

A blue scroll graphic with a gradient from light to dark blue. The scroll is partially unrolled at the top and bottom edges, with the unrolled parts curving outwards. The word "Overview" is centered on the scroll in a bold, black, serif font.

Overview

Overview

This Report of the Comptroller and Auditor General of India (C&AG) contains two parts. Part I relating to Expenditure Audit contains nine paragraphs and Part II relating to Revenue Audit contains 14 paragraphs. Some of the major findings are mentioned below:

Part-I: Expenditure Audit

Introduction

Budget profile and application of resources of the State Government

During the year 2019-20, as against the total outlay of ₹7,54,121 crore, the application of resources was ₹5,03,792 crore. While the total expenditure (i.e., total of revenue expenditure, capital outlay and loans and advances) increased by 55 per cent during the period 2015-16 to 2019-20, the revenue expenditure increased by 49 per cent during the above period. The revenue expenditure (₹1,74,258 crore) constituted 81 per cent of the total expenditure (₹2,13,857 crore) during 2019-20.

(Paragraph 1.2 and 1.3)

Responsiveness of Government to audit

A total of 7,516 Inspection Reports containing 38,140 paragraphs were outstanding against 54 departments as at the end of March 2020.

(Paragraph 1.10.1)

Status of placement of Separate Audit Reports of autonomous bodies in the State Legislature

The Karnataka Building and Other Construction Workers' Welfare Board has not placed before the State Legislature, the SARs for the years 2006-07 to 2015-16. The Karnataka Test Book Society was yet to submit the revised accounts for the year 2007-08 and the Karnataka State Commission for Protection of Child Rights (established in July 2009) was yet to be submit the annual accounts since inception.

(Paragraph 1.11)

Compliance Audit

Department of Higher Education

Improper Financial Management in Bangalore University

Improper financial management in Bangalore University resulted in misappropriation of ₹12.97 lakh, manipulation of records and suspected misappropriation of ₹1.28 lakh and loss of revenue of ₹87.87 lakh.

(Paragraph 2.1)

Loss of terminal benefits to NPS employees

Non-implementation of National Pension System architecture as prescribed by Pension Fund Regulatory and Development Authority in three Universities resulted in loss of ₹2.83 crore to 577 employees of these Universities who joined the service after 01 April 2006.

(Paragraph 2.2)

Department of Animal Husbandry and Fisheries

Loss due to non-remittance of Government revenue and misappropriation

Manipulation of records and non-remittance of cash receipts into Government Account at the office of the Assistant Director, Department of Animal Husbandry and Veterinary Sciences, Channapatna resulted in loss of revenue and misappropriation of Government revenue- ₹1.38 lakh.

(Paragraph 2.3)

Department of Food and Civil Supplies, Consumer Affairs and Legal Metrology

Avoidable payment of interest on procurement of rice

The Karnataka Food and Civil Supplies Corporation Limited made belated payments to the Chattisgarh State Civil Supplies Corporation for procurement of rice despite availability of funds resulting in avoidable extra expenditure of ₹5.25 crore towards interest.

(Paragraph 2.4)

Department of Labour

Non/short realisation of revenue

The delay in updating the revised rates for registration/renewal on the online portal resulted in short realisation of revenue of ₹2.38 crore. Huge pendency of renewal of registration of shops and commercial establishments resulted not only in non-realisation of revenue to the extent of ₹37.21 crore but also continuation of the establishments without valid registrations.

(Paragraph 2.5)

Department of Health and Family Welfare Services

Short levy of liquidated damages

The Chief Engineer, Health Engineering Wing levied nominal penalty for delays on part of the contractors in completing the works based on the recommendations of the Executive Engineers of the divisions. This resulted in short levy of liquidated damages of ₹14.63 crore besides extending undue benefit to the contractors.

(Paragraph 2.6)

Avoidable expenditure

Adopting Cement Concrete (Machine Mixed) for M25 grade concrete instead of Ready-Mix concrete in estimate/BOQ by the department of Health and Family Welfare, Engineering Sub-Division resulted in avoidable expenditure of ₹3.30 crore and undue benefit to the contractor.

(Paragraph 2.7)

False certification of works not actually executed

The Assistant Engineer, Health and Family Welfare Engineering sub-division, Kalaburagi recorded execution of items of work in the Measurement book which were not actually executed. This was certified by the Assistant Executive Engineer and approved by the Executive Engineer. This resulted in irregular payment of ₹97.59 lakh besides extending undue benefit to the contractor.

(Paragraph 2.8)

Department of Rural Development and Panchayat Raj

Avoidable expenditure on payment of Goods and Services Tax for inadmissible services

Payment of Goods and Services Tax (GST) by the Zilla Panchayats for service rendered by Manpower Agencies which fall under 'Pure Services' with nil rate of GST resulted in avoidable expenditure of ₹1.29 crore on inadmissible service.

(Paragraph 2.9)

Part-II: Revenue Audit

General

Total revenue receipts of the State Government for the year 2019-20 amounted to ₹1,75,442.79 crore against ₹1,64,978.66 crore for the previous year. Of this, 63 per cent was raised by the State through tax revenue (₹1,02,362.79 crore) and non-tax revenue (₹7,681.47 crore). The balance 37 per cent was received from the Government of India as State's share of divisible Union taxes (₹30,919.00 crore) and grants-in-aid (₹34,479.53 crore).

(Paragraph 1.1)

A total of 1,652 Inspection Reports, containing 4,831 observations, involving money value of ₹2,782.82 crore, were pending with the Departments for settlement at the end of June 2020.

(Paragraph 1.5)

Test-check of the records of 254 units of Value Added Tax, State Excise, Stamp Duty and Registration Fee and other Departmental Offices conducted during the year 2019-20 showed under-assessment/short-levy/loss of revenue aggregating ₹2,491.66 crore in cases pointed out through 1,189 paragraphs.

(Paragraph 1.8)

VAT on Sales, Trade, etc. and Goods and Services Tax

Non-levy of penalty under Section 72(1) of the KVAT Act, for delay in payment of tax by 208 assesseees and under Section 74(4) for non-filing of Form-VAT-240 by 7,346 assesseees amounted to ₹32.72 crore.

(Paragraph 2.5 and 2.12)

Short levy of tax on sale of liquor by 30 Bars and Restaurants situated in urban areas for the period from March 2014 to March 2017 amounted to ₹6.15 crore inclusive of interest and penalty.

(Paragraph 2.6)

A check of Form VAT 240, TDS certificates and re-assessment orders revealed that 16 assesseees had availed excess transitional credit amounting to ₹2.66 crore.

(Paragraph 2.7)

Short levy of tax due to incorrect allowance of sub-contractor payments, by 13 dealers, amounted to ₹1.16 crore inclusive of interest and penalty.

(Paragraph 2.8)

Cross-verification of credit amounts brought forward and adjusted against the output tax liability with Returns filed for previous tax-periods, Form VAT 240 and re-assessments revealed that 12 dealers had brought forward/adjusted excess credit amounting to ₹1.56 crore and total liability amounted to ₹2.67 crore inclusive of penalty and interest.

(Paragraph 2.9)

Additional tax of ₹6.11 crore (inclusive of interest and penalty), determined by the Auditors in the audited statement of accounts, was not paid by 65 dealers.

(Paragraph 2.10)

Tax amounting to ₹5.25 crore (inclusive of interest and penalty) was not paid by 93 assesseees, though declared in the returns.

(Paragraph 2.11)

Short levy of tax of ₹4.47 crore (inclusive of interest and penalty) due to incorrect allowance of input tax credit (ITC) on exempted goods and immovable property, errors in computation of ITC and allowance of ITC without realizing the corresponding output tax.

(Paragraph 2.13)

Stamp Duty and Registration Fee

Misclassification of lease deeds, Sale-agreements and Power of Attorney with respect to their sub-clauses in six cases led to short-levy of stamp duty and registration fee of ₹22.83 crore.

(Paragraph 3.4)

Suppression of existence of buildings, plant and machinery and actual consideration passed-on from the purchaser led to lesser valuation and subsequent short-levy of SD and RF amounting to ₹10.14 crore in 25 cases.

(Paragraph 3.5)

Adoption of incorrect rates, valuation based on inadequate inputs in 62 Joint Development Agreements in nine SROs led to short levy of Stamp Duty and Registration Fee of ₹6.59 crore.

(Paragraph 3.6)

Adoption of incorrect guidance values and non-adherence to special instructions etc. led to undervaluation and subsequent short levy of SD and RF amounting to ₹4.81 crore in 25 cases.

(Paragraph 3.7)

Misclassification of Gift deeds between different entities as between family members and application of incorrect rates led to short levy of SD and RF amounting to ₹1.13 crore in seven cases.

(Paragraph 3.8)