

State Finance Audit Report of the Comptroller and Auditor General of India for the year ended March 2021



लोकहितार्थ सत्यनिष्ठा
Dedicated to Truth in Public Interest



Government of Karnataka
Report No.1 of the year 2022

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

for the year ended 31 March 2021

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Report No.1 of the year 2022**

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PREFACE

1. This Report has been prepared for submission to the Governor of Karnataka under Article 151 of the Constitution of India for being placed in the Karnataka Legislature.
2. Chapters 1 of this report contains the basis and approach to State Finances Audit Report, structure of the Report, structure of Government Accounts, budgetary processes, trends in key fiscal parameters like revenue surplus, fiscal deficit, *etc.* and fiscal correction path.
3. Chapters 2 and 3 of the Report contain audit findings on matter arising from an examination of the Finance Accounts and Appropriation Accounts respectively, of the State Government for the year ended 31 March 2021. Information has been obtained from the Government of Karnataka, wherever necessary.
4. Chapter 4 provides an overview and status of the State Government's compliance with various financial rules, procedures and directives during the financial year 2020-21.
5. The Report has been prepared by taking into account the recommendations of the Public Accounts Committee (5th Report-July 2015) to the Action Taken Report of the State Government in response to its earlier recommendations (13th Report-December 2011) to the Report on State Finances for the year ending 31 March 2010.
6. The Reports containing the findings of performance audit and audit of transactions in various departments and observations arising out of audit of Statutory Corporations, Boards and Government Companies, Local Bodies, Panchayat Raj Institutions and the report containing observations on Revenue Receipts are presented separately.

Executive Summary

Back ground

The Government of Karnataka prioritised fiscal reforms and consolidation by enacting the first Medium Term Fiscal Plan (MTFP) for the period 2000-05, based on the 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 with the annual budgetary exercise. Karnataka was the first State to enact (September 2002) the Karnataka Fiscal Responsibility Act (KFRA), providing statutory backing to MTFP. The KFRA aims at ensuring fiscal stability and sustainability, enhancing the scope for improving social and physical infrastructure and human development by achieving revenue surplus, reducing fiscal deficit, removing impediments for 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.

The Report

Based on the audited accounts of the Government of Karnataka for the year ended 31 March 2021, this Report provides an analytical review of the finances of the State Government. The Report is structured in four chapters.

Chapter 1 - Overview: This Chapter describes the basis and approach to the Report and the underlying data, provides an overview of structure of Government Accounts, budgetary processes, macro-fiscal analysis of key indices and State's fiscal position including the deficits/surplus.

Chapter 2 – Finances of the State: This Chapter provides a broad perspective of the finances of the State, analyses the critical changes in major fiscal aggregates relative to the previous year, overall trends during the period from 2016-17 to 2020-21, debt profile of the State and key Public Account transactions, based on the Finance Accounts of the State.

Chapter 3 – Budgetary Management: This Chapter is based on the Appropriation Accounts of the State and reviews the appropriations and allocative priorities of the State Government. It reports on deviations from Constitutional provisions and highlight issues affecting transparency.

Chapter 4 – Quality of Accounts and Financial Reporting Practices: This Chapter provides an overview and status of compliance of the departments of the State Government with various financial rules, procedures and directions during the current year.

The Report also includes appendices of additional data collected from several sources in support of these findings. A glossary of selected terms is given at the end of the Report.

Audit findings

Fiscal position

The fiscal position of the State is viewed in terms of three key fiscal parameters – Revenue Surplus/Deficit, Fiscal Deficit and the ratio of Outstanding Debt to GSDP.

The State which had recorded Revenue Surplus during 2016-17 to 2019-20 saw revenue deficit during 2020-21. The Revenue deficit was ₹19,338 crore. The State was successful in containing the Fiscal Deficit below three *per cent* of GSDP in last four years and below five *per cent* (3.72 *per cent*) during 2020-21.

During this period, the outstanding debt (including off budget borrowings) of the State remained between 18.32 and 22.37 *per cent* of GSDP (During 2020-21, the back-to-back loan received in lieu of GST compensation from GoI was not considered for working out the debt-GSDP ratio), which was consistently below the norm of 25.00 *per cent* of GSDP prescribed by the Karnataka Fiscal Responsibility Act, 2002.

(Chapter 1)

Finances of the State

The State Government registered a decrease of 10.67 *per cent* in its Revenue Receipts during 2020-21 compared to the previous year.

The ratio of the State's tax revenue to GSDP decreased from 6.87 *per cent* in 2016-17 to 5.38 *per cent* in 2020-21. Own tax revenue contributed a major part (62 *per cent*) of the revenue receipts. Ratio of non-Tax revenue to revenue receipts increased from 4.35 *per cent* in 2016-17 to 5.04 *per cent* during 2020-21. Its ratio to GSDP was insignificant (0.44 *per cent* in 2020-21), implying the need for mobilizing non-tax revenue. During 2020-21, the State's share of union Taxes and Duties as well as Grants-in-aid from GoI decreased by 29.84 *per cent* and 12.77 *per cent* respectively when compared to previous year.

Revenue Expenditure

Share of Expenditure under social service (35 *per cent*) decreased during 2020-21 when compared to previous year (38 *per cent*). However, the share of general services increased from 28 to 31 *per cent* during 2020-21. Eighty-five *per cent* of revenue expenditure consisted of committed expenditure on salaries, devolutions to local bodies, interest payments, pensions, subsidies, administrative expenses, grants-in-aid and financial assistance. Subsidies as a percentage of Revenue Receipts increased from 10 *per cent* (2019-20) to 12 *per cent* during 2020-21.

Quality of Expenditure

The share of capital expenditure (including loans and advances) to total expenditure (21.45 *per cent*) during the year 2020-21 increased by 2.93 *per cent* when compared to the previous year (18.52 *per cent*). The return from investment as on 31 March 2021 in Companies/Corporations was negligible

(₹80.70 crore). The investment included ₹42,119.95 crore (62 *per cent*) in Companies/Corporations under loss.

Funds and other Liabilities

During the year, Green Tax Cess of ₹10.86 crore and Road Safety Cess of ₹10.92 crore was not transferred to Green Tax Fund and Road Safety Cess Fund respectively. Though a provision of ₹50 crore was made under Guarantee Redemption Fund in the budget estimate, no expenditure was incurred. As a result, it was not revived.

Debt Sustainability

Open Market Loans had a major share (63 *per cent*) in the total fiscal liabilities (including off-budget borrowings) of the State. The net debt available to the State during the year 2020-21 (₹41,946 crore) increased by 4.14 *per cent* when compared to the previous year. The burden of interest payment was on an increasing trend, and the ratio of interest payment to revenue receipts was highest during 2020-21 at 14.95.

Cash balances

The cash balance (including investment of Earmarked funds and deposits with RBI) of the State at the end of the year increased by 37 *per cent* over the previous year due to excess market borrowings.

(Chapter 2)

Budgetary Management

During 2020-21, against the total provision of ₹2,65,220.73 crore, expenditure incurred was ₹2,42,694.49 crore. This resulted in unspent provision of ₹22,526.24 crore (8.49 *per cent*).

During the year, 80 *per cent* of the savings were not surrendered. The controlling officers did not provide explanations for the 80 *per cent* of the savings to the Principal Accountant General (A&E) for variations in expenditure *vis-à-vis* allocation.

Under 10 Grants, 36 Executive orders were issued for incurring additional expenditure of ₹5,281.70 crore without approval of Legislature. These executive orders were later regularized through the supplementary demands. Though the number of cases where additional amount released through executive orders showed decreasing trend during the period 2018-19 to 2020-21, the amount involved increased during 2020-21 when compared to previous year.

Significant policy initiatives of the Government such as Science and talent search programmes, Artificial Intelligence Research Translation Park, Tank bank for water security, soil health policy *etc.*, were not fulfilled during the year due to non-release of funds and delay in receipt of information.

Supplementary provision of ₹391.79 crore in 43 cases was unnecessary and ₹1,403.28 crore made under 24 cases proved excessive.

Re-appropriation of funds in 51 cases was made injudiciously, resulting in either un-utilised provision of funds or excess expenditure over provision.

Excess expenditure of ₹415.90 crore (₹402.60 crore under Grant 14 and ₹13.30 crore under Grant 24) over provisions for the year 2020-21 required to be regularized under article 206 of the Constitution. In addition, excess expenditure of ₹2,409.53 crore relating to the period 2012-13 to 2017-18 required to be regularized under Article 205 of the Constitution.

An amount of ₹217.02 crore was misclassified under revenue/capital sections affecting the fiscal indicators *viz.*, revenue deficit.

(Chapter -3)

Quality of Accounts and Financial Reporting Practices

During 2020-21, the number of outstanding AC bills increased by 13 *per cent* when compared to previous year. In terms of amount, it increased by 31 *per cent*. In addition, out of 2,247 AC bills drawn during 2020-21, 662 bills (29 *per cent*) were pending for want of NDC bills.

Twenty-two Departments had not furnished information relating to institutions for which grants of ₹25 lakh or more was received by them.

Retention of large sums of money in Personal Deposit (PD) Accounts, non-closure of in-operative PD Accounts, non-reconciliation of balances in such in-operative PD Accounts and non-transferring the unspent balances to Consolidated Fund were against the principles of Legislative financial control. The closing balances of PD accounts included unutilised grants of XIII and XIV Finance Commissions, which was indicative that the PD accounts were used for parking all unutilised amounts.

(Chapter – 4)

Chapter – 1

Overview

Chapter 1 - Overview

1.1 Introduction

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

1.2 Profile of the State

• Social Indicators

Karnataka is the sixth largest State in India terms of geographical area (1,91,791 Sq. km) and the eighth largest by population. The State's population was 6.11 crore (2011 census) and recorded a decadal growth of about 16 *per cent* (2001-11). The percentage of population below the poverty line was 20.90¹ compared to the All-India Average of 21.90 (2011-12). Literacy rate was 75.36 *per cent* (2011 Census). The State has 30 districts and 176 taluks as of March 2021.

• Economic Indicators

The Gross State Domestic Product (GSDP) in 2020-21 at market prices was ₹18,03,609 crore, with a growth rate of 10.72 *per cent* over the previous year. GSDP growth rate of Agriculture, Industries and Service Sectors were 10.04 *per cent*, (-) 4.66 *per cent* and 2.34 *per cent* respectively during 2020-21 over previous year.

The per-capita GSDP was ₹2,49,947 against the National per capita GDP of ₹1,41,945. The net per capita income of the State at current prices was ₹2,26,796 against the country average of ₹1,26,968² (as of March 2021 - Economic Survey, Government of Karnataka (GoK), 2020-21). General and financial data relating to the State is given in **Appendix 1.1**.

1.2.1 Gross State Domestic Product of the State

GSDP is the market value of all officially recognized goods and services produced within the boundaries of the State in a given period of time.

It is important to understand changes in sectoral contribution to the GSDP since they indicate changing structure of economy. Economic activity is generally divided into Primary, Secondary and Tertiary sectors, which correspond to the Agriculture, Industry and Service sectors. The trends in the annual growth of GDP and that of the State, at current prices are indicated in **Table 1.1** and the growth rate of GDP and GSDP at current prices and constant prices is depicted in **Chart 1.1**.

¹ As per Economic Survey of India 2020-21.

² The difference between per capita income of the State and National's average during 2020-21 was ₹99,828.

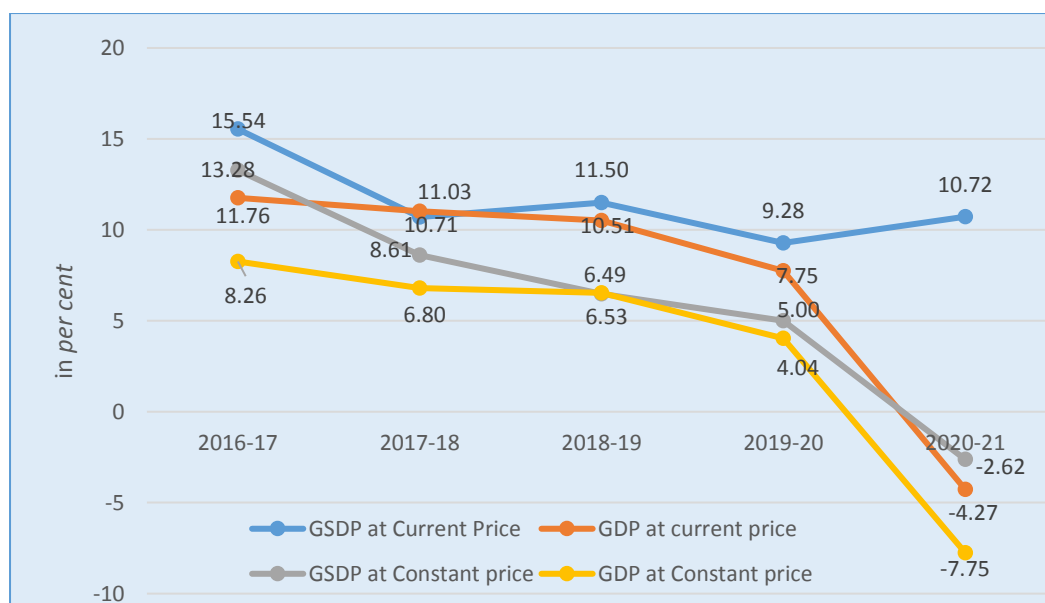
Table 1.1 Trends in GSDP compared to the GDP

| Year | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
|----------------------------------|-------------|-------------|-------------|-------------|-------------|
| India's GDP* (₹ in crore) | 1,53,91,668 | 1,70,90,042 | 1,88,86,959 | 2,03,51,012 | 1,94,81,975 |
| Growth rate (in per cent) | 11.76 | 11.03 | 10.51 | 7.75 | (-)4.27 |
| State's GSDP# (₹ in crore) | 12,07,608 | 13,36,914 | 14,90,624 | 16,28,928 | 18,03,609 |
| Growth rate (in per cent) | 15.54 | 10.71 | 11.50 | 9.28 | 10.72 |

Source: *All India GDP figures and GSDP (2016-17 to 2019-20) from Economic Survey 2020-21, Government of Karnataka.

#GSDP figures 2020-21, as per Ministry of Statistics and Programme Implementation.

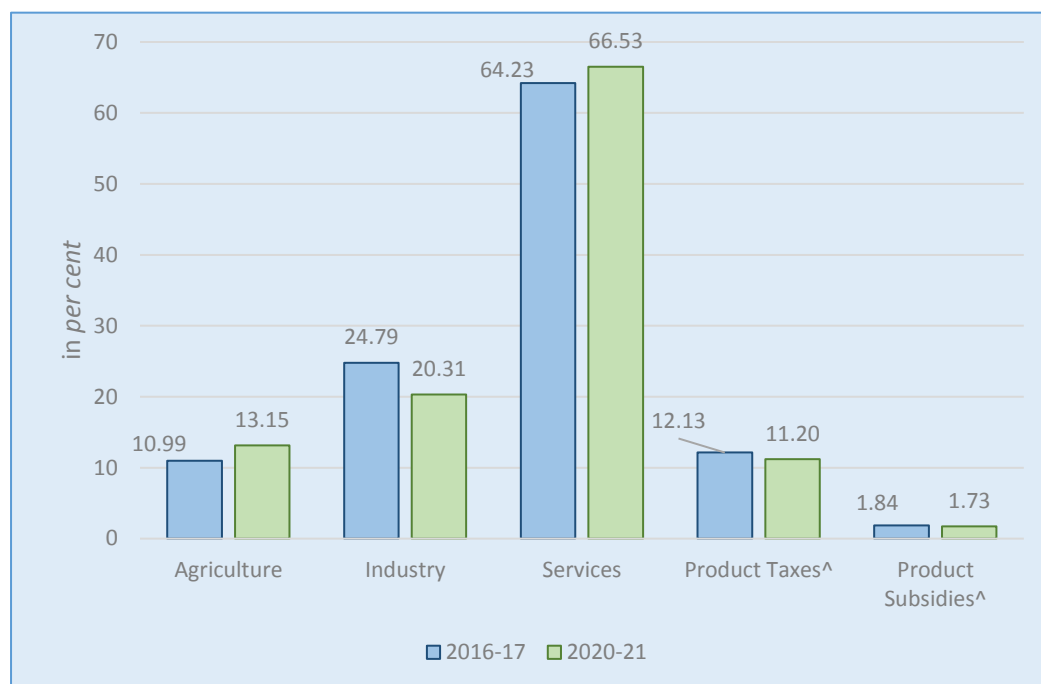
Chart 1.1: Growth of India's GDP and State's GSDP



As seen from the **Table 1.1 and Chart 1.1**, the Karnataka's GSDP growth rate at current prices and constant prices is more than that of nation's growth rate in most of the years. However, during 2020-21, while GSDP at current price is more when compared to previous year, GSDP at Constant price registered the lowest growth rate in five years.

Chart 1.2 reveals that during 2016-17 and 2020-21, while there was a decrease in the relative share of Industry to Gross State Value Added (GSVA), Product taxes and subsidies³ to GSDP, there was an increase in the relative share of Agriculture and Service sector to GSVA.

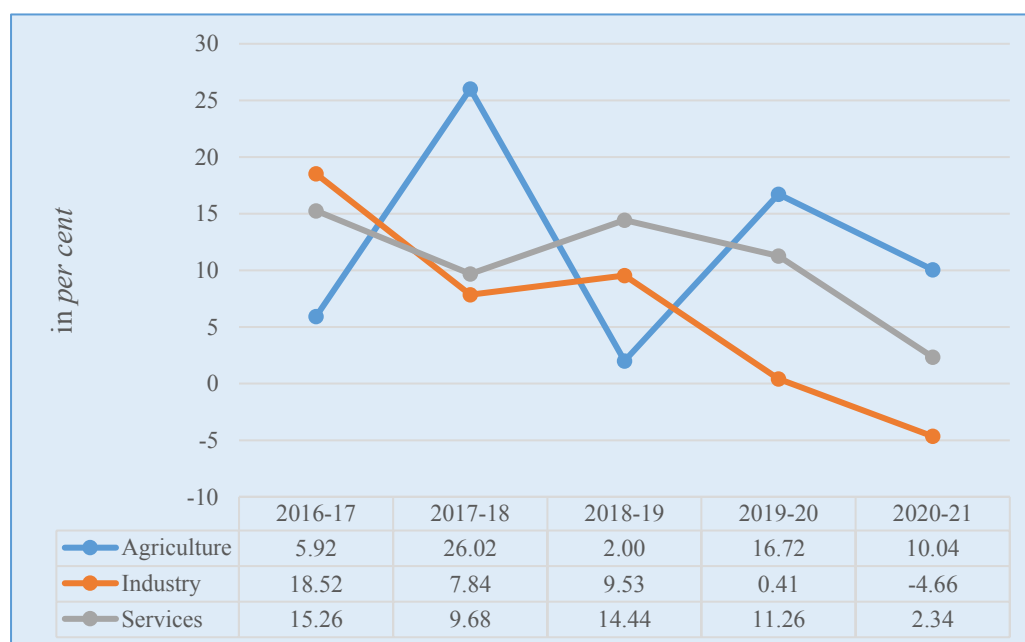
³ **Product taxes or subsidies** are paid or received on per unit of product. Some examples of product taxes are excise tax, sales tax, service tax and import and export duties. Product

Chart 1.2: Change in Sectoral contribution to GSVA (2016-17 and 2020-21)

Source: Directorate of Economics and Statistics, Government of Karnataka

^ Sectoral contribution to GSDP

However, when compared to previous year, it shows a different scenario. During 2020-21, there was a decline in the growth rate in all the three sectors as can be seen in **Chart 1.3**.

Chart 1.3: Sectoral growth in GSDP

Source: Directorate of Economics and Statistics, Government of Karnataka

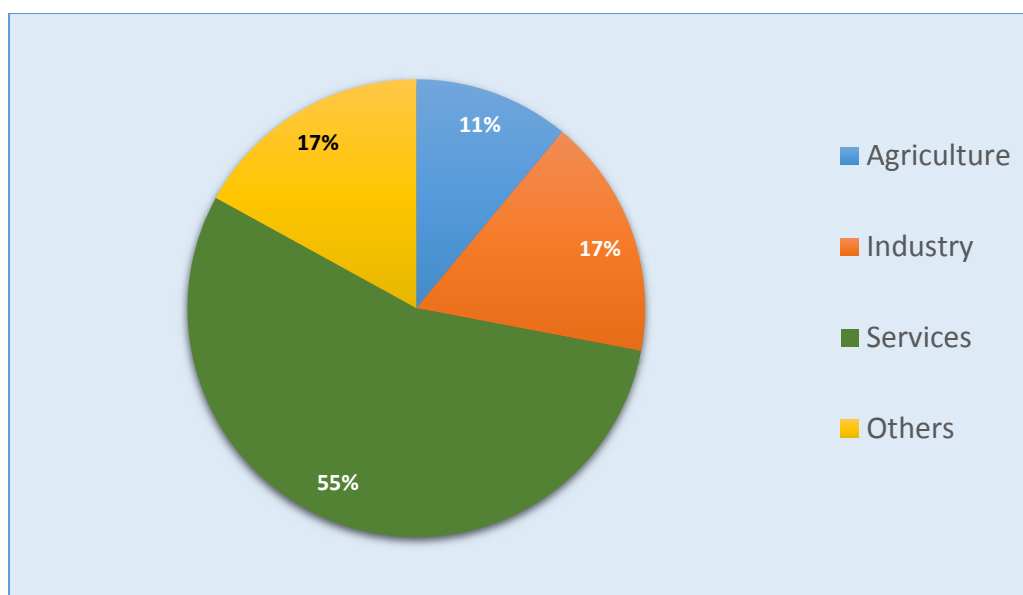
subsidies include food, petroleum and fertilizer subsidies, interest subsidies given to farmers, households, etc. through banks

The decline in Agriculture Sector was mainly due to decline in the growth rate in Livestock and Fishing. The decline in the growth rate in Mining & quarrying and Construction sectors contributed to the overall decline in the Industrial sector when compared to previous year (2019-20).

The Finance Department replied (December 2021) that decline in growth rate of Agriculture, Industry and Service Sector was attributable to COVID-19 pandemic situation, imposition of lockdown resulting in closure of manufacturing /trading /service sector and sluggish economic activities.

The sectoral contribution to GSDP of the State during 2020-21 is given in **Chart 1.4**.

Chart 1.4: Sectoral contribution to GSDP during 2020-21



Source: Directorate of Economics and Statistics, Government of Karnataka

1.3 Basis and Approach to State Finance Audit Report

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

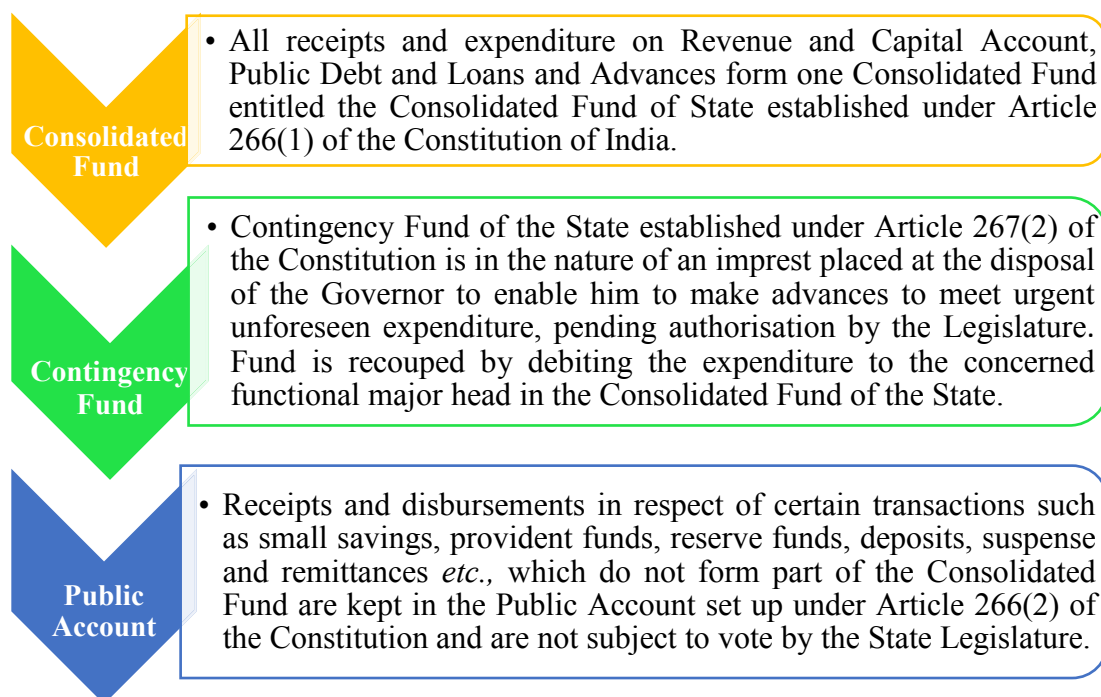
Principal Accountant General (Accounts & Entitlements) {Pr.AG (A&E)} prepares the Finance Accounts and Appropriation Accounts of the State annually, from initial and subsidiary accounts rendered by the treasuries, offices and other departments responsible for maintaining initial accounts and the statements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

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

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

1.4 Structure of Government Accounts

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



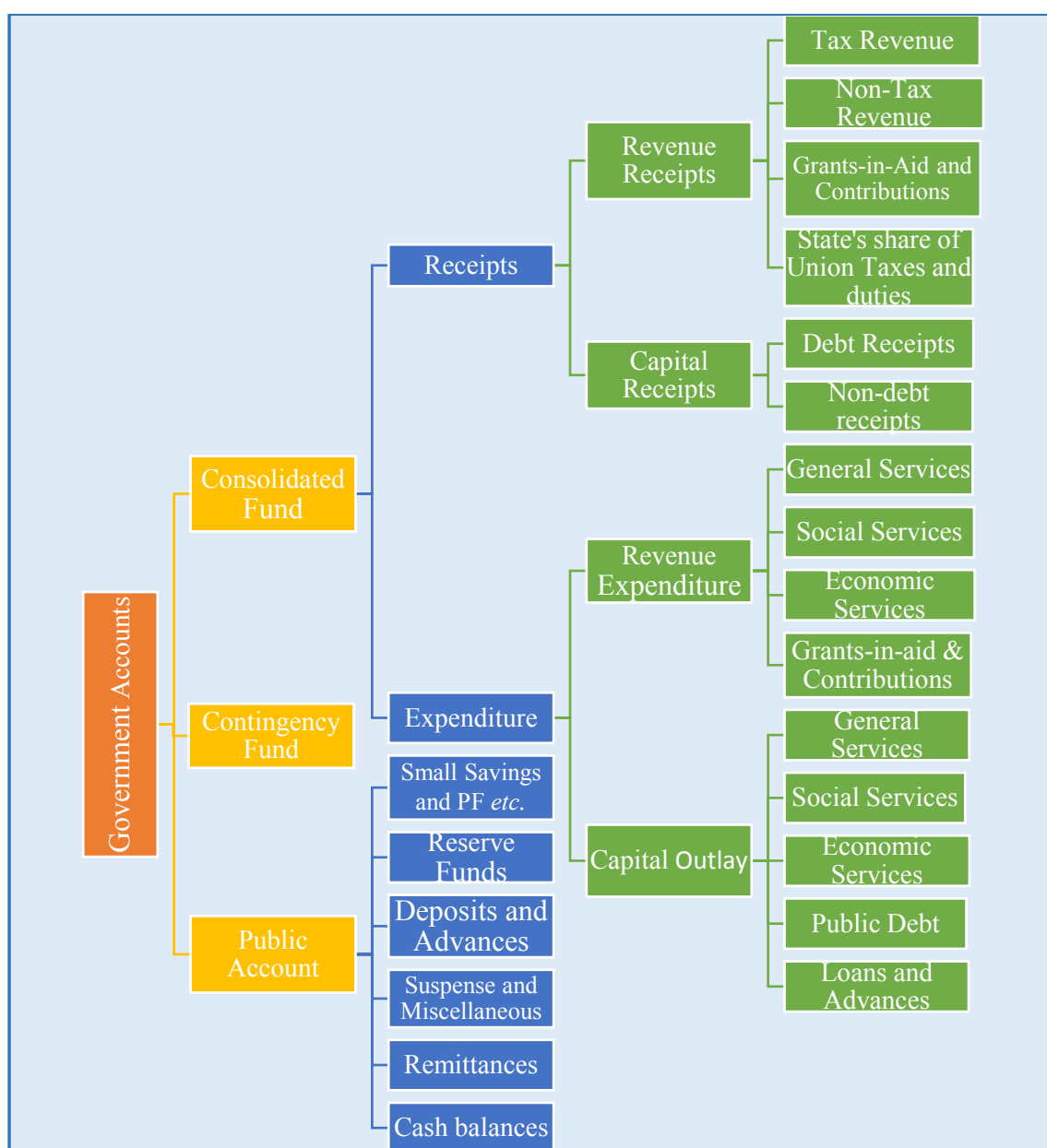
The Budget is to be presented to both the Houses of the Legislature of the State, in terms of Article 202 of the Constitution of India. The 'Annual Financial Statement' constitutes the main budget document. It includes,

- **Revenue receipts** consists of tax revenue, non-tax revenue, share of Union taxes/duties, and grants from GoI.
- **Revenue expenditure** consists of all those expenditures of the Government, which do not result in creation of physical or financial assets. It relates to those expenses incurred for the normal functioning of the Government departments and various services, interest payments on debt incurred by the Government, and grants given to various institutions (even though some of the grants may be meant for creation of assets).

- **Capital receipts** consist of:
 - **Debt receipts:** market loans, bonds, loans from financial institutions, net transaction under ways and means advances, loans and advances from Central Government, *etc.*;
 - **Non-debt receipts:** proceeds from disinvestment, recoveries of loans and advances.
- **Capital expenditure** includes expenditure on the acquisition of land, building, machinery, equipment, investment in shares, and loans and advances by the Government to the Public Sector Undertakings (PSUs) and other entities.

The layout of the Finance Accounts is shown in **Appendix 1.2** and the pictorial depiction of the structure of Government Accounts is given in **Chart 1.5**.

Chart 1.5: Pictorial depiction of the structure of Government Accounts



1.5 Budgetary Processes

In terms of Article 202 of the Constitution of India, the Governor of State shall cause to be laid before the State Legislature, a statement of the estimated receipts and expenditure of the State for the year 2020-21, in the form of an Annual Financial Statement. In terms of Article 203, the statement is submitted to the State Legislature in the form of Demands for Grants/Appropriations. On approval, the Appropriation Bill is passed by the Legislature under Article 204 to provide for appropriation of the required money out of the Consolidated Fund. In the State of Karnataka, the budget documents include documents like Gender Budget (detailed in **Chapter 3-Paragraph 3.3**), Child Budget (detailed in **Chapter 3-Paragraph 3.4**) and document for district wise and scheme wise allocation to Panchayat Raj Institutions (PRIs) and Urban Local Bodies (ULBs) etc.

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

1.6 Snapshot of Finances

The **Table 1.2** provides the details of actual financial results *vis-à-vis* Budget Estimates for the year 2020-21 *vis-à-vis* actuals of 2019-20.

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

| (₹ in crore) | | | | | |
|--|---|------------------|-------------------------------|------------------|---|
| Sl. No. | Components | 2019-20 (Actual) | 2020-21 (Budgetary provision) | 2020-21 (Actual) | Percentage of Actual to Budgetary Provision |
| Section A: Revenue Receipts | | | | | |
| 1 | Tax Revenue | 1,02,363 | 1,11,991 | 97,052* | 86.66 |
| 2 | Non-tax Revenue | 7,681 | 7,767 | 7,894 | 101.64 |
| 3 | Share of Union Taxes and Duties | 30,919 | 28,591 | 21,694 | 75.88 |
| 4 | Grants-in-aid and Contributions | 34,480 | 31,570 | 30,076^ | 95.27 |
| 5 | Revenue Receipts (1+2+3+4) | 1,75,443 | 1,79,920 | 1,56,716 | 87.10 |
| Section B: Capital Receipts | | | | | |
| 6 | Recoveries of Loans and Advances | 203 | 257 | 270 | 105.06 |
| 7 | Miscellaneous Capital Receipts | 45 | 40 | 45 | 112.50 |
| 8 | Public Debt Receipts | 50,459 | 52,917 | 84,528^^ | 159.74 |
| 9 | Capital Receipts (6+7+8) | 50,707 | 53,214 | 84,843 | 159.44 |
| 10 | Total Receipts (5+9) | 2,26,150 | 2,33,134 | 2,41,559 | 103.61 |
| Section C: Expenditure/Disbursement | | | | | |
| 11 | Revenue Expenditure | 1,74,258 | 1,79,776 | 1,76,054 | 97.93 |
| 12 | Interest Payments# | 19,903 | 22,216 | 23,433 | 105.47 |
| 13 | Capital Outlay | 35,530 | 43,059 | 45,406 | 105.45 |
| 14 | Loan and Advances | 4,069 | 3,452 | 2,669 | 77.32 |
| 15 | Capital Expenditure (13+14) | 39,599 | 46,511 | 48,075 | 103.36 |
| 16 | Public Debt Repayment | 10,180 | 11,605 | 11,016 | 94.92 |
| 17 | Total Disbursement out of Consolidated Fund (11+15+16) | 2,24,037 | 2,37,892 | 2,35,145 | 98.42 |

| Sl. No. | Components | 2019-20 (Actual) | 2020-21 (Budgetary provision) | 2020-21 (Actual) | Percentage of Actual to Budgetary Provision |
|-------------------------------------|--------------------------------------|------------------|-------------------------------|------------------|---|
| Section D: Fiscal Indicators | | | | | |
| 18 | Revenue Surplus/Deficit (5-11) | 1,185 | 144 | (-)19,338 | (-)13,429.17 |
| 19 | Fiscal Deficit (-) {(5+6+7)-(11+15)} | 38,166 | 46,070 | 67,098 | 145.64 |
| 20 | Primary Deficit (-) (19-12) | 18,263 | 23,854 | 43,665 | 183.05 |

Source: Finance Accounts, Annual Financial Statement and MTFP 2019-23

*Tax Revenue Includes Major Heads 0005 – CGST (₹6,236.01 crore), 0006 – SGST (₹37,711.18 crore) and 0008 – IGST (Nil).

Includes Interest on Off Budget borrowings.

^includes compensation of ₹13,789 crore for loss of revenue arising out of implementation of GST

^^ Effective Public Debt Receipts would be ₹72,121 crore as the Department of Expenditure, GoI had decided that GST compensation of ₹12,407 crore given to the state as back-to-back loan under Debt Receipts would not be treated as debt of the state for any norms which may be prescribed by the Finance Commission.

The total receipts under GST during 2020-21 were ₹43,947.19 crore. The state received total compensation of ₹26,196.26 crore on account of loss of revenue arising out of the implementation of GST during 2020-21. Out of this, ₹ 13,789.26 crore was received by the state as grants under Revenue Receipts. However, due to inadequate balance in GST compensation fund during the year 2020-21, the state also received back-to-back loan of ₹12,407 crore under Debt Receipts of the State Government with repayment obligations from the cess collected in GST compensation fund and not from any other resources of the state. Due to this arrangement, the Revenue Deficit of ₹19,338 crore and the Fiscal Deficit of ₹67,098 crore during the year 2020-21 may be read in conjunction with Debt Receipt of ₹12,407 crore in lieu of GST compensation.

The State Revenue Expenditure (₹1,76,054 crore) was within its budgetary projection (₹1,79,776 crore). However, Revenue receipts (₹1,56,716 crore) received was less by 13 per cent during 2020-21 when compared to Budgetary provision (₹1,79,920 crore), which resulted in Revenue deficit (₹19,338 crore).

The Finance Department replied (December 2021) that the decline in revenue receipts was due to COVID-19/pandemic situation, imposition of lock down resulting in closure of manufacturing /trading /service sector and sluggish economic activities and also due to reduction in receipt of State Share of Union Taxes and Duties and Grants-in-Aid from GoI.

1.7 Snapshot of Assets and Liabilities of the Government

Government accounts capture the financial liabilities of the Government and the assets created out of the expenditure incurred. The liabilities consist mainly of internal borrowings, loans and advances from GoI, receipts from public account and reserve funds, and the assets comprise mainly the capital outlay, loans and advances given by the State Government and cash balances. The growth rate components of Assets and Liabilities is given in **Table 1.3** and summarised position of Assets and Liabilities as on 31 March 2021 compared with the corresponding position as on 31 March 2020 is given in **Appendix 1.3**.

Table 1.3: Summarised position of Assets and Liabilities

(₹ in crore)

| Liabilities | | | | | Assets | | | | |
|--------------------------|---|-----------------|-----------------|-------------------|--------|---|-----------------|-----------------|-------------------|
| | | 2019-20 | 2020-21 | Per cent increase | | | 2019-20 | 2020-21 | Per cent increase |
| Consolidated Fund | | | | | | | | | |
| A | Internal Debt | 2,20,337 | 2,81,140 | 27.60 | a | Gross Capital Outlay | 3,05,798 | 3,51,201 | 14.85 |
| B | Loans and Advances from GoI | 13,908 | 26,617* | 91.38 | b | Loans and Advances | 28,847 | 31,246 | 8.32 |
| | Contingency Fund | 80 | 80 | 0.00 | | Contingency Fund | - | - | - |
| Public Account | | | | | | | | | |
| A | Small Savings, Provident Funds etc. | 35,179 | 38,811 | 10.32 | a | Advances | 7 | 7 | 0.00 |
| B | Deposits | 31,559 | 30,874 | (-)2.17 | b | Remittance | 1,038 | 1,073 | 3.37 |
| C | Reserve Funds | 37,599 | 43,873 | 16.69 | c | Suspense and Miscellaneous | - | - | - |
| D | Suspense and Miscellaneous | 5,297 | 2,377 | (-)55.13 | | Cash balance (including investment in Earmarked Fund) | 34,463 | 47,143 | 37 |
| E | Remittances | - | - | - | | Total | 3,70,153 | 4,30,670 | 16.35 |
| | Cumulative Excess of Receipts over expenditure | 26,194 | 6,898 | (-)73.67 | | Deficit in Revenue Account | - | - | - |
| | Total | 3,70,153 | 4,30,670 | 16.35 | | Total | 3,70,153 | 4,30,670 | 16.35 |

Source: Finance Accounts

* Effective Loans and Advances for GoI would be ₹ 14,210 crore as the Department of Expenditure, GoI had decided that GST compensation of ₹ 12,407 crore given to the state as back-to-back loan under Debt Receipt would not be treated as debt of the state for any norms which may be prescribed by the Finance Commission.

The growth rate of assets in Consolidated Fund increased from 13 per cent in 2019-20 to 15 per cent in 2020-21, while that of Liabilities exclusive of off-budget borrowings also increased from 22 per cent in 2019-20 to 28 per cent in 2020-21. The Finance Accounts reflected an amount of ₹ 2,81,140 crore as internal debt outstanding at the end of 2020-21 after taking into account the difference of ₹ 293.82 crore in the accounts of LIC, GIC, NABARD, NCDC etc. The cash balance (including investment of Earmarked funds and deposits with RBI) of the State at the end of the year was ₹ 47,143 crore. The increase in the cash balance (including investment of Earmarked funds and deposits with RBI) was 37 per cent over the previous year.

1.8 Fiscal parameters

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

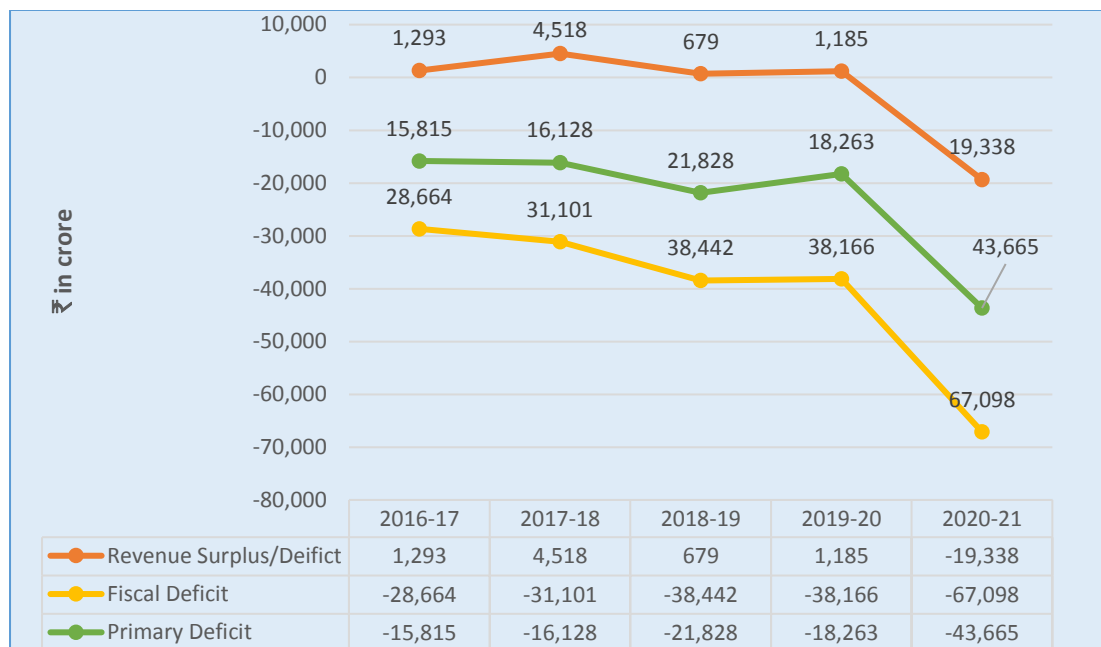
The nature of deficit is an indicator of the extent of prudence in fiscal management. Further, the ways in which the deficit is financed and the

application of resources raised are important pointers to its fiscal health. This section presents trends, nature and magnitude and the manner of financing these deficits and the assessment of actual levels of revenue and fiscal deficits *vis-à-vis* targets set under KFRA for the financial year 2020-21.

1.8.1 Trends in Deficit/Surplus

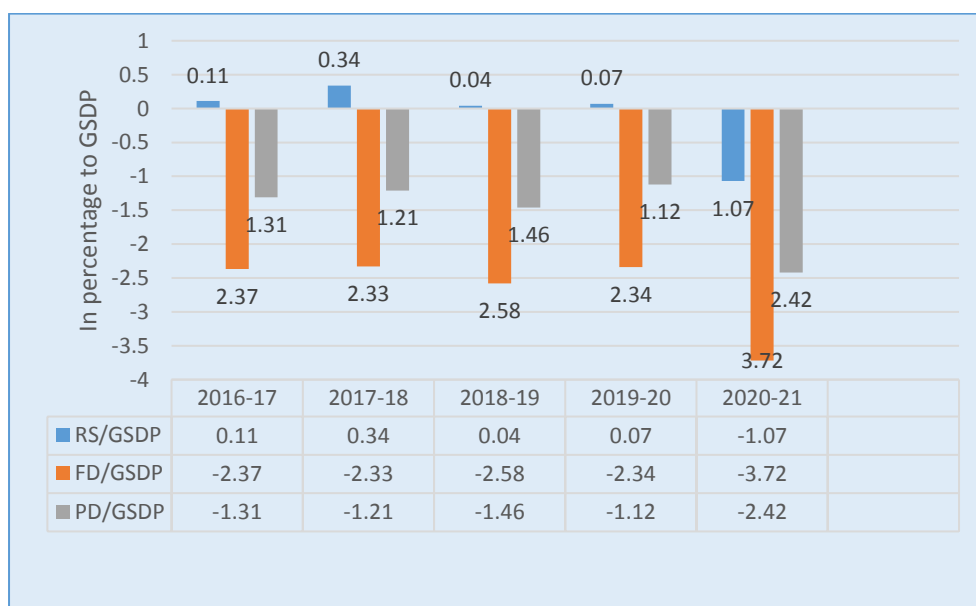
The trend of surplus and deficits of key fiscal parameters over the five-year period from 2016-17 to 2020-21 is depicted in **Chart 1.6** and trend in surplus and deficit relative to GSDP is given in **Chart 1.7**.

Chart 1.6: Trends in deficit parameters



Source: Finance Accounts

Chart 1.7: Trends in Surplus/Deficit relative to GSDP



Source: Directorate of Economics and Statistics, Government of Karnataka and Finance Accounts

During 2020-21, the revenue deficit was on account of decrease in revenue receipts by 9.64 per cent⁴ over revenue expenditure. During 2020-21, Fiscal Deficit increased by 76 per cent (₹28,932 crore), as capital expenditure increased by 21.40 per cent (₹8,476 crore).

1.8.2 Trends in Fiscal Liabilities and its ratio to GSDP

Table 1.4 gives details of the composition of outstanding fiscal liabilities of the State and its ratio to GSDP during the years 2016-17 to 2020-21.

Table 1.4: Trends in Fiscal Liabilities and its ratio to GSDP

(₹ in crore)

| Liabilities | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|
| Internal Debt | 1,32,489 | 1,48,581 | 1,79,309 | 2,20,337 | 2,81,140 |
| GoI Loans | 13,794 | 14,555 | 14,657 | 13,908 | 26,617* |
| Public Account | 64,788 | 69,922 | 76,410 | 85,172 | 89,748 |
| Off-budget borrowings | 10,248 | 13,173 | 14,862 | 18,103 | 18,421 |
| Total Fiscal Liabilities | 2,21,319 | 2,46,231 | 2,85,238 | 3,37,520 | 4,15,926 |
| Total Liabilities to GSDP (in per cent) | 18.32 | 18.42 | 19.14 | 20.72 | 22.37 |
| Target (in per cent) | 25.00 | 25.00 | 25.00 | 25.00 | 25.00 |

Source: Finance Accounts

* Effective Loans and Advances for GoI would be ₹ 14,210 crore as the Department of Expenditure, GoI had decided that GST compensation of ₹ 12,407 crore given to the state as back-to-back loan under Debt Receipt would not be treated as debt of the state for any norms which may be prescribed by the Finance Commission.

The ratio of total outstanding Debt to GSDP (22.37 per cent) has been arrived at after excluding GST compensation of ₹12,407 crore given to the state as back-to-back loan under Debt Receipts from the total outstanding liabilities as the Department of Expenditure, GoI had decided that it would not be treated as debt of the state for any norms which may be prescribed by the Finance Commission.

The fiscal liabilities of the State increased by 88 per cent from ₹2,21,319 crore in 2016-17 to ₹4,15,926 crore in 2020-21 and by 23 per cent over the previous year. Internal debt which includes market borrowings constituted 68 per cent and Public Account constituted 22 per cent of the total fiscal liabilities during 2020-21. The total liabilities to GSDP was on an increasing trend from 18.32 per cent during 2016-17 to 22.37 per cent during 2020-21 but well within the maximum mandated under the KFRA/Medium Term Fiscal Plan (MTFP).

1.9 Fiscal situation of the State

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

⁴ Growth rate of Revenue Receipts and Revenue Expenditure for 2020-21 is (-) 10.67 per cent and 1.03 per cent respectively. The difference between these two is (-) 9.64 per cent.

1.9.1 KFRA targets on key fiscal parameters and achievements thereon

The KFRA, 2002 envisaged sufficient revenue surplus and prudential debt management through limits on borrowings, debt and deficits. The targets for revenue and fiscal deficits along with their actual levels are given in **Table 1.5**.

Table 1.5: Compliance with targets of KFRA

| Fiscal Parameters | KFRA target | Achievement | | | | |
|---|--|---------------|---------------|---------------|---------------|--------------------------------------|
| | | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
| Revenue Surplus/Deficit (₹ in crore) | To maintain Revenue Surplus | 1,293 | 4,518 | 679 | 1,185 | (-19,338) |
| | Revenue Surplus may not be attained during 2020-21 due to COVID 19 | √ | √ | √ | √ | The State revenue deficit may arise. |
| Fiscal Deficit (as percentage of GSDP) | 3.00 per cent (upto 2019-20) | 28,664 (2.37) | 31,101 (2.33) | 38,442 (2.58) | 38,166 (2.34) | 67,098 (3.72) |
| | 5.00 per cent (2020-21) | √ | √ | √ | √ | √ |
| Ratio of total outstanding debt to GSDP (in per cent) | 25.00 per cent | 18.32 | 18.34 | 19.14 | 20.72 | 22.37* |
| | | √ | √ | √ | √ | √ |

*The back-to-back Loan (₹12,407 crore) received from GoI in lieu of GST compensation has not been considered as Debt for working out the indicator.

The ratio of total outstanding Debt to GSDP (22.37 per cent) has been arrived at after excluding GST compensation of ₹12,407 crore given to the state as back-to-back loan under Debt Receipts from the total outstanding liabilities as the Department of Expenditure, GoI had decided that it would not be treated as debt of the state for any norms which may be prescribed by the Finance Commission.

By an amendment to KFRA, 2002 in February 2014, the scope of total liabilities as defined under Section-2(g) was amplified to include the borrowings by PSUs and Special Purpose Vehicles⁵ (SPVs) and other equivalent instruments, where the principal and/or interest are to be serviced out of the State Budget. The State Government has been amending the KFRA from time to time keeping in view the parameters prescribed by successive Finance Commissions (FC). The State Government recorded revenue surplus from 2004-05 to 2019-20 and the fiscal deficit and debt-GSDP ratio was within the limit of three per cent and 25 per cent of GSDP as prescribed under the Act.

During the year 2020-21, the State Government amended the KFRA to raise the fiscal deficit from three per cent to five per cent of the estimated Gross State Domestic Product as a onetime relaxation due to COVID 19 pandemic. In addition, the State envisaged revenue deficit due to reduction of receipts as a result of COVID-19 pandemic. During 2020-21, the State witnessed Revenue

⁵ Borrowings by PSUs and SPVs are Off-budget borrowings

deficit, which indicates that the Government borrowings was spent towards revenue expenditure. However, the fiscal deficit, debt-GSDP ratio were within the limit of five *per cent* and 25 *per cent* of GSDP respectively as prescribed under the Act.

1.9.2 Actuals vis-à-vis projections of Medium Term Fiscal Plan for 2020-21

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

Table 1.6 indicates the variation between the projections made for 2020-21 in MTFP and actuals for the year.

Table 1.6: Actuals vis-à-vis projection in MTFP for 2020-21

| (₹ in crore) | | | | |
|--------------|--|--------------------------------|-------------------|---------------------------------|
| Sl. No. | Fiscal Variables | Projection as per MTFP 2019-23 | Actuals (2020-21) | Variation (in <i>per cent</i>) |
| 1 | Own Tax Revenue | 1,32,552 | 97,052 | (-)26.78 |
| 2 | Non-Tax Revenue | 8,378 | 7,894 | (-)5.78 |
| 3 | Share of Central Taxes | 43,787 | 21,694 | (-)50.46 |
| 4 | Grants-in-aid from GoI | 15,499 | 30,076 | 94.05 |
| 5 | Revenue Receipts (1+2+3+4) | 2,00,215 | 1,56,716 | (-)21.73 |
| 6 | Revenue Expenditure | 1,99,240 | 1,76,054 | (-)11.64 |
| 7 | Total Debt | 3,78,587 | 4,15,926* | 9.86 |
| 8 | GSDP | 17,71,683 | 18,03,609 | 1.80 |
| 9 | Revenue Deficit (-)/Surplus (+) (5-6) | 975 | (-)19,338 | (-)1,883.38 |
| 10 | Fiscal Deficit (-)/Surplus (+) | 51,379 | 67,098 | (-)30.59 |
| 11 | Debt-GSDP ratio (<i>per cent</i>) | 21.37 | 22.37** | 1.00 |
| 12 | GSDP growth rate at current prices (<i>per cent</i>) | 11.50 | 10.72 | (-)0.78 |

Source: Finance Accounts and MTFP 2019-23

* Effective total debt would be ₹403,519 crore as the Department of Expenditure, GoI had decided that GST compensation of ₹12,407 crore given to the state as back-to-back loan under Debt Receipt would not be treated as debt of the state for any norms which may be prescribed by the Finance Commission and therefore, the effective variation would be 6.59 *per cent*.

**The back-to-back Loan (₹12,407 crore) received from GoI in lieu of GST compensation has not been considered as Debt for working out the indicator.

As seen from the above table, against the projections made in MTFP relating to all the key fiscal parameters⁶, projection relating to GSDP growth rate, Revenue Deficit and Debt-GSDP ratio was not met on account of lower growth in revenue Receipts than that projected in the MTFP.

⁶ Fiscal indicators like revenue surplus/deficit, fiscal deficit, Debt-GSDP ratio and GSDP growth rate at current prices.

The Finance Department reiterated (December 2021) that the decline in revenue receipts was due to COVID 19 pandemic situation.

1.10 Impact of certain transactions on major fiscal indicators during 2020-21

Scrutiny of certain major transactions during 2020-21 revealed that, revenue deficit and fiscal deficit were affected by certain accounting adjustments as brought out in Paragraph 9 of Notes to Accounts of Finance Accounts and as detailed in **Table 1.7**.

Table 1.7: Impact of certain major transactions during 2020-21

(₹ in crore)

| Sl. No. | Nature of transaction | Revenue Deficit | | Fiscal Deficit | |
|--------------|--|-----------------|-----------------|----------------|-----------------|
| | | Over-statement | Under-statement | Over-statement | Under-statement |
| 1 | Booking of capital expenditure instead of revenue expenditure | - | 100.00 | - | - |
| 2 | Utilisation of capital funds for expenditure of revenue nature | - | 117.02 | - | - |
| 3 | Non-transfer of receipts under Green Tax Cess to Reserve Fund | - | 10.86 | - | 10.86 |
| 4 | Non-transfer of receipts under Road Safety Cess | - | 87.65 | - | 87.65 |
| 5 | Interest Adjustment | - | 11.56 | - | 11.56 |
| 6 | Write back of unspent PRI grants | - | 1,621.30 | - | 1,621.30 |
| Total | | - | 1,948.38 | - | 1,731.37 |

Source: Notes to Accounts 2020-21 and Post audit analysis

The above transactions are discussed below:

- Expenditure of ₹100.00 crore relating to Grants-in-aid-General in Department of Home and Transport was booked under capital instead of revenue expenditure which is discussed in **paragraph 3.7.2.2 of Chapter 3**;
- In addition, expenditure of ₹117.02 crore under Capital head were utilised towards expenditure of revenue nature (Salaries) which is discussed in **paragraph 3.7.2.3 of Chapter 3**;
- Green Tax Cess (₹10.86 crore) and Road safety Cess (₹87.65 crore) collected under Consolidated Fund of the State was not transferred to the fund account in Reserve Fund, which is discussed in **paragraph 2.6.2 (b) of Chapter 2**;
- The State Government was required to pay interest on the un-invested balance lying under Reserve Funds and Deposits bearing interest. The un-invested balances at the beginning of the year was ₹49.16 crore under Other Deposits- Defined contribution Pension scheme of Government Employees and ₹1,273.30 crore under Reserve Funds-State Compensatory Afforestation Fund. The interest liability on State

Compensatory Afforestation Fund is at 4 *per cent* and 7.1 *per cent* for Defined contribution Pension scheme of Government Employees and interest due worked out to ₹54.42 crore. Out of ₹54.42 crore, ₹11.56 crore was not provided.

- In respect of Sl. No. 6, the State Government through an order in December 2016 had stipulated that the adjustment of unspent balances of a particular year would be done in the budget of the year next to the immediately succeeding year. Accordingly, the State Government in March 2021 had approved the write back of unspent amount of ₹882.49 crore in respect of Zilla Panchayats and ₹738.81 crore in respect of Taluk Panchayats related to the year 2018-19 from the Public Account (Major Head 8448), which led to suppression of expenditure during the current year. This has resulted in understatement of revenue deficit and fiscal deficit to the extent of ₹1,621.30 crore.

The Finance Department replied (December 2021) that Funds remaining unspent in fund II of Zilla Panchayat is written back to consolidated fund as per provisions of Government Order (December 2016). In addition, it stated (March 2021) that once Khajane-2 stabilizes, they could build in a procedure to automate the write back as a year end process. While reiterating the point Finance Department in Exit conference stated that as a first step, it would bridge the gap from two years to one year for writing back the unutilised amount.

However, until the unspent amount of ZP/TP funds were written back during the same financial year, the fiscal indicators would continue to be affected.

Chapter – 2

Finances of the State

Chapter 2 - Finances of the State

2.1 Introduction

This chapter provides a broad perspective of the finances of the State, analyses the critical changes in major fiscal variables relative to the previous year, overall trends during the five-year period from 2016-17 to 2020-21, debt sustainability of the State and key Public Account transactions based on the Finance Accounts of the State.

2.2 Major changes in key fiscal aggregates *vis-à-vis* 2020-21

Table 2.1 presents a bird's eye view of the major changes in key fiscal aggregates of the State during 2020-21, *vis-à-vis* the previous year (2019-20). Details are given in **Appendix 2.1**. The details of receipts and disbursement for 2020-21 as well as the overall fiscal position during preceding four years are shown in **Appendix 2.2**.

Table 2.1: Changes in key fiscal aggregates during 2020-21 compared to 2019-20

| | |
|----------------------------|---|
| Revenue Receipts | <ul style="list-style-type: none"> ✓ Revenue Receipts of the State decreased by 10.67 <i>per cent</i>. ✓ Own Tax Receipts of the State decreased by 5.19 <i>per cent</i>. ✓ Own non-Tax Receipts increased by 2.77 <i>per cent</i>. ✓ State's share of Union Taxes and Duties decreased by 29.84 <i>per cent</i>. ✓ Grants-in-Aid from GoI decreased by 12.77 <i>per cent</i>. |
| Revenue Expenditure | <ul style="list-style-type: none"> ✓ Revenue Expenditure increased by 1.03 <i>per cent</i>. ✓ Revenue Expenditure on General Services increased by 12.69 <i>per cent</i>. ✓ Revenue Expenditure on Social Services decreased by 7.00 <i>per cent</i>. ✓ Revenue Expenditure on Economic Services increased by 1.89 <i>per cent</i>. ✓ Expenditure on Grants-in-aid decreased by 11.58 <i>per cent</i>. |
| Capital Outlay | <ul style="list-style-type: none"> ✓ Capital Outlay increased by 27.80 <i>per cent</i>. ✓ Capital Outlay on General Services increased by 54.81 <i>per cent</i>. ✓ Capital Outlay on Social Services increased by 25.62 <i>per cent</i>. ✓ Capital Outlay on Economic Services increased by 27.75 <i>per cent</i>. |

| | |
|---------------------------|---|
| Loans and Advances | <ul style="list-style-type: none"> ✓ Recoveries of Loans and Advances increased by 33.00 per cent. ✓ Disbursement of Loans and Advances decreased by 34.41 per cent. |
| Public Debt | <ul style="list-style-type: none"> ✓ Public Debt Receipts increased by 67.52 per cent (Effective increase would be 42.93 per cent considering the exclusion of the back-to-back loan received in lieu of GST compensation from GoI). ✓ Repayment of Public Debt increased by 8.21 per cent. |
| Public Account | <ul style="list-style-type: none"> ✓ Public Account Receipts increased by 6.57 per cent. ✓ Disbursement of Public Account increased by 8.52 per cent. |
| Cash Balance | <ul style="list-style-type: none"> ✓ Cash Balance (including investment of Earmarked funds and deposits with RBI) increased by ₹12,680.05 crore (36.79 per cent). |

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

2.3 Sources and Application of funds

Table 2.2 compares the sources and application of funds of the State during 2019-20 with 2020-21, while **Chart 2.1** and **Chart 2.2** give the details of receipts into and expenditure from the Consolidated Fund during 2020-21 in terms of percentages.

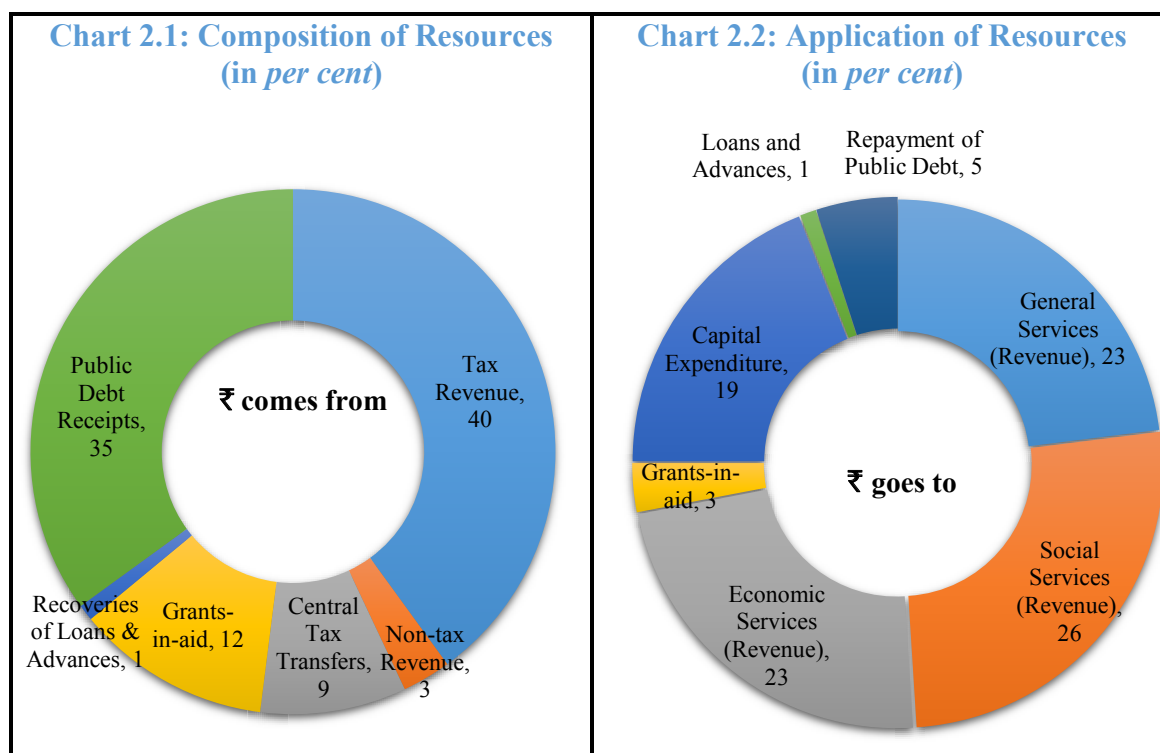
Table 2.2: Details of Sources and Application of funds during 2019-20 and 2020-21

| (₹ in crore) | | | | |
|--------------------|--|----------|-----------------|-------------------|
| | Particulars | 2019-20 | 2020-21 | Increase/Decrease |
| Sources | Opening Cash Balance (including investment of Earmarked funds and deposits with RBI) | 22,004 | 34,463 | 12,459 |
| | Revenue Receipts | 1,75,443 | 1,56,716 | (-)18,727 |
| | Recoveries of Loans and Advances | 203 | 270 | 67 |
| | Public Debt Receipts (Net) | 40,279 | 73,512* | 33,233 |
| | Public Account Receipts (Net) | 10,346 | 6,264 | (-)4,082 |
| | Total | | 2,48,275 | 2,71,225 |
| Application | Revenue Expenditure | 1,74,258 | 1,76,054 | 1,796 |
| | Capital Outlay | 35,530 | 45,406 | 9,876 |
| | Disbursement of Loans and Advances | 4,069 | 2,669 | (-)1,400 |

| | Particulars | 2019-20 | 2020-21 | Increase/ Decrease |
|--|---|-----------------|-----------------|-----------------------|
| | Closing Cash Balance (including investment of Earmarked funds and deposits with RBI) | 34,463 | 47,143 | 12,680 |
| | Total | 2,48,320 | 2,71,272 | 22,952 |

Source: Finance Accounts

* Effective Public Debt Receipts (Net) would be ₹61,105 crore as the Department of Expenditure, GoI had decided that GST compensation of ₹12,407 crore given to the state as back-to-back loan under Debt Receipts would not be treated as debt of the state for any norms which may be prescribed by the Finance Commission.



Source: Finance Accounts

2.4 Resources of the State

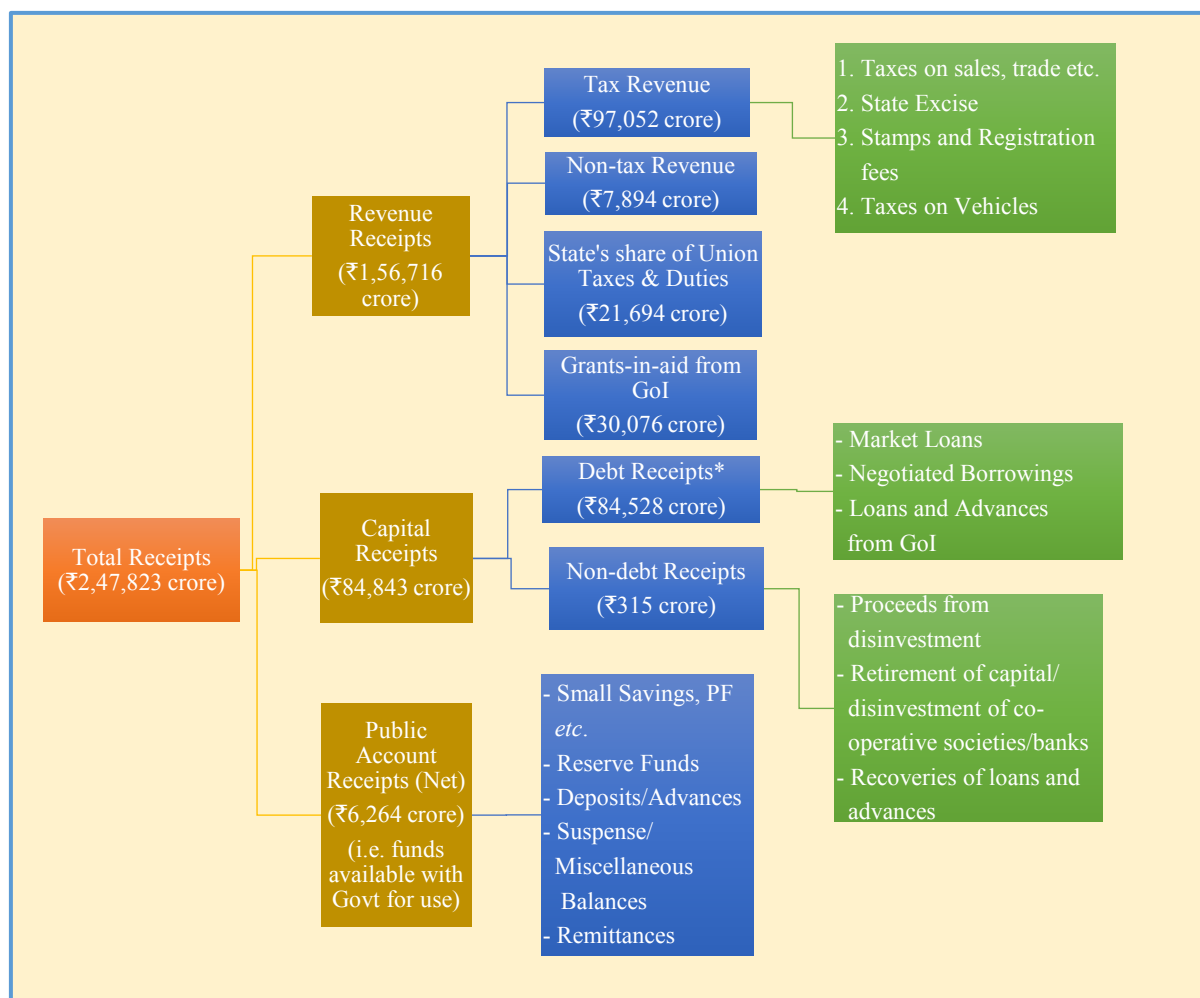
The resources of the State consist of Revenue Receipts, Capital Receipts and Net Public Account Receipts. The composition of these are already discussed in **Para 1.4 of Chapter 1**. The components and sub components of overall receipts of the State during 2020-21 are shown in **Chart 2.3**.

2.4.1 Revenue Receipts

The GoK's fiscal position is largely influenced by the revenue side. On an average, 62 per cent of the revenue came from the State's own resources during the period 2016-17 to 2019-20. During 2020-21, the State own resources constituted 67 per cent of the total revenue. The balance was transfers from GoI in the form of the State's share of taxes and duties and Grants-in-aid contributions. Though tax revenues have been growing in terms of value since 2010-11 onwards, but during 2020-21, it has declined by 5.19 per cent when

compared to previous year (2019-20). However, as a percentage share of Revenue Receipts, they were in a declining trend from 2016-17 to 2019-20. During 2020-21, there was a slight increase and it constituted 62 per cent of the total Revenue Receipts. On the other hand, the State has not improved revenues on the non-tax front. The Non-tax Revenue which was four per cent of Revenue Receipts during 2016-17 to 2019-20, increased to five per cent during 2020-21.

Chart 2.3: Composition of receipts of the State during 2020-21



* Effective Debt Receipts would be ₹72,121 crore as the Department of Expenditure, GoI had decided that GST compensation of ₹12,407 crore given to the state as back-to-back loan under Debt Receipts would not be treated as debt of the state for any norms which may be prescribed by the Finance Commission and thus, the effective Capital Receipts stand at ₹73,436 crore and effective Total Receipts stand at ₹2,35,416 crore.

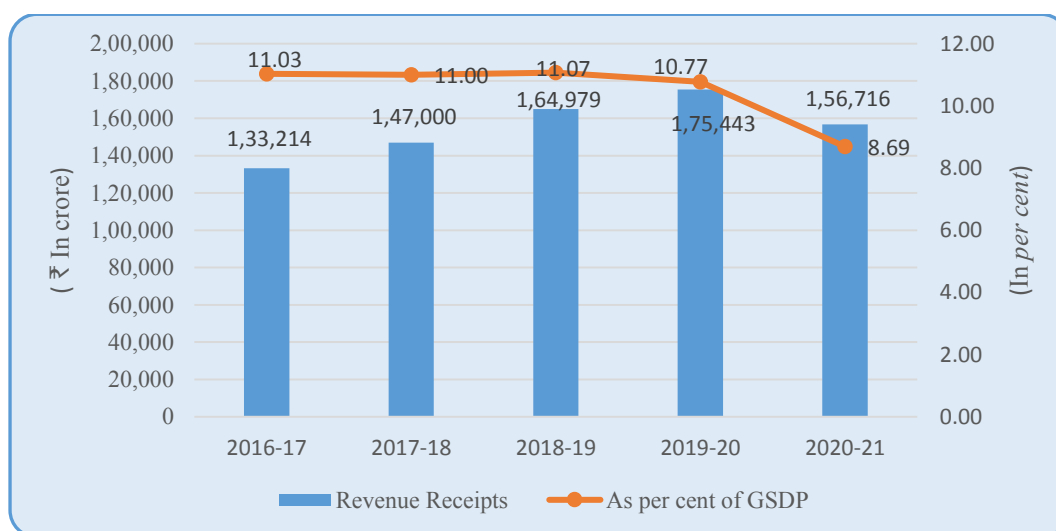
2.4.2 Trends and growth of Revenue Receipts

Table 2.3 provides trends in Revenue Receipts as well as revenue buoyancy with respect to GSDP over the five-year period 2016-17 to 2020-21. Further, trends in Revenue Receipts relative to GSDP and composition of Revenue Receipts are given in Chart 2.4 and Chart 2.5 respectively.

Table 2.3: Trends and growth in Revenue Receipts

| Parameters | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
|--|-----------|-----------|-----------|-----------|-----------|
| Revenue Receipts (RR) (₹ in crore) | 1,33,214 | 1,47,000 | 1,64,979 | 1,75,443 | 1,56,716 |
| Rate of growth of RR (per cent) | 12.12 | 10.35 | 12.23 | 6.34 | (-)10.67 |
| Own tax Revenue (₹ in crore) | 82,956 | 87,130 | 96,830 | 1,02,363 | 97,052 |
| Non-tax revenue (₹ in crore) | 5,795 | 6,477 | 6,773 | 7,681 | 7,894 |
| Rate of growth of Own Revenue (Own tax and Non-tax revenue) (per cent) | 9.70 | 5.47 | 10.68 | 6.22 | (-)4.63 |
| Gross State Domestic Product (GSDP) (₹ in crore) | 12,07,608 | 13,36,914 | 14,90,624 | 16,28,928 | 18,03,609 |
| Rate of growth of GSDP (per cent) | 15.54 | 10.71 | 11.50 | 9.28 | 10.72 |
| RR/GSDP (per cent) | 11.03 | 11.00 | 11.07 | 10.77 | 8.69 |
| Buoyancy ratios⁷ | | | | | |
| Revenue Buoyancy ⁸ w.r.t GSDP | 0.78 | 0.97 | 1.06 | 0.68 | (-)0.99 |
| State's own revenue buoyancy ⁹ w.r.t GSDP | 0.62 | 0.51 | 0.93 | 0.67 | 0.43 |

Source: Finance Accounts and Economic Survey of GoK

Chart 2.4: Trends of Revenue Receipts

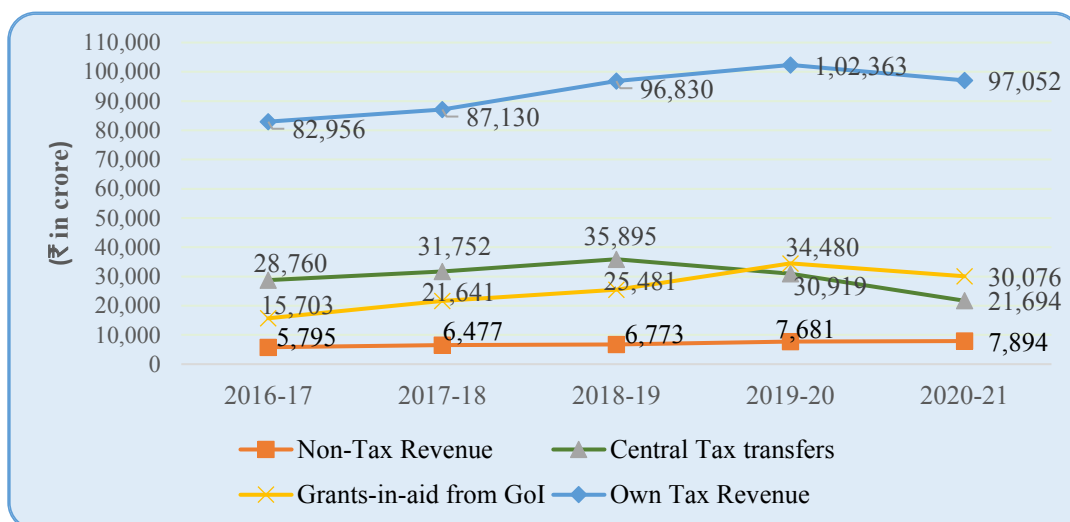
Source: Finance Accounts and Economic Survey of GoK

⁷ Buoyancy ratio indicates the elasticity or degree of responsiveness of a fiscal variable with respect to a given change in the base variable. For instance, revenue buoyancy with respect to GSDP at 0.63 implies that Revenue Receipts tend to increase by 0.63 percentage points, if the GSDP increases by one *per cent*.

⁸ Revenue buoyancy refers to the growth rate of revenue receipts to growth rate of GSDP.

⁹ Own revenue buoyancy refers to growth rate of tax revenue and non-tax revenue to growth rate of GSDP. It excludes devolution from GoI.

Chart 2.5: Trends of components of Revenue Receipts



Source: Finance Accounts

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

- Revenue Receipts increased by 17.64 per cent from ₹1,33,214 crore in 2016-17 to ₹1,56,716 crore in 2020-21. The average growth rate for the period from 2016-17 to 2019-20 was 10.26 per cent. During 2020-21, the revenue decreased by 10.67 per cent when compared to previous year. The decrease resulted in Revenue deficit in the current year.
- About 67 per cent of the Revenue Receipts during 2020-21 came from the State’s own resources, while Central tax transfers and Grants-in-aid together contributed 33 per cent. This is indicative that Karnataka’s fiscal position is largely influenced by own resources.
- During the current year, the decrease of 10.67 per cent (₹18,727 crore) in Revenue Receipts was mainly due to decrease of 5.19 per cent, 29.84 per cent and 12.77 per cent in Own tax revenue, States share of Union taxes and duties and Grants in aid from GoI respectively.
- The revenue buoyancy of the State, which had inter year variation, turned negative for the first time in last decade. This was due to negative growth rate in Revenue Receipts

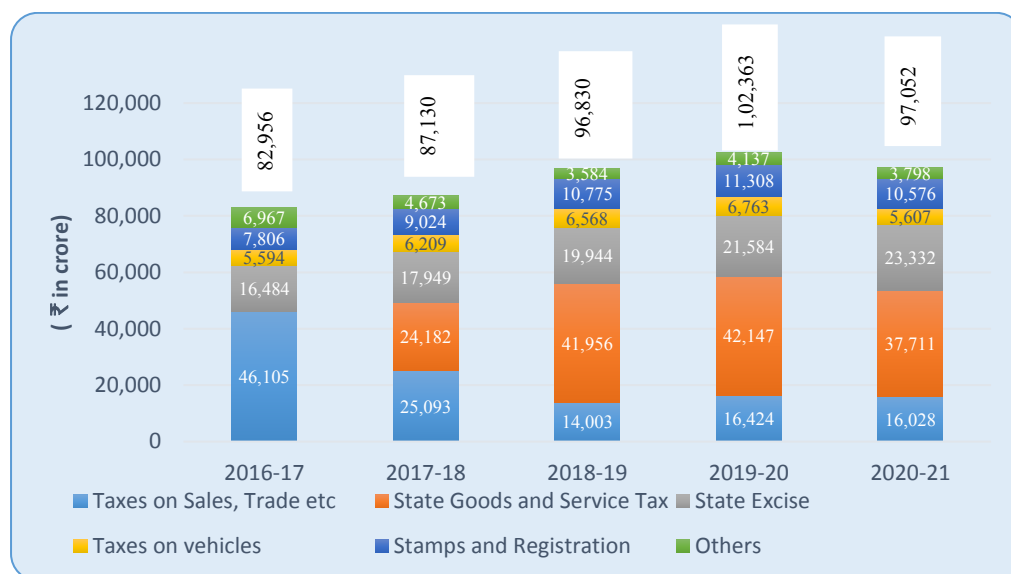
2.4.3 State’s Own Resources

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

Gross collections in respect of major Tax and non-Tax revenue and their relative share in GSDP during 2016-21 are given in **Appendix 2.2**.

a) Own tax Revenue

Trends of Own tax Revenue of the State during the five-year period 2016-17 to 2020-21 are given in **Chart 2.6**.

Chart 2.6: Growth/Decline of Own Tax Revenue during 2016-21

Source: Finance Accounts

The component wise details of State's Own Tax Revenue collected during 2016-17 to 2020-21 are given in **Table 2.4**.

Table 2.4: Components of State's Own tax revenue during 2016-21

| Revenue Head | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 | Sparkline |
|------------------------------|---------------|---------------|---------------|-----------------|---------------|-----------|
| Taxes on Sales, Trade etc. | 46,105 | 25,093 | 14,003 | 16,424 | 16,028 | |
| State Goods and Service Tax | 0 | 24,182 | 41,956 | 42,147 | 37,711 | |
| State Excise | 16,484 | 17,949 | 19,944 | 21,584 | 23,332 | |
| Taxes on Vehicle | 5,594 | 6,209 | 6,568 | 6,763 | 5,607 | |
| Stamps and Registration Fees | 7,806 | 9,024 | 10,775 | 11,308 | 10,576 | |
| Land Revenue | 209 | 195 | 144 | 203 | 184 | |
| Other Taxes | 6,758 | 4,478 | 3,440 | 3,934 | 3,614 | |
| Total | 82,956 | 87,130 | 96,830 | 1,02,363 | 97,052 | |

Source: Finance Accounts

Own tax Revenue of the State increased by ₹14,096 crore from ₹82,956 crore in 2016-17 to ₹97,052 crore in 2020-21. The average annual growth rate of Own tax revenue for the period 2016-17 to 2019-20 was 7.92 per cent. However, during 2020-21, there was decrease in collection of Own tax revenue, which resulted in a negative growth rate. During the current year, the major contributors of Tax Revenue were Goods and Service Tax (39 per cent), State Excise (24 per cent), Taxes on Sales, Trade etc., (17 per cent) and Stamps and Registration Fees (11 per cent).

The Fiscal Management Review Committee (FMRC) constituted under the Chairmanship of Chief Secretary to review the fiscal and debt position of the

State and to suggest corrective steps, met during February 2021. The FMRC acknowledged the huge decline in Revenue Receipts due to COVID - 19 pandemic imposed lockdown and in this backdrop, in order to mobilize more resources in the near future, suggested to review the Stamps and Registration.

State Goods and Services Tax

Actual collection of revenue under State Goods and Service Tax (SGST) during 2019-20 and 2020-21 are shown in **Table 2.5**.

Table 2.5: SGST receipts of Government of Karnataka

| | | | (₹ in crore) |
|----------------------------------|---------------|---------------|-----------------------|
| State Goods and Service Tax | 2019-20 | 2020-21 | Increase/ Decrease |
| Tax | 24,645 | 19,003 | (-)5,642 |
| Apportionment of Taxes from IGST | 331 | 3,430 | 3,099 |
| Others | 17,171 | 15,278 | (-)1,893 |
| SGST collection | 42,147 | 37,711 | (-)4,436 |

Source: Finance Accounts

As per the GST (Compensation to States) Act, 2017, States will be compensated for the shortfall in revenue arising on account of implementation of the Goods and Services Tax considering an annual growth of 14 *per cent* from the base year, for a period of five years. During 2020-21, as there was a shortfall in revenue at the Union level due to COVID 19 pandemic, GoI compensated the States shortfall in GST by providing back-to-back loans. In addition, the Centre levies the Integrated GST (IGST) on interstate supply of goods and services and apportions the State's share of tax to the State where the goods or services are consumed.

During 2020-21, the SGST collections was ₹37,711.18 crore, a decrease of ₹4,436 crore (10.53 *per cent*) over 2019-20. This included Advance Apportionment of IGST amounting to ₹3,429.51 crore. In addition, the State received ₹6,236.01 crore as its share of net proceeds out of CGST. During 2020-21, the net proceeds out of IGST was Nil. The total receipts under GST during 2020-21 were ₹43,947.19 crore¹⁰. The State received total compensation of ₹26,196.26 crore on account of loss of revenue arising out of the implementation of GST during 2020-21. Out of this, ₹13,789.26 crore was received by the State as grants under revenue receipts. However, due to inadequate balance in GST compensation fund during the year 2020-21, the State also received back-to-back loan of ₹ 12,407 crore under debt receipts of the State Government with repayment obligations from the cess collected in GST compensation Fund and not from any other resources of the State. Due to this arrangement, the revenue deficit of ₹19,338 crore and the fiscal deficit of ₹67,098 crore during the year 2020-21 may be read in conjunction with debt receipt of ₹ 12,407 crore in lieu of GST compensation.

Against projected revenue of ₹69,592.49 crore for the period 2020-21, actual taxes collected by the State (pre-GST taxes and SGST) including IGST apportionment and GST compensation for the year 2020-21 aggregated to ₹60,660.32 crore. GST compensation received in short was ₹8,932.17 crore.

¹⁰Under Major Heads 0005 – CGST (₹6,236.01 crore), 0006 – SGST (₹37,711.18 crore) and 0008 – IGST (Nil).

b) Non-Tax revenue

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

The share of non-tax revenue in Revenue Receipts was four *per cent* during 2016-17 to 2019-20 and increased marginally by one *per cent* during the 2020-21. As percentage of GSDP, it was less than one *per cent* during the years 2016-17 to 2020-21. The reason for stagnation includes non-revision of user charges periodically. The FMRC also noted that apart from non-revision of user charges periodically, lack of regular and periodic monitoring by the Administrative Departments was major reason for slow growth in non-tax revenue. The return on investment which forms a part of dividends and profits under non-tax revenue was very poor during 2020-21 (₹80.70 crore), which is discussed in detail in **paragraph 2.5.4.1**.

The component wise details of non-tax revenue collected during 2016-17 to 2020-21 is given in **Table 2.6**.

Table 2.6: Components of State's non-tax revenue

(₹ in crore)

| Revenue Head | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 | Sparkline |
|--|--------------|--------------|--------------|--------------|--------------|-----------|
| Interest Receipts | 1,200 | 1,178 | 1,112 | 895 | 920 | |
| Dividend and Profits | 83 | 79 | 38 | 54 | 81 | |
| Non-ferrous Mining and Metallurgical Industries | 2,419 | 2,747 | 3,027 | 3,629 | 3,893 | |
| Other non-tax receipts | 2,093 | 2,473 | 2,596 | 3,103 | 3,000 | |
| a) Medical and Public Health | 153 | 364 | 330 | 599 | 419 | |
| b) Other Administrative Services | 131 | 271 | 253 | 305 | 388 | |
| c) Forestry and Wild Life | 292 | 314 | 309 | 267 | 276 | |
| d) Education, Sports and Culture | 193 | 176 | 200 | 183 | 175 | |
| e) Police | 176 | 253 | 241 | 308 | 367 | |
| f) Roads and Bridges | 62 | 103 | 105 | 71 | 50 | |
| g) Others | 1,086 | 992 | 1,158 | 1,370 | 1,325 | |
| Total | 5,795 | 6,477 | 6,773 | 7,681 | 7,894 | |

Source: Finance Accounts

The XV Finance Commission (FC) has noted that there needs to be focus on user charges and these revenues should keep pace with the growth of GSDP of the State. In addition, the State Finance Audit Reports (SFAR) of the Comptroller and Auditor General of India since 2009-10, has brought out that user charges are to be revised regularly in order to improve the State's finances. The Expenditure Reforms Commission (ERC), in its fourth report (June 2011) felt that the Government should articulate a clear policy on user charges. In this regard, the Finance Department in its reply to SFAR for the year ending March

2019 (August 2021) stated that effort to increase non-tax revenue by revising user charges was made by conducting meetings with Education, Health, Tourism, Kannada and Culture Departments. It further stated that other departments were instructed (February 2020) to review user charges and initiate action for revising the user charges.

Due to such recommendations in the past few years and due to revisions of user charges by some departments, non-tax revenue increased nominally by one *per cent* during 2020-21.

The Finance Department replied (December 2021) that non-tax revenues collected by certain departments viz., Forest, Horticulture, Health, Mines and Geology were not credited to consolidated fund as separate arrangement were made for its collection and utilization. This was one of the reasons for lesser non-tax revenue collection.

However, efforts should be made to increase the non-tax revenues by revision of user charges in the remaining departments.

In the Economic Survey for 2020-21, it was admitted that non-tax revenues are an important fiscal challenge faced by the State. The State has one of the lowest non-tax revenues to GSDP ratios in the country. It was also stated that in many departments, the revision of user charges, fees & fines and other such non-tax receipts has not taken place for many years. Efforts should be made to increase non-tax receipts under Forestry and Wildlife, Roads and Bridges, Animal Husbandry, Medical and Public Health etc., which have recorded low receipts during 2020-21.

2.4.4 Transfers from Centre

GoI transfers share of the State Government in Union taxes and duties such as Corporation Tax, Income Tax, Service Tax, Union Excise Duties *etc.* The trends in these tax transfers during 2016-17 to 2020-21 are shown in **Table 2.7**

Table 2.7: Trends in Central Tax transfers

| | (₹ in crore) | | | | |
|--|--------------|----------|-----------|-----------|----------|
| Head | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
| Central Goods and Services Tax (CGST) | - | 447.56 | 8,858.76 | 8,773.82 | 6,236.01 |
| Integrated Goods and Service Tax (IGST) | - | 3,204.72 | 707.00 | - | - |
| Corporation Tax | 9,211.05 | 9,721.29 | 12,481.94 | 10,542.17 | 6,656.01 |
| Taxes on Income other than Corporation Tax | 6,401.72 | 8,208.94 | 9,192.40 | 8,260.51 | 6,837.75 |
| Customs | 3,962.25 | 3,203.80 | 2,544.18 | 1,959.84 | 1,110.05 |
| Union Excise Duties | 4,524.54 | 3,348.80 | 1,690.77 | 1,362.62 | 714.26 |
| Service Tax | 4,639.22 | 3,617.15 | 331.65 | - | 119.03 |
| Taxes on Wealth | 21.08 | (-) 0.29 | 4.58 | 0.46 | - |
| Other Taxes on Income and Expenditure | - | - | 65.01 | - | - |
| Other Taxes and Duties | 0.08 | (-) 0.01 | 18.54 | 19.58 | 21.00 |

| Head | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
|---|------------------|------------------|------------------|------------------|------------------|
| Commodities and Services | | | | | |
| Total | 28,759.94 | 31,751.96 | 35,894.83 | 30,919.00 | 21,694.11 |
| Percentage of increase over previous year | 19.92 | 10.40 | 13.05 | (-) 13.86 | (-)29.84 |
| Percentage of Central Tax transfers to Revenue Receipts | 21.59 | 21.60 | 21.76 | 17.62 | 13.84 |

Source: Finance Accounts

The XV FC recommended the State's share in the net proceeds of Central Taxes to be fixed at 3.646 *per cent*. During 2020-21, out of the total share of the States' in divisible pool of Union taxes and duties of ₹5,94,996.76 crore, the net devolution of State's share was ₹21,694.11¹¹ crore. This also included Service Tax of ₹119.03 crore and there was no devolution to the State towards IGST.

2.4.5 Grants-in-aid from Government of India

Grants-in-aid from GoI, which increased from ₹15,703 crore in 2016-17 to ₹34,480 crore in 2019-20, decreased to ₹30,076 crore during 2020-21 as shown in Table 2.8.

Table 2.8: Grants-in-aid from GoI

| Head | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
|--|---------------|---------------|---------------|---------------|---------------|
| Non-Plan grants* | 7,045 | - | - | - | - |
| Grants for State Plan schemes* | 8,102 | - | - | - | - |
| Grants for Central Plan schemes* | 116 | - | - | - | - |
| Grants for Centrally Sponsored schemes | 440 | 11,617 | 10,393 | 12,214 | 9,852 |
| Other transfers/ Grants to States ¹² | - | 7,316 | 11,714 | 17,593 | 14,667 |
| Finance Commission Grants | - | 2,708 | 3,374 | 4,673 | 5,557 |
| Total | 15,703 | 21,641 | 25,481 | 34,480 | 30,076 |
| Percentage of increase/decrease over the previous year | 12.74 | 37.81 | 17.74 | 35.32 | (-)12.77 |
| Percentage of GIA to Revenue Receipts | 11.79 | 14.72 | 15.44 | 19.65 | 19.19 |

Source: Finance Accounts

*There are no figures since the nomenclature of plan and non-plan grants was removed with effect from the year 2017-18 and replaced by Grants for CSS, Finance Commission Grants and Other Grants to States.

As compared to the previous year, there was a decrease of ₹4,404 crore during 2020-21. Except for Finance Commission Grants, the decrease was both under

¹¹ Out of the total devolution of ₹21,694.11 crore, the share of Corporation Tax 3.70 *per cent*, Customs Duty 3.52 *per cent*, Union Excise Duties 3.58 *per cent*, Income tax 3.71 *per cent*, Service Tax 4.54 *per cent*, CGST was 3.53 *per cent* and Other Taxes and Duties was at 4.80 *per cent*.

¹² It includes Grants towards contribution to National Disaster Response Fund and Compensation for loss of revenue arising out of implementation of GST.

Other transfer/Grants to States (₹2,926 crore) and Grants for Centrally Sponsored schemes (₹2,362 crore).

a) Fifteenth Finance Commission Recommendation

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

- Inter se shares of Karnataka in the net proceeds of the taxes (divisible pool) is 3.646 per cent.
- Special Grants ₹5,495 crore.
- Grants for Nutrition ₹436 crore.
- Empowering local bodies - ₹1,549 crore for Urban Local Bodies (ULBs) and ₹3,217 crore for Panchayat Raj Institute (PRIs).
- Disaster Risk Management ₹1,054 crore.

Out of the above recommendations, Special grants and grants for Nutrition were not released to the State as Ministry of Finance, GoI in its explanatory memorandum placed before the parliament requested the commission to reconsider the recommendation. The grants received are discussed below.

• Grants to Panchayat Raj Institutions/Urban Local Bodies

The recommendations and transfer to PRIs and ULBS during 2020-21 as recommended by XV FC are shown in **Table 2.9**.

Table 2.9: Recommended and actual release of grants during 2020-21

(₹ in crore)

| Year | Type of Grant | PRIs | | | ULBs | | | SDRMF | | |
|---------|---------------------|-----------------|-----------------|-------------|--------------|--------------|-------------|--------------|--------------|---------------------------|
| | | Recom-mended | Actual | Short -fall | Recom-mended | Actual | Short -fall | Recom-mended | Actual | Short-fall(-)/ Excess (+) |
| 2020-21 | Basic Grants | 1,608.50 | 1,608.50 | - | 1,549 | 1,549 | - | 1,054 | 1,054 | - |
| | Tied Grants | 1,608.50 | 1,608.50 | - | | | | | | |
| Total | Basic Grants | 1,608.50 | 1,608.50 | - | 1,549 | 1,549 | - | 1,054 | 1,054 | - |
| | Tied Grants | 1,608.50 | 1,608.50 | - | | | | | | |

Source: XV FC Report and Finance Accounts

Out of the total grant of ₹3,217 crore recommended for PRIs, 50 per cent was towards Basic grants and 50 per cent towards tied grants for sanitation and maintenance of ODF status, supply of drinking water, rain water harvesting and water recycling.

The grants towards ULBs (₹1,549 crore) include grants for Million plus cities (₹558 crore) and other than Million plus cities (₹991 crore). The grants for million plus cities are given in two instalments for air quality improvement. The

grants for other than million plus cities are given in two equal parts, one as Basic Grant and another as Tied Grants towards drinking water and solid waste management. During 2020-21, there was no shortfall in receipts of grants under PRIs and ULBs against the recommendations.

- **Releases under Disaster Relief**

As per the recommendation of XV FC, the disaster mitigation along with disaster response is the State Disaster Risk Management Fund (SDRMF). During 2020-21, the allocation to the State was ₹1,054 crore with ₹791 crore from the Central share and ₹263 crore being the State share. The State received full recommend amount during 2020-21, the GoI as well as State contribution were transferred to Fund account under Public Account.

2.4.6 Capital Receipts

Capital Receipts of the State Government consists of public debt receipts, non-debt receipts like proceeds from disinvestment (under miscellaneous capital receipts) and recoveries of loans and advances. The net public debt receipts after discharging of public debt plus other capital receipts is the net Capital Receipts. The composition of Capital receipts and trend in growth during the period 2016-17 to 2020-21 are shown in **Table 2.10**.

Table 2.10: Trends in growth and composition of Capital Receipts

| | (₹ in crore) | | | | |
|--|---------------|---------------|---------------|---------------|---------------|
| Sources of State's Receipts | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
| Net Public Debt Receipts | 23,736 | 16,853 | 30,831 | 40,279 | 73,512 |
| Miscellaneous Capital Receipts | 27 | 4 | (-) 6 | 45 | 45 |
| Recovery of Loans and Advances | 100 | 137 | 31 | 203 | 270 |
| Net Capital Receipts | 23,863 | 16,994 | 30,856 | 40,527 | 73,827 |
| Rate of growth of Capital Receipts (<i>per cent</i>) | 37.35 | (-) 28.79 | 81.57 | 31.34 | 82.17 |
| Rate of growth of Net Public Debt Receipts (<i>per cent</i>) | 39.94 | (-) 29.00 | 82.94 | 30.64 | 82.51 |

Source: Finance Accounts

Effective net Public Debt Receipts would be ₹ 61,105 crore as the Department of Expenditure, GoI had decided that GST compensation of ₹12,407 crore given to the state as back-to-back loan under Debt Receipts would not be treated as debt of the state for any norms which may be prescribed by the FC. As a result, the effective net Capital Receipts would stand at ₹ 61,420 crore, rate of growth of Capital Receipts would stand at 51.55 *per cent* and rate of growth of net Public Debt Receipts would stand at 51.70 *per cent*.

Net Capital Receipts increased from ₹23,863 crore in 2016-17 to ₹73,827 crore in 2020-21 (210 *per cent*). Debt receipts had a predominant share in Capital Receipts and were around 99 *per cent* during 2016-17 to 2020-21. Out of this, the recovery towards loans and advances was very meagre during the period. Recovery amounted to less than one *per cent* of the outstanding loans and advances as at the end of 2020-21. On this being noted by the FMRC, the

Finance Department stated that the assets and liabilities management module of Khajane 2 was being developed to monitor and manage all liabilities. It also stated that since the module was in developmental stage, the slow recovery would continue until its operation.

Market borrowings had a major share in public debt receipts comprising 82 *per cent*, followed by negotiated loans (two *per cent*) and GoI loans (16 *per cent*). Loans from GoI comprised other loans¹³ only. During the last four years *i.e.*, 2016-17 to 2019-20, 24.85 *per cent* of public debt receipts were utilized for repayment of public debt taken in earlier years and the remaining 75.15 *per cent* was utilized for other purposes. However, during 2020-21, 13 *per cent* of the public debt receipts were utilized towards repayment of public debt taken in earlier years.

2.4.7 State's performance in mobilization of resources

State's performance in mobilization of resources is assessed in terms of its own resources comprising own-tax and non-tax sources. The budget presented by the State Government indicates projections/estimations of revenue and expenditure for a particular fiscal year. Deviations from budget estimates are indicative of non-attainment/ non-optimisation of desired fiscal objectives, due to a variety of factors, some of which are within the control of the Government while some are beyond its control. **Table 2.11** presents tax and non-tax receipts *vis-à-vis* assessment of XV FC and Budget projections during 2020-21.

Table 2.11: Tax and non-tax receipts *vis-à-vis* projections during 2020-21

| | XV FC assessment | Budget Estimates | Actual | Percentage variation of actual over | |
|-----------------|------------------|------------------|--------|-------------------------------------|------------------|
| | (₹ in crore) | | | Budget Estimates | XV FC assessment |
| Own Tax-revenue | 1,45,103 | 1,11,991 | 97,052 | (-)13.34 | (-)33.11 |
| Non-Tax revenue | 8,780 | 7,767 | 7,894 | 1.63 | (-)10.09 |

Source: XV FC Report and Finance Accounts.

As seen from the above table, the actuals over XV FC assessment in respect of own tax revenue and non-tax revenue were not achieved with variation being 10 to 33 *per cent*. However, the variation of actuals over budget projections of non-tax revenue was 1.63 *per cent* more than the estimate indicating substantial attainment of the desired objective. The performance in respect of Own tax revenue was not attained. This was mainly attributed to COVID 19 imposed lockdown. In order to protect from revenue shortfall, the State has availed on market borrowings.

The Finance Department replied (December 2021) that the decline in Revenue Receipts was due to COVID – 19 pandemic situations.

¹³ Other loans include back-to-back external loans

2.5 Application of Resources

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

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

2.5.1 Growth and composition of expenditure

The basic parameters of total expenditure, its composition under revenue, capital, loans and advances and comparison with GSDP over a five-year period of 2016-17 to 2020-21 are furnished in the **Table 2.12**.

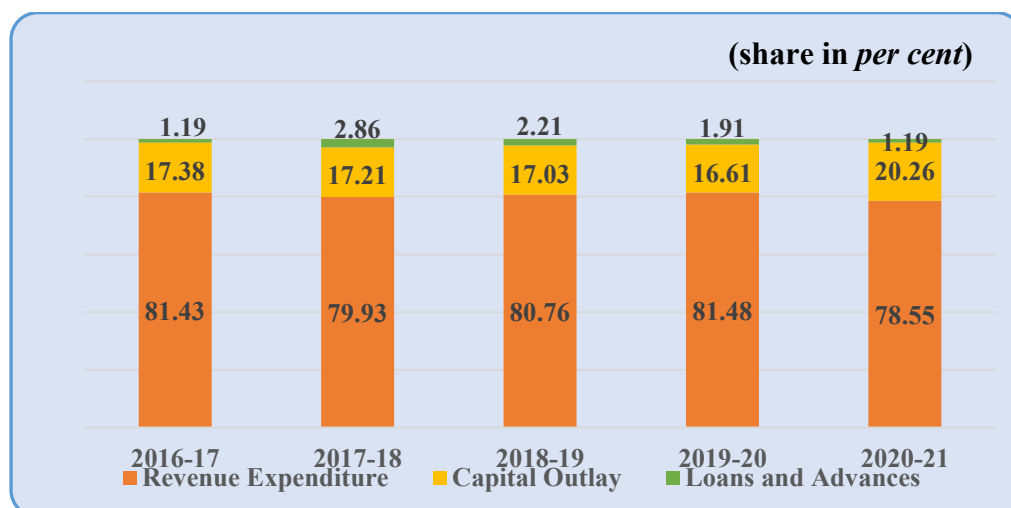
Table 2.12: Total expenditure – Trends and composition

| | (₹ in crore) | | | | |
|---------------------------------|--------------|----------|----------|----------|----------|
| Parameters | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
| Total Expenditure (TE) | 1,62,005 | 1,78,242 | 2,03,446 | 2,13,857 | 2,24,129 |
| Revenue Expenditure (RE) | 1,31,921 | 1,42,482 | 1,64,300 | 1,74,258 | 1,76,054 |
| Capital Outlay (CO) | 28,150 | 30,667 | 34,659 | 35,530 | 45,406 |
| Loans and Advances | 1,934 | 5,093 | 4,487 | 4,069 | 2,669 |
| As percentage of GSDP | | | | | |
| TE/GSDP | 13.42 | 13.33 | 13.65 | 13.13 | 12.43 |
| RE/GSDP | 10.92 | 10.66 | 11.02 | 10.70 | 9.76 |
| CO/GSDP | 2.33 | 2.93 | 2.33 | 2.18 | 2.52 |
| Loans and Advances/GSDP | 0.16 | 0.38 | 0.30 | 0.25 | 0.15 |

Source: Finance Accounts.

During the period 2016-17 to 2020-21, on an average, 80 per cent of the total expenditure was on revenue account. During 2020-21 it was 79 per cent and the share of capital expenditure (including loans and advances) was 21 per cent. The share of revenue expenditure, capital outlay and loans and advances for the years 2016-17 to 2020-21 are shown in **Chart 2.7**.

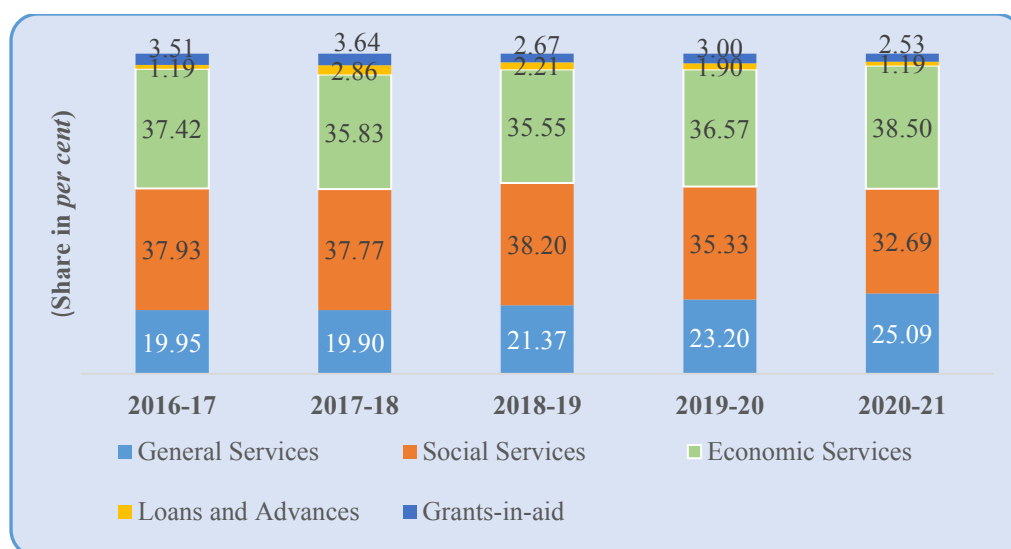
Chart 2.7: Total Expenditure – Trends in share of its components



Source: Finance Accounts.

The trends of total expenditure by activities under General, Social, Economic, Loans and Advances and Grants-in-aid are shown in **Chart 2.8**.

Chart 2.8: Total expenditure – Expenditure by activities



Source: Finance Accounts.

The relative share of these components exhibited stability during the period from 2016-17 to 2020-21 with marginal inter year variations.

2.5.2 Revenue expenditure

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

Revenue expenditure comprises wages and salaries, interest payments, pensions, expenditure on operation and maintenance of capital works, subsidies and transfers to local bodies, co-operatives, Non-Government Organisations (NGOs) and others. Expenditure are also classified into various functional categories such as General Services, Social Services and Economic Services. Expenditure on Social and Economic Services is incurred to create physical

infrastructure and human resource development and, therefore, is considered productive, whereas expenditure on General Services and debt servicing is considered unproductive.

The overall Revenue expenditure, its rate of growth, its ratio to total expenditure and buoyancy *vis-à-vis* GSDP and Revenue Receipts are indicated in **Table 2.13** and the sectoral distribution of Revenue expenditure pertaining to 2020-21 are shown in **Chart 2.9**.

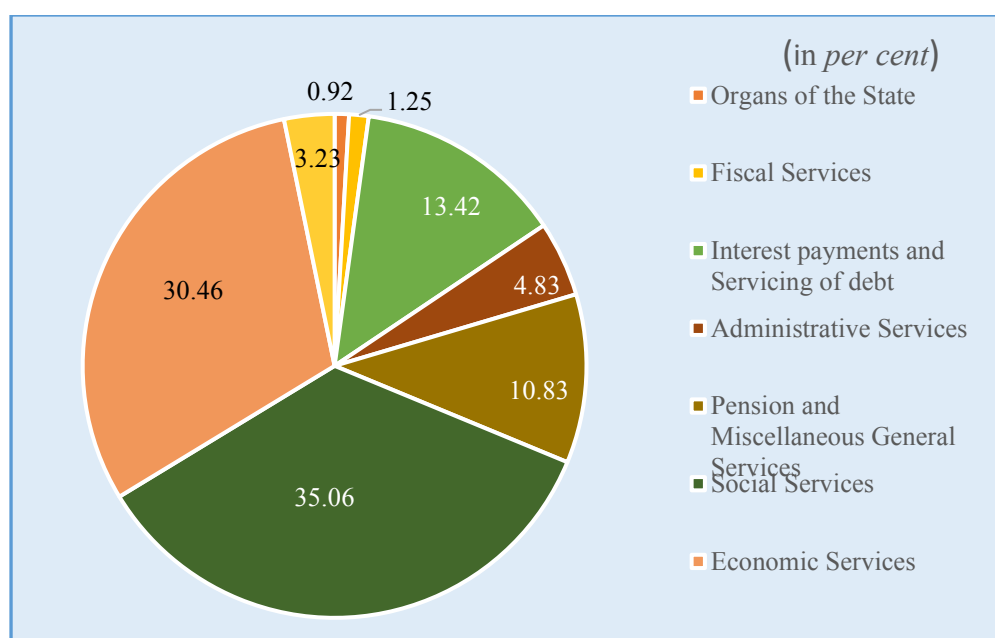
Table 2.13: Revenue expenditure – Basic parameters

| | | (₹ in crore) | | | | |
|---------------------------------|--|--------------|----------|----------|----------|----------|
| Parameters | | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
| Total Expenditure (TE) | | 1,62,005 | 1,78,242 | 2,03,446 | 2,13,857 | 2,24,129 |
| Revenue Expenditure (RE) | | 1,31,921 | 1,42,482 | 1,64,300 | 1,74,258 | 1,76,054 |
| Rate of Growth of RE (per cent) | | 12.73 | 8.01 | 15.31 | 6.06 | 1.03 |
| RE as percentage of TE | | 81.43 | 79.94 | 80.76 | 81.48 | 78.55 |
| RE/GSDP (per cent) | | 10.91 | 10.50 | 10.64 | 10.26 | 9.76 |
| RE as percentage of RR | | 99.03 | 96.93 | 99.59 | 99.32 | 112.34 |
| Buoyancy of RE with | | | | | | |
| GSDP (ratio) | | 0.81 | 0.65 | 1.11 | 0.60 | 0.10 |
| Revenue Receipts (ratio) | | 1.05 | 0.77 | 1.25 | 0.96 | 0.10 |

Source: Finance Accounts of respective years.

Revenue expenditure increased from ₹1,31,921 crore in 2016-17 to ₹1,76,054 crore in 2020-21, an increase of 33 *per cent*. Compared to the previous year, the increase was one *per cent*, due to increase in interest payments (17.74 *per cent*), subsidies (5.12 *per cent*), pensions (2.90 *per cent*), salaries (1.62 *per cent*) etc.

Chart 2.9: Sector-wise distribution of revenue expenditure



Source: Finance Accounts.

During 2020-21, Revenue expenditure, as a percentage of GSDP, had dipped due to decrease in growth rate of Revenue expenditure. However, in absolute terms there was increase in Revenue expenditure by ₹1,796 crore (1.03 per cent) over the previous year. Revenue expenditure was lower by ₹23,186 crore *vis-à-vis* the assessment made in the MTFP (2019-23) (₹1,99,240 crore). During 2020-21, the rate of RE/RR had increased to 112.34 and it was around 99 from period 2016-17 to 2019-20. As a result, the State witnessed revenue deficit for the first time since 2004-05.

2.5.2.1 Major changes in Revenue expenditure

Table 2.14 details significant variations under various Heads of Account with regard to Revenue expenditure of the State during the current year and the previous year.

Table 2.14: Variation in Revenue expenditure during 2020-21 compared to 2019-20

| Major Heads of Account | 2019-20 | 2020-21 | (₹ in crore) |
|---|----------|----------|---|
| | | | Increase (+)/ Decrease (-) In crore and per cent |
| 2075-Miscellaneous General Services | 123.07 | 128.18 | 5.11 4.15 |
| 2215-Water Supply and Sanitation | 1,736.33 | 1,495.56 | (-)240.77 (-)13.87 |
| 2216-Housing | 3,223.01 | 2,076.96 | (-)1,146.05 (-)35.56 |
| 2225-Welfare of Scheduled Castes, Scheduled Tribes, Other Backward Classes and Minorities | 7,167.25 | 6,292.79 | (-)874.46 (-)12.20 |
| 2236-Nutrition | 1,890.21 | 1,946.98 | 56.77 3.00 |
| 2501-Special Programme for Rural Development | 261.18 | 335.45 | 74.27 (28.44) |
| 2505-Rural Employment | 1,818.52 | 1,818.21 | (-)0.31 (-)0.02 |
| 2515-Other Rural Development Programmes | 5,179.96 | 6,970.56 | 1,790.60 34.57 |
| 2575-Other Special Areas Programmes | 225.81 | 159.45 | (-)66.36 (-)29.28 |

Source-Finance Accounts

While the percentage of revenue expenditure under Housing and Other Special Areas Programme declined during the year when compared to previous year, it increased under Special Programme for Rural Development and Other Rural Development Programme.

2.5.2.2 Object Head wise Expenditure

Finance Accounts depict transactions only up to the Minor Head level. Therefore, out of 117 object heads listed, a drill down view of budgetary allocation and extent of expenditure (above ₹100 crore) incurred on the actual items in 22 Object Head Levels are given in **Table 2.15**.

Table 2.15: Object Head-wise expenditure vis-à-vis budget authorization

| Head | (₹ In crore) | | |
|---------------------------------------|--------------|-------------|------------------------|
| | Budget | Expenditure | Utilisation percentage |
| Salaries* | 16,532.41 | 14,783 | 89.41 |
| Daily Wages | 220.41 | 192.42 | 87.30 |
| Grants for creation of Capital Assets | 1,977.42 | 1,440.98 | 72.87 |
| Contract/Outsource | 1,035.67 | 887.35 | 85.68 |
| General Expenses | 1,490.71 | 1,180.93 | 79.22 |
| Other Expenses | 9,583.63 | 7,877.83 | 82.20 |
| Building Expenses | 387.77 | 365.36 | 94.22 |
| Grants-in-Aid Salaries | 5,384.72 | 4,883.45 | 90.69 |
| Grants-in-Aid General | 3,546.73 | 3,299.23 | 93.02 |
| Subsidies | 18,689.23 | 18,431.82 | 98.62 |
| Scholarships and Incentives | 554.82 | 519.27 | 93.59 |
| Capital Expenses | 819.65 | 814.31 | 99.35 |
| Major Works | 1,496.54 | 1,608.85 | 107.50 |
| Transport Expenses | 367.57 | 374.61 | 101.92 |
| Maintenance Expenditure | 3,545.48 | 3,340.37 | 94.21 |
| Materials and Supplies | 492.86 | 298.99 | 60.66 |
| Pension and Retirement benefits | 19,235.38 | 19,216.38 | 99.90 |

Source-Finance Accounts

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

Out of total budgetary allocation of ₹2,65,220.73 crore, the actual expenditure on various Object Heads during 2020-21 was ₹2,42,694.49 crore (91.52 per cent). Out of the 22 Object Heads mentioned above, two of the object heads had exceeded their budgetary allocation, while 12 object heads utilized more than 80 to 90 per cent of their allocation, the balance three, Materials and Supplies, Grants for creation of Capital Assets and General Expenses had utilised between 61 per cent and 79 per cent.

2.5.2.3 Committed Expenditure

Most of the revenue expenditure is in the nature of committed expenditure on salaries, interest, pension, subsidy *etc.* In addition to these, expenditure on certain other items such as pensions under social security schemes, subsidies arising under various schemes of the Government, grants-in-aid & financial assistance, administrative expenses, devolution to local bodies *etc.*, are treated as committed expenditure in MTFP 2020-24. Expenditure on these components covering the period 2016-17 to 2020-21 is depicted in **Table 2.16** and **Chart 2.10**. An upward trend in committed expenditure affects the maneuverability of the State in prioritising expenditure and increasing capital investments to meet growing needs of social and economic infrastructure.

The FMRC also noted that due to reduced receipts and increased committed expenditure, it would be difficult to adhere to Fiscal Responsibility and Budgetary Management Act (FRBM) parameters. Hence, it suggested to rationalize schemes, restructure, merge certain departments and also abolish certain unnecessary posts across various departments.

Table 2.16: Components of Committed Expenditure

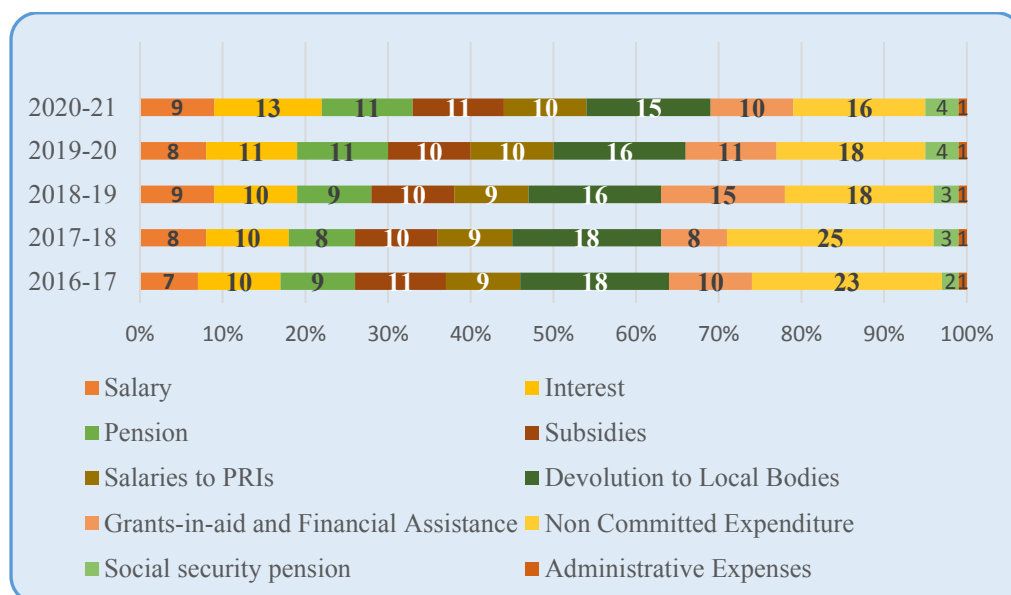
| (₹ in crore) | | | | | |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|
| Components | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
| Salaries | 9,790 | 10,546 | 13,315 | 14,561 | 14,783 |
| Salaries of PRIs (GIA) | 11,918 | 12,412 | 14,709 | 16,960 | 17,250 |
| Interest Payments# | 12,850 | 14,973 | 16,614 | 19,903 | 23,433 |
| Pensions | 11,295 | 11,684 | 15,109 | 18,404 | 18,936 |
| Subsidies@ | 14,387 | 14,148 | 15,400 | 17,534 | 18,432 |
| Grants-in-aid and financial assistance | 13,163 | 11,812 | 24,888 | 19,023 | 18,312 |
| Devolution to local bodies* | 23,466 | 25,131 | 26,720 | 27,514 | 26,537 |
| Social Security Pensions | 2,503 | 4,055 | 5,460 | 7,243 | 7,603 |
| Administrative Expenses | 1,966 | 2,404 | 2,136 | 2,467 | 2,610 |
| Daily wages and Contract/outsourced | - | 567 | 714 | 923 | 1,080 |
| Total | 1,01,338 | 1,07,732 | 1,35,065 | 1,44,532 | 1,48,978 |
| As percentage of Revenue Receipts (RR) | | | | | |
| Salaries | 7.35 | 7.17 | 8.07 | 8.30 | 9.43 |
| Salaries of PRIs (GIA) | 8.95 | 8.44 | 8.92 | 9.67 | 11.01 |
| Interest Payments | 9.65 | 10.18 | 10.07 | 11.34 | 14.95 |
| Pensions | 8.48 | 7.95 | 9.16 | 10.49 | 12.08 |
| Subsidies | 10.80 | 9.62 | 9.33 | 9.99 | 11.76 |
| Grants-in-aid and financial assistance | 9.88 | 8.04 | 15.08 | 10.84 | 11.68 |
| Devolution to local bodies | 17.61 | 17.10 | 16.20 | 15.68 | 16.93 |
| Social Security Pensions | 1.88 | 2.76 | 3.31 | 4.13 | 4.85 |
| Administrative Expenses | 1.47 | 1.64 | 1.29 | 1.41 | 1.67 |
| Daily wages and Contract/outsourced | - | 0.39 | 0.43 | 0.53 | 0.69 |
| Total | 76.07 | 73.29 | 81.86 | 82.38 | 95.05 |
| As percentage of Revenue Expenditure (RE) | | | | | |
| Salaries | 7.42 | 7.40 | 8.10 | 8.36 | 8.40 |
| Salaries of PRIs (GIA) | 9.03 | 8.71 | 8.96 | 9.73 | 9.80 |
| Interest Payments | 9.74 | 10.51 | 10.11 | 11.42 | 13.31 |
| Pensions | 8.56 | 8.20 | 9.20 | 10.56 | 10.76 |
| Subsidies | 10.91 | 9.93 | 9.37 | 10.06 | 10.47 |
| Grants-in-aid and financial assistance | 9.98 | 8.29 | 15.15 | 10.92 | 10.40 |
| Devolution to local bodies | 17.79 | 17.64 | 16.26 | 15.79 | 15.07 |
| Social Security Pensions | 1.90 | 2.84 | 3.32 | 4.16 | 4.32 |
| Administrative Expenses | 1.49 | 1.69 | 1.30 | 1.41 | 1.48 |
| Daily wages and Contract/outsourced | - | 0.40 | 0.43 | 0.53 | 0.61 |
| Total | 76.82 | 75.61 | 82.20 | 82.94 | 84.62 |

Source: Finance Accounts

#includes interest on off-budget borrowings.

@excludes subsidies in the form of financial assistance

*includes non-salary component of PRIs and other expenditure related to PRIs and ULBs.

Chart 2.10: Share of Committed Expenditure in Revenue Expenditure

Source: Finance Accounts.

As can be seen from the above, committed expenditure ranged between 75 and 85 *per cent* of revenue expenditure during 2016-17 to 2020-21. The non-committed expenditure ranged between 15 and 25 *per cent* during 2016-17 to 2020-21. During 2020-21, the revenue expenditure available for other social and economic services was 16 *per cent* and as a percentage of total expenditure, it was 13 *per cent*.

2.5.2.4 Salaries and Wages

Expenditure on salaries increased from ₹21,708 crore in 2016-17 to ₹32,033 crore in 2020-21. It grew by two *per cent* over the previous year. It includes salaries of PRIs but does not include salaries relating to ULBs. Thus, the expenditure on salaries was under stated. It accounted for 18 *per cent* of revenue expenditure during 2020-21. During 2020-21, expenditure on Daily wages and Contract/Outsourced employees accounted for ₹1,079.77 crore, an increase of ₹157.14 crore over previous year

The Finance Department replied (December 2021) that funds released to ULBs were in nature of Grants-in-Aid and since Finance Accounts capture expenditure up to minor head only, salaries of ULBs are not exhibited separately. In the Exit conference (December 2021), it stated that action would be taken to capture the salary expenditure of ULB from the financial year 2022-23.

2.5.2.5 Pensions

The expenditure on pension during 2020-21 was ₹18,936 crore, a marginal increase of ₹532 crore over the previous year expenditure.

- **New Pension System**

Defined Contribution Pension Scheme known as New Pension Scheme (NPS), for all employees who joined the State Government service on or after 01 April 2006, became fully operational from 01 April 2010. A dedicated NPS Cell was created under the Directorate of Treasuries to operationalise NPS in the State.

The State Government has adopted NPS architecture designed by the Pension Fund Regulatory Development Authority (PFRDA) and has appointed the National Securities Depository Limited (NSDL) as the Central Record Keeping Agency (CRA) for NPS. Axis Bank is the Trustee Bank in charge of operation of Pension Funds.

The details of the scheme and contributions made by State Government and employees as furnished by Commissioner of Treasuries (August 2021) are given below.

- The number of officials allotted Permanent Retirement Account Number (PRAN) under Government sector and autonomous bodies sector was 2,42,819 and 30,036 respectively;
- During 2020-21, ₹2.53 crore was paid from the Consolidated Fund as 'New Contributory Pension Schemes – Extension of benefit to the cases of persons/ families who retired/died while in service (2071-01-104-2-07)' and are covered under New Defined Pension Scheme.
- During 2020-21, the employee contribution (regular and backlog¹⁴) was ₹1,036.79 crore and the Government contribution was ₹1,486.60 crore. The Government contribution included ₹3.08 crore as enhancement of Government contribution from 10 to 14 *per cent* w.e.f April 2019.
- During the year 2020-21, total contribution to Defined Contribution Pensions Scheme was ₹2,474.60 crore. As against the contribution of ₹2,474.60 crore, Government transferred ₹2,442.53 crore to the Public Account under Major head 8342-117- Defined Contribution Pensions Scheme

As per the information received from the NPS Cell amount transferred to NSDL during 2020-21 was ₹2,343.12 crore whereas as per Pr. AG (A&E) records the amount was ₹2,480.22 crore. The difference of ₹137.10 crore needs to be reconciled as per the instructions contained in the Government Order (May 2017).

The Finance Department replied (December 2021) that action would be taken to reconcile difference in the amount transferred to NSDL.

2.5.2.6 Interest Payments

Interest payments increased by ₹10,583 crore (82 *per cent*) from ₹12,850 crore in 2016-17 to ₹23,433 crore in 2020-21. When compared to 2019-20, the interest payment increased by 17.74 *per cent*. Interest payments during 2020-21 constituted interest on internal debt (₹18,627 crore), interest on small savings, provident fund *etc.*, (₹2,714 crore), interest on loans and advances from the Central Government (₹532 crore), interest on off-budget borrowings (₹1,512 crore) and interest on other obligations (₹2 crore).

The interest on internal debt increased by 23 *per cent* from ₹15,085 crore in 2019-20 to ₹18,627 crore in 2020-21, on account of increase in payment of interest on market loans by ₹3,795 crore (29 *per cent*). The interest on small

¹⁴ Refers to the contribution the employee had to make from the date of his entry into service to the date of implementation of the scheme.

savings, provident funds *etc.*, decreased by ₹33 crore from ₹2,747 crore during 2019-20 to ₹2,714 crore in 2020-21, mainly on account of decrease under interest on State Provident funds (six *per cent*).

2.5.2.7 Subsidies

There was an increase in expenditure on subsidies during the year 2020-21 as can be seen from the details given in **Table 2.17**. While subsidies as a percentage of Revenue Receipts increased from 10 *per cent* in 2019-20 to 12 *per cent* in 2020-21, as percentage of Revenue expenditure, it remained at 10 *per cent*.

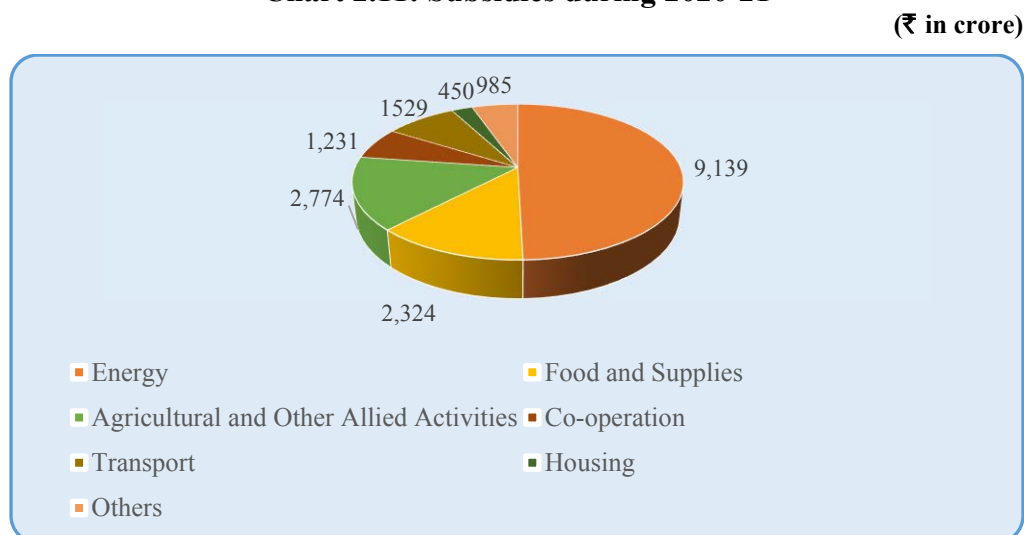
Table 2.17: Expenditure on subsidies during 2016-17 to 2020-21

| | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
|---|---------|---------|---------|---------|---------|
| Subsidies (₹ in crore) | 14,387 | 14,148 | 15,400 | 17,534 | 18,432 |
| Subsidies as <i>per cent</i> of Revenue Receipts | 10.80 | 9.62 | 9.33 | 9.99 | 11.76 |
| Subsidies as <i>per cent</i> of Revenue Expenditure | 10.91 | 9.93 | 9.37 | 10.06 | 10.47 |

Source: Finance Accounts

The four largest subsidy components were power subsidy provided for supply of free electricity to farmers for usage of agricultural pump sets, food subsidy, interest subsidy for crop loans and transport. The details for the last five years are shown in **Appendix 2.3** and for 2020-21 the same is shown in **Chart 2.11**.

Chart 2.11: Subsidies during 2020-21



Source: Finance Accounts.

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

Subsidies provided by the State Government could be of two kinds *i.e* Explicit¹⁵ and Implicit subsidy. Implicit subsidy is one where the State provides for

¹⁵ Explicit subsidy is that which provides for expenditure in the form of a subsidy or interest subvention for certain schemes of the Government. It was stressed that the challenge lies in

expenditure in nature of subsidy and the other where grants are provided for certain schemes of the Government. These subsidies can be indirect, in kind or take the shape of tax concessions.

These subsidies in the form of financial assistance decreased from ₹3,714 crore in 2016-17 to ₹3,188 crore during 2020-21. They mainly include financial assistance for supply of seeds, weaver's package, Ashraya scheme, micro/drip irrigation, minimum floor price scheme, housing for weaker sections, house sites for rural landless *etc.* These subsidies extended during 2016-17 to 2020-21 are detailed in **Appendix 2.4**. Thus, if the subsidies in the form of financial assistance were taken into account, the actual expenditure on subsidies would increase to ₹21,620 crore. This was ₹3,188 crore higher than which was actually shown.

The Finance Department stated (December 2021) that though the financial assistance was not reflected as subsidies it forms part of revenue expenditure.

2.5.2.8 Financial Assistance to Local Bodies and Other Institutions

The quantum of assistance provided by way of grants to local bodies and other institutions during 2016-17 to 2020-21 is presented in **Table 2.18** and **Table 2.19**.

Table 2.18: Financial Assistance to Local Bodies

| Name of the Institution | (₹ in crore) | | | | |
|----------------------------|------------------|------------------|------------------|------------------|------------------|
| | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
| Panchayat Raj Institutions | 29,697.94 | 31,054.63 | 35,897.61 | 38,049.61 | 38,106.18 |
| Urban Local Bodies | 5,685.58 | 6,489.76 | 5,425.31 | 6,424.72 | 5,681.04 |
| Total | 35,383.52 | 37,544.39 | 41,322.92 | 44,474.33 | 43,787.22 |

Source: Finance Accounts

As a sequel to the recommendations of the XI FC, grants are released to PRIs under three distinct programme minor heads namely 196, 197 and 198. The assistance to PRIs increased from ₹29,697.94 crore during 2016-17 to ₹38,106.18 crore during 2020-21, while the assistance to ULBs decreased from ₹5,685.58 crore during 2016-17 to ₹5,681.04 crore during 2020-21.

Out of the total devolution of ₹38,106 crore to PRIs during 2020-21, ₹17,250 crore (45 *per cent*) was towards salaries. The higher allocation towards Salaries mainly due to the State Government's functions *viz.*, education, water supply and sanitation, housing, health and family welfare *etc.*, were transferred to PRIs. It also included ₹3,217.00 crore XV FC grants released to the Zilla Panchayats (₹160.85 crore), Gram Panchayats (₹2,734.45 crore) and Taluk Panchayats (₹321.70 crore).

The assistance to ULBs decreased by ₹743.68 crore over the previous year which includes salary component also. Out of ₹5,681.04 crore assistance to ULBs, ₹636.04 crore (11 *per cent*) was towards creation of capital assets. It

ensuring that these subsidies do not become a permanent source of additional support and thereby deter these sectors from undertaking reforms.

also includes XIV FC grants released to the State Government (₹1,409.50 crore).

Table 2.19: Financial Assistance to Other institutions

| Name of the Institution | (₹ in crore) | | | | |
|---|-----------------|-----------------|-----------------|------------------|-----------------|
| | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
| Educational Institutions (including Universities) | 1,449.75 | 1,293.70 | 1,081.29 | 1,405.90 | 1,140.43 |
| Co-operative Societies and Co-operative Institutions | 1,009.47 | 1,191.32 | 1,477.76 | 1,275.78 | 1,186.04 |
| Other institutions and bodies (including PSUs, NGOs & Statutory Bodies) | 6,656.29 | 7,067.08 | 6,720.59 | 7,446.88 | 7,656.90 |
| Total | 9,115.51 | 9,552.10 | 9,279.64 | 10,128.56 | 9,983.37 |

Source: Finance Accounts

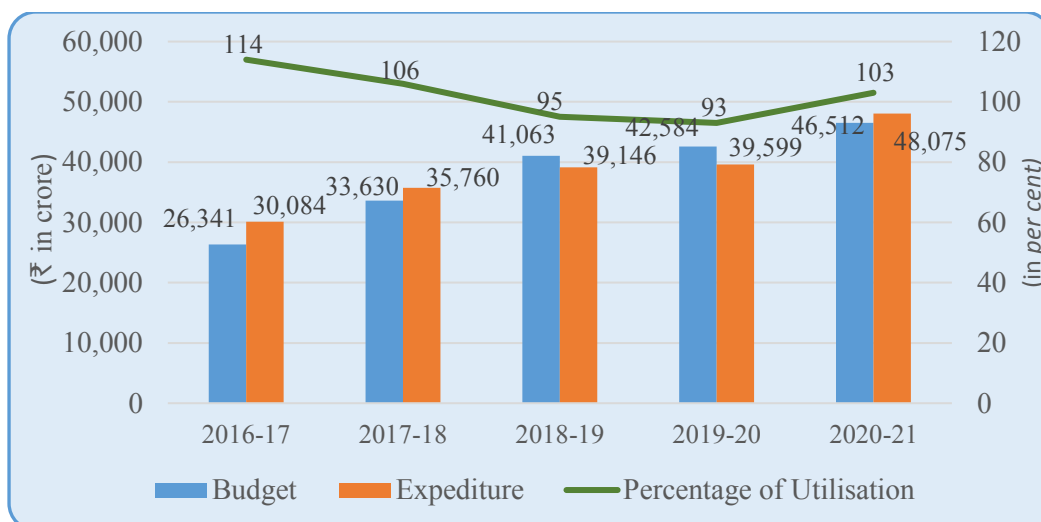
During 2020-21, assistance to other institutions (₹7,657 crore) included assistance to Statutory bodies and Development Authorities (₹1,865 crore), NGOs (₹1,962 crore), PSUs (₹20 crore) and others (₹3,810 crore). The assistance to Education institutions and Co-operatives decreased by ₹265 crore and ₹90 crore respectively and for other institutions there was an increase of ₹210 crore as compared to the previous year.

2.5.3 Capital Expenditure

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

Capital Expenditure (including Disbursement of Loans and Advances) of the State showed an increase from ₹30,084 crore in 2016-17 to ₹39,599 crore in 2019-20. During 2020-21, the Capital Expenditure increased by ₹8,476 crore from previous year and was at ₹48,075 crore.

During the year 2020-21, an amount of ₹217.02 crore (₹100.00 towards grants-in-aid and ₹117.02 towards salaries) was released under capital head instead of revenue head, which resulted in overstatement of capital outlay and thereby understatement of revenue deficit to that extent (detailed in **Chapter 3 Paragraph No.3.7.2.2 & 3.7.2.3**). Thus, the actual Capital Expenditure would be ₹47,857.98 crore instead of ₹48,075 crore. Details of Capital Expenditure *vis-à-vis* budget during the five-year period 2016-17 to 2020-21 are given in **Chart 2.12**.

Chart 2.12: Trend of Capital Expenditure (inclusive of Loans and Advances) over the five-year period from 2016-17 to 2020-21

Source: Finance Accounts

As seen from the above chart, the actual expenditure was more than the estimated Capital Expenditure during 2016-17, 2017-18 and 2020-21. During 2018-19 and 2019-20, the actual Capital Expenditure was less than the estimate by five per cent and seven per cent respectively. **Table 2.20** highlights the cases of significant increase or decrease in various Heads of Account in Capital Outlay during 2020-21 *vis-à-vis* the previous year.

Table 2.20: Capital Outlay during 2020-21 compared to 2019-20

(₹ in crore)

| Major Heads of Account | 2019-20 | 2020-21 | Increase (+)/ Decrease (-) in amount | Variation in percentage |
|---|-----------|-----------|--|-------------------------------|
| 4059-Capital Outlay on Public Works | 420.86 | 838.53 | 417.67 | 99.24 |
| 4202-Capital Outlay on Education, Sports, Art and Culture | 1,203.17 | 1,167.87 | -35.3 | (-2.93) |
| 4210-Capital Outlay on Medical and Public Health | 821.96 | 2,099.44 | 1,277.48 | 155.42 |
| 4215-Capital Outlay on Water Supply and Sanitation | 2,255.91 | 3,211.90 | 955.99 | 42.38 |
| 4217-Capital Outlay on Urban Development | 1,764.52 | 3,332.11 | 1,567.59 | 88.84 |
| 4225-Capital Outlay on Welfare of Scheduled Castes, Scheduled Tribes, Other Backward Classes and Minorities | 2,783.45 | 1,163.80 | (-1,619.65) | (-58.19) |
| 4701-Capital Outlay on Medium Irrigation | 10,862.48 | 14,993.82 | 4,131.34 | 38.03 |
| 4702-Capital Outlay on Minor Irrigation | 2,268.59 | 2,585.90 | 317.31 | 13.99 |

| Major Heads of Account | 2019-20 | 2020-21 | Increase (+)/ Decrease (-) in amount | Variation in percentage |
|---|----------|-----------|--|-------------------------------|
| 4711-Capital Outlay on Flood Control Projects | 98.19 | 157.74 | 59.55 | 60.65 |
| 4801-Capital Outlay on Power Projects | 858.35 | 650.12 | (-)208.23 | (-)24.26 |
| 5054-Capital Outlay on Roads and Bridges | 8,343.98 | 10,548.97 | 2,204.99 | 26.43 |
| 5055-Capital Outlay on Road Transport | 389.17 | 368.59 | (-)20.58 | (-)5.29 |

Source: Finance Accounts

The above table reveals that major variation in Capital Outlay was under Medical and Public Health (155 per cent) followed by Public Works (99 per cent).

The Finance Department while agreeing to the point of audit, replied (December 2021) that due to the constraints stated below, the prescribed level of Capital Expenditure could not be reached;

- Committed expenditure consumed 76 to 94 per cent of Revenue Receipts during 2017-18 to 2020-21 and there was little scope for reduction of expenditure under committed category.
- Grants released for creation of assets to autonomous bodies of State Government were also accounted as Revenue expenditure.

The Expenditure Reforms Commission (ERC) of the State Government, in its first report (February 2010) had recommended that capital investments be stepped up and protected from fiscal uncertainties through prudent allocations. It had also recommended maintaining the capital expenditure (excluding debt servicing) at five per cent of GSDP. However, the ratio of Capital Expenditure to GSDP was only two to three per cent during 2016-17 to 2020-21.

2.5.4 Quality of Capital Expenditure

In the post KFRA framework, the Government is expected to keep its fiscal deficit (borrowing) at low levels and still meet its Capital Expenditure/investment (including loans and advances) requirements. In addition, the State Government needs to initiate measures to earn adequate return on its investments rather than bearing the same in the form of subsidy at the cost of borrowed funds and take requisite steps to infuse transparency in financial operations. This section presents the broad financial analysis of investments and other Capital Expenditure undertaken by the Government during 2020-21 *vis-à-vis* previous years.

2.5.4.1 Investments in Companies, Corporations and other bodies

As on 31 March 2021, the Government had invested ₹68,256.68 crore in 89¹⁶ Government Companies (₹60,731 crore), Nine Statutory Corporations (₹2,934 crore), 44 Joint Stock Companies (₹4,137 crore) and Co-operative Institutions, Local bodies and Regional Rural Banks (₹455 crore). During 2020-21, the

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

Government invested ₹443.22 crore as equity in Government Companies (working) (₹272.99 crore), and Statutory Corporations (₹170.23 crore). The investment under Statutory Corporations and Government Companies were spread under various sectors¹⁷.

During 2020-21, the investment account was reduced under 'Co-operative Institutions' by ₹325 crore, due to retirement of Government investment in the share capital of institutions, the proceeds of which stand accounted under 'Miscellaneous Capital Receipts'.

• **Return on Investment**

The details of investment as well as its return for the last five years are indicated in **Table 2.21**. It is evident from the table that the return on investment is negligible.

Table 2.21: Return on Investment

| | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
|--|-----------|-----------|-----------|-----------|-----------|
| Investments as at the end of the year (₹ in crore) | 63,115.06 | 65,145.88 | 66,518.28 | 67,816.71 | 68,256.68 |
| Return (₹ in crore) | 82.50 | 78.83 | 38.30 | 53.64 | 80.70 |
| Return (in per cent) | 0.13 | 0.12 | 0.10 | 0.10 | 0.12 |
| Average rate of interest on Government borrowings (per cent) | 6.35 | 6.40 | 6.25 | 6.39 | 6.22 |
| Difference between interest rate and return on investment (per cent) | 6.25 | 6.30 | 6.15 | 6.29 | 6.10 |

Source: Finance Accounts

Though the State Government had accepted (July 2011) that the return on these investments was meagre, it stated that it would not shy away from investing in social infrastructure involving long gestation and pay back periods. The PAC while agreeing (December 2011) with the reply had noted that the Finance Department had not initiated any mechanism to evaluate the expected yields in financial terms. Hence, it had recommended for framing guidelines for the same. The Government further stated that efforts would be made to ensure due returns. Despite PAC's recommendations and our consistent observations for the past ten years, no guidelines had been framed. Further, audit found that MTFPs placed before the Legislature did not contain a road map for ensuring proper return on investments.

In the Exit conference (December 2021), Finance Department stated that similar process as in line with the Union Government for collection of dividends from the PSUs earning profit would be followed. As a first step, it stated that department of Public Enterprises has issued guidelines (November 2021) for payment of dividends not less than 30 per cent of the profits earned by the PSUs. In addition, Finance Department stated that they have instructed all the officers of their department who are part of boards of profit making PSUs to monitor payment of Dividends and repayment of Loans.

¹⁷Irrigation (₹37,071.31 crore), Power (₹11,879.68 crore), Infrastructure (₹8,839.21 crore), Finance (₹3,640.60 crore), Transport (₹1,583.71 crore), Housing (₹1,450.97 crore), Industries (₹908.09 crore) and Other sectors (₹2,883.11 crore).

- **Investment in loss making companies**

The above investment included ₹42,119.95 crore (62 per cent) in the following Companies/Corporations, which have significant losses and where the investments were substantial (Table 2.22).

Table 2.22: Investments made in loss making Companies

| Company/Corporation | (₹ in crore) | | | |
|---|---------------------------------------|---------------------------------------|---------------------------------------|-------------------------------|
| | Cumulative loss at the end of 2017-18 | Cumulative loss at the end of 2018-19 | Cumulative loss at the end of 2019-20 | Investment made up to 2020-21 |
| Statutory Corporations | | | | |
| North Western Karnataka Road Transport Corporation (NWKRTC) | 792.48 | 881.55 | 1,068.00 | 266.85 |
| North Eastern Karnataka Road Transport Corporation (NEKRTC) | 542.42 | 610.65 | 699.92 | 183.43 |
| Karnataka State Financial Corporation Limited (KSFC) | 391.20 | 386.17 | 361.35 | 1,278.41 |
| Government Companies | | | | |
| Krishna Bhagya Jala Nigama Limited (KBJNL) | 2,587.22 | 2,811.73 | 2,946.51 | 23,745.34 |
| Karnataka Neeravari Nigama Limited (KNNL) | 3,492.46 | 4,469.21 | 5,149.92 | 13,034.03 |
| Mysore Sugar Company Limited (Mysugar) | 289.42 | 460.89 | 460.89 | 335.78 |
| Mysore Paper Mills Limited (MPM) | 425.95 | 425.95 | 425.95 | 237.37 |
| Hubli Electricity Supply Company Limited (HESCOM) | 2,645.76 | 1,955.76 | 2,637.98 | 1,261.50 |
| Gulbarga Electricity Supply Company Limited (GESCOM) | 1,349.58 | 1,002.44 | 1,995.03 | 969.67 |
| Chamundeswari Electricity Supply Company Limited (CESCOM) | 611.06 | 875.74 | 1,242.37 | 807.57 |
| Total | 13,127.55 | 13,880.09 | 16,987.92 | 42,119.95 |

Source: Finance Accounts

Up to 2020-21, the Government invested ₹42,119.95 crore in these companies and the cumulative loss accounted for is ₹16,987.92 crore. The Finance Department in its reply (Feb 2021) to the SFAR for the year ended March 2020 stated that investment in certain Companies (Irrigation and Energy Sector) was inevitable despite companies accumulating loss as it results in creation of infrastructure and employment. During 2020-21, Government had invested a very smaller amount in HESCOM (₹20.94 crore), GESCOM (₹5.98 crore) and CESCOM (₹3.68 crore) when compared to previous year.

PAC in its 5th Report (July 2015) recommended to assess the viability of the loss-making Companies/Corporations and also to identify the Companies/Corporations not functioning in the core areas for closure as recommended by XIII FC.

The various SFARs of the C&AG of India has been recommending to review the working of State Public Sector Undertaking incurring huge losses and to take appropriate action for disinvestment/revival/closure and during 2019-20, Finance Department in its reply to SFAR report for the year ending March 2019

(August 2021) stated that the concerned departments would be requested to take necessary action. Action in this regard is yet to be taken.

2.5.4.2 Loans and advances by the State Government

In addition to investments in Companies, Corporations and Co-operative Institutions, the Government also provided loans and advances to many institutions. **Table 2.23** presents the position of outstanding loans and advances as on 31 March 2021 and interest receipts *vis-à-vis* interest payments during the last five years.

Table 2.23: Quantum of loans disbursed and recovered during the last five years

| | (₹ in crore) | | | | |
|--|--------------|---------|---------|---------|---------|
| | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
| Opening balance of the loans outstanding | 13,813 | 15,578 | 20,525 | 24,981 | 28,847 |
| Amount advanced during the year | 1,935 | 5,092 | 4,487 | 4,069 | 2,669 |
| Amount recovered during the year | 100 | 137 | 31 | 203 | 270 |
| Closing balance of the loans outstanding | 15,648 | 20,533 | 24,981 | 28,847 | 31,246 |
| Net addition | 1,835 | 4,955 | 4,456 | 3,866 | 2,399 |
| Interest received | 145 | 99 | 108 | 357 | 278 |

Source: Finance Accounts

- The outstanding loans as on 31 March 2021 aggregated ₹31,246 crore. The interest in arrears as at the end March 2020 in respect of loans maintained by Pr.AG(A&E) was ₹4,374.90 crore. During 2020-21, the interest received was ₹278 crore which works out to 6.35 *per cent* of the interest due of the loans maintained by Pr.AG (A&E). The interest in arrears as on March 2021 in respect of loans maintained by Pr.AG (A&E) was ₹4,904.26 crore. However, the interest in arrears in respect of loans maintained by State Government was not available.
- Out of total loans advanced during 2020-21 (₹2,669 crore), Social Services accounted for ₹1,393 crore (52 *per cent*), Economic Services for ₹1,271 (47 *per cent*) crore and the remaining ₹5 crore to Government Servants. Within the Social Services, Water supply, Sanitation, Housing and Urban Development received major share of ₹1,367.75 crore and in Economic Services it was for Industry and Minerals ₹1,166.11 crore.
- Detailed accounts of recovery of loans in respect of 21 institutions are maintained by office of the Pr.AG (A&E) and for 842 institutions it is maintained by Heads of Departments/Chief Controlling Officers of the GoK.
- In respect of loan accounts maintained by Pr.AG (A&E), the recovery of loans and advances aggregating ₹9,911.80 crore (Principal: ₹5,007.54 crore and Interest: ₹4,904.26 crore) were overdue as on 31 March 2021 (**Appendix 2.5**).
- However, the information in respect of overdue principal and interest in respect of loans maintained by the Heads of Departments/Chief Controlling Officers contained in Statement No.7 of Finance Accounts of 2020-21 was

incomplete, as only eight¹⁸ out of 842 institutions, had furnished the required information.

- Indian Government Accounting Standards (IGAS)-3 requires disclosure of loans that were sanctioned without specific terms and conditions governing such loans. Out of the 66 loans valued at ₹4,063.95 crore sanctioned by the State Government during 2020-21, 50 loans valued at ₹2,817.89 crore were sanctioned without specifying any terms and conditions. Details are available as additional disclosures under Statement No.18 of the Finance Accounts.

The Finance Department in its circular (August 2018) had stated that the State Government had revised the terms and conditions and other procedural aspects vide GO dated November 2013, that had to be followed by departments relating to loans sanction. Since the loans sanctioned during 2020-21 did not specify the terms and conditions, it indicated that the department did not adhere to the instructions. This in turn would lead to poor monitoring as well as less recovery of loans.

The meagre recovery of loans as well as sanction of loans without specifying terms and conditions was being pointed out since 2006-07. The State Government had issued circulars time and again on revision of terms and conditions. However, it did not prepare any road map for recovery of loans/interest or enforced any measures for non-compliance to its circulars by the various departments.

The FMRC once again in February 2021 noted that there was slow recovery of loans and advances disbursed by the Government. Finance Department brought to the notice of the Committee, the steps being taken to recover the loans and the Assets and Liability Management module of Khajane-2 which was being developed to monitor and manage all liabilities. Since the module was still in its development stage, the slow recovery would continue during 2021-22 also.

2.5.4.3 Investments in Government Companies/Corporations and budgetary support

The State Public Sector Undertakings (SPSUs) in Karnataka which consists of State Government Companies and Statutory Corporations are established to carry out activities of commercial nature keeping in view the welfare of the people. The GoK has a financial stake in these companies which is mainly in the form of

- Share Capital and Loans : Share capital contribution and financial assistance by way of loans
- Special financial support : Budgetary support by way of grants and subsidies.
- Guarantees : For repayment of loans with interest availed by the SPSUs from financial institutions.

¹⁸In 2019-20, 16 out of 842 institutions have furnished the information

It also occupies important place in the State's economy as the turnover (₹77,607.61¹⁹ crore) of these SPSUs was about 4.30 per cent of the GSDP of the State for 2020-21.

The figures in respect of equity, loans and guarantees outstanding as per the records of the SPSUs should agree with that of the figures appearing in the Finance Accounts of the State. In case the figures do not agree, the SPSUs concerned and the Finance Department should carry out reconciliation of the differences. The position in this regard as on 31 March 2021 is given in the **Table 2.24**.

Table 2.24: Equity, loans and guarantees outstanding as per Finance Accounts vis-à-vis records of SPSUs (₹ in crore)

| Sl. No. | Outstanding in respect of | Amount as per | | Difference |
|---------|---------------------------|------------------|-----------|--------------|
| | | Finance Accounts | SPSUs | |
| 1 | Equity | 62,179.71 | 86,380.69 | (-)24,200.98 |
| 2 | Loans | 7,105.25 | 12,476.15 | (-)5,370.90 |
| 3 | Guarantees | 28,112.41 | 26,812.70 | 1,299.71 |

There were differences in respect of eleven Power Sector SPSUs and 98 Other SPSUs. The major differences were observed in nine²⁰ companies. The Government and the SPSUs should take concrete steps to reconcile the differences. The details of stake of the State Government in the SPSUs are brought out in the subsequent paragraphs.

(i) Share Capital in the SPSUs

As at the end of March 2021, there are 124²¹ SPSUs in the State under the audit jurisdiction of the C&AG of India. The State Government invested ₹86,380.69 crore in these SPSUs as at the end of March 2021 as furnished by SPSUs.

In addition to the investments, during 2020-21, while the Central Government has given Grants/Subsidies amounting to ₹379.05 crore, the State Government has given ₹17,466.44 crore to these 124 SPSUs.

(ii) Disinvestment/Closure of SPSUs

The State Government approved and adopted (February 2001) a comprehensive policy on public sector reforms and privatization of SPSUs in the State. Further, there were 13 non-working SPSUs out of 113 SPSUs (other than Power sector). Out of which four SPSUs were under liquidation and closure orders were issued for eight SPSUs for which liquidation process has not been started. In respect of one SPSU, Government withdrew the liquidation order in June 2017.

¹⁹ Latest finalized accounts as of November 2021

²⁰ **Equity:** Karnataka Neeravari Nigam Limited, Cauvery Neeravari Nigama Limited, Vishveswaraya Jala Nigam Limited, Rail Infrastructure Development Corporation (Karnataka) Limited, Karnataka Power Transmission corporation limited and Krishna Bhagya Jala Nigam Limited,
Loans Mangalore electricity Supply Company limited, Cauvery Neeravari Nigam Limited and KPC Gas Power Corporation limited.
Guarantees Raichur power Company Limited, Mangalore electricity Supply Company limited KPC Gas Power Corporation limited.

²¹ Statutory corporations-6, Working Government companies -105, Non-working Government companies-13

(iii) Returns from Government Companies/Corporations²²

During 2016-17 to 2020-21, the number of working SPSUs which earned profits ranged between 47 and 57, out of which only 10 to 16 SPSUs had declared dividend. During 2020-21, against the profit of ₹2,987 crore earned by these entities, ₹59.01 crore was paid by them as dividend. The dividend payment as percentage of paid up capital was very nominal and was 1.98 *per cent* during 2020-21.

The profitability of a SPSUs is traditionally assessed through return on investment²³, return on equity²⁴ and return on capital employed²⁵.

- The return on the State Government funds (at PV) infused in the eleven Power Sector SPSUs in the State was less than the return based on historical cost. The return were in the decreasing trend and was lowest in the year 2016-17.
- While the returns on equity in the eleven Power Sector SPSUs was nil from 2017-18 to 2020-21, the return on the capital employed was 6.13 *per cent* during 2020-21.
- All the SPSUs other than the Power Sector had negative return on investment during 2016-17 to 2020-21.
- Similarly, the returns on equity in the SPSUs other than Power Sector was negative as the SPSUs incurred losses in all the five years.
- The return on capital employed of the SPSUs other than Power Sector was on a declining trend except during 2020-21, which was 3.51 *per cent* indicating that profitability was not commensurate with the capital employed.

(iv) Losses incurred by the Government companies/Corporations

During 2020-21, 50 SPSUs incurred loss of ₹8,246.47 crore. Out of this, the Power Sector SPSUs incurred an overall loss of ₹5,701.76 crore. In respect of the balance loss, the major contributor was Hubli Electricity Supply Company Limited (₹2,490.26 crore).

(v) Erosion of capital in SPSUs

Net worth is a measure of what an entity is worth to the owners. A negative net worth indicates that the entire investment by the owners has been wiped out by accumulated losses. As at the end of 2020-21, net worth of ₹14,903.62 crore of 33 SPSUs was eroded.

While the overall net worth of six Power Sector SPSUs was positive during the last five years ended 2020-21, the net worth of five SPSUs (₹9,441.97 crore) was eroded.

²² For the purpose of paragraphs(iii),(v) and (vi), subsidiaries companies were also considered during 2019-20 and 2020-21.

²³ Measures the profit or loss made in a fixed year relating to the amount of money invested in the form of equity and long-term loans and is expressed as a percentage of profit to total investment

²⁴ Measure of performance calculated by dividing net profit by shareholder's funds

²⁵ Financial ratio that measures the company's profitability and the efficiency with which its capital is used and is calculated by dividing the company's earnings before interest and taxes by capital employed.

Similarly, the overall net worth of 113 SPSUs other than Power Sector was positive during the last five years. However, the net worth of 28 SPSUs (₹5,461.65 crore) was eroded as at 31 March 2021.

(vi) Analysis of Long-term loans

Assessment of the ability of the SPSUs to service the debt owned by them to the Government, banks and other financial institutions through Interest coverage ratio and Debt Turnover ratio revealed the following:

- As at 31 March 2021, out of the 11 Power Sector SPSUs, eight had interest burden. Of these, five had interest coverage ratio of less than one.
- The debt-turnover ratio of 11 Power Sector SPSUs had not improved, as the compounded annual growth rate of turnover was less than that of Debt during 2016-17 to 2020-21.
- As at 31 March 2021, 20 out of 42 SPSUs had interest ratio of less than one, indicating that these SPSUs could not generate sufficient revenues to meet expenses on interest.
- The debt-turnover ratio of working SPSUs of other than Power Sector had not improved, as the compounded annual growth rate of Turnover was less than that of Debt during 2016-17 to 2020-21.

(vii) Accountability framework and submission of accounts by SPSUs and its audit

The process of audit of Government Companies are governed by respective provisions of Section 619 of the Companies Act, 1956 and Sections 139 and 143 of the Companies Act, 2013 (Act). The C&AG of India appoints the statutory auditors of the Government Company. Further, as per sub-section 7 of Section 143 of the Act, the C&AG may, in case of any Company covered under sub-section (5) or sub-section (7) of Section 139, if considered necessary, by an order, cause test audit to be conducted of the accounts of such Company.

The financial statements of the Government Companies are audited by Statutory Auditors, who are appointed by the C&AG. These financial statements are subject to supplementary audit to be conducted by C&AG within 60 days from the date of receipt of the Audit Report. However, C&AG is sole auditor for four Statutory Corporations and conducts supplementary audit in respect of two Statutory Corporations.

During 2020-21, out of 11 SPSUs under Power Sector, four accounts from four SPSUs were in arrears. In respect of 100 working SPSUs other than Power Sector, 103 accounts from 66 working SPSUs were in arrears. The arrears ranged between 1 to 7 years. The State Government had made net investment of ₹18,319.38 crore in 36²⁶ out of 73 SPSUs during the years for which accounts were not finalized. Hence, audit could not ensure on its accounting and utilization.

2.5.4.4 Capital locked in incomplete projects

Locking up of funds in incomplete works, which includes works stopped due to reasons like litigation, *etc.*, impinge negatively on the quality of expenditure.

²⁶ The Ministry of Corporate Affairs has given general extension of time for finalisation of accounts by SPSUs upto November 2021.

The year wise age profile of the incomplete projects as on 31 March 2021 are shown in **Table 2.25** and the department-wise information is given in **Table 2.26**.

| Table 2.25: Age profile of incomplete projects which are more than one crore as on 31 March 2021 (₹ in crore) | | | | Table 2.26: Department wise profile of incomplete projects which are more than one crore as on 31 March 2021 (₹ in crore) | | | | | | | |
|---|----------------------------|-----------------|-----------------|---|----------------------------|----------------|-------------|-------------------|-----|----------|--------|
| To the end of the Year | No. of incomplete projects | Estimated cost | Expenditure | Works under | No. of incomplete projects | Estimated cost | Expenditure | | | | |
| 2012-13 | 3 | 5.60 | 5.21 | Roads and Bridges | 871 | 4,951.94 | 2,463.21 | | | | |
| 2013-14 | 7 | 42.80 | 41.68 | | | | | | | | |
| 2014-15 | 15 | 51.80 | 50.58 | | | | | Irrigation | 210 | 1,187.55 | 942.19 |
| 2015-16 | 30 | 326.89 | 251.34 | | | | | Buildings | 42 | 275.80 | 184.96 |
| 2016-17 | 58 | 340.03 | 275.99 | | | | | Others | 10 | 54.08 | 373.79 |
| 2017-18 | 54 | 358.49 | 245.76 | Total | 1,133 | 6,469.37 | 3,628.15 | | | | |
| 2018-19 | 321 | 2,067.96 | 1,053.97 | | | | | | | | |
| 2019-20 | 296 | 1,747.93 | 968.37 | | | | | | | | |
| 2020-21 | 349 | 1,527.87 | 735.25 | | | | | | | | |
| Total | 1,133 | 6,469.37 | 3,628.15 | | | | | | | | |

Source: Finance Accounts

Against the initial budgeted cost of ₹6,469.37 crore in respect of 1,133 works, stipulated to be completed on or before March 2021, the progressive expenditure was ₹3,628.15 crore. The delay in the projects was in the range of more than five years (55), less than five years but greater than one year (729) and less than one year (349). No reasons for delay in completion of the works were given by the Public Works, Ports & Inland Water Transport and Irrigation Departments.

Out of 1,133 projects, which were incomplete as on 31 March 2021, 43 per cent of the projects remained incomplete for more than three years. FMRC advised (July 2018) that in order to minimize escalation of time and cost, projects which were nearing completion were to get funds on priority. However, audit noticed that the number of incomplete projects had increased from 978 as on 31 March 2020 to 1,133 as on 31 March 2021. This was mainly due to increase in the number of projects under Roads and Bridges and Irrigation.

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

The Finance Department replied (December 2021) that concerned departments would be requested to take suitable action for completion of works and projects.

2.5.5 Expenditure priorities

The expenditure responsibilities relating to the social sector and economic infrastructure are largely State subjects. Enhancing human development levels requires the States to step up their expenditure on key social services like education, health, etc. Low fiscal priority (ratio of expenditure category to

aggregate expenditure) is attached to a particular sector, if the allocation given to that particular head of expenditure is below the General Category State's (GCS)/national average. The higher the ratio of these components to total expenditure, the quality of expenditure is considered to be better. **Table 2.27** analyses the fiscal priority of the State Government with regard to development expenditure, social expenditure and capital expenditure relative to GCS and neighboring States in the current year 2020-21.

Table 2.27: Fiscal priority of the States in 2020-21

| | (in per cent) | | | | |
|----------------|---------------|--------|-------|---------------|------------|
| | AE/ GSDP | CE/ AE | DE/AE | Education/ AE | Health/ AE |
| GCS | 16.18 | 13.03 | 66.29 | 15.00 | 6.74 |
| Kerala | 18.30 | 11.12 | 56.71 | 11.87 | 6.41 |
| Tamilnadu | 14.36 | 13.50 | 64.90 | 13.97 | 6.36 |
| Andhra Pradesh | 17.57 | 11.93 | 67.39 | 13.83 | 5.49 |
| Telangana | 15.30 | 17.86 | 73.08 | 8.36 | 4.24 |
| Maharashtra | 12.87 | 9.35 | 63.23 | 17.98 | 4.99 |
| Madhya Pradesh | 21.40 | 16.09 | 72.09 | 14.54 | 4.93 |
| Karnataka | 12.43 | 21.45 | 72.38 | 11.37 | 5.29 |

Source: Finance Accounts

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

Comparative analysis for the year 2020-21 revealed the following

- The ratio of CE and DE to AE of the State was higher than the ratio of GCS, which indicated that the State had better quality of expenditure when compared to other GCS.
- The ratio of capital expenditure to AE of the State was higher than all the neighboring States, the reason being less AE with respect to GSDP (12.43 per cent).
- The DE/AE ratio of the State was higher when compared to its neighbouring States (except Telangana). This was mainly due to higher ratio of Economic Service Sector/AE in the State.
- Adequate priority needs to be given to Education sector, as the ratio of expenditure under the sector to AE is less than all neighboring States (except Telangana) and GCS.
- Though the ratio of expenditure towards Health to AE has increased during 2020-21 when compared to previous years, priority needs to be given to Health sector as its ratio is less when compared to the ratio of GCS and its neighbouring States viz., Kerala, Tamil Nadu and Andhra Pradesh.

2.6 Public Account

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

2.6.1 Net Public Account balances

The net transactions under Public Account covering the period 2016-17 to 2020-21 are indicated in **Table 2.28** and the yearly changes in composition of Public Account balances are depicted in **Chart 2.13**.

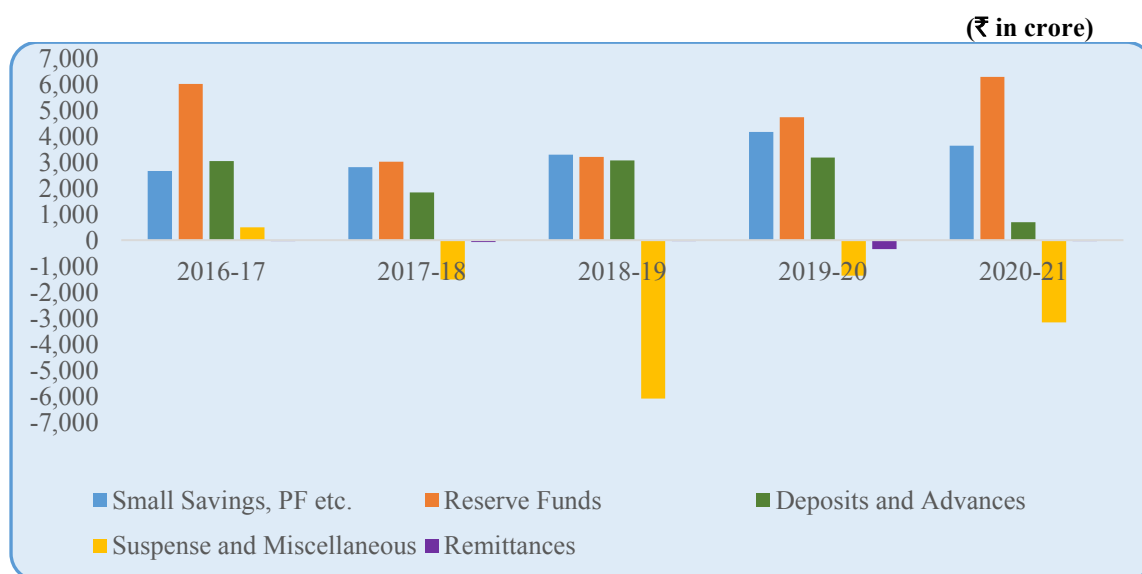
Table 2.28: Component-wise net balances in Public Account as of 31 March of the year

| | | (₹ in crore) | | | | |
|---|--|---------------|--------------|--------------|---------------|--------------|
| Sector | Sub Sector | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
| I. Small Savings, Provident Funds, etc. | Small Savings, Provident Funds, etc. | 2,657 | 2,811 | 3,292 | 4,156 | 3,632 |
| J. Reserve Funds | (a) Reserve Funds bearing Interest | 1,236 | (-) 1,194 | 393 | 839 | (-)99 |
| | (b) Reserve Funds not bearing Interest | 4,777 | 4,212 | 2,804 | 3,889 | 6,374 |
| K. Deposits and Advances | (a) Deposits bearing Interest | 48 | (-) 3 | 62 | 99 | 16 |
| | (b) Deposits not bearing Interest | 2,994 | 1,837 | 3,006 | 3,074 | (-)702 |
| | (c) Advances | - | - | - | - | - |
| L. Suspense and Miscellaneous | (a) Suspense | 87 | 17 | (-) 15 | 178 | (-)242 |
| | (b) Other Accounts | 404 | (-) 1,526 | (-) 6,072 | (-) 1,542 | (-)2,679 |
| | (c) Accounts with Governments of Foreign Countries | - | - | - | - | - |
| | (d) Miscellaneous | - | - | - | - | - |
| M. Remittances | (a) Money Orders and other remittances | (-) 20 | (-) 51 | (-) 81 | (-) 263 | (-)53 |
| | (b) Inter-Governmental Adjustment Account | (-) 18 | (-) 25 | 42 | (-) 84 | 17 |
| Total | | 12,165 | 6,078 | 3,431 | 10,346 | 6,264 |

Source: Finance Accounts

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

Chart 2.13: Yearly changes in composition of Public Account balances



Source: Finance Accounts.

The net receipts from the Public Account decreased from ₹12,165 crore in 2016-17 to ₹6,264 crore in 2020-21. The decrease in net balance during 2020-21 (₹4,082 crore) over the previous year was due to decrease under Deposits and Advances (Deposits not bearing interest) and Small Savings, PF *etc.*, Net availability of funds under Reserve Funds, Small Savings and Provident Fund had a major share in financing the fiscal deficit. Under Suspense and Miscellaneous, there was increase in transactions relating to un-encashed cheques, which amounted to ₹2,679 crore during 2020-21, when compared to ₹1,542 crore during 2019-20.

2.6.2 Reserve Funds

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

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

a) Consolidated Sinking Fund

The GoK constituted a Consolidated Sinking Fund (CSF) in 2012-13 for the amortisation of all loans as recommended by the XII FC and transferred ₹1,000 crore towards its corpus in 2012-13. The fund is administered by the RBI which had invested the corpus in GoI Securities. As per Government Notification (February 2013), the State Government may make minimum annual contributions to the fund at 0.50 *per cent* of the outstanding liabilities (excluding off-budget borrowings) at the end of the previous financial year. During 2020-21, against the minimum requirement of ₹1,597.02 crore, the State Government contributed ₹1,700 crore to the Fund under Major Head 2048 – Contribution to CSF.

The balance under the fund at the end of the year was at ₹4,820 crore as per books of accounts. However, as intimated by the State Government the total balance under CSF as forwarded by the RBI is ₹6,044.64 crore which included an accrued interest of ₹1,224.64 crore from the date of establishment of Fund to the end of March 2021. However, interest amount did not pass through the Government books and stands reinvested in CSF.

The Finance Department replied (December 2021) that Pr.AG(A&E) had already been requested to account for the interest earned on investments of CSF in the Books of Accounts.

b) Green Tax

The GoK vide the Karnataka Motor Vehicles Taxation (Amendment) Act, 2002 introduced collection of a Cess called 'Green Tax'²⁷ to control air pollution.

Vide paragraph 1.3.1.1 of the SFAR of the C&AG of India for the year ending 31 March 2016, on 'Improper accounting and non-utilisation of Green Tax Cess collections', it was stated that the green tax cess collected is to be accounted under revenue receipt head '0041-00-102-0-11 – Green Tax' and expenditure under '2041-00-001-0-07-Implementation of measures to control air pollution and other such activities'. A Reserve Fund to transfer the Green tax cess collected is opened under Development and Welfare Funds – '8229-00-200-0-63 – Green Tax'.

During the year, an amount of ₹50.47 crore was transferred to the Fund and an expenditure of ₹0.30 crore was booked to the Fund. However, receipts amounting to ₹10.86 crore accounted during the year 2020-21 were not transferred to the fund. The closing balance at the credit of the Fund was ₹50.17 crore as on 31 March 2021.

c) Road Safety Cess

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

The collection of Road Safety Cess which is initially accounted as revenue receipts under the head of account 0041-00-102-0-12-Road Safety Cess needs to be subsequently transferred to the Reserve Fund specially created for the purpose under the head of account 8229-00-200-0-64-Road Safety Fund through adjustment entries. There were no transaction for the year 2017-18, 2018-19 and 2019-20. During the year 2020-21, total amount of ₹480.50 crore accounted as Road Safety Cess from 2017-18 to 2019-20 was transferred to the fund and an expenditure of ₹10.92 crore was booked to the fund. However, receipts amounting to ₹87.65 crore accounted during the year 2020-21 were not transferred to the fund. The closing balance at the credit of the fund was ₹469.58 crore as on 31 March 2021.

Non-transfer of part of receipts to the Green Tax and Road safety cess Fund in Public Account resulted in overstatement of revenue receipts and understatement of revenue deficit.

In reply, the Finance Department (December 2021) stated that the transfers though depend on fiscal position at the end of the financial year, it would initiate action through concerned administrative departments to transfer Green Tax Cess and Road Safety Cess to the respective Reserve Funds.

²⁷ Green Tax Cess is cess on old vehicles which have completed fifteen years in respect of two wheelers and non-transport vehicles and seven years in respect of transport vehicles at the time of renewal of Certificate of Registration in addition to the tax levied at the rates specified for the purpose of implementation of various measures to control air pollution.

d) State Disaster Response Fund (SDRF)

The SDRF constituted under Disaster Management Act, 2005, is operative from 2010-11 under Reserve Fund bearing interest. As per the guidelines the accretions to the SDRF together with the income earned on the investment of the SDRF are to be invested in one or more of instruments *viz.*, Central Government dated securities, auctioned treasury bills and interest earning deposits and certificates of deposits with Scheduled Commercial Banks. Natural Calamities such as drought, flood, cyclone, earthquake, fire *etc.*, qualify for relief under this scheme.

The sharing pattern of 75:25 between Government of India and State Government of XIV FC continues in the XV FC period also. During 2020-21, an aggregate amount of ₹843.20 crore was to be transferred to the fund account being the contribution from GoI and GoK which is ₹632.40 crore (75 *per cent* of ₹843.20 crore) and ₹210.80 crore (25 *per cent* of ₹843.20) respectively. However, against requirement of ₹632.40 crore, GoI transferred ₹632.80 crore *i.e.*, ₹0.40 crore excess. As a result, the State reduced its contribution by ₹0.40 crore to the fund and transferred ₹210.40 crore.

In addition, during 2020-21, the State received an amount of ₹689.27 crore as GoI contribution from National Disaster Response Fund (NDRF). The amount was transferred to the fund account even though no provision was made in the Budget estimate for transfer of receipts and expenditure.

The entire contribution of ₹1,532.47 crore (₹843.20 crore and ₹689.27 crore) was released to the Deputy Commissioners of the districts under the Major Head '2245-Relief on account of Natural Calamities'. The balance under this fund was ₹2.42 crore. The balance amount was the interest earned at the rate of 8 *per cent* received during 2020-21 for the unused amount of ₹41.98 crore in the Fund account during 2017-18.

e) State Disaster Mitigation Fund (SDMF)

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

SDMF created under the Reserve Fund is an interest-bearing Reserve Fund. State Government is to pay interest for the amount not invested in the identified interest-bearing instruments to the SDMF at the rate applicable to overdrafts under overdraft Regulation Guidelines of the RBI. The unspent balance in this account at the end of the financial year 2020-21 is the opening balance of the account of the financial year 2021-22 and so on till 2025-26. The aggregate size of the SDMF in each financial year commencing from Financial Year 2020-21 has been recommended by the XV FC. The contribution to the Fund is in the ratio of 75:25 by GoI and GoK.

During the year 2020-21, the total contribution to SDMF was ₹210.80 crore with ₹158.10 crore being GoI share and ₹52.70 crore being GoK share. Against

this the State received ₹158.20 crore as GoI share. Hence, the State reduced its contribution by ₹0.10 crore. The entire amount of ₹210.80 crore was transferred to the Fund account and expenditure of ₹184.50 under the Major Head '2245 – Relief on Account of Natural Calamities' was shown as met out of the Fund. The details of expenditure/receipts under SDRF/SDMF 2020-21 are shown in **Table 2.29**.

Table 2.29: Details of expenditure/receipts under SDRF/SDMF

| | | (₹ in crore) |
|--|---|----------------------------|
| | Minor Head of Account | Expenditure during 2020-21 |
| 05-State Disaster Response Fund | Transfers to Reserve Funds and Deposit Accounts – SDRF | 843.20 |
| | Transfers to Reserve Funds and Deposit Accounts – NDRF | 689.27 |
| | Deduct-Amount met from-SDRF | (-)843.20 |
| | Deduct-Amount met from-NDRF | (-)689.27 |
| | Transfers of interest in respect of unutilised amount under SDRF during 2017-18 | 2.42 |
| | Balance | 2.42 |
| 10-State Disaster Mitigation Fund | Transfers to Reserve Funds and Deposit Accounts – SDMF | 210.80 |
| | Deduct-Amount met from-SDMF | (-)184.50 |
| | Balance | 26.30 |

Source: XV Finance Commission and NTA 2020-21

The balance (credit) in the SDRF and SDMF as on 31 March 2021 was ₹2.42 crore ₹26.30 crore respectively.

2.6.3 In-operative Reserve Funds

As at the end of 31 March 2021, out of 52 reserve funds (opened five fund accounts including SDMF), 21 remained inoperative. Of these 21 inoperative reserve funds, three reserve funds had zero balance, 13 reserve funds had a credit balance of ₹733.10 crore and eight reserve funds had a debit balance of ₹33.08 crore as on 31 March 2021.

The Finance Department replied (December 2021) that concerned Administrators and Heads of the Departments were instructed (February 2021) to review such funds where balances had remained unutilized for more than three years and to take action for closure of such accounts.

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

2.6.4 Karnataka Real Estate Regulatory Authority Fund

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

As per the Government Order dated 14 July 2017, fund under Interest bearing Deposit head 8343-00-120-0-02 - Real Estate Regulatory Fund was opened to account the transactions under Real Estate (Regulation and Development). The accumulation in the fund shall be utilised by the State Government for meeting the expenditure relating to the salaries and allowances and administrative expenses in respect of RERA and the Appellate Tribunal and any other expenses of RERA in connection with the discharge of its functions and for the purposes of this Act.

During the year 2020-21, an amount of ₹18.43 crore was transferred to the fund (from the Consolidated Fund out of the fees collected under HOA 0216-02-800-0-01 - RERA) and an expenditure of ₹10.25 crore was booked to the fund. However, the receipts collected, and expenditure incurred during the period 2017-18 and 2018-19 were not transferred. In spite of being pointed by audit in previous year SFAR, no action was initiated to transfer the receipts and expenditure to the fund account. The closing balance at the credit of the fund was ₹13.55 crore as on 31 March 2021.

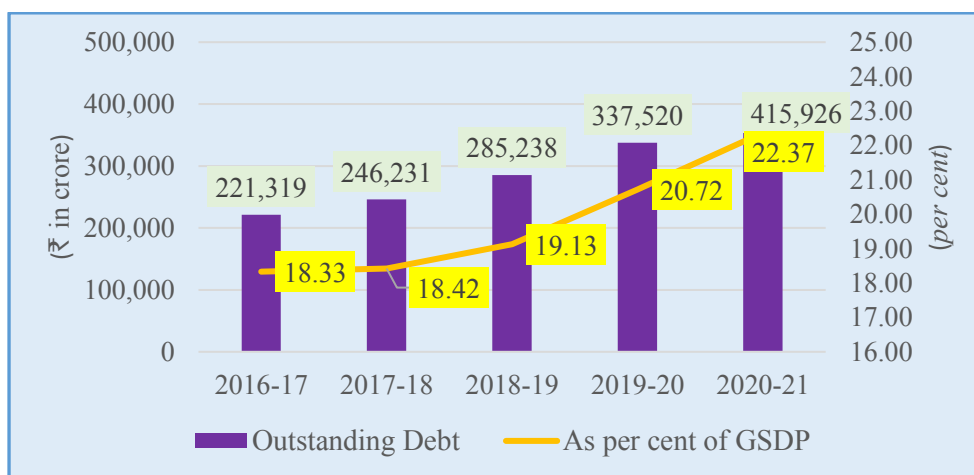
The Finance Department replied (December 2021) that receipts and expenditure relating to years 2017-18 and 2018-19 would be transferred to the fund after reconciliation.

Though the Finance Department had replied in the same lines in the earlier year, the receipts and expenditure were not transferred to the fund account. As non-transfer of receipts/expenditure affects the transparency of fund account, it may be ensured to transfer the same at the earliest.

2.7 Debt Management

Debt Management is the process of establishing and executing a strategy for managing the Government's debt in order to raise the required amount of funding, achieve its risk and cost objectives and to meet any other sovereign debt management goals that the Government may have set through enactment or any other annual budget announcements. The total outstanding debt and its percentage to GSDP during the period 2016-17 to 2020-21 are depicted in **Chart 2.14**.

Chart 2.14: Outstanding Debt and its percentage to GSDP during 2016-17 to 2020-21



Source: Finance Accounts.

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

As seen from the chart above, though the outstanding debt and its *per cent* to GSDP was on an increasing trend during the period 2016-17 to 2020-21, they are within the target as prescribed under KFRA (25 *per cent*).

2.7.1 Debt profile components

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

The component wise details of Debt, their rate of growth, ratio of these liabilities to GSDP are shown in **Table 2.30** and the buoyancy of fiscal liabilities with respect to Revenue Receipts and own resources are brought out in **Appendix 2.2**. The fiscal liabilities of the State increased by 88 *per cent* from ₹2,21,319 crore in 2016-17 to ₹4,15,926 crore in 2020-21. The composition of overall debt during 2020-21 is presented in **Chart 2.15** and the details of internal debt taken *vis-à-vis* repayment made during 2016-17 to 2020-21 is shown in **Chart 2.16**.

Table 2.30: Component wise debt trends

| | | (₹ in crore) | | | | |
|--|----------------|--------------|-----------|-----------|-----------|-----------|
| | | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
| Outstanding Overall Debt | | 2,21,319 | 2,46,231 | 2,85,238 | 3,37,520 | 4,15,926 |
| Public Debt | Internal Debt | 1,32,489 | 1,48,581 | 1,79,309 | 2,20,337 | 2,81,140 |
| | Loans from GoI | 13,794 | 14,555 | 14,657 | 13,908 | 26,617 |
| Liabilities on Public Account | | 64,788 | 69,922 | 76,410 | 85,172 | 89,748 |
| Off-budget Borrowings | | 10,248 | 13,173 | 14,862 | 18,103 | 18,421 |
| Rate of growth of Outstanding debt (percentage) | | 20.73 | 11.26 | 15.84 | 18.33 | 23.23 |
| GSDP | | 12,07,608 | 13,36,914 | 14,90,624 | 16,28,928 | 18,03,609 |
| Debt/GSDP (<i>per cent</i>) | | 18.32 | 18.42 | 19.14 | 20.72 | 22.37* |
| Total Debt Receipts | | 31,156 | 25,122 | 41,914 | 50,459 | 84,528 |
| Total Debt Repayments | | 7,420 | 8,269 | 11,083 | 10,180 | 11,016 |
| Total Debt available | | 23,736 | 16,853 | 30,831 | 40,279 | 73,512 |
| Ratio of Debt Redemption | | 56.58 | 79.97 | 57.54 | 51.17 | 35.63 |

Source: Finance Accounts

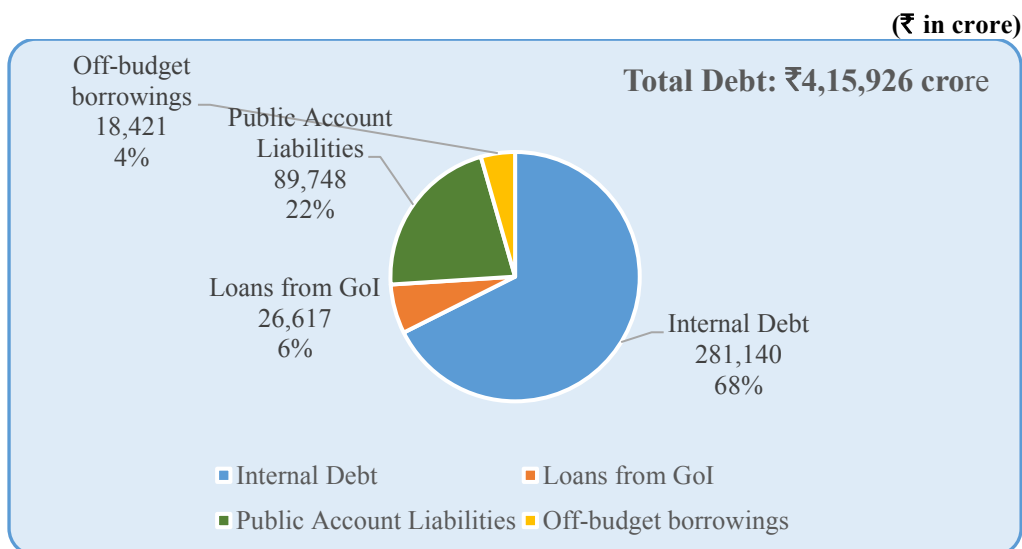
*The back-to-back Loan (₹12,407 crore) received from GoI in lieu of GST compensation has not been considered as Debt for working out the indicator.

Effective outstanding overall debt would be ₹4,03,519 crore as the Department of Expenditure, GOI has decided that GST compensation of ₹12,407 crore given to the State as back-to-back loan under debt receipts would not be treated as debt of the State for any norms which may be prescribed by the Finance Commission.

- The debt redemption ratio was in decreasing trend from 2018-19 to 2020-21; and

- Increase in total debt available to the State was mainly due to increase in internal public debt receipts from ₹50,459 crore in 2019-20 to ₹72,121 crore in 2020-21.

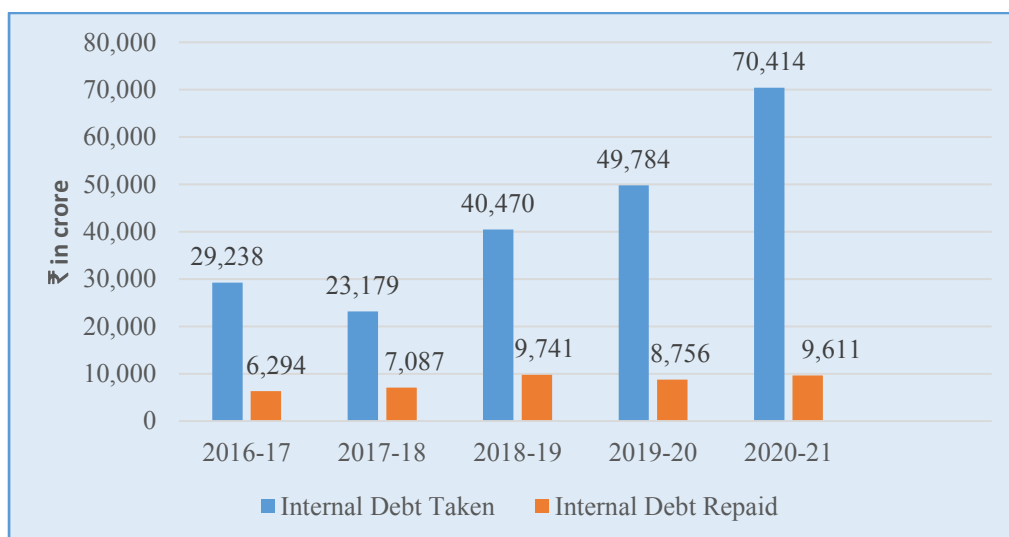
Chart 2.15: Breakup of overall debt at the end of financial year 2020-21



Source: Finance Accounts.

Note: Effective GOI loans would be ₹14,210 crore as the Department of Expenditure, GOI had decided that GST compensation of ₹12,407 crore given to the State as back-to-back loan under debt receipts (6004-101. Loans and Advances from GOI) would not be treated as debt of the State for any norms which may be prescribed by the Finance Commission, thus, impacting the total debt to ₹4,03,519 crore.

Chart 2.16: Internal Debt taken vis-à-vis repaid



Source: Finance Accounts.

Out of the total outstanding debt, internal debt consisting of market borrowings, loans from NABARD, LIC, GIC and special securities issued to NSSF of Central Government constituted 67.59 per cent (₹2,81,140 crore). Public Account liabilities account for 21.58 per cent, loans from GoI comprise 6.40 per cent and off-budget borrowings 4.43 per cent.

The internal Debt which is a part of Consolidated Fund liabilities increased from ₹1,32,489 crore in 2016-17 to ₹2,81,140 crore in 2020-21, an increase of 112 per cent. The loans and advances from GoI showed an increase of 93 per cent from ₹13,794 crore in 2016-17 to ₹26,617 crore in 2020-21 with inter-year variations.

2.7.1.1 Off-budget borrowings

The borrowings of the State Government are governed by Article 293 (1) of the Constitution of India. The State stood as guarantor for loans availed by Government Companies/ Corporations/ Boards. These Companies/ Corporations/ Boards borrowed funds from the market/ financial institutions for implementation of various State Plan programme projected outside the State budget. The borrowings of these concerns ultimately turn out to be the liabilities of the State Government termed 'Off-budget borrowings' (OBB) and the Government had been repaying the loans availed of by these Companies/ Corporations/ Societies including interest through regular budget provision under capital account.

During 2020-21, capital expenditure of ₹48,075 crore included ₹2,726.55 crore towards servicing of principal amount of off-budget borrowings. **Table 2.31** gives the entity-wise position of borrowings as at the end of 2020-21.

Table 2.31: Entity-wise position of off-budget borrowings

| Company/ Corporation/ Board | Outstanding off budget borrowing | Borrowings during 2020-21 | Repayment during 2020-21 | | Closing Balance |
|---|--|---------------------------------|-----------------------------|-----------------|--------------------|
| | | | Principal | Interest | |
| Krishna Bhagya Jala Nigam Limited | 8,399.40 | 500.00 | 1,297.54 | 694.15 | 7,601.86 |
| Karnataka Neeravari Nigam Limited | 3,732.91 | 650.00 | 659.36 | 292.69 | 3,723.55 |
| Karnataka Road Development Corporation Limited | 100.64 | 127.60 | 16.50 | 11.85 | 211.74 |
| Rajiv Gandhi Rural Housing Corporation Limited | 1,133.06 | 600.00 | 242.27 | 133.29 | 1,490.79 |
| Karnataka State Police Housing and Infrastructure Development Corporation | 2.31 | - | 2.31 | 0.11 | - |
| Cauvery Neeravari Nigam Limited | 2,685.00 | 250.00 | 150.00 | 217.12 | 2,785.00 |
| Visvesvaraya Jala Nigam Limited | 2,049.50 | 260.50 | 358.57 | 161.98 | 1,951.43 |
| Skill Development | - | 657.00 | - | 1.12 | 657.00 |
| Total | 18,102.82 | 3,045.10 | 2,726.55 | 1,512.31 | 18,421.37 |

Source: Finance Accounts

The off-budget borrowings were on an increasing trend up to 2019-20 and during 2020-21, it decreased by ₹1,390.39 crore when compared to previous year. The XV FC has opined that these are implicit contingent liabilities, outside the framework of standard guarantee that can eventually devolve heavily on State Government. Hence, it was recommended to observe strict discipline by resisting further additions to the stock of off-budget borrowing as it is against the norm of fiscal transparency and detrimental to fiscal sustainability.

Taking into account the off-budget borrowings of the State, the total liabilities at the end of March 2021 worked out to ₹4,15,926 crore. The rate of outstanding liabilities (including off-budget borrowings) to GSDP works out to 22.37 per cent at the end of the year, which was exclusive of the back-to-back loan of ₹12,407 crore received from GOI in lieu of GST compensation.

The Finance Department replied (December 2021) that out of total off-budget borrowings of ₹3,045.10 crore during 2020-21, ₹2,445.10 crore pertained to various irrigation corporations. In order to provide funds to complete on going irrigation projects/works /new works, off budget borrowings by these entities was necessary. In the Exit conference (December 2021), it further stated that since the off-budget borrowings formed part of Budget documents, it maintained transparency.

2.7.2 Composition of fiscal deficit and its financing pattern

The financing pattern of fiscal deficit has undergone a compositional shift as reflected in **Table 2.32** and the financing pattern of fiscal deficit for the year 2020-21 is shown in **Table 2.33**. Breakdown of fiscal deficit reveals the extent of various borrowings resorted to by the State to meet its requirement of funds over and above revenue and non-debt receipts. The component wise trends of the debt are depicted in **Chart 2.17**.

Table 2.32: Components of fiscal deficit and its financing pattern

| (₹ in crore) | | | | | | |
|---|-----------------------------------|------------------|------------------|------------------|------------------|------------------|
| Sl. No. | Particulars | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
| | Composition of Fiscal Deficit | (-28,664) | (-31,101) | (-38,442) | (-38,166) | (-67,098) |
| 1 | Revenue Surplus | 1,293 | 4,518 | 679 | 1,185 | (-19,338) |
| 2 | Net Capital Outlay | 28,123 | 30,663 | 34,665 | 35,485 | 45,361 |
| 3 | Net Loans and Advances | 1,834 | 4,956 | 4,456 | 3,866 | 2,399 |
| Financing pattern of Fiscal Deficit* | | | | | | |
| 1 | Market Borrowings | 24,026 | 17,348 | 32,183 | 42,499 | 61,900 |
| 2 | Loans from GoI | 791 | 761 | 103 | (-749) | 12,709 |
| 3 | Special Securities issued to NSSF | (-1,573) | (-1,573) | (-1,595) | (-1,628) | (-1,628) |
| 4 | Loans from Financial Institutions | 491 | 316 | 141 | 156 | 531 |
| 5 | Small Savings, PF etc. | 2,657 | 2,812 | 3,292 | 4,156 | 3,632 |
| 6 | Deposits and Advances | 3,041 | 1,833 | 3,068 | 3,174 | (-685) |
| 7 | Suspense and Miscellaneous | 491 | (-1,509) | (-6,087) | (-1,364) | (-2,921) |
| 8 | Remittances | (-38) | (-76) | (-40) | (-347) | (-35) |
| 9 | Reserve Funds | 6,013 | 3,019 | 3,197 | 4,728 | 6,275 |
| 10 | Overall Deficit | 35,899 | 22,931 | 34,262 | 50,625 | 79,778 |
| 11 | Increase/Decrease in cash balance | (-7,235) | 8,170 | 4,180 | (-12,459) | (-12,680) |
| 12 | Gross Fiscal Deficit | 28,664 | 31,101 | 38,442 | 38,166 | 67,098 |

Source: Finance Accounts

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

Table 2.33: Receipts and Disbursements under components financing the fiscal deficit during 2020-21

| (₹ in crore) | | | | |
|--------------|-----------------------------------|-----------------|-----------------|---------------|
| Sl.No. | Particulars | Receipt | Disbursement | Net |
| 1 | Market Borrowings | 69,000 | 7,100 | 61,900 |
| 2 | Loans from GoI | 14,114 | 1,405 | 12,709 |
| 3 | Special Securities issued to NSSF | - | 1,628 | (-)1,628 |
| 4 | Ways and Means advances from RBI | - | - | - |
| 5 | Loans from Financial Institutions | 1,414 | 883 | 531 |
| 6 | Small Savings, PF <i>etc.</i> | 8,473 | 4,841 | 3,632 |
| 7 | Deposits and Advances | 63,575 | 64,260 | (-)685 |
| 8 | Suspense and Miscellaneous | 1,92,098 | 1,95,018 | (-)2,921 |
| 9 | Remittances | (-)2 | 33 | (-)35 |
| 10 | Reserve Fund | 8,314 | 2,040 | 6,275 |
| 11 | Overall Deficit | 3,56,986 | 2,77,208 | 79,778 |
| 12 | Increase/Decrease in cash balance | 34,463 | 47,143 | (-)12,680 |
| 13 | Gross Fiscal Deficit | 3,91,449 | 3,24,285 | 67,098 |

Source: Finance Accounts

The State had attained revenue surplus since 2004-05 and the surplus on revenue account along with market borrowings, loans from GoI *etc.*, were utilised to finance capital expenditure. However, during 2020-21, State witnessed Revenue deficit due to COVID-19 pandemic, which resulted in utilisation of borrowing towards revenue expenditure. There was increase in loans from GoI and Reserve Funds and decrease in Small Savings, PF *etc.*, Deposits and Advances, Suspense and Miscellaneous balances which comprised transactions relating mainly to cheques and bills over the previous year.

2.7.3 Debt profile: Maturity and Repayment

Debt maturity and repayment profile indicates commitment on the part of the Government for debt repayment or debt servicing. The maturity profile of Public Debt is shown in Table 2.34.

Table 2.34: Maturity profile of Public Debt

| (₹ in crore) | | | | | |
|---------------------------|------------------|--------------------|-----------------------------|--------------------|-------------------------------|
| Year of Maturity | Maturity Profile | Amount | | | Per cent of total Public Debt |
| | | Internal Debt | Loans and Advances from GoI | Total | |
| By 2021-22 | 0-1 year | 12,330.41 | 694.86 | 13,025.27 | 4.23 |
| Between 2022-23 & 2023-24 | 2-3 year | 30,355.84 | 1,391.99 | 31,747.83 | 10.32 |
| Between 2024-25 & 2025-26 | 4-5 year | 44,405.33 | 607.50 | 45,012.83 | 14.63 |
| Between 2026-27 & 2027-28 | 5-6 year | 61,622.23 | 381.43 | 62,003.66 | 20.15 |
| Between 2028-29 & 2029-30 | 6-7 year | 61,783.88 | 267.31 | 62,051.19 | 20.16 |
| 2030-31 onwards | Above 7 years | 70,642.50 | 23,274.28 | 93,916.78 | 30.51 |
| Total | | 2,81,140.19 | 26,617.37 | 3,07,757.56 | - |

Source: Finance Accounts

The maturity profile of the Public Debt as on 31 March 2021 indicates that out of the outstanding public debt of ₹3,07,757.56 crore, 40.31 per cent belonged to the maturity bracket of 5-7 years (₹1,24,054.85 crore) and 30.51 per cent (₹93,916.78 crore) in the maturity bracket of more than seven years, indicating no short-term redemption pressure. The State has acknowledged that even though the additional borrowing was necessary for the State to meet its expenditure component, it would burden the State with debt repayment in the near future.

2.8 Debt Sustainability Analysis

Debt is considered sustainable if the borrower, in this case the State, is in a position to service its debt now and in future. Apart from the magnitude of the debt of the State Government, it is important to analyse various indicators that determine the debt sustainability of the State. Debt sustainability indicators accordingly seek to assess the credit worthiness and the liquidity position of the State by examining their ability to service the debt through timely interest payments and repay debt out of current and regular sources of revenue.

This section assesses the sustainability of debt of the State Government in terms of debt/GSDP ratio, fiscal deficit, burden of interest payments (measured by ratio of interest payments to revenue receipts) and maturity profile of the State Government debt.

Table 2.35 shows the debt sustainability of the State according to these indicators for the five-year period beginning from 2016-17.

Table 2.35: Trends in Debt Sustainability indicators

| Debt Sustainability Indicators | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
|---|-----------|-----------|-----------|-----------|-----------|
| Outstanding Public Debt* (₹ in crore) | 1,46,283 | 1,63,136 | 1,93,966 | 2,34,245 | 3,07,758 |
| Rate of growth of Outstanding Public Debt (per cent) | 19.37 | 11.52 | 18.90 | 20.77 | 31.38 |
| GSDP (₹ in crore) | 12,07,608 | 13,36,914 | 14,90,624 | 16,28,928 | 18,03,609 |
| Rate of growth of GSDP (per cent) | 15.54 | 10.71 | 11.50 | 9.28 | 10.72 |
| Debt/GSDP (per cent) | 12.11 | 12.20 | 13.01 | 14.38 | 16.38^ |
| Fiscal Deficit/GSDP (per cent) | 2.37 | 2.33 | 2.58 | 2.34 | 3.72 |
| Interest Payment (₹ in crore) | 12,850 | 14,973 | 16,614 | 19,903 | 23,433 |
| Average interest rate on Outstanding public debt (per cent) | 7.59 | 7.64 | 7.30 | 7.30 | 7.05 |
| Interest payments to Revenue Receipts ratio | 9.65 | 10.18 | 10.07 | 11.34 | 14.95 |
| Percentage of Debt repayment to Debt Receipt | 23.82 | 32.92 | 26.44 | 20.17 | 13.03 |
| Net Debt available to the State (₹ in crore) | 23,736 | 16,853 | 30,831 | 40,279 | 41,946# |

| Debt Sustainability Indicators | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
|--|-------------|--------------|--------------|--------------|--------------|
| Net Debt available as <i>per cent</i> to Debt Receipts (<i>per cent</i>) | 76.18 | 67.08 | 73.56 | 79.82 | 58.16 |
| Debt Stabilisation (Quantum Spread ²⁸ + Primary Deficit) | (-)4,189.91 | (-)11,121.33 | (-)13,680.96 | (-)13,635.33 | (-)32,368.09 |

Source: Finance Accounts

*Outstanding Public Debt is the sum of outstanding balances under the heads 6003-Internal Debt and 6004-Loans and Advances from Government of India.

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

^The back-to-back Loan (₹ 12,407 crore) received from GoI in lieu of GST compensation has not been considered as Debt for working out the indicator.

Effective outstanding public debt would be ₹2,95,351 crore as the Department of Expenditure, GoI had decided that GST compensation of ₹12,407 crore given to the State as back-to-back loan under debt receipts would not be treated as debt of the State for any norms which may be prescribed by the Finance Commission.

The fiscal consolidation roadmap recommended by the XIV & XV FC had set the following targets relating to debt sustainability for the year 2020-21

- Debt-GSDP ratio should be less than 26.22 and 33.10 *per cent* respectively.
- Fiscal Deficit to GSDP should be less than 3.25 and four *per cent* respectively and
- Interest payments to Revenue Receipts should be less than 9.15 *per cent*.

An analysis of the **Table 2.36**, in the five-year period from 2016-17 to 2020-21 revealed the following.

- The ratio of Debt to GSDP has been stable and well below the 26.22 *per cent* and 33.10 *per cent* recommended by XIV FC and XV FC respectively and below the target ceiling for debt of 25.00 *per cent* as per KFRA;
- Fiscal Deficit to GSDP ratio is stable and well below the XIV FC and XV FC recommendation during 2016-17 to 2020-21;
- The ratio of interest payment to revenue receipts during 2016-17 to 2020-21 is in an increasing trend between 9.65 and 14.95 *per cent*. The increase in ratio indicates the interest burden on revenue receipts.
- The growth rate of outstanding public debt is higher than the GSDP growth, indicating higher debt to GSDP ratio;
- The percentage of Public debt repayment to Public debt receipts during 2016-17 to 2020-21 is between 13.03 and 32.92 *per cent*. The decrease in ratio was mainly due to increase in public debt receipts;
- Increase in net debt available to the State was mainly due to increase in receipts under Internal Debt. The internal debt increased from ₹40,470 crore

²⁸ Quantum Spread is Interest Spread as percentage of debt stock. Interest Spread is the difference of rate of growth of GSDP and Average interest rate on Outstanding public debt.

in 2018-19 to ₹49,473 crore in 2019-20 and to ₹70,414 crore (excluding back to back loan of ₹12,407 crore) in 2020-21; and

- The negative sum of quantum spread and primary deficit indicates the tendency towards unstable debt.

2.8.1 Utilisation of borrowed funds

Borrowed funds should ideally be used to fund capital creation and developmental activities. Using borrowed funds for meeting current consumption and repayment of interest on outstanding loans is not sustainable. However, during 2020-21, due to COVID 19 pandemic there was negative growth in revenue receipts. As a result, part of the borrowed funds were utilised towards revenue expenditure. The details of utilisation of borrowed funds during the period 2016-17 to 2020-21 are given in **Table 2.36**.

Table 2.36: Utilisation of borrowed funds

| | | (₹ in crore) | | | | |
|--------|--|--------------|-----------|----------|---------|---------|
| Sl. No | Year/Particulars | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
| 1 | Total Borrowings | 31,156 | 25,122 | 41,914 | 50,459 | 84,528 |
| 2 | Repayment of earlier borrowings (Principal) | 7,440 | 8,269 | 11,083 | 10,180 | 11,016 |
| 3 | Net Capital Outlay | 28,123 | 30,663 | 34,665 | 35,485 | 45,361 |
| 4 | Net Loans and Advances | 1,834 | 4,956 | 4,456 | 3,866 | 2,399 |
| 5 | Net availability of borrowed funds (5=1-2-3-4) | (-)6,221 | (-)18,766 | (-)8,290 | 928 | 25,752 |

Source: Finance Accounts

From the above Table, it is noticed that for the period 2016-17 to 2018-19 borrowed funds were insufficient to service the capital expenditure (including loans and advances). During 2019-20 and 2020-21, the borrowed funds were sufficient for the capital expenditure. This indicated that the Government had borrowed more than the requirement.

The Finance Department replied (December 2021) that as against the budget provision of ₹1,79,920 crore for Revenue Receipts during 2020-21, actual realization was ₹1,56,716 crore due to sluggish economic activities, COVID 19 pandemic situation, and non-transfer of funds from GoI to the extent of budgetary provisions. The short fall of the ₹23,204 crore in Revenue Receipts was compensated out of the available borrowed funds.

2.8.2 Status of Guarantees – Contingent Liabilities

Guarantees are contingent liabilities on the Consolidated Fund of the State in case of default by the borrower for whom the guarantee was extended. The Karnataka Ceiling on Government Guarantees Act, 1999 provides for a cap on outstanding guarantees extended by the Government as on first day of April of any year at 80 per cent of the State's Revenue Receipts of the second preceding year. The details of the last five years are shown in **Table 2.37**.

Table 2.37: Guarantees given by the State Government

| Guarantees | (₹ in crore) | | | | |
|--|--------------|---------|---------|---------|---------|
| | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
| Maximum amount guaranteed to the end of 31 March of the year | 21,115 | 24,025 | 30,719 | 35,694 | 45,104 |
| Outstanding amount of guarantees including interest at the end of the year | 15,392 | 18,416 | 24,091 | 26,830 | 32,733 |

Source: Finance Accounts

The outstanding guarantees on 1 April of each year were within the prescribed limit. The outstanding guarantees amounting to ₹32,733 crore at the end of the year 2020-21 (principal + interest) included guarantees extended to 172 institutions/ companies under various sectors²⁹.

Against the total estimated guarantee commission of ₹550.61 crore receivable as reported by the State Government, only ₹281.01 crore was received during 2020-21. The guarantee commission received includes book adjustment made by the State Government towards the guarantee commission payable to it by different entities by way of subsidies/grants-in-aid/financial assistance.

In MTFP (2016-20) presented before the Legislature, the Government had stated that since the guarantees resulted in increase in contingent liability, they should be examined in the same manner as a proposal for a loan, taking into account, inter alia, the credit-worthiness of the borrower, the amount and risks sought to be covered by a sovereign guarantee, the terms of the borrowing, the justification and public purpose to be served, probabilities that various commitments will become due and possible costs of such liabilities, etc. The utility of having a functional Guarantee Reserve Fund and Guarantee Policy is under consideration with the State Government.

The PAC also recommended (July 2015) that suitable efforts should be made to operate and continue the Guarantee Reserve Fund.

The Government made a provision of ₹50.00 crore in the budget 2020-21 for the operation of the Guarantee Reserve Fund against which no expenditure was incurred. Hence, the fund remained inoperative.

The Finance Department replied (December 2021) that concerned Departments would be requested to take action for recovery of Guarantee Commission.

2.8.3 Management of Cash Balances

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

²⁹ Irrigation (₹16,061 crore), Co-operation (₹1,175 crore), Finance (₹1,251 crore), Power (₹10,855 crore), Housing (₹2,439 crore), Transport (₹426 crore) and other sectors (₹198 crore)

- The RBI grants Normal and Special Ways and Means Advances. Limit for Normal Ways and Means Advances to the State was raised from ₹1,985 crore which was with effect from 01 February 2016 to ₹3,176 crore during April 2020. Since March 1999, the limits for Special Ways and Means Advance of the State Government are linked exclusively to their holdings of Government of India Securities. These advances carry interest at such rates as may be fixed by the RBI from time to time.
- During 2020-21, the State Government had not availed any ways and means advances from RBI as it maintained minimum balance required during the entire year.

It is not desirable that State Government take recourse to market loans despite having large cash balances leading to further accretion to cash balances without putting it to productive use. **Table 2.38** depicts the cash balances and investments made by the State Government during 2020-21.

Table 2.38: Cash Balances and their investment

| | (₹ in crore) | |
|--|------------------------------------|-------------------------------------|
| | Opening balance on 1 April 2020 | Closing balance on 31 March 2021 |
| A. General Cash Balance | | |
| Cash in treasuries | - | |
| Deposits with Reserve Bank of India | 1,659.20 | 1,583.33 |
| Deposits with other Banks | - | - |
| Remittances in transit – Local | 0.01 | 0.01 |
| Sub Total | 1,659.21 | 1,583.34 |
| Investments held in Cash Balance Investment Account | 13,634.21 | 21,744.33 |
| Total (A) | 15,293.42 | 23,327.67 |
| B. Other Cash Balances and Investments | | |
| Cash with departmental officers viz, PWP&IWT department officers, Forest department, DCs | 2.09 | 2.09 |
| Permanent Advances for contingent expenditure with departmental officers | 2.18 | 3.18 |
| Investment of Earmarked funds | 19,165.44 | 23,810.24 |
| Total (B) | 19,169.71 | 23,815.51 |
| Total (A+B) | 34,463.13 | 47,143.18 |
| Interest realised | 535.10 | 627.42 |

Source: Finance Accounts

Cash with treasuries/departments, Deposits with RBI and Remittance in transit form cash and cash equivalent. In addition to the Treasury bills, cash balance is also invested in Earmarked funds viz., Consolidated Sinking Fund, Development and Welfare Funds etc. Out of the investment of ₹23,810 crore in earmarked funds, ₹4,820 crore was invested in the Consolidated Sinking Fund, ₹18,965 in Development and Welfare Funds and balance was invested in General and Other Reserve Funds (₹25 crore).

The increase in the cash balance was 53 per cent over the previous year. Cash balances of the State Government at the end of the year increased significantly by ₹8,034.25 crore from ₹15,293.42 crore in 2019-20 to ₹23,327.67 crore in 2020-21. The surplus cash balance was mainly due to market borrowings of

₹69,000 crore availed to meet the expenditure commitments in the backdrop of decline in revenue receipts during 2020-21.

State Government invests its surplus cash balance in short and long-term GoI Securities and Treasury Bills. The profits derived from such investments are credited as receipts under the head '0049-Interest Receipts'. The State Government has earned an interest of ₹627 crore during 2020-21 with an average interest rate of 1.41 *per cent* for 14-day Treasury bills and 3.15 *per cent* for 91-day Treasury bills against an average rate of 6.38 *per cent* per annum at which the borrowings were made.

The cash balance investments of the State during the five-year period 2016-17 to 2020-21 are given in **Table 2.39**.

Table 2.39: Cash Balance Investment Account (Major Head-8673)

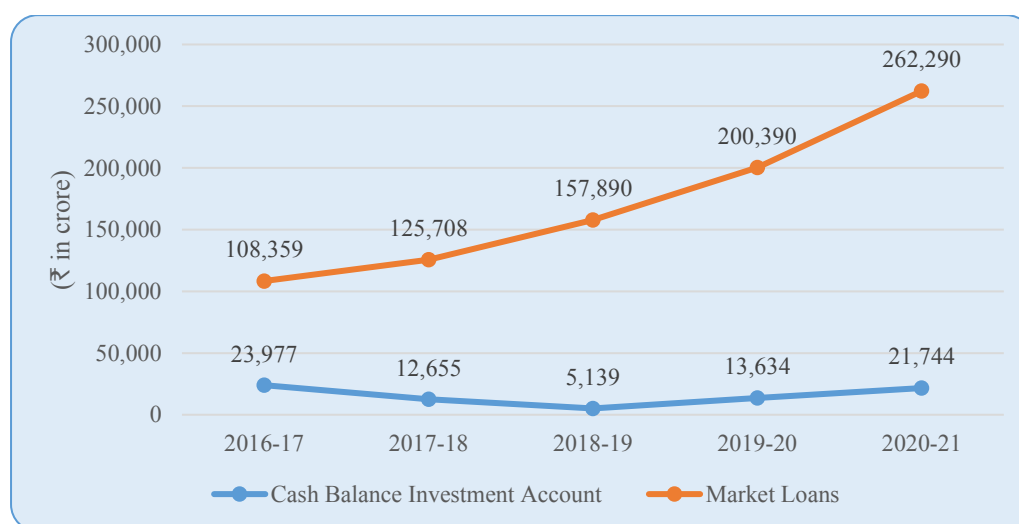
| (₹ in crore) | | | | |
|--------------|-----------------|-----------------|------------------------------|-----------------|
| Year | Opening Balance | Closing Balance | Increase (+)/ Decrease(-) | Interest earned |
| 2016-17 | 16,917.13 | 23,977.48 | 7,060.35 | 1,054.16 |
| 2017-18 | 23,977.48 | 12,655.49 | (-)11,321.99 | 1,078.30 |
| 2018-19 | 12,655.49 | 5,139.28 | (-)7,516.21 | 936.47 |
| 2019-20 | 5,139.28 | 13,634.21 | 8,494.93 | 535.10 |
| 2020-21 | 13,634.21 | 21,744.33 | 8,110.12 | 627.42 |

Source: Finance Accounts

The trend analysis of the cash balance investment of the State Government during 2016-17 to 2020-21 revealed that investment increased significantly during 2019-20 and 2020-21.

Chart 2.17 compares the balances available in the Cash Balance Investment Account and the closing balance of Market Loans taken by the State during the period 2016-17 to 2020-21. Market Loans were taken at higher interest rates whereas investment in Treasury Bills yielded interest at lower rates.

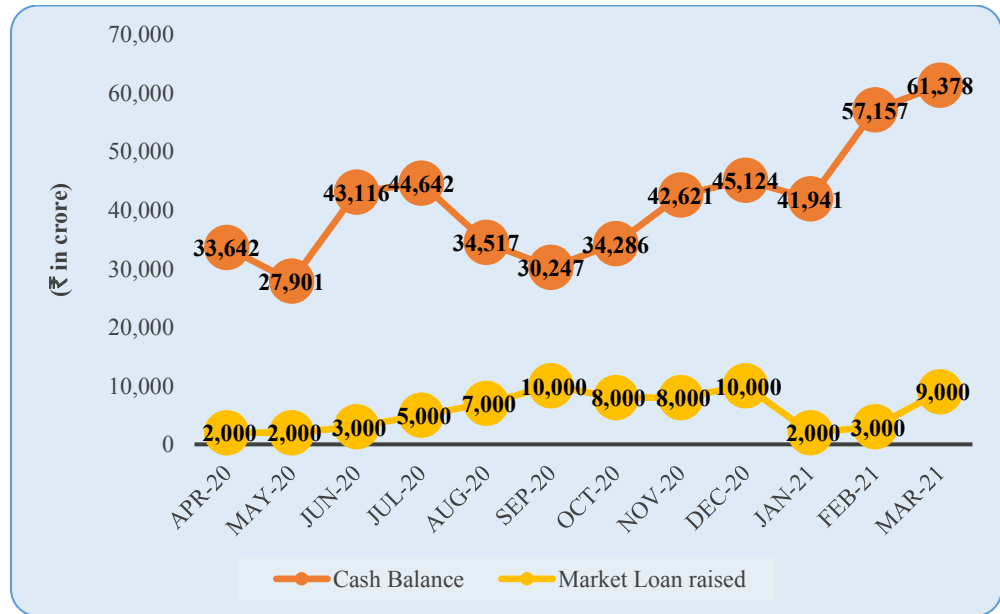
Chart 2.17: Market Loans vis-à-vis Cash Balance



Source: Finance Accounts.

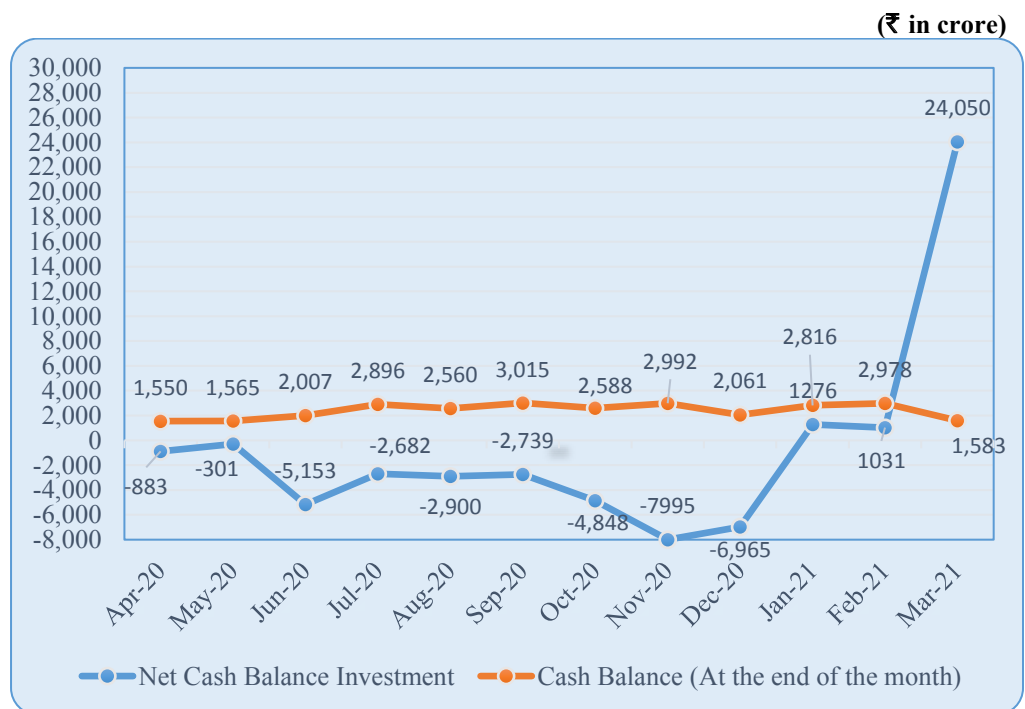
From the **Chart 2.17**, it is evident that during the last two years *i.e.*, 2019-20 and 2020-21, there was increase in Cash Balance Investment Account due to increase in Market Loans availed. **Chart 2.18** also compares the outgoings of Cash Balance Investment Account with the Market Loans obtained by the State. **Chart 2.19** compares month-wise movement of Cash balances and net Cash Balance Investments during the year.

Chart 2.18: Month wise movement of Cash Balance Investment Account and market loans during 2020-21



Source: Office of the Pr.AG(A&E).

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



Source: Office of the Pr.AG(A&E).

The preceding chart indicates that the State Government had taken recourse to Market Loans on several occasions during the year despite having large cash balances leading to further accretion to cash balances without putting it to productive use. During the year 2020-21, the State Government raised ₹69,000 crore from the market, while at the same time, the Cash Balance Investment Account increased significantly from ₹13,634 crore to ₹21,744 crore, indicating that much of the borrowing was avoidable.

Further, borrowings are normally resorted to, to invest in capital projects and creation of assets. Though the State saw an increase in Capital Expenditure during 2020-21 when compared to the previous year in absolute term, as percentage of GSDP there was a decrease in 2020-21. In addition, as the State witnessed revenue deficit of ₹19,338 crore in the current year, the deficit was met out of the borrowings. The State Government stated that it opted for open market borrowings based on the expenditure requirement and cash availability. However, from the above charts it is seen that the State had sufficient cash balance and hence could have avoided some of the market borrowings availed during the last quarter and its resultant interest burden.

Successive FCs and RBI have been reiterating that there should be an effort by State with large balances towards utilizing their existing cash balances before resorting to fresh borrowings and to manage their cash balance more efficiently. The XV FC has recommended to the State that the borrowing calendar needs to be calibrated to achieve the goal of minimizing the cash balance at the end of the year.

The Finance Department replied (December 2021) that State Government does not generally borrow funds, during first two quarters of the financial year and generally, borrowing are made during last two quarters of the financial year. It further stated that because of the COVID 19 pandemic situation, while there was decrease in Revenue Receipts, the expenditure increased and having cash balance of ₹23,237.67 crore was essential and justified.

The reply of the Finance Department that the borrowing of funds were made during the last two quarters of the financial year is not acceptable as it is seen from the **Chart 2.18**, it is evident that 43 *per cent* of the borrowings were availed during the first two quarters of the 2020-21. Further, in the context of COVID 19, increase in cash balance by 53 *per cent* was not acceptable as even the International Monetary Fund in its paper on Government Cash Management under Fiscal Stress has stated that enhancement of buffer is for Government that has weaker forecasting capacity. Since the State has a robust forecasting mechanism, such huge buffer is not desirable. Further, as also seen from the Revenue Receipts and Revenue expenditure for the month of April and May 2021, it was observed that the excess expenditure was around ₹2,000 crore which could have been met out of the cash balance threshold of previous year itself.

2.9 Conclusion and Recommendations

State's own resources

The State Government registered a decrease of 10.67 *per cent* in its Revenue Receipts during 2020-21, the growth rate of Revenue Receipts showed a declining trend during 2016-17 to 2020-21 except for the year 2018-19. Own tax revenue contributed major part (62 *per cent*) of the revenue receipts of the State. However, the ratio of State's tax revenue to GSDP showed a declining trend. In addition, there was no improvement in the ratio of non-tax revenue to GSDP and it continued to be less than one *per cent* of GSDP during 2016-17 to 2020-21 also.

Recommendation: Non-tax revenues require significant thrust by rationalizing user charges and regular and periodical monitoring recommended by the FMRC (MTFP 2021-25).

Revenue expenditure

During 2020-21, there was decline in the growth under the social sector over the previous year (seven *per cent*) and the share of expenditure on social services to total revenue expenditure also decreased from 38 *per cent* in 2019-20 to 35 *per cent* in 2020-21. The growth in expenditure on economic services increased marginally by two *per cent* during 2020-21.

Eighty-five *per cent* of revenue expenditure comprised committed expenditure on salaries, interest payments, pensions, subsidies, Grants-in-aid and financial assistance, administrative expenditure and devolution to local bodies.

Recommendations: Since the costs of salary, pension and interest are inflexible, the expenditure on subsidies, Grants-in-aid other than to local bodies, which are increasing steadily, requires utmost attention from the State Government through better targeting of beneficiaries.

Quality of expenditure

The share of capital expenditure to total expenditure was 21 *per cent* during the current year. Funds aggregating ₹3,628 crore were locked up in incomplete projects at the end of 2020-21.

The return from investment of ₹68,257 crore as of 31 March 2021 in Companies/Corporations was negligible (₹80.70 crore). The investment included ₹42,120 crore (62 *per cent*) to Companies/Corporations which were under continuous loss.

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

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

Funds and other Liabilities

During the year, Green Tax and Road Safety collections of ₹10.86 crore and ₹87.65 crore respectively were not transferred to fund account.

Recommendations: Rules with regard to administration and investment pattern of various reserve funds are required to be framed.

Debt sustainability

Open Market Borrowings had a major share (63 *per cent*) in the total fiscal liabilities of the State. The burden of interest payments measured by interest payments to revenue receipts ratio (IP/RR) is in an increasing trend and is 14.95 *per cent* during 2020-21. The net debt available to the State during 2020-21 (₹41,946 crore) increased by 4.14 *per cent* when compared to the previous year.

Recommendations: The State Government needs to make medium term corrections on the expenditure side to moderate committed expenditure.

Position of Cash Balance

The cash balance (including investment of Earmarked funds and deposits with RBI) of the State at the end of the year increased by 37 *per cent* over the previous year due to excess market borrowings.

Recommendations: Maintaining idle cash balance is not prudent cash management. Hence, Government needs to limit the market borrowings to its requirement.

Chapter – 3

Budgetary Management

Chapter 3 - Budgetary Management

3.1 Introduction

This chapter is based on the audit of Appropriation Accounts of the State. It reviews allocative priorities of the Government, reports on deviations from Constitutional provisions and highlights issues affecting transparency.

3.2 Budget Process

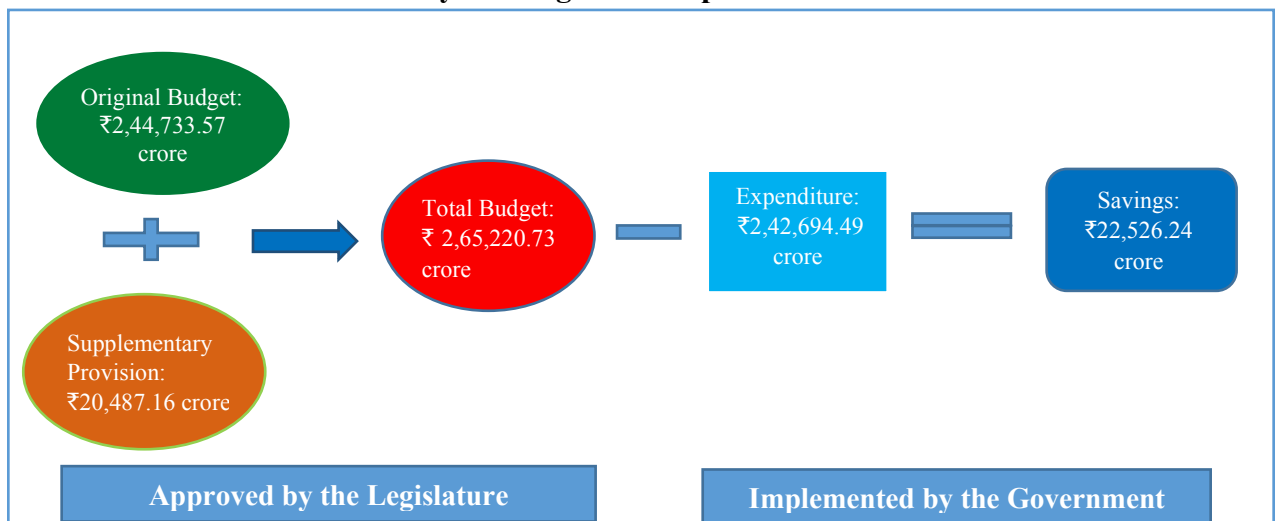
The Karnataka Budget Manual (KBM) prescribes the procedure to be followed for preparation of budget estimates and subsequent action relating to authorization of expenditure. The Budget is prepared by the Finance Department on the basis of the proposals received from the Heads of the departments. The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

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

These estimates include both voted and charged expenditure to be met from the Consolidated Fund of the State. The annual budget is tabled in both the houses of the State Legislature by the Finance Minister each year.

The total amount approved by the State Legislature including the original and supplementary budgets, expenditure and savings during 2020-21 is depicted in **Chart 3.1**.

Chart 3.1 Summary of Budget and Expenditure of Karnataka for 2020-21



3.3 Gender Budgeting in Karnataka

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

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

The total allocation earmarked for women across different departments for the period 2016-17 to 2020-21 under Category A (women specific schemes with 100 *per cent* allocation for women) and Category B (pro-women schemes with allocations more than 30 *per cent* and less than 100 *per cent*) along with their percentage to total allocation is indicated in **Table 3.1**.

Table 3.1 – Category-wise allocation during 2016-17 to 2020-21

(₹ in crore)

| Year | Total Allocation | Total Category 'A' allocation | Total Category 'B' allocation | 30 <i>per cent</i> of Category 'B' allocation | Percentage of Category 'A' to total allocation | Percentage of Category 'B'(30%) to total allocation |
|---------|------------------|-------------------------------|-------------------------------|---|--|---|
| 2016-17 | 1,72,097.16 | 5,047.45 | 61,066.96 | 18,320.09 | 2.93 | 10.64 |
| 2017-18 | 1,94,917.19 | 5,901.83 | 82,156.54 | 24,646.96 | 3.03 | 12.64 |
| 2018-19 | 2,24,110.77 | 6,049.41 | 95,975.37 | 28,792.61 | 2.70 | 12.85 |
| 2019-20 | 2,40,745.86 | 5,100.95 | 1,20,868.97 | 36,260.69 | 2.12 | 15.06 |
| 2020-21 | 2,44,733.57 | 4,732.34 | 1,10,170.20 | 33,051.06 | 1.93 | 13.50 |

Source: Gender Budget

From the above table it is evident that percentage of the Category 'A' allocation to total allocation showed decreasing trend except for the year 2017-18.

3.4 Child Budget

3.4.1 Introduction

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

GoK decided (August 2019) to prepare the CBS from the Financial Year 2020-21 onwards. The CBS aims at analysis of overall budgetary resources that the State allocates and spends on the programme and schemes that benefit children.

3.4.2 Objectives of CBS

Major objectives for preparation of CBS of GoK are to analyze

- i. Overall allocation and expenditure of budgetary resources of GoK to the programme and schemes that benefit children in a financial year.
- ii. Improvements in current year's allocations as compared to expenditure on similar programme and schemes in previous financial years.

This analysis is useful to highlight the child focused budget allocation and expenditure in overall expenditure budget and fiscal policy of GoK. This is also useful to the line departments for designing, implementing and monitoring the programmes/schemes on children within the framework of State's budget.

3.4.3 Identification and classification of Child Centric Programme and Non-programme

The Child Centric Programme and Non-programme are identified and classified under four categories (i) 100 *per cent* Child Centric Programme (ii) 100 *per cent* Child Centric Non-Programme (iii) Less than 100 *per cent* Child Centric Programme and (iv) Less than 100 *per cent* Child Centric Non-Programme.

The criteria used for these identifications and classification are given in **Table 3.2**.

Table 3.2: Criteria for identification and classification of Child Centric Programme/Schemes

| Identification | Classification | Criteria |
|---------------------------------|---|---|
| Child Centric Programme/Schemes | 100 <i>per cent</i> Child Centric Programme/Schemes | Programme/Schemes that are exclusively designed, targeted or intended for benefiting children |
| | Less than 100% Child Centric Programme/ Schemes | Programme/Schemes that include children and other beneficiaries by design, targeting or intention |

| Identification | Classification | Criteria |
|-------------------------------------|---|---|
| Child Centric Non-Programme/Schemes | 100% Child Centric Programme/Schemes | Non-programme/ schemes that are exclusively designed, targeted or intended for child beneficiaries |
| | Less than 100% Child Centric Programme/ Schemes | Non-programme/Schemes that include children and other beneficiaries by design, targeting or intention |

Note: (i) Budgetary allocation and expenditure for Child Centric Non-programme/Scheme comprise institutional set ups, establishments, infrastructure facilities and administrative support that benefit children.

(ii) Beneficiaries of 100% Child Centric Programme include pregnant or expectant mothers and lactating mothers.

During the year 2020-21, GoK allocated ₹51,084.28 crore (21 per cent) out of the total budget allocation of ₹2,44,733.57 crore towards Child Centric Programme/Schemes. The percentage of allocation and the expenditure incurred for different categories are shown in the **Table 3.3**.

Table 3.3: Details of allocation under Child Centric Programme/Schemes

(₹ in crore)

| Sl No. | Classification | Allocation during 2020-21 | Expenditure | Savings (in percentage) |
|--------|--|---------------------------|-------------|-------------------------|
| 1 | 100% Child Centric Programme | 11,881.94 | 10,321.61 | 1,560.33(13) |
| 2 | Less than 100% Child Centric Programme | 18,892.79 | 16,950.08 | 1,942.71(10) |
| 3 | 100% Child Centric Non-programme | 15,421.42 | 13,869.29 | 1,552.13(10) |
| 4 | Less than 100% Child Centric Non-programme | 4,888.13 | 4,418.79 | 469.34(10) |
| Total | | 51,084.28 | 45,559.77 | 5,524.51(11) |

Source: Grant Register

As seen from the table, 11 per cent of the allocation under Child Centric Programme remained unutilized in all categories.

The category wise/department wise budget allocation and expenditure during 2020-21 are shown in **Appendix 3.1**.

3.5 Major policy pronouncements in the budget and their actual funding for ensuring implementation

The Government announced major policy initiatives in the Budget 2020-21 (March 2020). An Action Taken Report was brought out along with the budget documents for 2021-22.

In total, the State Government initiated 26 new policies in respect of Departments of Agriculture and Information Technology and Bio Technology. Audit undertook a study on the action taken by the Government in respect of 17 initiatives. The action initiated by the Government concerning major policies is summarized in **Appendix 3.2**.

Out of the 17 initiatives, action in case of five initiatives were still in the preliminary stage. While one initiative was proposed to be implemented from next financial year, the action in respect of three initiatives were not taken due to Covid-19 Pandemic. In case of three initiatives, action was taken and five initiatives were fully implemented during 2020-21.

Some of the initiatives which could have been implemented based on the importance of criticality/materiality which are still in the nascent stage are detailed in **Table 3.4**.

Table 3.4: Important initiatives where action was yet to be taken

| Sl No | Budgetary Assurance | Action taken |
|---|---|--|
| Information and Bio-Technology Department | | |
| 1 | 'Science and Talent Search' programme would be started to identify the nurture talented students studying in Pre-University Colleges. About 500 students will be selected and mentored for two years by premier science institutes. The selected students will be given monthly scholarship of ₹1000/- | The programme was not implemented during 2020-21 due to delay in receipt of list of top 20 selected students from each educational institution from Pre-University Board. It was stated that it will be taken up during October 2021 to March 2022. |
| 2 | To address the technical challenges of various important sectors in the development of Karnataka, Centre of Excellence for Efficiency Augmentation will be established with collaboration of Software Technology Parks in India (STPI) with an expenditure of ₹30 crore | Though the administrative approval was accorded in November 2020, the Memorandum of Agreement (MOA) was signed on 10.08.2021 between Karnataka Innovation and Technology Society (KITS), IIT-B and World Economic Forum (WEF). The project was not implemented as no funds were provided for the project during 2020-21. |
| 3 | An "Artificial Intelligence Research Translation Park" will be established in association with Indian Institute of Science, Bengaluru in order to promote AI-Innovation, AI-Commercialization, Pilot Project Implementation along with development of 5G technology. For this purpose, corpus grant of ₹60 crore will be provided for next three years. | Though the administrative approval was accorded during November 2020, The project was not implemented as no funds were provided for the project during 2020-21. |
| 4 | With an aim to emphasize morality in order to create a suitable environment, a Centre of Excellence in the matter of 'internet of ethical things' will be established in collaboration with the World Economic Forum of Davos by including interested stakeholders. For the said Centre, the State Government will provide a financial assistance of | The State Government did not release any funds during 2020-21. Hence, this project was not implemented during 2020-21. |

| Sl No | Budgetary Assurance | Action taken |
|---------------------------|---|--|
| | ₹30 crore in five years. A grant of ₹7.5 crore will be provided during the year 2020-21 | |
| Department of Agriculture | | |
| 5 | To encourage water security, land bank and mass cultivation, micro irrigation, processing of farm produce, marketing and also to consider agriculture and Horticulture as an industry, the Government will bring a new Agricultural Policy | Though the High Level Committee was constituted in November 2020 to formulate guidelines to New Agricultural Policy, the draft policy is yet to be finalized. |
| 6 | The State Government will formulate Soil Health Programme Policy based on the recommendations of Land Resource Registry, availability of water and soil health card to make farmers grow suitable region wise crops, to use necessary seeds, chemical fertilizers and micronutrients. | Though the High Level Committee was constituted during October 2020, the finalized Agricultural input Policy was submitted on 11.08.2021 which is yet to be approved by the Cabinet. |

3.6 Appropriation Accounts

Appropriation Accounts are accounts of the expenditure of the Government for each financial year, compared with the amounts of grants voted and appropriations charged for different purposes as specified in the schedules appended to the Appropriation Act passed under Article 204 and 205 of the Constitution of India. Expenditure in Appropriation Accounts are on a Gross basis. These Accounts depicts the original budget provision, supplementary grants, surrenders and re-appropriations distinctly and indicate actual capital and revenue expenditure on various specified services vis-à-vis those authorized by the Appropriation Act in respect of both Voted and *Charged* items of the budget. Appropriation Accounts thus facilitate understanding of utilisation of funds, the management of finances and monitoring of budgetary provisions and are, therefore, complementary to the Finance Accounts³⁰.

3.6.1 Summary of total provisions, actual disbursements and savings during 2020-21

The summarized position of budget provision including supplementary budget, actual expenditure and savings/excess during 2020-21 under 29 grants/appropriation with its further bifurcation into revenue/capital and voted/*charged* is given in **Table 3.5**.

³⁰ Finance Accounts provides broad perspective of finances of GoK during the financial year which is dealt in the Chapter 1 and 2 of this Report.

Table 3.5: Summarized position of actual expenditure vis-à-vis original/supplementary provision

(₹ in crore)

| Nature of expenditure | | Original grant/ Appropriation | Supplementary grant/ Appropriation | Total | Actual expenditure | Unspent Provision (-) / Excess over provision (+) | Amount surrendered | Amount surrendered on 31 March | Per cent of savings surrendered on 31 March |
|-----------------------|-------------------------------|----------------------------------|--|--------------------|-----------------------|--|-----------------------|---|---|
| Voted | I Revenue | 1,57,427.29 | 11,612.15 | 1,69,039.44 | 1,54,669.11 | (-)14,370.33 | 3,208.65 | 3,208.65 | 100 |
| | II Capital | 42,564.01 | 7,714.37 | 50,278.38 | 44,691.99 | (-)5,586.39 | 281.01 | 281.01 | 100 |
| | III Loans and Advances | 4,847.26 | 590.48 | 5,437.74 | 4,063.95 | (-)1,373.79 | 2.33 | 2.33 | 100 |
| Total Voted | | 2,04,838.56 | 19,917.00 | 2,24,755.56 | 2,03,425.05 | (-)21,330.51 | 3,491.99 | 3,491.99 | 100 |
| Charged | IV Revenue | 25,646.09 | 483.50 | 26,129.59 | 25,477.96 | (-)651.63 | 361.85 | 361.85 | 100 |
| | V Public Debt Repayment | 11,605.28 | 0.00 | 11,605.28 | 11,015.81 | (-)589.47 | 589.34 | 589.34 | 100 |
| | VI Capital | 2,643.64 | 86.66 | 2,730.30 | 2,775.67 | (+)45.37 | 0.00 | 0.00 | 100 |
| Total Charged | | 39,895.01 | 570.16 | 40,465.17 | 39,269.44 | (-)1,195.73 | 951.19 | 951.19 | 100 |
| Grand Total | | 2,44,733.57 | 20,487.16 | 2,65,220.73 | 2,42,694.49 | (-)22,526.24 | 4,443.18 | 4,443.18 | 100 |

Source: Appropriation Accounts

During the year 2020-21, as against the provision of ₹2,65,220.73 crore, expenditure of ₹2,42,694.49 crore was incurred. Overall savings of ₹22,526.24 crore (8.49 per cent) was the result of savings of ₹22,110.34 crore under 29 grants/appropriations which was offset by excess expenditure of ₹415.90 crore under Demand No. 14 – Revenue and Demand No.24 - Energy under voted/charged sections of Revenue/Capital sections.

3.6.2 Voted and Charged disbursements

Summarized position of Voted and Charged disbursements for the period from 2016-17 to 2020-21 is shown in Table 3.6.

Table 3.6: Voted and Charged disbursement for the period from 2016-17 to 2020-21

(₹ in crore)

| Year | Disbursements | | Savings (percentage of savings) | |
|---------|---------------|-----------|---------------------------------|-------------|
| | Voted | Charged | Voted | Charged |
| 2016-17 | 1,51,848.04 | 21,196.98 | 11,750.35(8) | 1,256.97(6) |
| 2017-18 | 1,67,845.36 | 24,474.88 | 16,547.66(10) | 611.60(2) |
| 2018-19 | 1,89,840.99 | 30,693.11 | 23,265.27(12) | 1,873.70(6) |
| 2019-20 | 2,01,922.89 | 32,055.34 | 27,819.96(14) | 2,006.48(6) |
| 2020-21 | 2,03,425.05 | 39,269.44 | 21,330.51(11) | 1,195.73(3) |

Source: Appropriation Accounts

3.7 Audit of Appropriation

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

whether the expenditure incurred is in conformity with the laws, relevant rules, regulations and instructions.

3.7.1 Financial Accountability and Budget Review

3.7.1.1 Errors in Budgeting

(a) Non-provisioning of funds during the budget of 2020-21

During the year 2020-21, an amount of ₹689.27 crore was transferred to the National Disaster Response Fund for which provision was not made in the budget resulting in excess expenditure of ₹689.27 crore.

(b) New Service Criteria

Article 205 of the Constitution provides that expenditure on a 'New Service' not contemplated in the Annual Financial Statement (Budget) can be incurred only after its specific authorization by the Legislature. The Government issued orders in August 2015 based on the recommendations of the PAC in the Fourth Report (Fourteenth Assembly), exempting certain items of expenditure for which 'New Service' criteria shall not be applicable and also prescribed the criteria, for treating the expenditure as 'New Service'. The revised criteria for 'New Service' became effective from the financial year 2015-16. As per the above order, the cases already provided for and approved by the Legislature but where expenditure is subsequently expected to exceed the amount originally provided in the budget will not be treated as 'New Service' provided the increase over the actual provision does not exceed twice the provision or ₹five crore, whichever is more.

During the year 2020-21, under Grant No.14 – Revenue, under head of account 4059-01-201-0-02-132 – Capital expenses, a provision of ₹five crore was made against which an expenditure of ₹53.01 crore was incurred resulting in excess expenditure of ₹48.01 crore which should have been treated as 'New service/New Instrument of Service'.

The Finance Department in its reply (December 2021) stated that action would be taken to regularize excess expenditure after recommendation of PAC.

3.7.2 Comments on integrity of budgetary and accounting process

3.7.2.1 Additional amount released through executive orders

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

During the year 2020-21 audit, it was observed that ₹5,281.70 crore covering 10 grants under capital/revenue section (this is only illustrative), (**Appendix 3.3**) was released through 36 executive orders which were later regularized through the supplementary demands. It was observed that the expenditure incurred out of these additionalities included mainly expenditure on routine items *viz.*, subsidies, SCSP/TSP, improvements, capital expenditure, contract/outsource *etc.*, which did not qualify as emergent/unforeseen expenditure and could have waited for placement

of supplementary demands. The PAC in its fifth report (Fourteenth Assembly) had recommended that sanctioning of additionality through executive instructions should be limited to emergent cases (July 2015). However, it is observed that incurring the expenditure first without the authority of Legislature and later obtaining the approval in the supplementary demands was continuing despite the PAC's recommendations.

The details of additional amount released through the executive orders for the period 2018-19 to 2020-21 are shown in **Table 3.7**.

Table 3.7: Additional amounts released through executive orders during 2018-19 to 2020-21

| (₹ in crore) | | | |
|--------------|-----------------------|--------------|----------|
| Year | No. of grants covered | No. of cases | Amount |
| 2018-19 | 19 | 77 | 3,940.35 |
| 2019-20 | 19 | 78 | 3,518.84 |
| 2020-21 | 10 | 36 | 5,281.70 |

Source: Appropriation Accounts

Though the number of cases where the additional amount released through executive orders showed a decreasing trend, the amount involved increased during 2020-21 compared to the previous year. Drawing the amount through executive order and later obtaining the authority of the Legislature is not a good practice.

The Finance Department in its reply (December 2021) stated that orders releasing additionalities were issued as expenditure on subsidies, SCSP/TSP, improvements and contracts/outsource, could not be deferred till obtaining approval in supplementary estimate.

The reply of the department is not acceptable, as the above expenditure does not fall under emergent cases.

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

Misclassification of transactions as revenue/capital are characterized by lack of application of rules of classification of transactions under relevant heads. Misclassification between revenue and capital expenditure has a bearing on revenue account and the fiscal indicator viz., revenue surplus/deficit. During the year 2020-21, ₹100 crore was misclassified under capital section under the head of account 5055-00-190-3-00-103 – Grants-in-Aid - General instead of revenue section. As per IGAS – 2, the grants-in-aid disbursed by the grantor to a grantee shall be classified and accounted as revenue expenditure in the financial statement of the grantor irrespective of the purpose for which the funds disbursed. This misclassification has resulted in overstatement of capital expenditure thereby distorting the fiscal indicator *i.e.*, Revenue Deficit.

3.7.2.3 Utilization of Funds under capital section for expenditure of revenue nature

During the year 2020-21, the State Government (July 2020) released ₹117.02 crore for payment of salaries to the officers/officials of four transport corporations (Karnataka State Road Transport Corporation, Bangalore Metro Transport Corporation, North-East Karnataka State Road Transport Corporation and North-West Karnataka State Road Transport Corporation) under certain capital heads of account as shown in **Table 3.8**.

Table 3.8: Funds released under capital section for payment of salaries

| (₹ in crore) | | | | |
|--------------|---|------------------|----------------------|-----------------|
| Sl No | Head of Account | Budget provision | Expenditure incurred | Amount released |
| 1 | 5055-00-190-1-00-132 – Capital Expenses | 14.61 | 14.61 | 14.61 |
| 2 | 5055-00-190-1-00-133 - SDP | 23.75 | 23.75 | 23.75 |
| 3 | 5055-00-102-3-01-132 – Capital Expenses | 100.00 | 100.00 | 21.00 |
| 4 | 5055-00-190-2-00-132 – Capital Expenses | 8.34 | 8.34 | 8.34 |
| 5 | 5055-00-190-2-00-133 – SDP | 20.45 | 20.45 | 20.45 |
| 6 | 5055-00-190-4-00-132 – Capital Expenses | 12.43 | 12.43 | 12.43 |
| 7 | 5055-00-190-4-00-133 - SDP | 16.44 | 16.44 | 16.44 |
| Total | | 196.02 | 196.02 | 117.02 |

Source: Grant Register

In the release orders, it was stated that the transport corporations had requested the Government to release funds for payment of salaries as these corporations were facing many challenges and had acute revenue deficit due to non-operation of transport system in full swing on account of Covid -19 Pandemic.

The action of the Government to release the funds under capital head of account towards payment of salaries (which is of revenue nature) was incorrect as it affects the fiscal parameters like revenue deficit and fiscal deficit for the year 2020-21. Though the funds were released for salary purpose, the same was accounted under capital expenditure in the accounts for the year 2020-21 resulting in overstatement of capital expenditure. The Government, instead, could have surrendered the provision under capital head and obtained new provision for payment of salaries in the Supplementary Demands under revenue account.

The Finance Department in its reply (December 2021) stated that though the funds were provided under capital head for incurring capital expenditure, due to Covid 19 pandemic, the transport corporations were unable to disburse the salaries of the employees and hence it was inevitable to incur salary expenditure under capital heads.

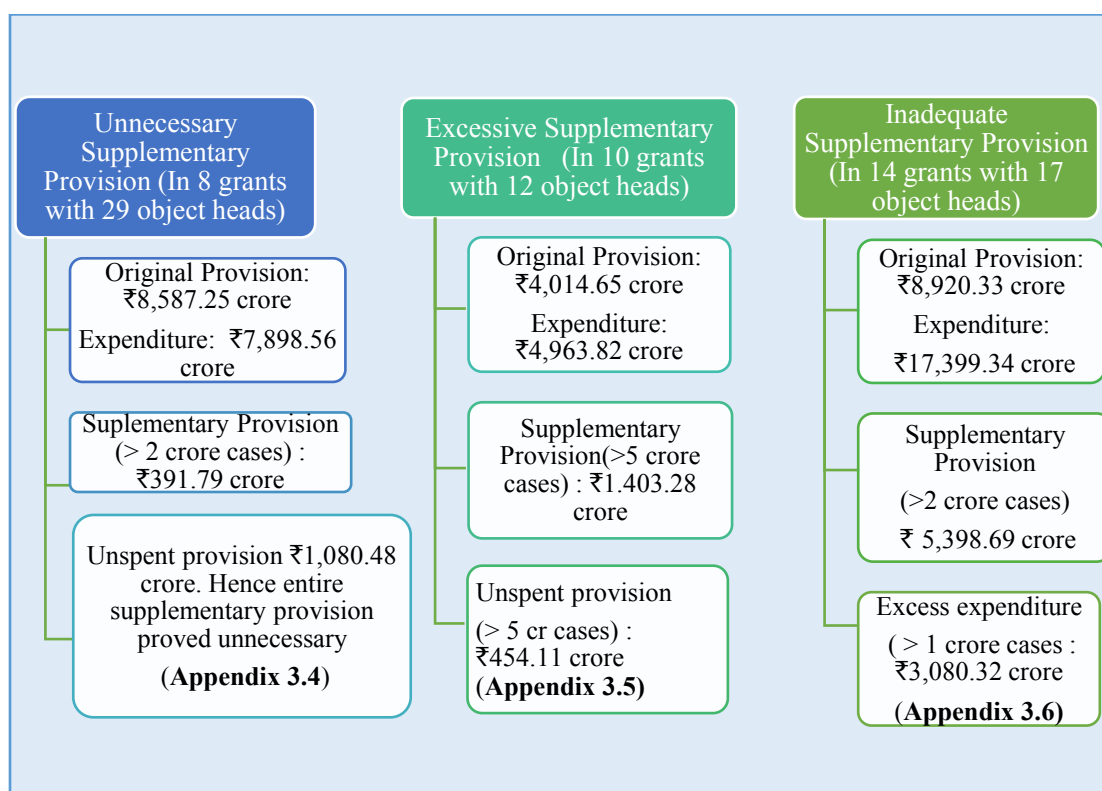
The reply of the department is not acceptable. As per Rule 84 read with Rule 98 of GFR 2017, the capital expenditure is incurred with an object of increasing concrete assets of a material and permanent character or of reducing permanent liabilities. In this case, since the expenditure was of revenue nature, provision under capital head could have been surrendered and fresh provision under revenue head could have been obtained.

3.7.2.4 Unnecessary /Excessive/Inadequate supplementary grants

During the year 2020-21, supplementary provision of ₹531.13 crore provided under 24 grants proved unnecessary.

Test checked cases of supplementary provisions showed instances of unnecessary/excessive/inadequate provisions (**Appendix 3.4, Appendix 3.5, and Appendix 3.6**) as detailed in **Chart 3.2**.

Chart 3.2: Unnecessary/Excessive/Inadequate Supplementary provision



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

The supplementary estimates should be more realistic and prepared as per actual need to avoid unnecessary/excessive/inadequate provisions.

The Finance Department in reply (December 2021) stated that the supplementary estimates are determined based on specific proposals/requirement of Administrative Departments and complying with Budget Manual provisions. Original Budget provisions already utilized and requirement of funds for the remaining period of the year, programmes/works not envisaged in original Budget estimates were considered. Various changes that occur subsequently viz.,

- (i) Non filling of vacant posts,
- (ii) Non commencement of programmes/activities,
- (iii) Non completion/delay in completion of works,
- (iv) Non receipt/Non payment of bills in time,
- (v) Non receipt of expected Central Assistance and
- (vi) Postponement of procurement of goods and services affect utilization of Budget/Supplementary provisions.

Some of these changes are beyond the control of departments. These changes result in some of the supplementary estimates becoming excessive/ inadequate. Detailed instructions were issued (March 2021) to Principal Secretaries/Secretaries and Heads of the Department.

3.7.2.5 Re-appropriation of funds

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

During 2020-21, 464 re-appropriation orders for an amount ₹5,531.05 crore were issued, as against 420 re-appropriation orders for ₹5,519.56 crore issued during 2019-20. Review of the orders/cases revealed the following.

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

In test checked cases of re-appropriation of funds during 2020-21, it was observed that there were cases of unnecessary/ excessive/inadequate re-appropriation of funds (**Appendix 3.7**) as detailed below:

- In 15 cases under six grants, additional funds of ₹161.36 crore were provided through re-appropriation (cases more than ₹three crore) which proved

unnecessary, as it resulted in unspent provision (cases more than ₹three crore) of ₹436.19 crore.

- In 19 cases under eight grants, additional funds (cases more than ₹three crore) of ₹653.20 crore provided were excessive resulting in unspent provision (cases more than ₹three crore) of ₹188.27 crore.
- In 15 cases under nine grants, additional funds of ₹136.93 crore provided through re-appropriation (cases more than ₹one crore) were insufficient as it resulted in excess expenditure (cases more than ₹one crore) of ₹164.10 crore.
- In two cases, under two grants, injudicious withdrawal of ₹61.02 crore through re-appropriation, where the original provision itself was insufficient, resulted in excess expenditure of ₹520.03 crore.

The Finance Department replied (December 2021) that it is the primary responsibility of grant controlling authorities of departments to monitor utilization of budget provisions and take suitable measures. It also stated that detailed instructions have been issued (November 2018) to Principal Secretaries / Secretaries and Heads of the Department.

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

(b) Defective re-appropriation

Article 309, 312 and 315(a) of Karnataka Financial Code (KFC) *inter alia* stipulated that no re-appropriation should be made from one grant voted by the Legislature to another such grant, from voted items of expenditure to charged items of expenditure, from capital head to revenue head and *vice-versa*, if the re-appropriation statement is not self-balanced and not in the prescribed form (Form 22A of KFC). During the year 2020-21, 43 re-appropriation orders for ₹7.41 crore (**Appendix 3.8**) were not accepted by Pr.AG (A&E) for the reasons like difference in budget provisions, Form 22A not self-balanced and insufficient balance.

The Finance Department replied (December 2021) that remedial action was already taken through adoption of re-appropriation module. All departments were instructed (March 2021) to exercise proper checks before issue of re-appropriation orders and ensure that there would be no defect.

3.7.2.6 Unspent provisions against allocation/large savings/surrenders

(a) Grants having large savings (savings above ₹100 crore and above) during 2020-21.

There were 32 cases of unspent provisions, each exceeding ₹100 crore and above under 23 grants/appropriation, which aggregated ₹22,211.65 crore. Large unspent provisions, *i.e.*, more than ₹1,000 crore were in the areas of Finance, Home and

Transport, Rural Development and Panchayat Raj, Social Welfare, Education, Urban Development and Water Resources as indicated in the **Appendix 3.9**.

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

(b) Surrender of Savings

Rule 66(1) of GFR, 2017 states that departments are required to surrender all the anticipated unspent provision noticed in grants/appropriation controlled by them to Finance Department by the stipulated date. During 2020-21, there was total unspent provision of ₹22,526.24 crore which was around 8.49 *per cent* of the total provision. Out the total savings, the amount surrendered was ₹4,443.18 crore (20 *per cent*).

In case of 18 grants/appropriations, the entire unspent provision, aggregating ₹5,168.09 crore was not surrendered (**Appendix 3.10**). Further, in 37 cases in 26 grants/appropriations, there was only partial surrender (₹4,443.18 crore) and around 75 *per cent* (₹13,341.58 crore) of the total unspent provision (₹17,773.11 crore) was not surrendered. (**Appendix 3.11**).

There were substantial surrenders (more than 50 *per cent*) which included 100 *per cent* surrenders in 23 cases (₹1,679.24 crore) (**Appendix 3.12**). Besides, in 17 grants where surrender of funds was in excess of ₹five crore, ₹3,961.94 crore (89 *per cent* of the total surrender) was surrendered on the last two working days of the financial year indicating inadequate financial control (**Appendix 3.13**).

3.7.2.7 Excess expenditure over the provision during 2020-21

Excess Expenditure of ₹415.90 crore under Grant No.14 – Revenue and 24 – Energy during the year 2020-21 was required to be regularized, the details of which are given in table 3.9.

Table 3.9: Excess expenditure over the provision during 2020-21 requiring regularization

| (Amount in ₹) | | | | |
|---------------|------------------------------|--------------------------|--------------------------|-----------------------|
| SI No | Grant | Provision | Expenditure | Excess |
| 1 | 14- Revenue Revenue Voted | 1,30,72,40,24,000 | 1,34,26,99,73,004 | 3,54,59,49,004 |
| 2 | 14 – Revenue Capital Charged | 5,00,00,000 | 53,00,88,483 | 48,00,88,483 |
| 3 | 24 – Energy Revenue Voted | 1,42,82,28,00,000 | 1,42,95,57,91,400 | 13,29,91,400 |
| Total | | 2,73,59,68,24,000 | 2,77,75,58,52,887 | 4,15,90,28,887 |

Source: Appropriation Accounts

3.7.2.8 Excess expenditure and its regularization

As per Article 204 of the Constitution of India, no money shall be withdrawn from the Consolidated Fund except under appropriation made by law by the State Legislature. Article 205 stipulates that the Government should get the excess expenditure over a grant/appropriation regularized by the State Legislature. Although no timeframe for regularization of expenditure was prescribed under the Article, the regularization of excess expenditure is done after the completion of discussion of the Appropriation Accounts by the PAC.

Excess expenditure aggregating to ₹2,409.53 crore for the years from the year 2012-13 to 2017-18 is yet to be regularized as detailed in **Appendix 3.14**. For the years 2018-19 and 2019-20, it was observed that there was no excess expenditure under the grants/appropriations.

The Finance Department in its reply (December 2021) stated that the action would be taken to regularize excess expenditure after recommendation of PAC.

3.7.3 Comments on effectiveness of budgetary and accounting process

3.7.3.1 Missing/incomplete explanation for variation from budget

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

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

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

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

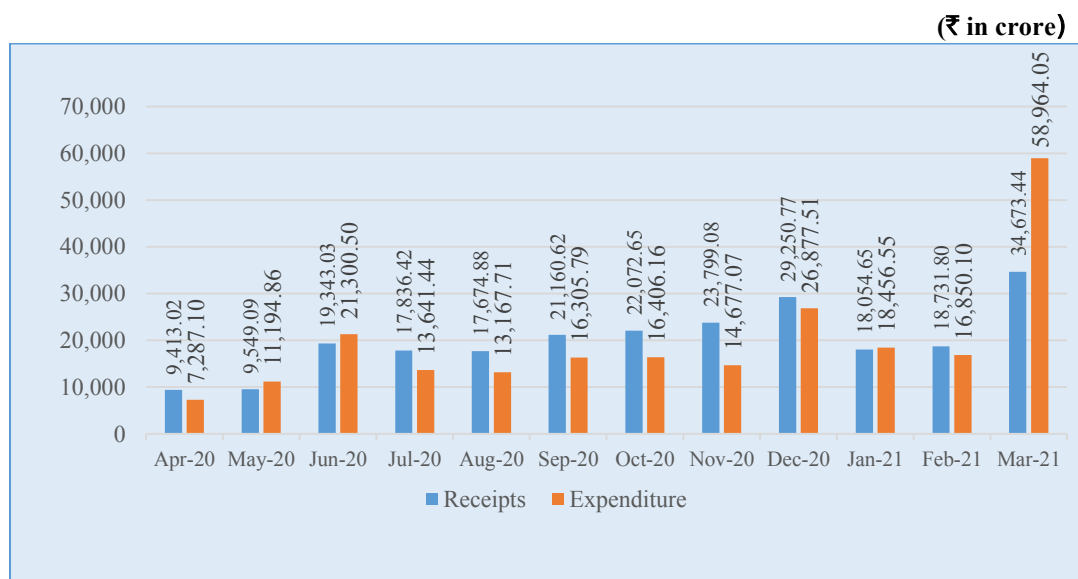
Source: Appropriation Accounts

In the Audit of Appropriation Accounts of 2020-21, it was noticed the Controlling Officers have not provided explanation/specific reasons for the variations in the expenditure *vis-à-vis* budgeted allocation in about 80 *per cent* of the savings. Of the 29 grants/appropriations, in 28 grants/appropriations specific reasons for variation for an amount of ₹17,629.62 crore was not furnished by the Controlling Officers of Government Departments. The grant-wise details are shown in **Appendix 3.15**.

3.7.3.2 Rush of Expenditure during 2020-21

The monthly flow of receipts to the State's exchequer and disbursements during 2020-21 is given in **Chart 3.3**.

Chart 3.3: Monthly Receipts and Disbursements during 2020-21



Source: Monthly Civil Accounts

It was observed that the State Government incurred an expenditure of ₹58,964.05 crore constituting 24 per cent of the total expenditure of ₹2,41,559.45 crore (including public debt expenditure) during March 2021 alone.

Major cases where more than 50 per cent of the total expenditure was incurred in March 2021 alone are detailed in **Table 3.10**.

Table 3.10: Quantum of Expenditure in March 2021

(₹ in crore)

| Major Head/Description | 1 st Qtr | 2 nd Qtr | 3 rd Qtr | 4 th Qtr | Total Expenditure | Expenditure in March | Expenditure in March as a percentage of TE |
|---|---------------------|---------------------|---------------------|---------------------|-------------------|----------------------|--|
| 4055-Capital Outlay on Police | 0.00 | 1.66 | 59.25 | 304.85 | 365.76 | 245.72 | 67 |
| 4401-Capital Outlay on Crop Husbandry | 0.00 | 205.27 | 252.13 | 871.42 | 1,328.82 | 668.45 | 50 |
| 4702-Capital Outlay on Soil and Water Conservation | 47.07 | 373.71 | 526.77 | 1,525.35 | 2,472.90 | 1,361.95 | 55 |
| 4801-Capital Outlay on Power Projects | 0.00 | 164.50 | 0.00 | 485.62 | 650.12 | 321.52 | 50 |
| 4851-Capital Outlay on Village and Small Industries | 0.00 | 26.98 | 35.75 | 202.92 | 265.63 | 163.52 | 62 |
| 6860-Loans Consumer Industries | 26.08 | 34.83 | 3.19 | 152.01 | 216.11 | 150.65 | 70 |

Source: Monthly Civil Accounts

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

The Finance Department stated (December 2021) that efforts would be made to avoid rush of expenditure during March of the year.

3.8 Outcome of review of selected Grants

A review of Budgetary Procedures followed and methodology employed for control over expenditure in respect of two selected grants over a three-year period from 2018-19 to 2020-21 showed the following:

3.8.1 Review of Grant No.10 – Social Welfare

3.8.1.1 Introduction

Social Welfare Department is responsible for formulation of various programme and schemes for the upliftment of Scheduled Castes, Scheduled Tribes, Other Backward Classes and Minorities especially for their socio-economic and educational advancement. Grant 10 – Social welfare covers following Major Heads:

- 2225 – Welfare of Scheduled Castes, Scheduled Tribes, Other Backward Classes and Minorities.
- 4225 - Capital outlay on welfare of Scheduled Castes, Scheduled Tribes, Other Backward Classes and Minorities.

3.8.1.2 Budget and Expenditure

The overall position of budget provision, actual disbursement and saving under the above functional major heads for the last three years (2018-19 to 2020-21) is given in **Table 3.11**.

Table 3.11 : Budget and Expenditure

| (₹ in crore) | | | | | |
|--------------|------------------|------------------|----------|-------------|---|
| Year | Section | Budget Provision | Total | Expenditure | Unutilized provision and its percentage |
| 2018-19 | Revenue Original | 8,782.26 | 8,932.79 | 8,677.96 | 254.83(3) |
| | Supplementary | 150.53 | | | |
| | Capital Original | 3,006.21 | 3,506.21 | 3,422.37 | 83.84 (2) |
| | Supplementary | 500.00 | | | |
| 2019-20 | Revenue Original | 8,454.51 | 8,535.99 | 7,384.92 | 1,151.07(14) |
| | Supplementary | 81.48 | | | |
| | Capital Original | 2,876.39 | 3,033.98 | 2,783.45 | 250.53 (8) |
| | Supplementary | 157.59 | | | |
| 2020-21 | Revenue Original | 7,470.02 | 7,833.09 | 6,364.02 | 1,469.07(19) |
| | Supplementary | 363.07 | | | |
| | Capital Original | 1,974.28 | 1,974.28 | 1,163.80 | 810.48 (41) |
| | Supplementary | 0.00 | | | |

Source: Appropriation Accounts

As seen from the table above, the unutilized provision under revenue section ranged between three *per cent* and 19 *per cent* and under capital section, it ranged between two *per cent* and 41 *per cent*.

3.8.1.3 Anticipated savings not surrendered/partially surrendered

As per 264 of the KBM 1975, the spending departments are required to surrender grants/appropriations or portion thereof to the Finance Department as and when savings are anticipated. Further, surrender of funds should be done as soon as these are foreseen without waiting for the end of the financial year, to enable the Finance Department to efficiently redeploy the anticipated savings on other needy schemes. During the period 2018-19 to 2020-21 out of the total savings of ₹4,019.82 crore, ₹61.70 crore was surrendered under revenue and no amount was surrendered under capital section. Remaining savings of ₹3,958.12 crore (98 *per cent*) was not surrendered. The details are shown in **Table 3.12**.

Table 3.12 : Anticipated savings not surrendered/partially surrendered

| Year | Revenue | | | Capital | | |
|--------------|-----------------|--------------------|------------------------|-----------------|--------------------|------------------------|
| | Savings | Amount surrendered | Amount not surrendered | Savings | Amount surrendered | Amount not surrendered |
| 2018-19 | 254.83 | 0.00 | 254.83 | 83.84 | 0.00 | 83.84 |
| 2019-20 | 1,151.07 | 1.06 | 1,150.01 | 250.53 | 0.00 | 250.53 |
| 2020-21 | 1,469.07 | 60.64 | 1,408.43 | 810.48 | 0.00 | 810.48 |
| Total | 2,874.97 | 61.70 | 2,813.27 | 1,144.85 | 0.00 | 1,144.85 |

Source: Appropriation Accounts

3.8.1.4 Persistent Savings

As per Para 110 the KBM, due notice was to be taken of the past performance, the stage of formulation/implementation of various schemes, the institutional capacity of the implementing agencies to implement the scheme as scheduled, the constraints on spending by the spending agencies and, most importantly, the quantum of Government assistance lying with the recipients unutilized/unaccounted for *etc.*, with a view to minimizing the surrender of funds available at a later stage. Persistent savings during 2018-19 to 2020-21, as detailed in **Table 3.13** indicate that the provisions of para 110 of the KBM were not being observed.

Table 3.13: Persistent savings

| Sl No | HoA/Nomenclature | ₹ in crore) | | |
|-------|--|-------------|---------|---------|
| | | 2018-19 | 2019-20 | 2020-21 |
| 1 | 2225-01-001-0-07 Karnataka State Commission for SCs and STs | 0.84 | 0.71 | 0.53 |
| 2 | 2225-01-800-0-22 Vacant Post Provision | 1.23 | 24.49 | 111.25 |
| 3 | 2225-02-001-0-02 | 3.48 | 6.03 | 0.95 |

| Sl No | HoA/Nomenclature | 2018-19 | 2019-20 | 2020-21 |
|-------|--|---------|---------|---------|
| | Research and Training | | | |
| 4 | 2225-01-796-0-02-059 Other Expenditure | 0.24 | 50.88 | 11.41 |
| 5 | 2225-01-277-0-02-051 General Expenses | 12.79 | 0.46 | 20.06 |
| 6 | 2225-03-277-2-53-034 Contract/Outsource | 0.43 | 0.27 | 16.24 |
| 7 | 2225-03-001-0-05-103 GIA - General | 1.05 | 134.74 | 43.51 |

Source: Grant Register

3.8.1.5 Misclassification under object head ‘211 – Investment’

Classification of transactions to the correct object code is essential to know the nature of expenditure and for future budgeting. During the year 2020-21, a provision of ₹40 crore was made under the Head of Account 2225-01-190-4-01-211 – Investment against which an expenditure of ₹20 crore was incurred. On examination of the Government Order for release of funds (18 March 2021), it was noticed that this amount was released to Karnataka Bhovi Development Corporation for implementation of various programme under non-delegated scheme for the welfare of Scheduled Caste as “Subsidy”. Hence, the object in the budget “211 – Investment” was incorrect and affects the transparency of accounts. Further, in the Payee receipt dated 24 February 2021, the description for payment was shown as Financial Assistance to Bhovi Development Corporation.

3.8.1.6 Rush of Expenditure

As per paragraph 6 of instruction issued by Finance Department dated 09 September 2004, regarding releases, drawl and accounting of funds, the Administrative Departments and the heads of Departments were to plan the expenditure of the financial year with due diligence and within the available grants. Bunching of bills and rush of expenditure in the month of March was to be avoided. Administrative orders were to be issued well in advance after obtaining necessary approvals at the required levels for expenditure likely to be incurred in February and March. It was observed that there was rush of expenditure in the last quarter especially in the month of March and the object-head wise details of expenditure where the percentage of expenditure during last quarter and March is huge compared to the total expenditure incurred during 2020-21 are detailed in **Table 3.14**.

Table 3.14: Rush of Expenditure

(₹ in crore)

| Sl No | HoA and Nomenclature | Total Expenditure | Expenditure during last quarter | | Expenditure during March | |
|-------|--|-------------------|---------------------------------|------------|--------------------------|------------|
| | | | Amount | percentage | Amount | percentage |
| 1 | 2225-01-190-2-01-103 GIA- General | 25.00 | 25.00 | 100 | 25.00 | 100 |
| 2 | 2225-03-190-0-04-106 Subsidies | 80.00 | 60.00 | 75 | 40.00 | 50 |
| 3 | 2225-03-277-2-51-117 Scholarship and Incentives | 180.00 | 180.00 | 100 | 180.00 | 100 |
| 4 | 2225-03-277-2-52-117 Scholarship and Incentives | 114.97 | 114.97 | 100 | 99.13 | 86 |
| 5 | 4225-04-190-0-03-133 Special Development Plan | 50.00 | 50.00 | 100 | 50.00 | 100 |

Source: Grant Register

As seen from the table, the percentage of expenditure during March was between 50 to 100 *per cent* indicating breach of financial propriety.

3.8.2 Review of Grant No.12 – Information, Tourism and Youth Services

Grant No.12 – Information, Tourism and Youth Services covers following functional major heads:

- 2204 – Sports and Youth Services
- 2205 – Art and Culture
- 2220 – Information and Publicity
- 3053 – Civil Aviation
- 3452 - Tourism
- 4202 – Capital outlay on Education, Sports, Art and Culture
- 4220 – Capital outlay on Information and Publicity
- 5452 – Capital outlay on Tourism.

However, for the review on budgetary management and expenditure control of the grant, it was decided to take up the budgetary review of Tourism department.

3.8.2.1 Introduction

Tourism Department is responsible for developing and promoting tourism in Karnataka. It covers following Heads of Accounts:

- 3452 – Tourism.
- 5452 - Capital outlay on Tourism.

3.8.2.2 Budget and Expenditure

The overall position of budget provisions, actual disbursements and savings under the above functional major heads for the last three years (2018-19 to 2020-21) are given in **Table 3.15**.

Table 3.15: Budget and Expenditure

| (₹ in crore) | | | | | |
|--------------|------------------|------------------|--------|-------------|---|
| Year | Section | Budget Provision | Total | Expenditure | Unutilized provision and its percentage |
| 2018-19 | Revenue Original | 206.06 | 206.06 | 148.79 | 57.27(28) |
| | Supplementary | 0.00 | | | |
| | Capital Original | 450.93 | 450.93 | 265.72 | 185.21(41) |
| | Supplementary | 0.00 | | | |
| 2019-20 | Revenue Original | 117.70 | 117.70 | 97.60 | 20.10(17) |
| | Supplementary | 0.00 | | | |
| | Capital Original | 379.83 | 379.83 | 283.18 | 96.65(25) |
| | Supplementary | 0.00 | | | |
| 2020-21 | Revenue Original | 135.00 | 135.50 | 69.09 | 66.41(49) |
| | Supplementary | 0.50 | | | |
| | Capital Original | 152.85 | 152.85 | 69.99 | 82.86(54) |
| | Supplementary | 0.00 | | | |

Source: Appropriation Accounts

As seen from the table above, the unutilized provision under revenue section ranged between 17 per cent and 49 per cent and under capital section it ranged between 25 per cent and 54 per cent.

3.8.2.3 Persistent Savings

As per Para 110 of the KBM, due notice was to be taken of the past performance, the stage of formulation/implementation of various schemes, the institutional capacity of the implementing agencies to implement the scheme as scheduled, the constraints on spending by the spending agencies and, most importantly, the quantum of Government assistance lying with the recipients unutilized/unaccounted for *etc.*, with a view to minimizing the surrender of funds available at a later stage. Persistent savings during 2018-19 to 2020-21, as detailed in **Table 3.16** indicate that the provisions of para 110 of the KBM were not being observed.

Table 3.16: Persistent savings

| SI No | HOA/Nomenclature | ₹ in crore) | | |
|-------|---|-------------|---------|---------|
| | | 2018-19 | 2019-20 | 2020-21 |
| 1 | 3452-01-101-0-04 Development of Tourist Centre at Hampi, Belur and Vijayapura | 40.00 | 5.74 | 4.52 |
| 2 | 3452-80-104-0-01 Tourist promotion and publicity | 15.94 | 13.86 | 61.18 |
| 3 | 5452-01-101-0-05 Implementation of Karnataka Tourism Vision Group recommendation | 25.00 | 50.00 | 65.00 |

Source: Grant Register

3.8.2.4 Blocking up of Government Funds of ₹1.05 crore under Savings Bank Account.

As per the Government order dated 30 January 2017, no Bank Account shall be opened by the Government Departments without the express sanction of the competent authority. All existing bank accounts without proper sanction and all dormant accounts must be closed after through scrutiny of accounts, reconciliation of cheques issued and encashed/un-encashed.

The department had opened a savings bank account (March 2012) at Vijaya Bank (SB A/c.1178011001657) which was migrated to Bank of Baroda (2020) with account No. 73920100000654 due to merger of Banks. The account remained inoperative since 2014. As at the end of March 2021, an amount of ₹1.04 crore including periodical interest was accumulated in the account. However, audit noticed that no cash book was maintained against this account and also sanction/permission of the Government authorising the account was not on record. Non-closure of this inoperative account resulted in blocking up of Government funds to the tune of ₹1.05 crore.

3.8.2.5 Non-remittance of ₹49.16 crore held in Personal Deposit Account to Government Account

As per Article 286A of KFC, if a Personal Deposit (PD) Account is not operated upon for a considerable period (three years as per Finance Department letter No. FD/TAR/2014 dated 2 May 2016), the same should be closed in consultation with the officer, on whose favour the PD Account is opened. For continuation of PD accounts beyond the period of its currency, the administrators should seek the approval of Finance Department

On a test check of records of the department, it was revealed that the PD account maintained by the Department was inoperative since April 2017. Neither the approval for its continuance was obtained from the Finance Department nor the unspent balance of ₹49.16 crore was remitted to the Government Account till date.

This resulted in blocking up of Government Funds in PD account, which is in violation of provision contained in KFC.

In reply (October 2021), the department stated that action would be taken to credit the unspent balances to Consolidated Fund of the State.

3.8.2.6 Rush of Expenditure

As per paragraph 6 of instruction issued by FD dated 09 September 2004, regarding releases, drawl and accounting of funds, the Administrative Departments and the heads of Departments were to plan the expenditure of the financial year with due diligence and within the available grants. Bunching of bills and rush of expenditure in the month of March was to be avoided. Administrative orders were to be issued well in advance after obtaining necessary approvals at the required levels for expenditure likely to be incurred in February and March. It was observed that there was rush of expenditure in the last quarter especially in the month of March and the object-head wise details of expenditure where the percentage of expenditure during last quarter and March is huge compared to the total expenditure incurred during 2020-21 are detailed in **Table 3.17**.

Table 3.17: Rush of Expenditure

(₹ in crore)

| Sl No | HOA and Nomenclature | Total Expenditure | Expenditure during last quarter | | Expenditure during March | |
|-------|--|-------------------|---------------------------------|------------|--------------------------|------------|
| | | | Amount | percentage | Amount | percentage |
| 1 | 3452-01-101-0-04-200 Maintenance | 2.52 | 2.52 | 100 | 1.45 | 58 |
| 2 | 3452-80-104-0-01-051 General Expenses | 11.86 | 8.45 | 71 | 8.23 | 69 |
| 3 | 3452-80-104-0-01-059 Other Expenses | 22.13 | 11.29 | 51 | 10.16 | 46 |
| 4 | 3452-80-104-0-04-106 Subsidy | 19.85 | 15.45 | 78 | 10.96 | 55 |
| 5 | 5452-01-101-0-05-132 Capital Expenses | 35.00 | 16.67 | 48 | 11.20 | 32 |
| 6 | 5452-01-800-0-14-132 Capital Expenses | 34.99 | 20.29 | 58 | 10.74 | 31 |

Source: Grant Register

3.9 Conclusion

- The budgetary exercise carried out by the State Government needs to be more realistic as 8.49 *per cent* of the total provision remained unutilized. The supplementary provision constituted 8.37 *per cent* of the original budget. There were cases of unnecessary, excessive and inadequate supplementary provision that resulted in savings/excess expenditure. Further, 80 *per cent* of the unspent provision was not surrendered;
- Though Article 264 of the Karnataka Budget Manual specified furnishing reasons for savings, Departments did not furnish reasons for 80 *per cent* of savings;
- Significant policy initiatives of the Government such as Science and talent search programmes, Artificial intelligence research Translation Park, Tank bank for water security, soil health policy *etc.*, were not fulfilled during the year due to non-release of funds and delay in receipt of information;
- Excess expenditure during the current year as well as for the period from 2012-13 to 2017-18 were required to be regularized under Article 205 of the Constitution; and
- Re-appropriations were obtained without adequate justification resulting in savings/excess. In 43 cases, the re-appropriation orders issued were defective and hence were rejected.

3.10 Recommendation

- *The budgetary control should be strengthened in all the departments to avoid cases of provision remaining utilized.*
- *The priority should be accorded to regularize the excess expenditure from 2012-13 by bringing those cases before PAC.*
- *Unnecessary/Excessive Supplementary provision should be avoided.*
- *The re-appropriation orders should be issued in conformity with the provisions of KFC.*

Chapter – 4

Quality of Accounts and Financial Reporting Practices

Chapter 4 - Quality of Accounts and Financial Reporting Practices

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

A. Observations relating to completeness of accounts

4.1 Funds outside Consolidated Fund or Public Account of the State

- **Parking of fund in Private Bank**

Government finances in Karnataka are managed through Treasuries which receives and disburse moneys on the behalf of the Government. Nevertheless, Government Departments are permitted to operate funds through the Banks under special circumstances. The GoK issued (January 2017), guidelines for operation of funds which stipulated that surplus money must be deposited only in Public Sector Banks or Regional Rural Banks. However, when an organisation required specific banking solution for its operational convenience and the Public Sector Banks were unable to provide such services, scheduled bank was to be considered for opening of bank account if it provided some banking and transaction solution of value to the organisation. All such cases required approval from Administrative Department along with concurrence of Finance Department.

The Directorate of Municipal Administration (DMA), Bengaluru operated a bank account with private bank *i.e.* IDFC First Bank Ltd., Richmond Town Branch for parking the amount received from GoI & GoK towards implementation of Swacch Bharat Mission (SBM) scheme. Out of the unspent amount of ₹544.62 crore, ₹489 crore was proposed to be transferred to ICICI Bank in flexi deposit account, which was turned down (October 2018) by Urban Development Department directing to park the fund in Nationalized Bank following the laid down procedure in Finance Department circular of January 2017. However, disregarding the Government directives, DMA transferred ₹489 crore with 7.15 *per cent* interest to ICICI Bank which was irregular.

In reply to this DMA stated that the account was opened as per instructions of FD (November 2020). However, DMA neither furnished copy of approval to Audit nor it initiated action to close the account as per the instructions of the State Government.

The Finance Department in its reply (December 2021) stated that Urban Development Department would be requested to take further action to withdraw the unspent funds from the ICICI bank.

- **Non remittance of interest earned out of Government grants**

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

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

Audit observed that Karnataka Urdu Academy, Bengaluru in contravention to the above instructions did not remit the interest of ₹ 31.85 lakh to Government Account earned out of Government grants. The details of interest earned and its treatment during 2018-19 to 2020-21 are indicated in the **Table 4.1:**

Table 4.1: Details of interest earned and its treatment

| Name of the Institution | Interest earned | | | | Treatment of the interest amount |
|------------------------------------|-----------------|---------|---------|--------------|---|
| | 2018-19 | 2019-20 | 2020-21 | Total | |
| Karnataka Urdu Academy, Bengaluru. | 14.56 | 9.37 | 7.92 | 31.85 | The interest earned for the period from 2018-19 to 2020-21 was not remitted to Government and proposal was sent to the Government for utilizing the same due to less sanction of Budget in the years. |

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

The Finance Department in its reply (December 2021) stated that Karnataka Urdu Academy would be requested through the administrative department to remit the interest to Government.

B. Observation relating to transparency

4.2 Delay in submission of Utilisation Certificates

Rule 161(5) of the Karnataka Financial Code (KFC), 1958 stipulates Utilisation Certificates (UCs) should be obtained by the departmental officers from the Grantees in respect of grants provided for specific purposes and these should be forwarded to the Pr.AG (A&E) after verification within 18 months from the date of their sanction unless specified otherwise. Audit observed that 37 UCs aggregating ₹38.63 crore were in arrears as on due year 2020-21 as detailed in **Table 4.2**. The status of year wise break up of outstanding UCs is given in **Table 4.3**.

Table 4.2: Pendency of Utilisation Certificate during 2020-21

(₹ in crore)

| Year | Opening Balance | | Addition | | Clearance | | Due for Submission | |
|---------|-----------------|--------|----------|----------|-----------|----------|--------------------|--------|
| | No. | Amount | No. | Amount | No. | Amount | No. | Amount |
| 2019-20 | 110 | 764.81 | 79 | 737.13 | 138 | 1,319.45 | 51 | 182.49 |
| 2020-21 | 51 | 182.49 | 396 | 1,239.80 | 410 | 1,383.66 | 37 | 38.63 |

Source: Office of the Pr.AG(A&E)

Table 4.3: Year wise break up of Outstanding UCs

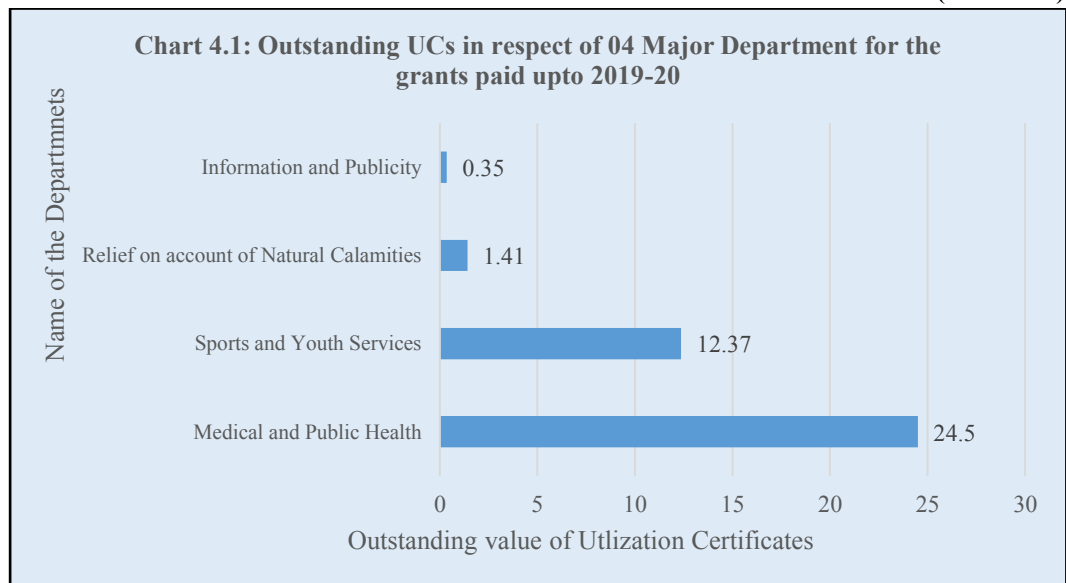
(₹ in crore)

| Year | Number of UCs | Amount |
|--------------|---------------|--------------|
| 2002-03 | 3 | 1.41 |
| 2007-08 | 1 | 0.24 |
| 2010-11 | 1 | 0.11 |
| 2015-16 | 2 | 1.85 |
| 2016-17 | 2 | 0.59 |
| 2018-19 | 16 | 26.52 |
| 2019-20 | 12 | 7.91 |
| Total | 37 | 38.63 |

Source: Office of the Pr.AG(A&E)

Further, under Rule 161(5) the form of UC required to be submitted clearly indicates that the grant unutilised in a year should be surrendered or adjusted towards the grants payable in the subsequent year. The number of outstanding UCs of 51 amounting to ₹182.49 crore in the year 2019-20 has reduced to 37 amounting to ₹38.63 crore in the year 2020-21 and hence, the amount of outstanding UCs showed a decrease of 79 per cent during 2020-21 when compared to 2019-20. However, since the UCs in the above 37 cases were not submitted, complete utilisation of grants released could not be ascertained. Despite the pending UCs, the grants were released to the institutions indicating lack of control over sanctioning of grants. Hence, Government needs to review all such UCs pending for more than a year before release of further grants.

(₹ in crore)



Source: Office of the Pr.AG(A&E)

As seen in **Chart 4.1**, majority of cases of non-submission of UCs related to the Medical and Public Health Department (63.42 per cent) and the Sports and Youth Services (32.02 per cent). Pendency in submission of UCs not only indicates absence of assurance on utilisation of grants released for intended purposes but also lack of monitoring of utilisation of grants released to the grantees by the departments. Major Head wise and Department-wise details of outstanding UCs separately for each year is detailed in **Appendix 4.1**

The Finance Department replied (December 2021) that the Administrative Departments would be requested to comply with these observations.

4.3 Abstract Contingent Bills

Under Rule 36 of the Manual of Contingent Expenditure, 1958, the Controlling and Disbursing Officers are authorized to draw sums of money by preparing Abstract Contingent (AC) bills by debiting service heads and are required to present Non-payment Detailed Contingent (NDC) bills (vouchers in support of final expenditure) to the Pr.AG(A&E) through the treasuries before the 15th of the month following the month to which the bill relates. Controlling officers should also ensure that no amounts are drawn from the treasury through AC bills unless required for immediate disbursement. Detailed bills aggregating to ₹126.34 crore, drawn on 2,221 AC bills, were pending at the end of March 2021 as detailed in **Table 4.4**.

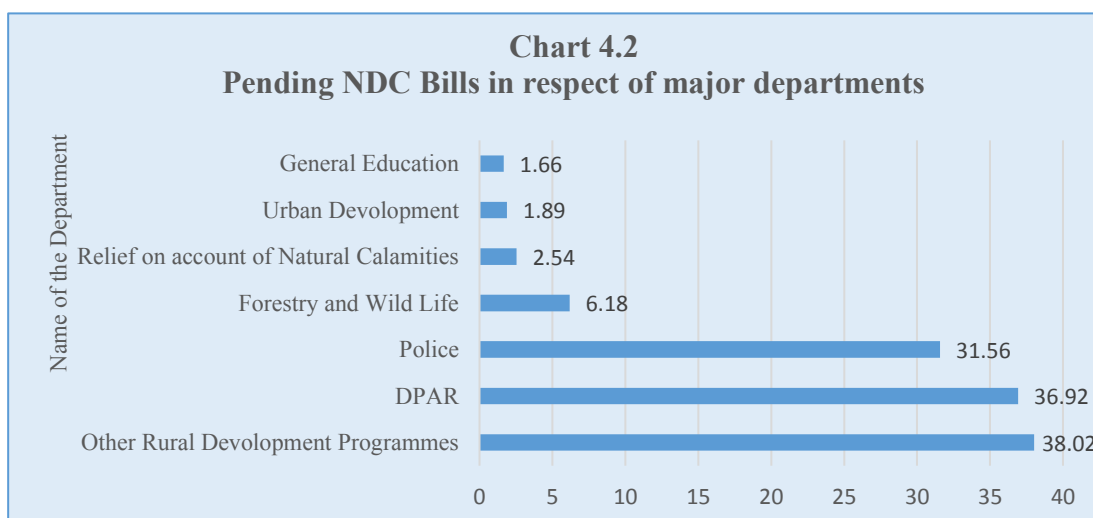
Table 4.4: Year wise progress in submission of NDC bills against the AC bills
(₹ in crore)

| Year | Opening Balance | | Addition | | Clearance | | Closing Balance | |
|--------------|-----------------|--------|----------|--------|-----------|--------|-----------------|--------|
| | No | Amount | No | Amount | No | Amount | No | Amount |
| Upto 2017-18 | 3,272 | 84.81 | 3,094 | 90.03 | 3,090 | 90.84 | 3,276 | 84.00 |
| 2018-19 | 3,276 | 84.00 | 2,286 | 188.64 | 3,467 | 179.37 | 2,095 | 93.27 |
| 2019-20 | 2,095 | 93.27 | 2,109 | 182.90 | 2,245 | 179.49 | 1,959 | 96.68 |
| 2020-21 | 1,959 | 96.68 | 2,247 | 153.46 | 1,985 | 123.80 | 2,221 | 126.34 |

Source- Finance Accounts

*Excluding Bills for the Month of March 2021

(₹ in crore)



Source: Office of the Pr.AG(A&E)

Chart 4.2 reveals that 30 per cent of the outstanding NDC bills pertain to Other Rural Development Department-Major Head 2515 (₹38.02 crore), 29 per cent relate to DPAR Department (Elections) - Major Head 2015 (₹36.92 crore), 25 per cent relate to Home department (Police) - Major Head 2055 (₹31.56 crore).

The withdrawal of money on an AC bill is accounted for against the functional Major Head in the Consolidated Fund. Unless the accounts are settled within the time allotted, the expenditure stands inflated. In reply to the audit observation at Paragraph 3.6 of the report on State Finances for the year ending March 2019, the Finance Department stated (August 2021) that the instructions were issued (February 2021) to all concerned departments for settlement of outstanding NDC bills and Treasuries were directed to withhold salary bills and non-salary bills in Khajane-2 of those DDOs who had drawn AC bills but failed to submit NDC bills as per circular dated 25 October 2019. However, there is an increase in the number of outstanding bills when compared to previous year.

Bills in support of the claim for the amounts drawn on AC bills are to be submitted within the period stipulated in the Manual of Contingent Expenditure.

The Finance Department replied (December 2021) that the Administrative Departments would be requested to comply with these observations.

4.4 Personal Deposit Accounts

Article 286 of the KFC, 1958 provides for opening of Personal Deposit (PD) accounts with permission from the Government in cases where the ordinary system of accounting is not suitable for transactions. PD accounts created by debit to the Consolidated Fund of the State should be closed at the end of the financial year. However, this rule is not strictly followed in the State as significant balances are carried forward to the subsequent year which are discussed in paragraphs below. Administrators of the accounts should intimate the Treasury Officer about the balance to be transferred to the Consolidated Fund. For continuation of PD accounts beyond the period of their currency, administrators are required to seek the permission of the Finance Department. Periodical reconciliation of PD accounts with treasury accounts is the responsibility of the administrators concerned.

4.4.1 Trends in the closing balance of PD Account

The closing balances in the PD Accounts during the last five years *i.e.* from 2016-17 to 2020-21 is indicated in **Table 4.5**.

Table 4.5: Funds kept in PD Accounts

(₹ in crore)

| Year | Opening Balance | Receipts/Deposits | Withdrawals | Closing balance |
|---------|-----------------|-------------------|-------------|-----------------|
| 2016-17 | 2,735.61 | 5,516.51 | 5,310.01 | 2,942.12 |
| 2017-18 | 2,942.12 | 4,194.46 | 4,395.06 | 2,741.52 |
| 2018-19 | 2,741.52 | 5,350.98 | 4,007.36 | 4,085.14 |
| 2019-20 | 4,085.14 | 6,557.67 | 6,221.25 | 4,421.56 |
| 2020-21 | 4,421.56 | 4,711.16 | 5,143.49 | 3,989.23 |

Source- Finance Accounts

During the year 2020-21, out of the 76 PD Accounts which existed in 2019-20, five PD Accounts with a balance of ₹2.79 crore were closed and hence, 71 PD Accounts existed as at the end of the year. During the year 2020-21, out of ₹4,711.16 crore credited to PD Accounts, ₹1,358.86 crore was transferred to PD

accounts during March 2021. The closing balance in deposit accounts showed a decrease of 9.7 per cent during 2020-21 when compared to 2019-20.

The net closing balance in respect of some of the PD accounts of the administrators having high balances as at the end of 2020-21 are shown in **Table 4.6.**

Table 4.6: Closing balances in PD Accounts

(₹ in crore)

| Sl.No | Administrator | Amount |
|-------|--|----------|
| 1 | Personal Deposits - General | 378.12 |
| 2 | PD Accounts of Deputy Commissioners | 8,640.33 |
| 3 | PD Accounts of Director, Department of Scheduled Tribes | 368.66 |
| 4 | Personal Deposit Assistant Commissioner under the Revenue Department | 265.05 |

Source- DDR Ledger

During audit of the Offices of the DMA and Food and Civil Supplies (August 2021), Tumakuru, it was observed that the closing balance of the Deputy Commissioners included the following:

- An amount of ₹20 lakh pertaining to the Department of Food and Civil Supplies was deposited during September 2003 and is lying idle as on August 2021 for more than 18 years. However, the purpose for which the amount was released and deposited in the PD Account was not forthcoming from the records made available to audit. The Department in its reply (August 2021) stated that action would be initiated to remit the amount back to Government Account.
- Out of the XV FC ULB grants of ₹1,549 crore received in the State during 2020-21, ₹ 991 crore was released to ULBs which were deposited in the PD Accounts of the Deputy Commissioners. Against the release, ₹80.04 crore was utilized leaving a balance of ₹910.96 crore (92 per cent) lying unspent in the PD accounts.
- Apart from the XV FC grants, the closing balance of PD accounts included the unutilized amounts of ₹ 1,405.21 crore indicated in **Table-4.7.**

Table 4.7: Unutilised amounts of Central and State Finance Commissions and other funds in PD Accounts

(₹ in crore)

| Sl.No. | Type of Grants | Unutilised Amount |
|--------|---|-------------------|
| 1 | XIII Finance Commission grants for development works in the ULBs | 12.22 |
| 2 | XIV Finance Commission grants (Basic and Performance grants) | 773.80 |
| 3 | State Finance Commission grants <i>i.e.</i> , untied grants, special grants and drinking water scarcity | 393.98 |
| 4 | Other miscellaneous grants viz., Construction of Anganwadi, Swachh Bharath Mission <i>etc.</i> | 225.21 |
| | Total | 1,405.21 |

Out of the Closing Balance of ₹8,640.33 crore in the PD Accounts of Deputy Commissioners, around 27 per cent of the amount pertained to unutilized balances of Finance Commission, schemes etc. which required to be remitted back to the Government.

The Finance Department stated that (December 2021) Food and Civil Supplies department would be requested to remit funds of ₹20 lakh remaining unspent in their PD account from September 2003 and Urban Development Department would also be requested to refund Unspent funds of ₹910.96 crore parked in the deposit account of the Deputy Commissioners.

However, the department's reply is silent on the unutilised amounts (₹1,405.21 crore) of Central and State Finance Commissions and other funds in PD Accounts.

4.4.2 Inoperative and non-reconciled PD Accounts

As per Article 286A of the KFC, the State Government is required to close all PD accounts remaining inoperative for considerable period of time. As brought out in Notes to Accounts of Finance Accounts 2020-21, out of 71 PD accounts, 24 PD accounts (14 PD accounts with a credit balance of ₹50.73 crore and eight PD accounts with a debit balance of ₹2.02 crore and two PD accounts with Nil balance) were inoperative for more than three years (**Appendix 4.2**). Action may be taken by the administrators to analyse and duly reconcile the balances, close the accounts and write back the unspent balances to the Consolidated Fund of the State.

The Finance Department replied (December 2021) that concerned Administrators and Heads of the Departments were requested (February 2021) to review such PD accounts in which balances had remained unutilized for more than three years and take action for closure of such accounts.

C. Observation relating to measurement

4.5 Outstanding balances under suspense and DDR heads

4.5.1 Balances under Major Suspense and DDR heads

The accounts of the Government are kept on cash basis. Certain intermediary/adjusting heads of accounts known as 'Suspense Heads' are operated in Government Accounts to reflect transactions of receipts and payments, which cannot be booked to a final head of account due to lack of information as to their nature, or for other reasons. These heads of accounts are finally cleared by minus debit or minus credit when the amounts are booked to their respective final heads of accounts. If these amounts remain un-cleared, the balances under the suspense heads would accumulate and would not reflect the Government's receipts and expenditure accurately. The balances under certain major suspense heads of accounts, as recorded in the ledger maintained by Pr.AG (A&E), are indicated in **Table 4.8**

Table 4.8: Balances under Suspense and Remittance Head

(₹ in crore)

| Minor Head | 2018-19 | | 2019-20 | | 2020-21 | |
|--|-------------------|--------|-------------------|--------|-------------------|--------|
| | Dr | Cr | Dr | Cr | Dr | Cr |
| Major Head 8658-Suspense | | | | | | |
| 101-PAO Suspense | 288.08 | 16.93 | 270.30 | 10.86 | 283.51 | 3.40 |
| Net | Dr. 271.15 | | Dr. 259.44 | | Dr. 280.11 | |
| 102-Suspense Account-Civil | 17.76 | 296.45 | 18.14 | 414.95 | 18.42 | 378.75 |
| Net | Cr.278.69 | | Cr. 396.81 | | Cr. 360.33 | |
| 107-Cash Settlement Suspense Account | 20.53 | - | 20.53 | - | 20.53 | - |
| Net | Dr. 20.53 | | Dr. 20.53 | | Dr. 20.53 | |
| 110- Reserve Bank Suspense- Central Accounts Office | 91.41 | 183.28 | 17.59 | 154.67 | 72.61 | 53.35 |
| Net | Cr. 91.87 | | Cr.137.08 | | Dr.19.26 | |
| 112- Tax Deducted at source (TDS) suspense | 204.16 | 233.34 | 0.74 | 32.77 | 0.74 | 4.75 |
| Net | Cr.29.18 | | Cr.32.03 | | Cr.4.01 | |
| 123- A.I.S Officers Group Insurance Scheme | 9.30 | - | 1.00 | - | 1.28 | - |
| Net | Dr.9.30 | | Dr.1.00 | | Dr.1.28 | |
| 8782-Cash Remittances | | | | | | |
| 102-01 Public Works Remittances into treasury | 82.61 | - | 82.61 | - | 82.61 | - |
| Net | Dr.82.61 | | Dr.82.61 | | Dr.82.61 | |
| 103-01 Forest Remittance into Treasury | 12.13 | - | 12.13 | - | 12.13 | - |
| Net | Dr.12.13 | | Dr.12.13 | | Dr.12.13 | |

Source- DDR Ledger

Debt, Deposit and Remittances (DDR) are heads of account for such transactions where the Government, as a custodian of public money, receives and holds such money in trust.

The accuracy of the State Finance Accounts 2020-21, was adversely affected by factors such as;

- (i) Large number of transactions under suspense heads awaiting final classification and
- (ii) Increased magnitude and quantum of adverse balances under DDR heads.

The Finance Accounts reflect the net balances under these heads. The outstanding balances are worked out by aggregating the outstanding debit and credit separately. The implications of the balances under these heads are discussed in the succeeding paragraphs:

- **Pay and Accounts Office Suspense**

This head is intended for settlement of transactions between the AG and the various separate Pay and Accounts Offices (PAO) of GoI. The transactions initially recorded under this head in the books of the AG are cleared on receipt of the Cheque/Demand Drafts from the PAO and on the issue of Cheque/Demand Draft in respect of amounts received in the State Treasuries on behalf of the PAO. Outstanding debit balance under this head would mean that payments were made by the AG on behalf of a PAO, which were yet to be recovered. Outstanding credit balance would mean that payments have been received by the AG on behalf of a PAO, which were yet to be paid. The net debit balance under this head showed an increasing trend. On clearance/settlement of this, the cash balance of the State Government will increase. The transactions mainly related to National Highways, and payments made by the State Government to Central Government Civil Pensioners.

- **Suspense Account (Civil)**

Transactions where full particulars of the classification are not available, or where the relevant vouchers/schedules in support thereof are not available or where there is some discrepancy between the figures reported in the treasury schedules of payment/cash accounts and those appearing in the supporting vouchers, schedules, *etc.* constitute the major portion of outstanding figure under this head. Transactions taking place at state treasuries on behalf of Railways, Defence and Postal and Telecommunication Department are also initially classified under this head, pending settlement of claims by these authorities. The net credit balance under this head decreased by ₹36.48 crore during the year. In so far as accounts with Railways (₹3.15 crore) and accounts with Defence (₹1.85 crore) are concerned, the cash balance will increase on clearance. There is no impact on cash balance in respect of the rest.

- **Reserve Bank Suspense, Central Accounts Office**

This head is operated for recording inter-governmental transactions where monetary settlement between the cash balances of two Governments is done by sending advice to the Central Accounts Section of the RBI. This head is cleared by transferring the amount to the final head of account on receipt of intimation of the monetary settlement having been carried out by the RBI. The main transactions, which get settled through this suspense head are grants, loans received from the GoI and their repayments, discharge of securities and interest paid thereon by the Public Debt offices of RBI, and payments made by the Director General of Supplies and Disposals for materials supplied to Government Departments. During 2020-21, the debit balance under this head was ₹19.26 crore and has decreased by ₹156.34 crore compared to previous year.

- **Public Works Remittance into Treasury**

This head is operated to watch whether the Treasury acknowledges amounts remitted by the divisional officers of Public Works. The debit balance of ₹82.61 crores at the end of year 2020-21 is due to non-reconciliation by the Division Offices with the Treasury and these differences could lead to non-detection of cases of defalcation, which may result in loss to Government.

- **Forest Remittances into Treasury**

Collection for Forest Revenues by the divisions and their remittance to the Government Accounts at treasury initially takes place under this head. The debits under this head gets cleared by credits appearing in the treasury accounts when the remittances are acknowledged and accounted by the treasury officers. Due to time lag between actual realization of revenue and its remittance into the treasury, the debits appearing in the division accounts under this head would continue to appear till remittance made is finally accounted in the Treasury Accounts. There is a debit balance of ₹12.13 crores at the end of 2020-21 under this head.

The Finance Department replied (December 2021) as follows:

- Pr. AG (A&E) would be requested to take suitable action for clearance of outstanding balances under pay and account office suspense accounts (Civil) and Reserve bank suspense Central accounts office.
- With regard to public works and forest remittances into Treasury, these departments would be requested to reconcile and clear the outstanding balances.

4.5.2 Adverse Balances under DDR Heads

Adverse balances are negative balances appearing under those heads of accounts where there should not be a negative balance. For example, against the accounting head of any loan or advance, a negative balance will indicate more repayment than the original amount advanced. Table 4.9 indicates adverse balance under Public Debt and Loans & Advances. The balance under Public Debt, Head of Account (HoA) 6003-00-108-0-01 – Internal debt of the State Government Loans from National Co-operative Development Corporation Ltd. reduced by ₹40.83 crore in the year 2020-21 as compared to year 2019-20 due to action taken by the Government in clearing the adverse balances under this HoA. However, under the Loans and Advances, HoA 7610 – Loans and Advances to Government servants, the balance increased by ₹2.14 crore in the year 2020-21 as compared to year 2019-20. Hence, necessary action for clearing the adverse balances in respect of Public Debt and Loans and Advances is required to be taken.

Table 4.9: Adverse balance under DDR Heads

(₹ in crore)

| Sl. No. | Head of account | Description | Amount | Reason |
|--------------------|------------------|--|-----------|---|
| Public Debt | | | | |
| 1 | 6003-00-108-0-01 | Internal debt of the State Government-Loans from National Co-operative Development Corporation Ltd., | Dr.133.57 | Due to non-accounting of loan receipts from National Co-operative Development Corporation Ltd., in the Government accounts; whereas repayments were made through the Government accounts. |

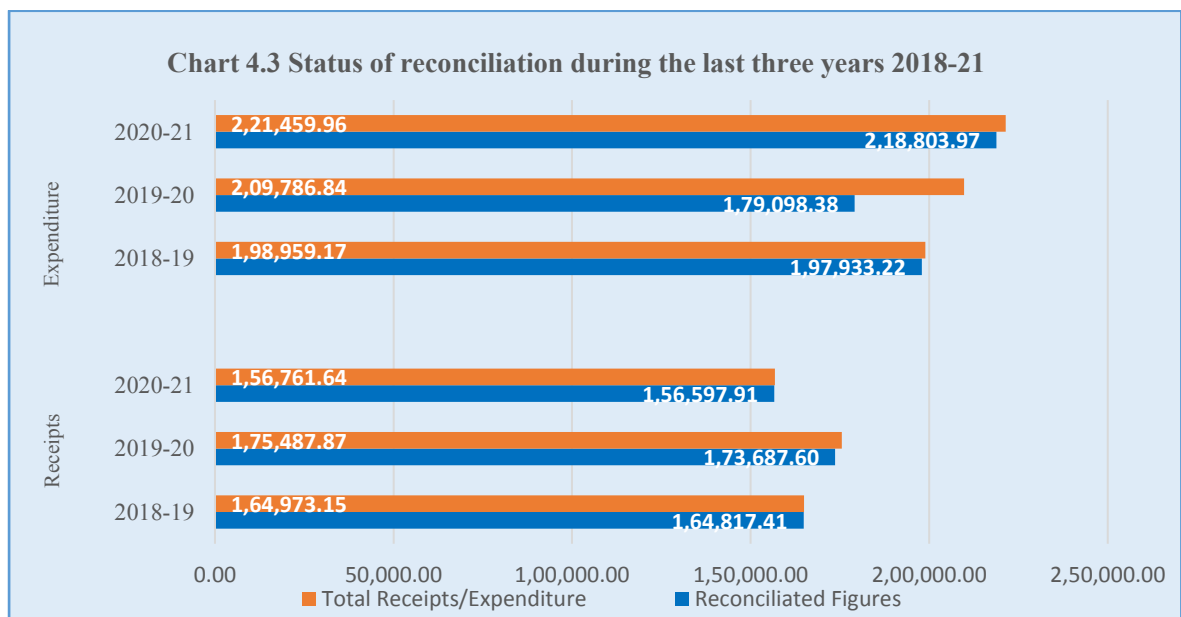
| Sl. No. | Head of account | Description | Amount | Reason |
|---------------------------|--|---|------------------|--|
| 2 | 6004-03 & 6004-04 | Loans and Advances from Central Government under Central Plan Scheme and Centrally Sponsored Scheme | Dr.10.36 | This was on account of write-off of Central Loans on the recommendations of XIII FC (balances outstanding as per books of accounts as on 31 March 2010). The excess payments made during 2010-12 to various PAOs are to be adjusted against the dues of the Finance Ministry, GoI. |
| Total | | | Dr.143.93 | |
| Loans and Advances | | | | |
| 3 | 6202, 6215, 6217, 6401, 6402, 6405, 6408, 6435 6505, 6506, 6701, 7475 & 7615 | Loans to State Institutions | Cr. 90.06 | Adverse balance is due to misclassification, which is under reconciliation. |
| 4 | 7610 | Loans and Advances to Government servants | Cr. 8.38 | Adverse balance is due to misclassification, which is under reconciliation. |
| Total | | | Cr. 98.44 | |

Source- Office of the Pr.AG(A&E)

4.6 Non-reconciliation of Departmental figures

To exercise effective budgetary control over revenue/expenditure and to ensure accuracy in accounts, all Controlling Officers are required to reconcile every month, the receipts and expenditure recorded in their books with the figures accounted for by the Pr.AG (A&E). The details of last three years from 2018-21 revenue and expenditure reconciliation is indicated in **Chart 4.3**

(in crore)



Source- Finance Accounts

* Excludes loans and advances

The details relating to the number of Controlling Officers and the extent of reconciliation during the last three years are given in **Table 4.10**.

Table 4.10: Status of Reconciliation of Receipts and Expenditure figures (₹ in crore)

| Year | Total No. of Controlling officers | Fully reconciled | Partially Reconciled | Not reconciled at all | CCOs not transacted during the month | Total Amount | Reconciled Amount | Percent -age |
|--------------------|-----------------------------------|------------------|----------------------|-----------------------|--------------------------------------|--------------|-------------------|--------------|
| Receipts | | | | | | | | |
| 2018-19 | 92 | 84 | 4 | 4 | - | 1,64,973.15 | 1,64,817.41 | 99.90 |
| 2019-20 | 101 | 75 | 18 | 8 | - | 1,75,487.87 | 1,73,687.60 | 98.97 |
| 2020-21 | 101 | 86 | - | 15 | - | 1,56,761.64 | 1,56,597.91 | 99.90 |
| Expenditure | | | | | | | | |
| 2018-19 | 331 | 299 | 5 | 26 | 1 | 1,98,959.17 | 1,97,933.22 | 99.48 |
| 2019-20 | 322 | 245 | 50 | 27 | - | 2,09,786.84 | 1,79,098.38 | 85.37 |
| 2020-21 | 322 | 289 | - | 33 | - | 2,21,459.96 | 2,18,803.97 | 98.80 |

Source- Report on MCA and Finance Accounts

As indicated in the **Table 4.10** reconciliation of expenditure which had decreased to 85 per cent during 2019-20 when compared to 2018-19 (99 per cent) increased during 2020-21 (98 per cent). No reconciliation was carried out in respect of receipts and disbursements under loans and advances. Necessary action for reconciliation in respect of receipts and expenditure under loans and advances is required to be taken.

The Finance Department stated (December 2021) that departments were requested to complete the reconciliation.

4.7 Reconciliation of cash balance

There should be no difference between cash balance of the State as per books of Accounts of the Pr.AG (A&E) and the cash balances as reported by RBI.

As on March 2021, there was a difference of {₹1,511.17 crore (Dr.)}, between the figures reflected in the accounts {₹1,588.33 crore (Dr.)} and that intimated by the RBI {₹72.16 crore (Dr.)}. The difference pertains to non-reporting and non-reconciliation of figures by the Agency Banks. It is under reconciliation in the office of Pr.AG (A&E).

D. Observation relating to disclosure

4.8 Compliance with Accounting Standards

The Government Accounting Standards Advisory Board (GASAB) set up in the office of the C&AG with the support of the GoI is entrusted with the responsibility of formulating and proposing accounting and financial reporting standards for Government departments and organisations. On the advice of the C&AG of India, the President of India has so far notified three Indian Government Accounting Standard (IGAS).

The details of IGAS and compliance with these by GoK for the year 2020-21 are discussed in **Table 4.11**.

Table 4.11: Compliance to Accounting Standards.

| Sl No | Accounting Standards | Essence of IGAS | Status | Impact of deficiency |
|-------|--|--|-----------------|--|
| 1 | IGAS-1 Guarantees given by the Government-Disclosure requirement | The standard is set out to disclose the norms in respect of Guarantees given by Government in their respective Financial statements along with the maximum amount of guarantees given during the year, addition, deletions (Other than Invoked during the year), outstanding at the beginning and end of the year and Guarantee commission or fee. | Complied | Guarantees disclosure has been complied with the standard. |
| 2 | IGAS- 2 Accounting and Classification of Grants-in-Aid | It states that grants-in-aid should be classified under revenue expenditure under the accounts of grantor and revenue receipts in the accounts of grantee even if it involves creation of assets, except in cases specifically authorized by the President on the advice of the Comptroller and Auditor General of India. | Not Complied | The Grants-in-Aid given to institutions amounting to ₹100 crore was classified under capital heads instead of revenue head. This resulted in non-compliance which led to over statement to revenue surplus and capital expenditure. |
| 3 | IGAS -3 Loans and Advances made by Government | This Standard relates to recognition, measurement, valuation and reporting in respect of loans and advances made by the Government in its Financial Statements to ensure complete, accurate and uniform accounting practices. | Partly Complied | The State government complied with the format prescribed by the Standard. However, the information in this regard is incomplete, since the details of all the outstanding principal and interest in respect of loans and advances have not been provided to the Pr.AG (A&E). |

The Finance Department stated (December 2021) that with regard to IGAS 2 - Grants-in- Aid, the misclassification would be avoided and with respect to IGAS 3 - Loans and Advances, the departments would be requested to provide details of outstanding loans and advances.

4.9 Submission of accounts and placing of Separate Audit Reports of Autonomous Bodies in the Legislature

Several Autonomous Bodies were set up by the State Government in the fields of Village and Small Industries, Urban Development, *etc.* The audit of accounts of 13 autonomous bodies in the State was entrusted to the C&AG under Sections 19 and 20 of the C&AG's (DPC) Act, 1971.

The status of entrustment of audit, rendering of accounts, issuing of Separate Audit Reports (SAR) and their placement before the State Legislature is indicated in **(Appendix 4.3)**. As seen from the appendix, one SAR in respect of five Autonomous Bodies and two SAR's in respect of one Autonomous Body were due for placement in the Legislature. Karnataka Real Estate Regulatory authority is yet to render accounts for the year 2017-18 for the first time.

4.10 Departmental Commercial Undertakings/Corporations/Companies

The departmental undertakings of certain Government Departments performing activities of commercial and quasi-commercial nature are required to prepare

proforma accounts in the prescribed format annually, showing the working results of financial operations, so that the Government can assess their working. The finalized accounts of departmentally managed commercial and quasi commercial undertakings reflect their overall financial health and efficiency. In the absence of timely finalization of accounts, the investment of the Government remains outside the scrutiny of Audit/State Legislature. Consequently, corrective measures, if any, required for ensuring accountability and improving efficiency cannot be taken in time. Besides, the delay renders the system vulnerable to the risk of fraud and leakage of public money.

The Heads of Departments in the Government are to ensure that the undertakings prepare and submit accounts to the AG for audit within a specified time-frame. Out of the nine undertakings, which are closed/transferred/converted into co-operative federations, proforma accounts in respect of two undertakings were due from 1969-70. The position of arrears in preparation of proforma accounts by the undertakings is given in **Appendix 4.4**.

As seen in the appendix an investment of ₹8.87 crore has been made in the six undertakings as per the accounts finalized up to 2008-09 in respect of one undertaking, 2015-16 in respect of four undertakings and 2016-17 in respect of one undertaking.

In reply to the audit observation at Paragraph 3.4 of the State Finance Audit Report for the year ending March 2019, the Finance Department stated (March 2019) that the concerned departments have been requested to furnish Proforma Accounts to Audit Office.

4.11 Non-Submission of details of grants/ loans given to bodies and authorities

Under Section 14 of the C&AG's (DPC) 1971 whenever anybody or authority is substantially financed by grants or loans from Consolidated Fund of the State, the C&AG shall, subject to the provisions of any law for the time being in force applicable to the body or authority, as the case may be, audit all such receipts and expenditure of that body or authority and report the receipts and expenditure audited by him. Under Section 15 of the C&AG's (DPC) 1971, where any grant or loan is given for any specific purpose, the C&AG shall scrutinize the procedures by which sanctioning authority satisfies itself as to the fulfilment of the conditions.

The institutions/bodies/authorities, which are audited under the above sections needs to be identified and the heads of the Government Departments are required to furnish to audit every year information about the institutions to which financial assistance of ₹25 lakh or more was given, the purpose for which assistance was granted and the total expenditure of the institutions.

Twenty-Two Departments did not furnish the information pertaining to 1,082 institutions receiving grants aggregating ₹25 lakh or more for periods ranging from two years to more than 20 years, as detailed in **Appendix 4.5**. As seen from the appendix, the major defaulter was the Department of Education.

Though, in reply to the audit observation at paragraph 3.2 of the State Finance Audit Report for the year ending March 2019, the Finance Department stated (August 2021) that the concerned departments have been requested (February 2021) to furnish information to Audit Office, it is seen that the number of

departments not furnishing the information increased when compared to previous year.

The Finance Department reiterated that (December 2021) departments would be requested to furnish details of Institutions that receive financial assistance /grants of ₹25 lakh or more.

4.12 Timelines and Quality of Accounts

The accounts of the State Government are compiled by the Pr.AG (A&E) from the initial accounts rendered by 34 Treasuries, 3 Others, 103 Public Works Divisions and 103 Forest Divisions, apart from RBI advices. Though there was delay in rendering Monthly accounts in the first three quarters by some of the sections of the department, the State Government has monitored and ensured timely rendering of accounts. This timely submission of accounts continued during 2020-21 and as a result, the Pr.AG (A&E) excluded no accounts from the Monthly Civil Accounts.

4.13 Misappropriation, losses, thefts etc.

There were 33 cases of misappropriation, losses etc. involving Government money amounting to ₹26.40 crore as at the end of 2020-21 on which final action is pending. The department wise break up of pending cases is given below in Table 4.12 and age wise break up is indicated in Appendix 4.6.

Table 4.12: Pending cases of misappropriation, losses and thefts etc.

(₹ in lakhs)

| Name of the Department | Cases of misappropriation/ losses/ thefts of Government material | | Reasons for the delay in final disposal of pending cases of misappropriation, losses, thefts etc. | | | | | |
|--|--|-----------------|---|-----------------|---|-----------------|---|----------|
| | | | Awaiting departmental and criminal investigation | | Departmental action initiated but not finalised | | Criminal proceedings finalised but recovery of the amount pending | |
| | No. of cases | Amount | No. of cases | Amount | No. of cases | Amount | No. of cases | Amount |
| Public Works | 2 | 1,180.18 | - | - | 2 | 1,180.18 | - | - |
| Home | 8 | 256.09 | 3 | 101.93 | 5 | 154.16 | - | - |
| Food and Civil Supplies | 1 | 525.00 | 1 | 525.00 | - | - | - | - |
| Social Welfare | 1 | 9.48 | 1 | 9.48 | - | - | - | - |
| Medical Education | 2 | 1.91 | 2 | 1.91 | - | - | - | - |
| Animal Husbandry and Veterinary Services | 4 | 643.70 | 4 | 643.70 | - | - | - | - |
| Department of Technical Education | 1 | 0.28 | 1 | 0.28 | - | - | - | - |
| Forest | 2 | 0.74 | 2 | 0.74 | - | - | - | - |
| Health and Family Welfare | 10 | 1.6 | 10 | 1.6 | - | - | - | - |
| Labour | 1 | 0.89 | - | - | 01 | 0.89 | - | - |
| Judiciary | 1 | 20.00 | 1 | 20.00 | - | - | - | - |
| Total | 33 | 2,639.87 | 25 | 1,304.64 | 08 | 1,335.23 | - | - |

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

4.14 Follow up action on State Finance Audit Report

The Report of C&AG of India on State Finances for the year 2009-10 was discussed by the PAC during the period May 2011 to August 2011. The report containing the recommendations was placed before the Legislature in December 2011. Compliance to the recommendations of the PAC, the Action Taken Note was placed before the PAC for its consideration during September 2014. The PAC discussed the Action Taken Note furnished by the Government and made further recommendations which were placed before the Legislature in July 2015.

Important issues meriting attention of the PAC on the State Finances *viz.*, regularisation of excess expenditure from 2012-13 to 2017-18, revision of enhancing the monetary limits for selection of comments in Appropriation Accounts have been brought to the knowledge of the August body for their consideration.

4.15 Conclusion

The closing balances in the Personal Deposit accounts showed a slight decrease in the year 2020-21 compared to last year. Though there was decrease in the Closing Balances, it included unutilized amounts which were required to be remitted back to the Government. In addition, there was increase in the number of inoperative PD accounts. Non-reconciliation of balances in such inoperative PD accounts and not transferring the unspent balances lying in such PD accounts to the Consolidated Fund of State is fraught with risk of misuse of public funds, fraud and misappropriation.

Non-clearance of balances under suspense heads would not reflect Government's receipt and expenditure accurately under correct heads of account. Further, there were adverse balances in certain DDR heads which required remedial action for clearance.

More than 29 *per cent* of the AC bills drawn during the year were pending for want of NDC bills.

In spite of the Finance Department issuing instructions to Administrative Departments to furnish information to audit about the Institutions which were substantially financed by the Government, there was increase in number of Institutions not furnishing the required information. This points to inadequate internal controls and deficient monitoring mechanism of the State Government.

4.16 Recommendations

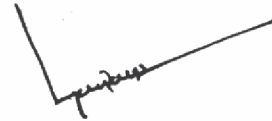
- *Cleaning up of balances in the PD Accounts which have outlived their utility needs to be examined and steps need to be taken for review of the status of PD accounts and closure of inoperative ones after reconciliation of balances and in consultation with the Administrators and Treasury.*
- *Unutilized amounts of earlier Finance Commission, Schemes etc., remaining in PD accounts needs to be remitted back to the Government.*
- *Review of suspense heads needs to be done to bring the transaction to final heads in the accounting year itself.*
- *The government should ensure adjustment of Abstract Contingent bills within the stipulated period.*
- *Government needs to ensure that all administrative departments furnish the information to the office of Pr.AG (Audit) about the institutions which have been substantially financed by the government.*



Bengaluru
The 08 March, 2022

(Shanthi Priya S)
Principal Accountant General (Audit I)
Karnataka

Countersigned



New Delhi
The 09 March, 2022

(Girish Chandra Murmu)
Comptroller and Auditor General of India

Appendices

Appendix 1.1 State Profile

(Reference: Paragraph 1.2; Page 1)

| A | | General Data | | | | | |
|-------------|---|--------------------------|--------------------|--------------------|--------------------|--------------------|---------------------------------|
| Sl. No. | Particulars | Figures | | | | | |
| 1 | Area | 1,91,791 sq.km | | | | | |
| 2 | Population | | | | | | |
| | a. As per 2001 Census | 5.29 crore | | | | | |
| | b. As per 2011 Census | 6.11 crore | | | | | |
| 3 | ¹ Density of Population (2011 Census) (All India Density = 382 persons per Sq. Km) | 319 persons per sq.km | | | | | |
| 4 | ² Population below poverty line (2011 Census) (All India Average= 21.90 %) | 20.90 per cent | | | | | |
| 5 | ³ Literacy (2011 Census) (All India Average = 73.00 %) | 75.36 per cent | | | | | |
| 6 | ⁴ Infant Mortality (per 1,000 live births) (All India Average = 33 per 1,000 live births) | 23 per 1,000 live births | | | | | |
| 7 | ⁵ Life Expectancy at birth (All India Average = 69.4 years) | 69.4 years | | | | | |
| 8 | ⁶ Human Development Index [#] (2012) (India = 0.587) | 0.611 | | | | | |
| 9 | ⁷ Gross State Domestic Product (GSDP) 2019-20 at current price (in crore) | 18,03,609 | | | | | |
| 10 | Per capita GSDP (2020-21) (Rupee) | Karnataka | | | | 2,49,947 | |
| | | All India Average | | | | 1,41,945 | |
| 11 | Per capita GSDP/GDP CAGR (2011-12 to 2020-21) | Karnataka | | | | 10.91 | |
| | | All India | | | | 8.08 | |
| 12 | GSDP/GDP CAGR (2011-12 to 2020-21) | Karnataka | | | | 12.90 | |
| | | All India | | | | 9.48 | |
| 13 | Population Growth (2011-21) | Karnataka | | | | 9.70 | |
| | | All India | | | | 12.30 | |
| B | | Financial Data | | | | | |
| Particulars | | Figures in per cent | | | | | |
| CAGR | | General Category States* | | | Karnataka | | |
| | | 2011-12 to 2014-15 | 2015-16 to 2018-19 | 2019-20 to 2020-21 | 2011-12 to 2019-20 | 2015-16 to 2019-20 | 2019-20 to 2020-21 [^] |
| a | of Revenue Receipts. | 13.49 | 11.85 | (-4.56) | 10.61 | 10.30 | (-)10.67 |
| b | of Own Tax Revenue. | 11.86 | 11.04 | (-4.43) | 9.65 | 7.79 | (-)5.19 |
| c | of Non-Tax Revenue. | 14.75 | 10.88 | (-)35.60 | 8.57 | 9.35 | 2.77 |
| d | of Total Expenditure. | 14.99 | 10.54 | 4.54 | 13.32 | 11.40 | 4.83 |
| e | of Capital Expenditure. | 13.26 | 3.45 | (-)2.36 | 13.63 | 16.63 | 21.40 |
| f | of Revenue Expenditure on Education. | 13.28 | 8.89 | (-)1.32 | 8.98 | 9.16 | (-)8.30 |
| g | of Revenue Expenditure on Health. | 19.11 | 14.74 | 14.65 | 16.10 | 13.51 | 17.15 |
| h | of Salary and Wages. | 10.09 | 10.33 | 2.27 | 11.74 | 12.64 | 1.59 |
| i | of Pension. | 12.99 | 15.32 | 6.02 | 16.91 | 12.99 | 2.89 |

Source: Financial data is based on Finance Accounts

[#] Human Development Index is a composite index comprising of life expectancy, education and per-capita income.

* GC states figures is adopted from the information sent by Economic Advisor, O/o the CAG, New Delhi.

[^]2019-20 to 2020-21 figures is arrived by considering the Finance Accounts for the year ended March 2021.

The development indicators relating to the major infrastructures are as follows:

- (i) Surfaced roads per 100 sq. km (2019-2020) is **52.60 km.**
- (ii) Unsurfaced roads per 100 sq. km (2019-20) is **0.31 km.**
- (iii) Percentage of villages electrified (2019-20) is **99.97.**
- (iv) Grossed cropped area (2019-20) is **135.51 hectares.**
- (v) Number of Primary schools (2019-20) is **62,431.**
- (vi) Number of Primary health centers is **2,359.**
- (vii) Beds per lakh population (2019-20) is **108.**

1. *Economic Survey, Government of Karnataka 2020-21.*
2. *Economic Survey 2020-21 (GOI), Vol II, Page No. A 168-169, Table 9.8.*
3. *Economic Survey 2020-21 (GOI), Vol. II, Page A 164, Table 9.4*
4. *Economic Survey 2020-21 (GOI), Vol. II, Page A 160, Table 9.1.*
5. *Economic Survey 2020-21(GOI), Page 514, Table 12.104.*
6. *Economic Survey Government of Karnataka 2020-21..*
7. *Census of India 2001 (Population Projection 2001-2026, Table 14, Page 104 to 115).*

Note: All India average of General Category States has been calculated on the basis of figures provided by 16 General Category States such as Andhra Pradesh including Telangana, Bihar, Chhattisgarh, Gujarat, Haryana, Jharkhand, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Odisha, Punjab, Rajasthan, Tamilnadu, Uttar Pradesh and West Bengal.

Appendix 1.2

Structure of Government Accounts

(Reference: Paragraph 1.4; Page 6)

The Layout of Finance Accounts of the State Government is detailed below:

Finance Accounts is prepared in two volumes with Volume-I presenting the summarised financial statements of Government and Volume-II presenting the detailed statements. The layout is detailed below. Further, Volume II contains details such as comparative expenditure on salaries and subsidies by major head, grants-in-aid and assistance given by the State Government, externally aided projects, expenditure on plan scheme, direct transfer of Central scheme funds to implementing agencies, summary of balances, financial results of irrigation schemes, commitments on incomplete public works contracts and maintenance expenditure which are brought out in various appendices.

| Statement number | Layout |
|------------------|---|
| 1 | Statement of Financial Position |
| 2 | Statement of Receipts and Disbursements |
| 3 | Statement of Receipts (Consolidated Fund) |
| 4 | Statement of Expenditure (Consolidated Fund) |
| 5 | Statement of Progressive Capital Expenditure |
| 6 | Statement of Borrowings and Other Liabilities |
| 7 | Statement of Loans and Advances given by the Government |
| 8 | Statement of Investments of the Government |
| 9 | Statement of Guarantees given by the Government |
| 10 | Statement of Grants-in-aid given by the Government |
| 11 | Statement of Voted and Charged Expenditure |
| 12 | Statement on Sources and Application of funds for expenditure other than on Revenue Account |
| 13 | Summary of Balances under Consolidated Fund, Contingency Fund and Public Account |
| 14 | Detailed Statement of Revenue and Capital Receipts by Minor Heads |
| 15 | Detailed Statement of Revenue Expenditure by Minor Heads |
| 16 | Detailed Statement of Capital Expenditure by Minor Heads and Subheads |
| 17 | Detailed Statement of Borrowings and other Liabilities |
| 18 | Detailed Statement on Loans and Advances given by the Government |
| 19 | Detailed Statement of Investments of the Government |
| 20 | Detailed Statement of Guarantees given by the Government |
| 21 | Detailed Statement of Contingency Fund and other Public Account Transactions |
| 22 | Detailed Statement on Investment of Earmarked Balances |

Appendix 1.3

Summarised Financial position of Government of Karnataka as on 31 March 2021

(Reference: Paragraph 1.7; Page 8)

(₹ in crore)

| As on 31.03.2020 | | LIABILITIES | | As on 31.03.2021 |
|---------------------|--------------|---|--------------|------------------------------|
| 2,20,336.92 | | Internal Debt | | 2,81,140.19 |
| | 2,00,389.03 | Market Loans bearing interest | 2,62,289.02 | |
| | 0.86 | Market Loans not bearing interest | 0.86 | |
| | 72.50 | Loans from Life Insurance Corporation of India | 40.06 | |
| | 4,513.85 | Loans from other Institutions | 5,077.48 | |
| | 15,360.68 | Loans from RBI - Special Securities issued to National Small Savings Fund of the Central Government | 13,732.77 | |
| 13,908.50 | | Loans and Advances from Central Government | | 26,617.37[^] |
| | 0.07 | Pre 1984-85 Loans | 0.07 | |
| | 35.33 | Non-Plan Loans | 30.35 | |
| | 9,820.72 | Loans for State Plan Schemes | 8,420.61 | |
| | 7.89 | Loans for Central Plan Schemes | 7.89 | |
| | (-)18.25 | Loans for Centrally Sponsored Plan Schemes | (-)18.25 | |
| | 4,062.74 | Other Loans | 18,176.70 | |
| 80.00 | | Contingency Fund | | 80.00 |
| 35,179.15 | | Small Savings, Provident Funds, etc. | | 38,811.09 |
| 37,599.04 | | Reserve Funds | | 43,873.08 |
| 31,559.22 | | Deposits | | 30,874.07 |
| 5,296.95 | | Suspense and Miscellaneous balances | | 2,377.03 |
| 3,43,959.78 | | Total | | 4,23,772.83 |
| | | ASSETS | | |
| 3,05,798.20 | | Gross Capital Outlay on Fixed Assets | | 3,51,201.00 |
| | 67,816.71 | Investments in shares of Companies, Corporations etc. | 68,256.68 | |
| | 2,37,981.49 | Other Capital Outlay | 2,82,944.32 | |
| 28,847.23 | | Loans and Advances | | 31,246.53 |
| | 5,336.90 | Loans for Power Projects | 5,103.42 | |
| | 23,424.71 | Other Development Loans | 26,055.22 | |
| | 85.62 | Loans to Government Servants and Miscellaneous Loans | 87.89 | |
| 1,037.95 | | Remittances | | 1,073.33 |
| 6.94 | | Other Advances | | 6.94 |
| 34,463.13 | | Cash | | 47,143.18 |
| | --- | Cash in treasuries | | |
| | 4.27 | Departmental Cash Balance including Permanent Advances | 5.27 | |
| | 1,659.20 | Deposits with Reserve Bank of India | 1,583.33 | |
| | 0.01 | Remittances in Transit | 0.01 | |
| | 13,634.21 | Cash Balance Investments | 21,744.33 | |
| | 19,165.44 | Investment from earmarked funds | 23,810.24 | |
| (-)26,193.67 | | Surplus on Government Accounts | | (-)6,898.15 |
| | (-)24,964.21 | Accumulated Surplus | (-)26,193.67 | |
| | (-)1,185.39 | Deduct Revenue Surplus/Add Revenue Deficit | (+)19,337.50 | |
| | --- | Deduct Other adjustments | | |
| | (-)44.07 | Deduct Capital Receipts | (-)41.98* | |
| 3,43,959.78 | | Total | | 4,23,772.83 |

*The amount excludes ₹3.25crore being the retirement of capital/disinvestment in respect of co-operatives.

[^]Effective Loans and Advances would be ₹14,210.37crore as the Department of Expenditure, GoI had decided that GST compensation of ₹12,407crore given to the state as back-to-back loan under Debt Receipts would not be treated as debt of the state for any norms which may be prescribed by the Finance Commission.

Appendix 2.1

Abstract of Receipts and Disbursements

(Reference: Paragraph 2.2; Page 19)

(₹ in crore)

| Receipts | | | Disbursements | | |
|--|--|--------------------|--------------------|--|----------------------|
| 2019-20 | | 2020-21 | 2019-20 | | 2020-21 |
| Part A: Abstract of Receipts and Disbursements for the year 2020-21 | | | | | |
| Section-A: Revenue | | | | | |
| 1,75,442.79 | I. Revenue receipts | 1,56,716.41 | 1,74,257.40 | I. Revenue expenditure | 1,76,053.91 # |
| 1,02,362.79 | Tax revenue | 97,052.54 | 48,823.84 | General Services | 55,017.93 |
| 7,681.47 | Non-tax revenue | 7,893.84 | | Social Services | |
| 30,919.00 | State's share of Union Taxes & Duties | 21,694.11 | 26,517.81 | Education, Sports, Art and Culture | 24,315.52 |
| 34,479.53 | Grants for Central and Centrally Sponsored Schemes | 30,075.92 | 8,338.53 | Health and Family Welfare | 9,768.46 |
| 12,213.55 | Centrally Sponsored Schemes | 9,851.89 | 7,132.91 | Water Supply, Sanitation, Housing and Urban Development | 5,787.61 |
| 4,672.91 | Finance Commission Grants | 5,557.00 | 148.12 | Information and Broadcasting | 203.99 |
| 17,593.07 | Other transfer/grants to State/UT with Legislature | 14,667.03 | 7,167.25 | Welfare of Scheduled Castes, Scheduled Tribes, Other Backward Classes and minorities | 6,292.79 |
| | | | 525.01 | Labour and Labour Welfare | 586.71 |
| | | | 16,327.50 | Social Welfare and Nutrition | 14,504.39 |
| | | | 215.68 | Others | 266.45 |
| | | | 66,372.81 | Total Social Services | 61,725.92 |
| | | | | Economic Services | |
| | | | 21,668.56 | Agriculture and Allied Activities | 16,686.91 |
| | | | 7,276.64 | Rural Development | 9,144.02 |
| | | | 226.42 | Special Areas Programmes | 159.69 |
| | | | 2,103.15 | Irrigation and Flood Control | 2,182.79 |
| | | | 12,264.40 | Energy | 14,277.18 |
| | | | 1,473.35 | Industry and Minerals | 1,735.64 |
| | | | 3,566.77 | Transport | 4,545.09 |
| | | | 65.54 | Science, Technology and Environment | 58.23 |
| | | | 3,991.21 | General Economic Services | 4,839.47 |
| | | | 52,636.04 | Total Economic Services | 53,629.02 |
| | | | 6,424.71 | Grants-in-aid and Contribution | 5,681.04 |
| | | | 1,185.39 | II Revenue Deficit carried over to Sec.-B | (-)19,337.50 |
| 1,75,442.79 | | 1,56,716.41 | 1,75,442.79 | Total | 1,56,716.41 |

| Receipts | | | Disbursements | | |
|---------------------------------------|--|--------------------|------------------|--|-------------------|
| 2019-20 | | 2020-21 | 2019-20 | | 2020-21 |
| Section B – Capital and others | | | | | |
| 22,003.87 | II. Opening Cash Balance including Permanent Advances & Cash Balance Investments & Investments from earmarked funds | 34,463.13 | | | |
| 45.07 | III. Miscellaneous Capital receipts | 45.23 | 35,529.44 | III. Capital Outlay | 45,406.05* |
| | | | 778.92 | General Services | 1,206.29 |
| | | | | Social Services | |
| | | | 1,203.17 | Education, Sports, Art and Culture | 1,167.87 |
| | | | 821.96 | Health and Family Welfare | 2,099.44 |
| | | | 4,244.78 | Water Supply, Sanitation, Housing and Urban Development | 6,830.52 |
| | | | 3.89 | Information and Broadcasting | (-)3.60 |
| | | | 2,783.45 | Welfare of Scheduled Castes, Scheduled Tribes, Other Backward Classes and Minorities | 1,163.80 |
| | | | 75.07 | Social Welfare and Nutrition | 167.86 |
| | | | 59.49 | Other Social Services | 121.20 |
| | | | 9,191.81 | Total Social Services | 11,547.09 |
| | | | | Economic Services | |
| | | | 321.16 | Agriculture and Allied Activities | 640.73 |
| | | | 64.80 | Rural Development | 86.53 |
| | | | 1,190.16 | Special Areas Programmes | 1,574.52 |
| | | | 13,342.73 | Irrigation and Flood Control | 17,785.17 |
| | | | 858.35 | Energy | 650.12 |
| | | | 450.35 | Industry and Minerals | 480.99 |
| | | | 8,896.81 | Transport | 11,016.83 |
| | | | 434.35 | General Economic Services | 417.78 |
| | | | 25,558.71 | Total Economic Services | 32,652.67 |
| 202.44 | IV. Recoveries of Loans and Advances | 269.87 | 4,069.08 | IV. Loans and Advances | 2,669.17 |
| 144.18 | From Power Projects | 233.48 | 2,500.00 | For Power Projects | - |
| 5.14 | From Government Servants | 7.09 | 6.04 | To Government Servants | 4.80 |
| 53.12 | From Others | 29.30 | 1,563.04 | To Others | 2,664.37 |
| 50,459.01 | V. Public Debt receipts | 84,527.94** | 10,180.39 | V. Public Debt repayment | 11,015.81 |
| 49,473.26 | Internal debt other than Ways and Means Advances and Overdraft | 70,413.86 | 8,445.65 | Internal debt other than Ways and Means Advances and Overdraft | 9,610.60 |

| Receipts | | | Disbursements | | |
|-------------|---|---------------------|--------------------|---|--------------------|
| 2019-20 | | 2020-21 | 2019-20 | | 2020-21 |
| 310.49 | Ways and Means Advances from Reserve Bank of India | | 310.49 | Ways and Means Advances from Reserve Bank of India | -- |
| 675.26 | Loans and Advances from the Central Government | 14,114.08 | 1,424.25 | Repayment of Loans and Advances to Central Government | 1405.21 |
| --- | VI. Contingency Fund (Recoupment) | ----- | --- | VI. Contingency Fund Disbursements | --- |
| 2,55,637.80 | VII. Public Account Receipts | 2,72,457.35 | 2,45,291.54 | VII. Public Account Disbursements | 2,66,191.81 |
| 8,330.44 | Small Savings and Provident Funds, etc. | 8,472.64 | 4,174.71 | Small Savings and Provident Funds, etc. | 4,840.70 |
| 9,125.73 | Reserve Funds | 8,313.71 | 4,398.15 | Reserve Funds | 2,039.66 |
| 60,642.69 | Deposits and Advances | 63,574.70 | 57,468.88 | Deposits and Advances | 64,259.84 |
| 1,77,492.99 | Suspense and Miscellaneous | 1,92,098.47 | 1,78,856.40 | Suspense and Miscellaneous | 1,95,018.39 |
| 45.95 | Remittances | (-2.17) | 393.40 | Remittances | 33.22 |
| 1,185.39 | VIII. Revenue Deficit carried over from Sec.-A | (-19,337.50) | 34,463.13 | VIII. Cash Balance at the end of 31-03-2021 | 47,143.18 |
| | | | 0.01 | Cash in Treasuries and Local Remittances | 0.01 |
| | | | 1,659.20 | Deposits with Reserve Bank | 1,583.33 |
| | | | 4.27 | Departmental Cash Balances including Permanent Advances | 5.27 |
| | | | 13,634.21 | Cash Balance Investment | 21,744.33 |
| | | | 19,165.44 | Investment from Earmarked Funds | 23,810.24 |
| 3,29,844.07 | Total | 3,72,426.02 | 3,29,844.07 | Total | 3,72,426.02 |

Includes expenditure on interest payment in respect of off-budget borrowings etc., under various service heads (₹1,512.31 crore borrowed through Special Purpose Vehicles-General Services (₹0.11 crore) Social Services (₹133.29crore) and Economic Services (₹1,378.91 crore).

*Includes expenditure of ₹2,726.55 crore on account of off-budget borrowings.

** Effective Public Debts would be ₹72,120.94 crore as the Department of Expenditure, GoI had decided that GST compensation of ₹12,407crore given to the state as back-to-back loan under Debt Receipts would not be treated as debt of the state for any norms which may be prescribed by the Finance Commission.

Appendix 2.2

Time series data on the State Government Finances
(Reference: Paragraph 2.2, 2.4.3, 2.7.1; Page 19, 24, 60 & 61)

(₹ in crore)

| | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
|--|-------------------|-------------------|-------------------|---------------------|-------------------|
| Part A: Receipts | | | | | |
| 1. Revenue Receipts | 1,33,214 | 1,47,000 | 1,64,979 | 1,75,443 | 1,56,716 |
| Rate of growth | 12.12 | 10.35 | 12.23 | 6.34 | (-10.67) |
| (i) Tax Revenue | 82,956(62) | 87,130(59) | 96,830(59) | 1,02,363(58) | 97,052(62) |
| Rate of growth | 9.80 | 5.03 | 11.13 | 5.71 | (-5.19) |
| State Goods and Service Tax | - | 24,182(28) | 41,956(43) | 42,147(41) | 37,711(39) |
| Taxes on Agricultural Income | 1(-) | 15(-) | - | 1(-) | --- |
| Taxes on Sales, Trade, etc. | 46,105(56) | 25,093(29) | 14,003(15) | 16,424(16) | 16,028(17) |
| State Excise | 16,484(20) | 17,949(21) | 19,944(21) | 21,584(21) | 23,332(24) |
| Taxes on Vehicles | 5,594(7) | 6,209(7) | 6,568(7) | 6,763(7) | 5,607(6) |
| Stamps and Registration fees | 7,806(9) | 9,024(10) | 10,775(11) | 11,308(11) | 10,576(11) |
| Land Revenue | 209(-) | 195(-) | 144(-) | 203(-) | 184(-) |
| Taxes on Goods and Passengers | 3,306(4) | 1,279(1) | 28(-) | 65(-) | 16(-) |
| Taxes and Duties on Electricity | 1,451(2) | 1,485(2) | 2,334(2) | 2,693(3) | 2,433(2) |
| Other Taxes on Income and Expenditure | 901(1) | 964(1) | 1,057(1) | 1,140(1) | 1,127(1) |
| Other Taxes and Duties on Commodities and Services | 1,099(1) | 736(1) | 21(-) | 34(-) | 38(-) |
| (ii) Non Tax Revenue | 5,795(4) | 6,477(4) | 6,773(4) | 7,681(4) | 7,894(5) |
| Rate of growth | 8.22 | 11.77 | 4.57 | 13.41 | 2.77 |
| Interest receipts | 1,200 | 1,178 | 1,112 | 895 | 920 |
| Dividend and profits | 83 | 79 | 38 | 54 | 81 |
| Nonferrous Mining and Metallurgical Industries | 2,419 | 2,747 | 3,027 | 3,629 | 3,893 |
| Medical and Public Health | 153 | 364 | 330 | 599 | 419 |
| Other Administrative Services | 131 | 271 | 253 | 305 | 388 |
| Forestry and Wild Life | 292 | 314 | 309 | 267 | 276 |
| Education, Sports and Culture | 193 | 176 | 200 | 183 | 175 |
| Police | 176 | 253 | 241 | 308 | 367 |
| Roads and Bridges | 62 | 103 | 105 | 71 | 50 |
| Other non-tax receipts | 1,086 | 992 | 1,158 | 1,370 | 1,325 |
| (iii) State's share of Union taxes and duties | 28,760(22) | 31,752(22) | 35,895(22) | 30,919(18) | 21,694(14) |
| Rate of growth | 19.92 | 10.40 | 13.05 | (-13.86) | (-29.84) |
| (iv) Grants-in-aid from Government of India | 15,703(12) | 21,641(15) | 25,481(15) | 34,480(20) | 30,076(19) |
| Rate of growth | 12.74 | 37.81 | 17.74 | 35.32 | (-12.77) |
| Non-Plan grants | 7,045 | - | - | - | - |
| Grants for State Plan schemes | 8,102 | - | - | - | - |
| Grants for Central plan schemes | 116 | - | - | - | - |
| Grants for Centrally sponsored schemes | 440 | 11,617 | 10,393 | 12,214 | 9,852 |
| Other transfers/Grants to States | - | 7,316 | 11,714 | 17,593 | 14,667 |
| Finance Commission Grants | - | 2,708 | 3,374 | 4,673 | 5,557 |
| 2. Capital Receipts | | | | | |
| (i) Miscellaneous Capital Receipts | 27 | 4 | (-6) | 45 | 45 |
| (ii) Recoveries of Loans and Advances | 100 | 137 | 31 | 203 | 270 |
| (iii) Public Debt Receipts | 31,156 | 25,122 | 41,914 | 50,459 | 84,528## |
| Rate of growth of Public Debt Receipts | 47.85 | (-19.37) | 66.84 | 20.39 | 67.52 |
| Internal Debt (excluding Ways and Means Advances and Overdrafts) | 29,238(94) | 23,179(92) | 40,470(97) | 49,473(98) | 70,414(83) |

| | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
|--|-----------------|-----------------|-----------------|-----------------|------------------|
| Net transactions under Ways and Means Advances and Overdrafts | --- | --- | --- | 310(1) | - |
| Loans and Advances from Government of India | 1,918(6) | 1,943(8) | 1,444(3) | 675(1) | 14,114(17) |
| 3. Total Revenue and Non-debt capital receipts (1+2(i)+2(ii)) | 1,33,341 | 1,47,141 | 1,65,004 | 1,75,691 | 1,57,031 |
| 4. Total Receipts in the Consolidated Fund (3+2(iii)) | 1,64,497 | 1,72,263 | 2,06,919 | 2,26,150 | 2,41,559 |
| 5. Contingency Fund Receipts | --- | --- | --- | --- | --- |
| 6. Public Account Receipts | 1,79,318 | 2,00,615 | 2,37,760 | 2,55,638 | 2,72,457 |
| 7. Total Receipts of the State (4+5+6) | 3,43,815 | 3,72,878 | 4,44,679 | 4,81,787 | 5,14,016 |
| Part B: Expenditure/Disbursements | | | | | |
| 8. Revenue Expenditure | 1,31,921 | 1,42,482 | 1,64,300 | 1,74,258 | 1,76,054 |
| Rate of growth | 12.73 | 8.01 | 15.31 | 6.06 | 1.03 |
| Plan | 47,962(36) | - | - | - | - |
| Non Plan | 83,959(64) | - | - | - | - |
| General Services (including interest payments) | 31,265(24) | 34,484(24) | 42,655(26) | 48,824(28) | 55,018(31) |
| Social Services | 54,549(41) | 58,652(41) | 67,935(41) | 66,373(38) | 61,726(35) |
| Economic Services | 40,421(31) | 42,856(30) | 48,285(29) | 52,636(30) | 53,629(30) |
| Grants-in-aid and contributions | 5,686(4) | 6,490(5) | 5,425(4) | 6,425(4) | 5,681(4) |
| 9. Capital Expenditure | 28,150 | 30,667 | 34,659 | 35,530 | 45,406 |
| Plan | 27,684(98) | - | - | - | - |
| Non Plan | 466(2) | - | - | - | - |
| General Services | 1,060(4) | 977(3) | 827(2) | 779(2) | 1,206(3) |
| Social Services | 6,897(24) | 8,677(28) | 9,794(28) | 9,192(26) | 11,547(25) |
| Economic Services | 20,193(72) | 21,013(69) | 24,038(70) | 25,559(72) | 32,653(72) |
| 10. Disbursements of Loans and Advances | 1,934 | 5,093 | 4,487 | 4,069 | 2,669 |
| Plan | 1,929 | - | - | - | - |
| Non Plan | 5 | - | - | - | - |
| General Services | --- | --- | --- | --- | - |
| Social Services | 1,674 | 1,178 | 2,441 | 1,061 | 1,393 |
| Economic Services | 254 | 3,910 | 2,035 | 3,002 | 1,271 |
| Miscellaneous Loans | 6 | 5 | 11 | 6 | 5 |
| 11. Total Capital Expenditure (9+10) | 30,084 | 35,760 | 39,146 | 39,599 | 48,075 |
| Rate of growth | 40.78 | 18.87 | 9.47 | 1.15 | 21.40 |
| 12. Total Expenditure (8+9+10) | 1,62,005 | 1,78,242 | 2,03,446 | 2,13,857 | 2,24,129 |
| Rate of growth | 17.06 | 10.02 | 14.14 | 5.11 | 4.80 |
| 13. Repayment of Public Debt | 7,420 | 8,269 | 11,083 | 10,180 | 11,016 |
| Internal Debt (excluding Ways and Means Advances and Overdrafts) | 6,294(85) | 7,087(80) | 9,741(88) | 8,446(83) | 9,611(87) |
| Net transactions under Ways and Means Advances and Overdraft | --- | --- | --- | 310(3) | --- |
| Loans and Advances from Government of India | 1,126(15) | 1,182(14) | 1,342(12) | 1,424(14) | 1,405(13) |
| 14. Appropriation to Contingency Fund | --- | --- | --- | --- | --- |
| 15. Total disbursement out of Consolidated Fund (12+13+14) | 1,69,425 | 1,86,511 | 2,14,528 | 2,24,037 | 2,35,145 |
| 16. Contingency Fund disbursements | --- | --- | --- | --- | --- |
| 17. Public Account disbursements | 1,67,154 | 1,94,537 | 2,34,330 | 2,45,292 | 2,66,193 |
| 18. Total disbursement by the State (15+16+17) | 3,36,579 | 3,81,048 | 4,48,858 | 4,69,329 | 5,01,338 |
| Part C: Surplus/Deficit | | | | | |
| 19. Revenue Deficit (-)/ Revenue Surplus(+) (1-8) | 1,293 | 4,518 | 679 | 1,185 | (-19,338) |
| 20. Fiscal Deficit (3-12) | 28,664 | 31,101 | 38,442 | 38,166 | 67,098 |

| | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
|--|-----------|-----------|-----------|-----------|------------|
| 21. Primary Deficit (20-22) | 15,814 | 16,128 | 21,828 | 18,263 | 43,665 |
| Primary Surplus (22-20) | --- | --- | --- | --- | - |
| Part D: Other data | | | | | |
| 22. Interest Payments (included in revenue expenditure) | 12,850 | 14,973 | 16,614 | 19,903 | 23,433# |
| 23. Financial Assistance to local bodies etc. | 44,499 | 47,096 | 50,603 | 54,603 | 53,771 |
| 24. Ways and Means Advances/Overdraft availed (days) | | | | | |
| Ways and Means Advances availed (days) | --- | --- | --- | 2 | - |
| Overdraft availed (days) | --- | --- | --- | --- | - |
| 25. Interest on Ways and Means Advances/Overdraft | --- | --- | --- | 0.05 | - |
| 26. Gross State Domestic Product * (GSDP) | 12,07,608 | 13,36,914 | 14,90,624 | 16,28,928 | 18,03,609 |
| 27. Rate of growth | 15.54 | 10.71 | 11.50 | 9.28 | 10.72 |
| 28 Off Budget Borrowings during the year | 3,005.16 | 3,500.23 | 3,523.65 | 4,435.49 | 3,045.10 |
| 28.(a) Outstanding Fiscal Liabilities (inclusive of off-budget borrowings) | 2,21,319 | 2,46,231 | 2,85,238 | 3,37,520 | 4,15,926^^ |
| 29. Rate of growth | 20.73 | 11.26 | 15.84 | 18.33 | 23.23 |
| 30. Outstanding guarantees (year-end) (including interest) | 15,392 | 18,416 | 24,091 | 26,830 | 32,733 |
| 31. Maximum amount guaranteed (year-end) | 21,115 | 24,025 | 30,719 | 35,694 | 45,104 |
| 32. Number of incomplete projects | 341 | 236 | 881 | 978 | 1,133 |
| 33. Capital blocked in incomplete projects | 2,027 | 967 | 3,128 | 4,359 | 6,469 |
| Part E: Fiscal Health indicators | | | | | |
| I Resource Mobilization | | | | | |
| Revenue Receipts/GSDP | 11.03 | 11.00 | 11.07 | 10.77 | 8.69 |
| Own Tax Revenue/GSDP | 6.87 | 6.52 | 6.50 | 6.28 | 5.38 |
| Own Non-Tax Revenue/GSDP | 0.48 | 0.48 | 0.45 | 0.47 | 0.44 |
| Central Transfers/GSDP | 3.68 | 3.99 | 4.12 | 4.01 | 2.87 |
| Non-tax revenue to Revenue Receipts | 4.35 | 4.41 | 4.11 | 4.38 | 5.04 |
| Rate of growth of State's Own Tax | 9.70 | 5.47 | 10.68 | 6.22 | 4.63 |
| II Expenditure Management | | | | | |
| Total Expenditure/GSDP | 13.42 | 13.33 | 13.64 | 13.13 | 12.43 |
| Revenue Receipts/Total Expenditure | 82.23 | 82.47 | 81.09 | 82.04 | 69.92 |
| Revenue Expenditure/Total Expenditure | 81.43 | 79.94 | 80.76 | 81.48 | 78.55 |
| Expenditure on Social Services/Total Expenditure | 38.96 | 38.43 | 39.41 | 35.83 | 33.31 |
| Expenditure on Economic Services/Total Expenditure | 37.57 | 38.03 | 36.55 | 37.97 | 39.06 |
| Capital Expenditure/Total Expenditure | 18.57 | 20.07 | 19.24 | 18.52 | 21.45 |
| Capital Expenditure on Social and Economic Services/Total Expenditure | 17.91 | 19.51 | 18.83 | 18.15 | 20.91 |
| III Management of Fiscal Imbalances | | | | | |
| Revenue Surplus (Deficit)/GSDP | 0.11 | 0.34 | 0.04 | 0.07 | 1.07 |
| Fiscal Deficit/GSDP | 2.37 | 2.33 | 2.58 | 2.34 | 3.72 |
| Primary Deficit (surplus)/GSDP | 1.31 | 1.21 | 1.46 | 1.12 | 2.42 |
| Primary Revenue Balance (in crore) | 14,143 | 19,491 | 17,293 | 21,088 | 4,095 |
| Primary Revenue Balance/GSDP | 1.17 | 1.46 | 1.16 | 1.29 | 0.23 |

| | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
|--|---------|---------|---------|---------|--------------------|
| IV Management of Fiscal Liabilities | | | | | |
| Fiscal Liabilities (inclusive of off-budget borrowings)/GSDP | 18.32 | 18.41 | 19.14 | 20.72 | 22.37 [^] |
| Fiscal Liabilities/Revenue Receipts | 166.14 | 167.50 | 172.89 | 192.38 | 265.40 |
| Fiscal Liabilities/Own Resources | 249.37 | 263.05 | 275.32 | 306.71 | 396.32 |
| V Other Fiscal Health Indicators | | | | | |
| Return on Investment (₹ in crore) | 82.50 | 78.83 | 38.30 | 53.64 | 80.70 |
| Financial Assets/Liabilities | 1.08 | 1.10 | 1.00 | 1.00 | 1.00 |
| Revenue Buoyancy** w.r.t | | | | | |
| GSDP | 0.78 | 0.97 | 1.06 | 0.68 | 1.00 |
| States' Own Tax | 1.24 | 2.06 | 1.10 | 1.11 | (-)12.06 |
| State's own tax Buoyancy w.r.t GSDP | 0.63 | 0.47 | 0.97 | 0.62 | 0.48 |
| Buoyancy of total expenditure with | | | | | |
| GSDP | 1.1 | 0.94 | 1.23 | 0.55 | 0.44 |
| Revenue receipts | 1.41 | 0.97 | 1.16 | 0.82 | 0.45 |
| Buoyancy of revenue expenditure with | | | | | |
| GSDP | 1.1 | 0.75 | 1.33 | 0.65 | 0.10 |
| Revenue receipts | 1.05 | 0.10 | 2.53 | 0.96 | 0.10 |
| Buoyancy of capital expenditure with | | | | | |
| GSDP | 2.62 | 1.76 | 0.82 | 0.12 | 2.00 |
| Revenue receipts | 3.36 | 1.82 | 0.77 | 0.18 | 2.00 |
| Buoyancy ratio of fiscal liabilities with | | | | | |
| GSDP | 1.33 | 1.05 | 1.38 | 1.98 | 2.17 |
| Revenue Receipts | 1.71 | 1.09 | 1.30 | 2.89 | 2.18 |
| Own Resources | 2.14 | 2.06 | 1.48 | 2.95 | 5.05 |

Figures in brackets represent percentages (rounded) to total of each sub-heading

#Includes expenditure on interest payment in respect of off-budget borrowings etc., under various service heads (₹1,512.31 crore borrowed through Special Purpose Vehicles-General Services (₹0.11 crore) Social Services (₹133.29crore) and Economic Services (₹ 1,378.91 crore).

*GSDP figures adopted in previous audit report are 2016-17(₹12,09,136 crore), 2017-18 (₹13,57,579 crore), 2018-19 (₹15,44,399 crore) and (2019-20 ₹16,99,115 crore).

**Buoyancy ratio indicates the elasticity or degree of responsiveness of a fiscal variable with respect to a given change in the base variable. For instance, revenue buoyancy at 0.4 implies that revenue receipts tend to increase by 0.4 percentage points, if the GSDP increases by one

[^]The back to back Loan (₹ 12,407 crore) received from GoI in lieu of GST compensation has not been considered as Debt for working out the indicator

Effective Public Debts would be ₹72,120.94 crore as the Department of Expenditure, GoI had decided that GST compensation of ₹12,407crore given to the state as back-to-back loan under Debt Receipts would not be treated as debt of the state for any norms which may be prescribed by the Finance Commission.

^{^^} Effective Outstanding Fiscal Liabilities would be ₹4,03,519 crore as the Department of Expenditure, GoI had decided that GST compensation of ₹12,407crore given to the state as back-to-back loan under Debt Receipts would not be treated as debt of the state for any norms which may be prescribed by the Finance Commission.

Appendix 2.3

Department wise share of Subsidies

(Reference: Paragraph 2.5.2.7; Page 41)

(₹ in crore)

| Departments | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 | Remarks |
|--|---------------|---------------|---------------|---------------|---------------|---|
| Energy | 8,647 | 7,957 | 7,593 | 9,110 | 9,139 | It includes financial assistance to ESCOMS for supply to IP sets, Bhagya Jyothi and Kutira Jyothi consumers. It includes book adjustment of ₹2,594.63 crore of which ₹2,097.23 crore was tax dues retained by ESCOMS against power subsidy due. |
| Food & Supplies | 1,854 | 1,917 | 2,404 | 2,692 | 2,324 | It includes subsidy towards Annabhagya for BPL and APL beneficiaries. |
| Agricultural and Other Allied Activities | 1,335 | 1,455 | 2,336 | 2,254 | 2,774 | It includes subsidy towards crop husbandry, fisheries, forestry, Soil and Water Conservation and wild life etc. |
| Co-operation | 818 | 778 | 777 | 1,074 | 1,231 | Represents waiver of overdue loans, both principal and interest. |
| Transport | 799 | 757 | 820 | 728 | 1,529 | Subsidy is towards fare concession extended to Students. |
| Housing | 402 | 362 | 459 | 943 | 450 | Subsidy is towards Ashraya scheme. |
| Others | 532 | 922 | 1,011 | 733 | 985 | It includes subsidy under Social Welfare, Industries and Commerce department etc. |
| Total | 14,387 | 14,148 | 15,400 | 17,534 | 18,432 | |

Source: Finance Accounts

Appendix 2.4

Subsidies in the form of financial assistance, incentives etc.

(Reference: Paragraph 2.5.2.7; Page 42)

| Sl. No. | Head of Account | Scheme Description | (₹ in crore) | | | | |
|--------------|------------------|--|-----------------|-----------------|-----------------|-----------------|-----------------|
| | | | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
| 1 | 2202-01-109-0-03 | Vidya Vikasa Scheme | 407.06 | 501.15 | 466.27 | 538.08 | 266.98 |
| 2 | 2216-02-101-0-07 | Vajpayee Urban Housing Scheme | 100.00 | 336.62 | 250.00 | 93.75 | 150.00 |
| 3 | 2216-02-102-0-02 | Housing for weaker section | 11.00 | 1.00 | 0.00 | 0.00 | 0.00 |
| 4 | 2216-03-104-0-01 | Ashraya | 1,251.55 | 944.42 | 654.00 | 1,461.35 | 600.00 |
| 5 | 2235-02-102-0-25 | Bhagya Lakshmi | 338.40 | 301.90 | 294.27 | 294.30 | 46.82 |
| 6 | 2401-00-103-0-15 | Supply of seeds and other inputs (Agricultural inputs and Quality Control) | 677.57 | 213.20 | 559.95 | 590.85 | 550.38 |
| 7 | 2401-00-108-1-15 | Micro Irrigation(National Mission for sustainable Agriculture) | 326.56 | 94.85 | 440.37 | 429.57 | 632.85 |
| 8 | 2401-00-108-2-30 | National Mission for sustainable Agriculture (Drip Irrigation) | 36.97 | 288.47 | 364.54 | 337.19 | 386.31 |
| 9 | 2405-00-103-0-20 | Matsya Ashraya | 26.28 | 15.00 | 4.00 | 0.00 | 0.00 |
| 10 | 2425-00-108-0-57 | Yashaswini | 170.43 | 190.79 | 99.75 | 0.00 | 0.00 |
| 11 | 2851-00-103-0-62 | Weavers package | 114.54 | 38.75 | 114.76 | 127.15 | 260.10 |
| 12 | 2851-00-103-0-69 | Weavers Package- KHDC | 24.00 | 6.02 | 9.39 | 20.00 | 40.00 |
| 13 | 2852-80-103-0-59 | Refund of sales tax to Eligible industries | 89.41 | 80.00 | 299.46 | 155.26 | 195.00 |
| 14 | 3475-00-107-0-20 | Minimum Floor Price Scheme | 140.00 | 306.00 | 220.30 | 0.00 | 60.00 |
| Total | | | 3,713.77 | 3,318.17 | 3,777.06 | 4,047.50 | 3,188.44 |

Source: Consolidated Abstract of major heads

Appendix 2.5

Detailed Loan Accounts maintained by Principal Accountant General (A&E)

(Reference: Paragraph 2.5.4.2; Page 48)

| Sl. No. | Head of Account/Institutions | Arrears as on 31 March 2021 | |
|--------------|--|-----------------------------|-----------------|
| | | Principal | Interest |
| 1 | 6215-01-190-2-86: Bangalore Water Supply and Sewerage Board | 4,625.79 | 3,797.90 |
| 2 | 6215-01-190-1-00: Karnataka Urban Water Supply and Drainage Board | 211.35 | 645.14 |
| 3 | 6216-02-201-1-00: Karnataka Housing Board | 23.61 | 97.93 |
| 4 | 6217-60-191-1-03: Bangalore Development Authority (for repayment of HUDCO Loans) | 17.17 | 36.60 |
| 5 | 6220-01-190-1-00: Karnataka State Film Industries Development Corporation | 0.41 | 1.89 |
| 6 | 6401-00-113-2-00: Karnataka Agro Proteins Limited | 0.70 | 3.85 |
| 7 | 6401-00-103-2-00: Karnataka State Seeds Corporation Limited | 2.88 | 6.72 |
| 8 | 6401-00-103-3-00: Karnataka State Co-operative Oil Seeds Growers Federation | 0.75 | 7.42 |
| 9 | 6851-00-200-0-00: Leather Industries Development Corporation | 1.26 | 4.54 |
| 10 | 6852-02-190-3-00: Dandeli Steel and Ferro Alloys Limited | 0.31 | 1.43 |
| 11 | 6853-02-190-1-00: Hutti Gold Mines Company Limited | 0.30 | 1.77 |
| 12 | 6858-01-190-3-00: Karnataka Implements and Machinery Company | 1.10 | 5.42 |
| 13 | 6858-02-190-1-00: Electro Mobile India Limited | 0.61 | 2.86 |
| 14 | 6858-02-190-0-01: Chamundi Machine Tools | 0.18 | 0.38 |
| 15 | 6858-01-190-2-00: New Government Electric Factory | 67.47 | 210.03 |
| 16 | 6859-01-190-0-01: Karnataka Telecommunication Limited | 1.65 | 6.76 |
| 17 | 6860-04-190-2-01: Mysore Sugar Company | 47.00 | 40.34 |
| 18 | 6860-60-212-1-00: Karnataka Soaps and Detergents Limited | 2.25 | 16.04 |
| 19 | 6860-60-600-3-00: Mysore Tobacco Company Limited | 1.34 | 12.65 |
| 20 | 6885-01-190-3-00: Karnataka State Finance Corporation | 0.40 | 0.83 |
| 21 | 7452-80-190-1-00: Karnataka State Tourism Development Corporation | 1.01 | 3.76 |
| Total | | 5,007.54 | 4,904.26 |

Source: Finance Accounts

Appendix 3.1

Category wise/department wise budget allocation/expenditure for Child Budget
(Reference: Paragraph 3.4.3; Page 82)

(₹ in crore)

| Sl No | Grant | Child Centric Programme/Schemes | | | | Child Centric Non Programme/Schemes | | | |
|--------------|--|---------------------------------|------------------|------------------|------------------|-------------------------------------|------------------|-----------------|-----------------|
| | | 100% CCP | | Less than 100% | | 100% CCP | | Less than 100% | |
| | | Budget | Expr. | Budget | Expr. | Budget | Expr. | Budget | Expr. |
| 1 | 05- Home and Transport | 0.00 | 0.00 | 2,523.88 | 2,120.49 | 0.00 | 0.00 | 0.00 | 0.00 |
| 2 | 8 – Forest, Ecology and Environment | 92.65 | 70.31 | 25.19 | 25.19 | 0.00 | 0.00 | 0.00 | 0.00 |
| 3 | 10- Social Welfare | 1,562.59 | 1,195.99 | 4,538.31 | 3,809.71 | 0.00 | 0.00 | 0.00 | 0.00 |
| 4 | 11- Women & Child Development | 4,210.17 | 4,157.89 | 118.48 | 95.47 | 5.00 | 3.54 | 0.00 | 0.00 |
| 5 | 12 - Information, Tourism and Youth Services | 0.00 | 0.00 | 315.49 | 214.60 | 0.00 | 0.00 | 0.00 | 0.00 |
| 6 | 13 – Food and Civil Supplies | 0.00 | 0.00 | 3,257.62 | 3,103.66 | 0.00 | 0.00 | 0.50 | 0.00 |
| 7 | 15 – Information Technology | 0.00 | 0.00 | 44.26 | 44.14 | 0.00 | 0.00 | 0.00 | 0.00 |
| 8 | 17 - Education | 5,965.53 | 4,893.42 | 71.14 | 65.60 | 18,791.18 | 16,886.35 | 1,125.81 | 944.09 |
| 9 | 22- Health and Family Welfare | 47.00 | 0.00 | 4,476.18 | 4,340.78 | 75.16 | 57.30 | 3,507.65 | 3,259.55 |
| 10 | 23- Labour and Skill Development | 4.00 | 4.00 | 6.01 | 6.01 | 0.00 | 0.00 | 254.17 | 215.15 |
| 11 | 25 – Kannada and Culture | 0.00 | 0.00 | 44.86 | 43.64 | 0.00 | 0.00 | 0.00 | 0.00 |
| 12 | 27 - Law | 0.00 | 0.00 | 0.00 | 0.00 | 21.45 | 2.89 | 0.00 | 0.00 |
| Total | | 11,881.94 | 10,321.61 | 15,421.42 | 13,869.29 | 18,892.79 | 16,950.08 | 4,888.13 | 4,418.79 |

Source: Child Budget

Appendix 3.2

Major policy initiatives in the Budget 2020-21

(Reference: Paragraph 3.5 ; Page 83)

| Sl. No. | Para No. | Budget Assurances | Action taken on Action Taken Report | Audit Analysis |
|--|----------|---|---|---|
| Information Technology and Biotechnology Department | | | | |
| 1 | 180 | In order to consolidate and integrate all innovative activities of the State, an "Innovation Hub" will be established with an expenditure of ₹4 crore. | Administrative approval has been accorded vide G.O No: ITBT 42 ADM 2020, dated:03.08.2020 | Karnataka Digital Economy Mission was established and an amount of ₹9.72 crore was Transferred to KDEM by KITS on 22.12.2020. |
| 2 | 184 | It is proposed to set up Karnataka Technology Mission for investment promotion and liaising with foreign Governments and companies for attracting foreign investment. ₹7 crore would be provided for this. | Administrative approval has been accorded vide G.O No: ITBT 42 ADM 2020, dated:03.08.2020 | Hence the assurance is implemented. |
| 3 | 188 | 'Acceleration programme' will be launched in association with the trade to accelerate the speed of start-ups and to help them to enter into domestic and foreign markets. A grant of ₹3 crore will be provided during the year 2020-21. | Administrative approval has been accorded vide G.O No: ITBT 42 ADM 2020, dated:03.08.2020 | |
| 4 | 181 | To address the technical challenges of various important sectors in the development of Karnataka, a Centre of Excellence for Efficiency Augmentation will be established with the collaboration of STPI with an expenditure of ₹30 crore. | Administrative approval has been accorded vide G.O No: ITBT 43 ADM 2020, dated:30.11.2020 | The State Government did not release any funds during 2020-21 due to Covid – 19 Pandemic. Hence this project was not implemented during 2020-21 |
| 5 | 182 | An "Artificial Intelligence Research Translation Park" will be established in association with Indian Institute of Science, Bengaluru in order to promote AI-Innovation, AI-Commercialization, Pilot Project Implementation along with development of 5G technology. For this purpose, corpus grant of ₹60 crore will be Provided for next three years. | Administrative approval has been accorded vide G.O No: ITBT 44 ADM 2020, dated:18.11.2020 | |
| 6 | 185 | Talent Acceleration Programme to be started in collaboration with Skill Development Department to impart and upgrade skills for guaranteed placement of graduate students. 1000 graduates will be trained in the next two years. A sum of ₹2 crore will be provided for this. | Administrative approval has been accorded vide G.O No: ITBT 46 ADM 2020, dated:23.11.2020 | An amount of ₹1 crore was released on 05.01.2021 for implementation of Phase 1 – Identification of domain areas by Department of Electronics, ITBT and Science and Technology to KSDC. Partially implemented. |
| 7 | 187 | With an aim to emphasize morality in order to create a suitable environment, a Centre of Excellence in the matter of 'internet of ethical things' will be established in collaboration with the World Economic Forum of Davos by including interested stakeholders. For the said Centre, the State Government will provide a financial assistance of ₹30 crore in five years. A grant of ₹ 7.5 crore will be provided during the Year 2020-21 | Administrative approval has been accorded vide G.O No: ITBT 48 ADM 2020, dated:17.12.2020 | The State Government did not release any funds during 2020-21 due to Covid – 19 Pandemic. Hence, this project was not implemented during 2020-21. |

| Sl. No. | Para No. | Budget Assurances | Action taken on Action Taken Report | Audit Analysis |
|-------------------------------|----------|--|--|--|
| 8 | 190 | 'Science and Talent Search' programme would be started to identify and nurture talented students studying in Pre-University Colleges. About 500 students will be selected and mentored for 2 years by premier science institutes. The selected students will be given monthly scholarship of ₹1000. | Administrative approval has been accorded vide G.O No: ITBT 98 STS 2020, dated:10.11.2020 | Programme not implemented during 2020-21. It was stated that it will be taken up during October 2021 to March 2022. |
| Agriculture Department | | | | |
| 9 | 26 | To encourage Water security, land bank and mass cultivation, micro irrigation, processing of farm produce, marketing and also to consider agriculture and horticulture as an Industry, our Government will bring a new agricultural policy. | A High Level Committee has been constituted under the chairmanship of Additional Chief Secretary and Development Commissioner vide GO No. AGRI-AML/106/2020 dated 20.11.2020 to formulate guidelines to new agricultural policy. | Draft report of the operational policy was submitted to Government during 14.09.2021. The new agricultural policy is yet to be finalized. |
| 10 | 27 | By announcing an additional assistance, ₹4000 has been given by our government along with ₹6000 given to small and marginal farmers by the central government under the 'Pradhan Mantri Kisan Samman Scheme', approximately ₹825 crore has been transferred to 41 lakh bank accounts by the State till date. To continue this scheme, ₹2600 crore will be provided during 2020-21. | It is an ongoing scheme GO AGRI AML/91/2020 dated 16.6.2020 has been issued. | During 2020-21, an amount of ₹500 crore was allotted to provide Financial Assistance to farmers (@ ₹5000/- per farmer) who cultivated Maize during 2019-20 and were in financial crisis due to Covid - 19 Pandemic. Out of this amount ₹389.54 crore was transferred to 8.10 lakh farmers through DBT. Further, the Government transferred ₹997.54 crore to 49.88 lakh farmers through DBT mode. Hence the action has been taken to implement this budget assurance. |
| 11 | 29 | In spite of best efforts, farmers are facing loss of crop due to adverse climate. As our Government is committed to protect the interests of the farmers, State's share of insurance will be released in time. For this ₹900 crore has been provided. | It is an ongoing scheme, GO No. AGRI AML/91/ 2002 dated 16.06.2020 has been issued. | During 2020-21, ₹1,233.84 crore was spent. Further, out of additional amount of ₹46.86 crore, ₹45.56 crore has been spent. Hence, this assurance is fully implemented. |
| 12 | 31 | At present, quality seeds are being provided to farmers through Raitha Samparka Kendras. Other than this, to reduced production costs, to provide Higher Germination Percentage Seeds, our Government will provide chemically pre-processed and polymer smeared seeds. | To supply chemically pre-processed and polymer smeared seeds, this term will be included in ensuing tender notification. | E-tender Notification was generated on 18.01.2021. Cabinet approval is awaited. |

| Sl. No. | Para No. | Budget Assurances | Action taken on Action Taken Report | Audit Analysis |
|---------|----------|--|--|--|
| 13 | 34 | Soil health programme is a subject of utmost priority. The State has distributed 163 lakh Soil Health Cards to the farmers. The State will formulate a policy based on the recommendations of the Land Resource Registry, availability of water and soil health card to make farmers grow suitable region wise crops, to use necessary seeds, chemical fertilizers and micronutrients | High Level Committee has been constituted under the Chairmanship of ACS and Development Commissioner vide GO AGRI AML/110/2020 dated 09.10.2020 | Final Agriculture Input Policy 2021 was submitted for Cabinet Approval during August 2021. Cabinet Approval is awaited. |
| 14 | 37 | The World Bank sponsored Sujala II projects have been implemented in more than 14 lakh hectares of rain dependent watershed areas of 12 districts. Specific arrangement and conservation of nutrients and water, a detailed item wise register of land resources has been prepared through scientific institutions. To propagate these recommendations, action will be initiated to conduct training on Land Resource Register in 2500 villages and to distribute cards to more than one lakh rain dependent farmers at an expenditure of ₹10 crore. | GO No. AGRI-AML/89/2020 dated 14.08.2020 has been issued. | The guidelines issued to the project districts for conducting village level training to the farmers in the project area. 2534 trainings conducted during 2020-21 and survey number wise LRI cards were distributed. Assurance implemented fully. |
| 15 | 38 | On the lines of Sujala – III project, the state is also participating in the World Bank funded new multi-state Watershed Area Development Project.(REWARD) for the next six years. This will assist rain dependent watershed area of 10 lakh hectares and strengthening of Farmers Producers Organization and the land resource register in the development of the value chain. | It is an on-going scheme GO Agri AML /87/2020 dated 14.09.2020 has been issued. | The preparatory activities were initiated to implement the proposed REWARD programme from 2021-22. |
| 16 | 39 | The condition of underground water in 76 taluks of the State is recognized as critical. In these taluks suffering from water scarcity, for water conservation and rain water harvesting activities, 100 watershed management projects in 4.75 lakh hectares have been sanctioned. Moreover, in the next three years, Jalamrutha projects will be implemented in 810 very small watersheds in four lakh hectares. | It is an on-going scheme GO AGRI-AML-91/2020 dated 16.06.2020 has been issued. | Jalamrutha DPRs prepared to cover 4.05 lakh hectare in 810 micro watersheds of 143 taluks in the State for next three years duly converging MGNREGS with other schemes of WDD. Hence action has been initiated. |
| 17 | 40 | The University of Agricultural and Horticultural Sciences of Shivamogga, established in the year 2012 is a specialized comprehensive University involving agricultural, horticultural and Forest Sciences. This University is catering the needs of Shivamogga, Chikkamagaluru, Dakshina Kannada, Udupi, Davanagere, Chitradurga and Kodagu Districts. The State Government has allotted 787 acres of revenue land in Iruvakk | It is an on-going scheme. 60 students have been allotted by the Karnataka Examination Authority through CET to start BSc (Agri) degree programme and all necessary actions | Out of ₹155 crore, ₹136.67 crore was released by the Government up to 2020-21. Out of the balance of ₹18.66 crore, ₹9.33 crore was released during June and August 2021 and Rs.9.33 crore was yet to be released. |

| Sl. No. | Para No. | Budget Assurances | Action taken on Action Taken Report | Audit Analysis |
|---------|----------|---|---|--|
| | | village of Sagara Taluk. For the works of this University, ₹155 crore has been allotted. During the year 2020-21, action will be taken to complete the remaining works and to start the classes at Iruvakkki. | initiated for commencement of degree classes at New Campus, Iruvakkki. Proposals are under process to release balance grants of ₹28.17 crore for completion of 1 st phase of work. | Totally an amount of ₹146 crore was released. The Works were entrusted to KHB. The first phase works are under completion and the request for release of additional ₹100 crore for implementation of phase -2 works has been submitted. Hence this assurance is partially implemented. |

Appendix 3.3

Cases of incurring expenditure, which are not covered by the budget, but released by FD as additionalities

(Reference: Paragraph 3.7.2.1; Page 86)

| (₹ in crore) | | | |
|--------------|--------------------------------------|--------------|-----------------|
| Sl No | Grant No./Nomenclature | No. of cases | Amount |
| 1 | 01 - Agriculture | 10 | 1,059.93 |
| 2 | 02 - Animal Husbandry and Fisheries | 8 | 64.44 |
| 3 | 05 - Home and Transport | 5 | 688.62 |
| 4 | 08 - Forest, Ecology and Environment | 3 | 6.58 |
| 5 | 09 - Co-operation | 1 | 9.21 |
| 6 | 14 - Revenue | 3 | 14.23 |
| 7 | 20 - Public Works | 2 | 2,857.00 |
| 8 | 21 - Water Resources | 1 | 400.00 |
| 9 | 22 - Health and Family Welfare | 2 | 151.69 |
| 10 | 27 - Law and Parliamentary Affairs | 1 | 30.00 |
| Total | | 36 | 5,281.70 |

Source: Appropriation Accounts

Appendix 3.4

Unnecessary Supplementary Provision
(Reference: Paragraph 3.7.2.4; Page 89)

(₹ in crore)

| Sl. No | Grant No/ Nomenclature | Head of Account | Original Provision | Supplementary (>2 crore) | Total | Expenditure | Unspent Provision |
|--------|---|--|--------------------|--------------------------|--------|-------------|-------------------|
| 1 | 02-Animal Husbandry and Fisheries | 2405-00-103-0-23-100 Financial Assistance | 132.00 | 30.00 | 162.00 | 127.00 | 35.00 |
| 2 | 04-DPAR | 2070-00-115-1-01-195 Transport Expenses | 12.00 | 2.07 | 14.07 | 10.96 | 3.11 |
| 3 | 08-Forest, Ecology and Environment | 2406-04-103-1-01-139 Major Works | 16.00 | 2.29 | 18.29 | 15.41 | 2.88 |
| 4 | 14-Revenue | 2029-00-101-1-01-003 Pay Staff | 264.19 | 4.82 | 269.01 | 254.93 | 14.07 |
| 5 | | 2053-00-094-7-01-002 Pay Officers | 17.04 | 3.35 | 20.39 | 16.71 | 3.68 |
| 6 | | 2245-80-102-0-01-051 General Expenses | 105.40 | 44.63 | 150.03 | 91.19 | 58.85 |
| 7 | | 2245-80-102-0-02-059 Other Expenses | 210.80 | 89.27 | 300.07 | 184.50 | 115.57 |
| 8 | 17-Education | 2202-02-197-1-01-401 Bangalore Urban | 140.63 | 3.79 | 144.42 | 132.08 | 12.33 |
| 9 | | 2202-02-197-1-01-413 Belagavi | 206.29 | 2.65 | 208.94 | 188.90 | 20.04 |
| 10 | | 2202-02-197-1-01-420 Raichur | 114.58 | 2.10 | 116.68 | 105.68 | 11.00 |
| 11 | | 2202-02-197-1-01-461 Bagalkot | 117.46 | 2.72 | 120.18 | 108.92 | 11.27 |
| 12 | | 2202-02-196-1-01-401 Bangalore Urban | 202.70 | 4.32 | 207.02 | 189.74 | 17.28 |
| 13 | | 2202-02-196-1-01-403 Chitradurga | 117.80 | 3.42 | 121.22 | 109.96 | 11.25 |
| 14 | | 2202-02-196-1-01-406 Tumakuru | 181.14 | 6.26 | 187.40 | 170.08 | 17.32 |
| 15 | | 2202-02-196-1-01-407 Mysuru | 77.39 | 2.71 | 80.09 | 73.03 | 7.06 |
| 16 | | 2202-01-197-1-01-401 Bangalore Urban | 523.39 | 5.73 | 529.12 | 483.71 | 45.41 |
| 17 | | 2202-01-197-1-01-403 Chitradurga | 387.18 | 3.72 | 390.90 | 352.50 | 38.40 |
| 18 | | 2202-01-197-1-01-404 Kolar | 346.08 | 2.77 | 348.86 | 315.90 | 32.96 |
| 19 | | 2202-01-197-1-01-407 Mysore | 434.85 | 2.73 | 437.58 | 396.87 | 40.70 |
| 20 | | 2202-01-197-1-01-413 Belagavi | 948.00 | 8.30 | 956.30 | 865.60 | 90.70 |
| 21 | | 2202-01-197-1-01-414 Vijayapura | 565.97 | 4.16 | 570.13 | 516.03 | 54.10 |
| 22 | 2202-01-197-1-01-416- Uttara Kannada | 398.39 | 2.39 | 400.77 | 362.75 | 38.02 | |

| Sl. No | Grant No/ Nomenclature | Head of Account | Original Provision | Supplementary (>2 crore) | Total | Expenditure | Unspent Provision |
|--------------|------------------------------------|--|--------------------|--------------------------|-----------------|-----------------|-------------------|
| 23 | | 2202-01-197-1-01-417 Kalaburagi | 498.49 | 9.41 | 507.90 | 459.96 | 47.94 |
| 24 | | 2202-01-197-1-01-419 Bidar | 414.68 | 5.20 | 419.88 | 380.24 | 39.64 |
| 25 | | 2202-01-197-1-01-420 Raichur | 306.43 | 2.03 | 308.46 | 279.20 | 29.26 |
| 26 | | 2202-01-197-1-01-421 Yadgir | 196.17 | 3.41 | 199.58 | 180.86 | 18.72 |
| 27 | | 2202-01-197-1-01-451 Davanagere | 355.05 | 2.46 | 357.51 | 323.61 | 33.90 |
| 28 | | 2202-02-196-1-01-412 Mandya | 55.63 | 2.93 | 58.56 | 53.27 | 5.29 |
| 29 | | 2202-02-196-1-01-413 Belagavi | 261.25 | 3.13 | 264.38 | 239.60 | 24.78 |
| 30 | | 2202-02-196-1-01-414 Vijayapura | 146.43 | 3.82 | 150.24 | 136.20 | 14.04 |
| 31 | | 2202-02-196-1-01-416 Uttara Kannada | 86.50 | 3.80 | 90.29 | 82.03 | 8.26 |
| 32 | | 2202-02-196-1-01-417 Kalaburagi | 71.65 | 4.95 | 76.60 | 70.07 | 6.53 |
| 33 | | 2202-02-196-1-01-451 Davanagere | 102.84 | 2.82 | 105.65 | 95.86 | 9.79 |
| 34 | | 2202-01-197-1-01-466 Koppal | 258.88 | 7.37 | 266.25 | 241.53 | 24.72 |
| 35 | | 2202-01-197-1-01-456 Chamarajanagar | 168.22 | 2.16 | 170.38 | 154.37 | 16.01 |
| 36 | | 2203-00-105-0-01-003 Pay Staff | 40.80 | 2.22 | 43.02 | 39.09 | 3.93 |
| 37 | 22-Health and Family Welfare | 2210-05-105-1-49-101 GIA Salaries | 77.62 | 3.94 | 81.56 | 71.90 | 9.66 |
| 38 | 23-Labour and Skill Development | 2210-01-102-0-01-051 General Expenses | 0.90 | 15.00 | 15.90 | 0.80 | 15.10 |
| 39 | | 2210-01-102-0-01-053 Purchase of Furniture and Fixture | 0.01 | 5.00 | 5.01 | 0.00 | 5.01 |
| 40 | | 2210-01-102-0-01-180 Machinery and Equipment | 3.00 | 47.46 | 50.46 | 2.69 | 47.77 |
| 41 | | 2210-01-102-0-01-195 Transport Expenses | 0.84 | 4.00 | 4.84 | 0.48 | 4.36 |
| 42 | | 2210-01-102-0-01-034 Contract/Outsource | 20.09 | 23.97 | 44.06 | 13.14 | 30.92 |
| 43 | 27 – Law and Parliamentary Affairs | 2014-00-102-0-01-041 Travel Expenses | 2.50 | 2.55 | 5.05 | 1.20 | 3.85 |
| Total | | | 8,587.25 | 391.79 | 8,979.04 | 7,898.56 | 1,080.48 |

Source: Grant Register

Appendix 3.5

Excessive Supplementary Provision
(Reference: Paragraph 3.7.2.4; Page 89)

| Sl No | Grant No | HOA | Original Budget | Supplementary (>5 crore) | Total | Expenditure | (₹ in crore) |
|-------|----------|--|-----------------|--------------------------|----------|-------------|--------------------|
| | | | | | | | Savings (>5 crore) |
| 1 | 01 | 2401-00-108-2-30-422 SCSP | 40.23 | 21.92 | 62.15 | 53.09 | 9.06 |
| 2 | | 2401-00-103-0-15-106 Subsidies | 313.71 | 50.00 | 363.71 | 320.34 | 43.37 |
| 3 | 05 | 3055-00-800-0-15-422 SCSP | 3.39 | 13.17 | 16.56 | 10.17 | 6.39 |
| 4 | | 4055-00-207-0-04-386 Construction | 30.00 | 52.47 | 82.47 | 72.47 | 10.00 |
| 5 | 06 | 4711-02-103-2-02-139 Major Works | 0.00 | 44.17 | 44.17 | 23.40 | 20.77 |
| 6 | | 5051-02-201-0-11-139 Major Works | 0.00 | 11.06 | 11.06 | 1.30 | 9.77 |
| 7 | | 5051-02-211-0-02-132 Capital Expenditure | 0.00 | 17.03 | 17.03 | 0.49 | 16.54 |
| 8 | | 3051-02-102-0-05-200 Maintenance Expenditure | 0.00 | 15.00 | 15.00 | 2.70 | 12.30 |
| 9 | | 5051-02-800-0-04-132 Capital Expenses | 0.00 | 108.68 | 108.68 | 74.75 | 33.93 |
| 10 | 10 | 2225-03-190-0-06-059 Other Expenses | 21.50 | 50.00 | 71.50 | 50.00 | 21.50 |
| 11 | | 2225-02-794-0-05-059 Other Expenses | 290.00 | 30.00 | 320.00 | 315.00 | 5.00 |
| 12 | | 2225-01-796-0-02-059 Other Expenses | 250.00 | 20.00 | 270.00 | 258.59 | 11.41 |
| 13 | 12 | 2220-01-105-0-03-059 Other Expenses | 1.00 | 7.50 | 8.50 | 3.00 | 5.50 |
| 14 | 13 | 2408-01-102-0-01-106 Subsidies | 1,241.00 | 541.62 | 1,782.62 | 1,676.60 | 106.02 |
| 15 | | 2408-01-102-0-01-422 SCSP | 323.00 | 120.00 | 443.00 | 423.92 | 19.08 |
| 16 | | 2408-01-102-0-01-423 TSP | 136.00 | 50.00 | 186.00 | 171.99 | 14.01 |
| 17 | 14 | 2235-60-102-2-01-116 Social Security Pensions | 816.22 | 35.35 | 851.57 | 845.25 | 6.32 |
| 18 | 18 | 2852-08-202-7-01-106 Subsidies | 151.60 | 44.76 | 196.36 | 189.37 | 6.99 |
| 19 | 19 | 2217-05-800-0-10-032 Grants for creation of Capital Assets | 30.00 | 22.75 | 52.75 | 42.75 | 10.00 |
| 20 | 22 | 4210-03-105-1-23-386 Construction | 150.00 | 57.37 | 207.37 | 165.51 | 41.86 |

| Sl No | Grant No | HOA | Original Budget | Supplementary (>5 crore) | Total | Expenditure | Savings (>5 crore) |
|-------|----------|---------------------------------------|-----------------|--------------------------|-----------------|-----------------|--------------------|
| 21 | | 4210-03-105-1-23-422 SCSP | 0.00 | 28.08 | 28.08 | 18.72 | 9.36 |
| 22 | | 4210-03-105-1-24-386 Construction | 0.00 | 29.58 | 29.58 | 18.68 | 10.90 |
| 23 | | 4210-01-110-1-19-437 NABARD - SCSP | 6.96 | 17.85 | 24.81 | 10.76 | 14.05 |
| 24 | | 2210-05-105-1-55-101 GIA Salaries | 210.04 | 14.92 | 224.96 | 214.99 | 9.97 |
| | | Total | 4,014.65 | 1,403.28 | 5,417.93 | 4,963.82 | 454.11 |

Source: Grant Register

Appendix 3.6

Inadequate Supplementary Provision
(Reference: Paragraph 3.7.2.4 ; Page 89)

| | | | | | | | (₹ in crore) |
|--------|----------|--|-----------------|--------------------------|--------|-------------|-------------------------------|
| Sl. No | Grant No | HOA | Budget Original | Supplementary (>2 crore) | Total | Expenditure | Excess Expenditure (>1 crore) |
| 1 | 01 | 2851-00-107-1-51-106 Subsidies | 20.00 | 15.00 | 35.00 | 68.58 | 33.58 |
| 2 | | 2401-00-113-0-02-106 Subsidies | 88.96 | 73.64 | 162.60 | 164.76 | 2.17 |
| 3 | | 2401-00-111-0-08-059 Other Expenses | 56.11 | 17.45 | 73.56 | 99.33 | 25.77 |
| 4 | | 2401-00-108-2-30-106 Subsidies | 193.33 | 94.92 | 288.25 | 294.22 | 5.97 |
| 5 | | 2401-00-108-1-15-106 Subsidies | 240.23 | 130.60 | 370.83 | 473.30 | 102.47 |
| 6 | | 2401-00-108-1-15-423 TSP | 26.64 | 14.51 | 41.15 | 48.84 | 7.68 |
| 7 | 03 | 2054-00-097-0-01-002 Pay Staff | 12.16 | 2.04 | 14.20 | 16.72 | 2.52 |
| 8 | 04 | 2015-00-106-1-02-059 Other Expenses | 2.00 | 9.81 | 11.81 | 14.05 | 2.24 |
| 9 | 05 | 2055-00-113-0-06-021 Re-imbursment of Medical Expenses | 57.10 | 30.00 | 87.10 | 110.71 | 23.61 |
| 10 | | 3055-00-190-0-04-106 Subsidies | 150.98 | 128.94 | 279.92 | 339.41 | 59.49 |
| 11 | | 3055-00-190-0-05-106 Subsidies | 119.19 | 127.23 | 246.42 | 299.89 | 53.47 |
| 12 | | 3055-00-190-0-10-106 Subsidies | 225.33 | 297.96 | 523.29 | 525.19 | 1.90 |
| 13 | 08 | 2406-02-110-0-01-015 Subsidiary Expenses | 13.00 | 4.93 | 17.93 | 21.64 | 3.71 |
| 14 | 10 | 2225-04-102-0-05-103 GIA - General | 0.00 | 5.01 | 5.01 | 19.99 | 14.98 |
| 15 | 11 | 2235-02-102-0-36-103 GIA General | 20.00 | 25.95 | 45.95 | 52.80 | 6.85 |
| 16 | | 2235-02-103-0-61-059 Other Expenses | 42.18 | 18.98 | 61.16 | 96.75 | 35.59 |
| 17 | 14 | 2250-00-103-5-14-103 GIA General | 30.00 | 95.38 | 125.38 | 126.55 | 1.18 |
| 18 | | 2053-00-101-0-05-002 Pay officers | 0.46 | 2.03 | 2.49 | 3.78 | 1.29 |
| 19 | | 2235-60-102-1-01-116 Social Security Pension | 657.25 | 75.00 | 732.25 | 803.19 | 70.94 |
| 20 | | 2245-80-102-0-01-139 Major Works | 316.20 | 586.90 | 903.10 | 1,075.94 | 172.84 |

| Sl. No | Grant No | HOA | Budget Original | Supplementary (>2 crore) | Total | Expenditure | Excess Expenditure (>1 crore) |
|--------------|----------|--|-----------------|--------------------------|------------------|------------------|-------------------------------|
| 21 | 17 | 4202-01-201-1-04-436 NABARD Works | 250.00 | 100.00 | 350.00 | 397.20 | 47.20 |
| 22 | | 2203-00-104-0-09-103 GIA General | 3.00 | 3.00 | 6.00 | 9.53 | 3.53 |
| 23 | 18 | 2851-00-102-0-74-106 Subsidies | 30.00 | 15.84 | 45.84 | 105.84 | 60.00 |
| 24 | | 2851-00-103-0-62-422 SCSP | 9.36 | 7.07 | 16.43 | 32.81 | 16.38 |
| 25 | | 2851-00-103-0-62-423 TSP | 3.83 | 2.86 | 6.69 | 13.39 | 6.70 |
| 26 | | 6860-05-190-1-00-394 Loans | 41.68 | 144.96 | 186.64 | 194.31 | 7.67 |
| 27 | 20 | 5054-03-337-0-17-154 Improvements | 310.00 | 57.00 | 367.00 | 371.50 | 4.50 |
| 28 | | 5054-03-337-0-18-154 Improvements | 600.00 | 825.00 | 1,425.00 | 1,725.00 | 300.00 |
| 29 | | 5054-04-337-0-01-154 Improvements | 1,048.90 | 850.00 | 1,898.90 | 2,646.97 | 748.07 |
| 30 | 21 | 4702-00-101-5-01-139 Major Works | 200.00 | 222.00 | 422.00 | 541.27 | 119.27 |
| 31 | | 4701-80-190-4-00-132 Capital Expenses | 2,421.27 | 447.50 | 2,868.77 | 3,313.32 | 444.55 |
| 32 | | 4701-80-190-4-00-436 NABARD Works | 30.36 | 250.00 | 280.36 | 341.08 | 60.72 |
| 33 | | 4701-80-190-5-00-132 Capital Expenses | 1,463.14 | 412.50 | 1,875.64 | 2,363.14 | 487.50 |
| 34 | 22 | 4210-03-105-1-24-180 Machinery and Equipments | 0.00 | 136.16 | 136.16 | 185.17 | 49.01 |
| 35 | | 2210-01-110-1-22-034 Contract/Outsource | 92.67 | 12.91 | 105.58 | 178.03 | 72.45 |
| 36 | 23 | 2501-06-198-6-01-300 Lumpsum - ZP | 145.00 | 155.62 | 300.62 | 325.15 | 24.53 |
| Total | | | 8,920.33 | 5,398.69 | 14,319.02 | 17,399.34 | 3,080.32 |

Source: Grant Register

Appendix 3.7

Unnecessary Re-appropriation
(Reference: Paragraph 3.7.2.5(a); Page 90)

(₹ in crore)

| Sl No | Grant No | Head of Account | Budet including supplementary | Re-appropriation (>3 crore) (+) | Total | Expenditure | Savings (> 3 crore) (-) |
|--|-----------|--|--------------------------------|-----------------------------------|-----------------|-----------------|-------------------------|
| 1 | 1 | 2415-80-277-6-01-101 GIA Salaries | 77.80 | 3.84 | 81.64 | 74.40 | 7.24 |
| 2 | 5 | 2055-00-109-1-01-003 Pay Staff | 1,751.78 | 8.73 | 1,760.51 | 1,706.81 | 53.70 |
| 3 | | 2055-00-109-1-01-014 Other Allowances | 321.04 | 8.46 | 329.50 | 314.51 | 14.99 |
| 4 | 17 | 2202-02-109-0-13-002 Pay Officers | 745.69 | 11.28 | 756.97 | 721.60 | 35.37 |
| 5 | | 2202-02-109-0-13-011 Dearness Allowance | 186.93 | 3.22 | 190.15 | 85.01 | 105.14 |
| 6 | | 2202-02-110-3-01-101 GIA Salaries | 648.75 | 32.31 | 681.06 | 599.54 | 81.51 |
| 7 | | 2203-00-112-0-02-011 Dearness Allowance | 11.97 | 3.64 | 15.61 | 11.76 | 3.85 |
| 8 | | 2203-00-105-0-01-011 Dearness Allowance | 85.26 | 24.83 | 110.09 | 83.94 | 26.15 |
| 9 | 22 | 4210-03-105-1-10-386 Construction | 110.00 | 30.00 | 140.00 | 105.00 | 35.00 |
| 10 | | 4210-01-110-1-17-139 Major Works | 60.00 | 11.00 | 71.00 | 51.00 | 20.00 |
| 11 | | 2210-01-110-1-22-002 Pay Officers | 172.90 | 3.34 | 176.24 | 171.37 | 4.87 |
| 12 | 23 | 2230-01-101-0-01-003 Pay Staff | 16.45 | 3.29 | 19.74 | 15.90 | 3.85 |
| 13 | | 2230-03-101-0-01-101 GIA Salaries | 143.75 | 5.80 | 149.55 | 131.19 | 18.36 |
| 14 | 27 | 2014-00-105-0-01-003 Pay Staff | 505.28 | 5.10 | 510.38 | 499.62 | 10.75 |
| 15 | | 2014-00-102-0-02-011 Dearness Allowance | 29.68 | 6.52 | 36.20 | 20.81 | 15.40 |
| Total | | | 4,867.28 | 161.36 | 5,028.63 | 4,592.45 | 436.19 |
| Excessive re-appropriation resulting in savings | | | | | | | |
| Sl No | Grant No. | HOA | Budget including Supplementary | Re-appropriation (> ₹3 crore) (+) | Total | Expenditure | Savings (>₹3 crore) (-) |
| 1 | 1 | 2851-00-107-1-51-106 Subsidies | 35.00 | 36.90 | 71.90 | 68.58 | 3.32 |
| 2 | | 2401-00-800-1-57-103 GIA General | 155.18 | 41.42 | 196.60 | 185.87 | 10.72 |

| Sl No | Grant No | Head of Account | Budet including supplementary | Re-appropriation (>3 crore) (+) | Total | Expenditure | Savings (> 3 crore) (-) |
|--------------|----------|--|-------------------------------|---------------------------------|-----------------|-----------------|-------------------------|
| 3 | | 2401-00-800-1-57-106 Subsidies | 48.36 | 68.71 | 117.07 | 102.31 | 14.76 |
| 4 | | 2401-00-108-1-15-422 SCSP | 102.48 | 20.29 | 122.77 | 103.17 | 19.59 |
| 5 | 3 | 2039-00-001-0-01-003 Pay Staff | 107.76 | 30.76 | 138.52 | 130.30 | 8.22 |
| 6 | | 2071-01-109-1-02-251 Pension and Retirement Benefits | 0.01 | 199.61 | 199.62 | 172.65 | 26.97 |
| 7 | 5 | 2070-00-107-0-01-015 Subsidiary Expenses | 30.00 | 11.43 | 41.43 | 38.32 | 3.11 |
| 8 | | 2056-00-101-0-01-003 Pay Staff | 84.14 | 25.13 | 109.27 | 106.22 | 3.05 |
| 9 | | 2055-00-108-0-01-014 Other Allowances | 337.94 | 22.06 | 360.00 | 353.62 | 6.38 |
| 10 | | 2055-00-108-0-01-015 Subsidiary Allowance | 42.90 | 10.00 | 52.90 | 49.56 | 3.34 |
| 11 | | 2055-00-108-0-12-103 GIA General | 10.00 | 7.50 | 17.50 | 12.50 | 5.00 |
| 12 | 5 | 2055-00-109-1-01-015 Subsidiary Allowances | 60.00 | 20.00 | 80.00 | 74.33 | 5.67 |
| 13 | | 2055-00-104-0-01-014 Other Allowances | 73.08 | 5.98 | 79.06 | 73.56 | 5.50 |
| 14 | 7 | 2515-00-196-1-05-300 Lumpsum - ZP | 106.34 | 100.00 | 206.34 | 168.32 | 38.03 |
| 15 | 8 | 2406-01-001-2-01-003 Pay Staff | 186.46 | 8.15 | 194.61 | 189.92 | 4.69 |
| 16 | 14 | 2030-03-001-1-00-003 Pay Staff | 31.34 | 4.88 | 36.22 | 32.47 | 3.75 |
| 17 | 19 | 3604-00-191-1-51-251 | 42.97 | 26.00 | 68.97 | 51.97 | 17.00 |
| 18 | 23 | 2210-01-102-0-01-002 Pay Officers | 33.95 | 6.75 | 40.70 | 37.55 | 3.15 |
| 19 | | 2210-01-102-0-01-014 Other Allowances | 29.17 | 7.64 | 36.81 | 30.80 | 6.00 |
| Total | | | 1,517.08 | 653.20 | 2,170.28 | 1,982.01 | 188.27 |

| Inadequate re-appropriation | | | | | | | |
|------------------------------|----------|---|-----------------------------------|---------------------------------|-----------------|-----------------|-----------------------|
| Sl No | Grant No | HOA | Budget including supplementary | Re-appropriation (>1 crore) (+) | Total | Expenditure | Excess (>1 crore) (+) |
| 1 | 3 | 2043-00-001-0-01-002 Pay Officers | 18.26 | 4.85 | 23.11 | 24.62 | 1.51 |
| 2 | 4 | 2052-00-090-0-01-002 Pay Officers | 34.56 | 1.61 | 36.17 | 39.85 | 3.68 |
| 3 | 5 | 2055-00-118-0-01-003 Pay Officials | 87.19 | 1.08 | 88.27 | 90.19 | 1.92 |
| 4 | | 2055-00-113-0-06-021 Reimbursement of Medical Expenses | 87.10 | 15.00 | 102.10 | 110.71 | 8.61 |
| 5 | 6 | 5465-01-190-3-05-132 Capital Expenses | 211.49 | 27.66 | 239.34 | 284.31 | 45.16 |
| 6 | 10 | 2225-04-102-0-05-103 GIA General | 5.01 | 9.99 | 15.00 | 19.99 | 4.99 |
| 7 | 11 | 2235-02-103-0-61-059 Other Expenses | 61.16 | 32.72 | 93.87 | 96.75 | 2.88 |
| 8 | 17 | 2202-02-001-0-01-002 Pay Officers | 2.01 | 2.82 | 4.83 | 5.85 | 1.02 |
| 9 | | 2202-80-003-0-04-002 Pay Officers | 49.16 | 1.75 | 50.91 | 52.07 | 1.16 |
| 10 | 22 | 4210-03-105-1-14-386 Constructions | 20.00 | 1.54 | 21.54 | 22.83 | 1.29 |
| 11 | | 2210-01-001-0-01-002 Pay Officers | 21.97 | 2.53 | 24.50 | 27.72 | 3.21 |
| 12 | | 2210-01-110-1-22-003 | 346.66 | 2.71 | 349.37 | 388.20 | 38.84 |
| 13 | | 2210-01-110-1-22-014 Other Allowance | 145.80 | 1.53 | 147.33 | 150.82 | 3.49 |
| 14 | | 2210-01-110-1-22-034 Contract/Outsource | 105.58 | 30.00 | 135.58 | 178.03 | 42.45 |
| 15 | 23 | 2230-02-001-0-03-003 Pay Officials | 115.49 | 1.14 | 116.63 | 120.53 | 3.90 |
| Total | | | 1,311.43 | 136.93 | 1,448.36 | 1,612.46 | 164.10 |
| Injudicious Re-appropriation | | | | | | | |
| Sl No | Grant No | Head of Account | Provision including supplementary | Re-appropriation (-) | Total | Expenditure | Excess (+) |
| 1 | 5 | 2055-00-109-1-01-195 Transport Expenses | 86.00 | 0.30 | 85.70 | 100.46 | 14.76 |
| 2 | 21 | 4701-00-190-4-00-132 Capital Expenses | 2,868.77 | 60.72 | 2,808.05 | 3,313.32 | 505.27 |
| Total | | | 2,954.77 | 61.02 | 2,893.75 | 3,413.78 | 520.03 |

Source: Grant Register

Appendix – 3.8

Cases of Defective Re-Appropriation Orders
(Reference: Paragraph 3.7.2.5(b); Page 91)

(₹ in lakh)

| Sl No | Grant No. | Government Order No. | Date | Amount | Issuing Authority | Reasons for rejection |
|-------|-----------|------------------------------|------------|--------|--|-----------------------------------|
| 1 | 01 | No.ACT/BGT/2020-21 | 01.03.2021 | 9.00 | Commissioner, Agriculture Department, Bengaluru | Original Budget provision differs |
| 2 | | Hort/60/TYK/2020-21 | 10.03.2021 | 49.75 | Under Secretary to Government, Horticulture Department, Bengaluru | |
| 3 | | Agri/AML/95/2021 | 29.03.2021 | 33.35 | Under Secretary to Government, Agriculture Department Bengaluru | |
| 4 | | SILK 10 RKV 2021 | 06.02.2021 | 26.67 | Under Secretary to Government, Horticulture and Sericulture Department (Sericulture), Bengaluru | Form 22 A not self -balanced |
| 5 | | SILK/10/RKV/2021 | 10.03.2021 | 13.33 | Under Secretary to Government, Horticulture and Sericulture Department (Sericulture), Bengaluru | |
| 6 | 04 | DPAR 01 Chuhamam 2019 | 27.08.2020 | 13.00 | Chief Electoral Officer & Ex-officio Additional Chief Secretary to Government, DPAR (Elections), Bengaluru | Form 22 A not self -balanced |
| 7 | 05 | DPN/AU-1/02/2020-21 | 07.01.2021 | 0.10 | Director, Department of Prosecution, K.G.Road, Bengaluru | |
| 8 | | SDRF/04/DGP/2019-20 | 19.01.2021 | 9.67 | Director General of Police & Commandant General, Home Guards, Bengaluru | |
| 9 | 07 | GraAaPa 35 AFN 2020 | 11.08.2020 | 19.00 | Internal Financial Advisor & Ex-officio Deputy Secretary, RDPR, Bengaluru | |
| 10 | | GraAaPa 174 Ukhayo 2019 | 12.08.2020 | 4.00 | | |
| 11 | | Grap 174 Ukhayo 2019 | 09.11.2020 | 4.00 | | |
| 12 | 10 | 01/Accts-1/NaHaJaNi/2020-21 | 05.09.2020 | 8.00 | Additional Director General of Police, Directorate of Civil Rights Enforcement, Bengaluru | |
| 13 | | ASAMANI /Po.V/CAR-95/2020-21 | 26.02.2021 | 4.80 | Director, Directorate of Welfare of Minorities, Bengaluru | |
| 14 | | Accts-01/01/2020-21 | 03.03.2021 | 2.00 | Additional Director General of Police, Directorate of Civil Rights Enforcement, Bengaluru | |

| Sl No | Grant No. | Government Order No. | Date | Amount | Issuing Authority | Reasons for rejection |
|-------|-----------|---------------------------|------------|--------|---|-----------------------|
| 15 | | BCDW/203/BM VS/2020-21 | 12.03.2021 | 20.00 | Under Secretary -2 to Government, Welfare of Backward Classes Department, Bengaluru | |
| 16 | 11 | WCD 32 MABABA 2021 | 12.03.2021 | 50.00 | Under Secretary-3 to Government, Department of Women and Child Development and Specially Disabled & Empowerment of Senior Citizens, Bengaluru | |
| 17 | | WCD 44 MABABA 2021 | 22.03.2021 | 16.00 | | |
| 18 | 12 | FTS 01 Accts 2020-21 | 19.01.2021 | 4.47 | Director, Government Flying Training School, Bengaluru | |
| 19 | | VSSM/RA/2020-21 | 16.03.2021 | 4.99 | Commissioner, Information Department, Bengaluru | |
| 20 | 13 | FCS 66/IBS/2020-21 | 28.10.2020 | 45.00 | Under Secretary to Government, Food, Civil Supplies, Consumer Affairs and Legal Metrology Department, Bengaluru | |
| 21 | | FD 01/ 2020-21 | 11.01.2021 | 4.00 | Registrar and Administrative Officer, State Consumer Redressal Forum, Basava Bhavan, Bengaluru | |
| 22 | | LMD/Budget/CR /01/2020-21 | 15.02.2021 | 5.00 | Controller of Legal Metrology, Bengaluru | |
| 23 | 14 | BMC/Bud/01/2020-21 | 05.02.2021 | 6.00 | Director, Bhoomi Monitoring Cell, Revenue Department, Bengaluru | |
| 24 | | AB/01/2020-21 | 03.03.2021 | 10.00 | Inspector General and Commissioner of Stamps, Kandaya Bhavan, Bengaluru | |
| 25 | 17 | NCA-AC II/ 27/ RA/2020-21 | 08.12.2020 | 10.00 | AIR Cmd, Deputy Director General, NCC, Karnataka & Goa, Bengaluru | |
| 26 | | ACT 2/DME/ Try/CR-03 | 06.03.2021 | 3.62 | Director, Mass Education, Bengaluru | |
| 27 | | EP 20/ yoyoka/ 2021 | 10.03.2021 | 30.00 | Special Officer & Ex-officio Under Secretary (Plan), Primary & Higher Secondary Education Department, Bengaluru | |
| 28 | | EP 27/ yoyoka/ 2021/Bg | 12.03.2021 | 50.00 | | |
| 29 | | EP 22/ Yoyoka/ 2021 | 12.03.2021 | 48.47 | | |
| 30 | | EP 21/Yoyoka/ 2021 | 12.03.2021 | 50.00 | | |
| 31 | | ACT 2/ DME/Try/2021 | 22.03.2021 | 1.88 | Director, Mass Education, Bengaluru | |

| Sl No | Grant No. | Government Order No. | Date | Amount | Issuing Authority | Reasons for rejection |
|--------------|-----------|---------------------------|------------|---------------|---|--------------------------|
| 32 | 18 | HTD/Acst/A1/R A/233 | 08.03.2021 | 10.00 | The Commissioner cum Director, Handlooms and Textiles, Bengaluru | |
| 33 | 19 | SEC/29/Act/2019-20 | 11.02.2021 | 4.00 | Secretary, State Election Commission, Bengaluru | |
| 34 | 21 | MID 13 FIM 2021 | 04.03.2021 | 7.31 | Under Secretary to Government, Minor Irrigation Department, Bengaluru | |
| 35 | 22 | BGT/others/06/2020-21 | 12.05.2020 | 8.12 | Director, Health and Family Welfare Department, Bengaluru | |
| 36 | | BGT/06/2020-21 | 14.05.2020 | 9.86 | | Budget provision differs |
| 37 | | BGT/04/2020-21 | 20.06.2020 | 10.00 | | |
| 38 | 25 | DKC-38011/ 56/2021 | 15.01.2021 | 10.00 | Director, Kannada and Culture Department, Bengaluru | |
| 39 | | KaSamVia 284 KaSadha 2020 | 01.02.2021 | 49.25 | Under Secretary to Government, Kannada & Culture Department (Cultural Section), Bengaluru | |
| 40 | | TOR/18/TDA/2021/Bg | 24.02.2021 | 6.02 | Under Secretary to Government, Tourism Department, Bengaluru | |
| 41 | | DKC/31016/13/2021 | 04.03.2021 | 10.00 | Director, Kannada and Culture Department, Bengaluru | |
| 42 | | DKC/31016/13/2021 | 12.03.2021 | 10.00 | | |
| 43 | 28 | KVP/A-1/1125/RA/2020-21 | 06.10.2020 | 50.00 | Secretary, Karnataka Legislative Council, Bengaluru | |
| Total | | | | 740.66 | | |

Source: Office of the Pr.AG (A&E)

Appendix 3.9

Grants/Appropriations with unspent provisions of ₹100 crore and above
(Reference: Paragraph 3.7.2.6 (a); Page 92)

| | | | | | | | (₹ in crore) |
|-------|--|-----------------|---------------|-----------|-------------|----------|--------------|
| Sl No | Grant | Budget Original | Supplementary | Total | Expenditure | Savings | |
| | 1. Agriculture and Horticulture | | | | | | |
| 1 | Revenue - Voted | 7,818.22 | 1,111.78 | 8,930.00 | 8,060.26 | 869.74 | |
| | 2. Animal Husbandry and Fisheries | | | | | | |
| 2 | Revenue - Voted | 2,650.33 | 160.30 | 2,810.63 | 2,570.08 | 240.55 | |
| | 3. Finance | | | | | | |
| 3 | Revenue - Voted | 25,824.75 | 194.25 | 26,019.00 | 24,169.32 | 1,849.68 | |
| | 4. Department of Personnel and Administrative Reforms | | | | | | |
| 4 | Revenue - Voted | 786.37 | 42.02 | 828.39 | 713.73 | 114.66 | |
| | 5. Home and Transport | | | | | | |
| 5 | Revenue - Voted | 9,009.75 | 1,717.71 | 10,727.46 | 9,474.20 | 1,253.26 | |
| | 6. Infrastructure Development | | | | | | |
| 6 | Capital - Voted | 548.71 | 210.56 | 759.27 | 608.97 | 150.30 | |
| | 7. Rural Development and Panchayat Raj | | | | | | |
| 7 | Revenue - Voted | 12,115.66 | 55.40 | 12,171.06 | 11,155.33 | 1,015.73 | |
| 8 | Capital - Voted | 3,479.55 | 1,293.90 | 4,773.45 | 4,275.20 | 498.25 | |
| | 8. Forest, Ecology and Environment | | | | | | |
| 9 | Revenue - Voted | 1,492.95 | 127.49 | 1,620.44 | 1,353.66 | 266.78 | |
| | 10. Social Welfare | | | | | | |
| 10 | Revenue Voted | 7,470.02 | 363.07 | 7,833.09 | 6,364.02 | 1,469.07 | |
| 11 | Capital - Voted | 1,974.28 | 0.00 | 1,974.28 | 1,163.80 | 810.48 | |
| | 11. Women and Child Development | | | | | | |
| 12 | Revenue - Voted | 4,529.53 | 117.58 | 4,647.11 | 4,428.04 | 219.07 | |
| | 12. Information, Tourism and Youth Services | | | | | | |
| 13 | Revenue - Voted | 461.30 | 111.79 | 573.09 | 440.50 | 132.59 | |
| | 13. Food and Civil Supplies | | | | | | |
| 14 | Revenue - Voted | 2,662.60 | 715.26 | 3,377.86 | 3,209.02 | 168.84 | |
| | 16. Housing | | | | | | |
| 15 | Revenue - Voted | 2,753.07 | 89.24 | 2,842.31 | 2,007.02 | 835.29 | |
| | 17. Education | | | | | | |
| 16 | Revenue - Voted | 28,319.40 | 250.31 | 28,569.71 | 25,247.16 | 3,322.55 | |
| 17 | Capital - Voted | 1,448.75 | 100.0 | 1,548.75 | 1,101.73 | 447.02 | |
| | 18. Commerce and Industries | | | | | | |
| 18 | Revenue - Voted | 1,013.85 | 466.67 | 1,480.52 | 1,360.07 | 120.45 | |
| | 19. Urban Development | | | | | | |
| 19 | Revenue - Voted | 8,448.52 | 475.18 | 8,923.70 | 7,682.14 | 1,241.56 | |
| 20 | Capital - Voted | 10,071.67 | 174.54 | 10,246.21 | 8,349.39 | 1,896.82 | |
| | 20. Public Works | | | | | | |
| 21 | Revenue - Voted | 2,857.32 | 0.06 | 2,857.38 | 2,646.37 | 211.1 | |
| 22 | Capital - Voted | 8,170.51 | 1,732.00 | 9,902.51 | 9,043.17 | 859.34 | |

| Sl No | Grant | Budget Original | Supplementary | Total | Expenditure | Savings |
|-------|---|--------------------|------------------|--------------------|--------------------|------------------|
| | 21. Water Resources | | | | | |
| 23 | Revenue - Voted | 1,025.02 | 10.31 | 1,035.33 | 839.70 | 195.63 |
| 24 | Revenue - Charged | 1,515.75 | 0.00 | 1,515.75 | 1,347.44 | 168.31 |
| 25 | Capital - Voted | 14,472.12 | 1,904.36 | 16,376.48 | 15,256.55 | 1,119.93 |
| | 22. Health and Family Welfare | | | | | |
| 26 | Revenue - Voted | 9,141.12 | 1,005.10 | 10,146.22 | 9,626.60 | 519.62 |
| 27 | Capital - Voted | 980.75 | 1,451.33 | 2,432.08 | 2,099.58 | 332.50 |
| | 23. Labour and Skill Development | | | | | |
| 28 | Revenue - Voted | 1,319.17 | 376.53 | 1,695.70 | 1,328.93 | 366.77 |
| | 26. Planning, Statistics, Science and Technology | | | | | |
| 29 | Capital - Voted | 2,057.51 | 10.00 | 2,067.51 | 1,648.23 | 419.28 |
| | 27. Law | | | | | |
| 30 | Revenue - Voted | 1,105.89 | 57.33 | 1,163.22 | 1,004.16 | 159.06 |
| | 29. Debt Servicing | | | | | |
| 31 | Revenue - Charged | 23,566.39 | 402.42 | 23,968.81 | 23,620.77 | 348.04 |
| 32 | Capital - Charged | 11,605.28 | 0.00 | 11,605.28 | 11,015.81 | 589.47 |
| | Total | 2,10,696.11 | 14,726.49 | 2,25,422.60 | 2,03,210.95 | 22,211.65 |

Source: Appropriation Accounts

Appendix 3.10

Statement of various grants/appropriations in which unspent provision occurred but no part of which was surrendered

(Reference: Paragraph 3.7.2.6(b); Page 92)

| (₹ in crore) | | | |
|--------------|----------|--|-------------------|
| Sl. No | Grant No | Section | Unspent Provision |
| 1 | 1 | Agriculture and Horticulture | |
| | | Capital Voted | 32.05 |
| | 2 | Animal Husbandry and Fisheries | |
| 2 | | Capital Voted | 14.14 |
| | 3 | Finance | |
| 3 | | Capital Voted | 24.98 |
| | 6 | Infrastructure Development | |
| 4 | | Revenue Voted | 19.89 |
| 5 | | Capital Voted | 150.30 |
| | 7 | Rural Development and Panchayat Raj | |
| 6 | | Capital Voted | 498.24 |
| | 8 | Forest, Ecology and Environment | |
| 7 | | Revenue Charged | 4.65 |
| 8 | | Capital Voted | 47.85 |
| | 10 | Social Welfare | |
| 9 | | Capital Voted | 810.48 |
| | 11 | Women and Child Development | |
| 10 | | Capital Voted | 15.25 |
| | 12 | Information, Tourism and Youth Services | |
| 11 | | Capital Voted | 98.67 |
| | 13 | Food and Civil Supplies | |
| 12 | | Revenue Voted | 168.84 |
| | 14 | Revenue | |
| 13 | | Capital Voted | 60.80 |
| | 17 | Education | |
| 14 | | Capital Voted | 447.02 |
| | 19 | Urban Development | |
| 15 | | Capital Voted | 1,896.82 |
| | 20 | Public Works | |
| 16 | | Revenue Charged | 41.66 |
| | 21 | Water Resources | |
| 17 | | Revenue Voted | 195.63 |
| 18 | | Revenue Charged | 168.31 |
| 19 | | Capital Charged | 2.64 |
| | 23 | Labour and Skill Development | |
| 20 | | Capital Voted | 7.57 |

| Sl. No | Grant No | Section | Unspent Provision |
|--------|----------|---|-------------------|
| | 25 | Kannada and Culture | |
| 21 | | Revenue Voted | 23.38 |
| 22 | | Capital Voted | 20.55 |
| | 26 | Planning, Statistics, Science and Technology | |
| 23 | | Capital Voted | 419.28 |
| | | Total | 5,168.09 |

Source: Appropriation Accounts

Appendix 3.11

Surrender of unspent provision
(Reference: Paragraph 3.7.2.6 (b); Page 92)

(₹ in crore)

| SI No | Grant/Section | Amount of unspent provision | Amount surrendered | Amount not surrendered |
|-------|---|-----------------------------|--------------------|------------------------|
| | 1 Agriculture and Horticulture | | | |
| 1 | Revenue –Voted | 869.74 | 15.37 | 854.37 |
| | 2 Animal Husbandry and Fisheries | | | |
| 2 | Revenue –Voted | 240.55 | 17.94 | 222.61 |
| | 3 Finance | | | |
| 3 | Revenue –Voted | 1,849.68 | 1,409.96 | 439.72 |
| 4 | Revenue – Charged | 5.09 | 5.00 | 0.09 |
| | 4 Department of Personnel and Administrative Reforms | | | |
| 5 | Revenue –Voted | 114.66 | 2.31 | 112.35 |
| 6 | Revenue – Charged | 32.67 | 0.95 | 31.72 |
| | 5 Home and Transport | | | |
| 7 | Revenue –Voted | 1,253.26 | 489.10 | 764.16 |
| 8 | Capital –Voted | 57.71 | 5.62 | 52.09 |
| | 7 Rural Development and Panchayat Raj | | | |
| 9 | Revenue –Voted | 1,015.73 | 9.93 | 1,005.80 |
| | 8 Forest, Ecology and Environment | | | |
| 10 | Revenue –Voted | 266.79 | 14.83 | 251.96 |
| | 9 Co-operation | | | |
| 11 | Revenue –Voted | 80.25 | 6.91 | 73.34 |
| | 10 Social Service | | | |
| 12 | Revenue –Voted | 1,469.07 | 60.64 | 1,408.43 |
| | 11 Women and Child Development | | | |
| 13 | Revenue –Voted | 219.07 | 18.97 | 200.10 |
| | 12 Information, Tourism and Youth Services | | | |
| 14 | Revenue –Voted | 132.59 | 0.21 | 132.38 |
| | 14 Revenue | | | |
| 15 | Revenue –Voted | (+)354.59 | 2.46 | 0.00 |
| | 15 Information Technology | | | |
| 16 | Revenue –Voted | 0.63 | 0.06 | 0.57 |
| | 16 Housing | | | |
| 17 | Revenue –Voted | 835.29 | 751.69 | 83.60 |
| 18 | Revenue – Charged | 1.74 | 1.74 | 0.00 |
| | 17 Education | | | |
| 19 | Revenue –Voted | 3,322.55 | 9.23 | 3,313.32 |

| SI No | Grant/Section | Amount of unspent provision | Amount surrendered | Amount not surrendered |
|-------|---|-----------------------------|--------------------|------------------------|
| | 18 Commerce and Industries | | | |
| 20 | Revenue –Voted | 120.45 | 68.89 | 51.56 |
| 21 | Capital Voted | 38.45 | 24.14 | 14.31 |
| | 19 Urban Development | | | |
| 22 | Revenue –Voted | 1,241.56 | 151.99 | 1,089.57 |
| | 20 Public Works | | | |
| 23 | Revenue –Voted | 211.01 | 27.61 | 183.40 |
| 24 | Capital Voted | 859.34 | 187.33 | 672.01 |
| | 21 Water Resources | | | |
| 25 | Capital Voted | 1,119.93 | 33.41 | 1,086.52 |
| | 22 Health and Family Welfare | | | |
| 26 | Revenue –Voted | 519.62 | 27.07 | 492.55 |
| 27 | Capital Voted | 332.50 | 24.60 | 307.90 |
| | 23 Labour and Skill Development | | | |
| 28 | Revenue –Voted | 366.76 | 106.50 | 260.26 |
| | 24 Energy | | | |
| 29 | Revenue –Voted | (+)13.30 | 6.38 | 0.00 |
| 30 | Capital Voted | 8.23 | 8.23 | 0.00 |
| | 26 Planning, Statistics Science and Technology | | | |
| 31 | Revenue –Voted | 8.04 | 0.02 | 8.02 |
| | 27 Law | | | |
| 32 | Revenue –Voted | 159.06 | 10.57 | 148.49 |
| 33 | Revenue – Charged | 48.12 | 3.21 | 44.91 |
| | 28 Parliamentary Affairs and Legislation | | | |
| 34 | Revenue –Voted | 34.11 | 0.02 | 34.09 |
| 35 | Revenue – Charged | 1.35 | 0.10 | 1.25 |
| | 29 Debt Servicing | | | |
| 36 | Revenue – Charged | 348.04 | 350.85 | 0.00 |
| 37 | Capital – Charged | 589.47 | 589.34 | 0.13 |
| | Total | 17,773.11 | 4,443.18 | 13,341.58 |

Source: Appropriation Accounts

Appendix 3.12

Results of substantial surrenders made during the year
(Reference: Paragraph 3.7.2.6 (b); Page 92)

(₹ in crore)

| Sl No | Grant No/ Nomenclature | Head of Account | Provision | Amount surrendered | Percentage of surrender | Remarks |
|-------|--|--|--|-----------------------|----------------------------|---|
| 1 | 01- Agriculture and Horticulture | 2401-00-108-1-15-059 Other expenses | 5.00 | 3.52 | 70 | No specific reason given |
| 2 | | 2401-00-800-2-48-059 Other expenses | 25.80 | 25.80 | 100 | Due to non-sanction of projects in Krishi Bhagya Scheme |
| 3 | | 2401-00-800-2-48-422 SCSP | 5.04 | 5.04 | 100 | |
| 4 | | 4851-00-107-1-03-436 NABARD Works | 6.12 | 3.50 | 57 | Due to non-receipt of approval for DPR of civil works which is submitted under RIDF 26. Tender process is under progress |
| 5 | 02 - Animal Husbandry and Veterinary Services | 2403-00-800-0-40-014 Other Allowance | 17.81 | 17.81 | 100 | Non-filling up of posts due to Covid- 19 |
| 6 | 03- Finance | 2054-00-097-0-01-011 Dearness allowance | 17.95 | 9.84 | 55 | Officers of Gr. C promoted to Gr. B and difference of pay and allowances and surrender of leave of the promoted officers was not incurred. |
| 7 | | 2070-00-800-11-014 Other Allowance | 246.43 | 246.43 | 100 | Non-filling up of posts due to Covid - 19 |
| 8 | | 2071-01-106-0-01-250 Pensionary charges | 5.00 | 5.00 | 100 | Due to delay in obtaining Administrative approval for disbursement of pension |
| 9 | | 2071-01-115-1-14-251 Pension and retirement Benefits | 60.00 | 38.07 | 63 | Due to delay in obtaining Administrative approval for disbursement of pension |
| 10 | | 04 - DPAR | 2052-00-090-0-27-014 Other Allowances | 28.00 | 28.00 | 100 |
| 11 | 2014-00-114-0-02-011 Dearness allowance | | 10.94 | 6.16 | 56 | Due to retirement of staff, non-filling of vacant post and non- |

| Sl No | Grant No/ Nomenclature | Head of Account | Provision | Amount surrendered | Percentage of surrender | Remarks |
|-------|-------------------------------------|---|-----------|--------------------|-------------------------|--|
| | | | | | | receipt of medical bills |
| 12 | 05-Home and Transport | 2055-00-116-0-03-051 General Expenses | 282.00 | 247.63 | 88 | No specific reasons furnished |
| 13 | | 3055-00-190-0-02-106 Subsidies | 5.78 | 5.78 | 100 | |
| 14 | | 3055-00-190-0-06-106 Subsidies | 28.27 | 28.27 | 100 | |
| 15 | | 3055-00-190-0-07-106 Subsidies | 25.00 | 25.00 | 100 | |
| 16 | | 3055-00-190-0-09-106 Subsidies | 43.00 | 43.00 | 100 | |
| 17 | | 3055-00-190-0-13-106 Subsidies | 8.49 | 8.49 | 100 | |
| 18 | 07-RDPR | 2515-00-800-0-19-014 Other Allowance | 23.92 | 14.37 | 60 | Non filling up of vacant post due to Covid -19 pandemic |
| 19 | 08- Forest, Ecology and Environment | 2406-00-800-0-16-014 Other Allowance | 62.52 | 33.76 | 54 | |
| 20 | 10- Social Welfare | 2225-01-800-0-22-014 Other Allowance | 111.25 | 91.50 | 82 | |
| 21 | 11- Women and Child Development | 2235-02-101-0-53-422 Schedule Caste Sub Plan | 13.81 | 8.23 | 60 | Due to less number of beneficiaries and as per instructions of State Parishad the amount is surrendered. |
| 22 | | 2235-02-101-0-53-423 Tribal Sub Plan | 6.91 | 4.83 | 70 | |
| 23 | | 2235-60-001-0-03-014 Other Allowance | 9.99 | 8.81 | 88 | |
| 24 | 14-Revenue | 2053-00-093-0-01-014 Other allowances | 24.76 | 24.76 | 100 | Non-filling up of posts due to Covid 19 Pandemic |
| 25 | 16-Housing | 2216-02-800-0-04-423 TSP | 185.81 | 135.36 | 73 | No specific reason furnished |
| 26 | | 2216-80-198-6-02-300 Lumpsum-ZP | 500.00 | 500.00 | 100 | Due to non-receipt of grants from Centre during 2020-21 |
| 27 | 17 - Education | 2202-01-800-1-90-014 Other Allowance | 81.91 | 69.83 | 82 | Non-filling up of posts due to Covid 19 Pandemic |
| 28 | 18 – Commerce and Industries | 2851-00-102-0-84-102 GIA- Asset Creation | 10.08 | 7.00 | 69 | No specific reason furnished |
| 29 | | 2851-00-106-0-12-103 GIA- General | 25.00 | 15.00 | 60 | |
| 30 | | 2851-00-800-0-02-014 Other Allowances | 5.37 | 5.37 | 100 | Non-filling up of posts due to Covid 19 Pandemic |
| 31 | | 2852-08-202-7-01-422 SCSP | 34.38 | 32.62 | 95 | No specific reason furnished |
| 32 | | 2852-08-202-7-01-423 TSP | 14.02 | 13.96 | 99 | |
| 33 | | 2852-80-102-0-02-059 Other Expenses | 20.00 | 12.00 | 60 | |

| Sl No | Grant No/ Nomenclature | Head of Account | Provision | Amount surrendered | Percentage of surrender | Remarks |
|--------------|--|--|-----------------|-----------------------|----------------------------|--|
| 34 | | 4851-00-190-0-20-422 SCSP | 12.79 | 12.79 | 100 | |
| 35 | | 4851-00-190-0-20-423 TSP | 5.13 | 5.13 | 100 | |
| 36 | | 6852-02-190-4-00-394 Loans | 5.00 | 5.00 | 100 | |
| 37 | | 6885-60-800-3-00-394 Loans | 5.00 | 5.00 | 100 | |
| 38 | 20 – Public Works | 3051-02-102-0-02-200 Maintenance Expenditure | 15.00 | 15.00 | 100 | Due to transfer of Ports and Inland Water Transport Department to IDD |
| 39 | | 4059-80-051-0-32-386 Construction | 200.00 | 100.00 | 50 | No specific reason furnished |
| 40 | | 4216-01-700-2-24-386 Construction | 42.50 | 32.00 | 75 | |
| 41 | | 2210-01-800-0-07-014 Other Allowances | 89.79 | 48.59 | 54 | Non-filling up of posts due to Covid 19 Pandemic |
| 42 | | 4210-01-110-1-01-423 TSP | 19.82 | 13.72 | 69 | No specific reason furnished |
| 43 | | 4210-01-110-1-21-132 Capital Expenses | 20.00 | 16.54 | 83 | Due to non- Receipt of proposals |
| 44 | | 4210-01-110-1-22-132 Capital Expenses | 20.00 | 10.00 | 50 | No specific reason furnished |
| 45 | | 4210-03-105-1-02-422 SCSP | 7.50 | 6.75 | 90 | |
| 46 | 23- Labour and Skill Development | 2230-01-800-0-07-014 Other Allowance | 137.89 | 137.89 | 100 | Non-filling up of posts due to Covid 19 Pandemic |
| 47 | | 2230-03-196-1-02-300 Lumpsum - ZP | 24.54 | 24.54 | 100 | State share for NRLM and NRETP was wrongly provided under this head. |
| 48 | 27 - Law | 2014-00-102-0-14-014 Other Allowance | 21.67 | 20.78 | 96 | Non-filling up of posts due to Covid 19 Pandemic |
| 49 | | 2014-00-102-0-14-014 Other Allowance | 5.14 | 5.14 | 100 | |
| 50 | 29-Debt Servicing | 6003-00-110-0-01-240 Debt servicing | 500.00 | 500.00 | 100 | No specific reason furnished |
| Total | | | 3,082.13 | 2,673.61 | 87 | |

Source: Grant Register

Appendix 3.13

Cases of surrender of funds in excess of ₹ five crore on 30 and 31 of March 2021
(Reference: Paragraph 3.7.2.6 (b); Page 92)

| Sl. No. | Grant No. | Nomenclature | No. of cases | Total Provision | Amount Surrendered | (₹ in crore) |
|--------------|-----------|-------------------------------------|--------------|------------------|--------------------|-------------------------------|
| | | | | | | Percentage to total provision |
| 1 | 01 | Agriculture and Horticulture | 1 | 62.00 | 9.00 | 14 |
| 2 | 02 | Animal Husbandry and Fisheries | 2 | 180 | 14.00 | 8 |
| 3 | 03 | Finance | 12 | 18,919.20 | 1,379.80 | 7 |
| 4 | 05 | Home and Transport | 7 | 823.41 | 438.10 | 53 |
| 5 | 07 | Rural Development and Panchayat Raj | 1 | 23.92 | 9.93 | 42 |
| 6 | 08 | Forest, Ecology and Environment | 1 | 62.52 | 14.83 | 24 |
| 7 | 10 | Social Welfare | 1 | 111.25 | 59.17 | 53 |
| 8 | 11 | Women an Child Development | 2 | 23.80 | 14.14 | 59 |
| 9 | 16 | Housing | 3 | 943.91 | 748.76 | 79 |
| 10 | 17 | Education | 1 | 81.91 | 9.23 | 11 |
| 11 | 18 | Commerce and Industries | 4 | 69.58 | 40.50 | 58 |
| 12 | 19 | Urban Development | 1 | 558.00 | 139.50 | 25 |
| 13 | 20 | Public Works | 1 | 969.00 | 17.00 | 2 |
| 14 | 22 | Health and Family Welfare | 2 | 27.32 | 15.75 | 58 |
| 15 | 23 | Labour and Skill Development | 1 | 137.89 | 106.50 | 77 |
| 16 | 27 | Law | 2 | 43.34 | 13.78 | 32 |
| 17 | 29 | Debt Servicing | 5 | 3,235.83 | 931.95 | 29 |
| Total | | | 47 | 26,272.88 | 3,961.94 | |

Source: Office of the Pr.AG (A&E)

Appendix 3.14

Excess Expenditure over Provision requiring regularization

(Reference: Paragraph 3.7.2.8; Page 93)

(Amount in ₹)

| Year | Grant No./Description | Excess required to be regularised as commented in the AA/AR | Remarks |
|--|---|---|---|
| 2012-13 | 08-Forest, Ecology and Environment <i>Revenue Charged</i> | 4,94,02,43,684 | Excess expenditure of ₹209.51 crore was on account of transfer of Forest Development Tax to Public Account. The receipt was more than anticipated collection. Further, an amount of ₹284.51 crore, which was misclassified, remained as revenue of Commercial Tax Department and was transferred to Public Account on rectification of misclassification. |
| 2013-14 | 08-Forest, Ecology and Environment <i>Revenue Charged</i> | 3,55,38,75,841 | Excess expenditure was on account of transfer of Forest Development Tax to Forest Development Fund in Public Account. The receipt was more than the anticipated collection. |
| | 26-Planning, Statistics, Science and Technology <i>Capital Voted</i> | 20,41,65,300 | Withdrawal of budget provision in the budget presented in July 2013 in respect of certain heads for which, budget was included in the Vote on Account presented during February 2013. |
| 2014-15 | 08-Forest, Ecology and Environment <i>Revenue Charged</i> | 1,88,75,14,849 | Excess expenditure was on account of transfer of Forest Development Tax to Forest Development Fund in Public Account. The receipt was more than the anticipated collection and also due to erroneous budgeting. |
| | 10-Social Welfare <i>Revenue Charged</i> | 6,36,000 | No specific reasons furnished for the excess |
| 2015-16 | 01 – Agriculture and Horticulture <i>Capital Voted</i> | 7,93,05,365 | This was due to error in budgeting. Provision was made under Grant No.18 instead of Grant No.1. However, expenditure was classified under Grant No.1. |
| | 05 – Home and Transport <i>Revenue Voted</i> | 44,94,34,163 | No specific reason furnished for the excess. |
| | 06 – Infrastructure Development <i>Revenue Charged</i> | 17,08,292 | This was due to error in budgeting. Provision provided under Voted category instead of under <i>Charged</i> category. However expenditure was accounted correctly. |
| | <i>Capital Voted</i> | 4,94,81,312 | |
| 19 - Urban Development <i>Capital Charged</i> | 8,04,77,000 | | |
| 2016-17 | 01 –Agriculture and Horticulture <i>Capital Voted</i> | 1,76,74,83,304 | This was due to shifting of expenditure (₹186.01 crore) from revenue head (MH 2401) to capital head (MH 4401). Requisite provision was not made through Supplementary Provision |
| | 05 – Home and Transport <i>Capital Voted</i> | 55,36,88,503 | This was due to issue of re-appropriation orders between revenue and capital. |

| Year | Grant No./Description | Excess required to be regularised as commented in the AA/AR | Remarks |
|--------------|---|---|---|
| | 14 –Revenue Revenue Voted | 6,32,06,33,666 | This was due to release of GOI's contribution of ₹1,235.52 crore towards NDRF on the last day of Financial year, which was transferred to fund account during 2016-17 itself. |
| | 20 – Public Works Revenue Voted | 59,81,01,797 | This was due to transfer of actual receipts collected under Ports, Light Houses and Shipping to Port Development Fund. The provision made for transfer was less than the actual collection. The excess was also due to entire GOI grants(received on last day of March 2017) credited to Consolidated Fund of the State towards Central Road fund was transferred to Deposit Account of subvention from Central Road fund under Public Account. |
| | 29– Debt Servicing Capital Charged | 1,61,41,83,927 | This was due to the provisions for discharge of debts, not being made scientifically based on requirement of funds, but made as per the actuals of previous years, without consultation from the beneficiary departments of such loans, assistance from the funding agencies. |
| 2017-18 | 03 – Finance Revenue -Charged | 11,99,37,383 | This was due to the settlement of claims towards reimbursement of pension paid to retired High Court Judges from CPAO, MOF, GOI. |
| | 08 – Forest, Ecology and Environment Revenue- Charged | 80,98,05,156 | This was due to the error in budgeting wherein the provision of ₹85 crore was made erroneously under voted category instead of charged category for transfer of Forest Development Fees to KFDF. However, expenditure was accounted correctly under charged category. |
| | 24 – Energy Capital - Voted | 12,94,95,000 | This was due to adjustment of EAP loans of ₹12.95 crore as provided in GO dated 31.03.2018 even though no funds were provided in the Budget for 2017-18. |
| | 29– Debt Servicing Capital Charged | 93,51,25,086 | This was due to non-provisioning in the budget to cover the repayment of Principal and Interest in respect of EAP Loans released on Back to Back basis which were initially repaid and accounted by Controller of Aid Accounts and Audit, MOF, New Delhi for eventual transfer to State Government through RBI clearance memos as accounted by Pr.AG(A&E). |
| Total | | 24,09,52,95,328 | |

Source: Appropriation Accounts.

Appendix 3.15

Grant-wise details under which reasons for savings not intimated

(Reference: Paragraph 3.7.3.1; Page 93)

| Sl No | Grant | (₹ in crore) Savings for which reasons not furnished |
|--------------|---|---|
| 1 | 1- Agriculture and Horticulture | 186.04 |
| 2 | 2- Animal Husbandry and Fisheries | 640.65 |
| 3 | 3- Finance | 157.85 |
| 4 | 4- Department of Personnel and Administrative Reforms | 104.33 |
| 5 | 5- Home and Transport | 319.39 |
| 6 | 6- Infrastructure Development | 214.72 |
| 7 | 7- Rural Development and Panchayat Raj | 1,280.58 |
| 8 | 8- Forest, Ecology and Environment | 242.81 |
| 9 | 9- Co-operation | 44.20 |
| 10 | 10- Social Welfare | 2,122.70 |
| 11 | 11- Women and Child Welfare | 180.32 |
| 12 | 12-Information, Tourism and Youth Services | 178.65 |
| 13 | 13-Food and Civil Supplies | 2.91 |
| 14 | 14- Revenue | 594.75 |
| 15 | 16 - Housing | 89.74 |
| 16 | 17 - Education | 3,394.53 |
| 17 | 18- Industries and Commerce | 210.67 |
| 18 | 19- Urban Development | 2,986.03 |
| 29 | 20 – Public Works | 551.96 |
| 20 | 21 – Water Resources | 2,688.84 |
| 21 | 22 – Health and Family Welfare | 548.83 |
| 22 | 23- Labour and Skill Development | 223.87 |
| 23 | 24- Energy | 7.59 |
| 24 | 25- Kannada and Culture | 20.25 |
| 25 | 26 – Planning , Statistics, Science and Technology | 422.40 |
| 26 | 27 – Law | 185.35 |
| 27 | 28 - Parliamentary Affairs and Legislations | 29.58 |
| 28 | 29 – Debt Servicing | 0.08 |
| Total | | 17,629.62 |

Source: Office of the Pr.AG (A&E)

Appendix 4.1

Major Head and Department-wise details of outstanding UCs separately for each year

(Reference: Paragraph 4.2 ; Page 108)

| Sl. No. | Head of Account | Department | Year | Number of UCs | Amount (₹ in crore) |
|--------------|-----------------|--|--------------|---------------|---------------------|
| 1 | 2204 | Sports and Youth Services | 2018-19 | 05 | 5.01 |
| | | | 2019-20 | 09 | 7.36 |
| | | | Total | 14 | 12.37 |
| 2 | 2210 | Medical & Public Health | 2015-16 | 02 | 1.85 |
| | | | 2016-17 | 02 | 0.59 |
| | | | 2018-19 | 11 | 21.51 |
| | | | 2019-20 | 03 | 0.55 |
| | | | Total | 18 | 24.50 |
| 3 | 2220 | Information & Publicity | 2007-08 | 01 | 0.24 |
| | | | 2010-11 | 01 | 0.11 |
| | | | Total | 02 | 0.35 |
| 4 | 2245 | Dept. of Relief on account of Natural Calamities | 2002-03 | 03 | 1.41 |
| | | | Total | 03 | 1.41 |
| Total | | | | 37 | 38.63 |

Source: Office of the Pr.AG(A&E)

Appendix 4.2
Balances remaining under in-operative PD accounts
(Reference: Paragraph 4.4.2; Page 111)

(Amount in ₹)

| Sl. No. | P.D. Account Nomenclature | Balance as per the Books of Pr.AG (A&E) | Remarks |
|----------------------------|--|---|---------------------------|
| Credit Balances | | | |
| 1 | Cash Order Deposits | 10,228.81 | Prior to 2000 |
| 2 | Sugar Surcharge | 7,14,048.55 | Prior to 1993-94 |
| 3 | Scholarship Account of BC & Minorities | 22,99,172.30 | Information not available |
| 4 | PD Account of Special DC | 49,41,10,228.90 | 1994-95 onwards |
| 5 | PD Account of Deputy Commissioner, Dharwad | 5,95,047.31 | Information not available |
| 6 | PD Account of Permanent & Temporary Deposits | 28,31,395.86 | Information not available |
| 7 | Ram Kumar Jalal Memorial Fund | 195.00 | 1994-95 onwards |
| 8 | PD Account of Land Compensation | 16,82,557.60 | Information not available |
| 9 | PD Accounts of Ration Shop Depot | 49,936.00 | 1994-95 onwards |
| 10 | PD Accounts of Bagalkot Town Development Authority | 49,41,519.93 | Information not available |
| 11 | Assistant Register of Co-operative Society, Shivamogga | 10,000.00 | Information not available |
| 12 | PD Account of Superintendent of Central Prison Kalaburgi | 52,684.00 | Information not available |
| 13 | PD Account of Superintendent of Central Prison, Shivamogga | 34,507.00 | Information not available |
| 14 | Director of Fiscal Policy | 13,057.00 | 2018-19 onwards |
| Total | | 50,73,44,578.26 | |
| Debit Balances | | | |
| 1 | Harijan Development Welfare Fund | 5,18,350.71 | Information not available |
| 2 | PD A/c of Maharaja College of Education | 9,052.00 | 2008-09 onwards |
| 3 | Chief Minister's Drought Relief Fund | 82,45,390.20 | Prior to 2000 |
| 4 | PD A/c pf Municipal Commissioner, Tumukuru | 23,72,940.16 | Prior to 2000 |
| 5 | Deposits of Private Estate under Commercial Management | 75.00 | Prior to 2000 |
| 6 | PD Accounts of Joint Labour Commissioner | 26,059.44 | Prior to 2000 |
| 7 | PD Account of Superintendent of Central Prison, Belagavi | 2,08,757.00 | 2018-19 onwards |
| 8 | PD Account of SLAO, Bengaluru, Hassan Railway Project | 88,41,300.00 | 2018-19 onwards |
| Total | | 2,02,21,924.51 | |
| Nil Closing Balance | | | |
| 1 | ARCS, Vijayapura | 0.00 | Prior to 2000 |
| 2 | PD Account of Superintendent of Central Prison, Bellary | 0.00 | 2018-19 onwards |

Source: Office of the Pr.AG(A&E)/DDR Ledger

Appendix 4.3

Status of submission of accounts of Autonomous Bodies
and placement of Audit Reports before the State Legislature

(Reference: Paragraph 4.9; Page 117)

| Sl. No | Name of the Autonomous Body | Section under DPC Act | Period of entrustment | Year up to which accounts rendered | Year up to which audit report issued | Placement of audit reports before the Legislature |
|--------|--|-----------------------|-----------------------|--|--------------------------------------|--|
| 1 | Karnataka Urban Water Supply & Drainage Board, Bengaluru | 19 (3) | 2015-16 to 2019-20 | 2019-20 | 2018-19 | 2017-18 to 2018-19 Dt. 21-09-2020 |
| 2 | Karnataka Slum Development Board, Bengaluru | 19 (3) | 2017-18 to 2021-22 | 2019-20 | 2018-19 | 2018-19 Dt.21-09-2020 |
| 3 | Bangalore Water Supply and Sewerage Board, Bengaluru | 19 (3) | 2017-18 to 2021-22 | 2018-19 | 2018-19 | 2018-19 Dt.18-02-2020 |
| 4 | Karnataka Housing Board, Bengaluru | 19 (3) | 2016-17 to 2020-21 | 2018-19 | 2017-18 | 2017-18 Dt.14-09-2021 |
| 5 | Bangalore Development Authority, Bengaluru | 19 (3) | 2015-16 to 2019-20 | 2019-20 | 2018-19 | 2017-18 Dt.07-12-2020 2018-19 Dt.14-09-2020 |
| 6 | Karnataka State Legal Services Authority, Bengaluru | 19 (2) | As per Act | 2019-20 | 2018-19 | 2017-18 to 2018-19 Dt.21-09-2020 |
| 7 | Karnataka State Human Rights Commission, Bengaluru | 19 (2) | As per Act | 2019-20 | 2019-20 | 2018-19 Dt.09-03-2021 |
| 8 | Karnataka Industrial Areas Development Board, Bengaluru | 19 (3) | 2019-20 to 2023-24 | 2019-20 | 2018-19 | 2017-18 Dt.18-02-2020 |
| 9 | Karnataka State Khadi and Village Industries Board, Bengaluru | 19 (3) | 2017-18 to 2021-22 | 2019-20 | 2019-20 | 2018-19 Dt.28-01-2021 |
| 10 | Karnataka Bio Diversity Board, Bengaluru | 20(1) | 2002 onwards | 2019-20 | 2019-20 | 2017-18 Dt.18-02-2020 |
| 11 | Karnataka Building and Other Construction Workers Welfare Board, Bengaluru | 19(2) | As per Act | 2019-20 | 2015-16 | Not placed |
| 12 | Karnataka Text Book Society, Bengaluru | 19(3) | Up to 2020-21 | 2006-07 | 2006-07 | Nil |
| 13 | Karnataka Real Estate Regulatory Authority, Bengaluru | 19 (2) | As per Act | First Accounts (2017-18) not yet submitted | | |

Source: Office of the Pr. AG (Audit-I) & AG (Audit-II)

Appendix 4.4

Position of arrears in finalization of proforma accounts by the departmentally managed Commercial and Quasi-Commercial Undertakings

(Reference: Paragraph 4.10; Page 118)

(₹ in crore)

| Sl. No. | Undertaking | Accounts finalized up to | Investment as per the last accounts finalized | Remarks |
|---------|---|--------------------------|---|--|
| 1 | Chamarajendra Technical Institute Mysuru | 1984-85 | - | Proforma accounts due from 1985-86 |
| 2 | Government Saw Mills, Joida | 1968-69 | - | Proforma accounts due from 1969-70. Undertaking closed w.e.f. 27-04-1971. |
| 3 | Dasara Exhibition Committee, Mysuru | 1980-81 | - | Proforma accounts due from 1981-82 to 1995-96. |
| 4 | Bengaluru Dairy, Bengaluru | 1973-74 | - | Company stands transferred to Karnataka Milk Producers Co-operative Federation Limited from November 1984. |
| 5 | Government Milk Supply Scheme, Hubballi-Dharwad | 1980-81 | - | Proforma accounts due from 1981-82 to 1984-85 (31.01.1985). Transferred to KDDC. |
| 6 | Government Milk Supply Scheme, Mysuru | 1968-69 | - | Proforma accounts due from 1969-70 to 30.11.1975. Transferred to KDDC w.e.f 01.12.1975 |
| 7 | Government Milk Supply Scheme, Belagavi | 1974-75 | - | Proforma accounts due from 1977-78 to 1984-85. Transferred to KDDC w.e.f 01.12.1975 |
| 8 | Government Milk Supply Scheme, Kalaburgi | 1982-83 | - | Proforma accounts due from 1983-84 to 1984-85 (up to 31.01.1985). Transferred to KDDC. |
| 9 | Government Milk Supply Scheme, Bhadravathi | 1980-81 | - | Proforma accounts due from 1983-84 to 1984-85 (up to 14.02.1985). Transferred to KDDC. |
| 10 | Government Milk Supply Scheme, Mangaluru | 1982-83 | - | Proforma accounts due from 1983-84 & 1984-85 (up to 14.02.1985). Transferred to KDDC. |
| 11 | Government Milk Supply Scheme, Kudige | 1972-73 | - | Proforma accounts due from 1973-74 & 1974-75 (up to 30.11.1975). Transferred to KDDC |

| Sl. No. | Undertaking | Accounts finalized up to | Investment as per the last accounts finalized | Remarks |
|---------|--|--------------------------|---|-------------------------------------|
| 12 | Vaccine Institute, Belagavi | 1992-93 | - | Proforma accounts due from 1993-94. |
| 13 | Government Silk Filature, Kollegal | 2015-16 | 1.69 | Information not available |
| 14 | Government Silk Filature, Chamarajanagar | 2015-16 | 1.68 | |
| 15 | Government Silk Filature, Santhemarahalli | 2016-17 | 1.24 | |
| 16 | Government Silk Filature, Mamballi | 2015-16 | 2.38 | |
| 17 | Government Silk Twisting and Weaving Factory, Mudigundam | 2015-16 | 1.81 | |
| 18 | Government Central Workshop, Madikeri | 2008-09 | 0.07 | Proforma accounts due from 2009-10 |
| 19 | Karnataka Government Insurance Department, Bengaluru | - | No Capital Account | Information not available |

Source: Office of the Pr. AG (Audit-I) & AG (Audit-II)

Appendix 4.5

**Non-receipt of information pertaining to institutions substantially
financed by the Government**
(Reference: Paragraph 4.11; Page 118)

| Sl. No. | Department | Number of Institutions | Years for which information not received |
|---------|---|------------------------|--|
| 1 | Education | 999 | 2015-16 to 2019-20 |
| 2 | Medical Education | 25 | 2013-14 to 2020-21 |
| 3 | Health & Family Welfare | 2 | 2016-17 to 2020-21 |
| 4 | IT, BT Science & Technology | 5 | 2014-15 to 2020-21 |
| 5 | Kannada & Culture | 1 | 2016-17 to 2020-21 |
| 6 | Law & Justice | 3 | 2014-15 to 2020-21 |
| 7 | Youth Services & Sports Department | 2 | 2015-16 to 2019-20 |
| 8 | Social Welfare | 4 | 2003-04 and 2014-15 to 2020-21 |
| 9 | Women & Child Development | 2 | 2016-17 to 2020-21 |
| 10 | Minority Welfare Department | 2 | 2013-14 to 2020-21 |
| 11 | Backward Classes Department | 1 | 2016-17 to 2020-21 |
| 12 | Department of Personnel and Administrative Reforms Department | 1 | 2020-21 |
| 13 | Revenue Department | 1 | 2016-17 to 2020-21 |
| 14 | Department of Information and Public Relation Department | 2 | 2016-17 to 2020-21 |
| 15 | Department of Agriculture and Horticulture Department | 7 | 2011-12 to 2020-21 |
| 16 | Department of RDPR | 3 | 2019-20 and 2020-21 |
| 17 | Department of Animal Husbandry and Veterinary Services | 3 | 2016-17 to 2020-21 |
| 18 | Department of Co-operative | 1 | 2015-16 to 2020-21 |
| 19 | Department of Minor irrigation and ground water development | 1 | 2018-19 to 2020-21 |
| 20 | Department of Water resources | 7 | 1999-2000 and 2013-14 to 2020-21 |
| 21 | Hindu religious Institutions and charitable endowments | 2 | 2012-13 to 2020-21 |
| 22 | Commerce and Industries | 8 | 2003-04 to 2020-21 |

Source: Office of the Pr.AG(Audit-I)

Appendix 4.6

Department-wise/ duration-wise breakup of the cases of theft and mis-appropriation

(Reference: Paragraph 4.13; Page 119)

(₹ in Lakh)

| Department | <5years | | <15 years | | <20 years | | <25 years | | >25 years | | Total | |
|--|-----------|-----------------|-----------|-----------------|-----------|-------------|-----------|----------|-----------|--------------|-----------|-----------------|
| | No. | Amt. | No. | Amt. | No. | Amt. | No. | Amt. | No. | Amt. | No. | Amt. |
| Animal Husbandry and Veterinary Services | 04 | 643.70 | - | - | - | - | - | - | - | - | 04 | 643.70 |
| Food and Civil Supplies | 01 | 525.00 | - | - | - | - | - | - | - | - | 01 | 525.00 |
| Medical Education | - | - | - | - | - | - | - | - | 02 | 1.91 | 02 | 1.91 |
| Department of Technical Education | 01 | 0.28 | - | - | - | - | - | - | - | - | 01 | 0.28 |
| Forest | - | - | - | - | - | - | - | - | 02 | 0.74 | 02 | 0.74 |
| Home | 01 | 4.68 | 04 | 162.46 | - | - | - | - | 03 | 88.95 | 08 | 256.09 |
| Health and Family Welfare | - | - | - | - | - | - | - | - | 10 | 1.6 | 10 | 1.6 |
| Labour | - | - | - | - | - | - | - | - | 01 | 0.89 | 01 | 0.89 |
| Social Welfare | - | - | - | - | 01 | 9.48 | - | - | - | - | 01 | 9.48 |
| Public Works | - | - | 02 | 1,180.18 | - | - | - | - | - | - | 02 | 1,180.18 |
| Judiciary | - | - | 01 | 20.00 | - | - | - | - | - | - | 01 | 20.00 |
| Total | 07 | 1,173.66 | 07 | 1,362.64 | 01 | 9.48 | - | - | 18 | 94.09 | 33 | 2,639.87 |

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

Glossary

| Basis of calculation | |
|--|---|
| Buoyancy of a parameter | Rate of Growth of the parameter/GSDP Growth Rate |
| Buoyancy of a parameter (X) With respect to another parameter (Y) | Rate of Growth of parameter (X)/ Rate of Growth of parameter (Y) |
| Rate of Growth (ROG) | $[(\text{Current year Amount}/\text{Previous year Amount})-1]*100$ |
| Development expenditure | Social services + economic services |
| Average interest rate of Outstanding Debt | $[\text{Interest payments}/(\text{opening balance of Public debt} + \text{closing balance of Public Debt}/2)]$ |
| Ratio of Debt Redemption | Total debt payment + Interest payment(debt)/total debt receipts |
| Revenue Deficit/Revenue Surplus | Revenue Receipt – Revenue Expenditure |
| Fiscal Deficit | Revenue Expenditure + Capital Expenditure + Net Loans and Advances – Revenue Receipts – Miscellaneous Capital Receipts |
| Primary Deficit | Fiscal Deficit – Interest payments |
| Balance from Current Revenue (BCR) | Revenue Receipts <i>minus</i> all Plan Grants and Non-Plan Revenue Expenditure excluding expenditure recorded under the major head 2048 – Appropriation for reduction of avoidance of debt. |

Abbreviations

| Sl. No. | Abbreviation | Full Form |
|---------|--------------|--|
| 1 | AC Bill | Abstract Contingent Bill |
| 2 | AE | Aggregate Expenditure |
| 3 | ALM | Asset Liability Monitoring |
| 4 | AYUSH | Ayurveda, Yoga and Naturopathy, Unani, Siddha and Homeopathy |
| 5 | BMTC | Bengaluru Metropolitan Transport Corporation |
| 6 | BPL | Below Poverty Line |
| 7 | C&AG | Comptroller and Auditor General of India |
| 8 | CAGR | Compounded Annual Growth Rate |
| 9 | CAPEX | Capital Expenditure |
| 10 | CBS | Child Budget Statement |
| 11 | CE | Capital Expenditure |
| 12 | CESCOM | Chamundeswari Electricity Supply Company |
| 13 | CGST | Central Goods and Service Tax |
| 14 | CHCs | Community Health Centres |
| 15 | CMRRD | Chief Minister's Rural Road Development Fund |
| 16 | CNNL | Cauvery Neeravari Nigam Limited |
| 17 | CPAO | Central Pay and Accounts Office |
| 18 | CPS | Central Plan Schemes |
| 19 | CRA | Central Record keeping Agency |
| 20 | CRF | Central Road Fund |
| 21 | CSF | Consolidated Sinking Fund |
| 22 | CSS | Centrally Sponsored Schemes |
| 23 | DC | Deputy Commissioner |
| 24 | DCB | Demand Collection Balances |
| 25 | DCPS | Defined Contribution Pension Scheme |
| 26 | DDOs | Drawing and Disbursing Officers |
| 27 | DDR | Debt, Deposit and Remittances |
| 28 | DE | Development Expenditure |
| 29 | DMA | Directorate of Municipal Administration |
| 30 | DPAR | Department of Personnel and Administrative Reforms |
| 31 | DPC | Duties, Power and Conditions of Service |
| 32 | DSA | Debt Sustainability Analysis |
| 33 | EAP | Externally Assisted Project |
| 34 | EFC | Eleventh Finance Commission |
| 35 | ERC | Expenditure Reforms Commission |
| 36 | ESCOMs | Electricity Supply Companies |
| 37 | FD | Finance Department |
| 38 | FMRC | Fiscal Management Review Committee |
| 39 | FPI | Fiscal Policy Institute |
| 40 | GASAB | Government Accounting Standards Advisory Board |
| 41 | GB | Gender Budget |
| 42 | GCS | General Category States |
| 43 | GCU's | Government Commercial Undertakings |
| 44 | GDP | Gross Domestic Product |
| 45 | GESCOM | Gulbarga Electricity Supply Company |
| 46 | GIA | Grants-In-Aid |
| 47 | GFR | General Financial Rules |
| 48 | GIC | General Insurance Corporation |

| | | |
|-----|---------------|---|
| 49 | GOI | Government of India |
| 50 | GOK | Government of Karnataka |
| 51 | GOs | Government Orders |
| 52 | GP | Gram Panchayat |
| 53 | GSDP | Gross State Domestic Product |
| 54 | GST | Goods and Service Tax |
| 55 | HESCOM | Hubli Electricity Supply Company |
| 56 | HOA | Head of Account |
| 57 | HRMS | Human Resource Management System |
| 58 | IFA | Internal Financial Advisor |
| 59 | IGAS | Indian Government Accounting Standard |
| 60 | IGST | Integrated Goods and Service Tax |
| 61 | ITI | Industrial Training Institute |
| 62 | KBJNL | Krishna Bhagya Jala Nigam Limited |
| 63 | KFC | Karnataka Financial Code |
| 64 | KFDF | Karnataka Forest Development Fund |
| 65 | KFRA | Karnataka Fiscal Responsibility Act |
| 66 | KIADB | Karnataka Industrial Area Development Board |
| 67 | KILT | Karnataka Institute of Leather Technology |
| 68 | KNNL | Karnataka Neeravari Nigam Limited |
| 69 | KRDCL | Karnataka Road Development Corporation Limited |
| 70 | KSFCL | Karnataka State Financial Corporation Limited |
| 71 | KSCARDB | Karnataka State Co-operative Agriculture and Rural Development Bank |
| 72 | KSCOMF | Karnataka State Co-operative Marketing Federation |
| 73 | KSSIDC | Karnataka State Small Industries Development Corporation Limited |
| 74 | KUWSDB | Karnataka Urban Water Supply and Drainage Board |
| 75 | LIC | Life Insurance Corporation |
| 76 | LMMH | List of Major and Minor Heads |
| 77 | LROT | Lease Rehabilitate Operate and Transfer |
| 78 | MCE | Manual of Contingent Expenditure |
| 79 | MOF | Ministry of Finance |
| 80 | MTFP | Medium Term Fiscal Plan |
| 81 | NABARD | National Bank for Agriculture and Rural Development |
| 82 | NCDC | National Co-operative Development Corporation |
| 83 | NDC Bill | Non-Payment Detailed Contingent Bill |
| 84 | NDRF | National Disaster Response Fund |
| 85 | NGOs | Non – Government Organisations |
| 86 | NPIC | New Pension Implementation Cell |
| 87 | NPS | New Pension Scheme |
| 88 | NSDL | National Securities Depository Limited |
| 89 | NSSF | National Small Savings Fund |
| 90 | OBB | Off-Budget Borrowings |
| 91 | OD | Over Draft |
| 92 | PAC | Public Accounts Committee |
| 93 | Pr.AG (A&E) | Principal Accountant General (Accounts and Entitlement) |
| 94 | Pr.AG (Audit) | Principal Accountant General (Audit) |
| 95 | PAO | Pay and Accounts Office |
| 96 | PD | Personal Deposit |
| 97 | PF | Provident Fund |
| 98 | PFRDA | Pension Fund Regulatory Development Authority |
| 99 | PF | Provident Fund |
| 100 | PMAY | Pradhan Mantri Awas Yojane |
| 101 | PRAN | Permanent Retirement Account Number |

| | | |
|-----|---------|---|
| 102 | PRIs | Panchayat Raj Institutions |
| 103 | PSUs | Public Sector Undertakings |
| 104 | PWP&IWT | Public Works, Port and Inland Water Transport |
| 105 | RBI | Reserve Bank of India |
| 106 | RDPR | Rural Development and Panchayat Raj |
| 107 | RE | Revenue Expenditure |
| 108 | RERA | Real Estate Regulatory Authority |
| 109 | RR | Revenue Receipts |
| 110 | SCSP | Special Component Sub Plan |
| 111 | SDMF | State Disaster Mitigation Fund |
| 112 | SDRF | State Disaster Response Fund |
| 113 | SDL | State Development Loans |
| 114 | SE | Supplementary Estimate |
| 115 | SFAR | State Finance Audit Report |
| 116 | SGST | State Goods and Service Tax |
| 117 | SLAO | Special Land Acquisition Officer |
| 118 | SPVs | Special Purpose Vehicles |
| 119 | SWMA | Special Ways and Means Advances |
| 120 | TBs | Treasury Bills |
| 121 | TE | Total Expenditure |
| 122 | TFC | Twelfth Finance Commission |
| 123 | TP | Taluk Panchayat |
| 124 | TSP | Tribal Sub Plan |
| 125 | UC | Utilisation Certificate |
| 126 | ULB | Urban Local Bodies |
| 127 | VJNL | Visvesvaraya Jala Nigam Limited |
| 128 | WMA | Ways and Means Advances |
| 129 | XII FC | Twelfth Finance Commission |
| 130 | XIII FC | Thirteenth Finance Commission |
| 131 | XIV FC | Fourteenth Finance Commission |
| 132 | XV FC | Fifteenth Finance Commission |
| 133 | ZP | Zilla Panchayat |



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