

**ANNUAL REPORT
2011-2012**

FINANCE DEPARTMENT

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Brief Note on the Functioning of Finance Department

1. Introduction:

Finance Department is one of the departments of the Karnataka Government Secretariat. Presently the Hon'ble Chief Minister is holding the portfolio of Finance, while the Hon'ble Excise Minister is holding the portfolio of Excise and Hon'ble Minister of Adult Education, Public library, Small Savings and Lottery is holding the portfolio of Small Savings and Lottery. The Additional Chief Secretary to Government is the Head of the Department. The Additional Chief Secretary is assisted by the Principal Secretary(B&R), Secretary (Expenditure), Director, FPI & FPAC, one Additional Secretary, Controller (Accounts Management), two Joint Secretaries, seven Deputy Secretaries, five Special Officers, one Head of Legal Cell, 18 Under Secretaries and 33 Section Officers besides Group C and D employees.

The following Departments/Corporations come under the administrative control of the Finance Department.

- 1) Commercial Taxes Department, Gandhinagar, Bangalore.
- 2) Excise Department, Vokkaligara Bhavan, Bangalore.
- 3) Treasury Department, V.V. Tower, Bangalore.
- 4) Karnataka Government Insurance Department, V.V. Tower, Bangalore.
- 5) Pension, Small Savings and Asset-Liability Monitoring, Bangalore.
- 6) State Accounts Department, Cauvery Bhavan, Bangalore.
- 7) Internal Finance
- 8) FPI / FPAC
- 9) Karnataka State Finance Corporation, General Thimayya Road, Bangalore.
- 10) Karnataka State Beverages Corporation Ltd., Seetha Lakshmi Tower, Bangalore.

HIGH LIGHTS OF PERFORMANCE

COMMERCIAL TAX DEPARTMENT:

During the year 2010-11 an amount of Rs.22697.49 (as per A.G) crores was collected under all Acts. For the year 2011-12 (up to the end of March 2012) amount collected is Rs. 27610.81. The department implemented several e-Governance initiative to improve the tax administration.

EXCISE DEPARTMENT:

The Excise Revenue in the financial year 2011-12 was Rs.9827.89 Crores. The expenditure incurred by the department for the year 2010-2011 is Rs. 72.96 Crores constituting only 0.87 percent of the total receipts. The Excise revenue collection of Rs. 8345.39 Crores for the financial year 2010-2011 is Rs.1344.30 Crores more than that of previous year with a growth rate of 19.20 percent.

TREASURY:

Treasury Department has successfully implemented New Pension System covering more than 90000 employees. The department has also undertaken implementation of a comprehensive Integrated Financial Management System, Khajane-II.

PENSION, SMALL SAVINGS AND ASSET-LIABILITY MONITORING:

Top priority was given to track the Government Investments on the following lines.

1. Loans extended to various Boards & Corporations.
2. Loans taken by various Boards & Corporations on the guarantee extended by the Government and payment of guarantee commission to Government on these loans.
3. Government Investments in various Institutions as Share Capital & Payment of dividend on the shares.

KARNATAKA GOVERNMENT INSURANCE DEPARTMENT:

The Life Insurance Branch has issued 28,185 Policies for a sum assurance of Rs. 702.44 Crores and collected Rs. 286.66 Lakhs additional premium from 1-4-2011 to 31-03-2012. The department has sanctioned Rs. 325.33 Crores as loan in this period. The Fund balance is Rs.4696.63 Crores as on 31-03-2012.

STATE ACCOUNTS DEPARTMENT:

During the year 2011-12, out of 6628 institutions comprising of 9366 years of accounts programmed, 4824 institutions comprising of 6613 years of accounts were audited at the end of March 2012 and the audit progress achieved is 73%.

INSTITUTIONAL FINANCE:

The Institutional Finance wing of Finance Department does coordination work between government departments, commercial banks and regional rural banks, besides other term lending institutions like NABARD for successful implementation of socio-economic development programmes.

FISCAL POLICY ANALYSIS CELL (FPAC) AND FISCAL POLICY INSTITUTE (FPI)

The Fiscal Policy Analysis Cell was created vide G.O.No.FD 52 BGL 2005, dated:10th June 2005 with the five functional units:

- 1) Tax Policy Analysis and Resource Forecasting
- 2) Expenditure Planning, Analysis and Project Evaluation
- 3) Debt Management
- 4) Fiscal Decentralisation
- 5) Information Systems Support

KARNATAKA STATE FINANCIAL CORPORATION:

The total sanctions of the Corporation during the FY 2011-12 (April to March 2012) was Rs.631.88 crores for 1485 cases. The cumulative Gross sanctions of the Corporation (under all activities) reached Rs.11,282 crores covering 1,65,000 cases as on 31st March 2012.

KARNATAKA STATE BEVERAGES CORPORATION LIMITED:

The total duty collected, including export sales for the current financial year 2011-12 is Rs.8383.14 crores as compared to Rs.7259.76 crores of the previous year. When compared to the previous year, the duty collected during the current financial year has increased by about 15.47 percent.

2. COMMERICLA TAXES DEPARTMENT

1. INTRODUCTION:

The Commercial Taxes Department (C.T.D) administers the following nine enactments :-

- 1) The Karnataka Value Added Tax Act, 2003.
- 2) The Karnataka Sales Tax Act, 1957
- 3) The Central Sales Tax Act, 1956.
- 4) The Karnataka Agricultural Income Tax Act, 1957.
- 5) The Karnataka Entertainments Tax Act, 1958.

- 6) The Karnataka Tax on Luxuries Act, 1979.
- 7) The Karnataka Tax on Professions, Trades, Callings and Employments Act, 1976.
- 8) The Mysore Betting Tax Act, 1932.
- 9) The Karnataka Tax on Entry of Goods Act, 1979.

2. ORGANISATION :

The Commercial Taxes Department is headed by the Commissioner of Commercial Taxes at the State level. He is assisted by 7 Additional Commissioners and 5 Joint Commissioners in the head office. For effective administration of the department, the functions of the Department are broadly divided into three categories:-

- a) Administration;
- b) Enforcement and Vigilance; and
- c) Appeals;

In all, there are 15 Additional commissioners including 4 in the Karnataka Appellate Tribunal (Adcoms) 41 Joint Commissioners (JCs), 123 Deputy Commissioners (DCs), 317 Asst. Commissioners (ACs), 523 Commercial Tax Officers (CTOs), 1 Deputy Director (Statistics) (DDS), 1 Asst. Director of Statistics (ADS), 1 Senior Accounts Officer (Sr.A.O). 3 Asst. Accounts Officers (Asst.A.O.s), 6219 Non Gazetted staff, totaling 7244 permanent and temporary posts in the Department. The number of sanctioned posts, number of working staff and number of vacant posts are furnished in Annexure – 1.

2.1 Administrative Wing:

The State is divided into 13 VAT administrative divisions and 1 Minor Acts Division of which the headquarters of 6 VAT divisions and Minor Acts Division are in Bangalore City. Headquarters of other 7 divisions are located at Mysore, Mangalore, Shimoga, Dharwar, Belgaum, Davanagere and Gulbarga. The VAT divisions are headed by the Divisional VAT officers (officer of the rank of Joint Commissioner) to administer the VAT Act and other Minor Acts. Administration relating to Minor Acts in Bangalore is entrusted to the Joint Commissioner (Minor Acts), Bangalore.

The Department has three Zonal Additional Commissioners, at the State level located in Bangalore, to examine and take up in revision such orders made by JCCT .(Admn) and JCCT (Appeals) that are found to be incorrect and prejudicial to the interest of revenue. For better Co-ordination between the trade bodies and the department, Divisional Level Consultative Committees consisting of representatives of trade and industry and senior officers of the Department, have been constituted in all the Divisions.

2.2 Enforcement and Vigilance wing:-

To prevent evasion of tax and to detect tax evasion, the department has 8 Enforcement Zones. These are South Zone, North Zone, East Zone, West Zone, Bellary, Mysore, Hubli and Shimoga Zones with headquarters at Bangalore, Belgaum, Gulbarga, Mangalore, Bellary, Mysore, Hubli and Shimoga respectively. Each Enforcement Zone is headed by a Joint

Commissioner of Commercial Tax who is responsible for Intelligence and other related activities including road vigilance within their respective jurisdictions. South Zone is headed by an Additional Commissioner. In Bangalore City, however, where the volume of movement of goods is high there is a separate vigilance division. An Officer of the rank of Joint Commissioner heads this division.

To curb the clandestine transportation of goods and evasion of tax thereon, 15 border static check-posts and 6 intermediate static check – posts and 1 temporary static check-posts and 35 Mobile check posts / squads have been established in the State. Static check-posts are set up at inter – state borders and around important commercial centres. Mobile check-posts and squads are deployed in prominent trade centres. Static check-posts as well as the mobile check-posts/squads function round the clock.

Administration relating to KST and Minor Acts are entrusted to the Joint Commissioners (Admn.) Divisional VAT Office, in their respective Divisions.

2.3 Appellate wing:-

The orders or any proceedings under the taxation enactments administered by the Department cannot be challenged directly in any of the civil or criminal courts. The relevant laws contain provisions for first appeal by the aggrieved person before the designated appellate authorities. Accordingly, for each VAT Division, there is an Appellate Authority of the rank of Joint Commissioner. Thus there are 13 JCCT Appeals.

Persons aggrieved by the orders of the Appellate Authority may prefer second appeal before the Karnataka Appellate Tribunal. At present there are 4 benches for Commercial Tax disputes in the Tribunal. Each Tribunal bench consists of two members, one of whom is from the Department of Commercial Taxes, of the rank of the Additional Commissioner and the other from the judiciary of the rank of a Senior District Judge.

3. REVENUE RECEIPTS:-

During the year 2010-11 an amount of Rs.22697.49 (as per A.G) crores was collected under all Acts. For the year 2011-12 amount collected (as per the Department) is Rs.27610.81 crores.

3.1. Total Revenue Receipts of Commercial Taxes during the past five years are as follows:-

Year	NetRevenue Realized (Rs. in crore)	Annual G.R. (%)
2007-08	15551.53	13.40
2008-09	16645.17	7.03
2009-10	17966.11	7.94
2010-11	22697.49	26.34
2011-12 (as per Dept)	27610.81	21.65

3.2 Tax Rationalisation, Concessions/Reliefs & ARM measures:

The Value added Tax rate was raised from 13.5% to 14% and from 4% to 5% w.e.f. 01-04-2011. Further, rate of Tax was raised from 1% to 2% on Gold ornaments and on Betting Tax (totalisers). Rate of tax has been raised from 4% to 8%. It is estimated that these enhanced rates would fetch an additional revenue of Rs.501.18 crores in the year 2011-12.

3.3 Registration :

The number of registered dealers in the State under VAT Act are as follows:

Act	31-03-2008	31-03-2009	31-03-2010	31-03-2011	31-03-2012
VAT	3,80,135	4,01,817	4,16,265	3,97,078	4,44,470

3.4 Act wise performance:

3.4.1. The Karnataka Value Added Tax Act, 2003

The VAT Act was introduced w.e.f. 01-04-2005 in place of the erstwhile Karnataka Sales Tax Act and is applicable to all commodities except petrol ATF, diesel and sugar-cane.

The revenue collected under this Act for the last five years is as follows:

(The figures as per A.G.Accounts up to 2010-11).

Table : 2 :

(Rs. in Crores)

Year	Total collection of Tax *	Growth Rate
2007-2008	9125.21	27.42
2008-2009	9758.57	6.94
2009-2010	11041.12	13.14
2010-2011	14593.22	31.17
2011-2012 (as per dept)	19366.56*	32.71

*A part of the collection includes VAT input credit refunds that have been used by the dealers to pay CST liabilities.

As an incentive for introduction of VAT in the states, the Government of India had agreed to bear the loss of revenue as compensation to an extent of 100% of the short fall in revenue in the VAT regime as compared to the revenue in the Sales Tax regime in the first year, 75% in the second year, and 50% in the third year. Accordingly Rs.1109.33 crores, Rs.909.66 crores and Rs.549.35 crores were sanctioned in the form of compensation for the years 2005-06, 2006-07 and 2007-08 respectively.

3.4.2 The Central Sales Tax Act, 1956

During the year 2008-09 an amount of Rs.1048.77 crores was collected under this Act and during the year 2009-10 an amount of Rs.936.96 crores was collected. Rates of tax under C.S.T. Act were expected to be zero rated, stage by stage, from the year 2007-08, with in 3 years. Government of India, by the Taxation Law (Amendment Act, 2007) amended Section 8(1) of the CST Act, 1956 by which CST was reduced from 4% to 3% with effect from 01-04-2007 and to 2% with effect from 01-06-2008.

On account of this, there was a loss of about Rs.207.49 crores in the year 2007-08, Rs.752.51 crores in the year 2008-09 and Rs.1354.19 crores in the year 2009-10. On a proposal made by the State Government, the Central Government has released a sum of Rs.207.49 crores for the year 2007-08, Rs.752.81 crores for the year 2008-09 and Rs.1353.87 crores for the year 2009-10 and Rs. 609.36 for the year 2010-11. Tax collection under CST in past five years is as follows (The figures as per A.G.Accounts up to 2010-11).

Table : 3 : (Rs. in Crores)

Year	Total collection of Tax	Growth Rate
2007-2008	1262.09	15.80
2008-2009	1048.77	- 16.90
2009-2010	936.96	- 10.66
2010-2011	874.09	- 6.71
2011-2012 (as per dept)	892.27	2.08

3.4.3 The Karnataka Sales Tax Act, 1957

Revenue receipts from this source, during the past 5 years are as follows: (The figures as per A.G.Accounts up to 2010-11).

Table : 4 : Sales Tax collection (Rs. in Crores)

Year	Net Revenue realized	Annual G.R. (%)
2007-08	3506.70	13.07
2008-09	3815.39	8.80
2009-10	3860.36	1.18
2010-11	4764.09	23.41
2011-12 (as per dept)	5573.66	16.99

4. ARREARS :

During the year, every possible effort was made by the department to collect as much arrears of tax as possible. By the end of March 2012, an amount of Rs. 746.00 crores of old arrears was collected. The balance of old arrears of Rs. 2262.74 crores as on 31-03-2012 under all Acts are as in Annexure – II.

5. APPEALS:

The Appellate Wing was reconstituted in the current year and three more posts of JCCT (Appeals) were created. Now there is a JCCT (Appeals) for each VAT Division. During the current year 2011-12, the total number of appeal cases pending under all Acts, with JCCTs (Appeals) in the State was 24415 of which 6562 cases were disposed leaving a balance of 17853 cases. The majority of cases pertain to KST, CST & VAT Acts.

The information relating to opening balance, disposal and pendency of appeal cases under KVAT, KST & CST Acts during the last 5 years are given below.

Table 5 :

year	2007-08	2008-09	2009-10	2010-11	2011-12
Opening Balance					
a) KST	1857	2671	3201	4420	770
b) CST	256	674	927	1303	1453
c) VAT	916	2454	3942	6480	13702
Receipts					
a) KST	2157	2510	2559	206	286
b) CST	865	897	1130	998	1825
c) VAT	3748	6350	7393	12507	10682
Total					
a) KST	4014	5181	5760	4626	1056
b) CST	1121	1571	2057	2301	3278
c) VAT	4764	8804	11335	18987	24384
Disposal					
a) KST	1343	1980	1340	3856	358
b) CST	447	644	754	848	1191
c) VAT	2310	4862	4855	5285	10206
Balance (Closing)					
a) KST	2671	3201	4420	770	698
b) CST	674	927	1303	1453	2087
c) VAT	2454	3942	6480	13702	14178

6. THE KARNATAKA ENTERTAINMENTS TAX ACT, 1958

Collection :

During the year 2010-2011, an amount of Rs.97.70 crores was collected under this Act and during the year 2011-12 an amount of Rs.119.34 crores has been collected, which was 22.15% over and above the previous year's collection. Details of collections under each of the minor Tax Act over the last five years are furnished in Annexure-III.

7. THE KARNATAKA AGRICULTURAL INCOME TAX ACT, 1957

Collection:

During 2010-11 an amount of Rs.9.33 crores was collected under this Act. For the year 2011-12 an amount of Rs.15.24 crores has been collected.

8. KARNATAKA TAX ON PROFESSIONS, TRADE, CALLINGS AND EMPLOYMENTS ACT, 1976.

During 2010-2011, revenue collected under this Act was Rs.549.74 crores. For the year 2011-12 an amount of Rs.606.66 crores has been collected.

9. THE KARNATAKA TAX ON LUXURIES TAX ACT, 1979

On Hotels, Lodging Houses and Kalyana Mantapas, Luxuries Tax is levied ranging from 4% to 12 %. During the year 2010-2011, an amount of Rs.216.69 crores was collected under this Act. During the year 2011-2012, an amount of Rs.244.37 crores has been collected recording a growth of 12.77% over the previous year's collections .

10. THE KARNATAKA TAX ON ENTRY OF GOODS ACT, 1979.

Entry Tax is levied on goods which are brought into a local area for use, sale on consumption therein. Presently Entry Tax is levied on Petroleum Products, Rectified Spirit, Ethyl Alcohol, Sugar, Cloth, Tobacco products, Spare parts of Machineries, films, Lifts, Elevators, Escalaters and raw materials for use in the manufacture of Tobacco products at rates ranging from 1% to 5%. During the year 2010-2011, an amount of Rs.1525.24 crores was collected. During the year 2011-2012, an amount of Rs.1845.25 crores has been collected recording a growth of 20.98%.

11. THE MYSORE BETTING TAX ACT 1932.

During the year 2010-2011, the revenue collection under this Act was Rs.67.09 crore and in 2011-2012 the revenue collection is Rs.121.22 crore.

12. TRAININGS IMPARTED DURING THE YEAR 2010-11

Sl. No	Subject and Venue of Training	Duration	Number of Officers/Officials
1	One day work shop on needs of Commercial Taxes Department at ATI, Mysore	1 day	Addl.Commr – 3 JCCT - 7 DCCT - 7 ACCT - 7 CTO - 5 Total 29
2	One day work shop on needs of Commercial Taxes Department at ATI, Mysore	1 day	CTI - 08 FDA - 07 Steno - 01 SDA - 06 Total - 22
3	Management Development Programme for Officers at ATI, Mysore	5 days	Addl.Commr – 5 JCCT - 10 DCCT - 70 ACCT - 170 CTO - 240 Total 495
4	Management Development Training for C Group at DTI- Rural, Bangalore & also at Tumkur, Mandya, Mysore, Shimoga, Mangalore, Dharwad, Belgaum, Bijapur, Gulbarga and Bellary	5 days	FDA - 399 Steno 271 SDA 1363 Typist 286 DEO 20 Total 2339
5	Training for group B Officers at DTI-Urban Bangalore on usage of Kannada in Administration	3 days	CTO 12
6	Training for Group A Officers at ATI, Mysore on usage of Kannada in Administration	3 days	DCCT 4 ACCT 9 Total 13
7	GST – Training in Delhi	5 days	Addl.Commr – 02 JCCT - 02 DCCT - 01 ACCT - 01 Total 06
8	Evaluation of training course at ATI, Mysore	05 days	DCCT -02 ACCT -02 CTO -01

TRAINING IMPARTED DURING THE YEAR 2011-12
(up to December 2011)

Sl.No	Subject and Venue of Training	Duration	Number of Officers/Officials
1	Management Developing & Information Technology Training at ATI, Mysore	5 days 18-4-11 to 23-4-11	120 Officers
2	Transparency & Ethics in Management Hotel Atria, Bangalore	1 day	10 Officers
3	Office Procedures Hotel Citadel, Bangalore	3 days	Group C – 2
4	Building Positive Attitude for better work culture Hotel Citadel, Bangalore	2 days	Group C – 2
5	RTI – Training Bangalore Rural – Zilla Panchayat Office, Gandhinagar, Bangalore	2 days	10 Officers
6	HRMS Training CCT Office	1 day	23 Officers 43 Group C
7	Retirement Pension Training DTI – Urban, Bangalore	3 days	33 Group C
8	Advance Mid-Carrier GST Training, Duke University, USA	12 days	40 Officers
9	Drawing Officers Training Regional Training Centre, Jalahalli, Bangalore	2 days	2 Officers
10	Advance Computer Training CMC Centre, Bangalore	8 days ½ day	14 Officers
11	Basic Computers Training CMC Centre, Bangalore	15 days ½ day	21 Officers
12	Retirement Pension Training DTI- Urban, Bangalore	3 days	33 Group C
13	Service matters Training DTI – Urban, Bangalore	6 days	33 Group C
14	HRMS Training DTI – Urban, Bangalore	2 days	33 Group C
15	Computer Training – CMC Centre, Bangalore.	14 days (Half day)	28 Officers

13. COST OF COLLECTION OF REVENUE:

Revenue realised and expenditure incurred by the Department in the administration of different Acts during the last five years shows that the revenue realisation has registered a steady increase from year to year, while the administrative expenditure has been relatively low. During 2007-08, an expenditure of Rs. 125.70 crores was incurred for collection of taxes, administration and computerization, which works out to 0.81% of the total collections. During the year 2008-09, an expenditure of Rs.136.23 crores was incurred which works out to 0.82%. During the year 2009-10 expenditure incurred is Rs.153.97 crores, which works out to 0.85% of the total collections. During the year 2010-11 expenditure incurred is Rs.171.74 crores, which works out to 0.75% of the total collections. During the current year (upto February 2012) the expenditure is Rs.167.93 which works out to Rs.0.68%.

Revenue Collection & expenditure incurred by the Department from 2007-2008 to 2011-12 are as shown below:

Table : 6 : Revenue from Commercial Taxes and Cost of Collection (Figures as per AG Accounts upto 2010-11)

(Rs. in Crores)

Year	Revenue realised under all Acts	Expenditure(including Admn.) & Computerisation	% of Expenditure to the revenue realised
2007-2008	15566.79	125.70	0.81
2008-2009	16646.00	136.23	0.82
2009-2010	17966.11	153.97	0.85
2010-2011	22697.49	171.74	0.75
2011-2012 (upto end of Feb-12) (Prov)	24854.12	167.93	0.68

14. E-GOVERNANCE INITIATIVES DURING 2011-12

(i) ***e-VARDAN: (Vat Registration and Documentation Access through Net)***

This provides for registration of dealers through internet. The dealers can now upload their application for registration and they need not come to office of LVO.

(ii) ***e-VARADI: (VAT Return and Data Through Internet)***

This is a facility provided to the dealers to submit tax returns electronically right from their place of business. This enables CTD to capture true, complete and accurate data. The dealers on the other hand need not visit the CTD office every month for submission of returns.

(iii) Comprehensive e-PAYMENT and Reconciliation:

Dealers can now make payment of tax from their place of business. Tax gets realized and credited to the exchequer quicker and on the part of the dealer, he need not visit the CTD offices every month for payment of tax. Online reconciliation is carried out amongst CTD, Banks and Treasury. From November-2011 onwards dealers who are liable to pay taxes or any other amount exceeding Rs.1 Lakh per month, are required to pay the said taxes or any other amount, through electronic mode only.

(iv) e-SUGAM: (Simple Uploading of Goods Arrival and Movement)

This is a system which provides for electronic capture of details of transportation relating to movement of goods through check posts before the goods vehicle commences its journey. Cross verification of such details of transportation with reference to the dealer's accounts is carried out online by the system. Thus, evasion of tax by unscrupulous dealers is prevented and in-so-far as the dealers and transporters are concerned delay at check posts is mitigated.

(v) m-SUGAM:

Dealers who do not have computers and internet facility may submit transportation details through SMS on mobile phones.

(v) E-SUVEGA: (Simply Upload about Vehicle and Go Across). e- Suvega was conceived to reduce the hardship of transporters on the one hand and on the other to prevent dumping of goods from other states with a view to avoid tax. In order to obtain a Transit Pass the transporter uploads all details and obtains a unique number. At check post, this unique number is converted into Transit Pass.

(vi) Comprehensive Audit System:

Registered dealers' returns are assigned to the Audit Officers of CTD. The returns filed by such dealers are scrutinized by the Audit Officers with reference to the e-Sugam downloaded, 'C' forms issued, 'C' forms filed for claiming concessional rate of tax etc. Fit cases are electronically assigned for audit and re-assessment orders also are uploaded on to the system.

(vii) Suo-moto revisions:

Re-assessment/Appeal orders for taking up in revision are also being reviewed electronically and suo-moto revision orders are being uploaded on to the system.

(ix) E-PRERANA:

Any person can electronically enroll/register under the provisions of Professions Tax Act. Further, returns can be filed online and tax paid through e-Payment.

15. CITIZEN'S CHARTER :

I. Our Vision :

A taxation regime which ensures 100% compliance to the laws with minimum intervention of the Commercial Taxes Department.

II. Our Mission :

To mobilize the required revenue for the State Government by helping in policy formulation and effectively implementing the tax laws.

III. The department makes the commitment of providing services at the door steps of the tax payers, completely adopting e-governance, increasing tax collection efficiency and creating a compliant system to redress and monitor tax payers' and public grievances.

In addition, the department makes the following firm commitments:

- (1) Registration will be issued under the KVAT Act, 2003 within 15 working days from the date of submission of application.
- (2) No due Certificate will be issued under the KVAT Act, 2003 within 15 working days from the date of submission of application.
- (3) Registration will be issued under the Central Sales Tax Act, 1956 within 15 working days from the date of submission of application.
- (4) "C" form will be issued under the Central Sales Tax Act, 1956 within 10 working days from the date of submission of application.
- (5) "H" form will be issued under the Central Sales Tax Act, 1956 within 10 working days from the date of submission of application.
- (6) "F" form will be issued under the Central Sales Tax Act, 1956 within 10 working days from the date of submission of application.
- (7) "E-1" & "E-2" form will be issued under the Central Sales Tax Act, 1956 within 10 working days from the date of submission of application.
- (8) Registration will be issued under the Karnataka Luxury Tax Act, 1979 within 15 working days from the date of submission of application.
- (9) Permit will be issued under the Karnataka Entertainments Tax Act, 1958 within 15 working days from the date of submission of application.
- (10) Registration will be issued under the Karnataka Tax on Professions, Trades, Callings and Employments Acts, 1976 within 15 working days from the date of submission of application.
- (11) To ensure that there is no non-compliance to the above commitment, a provision will be made for effective grievance redressal.

ANNEXURE – I

Cadre wise sanctioned and working strength of the Department as on 31-12-2011

Sl.No.	Designation	Sanctioned	Working					
			Male	Female	Total	SC	ST	Vacant
1.	C.C.T	01	01	-	01	-	-	-
2	Addl.C.C.T	14	12	01	13	01	-	1
3.	J.C.C.T.	41	37	02	39	04	03	02
4.	D.C.C.T	123	103	08	111	11	06	12
5.	A.C.C.T	317	236	28	264	51	09	53
6.	C.T.O/P.T.O.	522	453	49	502	67	17	20
7	D. D.S	01	01	-	01	-	-	-
8.	A.D.S.	01	01	-	01	-	-	-
9.	Accounts Officer	01	01	-	01	-	-	-
10.	Asst.Accounts officers	03	1	1	2	-	-	01
11.	Total Gazetted	1024	846	89	935	135	35	89
12	Group 'C'	5049	2919	906	3825	465	127	1224
13.	Croup 'D'	1170	692	126	818	154	51	352
14.	Total N.G.O	6219	3611	1032	4643	619	178	1576
15.	Grand Total	7243	4457	1121	5578	754	213	1665

ANNEXURE – II

Statement showing details of old arrears of tax under all Acts as on 31-03-2012

(Rs. in crores)

1.	Balance of arrears as on 01-04-2011	:	4397.87
2.	Addl. Demand created dg.the year	:	1670.32
3.	Total	:	6068.19
4.	Amount collected during the year 2011-12	:	746.00
5.	Amount reduced during the year 2011-12	:	824.29
6.	Balance of arrears as on 31-03-2012	:	4497.90
	Less: Deferred tax amount	:	2235.16
7.	Balance of arrears as on 31-03-2012	:	2262.74

ANNEXURE – III

Details of Revenue realised under Minor Acts

1) **Karnataka Entertainments Tax Act, 1958 :**

(Rs. in crores)

Year	Revenue realised	G.R. (%)
2007-2008	71.18	26.84
2008-2009	78.03	9.62
2009-2010	87.93	12.69
2010-2011	97.70	11.11
2011-2012	119.34	22.15

2) **Karnataka Agricultural Income Tax Act, 1957:**

(Rs. in crores)

Year	Revenue realised	G.R. (%)
2007-2008	3.04	221.90
2008-2009	9.28	152.86
2009-2010	8.70	- 6.66
2010-2011	9.33	7.24
2011-2012	15.24	63.69

3) **Karnataka Tax on Professions, Trades, Callings and Employments Act,1976:**

(Rs. in crores)

Year	Revenue realised	G.R. (%)
2007-2008	451.37	15.06
2008-2009	538.68	19.34
2009-2010	527.21	2.13
2010-2011	549.74	4.27
2011-2012	606.66	10.35

4) The Karnataka Tax on Luxuries Act, 1979:

(Rs. in crores)

Year	Revenue realized	G.R. (%)
2007-2008	231.83	5.39
2008-2009	250.08	7.87
2009-2010	144.01	- 42.41
2010-2011	216.69	50.47
2011-2012	244.37	12.77

5) The Karnataka Tax on Entry of Goods Act, 1979:

(Rs. in crores)

Year	Revenue realised	G.R. (%)
2007-2008	837.34	- 27.01
2008-2009	1085.02	27.80
2009-2010	1291.13	19.00
2010-2011	1525.24	18.13
2011-2012	1845.25	20.96

6) The Mysore Betting Tax Act, 1932 :

(Rs. in crores)

Year	Revenue realised	G.R. (%)
2007-2008	46.10	24.28
2008-2009	52.50	- 13.88
2009-2010	65.47	24.70
2010-2011	67.09	2.47
2011-2012	121.22	80.68

3. EXCISE DEPARTMENT

1.1 Vision:

Achieve excellence in the formulation and implementation of State Excise Policies & Procedures for the benefit of the trade and industry who are our partners in the progress.

1.2 Mission :

Provide wholesome liquor to gullible man who cannot resist drinking which, in the process mobilize Revenue to the State Exchequer.

1.3 Objectives :

1. Effectively check Excise related crimes by intensifying Excise related activities
2. Effective Investigation and successful completion of Prosecution
3. Monitor production and issue of all Excisable Articles.
4. Provide Training to achieve better efficiency
5. Improve Office Management by strengthening e-Governance
6. Plugging loop holes of leakage of Revenue.

1.4 . Functions :

Excise Department is the second largest revenue earning department in the state which functions under the Administrative Control of the Finance Department.

The Department enforces the following Acts, Rules and Statutory Government Orders: -

(I) State Acts and Rules.

1. The Karnataka Excise Act 1965.
2. The Karnataka Prohibition Act 1961.
3. The Rules framed under the above Acts.
4. The Narcotic Drugs and Psychotropic Substances (Karnataka) Rules 1985.
5. Karnataka Prevention of Dangerous Activities of Bootleggers Drug-offenders, Gamblers, Goondas, Immoral Traffic offenders and Slum Grabbers Act 1985.

(II) Central Acts and Rules.

1. The Medicinal and Toilet Preparation (Excise Duties) Act 1955, and Rules 1956.
2. Narcotic and Psychotropic Substances Act 1985 (Central Act No. 61 of 1985)

1.5 ORGANISATION AND STRUCTURE:

- 1.5.1.** The Department is headed by the Excise Commissioner who belongs to the I.A.S. Cadre (Super time Scale). The Headquarters of the Department is in Bangalore. The Excise Commissioner is assisted by one Additional Commissioner of Excise who belongs to IAS Cadre, Additional Commissioner of Excise (Crime and Enforcement), Joint Commissioner of Excise (Head Quarters and Administration). The other senior staff comprising Joint Commissioner of Excise (Distilleries and Breweries), Deputy Commissioner of Excise (Legal Cell), 3 Superintendents of Excise including Headquarters Assistant I and II of the rank of Superintendent of Excise, 6 Deputy Superintendents of Excise, a Deputy Director (Statistics) and Assistant Director (Statistics) on deputation from Directorate of Economics and Statistics, a Senior Accounts Officer and Senior Audit Officer (Internal Audit) on deputation from the Accountant General Office also assist the Excise Commissioner.

1.5.2. STATE EXCISE INTELLIGENCE BUREAU:

The Joint Commissioner of Excise heading the State Excise Intelligence Bureau (S.E.I.B.), is headquartered in Bangalore and has jurisdiction throughout the State. The Joint Commissioner assists the Excise Commissioner on Intelligence, Inputs and prevention of Excise Offences such as illicit distillation, adulteration of liquor, illegal spirit movement, illegal transportation of liquor and evasion of Excise Duty etc. The S.E.I.B. works under the direct control of the Excise Commissioner. In addition, there are four Excise Intelligence Bureaus in Bangalore (Urban) District each headed by Superintendent of Excise under the administrative control of Deputy Commissioners of Excise of Bangalore East, West, North and South districts who assist in Enforcement and Implementation of the Excise Act and Rules.

1.5.3. ENFORCEMENT AND INSPECTION DIVISIONS

Further, for administrative efficiency, the Enforcement wing is divided into six Administrative Divisions. Each Division is headed by a Joint Commissioner of Excise. The jurisdiction of each Division is as below:

Sl. No.	Name of the Division	Jurisdictional Districts
1.	Bangalore Division	Bangalore (U), Bangalore (R), Kolar, Tumkur, Ramanagar & Chikkaballapur
2.	Belgaum Division	Belgaum, Bijapur, Dharwad, Bagalkote and Haveri
3.	Gulbarga Division	Bidar, Gulbarga, Raichur and Yadagiri
4.	Hospet Division	Bellary, Chitradurga, Davanagere, Koppal and Gadag
5.	Mangalore Division	D.Kannada, U.Kannada, Udupi, Kodagu and Shimoga
6.	Mysore Division	Mysore, Mandya, Hassan Chickmagalur and Chamarajanagara

1.5.4. Every Revenue District in the State has a Deputy Commissioner of Excise who works under the supervision of Revenue Deputy Commissioners of the Districts. The Deputy Commissioner of Excise discharges statutory responsibilities under the Karnataka Excise Act, 1965 and other statutory Acts and Rules. The enforcement work in the district is the responsibility of the Deputy Commissioner of Excise. There are 34 Deputy Commissioners of Excise, one each in the districts and one at Head Office. Bangalore Urban district has 4 Deputy Commissioners of Excise because of its vast jurisdiction.

1.5.5. Superintendents of Excise, Deputy Superintendents of Excise, Inspectors, Sub-Inspectors, Head-Guards and Guards comprise the Executive Staff of the Department. There are 63 Sub-Divisions, each headed by a Deputy Superintendent of Excise. These Deputy Superintendents function under the Administrative Control of the Deputy Commissioner of Excise of the District. Officers of the rank of Superintendents/ Deputy Superintendents of Excise/Inspectors of Excise assisted by other staff are posted to Distilleries, Breweries and Wineries to supervise the transactions and to enforce the applicable Excise Laws. The Department also has a Central Chemical Laboratory headed by a Chief Chemist.

1.5.6 KSBCL AS SOLE LIQUOR DISTRIBUTING AGENCY:

With an intention of channelising wholesale trade of Liquor and to curb illegal trade in the business, Karnataka State Beverages Corporation Limited was established in the year 2003 as a sole Liquor Distributing Agency in the state. KSBCL has so far established 53 IML Depots and 37 Spirit Depots all over the state.

PERFORMANCE OF THE DEPARTMENT

2.1 FINANCIAL

The Excise Revenue mainly emanates from the following sources.

- a) Excise Duty and Additional Excise Duty on IML, Beer & Wine.
- b) Licence fee on Distilleries, Breweries, Wineries and other IML Licences.
- c) Fines, Fees and amount realised by confiscations
- d) Miscellaneous.

In addition to the revenue realised under the Karnataka Excise Act 1965, the State Government also gets revenue under Medicinal and Toilet Preparations Act.

The Excise Revenue in the State has been steadily increasing from Rs.7.11 Crores in the financial year 1967-68 to Rs. 9818.43 Crores in the year 2011-12.

The Revenue collection of Rs.9818.43 Crs during the year 2011-12 is Rs. 1473.04 Crs or 17.65% more than the Revenue collected during 2010-11.

The source wise Excise Revenue for the year from 2009-10 to 2011-12 is as follows:-

(Rupees in Crores)					
SL NO	SOURCE	2009-10	2010-11	2011-12 (B.E.)	2011-12 (Actuals)
1.	IML	5763.78	6794.91	7347.84	8065.35
2.	Beer	545.31	730.55	842.51	870.22
3.	Others(Including KSBCL Prev.Fee)	692.00	819.93	1009.65	892.32
TOTAL		7001.09	8,345.39	9200.00	9827.89

2.2 EXPENDITURE : Total revenue realized and expenditure incurred by the Department under salary and non-salary Heads during the year 2009-10, 2010-11 and 2011-12 is as follows:-

(Rs in Crs)

	2009-10	2010-11	2011-12
Revenue	7001.09	8,345.39	9827.89
Expenditure	65.24	72.96	84.44
Percentage of expenditure to total receipts.	0.93	0.87	0.86

2.3 PHYSICAL

2.3.1 PRODUCTION OF MOLASSES, RECTIFIED SPIRIT, IML, BEER AND WINE:

The Production of Molasses, Rectified Spirit, IML, Beer and Wine for the year 2009-10 to 2011-12 is as follows:-

SL NO	ARTICLES	2009-10	2010-11	2011-12
1.	Molasses (In MT.)	10.80	15.20	14.65
2.	Rectified Spirit(In Lakh BL)	2367.38	2953.43	3500.97
3.	IML(In Lakh BL)	3716.75	4255.74	4524.23
4.	Beer(In Lakh BL)	1197.79	1463.80	1525.64
5.	Wine (In Lakh BL)	29.30	30.64	34.54

2.3.2 SALE OF IML AND BEER:

The Sale of IML and Beer for the year 2009-10 to 2011-12 is as follows:-

(In Lakh Carton Boxes)

SL NO.	ARTICLE	2009-10	2010-11	2011-12
1.	IML	389.97	463.09	494.62
	Avg. per month	32.50	38.59	41.22
2.	Beer	141.84	184.07	212.34
	Avg. per month	11.82	15.34	17.70

2.3.3 CRIME AND ENFORCEMENT :

During the year under report, the Departmental Officers have conducted 63391 Raids and have booked 12554 cases for violation of Excise Laws. 6183 persons were arrested and 401 vehicles involved in the crime seized.

In addition to the above, the following excisable articles were seized.

SL NO	ARTICLES	QUANTITY (Ltrs)
1.	I.M.L	84570
2.	Beer/Toddy/Fenny	62012
3.	Arrack	6631
4.	RS/NS Seized	8919
5.	Illicit liquor destroyed.	45610
6.	Wash Destroyed	455334

2.3.4 Distillery, Brewery and Winery Units

Number of Distilleries, Breweries and Winery Units renewed for the year 2011-12 is as follows:

Sl. No.	Unit	Number of Units
1.	Primary Units (manufacturing spirit)	27
2.	Composite Distilleries (manufacturing both spirit and IML)	8
3.	Distilleries Manufacturing only IML	30
4.	Breweries	6
5.	Micro Breweries	3
6.	Wineries: A) Fortified Wine B) Fruit Wine	6 13

2.3.5 IML LICENCES

The number of IML licences renewed under the Karnataka Excise (Sale of Indian and Foreign Liquors) Rules 1968 during the year:

Sl. No.	Kind of Licence	2009-10	2010-11	2011-12
1.	CL-2(Retail Shops)	3835	3848	3921
2.	CL-4 (Clubs)	196	192	209
3.	CL-7(Hotels & Boarding Houses)	485	567	660
4.	CL-9 (Bars)	3447	3526	3537
5.	RVB (Retail Vend of Beer)	203	232	265
6.	Others	140	575	672
	TOTAL	8306	8940	9264

2.3.6 MEDICINAL AND TOILET PREPARATIONS:

Under the provisions of Medicinal and Toilet Preparations Act enacted by Government of India, L.1 and L.2 licences have been granted for manufacture of Medicinal and Toilet Preparations containing Alcohol, Opium, Indian hemp and other Narcotic drugs and substances. During the year 2011-12, 18 L1 and 7 L2 licences were granted.

2.3.7 ALCOHOL BASED CHEMICAL UNITS:

During the year 2011-12, 45 RS-2 licences and 70 DL-3, 1 DL-5, 1 DL-6 and 2 DL-9 Licences have been issued.

2.3.8 TODDY

During 2011-2012, sale of toddy was allowed through Tappers Co-Operative Societies in Dakshina Kannada and Udupi Districts. Revenue from this source is very insignificant compared to the revenue realised from other sources.

2.3.9 RETAIL SALE OF LIQUOR THROUGH MSIL:

With an object of curbing over MRP sales, the Government has permitted Mysore Sales International Limited to open 463 retail outlets (CL-11c) in the state and so far MSIL has opened 311 outlets.

CHAPTER – III
PERFORMANCE OF PUBLIC SECTOR UNDERTAKINGS, SOCIETIES AND SPVs

-Doesn't come under the purview of State Excise Department -

CHAPTER – IV

AMENDMENTS AND NEW LEGISLATIVE MEASURES

4.1 AMENDMENTS:

In Government Notification No. FD/03/PES/2012, Bangalore, dated: 31.03.2012 Amendment to Schedule D of Karnataka Excise (Excise Duties and Fees) Rules 1968 has been issued increasing the Declared Price of IML by Rs. 25/- in all the 17 slabs and revising the rates of Additional Excise Duty. (Copy of the Amendment enclosed – Annexure-II)

4.2 REPORTS AND PUBLICATIONS:

After the completion of every Financial Year, a publication is brought out by the Department comprising 'Basic Excise Statistics' highlighting Revenue Collections, Production, Sales, Export and Import of Liquor, prevailing Licence Fee and Duty Structure, Crime & Enforcement Activities, Renewal of Licences, Telephone nos. and e-mail addresses of officers of the department etc.

CHAPTER – V

ACHIEVEMENT IN HR MANAGEMENT AND ADMINISTRATION

5.2 Statement showing the Vacancy Position and Retirements due during 2011-12

5.2.1 Group A & B

Group-A				
Sanctioned	Working	Vacant	(+ or -)	Retirements during Calendar Year 2011
131	80	51	(-)51	09

Group-B				
Sanctioned	Working	Vacant	(+ or -)	Retirements during Calendar Year 2011
106	43	63	(-)63	Nil

5.2.2 Group C & D

Sl. No.	Designation	Sanctioned	Working	Vacant	Retirements during the Year
1.	Inspector of Excise	422	303	119	15
2.	Sub Inspector of Excise	619	154	465	06

Sl. No.	Designation	Sanctioned	Working	Vacant	Retirements during the Year
3.	Office Superintendent	29	23	06	01
4.	First Division Asst.	228	181	47	05
5.	Stenographer	50	33	17	00
6.	Second Division Asst.	353	292	61	00
7.	Typist	35	15	20	00
8.	Excise Head Guard	345	266	79	08
9.	Excise Guard	2449	1433	1016	20
10.	Senior Driver / Driver	441	143	298	03
11.	Group D	73	67	06	00

5.3 Group wise and Sex wise number of officers/ Officials :

5.3.1 Group-A & B

Group-A			No.of officers belonging to SC/ST		Total
Male	Female	Total	SC	ST	
71	09	80	08	02	10
Group-B			No.of officers belonging to SC/ST		Total
Male	Female	Total	SC	ST	
95	11	106	03	01	04

5.3.2 Group-C and Group D :

Sl.No.	Designation	Sanctioned Post	Working Strength	Male	Female	SC	ST
1.	Inspector of Excise	422	303	237	66	682	195
2.	Sub Inspector of Excise	619	154	126	28		
		100 Excise Head Guards and Excise Guards are working on Independent Charge of Excise Sub Inspector.					
3.	Office Superintendent	29	23	12	11		
4.	First Division Asst.	228	181	139	42		

Sl.No.	Designation	Sanctioned Post	Working Strength	Male	Female	SC	ST
5.	Stenographer	50	33	15	18		
6.	Second Division Asst.	353	292	214	78		
7.	Typist	35	15	07	08		
8.	Excise Head Guard	345	266	265	01		
9.	Excise Guard	2449	1433	1362	71		
10.	Senior Driver / Driver	441	143	140	3		
11.	Group D	73	67	29	38	22	05

5.4 RECRUITMENTS :

5.4.1. Excise Sub-Inspectors :

101 posts of Excise Sub-Inspectors were selected by Karnataka Public service commission. Appointment orders have been issued and only 77 Candidates reported for duty. The reported candidates have been deputed to Karnataka Police Academy, Mysore for 6 months Induction training.

5.4.2. Excise Guards :

Out of 350 posts of Excise Guards selected from KPSC, appointment orders have been issued in respect of 310 Candidates. Orders have not been issued in respect of the remaining candidates for want of verification certificates and other necessary documents.

5.4.3. Drivers :

Government have accorded permission for recruitment of 100 Drivers for filling up of vacant posts in different Offices of the Department. The recruitment process is in progress.

5.5 TRAINING :

SL No.	Subject of the training	Number of Officers deputed for the training within the state
1.	Police Training and other various training schedule vide G.O.No: HD/238/EPS/1978 to the Gazetted probationers(Deputy superintendent of Excise)	15
2.	Police Training and other various training schedule vide G.O.No: HD/19/EPS/2003 dated:10.2.2003 to the Non Gazetted probationers (Sub Inspector of Excise)	81

SL No.	Subject of the training	Number of Officers deputed for the training within the state
3.	E-Governance and project Management	03
4.	Right to Information Act	44
5.	Conduct Rules and Departmental Enquires	16
6.	Stress Management	02
7.	Team Building and problem solving	07
8.	Court proceedings	15
9.	Disbursing and Drawing officer	01
Total		184

5.6 Filling up of posts on Outsourcing basis :

Stenographers and Typists :

The Government has given approval to fill up vacant posts of Stenographers and Typists on Out Sourcing basis Vide Govt. letter No: FD /148/EPS/2010 dated: 06-12-2010. 4 typists have been taken on Out Sourcing basis in the Excise Commissioner's office.

5.7 AWARDS/ MEDALS :

-Nil -

5.8 Inspection of Subordinate Offices :

5.8.1 Inspections conducted by DCs of Excise

Sl.No.	Designation	Offices Inspected
1.	Deputy Commissioner of Excise, Mandya Dist.	Maddur Range
		Malavalli Range
2.	Deputy Commissioner of Excise, Bangalore(South).	Adugodi Range
3.	Deputy Commissioner of Excise, Gulbarga	Jewargi Range
4.	Deputy Commissioner of Excise, Bangalore(North)	Hebbala
5.	Deputy Commissioner of Excise, Chikkamagalur	Koppa
		Kadur
		N.R.Pura
6.	Deputy Commissioner of Excise, Uttara Kannada	Dandeli

Sl.No.	Designation	Offices Inspected
7.	Deputy Commissioner of Excise, Bangalore(Rural)	Nelamangala
8.	Deputy Commissioner of Excise, Ramanagara	Channapatna
9.	Deputy Commissioner of Excise, Bidar	Bidar
		Basavakalyan
		Humnabad

5.8.2 Inspections conducted by the Officers and staff of Excise Commissioner's Office

1. Office of the Joint Commissioner of Excise, (E&I) Bangalore Division.
2. Office of the Deputy Commissioner of Excise, Mysore District.
3. Office of the Deputy Commissioner of Excise, Belgaum District.
4. Office of the Deputy Commissioner of Excise, Tumkur District.
5. Office of the Deputy Superintendent of Excise, Ramnagar Sub Division.

CHAPTER – VI

6.1 INTERNAL AUDIT REPORT :

6.1.1 Number of offices audited from April-2011 to March-2012 by the Internal Audit Wing.

Office/ Establishment	Number
Offices of the Joint Commissioner of Excise	01
Offices of the Deputy Commissioner of Excise	04
Range Offices	45
Distilleries	24
Sub-Divisions	16
EIB	04
Chemical Laboratory	01
KSBCCL Depot	01
Total	96

6.1.2 Number of Audit Paras raised (money value)

Office/ Establishment	Paras	Amount (Rs.)
Offices of the Deputy Commissioner of Excise	01	4000
Range Offices	20	375817
Distilleries	12	695941

Office/ Establishment	Paras	Amount (Rs.)
Sub Divisions	02	6332
EIB	01	468
Total	36	1082558

6.1.3 Number of audit para cleared (money value)

Office / Establishment	Paras	Amount (Rs.)
Offices of the Deputy Commissioner of Excise	03	473000
Range Offices	06	463998
Distilleries	02	24398
Total	11	961396

6.2 Number of LA & LC Questions received/ answered

Session	Starred		Un starred	
	Recieved	Replied	Recieved	Replied
Legislative Assembly	02	01	37	37
Legislative Council	03	03	29	27

Note: Extention of time Requested for furnishing reply in respect of 1 LA and 2 LC Questions.

6.3 Number of Court cases being agitated by and against the Dept. in various Courts/Tribunals

a. Number of cases(Writ Petitions) in

High Court of Karnataka 56

b. Cases admitted and disposed in the court

of Excise Commissioner

Opening Balance	32
Cases Filed	183
Cases Disposed	166
Balance	49

c.Cases admitted in Karnataka Administrative Tribunal(KAT)

Opening Balance	157
Cases Filed	25
Cases Disposed	0
Balance	182

6.4 IMPLEMENTATION OF RTI ACT :

Number of Applications received, Replied, Rejected & number of responses pending in appeal under the RTI Act from 01.04.2011 to 31.03.2012.

1.	O.B	29
2.	Number of Applications received	397
3.	Number Replied	338
4.	Non receipt of Fee from Applicants	43
5.	Number of Applications for which replied under Sec. 8(1)(h)& Sec. 14	23
6.	Balance (Within time limit of 30 days)	21
5.	Number of responses pending in appeal in Information Commission	01

4. TREASURIES

1. Introduction:

Treasuries are the primary units of the State Government's fiscal system and the points at which public accounts begin. Treasuries conduct transactions of Government moneys, both receipts and payments and render proper accounts of these transactions. The Department of Treasuries is under the administrative control of the Finance Department. The Director of Treasuries is the Chief Controlling Authority for the Treasury Department and the responsibility of the efficient functioning of the Department devolves on him.

2. Constitution of the Treasuries:

2.1 Each District houses a Treasury located in the District Headquarters. Each taluk Headquarters has a Sub-Treasury. There are also One-Man/full fledged Treasuries for the convenience of the public located in remote places. All these Treasuries come under the supervision and control of the Directorate of Treasuries, which is in Bangalore. Bangalore, has in addition to the Urban District Treasury;

1. Bangalore Rural District Treasury
2. The State Huzur Treasury
3. Pension Payment Treasury
4. Central Stamp Depot

2.2 The State Huzur Treasury is mainly a payment treasury and conducts the maximum transactions. It mainly deals with the payment of salaries of the Secretariat staff, Heads of Departments, Courts and other DDOs and disburses grants to Grant-in-aid Institutions. Pension Payment Treasury is responsible for the payment of about 82030 pensions in Bangalore City. The Stamp Depot is a repository of security stationery, such as Cheques, Token books of Treasuries and other valuable articles/documents of various departments.

2.3 Hubli District Treasury is an additional treasury to the Dharwad District It was required owing to the large number of transactions.

2.4 In all there are 216 Treasuries.

3. List of Treasuries in the State of Karnataka:

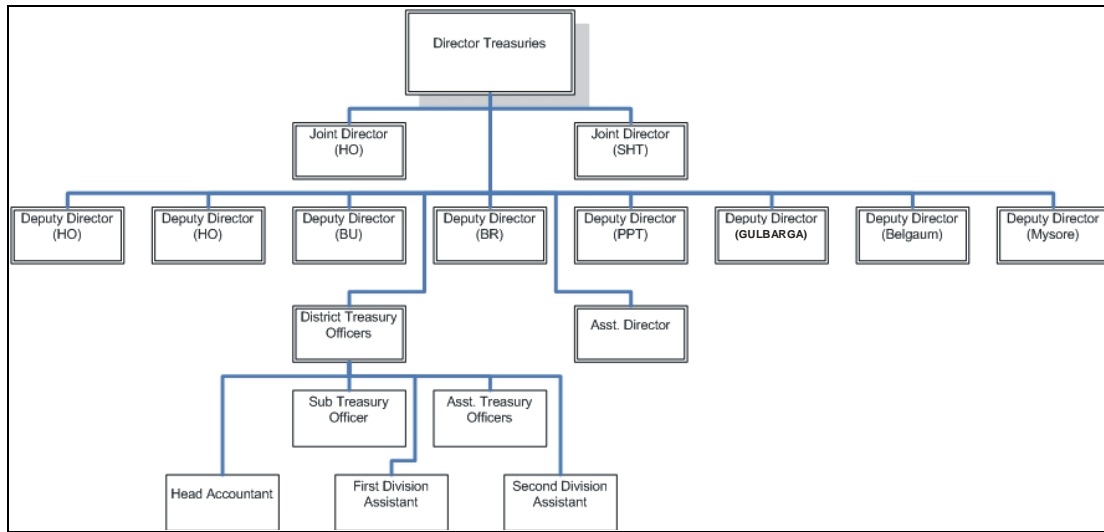
Sl. No.	Treasury	No.	Head of the Treasury
1	SHT Bangalore	1	Joint Director of Treasuries
2	District Treasuries, Bangalore Urban, Rural, Mysore, Gulbarga, Belgaum, PPT, Bangalore	6	Deputy Director of Treasuries
3	Stamp Depot, Bangalore, District Treasury Hubli, and District Treasuries at District Head Quarters other than Sl. No. 2	26	District Treasury Officers
4	Sub-Treasuries in Taluk Headquarters	147	Gazetted Sub-Treasury Officers
5	Sub-Treasuries at Hobli Centres (Fully fledged)	24	Gazetted Sub-Treasury Officers/ Sub-Treasury Officers
6	Sub-Treasuries at Hobli Centres (One Man)	12	Gazetted Sub-Treasury Officers/ Sub-Treasury Officers

1. Department of Treasuries – Administrative Hierarchy

4.1 The Department of Treasuries is headed by a Director under whom there are two Joint directors, one deployed at the head office and the other taking care of State Huzur Treasury (SHT). There are 8 Deputy Directors below the Joint Director level, but directly reporting to the Director. Two out of these 8 Deputy directors are placed at head quarters and the rest of

the 6 are responsible for various geographical zones of the department. Below the level of the Deputy Directors there are 28 District Treasury officers and 3 Assistant Directors. All these officers report to the Director of Treasuries.

4.2 Below the level of the District Treasury Officers there are 300 posts of Sub- Treasury Officers and Asst. Treasury Officers who report to the District Treasury Officers. Out of these, 12 Asst. Treasury Officers are working at Directorate and 70 are working has Accounts Officers in Taluk Panchayaths.



4.3 The total staff strength of the department is given below –

Designation wise distribution of staff across the department

Sl.No	Designation	No. of Posts
1.	Director	1
2.	Joint Director	2
3.	Deputy Director	8
4.	District Treasury Officers	32
6.	Assistant/SubTry. Officers	300
7.	Head Accountant	366
8.	First Division Assistant	823
9.	Stenographer	1
10.	Second Division Assistant	1082
11.	Typist	39
12.	Drivers	3
13.	D Group	327
Total		2984

5. Special Activities in the Department for improving the efficiency and Performance Levels.

5.1 Payment through ECS:

Payment of pay and allowances to Government servants in Bangalore is being done through ECS system since June 2004 by crediting salaries directly to their bank accounts. All DDOs drawing through State Huzur Treasury, Bangalore Urban and Rural are covered under this scheme. The scheme has been extended to the District Treasuries, Dakshina Kannada, Mysore, Dharwad and Hubli from the year 2008. This scheme is extended to another 11 district centres from 2009; they are Belgaum, Bijapur, Davangere, Gulbarga, Gadag, Hassan, Mandya, Raichur, Shimoga, Tumkur and Udupi. The scheme of paying salaries through RECS has been introduced in Ramnagara and Tumkur District Treasuries and Maddur, Madhugiri sub treasuries.

5.2 Dispensing with the System of LOC:

5.2.1 LOC system has been dispensed with for the forest department wef 1-10-2006 and from 01-07-2007 for ZP engineering division, Social welfare, Backward classes and Minorities departments. These payments are being made through the Treasury cheque system.

5.2.2 From 1-1-2008, the LOC System in respect of PWD, Ports and Inland Water Transport Department, Water Resources and Minor Irrigation Departments, except for releases under deposit contribution works, was dispensed with. These payments are also being made through the Treasury cheque system. The system of drawing through cheques by some of the commercial undertakings of Industries and Commerce Department, PU Board, Technical Education and KPSC was also dispensed wef 01-04-2008.

5.2.3 LOC in respect of EMD/FSD and Deposit contribution works has also been dispensed wef 01-07-2009 and converted to Treasury cheque system. The Divisions were asked to reconcile the receipts and expenditures with the Accountant General. Balances were worked out and taken as control figures in the treasury.

6. MIS Reports:

MIS Reports like Monthly Revenue Receipts (Tax & Non-Taxes) and monthly major head-wise and scheme-wise expenditures are continued to be made available to the Finance Department since its inception in September 2003. Daily RBD Position, a Weekly and Monthly expenditure statements are being made available to the Finance Department for better financial management. Details of expenditure demand-wise and scheme-wise are being made available to the concerned Secretaries to the Government from the year 2008.

7. New Pension System:

7.1 Government of India introduced a new defined contribution pension system known as New Pension System, replacing the existing system of defined benefits pension scheme w.e.f 01.01.2004. Several State Governments have also adopted this system.

Government of Karnataka has implemented NPS for its employees recruited on or after 01-04-2006. The State Government has decided to adopt the NPS architecture set up by PFRDA. PFRDA has appointed NSDL as the Central Recordkeeping Agency to maintain the records of contribution, its investment and returns for the subscribers. An agreement between Government of Karnataka and NSDL was signed on 20-01-2010. Bank of India has been appointed as the trustee Bank. SBI, UTI, and LIC are the fund managers for the scheme. Funds were allocated to these three PFMs in the ratio of 41, 30 and 29 percent. This has been reallocated in the ratios of 31%,35.5% and 33.5% during 2011-12.

7.2 Under the NPS 10% of basic and DA of the employee will be the contribution made to which government will be giving a matching share. As the NPS has come into force on 01-04-2006 but was operational w.e.f 01-04-2010 there is backlog for both employees and Government to be contributed. Government is adding 8% compound interest on its share of the backlog and paying it in a single lump sum to the employees account.

7.3 Government has recognized Department of Treasuries headed by its Director as a nodal office for NPS. NPS cell has been established in the Directorate of Treasuries for the implementation of the scheme. The progress achieved during this year is detailed below.

- Director of treasuries has registered herself as Principal PAO with CRA during January 2010.
- In March 2010 all 214 treasuries were registered with CRA as PAO's and 2 sets of users ID's and I Pins have been obtained.
- 20966 DDO's have been registered with CRA..
- 95793 employees have been registered with CRA data and PRAN numbers have been obtained.
- Backlog contribution by the employees towards the scheme in convenient terms of their choice has commenced.
- Government is committed to pay its share of the backlog in one go with a compound interest of 8% and the process is on.

7.4 The Details of Transaction up to the end of March-2012 is as follows :

No.of subscribers	95793
Total employees regular contributions	Rs. 190,88,93,096
Total Govt . matching contributions	Rs. 190,88,93,096
Total employees contributions (backlog)	Rs. 74,34,26,847
Total Govt . matching contributions (backlog)	Rs. 113,27,68,804

8. Pension Disbursements:

8.1 The District Treasuries and Sub-Treasuries are making payment of Civil Pensions of different services, Social security Pensions such as Old Age Pensions, Physically Handicapped and 75% Physically Handicapped pensions and Destitute Widow Pensions through postal money orders and also through Public Sector Banks. The Government has introduced a new scheme of giving financial assistance to senior citizens 'Sandhya Suraksha'. These beneficiaries are also being paid by Treasuries.

8.2 The number of Pensioners as on 31-03-2012 are as given in the table below:

1. Pensioners under Social Security Schemes

Category	No. of Beneficiaries
Old Age Pensions	544876
Physically Handicapped Pensions	388400
75% Handicapped Pensions	164491
Destitute Widow Pensions	936125
Sandhya Suraksha	1129913
Indira Gandhi National Old Age Pensions	27108
Total Social Security Pensions	3190913

2. State Other Regular Pensions

Category	No. of Pensioners
Service Pensions/ Family Pensions	426926
Other pensions	65546
Total of other Pensioners	492472

8.3 SSPs are being disbursed through money orders and through bank accounts. Out of 3190913 pensioners, 79% i.e 33.13 lacs are being paid through MO and 21% i.e 7.03 lacs are being gets disbursed through Banks. 28540 pensions is disbursed through smart cards by the revenue department in Yelandur, Kalgathgi and Kundgol taluks. The system of remitting Social Security Pensions through e-Money Orders, which was started in some treasuries on a pilot in October 2009, has been extended to all the treasuries except Ballary treasury. With this there is speedier disbursal of SSP with minimum effort.

9. Payment of Interest On belated Payment of Pensioner Benefits

9.1 The Director of Treasuries is the Chief Controlling Officer for the Head of Account pertaining to payment of interest on belated pensioner benefits. During 2011-12 as on March 2012, (31.03.2012) Rs 48.50 lakhs was paid in 56 cases on this account.

10. Payment Of HBA Through HDFC

10.1 House Building Advance is a loan -to Government Employees made available through HDFC. The Director of Treasuries is the Authority for watching and accounting recoveries from Government servants towards the house building loans availed by them under the HDFC scheme and arranging payments of the dues to the Corporation regularly. The detailed loan accounts, which were hitherto maintained by the Accountant General under the earlier HBA Scheme, are now being maintained systematically at the Directorate of Treasuries from 1989.

10.2 As on March 2012, 4082 loanee accounts are being maintained

10.3 883 loanee accounts were closed during the year.

11. Volume of Transactions for the year 2011-12

The Volume of Transaction in all the treasuries during 2011-12 is as follows:

Receipts		Payments	
No of Challans	Amount Rs. in crores	No of Vouchers	Amount Rs. in crores
93,95,208	80,727.08	36,26,958	96,612.22

12. Janaspandana:

12.1 As on March 2012, 182 applications from the public were received and attended to in the Directorate of Treasuries.

13. R.T.I Applications

13.1 Details of no. of applications and appeals received and their disposal in the department as on fourth Quarter ending (March 2012) is as follows:

	OB	Receipt	Total	Disposal	C.B
Applications	14	212	226	212	14
Appeals	0	9	9	3	6

14. Treasury Inspections:

14.1 With a view to streamline the administration of the Department, 11 Technical Inspections of Districts Treasuries and 4 sub-treasuries. Surprise inspections of 27 Treasuries have been conducted by the Directorate of Treasuries. During the current year, District Treasury Officers have conducted 130 Technical inspections and 49 surprise inspections of sub treasuries under their jurisdiction.

15. Treasury Computerisation:

15.1 The internal processes within the treasuries were computerized through a stand alone project, 'Khajane', during 2001-04. The system covering processes within the treasuries had brought laurels to the State and was termed as a major administrative and technological leap in the field of e-Governance. The project ensured tighter fiscal discipline with budget control and cash management as notable key achievements. Within the internal functioning of the treasuries along with increase in efficiency, it helped bring in transactional integrity in the following ways;

- i. System based clearance of bills in all treasuries after checking for budget availability;
- ii. Accuracy in Generation of accounts of the transactions by the treasuries every month;
- iii. Elimination of systemic deficiencies inherent in the manual system like over drawl of funds and misclassification of expenses;
- iv. Help in better cash management & budget monitoring;
- v. Provision of timely and accurate information to Government departments regarding revenues and expenditure, for better management of various schemes.

15.2 Need for Comprehensive Financial Management System

15.2.1 The existing computerised system of the Department of Treasuries was designed in the year 2001 when the technical capabilities of hardware and connectivity were limited. The system has outlived its utility in terms of meeting current functional needs of the Government. With substantial rise in budgetary revenue and expenditure of the Government the need is for information on revenues and expenditure at more frequent intervals. "Khajane II" will replace the existing Khajane system established during 2002-04. Khajane II will address functional and technical constraints of the present system so as to enable a dynamic fiscal management for all users within and outside the Government, employees of the Government as well as providing convenience to the public and suppliers.

15.3 Objectives

15.3.1 The project envisages replacement of the existing Khajane system by establishing an Integrated Financial Management System, "Khajane II" with increased functional features and integration with external stakeholders to facilitate the State's development through efficient, effective and transparent management of its public finances, and strengthen accountability of the stakeholders. The following outcomes are expected to be garnered from the project:

- i. Comprehensive management of all financial decisions and transactions of the Government through the integrated system;
- ii. Greater citizen convenience by facilitating online tax payments and other remittances;

- iii. Online real-time reporting system for each stakeholder leading to strengthened data gathering and monitoring systems;
- iv. Greater transparency & accountability in fiscal management by using Public Key Infrastructure resulting in fiscal probity and discipline;
- v. Automated integration with external entities.

Features of Khajane-II

15.3.2 Government of Karnataka signed a contract with Tata Consultancy Services on 18.10.2011 to establish “Khajane II” system, for integrated financial management across all spending and resource mobilization offices of the Government.

15.3.3 The vision of this major e-Governance initiative is to facilitate the State's development, through efficient, effective and transparent management of its public finances, and to strengthen accountability of the stakeholders. The project's mission is to provide an integrated electronic platform to all stakeholders, to carry out their financial transactions and to share data in a seamless manner for their decision making, accounting and auditing of public finance; making payments to and from the Govt. convenient to the public and enhancing transparency in management of public finances.

15.3.4 “Khajane II” intends to take e-Governance to the next level. The main functional features of “Khajane II” are generation of daily accounts of the State Government, online system for release of funds, salary payments of Government officials and at least 90% of payments made to contractors and suppliers to be through ECS, online tax and non-tax payment facility for citizens, real-time information regarding receipts, fund releases, scheme wise expenditure details to both finance and stakeholder departments, centralized pensioners database, and integration with external agencies such as Accountant General and Banks.

15.3.5 “Khajane II” when fully operational would have GIS based MIS and Dashboards for the decision makers, wherein implementation of government schemes and projects, in terms of funds utilized, could be monitored online on a real time basis. It would ensure higher level of financial prudence by prohibiting departments from submitting bills till previous month's accounts have been reconciled and settled. Hitherto complex and tedious job of account preparation would become much simpler and a marked shift in the paradigm of work culture would be introduced in the Government, which will see collective delivery of services, as integration with departments and varied agencies will be a key feature of the project.

15.3.6 “Khajane II” will bring in tighter integration between various wings of the Government and also network with external agencies like Accountant General's Office, the RBI, Commercial Banks and Post Offices. Treasuries and Banks will interact online through a secured network and share information in a real-time environment avoiding delays.

15.3.7 A key feature of the project would be the new working culture proposed to be implemented through this project. Although IT Act 2000 provided for use of Digital Signatures as an instrument of authorizing online documents, its use within Government has been sporadic. “Khajane II” will extensively use Digital Signatures in its day to day operations. All employees of the Government using “Khajane II” will be mandated to use Digital Signatures. On the same line, all payments made by Government would be slowly migrated to ECS / NEFT, which will ensure that payments are directly credited to the bank accounts of beneficiaries, suppliers and contractors.

15.3.8 The impact of this project will benefit citizens dealing with the Government. Citizens will be able to pay their taxes & fees to the Government online through Internet. Employees of the Government would be able to submit and track their bills online, and also monitor their contributions to the pension funds and insurance schemes. A separate database of pensioners would be developed that will immensely benefit pensioners, who are often plagued by procedural troubles. The project is estimated to have a direct user base of around 50,000 users with a concurrency of 15,000 simultaneous users during peak hours, most of whom would be employees of the Government.

15.3.9 Planned to be made fully operational by February 2013, the “Khajane II” will utilize Karnataka State Wide Area Network (KSWAN) for connecting various offices of the State Government. The central data centre will be developed and deployed at the Treasury Network Monitoring Centre (TNMC), Khanija Bhavan in Race Course Road, Bangalore. The project will also have a business continuity site, which would be housed at the State Data Centre of the Government located at Vikasa Soudha.

15.3.10 The project is being implemented by Tata Consultancy Services (TCS) under strict service levels, which commits an uptime of 99.5% during peak season. The company will establish the system and provide operation and maintenance support for six years.

15.3.11 Milestone achieved for Khajane II

Sl.No	Events	Dates
1.	In principle approval to start Khajane-II by Empowered Committee for e-Governance Projects.	15-Sept-2009
2.	Creation of Technical Committee	16 Oct 2009
3	Creation of Steering Committee	21 Oct 2009
4.	Floating of E.O.I	28 Oct 2009
5.	Finalization of bidders who were qualified to receive RFP	08 Feb 2010
6.	Floating of RFP	18 Nov 2010
7.	Acceptance of TCS as L1 bidder	24 Aug 2011
8.	Cabinet approval	18-Aug 2011
9	Contract signed	18 Oct 2011

15.3.12 Appointment of Third Party Agency for Khajane-II :

A Third Party Agency is required to validate the outcome of the Khajane II project with respect to its objectives. The agency will be required to test and audit SI's application and the related IT infrastructure developed by it for functional compliance and security adherence. The agency will submit a report to the Project Director, Khajane II (Director of Treasuries) about its findings. Apart from performing the audit, the agency would also be required to set the guidelines for Khajane II Application Software Development.

15.3.13 RFP for selection of Third Party Agency for Concurrent Audit of Development and Final Audit of the Application IT infrastructure, Performance and Security of IT Solution for Khajane-II was published on 20-8-2011 through e-procurement platform. M/s. KPMG has been selected has L1 on 31-10-2011 and agreement has been signed on 23.11.2011.

16. Budget:

The total expenditure of the Department which is under non-plan for the year 2011-12 as at the end of March 2012 is as follows:

Rs. in Lakhs		
Head of Account	Allotment	Expenditure (as on 31-3-2012)
2054-00-095-0-01 Directorate of Treasuries	4261.52	761.63
2054-00-097-0-01 Treasury Establishment	5296.86	5241.40

5. PENSION, SMALL SAVINGS AND ASSET-LIABILITY MONITORING

Investment Tracking & Realisation, Small Savings and State Lottery Department was renamed as "Directorate of Pension, Small Savings and Asset-Liability Monitoring" vide G.O No. FD 25 Savula 2010 Dated 21/04/2010. Redressal of pensioners' grievances has been added to the existing work and Karnataka Government Employees Group Insurance Scheme was transferred to Karnataka Government Insurance Department.

Department deals with

1. Small Savings.
2. Asset-Liability Monitoring.(Investment Tracking & Realisation)
3. Redressal of pensioner's grievances (Retired government pensioners only).

I.Small Savings :

This scheme has the following objectives:-

- (1) To inculcate the habit of thrift and savings among the people and to provide not only security but also a fair return to their savings.
- (2) To encounter inflationary pressures on the economy, thus help to hold the price line in the market.

Government have not assigned any target for the year 2011-12. However Rs.7668.34 crores in Gross and Rs.(-)1683.12 crores in net has been collected till the end of March 2012. During 2011-12 State has not received any loan from Government of India.

At present appointment of new agents have been stopped in the State. However renewal and cancellation of current agencies are continued.

Asset-Liability Monitoring (Investment Tracking & Realisation) :

The Department is functioning as per the guidelines issued vide circular No: FD 51 RLG 07, Dated: 29.5.2007.

Top priority was given to track the Government Investments on the following lines.

1. Loans extended to various Boards & Corporations.
2. Loans taken by various Boards & Corporations on the guarantee extended by the Government and payment of guarantee commission to Government on these loans.
3. Government Investments in various Institutions as Share Capital & Payment of dividend on the shares.

The Guarantee Commission on Government guaranteed loans, Principal and Interest on Government loans and dividend on share capital collected during 2011-12 up to February 2012 is as shown below.

Guarantee Commission	: Rs.22.44 Crores.
Dividend	: Rs.59.80 Crores.
Interest	: Rs.12.81 Crores.
Principal	: Rs.55.50 Crores.

Redressal of pensioner's grievances (Retired employees of Government of Karnataka).

Department has to attend to the grievances relating to pension payment of around 3.66 lakh pensioners in the State. Officers and officials of the department are working on the same at District and Taluk level. As on March 2012 Department has received 932 applications, out of which 484 applications are cleared.

6. KARNATAKA GOVERNMENT INSURANCE DEPARTMENT

K.G.I.D. transacts with Life Insurance business as per Karnataka Government Servants (Compulsory Life Insurance) Rules 1958. In Motor Insurance sector, Government vehicles & vehicles owned by Boards, Corporations, Municipalities etc., and vehicles in which Government has substantial financial interest are being Insured. Family Benefit Fund Accounts related to the employees working in Govt. Aided Institutions, Corporations and other Local Bodies are maintained in the Department. The Karnataka Government Servant's Group Insurance Scheme also attached to this Department recently.

1.LIFE INSURANCE BRANCH

The Life Insurance Branch has issued 28,185 Policies for a sum assurance of Rs. 702.44 Crores and collected Rs. 286.66 Lakhs premium from 1-4-2011 to 31-03-2012. The department has sanctioned Rs. 325.33 Crores as loan in this period. The Fund balance is Rs.4681.86 Crores as on 31-12-2011*.

*since accounts are not yet finalized.

The Bonus on the policies for biennial ending of 31-3-2008 has been declared at the rate of Rs.85/- per thousand per annum. The Valuation work for the biennial period 2008-10 is under progress.

2. MOTOR INSURANCE BRANCH

The Motor Branch of this Department has insured 19054 vehicles as on 31-03-2012 yielding premium income of Rs. 719.37 Lakhs. The fund balance as on 31-12-2011* is Rs. 124.00 Crores.

*since accounts are not yet finalized.

3. FAMILY BENEFIT FUND

This is a Social Security Scheme for employees of Local Bodies and Aided Institutions. The Accounting work of the above fund is done in this department.

4.GROUP INSURANCE SCHEME

The Karnataka Government Servant's Group Insurance Scheme was introduced in the year 1982. The administration of this scheme was recently entrusted to this Department. The scheme is wholly contributory and self financing. Subscription is statutory and being deducted in regular salary bills of Government employees.

The statistical data of all schemes are furnished in the enclosed Annexure.

KARNATAKA GOVERNMENT INSURANCE DEPARTMENT, GROUP INSURANCE SCHEME				
SL. NO.	PARTICULARS	YARD STICK	PERIOD (FROM 01/04/2011 TO 30/09/2011)*	
			INSURANCE FUND	SAVINGS FUND
1	OPENING BALANCE	RS.IN LAKHS	6234.27	129803.65
2	RECEIPTS	RS.IN LAKHS	2198.59	4836.93
3	TOTAL	RS.IN LAKHS	8432.86	134640.58
4	PAYMENTS	RS.IN LAKHS	1693.53	4760.51
	(3-4=)		6739.33	129880.07
5	INTREST	RS.IN LAKHS	109.53	5221.19
6	CLOSING BALANCE	RS.IN LAKHS	6848.86	135101.26
* FURTHER PERIOD ACCOUNTS ARE STILL IN PROGRESS.				

KARNATAKA GOVERNMENT INSURANCE DEPARTMENT

Sl. No.	Particulars	Yard stick	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12 (up to 31-03-12) (Approx)*
	LIFE BRANCH							
1	Issue of New Policies	Nos.	21,723	1,82,528	1,07,698	42,894	36,440	28,185
2	Initial Deposit (Premium Income)	In lakhs	103.33	86.08	699.32	334.48	342.61	286.66
3	Sum Assurance	In crores	260.43	541.86	1757.75	854.79	889.30	702.44
4	No. of policies In force	Nos.	9,47,140	2,48,367	12,91,860	12,69,332	12,31,634	12,08,288
5	Total Premium income In force	In crores	237.70	74.40	372.83	419.59	447.36	606.65
6	Sum Assurance In force	In crores	4,898.13	,325.69	7,959.66	8,660.00	9389.12	9600
	Claims							
7	a) Maturity Claims	Nos.(pol)	49,507	54,926	51,631	55,437	61,954	43456
8	b) Death Claims	Nos.(pol)	5,108	4,659	4,391	4,616	5,949	3862
9	c) Surrender Value	Nos.(pol)	2,447	2,042	2,114	2,048	1,775	1276
	Amount of Claims Paid							
10	a)Maturity claims	In crores	124.96	72.44	174.36	207.78	251.56	194.66
11	b) Death claims	In crores	20.43	1.74	21.32	25.61	25.89	19.93
12	c) Surrender Value	In crores	6.08	.63	6.68	6.33	5.78	4.11
13	Sanction of Loan	In crores	327.93	62.22	348.27	409.67	427.38	325.33
14	Admn. Expenditure	In crores	11.26	4.23	15.37	17.12	18.33	20.01
15	L.B.Fund Balance	In crores	2,860	3,368.39	3537.13	3,915.65	4,302.40	4681.86*
	MOTOR BRANCH							
16	1.No. of vehicles insured	Nos.	21,294	19,974	25,313	23,589	26,378	19054
17	2. Premium Income	In lakhs	785	961	1,061.78	1,006.27	1,038.73	719.37

Sl. No.	Particulars	Yard stick	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12 (up to 31-03-12) (Approx)*
18	3. No.of claims settled	Nos.	405	294	489	442	464	327
19	4. Amount of claims settled	In lakhs	402	453	717.38	435.74	463.77	344.52
20	5. Motor Insurance Fund Balance	In crores	55.7	61.55	63.19 (Exclgd. Int.)	111.94 (Incl. Int)	116.77 (Exclgd. Int)	124*
	FAMILY BENEFIT FUND						(Approx)	
21	Receipts	In crores	1.20	1.13	1.25	1.28	1.30	0.69*
22	Payments	In crores	6.46	5.86	6.00	6.05	6.15	1.25*
23	FBF Fund Balance	In crores	65.20	7.03	68.00	69.00	71.00	84.36*

* As on 31.12.2012, Since Accounts yet to be finalised

ADMINISTRATIVE POWER

The Department was decentralized with the aim of providing sincere and quick service to its policy holders by opening District Level Offices. The Financial Powers delegated to District Level Officers to accept proposals, grant of loan and settling all claims up to Rs.4,00,000/-. The Director of the department is exercising full Financial powers regarding sanction of loans and settlement of all claims. But the New Business proposals for the Sum Assurance of more than Rs.5,00,000/- in each case are being accepted after getting the expert opinion from the Director of Health and Family Welfare services.

7. STATE ACCOUNTS DEPARTMENT

State Accounts Department being one of the major departments of Government of Karnataka is functioning under the direct control of the Finance Department. The Controller is the Head of the Department. The Accounts of Local Bodies in the State viz. The City Municipal Councils, Town Municipal Councils, Grama panchyaths, Urban Development Authorities, Command Area Development Authorities (CADA's), Public Libraries, BMRDA, Karnataka Secondary Education Examination Board, Muzarai institutions and 24 Universities in the State come under the Audit purview of this department as per the relevant Acts/ Notifications of the respective Institutions. The Audit work is taken up by the Local Audit Circle Offices in the Districts, Government Auditor's Offices in the Universities and also by the Auditors from the office of the Controller, State Accounts Department. Besides, special Audit of accounts of other institutions or departments also will be taken up

as and when orders from Government are issued. The audit of accounts of the City Corporations including BBMP is being conducted by the Chief Auditors appointed by the Government to each Corporation, under the supervision and control of the Controller as per section 150 of Karnataka Municipal Corporations Act-1976.

29 Local Audit Circle Offices and 10 Government Auditor's offices of the Universities conduct audit under the supervision of this department.

AUDIT PROGRAMME AND PROGRESS

During the year 2011-12, out of 6628 institutions comprising of 9366 years of accounts programmed, 4824 institutions comprising of 6613 years of accounts were audited at the end of March 2012 and the audit progress achieved is 73%.

EX-OFFICIO TREASURER OF CHARITABLE ENDOWMENT FUNDS

As per the provisions of Charitable Endowments Act 1890 and Govt. Order No:FD(R) 5052. BB 22-53-5 dated: 12-12-1953 the Controller, State Accounts Department is Ex-Officio Treasurer of Charitable Endowments of Karnataka State. Under this authority the Controller has held securities to the extent of ₹27.49 lakhs relating to 309 Charitable Endowments and the interest earned is being disbursed at the request of the concerned.

The Controller is also holding Rs.74.90 lakhs in the form of term deposits relating to Muzarai Institutions under his safe custody in terms of Article 361 and 362 of KFC and the interest accrued thereon is being disbursed to the concerned. During the year 2011-12 a sum of Rs.6.64 lakhs is accrued as interest to end of 31st March 2012 and the same has already been disbursed to the concerned Administrators after deducting 1% Government Commission for releasing to the beneficiaries selected by them.

MAINTENANCE OF ACCOUNTS OF ADDITIONAL EMOLUMENTS COMPULSORY DEPOSITS

As per the provision of Additional emoluments (Compulsory deposits) Acts 1974 the Controller, State Accounts Department is the nominated authority for all the Local bodies in the state. As at the end of 31st March 2012 a sum of Rs.4,26,520/- is still remaining as balance in this account as the specified authorities (i.e., Local Bodies) have not preferred any claims for repayment.

DEPUTATION OF OFFICERS AND STAFF

The services of the officers and officials of State Accounts Department are lent to various departments of Government, local bodies and statutory organizations on deputation for maintenance of accounts, financial management and internal audit.

During the year 2011-12 out of total 4337 posts in the department 639 posts only are under direct control of the department and the remaining posts are in various Government departments, local bodies and statutory organizations.

TRAINING PROGRAMME

During the year 2011-12, 11 Officers were deputed for Training in National Institute of Public Finance & Policy in New Delhi/ National Institute of Financial Management in Faridabad, Administrative Training Institute in Mysore/Direct Taxes Local Training Institute in Bangalore and 18 staff members of this Department were Trained In District Training Institute, Bangalore.

PENSION AUTHORISATION IN RESPECT OF MUNICIPAL EMPLOYEES

The responsibility of authorizing the pensionary benefits in respect of Municipal employees has been entrusted to the Assistant controllers of respective District Local Audit Circles, since 1980. During 2011-12, 587 pension cases have been settled up to the end of 31-03-2012.

EXPENDITURE OF THE DEPARTMENT

For the year 2011-12 a sum of Rs.1516.74 lakhs was provided in the budget, of this, a sum of ₹1496.63 lakhs has been spent by the end of March 2012.

AUDIT CHARGES

Audit charges are being levied and collected from the local bodies, Muzrai & other autonomous bodies which come under the audit purview of this department as per the provisions of the relevant Acts and Rules and remitted to Government account. During the year 2011-12 the estimated audit charge was ₹980.32 lakhs, against which a sum of ₹425.65 lakhs was collected up to the end of March 2012 and remitted to Government under the Head of Account 0070-60-110-0-01.

8. INSTITUTIONAL FINANCE

The Institutional Finance wing of Finance Department does coordination work between government departments, commercial banks and regional rural banks, besides other term lending institutions like NABARD for successful implementation of socio-economic development programmes.

Rural credit dispensation in the State mainly takes place through Cooperatives, Commercial Banks/Regional Rural Banks and National Bank for Agriculture Rural Development (NABARD) besides support from the State financial institution i.e. Karnataka State Financial Corporation to industry and tertiary sectors for development of medium and large scale industries in the State.

1. **Banking Data:**

- As at the end of March 2011 Aggregate deposits of scheduled Commercial Banks(including RRBs) stood at Rs.336682 crore
- Credit Deposit Ratio (CDR) as on March 2011 was 76 vis-à-vis 77.88 as of March 2010.
- Advances to weaker sections by Banks was Rs.27352 crore and Rs.7878 crore to SC/STs constituting 10.69% and 3.08% of the total advances (as of March 2011).
- As of March 2011 Level of agricultural advances stood at Rs.47071 crore forming 18.39% of the total advances of Banks.
- Khadi & Village Industries Commission is the nodal agency for implementing Rural Employment Generation Programme (REGP) of GOI, Ministry of Micro, Small & Medium Enterprises (MSME). KVIC has intimated the targets under PMEGP for Karnataka State as below –

(Targets 2011-12)

Agency	Margin money	No. of projects	Employment generation
KVIC	Rs.808.19 lakh	577	5770
KVIB	Rs.808.19 lakh	577	5770
DIC	Rs.1077.58 lakh	770	7700
Total	Rs.2693.96 lakh	1924	19240

Source:SLBC September 2011

- Banks and Nodal Agencies were expected to take appropriate steps to achieve the target of 50% of credit flow to SC/ST beneficiaries under SGSY as per GoI guidelines.
- As at June 2011 Banks have also assisted 774 beneficiaries and 91 Groups under Swarnajayanti Shahari Rozgar Yojana, Self Employment Programmes of Dr.B.R.Ambedkar Development Corporation Ltd., Swavalambana Margin Money Scheme of Karnataka Minorities Development Corporation and Chaitanya Subsidy-cum-Soft Loan scheme of D.Devaraj Urs Backward Classes Development Corporation like Self-Employment Programme, besides extending loans to minority communities.
- Banks have disbursed Rs.5498 crore to 543252 women beneficiaries' upto March 2011 under special focus programmes.
- Banks have disbursed loan of Rs.1181crore to 121164 Stree Shakti Groups up to March 2011.
- As of 2010-11 Banks (including RRBs & Co.ops) have issued 698736 Kisan Credit Cards with credit limit of Rs.6453 crores.

- Details of Bank branches/deposits/advances/CDRs are shown below:

(As at March 2011 Rs.in lakh)

Sl. No.	Name of Bank	No.of Branches	Deposits	Advances	Credit Deposit Ratio
1.	Public Sector Banks	5122	30994984	22750796	73
2.	Other Commercial Banks	890	1245206	1717370	128
3.	6 Regional Rural Banks (RRBs)	1256	1428068	1130131	79

2. Lead Bank Scheme:

- (a) The Lead Bank Scheme (LBS) has been introduced by Reserve Bank of India. The objectives and scope of the scheme are to ensure coordinated action by banks and government in order that the banking system supports balanced economic development in the State, particularly in addressing agrarian distress and challenges faced by the rural sector through implementation of government schemes in letter and spirit.
- (b) The list of district-wise Lead Banks in the State, is furnished below:

Sl. No.	Name of District	Name of Lead Bank
1	Belgaum	Syndicate Bank
2.	Bellary	
3.	Bijapur	
4.	Bagalkot	
5.	Dakshina Kannada	
6.	Udupi	
7.	Uttara Kannada	
8.	Kolar	Canara Bank
9.	Bangalore (Urban)	
10.	Bangalore (Rural)	
11.	Chitradurga	
12.	Davanagere	
13.	Hassan	

Sl. No.	Name of District	Name of Lead Bank
14.	Shimoga	
15.	Chikkaballapur	
16.	Chamarajanagar	State Bank of Mysore
17.	Mysore	
18.	Tumkur	
19.	Gadag	State Bank of India
20.	Bidar	
21.	Gulbarga	
22.	Yadgiri	
23.	Mandya	Vijaya Bank
24.	Haveri	
25.	Dharwar	
26.	Madikeri	Corporation Bank
27.	Chikmagalore	
28.	Ramanagar	
29.	Raichur	State Bank of Hyderabad
30.	Koppal	

3. Rural Infrastructure Development Fund:

a) In 1995, Government of India announced the scheme for setting up of Rural Infrastructure Development Fund (RIDF) within the National Bank for Agriculture and Rural Development (NABARD) for financing rural infrastructure projects.

b) During the current fiscal, Government of India had announced an allocation of Rs.18000 crore at all India level, for continuation of the scheme under RIDF-XVII. NABARD fixed the normative allocation for Karnataka at Rs.720 crore for the projects. NABARD stipulated the following activities with broad general terms and conditions for projects to be implemented under RIDF XVII.

1. Rural Roads
2. Rural Bridges
3. Minor Irrigation Projects/Micro Irrigation

4. Soil Conservation
5. Flood Protection
6. Watershed Development/Reclamation of waterlogged areas
7. Drainage
8. Forest development
9. Market Yard/Godown, Apna Mandi, Rural haats and other marketing infrastructure
10. Cold Storage, Public or Joint Sector cold storage at various exit points
11. Seed/Agriculture/Horticulture
12. Plantation and Horticulture
13. Grading and certifying mechanisms such as testing and certifying laboratories, etc.,
14. Community irrigation wells for irrigation purposes for the village as a whole, fishing harbour/jetties
15. Fishing Harbour/jetties
16. Riverine Fisheries
17. Animal Husbandry
18. Modern Abattoir
19. Medium Irrigation projects
20. Mini Hydel Projects/Small Hydel Projects (upto 10 MW)
21. Drinking Water
22. Infrastructure for Rural Education Institutions
23. Public Health Institutions
24. Construction of toilet blocks in existing schools, where necessary, specially for girl students so as to improve the amenities available in schools
25. 'Pay & Use' toilets in rural areas
26. Major Irrigation Project (Only those projects already sanctioned and under execution)
27. Village knowledge Centers
28. Desalination plants in coastal areas
29. Infrastructure for Information Technology in rural areas
30. Construction of Anganwadi Centres
31. Setting up of KVIC industrial estates/centres

Quantum of loan:

NABARD has sanctioned Rs.6966.93 crore for 29792 projects in Karnataka under RIDF-I to XVII tranches upto 16.2.2012. Majority of the projects are for construction of rural roads, bridges, anganwadi buildings, Raitha Samparka Kendras, Minor irrigation works, watershed development projects, construction of school buildings etc. Details of the admissible **RIDF** loan is given below:

	Sector/Activity	RIDF loan admissible as %age of project cost
1.	Activities related to agriculture such as irrigation, soil conservation, flood protection, (Activity 3 to 20,26,27,28 &29 of the eligible activities)	95%
2.	Social Sector Projects (Activity Nos. 21,22,23,24, 25,30 & 31 of the eligible activities)	85%
3.	Rural connectivity (Activity Nos.1 and 2 of the eligible activity)	80%

Rate of Interest:

The current rate of interest for NABARD's loan assistance has been fixed at 6.5% p.a.

The activity-wise loan sanctioned under RIDF XVII by NABARD is shown below:

PROJECTS SANCTIONED UNDER RIDF XVII - 2011-12 (As on 3-2-2012)**(Rs.in lakh)**

Sl. No.	Name of the Department	Project cost
1	Rural Development & Panchayath Raj Rural roads & bridges, foot bridges and Rural Service Centres	905.00 1999.80
2	PWD – Roads & Bridges	26685.00
3	Tourism Department	2000.00
4	Education Department (High School) Polytechnic Buildings	4000.00
6	Minor Irrigation Department	10355.35
7	Rural Markets	495.20
8	Rural Godown	1500.00

Sl. No.	Name of the Department	Project cost
9	Animal Husbandry & Fisheries Department (Fisheries)	
11	Women & Child Dev. Dept	794.20
12	Health Department – PH Cetres	1999.94
13	Agriculture-Raitha Samparka Kendra	2380.00
Total		53114.49

The High Power Committee constituted under the chairmanship of the Additional Chief Secretary and Development Commissioner to review the progress achieved in respect of the projects under RIDF met on 16-3-2011, 22-7-2011, 10-11-2011 and 29-2-2012.

4. Committees/ Meetings/Conferences/Seminars:

A. State Level Bankers Committee' meet (SLBC):

- (a) The State Level Bankers' Committee (SLBC), which is an important coordination forum for banks and Government Departments constituted by the Reserve Bank of India under the Lead Bank Scheme sorts out problems of coordination and reviews performance under various programme components and special focus programmes once in 3 months. Syndicate Bank is the convener of the SLBC meetings.
- (b) During the current year (2011-12), the SLBC conducted meetings on 28-3-2011, 20-6-2011, 7-9-2011, 29-11-2011 and 27-2-2012 discussed special focus programmes of credit flow for implementation of Central and State government sponsored schemes and Financial Inclusion programme.

B. Empowered Committee on Regional Rural Banks (RRBs):

- (i) Regional Rural Banks in Karnataka, were established under the Regional Rural Banks Act, 1976 to carry on and transact the business of banking as defined in clause (b) of Sec.5 of the Banking Regulation Act, 1949 including granting of loans and advances, particularly to small and marginal farmers and agricultural labourers, artisans, small entrepreneurs engaged in trade and commerce or other productive activities. The capital of the RRBs are shared by the Central Government, State Government and Sponsored Banks in the ratio of 50% : 15 : 35 respectively. The Sponsored Banks of RRBs shall monitor the progress of these RRBs. The names of 6 RRBs in Karnataka after amalgamation (earlier their number was 13) and their sponsored banks are as below:

Sl. No.	Name of Regional Rural Bank	Name of Sponsored Bank	Head office of RRBs.
1	Karnataka Vikas Grameena Bank	Syndicate Bank	Dharwad
2	Chikkamagalur Kodagu Grameena Bank	Corporation Bank	Chikmagalore
3	Cauvery Kalpatharu Grameena Bank	State Bank of Mysore	Mysore
4	Pragathi Gramina Bank	Canara Bank	Bellary
5	Visveshvaraya Grameena Bank	Vijaya Bank	Mandya
6	Krishna Grameena Bank	State Bank of India	Gulbarga

- (ii) The Special Officer (Banking), Finance Department (Institutional Finance) is one of the directors on the Board of Pragathi Gramina Bank and Karnataka Vikas Grameena Bank.
- (iii) During the current financial year, meetings of the Empowered Committee constituted by the Reserve Bank of India were held under the Chairmanship of the Regional Director, Reserve Bank of India on 24-3-2011, 8-6-2011, 19-9-2011 and 15-12-2011 and reviewed the performance of the 6 RRBs:

C. State Level Coordination & Review Committee (SLCRC) and State Level Forum for Regional Rural Banks:

This Committee constituted by NABARD met on 18-3-2011, 8-6-2011, 20-9-2011 and 28-12-2011 to review performance of Regional Rural Banks (RRBs). The Committee under the Chairmanship of the Chief General Manager, NABARD met on when senior officers of RBI, NABARD, Chairmen of RRBs, the Special Officer (Banking) representing the Finance Department, representatives of sponsored Banks participated:

D. State Level Inter-Institutional Committee (SLIIC):

During the current year, the Committee constituted by the Reserve Bank of India met on 15-3-2011, 22-6-2011, 29-9-2011 and 21-12-2011 where senior level functionaries of RBI, Finance Department, Commerce & Industries Department, NABARD, KSIIDC, KSFC, KVIC, SIDBI, SLBC representatives of FKCCI, KASSIA, AWAKE:

E. State Level Coordination Committee (SLCC) on Regulation of Non-Banking Financial Companies (NBFC) and Deposit Acceptance activities of Un-incorporated Bodies (UIB):

The Committee met on 24-5-2011 and 13-1-2012 in RBI, Bangalore where senior level officers of RBI, Company Law Board, Police, Finance Department, Law Department and representatives from other regulatory bodies participated.

F. State Credit Seminar:

- (i) The State Credit Seminar 2011-12, organised by NABARD was held on 27-12-2011 in Bangalore.

9.. FISCAL POLICY INSTITUTE (FPI) AND FISCAL POLICY ANALYSIS CELL (FPAC)

Introduction to FPI & FPAC

(i) *Fiscal Policy Institute (FPI)*

The Fiscal Policy Institute was created vide G.O. No. FD 33 GIE 2006 Bangalore Dated 8th January 2007

Vision

To enhance quality of human capital engaged in public financial management, the outcome of which enhances their efficiency, promotes a habit of adherence to prudential fiscal norms and ensures value for money to citizens.

Mission

The mission of FPI is 'to position itself as the first point of reference' for consultancy and handholding by all the government sector administrative units by imbibing the sense of fiscal responsibility, by infusing matching practices and by providing its services at reasonable and affordable cost to users within and outside the government system.

Objectives

FPI was created, interalia, with the following objectives

- (i) To provide customized training to Government and Public Sector officers and relevant research output on various aspects of financial planning, programme implementation, public expenditure and asset management with focus on fiscal prudence.
- (ii) To take up specialized research and studies of immediate and long-term relevance to Government and Public Sector entities on demand and suo-motto.
- (iii) To produce easy access to use reference manuals, templates, tools and standards for policy analysis, investment appraisal, risk assessment and performance monitoring methods and institutionalize the same.
- (iv) To capture, document and disseminate next best practices relating to good economic governance across the government operations and to help the department in ensuring value for money spent.
- (v) To provide and manage the necessary physical infrastructure and managerial resources efficiently to facilitate such training and research on an on-going basis.

Unlike a conventional training or research institute, the intrinsic objective of FPI is to provide integrated solutions to problems, including the design, implementation, monitoring and evaluation. The Institute functions as a Directorate under the administrative control of the Finance Department. FPI's activities as a training enterprise would be delivered through five Centres:

- (i) Public Resource Management
- (ii) Public Expenditure Management and Economics

- (iii) Financial Accountability and Decentralization
- (iv) Technology, Information System and Statistics, and
- (v) Project Management

Scope of Activities

The activities and services of FPAC and FPI are expected to imbibe the spirit of the seventeen principles of fiscal management under the provisions of Sec 4 of the Karnataka Fiscal Responsibilities Act, 2002. FPI deals with four core areas viz. -

- (i) Customized training and continuous handholding for those trained.
- (ii) Consulting and conducting research in conventional areas and also emerging and challenging areas like Public Private Partnerships (PPPs), Goods and Services Tax (GST), environmental economics, health economics etc.
- (iii) Data-base management including helping departments in creating and managing data bank, and
- (iv) Advocacy and outreach relating to fiscal management principles and responsibility.

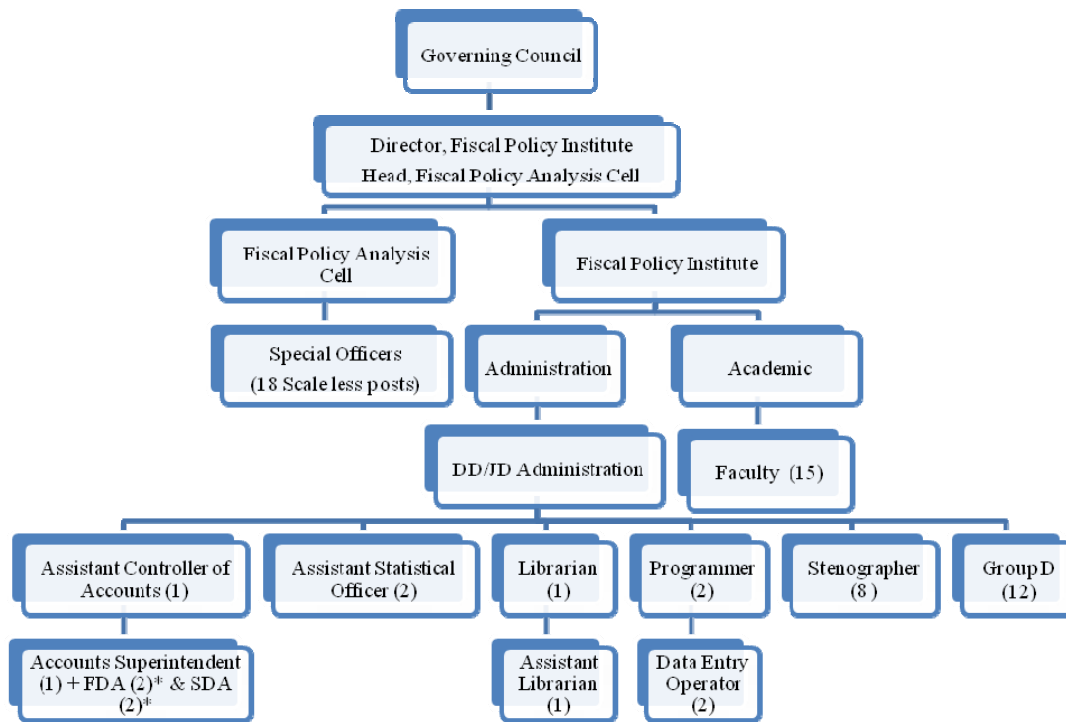
To oversee the functioning of the Institute and to guide the Director, a Governing Council, under the Chairmanship of Principal Secretary, Finance Department has been created. Besides, Secretary, Economic Advisory Council to the PM, Principal Secretary Department of Personnel and Administrative Reforms, Principal Secretary Planning, Principal Secretary Revenue, Principal Secretary Finance (Budget & Resources), Commissioner Commercial Taxes, Commissioner Excise and Director General, Administrative Training Institute (ATI) are the other members of the GC. There are fifteen faculty positions at FPI of which five each have been slotted for technically qualified officers from Government of India, Government of Karnataka and other Public Sector undertakings and academic and research institutions. Their qualifications are specified in G.O. No. FD 16 SaViYo 2011, Bangalore Dated: 17-05-2011. During the year, three positions have been filled up with two officers from Government of India and one from the Government of Karnataka.

(ii) Fiscal Policy Analysis Cell (FPAC)

The Fiscal Policy Analysis Cell was created vide G.O. No. FD 52 BGL 2005 Bangalore Dated 10th June, 2005. This Cell was created in support of USAID Assisted State Fiscal Reforms Project which was implemented from 2004-08 with five functional units:

- (i) Tax Policy Analysis and Resource Forecasting
- (ii) Expenditure Planning, Analysis and Project Evaluation
- (iii) Debt Management
- (iv) Fiscal Decentralisation
- (v) Information Systems Support

2. Organogram of FPI & FPAC



Note: FDA(2)* & SDA (2)*

Out of fifteen faculty Position, only three are filled (Two officers from Central Government and One from State Government). Similarly, one First Division Assistant (FDA) Accounts and one Second Division Assistant (SDA) Accounts positions are filled. One officer from Commercial Tax Department has been posted against Faculty post at FPI before the Search & Selection Committee was constituted and designated as Research Officer (FPI). He holds the additional charge of Administrative of FPI & FPAC. Remaining positions are yet to be filled. One consultant has been working as Research-cum-Technical Assistant for FPI since June 2011.

Out of 18 scale less posts at Fiscal Policy Analysis Cell, eight officers are in position and one officer has been deputed for accounts and billing from DP&AR. The eight officers are functioning in the areas of Admin (one), accounts (two), academic (two) and two positions are deputed to New Pension Scheme in Treasury Department. Remaining positions are vacant.

3. Infrastructure of FPI – Civil works:

FPI campus spans an area of 5.2 acres and is located at Kengeri on the Bangalore-Mysore Road. The construction work is being carried out by Public Works Department. The

infrastructure, so being developed, consists of seven buildings including both learning and residential facilities. The learning facilities include seven discussion rooms with capacity to accommodate 24-30 persons per room in clusters, two conference rooms with accommodate 40 persons each, a studio for e-learning and video conferencing, a Board room with a capacity of 80 persons. 15 faculty rooms, an auditorium with a seating capacity of 170 people and a library and a computer lab that can accommodate about 80 desktop computers. All the faculty and resident scholars will be provided with LAN facility. FPI will be connected to KSWAN. The officials of FPI and its faculty closely work with PWD in order to ensure that infrastructure being created suits the learning needs. Details of the progress of civil works are given below:

- a) Interiors & Furniture: The work is likely to be completed by July 2012.
- b) Guest House, Hostel and Catering: The Government of Karnataka vide Notification No.FD 581 Expr-12/11, dated:23/06/2011 has appointed the Indian Institute of Hotel Management (IIHM), a Govt. of India Society under the Ministry of Tourism, to act as a consultant for establishing kitchen, hostel and guest house facilities, furniture and interiors and also to train the catering and housekeeping staff, for period of two years.
- c) LAN and IT Support: Centre for e-Governance (CeG), have been consulted to assist FPI in identifying the requirement of ICT infrastructure for management of the campus and to put in proper perspective the technical requirements. A 'concept note' for establishing FPI as an e-institute has been prepared. Assistance from the Planning Commission was also sought. The concept note indicated that state of the art technology would comprise of the hardware, networking, and application software with proper security and backups. 'Request for proposal' has been firmed up for appointing a consultant as suggested by CeG.

4. Intellectual Output (Workshops, Training Programmes and other Technical Work)

With the given small size of faculty, FPI has focused on Public Expenditure Management Initiatives of Government.

(i) Results Framework Document

The initiative which FPI is intensely involved in pertains to the Results Framework Document approved for implementation by the Cabinet in January 2012. FPI has played the role of an incubator for launching RFD in the State by providing technical support and training to officers from about 40 departments in the form of (i) evolving and disseminating guidelines inclusive of mandatory indicators, (ii) providing orientation through Workshops, (iii) preparing FAQs and techniques for preparing RFD, (iv) providing orientation to officials on the use of Results Framework Management Software (RFMS) for online data entry and (v) aligning RFD and budget preparations.

FPI's engagement with departments was aimed at capacity building with three phase implementation of RFD. Of the three phases, the support for the first two phases support was more intense.

- a) The first phase was preparation of RFD by the departments by suitably adopting guidelines originally issued by Cabinet Secretariat for RFD in Government of India. FPI had organized a two-day Workshop in the month of September for collaborative and competitive learning through group work.
- b) The Second phase was to validate the RFDs by Ad-hoc Task Force (ATF) members which consisted of seventeen eminent and veteran civil servants, academicians and persons of expertise in their field. The ATF members had interacted with each and every Principal Secretary/Secretary of respective departments in 40 parallel sessions held over two days in the month of November.
- c) The Third phase was to launch and implement RFD by DP&AR (AR). Following the Cabinet's decision, the RFD implementation now rests with the Planning Department. FPI would provide technical support from time to time.

(ii) Analysis of GoK Departmental Websites

About 80 Government Departments' websites were analysed and observations were shared with concerned Heads of Departments for further necessary action.

(iii) Expenditure Reforms Commission (ERC)

FPI has provided logistics and research support to ERC and assisted the Commission in drafting the Reports. Also, it supported in the winding up of Commission at the end of its term and the Reports and reference materials were handed over to FPI.

(iv) Gender Budget Cell (GBC)

The activities of Gender Budget Cell (GBC) include (i) Capacity Building & Sensitization, (ii) providing Policy Inputs and (iii) preparing the Gender Budget Document of the State.

A. Gender Budget Training/Workshop

GB Workshop at FPI: An Orientation Workshop on Gender Budgeting conducted for the nodal officers of departments which are involved in GB and Karnataka Mahila Abhivruddhi Yojane (KMAY). The objective of the Workshop was to sensitize the participants to the need for Gender Budgeting, align GB with MPIC and other monitoring mechanisms in the departments and use the five step framework and checklist for programmes, projects and schemes.

GB Training by FPI Faculty: The officers from FPAC/FPI have been invited by Ministry of Women and Child Development to be panellist and resource persons at Workshops held at LBSNAA, Mussorie, and at Chennai, Tamil Nadu, ATI Mysore and Women and Child Development Department in Bangalore.

B. Policy Inputs

The GBC has been working with Department of Women and Child Development and Department of Planning for effective use of MPIC in monitoring schemes shown in GB-KMAY document. The GBC has also been a part of the consulting team at Ministry of Women and Child Development, GoI, for way-forward for the National Mission for Empowerment of Women (NMEW) established on 8th April 2010. The focus is on Gender Mainstreaming, Gender Budgeting and Gender Audit, issues in implementation and challenges.

C. Gender Budget Document

A GB circular has been issued by FD in 2011, with two objectives; (i) to validate the classification of schemes and (ii) to prepare a brief write-up on the performance of the schemes, to be published in the GB document. C&AG on their report on State Finance have made certain observations, which are being addressed to by seeking more inputs from *all line departments* through Finance Department

(v) The Karnataka Guarantee of Services to Citizens Act, 2011

FPI is providing technical support, co-ordination and need based training to departments and the helpline support personnel. The Act is being implemented through the web-based, online software developed by NIC on DP&AR website. At the instance of Department of Personnel & Administrative Reforms (DP&AR), FPI is co-coordinating with NIC along with IIMB and similar organisation. The departments and helpline support for making the web-based information for monitoring the flow of information to the key decision makers effectively.

(vi) Monthly Programme Implementation Calendar (MPIC)

A quick assessment of MPIC was done with Udupi, Dharward, Mangalore and Gulbarga as sample. The findings and recommendation to strengthen and stabilize MPIC were submitted in a meeting of senior officers under the Chairmanship of Chief Secretary. FPI participated in the follow-up meetings with Department of Planning, Programme Monitoring and Statistics to understand and integrate the findings of the assessment in the Decision Support System software.

5. *Trainings/Workshops/Orientations*

(i) Trainings/Workshops/Orientations

- a) Two training programmes have been held on “TDS and its applications” for District Treasury Officers in September and Drawing and Disbursing Officers of other Departments in October. This was organized at the instance of Income Tax Department. Direct Taxes Regional Training Institute, Bangalore had provided logistics and made resource persons available for the programme at their premises. More such programmes are planned to be conducted at District Levels.

- b) Orientation programme for the Commercial Tax Department officers visiting Duke University was held on 31st October, 2011 at Institute of Hotel Management.
- c) Orientation on MPIC was given to Department of Women and Child Development in the month of February 2012.

(ii) Preparation of Training Modules

- a) Brainstorming session for the officers of the Dept. of Stamps and Registration to identify training needs and to find out resource persons was held on 2nd May 2011 at FPI premises.
- b) Training Modules and Training Design for training officers of Commercial Tax Department and Stamps and Registration are under preparation.

(iii) Trainings/Workshops attended by Faculty, of FPI and FPAC

The Director, Faculty members and Special Officers had visited within and outside the State to give lectures on various subjects, namely Budget Demystification, Fiscal Challenges, VAT issues, Gender Budget and RTI. The institutes visited were National Academy for Customs, Excise and Narcotics (NACEN), Faridabad, National Academy for Direct Taxes (NADT) Nagpur, Direct Taxes Regional Training Institute, Bangalore, Administrative Training Institute Mysore, LBSNAA, Mussoorie and NSSO, Bangalore.

- a) Two faculty members had attended RFD Workshop held at Shimla organized by the Cabinet Secretariat in collaboration with Government of the Himachal Pradesh in August 2011.
- b) Two officials and two faculty members had attended Training programme on “Project Management in Urban Infrastructure” at IIMB for a week during the month of September 2011.
- c) At the instance of Cabinet Secretariat, two faculty members and an officer had attended the Review meeting on RFD held at Trivandrum for Kerala Officers in October 2011.
- d) Two officers had attended a two week training programme on “VAT Policy and Administration” at Duke University, North Carolina, USA during the month of November 2011.
- e) Two faculty and two officials had attended a training programme on Public Private Partnership at NLSIU in February 2012.

(iv) Reports prepared by Interns, Tools developed

Five students from National Law School of India and three from Indian Institute of Management, Lucknow interned at FPI. They submitted reports on the following topics

- a) Challenges in Implementation of Right to Free and Compulsory Education - A critical analysis in Karnataka.
- b) Gap Analysis and recommendations on official websites of GoK.
- c) Gender Justice and Implementation of Laws.
- d) Government procurement – KTPP Act.
- e) Land Acquisition Laws – Effect and Consequences.
- f) Optimisation Model for Food grain Distribution and Movement – Planning in Karnataka.
- g) Procurement under KTPP Act.
- h) Right to Education from Child Right’s perspective.
- i) Tool kit for preparing RFD.
- j) Tool kit for preparing MPIC.
- k) Tool kit for DDOs for deducting tax deduction at source.

6. *Finances*

There are three Heads of Accounts. The activities to be under taken in the Heads of Account under FPI and FPAC are plan activities. Similarly, Programme Performance Budgeting and Evaluation is a Plan Scheme. The Expenditure relating to Civil Works of FPI building is being incurred by PWD.

Financing/Budget

(Rs. In lakhs)

Head of Account	Actual/Accounts 2009-10		RE 2010-11		BE 2011-12	
	Capital	Revenue	Capital	Revenue	Capital	Revenue
	(1)	(2)	(3)	(4)	(5)	(6)
Fiscal Policy Institute 2052-00-090-0-12	0.00	0.00	0.00	50.00	0.00	100.00
Program Performance Budget & Program Evaluation 2052-00-090-0-21	0.00	0.00	0.00	200.00	0.00	200.00
Fiscal Policy Analysis Cell 2054-00-098-0-02	0.00	177.90	0.00	500.00	0.00	400.00

Expenditure

(In lakhs)
Up to January 2012

Head of Account	Actual/Accounts 2009-10		RE 2010-11		BE 2011-12	
	Capital	Revenue	Capital	Revenue	Capital	Revenue
	(1)	(2)	(3)	(4)	(5)	(6)
Fiscal Policy Institute 2052-00-090-0-12	0.00	0.00	0.00	4.22	0.00	49.30
Program Performance Budget & Program Evaluation 2052-00-090-0-21	0.00	0.00	0.00	0.00	0.00	0.00
Fiscal Policy Analysis Cell 2054-00-098-0-02	0.00	177.90	0.00	206.81	0.00	181.64

10. KARNATAKA STATE FINANCIAL CORPORATION

Karnataka State Financial Corporation (KSFC) is a State level financial institution established by the State Government in the year 1959 under the provisions of SFCs Act 1951 to cater to the long term financial needs of Micro, Small and Medium Enterprises (MSMEs) in the State of Karnataka. The Corporation has extended sizeable assistance to Manufacturing, Textiles and other service sectors like Hospitals, Hotels, Transport, Mining, etc. Over the last 53 years KSFC has been playing a pivotal role in the promotion of Micro, Small & Medium Scale Enterprises (MSMEs), development of backward areas and first generation entrepreneurs etc., in the state of Karnataka.

Present Capital Position of the Corporation (Equity):

The present equity details of the Corporation is as below :

(Amt: Rs.in crore)

Sl. No.	Details	Amount	Percentage share
1	Govt. of Karnataka	792.71	95.35
2	Small Industries Development Bank of India	38.38	4.62
3	Others (Banks, Insurance Companies, etc.	0.26	0.03
	TOTAL	831.35	100.00

Performance of KSFC:**Sanctions:**

The total sanctions of the Corporation during the FY 2011-12 was Rs..817.32 crore for 1485 cases. The cumulative Gross sanctions of the Corporation (under all activities) reached Rs.11,282 crore covering over 1,65,000 cases as on 31st March 2012.

The target v/s achievement of the Corporation in the area of sanctions during the last 3 years is given below:

Sanctions: Targets v/s Achievement*(Rs.. in crore)*

Sl No	Year	Target	Achievement	% Achievement
1	2009-2010	800.00	631.49	78.94
2	2010-2011	950.00	731.63	77.01
3	2011-2012	950.00	817.32	86.03

Disbursements:

The Disbursements made by the Corporation during the FY 2011-12 was Rs.597.08 crore. The cumulative disbursements reached Rs..8825.00crore as on 31st March 2012.

The target v/s achievement of the Corporation in the area of disbursements during the last 3 years is given below:

Disbursements: Targets v/s Achievement*(Rs. in crore)*

Sl.No	Year	Target	Achievement	% Achievement
1	2009-2010	560.00	434.39	77.57
2	2010-2011	715.00	580.41	81.18
3	2011-2012	715.00	597.08	83.51

Recovery:

The total amount recovered by the Corporation under various schemes during the FY 2011-12 was ₹.660.93 crore. The cumulative recovery amounted to ₹.11,465.00 crore as on 31st March 2012.

The target v/s achievement of the Corporation in the area of recovery during the last 3 years is given below:

Recovery: Targets v/s Achievement

(Rs. in crore)

Sl No	Year	Target	Achievement	% Achievement
1	2009-2010	510.00	554.94	108.81
2	2010-2011	565.00	586.71	103.84
3	2011-2012	626.75	660.93	105.45

Flow of Assistance:

Assistance to Small Scale Sector:

During the FY 2011-12 the Corporation sanctioned a term loan assistance of Rs.531.88 crore to 1295 cases in the Micro & Small Scale Sector. The cumulative assistance to Micro & Small Enterprises at the end of 31st March 2012 stood at ₹.5942.47 crore to 1,07,761 cases.

Assistance to Medium Scale Sector:

The Corporation has assisted 43 medium scale industries (term loans only) to an extent of Rs..80.39 crore during the FY 2011-12. The cumulative assistance to this sector as at the end of 31st March 2012 reached Rs..1029.93 crore to 1731 cases.

Assistance to Other Sector:

The Corporation has extended financial assistance to the tune of ₹ 205.05 crore to 147 (term loans only) cases belonging to the other sector (excluding SSIs & MSIs) during the FY 2011-12. The cumulative assistance to this sector stood at Rs.3602.20 crore covering 52,662 cases as at the end of March 2012.

Assistance to Weaker Sections of Society / Backward Districts:

The Assistance rendered by the Corporation to the weaker sections of society, backward districts & first generation entrepreneurs during the FY 2011-12 & since Inception upto the end of 31st March 2012 is given below:

(Rs. in crore)

Particulars	During the FY 2011-12		Since inception upto 31.03.2012	
	No.	Amt.	No.	Amount
SC / ST Entrepreneurs	272	85.89	19146	448.60
Women Entrepreneurs	331	248.40	28182	2015.62
Minority community	180	71.08	18473	821.56
Backward Community	37	30.52	21669	302.12
Backward Districts	833	380.02	77884	3776.59
First Generation Entrepreneurs	675	325.00	83265	5110.00

Financial Results :

The working of the Corporation during the FY-2011-12 has resulted in an operating profit of ₹.8.00 crore (provisional un-audited).

11. KARNATAKA STATE BEVERAGES CORPORATION LIMITED

The Karnataka State Beverages Corporation Limited was incorporated in June 2003 to canalize liquor and thereby curb evasion of duty. Since then, the Corporation has uniquely positioned itself as a canalizing agency without stifling competition, thereby giving the consumer the right to choose.

During the fifth year of operation i.e. 2007-08, manufacture and sale of arrack was banned in the State from 1st July 2007. Consequent to the abolition of manufacture and sale of arrack in the State with effect from 01.07.2007, the sale of IML increased considerably, especially in the cheaper segment. The average sale of IML *per month* has grown from 12.80 lakh cases in the year 2006-07 to 27.12 lakh cases in the year 2007-08, 30.27 lakh cases in the year 2008-09, 32.50 lakh cases in the year 2009-10 and 32.45 lakh cases during the current financial year i.e. up to December, 2010. This is on account of total canalization of spirit entrusted to the Corporation and the ban on manufacture and sale of arrack.

The operating results of the financial year 2010-11 i.e. up to 31st December 2010 are summarized below.

During the year 2010-11 up to December 2010, the total quantity of liquor and beer sourced was 335 lakh cases and 134.56 lakh cases respectively, valued at Rs.7229.09 crores.

About 99.48 per cent of IML and 88.83 per cent of beer was sourced from manufacturers based within the state. The volume of imported IML stocks sourced from

other States within the country and foreign brands was negligible. The Corporation sourced IML and beer from 90 and 10 manufacturers/suppliers respectively and made a payment of Rs.7229.09 crore to manufacturers /suppliers. In addition to the above, Rs.596.02 crore was paid for spirit sourced during the period under review.

The total duty collected, including export sales for the current financial year upto December 2010 was Rs.5167.30 crore as compared to Rs.4282.71 crore for the corresponding period of the previous year. When compared to the previous year, the duty collected during the corresponding period of the current financial year has increased by about 20.65 per cent.

Sales turnover for the current financial year upto December 2010 was Rs.7742.41 crore (IML Rs.5797.48 crore, beer Rs.949.65 crore and spirit Rs.599.09 crore). The volume handled was 335 lakh cases of IML, 134.55 lakh cases of beer and 2048.38 lakh bulk liters of spirit.

Sales performance of IML of various districts for the current financial year up to December 2010 reveals an achievement of 101.64 per cent of the target envisaged. As compared to the same period in the previous year, the recorded growth is 10.91 per cent for IML and 32.09 per cent for beer.

During the period up to December 2010, the total volume of rectified spirit handled is 2048.38 lakhs liters with a turnover of Rs.599.09 crore. Out of the above 178.45 lakh liters was imported and 540.07 lakh liters of spirit was exported.

The Corporation has registered a turn over of Rs.7742.41 crores from liquor operations and Rs.599.09 crores from spirit operations for the period ending 31st December 2010. The total turnover is Rs.8341.50 crores. The Corporation has earned an income of Rs.516.39 crores towards margin on the liquor and spirit canalized. Other income earned is of the order of Rs.29.67 crores by way of interest on advance to distilleries and deposits and demurrage charges. The total income earned for the period is Rs.546.06 crores. Out of the income earned from the operations, the Corporation has paid privilege fee to Government of Karnataka as follows:

- Rs. 21.50 crores for the year 2003-04
- Rs. 32.00 crores for the year 2004-05
- Rs. 41.00 crores for the year 2005-06
- Rs.165.54 crores for the year 2006-07
- Rs.345.38 crores for the year 2007-08
- Rs.479.64 crores for the year 2008-09
- Rs.570.14 crores for the year 2009-10

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