Chapter 3

FINANCIAL ADMINISTRATION OF KARNATAK UNIVERSITY

University is a corporate entity consisting of a complex of many constituents' administrators, deans of faculties, chairmen of postgraduate departments, teachers and students. The university is administered through several authorities, officers and committees provided by the Act as prescribed by statutes, ordinances and regulations. The Act has set down the university's goals and responsibilities and has defined various authorities through which it governs itself. It has also prescribed the means of rule making and the set up of the offices of administration. The Karnataka State Universities Act 2000 has specified in Section 27 the following as the Authorities of the University.

Authorities of the University

(a) The Syndicate

(b) The Academic Council

(c) The Finance Committee

(d) The Board of Studies

(e) The Faculties

(f) The Planning, Monitoring and Evaluation Board

(g) Such other bodies as may by statues be declared to be the authorities of the university
Financial Powers of the Authorities

1. The Syndicate has the power to manage the affairs of the University in particular to administer the funds and properties of the university. It has the power to manage and regulate the finances. It has the power to receiving, acquire, hold control and administer the properties of the university both movable and immovable and to invest the funds of the university judiciously in appropriate schemes. The Syndicate has the power to cause to be maintained proper accounts of the properties and funds of the university and to charge and collect fees.

The Syndicate being the highest executive authority has the power to prepare the financial estimates of the university and to submit the same to the Academic Council.

The Academic Council has the power to consider the annual financial estimates of the university. The Academic Council has replaced the Senate as the highest authority decision-making authority of the university as per the new Karnataka Universities Act 2000. The detailed powers of the Academic Council have been explained in a subsequent paragraph in this chapter while dealing with the Finance and Accounts of the University.

Finance Committee

The Finance Committee is one of the Authorities of the University as provided by the Karnataka State Universities Act 2000 [section 27 (c)]. The Finance Committee consists of the following members as provided under section 32 (1) of the Act.
i. The Vice-Chancellor

ii. The Secretary to Government in charge of Finance Department or his nominee not below the rank of a Deputy Secretary.

iii. The Secretary to Government in charge of Higher Education or his nominee not below the rank of Deputy Secretary.

iv. The Secretary to Government in charge of planning Department or his nominee not below the rank of a Deputy Secretary.

v. One Member nominated by the Syndicate

vi. One Member nominated by the Academic Council

vii. The Registrar of Evaluation

ix. Finance Officer, Member Secretary

It is clear from the above that majority of members of the Finance Committee belong to the mainstream of university administration. Government representation in the Committee is confined to three Secretaries or their nominees from the departments of Finance Higher Education and Planning.

The Finance Committee shall meet at least once in three months as per the Act. The Committee shall perform the following functions as enunciated in the Act.

(1) Conducting of the general scrutiny of accounts of the university, review the yearly audit reports and make recommendations there on.

(2) Scrutinising of the annual budget estimates and make recommendations to the Academic Council and Syndicate.
(3) Scrutinising of all the proposals of the University involving expenditure for which no provision is made in the budget or involving the expenditure in excess of the amount provided for in the budget including creation, up-gradation and abolition of posts in the university.

(4) Performing such other functions as may be prescribed by the statute.

**Special Powers of the Vice-Chancellor**

The Karnataka State Universities Act 2000 has provided a special power under sub section (4) that notwithstanding any thing contained in sub section (3) the Vice-Chancellor may in case of urgency and for the reasons to be recorded in writing incur without the approval of the Finance Committee any expenditure not exceeding fifty thousand rupees in any one case for which no provision is made in the budget or which is in excess of the provisions made in the budget. Further it is stated that such expenditure shall be placed before the Finance Committee for ratification at its immediate next quarterly meetings. If the incurring of the expenditure by the Vice Chancellor is not satisfactory the Finance Committee may refer it to the Chancellor whose decision in the matter is final. The Vice Chancellor shall exercise the casting vote where the votes on any subject considered by the Finance Committee is equally divided.
Finance Officer

Finance Officer is the whole time officer of the University. He is appointed by the Vice Chancellor with the approval of the Syndicate from out of a panel of not less than three persons being officers in the cadre of Joint Controller of State Accounts Department or the Officer of the Rank of Deputy Accountant General having experience in audit, accounting and financial administration, such a person is recommended by the Vice Chancellor to the Syndicate. If the Syndicate does not approve any in the panel the chancellor may in consultation with the Vice Chancellor appoint such other person as he deems fit to be the Finance Officer.

The Powers and functions of the Finance Officer are prescribed by the Statutes, the Ordinances and the Regulations. In other cases the Finance Officer may perform such functions as may be fixed by the Vice-Chancellor or the Registrar. As an important officer of the University. The Finance Officer is also an ex-officio Member of the Academic Council and ex-officio Member/ Secretary of the Finance Committee.

Finance and Accounts

The University's financial administration involves the management of the university funds, which accrue from different sources. The amounts received from any of the following sources shall form part of the university fund.

a. Contributions and grants made by the University Grants Commission or the Central Government.
b. Grants or contributions made by the State Government.

c. Bequests donations, endowments or other grants made by private individuals or institutions.

d. Income received by the University from fees and charges.

e. Contributions or bequests from the industries, traders or entrepreneurs.

f. Contributions or endowments from foreign Governments or any foreign Institutions or Companies subject to any law for the time being in force.

g. The amounts received from any other source.

The administration of the funds received from the above sources is to be in conformity with the provisions of the Karnataka Universities Act 2002 Section 46 (2).

The funds shall be kept in a scheduled Bank as defined by the Reserve Bank of India Act 1934 or in a corresponding new bank constituted under the Banking Companies (Acquisition and Transfer of Undertakings) Act 1970 or may be invested in securities authorized by Indian Trusts Act 1882 as may be decided by the Syndicate.

The utilization of the said Fund may be for any of the purposes of the University in the manner prescribed by the statutes.

**Annual Accounts and Audit**

The annual accounts of the university are prepared as per the direction of the Syndicate. The same are placed before the Academic
Council and the latter will consider the accounts at its next earliest meeting. The Academic Council may pass a resolution with reference there to and communicate the same to the Syndicate. The Syndicate shall consider the suggestions made by the academic Council and take such action there on as it thinks fit. The Academic Council will be informed about the action taken at the latter’s next meeting. The Syndicate may also inform the Academic council of not taking action with reasons for the same.

The Accounts of the University shall be audited by the Controller of State Accounts once in a year in the month of April. The Accounts so audited will be placed before the Academic Council and the Syndicate. Subsequently the same will be transmitted to the State Government with Comments before the end of September each year. The State Government shall lay the same before both the Houses of State Legislature at their next earliest session.

Financial Estimate

The financial estimates for the ensuing year are prepared by the Syndicate with the assistance of Finance Officer. The date for preparing the financial estimates is fixed by the statutes of the University. The estimates thus prepared are scrutinized by the Finance committee and they are placed before the Academic Council.

The Syndicate and the University Budget

The Syndicate has the powers to approve expenditure in excess of the amount provided in the budget when such a contingency is encountered. This has to be done incases of urgency
and for reasons to be recorded in writing, subject to such restrictions and conditions specified in the statutes. In the absence of any provision in the budget for such excess expenditure a report has to be made to the Academic Council at its next meeting.

The budget estimates of the University is prepared keeping in view the anticipated grants from the State Government and all other sources including mobilization of the university's resources. Supplementary budget estimates may be prepared and placed before the Syndicate in October every year in anticipation of any additional grants. However no expenditure on this part should be incurred unless such additional grants are received.

A budget is a statement of estimated receipt and expenditure well prepared in advance of the desired plan of action for the ensuing financial year. It provides planned approach to the expenditure and financing of various operations of the university in such a way as to effect greater economy in the utilization of funds. Budget promotes continuity and stability of the institution by ensuring uninterrupted flow of funds to meet the obligations. It promotes efficiency because deviations from the budget estimates highlight the weak spots and inefficiencies and helps in adopting remedial actions.

The Karnataka State Universities Act 2002 has stipulated that the prior approval of the State Government is necessary for diverting the funds earmarked for specific purposes towards other purposes. Similarly revision of scales of pay of the university's staff or implementing of any scheme which involves any matching
contribution from the state Government or a scheme which imposes a recurring liability on the State Government after the assistance from the sponsoring authorities ceases should be undertaken only after the approval of the State Government.

The Expenditure in relation to the following aspects has to be met out of the University funds without casting any burden on the State Government.

"a scheme or programme which imposes a recurring liability on the university, but funded by the University Grants Commission, the Central Government or meet out of the interest derivable from a corpus or contribution or donation or institutions and such recurring liability".

The Audit and the Annual Report

The State Government has the power to direct whenever deemed necessary an audit of the university including those of the institutions managed by it by such auditors as it may specify.

The University "should furnish its comments or remarks to the Accountant General on the basis of his audit report in respect of the items held for want of clarifications which are made available to the university within thirty days from the date of receipt of such report. The clarifications should be made available through the State Government."

The Annual Report of the University is prepared by the Syndicate of the University. It contains all the particulars highlighting the activities of the university, targets and achievements
concerning each financial year. The same is submitted to the Academic Council before 30th June of each year. The Academic Council may pass resolutions thereon and refer back the annual report to the Syndicate for compliance. The Syndicate shall take action in accordance there with. The action taken thereon shall be intimated to the Academic Council at its earliest next meeting.

The University should submit copies of the Annual Report incorporating the resolutions of the Academic Council to the State Government before 30th of September every year. The State Government shall lay the same before both the houses of the State Legislature at their next earliest sessions.

Some Observation

The Karnataka Universities Act 2002 has provided a broad framework of the financial administration of the universities in the state within which the university Authorities and officer have to conduct the financial operations.

The actual operations of the financial administration of the Karnataka University have been studied in detail in the subsequent chapter. An x-ray of the major aspects like the income and expenditure and their impact on the balanced growth of the University has been done with necessary empirical representations.
A study\(^1\), conducted on the University finances has made some relevant observations for a drastic change in the pattern of revenue and expenditure in the future.

It is relevant here to quote some of the observations made by the study on the Financial Management of the University.

i. The economic-cum-functional classification of the University budget shows that there is non-optimal allocation of funds among the different items of expenditure functions of the university.

ii. There are a number of crevices in the university finances impairing the financial stability and exposing the university to the risks of unplanned development of higher education. There is very loose budgeting and for want of proper planning, surplus has emerged in the non-plan accounts which has made the university to take up fresh capital works instead of attempting a fuller utilization of the maintenance grant for stabilizing the existing departments.

iii. There is need for a complete reclassification of the university budget heads, to give a more precise idea of the nature of expenditure and their functional relationship with teaching and research as well as student facilities. A new format for the non-plan part of the budget should be developed.

iv. In the presentation of the budget the accounts of the maintained institutions should be separated following the economic and

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1. D.M. Nanjundappa: "University Finances: A Case Study of Karnataka University". In "University and College Finances" by Amrik Singh and G.D. Sharma, Association of Indian Universities, New Delhi, pp 80-95.
functional classification that must be adopted by the University budget.

v. There is no proper coordination between the establishment Committee, Finance Committee and the Supreme authority the Senate (now Academic Council) in the matter of appointments to administrative staff and in the planning of expenditure.

vi. Proper guidance have to be developed for optimal inter functional allocation of funds and the preparation of the university budget adopting an economic-cum-functional classification.