



CHAPTER- I
Introduction

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1.1 About this Report

This report of the Comptroller and Auditor General of India (C&AG) relates to matters arising from Compliance Audit of Government Departments and Autonomous Bodies.

Compliance Audit refers to examination of the transactions of the Audited entities to ascertain whether the provisions of the Constitution of India, applicable laws, rules, regulations and various orders and instructions issued by competent authorities are being complied with.

The primary purpose of the report is to bring important results of the Audit to the notice of the State Legislature. The Audit findings are expected to enable the executive to take corrective actions as also to frame policies and issue directives that will lead to improved management, thus contributing to better governance.

This chapter, in addition to explaining the planning and extent of Audit, provides a synopsis of the follow-up on previous Audit Reports. Chapter II contains observations arising out of Compliance Audit in Government Departments and Autonomous Bodies.

1.2 Budget Profile

The position of budget estimates and actual expenditure there against by the State Government during the period 2019-20 to 2023-24 is given in **Table 1.1** below:

Table 1.1: Budget and actual expenditure of the State during 2019-20 to 2023-24

(₹ in crore)

Expenditure	2019-20		2020-21		2021-22		2022-23		2023-24	
	BE	Actual								
General services	50,492	48,824	59,602	55,018	66,802	62,669	70,759	71,816	80,371	75,700
Social services	71,350	66,373	65,046	61,726	67,730	79,804	79,124	81,011	96,730	93,723
Economic services	52,907	52,636	48,536	53,629	46,905	60,339	48,653	57,095	67,015	66,962
Grant-in-aid & contributions	6,856	6,425	6,590	5,681	5,966	6,616	6,050	5,662	6,816	6,229
Total (1)	1,81,605	1,74,258	1,79,774	1,76,054	1,87,403	2,09,428	2,04,586	2,15,584	2,50,932	2,42,614

Expenditure	2019-20		2020-21		2021-22		2022-23		2023-24	
	BE	Actual								
Capital outlay	40,080	35,530	43,059	45,406	41,358	47,874	43,573	57,349	50,989	52,120
Loans & advance disbursed	2,503	4,069	3,452	2,669	2,879	4,209	3,382	3,250	3,385	4,473
Repayment of public debt	9,964	10,180	11,605	11,016	14,564	13,972	14,179	15,942	22,441	22,453
Contingency fund	5	0	5	0	5	0	5	0	5	0
Public accounts disbursement	5,19,964	2,45,292	4,57,018	2,66,193	4,50,450	3,13,096	4,51,439	3,30,004	4,66,418	3,47,781
Closing balance	0	34,463	0	47,143	0	63,412	0	83,629	0	1,07,264
Total (2)	5,72,516	3,29,534	5,15,139	3,72,427	5,09,256	4,42,563	5,12,578	4,90,174	5,43,238	5,34,091
Grand Total (1 + 2)	7,54,121	5,03,792	6,94,913	5,48,481	6,96,659	6,51,991	7,17,164	7,05,758	7,94,170	7,76,705

Source: State Finance Audit Reports of respective years.

BE – Budget Estimates.

1.3 Application of Resources of the State Government

As against the total budget outlay of ₹7,94,170 crore, the application of resources was ₹7,76,705 crore during 2023-24. The total expenditure (Total of Revenue Expenditure, Capital Outlay and Loans and Advances) of the State increased by 40 *per cent* from ₹2,13,857 crore to ₹2,99,207 crore during the period 2019-20 to 2023-24 while the revenue expenditure increased by 39 *per cent* from ₹1,74,258 crore to ₹2,42,614 crore during the same period. The revenue expenditure constituted 81 *per cent* of the total expenditure while capital expenditure was 19 *per cent* during the year 2023-24.

During the period 2019-20 to 2023-24, the rate of growth of total expenditure increased to 40 *per cent*, whereas the rate of growth of revenue receipts decreased from 2019-20 to 2020-21 from 6.34 *per cent* to (-)10.67 *per cent*. It increased to 24.92 *per cent* and 17.02 *per cent* during 2021-22 and 2022-23 respectively and increased by 1.86 *per cent* during 2023-24.

1.4 Persistent Savings

During the last five years, five out of 29 grants showed persistent savings of more than ₹10 crore and which were also five *per cent* or more of the total grants as detailed in **Table 1.2**:

Table 1.2: Grants indicating persistent savings*(₹ in crore)*

Sl. No.	Number and name of Grant / Appropriation	Amount of Savings and Percentage during the years				
		2019-20	2020-21	2021-22	2022-23	2023-24
1	3- Finance					
	Capital Voted	19.32 (15)	24.98 (19)	39.86 (7)	11.98 (13)	367.54 (19)
2	4- Department of Personnel and Administrative Reforms					
	Revenue Voted	104.29 (10)	114.66 (14)	129.73 (14)	78.88 (7)	173.27 (14)
	Revenue Charged	56.52 (34)	32.67 (20)	19.14 (11)	11.97 (7)	31.03 (14)
3	22- Health and Family Welfare					
	Revenue Voted	755.99 (9)	519.62 (5)	871.50 (7)	1,715.63 (14)	1,898.14 (14)
4	23- Labour and Skill Development					
	Revenue Voted	222.91 (16)	366.76 (22)	150.79 (7)	113.69 (6)	144.04 (7)
5	28- Parliamentary Affairs and Legislation					
	Revenue Voted	14.46 (8)	34.11 (13)	23.30 (8)	25.95 (7)	22.92 (6)

Source: Appropriation Accounts for relevant years.

Note: Figures in brackets indicate percentage of savings to total provision.

1.5 Grants-in-aid from Government of India

Grants-in-aid from Government of India showed a decreasing trend during the year 2019-20 to 2021-22, whereas the grants increased during 2021-22 to 2022-23 and decreased during 2023-24 as shown in **Table 1.3**:

Table 1.3: Grants-in-aid received from Government of India¹*(₹ in crore)*

Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
Grants for Centrally sponsored Schemes	12,214	9,852	12,659	11,629	9,866
Other transfers/Grants to States	17,593	14,667	11,064	21,744	1,893
Finance Commission Grants	4,673	5,557	6,239	3,495	3,769
Total	34,480	30,076	29,962	36,868	15,528

Source: Information furnished by departments.

1.6 Authority for conducting Audit

Articles 149 and 151 of the Constitution of India and the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) (DPC) Act, 1971, give the C&AG of India the authority for conducting Audit. C&AG conducts audit of expenditure of the Departments of Government of Karnataka under

¹ This does not include devolution.

Section 13² of the C&AG's (DPC) Act. C&AG is the sole Auditor in respect of nine Autonomous Bodies, which are Audited under Sections 19(2)³ and 19(3)⁴ of the C&AG's (DPC) Act. In addition, C&AG also conducts an Audit of other Autonomous Bodies, under Section 14⁵ of C&AG's (DPC) Act, which are substantially funded by the Government. Principles and methodologies for various Audits are prescribed in the Auditing Standards and the Regulations on Audit and Accounts, 2007⁶, issued by the C&AG.

1.7 Organisational Structure of the Office of the Principal Accountant General (Audit-I), Karnataka, Bengaluru

The State Offices of the C&AG of India were restructured (April 2023) on the basis of allocation of clusters, each cluster containing departments with interconnected outcomes and linkages. The Principal Accountant General (Audit-I), Karnataka, Bengaluru is responsible for Audit of expenditure incurred by 51 Departments under the Government of Karnataka, nine State Autonomous Bodies, 43 Public Sector Undertakings and 6,901 Grant-in-Aid Institutions under the Finance, Health and Welfare, Education, Skill Development and Employment, General Administration, Urban and Rural Development clusters. The Principal Accountant General (Audit-I) is assisted by three Group Officers and various subordinate officers. This report includes observations relating to departments under the jurisdiction of the Principal Accountant General (Audit-I).

1.8 Planning and Conduct of Audit

Audit process starts with the assessment of risks faced by various Departments of Government based on expenditure incurred, criticality/complexity of activities, level of delegated financial powers, assessment of overall internal controls and concerns of stakeholders. Previous Audit findings are also considered in this exercise. The frequency and extent of Audit are decided based on risk assessment.

After completion of Audit of each unit, Inspection Reports containing Audit findings are issued to the Heads of Departments. The Departments are requested to furnish replies to the Audit findings within one month of receipt of the Inspection Reports. Whenever replies are received, Audit findings are either

² Audit of (i) all transactions from the Consolidated Fund of the State, (ii) all transactions relating to the Contingency Fund and Public Accounts and (iii) all trading, manufacturing, profit & loss accounts, balance sheets & other subsidiary accounts.

³ Audit of the accounts of Corporations (not being Companies) established by or under law made by the Parliament in accordance with the provisions of the respective legislations.

⁴ Audit of accounts of Corporations established by law made by the State Legislature on the request of the Governor.

⁵ Audit of (i) all receipts and expenditure of a body/authority substantially financed by grants or loans from the Consolidated Fund of the State and (ii) all receipts and expenditure of any body or authority where the grants or loans to such body or authority from the Consolidated Fund of the State in a financial year is not less than one crore rupees.

⁶ Amended during 2020.

settled or further action for compliance is advised. The important Audit observations arising out of these Inspection Reports are processed for inclusion in the Audit Reports, which are submitted to the Governor of the State under Article 151 of the Constitution of India to be tabled in the State Legislature.

During 2023-24, the number of party days used to carry out Performance Audit, Compliance Audit and Financial (Certification) Audit were 1,863, 6,621 and 1,546 respectively.

1.9 Significant Audit Observations and Response to Audit

We have reported significant deficiencies:

- in implementation of various programmes/activities.
- lapses in internal controls in selected departments, as well as
- observations noticed during Compliance Audit of the Government departments/organisations.

The one Subject Specific Compliance Audit and 12 paragraphs included in this report were forwarded demi-officially to the Principal Secretaries / Secretaries of the Departments concerned between February 2025 and July 2025. The replies of the Government were obtained and suitably incorporated in the Report.

1.10 Responsiveness of Government to Audit

1.10.1 Outstanding Inspection Reports

The Handbook of Instructions for Speedy Settlement of Audit Observations issued by the Finance Department in 2001 provides for prompt response by the Executive to the Inspection Reports (IRs) issued by the Accountant General (AG) to ensure corrective action in compliance with the prescribed rules and procedures and accountability for the deficiencies, lapses, *etc.*, noticed during the inspections. The Heads of Offices and next higher authorities are required to comply with the observations contained in the IRs, rectify the defects and omissions promptly and report their compliance to the AG, who forwards a half yearly report of pending IRs to the Secretary of the Department to facilitate monitoring of the Audit observations. As of 31 March 2024, 6,313 IRs (44,526 paragraphs) were pending settlement pertaining to 45 Departments⁷. Age-wise details of pendency are given in **Table 1.4**:

Table 1.4: Age-wise details of pendency of IRs and paragraphs

Sl. No.	Age	Number of IRs	Number of paragraphs
1	< 1 year	287	3,103
2	1-2 years	392	3,477
3	2-5 years	710	7,470
4	5-10 years	2,111	19,281
5	>10 years	2,813	11,195
Total		6,313	44,526

Source: Information derived from IR Registers maintained in PAG (Audit I) Office.

⁷Information pertains to the departments under the jurisdiction of the Office of the Principal Accountant General (Audit-I), Karnataka, Bengaluru post-restructuring.

A review of the pending IRs issued up to March 2024 showed that while 4.5 per cent of the total IRs were pending *i.e.*, 287 IRs (3,103 paragraphs) for less than one year, 3,213 IRs (30,228 paragraphs) were pending for more than one year but for less than 10 years. However, around 44.5 per cent of IRs *i.e.*, 2,813 IRs (11,195 paragraphs) were pending for more than 10 years. Further, review of IRs pending for more than 10 years revealed that Rural Development and Panchayat Raj (RDPR), General Administration (Revenue) Department, Urban Development Department, Department of Collegiate Education, Social Welfare and Women and Child Development had highest pendency of IRs at 1,532, 975, 974, 467, 424, and 267 respectively. Year-wise and department-wise details of IRs and paragraphs outstanding are detailed in **Appendix 1.1**.

1.10.2 Follow-up action on Audit Reports

The Handbook and the Rules of Procedure (Internal Working), 1999 of the Public Accounts Committee provides for all the departments of Government to furnish detailed explanations in the form of Action Taken Notes (ATNs) to the Audit observations which featured in Audit Reports, within four months of their being laid on the Table of Legislature. The administrative departments did not comply with these instructions and three departments as detailed in **Table 1.5** did not submit ATNs for four paragraphs for the period 2020-21 and 2021-22 even as of 31 March 2025.

Table 1.5: Details of Action Taken Notes pending as of 31 March 2025 (excluding General and Statistical Paragraphs)

Sl. No.	Department	2020-21	2021-22	Total	Date of placement of Audit Report
1	Education	02	-	02	23.02.2023
2	Women and Child Development	01	-	01	23.02.2023
3	Empowerment of Differently abled and Senior Citizens	-	01	01	23.07.2024
Total		03	01	04	

Source: Information derived from PAC watch Registers maintained in PAG (Audit-I) Office.

1.10.3 Paragraphs to be discussed by the Public Accounts Committee (PAC)

A review of the position of paragraphs pending discussion by the Public Accounts Committee as of 31 March 2025 showed that 204 paragraphs (including Performance Audits and Reviews) were yet to be discussed. Department-wise details of paragraphs (excluding General and Statistical) pending discussion by the Public Accounts Committee as of 31 March 2025 are detailed in **Appendix 1.2**.

1.11 Status of Placement of Separate Audit Reports of Autonomous Bodies in the State Legislature

Several Autonomous Bodies have been set up by the Government in the fields of Education, Labour Welfare and Child Welfare. The Audit of accounts of nine Autonomous Bodies in the State, under the jurisdiction of Pr. Accountant General (Audit I), has been entrusted to the CAG. The status of entrustment of Audit, rendering of accounts to us, issuance of Separate Audit Reports (SARs) and its placement in the Legislature is given in **Appendix 1.3**.

The Karnataka State Commission for Protection of Child Rights (established in 2009) is yet to submit the annual accounts since 2019 (year of entrustment of Audit). Delay in finalisation of accounts carries the risk of financial irregularities going undetected, and therefore, the accounts need to be finalised and submitted to us at the earliest.

1.12 Year-wise details of Subject Specific Compliance Audits and Paragraphs appeared in Audit Report

The year-wise details of Subject Specific Compliance Audit (SSCA) and Paragraphs that appeared in the Audit Report for the last three years along with their money value are given in **Table 1.6** below:

Table 1.6: Details regarding the SSCA and Paragraphs that appeared in the Audit Report during 2020-21 to 2023-24

Year	SSCA	Paragraphs		Replies received	
	Number	Number	Money Value (₹in crore)	SSCA	Paragraphs
2020-21	02	06	88.70	02	06
2021-22	01	05	9.17	01	05
2022-23	02	03	41.58	0	03

Source: Audit Reports of 2019-20, 2020-21 and 2022-23.

The current report includes one SSCA and 12 Paragraphs involving ₹302.15 crore.