.48	1.67
Revenue receipts	0.8	0.4	0.5	3.6	1.0
Own resources	1.2	0.5	0.6	3.8	1.7

Source: Finance Accounts.

Fiscal liabilities of the State increased by 60 *per cent* from ₹ 52,236 crore in 2005-06 to ₹ 83,482 crore in 2009-10 comprising Consolidated Fund liabilities (₹ 55,370 crore) and Public Account liabilities (₹ 28,112 crore).

Consequent upon the implementation of FRA and restriction on borrowings (fiscal deficit) to three *per cent* of GSDP, the rate of growth of fiscal liabilities of the State decreased from 12 *per cent* in 2004-05 to four *per cent* in 2007-08. With the announcement of economic stimulus package by GOI and consequent amendment to FRA, fiscal deficit limit was raised to 3.5 and four *per cent* of GSDP during the year 2008-09 and 2009-10 respectively. The growth rate of fiscal liabilities which had increased to 19 *per cent* during 2008-09 decreased to 17 *per cent* during 2009-10. As a result, buoyancy of fiscal liabilities to GSDP which was less than one during 2007-08, increased to more than one in 2008-09 and 2009-10. The ratio of fiscal liabilities to GSDP was 28 *per cent* at the end of 2009-10.

1.10.3 Contingent liabilities

Status of guarantees

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 details of last four years are given in **Table 1.28**.

Table-1.28: Guarantees given by the State Government

	(₹ in crore)			
	2006-07	2007-08	2008-09	2009-10
Maximum amount guaranteed	19,793	23,109	18,732	18,420
Outstanding amount of guarantees (including interest)	9,879	10,786	8,693	7,203
Percentage of outstanding amount guaranteed to total revenue receipts of the second preceding year	37	36	23	18

Source: Finance Accounts.

The Karnataka Ceiling on Government Guarantees Act, 1999 provides for a cap on outstanding guarantees extended by the Government at the end of any year at 80 *per cent* of the State's revenue receipts of the second preceding year. The outstanding guarantees at the end of the years 2006-10 were within the prescribed limit.

The outstanding guarantees of ₹ 7,203 crore at the end of the year 2009-10 included guarantees extended to 35 institutions/companies under irrigation (₹ 1,467 crore), co-operative (₹ 2,122 crore), finance (₹ 782 crore), power (₹ 469 crore), housing (₹ 457 crore), transport (₹ 391 crore) and water supply and urban development (₹ 874 crore) sectors.

To provide for sudden discharge of States' obligations on guarantees, TFC recommended that States should set up Guarantee Redemption Fund through earmarked guarantee fees. The State had set up a Guarantee Reserve Fund in 1999-2000 with a corpus of one crore. However, there was no transaction though there were guarantee commission receipts and expenditure on account of discharge of guarantee obligation. The State Government stated (April 2009) that transfer of receipts and expenditure pertaining to the fund would be considered at the appropriate time.

Off - budget borrowings

The borrowings of the State Government are governed under Article 293 (1) of the Constitution of India. In addition to the contingent liabilities shown in **Table 1.28**, the State guaranteed loans availed of by Government companies/corporations. These companies/corporations borrowed funds from the market/financial institutions for implementation of various State plan programmes projected outside the State budget. Funds for these programmes were to be met out of resources mobilized by these companies/corporations outside the State budget but in reality the borrowings of these concerns ultimately turn out to be the liabilities of the State Government termed 'off-budget borrowings' and the Government had been repaying the loans availed of by these companies/corporations including interest through regular budget provision under capital account. Thus, the capital expenditure of the State during the current year included interest expenditure of ₹ 569 crore on off-budget borrowings, even though there is no corresponding built up of assets in Accounts. This further resulted in under-statement of interest expenditure and revenue surplus and overstatement of capital expenditure.

Table 1.29 captures the trend in the off-budget borrowings of the State during 2005-10 while **Table 1.30** gives the entity-wise position of borrowings to the end of 2009-10.

Table 1.29: Trend in off-budget borrowings

Year	(₹ in crore)				
	2005-06	2006-07	2007-08	2008-09	2009-10
Amount as per MTFP 2007-11 [▲]	1,078	242	103	---Nil---	---Nil---

[▲] Figures are yet to be reconciled with those of the financial institutions.

Table 1.30: Entity-wise position of off-budget borrowings

Company/Corporation/Board	Outstanding Off-budget borrowings	Repayment during the year	
		Principal	Interest
Krishna Bhagya Jala Nigam Limited	514.9	141.5	29.53
Karnataka Neeravari Nigam Limited	607.00	109.00	49.84
Karnataka Road Development Corporation	805.63	414.84	346.89
Rajiv Gandhi Rural Housing Corporation	592.01	70.78	48.47
Karnataka Slum Clearance Board	79.86	20.11	6.16
Karnataka Rural Infrastructure Development Corporation Limited	84.67	12.52	9.12
Karnataka Renewable Energy Development Limited	19.40	19.40	2.04
Cauvery Neeravari Nigam Limited	789.55	185.37	55.04
Karnataka Residential Education Institution Society	36.52	5.45	3.43
Karnataka State Industrial Investment Development Corporation	207.15	2.75	17.22
Sarva Siksha Abhiyan Samithi	10.68	2.21	1.05
Total	3,747.37	983.93	568.79

Source: As reported by the concerned entities.

In compliance with the commitment made in MTFP 2009-13, off-budget borrowings were eliminated from 2008-09 to ensure transparency in fiscal performance.

Taking into account the off-budget borrowings of the State, the total liabilities at the end of March 2010 worked out to ₹ 86,245 crore⁸ as against ₹ 83,482 crore shown in **Table 1.27** and the ratio of fiscal liabilities (inclusive of off-budget borrowings) to GSDP remained at 29 *per cent* at the end of the year as in the previous year.

1.11 Public Debt Management

Public Debt management is the process of establishing and ensuring a strategy for managing Government's debt portfolio to meet the funding requirements of the Government, achieve objective of cost and risk and meet any other objectives of debt such as ensuring that both the levels and growth of debt are fiscally sustainable.

The basic principles of sound debt-management lay stress on the importance of well-defined institutional arrangements for managing public debt, importance of transparency in debt-management objectives and policies, importance of accountability on matters related to public debt and importance of risk-evaluation / risk-assessment of public-debt.

1.11.1 Institutional frame-work for public debt management

In the Budget Speech of 2005-06, the Finance Minister proposed formation of a Fiscal Policy Analysis Cell (Cell) to act as the analytical brain to provide inputs and analytical support to the fiscal responsibility programme of the Government and an order was passed by the Government in June 2005 which provided for the creation of the Cell and laid down the responsibilities of the various units of the Cell.

The Debt Management Unit of the Cell is responsible for tracking, managing and planning government debts, loans, guarantees, cash flow plans, risk management strategies and other debt related information. The Unit was to be manned by staff drawn from the Finance Department, Reserve Bank of India, O/o the Accountant General, State Public Sector Undertakings (PSUs) and a person drawn from the Economics and Statistics Department. Details of staff strength of the Debt Management Unit and the nature of inputs provided by the Debt Management Unit to the Expenditure Planning Unit were not furnished by the Finance Department (FD).

⁸ Total fiscal liabilities: ₹ 83,482 crore plus balance of off-budget borrowings; ₹ 2,763 crore.

1.11.2 Tracking and monitoring of Government borrowings

Public debt management strategy is said to be efficient when debt-servicing and repayment take place in time without the burden of payment of penal interest, compound interest, etc. This can be done by tracking and monitoring all borrowings of the Government. This implies that the public debt-management authority should have a data-base which is complete and reliable as an incomplete data-base may result in non-servicing/non-repayment of such chunks of borrowings of the Government not captured in the debt profile. To improve the data-base on debt, the Government proposed the introduction of Commonwealth Secretaries Software in the MTFP-2007-11. The software was expected to help in the monitoring and supervision of debt and generation of Management Information Reports (MIRs). The Finance Department stated that the software was used for building data-base on market loans, LIC, GIC, NSSF and GOI loans and generation of MIRs.

The following instances disclosed inadequacies in the data-base on public debt;

- The internal debt of the State includes loans from LIC drawn mainly by the Department of Housing towards its housing projects. Two identical loans amounting to ₹ 159.99 crore were drawn by the Department of Housing in 2000-01 and 2001-02 and the latter, in respect of which interest payments had to be made half-yearly on 15 May and November every year commencing from 2002 and principal repayment had to be made on 15 May every year from 2003 onwards was not serviced from the beginning (i.e., 15 May 2002 to 15 November 2008) as it had not entered the register/debt-profile of the Housing Department and consequently the data-base of the DMU. The amount due to LIC from 15 May 2002 to 15 May 2008 was finally settled by payment of ₹ 186.72 crore (principal: ₹ 121.24 crore and interest: ₹ 65.48 crore) under one-time settlement of dues in 2009-10. In the normal course the outflow would have been ₹ 151.14 crore.
- The data base on National Co-operative Development Corporation (NCDC) loans which is also part of internal borrowings of the Government is also inadequate and unreliable to the extent that the closing balance of the NCDC loans as depicted in the Finance Accounts of the Government is adverse with re-payments exceeding the outstanding balance of loans. The Finance Department replied (October 2010) that adverse balance in respect of NCDC loans was on account of direct release of loans by NCDC through Apex Bank as a result of which such loans not routed through the Consolidated Fund of the State were not reflected in the Finance Accounts and that the Department had built a data-base of NCDC loans based on information obtained from NCDC in 2003-04. It was also stated that repayment of principal and interest was being made by the Government based on the debt profile so developed. Despite obtaining complete details of outstanding NCDC loans in 2003-04 itself, the Finance Department had not taken action for bringing within Finance Accounts such loans hitherto not reflected in Accounts. Instead it continued to make re-payments to NCDC on the loan balance not reflected in the Finance Accounts.

- Recovery/adjustment of outstanding dues payable by the borrowing departments from new loans sanctioned by financial institutions is also a reflection of inadequate debt management.
 - In respect of a loan amount of ₹ 170 crore released by LIC on 28 March 2003 to Housing Department, an amount of ₹ 21.11 crore was recovered by LIC towards over-dues on that date.
 - In respect of a loan amount of ₹ 159.99 crore released by LIC in May 2001 to Housing Department, continuous delay in remittance of dues by the Housing Department during 2002-08, resulted in LIC adjusting ₹ 59.15 crore towards compound interest (₹ 48.43 crore), penal interest (₹ 9.77 crore) and withdrawal of rebate (₹ 0.95 crore), from out of ₹ 817.55 crore paid by the Government during this period to LIC towards repayment.

The Finance Department accepted (October 2010) the fact of non-remittance and delay in remittance and stated that debt re-payments are now being monitored more professionally by creating the data base of each instrument.

- The Government is incurring expenditure towards payment of debt-management charges to RBI on account of Urban Land Ceiling Bonds raised in 1976, while the books of AG (A&E) do not reflect this liability as it has been discharged. The Finance Department stated (October 2010) that action would be taken to write-off the balance as per books of RBI (₹ 10 lakh) which would save payment of management charges.
- As public debt includes even the contingent liabilities of the Government, it is important that the Government/debt-management authority has a reliable data-base on all guarantees extended by the Government. As part of debt reforms, the Government proposed in the MTFP 2007-11 the creation of a central data-base on all guarantees extended by the Government. The Finance Department stated that the data-base on guarantees extended by Government was under creation.

1.11.3 Transparency

Effectiveness of public debt management operations and policies can be ensured if the objectives, strategies and instruments of borrowing are known to public. Sound practice in the area of transparency includes publicly disclosing the objectives of debt management, the cost-risk measures of these objectives, publishing all material aspects of public-debt and publishing all available information on public debt - budget allocation, debt-servicing flows, timing of raising loans, size of loans required to meet the funding requirements of the Government and the financial position of the Government.

Debt-servicing expenditure on the off-budget borrowings of the State Government is passed off in the budget documents as capital expenditure.

The State Government replied (November 2010) that the SPVs create public assets on behalf of the State and the borrowings of the SPVs serviced by the State are treated as part of State's fiscal deficit as per KFR Act norms. However, KFR

Act stipulates that interest payments on SPV borrowings are to be treated as revenue expenditure. The off-budget borrowings by SPVs are amortised through the budget and classified under the sectoral head under which the SPV falls, while interest on the SPV borrowings is capitalised and serviced through capital outlay, against which there is no build-up of State assets.

In 2008-09 and 2009-10, the Government incurred an expenditure of ₹ 8.14 crore and ₹ 12.67 crore towards interest dues of 2009-10 and 2010-11 in respect of NABARD loans which was accounted as (current year) revenue expenditure of 2008-09 and 2009-10, thereby resulting in under-statement of revenue surplus of the State. This also meant that revenue receipts of the Government were used to meet future commitments whereas the scope of the annual budget placed in the Legislature by the State is to meet current year's expenditure out of current year's receipts.

The State Government replied (November 2010) that debt-servicing of NABARD loans due on April 2010 (2010-11) was done in March 2010 (2009-10) at the insistence of NABARD as First of April was a bank holiday. However, any payment by cheque/DD is deemed to have been made on the date of issue of cheque/DD subject to availability of balance on that date. Further, under Section 10 of General Causes Act, 1897, if due date of payment falls on a holiday, the next working day is reckoned as the due date of payment.

1.11.4 Accountability and Risk management

Debt management strategy can be said to be effective only if there is allocation of responsibilities among all entities involved in various aspects of debt management.

Discharge of guarantees by the Government, one-time settlement of dues to LIC in respect of housing loan dues, payment of penal interest on delayed servicing of loans, etc., are instances of failure of debt management. Information as to action taken by the Government to fix accountability among the various entities involved was not furnished to Audit.

In the MTFP 2007-11, the Government announced that it was working on prescription of a protocol to be followed with regard to extension of guarantees and that all guarantees would be rated through a professional agency to assess the associated risk and take corrective action.

The Government had not taken any action in this regard and the FD stated that risk analysis being complex and technical in nature, it did not have the capacity for risk assessment.

The Government had created the guarantee reserve fund in 1999-2000 but the fund is not operational as guarantee commission receipts and expenditure on account of discharge of obligations is not transferred to the Fund. The Government had not evolved a risk management strategy to default/possible default by the entities which had raised loans under Government guarantee.

Stipulation of guidelines for extension of guarantees, periodic evaluation of financial position of PSUs backed by the Government guarantees and rating of guarantees for assessment of risk are to be considered actively by the Government

in view of the announcement in MTFP 2009-13 that off-budget borrowings would be rooted out and only such organisations would be allowed to borrow (under Government guarantee) which can service the debt out of their resources without depending on State budget.

1.11.5 Assessment of budget requirement

Effective debt management of the Government implies assessment of funds required for scheduling payments. As per GO dated 15 June 2005, an Expenditure Planning, Analysis and Project Evaluation Unit was to be set-up to formulate budget through analytical work in the area of base-line spending, estimates, expenditure prioritisation, etc. and linkages between the Debt Management unit and the Expenditure Planning Unit will be critically important for resource planning efforts of the Government.

Correct estimation of budget requirement under the debt servicing heads is important since surrenders may be misinterpreted by the general public as failure to use funds provided. Realistic cash-flow estimate must be prepared and taken into account while working out the over draft (OD) and ways and means requirements. Owing to the comfortable cash balance position in the recent years, the Government is not availing either ways and means advances or over-draft and the huge budget provision made under 6003-110-1&2-ways and Means Advances and OD is being surrendered. Huge surrender of appropriations of meant for debt-servicing/loan re-payment is indicative of incorrect estimation of fund requirements.

1.11.6 Excess market borrowings

The total market borrowings raised by the Government of Karnataka during 2009-10 amounted to ₹ 6,000 crore.

Though the borrowings were stated to finance the fiscal deficit, the fiscal deficit of the State was over-stated by at-least ₹ 2,100 crore in 2009-10 on account of non-transfer of expenditure from the Consolidated Fund to the Public Account even though deduct entries were provided in the supplementary estimates for carrying out the adjustment. The capital expenditure of the State also included certain items of expenditure which did not involve any cash outflow -loan to KPTCL in 2008-09 accounted as equity in 2009-10 (₹ 500 crore) and adjustment of ₹ 110 crore due from sugar factories, MSIL, KSFC, KSIIDC and KLAC as investments/loan in 2009-10.

Thus, on account of non-transfer of capital expenditure (₹ 2,100 crore) from the Consolidated Fund to the Public Account and inclusion of items of expenditure which did not involve cash out-flow (₹ 610 crore), the fiscal deficit of the State was over-stated resulting in over-borrowings by the State.

The State Government replied (November 2010) that items of expenditure not involving cash out-flow are deficit neutral as these are backed by non-debt receipts. These items of expenditure, however, would have been deficit neutral had these not been taken into account for working out borrowing requirement.

1.12 Debt sustainability

Apart from the magnitude of debt of the State Government, it is important to analyze various indicators that determine the debt sustainability⁹ of the State. This section assesses the sustainability of debt of the State Government in terms of debt stabilization¹⁰; sufficiency of non-debt receipts¹¹; net availability of borrowed funds¹²; burden of interest payments (measured by interest payments to revenue receipts ratio) and maturity profile of the State Government securities. **Table 1.31** analyzes the debt sustainability of the State according to these indicators for the period 2005-10.

Table 1.31: Debt sustainability: Indicators and trends

Debt sustainability indicators	2005-06	2006-07	2007-08	2008-09	2009-10
Debt stabilization (₹ in crore) (Quantum spread +/- Primary deficit/ surplus)	6,137	-337	4,466	1,381	-2,740
Sufficiency of incremental non-debt receipts (resource gap) (₹ in crore)	750	1,777	-138	-2,205	375
Net availability of borrowed Funds (in per cent)	6	5	---	21	18
Burden of interest payments (IP/RR Ratio)	12.4	11.3	10.9	10.5	10.6
Maturity profile of State debt (in years)					
0 – 1					963 (4)
1 – 3					4,494 (19)
3 – 5					3,902 (17)
5 – 7					8,167 (35)
7 and above					6,000 (25)

Figures in parenthesis denote the percentage to market borrowings of ₹ 23,526 crore.

Source: Finance Accounts.

⁹ The Debt sustainability is defined as the ability of the State to maintain a constant debt-GDP ratio over a period of time and also embodies the concern about the ability to service its debt. Sustainability of debt therefore also refers to sufficiency of liquid assets to meet current or committed obligations and the capacity to keep balance between costs of additional borrowings with returns from such borrowings. It means that rise in fiscal deficit should match with the increase in capacity to service the debt.

¹⁰ A necessary condition for stability states that if the rate of growth of economy exceeds the interest rate or cost of public borrowings, the debt-GDP ratio is likely to be stable provided primary balances are either zero or positive or are moderately negative. Given the rate spread (GSDP growth rate – interest rate) and quantum spread (Debt*rate spread), debt sustainability condition states that if quantum spread together with primary deficit is zero, debt-GSDP ratio would be constant or debt would stabilize eventually. On the other hand, if primary deficit together with quantum spread turns out to be negative, debt-GSDP ratio would be rising and in case it is positive, debt-GSDP ratio would eventually be falling.

¹¹ Adequacy of incremental non-debt receipts of the State to cover the incremental interest liabilities and incremental primary expenditure. The debt sustainability could be significantly facilitated if the incremental non-debt receipts could meet the incremental interest burden and the incremental primary expenditure.

¹² Defined as the ratio of the debt redemption (principal + interest payments) to total debt receipts and indicates the extent to which the debt receipts are used in debt redemption indicating the net availability of borrowed funds.

1.12.1 Debt stability

An important condition for debt sustainability is stabilization in terms of debt/GSDP ratio. According to Domar's debt stability equation, if the rate of growth of economy exceeds the cost of borrowings, the debt-GSDP ratio is likely to be stable provided primary balances are positive /zero/moderately negative. Primary revenue balance is the difference between revenue receipts and primary revenue expenditure and indicates whether the balance of revenue receipts left out after meeting current revenue expenditure is sufficient for meeting the interest expenditure. During 2005-10 the primary revenue balance was positive and sufficient to meet interest expenditure.

Interest spread is the difference between average lending rate and average borrowing rate. In terms of GSDP growth rate, it is the difference between the growth rate of economy and the average interest rate (Domar's gap). The interest spread and quantum spread will be positive/negative depending on whether the GSDP growth rate is more or less than the growth rate of interest payments. When the quantum spread and primary deficit are negative, debt-GSDP ratio will be high indicating unsustainable levels of public debt and when the quantum spread and primary deficit are positive, debt-GSDP ratio will be low indicating sustainable levels of public debt. In 2009-10, both interest and quantum spread were positive.

Stabilization of debt is understood to mean debt as a constant *per cent* of GSDP which is a measure of the debt carrying capacity of the State. Even though the GSDP growth rate was more than the average interest rate on the debt stock of the State in 2009-10, the debt-GSDP ratio was higher than in 2008-09. The State can stabilize debt-GSDP ratio by containing/reducing primary deficit by at least ₹ 2,740 crore, i.e. from ₹ 5,662 crore to ₹ 2,922 crore. This can be done by corrections in the sub-components of primary deficit-primary expenditure as well as own revenue. Then the State can honour the FRA fiscal deficit cap (normal) of three *per cent* of GSDP.

1.12.2 Sufficiency of incremental non-debt receipts

Another indicator of debt sustainability is the adequacy of incremental non-debt receipts of the State to cover the incremental interest liabilities and incremental primary revenue expenditure. Debt sustainability could be facilitated if the incremental non-debt receipts could meet the incremental interest burden and the incremental primary expenditure. Negative resource gap indicates non-sustainability of debt while positive resource gap indicates sustainability of debt. The resource gap which was negative during 2007-09, turned positive in 2009-10. This meant that the State did not depend on borrowed funds for meeting current revenue and capital expenditure.

1.12.3 Net availability of borrowed funds

Debt sustainability also depends on the ratio of debt redemption (principal + interest payments) to total debt receipts and application of available borrowed funds. The ratio of debt redemption to debt receipts indicates the extent to which the debt receipts are used in debt redemption indicating the net availability of borrowed funds.

Debt redemption ratio continued to be less than one *per cent* (0.8) in 2009-10 as in the previous year as debt redemption was lower than debt receipts. Eighteen *per cent* of debt receipts were available for productive/capital expenditure.

1.12.4 Maturity profile

In terms of maturity profile, around 38 *per cent* of the outstanding stock of Government securities at the end of the year belonged to maturity bracket of seven years and above. Repayment obligation of the State would increase from 2012-13 due to huge market borrowings during 2002-03 and 2004-05 under Debt Swap Scheme.

Repayment obligations would increase nearly five times in 2018-19 compared to 2017-18 due to huge market borrowings in 2008-09 as the State was allowed to borrow at 3.5*per cent* of GSDP under the Fiscal Stimulus Package. Due to huge market borrowings in 2009-10 also, 85 *per cent* of the total re-payment obligation of ₹ 7,072 crore in 2019-20, will be in respect of market borrowings.

The Government created a sinking fund for open-market loans and the fund consists of two components-sinking fund (amortisation) and sinking fund (depreciation). The amortisation fund was to accommodate contributions from revenue for repayment of loans on maturity while the depreciation fund was to be fed annually by loans. However, there had been no accretion to the sinking fund since 1999-2000. *The Government should revive the fund in compliance to the recommendation of TFC which would help the State to meet the sudden increase in the amount of debt-servicing from 2013 onwards when huge chunk of market borrowings starts maturing.*

1.12.5 Burden of interest payments

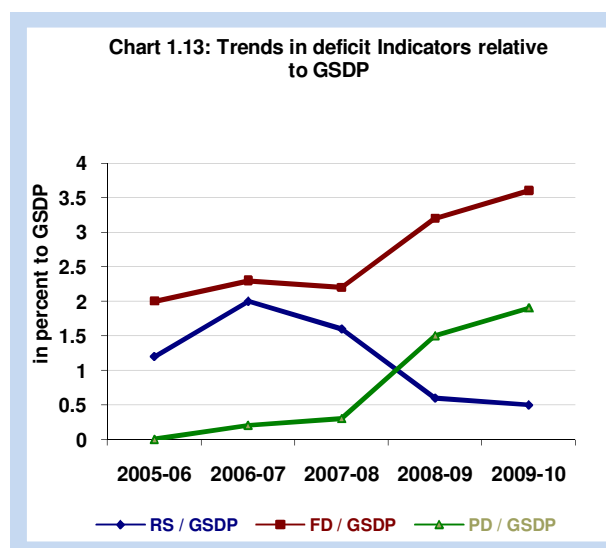
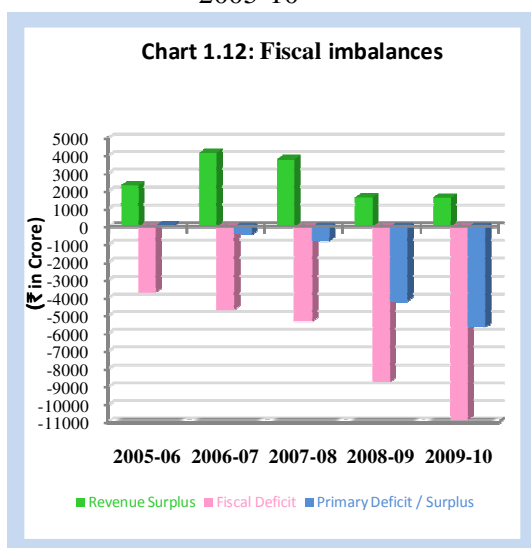
The ratio of interest payments to revenue determines the debt sustainability of the State. *During the year, interest payments pre-empted 11 per cent of the total revenue receipts of the State which was below the norm of 15 per cent prescribed by TFC.* On account of achievement of targets under FRA, the State benefited in terms of interest relief (₹ 1,252 crore) under DCRF scheme during 2005-10 which helped in stabilization of interest payments as a ratio of revenue receipts.

1.13 Fiscal imbalances

Three key fiscal parameters - revenue, fiscal and primary deficits, indicate the extent of overall fiscal imbalances in the State finances during a specified period. The deficit in the Government account represents the gap between receipts and expenditure. The nature of deficit is an indicator of the prudence of fiscal management of the Government. Further, the ways in which the deficit is financed and the resources raised are applied are important pointers to fiscal health. This section presents trends, nature, magnitude and the manner of financing these deficits and also the assessment of actual levels of revenue and fiscal deficits *vis-à-vis* targets set under FRA for the financial year 2009-10.

1.13.1 Trends in deficits

Charts 1.12 and 1.13 present the trends in deficit indicators over the period 2005-10



The fiscal target of wiping out revenue deficit by March 2006 as laid down in FRA was achieved by the State one year ahead in 2004-05. Thereafter the State maintained revenue surplus till 2009-10 with inter-year variation. Decrease in the amount of revenue surplus began in 2007-08. In 2008-09, revenue surplus of the State decreased by ₹ 2,145 crore due to increase in revenue expenditure by ₹ 4,215 crore (11 *per cent*) as against increase in revenue receipts by ₹ 2,140 crore (five *per cent*). In 2009-10, revenue surplus continued to decrease and was ₹ 1,619 crore.

FRA target of reducing fiscal deficit –GSDP ratio to less than three *per cent* was also achieved one year ahead in 2004-05 and in 2008-09 the State continued to maintain fiscal deficit as a ratio of GSDP within the revised FRA limit of 3.5 *per cent*.

In 2009-10, decrease in revenue surplus (₹ 12 crore), increase in non-debt capital receipts (₹ 387 crore) and increase in capital expenditure (₹ 2,517 crore) increased the fiscal deficit by ₹ 2,143 crore over the previous year, but fiscal deficit was within the revised FRA limit of four *per cent* of GSDP.

Despite increase in revenue and non-debt receipts by ₹ 6,253 crore in 2009-10 over the previous year, primary deficit increased by ₹ 1,462 crore as the incremental non-debt receipts were short of incremental primary expenditure by ₹ 1,462 crore.

Primary deficit of ₹ 5,622 crore at the end of the year implied that non-debt receipts were sufficient for meeting primary revenue expenditure and that the State had to depend on borrowed funds for meeting 10 *per cent* (₹ 5,622 crore) of its primary expenditure. This underlined the need for augmentation of own revenue for fiscal correction and consolidation.

In 2009-10, the State was on the road to recovery from the effects of economic

slow-down. Decrease in revenue surplus was contained, if not reversed, and in 2009-10 revenue surplus decreased by only ₹ 12 crore over the previous year. This was possible because the growth rate of revenue receipts (13.5 per cent) more or less matched the growth rate of revenue expenditure (14.1 per cent) in 2009-10, unlike in 2008-09 when the growth rate of revenue expenditure was twice the growth rate of revenue receipts. In 2009-10, the growth rate of revenue receipts improved over the previous year because of increase in the growth rate of revenue from Motor Vehicle Tax and Sales, Trade, etc.

The increase in fiscal deficit in 2009-10 was less pronounced than the increase in fiscal deficit in 2008-09 mainly because of increase in non-debt capital receipts by ₹ 387 crore and containment of decrease in revenue surplus (₹ 2,133 crore).

Primary deficit increased by ₹ 1,462 crore in 2009-10 as against an increase by ₹ 3,374 crore in 2008-09. The increase in primary deficit was also contained in 2009-10 because of improvement in the growth rate of non-debt receipts also.

1.13.2 Components of fiscal deficit and its financing pattern

The financing pattern of fiscal deficit has undergone a compositional shift as reflected in the **Table 1.32**.

Table 1.32: Components of fiscal deficit and its financing pattern

		(₹ in crore)									
		2005-06		2006-07		2007-08		2008-09		2009-10	
		Amount	per cent of GSDP	Amount	per cent of GSDP	Amount	per cent of GSDP	Amount	per cent of GSDP	Amount	per cent of GSDP
Decomposition of fiscal deficit		-3,687	-2.0	-4,688	-2.3	-5,332	-2.2	-8,732	-3.2	-10,875	-3.6
1	Revenue surplus	2,311	1.3	4,152	2.0	3,776	1.6	1,631	0.6	1,619	0.5
2	Net capital expenditure	5,822	3.2	8,543	4.2	8,403	3.5	9,689	3.6	12,067	4.0
3	Net loans and advances	176	0.1	297	0.1	705	0.3	674	0.2	427	0.1
Financing pattern of fiscal deficit*											
1	Market borrowings	165	0.1	-233	-0.1	287	0.1	6,583	2.4	4,954	1.7
2	Loans from GOI	251	0.1	-83	0.0	357	0.1	135	0.0	211	0.1
3	Special securities issued to NSSF	4,272	2.3	2,478	1.2	209	0.1	-164	-0.1	247	0.1
4	Loans from financial institutions	164	0.1	-366	-0.2	174	0.1	260	0.1	272	0.1
5	Small savings, PF etc	656	0.4	659	0.3	749	0.3	1,176	0.4	1,468	0.5
6	Deposits and advances	-368	-0.2	1,805	0.9	-62	0.0	1,554	0.6	1,908	0.6
7	Suspense and misc	523	0.3	237	0.1	1,498	0.6	968	0.4	602	0.2
8	Remittances	40	0.0	514	0.2	-828	-0.3	-52	0.0	-36	0.0

		2005-06		2006-07		2007-08		2008-09		2009-10	
		Amount	per cent of GSDP	Amount	per cent of GSDP	Amount	per cent of GSDP	Amount	per cent of GSDP	Amount	per cent of GSDP
9	Reserve funds	473	0.3	1,188	0.6	750	0.3	2,174	0.8	3,201	1.1
10	Increase (-) / decrease (+) in cash balance	-2,528	-1.4	-1,498	-0.7	2,185	0.9	-3,900	-1.4	-1,954	-0.7
11	Net of Contingency Fund transactions	39		-13		13		-2		2	
	Total	3,687	2.0	4,688	2.3	5,332	2.2	8,732	3.2	10,875	3.6

* All these figures are net disbursements/outflows during the year

Source: Finance Accounts.

Fiscal deficit is the total borrowing requirement of the State and is the excess of revenue expenditure and capital expenditure including loans and advances over revenue and non-debt capital receipts. Decomposition 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 downward trend of revenue surplus which commenced in 2007-08 continued in 2008-09 and 2009-10 there-by affecting the extent of fiscal deficit which could be financed by revenue surplus. While the percentage of fiscal deficit financed by surplus revenue was 89 in 2006-07, it was 71 and 19 in 2007-08 and 2008-09 respectively. In 2009-10, surplus in revenue account financed 15 per cent of the fiscal deficit of the State, the lowest during 2007-10.

Declining revenue surplus reduced the ability of the Government to increase its capital outlay significantly. While capital outlay as a per cent of GSDP ranged between 3.2 and 4.2 per cent during 2005-10, there was no significant increase in capital outlay as a per cent of GSDP in 2009-10 over the previous year.

Net loans and advances was a very insignificant component of gross fiscal deficit expenditure due to restricted lending by the State Government.

As in 2008-09, market borrowings by the State Government continued to finance a major portion of fiscal deficit but its share in financing fiscal deficit decreased from 75 per cent in 2008-09 to 46 per cent in 2009-10. Despite TFC recommendation that loans from Centre be phased out, there was a marginal increase in loans from Govt. of India in 2009-10 relative to 2008-09. The share of NSSF loans, loans from financial institutions, small savings, Provident Fund, etc., in financing fiscal deficit was slightly higher in 2009-10 than in 2008-09.

1.13.3 Quality of deficit/surplus

The ratio of revenue deficit to fiscal deficit and the decomposition of primary deficit into primary revenue deficit and capital expenditure (including loans and advances) indicate the quality of deficit in the States' finances. The ratio of revenue deficit to fiscal deficit indicates the extent to which borrowed funds were used for current consumption. Further, persistently high ratio of revenue deficit to fiscal deficit also indicates that the asset base of the State was continuously

shrinking and a part of borrowings (fiscal liabilities) were not having any asset backup. The bifurcation of the primary deficit (**Table 1.33**) indicates the extent to which the deficit was on account of enhancement in capital expenditure which might be desirable to improve the productive capacity of the State's economy.

Table 1.33: Primary deficit/surplus – Bifurcation of factors

(₹ in crore)

Year	Non-debt receipts	Primary revenue expenditure	Capital expenditure	Loans and advances	Primary expenditure	Primary revenue deficit (-)/surplus (+)	Primary deficit (-)/surplus (+)
1	2	3	4	5	6 (3+4+5)	7 (2-3)	8 (2-6)
2005-06	30,476	24,276	5,822	300	30,398	6,200	78
2006-07	37,647	29,199	8,543	357	38,099	8,448	-452
2007-08	41,449	32,869	8,649	757	42,275	8,580	-826
2008-09	43,528	37,127	9,870	731	47,728	6,401	-4,200
2009-10	49,781	42,324	12,137	982	55,443	7,457	-5,662

Source : Finance Accounts.

Primary surplus showed declining trend in 2005-06 and turned negative in 2006-07 as non-debt receipts of the State were sufficient to meet only primary revenue expenditure but were not sufficient to meet the expenditure on capital account. Primary deficit showed increasing trend thereafter. Deficit arising on account of capital expenditure and loans and advances implied that capital expenditure was not always productive or healthy as it included debt-servicing expenditure and other items of expenditure which did not result in asset creation.

In 2009-10, the growth rate of non-debt receipts of the State increased to 14 *per cent* from five *per cent* in 2008-09 and the gap between growth rate of non-debt receipts and growth rate of primary expenditure was also bridged. While in 2008-09, the growth rate of primary expenditure (13 *per cent*) surpassed the growth rate of non-debt receipts (five *per cent*), in 2009-10 the growth rate of non-debt receipts fell short of the growth rate of primary expenditure (16 *per cent*) by two *per cent*. Thus, increase in primary deficit was ₹ 3,374 crore in 2008-09 while it was ₹ 1,462 crore in 2009-10.

1.14 Conclusion and recommendations

Fiscal position

The State continued to maintain revenue surplus during 2005-10 and kept fiscal deficit relative to GSDP below the limit laid down under FRA.

In 2009-10, the State was on the road to recovery from the effects of economic slow-down. Decrease in revenue surplus was contained, if not reversed. The increase in fiscal deficit in 2009-10 was less pronounced than the increase in fiscal deficit in 2008-09. The increase in primary deficit was also contained in 2009-10. Despite increase in revenue and non-debt receipts by ₹ 6,253 crore in 2009-10 over the previous year, primary deficit increased by ₹ 1,462 crore as the incremental non-debt receipts were short of incremental primary expenditure by ₹ 1,462 crore.

Recommendations: Primary deficit of ₹ 5,622 crore at the end of the year implied that non-debt receipts were sufficient for meeting primary revenue expenditure and that the State had to depend on borrowed funds for meeting 10 *per cent* (₹ 5,622 crore) of its primary expenditure. This underlined the need for augmentation of own revenue for fiscal correction and consolidation.

Revenue expenditure

The expenditure pattern of the State revealed that the revenue expenditure as a *per cent* to total expenditure continued to dominate with around 78 *per cent* of the total expenditure in 2009-10.

Non-plan revenue expenditure (NPRES) was 74 *per cent* of revenue expenditure during 2009-10. It included devolutions to PRIs and ULBs, interest payments, subsidies, pension payments, salaries and maintenance expenditure.

Merit subsidy constituted around seven *per cent* of the total subsidy expenditure of the State during the year.

Recommendations: Subsidies will not meet the aims of social policy unless the beneficiaries are properly identified and targeted. The delivery of product or service at subsidized price results in large scale corruption, diversion and misuse. The Government should take action to implement the purchaser-provider model proposed in 2005 and ensure that beneficiaries are properly identified and targeted.

Quality of capital expenditure

Capital expenditure of the State included certain items of expenditure which did not involve any cash outflow and also subvention to a loss making PSU.

Funds aggregating ₹ 1,015 crore were blocked in incomplete projects as at the end of 2009-10.

Investment to the end of 2009-10 included ₹ 16,993 crore (52 *per cent*) to companies/corporations under perennial loss. Investment of ₹ 981.40 crore in respect of five Companies / Corporations was lying in Public Account to the end of March 2010.

Recommendations: The State Government should also review the working of State public sector undertakings incurring huge losses and work out either a revival strategy or close down such units.

The State Government should formulate guidelines for quick completion of incomplete projects and strictly monitor reasons for time and cost over runs with a view to take corrective action.

Position of Cash Balance

The cash balance of the State at the end of the year increased by 25 *per cent* over the previous year.

Recommendations: Since, maintaining idle cash balance is not prudent cash management, a shelf of projects should be ready and techno-economic feasibility should have been appraised and approved so that mismatch between timing of borrowings and channeling it towards productive investment is considerably reduced.

Oversight of funds transferred directly from the Union to the State implementing agencies

The Central Government transferred a sizeable quantum of funds (₹ 7,594 crore during 2009-10) directly to the State implementing agencies for implementation of Central plan schemes. Funds flowing directly to the implementing agencies through off-budget routing inhibits FRA requirements of transparency and therefore, escape accountability. There is no single agency monitoring its use and there is no readily available data on the amounts spent in any particular year on major flagship and other important schemes. *A system has to be put in place to ensure proper accounting of these funds and the updated information should be validated by the State Government as well as the Accountant General (Accounts & Entitlement).*

Debt management

Public debt management strategy is said to be efficient when debt-servicing and repayment take place in time without the burden of payment of penal interest, compound interest, etc.

Recovery/adjustment of outstanding dues payable by the borrowing Departments from new loans sanctioned to the departments by financial institutions is a reflection of inadequate debt management.

Effective debt management of the Government implies assessment of funds required for scheduling payments. Correct estimation of budget requirement under the debt servicing heads is important since surrenders may be misinterpreted by the general public as failure to use funds provided.

Recommendations: The data base on Government borrowing should be complete, reliable and transparent in all respects. Realistic cash flow statement should form the basis of budgeting.

2.1 Introduction

2.1.1 Appropriation Accounts are accounts of the expenditure, voted and charged, of the Government for each financial year compared with the amounts of the voted grants and appropriations charged for different purposes as specified in the schedules appended to the Appropriation Acts. These accounts list the original budget estimates, supplementary grants, surrenders and re-appropriations distinctly and indicate actual capital and revenue expenditure on various specified services *vis-à-vis* those authorized by the Appropriation Act in respect of both charged and voted items of budget. Appropriation Accounts thus, facilitate management of finances and monitoring of budgetary provisions and are therefore, supplementary to Finance Accounts. The Karnataka Budget Manual contains the procedures for preparation of the estimates and budget, subsequent action in respect of the budget communication, distribution of grants, watching the progress of revenue and watching of actuals and control over expenditure.

2.1.2 Audit of appropriation by the Comptroller and Auditor General (CAG) of India seeks to ascertain whether expenditure actually incurred under various grants is within the authorization given under the Appropriation Act and that the expenditure required to be charged under the provisions of the Constitution is so charged. It also ascertains whether the expenditure so incurred is in conformity with law, relevant rules, regulations and instructions.

2.2 Summary of Appropriation Accounts

The summarized position of actual expenditure during 2009-2010 against 29 grants/appropriations was as given in **Table 2.1**.

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

Nature of expenditure		Original grant/ appropriation	Supplementary grant/ appropriation	Total	Actual expenditure	Unspent provision
Voted	I Revenue	42,223.79	8,130.64	50,354.43	43,839.82	6,514.61
	II Capital	11,950.85	3,519.88	15,470.73	12,677.74	2,792.99
	III Loans and advances	1,009.09	117.44	1,126.53	981.58	144.95
Total Voted		55,183.73	11,767.96	66,951.69	57,499.14	9,452.55
Charged	IV Revenue	5,683.59	81.62	5,765.21	5,629.78	135.43
	V Public debt-repayment	3,554.31	128.76	3,683.07	2,308.33	1,374.74
Total Charged		9,237.90	210.38	9,448.28	7,938.11	1,510.17
Grand Total		64,421.63	11,978.34	76,399.97	65,437.25	10,962.72

Source: Appropriation Accounts.

The overall unspent provision of ₹ 10,962.72 crore was the result of unspent provision of ₹ 11,878.14 crore in 27 grants and eight appropriations under revenue section and 24 grants under capital section offset by excess expenditure of ₹ 915.42 crore over provision in one grant and two appropriations under revenue section.

2.3 Financial accountability and budget management

2.3.1 Appropriation vis-à-vis allocative priorities

There were 22 cases of unspent provision, each exceeding ₹ 100 crore under 17 grants/appropriation, out of total unspent provision of ₹ 11,878.14 crore during 2009-10. Large unspent provision were in areas like urban development, water resources, debt servicing, public works, finance, agriculture and horticulture, energy, etc., as indicated in **Table 2.2**.

Table 2.2: Grants/appropriations with unspent provision of ₹ 100 crore and above
(₹ in crore)

	Grant	Provision			Expenditure	Unspent provision
		Original	Supple- mentary	Total		
1	01-Agriculture and Horticulture Revenue Voted	1,700.29	249.52	1,949.81	1,325.02	624.79
2	02-Animal Husbandry and Fisheries Revenue Voted	687.40	106.30	793.70	671.80	121.90
3	03-Finance Revenue Voted	5,581.41	2,105.75	7,687.16	5,955.99	1,731.17
4	07-Rural Development and Panchayat Raj Revenue Voted	1,567.21	600.11	2,167.32	1,695.96	471.36
	Capital Voted	1,564.90	416.88	1,981.78	1,467.52	514.26
5	09-Co-operation Revenue Voted	329.32	151.77	481.09	355.03	126.06
6	10-Social Welfare Revenue Voted	1,983.37	68.36	2,051.73	1,703.10	348.63
7	11-Women and Child Development Revenue Voted	1,585.76	17.53	1,603.29	1,337.45	265.84
8	16- Housing Revenue Voted	738.14	--	738.14	617.46	120.68
9	17 - Education Revenue Voted	8,701.88	82.82	8,784.70	8,370.15	414.55
10	18 - Commerce and Industries Revenue Voted	1,347.87	29.91	1,377.78	846.11	531.67
11	19- Urban Development Revenue Voted	4,367.61	219.67	4,587.28	3,339.22	1,248.06
	Capital Voted	1,286.66	300.00	1,586.66	1,327.32	259.34
12	20 - Public Works Revenue Voted	1,306.30	36.82	1,343.12	1,098.22	244.90
	Capital Voted	2,395.72	777.53	3,173.25	2,655.92	517.33
13	21 - Water Resources Capital Voted	4,504.79	415.32	4,920.11	3,936.40	983.71
14	22 - Health and Family Welfare Revenue Voted	1,946.48	115.16	2,061.64	1,854.31	207.33
15	24 - Energy Capital Voted	762.00	1,175.00	1,937.00	1,755.71	181.29
16	26 - Planning, Statistics, Science and					

	Grant	Provision			Expenditure	Unspent provision
		Original	Supple- mentary	Total		
	Technology					
	Revenue Voted	424.77	280.82	705.59	559.83	145.76
	Capital Voted	126.00	---	126.00	13.00	113.00
17	29 – Debt Servicing					
	Revenue Charged	5,578.00	79.80	5,657.80	5,272.15	385.65
	Capital Charged	3,554.31	128.76	3,683.07	2,308.33	1,374.74
	Total	52,040.19	7,357.83	59,398.02	48,466.00	10,932.02

Source: Appropriation Accounts.

Major heads of account under which the unspent provision was more than ₹ 25 crore in these 17 grants / appropriations are detailed in **Appendix 2.1**.

The reasons furnished by eight departments for unspent provision under a few major heads of account are given below;

Agriculture and Horticulture

- Unspent provision of ₹ 62.10 crore under major head ‘2401’ – Crop Husbandry was due to late receipt of sanction from the Government.
- Unspent provision of ₹ 1,311.43 crore under the major head ‘2401’ - Crop Husbandry was due to transfer of officers and staff on deputation to other departments and non-filling up of vacant posts.

Housing

- Unspent provision of ₹ 66.99 crore was due to shortfall in progress of works under the major head ‘2216’- Housing.

Education

- Unspent provision of ₹ 27.92 crore under the major head ‘2202’- General Education was due to receipt of approval of only 109 colleges to be brought under Grant-in-Aid code as against 314 colleges proposed.

Commerce and Industries

- Non-release of ₹ 5 crore by the State Government, non-release of Central share ₹ 5.66 crore and short release of ₹ 5.54 crore by the State Government were the reasons for saving under the major head ‘2851’- Village and Small Industries.
- Shortfall in identification of beneficiaries for releasing subsidies due to shortage of staff was the reason for saving under major head ‘2852’ – Industries.

Urban Development

- Unspent provision of ₹ 225 crore under the major head ‘2217’- Urban Development, was due to non-receipt of request for release of funds under Karnataka Municipal Reforms – EAP by the implementing Agency.
- Unspent provision of ₹ 23.39 crore under the Scheme – Sub-Mission for Basic Services for Urban Poor and ₹ 60.52 crore under the Scheme Urban Infrastructure Development for Small and Medium Town (UIDSSMT) was

due to shortfall in release of Central share under the major head '2217'- Urban Development.

Water Resources

- Unspent provision of ₹ 300 crore was due to non-receipt of sanction from the Central Government for certain projects under Accelerated Irrigation Benefit Programmes (AIBP) under the major head '4701'- Capital Outlay on Major and Medium Irrigation.

Debt Servicing

- Under the major head '6003'- Internal Debt of the State Government, provision of ₹ 1,350 crore remained unutilized due to non-availing of ways and means advances / overdraft from the Reserve Bank of India during the year.
- Short receipt of assistance was the reason for the unspent provision of ₹ 37.99 crore under the major head '6004'- Loans and Advances from the Central Government.

2.3.2 Unspent provision due to non / late receipt of funds/sanctions

There was unspent provision aggregating ₹ 255.65 crore in 38 cases relating to nine grants due to non / short / late release of funds and non / late receipt of sanctions from the Government (**Appendix 2.2**).

2.3.3 Persistent unspent provision

In three grants, there was persistent unspent provision of more than ₹ 100 crore in each case during the last five years as detailed in **Table 2.3**.

Table 2.3: Persistent unspent provision

(₹ in crore)

Sl. No	Major head	Year				
		2005-06	2006-07	2007-08	2008-09	2009-10
1	03 –Finance (Revenue Voted)	1,492.33	2,297.35	228.53	854.49	1,731.17
	2070-800-11					
	Filling up of vacant posts (District Sector)	121.75	111.99	110.73	450.00	400.00
2	19 –Urban development (Revenue Voted)	258.75	1,092.32	1,194.95	1,608.50	1,248.07
	2217-05-191-1					
	Bangalore Metropolitan Regional Development Authority	199.15	195.00	319.24	503.45	577.40
3	29 –Debt servicing (Capital Charged)	1,491.85	555.02	1,320.70	1,379.28	1,374.74
	6003-110-1					
	Clean and Secured Ways and Means Advances	1,000.00	1,000.00	921.87	1,000.00	1,000.00
	6003-110-2					
	Over draft with Reserve Bank of India	350.00	350.00	350.00	350.00	350.00

Source : Appropriation Accounts.

2.3.4 Excess expenditure

In 11 cases, expenditure in excess of ₹ 25 crore of the budget provision was incurred under eight major heads of account pertaining to nine grants. (**Appendix 2.3**).

2.3.5 Persistent excess expenditure

Persistent excess expenditure over provision was incurred under four major heads of account pertaining to four grants during the last five years (**Appendix 2.4**).

2.3.6 Expenditure without provision

An expenditure of ₹ 17.20 crore was incurred in 57 cases under 19 grants without provision, which includes an amount of ₹ 15.83 crore incurred towards reimbursement of medical expenses (**Appendix 2.5**). The State Government replied (October 2010) that, to capture the expenditure on reimbursement of medical charges exclusively, on an experimental basis, a scheme head was created in 2009-10. Instructions were also issued to book the expenditure under the scheme even without provision and that the expenditure has to be counted against salary unit of appropriation and not against the scheme. However, the contention of the Government that it is not a unit of appropriation but requires to be merged under salaries is not acceptable as it consists of different object heads.

Excess expenditure requiring regularisation

As per Article 205 of the Constitution of India, it is mandatory for a State Government to get the excess over a grant/appropriation regularized by the State Legislature. Although no time limit for regularization of expenditure has been prescribed under the Article, the regularization of excess expenditure is done after the completion of discussion of the Appropriation Accounts by the Public Accounts Committee.

2.3.7 Excess over provision relating to previous years

The excess expenditure aggregating ₹ 8,574.19 crore for the years 1989-90 to 2008-09 was yet to be regularized (**Appendix 2.6**).

2.3.8 Excess over provision during 2009-10

Details of excess expenditure of ₹ 915.42 crore incurred against one grant and two appropriations during 2009-10 required to be regularized are given in **Table 2.4**.

Table 2.4: Excess expenditure over provision requiring regularization during 2009-10

(Amount in Rupees)					
S	Grant		Provision	Expenditure	Excess
1.	08	Forest, Ecology and Environment	11,13,50,000	2,71,61,88,578	2,60,48,38,578
2.	14	Revenue			
		(Revenue Voted)	52,02,43,14,000	58,57,36,40,822	6,54,93,26,822
		(Revenue Charged)	1,10,32,000	1,10,84,719	52,719
Total			52,14,66,96,000	61,30,09,14,119	9,15,42,18,119

Source : Appropriation Accounts.

- ❖ Amount transferred from Consolidated Fund to the Karnataka Forest Development Fund in Public Account was more than the provision. This

resulted in excess over provision under Grant 8 – Forest, Ecology and Environment.

- ❖ Non-provision in the budget to account for the transfer of NCCF grants from Consolidated Fund to Public Account was the reason for excess over provision under Grant No.14 – Revenue.

2.3.9 New service/New instrument of service

Article 205 of the Constitution provides that expenditure on a ‘New Service’ not contemplated in the Annual Financial Statement (Budget) can be incurred only after its specific authorisation by the Legislature. The Government issued orders based on recommendations of Public Accounts Committee laying down various criteria for determining items of ‘New Service/New Instrument of Service’. These, *inter alia*, stipulate that the expenditure over the grant/appropriation exceeding twice the provision or Rupees one crore, whichever is more, should be treated as an item of ‘New Service’.

In 33 cases involving 11 grants, expenditure totaling ₹ 1,881.19 crore which should have been treated as ‘New Service/New Instrument of Service’ was incurred without the approval of the Legislature (**Appendix 2.7**).

Supplementary provision

Supplementary provision (₹ 11,978.34 crore) made during the year constituted 19 *per cent* of the original provision (₹ 64,421.63 crore) which is more than the previous year.

2.3.10 Unnecessary supplementary provision

Supplementary provision of ₹ 192.96 crore made under 54 detailed / object heads relating to 10 out of 14 test checked grants proved unnecessary (**Appendix 2.8**).

2.3.11 Excessive supplementary provision

Supplementary grant of ₹ 417.30 crore obtained under 62 detailed heads relating to 11 out of 14 test checked grants proved excessive resulting in unutilised provision of ₹ 154.04 crore (**Appendix 2.9**).

2.3.12 Inadequate supplementary provision

Supplementary provision of ₹ 300.45 crore obtained under 29 detailed heads relating to eight out of 14 test checked grants proved insufficient leaving uncovered excess expenditure of ₹ 208.43 crore. (**Appendix 2.10**).

Reappropriation of funds

A grant or appropriation for disbursements is distributed by sub-head / detailed head / object head under which it is accounted for. The competent executive authority may approve reappropriation 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. Reappropriation 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.

2.3.13 Injudicious reappropriation of funds

In 62 cases, reappropriation of funds was made injudiciously resulting either in un-utilised provision or excess over provision of more than ₹ 25 lakh in each case (**Appendix 2.11**).

- In six cases, additional funds of ₹ 16.79 crore provided through reappropriation proved insufficient as the final expenditure exceeded the provision by ₹ 4.57 crore.
- In 33 cases, the unutilised provision was not properly assessed as even after the withdrawal of ₹ 269.09 crore through reappropriation, ₹ 1,407.11 crore remained unutilised.
- In 21 cases, additional funds of ₹ 481.90 crore provided by reappropriation resulted in overall unutilised provision of ₹ 52.93 crore and the reappropriation made was unnecessary.
- In two cases, withdrawal of ₹ 18.46 crore through reappropriation resulted in final expenditure exceeding the net provision by ₹ 2.96 crore.

2.3.14 Defective reappropriation

During 2009-10, 350 reappropriation orders for an amount of ₹ 2,305.45 crore were issued of which, 31 reappropriation orders for ₹ 45.30 crore were not considered in accounts. These orders were found either exceeding the power of sanction or not self balancing or not signed by the competent authority or the reappropriation was between different grants. (**Appendix 2.12**).

Surrender of unspent provision

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

2.3.15 Unspent provision not surrendered

In the case of nine grants/appropriations, the entire unspent provision aggregating ₹ 846.40 crore was not surrendered (**Appendix 2.13**).

Further, in the case of 25 other grants/appropriations, there was only partial surrender and around 28 *per cent* (₹ 2,538.04 crore) of the total unspent provision (₹ 9,149.13 crore) was not surrendered. Details are given in **Appendix 2.14**. Besides, in 26 grants where surrender of funds was in excess of ₹ one crore, ₹ 1,961.16 crore were surrendered on the last two working days of financial year indicating inadequate financial control (**Appendix 2.15**).

2.3.16 Substantial surrenders

Out of the total provision of ₹ 2,062.40 crore in 50 cases, ₹ 1,849.16 crore (90 per cent) were surrendered, which included cent per cent surrender in 13 cases (₹ 1,440.99 crore). Illustrative cases are given in **Appendix 2.16**. These surrenders were stated to be due to non-receipt or late receipt of sanctions from Government, non-receipt of claims/bills, non-finalization of contracts, economy measures etc.

2.3.17 Rush of expenditure

The financial rules require that expenditure should be evenly distributed throughout the year. The rush of expenditure particularly in the closing months of the financial year is regarded as a breach of financial rules. Contrary to the financial rules, in 17 cases listed in **Appendix 2.17**, the expenditure during the last month ranged between 26 and 89 per cent of the total expenditure during the year.

2.4 Contingency Fund

The Contingency Fund of the State has been established under the Contingency Fund Act, 1957 in terms of provisions of Articles 267 (2) and 283 (2) of the Constitution of India. Advances from the fund are to be made only for meeting expenditure of an unforeseen and emergent character, postponement of which till its authorization by the Legislature would be undesirable. The fund is in the nature of an imprest and its corpus is ₹ 80 crore.

During 2009-10, 12 sanctions aggregating ₹ 39.53 crore were issued. A review of the operations of the Contingency Fund disclosed the following;

- ❖ One sanction involving an amount of ₹ 2.14 crore issued in December 2009 was not acted upon.
- ❖ In four other cases, sanction was issued for ₹ 2.99 crore against which amount withdrawn was ₹ 1.64 crore. The amount drawn in these cases was 20 to 68 per cent of the amount sanctioned as detailed in **Table 2.5**.

Table 2.5: Contingency Fund sanctions not fully utilised

Sl. No.	Head of account	Reference to sanction	Amount		Utilisation (Per cent)
			Sanctioned	Drawn	
1	2406-Forest and Wildlife	FD 11 CF 2009 dated 22-09-2009	0.25	0.05	20
2	3456-Civil Supplies	FD 02 CF 2010 dated 12-01-2010	0.28	0.14	50
3	2052-Secretariat General Services	FD 04 BCF 2010 dated 08-01-2010	0.50	0.11	22
4	2403- Animal Husbandry	FD 06 BCF 2010 dated 04-03-2010	1.96	1.34	68

2.5 Errors in budgeting

Errors in budgeting of ₹ 22.27 crore due to classification under voted instead of charged category (one case) and obtaining supplementary provision under the grant other than the grant under which original provision was made (three cases) were noticed. Further, there were three cases of error in budgeting involving an amount of ₹ 225.88 crore due to not taking into account the correction slips to 'List of Major and Minor head' (**Appendix 2.18**).

2.6 Outcome of review of selected grants

A review of budgetary procedures followed and expenditure controls exercised in respect of two grants viz, Agriculture and Horticulture and Commerce and Industries revealed the following.

2.6.1 No expenditure against budget provision

Rule 108 of the Karnataka Budget Manual (KBM) requires that the budget estimates should be as close and accurate as possible and the provision to be included in respect of each item should be based on what is expected to be paid or spent during the year. However, the budget provision proved unnecessary as no expenditure was incurred against the provision made in the cases detailed in **Table 2.6**.

Table 2.6: No expenditure against budget provision

(₹ in crore)		
Grant	Head of Account	Budget Provision
01 Agriculture and Horticulture	2401-796-2-00-423-Tribal Sub Plan	5.00
	2401-1-44-059- Other Expenses	0.10
	2401-00-2- 422-Spl Component Plan	10.83
	2401-0-2- 423 Tribal Sub Plan	4.17
	2401-00-196-1-01-300 Lump sum provision to ZP	0.47
	2402 -00 -198-1- 01-Block Grant	
	-404	0.10
	-406	0.15
	-413	0.30
	-418	0.41
	-420	0.41
	-451	0.30
	- 466	0.25
	- 452	0.03
		2415-01-277-0-01-101 Grants In Aid
TOTAL GRANT NO. 01		32.51
18 Commerce and Industries	2852-08-201-0-07-423-Tribal Sub Plan	3.24
	2852-08-202-1-05-243- Interest on Capital	0.18
TOTAL GRANT NO. 18		3.42

2.6.2 Excess expenditure over provision

According to Rule 229 of KBM, the authority administering a grant is responsible for watching the progress of expenditure under its control and for keeping it within the sanctioned grant or appropriation. There were, however, cases of expenditure incurred in excess of provision ranging from 13 to 150 *per cent* indicating unrealistic budget proposals as detailed in **Table 2.7**.

Table 2.7: Excess expenditure against budget provision

(₹ in crore)					
Grant	Head of Account	Budget Provision	Expenditure incurred	Excess	Percent of excess
01 Agriculture and Horticulture	2402 – 00 – 198 – 1				
	- 407 Mysore	0.20	0.50	0.30	150
	-412 Mandya	0.25	0.45	0.20	80
	- 463 Haveri	0.25	0.38	0.13	53
	2415 – 01– 277 – 0 – 01				
	- 101 Grants In Aid (Plan)	77.64	87.64	10.00	13
	2415 – 80 – 004 – 3 - 01				
	- 101 Grants In Aid (Plan)	7.70	10.70	3.00	39
TOTAL GRANT NO. 01		85.59	98.72	13.13	15
18 Commerce and Industries	2851-102-051 General expenses (plan)	1.14	1.45	0.31	27
	2851- 00-102 -14 -003				
	Pay staff	2.29	3.00	0.71	31
TOTAL GRANT NO. 18		3.43	4.45	1.02	30

2.6.3 Huge unspent provision

According to Rule 83 of KBM, the estimates should be framed after a careful and thorough consideration of all items of expenditure and of all sources of income, so that they may neither be inflated nor under pitched and are as accurate as possible. There were, however, unspent provision ranging between 21 and 88 *per cent* of the budget provision as detailed in **Appendix 2.19**.

2.6.4 Injudicious supplementary provision

In the following heads of account, huge supplementary provision was sought during the year. However, at the end of 2009-10 huge amounts remained unspent indicating injudicious supplementary provision as detailed in **Table 2.8**.

Table 2.8: Injudicious supplementary provision

(₹ in crore)

Grant	Head of Account	Budget original	Supplementary Reappropriation / surrender(-)	Total Budget	Expenditure	Unspent provision	Per cent
01 Agriculture and Horticulture	2401-00-108-30-059 -Other expenses	10.00	15.00	25.00	15.57	9.43	38
	2401-00-108-35-100 - Financial Assistance	3.00	3.32 (-)0.29	6.03	4.83	1.20	20
	2401-00-2-05-422 -Special Component Plan	11.85	(-) 0.05	11.80	8.84	2.96	25
	2401-800-1-10-422 -Special Component Plan	83.87	(-)0.24	83.63	48.63	35.00	42
	TOTAL GRANT NO.01	108.72	17.75	126.46	77.87	48.59	38
18 Commerce and Industries	2851-00-102-0-14-071 -Building expenses (NP)	0.44	0.19	0.63	0.20	0.43	68
	2851-00-102-68-100 -Financial Assistance	48.47	(-)3.88	44.59	28.97	15.62	35
	2851-00-102-69-059 -Other expenses (Plan)	7.68	5.28	12.96	9.85	3.11	24
	TOTAL GRANT NO.18	56.59	1.59	58.18	39.02	19.15	33

2.6.5 Huge surrenders indicating unrealistic budget estimates

In cases detailed in **Table 2.9**, there were huge surrenders which indicated that the original budget estimates were unrealistic.

Table 2.9: Huge surrenders indicating unrealistic budget estimates

(₹ in crore)

Grant	Head of Account	Original provision	Surrender	Total provision	Expenditure	Unspent provision	Per cent
01 Agriculture and Horticulture	2401-00-110-0-09-106 Subsidy for Crop Loan	250.00	210.00	40.00	40.00	Nil	84
	2401-00-800-1-44-106 -Subsidies (Plan)	19.90	10.02	9.88	9.39	0.49	50
	2401-00-800-1-53-059 -Other expenses	2.00	1.72	0.28	0.28	Nil	86
	2401-00-800-1-58-133 -Special Development Plan	40.00	18.92	21.08	21.08	Nil	47
	TOTAL GRANT NO.01	311.90	240.66	71.24	70.75	0.49	77

2.6.6 Rush of expenditure

Rule 56(3) of the General Financial Rules stipulate that the expenditure should be evenly spread in all the months of a financial year and rush of expenditure during the last quarter of the year should be avoided as far as possible.

Review of expenditure statement for the year 2009-10 revealed that huge expenditure between 34 and 100 *per cent* was incurred in the month of March 2010 compared to other months during the year as detailed in **Appendix 2.20**.

2.7 Conclusion

Against total provision of ₹ 76,399.97 crore during 2009-10, an expenditure of ₹ 65,437.25 crore was incurred. This resulted in an unspent provision of ₹ 10,962.72 crore (14 *per cent*). An excess expenditure of ₹ 915.42 crore incurred during 2009-10 and ₹ 8,574.19 crore relating to the period 1989-90 to 2008-09 required regularisation under Article 205 of the Constitution. Expenditure aggregating ₹ 1,881.19 crore in 33 cases which should have been treated as 'New Service/New instrument of service' was incurred without the approval of the Legislature. While, supplementary provision of ₹ 192.97 crore in 54 cases was unnecessary, reappropriation of funds in 62 cases was made injudiciously resulting in either unutilised provision or excess over provision. In 26 grants, ₹ 1,961.16 crore was surrendered in the last two working days of the financial year. Contingency Fund drawals sanctioned, were not utilised ranging from 20 to 68 *per cent*.

2.8 Recommendations

Budgetary control should be strengthened in all departments. Excessive /unnecessary supplementary and reappropriation of funds should be avoided. The reappropriation of funds at the close of the financial year also requires to be avoided. Excess of expenditure over the budget provisions for ₹ 8,574.19 crore needs to be regularized by the State Legislature. Contingency Fund should be sanctioned only to the extent required, so as to avoid non-drawal of the amount sanctioned.

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

3.1 Non-receipt of information pertaining to institutions substantially financed by the Government

To identify the institutions which attract audit under Sections 14 and 15 of the CAG's (Duties, Powers and Conditions of service) Act, 1971, 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 of assistance granted and the total expenditure of the institutions.

Fifteen departments did not furnish the information pertaining to 333 institutions receiving grants aggregating ₹ 25 lakh or more for the period ranging from one year to more than 10 years, as detailed in **Appendix 3.1**.

3.2 Status of submission of accounts of autonomous bodies and placement of audit reports before the State Legislature

Several autonomous bodies have been set up by the State Government in the field of village and small industries, urban development, etc. The audit of accounts of nine bodies in the State has been entrusted to the CAG. These are audited with regard to their transactions, operational activities and accounts, conducting regulatory compliance audit, review of internal management and financial control, review of systems and procedures, etc.

Separate audit reports of two autonomous bodies for the year 2007-08 and five autonomous bodies for the year 2008-09 were yet to be placed before the State Legislature.

The status of entrustment of audit, rendering of accounts, issuance of audit reports and their placement before the State Legislature are indicated in **Appendix 3.2**.

3.3 Departmental commercial undertakings

The departmental undertakings of certain Government departments performing activities of commercial and quasi-commercial nature are required to prepare *pro forma* accounts in the prescribed format annually showing the working results of financial operations so that the Government can assess their working. The finalized accounts of departmentally managed commercial and quasi-commercial undertakings reflect their overall financial health and efficiency in conducting their business. In the absence of timely finalization of accounts, the investment of the Government remains outside the scrutiny of the Audit/State Legislature.

Consequently, corrective measures, if any required, for ensuring accountability and improving efficiency cannot be taken in time. Besides, the delay in all likelihood may also open the system to risk of fraud and leakage of public money.

The heads of departments in the Government are to ensure that the undertakings prepare and submit such accounts to Accountant General for audit within a specified time frame. Out of the nine undertakings which have been closed/transferred to co-operative federation, *pro forma* accounts in respect of two undertakings were due from 1969-70. The position of arrears in preparation of *pro forma* accounts by the undertakings is given in **Appendix 3.3**.

3.4 Misappropriations, losses, etc.

There were 217 cases of misappropriation, losses, etc. involving Government money amounting to ₹ 10.07 crore as at the end of 2009-10 on which final action was pending. The department-wise break up of pending cases and age-wise analysis is given in **Appendix 3.4** and nature of these cases is given in **Appendix 3.5**. The age profile of the pending cases with the number of cases pending in each category - theft and misappropriation is given in **Table 3.3**.

Table 3.3: Profile of pending cases of misappropriations and theft

(₹ in crore)

Age-profile of the pending cases					
Range in years	Number of cases	Amount involved	Nature of the cases	Number of cases	Amount involved
Above 25	62	0.30	Theft	34	0.17
21 - 25	10	0.03	Misappropriation	183	9.90
16 - 20	40	1.61			
11 - 15	77	6.21			
06 - 10	25	1.65			
0 - 05	3	0.27			
Total	217	10.07	Total	217	10.07

Around 76 per cent of the amount involved pertained to departments of Forest, Environment and Ecology (₹ 2.70 crore), Water Resources (₹ 2.56 crore) and Public Works (₹ 2.40 crore).

3.5 Non- receipt of stores and stock accounts

The annual accounts of stores and stock are required to be furnished by various departments to Audit by 15 June of the following year. The half yearly accounts of Public Works, Water Resources and Minor Irrigation Departments are due to be received by 15 December of the year and 15 June of the following year. Delay in receipt of stores and stock accounts were commented upon in successive audit reports. The Public Accounts Committee in its first report (sixth Assembly) presented in February 1980 had also emphasised the importance of timely submission of accounts by the departments. The submission of stores and stock accounts by 82 officers of 10 departments were in arrears for period ranging from six months to eight years as of September 2010, as detailed in **Appendix 3.6**.

3.6 Unadjusted Abstract Contingent bills

Under rule 36 of the Government of Karnataka Manual of Contingent Expenditure 1958, the Controlling and Disbursing Officers are authorized to draw sums of money by preparing AC bills by debiting service heads, and they are required to present detailed contingent bill (vouchers in support of final expenditure) to the Accountant General (A&E) through treasuries. Detailed bills for an aggregate amount of ₹ 111.21 crore drawn on 14,091 AC bills were pending as at the end of November 2010 as detailed in **Table 3.4**.

Table 3.4 Pending Abstract Contingent bills

(₹ in crore)

Year	Abstract Contingent bills drawn		Detailed Contingent bills rendered		Outstanding bills as of November 2010	
	No. of Bills	Amount	No. of bills	Amount	No.	Amount
Up to 2006-07					5,313	26.20
2007-08	6,934	36.34	4,539	24.02	2,395	12.32
2008-09	7,262	69.25	4,760	42.76	2,502	26.49
2009-10	9,348	93.51	5,467	47.31	3,881	46.20
Total					14,091	111.21

Source : AG (A&E)

3.7 Personal deposit accounts

The Karnataka Financial Code provides for opening of Personal Deposit (PD) accounts with permission from 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. Administrators of the accounts should intimate the treasury officer, the balance to be transferred to the Consolidated Fund. For continuation of PD accounts beyond the period of its 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.

3.7.1 Funds kept in PD Accounts

The position of deposits, withdrawals and balances in PD accounts during the period 2007-10 is given in **Table 3.6**

Table 3.6: Funds in PD accounts

(₹ in crore)

Year	Opening balance	Receipts/Deposits	Withdrawals	Closing balance
2007-08	754.94	1,381.60	1,445.25	691.29
2008-09	691.29	1,593.31	1,438.29	846.31
2009-10	846.31	3,491.10	3,123.18	1,214.23

3.7.2 Unspent balances in PD Accounts

Position of deposits, withdrawals and balances in PD accounts of five Deputy Commissioners¹ during the period 2005-10 revealed that the balance had steadily increased nine fold from ₹ 15 crore at the beginning of 2005-06 to ₹ 134.50 crore at the close of 2009-10 as detailed in the **Table 3.7**.

Table 3.7 Unspent balances in PD Accounts

(₹ in crore)				
Year	Opening balance	Receipts/Deposits	Withdrawals	Closing Balance
Revenue Department				
2005-06	15.00	63.12	47.83	30.29
2006-07	30.29	100.76	58.34	72.70
2007-08	72.70	294.31	261.05	105.96
2008-09	105.96	153.29	113.18	146.06
2009-10	146.06	132.21	143.77	134.50

3.7.3 Reconciliation of balances

As of March 2010, the administrators did not reconcile the balances in PD accounts with those in the books of the treasury. There was a difference of (-) ₹ 27.53 crore in seven accounts and (+) ₹ 0.11 crore in one account which remained un-reconciled (**Appendix 3.7**).

3.8 Reconciliation of expenditure and receipts

To enable the controlling officers to exercise effective control over expenditure to keep it within the budget grants and to ensure accuracy of their accounts, expenditure recorded in their books have to be reconciled by them every month during the financial year with that recorded in the books of the Accountant General (Accounts and Entitlement).

Even though non-reconciliation of departmental figures is being pointed out regularly in Audit Reports, lapses on the part of controlling officers in this regard continued to persist during 2009-10 also. Out of 194 controlling officers, 31 controlling officers reconciled the expenditure of ₹ 3,318.71 crore (26 per cent of the total expenditure of ₹ 12,954 crore incurred by them) and 28 controlling officers had not reconciled the expenditure of ₹ 17,106.02 crore (100 per cent) incurred by them.

Further, controlling officers should arrange to obtain from their subordinates, monthly accounts and returns in suitable form claiming credit for the amount paid into the treasury or otherwise accounted for and compare these with the statements of treasury credits furnished by the Accountant General to see that the amounts reported as collected have been duly credited to Government account. Also, the disbursing officers and subordinate officers should reconcile their departmental figures with the treasury figures. Out of 79 controlling officers, 52 had reconciled their receipts amounting ₹ 48,784.37 crore, 10 had reconciled partially and 17 did not reconcile receipts amounting to ₹ 822.47 crore as of October 2010. In respect of loans and advances, none of the controlling officers had reconciled their expenditure figures.

¹ Deputy Commissioners –Bangalore Urban, Mandya, Ramnagaram, Hassan and Bangalore Rural

3.9 Comments on Accounts

The fiscal indicators viz., surplus / deficit on revenue account and fiscal deficit (net debit in the Consolidated Fund excluding borrowings) are calculated after taking into account all the transactions as per the accounting principles. In other words, the fiscal indicators flow from accounts. The revenue surplus and fiscal deficit of the State for the year 2009-10 was ₹ 1,619 crore and ₹ 10,875 crore respectively. The transactions which were not according to principles of accounting and which affected the said indicators by overstating or understating as the case may be, are discussed in the succeeding paragraphs.

3.9.1 Non-transfer of receipts/expenditure from the Consolidated Fund to earmarked Reserve Funds

✓ *Infrastructure Initiative, Bangalore Metro Rail Corporation Limited and CM's Rural Road Development Funds*

Budget provision of ₹ 3,187.86 crore was provided by the State Legislature for the year 2009-10 for transfer of expenditure related to these Reserve Funds from the Consolidated Fund to the Public Account. Against the actual expenditure of ₹ 2,849.03 crore during the year only ₹ 385.51 crore was transferred based on the Government order issued.

On transfer of ₹ 1,850 crore and ₹ 2,100 crore from general revenues during 2008-09 and 2009-10 respectively, the balances at the credit of these reserve funds as on 31 March 2010 were IIF – ₹ 5,284 crore, BMRCL – ₹ 1,316 crore and CMRRD ₹ 666 crore. Despite ₹ 7,266 crore at the credit of these reserve funds, the entire expenditure of ₹ 2,849 crore (initially debited to the Consolidated Fund) was not transferred to Public Account. This resulted in understatement of revenue surplus and overstatement of fiscal deficit by ₹ 187 crore and ₹ 2,276 crore respectively.

The State Government replied (November 2010) that funds created from out of general revenues being basically reserve funds are intended to provide reserve for expenditure out of the fund and that accretion to and expenditure from the fund need not be in the same year. It was also stated that since the actual expenditure within the budgetary approval given by the legislature depends on over-all fiscal position managed by the executive, the decision to not to transfer the expenditure to the Public Account was due to late surge of receipts.

However, a reserve fund which is created for specific purpose to account for transactions of a particular character should record all the transactions in complete form. Exclusion of a particular set of transactions (transfer of debit from consolidated fund to the Public Account) distorts the fiscal indicators of the Government.

Rural Road Development Cess (RRD) collections (other than infrastructure cess) viz., conversion fee, market fee, transportation of forest produces, toll on roads and bridges and the related expenditure were not transferred to the earmarked Reserve Funds.

The State Government, in its reply (November 2010), stated that RRD Cess collections on conversion fee, market fee, toll on roads and bridges and cess on transport of forest produce were not transferred to the earmarked reserve funds because while RRD Cess collections on conversion fee, market fee, toll on roads and bridges were not operationalized in 2009-10, the cess on transport of forest produce was refunded due to judicial pronouncement. However, there were receipts to the tune of ₹ 26.54 lakh during 2009-10 under conversion fee and toll on roads and bridges which had to be transferred to the Public Account.

✓ *Consumer Welfare Fund*

Expenditure of ₹ 93 lakh relating to Consumer Welfare Fund was not transferred from Consolidated Fund to Public Account. Non carrying out of the book adjustment resulted in inflation of expenditure of ₹ 93 lakh in the Consolidated Fund and reduction of revenue surplus.

✓ *Fiscal Management Fund*

The Fiscal Management Fund was created during 2006-07 in terms of Section 4(p) of the Fiscal Responsibility Act, 2002, to discharge the liabilities arising during the course of the year out of general revenue of the State. However, no rules had been framed regarding its administration. A sum of ₹ 150 crore had been transferred from the Consolidated Fund during the year. The balance at the end of the year was ₹ 857 crore. Transfers from the Consolidated Fund inflated the revenue expenditure and reduced revenue surplus to that effect.

The State Government replied (November 2010) that the fund was created to take care of demands arising due to contingent liabilities on account of Government guarantees, contribution to pension scheme etc.

The Government had created the fund for discharging liabilities arising on account of Government guarantees but is inoperative and the pension contribution scheme had not yet been implemented.

The procedure adopted for accounting of transactions pertaining to the Reserve funds was not in accordance with the principles mentioned in Para 3.4 of the General Directions contained in the 'List of Major and Minor Heads'.

3.9.2 Book adjustments resulting in fresh adverse balance/ increase in the amount of adverse balance in Public Account

✓ *Central Road Fund*

Expenditure of ₹ 205.30 crore was transferred from Consolidated Fund [HOA-5054-80-902-deduct amount met from Central Road Fund] to Central Road Fund in Public Account [HOA-8449-103] in excess of balance (₹ 165.30 crore) at the credit of the fund resulting in adverse balance of ₹ 40 crore.

The State Government in its reply (November 2010) stated that the adverse balance was on account of initial expenditure being met out of the State funds which was to be reimbursed subsequently. However, as per the accepted principle of accounting, the adjustment of expenditure should be only to the extent of revenue received from Government of India.

✓ *Sinking Fund Investment Account*

The balance in the sinking fund became adverse during 2008-09. During the current year the adverse balance increased by ₹ 15 lakh [HOA 8222-02-101].

In reply, the State Government stated (November 2010) that the adverse balance is being examined.

3.9.3 *Incorrect accounting*

₹ Ten crore sanctioned for construction of super speciality hospital at Bellary, out of the Consolidated Fund [HOA 4210-01-110-1-01-139], was ordered to be transferred by the Government to Reserve Fund in Public Account [HOA 8229-00-102-0-002] instead of to the deposit account. The said transaction had been reflected in the accounts as such.

The State Government replied (November 2010) that the transaction was on account of administrative exigency and that as there was no provision under revenue account, re-appropriation was not possible and hence the amount was released from capital head of account.

Reserve funds are to be credited from general revenues only as no fund for the purpose had been created under the Public Account to account for the said transaction.

3.9.4 *Bookings under Minor Head 800 – ‘Other Receipts’ and ‘Other Expenditure’*

An amount of ₹ 7,771.61 crore constituting about 12.81 *per cent* of the total expenditure (Revenue, Capital and Loan) was classified under the Minor Head ‘800 – Other Expenditure’ under the respective Major Heads of Account. Several schemes/programmes/activities such as Equities and Investment in Companies, Road Works, Basic Urban Services Programme – Urban Infrastructure, Sewerage and sanitation scheme – ‘Suvarna Grama’. Rashtriya Krishi Vikas Yojana, Power infrastructure improvement, etc., had huge bookings under the Minor Head ‘800’. These Schemes/Projects are not depicted distinctly in the Finance Accounts, though the details of this expenditure are depicted at the sub-head (scheme) level or below in the Detailed Demands for Grants and corresponding head-wise Appropriation Accounts forming part of the State Government Accounts.

Similarly, on the receipts side, ₹ 3,132.29 crore constituting about 6.29 *per cent* of the total receipts (Revenue, Capital and Loan) was classified under the Minor Head ‘800 Other Receipts’ under the respective Major Heads of Account. Several receipts such as Special Problem Grants (compensation for loss suffered by the State on account of phasing out of the Central Sales Tax and on account of introduction of VAT), Loans written off, Cess collected, etc., have huge receipts booked under the Minor Head ‘800’. These receipts are not depicted distinctly in the Finance Accounts, though the details of these receipts are depicted at the sub-head (scheme) level or below.

3.10 Conclusion

The Government's compliance towards disposal of cases of losses, misappropriations, etc. was deficient. Detailed bills against abstract bills were awaited since long and amount was retained in PD Accounts against the principle of Legislative financial control. Non-reconciliation of expenditure ranging from 26 to 100 *per cent* was also noticed. Out of 79 controlling officers, 17 did not reconcile the receipt figures at all and 10 reconciled the figures partially.

3.11 Recommendations

Departmental enquiries in all the cases of misappropriations, losses, defalcations, etc., should be expedited to bring the defaulters to book. For this purpose, the internal controls in various departments should be strengthened to prevent recurrence of such cases.

BANGALORE
The

(D.J. BHADRA)
Pr. Accountant General
(Civil and Commercial Audit)

COUNTER SIGNED

NEW DELHI
The

(VINOD RAI)
Comptroller and Auditor General of India

APPENDIX 1.1
(REFERENCE: PAGE 1)

STATE PROFILE			
A	General Data		
Sl. No.	Particulars	Figures	
1	Area	1,91,791 sq km	
Population			
2	a. As per 2001 Census.	5.29 crore	
	b. 2009-2010	5.85 crore	
3	Density of Population (2001). (All India Density = 325 persons per Sq.Km)	276 persons per Sq. km.	
4	Population below poverty line. (All India Average = 27.5 %)	25 per cent	
5	Literacy (2001). (All India Average = 64.8%)	66.64 per cent	
6	Infant mortality (per 1000 live births). (All India Average = 53 per 1000 live births)	45 per 1000 live births	
7	Life Expectancy at birth. (All India Average =63.5 years)	65.3 years	
Gini Coefficient ¹			
8	a. Rural. (All India = 0.30)	0.26	
	b. Urban. (All India = 0.37)	0.36	
9	Gross State Domestic Product (GSDP) 2009-2010 at current prices	2,98,465 crore	
10	GSDP CAGR ² (2000-01 to 2009-10)	12.43 per cent	
11	Per capita GSDP CAGR (2000-01 to 2009-10)	11.19 per cent	
12	GSDP CAGR (2000-01 to 2008-2009)	Karnataka	12.71 per cent
		Other General Category States	12.54 per cent
13	Population Growth (2000- 2001 to 2009-2010)	Karnataka	10.57 per cent
		Other General Category States	13.42 per cent
B	Financial Data		
Particulars	Figures (in Per cent)		
CAGR	2000-01 to 2008-09		2000-01 to 2009-10
	General Category States	Karnataka	Karnataka
a.	of Revenue Receipts.	14.40	14.34
			14.25
b.	of Own Tax Revenue.	13.59	14.99
			14.49
c.	of Non Tax Revenue.	12.08	8.38
			8.06
d.	of Total Expenditure.	12.38	12.38
			13.67
e.	of Capital Expenditure.	21.41	22.50
			22.55
f.	of Revenue Expenditure on Education.	9.33	11.78
			10.53
g.	of Revenue Expenditure on Health.	8.95	8.78
			8.77
h.	of Salary and Wages#.	9.37	12.42
			9.43
i.	of Pension.	12.03	12.68
			8.89

Source: Financial data is based on figures in Finance Accounts. BPL (Planning Commission & NSSO data, 61st Round-<http://planning.commission.nic.in/data/database/Data0910/tab%2021.pdf>), Gini Coefficient (Unofficial estimates of Planning Commission & NSSO data,61st Round 2004-05 MRP), Life Expectancy at birth (Office of the Registrar General of India; Ministry of Home Affairs; Economic Survey, 2009-10) , Infant mortality rate (SRS Bulletin October,2009), Density of population (Office of the Registrar General and census commissioner of India; Ministry of Home Affairs and Literacy (Office of the Registrar General of India; Ministry of Home Affairs). #For the period 2001-02 to 2008-09 or 2009-2010 as the case may be.

¹It is a measure of inequality of income distribution where zero refers to perfect equality and one refers to perfect inequality.

² GSDP= Gross State Domestic Product.

APPENDIX 1.2
STRUCTURE OF GOVERNMENT ACCOUNTS
(REFERENCE: PARAGRAPH 1.1, PAGE 1)

The accounts of the State Government are kept in three parts viz., Consolidated Fund, Contingency Fund and Public Account.

Part I: Consolidated Fund : All revenues received by the State Government, all loans raised by issue of treasury bills, internal loans and all moneys received by the Government in repayment of loans shall form one Consolidated Fund entitled the Consolidated Fund of State established under Article 266(1) of the Constitution of India.

Part II: Contingency Fund: Contingency Fund of the State established under Article 267(2) of the Constitution is in the nature of an imprest placed at the disposal of the Governor to enable him to make advances to meet urgent unforeseen expenditure, pending authorisation by the Legislature. Approval of the Legislature for such expenditure and for withdrawal of an equivalent amount from the Consolidated Fund is subsequently obtained, whereupon the advances from the Contingency Fund are recouped to the fund.

Part III: Public Account: Receipts and disbursements in respect of certain transactions such as small savings, provident funds, 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.

Layout of Finance Accounts

Finance Accounts is prepared in two volumes with Volume 1 presenting the summarized financial statements of Government and Volume 2 presenting the detailed statements. The layout is detailed below. Further, Volume 2 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	Summarized Financial position of the State giving cumulative figures of assets and liabilities of the Government as at the end of 2009-10.
2	Summary of Receipts and Disbursements during the year in all the three parts of accounts of Government.
3	Summary of receipts under Consolidated Fund, grants from Government of India and Capital, Public Debt and Other receipts.
4	Summary of expenditure for the current year under various sectors of Consolidated Fund of State.
5	Details of capital expenditure major head wise incurred during and to the end of 2009-10.
6	Summary of debt position of the State including borrowing from internal debt, Government of India, other obligations and servicing of debt.
7	Summary of loans and advances given by the State Government during the year and repayments made, recoveries in arrears etc.
8	Summarized statement of Grants-in-aid given by Government both in cash and in kind and also grants released for creation of capital assets.
9	Summary of guarantees given by the government for repayment of loans etc raised by statutory corporations, local bodies and other institutions.
10	Distribution of expenditure between charged and voted.
11	Detailed account of revenue and capital receipts by minor heads.
12	Detailed account of revenue expenditure by minor heads under non-plan, plan and centrally sponsored scheme separately.
13	Detailed accounts of capital expenditure by minor heads under non-plan, plan and centrally sponsored scheme separately during the year and total expenditure to the end of 2009-10.
14	Details of investments of the State Government in Statutory Corporations, Government companies, other joint stock companies, co-operative banks, society's etc., up to the end of 2009-10 and also giving the comparative summary of investment between the share capital and debentures.
15	Detailed account on borrowings and other liabilities showing public debt and other interest bearing obligation during and up to the end of 2009-10, maturity profile, repayment schedule and interest rate profile.
16	Detailed account of Loans and advances given by the Government of Karnataka, the amount of loan repaid during the year, the balance as on 31 st March 2010 and also loans advanced during the year for plan purpose and centrally sponsored schemes.
17	Detailed account on sources and application of funds other than on revenue account.
18	Detailed account on contingency fund and public account transactions.
19	Details of earmarked balance of reserve funds.

APPENDIX 1.3
ABSTRACT OF RECEIPTS AND DISBURSEMENTS
(REFERENCE: PARAGRAPH 1.2, PAGE 1)

(₹ in crore)

2008-09	Receipts		2009-10	2008-09	Disbursements			2009-10
						Non Plan	Plan	
Part A: Abstract of Receipts and Disbursements for the year 2009-10								
Section-A: Revenue								
43,290.67	I. Revenue receipts		49,155.70	41,659.29	I. Revenue expenditure	35,234.23	12,302.69	47,536.92
27,645.66	Tax revenue	30,578.60		12,275.57	General Services	12,664.55	97.79	12,762.34
3,158.99	Non-tax revenue	3,333.80			Social Services-			
7,153.77	State's share of Union Taxes & Duties	7,359.98		8,492.38	Education, Sports, Art and Culture	6,657.52	1,918.95	8,576.47
1,693.59	Non Plan grants	3,429.68		1,772.70	Health and Family Welfare	1,164.66	762.51	1,927.17
2,020.37	Grants for State Plan Schemes	2,972.78		1,384.33	Water Supply, Sanitation, Housing and Urban Development	207.83	1,350.02	1,557.85
1,618.29	Grants for Central and Centrally Sponsored Schemes	1,480.86		54.24	Information and Broadcasting	29.52	7.95	37.47
				1,318.93	Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	476.30	1,226.45	1,702.75
				182.34	Labour and Labour Welfare	65.34	207.14	272.48
				2,540.25	Social Welfare and Nutrition	3,161.02	1,747.11	4,908.13
				127.82	Others	111.42	25.12	136.54
				15,872.99	TOTAL	11,873.61	7,245.25	19,118.86
					Economic Services			
				3,338.42	Agriculture and Allied Activities	2,375.21	1,882.91	4,258.12
				941.43	Rural Development	498.48	734.03	1,232.51
				229.93	Special Areas Programmes	---	501.51	501.51
				262.23	Irrigation and Flood Control	173.69	158.07	331.76
				1,952.07	Energy	2,342.95	9.55	2,352.50
				457.46	Industry and Minerals	205.12	222.18	427.30
				1,461.72	Transport	642.96	465.01	1,107.97
				22.01	Science, Technology and Environment	0.01	23.59	23.60
				2,471.37	General Economic Services	2,752.65	193.79	2,946.44
				11,136.64	Total	8,991.07	4,190.64	13,181.71
				2,374.09	Grants-in-aid and Contributions	1,705.00	769.01	2,474.01
				1,631.38	II Revenue surplus carried over to Sec-B			1,618.78
43,290.67	TOTAL		49,155.70	43,290.67	TOTAL			49,155.70

2008-09	Receipts		2009-10	2008-09	Disbursements			2009-10
						Non Plan	Plan	
Section-B – Capital and others								
3,919.45	II. Opening Cash balance including Permanent Advances & Cash Balance Investments & investments from earmarked funds.		7,819.85	9,870.29				
181.14	III. Miscellaneous Capital receipts		69.79		III. Capital Outlay			12,136.68
				475.37	General Services	56.46	433.39	489.85
					Social Services			
				199.32	Education, Sports, Art and Culture	3.73	211.97	215.70
				300.65	Health and Family Welfare	---	320.97	320.97
				1,772.13	Water Supply, Sanitation, Housing and Urban Development	207.07	1,602.66	1,809.73
				1.49	Information and Broadcasting	---	6.00	6.00
				227.80	Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	(-) 0.01	239.74	239.73
				48.37	Social Welfare and Nutrition	---	48.19	48.19
				5.40	Other Social Services	---	10.36	10.36
				2,555.16	Total Social Services	210.79	2,439.89	2,650.68
					Economic Services			
				39.85	Agriculture and Allied Activities	(-)1.04	64.93	63.89
				134.35	Rural Development	0.93	73.00	73.93
				2,985.89	Irrigation and Flood Control	540.83	3,401.16	3,941.99
				936.62	Energy	75.37	1,675.00	1,750.37
				261.43	Industry and Minerals	(-)0.02	205.77	205.75
				2,246.74	Transport	132.40	2,513.99	2,646.39
				234.88	General Economic Services	2.99	310.84	313.83
				6,839.76	Total Economic Services	751.46	8,244.69	8,996.15
56.65	IV. Recoveries of Loans and Advances		555.36	731.34	IV. Loans and Advances	65.16	916.42	981.58
17.26	From Power Projects	516.53		500.01	For Power Projects	---	5.34	
2.10	From Government Servants	3.24		2.59	To Government Servants	5.08	0.04	
37.29	From others	35.59		228.74	To Others	60.08	911.04	
8,592.16	V. Public debt receipts		7,990.86	1,777.90	V. Repayment of Public Debt			2,308.33
7,995.99	Internal debt other than Ways and Means Advances and Overdraft	7,310.01		1,316.47	Internal debt other than Ways and Means Advances & Overdraft	1,837.87		1,837.87
---	Ways and Means advances from Reserve Bank of India	---		---	Ways and Means advances from Reserve Bank of India	---		---
596.17	Loans and Advances from the Central Government	680.85		461.43	Repayment of Loans and Advances to Central Government	470.46		470.46
---	VI. Contingency Fund (recoupment)		2.10	2.10	VI. Contingency Fund Disbursements			---
60,603.55	VII. Public Account Receipts		71,172.45	54,782.85	VII. Public Account Disbursements			64,029.09
2,329.27	Small Savings and Provident funds, etc.	2,591.15		1,153.03	Small Savings and Provident Funds etc.			1,123.64
2,628.57	Reserve funds	5,117.86		454.72	Reserve Funds			1,917.29

2008-09	Receipts		2009-10	2008-09	Disbursements			2009-10
						Non Plan	Plan	
18,720.45	Deposits and Advances	22,188.59		17,165.98	Deposits and Advances			20,279.25
35,745.45	Suspense and Miscellaneous	40,023.81		34,777.66	Suspense and Miscellaneous			39,421.39
1,179.81	Remittances	1,251.04		1,231.46	Remittances			1,287.52
1,631.38	VIII. Revenue Surplus carried over from Sec. -A.		1,618.78	7,819.85	VIII Cash Balance at end			9,773.51
				0.01	Cash in Treasuries and Local Remittances			0.01
				-358.46	Deposits with Reserve Bank			(-) 107.69
				6.08	Departmental Cash Balances including Permanent Advances			10.77
				7,519.31	Cash Balance Investment			8,889.98
				652.91	Investment from earmarked funds			980.44
74,984.33	Total		89,229.19	74,984.33	Total			89,229.19

☉ Includes expenditure of ₹ 1,038.96 crore on account of off-budget borrowings

APPENDIX 1.4
OUTCOME INDICATORS OF THE STATE'S OWN FISCAL CORRECTION PATH
(REFERENCE: PARA 1.3, PAGE 4)

	2004-05	Budget estimate		Projection			
	(base year)	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
State revenue account							(₹ in crore)
1. Own tax revenue	14,958	18,680	20,865	23,417	26,488	32,523	40,399
2. Own non- tax revenue	4,486	4,090	4,516	5,009	5,491	6,318	2,447
3. Own tax + non-tax revenue (1+2)	19,444	22,770	25,381	28,426	31,979	38,841	42,846
4. Share in central taxes & duties	3,760	3,760	4,136	4,550	5,005	6,134	8,385
5. Grants	2,306	2,688	2,954	3,306	3,530	5,675	6,438
6. Total central transfer (4 + 5)	6,066	6,448	7,090	7,856	8,535	11,809	14,823
7. Total revenue receipts (3+6)	25,510	29,218	32,471	36,282	40,514	50,650	57,699
8. Devolution to ULBs	799	1,160	1,428	1,743	2,130	2,657	3,357
9. Major O&M (roads, bridges and irrigation)	401	513	970	1,021	1,078	1,191	1,026
10. Salaries	5,751	6,169	6,539	6,907	8,740	9,842	11,152
11. Pensions	2,214	2,427	2,661	3,209	3,518	3,864	4,501
12. Interest payments	3,920	4,029	4,492	5,053	5,640	6,199	7,330
13. Subsidies – (food, transport, housing & industry)	905	1,573	1,203	1,258	1,317	1,878	2,867
14. Subsidies –power	1,400	1,750	1,750	2,100	2,100	1,800	1,800
15. Other O&M (education, health, RD, WS, agriculture, forest)	2,444	2,530	3,155	3,836	4,641	6,273	7,152
16. Administrative expenditure	442	559	589	621	654	803	933
17. Other Revenue expenditure	7,163	7,654	8,296	8,913	9,251	12,050	12,508
18. Total revenue expenditure (8 to 17)	25,439	28,364	31,083	34,661	39,069	46,557	52,626
19. Salary + interest+ pensions (10+11+12)	11,185	12,625	13,692	15,169	17,898	19,905	22,983
20. As percentage of revenue receipts (19/7)	47	43	42	42	44	39	40
21. Revenue surplus / deficit (7-18)	-71	-854	-1,388	-1,621	-1,445	-4,093	-5,043
1. Interest payment on off-budget borrowings and SPV borrowing made by PSUs/SPUs outside budget	638	791	1,203	817	480	465	920
2. Consolidated revenue deficit.	567	63	185	804	965	-3,628	-4,123
Total debt stock	48,384	53,185	60,465	66,340	72,823	76,905	87,613
1. Expenditure on capital formation	2,502	3,774	4,316	5,346	6,300	9,961	12,441
2. Recovery of loans and advances	30	30	100	100	100	100	100
Gross fiscal deficit	4,247	4,714	5,603	5,875	6,483	7,351	8,823

APPENDIX 1.5

TIME SERIES DATA ON THE STATE GOVERNMENT FINANCES
(REFERENCE: PARAGRAPHS 1.6, 1.10.2; PAGE 9, 37)

(₹ in crore)

	2005-06	2006-07	2007-08	2008-09	2009-10
Part A. Receipts					
1. Revenue Receipts	30,352	37,587	41,151	43,290	49,156
(i) Tax Revenue	18,632(61)	23,301 (62)	25,987(63)	27,645(64)	30,579(62)
Taxes on Agricultural Income	2	1(-)	3(-)	9(-)	9(-)
Taxes on Sales, Trade, etc	9,870(53)	11,762(50)	13,894(54)	14,623(53)	15,833(52)
State Excise	3,397(18)	4,495(19)	4,767(18)	5,749(21)	6,946(23)
Taxes on Vehicles	1,105(6)	1,375(6)	1,650(6)	1,681(6)	1,962(6)
Stamps and Registration fees	2,213(12)	3,206(14)	3,409(13)	2,927(10)	2,628(9)
Land Revenue	117(1)	109(-)	145(1)	256(1)	128(-)
Taxes on Goods and Passengers	1,041(6)	1,147(5)	837(3)	1,085(4)	1,291(4)
Taxes and Duties on Electricity	277(1)	389(2)	450(2)	370(1)	679(2)
Other Taxes	610(3)	817(4)	832(3)	945(4)	1,103(4)
(ii) Non Tax Revenue	3,875(13)	4,099(11)	3,358(8)	3,159(7)	3,334(7)
(iii) State's share of Union taxes and duties	4,213(14)	5,374(14)	6,779(17)	7,154(17)	7,360(15)
(iv) Grants in aid from Government of India	3,632(12)	4,813(13)	5,027(12)	5,332(12)	7,883(16)
2. Miscellaneous Capital Receipts	Nil	Nil	246	181	70
3. Recoveries of Loans and Advances	124	60	52	57	555
4. Total Revenue and Non debt capital receipts (1+2+3)	30,476	37,647	41,449	43,528	4,9781
5. Public Debt Receipts	5,664	3,546	2,279	8,592	7,991
Internal Debt (excluding Ways and Means Advances and Overdrafts)	4,995(88)	2,892(82)	1,473(65)	7,996(93)	7,310(91)
Net transactions under Ways and Means Advances and Overdrafts	---	---	---	---	---
Loans and Advances from Government of India	669(12)	654(18)	806(35)	596(7)	681(9)
6. Total Receipts in the Consolidated Fund (4+5)	36,140	41,193	43,728	52,120	57,772
7. Contingency Fund Receipts	39	-	13	--	2
8. Public Account Receipts	38,025	47,040	56,160	60,604	71,172
9. Total Receipts of the State (6+7+8)	74,204	88,233	99,901	1,12,724	1,28,946
Part B. Expenditure/Disbursement					
10. Revenue Expenditure	28,041	33,435	37,375	41,659	47,537
Plan	5,069(18)	7,852(23)	8,313(22)	10,530(25)	12,303(26)
Non Plan	22,972(82)	25,583(77)	29,062(78)	31,129(75)	35,234(74)
General Services (including interest payments)	10,036(36)	10,419(31)	10,872(29)	12,275(29)	12,762(27)
Social Services	8,899(32)	10,937(33)	13,124(35)	15,873(38)	19,119(40)
Economic Services	7,947(28)	10,440(31)	11,453(31)	11,137(27)	13,182(28)
Grants-in-aid and contributions	1,159(4)	1,639(5)	1,926(5)	2,374(6)	2,474(5)
11. Capital Expenditure	5,822	8,543	8,649	9,870	12,137
Plan	5,806(100)	8,411(98)	7,199(83)	9,135(93)	11,118(92)
Non Plan	16(-)	132(2)	1,450(17)	735(7)	1,019(8)

Appendices

	2005-06	2006-07	2007-08	2008-09	2009-10
General Services	218(4)	321(4)	339(4)	475(5)	490(4)
Social Services	1,105(19)	1,293(15)	2,148(25)	2,555(26)	2,651(22)
Economic Services	4,499(77)	6,929(81)	6,162(71)	6,840(69)	8,996(74)
12. Disbursement of Loans and Advances	300	357	757	731	982
13. Total (10+11+12)	34,163	42,335	46,781	52,260	60,656
14. Repayments of Public Debt	811	1,749	1,251	1,778	2,308
Internal Debt (excluding Ways and Means Advances and Overdrafts)	393(48)	1,012(58)	802(64)	1,317(74)	1,838(80)
Net transactions under Ways and Means Advances and Overdraft	-	-	--	---	---
Loans and Advances from Government of India	418(52)	737(42)	449(36)	461(26)	470(20)
15. Appropriation to Contingency Fund	-	-	--	---	---
16. Total disbursement out of Consolidated Fund (13+14+15)	34,974	44,084	48,032	54,038	62,964
17. Contingency Fund disbursements	--	13	--	2	---
18. Public Account disbursements	36,702	42,637	54,055	54,783	64,029
19. Total disbursement by the State (16+17+18)	71,676	86,734	1,02,087	1,08,823	1,26,993
<i>Part C. Deficits</i>					
20. Revenue Deficit(-)/ Revenue Surplus (+) (1-10)	2,311	4,152	3,776	1,631	1,619
21. Fiscal Deficit (-)/Fiscal Surplus (+) (4-13)	3,687	4,688	5,332	8,732	10,875
22. Primary Deficit (21+23)	---	452	826	4,200	5,662
Primary Surplus (23-21)	78	---	---	---	---
<i>Part D. Other data</i>					
23. Interest Payments (included in revenue expenditure)	3,765	4,236	4,506	4,532	5,213
24. Financial Assistance to local bodies etc.,	11,183	13,915	16,725	15,262	16,420
25. Ways and Means Advances/ Overdraft availed (days)					
Ways and Means Advances availed (days)	---	---	4	---	---
Overdraft availed (days)	---	---	---	---	---
26. Interest on Ways and Means Advances/ Overdraft	---	---	0.04	---	---
27. Gross State Domestic Product (GSDP)[@]	1,83,796	2,05,784	2,40,062	2,70,699	2,98,465
28. Outstanding Fiscal liabilities (year end)	52,236	57,682	60,142	71,550	83,482
29. Outstanding guarantees (year end) (including interest)	8,984	9,879	10,786	8,693	7,203
30. Maximum amount guaranteed (year end)	20,107	19,793	23,109	18,732	18,420
31. Number of incomplete projects	120	261	429	197	261
32. Capital blocked in incomplete projects	3,450	1,174	1,480	1,107	1,015

Part E: Fiscal Health Indicators					
I Resource Mobilization					
Own Tax revenue/GSDP	10.1	11.3	10.8	10.2	10.2
Own Non-Tax Revenue/GSDP	2.1	2.0	1.4	1.2	1.1
Central Transfers/GSDP	4.3	4.9	4.9	4.6	5.1
II Expenditure Management					
Total Expenditure/GSDP	18.6	20.6	19.5	19.3	20.3
Total Expenditure/Revenue Receipts	112.56	112.63	113.68	120.72	123.39
Revenue Expenditure/Total Expenditure	82.08	78.98	79.89	79.71	78.37
Expenditure on Social Services/Total Expenditure	29.70	29.66	33.92	35.59	37.22
Expenditure on Economic Services/Total Expenditure	36.84	45.82	37.99	35.46	36.84
Capital Expenditure/Total Expenditure	17.92	21.02	20.11	20.29	21.63
Capital Expenditure on Social and Economic Services/Total Expenditure.	17.24	20.26	19.38	19.37	20.81
III Management of Fiscal Imbalances					
Revenue deficit (surplus)/GSDP	1.26	2.02	1.57	0.60	0.54
Fiscal deficit/GSDP	2.01	2.28	2.22	3.22	3.64
Primary Deficit (surplus) /GSDP	0.04	0.22	0.34	1.55	1.90
Revenue Deficit/Fiscal Deficit	---	---	---	---	---
Primary Revenue Balance/GSDP	3.4	4.1	3.6	2.4	2.5
IV Management of Fiscal Liabilities					
Fiscal Liabilities/GSDP	28.42	28.03	25.05	26.43	27.97
Fiscal Liabilities/RR	172.10	153.46	146.15	165.28	169.83
Primary deficit vis-à-vis quantum spread	---	-0.08	-0.20	---	1.94
Debt Redemption (Principal +Interest) / Total Debt Receipts	0.9	0.9	1.1	0.8	0.8
V Other Fiscal Health Indicators					
Return on Investment (Rupees in crore)	16.9	19.5	23.4	40.2	29.5
Balance from Current Revenue (Rs in crore)	5,483	9,415	8,593	8,523	9,468
Financial Assets/Liabilities	0.8	0.9	1.0	1.0	1.0

Figures in brackets represent percentages (rounded) to total of each sub-heading
@ GSDP figures communicated by the Government adopted.

APPENDIX 1.6

SUMMARISED FINANCIAL POSITION OF THE GOVERNMENT OF KARNATAKA
AS ON 31 MARCH, 2010

(REFERENCE: PARAGRAPH 1.10.1; PAGE 35)

				(₹ in Crore)
As on 31.3.2009		Liabilities		As on 31.3.2010
39,995.86		Internal Debt *		45,468.00
	18,571.99	Market Loans bearing interest	23,525.76	
	1.36	Market Loans not bearing interest	1.42	
	609.09	Loans from Life Insurance Corporation of India	446.75	
	1,462.91	Loans from other Institutions	1,896.56	
	19,350.51	Loans from RBI – Spl. Securities issued to National Small Savings fund of the Central Government.	19,597.51	
9,691.81		Loans and Advances from Central Government -		9,902.20
	0.07	Pre 1984-85 Loans	0.07	
	98.92	Non-Plan Loans	92.62	
	9,407.29	Loans for State Plan Schemes	9,639.38	
	29.16	Loans for Central Plan Schemes	25.48	
	156.37	Loans for Centrally Sponsored Plan Schemes	144.65	
77.90		Contingency Fund		80.00
9,709.55		Small Savings, Provident Funds, etc.		11,177.06
7,053.46		Reserve Funds		10,254.03
5,752.41		Deposits		7,660.97
3,957.65		Suspense and Miscellaneous balances		4,495.66
76,238.64		Total		89,037.92
		Assets		
63,023.27		Gross Capital Outlay on Fixed Assets -		75,159.96
	26,670.72	Investments in shares of Companies, Corporations, etc.	32,481.93	
	36,352.55	Other Capital Outlay	42,678.03	
7,620.19		Loans and Advances -		8,046.42
	1,728.48	Loans for Power Projects	1,217.29	
	5,891.28	Other Development Loans	6,827.14	
	0.43	Loans to Government servants and Miscellaneous Loans	1.99	
362.56		Remittances		399.03
10.95		Other Advances		10.17
7,819.85		Cash -		9,773.51
	---	Cash in treasuries	---	
	6.08	Departmental Cash Balance including permanent Advances	10.77	
	(-) 358.46	Deposits with Reserve Bank of India	(-) 107.69	
	0.01	Remittances in Transit	0.01	
	7,519.31	Cash Balance Investments	8,889.98	
	652.91	Investment from earmarked funds	980.44	
-2,598.18		Surplus on Government Accounts		(-) 4,351.17
	(-) 719.27	Accumulated Surplus	(-) 2,598.18	
	(-) 1,631.38	Deduct Revenue Surplus	(-) 1,618.78	
	(-) 66.39	Deduct Other adjustments	(-) 64.42	
	(-) 181.14	Deduct Capital Receipts	(-) 69.79	
76,238.64		Total		89,037.92

* The liabilities shown above do not include off budget borrowings.

Explanatory Notes for Appendices 1.3 and 1.6

The abridged accounts in the foregoing statements have to be read with comments and explanations in the Finance Accounts. Government accounts being mainly on cash basis, the surplus on Government account, as shown in Appendix 1.6, indicates the position on cash basis, as opposed to accrual basis in commercial accounting. Consequently, items payable or receivable or items like depreciation or variation in stock figures, etc., do not figure in the accounts. Suspense and Miscellaneous balances include cheques issued but not paid, payments made on behalf of the State and other pending settlements, etc. There was a difference of ₹ 21.61 crore (Net credit) between the figures reflected in the Accounts and that intimated by the Reserve Bank of India under “Deposits with Reserve Bank”. A net difference to the extent of ₹ 0.81 crore (Net credit) had been reconciled (June 2010) leaving a balance of net credit of ₹ 20.80 crore which was under reconciliation.

APPENDIX 1.7

FINANCIAL POSITION OF DEPARTMENTALLY MANAGED COMMERCIAL /
QUASI COMMERCIAL UNDERTAKINGS

(REFERENCE: PARAGRAPH 1.9.3, PAGE 32)

(₹ in crore)

Undertaking	Year upto which proforma accounts finalised	Mean capital	Total loss
Government Silk Factory, Mamballi	2007-08	3.02	1.43
Government Silk Twisting and Weaving Factory, Mudigundam	2007-08	1.41	0.50
Government Silk Factory, Chamarajanagar	2007-08	2.84	1.14
Government Silk Factory, Santhemarahalli	2007-08	2.77	1.20
Government Silk Factory, Kollegal	2007-08	2.25	1.41
Government Central workshop, Madikeri	2007-08	0.07	0.14
Total		12.36	5.82

APPENDIX 2.1
MAJOR HEADS OF ACCOUNT
UNDER WHICH PROVISION OF MORE THAN 25 CRORE REMAINED UNSPENT
(REFERENCE PARAGRAPH 2.3.1; PAGE 59)

(₹ in crore)								
Sl. No.	Grant No.	Major Head	Area	Unspent provision				
1	2	3	4	5				
1	01	2401	Crop Husbandry					
			-Crop Insurance					
			-Subsidy for Crop Loan	210.00				
				2401	Crop Husbandry			
					- Other Expenditure			
					- Agriculture Department	129.51		
				2401	Crop Husbandry			
					- Other Expenditure			
					- Horticulture Department	32.50		
				2402	Soil and Water Conservation			
-Assistance to Grama Panchayats								
-Grama Panchayats – CSS/CPS	26.49							
		2402	Soil and Water Conservation					
			-Other expenditure					
			-Rastriya Krishi Vikasa Yojana – Watershed	30.00				
		2415	Agricultural Research and Education					
			- General					
			-Research					
		2415	-UAS Bangalore	26.30				
			2	02	2404	Dairy Development		
						-Assistance to Co-operatives and Other Bodies		
-Karnataka Milk Producer's Co-operative Federation Limited	63.93							
3	03	2070	Other Administrative Services					
			-Other expenditure					
			-Filling up of Vacant Posts (District Sector)	400.00				
				2070	Other Administrative Services			
					-Other expenditure			
					-Additional Provision for Salaries	600.00		
				2071	Pensions and Other Retirement Benefits			
					-Civil			
					-Commuted value of Pensions			
				2071	-Other Pensions	78.95		
						2071	Pensions and Other Retirement Benefits	
							-Civil	
		-Gratuities						
		2071	-Other Gratuities - Karnataka	27.26				
				2071	Pensions and Other Retirement Benefits			
					-Civil			
-Family Pensions								
		2071	-Other family Pensions -Karnataka	144.20				
				2071	Pensions and Other Retirement Benefits			
					-Civil			
-Pension of Employees of Local Bodies								
		2071	-Payment to Municipal Employees	32.63				
				2071	Pensions and Other Retirement Benefits			
					-Civil			
-Leave Encashment Benefits								
		2071	-Social Services	26.09				
				2071	Pensions and Other Retirement Benefits			
					-Civil			
-Government contribution to Defined Contributions Pension Scheme								
		2071	-State's Matching contribution to Pension Scheme	174.95				

Sl. No.	Grant No.	Major Head	Area	Unspent provision
1	2	3	4	5
4	07	2059	Public Works -General -Maintenance and Repairs -Maintenance Grants from XII Finance Commission	61.19
		2215	Water Supply and Sanitation -Water Supply -Assistance to Grama Panchayats -Grama Panchayats	33.27
			Water Supply and Sanitation -Water Supply -Assistance to Grama Panchayats -Grama Panchayats-CSS/CPS	37.09
		2515	Other Rural Development Programmes - Assistance to Grama Panchayats - Grama Panchayats	57.10
		3054	Roads and Bridges -General -Assistance to Zilla Panchayats -Zilla Panchayats	173.73
		4215	Capital Outlay on Water Supply and Sanitation -Water supply -Rural Water Supply -Capital Release to Grama Panchayats	406.94
		4515	Capital Outlay on other Rural Development Programme -Rural Development -Karnataka Rural Poverty and Panchayat Project (Gramma Swaraj)	45.00
		5054	Capital outlay on Roads and Bridges -District and other roads -Other expenditure -NABARD Assisted Works	34.29
5	09	2425	Co-operation -Assistance to Credit Co-operatives -General	103.92
6	10	2225	Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes -Welfare of Scheduled Castes - Assistance to Taluk Panchayats -Taluk Panchayats CSS/CPS	38.71
			Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes -Welfare of Scheduled Tribes - Housing -Tribal Sub-Plan – Pooled-Fund	50.00
			Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes -Welfare of Backward Classes -Assistance to Public Sector and Other Undertakings -Assistance to Workers in Traditional Occupation	35.00
7	11	2235	Social Security and Welfare -Social Welfare -Child Welfare -Bhagya Lakshmi	125.00
8	16	2216	Housing -Rural Housing -Other expenditure -Ashraya - SDP	60.00
			Housing -General -Assistance to Gramma Panchayats -Gramma Panchayatas	60.02

Sl. No.	Grant No.	Major Head	Area	Unspent provision
1	2	3	4	5
9	17	2058	Stationery and Printing -Purchase and supply of Stationery Stores -Stationery Depots	26.58
		2202	General Education -Elementary Education -Assistance to Zilla Panchayats -Akshara Dasoha Scheme	161.75
			General Education -Secondary Education -Govt. Secondary Schools -Junior Colleges	54.19
			General Education -Secondary Education -Government Secondary Schools -Assistance to GIA High Schools and Junior colleges for providing Computer Education	25.00
			General Education -General -Other expenditure -Other Schemes	64.27
			General Education -General -Other expenditure -Computer Literacy-Awareness in Secondary School	60.73
10	18	2851	Village and Small Industries -Small Scale Industries -Interest Waiver Package for Small Loanees of KSFC	28.70
			Village and Small Industries -Sericulture Industries -State Sericulture Industries	29.99
		2852	Industries -Consumer Industries -Sugar -Special Package to Sugarcane Growers and Sugar Industries	27.26
		3475	Other General Economic Services -Transfers to Reserve Fund and Deposit Accounts -Transfers of Cess to the Infrastructure Initiative Fund	364.49
11	19	2217	Urban Development -Other Urban Development Schemes -Assistance to Local Bodies, Corporations, Urban Development Authorities, Town Improvement Boards, etc -Bangalore Metropolitan Regional Development Authority	577.40
			Urban Development -General -Other expenditure -Basic Urban Service Programme – Urban Infrastructure	78.39
			Urban Development -General -Other expenditure - Sub-Mission for Basic Services for Urban Poor	54.66
			Urban Development -General -Other expenditure -Urban infrastructure Development Scheme for small and medium town (UIDSSMT)	84.45
		3604	Compensation and Assignment to Local Bodies and Panchayat Raj Institutions -Assistance to Municipalities / Municipal Councils -Devolution to Municipalities	208.44

Sl. No.	Grant No.	Major Head	Area	Unspent provision
1	2	3	4	5
			Compensation and Assignment to Local Bodies and Panchayat Raj Institutions -Assistance to Municipalities/ Municipal Council -Developmental works in Urban Local Bodies	100.01
			Compensation and Assignment to Local Bodies and Panchayat Raj Institutions -Assistance to Nagara Panchayaths / Notified Area Committees -Devolution for Nagara Panchayaths/Notified Area Committees	67.45
		4217	Capital outlay on Urban Development -Other Urban Development Schemes -Other expenditure -Equity in BMRCL	139.57
		6215	Loans for Water Supply and Sanitation Water Supply Loans to Public Sector and Other Undertakings Bangalore Water Supply and Sewerage Board	97.42
12	20	2059	Public Works -General -Suspense	116.74
		3054	Roads and Bridges -District and other roads -Road Works -Rural Road Works	29.90
		4216	Capital Outlay on Housing -Government Residential Buildings -Other Housing -Construction	34.78
		5054	Capital Outlay on Roads and Bridges -State Highways -Road Works -Development of State Highways - EAP	282.62
			Capital Outlay on Roads and Bridges -Other expenditure -Karnataka Road Fund	500.00
13	21	4701	Capital Outlay on Major and Medium Irrigation -Medium Irrigation - Commercial -Karnataka Neeravari Nigam Limited -Accelerated Irrigation Benefit Programme (AIBP)	341.76
			Capital Outlay on Major and Medium Irrigation -General -Investment in Public Sector and Other Undertakings -Krishna Bhagya Jala Nigam Ltd.	232.28
		4702	Capital Outlay on Minor Irrigation -Surface Water -Water Tanks-Construction of New Tanks, Pick ups, etc.	80.81
			Capital Outlay on Minor Irrigation Surface Water World Bank Aided Tank Irrigation Projects	175.00
			Capital Outlay on Minor Irrigation -Surface Water -Barrages	33.50
14	22	2210	Medical and Public Health -Urban Health Services-Allopathy -Hospitals and Dispensaries -Hospitals Attached to Teaching Institutions	26.72
		4210	Capital Outlay on Medical and Public Health -Urban Health Services -Hospitals and Dispensaries -Buildings	43.26

Sl. No.	Grant No.	Major Head	Area	Unspent provision
1	2	3	4	5
15	24	2801	Power -General -Other Expenditure -Accelerated Power Development Project	25.68
		4801	Capital Outlay on Power Projects -Hydel Generation -Other Expenditure -Power infrastructure improvement (Dr. Nanjundappa Report)	175.00
16	26	2575	Other Special Area Programmes -Others -Special Area Programme -Legislators Constituency Development Fund	103.86
		4575	Capital Outlay on Other Special Area Programmes -Other -Other Expenditure -Legislator's Constituency Development Fund	100.00
17	29	2049	Interest Payments -Interest on Internal Debt -Interest on Special Securities issued to National Small Savings Fund of the Central Government by State Government -Interest on Special Securities issued to NSSF of the Central Government by the State Government	250.20
			Interest Payments -Interest on Internal Debt -Interest on other Internal Debts - Interest on other Loans	37.85
			Interest Payments -Interest on Small Savings, Provident Funds, etc -Interest on Insurance and Pension Fund -State Government Insurance Funds	47.91
			Interest Payments -Interest on Loans and Advances from Central Government -Interest on Loans for State/Union Territory Plan Schemes	152.76
		6003	Internal Debt of the State Government -Ways and Means Advances from the Reserve Bank of India -Clean and Secured Ways and Means Advances	1,000.00
			Internal Debt of the State Government -Ways and Means Advances from the Reserve Bank of India -Over-draft with the Reserve Bank of India	350.00
		6004	Loans and Advances from the Central Government -Loans for State / Union Territory Plan Schemes -Block Loans -Normal Assistance	38.61
			Total	9,754.06

APPENDIX 2.2

UNSPENT PROVISION DUE TO NON/SHORT/ LATE RELEASE OF FUNDS AND
NON/LATE RECEIPT OF SANCTIONS FROM GOVERNMENT

(REFERENCE: PARAGRAPH 2.3.2; PAGE 60)

(₹ in crore)

Sl. No.	Grant	Head of account	Unspent provision
1	01 –Agriculture and Horticulture	2401-105-01- Soil Health Centres -Subsidiary expenses	4.27
2		2401-109-80 Project for Agriculture training of farm women and youth with DANIDA Assistance-EAP-Subsidiary Expenses	3.15
3		2401-114-01-Oilseeds Production Programme Subsidies	6.86
4		2401-800-1-Other expenditure –Agriculture Department –Tribal Sub-Plan	3.74
5		2401-800-1- Other expenditure –Agriculture Department – Special Development Plan	1.14
6		2402-198-6-Grama Panchayat –CSS/CPS-Block Grants	26.49
7		2402-800-02- Other expenditure – Development of Saline and Alkaline Water Logged Areas –Other expenses	14.00
8		2402-800-07-Recharge of Open well – Strengthening of Watershed Training Centre - Other Expenses	3.06
9		2402-800-08-Construction of Water harvesting structures – Other Expenses	4.79
10		2402-800-10-Rejuvenation of Dried up Open Wells – Special Development Plan	19.47
11		2402-800-80-Sujala Watershed Project -III-EAP-Major works	10.00
12		2402-800-81- Sujala Watershed Project -IV-EAP-Major works	7.00
13		4401-001-1-Direction and Administration – Agriculture Department -State Plan Schemes –Major works	1.00
14		4402-800-01-RIDF Assisted Watershed Development -NABARD Works	10.00
15		02- Animal Husbandry and Fisheries	2403-102-2- Cattle and Buffalo Development - Animal Husbandry Department - Goshalas at Taluk level with Private Partnership –Other Expenses
16	2403-107-06- Fodder and feed Development –Enrichment of Fodder Demonstration Programme –Grant-in-aid		1.01
17	2403-800-36- Other Expenditure-Animal Insurance		1.50
18	2404-191-1- Assistance to Co-operatives and Other Bodies-Karnataka Milk Producers Co-operative Federation Limited –Other Expenses		25.02
19	2404-191-1- Assistance to Co-operatives and Other Bodies-Karnataka Milk Producers Co-operative Federation Limited – Special Component Plan		2.47
20	2405-103-06- Marine Fisheries – Remission of Central Excise Duty on HSD used by Mechanical Fish Craft- Financial Assistance/Relief		2.00
21	4403-101-02-Veterinary Services and Animal Health - Construction of Dispensaries under RIDF –NABARD Work		2.84
22	4403-101-06- Veterinary Services and Animal Health - Major Works		2.05
23	4403-101-08-Veterinary Services and Animal Health – Dairy Science College, Gulbarga- Special Development Plan		1.06
24	05 – Home and Transport		2056-800-07-Other Expenditure – Rehabilitation Centre for Prisoners – Other Expenses
25		2056-800-08 - Other Expenditure – Video Conferencing Facility in Jails - Construction	2.00
26		2055-109-1 – District Police – Police Force - Creation of Special Police Stations in connection with prohibition of Arrack and Lotteries in the State - Other Expenses	1.15
27	07 – Rural Development and Panchayat Raj	2402-800-04 – Other Expenditure - PM’s Relief Package, Participatory Watershed Project – Other Expenses	4.12
28	08- Forest, Ecology and Environment	2406-02-110-02-Environmental Forestry and Wild Life –Wild Life Preservation -Central Sector Scheme of Project Tiger, Bandipur -Major Works	2.52

29	09-Co-operation	2425-107-2 – Assistance to Credit Co-operatives – General –Interest Subvention for Loans to S.H.G.-Subsidies	1.43
30		6425-108-3 – Loans to other Co-operatives-Other Societies-Loans to COMARK-Loans	5.00
31		6425-800-02 – Other Loans-Karnataka State Arecanut Co-operative Marketing Board-Loans	3.00
32	15- Information, Technology	3451-090-2-Secretariat – Information Technology Secretariat - Institute of Bio Informatics and Applied Bio Technology (IBAB)-Financial Assistance / Relief	4.00
33	19-Urban Development	3604-192-01-Assistance to Municipalities\Municipal Councils-Devolution to Municipalities- Special Component Plan	16.68
34		3604-192-01-Assistance to Municipalities\Municipal Councils-Devolution to Municipalities- Tribal Sub-plan	26.78
35		3604-192-07-Assistance to Municipalities\Municipal Councils-Development works in Urban Local Bodies-Financial Assistance / Relief	15.01
36		3604-193-01- Assistance to Nagara Panchayaths/Notified Area Committees- Devolution of Nagarapanchayaths/Notified Area Committees-Special Component Plan	4.91
37		3604-193-01- Assistance to Nagara Panchayaths/Notified Area Committees- Devolution of Nagarapanchayaths/Notified Area Committees – Tribal Sub-plan	11.01
38	26-Planning, Statistics, Science and Technology	3454-02-204- Surveys and Statistics-Central Statistical Organisation-India Statistical Strengthening Project	2.00
Total			255.65

APPENDIX 2.3

**MAJOR HEADS OF ACCOUNT UNDER WHICH EXCESS EXPENDITURE WAS ABOVE ₹ 25 CRORE
(REFERENCE: PARAGRAPH 2.3.4; PAGE 60)**

(₹ in crore)

Sl. No.	Grant No.	Major Head	Area	Total Provision	Expenditure	Excess
1	05	2055	Police -District Police -Police Force	824.07	869.28	45.21
2	08	2406	Forestry and Wild life -Forestry -Transfer to Reserve Fund and Deposit Accounts -Transfer of Forest Development Tax to Karnataka Forest Development fund	11.00	271.47	260.47
3	14	2245	Relief on Account of Natural Calamities -Drought -Drinking water supply	70.61	113.24	42.63
			Relief on Account of Natural Calamities - Calamities Relief Fund -Transfer to Reserve Fund and Deposit Accounts –Calamity Relief Fund -Central Share to Calamity Relief Fund -Inter Account Transfers	104.52	1,698.88	1,594.36
4	16	2216	Housing -Rural Housing -Provision of House sites for Landless -House Sites for Landless	75.00	157.79	82.79
5	17	2202	General Education -Elementary Education -Assistance to Zilla Panchayats -Zilla Panchayat	204.77	334.72	129.95
6	20	3051	Ports and Light Houses -Minor Ports -Transfer to Port Development Fund -Transfer of Receipt under Ports, Light Houses and Shipping	1.25	29.09	27.84
7	20	5054	Capital Outlay on Roads and Bridges -State Highways -Road Works -Other Road Formation	591.46	757.37	165.91
			Capital Outlay on Roads and Bridges -District and Other Roads -Other Expenditure -NABARD Assisted Works	257.52	379.68	122.16
8	21	2049	Interest Payments -Interest on Internal Debt -Interest on Market Loans -Interest on Current Loans	1,450.67	1,522.91	72.24
			Interest Payments -Interest on Internal Debt -Interest on other Internal Debt -Interest on Loan from LIC of India	135.06	163.34	28.28
			Total	3,725.93	6,297.77	2,571.84

APPENDIX 2.4

PERSISTENT EXCESS EXPENDITURE OVER PROVISION
(REF:PARAGRAPH 2.3.5; PAGE 61)

(₹ in crore)

Sl. No.	Grant & Head of account	2005-06			2006-07			2007-08			2008-09			2009-10		
		Provision	Expenditure	Excess	Provision	Expenditure	Excess	Provision	Expenditure	Excess	Provision	Expenditure	Excess	Provision	Expenditure	Excess
1	08-Forest, Ecology and Environment 2406-01-797-01 Transfer of Forest Development Tax to Karnataka Forest Development Fund	7.00	9.70	2.70	8.00	10.16	2.16	8.00	11.43	3.43	10.50	11.89	1.39	11.00	271.47	260.47
2	14 – Revenue 2029-101-1 Bangalore Division	90.17	98.06	7.89	94.79	98.48	3.69	122.97	126.95	3.98	108.70	124.44	15.74	134.80	143.30	8.50
3	20 – Public Works 2059-80-001-01 Chief Engineer (C&B South, Bangalore)	2.71	4.27	1.56	3.10	4.60	1.50	3.23	5.23	2.00	3.98	5.94	1.96	3.64	6.15	2.51
4	2059-80-001-02 Chief Engineer (C&B North, Dharwad)	1.70	2.26	0.56	1.91	2.30	0.39	2.27	2.81	0.54	2.62	3.49	0.87	2.47	3.94	1.47
5	2059-80-001-02 Supervision (C&B South)	4.49	5.47	0.98	5.09	5.52	0.43	6.10	7.02	0.92	8.25	8.68	0.43	7.00	9.53	2.53
6	4701-01-359-1 -Direction and Administration	0.88	1.60	0.72	0.78	3.08	2.30	0.96	3.86	2.92	1.05	1.55	2.50	1.10	4.41	3.31

APPENDIX 2.5
EXPENDITURE INCURRED WITHOUT PROVISION DURING 2009-10
(REFERENCE: PARAGRAPH 2.3.6; PAGE 61)

				(₹ in crore)
Sl. No.	Grant	Head of Account	Expenditure	Reasons
1	01	2401-00-001-1-01-021 - Reimbursement of Medical Expenses	0.29	On account of introduction of new object head to capture the data on reimbursement of medical expenses as per the recommendation of the pay commission.
2	01	2401-00-001-2-01-021 - Reimbursement of Medical Expenses	0.11	
3	01	2401-00-001-0-01-021 - Reimbursement of Medical Expenses	0.30	
4	03	2040-00-101-0-00-021 - Reimbursement of Medical Expenses	0.70	
5	03	2235-60-110-1-00-021 - Reimbursement of Medical Expenses	0.12	
6	04	2014-00-102-0-01-021 - Reimbursement of Medical Expenses	0.19	
7	04	2014-00-102-0-02-021 - Reimbursement of Medical Expenses	0.29	
8	04	2015-00-102-0-01-021 - Reimbursement of Medical Expenses	0.15	
9	04	2052-00-090-0-01-021 - Reimbursement of Medical Expenses	0.83	
10	04	2070-00-115-1-01-021 - Reimbursement of Medical Expenses	0.14	
11	04	3451-00-090-1-01-021 - Reimbursement of Medical Expenses	0.42	
12	05	2055-00-001-0-01-021 - Reimbursement of Medical Expenses	0.37	
13	05	2055-00-003-0-01-021 - Reimbursement of Medical Expenses	0.33	
14	05	2055-00-101-0-01-021 - Reimbursement of Medical Expenses	0.60	
15	05	2055-00-101-0-03-021 - Reimbursement of Medical Expenses	0.71	
16	05	2055-00-111-0-00-021 - Reimbursement of Medical Expenses	0.21	
17	05	2070-00-108-1-01-021 - Reimbursement of Medical Expenses	0.27	
18	08	2401-01-001-2-01-021 - Reimbursement of Medical Expenses	0.12	
19	08	2406-01-001-2-01-021 - Reimbursement of Medical Expenses	0.41	
20	09	2425-00-001-0-01-021 - Reimbursement of Medical Expenses	0.22	
21	09	2425-00-101-0-01-021 - Reimbursement of Medical Expenses	0.24	
22	09	3475-00-107-0-02-021 - Reimbursement of Medical Expenses	0.24	
23	10	2225-01-800-0-03-021 - Reimbursement of Medical Expenses	0.13	
24	13	2408-01-001-0-01-021 - Reimbursement of Medical Expenses	0.28	
25	14	2029-00-101-1-01-021 - Reimbursement of Medical Expenses	0.48	
26	14	2030-03-001-1-00-021 - Reimbursement of Medical Expenses	0.23	
27	14	2053-00-093-1-01-021 - Reimbursement of Medical Expenses	0.30	

28	14	2053-00-094-1-01-021- Reimbursement of Medical Expenses	0.17	On account of introduction of new object head to capture the data on reimbursement of medical expenses as per the recommendation of the pay commission.	
29	14	2053-00-094-7-01-021- Reimbursement of Medical Expenses	1.00		
30	17	2058-00-103-0-01-021- Reimbursement of Medical Expenses	0.30		
31	17	2202-02-001-0-01-021- Reimbursement of Medical Expenses	0.13		
32	17	2202-02-001-0-13-021- Reimbursement of Medical Expenses	0.69		
33	17	2202-02-109-0-13-021- Reimbursement of Medical Expenses	0.19		
34	17	2202-03-103-2-01-021- Reimbursement of Medical Expenses	0.47		
35	17	2202-80-800-0-19-021- Reimbursement of Medical Expenses	0.16		
36	17	2203-00-105-0-01-021- Reimbursement of Medical Expenses	0.20		
37	18	2851-00-107-1-01-021- Reimbursement of Medical Expenses	0.35		
38	20	2059-80-001-0-04-021- Reimbursement of Medical Expenses	0.12		
39	20	2059-80-001-0-05-021- Reimbursement of Medical Expenses	0.81		
40	20	2059-80-001-0-09-021- Reimbursement of Medical Expenses	0.46		
41	20	3054-01-337-1-01-021- Reimbursement of Medical Expenses	0.14		
42	22	2210-01-110-1-22-021- Reimbursement of Medical Expenses	0.43		
43	22	2210-01-110-2-39-021- Reimbursement of Medical Expenses	0.16		
44	22	2210-03-110-0-01-021- Reimbursement of Medical Expenses	0.19		
45	23	2210-01-102-0-01-021- Reimbursement of Medical Expenses	0.26		
46	23	2230-01-101-0-01-021- Reimbursement of Medical Expenses	0.11		
47	23	2230-03-101-0-01-021- Reimbursement of Medical Expenses	0.15		
48	26	3454-02-204-0-01-021- Reimbursement of Medical Expenses	0.11		
49	27	2014-00-114-0-02-021- Reimbursement of Medical Expenses	0.13		
50	27	2014-00-116-1-00-021- Reimbursement of Medical Expenses	0.15		
51	28	2011-02-103-1-01-021- Reimbursement of Medical Expenses	0.16		
52	28	2011-02-103-2-01-021- Reimbursement of Medical Expenses	0.11		
		Total	15.83		
53	01	2401-01-800-0-08-059-	0.11		Recovery of forest advances paid by the departmental officers
54	07	2501-05-101-0-02-139-	0.15		
55	18	2852-08-202-1-01-243-	0.15		
56	21	2702-80-196-1-02-452-	0.25		
57	21	2702-80-196-1-02-453-	0.71		
		Total	1.37		
		Grand Total	17.20		

APPENDIX 2.6
EXCESS EXPENDITURE OVER PROVISION REQUIRING REGULARISATION
(REFERENCE: PARAGRAPH 2.3.7; PAGE 61)

(₹ in crore)

Year	Number of grants/ Appropriation	Grant/Appropriation numbers	Amount of excess required to be regularised as commented in the Appropriation Accounts/Audit Reports	Actual excess	Remarks
1989-90	12/5	7,8,10,24,27,46,47,49,53,20,35,56, 23,45,12, Interest payments	25.89	25.89	
1990-91	13/4	6,7,10,13,20,32,45,46,47,52,27,33, 35,47,4	35.73	35.68	Excess reduced on account of reconciliation of expenditure
1991-92	13/3	7,11,14,22,23,36,45,46,47,51,57,27,24,41, 43	58.99	58.47	Excess reduced on account of reconciliation of expenditure
1992-93	12/3	6,9,27,32,34,41,43,44,45,46,50,52, 25,33, 34,48	107.47	107.47	
1993-94	7/3	22,36,46,49,54,13,29,49,24,43, Internal debt, Loans and advances from Central Government and Inter State Settlements	57.47	57.47	
1994-95	4/6	21,35,3,48,15,24,46,47,55	8.35	7.95	Due to erroneous budget provision
1995-96	9/2	2,33,39,43,45,49,1,46,52,21,44	27.79	27.79	
1996-97	9/3	2,16,33,43,49,51,8,24,25,45,1,21,43,44	104.40	104.40	
1997-98	11	12,33,37,39,43,49,51,24,27,32,55	84.01	84.01	
1998-99	12	9,17,33,37,39,40,4,25,46,43,52	35.86	34.74	Excess reduced on account of reconciliation of expenditure
1999-00	11/2	10, 16, 19, 33, 34, 39, 48, 49, 65, 66, 8, 43.	333.22	333.22	
2000-01	11	5, 15, 24, 35, 38, 49, 7, 10, 42, 30, 44	114.46	114.46	
2001-02	10	5, 10, 13, 15, 24, 30, 35, 42, 44, 50	112.64	112.64	
2002-03	3/5	53,13,60,15,30,44,55,44	1,090.49	1,090.49	
2003-04	6/1	14,16,27,24,8,20,29	2,817.82	2,811.36	Reduction of ₹ 6.46 crore is the net result of increase of ₹ 0.04 crore due to reconciliation and decrease of ₹ 6.50 crore due to rectification of misclassification.
2004-05	5/1	8,17,18,20,24,29	1,919.02	2,204.68	Excess increased due to proforma correction of ₹ 285.66 crore under Grant 24 on account of book adjustments relating to power subsidy for 2004-05, not shown in the annual accounts 2004-05.
2005-06	4/1	3,14,18,24,25	809.02	809.02	
2006-07	4/1	8,14,15,18,24	483.45	483.45	
2007-08	2/2	4,8,27	5.15	5.15	
2008-09	1/1	8,14	65.85	65.85	
Total			8,297.08	8,574.19	

APPENDIX 2.7

**CASES OF NEW SERVICE/NEW INSTRUMENT OF SERVICE
(REFERENCE: PARAGRAPH 2.3.9; PAGE 62)**

(₹ in crore)

Sl. No.	Grant	Head of account		Budget Provision	Expenditure	Excess
(1)	(2)	(3)		(4)	(5)	(6)
1	02- Animal Husbandry and Fisheries	2405	Fisheries			
		800	Other Expenditure			
		02	Share of Expenditure on Tungabhadra Board Fisheries Scheme			
			Other Expenses	0.60	1.92	1.32
2	03 – Finance	2071	Pension and Other Retirement Benefits			
		01	Civil			
		101	Superannuation and Retirement Allowances			
		3	State Government Pensions			
		02	Pensions paid in England			
		251	Pension and Retirement Benefits	0.02	1.75	1.73
		2071	Pensions and other Retirement Benefits			
		01	Civil			
		110	Pensions of Employees of Local Bodies			
		1	Payments to Municipal Employees			
		03	Gratuities			
		251	Pension and Retirement Benefits	0.87	5.63	4.76
		2071	Pensions and other Retirement Benefits			
		01	Civil			
		115	Leave Encashment Benefits			
		1	General Services			
		14	Administration of Justice			
		251	Pensions and Retirement Benefits	0.22	2.91	2.69
		2071	Pensions and other Retirement Benefits			
		01	Civil			
		115	Leave Encashment Benefits			
		1	General Services			
		52	Secretariat General Services			
		251	Pension and Retirement Benefits	0.22	2.11	1.89
		2071	Pensions and other Retirement Benefits			
		01	Civil			
		115	Leave Encashment Benefits			
		1	General Services			
		53	District Administration			
		251	Pension and Retirement Benefits	0.22	1.74	1.52
		2071	Pensions and other Retirement Benefits			
		01	Civil			
		115	Leave Encashment Benefits			
		1	General Services			
		59	Public Works – Roads and Bridges			
		251	Pension and Retirement Benefits	0.22	1.64	1.42
		2071	Pensions and other Retirement Benefits			
		01	Civil			
		115	Leave Encashment Benefits			
		3	Economic Services			
		01	Crop Husbandry			
		251	Pension and Retirement Benefits	0.22	1.83	1.61
3	05- Home and Transport	2055	Police			
		104	Special Police			
		01	Karnataka State Reserve Police and Karnataka Armed Reserve Police			
		021	Reimbursement of Medical Expenses	---	3.75	3.75

Sl. No.	Grant	Head of account		Budget Provision	Expenditure	Excess
(1)	(2)	(3)		(4)	(5)	(6)
		2055	Police			
		108	State Headquarters Police			
		01	Commissioner of Police			
		021	Reimbursement of Medical Expenses	---	10.44	10.44
		2055	Police			
		109	District Police			
		1	Police Force			
		01	Police Establishment in Existing			
		021	Districts			
			Reimbursement of Medical Expenses	---	10.24	10.24
4	7-Rural Development and Panchayat Raj	2215	Water Supply and Sanitation			
		01	Water Supply			
		102	Rural Water Supply Programmes			
		7	Schemes with Bilateral Assistance			
		82	Integrated Rural Water Supply and Environmental Sanitation Project-Phase II (Danida Assisted)	---	1.11	1.11
		2515	Other Rural Development Programmes			
		197	Assistance to Taluk Panchayats			
		1	Taluk Panchayats			
		22	Development Grants			
		404	Kolar	0.75	2.68	1.93
		2515	Other Rural Development Programmes			
		197	Assistance to Taluk Panchayats			
		1	Taluk Panchayats			
		22	Development Grants			
		415	Dharwar	0.68	2.82	2.14
5	14-Revenue	2235	Social Security and Welfare			
		60	Other Social Security and Welfare Programmes			
		001	Direction and Administration			
		01	Directorate of Pension			
		003	Pay-Staff	0.18	1.23	1.05
		2245	Relief on Account of Natural			
		01	Calamities			
		104	Drought			
		100	Supply of Fodder			
			Financial Assistance / Relief	1.05	7.50	6.45
		2245	Relief on Account of Natural			
		05	Calamities			
		101	Calamity Relief fund			
		01	Transfer to Reserve Fund and Deposit			
		261	Accounts –Calamity Relief fund			
			Central Share to Calamity Relief fund			
			Inter Account Transfers	104.52	1698.88	1594.36
6	17 - Education	2202	General Education			
		01	Elementary Education			
		196	Assistance to Zilla Panchayats			
		1	Zilla Panchayats			
		01	Block Grants			
		463	Haveri	3.49	10.91	7.42
		2202	General Education			
		02	Secondary Education			
		109	Government Secondary Schools			
		13	Junior Colleges			
		003	Pay – Staff (Plan)	5.35	42.45	37.10
		2202	General Education			
		02	Secondary Education			
		109	Government Secondary Schools			

Sl. No.	Grant	Head of account	Budget Provision	Expenditure	Excess
(1)	(2)	(3)	(4)	(5)	(6)
		13 003 Junior Colleges Pay – Staff (Non-Plan)	11.89	114.54	102.65
		2202 General Education			
		03 University and Higher Education			
		103 Government Colleges and Institutes			
		2 Other Government Colleges			
		01 Other Government Colleges			
		003 Pay – Staff (Plan)	3.11	12.00	8.89
		2203 Technical Education			
		105 Polytechnics			
		01 Polytechnics			
		003 Pay – Staff (Non-Plan)	0.77	3.85	3.08
7	19 - Urban Development	6215 Loans for Water Supply and Sanitation			
		01 Water Supply			
		190 Loans to Public Sector and Other Undertakings			
		2 Bangalore Water Supply and Sewerage Board			
		87 Bangalore Water Supply and Sewerage Project – Phase II, IDP 65			
		394 Loans	--	2.58	2.58
8	20- Public Works	2059 Public Works			
		80 General			
		001 Direction and Administration			
		03 Government Architect and Other Public Works Offices			
		003 Pay-Staff	0.51	2.02	1.51
		3051 Ports and Light Houses			
		02 Minor Ports			
		797 Transfer to Port Development Fund			
		01 Transfer of Receipts under Ports, Light Houses and Shipping			
		261 Inter Account Transfers	1.25	29.09	27.84
9	21-Water Resources	4701 Major and Medium Irrigation			
		01 Major Irrigation –Commercial			
		317 Tunga Bhadra Project – Left Bank			
		1 Direction and Administration			
		04 Establishment Charges Transfer from '2701'			
		029 Establishment Charges Transferred from '2701'- Major and Medium Irrigation	---	11.24	11.24
		4701 Major and Medium Irrigation			
		01 Major Irrigation –Commercial			
		359 Bennithora Project			
		1 Direction and Administration			
		04 Add CE,s Establishment Charges Transferred from '2701'			
		029 Establishment Charges transferred from '2701'- Major and Medium Irrigation	---	3.24	3.24
10	22-Health and Family Welfare Services	2210 Medical and Public Health			
		01 Urban Health Services			
		001 Direction and Administration			
		01 Directorate of Health and Family Welfare Services (Medical Branch)			
		002 Pay Officers	0.20	4.04	3.84
		2210 Medical and Public Health			
		01 Urban Health Services			
		001 Direction and Administration			

Sl. No.	Grant	Head of account	Budget Provision	Expenditure	Excess
(1)	(2)	(3)	(4)	(5)	(6)
		01 Directorate of Health and Family Welfare Services (Medical Branch)			
		014 Other Allowances	0.35	1.38	1.03
		2210 Medical and Public Health			
		01 Urban Health Services			
		110 Hospital and Dispensaries			
		2 Major Hospitals			
		80 Secondary Level Hospitals EAP			
		051 General Expenses	0.31	2.35	2.04
		2210 Medical and Public Health			
		01 Urban Health Services			
		110 Hospital and Dispensaries			
		2 Major Hospitals			
		83 Karnataka Health Systems Project – EAP			
		051 General Expenses	-	17.84	17.84
11	27 -Law	2014 Administration of Justice			
		105 Civil and Session Courts			
		01 Establishment Charges			
		021 Reimbursement of Medical Expenses	--	1.39	1.39
		2014 Administration of Justice			
		800 Other Expenditure			
		1 EFC Grant for Up gradation of Judicial Administration			
		03 State Law Commission			
		059 Other Expenses	0.10	1.19	1.09
	Total		137.10	2,018.29	1,881.19

APPENDIX 2.8

UNNECESSARY SUPPLEMENTARY PROVISION
(REFERENCE : PARAGRAPH 2.3.10; PAGE 62)

(₹ in crore)

Sl. No.	Grant No. and Section	No. of Detailed Heads	Provision		Expenditure	Unspent Provision
			Original	Supplementary		
1	1- (Revenue Voted)	4	3.17	10.10	3.17	10.10
2	3- (Revenue Voted)	4	7.34	152.50	6.72	153.12
	3- (Revenue Charged)	1	0.00	0.05	0.00	0.05
3	8- (Revenue Voted)	2	0.00	0.10	0.00	0.10
4	10- (Revenue Voted)	1	3.36	0.30	3.36	0.30
5	14- (Revenue Voted)	10	4.62	0.47	4.27	0.82
6	17- (Revenue Voted)	9	107.01	17.48	56.58	67.91
7	18- (Revenue Voted)	15	32.36	1.83	30.64	3.55
8	21- (Capital Voted)	2	15.98	8.00	15.40	8.58
9	22- (Revenue Voted)	4	1.39	0.12	1.39	0.12
	22- (Capital Voted)	1	0.00	2.00	0.00	2.00
10	24- (Revenue Voted)	1	0.11	0.01	0.10	0.02
	Total	54	175.34	192.96	121.63	246.67

APPENDIX 2.9

EXCESSIVE SUPPLEMENTARY PROVISION
(REFERENCE: PARAGRAPH 2.3.11; PAGE 62)

(₹ in crore)

Sl. No.	Grant No. and Section	No. of detailed Heads	Provision		Expenditure	Unspent Provision
			Original	Supplementary		
1	01- (Revenue Voted)	3	20.01	31.00	31.56	19.45
2	03- (Revenue Voted)	1	2.90	2.25	4.30	0.85
	03- (Capital Voted)	1	0.00	20.00	10.00	10.00
3	08- (Revenue Voted)	4	2.14	0.90	2.52	0.52
4	09-(Revenue Voted)	3	13.33	94.11	54.26	53.18
5	10-(Revenue Voted)	5	3.87	21.48	21.98	3.37
	10-(Capital Voted)	1	5.00	10.00	7.25	7.75
6	14- (Revenue Voted)	20	416.93	128.12	525.14	19.91
	14-(Capital Voted)	1	22.00	10.00	30.67	1.33
7	17-(Revenue Voted)	5	48.56	16.14	63.01	1.69
8	18-(Revenue Voted)	6	23.98	21.66	26.82	18.82
	18-(Capital Voted)	2	50.02	25.68	68.43	7.27
9	20-(Revenue Voted)	1	0.06	1.00	0.45	0.61
	20-(Capital Voted)	1	0.00	10.00	5.72	4.28
10	21-(Revenue Voted)	3	0.02	0.69	0.49	0.22
	21-(Capital Voted)	2	28.14	11.25	39.11	0.28
11	22-(Revenue Voted)	3	10.08	13.02	18.59	4.51
	Total	62	647.04	417.30	910.30	154.04

APPENDIX 2.10

INADEQUATE SUPPLEMENTARY PROVISION
(REFERENCE: PARAGRAPH 2.3.12, PAGE 62)

(₹ in crore)

Sl. No.	Grant No. and Section	No. of detailed heads	Provision		Expenditure	Excess Uncovered
			Original	Supplementary		
1	01- (Revenue Voted)	2	5.74	2.82	11.56	3.00
2	03- (Capital Voted)	1	1.00	1.95	4.15	1.20
3	10- (Revenue Voted)	3	4.27	2.36	9.76	3.13
4	14- (Revenue Voted)	8	256.64	270.44	711.13	184.05
5	17- (Revenue Voted)	4	27.59	19.70	63.74	16.45
6	18- (Revenue Voted)	4	1.52	0.16	1.84	0.16
7	22- (Revenue Voted)	2	2.41	0.07	2.54	0.06
8	28- (Revenue Voted)	5	1.66	2.95	4.99	0.38
	Total	29	300.83	300.45	809.71	208.43

APPENDIX 2.11

INJUDICIOUS RE-APPROPRIATION OF FUNDS
(REFERENCE: PARAGRAPH 2.3.13; PAGE 63)

Sl. No.	Head of account		Provision (Original plus Supplementary)	Re-appropriation	Final Grant	Expenditure	(₹ in crore)
							Excess (+)/ unspent provision (-)
1	2425-001-01-003-	Co-operation Direction and Administration Registrar of Co-operative Societies Pay – Staff	11.53	(+) 1.98	13.51	15.63	(+) 2.12
2	2071-01-115-3-06-251-	Pensions and Other Retirement Benefits Civil Leave Encashment benefits Economic Services Forestry and Wild Life Pensions and Retirement Benefits	0.22	(+) 0.30	0.52	1.20	(+) 0.68
3	4210-01-110-1-01-139-	Capital Outlay on Medical and Public Health Urban Health Services Hospitals and Dispensaries Buildings State Plan Scheme Major Works	35.92	(+) 12.00	47.92	48.42	(+) 0.50
4	2210-05-101-1-03-011-	Medical and Public Health Medical Education Training and Research Ayurveda Education College with Attached Hospitals Dearness Allowance	1.44	(+) 0.21	1.65	2.13	(+) 0.48
5	2030-03-001-1-071-	Stamps and Registration Registration Direction and Administration Inspector General of Stamps and Registration Building Expenses	2.24	(+) 1.00	3.24	3.70	(+) 0.46
6	2204-102-1-01-051-	Sports and Youth Services Youth Welfare Programmes for Students National Cadet Corps National Cadet Corps General Expenses	3.86	(+) 1.30	5.16	5.49	(+) 0.33
			55.21	(+) 16.79	72.00	76.57	(+) 4.57
7	2245-02-110-01-100-	Relief on accounts of Natural Calamities Floods, Cyclones, etc Assistance for Repairs and Restoration of Damaged Water Supply and Sewerage Works Flood Relief – Repairs of Flood damages and Rescue Financial Assistance/Relief	2,533.50	(-) 8.05	2,525.45	1,701.18	(-) 824.27

Sl. No.	Head of account		Provision (Original plus Supplementary)	Re-appropriation	Final Grant	Expenditure	Excess (+)/ unspent provision (-)
8	2070- 800- 11- 14-	Other Administrative Services Other Expenditure Filling of Vacant posts (District Sector) Reimbursement of Medical Expenses	400.00	(-) 150.00	250.00	---	(-) 250.00
9	2071- 01- 105 3- 251-	Pensions and Other Retirement Benefits Civil Family Pensions Other Family Pensions Pension and Retirement Benefits	610.00	(-) 0.30	609.70	465.80	(-) 143.90
10	4701- 80- 190- 4- 240-	Capital outlay on Major and Medium Irrigation General Investment in Public Sector and Other Undertakings Karnataka Neeravari Nigama Ltd. Debt Servicing	218.04	(-) 8.76	209.28	151.29	(-) 57.99
11	2202- 02- 109- 14- 059-	General Education Secondary Education Government Secondary Schools Assistance to GIA High Schools and Junior Colleges for providing Computer Education Other Expenses	25.00	(-) 5.00	20.00	0.01	(-) 19.99
12	2851- 102- 68- 100-	Village and Small Industries Small Scale Industries Resource Support to KSFC Financial Assistance / Relief	48.47	(-) 3.88	44.59	28.97	(-) 15.62
13	2030- 03- 001- 2- 04- 051-	Stamps and Registration Registration Direction and Administration Up-gradation of Standards of Administration Charges of supply of Registered Documents General Expenses	39.52	(-) 1.00	38.52	27.82	(-)10.70
14	4702- 101- 5- 01- 423-	Capital outlay on Minor Irrigation Surface Water Barrages Construction of Barrages Tribal Sub Plan	18.71	(-) 0.77	17.94	8.80	(-) 9.14
15	2202- 03- 800- 9- 101-	General Education University and Higher Education Other Expenditure Karnataka Knowledge Commission Grant- in-Aid	15.00	(-) 1.95	13.05	5.05	(-) 8.00
16	4210- 01- 110-	Capital outlay on Medical and Public Health Urban Health Services Hospitals and Dispensaries					

Sl. No.	Head of account	Provision (Original plus Supplementary)	Re-appropriation	Final Grant	Expenditure	Excess (+)/ unspent provision (-)
	7- Capital Release to Zilla Panchayats					
	03- Establishment of Super Speciality Health Complex					
	139- Major Works	10.00	(-) 2.00	8.00	---	(-) 8.00
17	4059- Capital outlay on Public Works					
	80- General					
	051- Construction					
	38- Construction of High Court Circuit Bench at Dharwad and Gulbarga					
	386- Construction	42.00	(-) 10.00	32.00	25.00	(-) 7.00
18	2040- Taxes on Sales, Trade, etc.					
	001- Direction and Administration					
	01- Commissioner for Commercial Taxes					
	125- Modernization	18.40	(-)0.03	18.37	12.09	(-) 6.28
19	2245- Relief on account of Natural Calamities					
	01- Drought					
	800- Other Expenditure					
	1- Other Miscellaneous Items of Relief Expenditure					
	01- Employment Generation					
	100- Financial Assistance / Relief	53.34	(-) 26.58	26.76	21.76	(-) 5.00
20	4216 Capital outlay on Housing					
	01 Government Residential Buildings					
	700 Other Housing					
	2 Construction					
	25 Residential Quarters for Judges of High Court and Staff at HSR Layout					
	386 Construction	15.00	(-) 10.00	5.00	1.19	(-) 3.81
21	2202- General Education					
	02- Secondary Education					
	800- Other Expenditure					
	1- Other Schemes					
	05- Financial Assistance and Reimbursement of fees and Vidya Vikas					
	101- Grant- in-Aid	6.67	(-) 1.00	5.67	2.22	(-) 3.45
22	2702- Minor Irrigation					
	01- Surface Water					
	102- Lift Irrigation Schemes					
	1- Chief Engineer, Minor Irrigation, Bangalore					
	02- Maintenance and Repairs					
	200- Maintenance	29.80	(-) 0.30	29.50	26.16	(-) 3.34
23	4210- Capital outlay on Medical and Public Health					
	03- Medical Education, Training and Research					
	105- Allopathy					
	1- Buildings					
	02- New Colleges					
	386- Construction	100.00	(-) 1.00	99.00	95.72	(-) 3.28
24	2202- General Education					
	80- General					

Sl. No.	Head of account	Provision (Original plus Supplementary)	Re-appropriation	Final Grant	Expenditure	Excess (+)/ unspent provision (-)
	800-35-101- Other Expenditure GIA in Education Grants-in-Aid	5.00	(-) 0.93	4.07	1.00	(-) 3.07
25	2054- Treasury and Accounts Administration 098- Local Fund Audit 02- Fiscal Policy and Analysis Cell 051- General Expenses	3.59	(-) 0.01	3.58	0.51	(-) 3.07
26	4702- Capital outlay on Minor Irrigation 101- Surface Water 1- Water Tanks – Construction of New Tanks, Pick ups, etc. 07- Modernization of Tanks by NABARD 422- Special Component Plan	24.91	(-) 11.88	13.03	10.17	(-) 2.86
27	2045- Other Taxes and Duties on Commodities and Services 103- Collection Charges – Electricity Duty 02- Rebate Payable to KEB and Licenses 106- Subsidies	4.16	(-) 0.25	3.91	1.08	(-) 2.83
28	4702- Capital outlay on Minor Irrigation 101- Surface Water 1- Water Tanks – Construction of New Tanks, Pick ups, etc. 07- Modernization of Tanks by NABARD 139- Major Works	39.73	(-) 3.00	36.73	33.91	(-) 2.82
29	2202- General Education 02- Secondary Education 106- Text Books 09- Text Books – Directorate, Press and Depots 221- Materials and Supplies	6.33	(-) 1.91	4.42	1.78	(-) 2.64
30	4702- Capital outlay on Minor Irrigation 101- Surface Water 5- Barrages 01- Construction of Barrages 436- NABARD Works	70.00	(-) 6.55	63.45	61.08	(-) 2.37
31	2202- General Education 05- Language Development 103- Sanskrit Education 23- Sanskrit University 101- Grants-in-Aid	3.00	(-) 0.74	2.26	---	(-) 2.26
32	2202- General Education 03- University and Higher Education 102- Assistance to Universities 31- Davanagere University 101- Grants-in-Aid	10.00	(-) 1.50	8.50	7.50	(-) 1.00
33	4702- Capital outlay on Minor Irrigation 101- Surface Water 1- Water Tanks – Construction of New Tanks, Pick ups, etc.					

Sl. No.	Head of account		Provision (Original plus Supplementary)	Re-appropriation	Final Grant	Expenditure	Excess (+)/ unspent provision (-)
	07-	Modernization of Tanks by NABARD					
	423-	Tribal Sub Plan	10.94	(-) 6.08	4.86	3.93	(-) 0.93
34	2852-80-	Industries General					
	800-47-	Other Expenditure Establishment of Urban Haat					
	059-	Other Expenses	1.35	(-) 0.40	0.95	0.10	(-) 0.85
35	2204-102-	Sports and Youth Services Youth Welfare Programmes for Students					
	1-	National Cadet Corps					
	01-	National Cadet Corps					
	059-	Other Expenses	3.42	(-) 0.30	3.12	2.44	(-) 0.68
36	2210-01-	Medical and Public Health Urban Health Services – Allopathy					
	110-2-	Hospitals and Dispensaries Major Hospitals					
	41-	Geriatric Services					
	059-	Other Expenses	1.10	(-) 0.45	0.65	0.15	(-) 0.50
37	2211-103-	Family Welfare Maternity and Child Health					
	05-	Women Health Care					
	059-	Other Expenditure	1.01	(-) 0.51	0.50	---	(-) 0.50
38	2506-101-	Land Reforms Regulation of Land Holdings and Tenancy					
	4-	Annuity payable to Religious Charitable and Other Institutions					
	01-	Annuity Charges					
	101-	Grants-in-Aid	3.00	(-) 1.16	1.84	1.35	(-) 0.49
39	4702-	Capital outlay on Minor Irrigation					
	101-	Surface Water					
	3-	Lift Irrigation Schemes					
	01-	Chief Engineer (Minor Irrigation)					
	133-	Special Development Plan	10.00	(-)2.80	7.20	6.73	(-) 0.47
			4,380.99	(-) 269.09	4,111.90	2,704.79	(-) 1407.11
40	4702-	Capital Outlay on Minor Irrigation					
	101-	Surface Water					
	5-	Barrages					
	01-	Construction of Barrages					
	422-	Special Component Plan	36.92	(+) 3.37	40.29	16.57	(-) 23.72
41	4702-	Capital Outlay on Minor Irrigation					
	101-	Surface Water					
	3-	Lift Irrigation Schemes					
	01-	Chief Engineer, Bangalore					
	422-	Special Component Plan	26.02	(+) 7.94	33.96	29.11	(-) 4.85
42	2851-102-	Village and Small Industries Small Scale Industries					
	69-	Modernization / Technology Training					
	059-	Other Expenses	8.68	(+) 4.28	12.96	9.85	(-) 3.11
43	5054-	Capital Outlay on Roads and Bridges					

Sl. No.	Head of account		Provision (Original plus Supplementary)	Re-appropriation	Final Grant	Expenditure	Excess (+)/ unspent provision (-)
	04-800-3-01-436-	District and Other Roads Other expenditure NABARD assisted works Rural Roads NABARD Works	118.70	(+) 150.00	268.70	265.67	(-) 3.03
44	4059-80-051-29-386-	Capital Outlay on Public works General Construction Departmental Buildings Construction	198.58	(+) 20.00	218.58	215.96	(-) 2.62
45	4702-101-3-01-423-	Capital Outlay on Minor Irrigation Surface Water Lift Irrigation Schemes Chief Engineer, Bangalore Tribal Sub Plan	10.08	(+) 6.85	16.93	14.77	(-) 2.16
46	4702-101-1-02-133-	Capital Outlay on Minor Irrigation Surface Water Water Tanks-Construction of New Tanks, Pick Ups etc. Chief Engineer, Minor Irrigation, Bangalore Special Development Plan	10.00	(+) 0.80	10.80	8.98	(-) 1.82
47	2425-001-01-002-	Co-operation Direction and Administration Registrar of Co-operative Societies Pay-officers	3.24	(+) 1.57	4.81	3.13	(-) 1.68
48	5054-03-337-02-172-	Capital Outlay on Roads and Bridges State Highways Road Works Other Roads formation Roads	452.64	(+) 250.00	702.64	701.05	(-) 1.59
49	2202-03-102-23-101-	General Education University and Higher Education Assistance to Universities Tumkur University Grants-in-Aid	5.75	(+) 4.19	9.94	8.50	(-) 1.44
50	4702-101-1-02-422-	Capital Outlay on Minor Irrigation Surface Water Water Tanks-Construction of New Tanks, Pick Ups etc. Chief Engineer, Minor Irrigation, Bangalore Special Component Plan	3.15	(+) 0.56	3.71	2.54	(-) 1.17
51	2202-05-103-02-101-	General Education Language Development Sanskrit Education Samskritha Patashala Grants-in-Aid	7.74	(+) 1.43	9.17	8.15	(-) 1.02
52	2075-101-1-	Miscellaneous General Services Pensions in lieu of Resumed Jagirs, Lands, Territories etc. Land Revenue					

Sl. No.	Head of account	Provision (Original plus Supplementary)	Re-appropriation	Final Grant	Expenditure	Excess (+)/ unspent provision (-)
	01- Amount Payable to Religious and Charitable Institutions on Abolition of Inams					
	100- Financial Assistance / Relief	22.98	(+) 0.83	23.81	22.87	(-) 0.94
53	4702- Capital Outlay on Minor Irrigation					
	101- Surface Water					
	5- Barrages					
	01- Construction of Barrages					
	139- Major Works	36.30	(+) 4.00	40.30	39.51	(-) 0.79
54	6860- Loans for Consumer Industries					
	04- Sugar					
	190- Loans to Public Sector and Other Undertakings					
	1- Conversion of Purchase Tax into Interest Free Loans					
	16- Conversion of Purchase Tax into Interest Free Loans					
	394- Loans	25.91	(+) 18.34	44.25	43.56	(-) 0.69
55	2202- General Education					
	02- Secondary Education					
	108- Examination					
	01- Pre-University Education (Examination Charges)					
	015- Subsidiary Expenses	9.27	(+) 0.59	9.86	9.32	(-) 0.54
56	2851- Village and Small Industries					
	102- Small Scale Industries					
	14- Promotional Schemes of DICs and Industries					
	071- Building Expenses	0.44	(+) 0.19	0.63	0.20	(-) 0.43
57	4702- Capital Outlay on Minor Irrigation					
	101- Surface Water					
	1- Water Tanks-Construction of New Tanks, Pick Ups etc.					
	02- Chief Engineer, Minor Irrigation, Bangalore					
	436- NABARD Works	19.50	(+) 4.72	24.22	23.83	(-) 0.39
58	4702- Capital Outlay on Minor Irrigation					
	101- Surface Water					
	1- Water Tanks-Construction of New Tanks, Pick Ups etc.					
	07- Modernization of Tanks by NABARD					
	436- NABARD Works	72.13	(+) 1.84	73.97	73.59	(-) 0.38
59	3435- Ecology and Environment					
	60- Others					
	800- Other Expenditure					
	04- Protection of Bio – diversity in the State					
	059- Other Expenses	1.32	(+) 0.30	1.62	1.32	(-) 0.30
60	2210- Medical and Public Health					
	05- Medical Education Training and Research					
	200- Other Systems					
	11- Opening of ISM Units in District and Private Hospitals					

Sl. No.	Head of account		Provision (Original plus Supplementary)	Re-appropriation	Final Grant	Expenditure	Excess (+)/ unspent provision (-)
	003-	Pay-Staff	0.25	(+) 0.10	0.35	0.09	(-) 0.26
			1,069.60	(+) 481.90	1,551.50	1,498.57	(-) 52.93
61	6852-	Loans for Iron and Steel Industries					
	02-	Manufacture					
	190-	Loans to Public Sector and Other Undertakings					
	4-	Vijayanagar Steel Limited					
	02-	State Renewal Fund (VRS and Other Relief)					
	394-	Loans	30.00	(-)18.34	11.66	14.33	(+) 2.67
62	2701-	Major and Medium Irrigation					
	80-	General					
	001-	Direction and Administration					
	08-	Chief Engineer, Central Mechanical Organization					
	003-	Pay-Staff	1.99	(-) 0.12	1.87	2.16	(+) 0.29
			31.99	(-) 18.46	13.53	16.49	(+)2.96

APPENDIX 2.12

**DEFECTIVE RE-APPROPRIATION ORDERS
(REFERENCE: PARAGRAPH 2.3.14; PAGE 63)**

(₹ in crore)

Sl. No.	Grant		Re-appropriation Order		Amount	Issuing Authority	Reasons for rejection
			Number	Date			
1	1	Agriculture and Horticulture	KRU TO EE/23/KR UYO KAA/2010	20/03/2010	0.10	Deputy Secretary to Government, Agriculture Department, Bangalore.	Sanction order /re-appropriation statement has not been signed in ink.
2	4	Department of Personnel and Administrative Affairs	ACT (1)/VIVA-24/2009-10	22/02/2010	0.05	Director General, Administrative Training Institute, Mysore.	i) The reappropriation statement is not self balanced and original provision does not tally. ii) Specific reasons for the excess/saving have not been indicated in the relevant columns for each item.
3	4	Department of Personnel and Administrative Affairs	SIAASUE E 05 PRB 2010	09/03/2010	0.10	Under Secretary to Government DPAR (Political).	i) The reappropriation statement columns not entered completely. ii) Sanction for reappropriation with correct amount has not been communicated in the order.
4	4	Department of Personnel and Administrative Reforms	DPE 15 ARU 2009	08/02/2010	0.04	Under Secretary to Government – 2, Public Sector Undertakings	i) The reappropriation statement is not self balanced. ii) Specific reasons for the excess/saving have not been indicated in the relevant columns for each item. iii) The object head in Form 22A have not been indicated iv) Sanction for reappropriation has not been communicated in the order.
5	4	Department of Personnel and Administrative Reforms	SA TA SAM / 13 / emp / 2010	09/03/2010	0.001	Deputy Director, Karnataka Government Secretariat Training Centre, Bangalore	i) The reappropriation statement is not self balanced. ii) Specific reasons for the excess/saving have not been indicated in the relevant columns for each item.
6	8	Forest, Ecology and Environment	FEE 45 FAP 2010	01/03/2010	0.42	Under Secretary to Government, Forest, Ecology and Environment Department, Bangalore	i) Saving under the head “Salaries” (pay, DA etc.) has been re-appropriated to meet the expenditure under Other heads. ii) Specific reasons not furnished.
7	10	Social Welfare	SAKAEE 70 PAVAYO 2010	10/03/2010	0.05	Under Secretary to Government (2), Social Welfare Department.	Re-appropriation Statement was not self balanced and not in the prescribed form.

Sl. No.	Grant		Re-appropriation Order		Amount	Issuing Authority	Reasons for rejection
			Number	Date			
8			SAKAEE 19 SLP 2010	10/03/2010	0.35	Under Secretary to Government (1), Social Welfare Department.	i) Re-appropriation Statement was not self balanced and not in the prescribed form. ii) Specific reasons for the excess/savings had not been indicated in the relevant columns for each item.
9			SAKAEE 90 PAKAVI 2010	10/03/2010	0.13	Under Secretary to Government (1), Social Welfare Department.	i) Re-appropriation Statement was not self balanced and not in the prescribed form. ii) Specific reasons for the excess/savings had not been indicated in the relevant columns for each item.
10			SAKAEE 96 PAKAVI 2010	15/03/2010	0.16	Under Secretary to Government (1), Social Welfare Department.	i) Re-appropriation Statement was not self balanced and not in the prescribed form. ii) Specific reasons for the excess/savings had not been indicated in the relevant columns for each item.
11			AASAMK AEE 47 AASANY O 2010	11/02/2010	0.14	Under Secretary to Government, Minorities Welfare Department.	i) Reappropriation Statement was not self balanced. ii) Sanction for reappropriation order has not been communicated in the order. iii) Sanction order / re-appropriation order had not been signed in ink.
12	11	Women and Child Development	MAMAE 25 PHP 2010	15/02/2010	0.02	Under Secretary to Government (2), Women and Child Development Department.	i) Reappropriation Statement was not self balanced and not in prescribed form. ii) Specific reasons for the excess/savings had not been indicated in the relevant columns for each item.
13	14	Revenue	Tapusa 30 Reappropriation 2008-09	29/04/2009	0.01	Member Secretary, Taluk re-organisation committee, Bangalore.	Re-appropriation Statement in KFC Form 22A not received.
14			Pra Aa Gu /Budget-25 2009-10/ 2526	19/02/2010	0.02	Regional Commissioner Gulbarga Division, Gulbarga.	i) Reappropriation Statement was not self balanced. ii) Statement does not tally. iii) Sanction for reappropriation had not been communicated in the order.
15			RD 53 MU Aa Bi 2010	09/03/2010	0.24	Under Secretary to Government, Revenue Department (Mujarai), Bangalore.	i) Reappropriation Statement was not self balanced. Not in the prescribed form, no specific reasons for excess/savings. ii) Sanction for reappropriation had not been communicated in the order. Non-plan to plan without specific approval of the Government.

Sl. No.	Grant		Re-appropriation Order		Amount	Issuing Authority	Reasons for rejection
			Number	Date			
16			RD 6 Mu no Mu 2010	05/02/2010	0.50	Under Secretary to Government, Revenue Department (Stamps and Registration), Bangalore.	i) Sanction for reappropriation had not been communicated in the order. ii) Reappropriation Statement not signed in ink. iii) Exceeds the limit prescribed in Article 311 (a) and (b) of KFC 1958. iv) Reappropriation statement not in the prescribed form.
17			FD 47 BRS 2009	26/08/2009 (II)	5.00	Under Secretary to Government, Finance Department (FR & BCC).	New Service
18			FD 43 BRS 2009	20/08/2009	1.45	Under Secretary to Government, Finance Department (FR & BCC).	New Service
19			FD 244 EXP – 7 /2010	31/03/2010	1.27	Under Secretary to Government, Finance Department, (EXP 7/8) Bangalore.	New Service
20			RD 39 Mu No Mu 2010	10/03/2010	0.50	Under Secretary to Government, Revenue Department (Stamps and Registration), Bangalore.	i) Reappropriation Statement was not self balanced and not in the prescribed form. ii) Sanction for reappropriation had not been communicated. iii) Reappropriation Statement not signed in ink.
21	17	Education	ED39 YO YO KA 2010	10-02-2010	0.48	Special officer and Ex-officio Under Secretary to Government, Education Department (Planning), Bangalore.	Re-appropriation Statement was not self balanced and not signed in ink.
22			PLD/Accts 2/33/ Reappropriation/ 2009-10 / 8668	05/02/2010	0.02	Director, Department of Public Libraries, Bangalore.	i) Specific reasons for the excess/saving had not been indicated in the relevant columns for each item. ii) Sanction for reappropriation had not been communicated.
23	18	Commerce and Industries	FD 292 BRS 09	10/02/2010	0.02	Under Secretary to Government, Finance Department (FR & BCC).	Reappropriation of funds made between different schemes with in the same ZP.

Sl. No.	Grant		Re-appropriation Order		Amount	Issuing Authority	Reasons for rejection
			Number	Date			
24			FD 451 BRS 09	18/03/2010	0.02	Deputy Secretary to Government, Finance Department (FR & BCC).	Reappropriation of funds made between different schemes with in the same ZP
25			KAIJAE/L EKKA/Acc ts/A3/MA Ho / 2009-10	13/11/2009	0.02	Commission for Textile Development Handloom and Textile	Sanction order / reappropriation Statement not signed in ink. KFC Form 22A to be furnished in original.
26	19	Urban Development	UD 25 GEL 2010	04/02/2010	0.08	Under Secretary to Government, Urban Development Department.	i) Reappropriation Statement was not self balanced. ii) Specific reasons for the excess/saving had not been indicated in the relevant column for each item. iii) Sanction for reappropriation had not been communicated.
27			UD 363 NAYOSE 2010	11/03/2010	0.03	Under Secretary to Government, Urban Development Department.	The reappropriation statement in the prescribed form duly indicating the reasons for the excess/savings not enclosed.
28	20	Public Works	KERS/LES HA/Reappr opriation / 4919	29/01/2010	0.01	Director (Chief Engineer) Karnataka Engineering Research Station, Krishnarajasa gar	Sanction for reappropriation had not been communicated.
29			PWD 59 EAP 2008	01/02/2010	34.00	Under Secretary to Government, Public Works, Ports and Inland Water Transport Department	Sanction for reappropriation with GO along with statement in Form 22A KFC not forwarded.
30	26	Planning Statistics, Science and Technology	PD 50 SPA 2009 (a)	07/01/2010	0.04	Under Secretary to Government, S-3, Planning, Programme Monitoring and Statistics Department.	Budget provision indicated in Form 22A did not tally with Budget Estimates for 2009-10.
31			PD 50 SPA 2009	24/11/2009	0.03	Under Secretary to Government, S-3, Planning, Programme Monitoring and Statistics Department.	i) Supplementary provision allotted to the head to the extent of ₹ 17.43 lakh had not been taken into account. ii) The statement indicated the previous year 2008-09 instead of 2009-10.
		Total			45.30		

APPENDIX 2.13

STATEMENT OF VARIOUS GRANTS/APPROPRIATIONS
IN WHICH UNSPENT PROVISION OCCURRED BUT NO PART OF WHICH WAS SURRENDERED

(REFERENCE: PARAGRAPH 2.3.15; PAGE 63)

Sl.No.	Grant and section		(₹ in crore)
			Unspent provision
1	3	Finance	
		(Revenue Charged)	0.37
		(Capital Voted)	16.83
2	7	Rural Development and Panchayat Raj	
		(Capital Voted)	514.26
3	10	Social Welfare	
		(Capital Voted)	27.54
4	11	Women and Child Development	
		(Capital Voted)	25.39
5	14	Revenue	
		(Capital Voted)	1.61
6	17	Education	
		(Capital Voted)	55.69
7	23	Labour	
		(Capital Voted)	3.05
8	24	Energy	
		(Revenue Voted)	88.66
9	26	Planning, Statistics, Science and Technology	
		(Capital Voted)	113.00
		Total	846.40

APPENDIX 2.14

SURRENDER OF UNSPENT PROVISION

(REFERENCE: PARAGRAPH 2.3.15; PAGE 63)

Sl. No.	Grant/Section		Amount of unspent provision	Amount surrendered	(₹ in crore)
					Amount not surrendered
(1)	(2)		(3)	(4)	(5)
1	1	Agriculture and Horticulture			
		Revenue Voted	624.79	475.68	149.11
		Capital Voted	13.50	11.00	2.5
2	2	Animal Husbandry & Fisheries			
		Revenue Voted	121.90	70.84	51.06
		Capital Voted	28.73	9.44	19.29
3	3	Finance			
		Revenue Voted	1,731.17	32.81	1,698.36
4	4	Department of Personnel and Administrative Reforms			
		Revenue Voted	91.04	70.03	21.01
5	5	Home and Transport			
		Capital Voted	18.21	0.002	18.21
6	6	Infrastructure Development			
		Capital Voted	19.51	15.57	3.94
7	7	Rural Development and Panchayat Raj			
		Revenue Voted	471.36	5.16	466.20
8	8	Forest, Ecology and Environment			
		Revenue Voted	27.14	11.68	15.46
		Capital Voted	0.17	0.09	0.08
9	9	Co-operation			
		Revenue Voted	126.06	24.01	102.05
		Capital Voted	13.61	12.26	1.35
10	10	Social Welfare			
		Revenue Voted	348.63	6.74	341.89
11	11	Women and Child Development			
		Revenue Voted	265.84	7.75	258.09
12	12	Information, Tourism and Youth Services			
		Revenue Voted	33.24	20.52	12.72
		Capital Voted	16.27	0.27	16.00
13	13	Food and Civil Supplies			
		Revenue Voted	17.13	11.86	5.27
14	16	Housing			
		Revenue Voted	120.68	0.45	120.23
		Capital Voted	35.10	7.10	28.00
15	17	Education			
		Revenue Voted	414.55	40.89	373.66
16	18	Commerce and Industries			
		Revenue Voted	531.68	42.51	489.17
		Capital Voted	19.07	4.71	14.36
17	19	Urban Development			
		Revenue Voted	1,248.07	440.82	807.25
		Capital Voted	259.34	138.70	120.64
18	20	Public Works			
		Revenue Voted	244.90	7.35	237.55
		Capital Voted	517.33	33.21	484.12
19	21	Water Resources			
		Revenue Voted	60.96	12.89	48.07

Sl. No.	Grant/Section	Amount of unspent provision	Amount surrendered	Amount not surrendered
	Capital Voted	983.71	637.18	346.53
20	22 Health and Family Welfare Services			
	Revenue Voted	207.33	123.91	83.42
	Capital Voted	65.27	28.39	36.88
21	23 Labour			
	Revenue Voted	85.13	15.20	69.93
22	24 Energy			
	Capital Voted	181.29	175.00	6.29
23	25 Kannada and Culture			
	Revenue Voted	60.44	31.08	29.36
24	26 Planning, Statistics, Science and Technology			
	Revenue Voted	145.76	12.75	133.01
25	28 Parliamentary Affairs and Legislation			
	Revenue Charged	0.22	0.19	0.03
	Total	9,149.13	2,538.04	6,611.09

APPENDIX 2.15

**CASES OF SURRENDER OF FUNDS IN EXCESS OF ₹ ONE CRORE ON 30 AND 31 MARCH 2010
(REFERENCE: PARAGRAPH 2.3.15; PAGE 63)**

Sl. No.	Grant	Total provision	Amount of surrender	₹ in crore)	
				Percentage to total provision	
1	1	Agriculture and Horticulture	1,398.61	422.21	30
2	3	Finance	38.00	23.77	63
3	4	Department of Personnel and Administrative Reforms	210.00	69.75	33
4	5	Home and Transport	322.97	60.49	19
5	6	Infrastructure Development	571.91	17.23	3
6	7	Rural Development and Panchayat Raj	16.00	4.12	26
7	8	Forest, Ecology and Environment	194.84	6.24	3
8	9	Co-operation	171.21	33.18	19
9	10	Social Welfare	23.01	5.30	23
10	11	Women and Child Development	15.35	7.10	46
11	12	Information, Tourism and Youth Services	104.13	14.58	14
12	13	Food and Civil Supplies	1,177.00	11.54	1
13	14	Revenue	420.00	45.11	11
14	15	Information Technology	116.97	1.73	1
15	16	Housing	153.78	7.10	5
16	17	Education	277.98	37.33	13
17	18	Commerce and Industries	136.83	41.51	30
18	19	Urban Development	4,355.53	576.87	13
19	20	Public Works	425.95	38.15	9
20	21	Water Resources	1,931.26	187.27	10
21	22	Health and Family Welfare Services	1,005.86	113.91	11
22	25	Kannada and Culture	300.80	28.44	9
23	26	Planning, Statistics, Science and Technology	12.20	5.00	41
24	27	Law	35.51	15.99	45
25	28	Parliamentary Affairs and Legislation	32.25	11.38	35
26	29	Debt Servicing	4,537.29	175.86	4
		Total	17,985.24	1,961.16	11

APPENDIX 2.16

RESULTS OF REVIEW OF SUBSTANTIAL SURRENDERS MADE DURING THE YEAR
(REFERENCE: PARAGRAPH 2.3.16; PAGE 64)

(₹ in crore)

Sl No	Grant	Name of the scheme (Head of Account)	Provision	Amount Surrendered	Percentage of Surrender	Reasons
1.	01 Agriculture and Horticulture	2401-105-01 Soil Health Centres	8.02	4.91	61	Due to Non-receipts of Sanction orders from Government
2.		2401-108-1-13 Mini – Mission II under Technology Mission on Cotton	2.30	1.14	49	
3.		2401-109-80 Project for Agricultural Training of Farm Women and Youth with DANIDA Assistance - EAP	7.64	4.59	60	Due to Non-receipt of Sanction orders from Government
4.		2401-110-09 Subsidy for crop loan	2.50	2.10	84	Due to Non-receipts of Sanction orders from Government
5.		2401-114-01 Oil Seeds Production Programme	16.50	7.18	43	Due to release of Central share and cutting short in State share
6.		2401-1-800-43 Organic farming	100.00	51.45	51	Due to late receipt of Sanction from Government.
7.		2401-1-800-44 New Agricultural Scheme	20.00	10.02	50	Due to limited appropriation
8.		2401-1-800-53 Agricultural Technology Management Agency (ATMA) Model	2.00	1.72	86	Due to limited demand
9.		2401-1-800-54 AGRISNET	1.00	0.87	87	Due to limited demand
10.		2401-1-800-58 Environment of Soil Fertility	40.00	18.92	47	Due to delay in identifying the beneficiaries
11.		2401-1-800-59 Amruth Mahalkaval	5.00	5.00	100	Due to implementation of the scheme under Animal Husbandry
12.		2401-800-3-06 Hasieru Habba (Krishi Mela)	5.00	3.05	61	No specific reasons
13.		2401-800-3-08 Karnataka Agricultural Mission	0.50	0.31	62	Due to late receipt of payment orders from Government
14.		2402-102-87 Comprehensive Watershed Development Project -EAP	8.00	6.07	76	Expenses not incurred up to expected level
15.		2402-109-03 Training and Evaluation of Watershed Development Department	1.00	0.52	52	Due to non-receipt of sanction from Government to incur expenditure for 3 rd and 4 th installment
16.		2402-800-02 Development of Saline and Alkaline Water Logged Areas	14.39	14.39	100	Due to non-receipt of sanction from Government
17.		2402-800-06 Rashtriya Krishi Vikas Yojana	30.00	30.00	100	No specific reasons
18.		2402-800-07 Recharge of Open well – Strengthening of Watershed Training Centre	5.00	3.06	61	Non-receipt of sanction from Government

Sl No	Grant	Name of the scheme (Head of Account)	Provision	Amount Surrendered	Percentage of Surrender	Reasons
19.		2402-800-08 Construction of Water Harvesting Structures	9.57	4.79	50	Non-receipt of sanction from Government
20.		2402-800-10 Rejuvenation of Dried Up Open Wells	20.00	19.47	97	Due to non-payment of subscription by farmers and non-release of grants by Government
21.		2402-800-80 Sujala Watershed Project – III - EAP	10.00	10.00	100	Due to non-receipt of sanction from Government
22.		2402-800-81 Sujala Watershed Project – IV - EAP	7.00	7.00	100	Due to non-receipt of sanction from Government
23.		4401-001-1-01 State Plan Scheme	1.00	1.00	100	Due to non-receipt of sanction from Government
24.		4402-800-01 RIDF Assisted Watershed Development	10.00	10.00	100	Due to non-receipt of Orders from Government
25.	03 Finance	2039-00-800-02 Enforcement Activities	7.50	3.22	42	Due to delay in submission of bills
26.		2235-800-1-02 Building Grants to State Government Employees Association in the State	7.00	7.00	100	Due to non-receipt of demand from the Association
27.		2250-800-2-01 Miscellaneous	5.20	5.13	99	Due to non-receipt of requests for financial assistance from beneficiary organizations
28.	08 Forest, Ecology and Environment	2406-01-101-2-19 Implementation and Management Action Plan for Mangroves	1.50	1.50	100	Delay in receipt of sanction from Government of India
29.		2406-01-101-2-22 Utilization of CAMPA Fund	0.10	0.10	100	As per the revised guidelines Government of India stopped releases to the Scheme
30.		2406-02-110-0-20 Nilgiris Biosphere Reserve	2.00	0.90	45	Short release of grants by Government of India
31.	09 Co-operation	6416-00-190-1 Karnataka State Co-operative Agricultural and Rural Development Bank	7.00	3.70	53	Due to non-release of funds by NABARD
32.		6425-00-108-52 Loan to COMARK	5.00	5.00	100	Due to non-release of grants from Government
33.	15 Information	3451-090-2-08 Karnataka – State Remote Sensing Technology Centre- Other Expenses	6.80	3.00	44	No specific reasons
34.	18 Commerce and Industries	2851-102-71 Interest Waiver Package for Small Loanees of KSFC	36.00	28.70	80	Being the one time settlement the amount was already released during earlier years
35.	21 Water Resources	2701-80-005-03 Other Expenditure – Survey Works	5.18	5.05	97	
36.		4701-01-402-02 Dams and Appurtenant Works	2.27	1.83	81	Non-receipt of sanction orders from Government and Technical Advisory Committee
37.		4701-01-402-03 Canals and Branches	2.70	2.29	85	Non-receipt of sanction orders from Government and Technical Advisory Committee

Sl No	Grant	Name of the scheme (Head of Account)	Provision	Amount Surrendered	Percentage of Surrender	Reasons
38.		4701-01-402-04 Distributaries	5.83	5.81	99	Non-receipt of sanction orders from Government and Technical Advisory Committee
39.		4702-101-2-80 Karnataka Tank Development Project (Jala Samvardhane Yojana Sangha)	225.00	153.00	68	Term of the community Guidance Team expired Hence could not be utilized
40.	22 Health and Family Welfare Services	2210-06-800-81 KHSDRP Organisation Development – EAP	4.88	3.82	78	Due to non-selection of consultants and OD consultants in time
41.		2210-06-800-82 KHSDRP Public Health Competitive Fund - EAP	15.60	15.46	99	Due to non-selection of consultant and finalization of activities at the end of the period
42.		2210-06-800-83 KHSDRP Health Financing – EAP – Other Expenses	7.66	7.10	93	Due to non-finalization of functioning pattern and modalities integrating the Bank Sponsored Scheme with State Government Programme
43.		2210-06-800-85 KHSDRP Service Improvement Challenge Fund - EAP	18.45	15.47	84	Due to late finalization of contracts
44.		2211-003-01 Regional Health and Family Training Centres	1.56	0.75	48	Due to economy measures
45.		4210-01-110-86 KHSDRP Project Management and Evaluation - EAP	9.61	8.35	87	Delay in procurement of Machineries and Equipment
46.		4210-03-101-04 Ayurveda University	2.00	1.00	50	
47.	29 Debt Servicing	2049-01-101-45-240 Debt Servicing	6.24	3.12	50	Though the provision was for full year, RBI debited only 50% of the liability
48.		2049-03-107-1-240 Debt Servicing	0.20	0.10	50	Reasons not furnished
49.		6003-110-1 Clean and Secured Ways and Means Advances	1,000.00	1,000.00	100	No ways and Means Advance availed during the year
50.		6003-110-2 Overdraft with Reserve Bank of India	350.00	350.00	100	Non-availment of Over draft facility from the Reserve Bank of India
Total			2,062.40	1,849.16	90	

APPENDIX 2.17

RUSH OF EXPENDITURE
(REFERENCE: PARAGRAPH 2.3.17; PAGE 64)

(₹ in crore)

Sl. No.	Major Head	Expenditure incurred during		Total expenditure	% of total expenditure incurred during	
		Jan – Mar 2010	March 2010		Jan-Mar 2010	March 2010
1	2215	72.72	38.36	146.01	49.80	26
2	2501	26.05	21.69	56.61	46.01	38
3	2551	17.85	9.39	26.60	67.11	35
4	2705	36.84	26.96	68.54	53.75	39
5	2810	8.49	6.95	9.13	92.99	76
6	3055	86.34	80.45	131.65	65.58	61
7	3435	3.81	2.93	8.30	45.90	35
8	4055	54.75	34.75	99.46	55.04	34
9	4220	6.00	3.63	6.00	100.00	60
10	4225	151.00	113.53	239.73	62.99	47
11	4250	5.01	4.68	10.35	48.41	45
12	4403	18.27	15.60	39.68	46.04	39
13	4405	6.27	5.79	6.52	96.17	89
14	4406	2.31	1.98	2.90	79.66	68
15	4705	15.76	8.67	23.93	65.86	36
16	4860	1.87	1.19	2.15	86.98	55
17	5051	2.44	1.85	6.34	38.49	29

APPENDIX 2.18

ERRORS IN BUDGETING

(REFERENCE: PARAGRAPH 2.5; PAGE 65)

(₹ in crore)

Sl. No.	Grant	Head of account	Amount involved	Error
1	4 – Department of Personnel and Administrative Reforms	2070 – Other Administrative Services – Vigilance – Director General - Bureau of Investigation - Medical Allowances	0.09	Provision made under ‘Voted’ instead of ‘Charged’.
2	7 – Rural Development and Panchayat Raj	3054 – Roads and Bridges – District and Other Roads – Roads Works – Rural Road Works – Prime Minister Gramodaya Sadak Yojane - Roads	0.75	Provision was to be made under Grant No. 20 – Public Works
		4702-Capital Outlay on Minor Irrigation – Surface water – Capital Release to Gram Panchayats – Restoration and Rejuvenation of ZP Tanks – Special Development Plan	2.58	Provision was to be made under Grant No. 21 – Water Resources
3	9 –Co-operation	2408 – Food, Storage and ware Housing – Food – Assistance to Public Sector and Other Undertakings _ Karnataka State Warehousing Corporation – Other Expenses	13.00	Provision as well as expenditure accounted under this Grant instead of Grant No. 13 – Food and Civil supplies
		6860 – Loans for Consumer Industries – Textiles - Loans to Co-operative Spinning Mills – Loans for Co-operative Spinning Mills, Banahatti - Loans	5.85	Provision as well as expenditure accounted under this Grant instead of Grant No. 18 – Commerce and Industries
		Total	22.27	
4	9 – Co-operation	2425 – Co-operation	98.40	According to correction slip number 620, the provision was to be made under 2235 of Grant 10
5	17 – Education	2202-General Education	70.00	According to correction slip number 583 new minor head (111) was to be opened to accommodate ‘Sarva Shikshana Abhiyan’
6	20 – Public Works	2216 - Housing	57.48	According to correction slip number 535, the provision was to be made under 2216-05-06-07
		Total	225.88	

APPENDIX 2.19

HUGE UNSPENT AMOUNTS AGAINST BUDGET PROVISION

(REFERENCE PARAGRAPH 2.6.3 PAGE 66)

							(₹ in crore)
Grant	Sl No.	Head of Account	Total Budget	Expenditure	(-)Unspent provision	Per cent of unspent provision	
01 Agriculture and Horticulture	1	2401- 00 -7-01					
		- 405 Shimoga	0.22	0.07	0.15	68	
		- 414 Bijapur	0.30	0.05	0.25	83	
		-417 Gulbarga	0.30	0.05	0.25	83	
		- 420 Raichur	0.15	0.05	0.10	67	
	2	2401- 00 – 2 – 44					
		- 101 Grants In Aid	5.00	3.75	1.25	25	
	3	2402 -00- 198 – 1– 01					
		-414 Bijapur	0.46	0.34	0.11	24	
		- 415 Dharwar	0.15	0.05	0.10	67	
		-463 Chikballapur	0.20	0.03	0.17	85	
		-456 Chamrajnagar	0.30	0.04	0.26	87	
		-462 Gadag	0.50	0.11	0.39	78	
	4	2415- 80 -004 – 12 – 059					
		Other expenses (plan)	29.80	3.50	26.30	88	
5	2415- 80 -004-2 -01-101-						
	Grants-in-aid (Plan)	13.00	6.50	6.50	50		
7	2415- 80 -004 – 2 – 13-059						
	Other expenses	20.00	10.00	10.00	50		
8	2415- 80 -004- 277 -1 – 01						
	- 101 Grants In Aid	19.00	14.75	4.25	22		
9	2415- 80 004 -277- 2 -01-						
	101- Grants-in-aid	15.00	8.00	7.00	47		
Total Grant No.01			104.38	47.29	57.08	55	
18 Commerce and Industries	10	2851-0 -00-102 -69 - 106-					
		422 Special Component Plan(plan)	20.00	10.00	10.00	50	
	11	2851- 00 102 -70 - 059					
		Other expenses(plan)	5.70	4.52	1.18	21	
	12	2851- 00 102 -73 -059					
		Other expenses(plan)	7.73	1.19	6.54	85	
	13	2851 -00-103 – 49 – 059					
		Other expenses(plan)	0.45	0.15	0.30	67	
	14	2851 -00-103– 55 – 059					
		Other expenses (plan)	15.00	10.00	5.00	33	
15	2851 -00-103– 59 – 059						
	Other expenses(plan)	1.40	0.77	0.63	45		
16	2851 -00-103 – 60 – 059						
	Other expenses (plan)	6.80	2.67	4.13	61		
17	2851 -00-103–62 - 422						
	Special Component Plan	5.34	1.83	3.51	66		
	- 423 Tribal Sub Plan	2.16	1.13	1.03	48		
18	2851 -00-103–63 – 100						
	Financial Assistance/relief	1.80	0.27	1.53	85		

Grant	Sl No.	Head of Account	Total Budget	Expenditure	(-)Unspent provision	Per cent of unspent provision
	19	2851 -00-103-64 – 100 Financial Assistance/relief	1.50	0.34	1.16	77
	20	2851 -00-107- 35 Catalytic Development Programme				
		-059 Other expenses	23.18	18.53	4.65	20
		-422 - Special Component Plan	4.86	1.05	3.81	78
		-423 Tribal Sub Plan	1.97	0.88	1.09	55
	21	2851 -00-107- 38				
		- 059 Other expenses	5.00	3.56	1.44	29
		- 422 Special Component Plan	3.00	0.54	2.46	82
		- 423 Tribal Sub Plan	1.50	0.39	1.11	74
	22	2851 -00-107 – 04- 059 Other expenses	4.00	2.98	1.02	25
	23	2852 – 08 – 201-04- 059 Other expenses	1.70	0.70	1.00	59
	24	2852 – 08– 201 – 07				
		-106 Subsidies	43.24	24.63	18.61	43
		- 422 Special Component Plan	8.02	2.61	5.41	67
	25	2852 – 80 -003– 12 - 059- Other expenses	12.00	5.80	6.20	51
	26	2852 – 80 – 800– 47 -059- Other expenses	0.95	0.10	0.85	89
	27	3475-0 -00 – 797 - 0 – 01 – 261 Inter Account Transfers	750.00	385.51	364.49	49
Total Grant No.18			927.30	480.15	447.15	48

APPENDIX 2.20

RUSH OF EXPENDITURE
(REFERENCE PARAGRAPH 2.6.6 PAGE 67)

(₹ in crore)

Grant	Head of Account	Budget provision	Total Expenditure	Expenditure during March	Percent of expenditure during March
01 Agriculture & Horticulture	2401-00-001-1-01-147	1.45	1.45	0.89	61
	2401-00-103-0-02-101	10.00	10.00	10.00	100
	2401-00-105-0-01-015	0.77	0.92	0.48	52
	2401-00-107-0-03-041	0.03	0.03	0.02	67
	2401-00-107-0-03-051	0.02	0.02	0.02	100
	2401-00-107-0-03-106	1.22	1.22	0.48	39
	2401-00-109-0-21-059	0.48	0.48	0.26	54
	2401-00-109-0-21-200	0.85	0.85	0.46	54
	2401-00-109-0-80-041	0.36	0.36	0.27	75
	2401-00-110-0-09-106	40.00	40.00	40.00	100
	2401-00-114-0-01-059	0.50	0.50	0.50	100
	2401-00-119-5-02-200	2.86	2.86	1.73	60
	2401-00-196-6-13-413	1.24	1.24	0.57	46
	2401-00-196-6-13-420	1.36	1.36	0.58	43
	2401-00-800-1-43-106	37.31	37.31	19.02	51
	2401-00-800-1-43-422	7.98	7.98	6.32	79
	2401-00-800-1-43-423	3.26	3.26	2.61	80
	2401-00-800-1-46-059	1.01	1.00	1.00	100
	2401-00-800-1-53-059	0.28	0.28	0.28	100
	2401-00-800-1-54-059	0.13	0.13	0.13	100
	2401-00-800-1-57-059	235.55	235.55	132.31	56
	2401-00-800-1-58-133	21.08	21.08	17.42	83
	2401-00-800-1-64-059	4.00	4.00	4.00	100
	2401-00-800-2-05-422	11.80	8.84	5.73	65
	2401-00-800-2-34-059	8.00	8.00	4.00	50
	2401-00-800-2-35-133	1.00	1.00	1.00	100
	2401-00-800-2-43-059	10.82	10.60	5.03	47
	2401-00-800-2-43-133	39.05	38.27	29.96	78
	2401-00-800-3-07-059	4.00	4.00	3.30	83
	2402-00-102-0-01-041	0.02	0.02	0.02	100
	2402-00-102-0-15-051	0.69	0.66	0.36	55
	2402-00-109-0-03-059	0.48	0.48	0.22	46
	2402-00-197-1-01-417	0.02	0.02	0.02	100
	2402-00-198-1-01-407	0.20	0.50	0.30	60
	2402-00-198-1-01-412	0.25	0.45	0.20	44

Grant	Head of Account	Budget provision	Total Expenditure	Expenditure during March	Percent of expenditure during March
	2402-00-198-1-01-414	0.46	0.34	0.13	38
	2402-00-198-1-01-415	0.15	0.05	0.05	100
	2402-00-198-1-01-417	0.51	0.51	0.25	49
	2402-00-198-1-01-419	0.34	0.33	0.13	40
	2402-00-198-1-01-463	0.25	0.38	0.13	34
	2402-00-198-6-01-419	1.80	1.80	1.50	83
	2402-00-800-0-04-059	11.88	11.88	10.69	90
	2402-00-800-0-05-059	0.41	0.41	0.23	56
	2402-00-800-0-07-059	1.94	1.94	0.68	35
	2402-00-800-0-09-133	2.99	2.99	2.99	100
	2402-00-800-0-10-133	0.53	0.53	0.53	100
18 Commerce And Industries	2851-00-102-0-09-100	2.00	1.00	1.00	100
	2851-00-102-0-69-106	20.00	10.00	10.00	100
	2851-00-102-0-69-422	3.08	3.08	3.08	100
	2851-00-102-0-69-423	1.24	1.24	1.24	100
	2851-00-103-0-55-059	15.00	10.00	6.66	67
	2851-00-103-0-69-422	1.23	1.23	1.08	88
	2851-00-103-0-69-423	0.50	0.50	0.40	80
	2851-00-107-1-37-059	1.50	1.40	0.81	58
	2852-08-201-0-01-041	0.04	0.04	0.02	50
	2852-08-201-0-01-051	0.19	0.15	0.09	60
	2852-08-201-0-01-059	0.07	0.07	0.06	86
	2852-80-196-1-01-452	0.19	0.19	0.08	42
	2852-80-800-0-43-059	1.01	0.94	0.94	100

GLOSSARY

BASIS OF CALCULATION

Terms	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 paid by the State	$\text{Interest payment} / [(\text{Amount of previous year's Fiscal Liabilities} + \text{Current year's Fiscal Liabilities}) / 2] * 100$
Interest spread	GSDP growth – Average Interest Rate
Quantum spread	Debt stock * Interest spread
Interest received as <i>per cent</i> to Loans Outstanding	$\text{Interest Received} [(\text{Opening balance} + \text{Closing balance of Loans and Advances}) / 2] * 100$
Revenue Deficit	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 minus all Plan Grants and Non-Plan Revenue Expenditure excluding expenditure recorded under the major head 2048 – Appropriation for reduction of Avoidance of debt.