

## Table of Contents

	Paragraph number	Page number
<b>Preface</b>		ix
<b>Executive Summary</b>		xi
<b>Chapter - I</b>		
<b>Finances of the State Government</b>		
<b>Introduction</b>	<b>1.1</b>	<b>1</b>
Summary of fiscal transactions in 2015-16	1.1.1	2
Review of fiscal situation	1.1.2	3
Major fiscal variables	1.1.3	7
Budget Estimates and Actuals 2015-16	1.1.4	7
Gender Budgeting	1.1.5	9
Major policy initiatives of Budget 2015-16	1.1.6	11
<b>Resources of the State</b>	<b>1.2</b>	<b>12</b>
Resources of the State as per the Annual Finance Accounts	1.2.1	12
<b>Revenue receipts</b>	<b>1.3</b>	<b>15</b>
State's own resources	1.3.1	17
Tax revenue	1.3.1.1	17
Non-tax revenue	1.3.1.2	20
Grants-in-aid from Government of India	1.3.2	22
Central tax transfers	1.3.3	23
Optimization of XIV Finance Commission grants	1.3.4	23
Introduction	1.3.4.1	23
Comparison of Devolution of Union Taxes and duties	1.3.4.2	23
Release of grants	1.3.4.3	24
<b>Foregone revenue</b>	<b>1.3.5</b>	<b>25</b>
<b>Capital Receipts</b>	<b>1.4</b>	<b>26</b>
<b>Public Account Receipts</b>	<b>1.5</b>	<b>27</b>
<b>Application of resources</b>	<b>1.6</b>	<b>27</b>
Growth and composition of expenditure	1.6.1	27
Revenue expenditure	1.6.2	30
Committed expenditure	1.6.3	30
Financial assistance to local bodies and others	1.6.4	38
<b>Quality of expenditure</b>	<b>1.7</b>	<b>39</b>
Adequacy of public expenditure	1.7.1	39
Efficiency of expenditure	1.7.2	40
<b>Financial Analysis of Government expenditure and investments</b>	<b>1.8</b>	<b>41</b>
Incomplete projects	1.8.1	42

## Table of Contents

	Paragraph number	Page number
Investment and returns	1.8.2	42
Investment in PPP Projects	1.8.3	45
Departmental undertakings	1.8.4	46
Loans and advances by the State Government	1.8.5	46
Cash balances and investment of cash balances	1.8.6	48
<b>Assets and Liabilities</b>	<b>1.9</b>	<b>49</b>
Growth and composition of assets and liabilities	1.9.1	49
Fiscal liabilities	1.9.2	52
Off-budget borrowings	1.9.3	53
Transactions under Reserve Fund	1.9.4	54
Contingent Liabilities	1.9.5	56
Status of Guarantees	1.9.5.1	56
Incomplete Database on Guarantees	1.9.5.2	57
<b>Debt Management</b>	<b>1.10</b>	<b>58</b>
Debt profile	1.10.1	59
Debt Sustainability	1.10.2	59
Debt stability	1.10.3	60
Sufficiency of incremental non-debt receipts	1.10.4	60
Net availability of borrowed funds	1.10.5	60
Inordinate delay in remittance of Borrowings to Government Account – resultant loss of interest	1.10.6	61
<b>Fiscal imbalances</b>	<b>1.11</b>	<b>62</b>
Trends in deficits	1.11.1	62
Composition of fiscal deficit and its financing pattern	1.11.2	65
Quality of deficit/surplus	1.11.3	66
<b>Follow up</b>	<b>1.12</b>	<b>67</b>
<b>Conclusion and recommendations</b>	<b>1.13</b>	<b>67</b>
<b>Chapter – II</b>		
<b>Financial Management and Budgetary Control</b>		
<b>Introduction</b>	<b>2.1</b>	<b>73</b>
<b>Summary of Appropriation Accounts</b>	<b>2.2</b>	<b>73</b>
<b>Excess Expenditure</b>	<b>2.3</b>	<b>75</b>
Excess expenditure requiring regularization in the previous years	2.3.1	75
Excess expenditure over provision during 2015-16	2.3.2	76
<b>Scrutiny of Budget Estimates and Supplementary Estimates for the year 2015-16</b>	<b>2.4</b>	<b>77</b>
Errors in budgeting	2.4.1	77
Misclassification between Capital and Revenue sections	2.4.1.1	77
Misclassification between voted and charged sections while budgeting	2.4.1.2	78

## Table of Contents

	Paragraph number	Page number
Errors due to incorrect provisions under grants	2.4.1.3	78
Incorrect provision made under Major Heads of Account	2.4.1.4	78
Misclassification under Minor head level	2.4.1.5	79
Error due to provision made under non-existent sub major head	2.4.1.6	79
Errors in classification	2.4.1.7	79
Incorrect budgeting	2.4.1.8	80
<b>Transactions under Fund Accounts</b>	<b>2.5</b>	<b>80</b>
<b>Lack of transparency in provisioning – Budget operation of omnibus object head 059 – Other Expenses</b>	<b>2.6</b>	<b>81</b>
<b>Financial accountability and Budget management</b>	<b>2.7</b>	<b>81</b>
Appropriation vis-à-vis allocative priorities	2.7.1	81
Persistent unspent provision	2.7.2	85
Supplementary provision	2.7.3	85
Unnecessary Supplementary provision	2.7.4	86
Excessive Supplementary provision	2.7.5	87
Inadequate Supplementary provision	2.7.6	87
Re-appropriation of Funds	2.7.7	88
Injudicious re-appropriation of funds	2.7.8	88
Defective re-appropriation	2.7.9	88
Unspent provision not surrendered	2.7.10	88
Substantial surrenders	2.7.11	89
<b>Contingency Fund</b>	<b>2.8</b>	<b>89</b>
<b>Outcome of review of selected grants</b>	<b>2.9</b>	<b>90</b>
<b>Grant No 1 - Agriculture and Horticulture</b>	<b>2.9.1</b>	<b>91</b>
<b>Grant No 26 – Planning, Statistics, Science and Technology</b>	<b>2.9.2</b>	<b>94</b>
<b>Excess payment of Family Pension</b>	<b>2.10</b>	<b>98</b>
<b>Conclusion</b>	<b>2.11</b>	<b>99</b>
<b>Chapter – III</b>		
<b>Financial Reporting</b>		
<b>Non-submission of Utilisation Certificates</b>	<b>3.1</b>	<b>103</b>
<b>Non-receipt of information pertaining to institutions substantially financed by the Government</b>	<b>3.2</b>	<b>104</b>
<b>Status of submission of accounts of Autonomous Bodies and placement of Audit Reports before the State Legislature</b>	<b>3.3</b>	<b>104</b>
<b>Departmental Commercial Undertakings</b>	<b>3.4</b>	<b>104</b>
<b>Misappropriations, losses etc.,</b>	<b>3.5</b>	<b>105</b>
<b>Non-receipt of stores and stock accounts</b>	<b>3.6</b>	<b>105</b>
<b>Abstract Contingent bills</b>	<b>3.7</b>	<b>106</b>
<b>Personal Deposit Accounts</b>	<b>3.8</b>	<b>107</b>
Funds kept in PD accounts	3.8.1	107

## Table of Contents

	<b>Paragraph number</b>	<b>Page number</b>
Reconciliation of Personal Deposit (PD) Accounts	3.8.2	108
<b>Reconciliation of receipts and expenditure</b>	<b>3.9</b>	<b>109</b>
<b>Comments on Accounts</b>	<b>3.10</b>	<b>109</b>
Defective Budgeting resulting in excess expenditure under demand No 29 Debt Servicing under interest and commitment charges	3.10.1	109
Accounting of inadmissible transactions under the object head prescribed for Compensatory cost	3.10.2	110
<b>Transparency in Accounts</b>	<b>3.11</b>	<b>111</b>
Merger of expenditure relating to Secret Service with Scholarships and Incentives	3.11.1	111
<b>Important factors affecting accuracy of accounts</b>	<b>3.12</b>	<b>111</b>
<b>Conclusions</b>	<b>3.13</b>	<b>114</b>
<b>Recommendations</b>	<b>3.14</b>	<b>115</b>

## Table of Contents

Appendix number	Subject	Page number
<b>1.1</b>	State Profile	119
<b>1.2</b>	Structure of Government Accounts	121
<b>1.3</b>	Abstract of Receipts and Disbursements	122
<b>1.4</b>	Time series data on the State Government Finances	126
<b>1.5</b>	Implicit Subsidies	129
<b>1.6</b>	Status of completed/under implementation/under pipeline PPP Projects as on 31 March 2016	130
<b>1.7</b>	Financial position of departmentally managed Commercial/Quasi Commercial undertakings	139
<b>1.8</b>	Detailed Loan accounts maintained by Accountant General (A&E)	140
<b>1.9</b>	Summarized financial position of the Government of Karnataka as on 31 March 2016	141
<b>1.10</b>	NABARD – RIDF Loans – Delayed credit and Interest Compensation	143
<b>2.1</b>	Cases of incurring expenditure which are not covered by Budget, but released by FD as additionalities	144
<b>2.2</b>	Major heads of account under which excess expenditure was above ₹25.00 crore	145
<b>2.3</b>	Misclassification between voted and charged sections	147
<b>2.4</b>	Details of misclassification under the object head 059-Other expenses	148
<b>2.5</b>	Major head of accounts under which provision of ₹25 crore and above remained unspent	149
<b>2.6</b>	Unnecessary supplementary provision	151
<b>2.7</b>	Excessive supplementary provision	153
<b>2.8</b>	Inadequate supplementary provision	154
<b>2.9</b>	Injudicious re-appropriation	155
<b>2.10</b>	Cases of defective Re-appropriation orders	159
<b>2.11</b>	Statement of various grants/appropriations in which unspent provisions occurred but no part of which was surrendered	163
<b>2.12</b>	Surrender of un-spent provisions	164
<b>2.13</b>	Cases of surrender of funds in excess of ₹5 crore on 30 and 31 March 2016	167
<b>2.14</b>	Results of substantial surrenders made during the year	168
<b>2.15(a)</b>	Rush of expenditure – Grant No 1	170
<b>2.15(b)</b>	Rush of expenditure – Grant No 26	172
<b>2.16</b>	Excess payment of Family Pension	173
<b>2.17</b>	Repeated excess payment of Family Pension	174
<b>2.18</b>	Avoidable loss of interest	175
<b>3.1</b>	Major head and department wise details of outstanding UCs separately for each year	176
<b>3.2</b>	Non-receipt of information pertaining to institutions substantially financed by the Government	177
<b>3.3</b>	Status of submission of accounts of Autonomous bodies and placement of Audit Reports before the State Legislature	178

## Table of Contents

<b>Appendix number</b>	<b>Subject</b>	<b>Page number</b>
<b>3.4</b>	Position of arrears in finalization of Proforma Accounts by the departmentally managed Commercial and Quasi Commercial Undertakings	179
<b>3.5</b>	Department wise/duration-wise breakup of the cases of theft and misappropriation	181
<b>3.6</b>	Department wise and category wise details of theft and misappropriation	182
<b>3.7</b>	Department wise details of non-submission of stores and stock accounts	183
<b>3.8</b>	Balances remaining in Inoperative PD accounts	186
	<b>Glossary</b>	<b>187</b>
	<b>Abbreviation</b>	<b>188</b>