

Table of Contents

	Paragraph number	Page number
Preface		vii
Executive Summary		ix
Chapter-I		
Finances of the State Government		
Introduction	1.1	1
Summary of fiscal transactions in 2018-19	1.1.1	1
Review of Fiscal situation	1.1.2	3
Fiscal Health of the State	1.1.3	4
Comparison of State's fiscal variables with GoI variables	1.1.4	4
Impact of certain transactions on revenue surplus and fiscal deficit during 2018-19	1.1.5	5
Analysis of Budget for the year 2018-19	1.2	6
Budget Estimates and Actuals	1.2.1	6
Gender Budgeting	1.2.2	7
Major policy initiatives of the Budget	1.2.3	11
Sources of Revenue in the State	1.3	11
Sources of Revenue of the State as per the Annual Finance Accounts	1.3.1	11
Revenue Receipts	1.4	13
State's Own Resources	1.4.1	15
Tax Revenue	1.4.1.1	15
Goods and Service Tax (GST)	1.4.1.2	17
Non-tax revenue	1.4.1.3	18
Central tax transfers	1.4.2	20
Grants-in-aid and Contributions from GoI	1.4.3	21
XIV Finance Commission Grants	1.4.3.1	21
Releases under Disaster Relief	1.4.3.2	23
Capital Receipts	1.5	23
Public Account Receipts	1.6	23
Application of resources	1.7	24
Growth and composition of expenditure	1.7.1	25
Revenue Expenditure	1.7.2	26
Committed Expenditure	1.7.3	27
Quality of expenditure	1.8	34
Adequacy of public expenditure	1.8.1	34
Efficiency of expenditure	1.8.2	35
Financial analysis of Government Capital Expenditure and Investments	1.9	38
Capital expenditure	1.9.1	38
Incomplete projects	1.9.2	38
Investment and returns	1.9.3	39
Loans and advances by the State Government	1.9.4	41
Cash balances and investment of cash balances	1.9.5	43

Table of Contents

	Paragraph number	Page number
Assets and Liabilities	1.10	45
Growth and composition of assets and liabilities	1.10.1	45
Fiscal Liabilities	1.10.2	47
Internal Debt	1.10.2.1	47
Loans and Advances from GoI	1.10.2.2	48
Off-budget borrowings	1.10.3	48
Public Account transactions	1.10.4	49
Reserve Funds	1.10.4.1	49
Contingent liabilities	1.10.5	54
Status of guarantees	1.10.5.1	54
Debt Management	1.11	54
Debt Profile	1.11.1	54
Debt Sustainability	1.11.2	55
Interest on Off-Budget Borrowings	1.11.3	58
Debt stability	1.11.4	58
Sufficiency of incremental non-debt receipts	1.11.5	58
Net availability of borrowed funds	1.11.6	59
Fiscal parameters	1.12	59
Trends in deficits	1.12.1	59
Composition of fiscal deficit and its financing pattern	1.12.2	62
Follow up	1.13	62
Conclusion and recommendations	1.14	62
Chapter – II		
Financial Management and Budgetary Control		
Introduction	2.1	65
Summary of Appropriation Accounts	2.2	65
Comments on Expenditure	2.3	66
Overstatement/Understatement of expenditure	2.3.1	66
Additional amount released through Executive orders	2.3.2	67
Excess expenditure requiring regularisation	2.3.3	67
New Service/New Instrument of Service	2.3.4	68
Errors in budgeting	2.4	69
Misclassification between ‘Capital’ and ‘Revenue’ sections	2.4.1	69
Misclassification between ‘voted’ and ‘charged’ sections while budgeting	2.4.2	70
Error in provisions made under Major Heads of Account	2.4.3	70
Errors in classification under object heads of account	2.4.4	71
Provision made for previous year’s expenditure in the current year budget	2.4.5	71
Lack of transparency in Provisioning – Budget Operation of Omnibus Object Head 059 – Other Expenses	2.4.6	71
Financial Accountability and Budget Management	2.5	72
Unspent provisions against allocation	2.5.1	72
Supplementary Provisions	2.5.2	73
Re-appropriation of Funds	2.5.3	75
Surrender of unspent Provision	2.5.4	76
Contingency Fund	2.6	77

Table of Contents

	Paragraph number	Page number
Review of selected grant	2.7	78
Grant No. 23 – Labour, Employment and Skill Development	2.7.1	78
Conclusion	2.8	84
Recommendations	2.9	84
Chapter – III		
Financial Reporting		
Non-submission of Utilisation Certificates	3.1	85
Non-receipt of information pertaining to institutions substantially financed by the Government	3.2	86
Status of submission of accounts of Autonomous Bodies and placement of Audit Reports before the State Legislature	3.3	86
Departmental Commercial Undertakings	3.4	86
Non-receipt of Stores and Stock Accounts	3.5	87
Abstract Contingent Bills	3.6	87
Personal Deposit Accounts	3.7	88
Funds kept in Personal Deposit Accounts	3.7.1	89
Reconciliation of Personal Deposit Accounts	3.7.2	90
Reconciliation of Receipts and Expenditure	3.8	90
Comments on Accounts	3.9	90
Erroneous procedure adopted for refund of Sales Tax to eligible industries	3.9.1	90
Unnecessary provision for conversion of loan into grant	3.9.2	91
Non remittance of unspent amount to Government Account	3.9.3	91
Important factors affecting accuracy of accounts	3.10	92
Conclusion	3.11	94
Recommendations	3.12	95

Table of Contents

Appendix number	Subject	Page number
1.1	State Profile	97
1.2	Structure of Government Accounts	99
1.3	Abstract of Receipts and Disbursements	100
1.3(A)	Capital Expenditure under various sectors and sub-sectors	103
1.4	Time series data on the State Government Finances	105
1.5	Budget Assurances and Audit Analysis	109
1.6	Cost of collection	111
1.7	Station/Power House wise Royalty for energy sales per KWH	112
1.8	Department wise share of Subsidies	113
1.9	Subsidies in the form of financial assistance, incentives <i>etc.</i>	114
1.10	Detailed Loan Accounts maintained by Principal Accountant General (A&E)	115
1.11	Summarised Financial position of Government of Karnataka as on 31 March 2019	116
1.12	Components of fiscal deficit and its financing pattern	117
2.1	Cases of incurring expenditure which are not covered by the Budget, but released by FD as additionalities	118
2.2	Excess Expenditure over Provision requiring regularisation	119
2.3	Details of misclassification under the object head '059 – Other Expenses'	121
2.4	Grants/appropriations with unspent provisions of ₹100 crore and above	122
2.5	Major Heads of account under which provision of ₹25 crore and above remained unspent	124
2.6	Unnecessary Supplementary Provision	128
2.7	Excessive Supplementary Provision	129
2.8	Inadequate Supplementary Provision	130
2.9	Unnecessary/Excessive/In-sufficient Re-appropriation	131
2.10	Cases of Defective Re-appropriation Orders	133
2.11	Statement of various grants/appropriation in which unspent provision occurred but no part of which was surrendered	135
2.12	Surrender of Unspent Provision	136
2.13	Results of substantial surrenders made during the year	138
2.14	Cases of surrender of funds in excess of ₹five crore on 30 and 31 March 2019	141
3.1	Major Heads and Department-wise details of outstanding UCs separately for each year	142
3.2	Non-receipt of information pertaining to institutions substantially financed by the Government	143
3.3	Status of submission of accounts of Autonomous Bodies and placement of Audit Reports before the State Legislature	144
3.4	Position of arrears in finalisation of Proforma Accounts by the departmentally managed Commercial and Quasi-Commercial Undertakings	145
3.5	Department wise details of non-submission of stores and stock accounts	147
3.6	Balances remaining under In-operative PD Accounts	154
	Glossary	155
	Abbreviations	156