



सत्यमेव जयते

**STATE FINANCES AUDIT REPORT
OF
THE COMPTROLLER
AND AUDITOR GENERAL OF INDIA
for the year ended March 2020**



लोकहितार्थं सत्यनिष्ठा
Dedicated to Truth in Public Interest



**Government of Kerala
Report No. 5 of the year 2021**

Presented to the Legislature on 11 November 2021

**STATE FINANCES AUDIT REPORT
OF
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PREFACE

1. This Report is prepared for submission to the Governor of Kerala under Article 151 of the Constitution of India for being placed in the State Legislature.
2. Chapters I, II and III of this Report contain audit observations on matters arising from examination of Finance Accounts and Appropriation Accounts, of the State Government for the year ended 31 March 2020. Information has also been obtained from the Government of Kerala, wherever necessary.
3. Chapter IV on ‘Quality of Accounts and Financial Reporting Practices’ provides an overview on the quality of accounts and compliance of the State Government in its financial reporting practices with prescribed financial rules, procedures and directives with regard to completeness, transparency, measurement and disclosure.
4. The Report containing the findings of performance audit and audit of transactions in various departments and observations arising out of audit of Statutory Corporations, Boards and Government Companies and the Report containing observations on Revenue Receipts are presented separately.



**CHAPTER I
OVERVIEW**

CHAPTER I OVERVIEW

1.1 Profile of Kerala

The State is located at the southern end of the country, sharing borders with Tamil Nadu and Karnataka. Geographical area-wise, Kerala is ranked 22nd in the country with an area of 38,863 sq.km. The State has a population of 3.54 crore (14 in the country) and is ranked as the fifth¹ most densely populated State with a density of 860 persons per sq.km. The decadal growth rate of population was 5.57 *per cent* (3.35 crore in 2011 to 3.54 crore in 2020), which is the second lowest² among Indian states. The literacy rate of Kerala (94 *per cent*) is the highest³ among the Indian states. The Gross State Domestic Product (GSDP) in 2019-20 of the State at current prices was ₹8,54,689 crore. The General data relating to the State is given in **Appendix 1.1**.

1.1.1 Gross State Domestic Product of Kerala

Gross State Domestic Product (GSDP) is the value of all the goods and services produced within the boundaries of the State in a given period of time. Growth of GSDP is an important indicator of the State's economy, as it denotes the extent of changes in the level of economic development of the State over a period.

Though the growth rate of GSDP of Kerala declined from 11.41 *per cent* in 2018-19 to 9.34 *per cent* in 2019-20, it was higher as compared to the growth rate of National GDP during the year. State's GSDP and its growth rate as well as National GDP and growth rate for the period from 2015-16 to 2019-20 are shown in **Table 1.1**.

Table 1.1: Trends in GSDP compared to GDP (at current prices)

Year	2015-16	2016-17	2017-18	2018-19	2019-20
National GDP (2011-12 Series)	13771874	15391669	17098304	18971237	20339849
Growth rate of GDP over previous year (in <i>per cent</i>)	10.46	11.76	11.09	10.95	7.21
State's GSDP (2011-12 Series)	561994	634886	701577	781653	854689
Growth rate of GSDP over previous year (in <i>per cent</i>)	9.64	12.97	10.50	11.41	9.34

Source: Ministry of Statistics and Programme Implementation website as on 31.07.2020

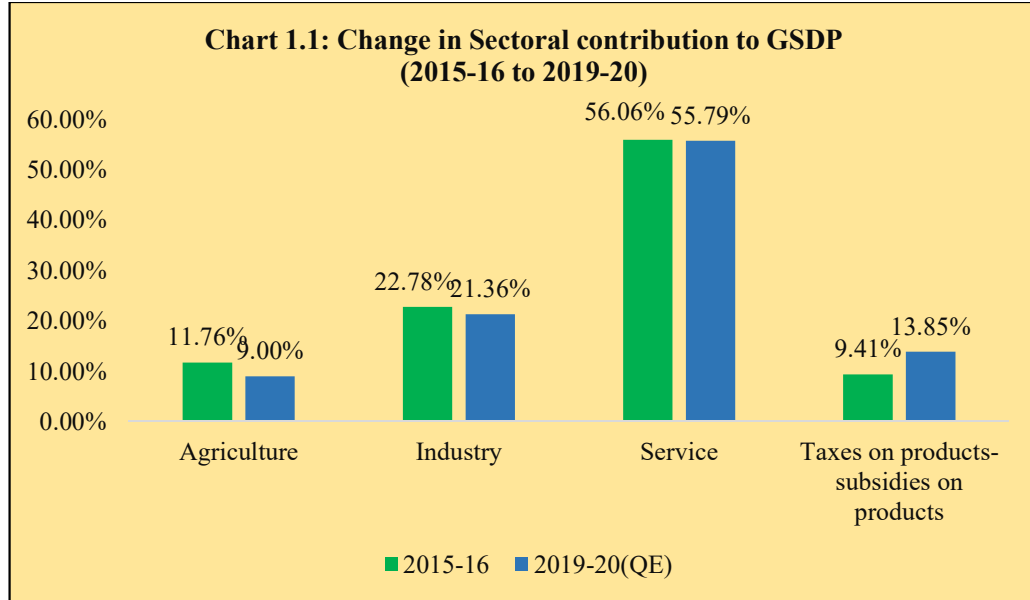
Changes in sectoral contribution to the GSDP is also important to understand the changing structure of economy. The economic activity is generally divided into Primary, Secondary and Tertiary sectors, which correspond to the Agriculture, Industry and Service sectors. A graphical presentation of change in sectoral contribution to GSDP during 2019-20 as compared to 2015-16 position is shown

¹MoSPI- Table 2.3 Statistical year Book 2018

² Furnished by Economic Adviser

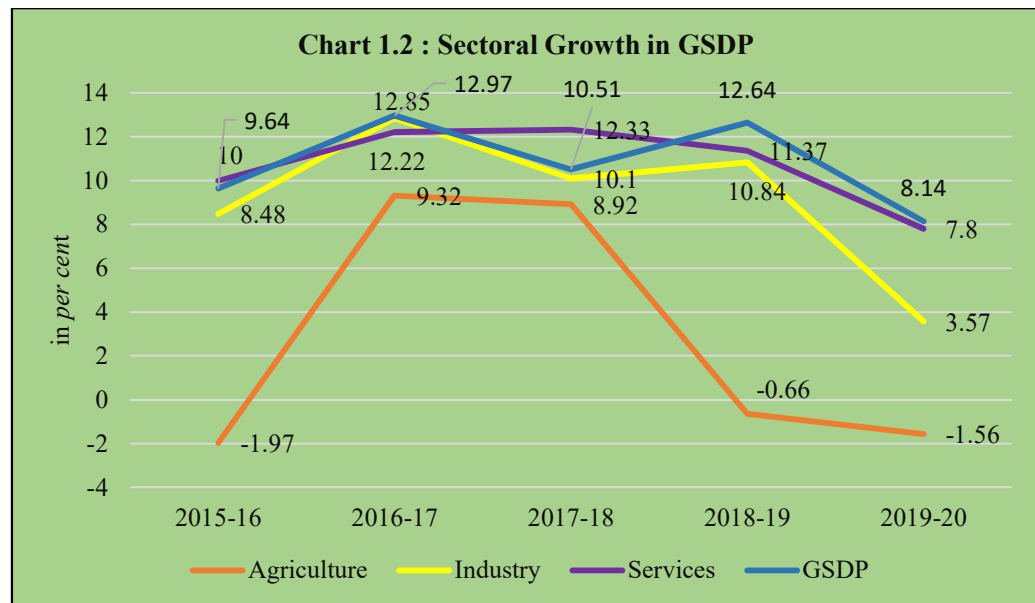
³ Furnished by Economic Adviser

below in **Chart 1.1**



Source: Department of Economics and Statistics, Kerala

From 2015-16 to 2019-20, there has not been any significant change in sectoral contribution to GSDP. Service sector continues to be the prime mover of Kerala economy by contributing 55.79 per cent of GSDP in 2019-20. Taxes on various products excluding subsidies increased from 9.41 per cent in 2015-16 to 13.85 per cent in 2019-20. Sectoral growth in GSDP over a period of five years (2015-16 to 2019-20) is given in **Chart 1.2**.



Source: Department of Economics and Statistics, Kerala

The above chart shows that all sectors have registered lower growth rates compared to previous years. The Agriculture sector has been contracting for the last two years and **Chart 1.1** shows that its contribution to GSDP has also declined from 11.76 *per cent* in 2015-16 to nine *per cent* in 2019-20.

1.2 Basis and Approach to State Finances Audit Report

In terms of Article 151 (2) of the Constitution of India, the reports of the Comptroller and Auditor General of India (CAG) relating to the accounts of a State are to be submitted to the Governor of the State, who shall cause them to be laid before the Legislature of the State. The State Finances Audit Report (SFAR) is prepared and submitted under Article 151 (2) of the Constitution of India.

Accountant General (Accounts & Entitlements) prepares the Finance Accounts and Appropriation Accounts of the State annually, from the vouchers, challans and initial and subsidiary accounts rendered by the treasuries, offices and departments responsible for keeping of such accounts functioning under the control of the State Government, and the statements received from the Reserve Bank of India. These accounts are audited independently by the Accountant General (Audit), and certified by the CAG.

Finance Accounts and Appropriation Accounts of the State constitute the core data for this report. Other sources include the following:

- Budget of the State: for assessing the fiscal parameters and allocative priorities *vis-à-vis* projections, as well as for evaluating the effectiveness of its implementation and compliance with the relevant rules and prescribed procedures;
- Results of audit carried out by the Offices of the Accountants General (Audit I & II);
- Other data with Departmental Authorities and Treasuries (accounting as well as MIS);
- GSDP data and other State related statistics; and
- Various audit reports of the CAG of India.

The analysis is also carried out in the context of recommendations of the XIV Finance Commission (FC), State Financial Responsibility and Budget Management Act, best practices and guidelines of the Government of India. A meeting is held with State Finance Department, wherein the audit approach is explained and the draft report is forwarded to the State Government for comments. Replies of the Government, where received, are incorporated in this Report at appropriate places.

1.3 Report Structure

The SFAR is structured into the following four Chapters:

Chapter - I	Overview This Chapter describes the basis and approach to the Report and the underlying data, provides an overview of structure of Government accounts, budgetary processes, macro-fiscal analysis of key indices and State's fiscal position including the deficits/ surplus.
Chapter - II	Finances of the State This chapter provides a broad perspective of the finances of the State, analyses the critical changes in major fiscal aggregates relative to the previous year, overall trends during the period from 2015-16 to 2019-20, debt profile of the State and key Public Account transactions, based on the Finance Accounts of the State.
Chapter - III	Budgetary Management This chapter is based on the Appropriation Accounts of the State and reviews the appropriations and allocative priorities of the State Government and reports on deviations from Constitutional provisions relating to budgetary management.
Chapter - IV	Quality of Accounts & Financial Reporting Practices This chapter comments on the quality of accounts rendered by various authorities of the State Government and issues of non-compliance with prescribed financial rules and regulations by various departmental officials of the State Government.

1.4 Overview of Government Account Structure and Budgetary Processes

The Accounts of the State Government are kept in three parts:

1. Consolidated Fund of the State {Article 266 (1) of the Constitution of India}

This Fund comprises all revenues received by the State Government, all loans raised by the State Government (market loans, bonds, loans from the Central Government, loans from Financial Institutions, Special Securities issued to National Small Savings Fund, etc.), Ways and Means advances extended by the Reserve Bank of India and all moneys received by the State Government in repayment of loans. No moneys can be appropriated from this Fund except in accordance with law and for the purposes and in the manner provided by the Constitution of India. Certain categories of expenditure (e.g., salaries of Constitutional authorities, loan repayments etc.), constitute a charge on the Consolidated Fund of the State (Charged expenditure) and are not

subject to vote by the Legislature. All other expenditure (Voted expenditure) is voted by the Legislature.

2. Contingency Fund of the State {Article 267 (2) of the Constitution of India}

This Fund is in the nature of an imprest which is established by the State Legislature by law, and is placed at the disposal of the Governor to enable advances to be made for meeting unforeseen expenditure pending authorisation of such expenditure by the State Legislature. The fund is recouped by debiting the expenditure to the concerned functional major head relating to the Consolidated Fund of the State.

3. Public Accounts of the State {Article 266 (2) of the Constitution of India}

Apart from above, all other public moneys received by or on behalf of the Government, where the Government acts as a banker or trustee, are credited to the Public Account. The Public Account includes repayables like Small Savings and Provident Funds, Deposits (bearing interest and not bearing interest), Advances, Reserve Funds (bearing interest and not bearing interest), Remittances and Suspense heads (both of which are transitory heads, pending final booking). The net cash balance available with the Government is also included under the Public Account. The Public Account is not subject to the vote of the Legislature.

Annual financial Statement, a statement of estimated receipts and expenditures of the Government in respect of every financial year constitutes the main budget document. The budget must distinguish expenditure on the revenue account from other expenditures.

Revenue Receipts consists of tax revenue, non-tax revenue, share of Union Taxes/Duties, and grants from Government of India.

Revenue Expenditure consists of all those expenditures of the Government which do not result in creation of physical or financial assets. It relates to those expenses incurred for the normal functioning of the Government departments and various services, interest payments on debt incurred by the Government, and grants given to various institutions (even though some of the grants may be meant for creation of assets).

The **Capital Receipts** consist of:

- **Debt receipts:** Market Loans, Bonds, Loans from financial institutions, Net transaction under Ways and Means Advances, Loans and Advances from Central Government, etc.;
- **Non-debt receipts:** Proceeds from disinvestment, Recoveries of loans and advances;

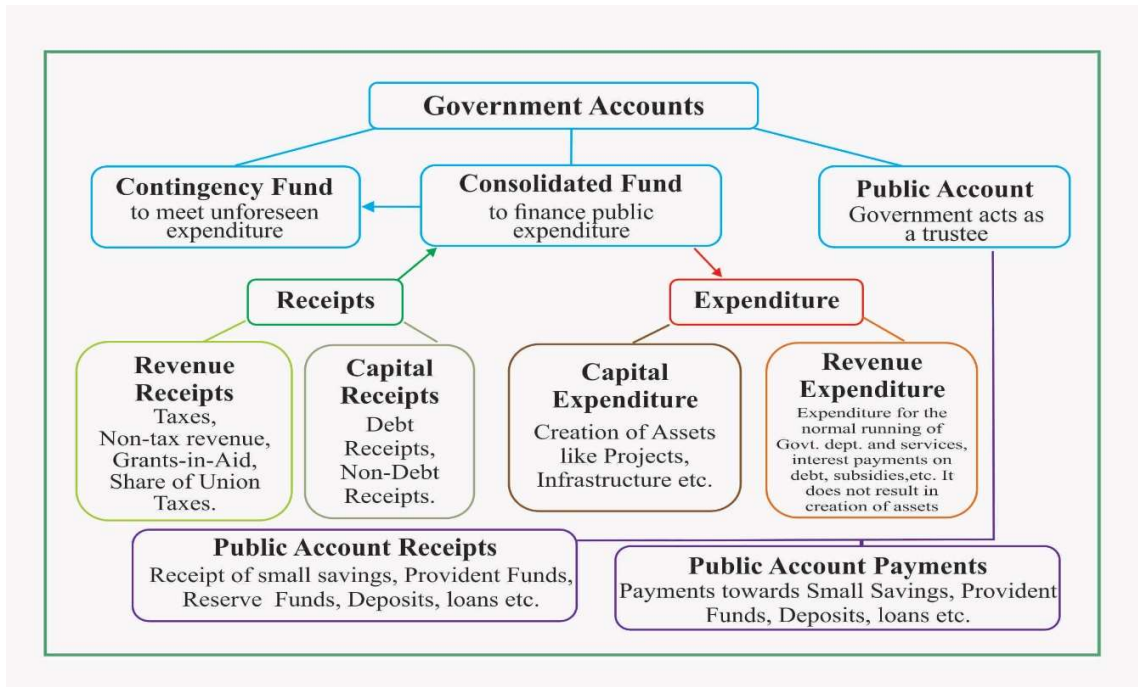
Capital Expenditure includes expenditure on the acquisition of land, building, machinery, equipment, investment in shares, and loans and advances by the Government to PSUs and other parties.

At present, we have an accounting classification system in Government that is both functional and economic.

	Attribute of transaction	Classification
Standardized in LMMH by CGA	Function- Education, Health, etc. /Department	Major Head under Grants (4-digit)
	Sub-Function	Sub Major head (2-digit)
	Programme	Minor Head (3-digit)
Flexibility left for States	Scheme	Sub-Head (2-digit)
	Sub scheme	Detailed Head (2-digit)
	Economic nature/Activity	Object Head-salary, minor works, etc. (2-digit)

The functional classification lets us know the department, function, scheme or programme, and object of the expenditure. Economic classification helps organize these payments as revenue, capital, debt, etc. Economic classification is achieved by the numbering logic embedded in the first digit of 4-digit Major Heads. For instance, 0 and 1 is for revenue receipts, 2 and 3 for revenue expenditure, etc. Economic classification is also achieved by an inherent definition and distribution of some object heads. For instance, generally “salary” object head is revenue expenditure, “construction” object head is capital expenditure. Object head is the primary unit of appropriation in the budget documents.

Structure of Government Accounts



Budgetary Processes

In terms of Article 202 of the Constitution of India, the Governor of a State shall cause to be laid before the State Legislature, a statement of the estimated receipts and expenditure of the State for a financial year, in the form of an **Annual Financial Statement**. In terms of Article 203, the statement is submitted to the State Legislature in the form of Demands for Grants/ Appropriations and after approval of these, the Appropriation Bill is passed by the Legislature under Article 204 to provide for appropriation of the required money out of the Consolidated Fund.

The State Budget Manual details the budget formulation process and guides the State Government in preparing its budgetary estimates and monitoring its expenditure activities. Results of audit scrutiny of budget and implementation of other budgetary initiatives of the State Government are detailed in **Chapter III** of this Report.

Appendix 1.3 provides details of receipts and disbursement as well as the overall fiscal position during the current year.

1.4.1 Snapshot of Finances

Table 1.2 provides the details of actual financial results *vis-à-vis* Budget Estimates for the year 2019-20 *vis-à-vis* actual of 2018-19.

Table 1.2: Snapshot of Finances

(₹ in crore)

Sl. No.	Components	2018-19 (Actual)	2019-20 (Budget Estimate)	2019-20 (Actuals)	Percentage of Actual to B.E.	Percentage of Actuals to GSDP
1	Tax Revenue	50644.10	65784.60	50323.14	76.50	5.89
2	Non-Tax Revenue	11783.24	15070.07	12265.22	81.39	1.44
3	Share of Union taxes/duties	19038.17	22797.61	16401.05	71.94	1.92
4	Grants-in-aid and Contributions	11388.96	11702.43	11235.26	96.01	1.31
5	Revenue Receipts (1+2+3+4)	92854.47	115354.71	90224.67	78.21	10.56
6	Recovery of Loans and Advances	210.54	292.19	295.32	101.07	0.03
7	Other Receipts	46.50	42.84	27.48	64.15	0.00
8	Borrowings and other Liabilities	26958.31	26290.59	23837.47	90.67	2.79
9	Capital Receipts (6+7+8)	27215.35	26625.62	24160.27	91.05	2.84
10	Total Receipts (5+9)	120069.82	141980.33	114384.94	80.56	13.38
11	Revenue Expenditure	110316.39	124125.00	104719.92	84.37	12.25
12	Interest payments	16747.92	17201.28	19214.70	111.71	2.25
13	Capital Expenditure	9753.43	17855.32	9665.02	54.13	1.13
14	Capital outlay	7430.54	16269.38	8454.80	51.97	0.99
15	Loan and advances	2322.89	1585.94	1210.22	76.31	0.14
16	Total Expenditure (11+13)	120069.82	141980.33	114384.94	80.56	13.38

17	Revenue Deficit (5-11)	17461.92	8770.29	14495.25	165.28	1.70
18	Fiscal Deficit {16-(5+6+7)}	26958.31	26290.58	23837.47	90.67	2.79
19	Primary Deficit (18-12)	10210.39	9089.30	4622.77	50.86	0.54

Source: Finance Accounts for 2018-19 and 2019-20, Annual Financial Statement- 2019-20

1.4.2 Snapshot of Assets and Liabilities of the Government

In the existing Government accounting system, comprehensive accounting of fixed assets like land and buildings owned by the Government is not done. However, the Government accounts do capture the financial liabilities of the Government and the assets created out of the expenditure incurred. **Table 1.3** and **Appendix 1.5** gives an abstract of such liabilities and assets as on 31 March 2020, compared with the corresponding position as on 31 March 2019. While the liabilities in this Table consist mainly of internal borrowings, loans and advances from GoI, and receipts from the Public Account, the assets mainly comprise of the capital outlay and loans and advances given by the State Government and its cash balances.

Table 1.3: Summarised position of Assets and Liabilities

(₹ in crore)

		Liabilities					Assets		
		2018-19	2019-20	Per cent increase			2018-19	2019-20	Per cent increase
Consolidated Fund									
A	Internal Debt	150991.04	165960.03	9.91	a	Gross Capital Outlay	71642.56	80788.88	12.77
B	Loans and Advances from GoI	7243.41	8680.19	19.84	b	Loans and Advances	16557.18	17472.08	5.53
Contingency Fund		100	100				0	75	
Public Account									
A	Small Savings, Provident Funds, etc.	77397.06	85671.17	10.69	a	Advances	0.66	60.08	9003.03
B	Deposits	3550.65	4135.81	16.48	b	Remittance	1199.14	1081.60	-9.80
C	Reserve Funds	4464.28	3113.86	-30.25	c	Suspense and Miscellaneous			
D	Suspense and Miscellaneous	133.56	-119.58	-189.53		Cash balance (including investment in Earmarked Fund)	2203.15	2010.22	-8.76
E	Remittance					Total	91602.98	101487.86	10.79
						Deficit in Revenue Account	152277.02	166053.62	9.05
Total		243880.00	267541.48	9.70		Total	243880.00	267541.48	9.70

Source: Finance Accounts for 2018-19 and 2019-20

1.5 Fiscal Balance: Achievement of deficit and total debt target

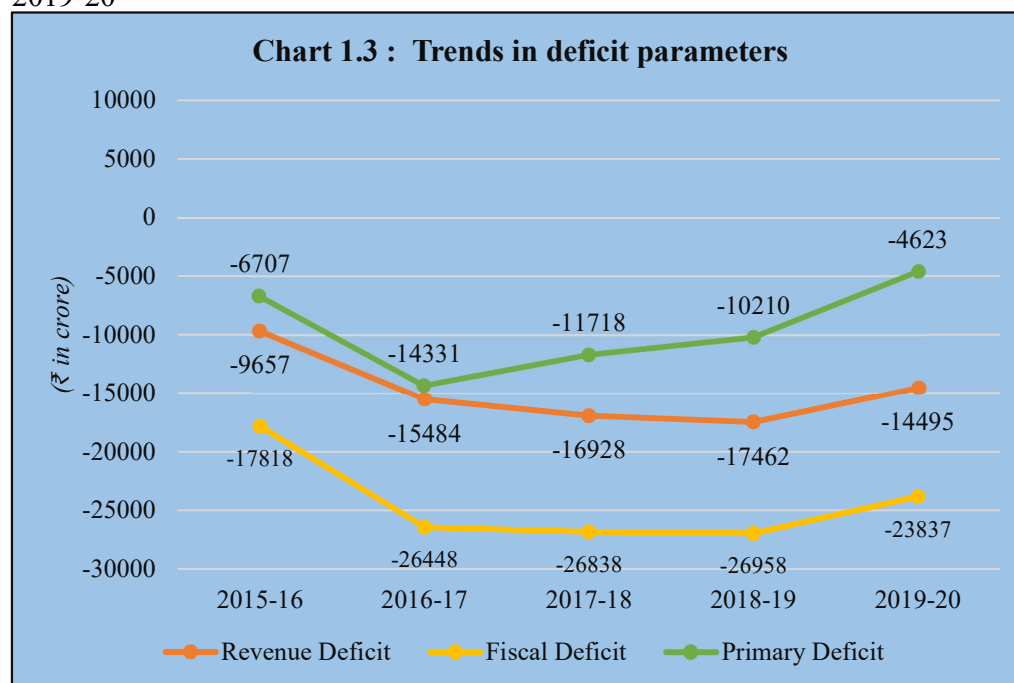
When a Government spends more than it collects by way of revenue, it incurs a deficit. There are various measures that capture Government deficit.

Revenue Deficit/ Surplus (Revenue Expenditure – Revenue Receipts)	<i>Refers to the difference between revenue expenditure and revenue receipts.</i> <ul style="list-style-type: none"> • When the Government incurs a revenue deficit, it implies that the Government is dissaving and is using up the savings of the other sectors of the economy to finance a part of its consumption expenditure.
Fiscal Deficit/ Surplus (Total expenditure – (Revenue receipts + Non-debt creating capital receipts))	<i>It is the difference between the Revenue Receipts plus Non-debt Capital Receipts (NDCR) and the total expenditure. FD is reflective of the total borrowing requirements of Government.</i> <ul style="list-style-type: none"> • Fiscal deficit is the difference between the Government's total expenditure and its total receipts excluding borrowing. • Non-debt creating capital receipts are those receipts, which are not borrowings, and, therefore, do not give rise to debt. Examples are recovery of loans and the proceeds from the sale of PSUs. • The fiscal deficit will have to be financed through borrowing. Thus, it indicates the total borrowing requirements of the Government from all sources. <p>Governments usually run fiscal deficits and borrow funds for capital/ assets formation or for creation of economic and social infrastructure, so that assets created through borrowings could pay for themselves by generating an income stream. Thus, it is desirable to fully utilize borrowed funds for the creation of capital assets and to use revenue receipts for the repayment of principal and interest.</p>
Primary Deficit/ Surplus (Gross fiscal deficit – Net Interest liabilities)	<i>Refers to the fiscal deficit minus the interest payments.</i> <ul style="list-style-type: none"> • Net interest liabilities consist of interest payments minus interest receipts by the Government on net domestic lending. • The borrowing requirement of the Government includes interest obligations on accumulated debt. To obtain an estimate of borrowing because of current expenditures exceeding revenues, we need to calculate the primary deficit.

The trends, nature, magnitude and the manner of financing these deficits and also the assessment of actual levels of revenue and fiscal deficits *vis-à-vis* targets set under the Kerala Fiscal Responsibility Act for the financial year 2019-20 are detailed below.

The trend of deficits over the period 2015-16 to 2019-20 are presented in **Appendix 1.4**.

Chart 1.3 presents the trends in deficit indicators over the period 2015-16 to 2019-20



- The revenue deficit and fiscal deficit of the State increased steadily during 2015-16 to 2018-19.
- Revenue Deficit of the state in 2019-20 decreased over the previous year by ₹2,967 crore. Though there was a decrease in revenue receipts by ₹2,629 crore, a decrease in revenue deficit was achieved by reduction in revenue expenditure of ₹5,596 crore.
- Fiscal Deficit of 2019-20 also decreased by ₹3,121 crore in comparison to previous year.
- Primary deficit decreased from ₹10,210 crore in 2018-19 to ₹4,623 crore in 2019-20 due to decrease in fiscal deficit and increase in interest payments (by ₹2,466 crore) during the year.

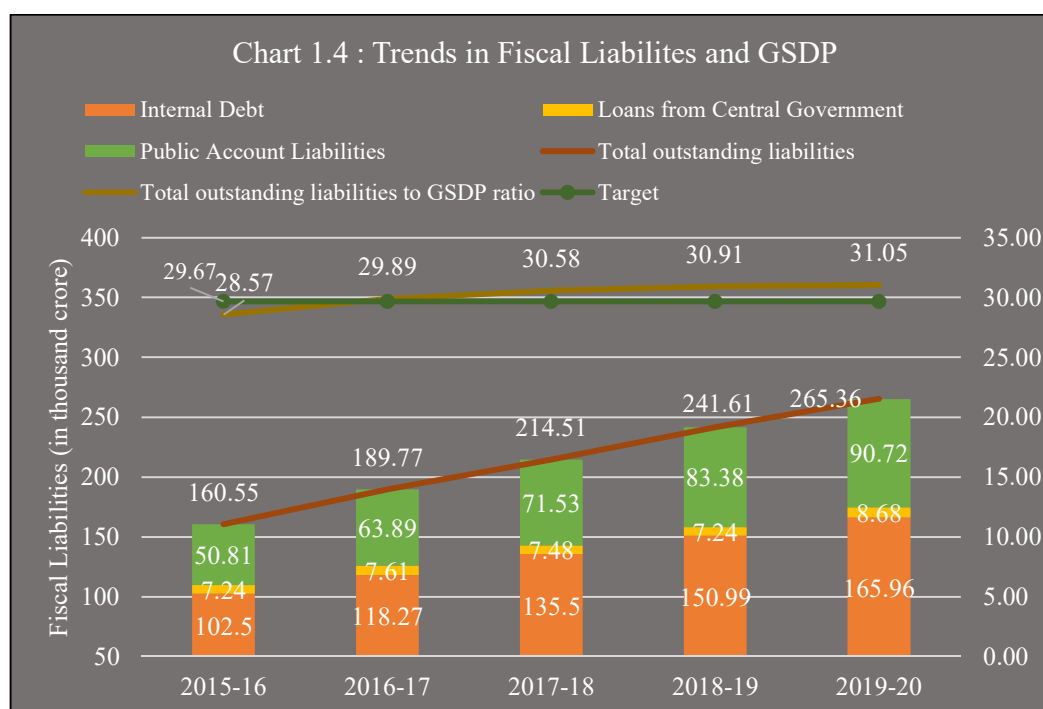
Manner of financing deficits

Deficits must be financed by borrowings, which lead to Government debt. The concepts of deficits and debt are closely related. Deficits can be thought of as a flow which add to the stock of debt. If the Government continues to borrow year after year, it leads to the accumulation of debt and the Government must pay more and more by way of interest. These interest payments themselves contribute to the debt. Fiscal liabilities of the State comprises of Consolidated Fund liabilities and Public Account liabilities. Details for the year 2019-20 are given in **Table 1.4** below:

Table 1.4: Fiscal liabilities of the State

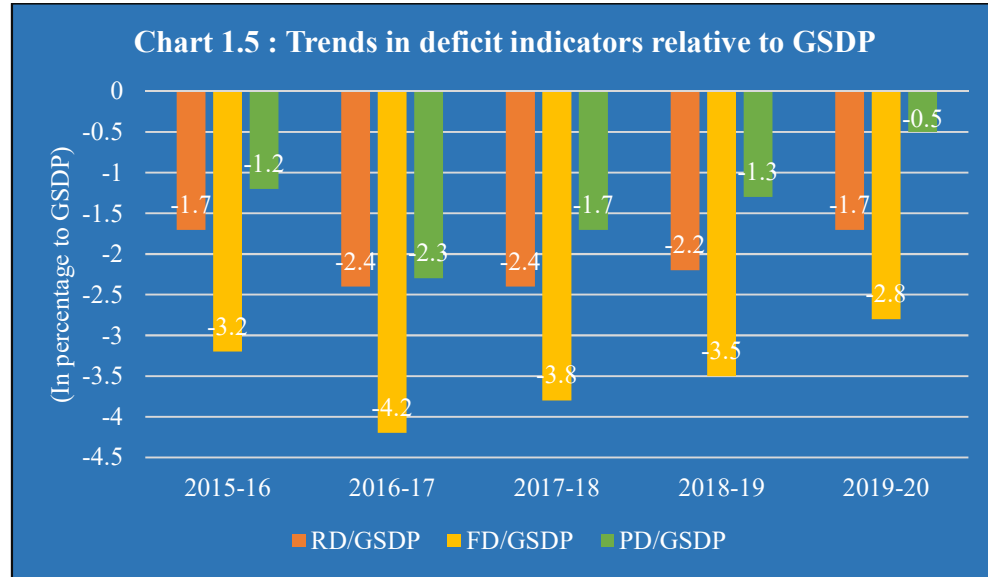
Fiscal liabilities		Amount in crores
Total Consolidated Fund liabilities		₹1,74,640.00
<i>of which,</i>	Market loans	₹1,42,336.00
	Loans from the GoI	₹8,680.00
	Other Loans	₹ 23,624.00
Total Public Account liabilities		₹90,722.00
<i>of which,</i>	Small Savings, PF etc.	₹85,671.00
	Interest bearing obligations.	₹636.00
	Non-interest-bearing obligations like Deposits and other earmarked funds	₹4,415.00

The trends of fiscal liabilities during the last five years are presented in **Chart 1.4**.



The overall fiscal liabilities of the State increased from ₹1,60,539 crore in 2015-16 to ₹2,65,362 crore in 2019-20, thus recording an increase of 65 per cent during the five year period. During 2019-20, the growth rate of fiscal liabilities was 9.8 per cent and it was the lowest during the five-year period.

Chart 1.5 presents the trends in deficit indicators relative to GSDP.



From the above, it can be seen that the ratio of revenue deficit, fiscal deficit, and primary deficit to GSDP showed an improvement in 2019-20 as compared to the previous year. However, the post audit deficit figures are higher as explained in **Para 1.6**.

Achievement of fiscal targets

As per the recommendations of the XIV FC, the State Government amended the Kerala Fiscal Responsibility Act by enacting the Kerala Fiscal Responsibility (Amendment) Act, 2018 on 31 March 2018 with revised fiscal targets for the Finance Commission period. According to the Act, the Government shall eliminate revenue deficit completely during the period from 2017-18 to 2019-20 and shall maintain the fiscal deficit to 3 per cent of GSDP during the same period.

Major fiscal variables as targeted in the Kerala Fiscal Responsibility (Amendment) Act, 2018 along with actual thereof are given in **Table 1.5**.

Table 1.5: Compliance with provisions of KFR Act

Fiscal Parameters	Fiscal targets set in the Act	Achievement				
		2015-16	2016-17	2017-18	2018-19	2019-20
Revenue Deficit (-) / Surplus (+) (₹ in crore)	Revenue Surplus	-9657	-15484	-16928	-17462	-14495
		X	X	X	X	X
Fiscal Deficit (-)/ Surplus (+) (as percentage of GSDP)	Three * per cent	-17818 (3.17)	-26448 (4.17)	-26838 (3.83)	-26958 (3.41)	-23837 (2.79)
		X	X	X	X	✓
Ratio of total outstanding debt to GSDP (in per cent)	29.67 per cent ⁴	28.57	29.89	30.58	30.91	31.05
		✓	X	X	X	X

X denotes targets not achieved and ✓ denotes targets achieved

*Provided that the State shall be eligible for additional borrowing of ₹1,471⁵ crore as a onetime dispensation in the financial year 2019-20 beyond the fiscal deficit target of three per cent of the GSDP as set out in Kerala Fiscal Responsibility (Amendment) Ordinance, 2020.

Fiscal deficit as a percentage of GSDP was 2.79 per cent and was within the fiscal deficit target of three per cent despite an additional borrowing of ₹1,471 crore provided under Kerala Fiscal Responsibility (Amendment) Ordinance, 2020 as a onetime special dispensation in the financial year 2019-20.

The Kerala Fiscal Responsibility Act, 2003 mandates that the Medium-Term Fiscal Policy (included as **Appendix 1.2**) and Strategy Statement should be presented before the State Legislature every year along with the annual budget documents. A comparison of targets for fiscal parameter projected in Medium Term Fiscal Plan presented to the State Legislature with actuals for the current year is given below in **Table 1.6**.

⁴ 29.8 per cent in 2015-16 & 2016-17, 30.40 per cent in 2017-18, 30.01 per cent in 2018-19 and 29.67 per cent in 2019-20.

⁵ GoI (Ministry of Finance), Dept of Expenditure (Public Finance-State Division) vide letter F.No. 40(22)/ PF-I/2011/ Vol II dated 26 February 2020 allowed an additional borrowing of ₹1,471 crore to the State of Kerala in 2019-20 as a one-time special dispensation, beyond the existing State eligibility of 3 per cent of GSDP. This one-time special dispensation was subject to the amendment of State's FRBM legislation for the year 2019-20 to that effect and would not be claimed or demanded by the State in the subsequent years.

Table 1.6 : Actuals vis-à-vis projection in MTFP for 2019-20

(₹ in crore)

Sl. No.	Fiscal Variables	Projection as per MTFP	Actuals (2019-20)	Variation (in per cent) with reference to Projections as per MTFP
1	Own Tax Revenue	65784.60	50323.14	23.50
2	Non-Tax Revenue	15070.07	12265.22	18.61
3	Resources from Centre (Share of Central taxes and Grant-in-aid from GoI)	34500.04	27636.31	19.89
4	Revenue Receipts (1+2+3)	115354.71	90224.67	21.78
5	Revenue Expenditure	124125.00	104719.92	15.63
6	Revenue Deficit (-)/ Surplus (+) (5-6)	(-)8770.29	(-)14495.25	65.27
7	Fiscal Deficit (-)/ Surplus (+)	(-)26290.58	(-)23837.47	9.33
8	Debt-GSDP ratio (per cent)	30.21	31.05	2.78
9	GSDP growth rate at current prices (per cent)	12.97	9.34	27.99

The above table shows that the State could not achieve any of the targets fixed in the MTFP other than Fiscal Deficit. Though there is a decrease in the revenue deficit of the State during 2019-20 when compared to the previous year, the deficit is 65.27 per cent higher than the target projected through MTFP.

1.6 Deficits and Total Debt after examination in audit

Audit examination has revealed misclassification in accounts and off-budget fiscal operations which impact the total deficit and debt figures. The deficit and debt figures after examination by audit is explained below.

1.6.1 Post audit - Deficits

Misclassification of revenue expenditure as capital and off budget fiscal operations impacts deficit figures. Besides, deferment of clear cut liabilities, not depositing cess/royalty to Consolidated Fund, short contribution to New Pension Scheme, non-contribution to sinking and redemption funds, etc. also impacts the revenue and fiscal deficit figures. In order to arrive at actual deficit figures, the impact of such irregularities need to be reversed.

Table 1.7: Revenue and Fiscal Deficit, post examination by Audit

	Impact on Revenue Deficit	Impact on Fiscal Deficit	Para reference
	Understated(+)/overstated (-) (₹ in crore)		
Off budget fiscal operations during the financial year such as borrowings by State Public Sector Companies, SPVs and other equivalent instruments, where the principal and/ or interest are to be serviced out of the State budgets (issue of completeness of recognizing overall debt)	0	(+)8773.69	2.6.2
Cesses/ Royalties not credited to Consolidated Fund	(-)242.37	(-)242.37	4.1
Non/ Short transfer of Cess to dedicated Funds in Public Account	0	-	
Deferment of clear cut liabilities to next FY	(+)624.08	(+)2974.64	4.2 & 2.3.2.4
Short contribution to New Pension Scheme	0	0	
Non-contribution to Consolidated Sinking Fund	(+)1208.07	(+)1208.07	2.5.2.1
Non-contribution to Guarantee Redemption Fund	Contribution ₹134.17 crore	(+)284.97	2.5.2.3
	Commission ₹150.80 crore		
Wrong booking of repayment of loan under revenue expenditure	0	0	
Major works budgeted/ booked under Revenue section instead of Capital	0	0	
Minor works budgeted/ booked under Capital Section instead of Revenue	0	0	
Grants-in-Aid booked under Capital section instead of Revenue	(+)14.70	0	3.3.3
Non discharge of Interest liabilities	(+)144.32	(+)144.32	2.5.2.4
Misclassification of revenue receipts as capital receipts	0	0	
Investments/ Loans made in companies, corporations or other bodies, which are loss making or whose net worth is completely eroded. (issue of quality of capex)	(+)307.72	0	2.4.3.2
Total	2341.49	13143.32	

Source: Finance Accounts and audit analysis

The Revenue and Fiscal deficit of the State are understated by ₹ 2,341.49 crore and ₹13,143.32 crore respectively. Details of Revenue and Fiscal deficit post audit is as given in the **Table 1.8** below.

Table 1.8: Post Audit Deficit (₹ in crore)

Fiscal Indicators	Pre Audit	Amount understated	Post Audit
Revenue deficit	14495.25	2341.49	16836.74
Fiscal deficit	23837.47	13143.32	36980.79

On post audit analysis, the fiscal deficit as percentage of GSDP was 4.33 *per cent* which was inclusive of the off-budget borrowings of ₹1,930.04 crore on the part of KIIFB and ₹6,843.65 crore on the part of KSSPL.

1.6.2 Post audit - Total Public Debt

Overall debt of the State is ₹ 2, 65,362 crore, post examination by audit the amount of overall debt of the state arrived at ₹2,74,136 crore as detailed in **Table 1.9** below.

Table 1.9 : Overall Debt post audit

	Particulars	Amount (₹ in crore)
1	Overall Debt as per Accounts	265362
2.	Impact on overall Debt (Understated) due to : (₹ in crore)	8774
	Off budget fiscal operations such as borrowings by State Public Sector Companies, SPVs and other equivalent instruments on behalf of the State Government where the principal and/ or interest are to be serviced out of the State budgets.	8774
	Total of (1 + 2)	274136

On post audit analysis the overall debt of the state increased by ₹8,774 crore and was ₹2,74,136 crore. The Overall debt as a percentage of GSDP for 2019-20 increased from 31.05 *per cent* to 32.07 *per cent*.

1.7 Conclusions

1. Fiscal position of the State

As per Government accounts, the ratio of fiscal deficit to GSDP improved from 3.2 *per cent* in 2015-16 to 2.79 *per cent* in 2019-20. However, on post audit analysis it is concluded that the Revenue and Fiscal deficit of the State are understated by ₹2,341.49 crore and ₹13,143.32 crore respectively. Accordingly, the Fiscal deficit as percentage of GSDP is 4.33 *per cent* for the year 2019-20.

The State did not achieve any of the targets fixed in its Medium Term Fiscal Plan or the Kerala Fiscal Responsibility Act during 2019-20. As per the recommendation of the XIV FC, fiscal deficit to GSDP ratio was to be anchored at 3 *per cent* but it was 4.33 *per cent* during 2019-20.

2. Overall Debt

The overall debt of the State including off budget borrowings is ₹2,74,136 crore. If the Government continues to borrow year after year, it leads to the accumulation of debt and the Government has to pay more and more by way of interest. These interest payments themselves contribute to the debt. Increase in debt over the years not only reduces the capital formation and growth but also acts as a burden on future generations.

1.8 Recommendation

The State Government needs to control the revenue and fiscal deficits so as to achieve the targets fixed in the Kerala Fiscal Responsibility Act.



CHAPTER II

**FINANCES OF THE
STATE**

CHAPTER II FINANCES OF THE STATE

This Chapter is based on the audit of the Finance Accounts of the State and makes an assessment of the State's fiscal position as on 31 March 2020. It provides a broad perspective of the finances of the State during 2019-20 and analyses critical changes observed in the major fiscal aggregates in relation to the previous year, keeping in view the overall trend during the last five years period.

2.1 Major changes in Key fiscal aggregates *vis-à-vis* 2018-19

The major changes in key fiscal aggregates of the State during the year 2019-20, compared to the previous year are given in **Table 2.1**.

Table 2.1: Changes in key fiscal aggregates in 2019-20 compared to 2018-19

Revenue Receipts	<ul style="list-style-type: none"> ✓ Revenue receipts of the State decreased by 2.83 <i>per cent</i> ✓ Own Tax receipts of the State decreased by 0.63 <i>per cent</i> ✓ Own Non-tax receipts increased by 4.09 <i>per cent</i> ✓ State's Share of Union Taxes and Duties decreased by 13.85 <i>per cent</i> ✓ Grants-in-Aid from Government of India decreased by 1.35 <i>per cent</i>
Revenue Expenditure	<ul style="list-style-type: none"> ✓ Revenue expenditure decreased by 5.07 <i>per cent</i> ✓ Revenue expenditure on General Services increased by 9.20 <i>per cent</i> ✓ Revenue expenditure on Social Services decreased by 10.90 <i>per cent</i> ✓ Revenue expenditure on Economic Services decreased by 26.43 <i>per cent</i> ✓ Expenditure on Grants-in-Aid decreased by 31.86 <i>per cent</i>
Capital Expenditure	<ul style="list-style-type: none"> ✓ Capital expenditure increased by 13.78 <i>per cent</i> ✓ Capital expenditure on General Services decreased by 20.48 <i>per cent</i> ✓ Capital expenditure on Social Services decreased by 38.88 <i>per cent</i> ✓ Capital expenditure on Economic Services increased by 32.28 <i>per cent</i>
Loans and Advances	<ul style="list-style-type: none"> ✓ Disbursement of Loans and Advances decreased by 47.91 <i>per cent</i> ✓ Recoveries of Loans and Advances increased by 39.81 <i>per cent</i>
Public Debt	<ul style="list-style-type: none"> ✓ Public Debt Receipts increased by 80.61 <i>per cent</i> ✓ Repayment of Public Debt increased by 141.81 <i>per cent</i>
Public Account	<ul style="list-style-type: none"> ✓ Public Account Receipts decreased by 3.04 <i>per cent</i> ✓ Disbursement of Public Account decreased by 4.77 <i>per cent</i>
Cash Balance	<ul style="list-style-type: none"> ✓ Cash balance decreased by ₹192.93 crore (8.75 <i>per cent</i>) during 2019-20 compared to previous year

2.2 Sources and Application of Funds

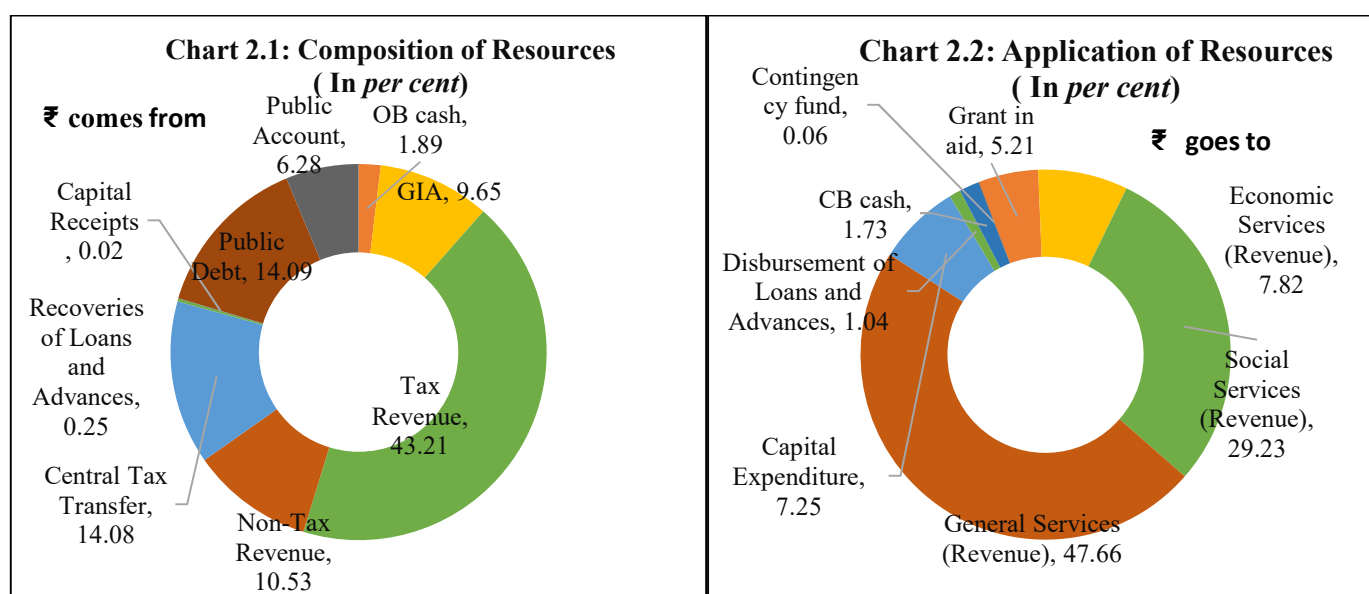
The components of the sources and application of funds of the State during the financial year compared to the previous year is given below in **Table 2.2**.

Table 2.2 : Details of Sources and Application of funds during 2018-19 and 2019-20
(₹ in crore)

	Particulars	2018-19	2019-20	Increase/ Decrease in (per cent)
Sources	Opening Cash Balance	2733	2203	-19.39
	Revenue Receipts	92854	90225	-2.83
	Capital Receipts	46	27	-41.30
	Recoveries of Loans and Advances	211	295	39.81
	Public Debt Receipts (Net)	15250	16406	7.58
	Public Account Receipts (Net)	11179	7314	-34.57
	Contingency fund	0	0	0
	Total	122273	116470	
Application	Revenue Expenditure	110316	104720	-5.07
	Capital Expenditure	7431	8455	13.78
	Disbursement of Loans and Advances	2323	1210	-47.91
	Closing Cash Balance	2203	2010	-8.76
	Contingency fund	0	75	
	Total	122273	116470	

Source: Finance Accounts for 2018-19 and 2019-20

The composition and application of the resources are shown in the Charts 2.1 and 2.2



2.3 Resources of the State

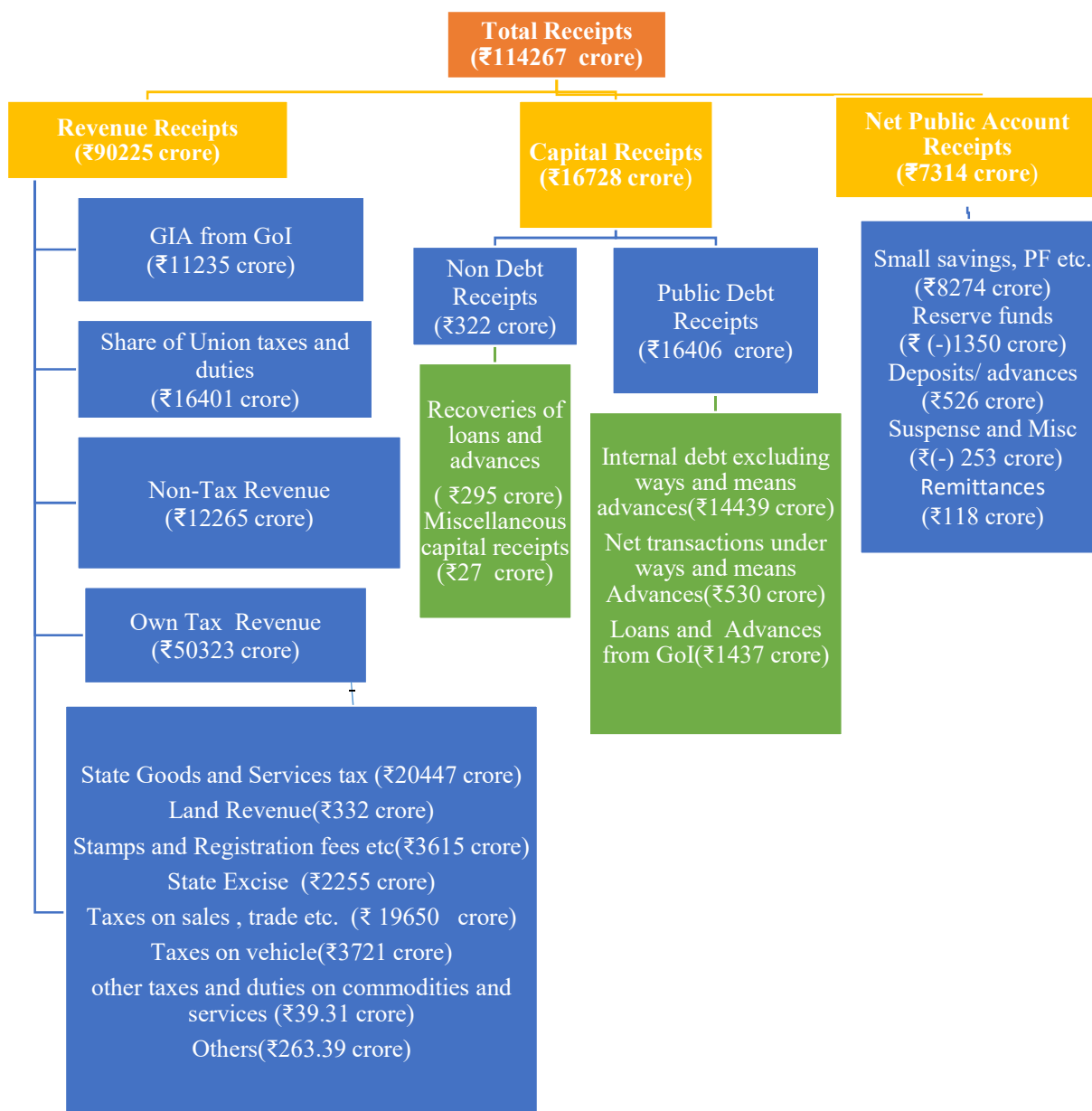
The resources of the State are described below:

1. **Revenue receipts** consist of tax revenue, non-tax revenue, State's share of Union taxes and duties and grants-in-aid from the Government of India (GoI).
2. **Capital receipts** comprise miscellaneous capital receipts such as proceeds from disinvestments, recoveries of loans and advances, debt receipts from internal sources (market loans, borrowings from financial institutions/commercial banks) and loans and advances from GoI. Both revenue and capital receipts form part of the Consolidated Fund of the State.
3. **Net Public Accounts receipts:** There are receipts and disbursements in respect of certain transactions such as small savings, provident fund, reserve funds, deposits, suspense, remittances, etc. which do not form part of the Consolidated Fund. These are kept in the Public Account set up under Article 266 (2) of the Constitution and are not subject to vote by the State Legislature. Here, the Government acts as a banker. The balance after disbursements is the fund available with the Government for use.

2.3.1 Receipts of the State

The composition of the overall receipts of the Government is given in **Chart 2.3** below. Besides, the Capital and Revenue Receipts, funds available in the Public Account (net of disbursement made from it) are also utilised by the Government to finance its deficit.

Chart 2.3 Composition of receipts of the State during 2019-20



2.3.2 State's Revenue Receipts

Statement No.14 of the Finance Accounts details the revenue receipts of the State Government. The State's Revenue Receipts consist of the State's own tax and non-tax revenues, share of Central tax transfers and Grants-in-aid from GoI. The trends in total revenue receipts and its components, followed by trends in the receipts bifurcated into receipts from the Central Government and State's own receipts etc are discussed in the succeeding paragraphs.

2.3.2.1 Trends and growth of Revenue Receipts

The trends and growth of Revenue Receipts as well as revenue buoyancy with respect to GSDP over the five-year period 2015-2020 are given in **Table 2.3**. Further, trends in Revenue Receipts relative to GSDP and composition of revenue receipts are given in **Charts 2.4** and **2.5** respectively.

Table 2.3 : Trend in Revenue Receipts

Parameters	2015-16	2016-17	2017-18	2018-19	2019-20
Revenue Receipts (RR) (₹ in crore)	69033	75612	83020	92854	90225
Rate of growth of RR (per cent)	19.13	9.53	9.80	11.85	-2.83
Own Tax Revenue (₹ in crore)	38995	42176	46460	50644	50323
Non-Tax Revenue (₹ in crore)	8425	9700	11200	11783	12265
Rate of growth of Own Revenue (Own Tax and Non-tax Revenue) (per cent)	11.53	9.40	11.15	8.27	0.26
Gross State Domestic Product (₹ in crore) (2011-12 Series)	561994	634886	701577	781653	854689
Rate of growth of GSDP (per cent)	9.64	12.97	10.50	11.41	9.34
RR/GSDP (per cent)	12.28	11.91	11.83	11.87	10.56
Buoyancy Ratios⁶					
Revenue Buoyancy w.r.t GSDP	1.98	0.73	0.93	1.04	-0.30
State's Own Revenue Buoyancy w.r.t GSDP	1.20	0.72	1.06	0.72	0.03

Source: Finance Accounts

⁶ Buoyancy ratio indicates the elasticity or degree of responsiveness of a fiscal variable with respect to a given change in the base variable. For instance, revenue buoyancy with respect to GSDP at 1.85 implies that Revenue Receipts tend to increase by 1.85 percentage points, if the GSDP increases by one per cent.

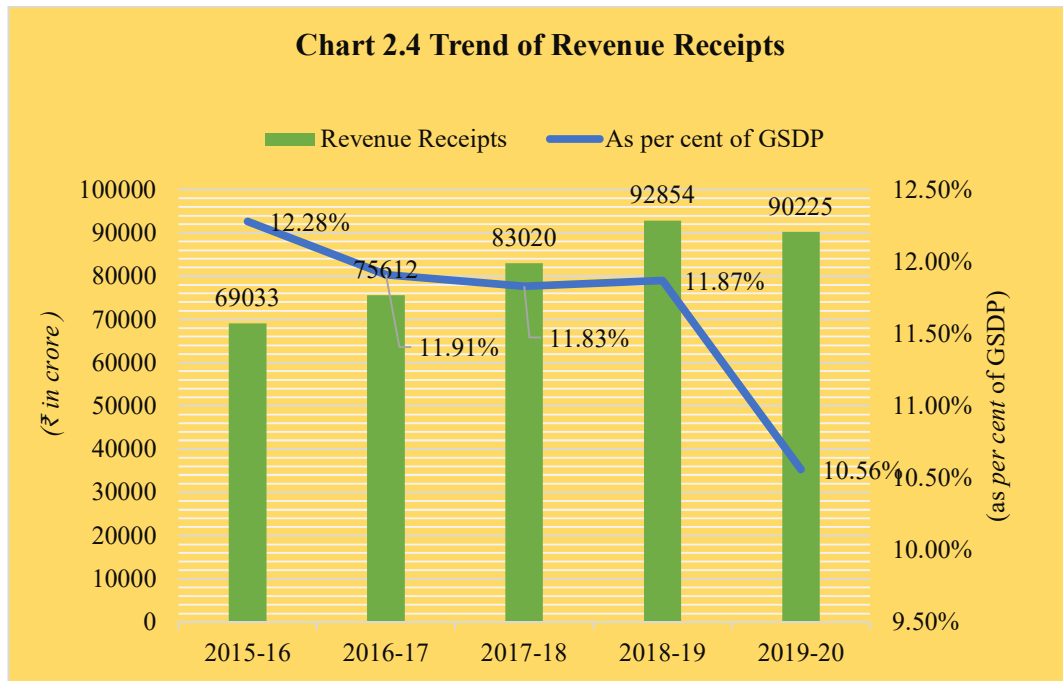
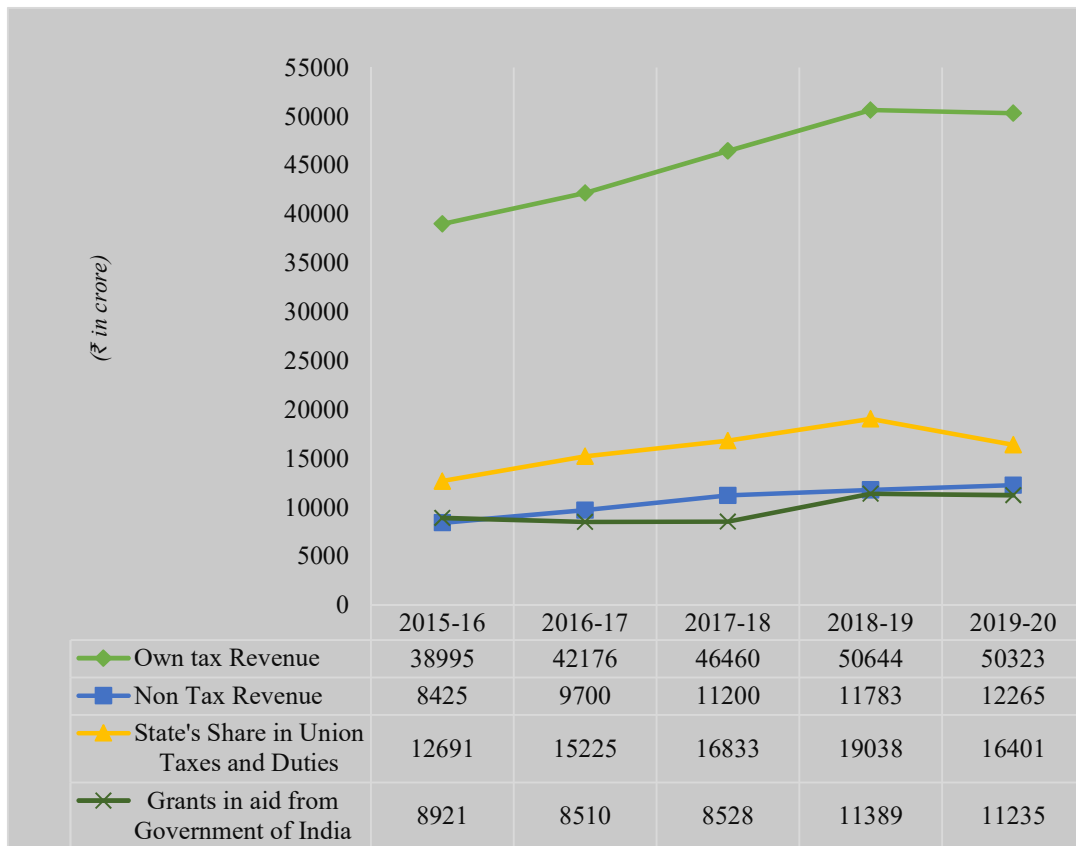


Chart 2.5 Trend of components of Revenue Receipts



General trends relating to Revenue Receipts of the State are as follows:

- The Revenue Receipts of the State decreased by 2.83 *per cent* from ₹92,854 crore in 2018-19 to ₹90,225 crore in 2019-20. This was mainly due to decrease in share of union taxes and duties assigned to the State by 13.85 *per cent* (₹2,637 crore) from ₹19,038 crore in 2018-19 to ₹16,401 crore in 2019-2020.
- The rate of growth of Revenue Receipts is in negative for the first time in five year period from 2015 to 2020.
- State's own resources contributed to 69 *per cent* of the Revenue Receipts during 2019-20, while Union Taxes and Grant-in- Aid together contributed 31 *per cent*. However the rate of growth of Own Revenue of the State during the year showed a meagre growth of 0.26 *per cent* and is the lowest in the five year period from 2015-16 to 2019-20.
- The Buoyancy of Revenue receipts with GSDP decreased during 2019-20 compared to the previous year and was recorded at -0.30 *per cent*, indicating less than optimum growth in revenue receipts when compared to the growth in GSDP.
- Buoyancy of own tax revenue with GSDP was less than one (0.03 *per cent*) during the year indicating low growth rate of own tax revenue when compared to the growth in GSDP.

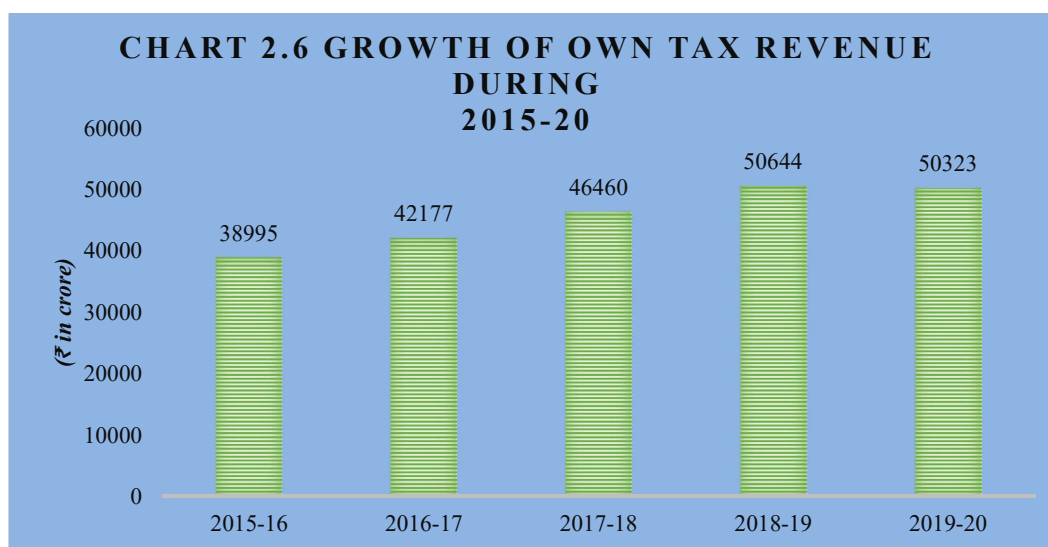
2.3.2.2 State's Own Resources

State's share in Central taxes is determined on the basis of recommendations of the Finance Commission. Grants-in-aid from Central Government are determined by the quantum of collection of Central tax receipts and anticipated Central assistance for schemes. State's performance in mobilisation of additional resources should be assessed in terms of its own resources comprising revenue from its own tax and non-tax sources.

Own Tax Revenue

Own tax revenue of the State consist of State GST, State Excise, Taxes on Vehicles, Stamp duty and Registration fees, Land Revenue, Taxes on Goods and Passengers etc.

The details of Own Tax Revenue of the State during the five-year period 2015-20 is given in **Chart 2.6** below.



The State's own tax revenue showed an increasing trend from 2015-16 to 2018-19 and decreased by ₹321 crore, from ₹50,644 crore in 2018-19 to ₹50,323 crore in 2019-20. The component wise Own Tax Revenue collected during the five-year period 2015-2020 is given in **Table 2.4**.

Table 2.4 : Components of States own tax revenue (₹ in crore)

Revenue Head	2015-16	2016-17	2017-18	2018-19	2019-20	Sparkline
State Goods and Services tax	0	0	12008	21015	20447	
Land Revenue	182	124	162	203	333	
Stamps and Registration Fees	2878	3007	3453	3693	3615	
State Excise	1964	2019	2240	2521	2255	
Taxes on Sales, Trade etc.	30737	33453	24578	19226	19650	
Taxes on Vehicles	2814	3107	3663	3709	3721	
Other Taxes and Duties on Commodities and Services	0	0	100	37	39	
Others	420	467	257	240	263	
Total	38995	42177	46460	50644	50323	

Source: Finance Accounts of respective years

The Revenue collected increased under heads Taxes on Sales, Trade etc (₹424 crore), Land Revenue (₹130 crore), Taxes on vehicle (₹12 crore) and others (₹25 crore). However this was offset by decrease in collection under the heads State Goods and Services tax (₹568 crore), State Excise (₹266 crore) and Stamps and

Registration Fees (₹78 crore). The tax collection of four major revenue sources of the State compared all India average, during the last five years, is given in **Appendix 2.1**.

State Goods and Service Tax (SGST)

Kerala implemented GST with effect from 01 July 2017. GST is levied on *intra-State* supply of goods or services (except alcohol for human consumption and five specified petroleum products⁷) and its components are shared by the Centre (CGST) and the State (SGST). Further, IGST is levied and collected by the Central Government on *inter-State* supply of goods and services. The IGST so collected is apportioned between the Centre and the concerned State where the goods and services are consumed.

The GoI enacted the Goods and Services Tax (Compensation to States) Act, 2017 to compensate the States on account of loss of revenue which may arise due to implementation of the GST for a period of five years. The compensation was to be given by considering the base figure of revenue of a State for the year 2015-16, escalated by 14 *per cent per annum* for the next five years commencing from 01 July 2017.

For the State of Kerala, the base year (2015-16) revenue to be subsumed by the GST regime was fixed by GoI at ₹16,821.37 crore. Thus, the projected revenue for Kerala worked out to ₹28,410.62 crore for the period 2019-20.

Actual collection of revenue under State Goods and Services Tax (SGST) for the period 2017-18 to 2019-20 is given in the **Table 2.5** below.

Particulars	2017-18	2018-19	2019-20
Tax	10927.61	17780.46	18966.81
Apportionment of taxes from IGST	1075.51	3231.79	814.41
Others	4.57	2.46	665.74*
SGST Collection	12007.69	21014.71	20446.96
Pre GST Tax collected ⁸	2460.31	457.81	654.07

*The amount of ₹665.74 crore is the collection of Kerala flood cess.

Against the projected revenue of ₹28,410.63 crore, the State Government earned a revenue of ₹20,435.29 crore (SGST: ₹19,781.22 crore (excluding flood cess of

⁷ Five petroleum products are: Crude, High speed diesel, Petrol, Aviation turbine fuel and Natural gas

⁸ Taxes that have been subsumed under GST are: Value Added Tax, Central Sales Tax, Entertainment Tax, Luxury Tax, Entry tax, Cesses & Surcharges, Duties on Excise on medicinal and toilet preparations excluding KGST and CST on alcohol for human consumption and five specified petroleum products.

₹665.74 crore) plus subsumed Pre GST Tax: ₹654.07 crore) during 2019-20 and therefore, entitled to a compensation of ₹7,975.34 crore.

The State Government received ₹5,575.04 crore as compensation till March 2020. Thus the total revenue under GST during the year was ₹26,010.33 crore (excluding flood cess ₹665.74 crore), which worked out to a growth of 4.37 per cent as against the projected growth of 14 per cent, requiring higher amount of compensation from the Government of India.

Besides the State received ₹4,654.19 crore as its share of net proceeds assigned to the State under Central Goods and Services Tax and no amount was received towards Integrated Goods and Services Tax.

Analysis of arrears of revenue

The arrears of revenue as on 31 March 2020 on some principal heads of revenue amounted to ₹3,584.87 crore of which ₹562.88 crore was outstanding for more than five years, as detailed in **Appendix 2.2**. Information called for from Forest, Labour, Port, SGST, Stationery, Transport and Land Revenue Departments were not furnished.

Non-reporting untimely reporting of arrears to the Revenue Department, improper follow up by the departments in realising the arrears were the main reason for outstanding arrears of revenue.

Evasion of tax detected by the department

The details of cases of evasion of tax detected by the departments were called for by Audit from 16 department out of which nine departments did not detected any case of evasion of tax. The details furnished by Motor Vehicles and Revenue Departments are given in **Table 2.6** below. SGST, Transport, Forest, Health, Agriculture Department did not furnish any reply.

Table 2.6: Evasion of Tax

Sl No.	Head of Revenue	Cases pending as on 31 March 2019	Cases detected during 2019-20	Total	Number of cases in which assessment/ investigation completed and additional demand with penalty etc. raised		Number of cases pending for finalisation as on 31 March 2020
					Number of cases	Amount of demand (₹ in crore)	
1	0041-Taxes on vehicles	76	9	85	2	1.05	83
2	0029-Land Revenue	1328	147	1475	284	0.83	1191

Source: Information collected from departments

Non Tax Revenue

Non-Tax revenue consists of interest receipts, dividends and profits, mining receipts, departmental receipts, etc.

Table 2.7: Components of non-tax revenue

(₹ in crore)

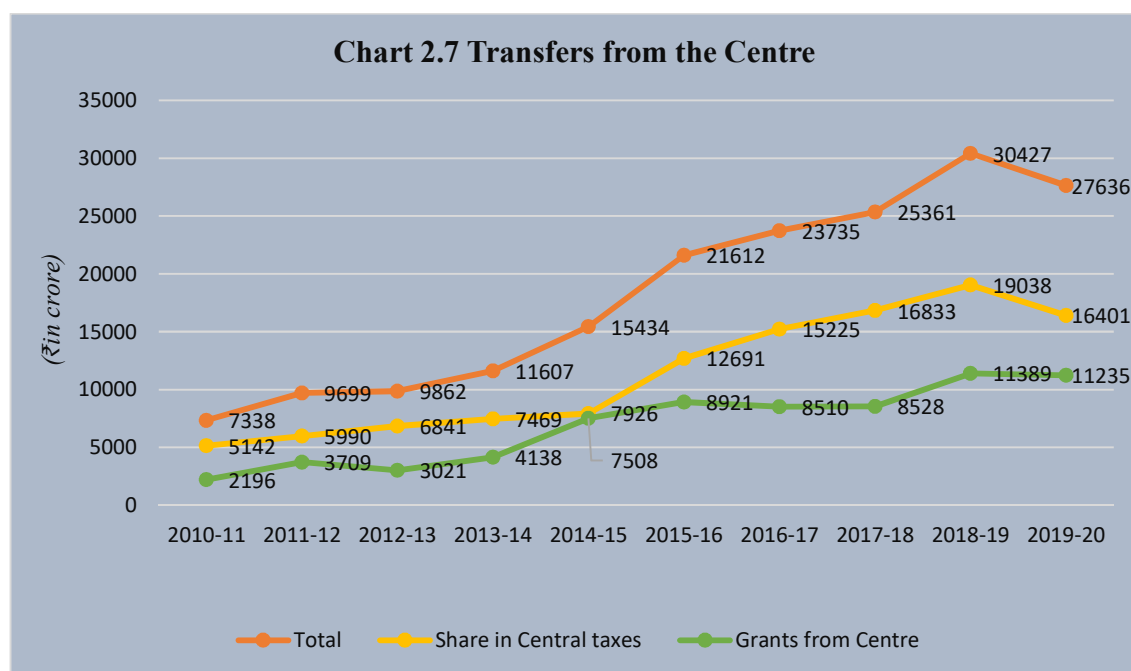
Revenue Head	2015-16	2016-17	2017-18	2018-19	2019-20	Sparkline
Interest receipts	105	144	144	132	85	
Dividends and profits	90	96	126	132	100	
State Lotteries	6271	7283	9034	9265	9974	
Forestry and Wildlife	283	297	245	287	256	
Other non-tax receipts	1677	1880	1650	1967	1850	
Total	8426	9700	11199	11783	12265	

Source: Finance Accounts of respective years

Non Tax Revenue, which contributed to 13.59 *per cent* of the Total Revenue Receipts of the State during 2019-20 when compared to 12.69 *per cent* in 2018-19 increased by ₹482 crore (four *per cent*) during the year. The increase is mainly due to increase in receipts under State Lotteries (₹709 crore). Receipts under State Lotteries is the major non-tax revenue of the State and its share in non-tax revenue during the year was 81 *per cent* which was the highest during the five-year period 2015-20.

2.3.2.3 Transfers from the Centre

Transfers from Government of India including State's share of Union taxes and Grants-in-aid from Government of India are shown in **Chart 2.7**



State's share in Union taxes and duties, actual devolution *vis-à-vis* Finance Commission projections are given in **Table 2.8**.

Table 2.8: State's share in Union taxes and duties: Actual devolution *vis-à-vis* Finance Commission projections

(₹ in crore)

Year	Finance Commission projections	Projections in FCR	Actual tax devolution	Difference
2010-11	32 per cent of net proceeds of all shareable taxes excluding service tax and 2.341 per cent of net proceeds of sharable service tax (As per recommendations of XIII FC)	5601	5142	459
2011-12		6569	5990	579
2012-13		7749	6841	908
2013-14		9140	7469	1671
2014-15		10781	7926	2855
2015-16	42 per cent of net proceeds of all shareable taxes excluding service tax and 2.526 per cent of net proceeds of shareable service tax (As per recommendations of XIV FC)	14482	12691	1791
2016-17		16711	15225	1486
2017-18		19308	16833	2475
2018-19		22336	19038	3298
2019-20		25869	16401	9468
	As per fiscal consolidation roadmap of State Government			

Source: Reports of the XIII FC & XIV FC, Finance Accounts and Annual Financial Statement

Central Tax Transfer

The XIV Finance Commission (FC) had recommended the States' share of Central taxes to be increased to 42 per cent from 32 per cent recommended by the XIII Finance Commission. Kerala's share in the net proceeds of Central tax and Service tax was fixed at 2.500 per cent and 2.526 per cent respectively by the XIV FC for the award period 2015-20. Details of Central tax transfers to the State during the period 2015-20 are given in **Table 2.9**.

Table 2.9: Central Tax Transfers

(₹ in crore)

Head	2015-16	2016-17	2017-18	2018-19	2019-20
Direct taxes					
Corporation Tax	4001	4886	5157	6621	5592
Taxes on Income other than Corporation Tax	2783	3396	4354	4876	4382
Taxes on Wealth	1	11	0	2	0
Total of Direct Taxes (A)	6785	8293	9511	11499	9974
Indirect taxes					
Central Goods and Services Tax (CGST)	0	0	240	4699	4654
Integrated Goods and Services Tax (IGST)	0	0	1700	375	0
Customs	2032	2102	1699	1350	1040
Union Excise Duties	1689	2400	1776	897	723
Service Tax	2176	2430	1907	174	0

Head	2015-16	2016-17	2017-18	2018-19	2019-20
Other Taxes ⁹	9	0	0	44	10
Total of Indirect Taxes(B)	5906	6932	7322	7539	6427
Central Tax transfers (A+B)	12691	15225	16833	19038	16401
Percentage of increase over previous year	60.12	20	10.56	13.10	-13.85
Percentage of Central tax transfers to Revenue Receipts	18.38	20.14	20.28	20.50	18.18

The Central tax transfers stood at ₹16,401 crore in 2019-20, registering a decrease of 13.85 per cent (₹2,637 crore) over the previous year. Of the total Central tax transfers, the direct tax transfers was ₹9,974 crore and indirect tax transfers was ₹6,427 crore which included the Central Goods and Services Tax of ₹4,654 crore, no amount was received towards Integrated Goods and Services Tax as the recommended in the XIV FC. The components received under the GST regime, decreased by 8.28 per cent over the previous year.

Grants-in-aid from GoI

Grants-in-aid (GIA) received from the Government of India contributed to 12.45 per cent of the Revenue Receipts of the State during 2019-20. The trend of total grants from Government of India as a percentage of revenue receipts ranged between 10 per cent and 13 per cent during 2015-20. Details of GIA received by the State Government from GoI during 2015-20 is given in **Table 2.10**.

Table 2.10: Grants-in-aid from Government of India (₹ in crore)

Head	2015-16	2016-17	2017-18	2018-19	2019-20
Non-Plan Grants	5178	5250	--	--	--
Grants for State Plan Schemes	3406	2727	--	--	--
Grants for Central Plan Schemes*	170	71	--	--	--
Grants for Centrally Sponsored Schemes	167	462	--	(-1)	--
Grants for Special Plan Schemes	--	--	--	--	--
Grants for Centrally Sponsored Schemes (CSS)	--	--	3213	3771	3263
Finance Commission Grants	--	--	3182	1646	2343
Other transfers/Grants to States/Union Territories with Legislature	--	--	2133	5973	5629
Total	8921	8510	8528	11389	11235
Percentage of increase over the previous year	18.82	4.61	0.21	33.65	-1.35
Percentage of GIA to Revenue Receipts	12.92	11.25	10.27	12.27	12.45

*There are no figures since the nomenclature of plan and non-plan grants was removed with effect from the year 2017-18 and replaced by Grants for CSS, Finance Commission grants and Other Grants to States.

⁹ Include Other Taxes on Income and Expenditure, Other Taxes and Duties on Commodities and Services

During the year 2019-20, Finance Commission grants increased by ₹697 crore and the grants under Centrally Sponsored Scheme and Other transfers decreased by ₹507 crore and ₹344 crore respectively. The increase in the Finance commission grants was offset by the decrease in the other grants and hence the Central assistance received during the year 2019-2020 in the form of Grant in aid decreased by ₹154 core when compared to the previous year.

2.3.2.4 XIV Finance Commission Grants

Receipt and utilisation of XIV Finance Commission Grants during the award period (2015-2020)

The XIV Finance Commission (hereinafter referred in this report as XIV FC) was constituted by the President of India under Article 280 of the Constitution of India to make recommendations on, i) the distribution of net proceeds of taxes between the Union and the States, ii) the Principles which should govern the Grants-in-aid of the revenues of the States and iii) the measures needed to augment the Consolidated Fund of the State to supplement the resources of Local Self Government Institutions (LSGIs).

The XIV FC had recommended Grants-in-aid amounting to ₹17,966.71 crore for three purposes viz., Local Bodies, Disaster Management and Post-devolution Revenue Deficit during the award period 2015-2020.

A study was conducted to examine the receipt and utilisation of XIV FC Grants for the award period 2015-16 to 2019-20 and to ascertain whether:

- The stipulated Grants have been released by Government of India (GoI).
- The Grants received have been utilised in full and for the intended purposes.

Audit test checked relevant records in Government Secretariat, Directorate of Panchayats, Directorate of Urban Affairs, District Collectorate Thiruvananthapuram, O/o Chief Engineer, Irrigation and Administration, Directorate of Animal Husbandry during the course of audit. With a view to assess whether the LSGI Grants was utilised for the intended purpose, five LSGIs¹⁰ comprising one Corporation, two Municipalities and two Grama Panchayats (GP), on the basis of maximum XIV FC Grants received during the award period, were selected from Thiruvananthapuram and Kollam districts for detailed study. Audit methodology included scrutiny of basic records, registers, files, e-files, issue of audit enquiries, etc.

Grants recommended by XIV FC and funds received by State Government are shown in **Table 2.11**.

¹⁰ Thiruvananthapuram Municipal Corporation, Kollam Municipal Corporation, Neyyattinkara Municipality, Nedumangad Municipality, Karunagappally Municipality, Punalur Municipality, Parassala Grama Panchayat(GP), Peringamala GP, Kulathupuzha GP, Chithara GP.

Table 2.11: Grants recommended by XIV FC and actually received by State Government
(₹ in crore)

Particulars	Award amount for 2015-2020	Amount released for 2015-2020	Excess Release	Shortfall in release
Local Self Government	7681.96	7012.02	-	669.94
Disaster Management	765.75	766.50	0.75	Nil
Post-devolution Revenue deficit Grant	9519.00	9519.00	-	Nil
Total	17966.71	17297.52	0.75[#]	669.94

Source: Report of XIV FC and GoI release orders

[#]An excess amount of ₹0.75 crore received by the State against the XIV FC recommended award amount.

The shortfall was mainly due to non-release of Performance Grant (PG) to LSGIs by GoI during the period 2018-19 (₹285.94 crore) and 2019-20 (₹374.42 crore). The State Government remarked that, though Ministry of Panchayati Raj (MoPR) and National Institute of Urban Affairs (NIUA) has recommended to the Ministry of Finance for release of PG to Rural Local Bodies (RLBs) and Urban Local Bodies (ULBs) respectively for the years 2018-19 and 2019-20, the same has not been released till date and that no reasons were attributed for non-releases.

The audit findings regarding receipt and utilisation of XIV FC grants are detailed below:

Audit findings

Suboptimal utilisation of funds by LSGIs and retention of Grants to LSGIs by State Government for other purposes

XIV FC recommended Grants to LSGIs in the form of Basic Grant (BG) and Performance Grant (PG). BG was provided to support LSGIs for delivering basic civic services assigned to LSGIs. PG was designed to serve the purpose of ensuring reliable audited accounts and data of receipts and expenditure and improvement in own revenues of LSGIs.

The XIV FC Grants received from GoI is allocated to the LSGIs under the Head '3604-00-200-90 Expansion and Development under XIV FC Recommendations to Local Bodies'. The State Government received an amount of ₹7,012 crore as XIV FC Grants from GoI for LSGIs from 2015-16 to 2019-20. Out of this, an amount of ₹4,805.23 crore was utilized by LSGIs leaving an unspent balance of ₹2,206.77 crore. Audit observed that the funds remaining unutilised, lapsed at the end of each financial year. Of the total lapsed amount of ₹2,206.77 crore, ₹1,464.19 crore (66 per cent) lapsed in the year end 2019-20 alone as shown below.

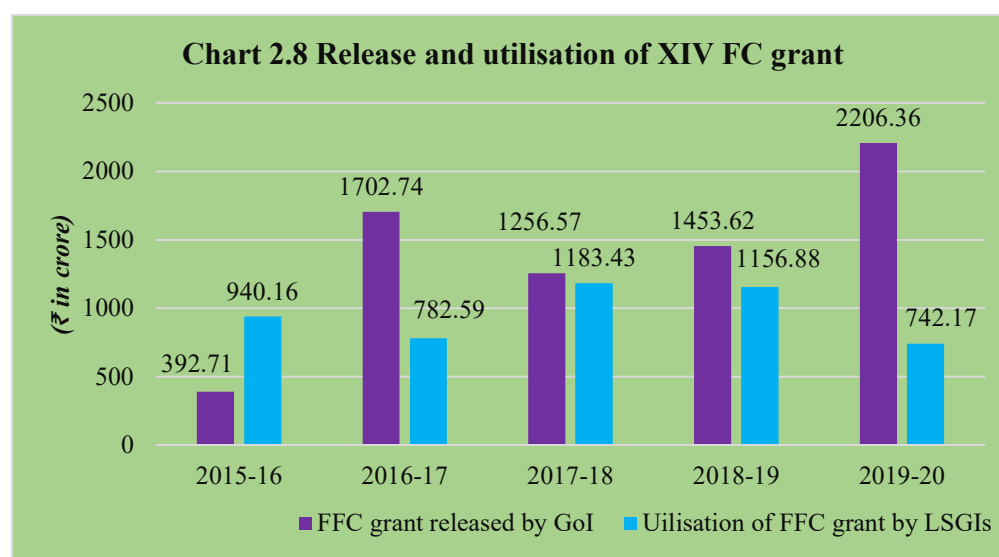
Table 2.12: XIV FC recommended LSGI Grants remaining unutilised with the State
(₹ in crore)

Year	XIV FC Grants received by State Govt from GoI	Expenditure incurred by the State under the Head '3604-00-200-90 Expansion and Development under XIV FC recommendations to Local Bodies'	Unspent Balance
2015-16	392.71	940.16	(-)547.45*
2016-17	1702.74	782.59	920.15
2017-18	1256.57	1183.43	73.14
2018-19	1453.62	1156.88	296.74
2019-20	2206.36	742.17	1464.19
	7012.00	4805.23	2206.77

Source: GoI release orders and Detailed Appropriation Accounts

* The State Government authorised the entire XIV FC Grants for 2015-16 as a part of Development fund to LSGIs prior to the actual release of the same by GoI in 2016-17 which led to excess expenditure in 2015-16 against the GoI releases during the year.

Chart 2.8 depicts the release and utilisation of XIV FC Grants from 2015-16 to 2019-20



As per the guidelines issued (October 2015) by GoI, XIV FC Grants should be transferred to the LSGIs within 15 days of it being credited to the accounts of State Government. However, unspent balances to a tune of ₹2,206.77 crore held with the State Government showed that the XIV FC Grants were merely allocated to the LSGIs and were not actually transferred to the LSGIs as required under the provisions of guidelines. Audit observed that the State Government had issued an order (March 2015), that the unspent amount (including Central Finance Commission funds) in the Consolidated Fund of the State has to be provided to the LSGIs as additional authorization/ Supplementary Demands for Grants (SDG) in succeeding years. Subsequent to the issue of GoI guidelines the Government of Kerala order with reference to Central Finance Commission funds should have been

withdrawn. The practice of informing GoI that the XIV FC funds has been released to LSGIs though it has not been actually transferred, needs to be reviewed.

The State Government replied (October 2020) that the unspent balances of XIV FC Grants were not reauthorized under SDG as the LSGIs failed to utilise even the budget provision of the respective years. The reply is not tenable as retention of GoI Grants by State Government is highly irregular and will defeat the purpose and intent of Local Bodies Grants as envisaged by XIV FC.

In response to the audit query on poor utilisation of XIV FC Grants by LSGIs, the test checked LSGIs replied that the funds allocated to them were subject to restrictions/ regulations on treasury transactions imposed by the State Government which barred them from using the XIV FC Grants completely within the financial year even though the bills were submitted to treasury in time. In 2019-20, 16,947 bills relating to XIV FC Grants, amounting to ₹624.08 crore which were submitted in treasury by LSGIs of Kerala between November 2019 to March 2020, were not passed. LSGIs also stated that the delay in drawing funds from Treasury for payment to contractors for completed projects has adversely affected the ongoing projects undertaken by the same contractors.

The regulations on treasury transactions put in force by the State Government as pointed out by the selected LSGIs during 2019-20 are detailed below:

- In April 2019, the State Government imposed treasury restrictions on payment above ₹ five lakh and necessitated mandatory ways and mean (WAMS) clearance on such payment. The limit on WAMS clearance was enhanced from ₹ five lakh to ₹ one crore in May 2019.
- In June 2019, the State Government decided to clear the bills of various Government department only after getting requisite instructions from the Finance Department.
- In October 2019, the limit on WAMS clearance was reduced to ₹10 lakh and any amount above this limit required mandatory W&M clearance from Finance Department.
- In February 2020, the State Government decided to clear the bills/ cheques of various departments from treasury only upto ₹50,000/- till further orders.
- In March 2020, the State Government issued orders that all bills submitted after 27th of March 2020 would be placed under treasury queue and would be cleared in the succeeding year.

XIV FC Grants received from GoI was intended to timely flow to the LSGIs enabling them to plan and execute the work better. Hence, the restrictions/ regulations imposed on treasury transactions at regular intervals should not have been applied for XIV FC grants for LSGIs.

Even though, XIV FC Grants for LSGIs to a tune of ₹2,206.77 crore was retained by the State Government, the cash balance in the treasuries at the end of the year

2019-20 was only ₹36.18 crore. Thus, it is apparent that the unspent balances in the XIV FC Grants were utilised by the State Government for other purposes.

Irregular placing of LSGI bills in treasury queue

The Bills submitted at treasuries at the end of March every year were shifted to treasury queue as per the orders (March 2018, March 2019 and March 2020) issued by the State Government every year. The queued bills are intended to be cleared in the subsequent financial year.

As per the data furnished by Information Kerala Mission¹¹ (IKM), State Government had kept LSGI Bills related to XIV FC Grants amounting to ₹944.63 crore under the treasury queue during the period 2017-18 to 2019-20 which included ₹624.08 crore (66.07 per cent) in 2019-20 alone. Test check conducted by Audit on 10 LSGIs revealed that the bills submitted in treasury from November 2019 onwards were placed under treasury queue, despite having unspent balances of XIV FC Grants amounting to ₹2,206.77 crore with the State Government. Keeping LSGI Bills under Treasury queue system as early as in November has deprived the LSGIs from timely utilisation of XIV FC Grants. The amount released as XIV FC Grants for LSGI's should not have been placed under treasury queue, since there was sufficient balance and XIV FC Grant should have been used only for the purpose for which it was given to State Government.

Delayed receipt of XIV FC Grants by LSGIs

The State Government allocates XIV FC Grants to LSGIs by issuing relevant orders within the prescribed time limit of 15 days on receipt of the same from GoI and furnishes Utilisation Certificate (UC) to GoI. However, the actual receipt of XIV FC Grants by the LSGIs materialise only when the bills submitted by the LSGIs are cleared at treasury for payment. Audit scrutiny of records for the period 2017-18 to 2019-20 in 10 test checked LSGIs revealed that the bills submitted at treasury for payment which were kept under treasury queue were passed in the succeeding year using the LSGI funds for that year. It was observed that there was a delay ranging from two to 12 months in passing the bills from the date of submission of the bill in the treasury to the date of passing of the bill therein. These delayed receipts of XIV FC Grants by LSGIs are in contravention to the instructions contained in guidelines issued by GoI which stipulates that the States should release the XIV FC Grants to the LSGIs within 15 days on receipt of the same from GoI.

LSGI (Queue) Bills pertaining to XIV FC period passed from XV FC Grants

The LSGI bills which were kept under treasury queue by the State Government were passed in the succeeding year using the LSGI funds for that year. Audit in test checked LSGIs revealed that 1128 queued bills amounting to ₹104.41 crore for the year 2019-20 were passed in the year 2020-21 by debiting the Head of Account

¹¹ Information Kerala Mission (IKM), an autonomous institution under Local Self Government Department, Government of Kerala, setup with a mandate to strengthen the local self-governance through Information and Communication Technological applications.

‘3604-00-200-85-XV Expansion and Development under XV FC Recommendations’. Meeting the expenditure pertaining to XIV FC period from XV FC Grants despite having unspent balances of ₹2,206.77 crore during the XIV FC period is not in order.

Reduction in release of XIV FC recommended Performance Grant to LSGIs

The XIV FC recommended that 10 *per cent* of the allocated amount be released to Rural Local Bodies (RLBs) as Performance Grant (PG) on fulfillment of two eligibility conditions, namely submission of audited accounts relating to the year not earlier than two years preceding the year in which the RLBs seek to claim PG and increase in Own Source Revenue (OSR) over the preceding year as reflected in the audited accounts. After disbursement of PG to the eligible RLBs, the undisbursed amount, if any, should be distributed on equitable basis among all the eligible RLBs.

Out of 941 RLBs 827 fulfilled the eligibility conditions recommended by XIV FC and received the eligible share of PG from GoI for the year 2016-17. However, for claiming the PG of 2017-18, only 170 RLBs could fulfill the required eligibility conditions as 771 RLBs failed to increase their own source revenue over the previous year. As per the guidelines, after disbursement of PG to the eligible RLBs, the undisbursed amount was to be distributed on equitable basis among all the eligible RLBs. Ministry of Panchayati Raj (MoPR), GoI in January 2019 imposed an additional condition in which the eligible RLBs are entitled to receive PG up to a maximum of five times the Basic Grant allocated during the year of claim. Consequently, PG of 2017-18 related to 771 ineligible RLBs could not be distributed further to eligible RLBs. As such, the PG claimed by the State for RLBs was limited to ₹79.58 crore as against the award amount of ₹89.16 crore recommended by XIV FC.

Thus, the failure of RLBs to increase their own source revenue over the preceding year in audited accounts of 2015-16 for claiming PG for the year 2017-18 curtailed the share of PG due to the State by ₹9.58 crore.

The State Government replied that the decline in collection of property tax arrears in 2017-18 as compared to 2016-17 had resulted in drop in the own source revenue. The reply is not tenable since the arrears occurred due to lapse on the part of LSGIs in timely collection of revenue.

Excess expenditure incurred by State due to delay in transfer of Basic Grant to LSGI

As per the guidelines issued (October 2015) by GoI, XIV FC Grants should be transferred to the LSGIs within 15 days of it being credited to the account of State Government. Any delay will require the State Government, to release the amount to LSGIs, with interest, at bank rate of RBI, for the number of days of delay from the own funds of State Government.

GoI released Basic Grant of ₹542.365 crore for 2019-20 to the State on 6/6/2019. The State Government allocated the Basic Grant to RLBs in two parts, ₹216.946 crore on 30/5/2019¹² and ₹325.419 crore on 26/6/2019.

There was a delay of five days in issuing orders by State Government for allocating the 2nd part of Basic Grant to RLBs. As a result, the State Government had to allocate an excess amount of ₹26.75 lakh to LSGIs as interest at bank rate of RBI, for the number of days of delay. State Government allocated the interest amount to the LSGIs under the head of account '3604-00-200-90-(05)-35 Expansion and Development under XIV Finance Commission Recommendations' instead of meeting the expenditure from its own fund as per XIV FC guidelines.

The State Government replied that the interest amount was met from the head of account intended for the release of XIV FC Grants to avoid complexities. The reply is not acceptable since the above head of account is specifically meant for releasing XIV FC Grants to RLBs and such expenditure is necessarily to be met from State's own fund.

Utilisation of XIV FC Grants in respect of LSGIs for non-basic services/ ineligible works

As per the recommendation of XIV FC, GoI issued (October 2015) guidelines emphasizing the utilisation of XIV FC Grants only on basic services such as water supply, sanitation including septic management, sewage and solid waste management, storm drainage, maintenance of community assets, roads, footpaths, street lighting, burial and cremation grounds. Subsequently, Ministry of Panchayati Raj issued (December 2015) the negative list of activities which cannot be undertaken using XIV FC Grants. The State Government also issued orders (January 2016) stipulating the projects on basic services as specified in GoI guidelines.

Audit of test checked LSGIs revealed that out of 5,198 projects for ₹54,352 lakh taken up during the period 2015-16 to 2019-20, 86 projects amounting to ₹2,912.51 lakh involving non-basic services/ ineligible works were undertaken by LSGIs as shown in **Table 2.13**. Of this ₹858.54 lakh was spent in 12 projects funded under other schemes such as Pradhan Mantri Awas Yojana, Sarva Shiksha Abhiyan, Integrated Child Development Programme etc., These schemes were under the negative list.

¹² Amount was released as a part of development fund to RLBs prior to receipt of XIV FC Grants from GoI

Table 2.13: XIV FC Grants utilised for non-basic services/ ineligible works by LSGIs
(₹ in lakh)

Sl No.	LSGIs	PMAY* / JNAY	SSA***	ICDS (SNP)	State Housing Projects	LAR** case amount	Repayment of Loan	Others ****	Total
Trivandrum District									
1	Trivandrum Corporation	-	-	-	264.40 (5)	122.63 (2)	-	64.21 (2)	451.24 (9)
2	Neyyattinkara Municipality	345 (2)	-	-	446.45 (6)	90.27 (1)	28.42 (1)		910.14 (10)
3	Nedumangad Municipality	218 (2)	-	-	4.50 (1)	-	4.49 (1)	21.62 (5)	248.61 (9)
4	Parassala GP	-	-	-	54.05 (4)	-	-		54.05 (4)
5	Peringamala GP	30 (1)	-	-	69.60 (8)	-	-	0.65 (1)	100.25 (10)
Kollam District									
6	Kollam Corporation	102.56 (2)	-	0.97 (1)	26.76 (3)	-	405.58 (1)	45.50 (4)	581.37 (1)
7	Punalur Municipality	100 (1)	-	-	6 (2)	57.61 (1)	-		163.61 (4)
8	Karunagappally Municipality	36.48 (1)	20 (1)	6.50 (2)	48.30 (4)	-	1.50 (1)	90.96 (12)	203.74 (21)
9	Kulathupuzha GP	-	-	-	193.25 (7)	-	-	6.25 (1)	199.50 (8)
10	Chithara GP	-	-	-	-	-	-	-	-
Total		832.04 (9)	20 (1)	7.47 (3)	1113.31 (40)	270.51 (4)	439.99 (4)	229.19 (25)	2912.51 (86)

Source: Data collected from test checked LSGIs

The figures in parenthesis shows the number of projects

*Pradhan Mantri Awas Yojana/ Jawaharlal Nehru Awas Yojana, **Land Acquisition related cases

Sarva Shiksha Abhiyan, *includes payment of Electricity and water Charges, Cattle feed scheme, purchase of medicines for hospitals etc.

Kollam Municipal Corporation replied (December 2020) that due to shortage of funds under other Heads of Account assigned to LSGIs by the State Government, the LSGI resorted to utilise the XIV FC Grants. The reply is not acceptable as XIV FC Grants are solely meant for providing unconditional support to the LSGIs for delivering basic services and cannot be utilised for any other purpose.

2.3.3. Capital Receipts

Capital receipts comprise miscellaneous capital receipts such as proceeds from disinvestments, recoveries of loans and advances, debt receipts from internal sources (market loans, borrowings from financial institutions/commercial banks) and loans and advances from GoI. **Table 2.14** shows the trends in growth and composition of net Capital Receipts.

Table 2.14: Trends in growth and composition of Capital Receipts

	(₹ in crore)				
Sources of State's Receipts	2015-16	2016-17	2017-18	2018-19	2019-20
Capital Receipts	19839	24180	30614	33904	60811
Miscellaneous Capital Receipts	28	30	29	47	27
Recovery of Loans and Advances	153	292	351	211	377
Public Debt Receipts	19658	23858	30234	33446	60407
<i>Internal Debt *</i>	19127	23006	29789	32994	58256
<i>Growth rate</i>	7.72	20.28	29.48	10.75	76.56
<i>Loans and advances from GoI</i>	531	852	445	452	2151
<i>Growth rate</i>	-29.38	60.45	47.76	1.57	375.66
Rate of growth of debt Capital Receipts (in per cent)	6.21	21.37	26.72	10.62	80.61
Rate of growth of non-debt capital receipts(in per cent)	19.08	77.90	18.01	-32.11	56.59
Rate of growth of GSDP (in per cent)	9.64	12.97	10.51	12.64	8.15

Source: Finance Accounts and for GSDP– Official website of Economics and Statistics department,

*Including gross figure under Ways and Means Advances

During the year 2019-20 the capital receipts (₹60,811 crore) increased by ₹26,907 crore as compared to the previous year (₹33,904 crore). During 2019-20, capital receipts increased by 79.36 per cent over the previous year primarily due to increase of 80.61 per cent in public debt receipts. The share of public debt receipts to capital receipts stood at 99.33 per cent in 2019-20.

The Internal debt (₹58,256 crore) includes open market borrowings (₹18,073 crore), other borrowings from financial institutions like National Bank for Agriculture and Rural Development (₹637 crore), National Co-operative Development Corporation (₹165 crore), Punjab National bank (₹342 crore), Special Securities issued to National Small Savings Fund (₹3,294 crore) and ways and means advance from RBI (₹35,745 crore).

Loans and advances from GoI fluctuated widely during 2015-20 and were highest at ₹2,151 crore in 2019-20. These loans of ₹2,151 crore had been received for externally aided projects namely, Dam Rehabilitation Improvement project (₹63 crore), Second Kerala Rural Water Supply and Sanitation Project (₹78 crore), Kerala State Transport Project (₹81 crore), Additional Skill Improvement for Post Basic Education (₹91 crore), Climate Friendly Urban Mobility Water Transport, Kochi (₹58 crore) and First Resilient Program Development Policy Financing (₹1,780 crore).

2.3.4 State's performance in mobilisation of resources

As the State's share in central taxes and grants-in -aid is determined on the basis of recommendations of the Finance Commission, the State's performance in mobilisation of resources is assessed in term of its own resources comprising own tax and non-tax sources. The State's actual tax and non-tax revenue for the year 2019-20 *vis-à-vis* assessments made by XIV FC and Budget Estimate are presented in **Table 2.15** below.

Table 2.15 : Tax and Non-Tax receipts vis-à-vis projections (₹ in crore)

	FC Projections	Budget Estimates	Actual	Percentage variation of actual over	
				Budget Estimates	FC Projections
Own Tax Revenue	78865	65785	50323	(-)23.50	(-)36.19
Non Tax Revenue	10601	15070	12265	(-)18.61	15.70
Total	89466	80855	62588	(-)22.59	(-)30.04

Source: Finance Accounts of respective years

The actual tax revenue of the State in 2019-20 stood significantly lower than the projections made in the XIV FC, and Budget estimates. The actual tax revenue was lower than budget estimates due to less collection of State Goods and Service Tax (₹8,564 crore), Taxes on Sales, Trade, etc. (₹4,298 crore), Taxes on Vehicles (₹999 crore) and Stamps and registration fees (₹872 crore) and State Excise (₹728 crore). Actual non-tax revenue was lower than the budget estimates but higher than XIV FC projections.

2.4 Application of resources

The State Government is vested with the responsibility of incurring expenditure within the framework of fiscal responsibility legislations, while at the same time ensuring that the ongoing fiscal correction and consolidation process of the State is not at the cost of expenditure directed towards development of capital infrastructure and social sector.

2.4.1 Growth and Composition of expenditure

Capital Expenditure: All charges for the first construction of a project as well as charges for intermediate maintenance until the project is commissioned and charges for such further additions and improvements as may be sanctioned under the rules made by competent authority shall be classified as Capital expenditure.

Revenue Expenditure: Charges on maintenance, repair, upkeep and working expenses, which are required to maintain the assets in a running order as also all other expenses incurred for the day to day running of the organisation, including

establishment and administrative expenses shall be classified as revenue expenditure.

The trends in total expenditure (aggregate of revenue, capital and loans and advances expenditure) and various components of total expenditure-Plan and Non-Plan revenue expenditure, committed expenditure such as salaries and wages, interest payments, pension payments and subsidies, financial assistance to local bodies, etc., are discussed in the succeeding paragraphs.

Overall expenditure and its components along with their percentage of GSDP are given in the **Table 2.16**.

Table 2.16 Total expenditure and its composition (₹ in crore)

Parameters	2015-16	2016-17	2017-18	2018-19	2019-20
Total Expenditure (TE)	87032	102382	110238	120070	114385
Revenue Expenditure (RE)	78690	91096	99948	110316	104720
Capital Expenditure (CE)	7500	10126	8749	7431	8455
Loans and Advances	842	1160	1541	2323	1210
GSDP	561994	634886	701577	781653	854689
As a percentage of GSDP					
TE/GSDP	15.49	16.13	15.71	15.36	13.38
RE/GSDP	14.00	14.35	14.25	14.11	12.25
CE/GSDP	1.33	1.59	1.25	0.95	0.99
Loans and advances/GSDP	0.15	0.18	0.22	0.30	0.14

Source: Finance Accounts of respective years

The total expenditure of the State increased by 31.43 per cent from ₹87,032 crore in 2015-16 to ₹1,14,385 crore in 2019-20. During the year, it decreased by 4.73 per cent over the previous year mainly due to decrease in revenue expenditure. As a percentage of GSDP, the total expenditure remained in the range 15 per cent to 16 per cent during 2015-16 to 2018-19 and decreased to 13.38 per cent during 2019-20.

In terms of activities, the total expenditure is composed of expenditure on General Services including Interest Payments, Social Services, Economic Services and Others. Relative share of these components in the Total Expenditure of ₹1,14,385 crore during 2019-20 is given in **Table 2.17**.

Table 2.17 : Relative share of various sectors of expenditure (in per cent)

Parameters	2015-16	2016-17	2017-18	2018-19	2019-20
General Services	41.76	40.44	41.54	42.50	48.66
Social Services	32.91	34.24	33.82	33.31	30.72
Economic Services	19.88	18.83	16.71	14.85	14.26
Others(Grants to Local Bodies and Loans and Advances)	5.45	6.49	7.93	9.34	6.36

Source: Finance Accounts of respective years

Chart 2.9 : Total Expenditure - Trends in share of its components

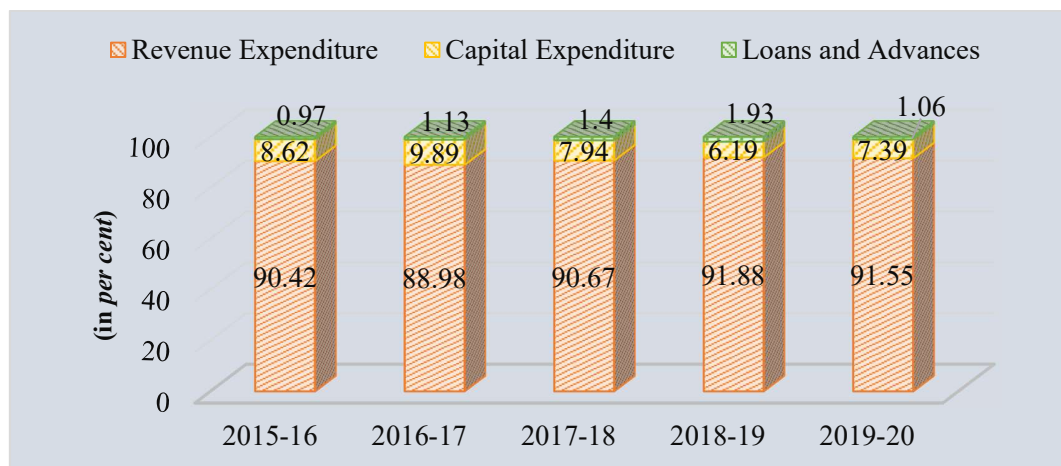
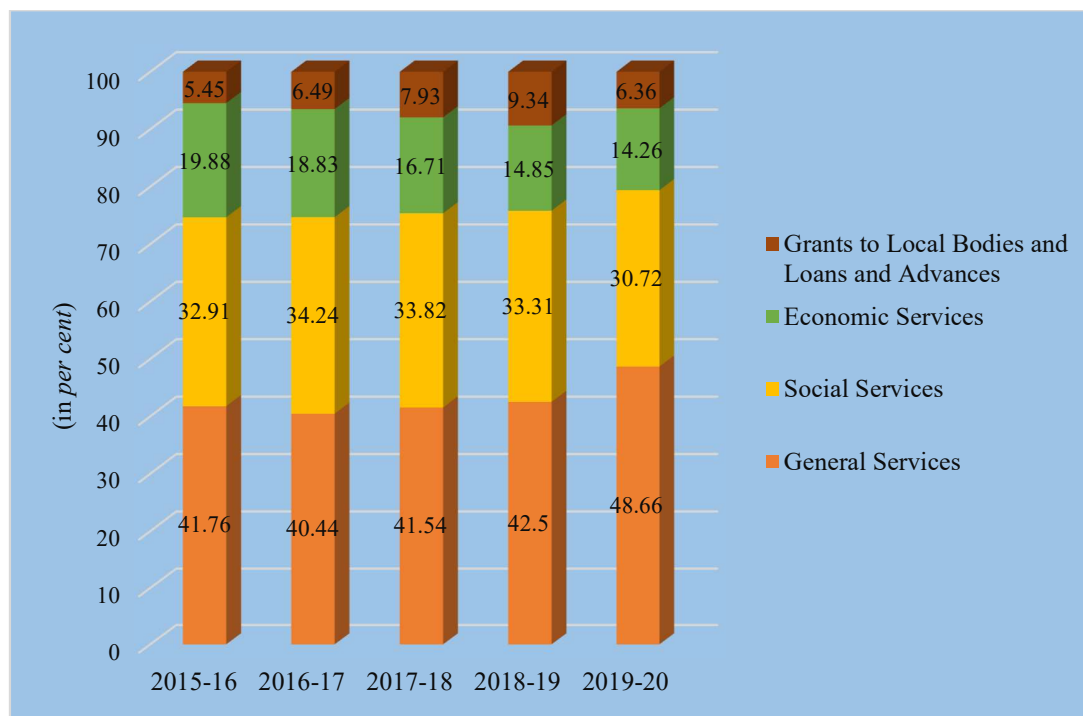
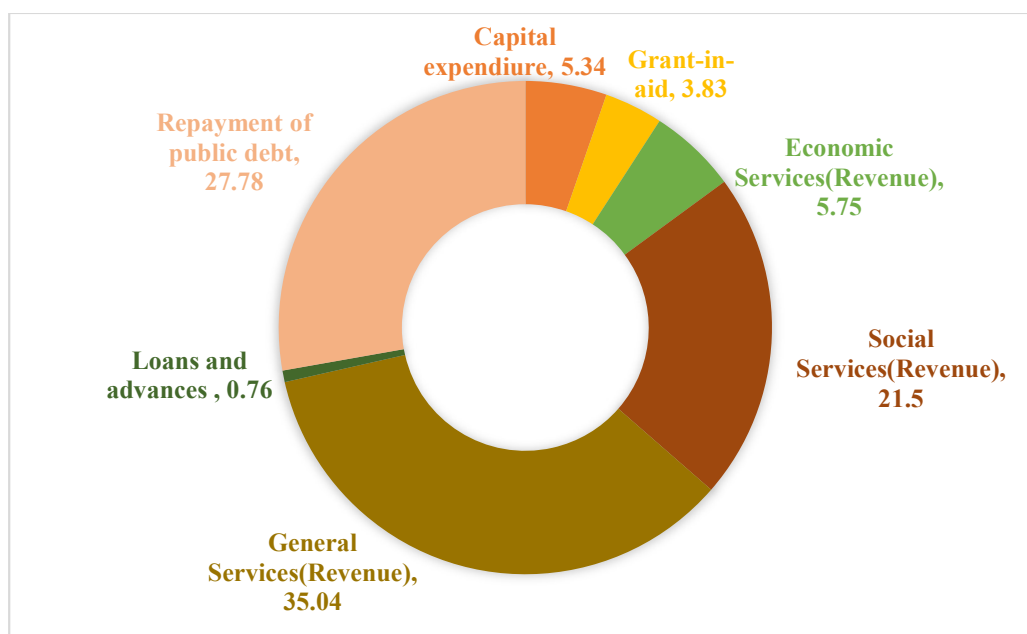


Chart 2.10 : Total Expenditure - Expenditure by activities



- The Capital expenditure of the State increased from 6.19 per cent in 2018-19 to 7.39 per cent in 2019-20.
- While relative share of General Services in total expenditure increased, share of Social Services and Economic Services decreased during 2019-20 when compared to 2018-19.

Chart 2.11 : Pie Chart for the composition of expenditure (in percentage)



2.4.2 Revenue Expenditure

Revenue expenditure is incurred to maintain the current level of services and payment for the past obligation. As such, it does not result in any addition to the State's infrastructure and service network.

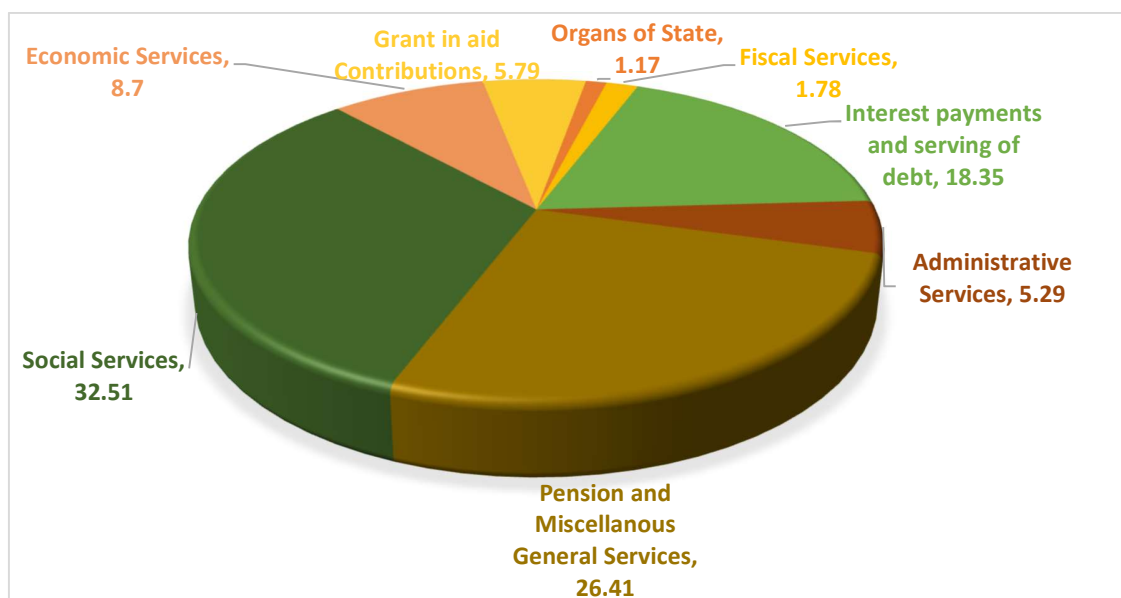
The overall Revenue Expenditure, its rate of growth, its ratio to Total Expenditure and buoyancy *vis-a-vis* GSDP and Revenue Receipts are indicated in **Table 2.18** and the sectoral distribution of Revenue expenditure pertaining to 2019-20 is given in **Chart 2.12**.

Table 2.18: Revenue expenditure – basic parameter (₹ in crore)

Particulars	2015-16	2016-17	2017-18	2018-19	2019-20
Total Expenditure(TE)	87032	102382	110238	120070	114385
Revenue expenditure (RE)	78690	91096	99948	110316	104720
Rate of Growth of RE(per cent)	9.68	15.77	9.72	10.37	-5.07
Revenue expenditure as percentage to TE	90.42	88.98	90.67	91.88	91.55
RE/GSDP(per cent)	14.00	14.35	14.25	14.11	12.25
RE as percentage of RR	113.99	120.48	120.39	118.81	116.07
Buoyancy of Revenue Expenditure with					
GSDP(ratio)	1.00	1.22	0.93	0.91	-0.54
Revenue Receipts(ratio)	0.51	1.65	0.99	0.88	1.79

Source: Finance Accounts of respective years

Chart 2.12 : Sector-wise distribution of revenue expenditure (in percentage)



- The expenditure pattern of the State revealed that though the rate of growth of revenue expenditure decreased (-5.07 per cent) in the current year, it hovered around 88 to 91 per cent during the period (2015-20) leaving inadequate resources for creation of assets.
- The share of Revenue expenditure in total expenditure decreased from 91.88 per cent in 2018-19 to 91.55 per cent in 2019-20 indicating a meagre improvement in priority assigned for capital expenditure during the year.
- The Revenue receipts were not sufficient to meet its revenue expenditure during the year. The State had to resort to borrowed funds for meeting the revenue expenditure which is not a good indicator of a prudent fiscal path.
- There was increase under General Services by 9.20 per cent (₹4,676.90 crore) and significant decrease under Social Services by 10.90 per cent (₹4,166 crore) and under Economic Services by 26.43 per cent (₹3,272 crore) compared to the previous year.
- The buoyancy of revenue expenditure with reference to GSDP however, decreased and turned negative to (-) 0.54 during 2019-20 due to decrease in the rate of growth of revenue expenditure as compared to increase in the rate of growth of GSDP.

2.4.2.1 Major Changes in Revenue Expenditure

Table 2.19 details significant variation (₹100 crore and above) under various Heads of Account with regard to Revenue Expenditure of the State during the current year and the previous year.

Table 2.19: Variations in Revenue Expenditure during 2019-20 compared to 2018-19
(₹ in crore)

Major Head of Account	2018-19	2019-20	Increase (+)/ Decrease(-)
2049 Interest Payments	16747.92	19214.70	+2466.78
2075 Miscellaneous General Services	6528.68	8590.35	+2061.67
2210 Medical and Public Health	6279.50	6742.42	+462.92
2015 Elections	72.01	191.68	+119.67
2245 Relief on account of Natural Calamities	3133.76	221.47	-2912.29
3604 Compensation and Assignments to Local Bodies and Panchayati Raj Institutions	8898.72	6063.87	-2834.85
3054 Roads and Bridges	2343.77	1404.90	-938.87
2401 Crop Husbandry	1774.66	931.04	-843.62
2225 Welfare of Scheduled Castes, Scheduled Tribes, Other Backward Classes and Minorities	2554.93	1942.68	-612.25
2230 Labour, Employment and Skill Development	1266.99	714.47	-552.52
2202 General Education	17607.26	17151.38	-455.88
2851 Village and small industries	544.14	316.73	-227.41
2505 Rural Employment	345.53	170.10	-175.43
2501 Special Programmes for Rural Development	263.97	101.05	-162.92
2408 Food, Storage and Warehousing	1349.11	1190.81	-158.30
2435 Other Agricultural Programmes	392.57	255.20	-137.37

Source: Finance Accounts of respective years

Reasons for major variations in Revenue Expenditure is as detailed:

- Increase under the head Interest payment is mainly due to increase in interests on Market Loans, other Savings Deposits, Insurance & Pension fund, State Provident Funds, Small Savings, Provident Funds etc. This was partly offset by decrease under Interest on other Internal Debts and Interest on State Plan Loans Consolidated in terms of recommendations of the XII Finance Commission.
- Increase in Miscellaneous General Services is mainly due to increase under Other Expenditure and State Lotteries.
- The decrease in expenditure under Relief on account of Natural Calamities is mainly due to decrease under the sub head 'Transfer to Reserve Funds and Deposit Accounts-State Disaster Response Fund'.
- Compensation and Assignments to Local Bodies and Panchayati Raj Institutions decreased mainly due to decrease under the head 'Other Miscellaneous Compensations and Assignments'.

- Decrease under the head Roads and Bridges is due to decrease under the sub heads 'General', 'Transfer to Reserve Funds/ Deposit Accounts under 'Roads of Inter State or Economic importance', 'District and Other Roads', 'State Highways' and 'National Highways'.
- Decrease under the head Crop Husbandry due to decrease under the sub heads 'Scheme of Small/Marginal Farmers and Agricultural Labour, 'Other Expenditure', 'Extension of farmers training, 'Horticulture and vegetable crops' and 'Food Grain Crops'.
- Decrease under the major head '2225' was due to decreased expenditure under 'Welfare of Scheduled Castes', 'Welfare of Backward Classes', 'Welfare of Scheduled Tribes', 'Welfare of Minorities'.
- Decrease under the head Labour, Employment and Skill Development was due to decrease in expenditure under 'Labour' and 'Employment Service' however this was partly offset by increase under 'Training'.

2.4.2.2 Committed Expenditure

The committed expenditure of the State Government on revenue account consist of interest payments, expenditure on salaries and wages and pension. It has first charge on Government resources. Though the KFR Act, 2003 prescribes that there should be a Revenue Surplus, it is challenging to achieve it, given that a large proportion of Revenue Expenditure goes into committed items like Salaries and wages, interest payments and pension.

Table 2.20 presents the trends in the components of committed expenditure during 2015-16 to 2019-20. Percentage of component wise committed expenditure in Revenue Expenditure and the balance revenue expenditure during 2015-16 to 2019-20 is given in **Chart 2.13**.

Table 2.20: Components of Committed Expenditure (₹ in crore)

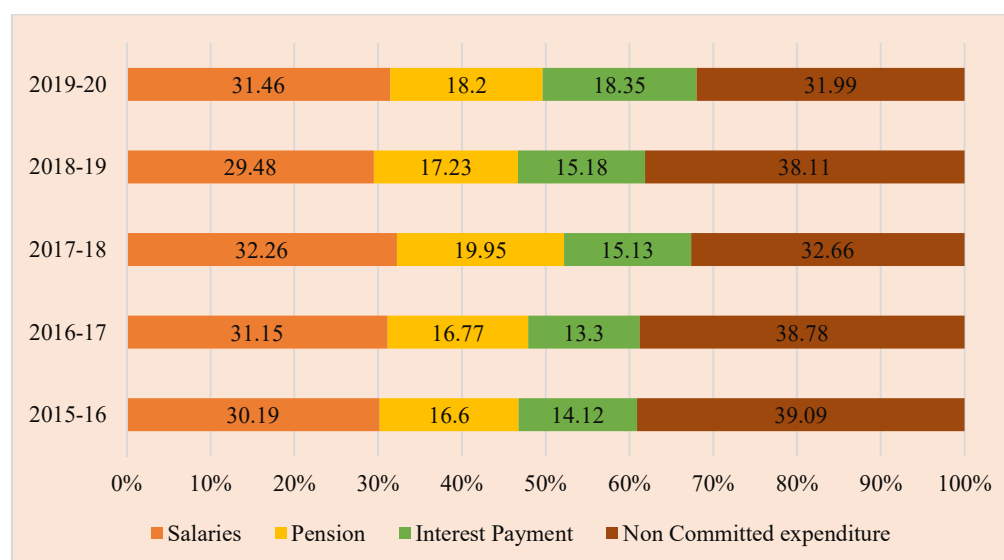
Components of Committed Expenditure	2015-16	2016-17	2017-18	2018-19	2019-20
Salaries & Wages*	23757	28373	32243	32521	32942
Expenditure on Pensions	13063	15277	19938	19012	19064
Interest Payments	11111	12117	15120	16748	19215
Total	47931	55767	67301	68281	71221
As a percentage of Revenue Receipts (RR)					
Revenue Receipts(RR)	69033	75612	83020	92854	90225
Salaries & Wages	34.41	37.52	38.84	35.02	36.51
Expenditure on Pensions	18.92	20.20	24.02	20.48	21.13
Interest Payments	16.10	16.03	18.21	18.04	21.30
Total	69.43	73.75	81.07	73.54	78.94

Components of Committed Expenditure	2015-16	2016-17	2017-18	2018-19	2019-20
As a percentage of Revenue Expenditure (RE)					
Revenue expenditure (RE)	78690	91096	99948	110316	104720
Salaries & Wages	30.19	31.15	32.26	29.48	31.46
Expenditure on Pensions	16.60	16.77	19.95	17.23	18.20
Interest Payments	14.12	13.30	15.13	15.18	18.35
Total	60.91	61.22	67.34	61.90	68.01

Source: Finance Accounts

*Salaries include teaching grant paid to aided educational institutions like schools and colleges to meet the salaries of their teaching and non-teaching staff.

Chart 2.13: Share of Committed expenditure in total Revenue Expenditure



Committed expenditure constituted over 68 *per cent* of the revenue expenditure of the State in 2019-20, while it accounted for over 78 *per cent* of the revenue receipts during the year. As a percentage of revenue expenditure, the committed expenditure showed an upward trend from 2015-16 to 2017-18 though it decreased in 2018-19 there was an increase in the year 2019-20. An increasing trend in the committed expenditure leaves the Government with lesser flexibility for development sector.

Salaries and wages

Expenditure on Salaries & wages and its share in the Revenue Expenditure shows an increasing trend from 2015-16 to 2017-18, though it decreased to 29.48 *per cent* in 2018-19, it increased to 31.46 *per cent* in 2019-20.

Interest Payments

Interest payments increased from ₹11,111 crore in 2015-16 to ₹ 19,215 crore in 2019-20. Interest payments increased by 14.73 *per cent* in 2019-20 over the previous year due to increased interest liability of ₹1,164 crore on market loans. During 2019-20, interest payment on market loans was 58.08 *per cent* of the total interest payments while interest on Small Savings, Provident Fund etc stood at 30.64 *per cent* of the total interest payments. The expenditure on interest payment as percentage of revenue receipts increased from 16.10 *per cent* in 2015-16 to 21.30 *per cent* in 2019-20.

Pensions

The expenditure during the year on pension and other retirement benefits to State Government employees was ₹19,064 crore (18.20 *per cent* of Revenue Expenditure) showing an increase of ₹52 crore when compared to ₹19,012 crore for the year 2018-19.

2.4.2.3 Undischarged liabilities in National Pension System

The Government of India introduced the Defined Contribution Pension Scheme namely ‘National Pension System’ to its employees recruited after 01 January 2004. The Government of Kerala introduced the National Pension System(NPS) applicable to all new entrants joining to State Government Service on or after 01 April 2013.

As per the guidelines of the Scheme, the employee contributes 10 *per cent* of his basic pay and dearness allowance every month which is matched by the State Government. Both employees’ and employer’s contribution are initially transferred to the Public Account (Major Head 8342-117- Defined Contribution Pension Scheme). The State Government has the responsibility to deposit the entire amount to the designated fund manager through National Securities Depository Limited (NSDL)/Trustee Bank.

During the year 2019-20, an amount of ₹835.38 crore (₹417.69 crore on account of Government’s contribution including backlog contribution of ₹42.72 crore and ₹417.69 crore as share of employee contribution including backlog contribution of ₹42.72 crore) was credited to MH 8342-117 Defined Contribution Pension Scheme. Out of total balances of ₹835.65 crore, the State Government transferred/ remitted ₹835.31 crore to NSDL, leaving a balance of ₹0.34 crore under the head of account as on 31 March 2020.

The interest outstanding to the Fund since its inception has not been estimated. Uncollected, unmatched and untransformed amounts, with accrued interest, represent outstanding liabilities under the New Pension Scheme.

2.4.2.4 Subsidies

Expenditure on subsidies decreased by 14.07 per cent from ₹1,663 crore in 2018-19 to ₹1,429 crore in 2019-20. The subsidies as a percentage of both Revenue Receipts and Revenue Expenditure shows a decreasing trend in the past four years. In absolute terms, the expenditure on payment of Subsidies decreased by ₹234 crore during the year when compared to the previous year as detailed in **Table 2.21** below.

Table 2.21 : Expenditure on subsidies during 2015-2020

(₹ in crore)

	2015-16	2016-17	2017-18	2018-19	2019-20
Subsidies	1372	1731	1584	1663	1429
Revenue Receipts	69033	75612	83020	92854	90225
Revenue Expenditure	78690	91096	99948	110316	104720
Subsidies as a percentage of Revenue Receipts	1.99	2.29	1.91	1.79	1.58
Subsidies as a percentage of Revenue Expenditure	1.74	1.9	1.58	1.51	1.36

Source: Finance Accounts of respective years

The main items of subsidies given during the year 2019-20 included Ration Subsidy (₹579.03 crore), Paddy Procurement through Kerala State Civil Supplies Corporation and Other Agencies (₹466.22 crore), Grant to Kerala State Civil Supplies Corporation Limited for market intervention operations (₹130.66 crore), Interest Subsidy to KURDFC towards the loan availed from HUDCO for the implementation of Life-Parppida Mission (₹50.81 crore).

2.4.2.5 Financial assistance to Local Bodies and Other Institutions

The assistance provided by the Government as grants and loans to local bodies, educational institutions, Government companies, Welfare Fund Boards, etc., during the current year relative to the previous years is presented in **Table 2.22**.

Table 2.22: Financial assistance to local bodies, educational institutions, etc.

(₹ in crore)

Financial Assistance to Institutions	2015-16	2016-17	2017-18	2018-19	2019-20
(A) Local Bodies					
Municipal Corporation and Municipalities	1405.77	2756.55	3178.62	3287.46	2296.24
Panchayati Raj Institutions	7767.62	7775.98	11335.87	10426.56	5711.11
Total (A)	9173.39	10532.53	14514.49	13714.02	8007.35
(B) Others					

Financial Assistance to Institutions	2015-16	2016-17	2017-18	2018-19	2019-20
Educational Institutions (Aided Schools, Aided Colleges, Universities etc)	8409.89	9602.98	16511.23	11532.60	11410.11
Development Authorities	5.91	14.73	20.91	16.93	6.51
Hospital and Other Charitable Institutions	407.60	812.18	686.29	696.91	256.47
Other Institutions	2104.35	2927.71	3196.28	5526.36	2511.83
Total (B)	10927.75	13357.6	20414.71	17772.8	14184.92
Total (A +B)	20101.14	23890.13	34929.20	31486.82	22192.27
Revenue Expenditure	78690	91096	99948	101316	104720
Assistance as percentage of Revenue Expenditure	26	26	35	29	21

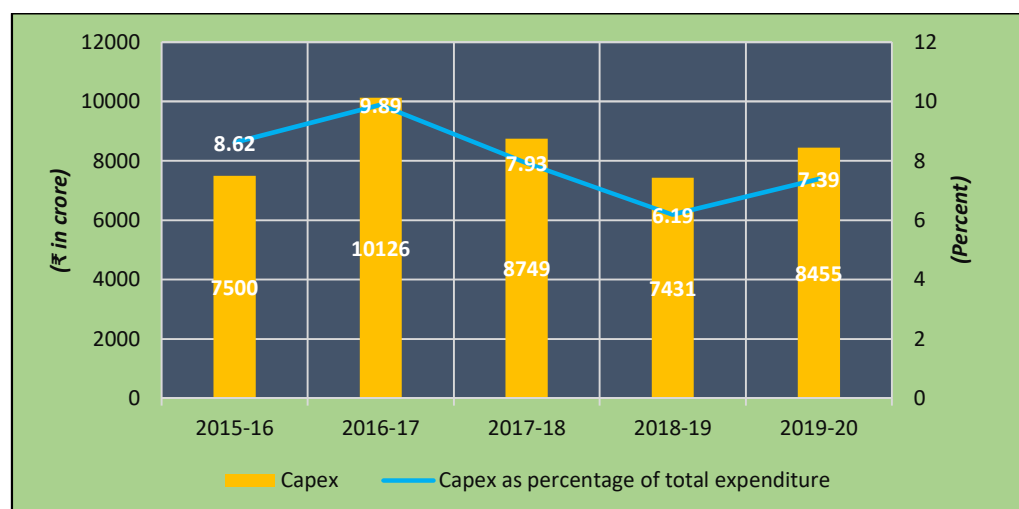
Source: Finance Accounts of respective years

The financial assistance to local bodies and other institutions decreased from ₹31,486.82 crore in 2018-19 to ₹22,192.27 crore in 2019-20. The table above shows that the percentage of assistance with reference to revenue expenditure was 21 *per cent* during 2019-20. Substantial decrease was noticed in the release of Grants in respect of Educational institutions and Zilla Parishads and Other Panchayat Raj Institutions during 2019-20 compared to the previous year.

2.4.3 Capital Expenditure

Capital Expenditure includes primarily expenditure on creation of fixed infrastructure assets, such as buildings, roads, bridges etc.

Chart 2.14: Capital expenditure in the State



The Capital Expenditure constituted 7.39 *per cent* of the total expenditure for the year 2019-20, showing an increase of 1.20 *per cent* when compared to the year

2018-19 (6.19 per cent) and a decrease of 1.23 per cent to the year 2015-16 (8.62 per cent).

The capital expenditure of the State increased by 13.78 per cent (₹1,024 crore) during the year. The increase was mainly under the Economic Services Sector (32.28 per cent). The expenditure in the Social Services sector decreased by 38.87 per cent and in the General Services sector decreased by 20.48 per cent.

2.4.3.1 Major changes in Capital Expenditure

Significant variations under various Heads of Account with regard to capital expenditure of the State during the current year and the previous year is given in the **Table 2.23**.

Table 2.23: Capital expenditure during 2019-20 compared to 2018-19

Major Heads of Account	2018-19	2019-20	(₹ in crore)
			Increase (+)/ Decrease(-)
5475 Capital Outlay on Other General Economic Services	1611.40	2217.22	605.82
4515 Capital Outlay on other Rural Development Programmes	316.95	916.32	599.37
5053 Capital Outlay on Civil Aviation	-220.00	238.17	458.17
5054 Capital Outlay on Roads and Bridges	1846.63	2302.80	456.17
4215 Capital outlay on Water Supply and Sanitation	538.94	271.58	-267.36
4202 Capital Outlay on Education, Sports, Art and Culture	472.66	311.15	-161.51
5051 Capital Outlay on Ports and Light Houses	163.08	60.40	-102.68
4235 Capital Outlay on Social Security and Welfare	121.14	29.82	-91.32

Source: Finance Accounts of respective years

Out of the total capital expenditure of ₹8,455 crore, 53 per cent was incurred on Capital Outlay on Roads and Bridges (27 per cent) and Other General Services sectors (26 per cent) followed by 11 per cent on Other Rural Development Programmes.

2.4.3.2 Quality of Capital Expenditure

This section presents an analysis of investments and other capital expenditure undertaken by the Government.

Quality of Investments in the Companies, Corporations and other bodies

In the post-Fiscal Responsibility and Budget Management framework, the State is expected to keep its fiscal deficit (and borrowings) not only at low levels but also meet its capital expenditure/investment (including loans and advances) requirements from its own sources of revenue. In addition, in a transition to complete dependence on market-based resources, the State Government is required

to initiate measures to earn adequate returns on its investments and recover its cost of borrowed funds rather than bearing the same on its budget in the form of implicit subsidies. This section presents the broad financial analysis of investments and other capital expenditure undertaken by the Government during the current year *vis-à-vis* previous years.

As per Finance Accounts 2019-20, the State Government had invested ₹8,881.70 crore in three Statutory Corporations, 117 Government Companies, 40 Joint Stock Companies and various co-operatives.

The average rate of return on these investments was 1.42 *per cent* in the last five years while the rate of interest paid by the Government on its borrowings during 2015-16 to 2019-20 is 7.58 *per cent*.

Table 2.24: Return on investments

Investment/Return/Cost of Borrowings	2015-16	2016-17	2017-18	2018-19	2019-20
Amount of Investment (₹ in crore)	6733.85	7240.03	8211.47	8322.38	8881.70
Return (₹ in crore)	90.23	96.37	126.48	132.12	100.33
Return (<i>per cent</i>)	1.34	1.33	1.54	1.59	1.13
Average rate of interest on Government borrowing (<i>per cent</i>) ¹³	7.35	6.92	7.48	7.34	7.58
Difference between interest rate and return (<i>per cent</i>)	6.01	5.59	5.94	5.75	6.45

Source: Finance Accounts of respective years

Progressive expenditure on investments was increased by ₹12.50 crore under Government companies and decreased by ₹27.48 crore (due to proceeds of retirement of share capital transferred to capital receipts) under Co-operative banks and societies.

Table 2.25 : Investment made in companies, whose net worth is completely eroded
(₹ in crore)

Company/Corporation	Net worth as on	Investment made during the year	Cumulative investment as on 31 March 2020
Meat Products of India Limited	-21.83	0.34	1.82
The Kerala State Cashew Development Corporation Limited	-798.94	14.70	506.04
Total		15.04	

Source: Data collected from commercial audit wing and Finance Accounts

¹³ Interest Received/(Amount of previous year's Fiscal Liabilities + Current year's Fiscal liabilities)/2)*100

During 2019-20, State Government invested ₹110 crore in Statutory Corporation, ₹145.60 crore in Government Companies, ₹238.16 crore in Joint Stock Company and ₹55.53 crore in Co-operative Banks and Societies.

Nine out of 18 Government Companies in which an amount of ₹292.68 crore was invested during the year are loss making. The total investment of the Government upto 31 March 2020 in these nine loss making Companies is ₹2,276.53 crore. Details of investments made in loss making companies is given in Table 2.26 below.

Table 2.26: Investments made in loss making companies (₹ in crore)

Corporations/Companies	Loss after tax and interest	Year of accounts	Investment made during 2019-20	Cumulative investment as on 31.03.2020
Kerala Tourism Development Corporation limited	7.35	2014-15	4.58	117.6
The Kerala State Development Corporation for Scheduled Caste and Scheduled Tribes Limited	6.21	2017-18	21.40	192.58
The Kerala State Film Development Corporation Limited	0.63	2015-16	2.00	55.38
Kerala Shipping and Inland Navigation Corporation Limited	1.15	2017-18	3.00	66.67
Kerala State Development Corporation for the Welfare of Christian Converts from Scheduled Castes and the Recommended Communities limited	0.35	2012-13	7.00	67.05
Meat Products of India Limited	3.75	2016-17	0.34	1.82
Vision Varkala Infrastructure Development Corporation Limited	0.35	2017-18	1.50	12.23
Kannur International Airport Limited	0.52	2015-16	238.16	1257.16
The Kerala State Cashew Development Corporation Limited	0.35	2017-18	14.70	506.04
Total			292.68	2276.53

Source: Data collected from commercial audit wing and Finance Accounts

If the State Government keeps on making investments in loss making government companies there are no chances of return on investment. Investment made in Companies which are loss making and those where net worth is completely eroded, affect quality of capital expenditure.

Irregular booking of investment made by the Government

The State Government released ₹15 crore to Indian Institute of Information Technology -Kerala, (IIIT-K) for the construction of building and infrastructure development of permanent campus. The fund was released with an instruction to IIIT-K, to issue share certificate to the State Government for the whole up-to date paid up capital. The amount drawn as additional authorisation was booked under the head of account 4859-02-004-97 - Research and Development instead of 4859-

02-190-94 -Investment in Public Sector Undertakings. As per Notes to Accounts, no reply was furnished by the State Government on the matter cited.

Loans and Advances by the State

In addition to investments in Statutory Corporations, Government Companies, Joint Stock Companies and Co-operative Societies, the Government also provides loans and advances to these institutions. Table 2.27 presents the status of loans and advances disbursed, repayments and interest received *vis-à-vis* interest paid by the State Government on its borrowings during 2015-2020.

Table 2.27: Quantum of loans disbursed and recovered during five years
(₹ in crore)

Quantum of Loans disbursed and recovered	2015-16	2016-17	2017-18	2018-19	2019-20
Opening Balance of loans outstanding	12320 ¹⁴	13010	13877	15163 ¹⁵	16557 ¹⁶
Amount advanced during the year	842	1160	1541	2323	1210
Amount recovered during the year	152	292 ¹⁷	351	211 ¹⁸	295 ¹⁹
Closing Balance of the Loans Outstanding	13010	13878	15067	17275	17472
Net addition	690	868	1190	2112	915
Interest received	32	31	38	41	51
Interest rate on loans and Advances given by the Government ²⁰ (in per cent)	0.25	0.23	0.26	0.25	0.30
Rate of Interest paid on the Outstanding borrowings of the Government (in per cent)	7.35	6.92	7.48	7.34	7.58
Difference between the rate of interest paid and interest received (per cent)	7.25	6.69	7.22	7.09	7.28

Source: Finance Accounts of the respective years

Interest received against these loans remained less than one *per cent* during the period 2015-16 to 2019-20 and was 0.30 *per cent* during 2019-20 as against the average cost of borrowings of 7.58 *per cent* during the year. The table indicated that State borrowings were more expensive than the loans advanced by it.

The table also shows that the total outstanding loans and advances increased from

¹⁴ Difference of ₹12 crore with reference to previous year's closing balance was on account of *pro forma* adjustments vide footnote (q) of Statement no.18 of Finance Accounts 2015-16.

¹⁵ Difference of ₹96 crore with reference to previous year's closing balance was on account of *pro forma* adjustments vide footnote (p) of Statement no.18 of Finance Accounts 2018-19.

¹⁶ Difference of ₹718 crore with reference to previous year's closing balance was on account of *pro forma* adjustments vide footnote (q) of Statement no.18 of Finance Accounts 2019-20

¹⁷ Includes ₹126 crore being the irrecoverable loans written off.

¹⁸ Includes ₹0.40 crore being the irrecoverable loans written off

¹⁹ Includes ₹0.30 crore being the irrecoverable loans written off

²⁰ Interest Received/(Opening balance + Closing balance of Loans and Advances)/2)*100

₹17,275 crore in 2018-19 to ₹17,472 crore in 2019-20. Of the total loans advanced during the year (₹1,210 crore), ₹1,189 crore was advanced for economic services, ₹seven crore was advanced for social services, and ₹14 crore was advanced for Miscellaneous purposes and Government Servants. Loans advanced under social services were used for Self-employment scheme for the registered unemployed widows/deserted /divorced/ unmarried woman and unwedded mother. Of the loans advanced under economic services ₹989 crore was provided to Kerala State Road Transport Corporation.

Further, of the total loans advanced during the year (₹1,210 crore), loans amounting ₹1,196 crore were disbursed by the Administrative Departments or Finance Department without setting terms and conditions for repayments of loans and rate of interest payable.

Capital locked in incomplete projects

As per Finance Accounts for the year 2019-2020 there are, 295 capital works, each valuing ₹one crore or more, were incomplete on which an expenditure of ₹1,301.53 crore had been incurred. Age-wise and Department-wise details of incomplete projects are given in **Table 2.28** and **Table 2.29** respectively.

Table 2.28: Age profile of incomplete projects as on 31 March 2020

(₹ in crore)

Year of Commencement	No. of Incomplete projects	Estimated Cost	Expenditure as on 31 March 2020
Prior to 2010	10	72.72	68.57
2010	14	71.63	52.96
2011	8	46.26	34.28
2012	10	56.04	39.96
2013	16	187.98	171.14
2014	14	464.82	314.86
2015	28	191.75	134.39
2016	73	512.09	273.07
2017	70	397.34	148.77
2018	51	254.51	63.53
2019	1	1	0
Total	295	2256.14	1301.53

Source: Finance Accounts of respective years

Table 2.29: Department-wise profile of incomplete projects as on 31 March 2020
(₹ in crore)

Department	No. of Incomplete projects	Estimated Cost	Expenditure as on 31 March 2020
Public Works Department –(Roads including National Highway)	143	887.73	453.77
Public Works Department-(Buildings)	93	348.93	175.43
Public Works Department-(Bridges)	36	577.07	382.21
Irrigation Department-(Irrigation and Minor Irrigation Works)	18	404.89	245.35
Harbour Engineering Department	5	37.51	44.77
Total	295	2256.14	1301.53

Source: Finance Accounts

Physical progress of the projects as on 31 March 2020 ranged between five to 99 per cent. There was delay ranging from one to 29 years in completion of 295 projects/works and this would result in time overrun and cost overrun, and deprive the State of the intended benefits for prolonged periods.

Implementation of Ujwal Discom Assurance Yojana (UDAY)

The Ministry of Power (MoP), Government of India launched (20 November 2015) Ujwal DISCOM Assurance Yojana (UDAY Scheme) for financial turnaround of Power Distribution Companies (DISCOMs).

With an objective to improve the operational and financial efficiency of the State DISCOMs, a tripartite Memorandum of Undertaking (MoU) was executed between Ministry of Power (GoI), concerned State Government and State Power Distribution Companies. This scheme facilitated State Governments to take over 75 per cent of DISCOM's outstanding debt over a period of two years.

The outstanding debt of the DISCOMs was taken over in the form of equity, loan and grant/subsidy. The loan extended to DISCOMs under UDAY has to be converted into grant and equity in the subsequent three years. Accordingly, the States have to convert loan into equity and subsidy.

In Kerala, a tripartite Memorandum of Understanding (MoU) amongst Ministry of Power, Government of India, Government of Kerala (GoK) and Kerala State Electricity Board Limited (KSEBL) in order to improve operational efficiency was entered into on 15 March 2017. The measures to be taken by KSEBL included activities for improving operational efficiency, and to enable sustainable operations of KSEBL. The MoU did not envisage financial turnaround package.

2.4.3.3 Investments in Government Companies/ Corporations and budgetary support

The State Public Sector Undertakings (SPSUs) in Kerala which consists of State Government Companies and Statutory Corporations are established to carry out

activities of commercial nature keeping in view the welfare of the people. The GoK has a financial stake in these companies which is mainly in the form of:

- Share Capital and Loans : Share capital contribution and financial assistance by way of loans
- Special financial support : Budgetary support by way of grants and subsidies.
- Guarantees : For repayment of loans with interest availed by the SPSUs from financial institutions.

It also occupies important place in the State's economy as the turnover (₹31,507.00 crore²¹) of these PSUs was about 4.03 per cent of the GSDP of the State for 2018-19.

The figures in respect of equity, loans and guarantees outstanding as per the records of the SPSUs should agree with that of the figures appearing in the Finance Accounts of the State. In case the figures do not agree, the PSUs concerned and the Finance Department should carry out reconciliation of the differences. The position in this regard as on 31 March 2019 is given in **Table 2.30**.

Table 2.30: Equity, loans and guarantees outstanding as per Finance Accounts vis-à-vis records of SPSUs

(₹ in crore)

Sl. No.	Outstanding in respect of	Amount as per		Difference
		Finance Accounts	SPSUs	
1	Equity	5,702.64	9,248.93	(-) 3,546.29
2	Loans	9,105.53	6,629.35	2,476.18
3	Guarantees	17,451.90	17,415.39	36.51

Source: Compiled based on information received from PSUs and Finance Accounts.

There were differences in respect of one Power Sector PSU and 117 Other than Power Sector PSUs. The major differences were observed in nine²² companies. The Government and the PSUs should take concrete steps to reconcile the differences. The details of stake of the State Government in the SPSUs are brought out in the subsequent paragraphs.

²¹ Latest finalized accounts as of September 2019.

²² **Equity:** Kannur International Airport Limited, Cochin Smart Mission Limited, Kerala Social Security Pension Limited, Kerala State Drugs and Pharmaceuticals Limited and Kerala State Road Transport Corporation.

Loans: Kerala Police Housing and Construction Corporation Limited, Roads and Bridges Development Corporation of Kerala Limited, Kerala State Beverages (Manufacturing and Marketing) Corporation Limited, Kerala Urban and Rural Development Finance Corporation Limited and Kerala State Road Transport Corporation.

(i) Share Capital in the SPSUs

As per the Report of the C&AG of India on PSUs for the year ended 2019, there are 140²³ PSUs in the State under the audit jurisdiction of the C&AG. The State Government invested ₹38,428.09 crore in these PSUs as at the end of March 2019 as furnished by PSUs in their latest finalized accounts.

However, as per the Finance Accounts, there are 110 Government Companies and Statutory Corporations where the Government has invested ₹14,808.17 crore as at the end of 2018-19.

In addition to the investments, during 2018-19, the State Government has given grants/ subsidies amounting to ₹1,305.34 crore to 32 PSUs.

(ii) Disinvestment/ Closure of SPSUs

There was no disinvestment, restructuring and privatisation by the State Government during the year 2018-19. Further, out of 16 non-working PSUs, liquidation process was initiated in respect of four PSUs.

(iii) Returns from Government Companies/ Corporations

During 2014-15 to 2018-19, the number of PSUs which earned profits ranged between 45 and 55, out of which only seven to 20 PSUs had declared dividend. During 2018-19, against the profit of ₹581.11 crore earned by these entities, ₹12.11 crore was paid by them as dividend. The dividend payment as percentage of paid up capital was very nominal and was 0.13 *per cent* during 2018-19.

The profitability of a PSU is traditionally assessed through return on investment²⁴, return on equity²⁵ and return on capital employed²⁶.

- The return on the State Government funds infused in the three Power Sector PSUs in the State ranged between (-) 8.78 *per cent* and 4.11 *per cent* during 2014-15 to 2016-17 which reduced to (-) 52.55 *per cent* in 2017-18 and to (-) 51.57 *per cent* in 2018-19.
- The return on equity in the three Power Sector PSUs was 3.66 *per cent* in the year 2014-15 and in respect of years from 2015-16 to 2018-19, the return on equity could not be worked out as net income was negative for these years. On the other hand, the return on the capital employed ranged between 0.65 *per cent* and 9.55 *per cent* during the period 2014-15 to 2018-19.
- All the PSUs other than the Power Sector had negative return on investment which ranged between (-) 25.62 *per cent* and (-) 11.28 *per cent* during 2014-15 to 2018-19.

²³ Statutory Corporations - 4, non-working Government Companies - 16, working Government Companies - 120.

²⁴ Measures the profit or loss made in a fixed year relating to the amount of money invested in the form of equity and long term loans and is expressed as a percentage of profit to total investment.

²⁵ Measure of performance calculated by dividing net profit by shareholder's funds.

²⁶ Financial ratio that measures the company's profitability and the efficiency with which its capital is used and is calculated by dividing the company's earnings before interest and taxes by capital employed.

- Similarly, the return on equity in the PSUs other than Power Sector was negative as the PSUs incurred losses in all the five years.
- The return on capital employed of the PSUs other than Power Sector ranged between 4.08 *per cent* and 7.56 *per cent* during the period 2014-15 to 2018-19.

(iv) Loss incurred by the Government Companies/ Corporations

During 2018-19, 59 working PSUs incurred loss of ₹3,656.97 crore. Out of this, one Power Sector PSU incurred an overall loss of ₹1,860.42 crore. In respect of the balance loss, the major contributor was Kerala State Road Transport Corporation (₹1,431.29 crore).

(v) Erosion of capital in SPSUs

Net worth is a measure of what an entity is worth to the owners. A negative net worth indicates that the entire investment by the owners has been wiped out by accumulated losses. As at the end of 2018-19, capital worth ₹5,580.12 crore of 55 PSUs was eroded.

While the overall net worth of three Power Sector PSUs was positive during 2014-15 to 2016-17 and was negative during 2017-18 and 2018-19, the net worth of one PSU (₹1,472.08 crore) was eroded.

Similarly, the overall net worth of PSUs other than Power Sector was positive in all the years during 2014-15 to 2018-19. However, the net worth of 54 PSUs (₹6,561.12 crore) was eroded as at 31 March 2019.

(vi) Analysis of long term loans

Assessment of the ability of the SPSUs to service the debt owned by them to the Government, banks and other financial institutions through Interest coverage ratio and Debt Turnover ratio revealed the following:

- As at 31 March 2019, out of the three Power Sector PSUs, all three had interest burden. Of these, one had interest coverage ratio of less than one.
- The debt-turnover ratio of three Power Sector PSUs had not improved as the compounded annual growth rate of turnover was less than that of debt during 2014-15 to 2018-19.
- As at 31 March 2019, 40 out of 62 PSUs had interest coverage ratio of less than one, indicating that these PSUs could not generate sufficient revenues to meet expenses on interest.
- The debt-turnover ratio of working PSUs of other than Power Sector had not improved as the compounded annual growth rate of turnover was less than that of debt during 2014-15 to 2018-19.

(vii) Accountability framework and submission of accounts by PSUs and its audit

The process of audit of Government Companies are governed by respective provisions of Section 619 of the Companies Act, 1956 and Sections 139 and 143 of

the Companies Act, 2013. The C&AG of India appoints the statutory auditors of the Government Company. Further, as per sub-section 7 of Section 143 of the Act, the C&AG may, in case of any Company covered under sub-section (5) or sub-section (7) of Section 139, if considered necessary, by an order, cause test audit to be conducted of the accounts of such Company.

The financial statements of the Government Companies are audited by Statutory Auditors, who are appointed by the CAG. These financial statements are subject to supplementary audit to be conducted by CAG within 60 days from the date of receipt of the Audit Report. However, CAG is sole auditor for four Statutory Corporations and conducts supplementary audit in respect of two Statutory Corporations.

During 2018-19, out of three PSUs under Power Sector, three accounts from three PSUs were in arrears. In respect of 121 working PSUs other than Power Sector, 271 accounts from 106 working PSUs were in arrears. The arrears ranged between 1 to 12 years. The State Government had made net investment of ₹7,455.23 crore in 63 out of 109 PSUs during the years for which accounts were not finalized. Hence, audit could not ensure on its accounting and utilization.

In the year 2019-20, the Government released an amount of ₹1,347.99 crore to 16 Public Sector Undertakings in the form of Grants and Loans. These PSUs had not finalised their accounts for the last one to six years, which was in violation of the provisions of the Companies Act, 2013. **Table 2.31** below shows the details of Grant/Loan given to PSUs whose accounts have not been finalized.

Table 2.31 : Details of Grants/Loan given to Public Sector Undertakings whose accounts have not been finalised:

Name of the PSU	Year upto which Accounts finalised	Amount of grant for the year 2019-20 (₹ in crore)	Amount of loan for the year 2019-20 (₹ in crore)
Kerala State Small Industries Development Corporation Limited	2013-14		3.50
Kerala State Bamboo Corporation Limited	2014-15		3.00
Travancore Titanium Products Limited	2015-16		2.50
Forest Industries (Travancore) Limited	2016-17		2.00
Kerala State Electronic Development Corporation Limited	2016-17		1.41
Trivandrum Spinning Mills Limited	2016-17		1.00
Kerala State Textiles Corporation Limited	2014-15		17.40

Name of the PSU	Year upto which Accounts finalised	Amount of grant for the year 2019-20 (₹ in crore)	Amount of loan for the year 2019-20 (₹ in crore)
Travancore Cements Limited	2016-17		1.82
Kerala State Poultry Development Corporation Limited	2014-15	3.35	
Kerala State Civil Supplies Corporation Limited	2015-16	3.00	
Kerala Medical Services Corporation Limited	2013-14	307.07	
Kerala State Road Transport Corporation	2014-15		987.37
Kerala Women Development Corporation	2016-17	0.33	
Kerala Livestock Development Board	2014-15	10.00	
Kerala State Handicapped Persons Welfare Corporation Limited	2014-15	3.79	
Kerala State Warehousing Corporation	2018-19		0.45
Total		327.54	1020.45

Source: Finance Accounts

2.4.4 Expenditure Priorities

Enhancing human development levels requires the States to step up their expenditure on key social services like education, health etc. Low fiscal priority (ratio of expenditure under a category to aggregate expenditure) is attached to a particular sector, if the allocation is below the respective national average. The higher the ratio of these components to total expenditure, the quality of expenditure is considered to be better.

Table 2.32 analyses the fiscal priority of the State Government with regard to Health Education and Capital Expenditure during 2015-16 and 2019-20.

Table 2.32 : Expenditure priority of the State with regards to Health, Education and Capital expenditure (in per cent)

	AE/GSDP	CE/AE	Education/AE	Health/AE
General Category States' Average (2015-16)	16.97	14.81	15.68	4.79
Kerala	15.49	8.62	16.73	5.48
General Category States' Average (2019-20)	15.15	12.97	15.91	5.21
Kerala	13.39	7.39	16.40	6.59

AE- Aggregate Expenditure, CE- Capital Expenditure,

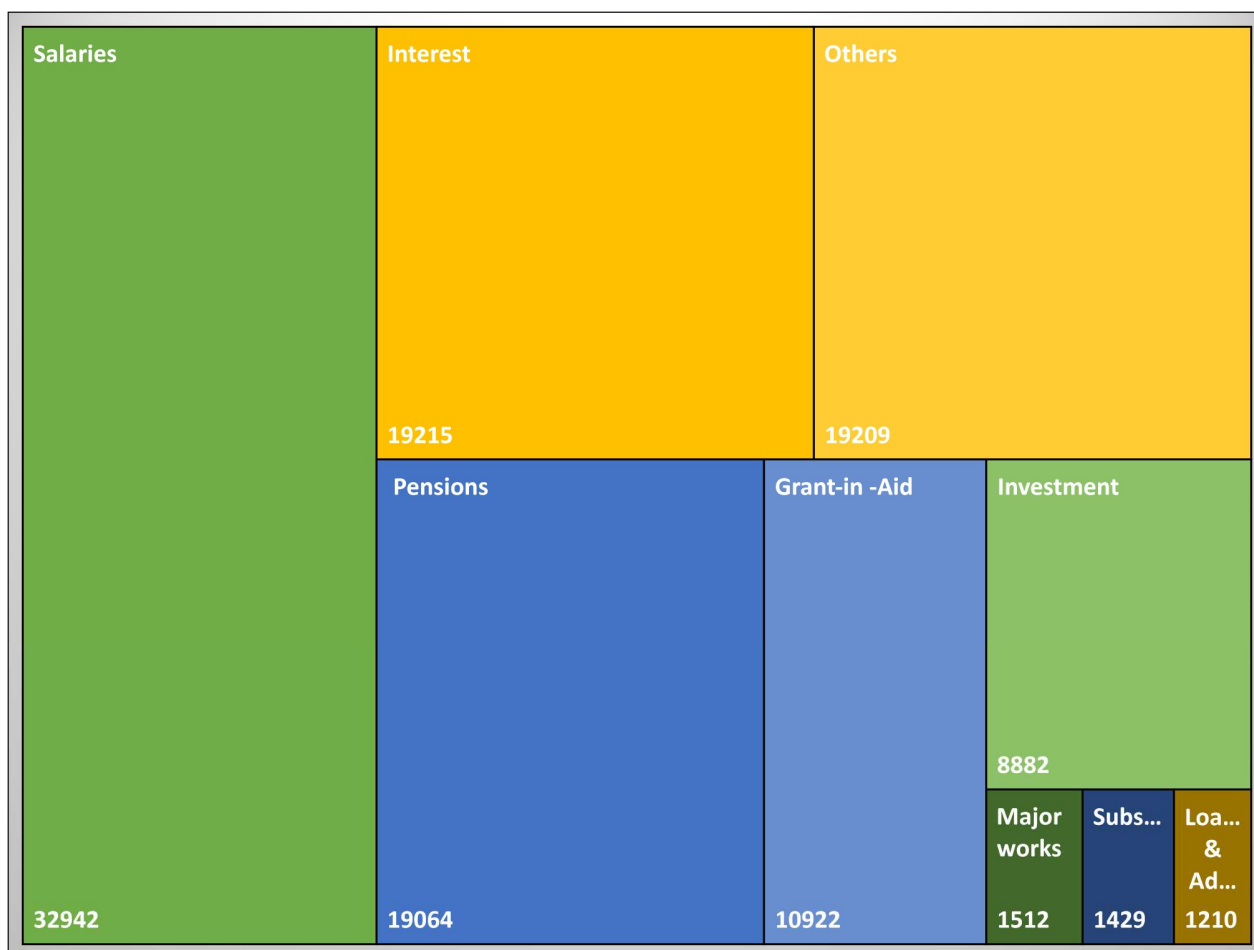
Source: Information furnished by Economic Advisor and base on Finance Accounts

The State's share of expenditure on the health and education sectors in the total expenditure was more than General Category States, but the share of capital expenditure was less than that of General Category States.

2.4.5 Object head wise expenditure

The Total Expenditure for the year 2019-20 was ₹1,14,385 crore. The **Chart 2.15** below gives information about object/ purpose of the expenditure.

Chart : 2.15 Object head wise expenditure (₹ in crore)



From above, it can be seen that expenditure on salaries and interest payments were the highest and major works constituted only 1.32 *per cent* of total expenditure.

2.5 Public Accounts

Receipts and Disbursements in respect of certain transactions such as Small Savings, Provident Funds, Reserve Funds, Deposits, Suspense, Remittances etc., which do not form part of the Consolidated Fund, are kept in the Public Account set up under Article 266(2) of the Constitution and are not subject to vote by the State Legislature. The Government acts as a banker in respect of these. The balance after disbursements during the year is the fund available with the Government for use for various purposes.

2.5.1 Net Public Account Balances

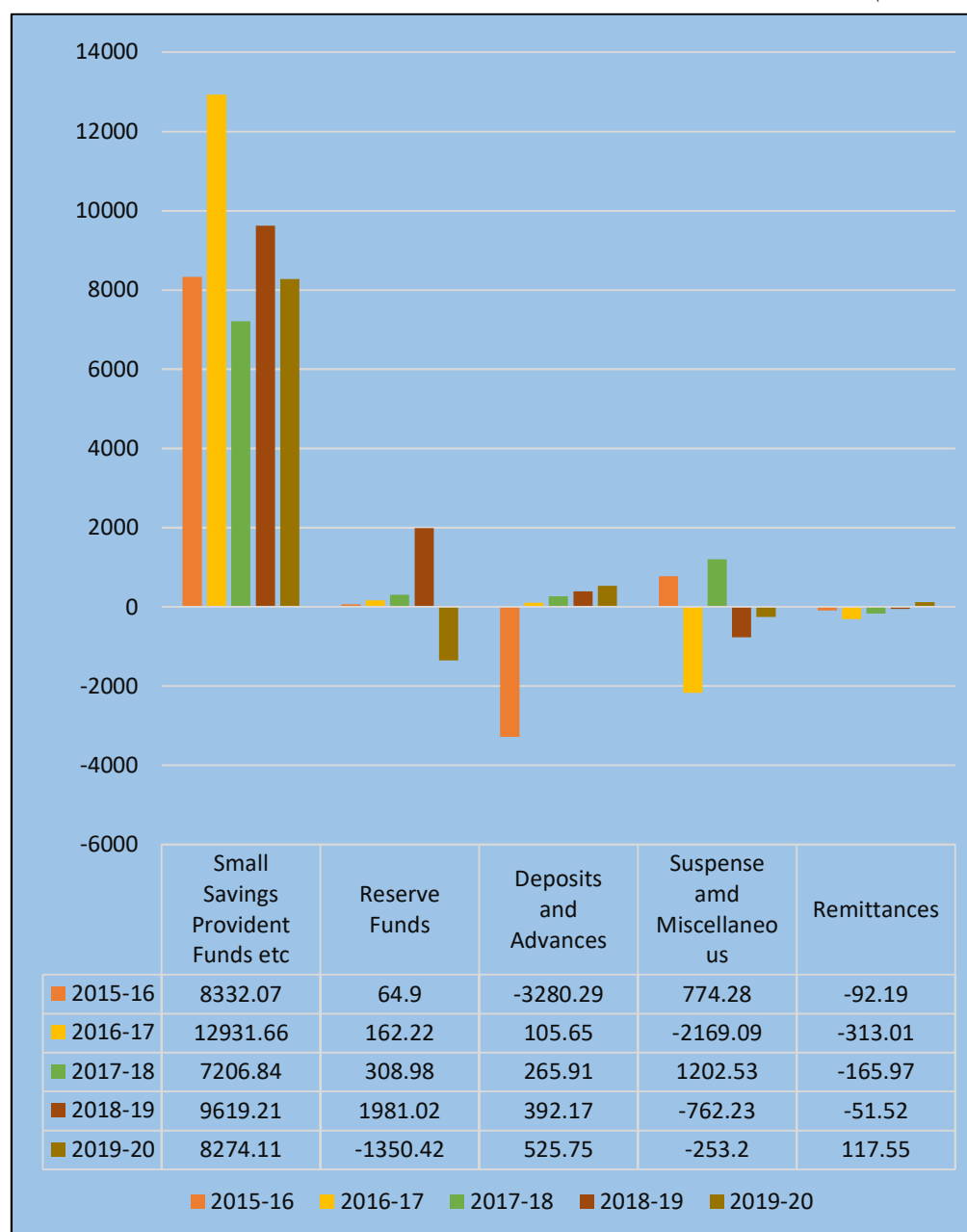
Component-wise net balances in Public Account of the State as on 31 March 2020 are shown below in **Table 2.33**.

Table 2.33 : Component-wise net balances (₹ in crore)

Sector	Sub Sector	2015-16	2016-17	2017-18	2018-19	2019-20
I. Small Savings, Provident Funds etc.	Small Savings Provident Funds	8332.07	12931.66	7206.84	9619.21	8274.11
J. Reserve Funds	(a) Reserve Funds bearing Interest	50.62	43.34	171.22	1826.90	-1478.41
	(b) Reserve Funds not bearing Interest	14.28	118.88	137.76	154.12	127.99
K. Deposits and Advances	(a) Deposits bearing Interest	0.17	1.40	-1.32	-0.30	0.23
	(b) Deposits not bearing interest	-3280.42	104.28	267.23	392.70	584.93
	(c) Advances	-0.04	-0.03	0	-0.23	-59.42
L. Suspense and Miscellaneous	(a) Suspense	296.86	-1015.96	691.76	-534.98	17.05
	(b) Other Accounts	359.92	-1153.13	510.92	-226.68	-270.19
	(c) Accounts with Government of Foreign Countries	0	0	0	0	0
	(d) Miscellaneous	117.50	0	-0.15	-0.57	-0.06
M. Remittances	(a) Money Orders, and other Remittances	-51.49	-367.34	-61.62	-90.82	35.18
	(b) Inter Governmental Adjustment Account	-40.70	54.33	-104.35	39.30	82.36
Total		5798.77	10717.43	8818.29	11178.65	7313.77

Source: Finance Accounts of respective years

Chart 2.16: Yearly changes in Composition of Public Account Balances

(*₹ in crore*)

2.5.2 Reserve Funds

Reserve funds are created for specific and defined purposes under the Public Account of the State Government. These Funds are met from contribution of grants from the Consolidated Fund of the State.

As on 31 March 2020, the State Government had 16 Reserve Funds with balances amounting to ₹3,113.86 crore. Out of these, two Reserve Funds (₹635.57 crore) are interest bearing, and 14 Reserve Funds (₹2,478.29 crore) are non-interest bearing. Five out of the 14 non-interest bearing funds had nil balance and are inoperative.

Details of Significant Reserve funds are given below:

2.5.2.1 Consolidated Sinking Fund

In line with the recommendations of the XII Finance Commission the State Government set up Consolidated Sinking Fund (CSF) with effect from the financial year 2007-2008, according to which the Fund was to be utilised as an amortisation fund for redemption of all outstanding liabilities of the Government commencing from the financial year 2012-13. The Fund was to be credited with contributions from revenue at the prescribed rate and interest accrued on investments made out of the Fund. Only the interest accrued and credited in the Fund was to be utilised for redemption of the outstanding liabilities of the Government. As per paragraph 5 of revised model scheme for the constitution and administration of the Consolidated Sinking Fund of Kerala, the rate of contribution to the Consolidated Sinking Fund was 0.50 *per cent* of the outstanding liabilities at the end of the previous year.

Against a requirement of ₹1,208.07 crore (0.50 *per cent* of the outstanding liabilities of ₹2,41,614.51 crore as on 01 April 2019), the State Government did not contribute any amount to the Fund during the year. The State Government has not made any contribution to the Fund since 2012-13.

The State Government stated that (as per Notes to Accounts) as it is continuously running in revenue deficit, the contribution to Consolidated Sinking Fund (CSF) can materialise only from borrowed funds. Government also stated that the yield on Consolidated Sinking Fund investment as against the cost of borrowings would give a negative carry and hence it is not prudent to contribute to CSF, given the high cost of borrowings. However, audit observed that non-contribution to the Consolidated Sinking Fund has reduced the reserve fund for future amortization of loan liability.

At the beginning of the year, ₹2,018.54 crore was available and with the interest received on the investment (₹166.77 crore), the outstanding balance at the end of the year was ₹2,185.31 crore. The outstanding balance is invested in GoI Securities as per the recommendations of the XII Finance Commission.

2.5.2.2 State Disaster Response Fund

Government of India (GoI) replaced the erstwhile Calamity Relief Fund with the State Disaster Response Fund (SDRF) with effect from 1 April 2010. In terms of the guidelines of the Fund, the Centre and States are required to contribute to the

Fund in the certain proportion. The contributions are to be transferred to the Public Account to Major Head-8121. Expenditure during the year is incurred by operating Major Head -2245.

The State Governments are required to pay interest to the SDRF at the rate applicable to overdrafts under overdraft Regulation Guidelines of the RBI. The interest is to be credited on a half yearly basis. The accretions to the SDRF together with the income earned on the investment of SDRF are to be invested in Central Government dated Securities, auctioned Treasury Bills and other interest earning deposits with Scheduled Commercial Banks.

The SDRF is to be used only for meeting the expenditure for providing immediate relief to the victims of a disaster and the provision for disaster preparedness, restoration, reconstruction and mitigation should not be a part of SDRF. Such expenditure has to be built into the normal budgetary heads/ State Plan Funds, etc.

The size of the Fund for Kerala for the year 2019-20 was ₹225 crore, 75 per cent (₹168.75 crore) of which was to be contributed by the Central Government and 25 per cent (₹56.25 crore) by the State Government.

During the year, an amount of ₹249.27 crore was credited to the Fund (Central share of ₹136.65 crore after adjusting excess amount of ₹32.10 crore which was released in 2018-19, ₹88.35 crore of State share and ₹24.27 crore on account of interest on uninvested balances for the years 2015-16 to 2017-18).

After setting off the expenditure for disaster relief operations to the extent of ₹1,811.64 crore, the balance in SDRF as on 31 March 2020 is ₹551.61 crore.

According to the guidelines issued by the Government of India, the accretions to SDRF are to be invested in GoI securities/ Treasury Bills/ interest earning deposits with scheduled commercial Banks by the State Executive Committee constituted for the management of the fund. However, this was not done till date.

2.5.2.3 Guarantee Redemption Fund

As per recommendations of the XII Finance Commission, the State Government is required to constitute '*Guarantee Redemption Fund*' for meeting the payment obligations arising out of the guarantees issued by the Government in respect of bonds issued and other borrowings by the State Public Sector Undertakings or other Bodies and invoked by the beneficiaries. The accumulations in the Fund are to be utilised only towards payment of the guarantees issued by the Government and not paid by the institutions on whose behalf guarantee was issued.

However, Government of Kerala has not established Guarantee Redemption Fund. The Fund is to be operated outside the State Government account and administered by the Reserve Bank of India. Under the guidelines, the State Government is required to make minimum annual contribution of 0.50 per cent of outstanding guarantee at the beginning of the year. The amount to be contributed by the State Government in the Fund during the year is ₹134.17 crore.

In terms of the Kerala Ceiling on Government Guarantees Act, 2003 the guarantee commission received annually are to be transferred to the Public Account and these contributions shall form the corpus of the Guarantee Redemption Fund (GRF) under Public Account of the State. As the State Government has not constituted GRF as per para 6 of the Kerala Ceiling on Government Guarantees Act, 2003 and RBI guidelines, Guarantee commission amounting to ₹1,250.59 crore collected during 2003-04 to 2019-20 (this includes ₹150.80 crore for the year 2019-20) had not been credited to the Fund but treated as non-tax revenue and used for meeting the revenue expenditure of Government. Non-crediting of guarantee commission collected to the GRF resulted in understatement of revenue expenditure to that extent.

State Government replied (April 2021) that fund rules for constitution of Guarantee Redemption Fund is in the final stages and would be notified shortly. As and when the Guarantee Redemption Fund is constituted, immediate action will be taken to credit the commission in the fund.

2.5.2.4 Non discharge of Interest liability on Reserve Funds and Deposits

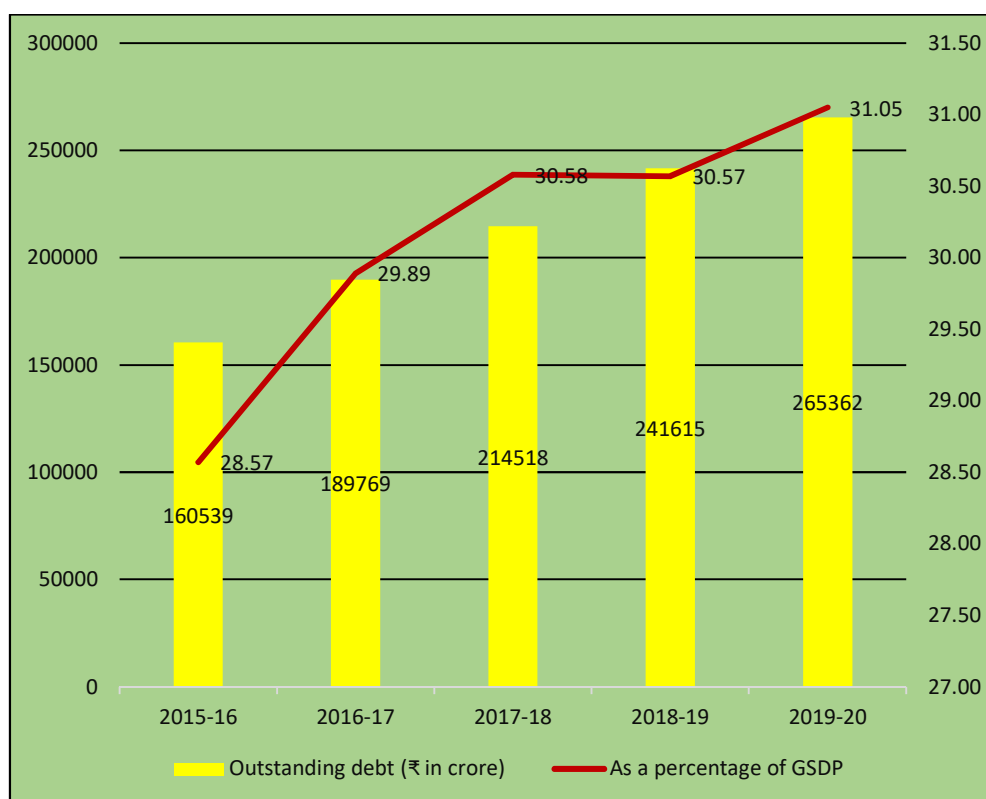
The interest liabilities in respect of Reserve Funds bearing interest and Deposits bearing interest under sectors J and K respectively of the Public Accounts are annual liabilities that the State Government is required to discharge. An amount of ₹24.27 crore was adjusted during the year towards the arrears of interest payable by Government on the uninvested balances for the earlier years from 2015-16 to 2017-18 under State Disaster Response Fund (SDRF). However, the State Government has not made any Budget provision/ adjustments of ₹144.32 crore for interest on the uninvested SDRF amount (as per interest rate applicable to overdraft) during the year 2019-20. Consequent to the non-provision/non-payment of interest, Revenue Expenditure was understated by ₹144.32 crore.

The State Government replied (April 2021) that the interest portion of ₹171.85 crore pertaining to the uninvested balances of SDRF for the years 2018-19 and 2019-20 has been transferred to the SDRF by placing it in the Supplementary Demands for Grants(SDG) of January 2021. However the fact remains that the Revenue Expenditure was understated by ₹144.32 crore during the year 2019-20.

2.6 Debt Management

Debt management is the process of establishing and executing a strategy for managing the Government's debt in order to raise the required amount of funding, achieve its risk and cost objectives, and to meet any other sovereign debt management goals that the Government may have set through enactment or any other annual budget announcements.

Chart 2.17: Trend of Overall Debt



2.6.1 Debt Profile: Components

Total debt of the State Government typically constitutes of Internal debt of the State (market loans, ways and means advances from RBI, special securities issued to National Small Savings Fund and loans from financial institutions, etc.), loans and advances from the Central Government, and Public Account Liabilities. The details relating to total debt received, repayment of debt ratio of debt to GSDP and the actual quantum of debt available to the State during the five-year period 2015-2020 are given in the **Table 2.34**.

Table 2.34: Component wise debt trends

(₹ in crore)

	2015-16	2016-17	2017-18	2018-19	2019-20	
Outstanding Overall Debt	160539	189769	214518	241615	265362	
Public Debt	Internal Debt	102496	118269	135500	150992	165960
	Loans from GoI	7235	7614	7484	7243	8680
Liabilities of Public Account	50808	63886	71534	83380	90722	
Rate of growth of outstanding overall debt (percentage)	13.10	18.21	13.04	12.63	9.83	

	2015-16	2016-17	2017-18	2018-19	2019-20
Gross State Domestic Product (GSDP)	561994	634886	701588	790302	854689
Debt/GSDP (<i>per cent</i>)	28.57	29.89	30.58	30.57	31.05
Total Debt Receipts	75063	89787	120228	146499	183509
Total Debt Repayments	56471	60557	95478	119403	159761
Total Debt Available	18592	29230	24750	27096	23748
Debt Repayments/Debt Receipts (<i>percentage</i>)	75.23	67.45	79.41	81.50	87.06

Source: Finance Accounts of respective years

Total outstanding liabilities of the State grew from ₹1,60,539 crore in 2015-16 to ₹ 2,65,362 crore in 2019-20. In 2019-20, the outstanding liabilities grew at 9.83 *per cent* over the previous year. It comprised internal debt of ₹1,65,960 crore (63 *per cent*), public account of ₹90,722 crore (34 *per cent*) and loans and advances from GoI of ₹ 8,680 crore (three *per cent*). The internal debt largely composed of market loans (₹1,42,336 crore) and special securities issued to NSSF (₹17,396 crore). Component wise break-up of debt is shown below in **Chart 2.18**.

Chart : 2.18 Component wise breakup of debt

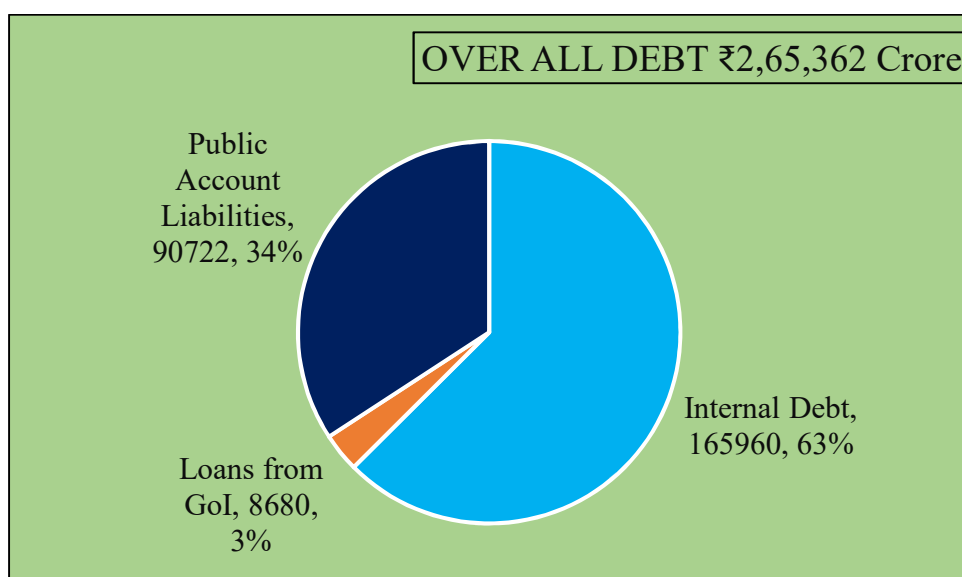
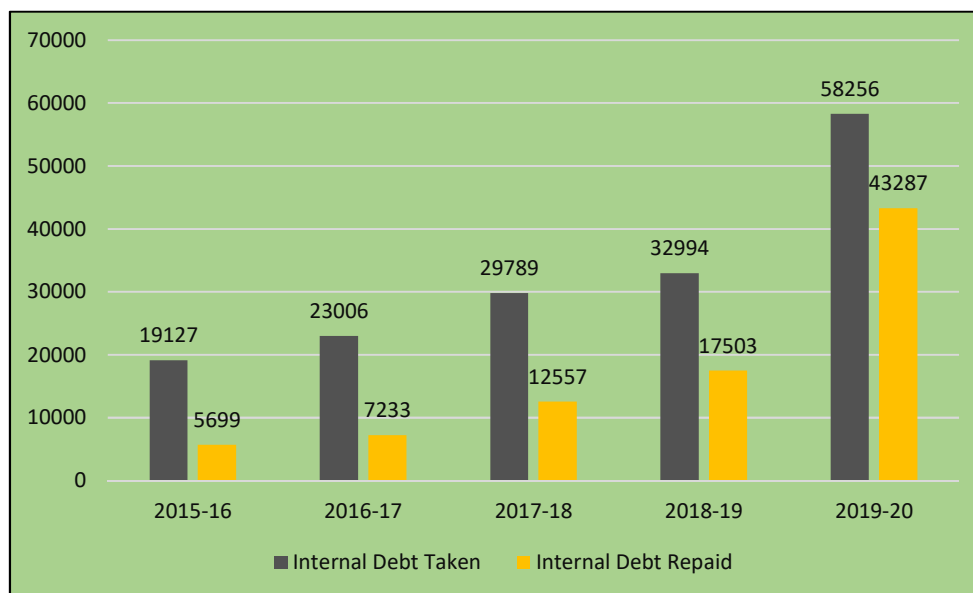


Chart: 2.19 Internal debt taken vis-a vis repaid*(₹ in crore)*

Components of Fiscal deficit and its financing patterns

The financing pattern of the fiscal deficit had undergone a compositional shift as reflected in **Chart 2.20** and **Table 2.35**. The receipts and disbursements under the components of financing the fiscal deficit during the year 2019-20 are given in **Table 2.36**.

Chart: 2.20 Component wise debt trends (₹ in crore)

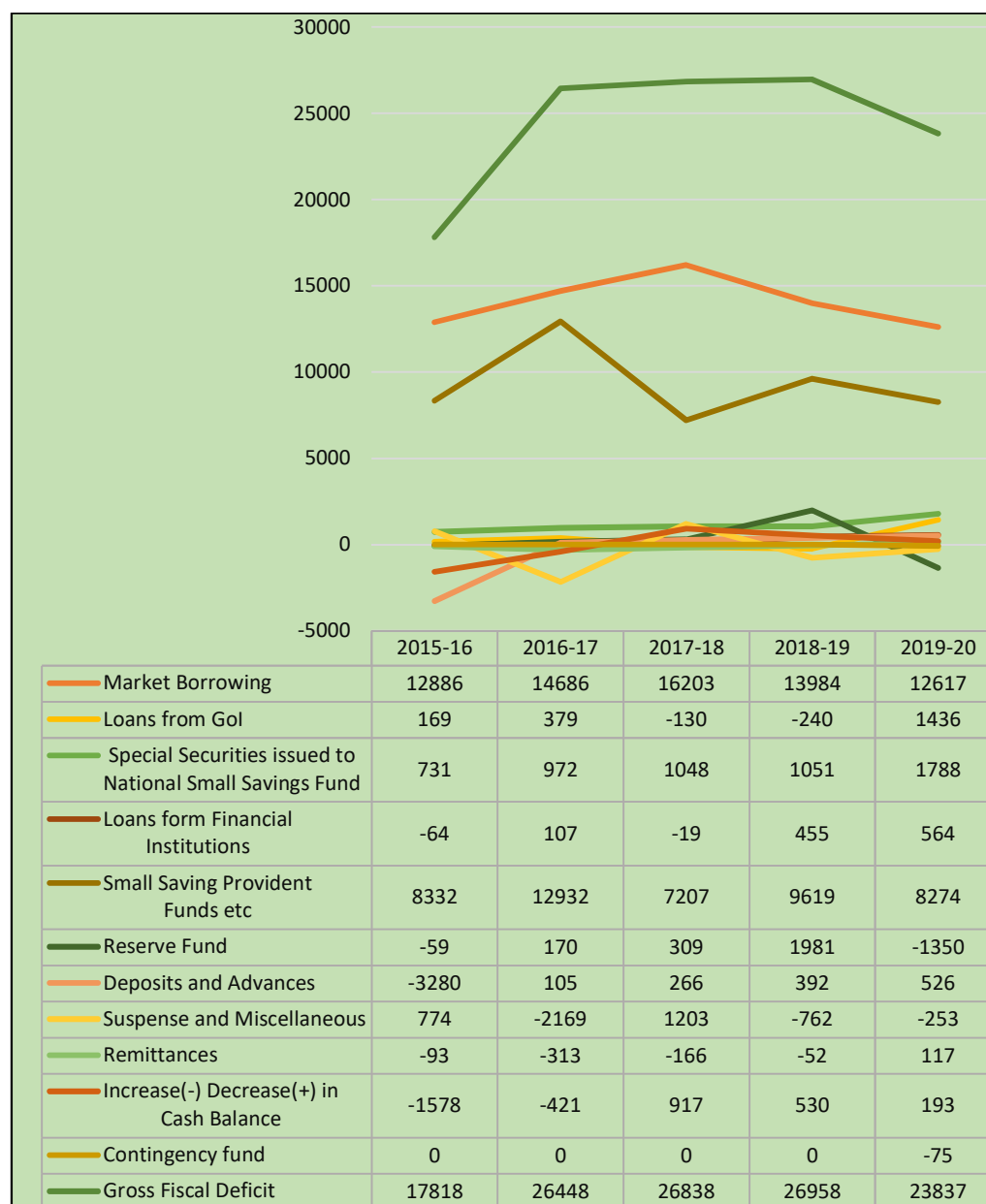


Table 2.35: Components of Fiscal Deficit and its financing pattern (₹ in crore)

Particulars	2015-16	2016-17	2017-18	2018-19	2019-20
Composition of Fiscal Deficit					
Revenue Deficit	9657	15484	16928	17462	14495
Net Capital Expenditure	7472	10096	8720	7384	8427
Net Loans and Advances	689	868	1190	2112	915
Total	17818	26448	26838	26958	23837
Financing Pattern of Fiscal Deficit					
Market Borrowing	12886	14686	16203	13984	12617
Loans from GoI	169	379	-130	-240	1436
Special Securities issued to National Small Savings Fund	731	972	1048	1051	1788
Loans form Financial Institutions	-64	107	-19	455	564
Small Saving Provident Funds etc.	8332	12932	7207	9619	8274
Reserve Fund	-59	170	309	1981	-1350
Deposits and Advances	-3280	105	266	392	526
Suspense and Miscellaneous	774	-2169	1203	-762	-253
Remittances	-93	-313	-166	-52	117
Contingency fund	0	0	0	0	-75
Overall Deficit	19396	26869	25921	26428	23644
Increase(-)Decrease(+) in Cash Balance	-1578	-421	917	530	193
Gross Fiscal Deficit	17818	26448	26838	26958	23837

Source: Finance Accounts of respective years

Table 2.36: Receipts and Disbursement under components financing the fiscal deficit (₹ in crore)

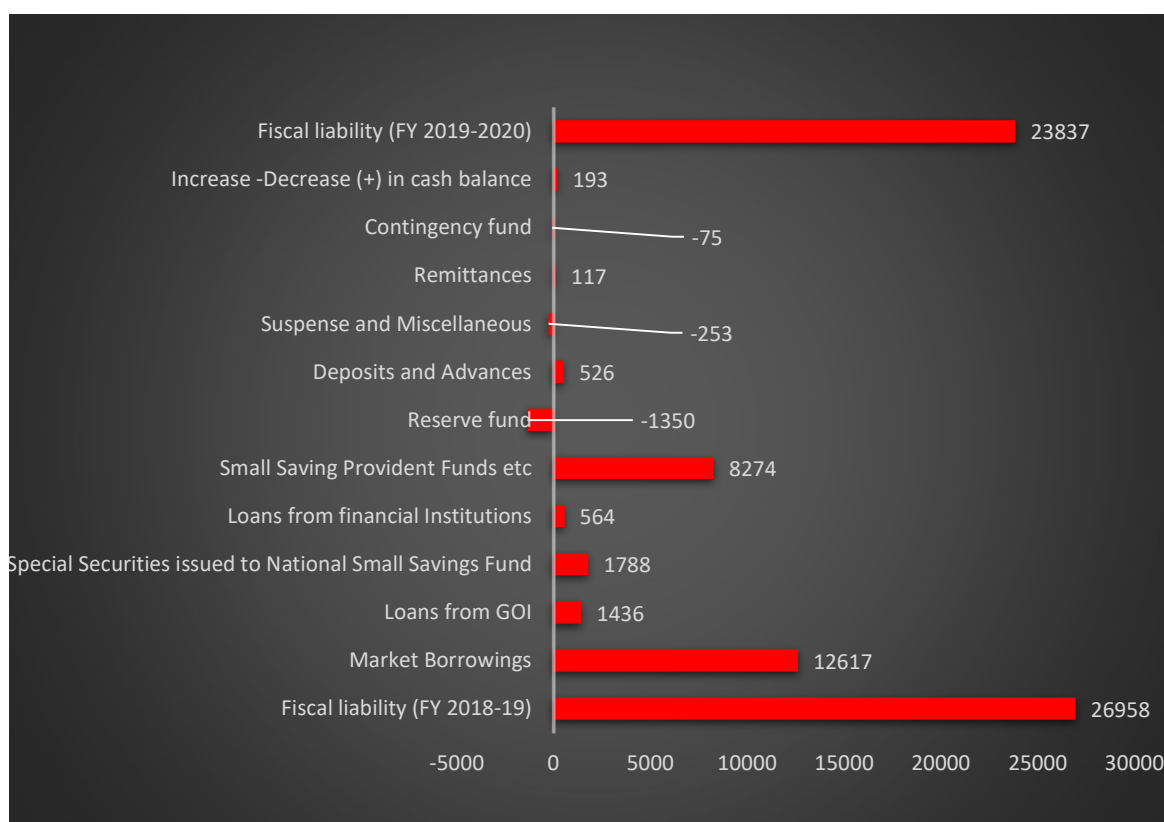
Particulars	Receipts	Disbursement	Net
Market Borrowing	18073	5456	12617
Loans from GoI	2150	714	1436
Special Securities issued to National Small Savings Fund	3294	1506	1788
Loans form Financial Institutions	36889	36325	564
Small Saving Provident Funds etc.	118983	110709	8274
Reserve Fund	515	1865	-1350
Deposits and Advances	3209	2683	526
Suspense and Miscellaneous	137056	137309	-253
Remittances	2025	1908	117
Contingency fund	0	75	-75
Overall Deficit	322194	298550	23644
Increase(-)Decrease(+) in Cash Balance	2203	2010	193
Gross Fiscal Deficit	324397	300560	23837

Source: Finance Accounts

During 2019-20, the State Government raised ₹18,073 crore as market loans at a weighted average interest rate of 7.43 *per cent*, loans amounting to ₹637.14 crore from National Bank for Agriculture and Rural Development, ₹3,294.29 crore from National Small Savings Fund at an interest rate of 8.20 *per cent* and ₹164.63 crore from National Cooperative Development Corporation at interest rates of 10.36 *per cent* to 11.20 *per cent*. The State Government also received loan amounting to ₹324 crore from Punjab National Bank during the year by transferring the principal portion of outstanding House Building Advance granted to State Government employees. The State Government also received loans amounting to ₹ 2,150 crore from the Government of India during the year.

Chart 2.21 Financing of Fiscal deficit expressed through a flow chart

(₹ in crore)



The above Tables and Charts reveal that, during the year, market borrowings and net accretions in Public Account, mainly Small savings and Provident Funds etc., are the main sources of the State Government to finance the fiscal deficit like previous years. The net market borrowings (₹12,617 crore) and net accretions in Small savings, Provident Fund etc. (₹8,274 crore) contributed to financing 87.64 *per cent* of the fiscal deficit of the State Government.

2.6.2 Off-budget borrowings

The borrowings of the State Government are governed by Article 293(1) of the Constitution of India, under which the State Governments can borrow money within the territory of India upon security of the Consolidated Fund of the State. The limits on such borrowings are regulated under Article 293(3) of the Constitution of India under which the State must obtain prior consent of the Government of India (GoI) to raise any loan. The State Government is, therefore, required to furnish to GoI, the financial statements showing the estimates of receipts and repayments of all sources of borrowings including open market borrowings, other liabilities arising out of Public Account transfers, etc. based on which the GoI gives the consent for raising loans and fixes the borrowing ceiling for the State Government. GoI had fixed Net Borrowing of the State for 2019-20 in line with the recommendations of Finance Commission at three *per cent* of the estimated GSDP in April 2019. Thereafter, in February 2020, GoI allowed an additional borrowing of ₹1,471 crore in 2019-20 to the State as onetime special dispensation, beyond the State's eligibility of three *per cent* of estimated GSDP.

Off-budget borrowing refers to use of those financial resources by the State Government for meeting expenditure requirements in a particular year or years, which are not reflected in the budget for that year or those years, for seeking grant/appropriation. Hence, these off-budget borrowings remain outside Legislative control. They are financed through State Government owned or controlled public sector enterprises or departmental commercial undertakings, which raise the resources through market borrowings on behalf of the State Government. However, the State Government has to repay and service the debt from its budget.

Audit noticed instances where the State Government of Kerala resorted to off-budget borrowing through statutory body/ State Government Company viz. Kerala Infrastructure Investment Fund Board (KIIFB) and Kerala Social Security Pension Limited (KSSPL) amounting to ₹1,930.04 crore and ₹6,843.65 crore respectively for financing its capital as well as revenue spending during the year 2019-20. These two entities borrow funds for financing various Government Schemes and Government projects, the expenditure on which are not disclosed in the budget or in the Finance Accounts of the State. In terms of revenue spending, off-budget borrowing was used for financing social security pension schemes including welfare pensions through borrowings by KSSPL. In terms of capital spending, off-budget borrowing was used for financing critical and large infrastructure projects in the State through borrowings by KIIFB.

Off-budget borrowing for capital spending being resorted through KIIFB

The Kerala Infrastructure Investment Fund Board (KIIFB) is a statutory body constituted (November 1999) and controlled by the State Government under the Kerala Infrastructure Investment Fund (KIIF) Act, 1999 to manage the Kerala Infrastructure Investment fund with the objective of providing investment for critical and large infrastructure projects in Kerala.

Every year the State Government sets apart petroleum cess and a share of Motor Vehicle Tax (MVT) collected to KIIFB through regular budget provision under capital account. As per section 8 of the KIIF (Amendment) Act, 2016, the share of MVT to be paid is 10 per cent for the first year (2016-17) and increased by 10 per cent every year up to 50 per cent of the tax in the fifth year. The State Government has set apart ₹5,572.85 crore to KIIFB as petroleum cess and share of MVT till 2019-20 as shown in the **Table 2.37** given below.

Table 2.37: Details of funds received from State Government. (₹ in crore)

Head of account	2016-17	2017-18	2018-19	2019-20	Total
5475-00-115-97- Share of KIIFB from cess on petrol and diesel	448.10	421.19	501.82	550.00	1921.11
5475-00-115-98- Share of KIIFB from Motor Vehicle Tax	281.43	621.45	1098.86	1650.00	3651.74
Grand Total	729.53	1042.64	1600.68	2200.00	5572.85

Source: Details furnished by KIIFB

In addition to petroleum cess and share of Motor Vehicle Tax, the State Government had also provided additional funds as Corpus fund under Major Infrastructure Development Projects and Technical Assistance Fund as shown in **Table 2.38** given below.

Table 2.38 : Details of additional funds received from State Government.

Head of account	2015-16	2016-17	2017-18	2018-19	2019-20	Total
3475-00-800-96 Technical Assistance Fund	-	-	58.25	15.89	-	74.14
5475-00-800-92 Major Infrastructure Development Projects	873.85	1624.56	-	-	-	2498.41
Grand Total	873.85	1624.56	58.25	15.89	-	2572.55

Source: Details furnished by KIIFB

KIIFB had incurred an expenditure of ₹5,014.17 crore for various Government approved infrastructure projects till 2019-20, which are not disclosed in the budget

or in the accounts of the State. KIIFB borrowed/ raised funds amounting to ₹5,036.61 crore from financial institutions till 2019-20 and paid interest amounting to ₹353.21 crore till 2019-20 on these borrowings as shown in the **Table 2.39** given below.

Table 2.39 : Details of funds raised/ borrowed by KIIFB (₹ in crore)

Name of institution from where funds borrowed	Borrowed Amount			Amount Repaid	
	2017-18	2018-19	2019-20	Principal	Interest
Masala Bond	-	2150.00	-	-	209.25
NABARD	100.80	100.00	364.20	19.38	12.15
SBI	-	300.00	500.00	-	42.59
UBI	-	250.00	250.00	-	33.23
Indian Bank	-	200.00	300.00	-	39.95
Syndicate Bank	-	-	200.00	-	9.80
Corporation Bank	-	-	150.00	-	1.03
KIIFB Bonds to KSFE Pravasi Chitty	-	5.77	109.26	-	4.55
Loans from Kerala Non-resident Keralites-Welfare Board	-	-	56.58	-	0.66
Total	100.80	3005.77	1930.04	19.38	353.21

Source: Details furnished by KIIFB

The repayment of liabilities is however by utilising petroleum cess and share of Motor Vehicle Tax received each year from Government. Thus, even though repayment of borrowed amount and its interest are being financed through Government revenue, the Government's financial documents do not reflect these borrowings.

In response to audit findings, the State Government replied that the borrowings of KIIFB are not off-budget borrowings of the State, and that the liabilities raised through KIIFB are contingent liabilities as the borrowings of KIIFB are limited to the provisions of KIIF Act relating to earmarked share of MVT and Petroleum cess from the State budget. It was also stated that the records and statements of KIIFB are laid before the Legislature and hence the borrowings of KIIFB have legislative approval.

The reply is not tenable, as KIIFB has no revenue of its own and the State Government has to defray the debt obligations of KIIFB by transferring its own revenue resources on a regular basis through State budget as provided under KIIF Act. Merely, because these repayment obligations are provided in the Act does not detract from the fact that the liabilities of KIIFB are a direct charge on the Government's own revenue resources and are thus direct liability of the State Government. The contention of State Government that the records and statements of KIIFB are laid before the Legislature and hence the borrowings of KIIFB has legislative approval is also not tenable as the borrowings and expenditure of KIIFB are not included in the State's budget documents for the vote of Legislature as exercised under Article 203(2) of the Constitution of India.

In the exit conference, Audit suggested the Government to consider the inclusion of the disclosure of the details of the off-budget borrowings done through various agencies of the State Government in the Budget and Accounts. It was informed by the Government that the process of bringing into the budget documents, the borrowings which were not getting into budget documents but being reported in the Legislature, will be considered.

Off budget borrowing for revenue spending being resorted through KSSPL

Kerala Social Security Pension Limited (KSSPL) is a wholly owned Government Company constituted as per Government of Kerala order GO(MS) No. 232/2018/Finance of 26 June 2018, under Finance Department with the objective of improving the disbursement of various Social Security Pensions including welfare pensions in the State. KSSPL was registered and incorporated on August 2018 at ROC (Registrars of Companies)-Ernakulam (Kerala) with Corporate Identification Number (CIN)²⁷ U66030KL2018SGC054259, with its registered office at Room No. 400 in Finance Department, Government of Kerala, Secretariat Building, Thiruvananthapuram.

State Government had issued orders (June 2018) to transfer funds to KSSPL through State Budget every year and to transfer the funds received from GoI under National Social Assistance Programme (NSAP). Accordingly, State Government transferred funds amounting to ₹2,200 crore till 2019-20 to KSSPL through State Budget as shown in the **Table 2.40** given below.

Table 2.40 : Details of funds received from State Government. (₹ in crore)

Head of Account	2018-19	2019-20	Total
4235-02-190-94 Share Capital Investment in Kerala Social Security Pension Limited	100	Nil	100
2235-60-102-89 Assistance to Kerala Social Security Pension Limited	Nil	2100	2100
Total	100	2100	2200

Source: Finance Accounts and DAA of respective years

KSSPL was constituted by the State Government to carry on the business as a Special Purpose Vehicle (SPV) for disbursement of various Social Security Pensions including Welfare pensions being disbursed by the State Government, in line with disbursement calendar notified by the Government of Kerala (GoK) from time to time. The required funds are to be provided by GoK through its budgets along with the funds received from GoI under NSAP or any other Welfare Pension Scheme. The additional funds required to meet the liquidity requirements are to be raised by the Company through other sources in the form of Deposits, Loan or other instruments from Public Sector Undertaking (PSU), other institutions or from the public at large. However, all the repayment liabilities pertaining to the disbursement of Social Security Pensions and other expenses of the company be met by the GoK through budget every year. Audit observed that KSSPL had borrowed / raised

²⁷ Corporate Identification Number or CIN is a unique identification number which is assigned by the ROC (Registrar of Companies) of various states under the MCA (Ministry of Corporate Affairs).

funds amounting to ₹13,662.47 crore from three State Government Companies/ Institutions viz. Kerala State Beverages Corporation Limited (KSBCL), Kerala State Financial Enterprises Limited (KSFE) and Primary Co-operative Societies Consortium for Security Pensions (PCSCSP) upto 2019-20, out of which ₹6,843.65 crore pertains to the year 2019-20 as shown in the **Table 2.41** given below.

Table 2.41: Details of funds raised/ borrowed by KSSPL. (₹ in crore)

Name of institution from which funds borrowed	Borrowed Amount		Total
	2018-19	2019-20	
Kerala State Beverages Corporation Limited	1000	2000	3000
Kerala State Financial Enterprises Limited	2020.69	3000	5020.69
Primary Co-operative Societies Consortium for Security Pensions	3798.13	1843.65	5641.78
Total	6818.82	6843.65	13662.47

Source: Details furnished by KSSPL

The State Government issued orders (June 2018) to take over the repayment liabilities of KSSPL arising on account of pension disbursement and assured to service the loans raised by KSSPL with the funds provided every year through State budget. Thus, the borrowings of KSSPL are direct liabilities of the State Government despite being off-budget. These, off-budget borrowings not only reflect lack of disclosure, it also puts expenditure on various schemes disbursed through KSSPL beyond the control and scrutiny of Legislature.

The contention of the State Government (April 2021) that as KSSPL is a separate entity incorporated under Companies Act, 2013, the liabilities of KSSPL are not the liabilities of the State Government is not tenable. KSSPL was formed for the sole function of disbursement of various Social Security pensions. As disbursement of Social Security Pensions including welfare pensions are the core functions of the Government, mere transferring these functions to a company does not detract from the fact that the liabilities arising out of the execution of these functions are the liabilities created on the Government'. Moreover, in the Government order (July 2018) constituting the company, the State Government explicitly stated that all repayment liabilities of the Company arising on account of pension disbursement would be borne by the State Government.

Conclusion

In both the above cases, borrowings of these concerns ultimately are the liabilities of the State Government. These off-budget borrowings are not taken into the disclosure statement in the budget documents or in the accounts, nor does have legislative approval. They are used to finance Government expenditure, details of which are not reflected in the budget or finance accounts.

Moreover, these off-budget borrowings by the State Government have the effect of bypassing the Net Borrowing Ceiling (NBC) of the State by routing loans outside State budget through Government owned or controlled Companies/ statutory bodies despite being responsible for repayment of such loans. Such borrowings naturally

have impact on the Revenue Deficit and Fiscal Deficit and thus, have the effect of surpassing the targets set for fiscal indicators under ‘The Kerala Fiscal Responsibility Act, 2003’ (as amended from time to time). Creating such liabilities, without disclosing them in the budget, raises questions both of transparency, and of inter-generational equity.

If the State Government increasingly resorts to these off-budget route to finance both its capital as well as revenue spending, the liabilities of the State may increase substantially over a period of time leading to a debt trap, without the Legislature even knowing that such liabilities are being created.

Recommendation

Budget is the most important instrument of legislative control and is at the very core of a democratic setup. Hence, all Government borrowings and expenditure should legitimately be covered within the respective budgets. Expenditure on social security pension schemes and critical infrastructure projects in the State are desirable. However, financing expenditures through off-budget borrowings raises public debt and detracts from compliance with the letter and spirit of the provisions of the Kerala Fiscal Responsibility Act, 2003. Such outstanding extra budgetary liabilities need to be clearly identified, with transparent reporting of deficit and debt as provided in the Act.

The Government may include the disclosure of the details of the off-budget borrowings done through various agencies of the State Government in the Budget and Accounts.

2.6.3 Debt Profile: Maturity and Repayment

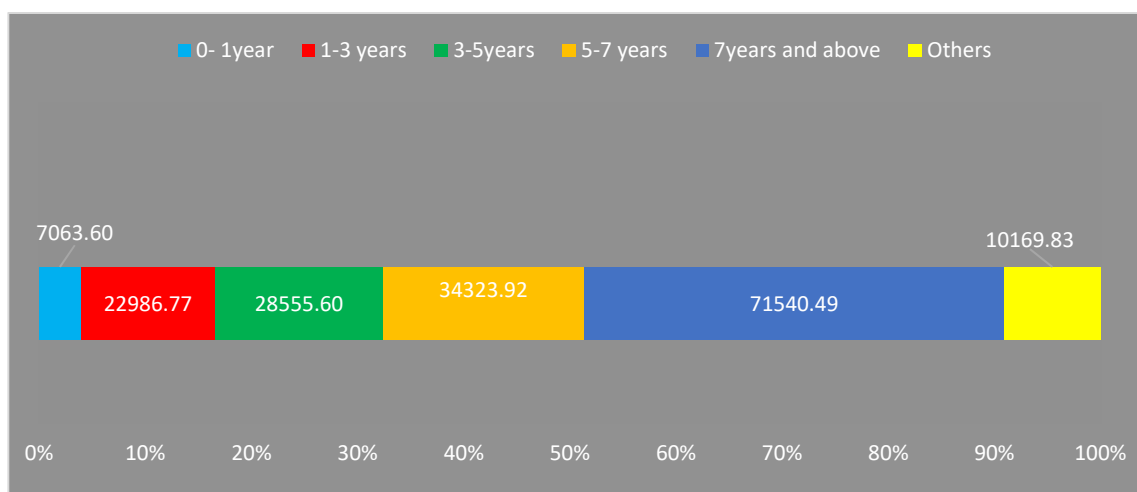
Debt maturity and repayment profile indicates commitment on the part of the Government for debt repayment or debt servicing. As per Finance Accounts for the year 2019-20, the maturity profile of the public debt is as shown in **Table 2.42** and **Chart 2.22**.

Table 2.42: Debt Maturity profile

Year of Maturity	Maturity Profile	Amount (₹ in crore)			Per cent of Total Public Debt
		Internal Debt	Loans & Advances from GoI	Total	
By 2020-21	0-1 year	6730.66	332.94	7063.60	4.29
Between 2021-22 & 2022-23	2-3 years	21677.96	1308.81	22986.77	13.98
Between 2023-24 & 2024-25	4-5 years	27207.80	1347.8	28555.60	17.36
Between 2025-26 & 2026-27	6-7 years	33422.57	901.35	34323.92	20.87
2027-2028 onwards	Above 7 years	66751.21	4789.28	71540.49	43.50
Total		155790.20	8680.18	164470.38	100
Amount for which Maturity profile details not furnished by State Government		10169.83			

Source: Finance Accounts

Chart 2.22: Debt Maturity profile (₹ in crore)



2.7 Debt Sustainability Analysis (DSA)

Debt sustainability implies the State's ability to service the debt in future. Apart from the magnitude of debt of the State Government, it is important to analyse various indicators that determine the debt sustainability of the State. This section analyses sustainability of overall debt liability of the State Government in terms of growth rate of debt and GSDP, Debt-GSDP ratio, net debt available to the State etc. These indicators for the last five years are given in **Table 2.43 and Chart 2.23** below:

Table 2.43: Trends in Debt Sustainability indicators (₹ in crore)

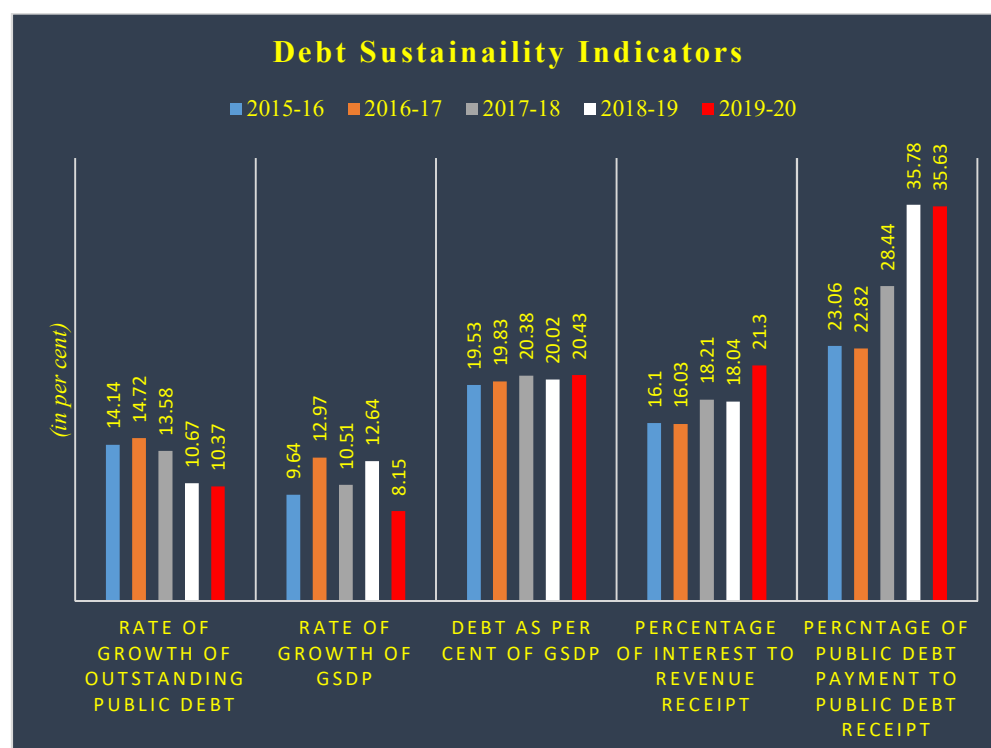
Debt Sustainability Indicators		2015-16	2016-17	2017-18	2018-19	2019-20
Outstanding Public Debt		109731	125883	142984	158235	174640
Rate of Growth of Outstanding Public Debt		14.14	14.72	13.58	10.67	10.37
GSDP		561994	634886	701588	790302	854689
Rate of Growth of GSDP		9.64	12.97	10.51	11.40	8.15
Debt/GSDP		19.53	19.83	20.38	20.02	20.43
Debt Maturity profile of repayment of State debt – including default history if any	Up to one year	3751.61	5682.54	6980.49	6948.14	7063.60
	One to three years	12243.13	13331.80	13373.47	16870.66	22986.77
	Three to five years	13284.34	16677.73	22907.53	26865.91	28555.60
	Five to seven years	22808.05	26786.58	28437.13	30372.21	34323.92
	Seven years and above	52857.95	58456.21	66308.08	70013.73	71540.49
	Maturity profile details not furnished by State Government	4785.90	4948.00	4977.82	7163.79	10169.83

Debt Sustainability Indicators	2015-16	2016-17	2017-18	2018-19	2019-20
Average interest Rate of Outstanding Public Debt (per cent) ²⁸	10.79	10.29	11.25	11.12	11.54
Percentage of Interest Payment to Revenue Receipt	16.10	16.03	18.21	18.04	21.30
Percentage of Debt Repayment to Debt Receipts*	23.06	22.82	28.44	35.78	35.63
Net Debt available to the State ²⁹	5240	6736	6164	3168	3132
Net Debt available as per cent to Debt Receipts	26.65	28.23	20.39	9.47	5.18

Source: Finance Accounts of respective years

*excluding ways and means advance

Chart 2.23: Trends of Debt Sustainability indicators



²⁸ Average interest rate = (Interest paid/OB of Public Debt + CB of Public Debt/2)

²⁹ Net Debt available=Public debt receipt during the year *minus* repayment of principal amount *minus* Interest paid on public debt

Indicators	What it means	What the above table and chart shows
Ratio of total outstanding Public debt to GSDP	The debt-to-GSDP ratio is the metric comparing a State's public debt to its gross state domestic product (GSDP). By comparing what a states owes with what it produces, the debt-to-GDP ratio reliably indicates that particular State's ability to pay back its debts. A falling debt/GSDP ratio can be considered as leading towards stability. If Debt/GSDP ratio is increasing rapidly and goes above a threshold, we can say that current level of the primary balance is not sufficient to stabilize the debt-to-GSDP ratio, which is on an explosive path. Sufficient fiscal adjustment should be made by reducing the fiscal deficit (primary balance) to a level necessary to make public debt sustainable.	The Ratio of total outstanding debt to GSDP showed a growing trend from 2015-16 to 2017-18 and fell in 2018-19 however the ratio has shown a rise of 2.05 <i>per cent</i> in 2019-20 when compare to 2018-19.
Rate of Growth of Outstanding Public Debt vis-à-vis Rate of Growth of GSDP	If the growth rate of public debt is higher than the GSDP growth rate, it will lead to higher debt to GSDP ratio.	The rate of growth of outstanding public debt is higher than the GSDP growth rate in all the years except 2018-19.
Average interest Rate of Outstanding Debt	Higher interest rate means that there is scope for restructuring of debt.	The interest rate shows a growing trend and is the highest in the year 2019-20
Percentage of Interest payments to Revenue Receipt	Higher percentage of interest payments leaves less funds for priority areas. It measures the margin of safety a government has for paying interest on its debt during a given period. Governments need to have more than enough revenues to cover interest payments in order to survive future (and perhaps unforeseeable) financial hardships that may arise.	The interest rate shows a growing trend and is the highest in the year 2019-20. It indicates that significant portion of the borrowed funds is utilized for repayment of the portion of the borrowings and interest thereon, the net debt available with State for development activities is curtailed.
Percentage of Public Debt Repayment to Public Debt Receipt	Higher the percentage, the greater the proportion of debt utilised for debt servicing rather than productively.	This ratio was the highest in the year 2018-19 (35.78 <i>per cent</i>) and has shown a decrease of 0.42 <i>per cent</i> in the 2019-20 (35.63 <i>per cent</i>)

2.7.1 Utilisation of borrowed funds

As per the disclosure Form B-2(A) under Kerala Fiscal Responsibility Act, 2005, State Government liabilities comprise the following components:

- (i) Special securities issued to the National Small Savings Fund
- (ii) Loans and advances from Central Government
- (iii) Market loans
- (iv) Loans from financial institutions/banks
- (v) Ways and means advances/overdraft from RBI
- (vi) Small savings, provident fund of Government employees *etc.*
- (vii) Pension liabilities
- (viii) Reserve fund/deposits and provident fund of other employees
- (ix) Other liabilities

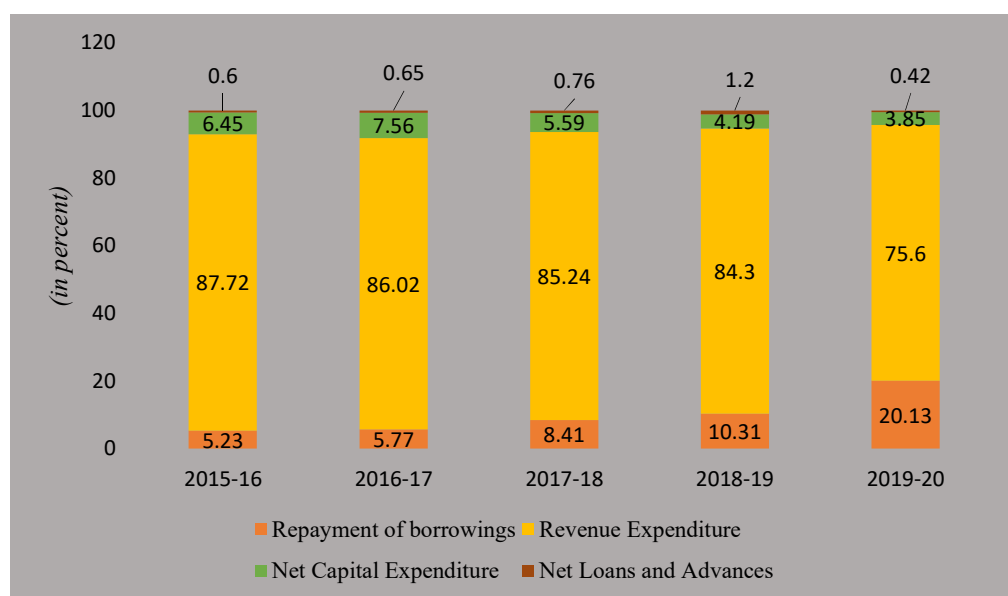
These funds are utilised for various activities of the Government. Details of utilisation of borrowed funds is given in **Table 2.44** and **Chart 2.24** below.

Table 2.44 : Utilisation of borrowed funds

(₹ in crore)

Particulars	2015-16	2016-17	2017-18	2018-19	2019-20
Total Borrowings	115792	133589	156117	176430	218642
Repayment of earlier borrowings (Principal)	6061	7706	13132	18196	44001
Net Capital Expenditure	7472	10096	8720	7384	8427
Net loans and advances	690	868	1190	2112	915
Portion of Revenue expenditure met out of net available borrowings	101569	114919	133075	148738	165299

Source: Finance Accounts of respective years

Chart 2.24: Trends of Utilisation of borrowed funds

In all the five years a major portion of the borrowed funds is utilized for meeting the Revenue Expenditure of the State. Though there is a decrease in the proportion of fund used for Revenue expenditure in the year 2019-20, this is mainly due to increase in use of fund for repayment of borrowings. Borrowed funds should ideally be used to fund capital creation and development activities. Using borrowed funds for meeting current consumption and repayment of interest on outstanding loans is not sustainable.

2.7.2 Status of Guarantees- Contingent liabilities

Guarantees are liabilities contingent on the Consolidated Fund of the State in case of default by the borrower for whom the guarantee has been extended. The State Governments have come out with legislations or instructions with regard to cap on the guarantees.

As per section 3 of the Kerala Government Guarantees Act, 2003 amended vide 'Kerala Finance (No.2) Act, 2018' the total outstanding Government Guarantees shall be within the limit of five *per cent* of the Gross State Domestic Product (GSDP) of the State as calculated by the Department of Economics and Statistics for the respective financial year. This Act came into force with effect from 01 April 2018. The Estimate (Advance) of GSDP for the year was ₹8,54,689 crore (as per Department of Economics and Statistics). The total outstanding Guarantees as on 31 March 2020 was ₹27,757.01 crore, which was within the limit of five *per cent* of the GSDP for the year.

The Act also stipulates that a minimum of 0.75 *per cent* of Government Guarantee outstanding against the entity should be charged by the State Government each year

as Guarantee Commission, which could not be waived under any circumstances. Guarantee Commission of ₹150.80 crore was received during 2019-20. However, Guarantee Commission of ₹269.83 crore was receivable upto 2019-20. Major institutions who have not paid Guarantee Commission upto 2019-20 are Kerala Small Industries Development Corporation Limited (₹57.93 crore), Kerala State Road Transport Corporation (₹51.23 crore), Kerala Water Authority (₹27.66 crore) and Keltron (₹15.81 crore).

2.7.3 Management of Cash Balance

As per an agreement with the Reserve Bank of India, State Governments have to maintain a minimum daily cash balance with the Bank. If the balance falls below the agreed minimum on any day, the deficiency is made good by taking ordinary Ways and Means Advances (WMA)/Special Ways and Means Advances (SWMA)/Overdrafts (OD) from time to time. The limit for ordinary WMA to the State Government are revised by the RBI from time to time.

State Government invests its surplus cash balance in short and long-term GoI Securities and Treasury Bills. The profits derived from such investments are credited as receipts under the head '0049-Interest Receipts'. The cash balances are invested in the Consolidated Sinking Fund and Guarantee Redemption Fund as well.

It is not desirable that State Government take recourse to market loans despite having large cash balances leading to further accretion to cash balances without putting it to productive use.

The cash balance and Investments made by the State Government out of the cash balances during the year are shown in **Table 2.45**.

Table 2.45 : Cash balances and Investment of cash balance

(₹ in crore)

Particulars	Opening balance on 01 April 2019	Closing Balance on 31 March 2020
A. General Cash Balance		
Cash in treasuries	34.16	35.13
Deposits with Reserve Bank of India	-52.17	-221.02 ³⁰
Deposits with other Banks ³¹		
Remittance in transit-Local	0.20	0.92
Total	-17.81	-184.97
Investment held in Cash Balance investment account	189.53	1.67
Total (A)	171.72	-183.30

³⁰ There was a difference of ₹219.83 crore (debit) between the figures reflected in accounts (credit item ₹221.02 crore) and that communicated by Reserve Bank of India (debit item ₹1.19 crore) as on 31 March 2020. Out of the difference, an amount of ₹201.17 crore (net credit) has been cleared in 2020-21. The balance difference of ₹421.00 crore (net debit) is under reconciliation

³¹ Represents cash held with State Bank of India (amount negligible)

Particulars	Opening balance on 01 April 2019	Closing Balance on 31 March 2020
B. Other Cash Balances and Investments		
Cash with departmental officers viz, Public Works, Forest Officers	-0.98	-5.70
Permanent advances for contingent expenditure with department officers	0.48	0.52
Investment in earmarked funds	2031.93	2198.70
Total (B)	2031.43	2193.52
Total (A+B)	2203.15	2010.22
Interest realized	37.14	7.88

Source: Finance Accounts of respective years

Cash Balances of the State Government at the end of the March 2020, decreased by ₹192.93 crore compared to the closing balance at the end of March 2019. This was mainly due to decrease in investment held in Cash Balance Investment Account (₹187.86 crore). Investment in GoI Treasury bills showed a Nil balance at the end of the year and the interest realised decreased by ₹29.26 crore.

The Cash Balance included investment of ₹2,198.70 crore from earmarked funds. The said investment consisted of Sinking Fund Investment (₹2,185.30 crore) and Development and Welfare fund (₹13.39 crore).

The State Government was able to maintain a minimum cash balance of ₹1.66 crore for 132 days during 2019-20. The Government had to resort to ways and means advance for 203 days, Special Drawing Facility for 31 days and Overdraft for 57 days, amounting to ₹35,745.17 crore for various purposes. The State Government repaid an amount ₹35,215.35 crore along with an interest of ₹28.21 crore leaving a balance of ₹529.82 crore.

The Cash Balance Investment of the State during the five-year period 2015-16 to 2019-20 are given below.

Table 2.46: Cash Balance Investment Account (Major Head-8673)

(₹ in crore)

Year	Opening Balance	Closing Balance	Increase (+)/ Decrease(-)	Interest earned
2015-16	147.05	1636.75	1489.69	40.85
2016-17	1636.75	1944.50	307.76	78.32
2017-18	1944.50	891.03	-1053.47	47.66
2018-19	891.03	189.53	-701.49	37.14
2019-20	189.53	1.67	-187.86	7.88

Source: Finance Accounts of respective years

Chart 2.25 below, compares the balances available in the Cash Account and Market Loans taken by the State during the period 2015-16 to 2019-20. Both

market loan and Cash balance showed a decreasing trend from 2017-18 to 2019-20.

Chart 2.25: Market Loan vis-à-vis Cash Balance

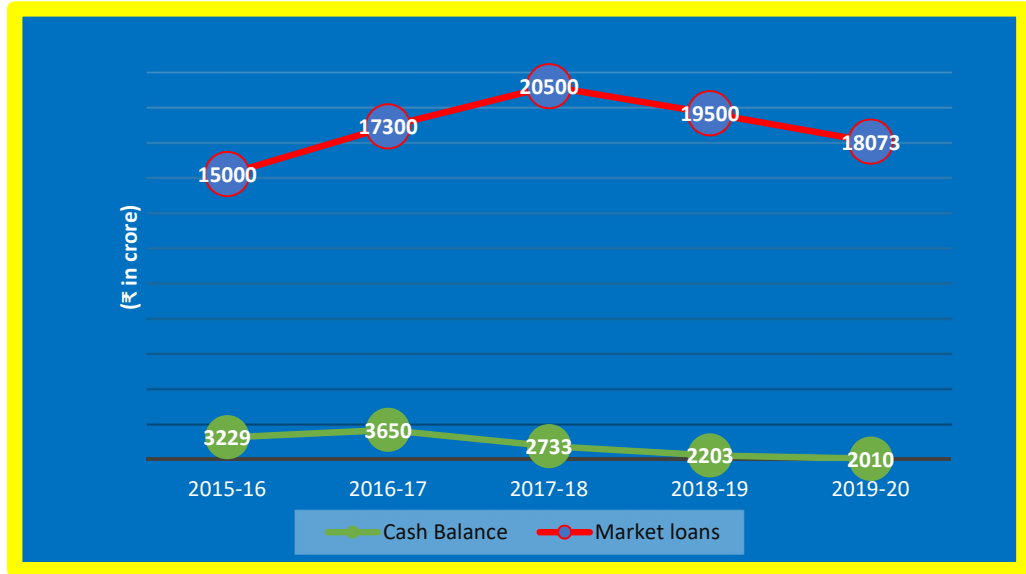
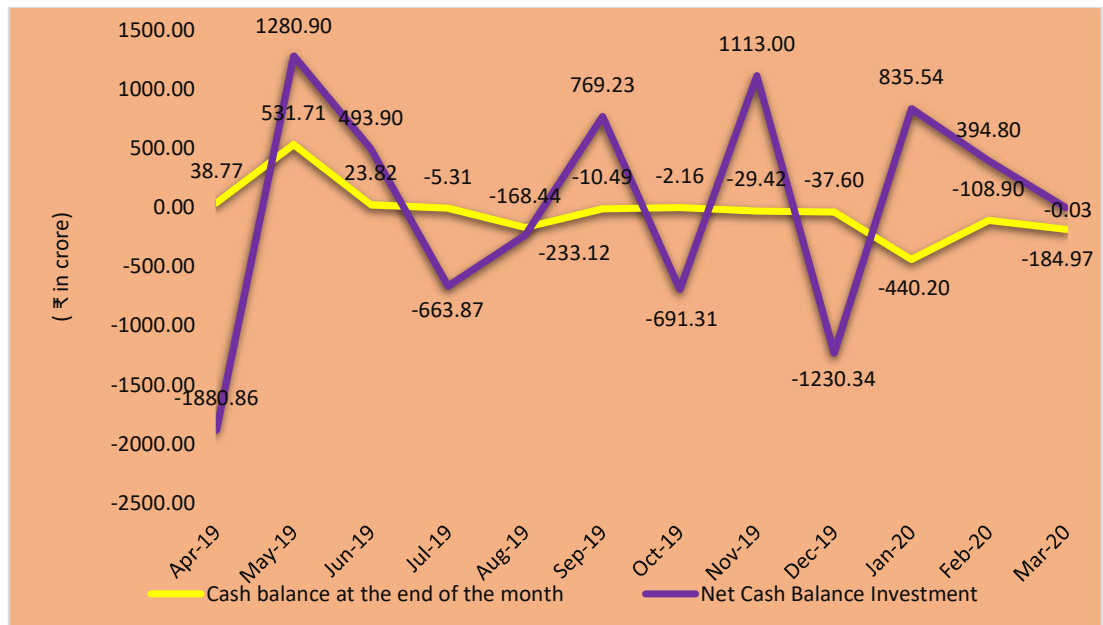


Chart 2.26: Month wise movement of Cash Balances and Net Cash Balance Investment during the year



From the above chart it is seen that the monthly cash balance has shown a negative balance from June 2019 onwards and was (-) ₹184.97 crore in March 2020.

2.8 Conclusions

1. Revenue resources

Revenue receipts of the State increased from ₹69,033 crore in 2015-16 to ₹90,225 crore in 2019-20, recording a growth of 31 *per cent* during the last five years. The State's own tax revenue, being the main source of revenue in revenue receipts increased by only 29 *per cent* during the period and its share in revenue receipts also remained at 56 *per cent* in 2015-16 and 2019-20 indicating no growth of tax revenue during the period.

2. Revenue Expenditure

Revenue Expenditure of the State increased from ₹78,690 crore in 2015-16 to ₹1,04,720 crore in 2019-20 recording a growth of 33 *per cent* during the five-year period. Revenue expenditure as a percentage of total expenditure ranged between 89 to 92 *per cent* during the period showing predominance of revenue expenditure in total expenditure. Share of committed expenditure in revenue expenditure was 68 *per cent* during 2019-20 and it consumed 79 *per cent* of the revenue receipts during the year. Interest payments consumed 21 *per cent* of revenue receipts during 2019-20 and is a matter of concern for the State Government.

3. Quality of expenditure

Capital Expenditure of the State increased from ₹7,500 crore in 2015-16 to ₹8,455 crore in 2019-20 recording a meagre growth of 12 *per cent* during the five year period showing low priority of the Government towards capital expenditure. The State's share of expenditure on the health and education sectors in the total expenditure was more than General Category States, but the share of capital expenditure was less than that of General Category States. Though the State Government invested ₹8,881.70 crore in Statutory Corporations, Government Companies, Joint Stock Companies and Co-operatives, average return on these investments was 1.39 *per cent* in the last five years while the Government paid an average interest rate of 7.33 *per cent* on its borrowings during 2015-16 to 2019-20. The interest receipt on loans and advances given by State Government was 0.30 *per cent* during 2019-20 against the average cost of borrowing of 7.58 *per cent*. During the year the Government invested ₹292.68 crore in loss making institutions and ₹15.04 crore in institution whose net worth is completely eroded.

4. Reserve Funds and liabilities

The Consolidated Sinking Fund was constituted with the aim to amortize the outstanding liabilities of the Government, but the Government did not contribute to the fund during 2019-20. Similarly, the Government has to constitute a Guarantee Redemption Fund for crediting guarantee commission collected for meeting future liabilities arising out of guarantees given by the Government. The Guarantee Redemption Fund has not been constituted so far and guarantee commission of ₹1,250.59 crore collected during 2003-04 to 2019-20 was not credited to the Fund. The State Disaster Response Fund (SDRF) had an accumulated balance of ₹551.61 crore by the end of March 2020. As per the guidelines issued by GoI, accretions to SDRF have to be invested in GoI Securities/Treasury Bills by the State Executive Committee constituted for the management of the fund. However, this was not done.

5. Debt Management

Open market Loans had a major share (54 *per cent*) in the total fiscal liabilities of the State. The net debt available with the State for development activities was only ₹3,132 crore (5.18 *per cent* of public debt receipts) during 2019-20.

6. Debt Sustainability

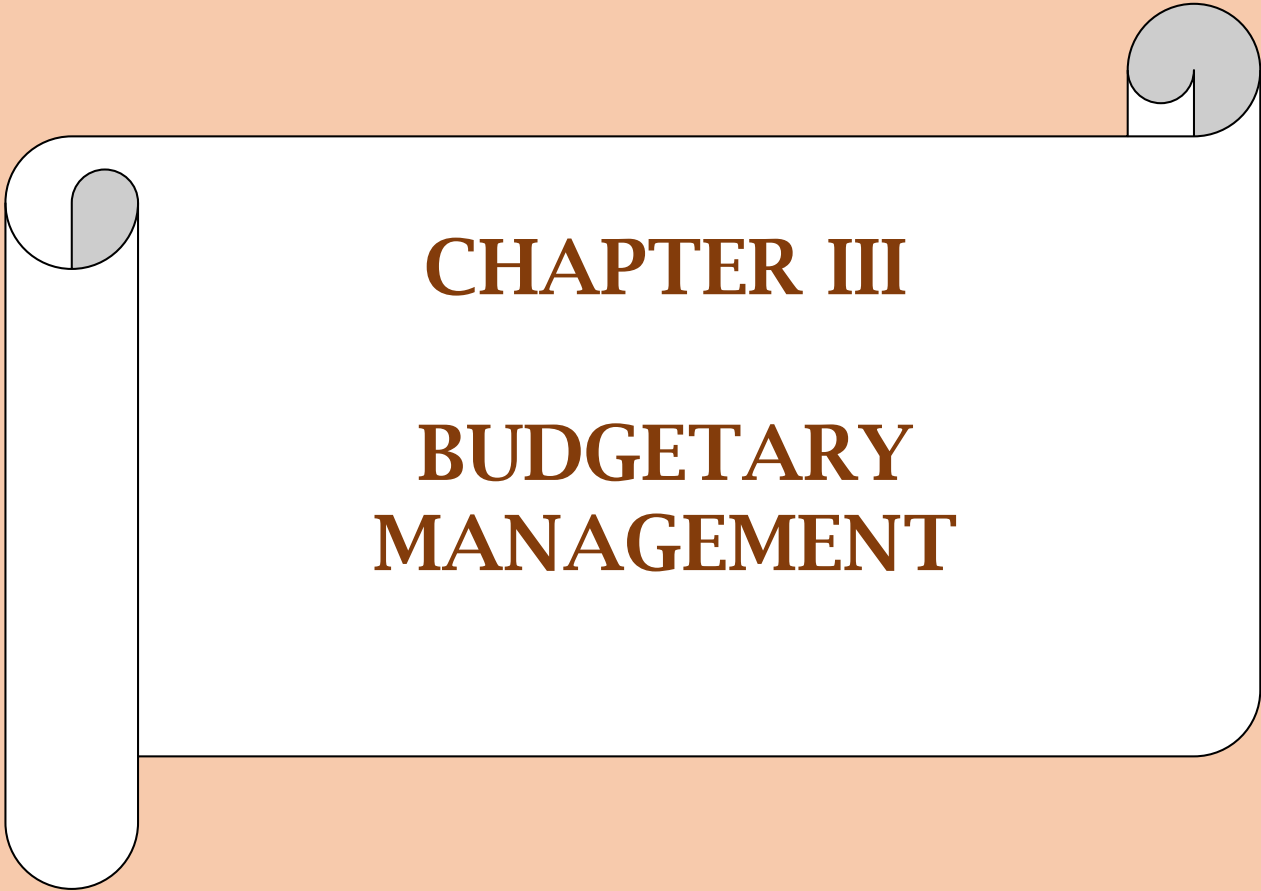
The ratio of Debt to GSDP of the State increased from 20.02 *per cent* in 2018-19 to 20.43 *per cent* in 2019-20. Similarly, the ratio of interest payments to total revenue receipts of the State increased from 18.04 *per cent* in 2018-19 to 21.3 *per cent* in 2019-20.

2.9 Recommendations

- 1. The Government needs to address the growth of its own tax revenue and take measures to improve the same.***
- 2. The State needs to improve its capital expenditure to augment its growth and development. The government may review the investment made in loss making institutions and introduce a methodology to revive such institution.***

- 3. The government need to take necessary steps to constitute a Guarantee Redemption Fund and also invest the accretions in the SDRF in GoI Securities/ Treasury bills.*

- 4. The State Government should closely monitor the debt sustainability of the State and make earnest efforts to maintain a healthy debt-GSDP ratio and also ensure that the incremental interest burden is adequately covered.*



CHAPTER III

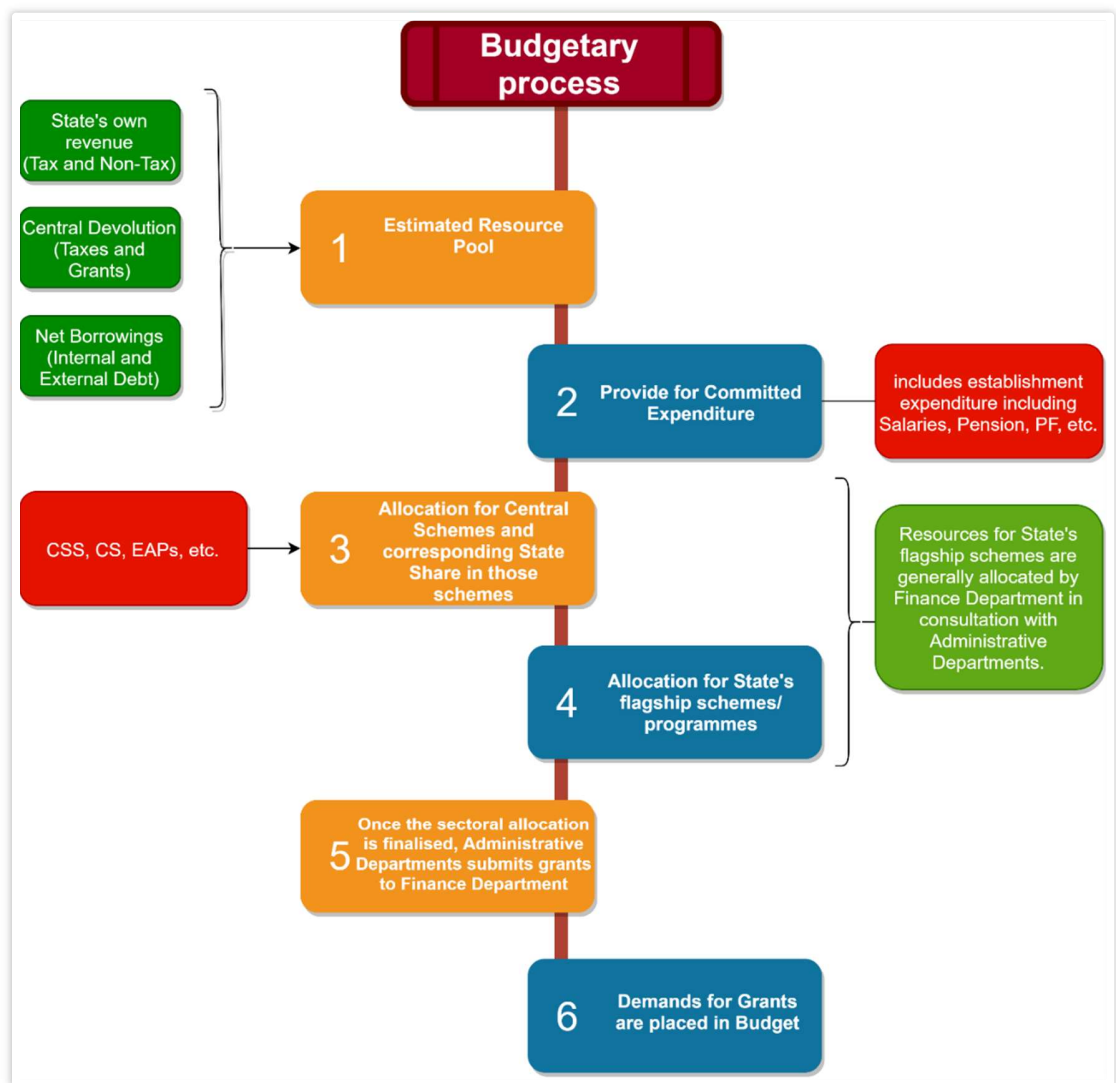
**BUDGETARY
MANAGEMENT**

CHAPTER III BUDGETARY MANAGEMENT

3.1 Budget process

The annual exercise of budgeting is a means for detailing the roadmap for efficient use of public resources. Every year, during the month of July, the Budget Wing of the Finance Department issues a circular to all Heads of Departments and other Estimating Officers, requesting them to take steps for the preparation and submission of the Departmental Estimates of Revenue and Expenditure for the ensuing financial year.

The budget preparation process is given in the figure below:



CSS: Centrally Sponsored Schemes; CS: Central Schemes; EAP: Externally Aided Projects

The Finance Bill, Annual Financial Statement (Budget), and Demands for Grants are mandated by Article 199, 202 and 203 of the Constitution of India respectively.

Article 202 of the Constitution of India requires laying of a statement of the estimated receipts and expenditure of the State for that year, as the "annual financial statement" before the House or Houses of the Legislature of the State. The annual financial statement should show expenditure charged on consolidated fund and other expenditure separately. It shall also distinguish expenditure on revenue account from other expenditure.

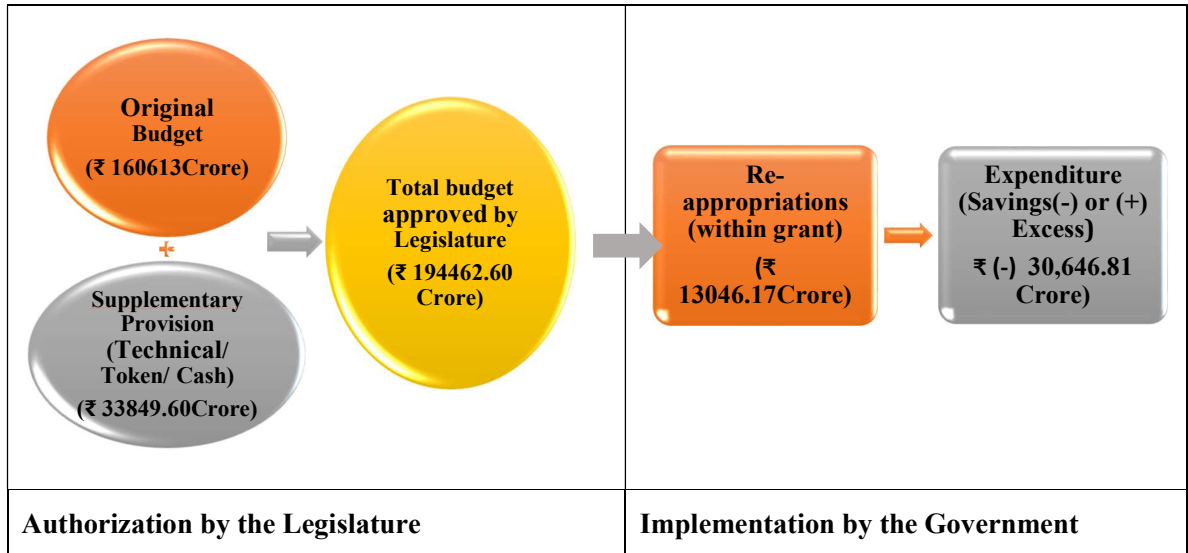
The annual financial statement also called general budget is placed prior to the commencement of the financial year in the State Legislature, in accordance with Article 202 of the Constitution. The estimates of receipts and disbursements in the Annual Financial Statement and of expenditure in the Demand for Grants are shown according to the accounting classification under Article 150 of the Constitution.

No money shall be withdrawn from the Consolidated Fund of the State except under appropriation made by law passed in accordance with provisions of Article 204 of the Constitution. Supplementary or Additional Grant or Appropriation is provided during the course of a financial year, in accordance with Article 205 of the Constitution. It is the provision for meeting expenditure in excess of the budgeted amount.

Legislative authorisation is the *sine qua non* for incurrence of all expenditure by the State Government. Rule 41 of the Kerala Financial Code states that the rules regarding the preparation and consolidation of the budget estimates and their passage through Legislature are contained in Kerala Budget Manual. The procedure for obtaining supplementary appropriations are also contained in the Kerala Budget Manual. It also prescribes the distribution of appropriations among controlling and disbursing officers, the responsibility of these officers for watching the progress of expenditure and ensuring that it does not exceed the appropriations, and fixes the authorities competent to sanction re-appropriation. As per the provisions contained in para 69 of the Kerala Budget Manual the control of expenditure is exercised by the Administrative Departments through the hierarchy consisting of the Chief Controlling Officer, the Subordinate Controlling Officer and the Disbursing Officer.

Apart from supplementary grant, re-appropriation can also be used to re-allocate funds within a Grant in accordance with the procedure mentioned in para 86 (3) of Kerala Budget Manual. Re-appropriation is the transfer, by competent authority, of savings from one unit of appropriation to meet additional expenditure under another unit within the same section (Revenue-Voted, Revenue-Charged, Capital-Voted, Capital-Charged) of the voted Grant or Charged Appropriation. The various components of budget authorised by the Legislature and actual implementation by the Government are depicted in the **Chart 3.1** below:

Chart 3.1: Budget authorised by the Legislature and actual implementation by the Government



Source: Based on the procedure prescribed in Budget Manual and Appropriation Accounts

3.1.1 Summary of total provisions, actual disbursements and savings/excess during the financial year

A summarised position of total budget provision, disbursement and savings/excess with its further bifurcation into voted/charged is shown in **Table 3.1**.

Table 3.1: Budget provision, disbursement and savings/excess during the Financial year 2019-20 (₹ in crore)

Total Budget provision		Disbursements		Savings (-) /Excess (+)	
Voted	Charged	Voted	Charged	Voted	Charged
131064.55	63398.06	100174.27	63641.53	(-) 30,890.28	(+) 243.47

3.1.2 Charged and Voted Disbursement

The details of disbursements classified under charged and voted category during the five year period from 2015-16 to 2019-20 are furnished in **Table 3.2**.

Table 3.2: Charged and voted disbursements during the five year period from 2015-16 to 2019-20

(₹in crore)

Year	Disbursement		Saving(-)/Excess (+)	
	Voted	Charged	Voted	Charged
2015-16	76771.04	17606.13	(-) 15628.36	(-) 8885.26
2016-17	91365.15	20232.56	(-) 13518.40	(-) 6941.89
2017-18	104528.12	28928.84	(-) 11 946.04	(+) 521.08
2018-19	108023.70	35697.89	(-) 20927.47	(+) 4274.17
2019-20	100174.27	63641.53	(-) 30890.28	(+) 243.47

The overall savings of ₹30646.81crore in 2019-20 was the result of savings of ₹30890.28 crore in 43 grants and 22 appropriations under revenue section and 29 grants and seven appropriations under the Capital section, offset by excess of ₹328.73 crore in one grant and one appropriation under the revenue section and one appropriation under Capital section. The overall savings increased by 5.38 per cent from 10.38 per cent in the last year to 15.76 per cent in 2019-20.

3.2 Appropriation Accounts

Appropriation Accounts are accounts of the expenditure of the Government for each financial year, compared with the amounts of grants voted and appropriations charged for different purposes as specified in the schedules appended to the Appropriation Act passed under Article 204 and 205 of the Constitution of India. Appropriation Accounts are on Gross basis. These Accounts depict the original budget provision, supplementary grants, surrenders and re-appropriations distinctly and indicate actual capital and revenue expenditure on various specified services *vis-à-vis* those authorised by the Appropriation Act in respect of both Charged and voted items of budget. Appropriation Accounts thus facilitate understanding of utilisation of funds, the management of finances and monitoring of budgetary provisions and are, therefore, complementary to the Finance Accounts.

Audit of appropriations by the CAG seeks to ascertain whether the expenditure actually incurred under various grants is in accordance with the authorisation given under the Appropriation Act and that the expenditure required to be charged under the provisions of the Constitution (Article 202) is so charged. It also ascertains whether the expenditure incurred is in conformity with the laws, relevant rules, regulations and instructions.

3.3 Comments on integrity of budgetary and accounting process

The results of audit scrutiny of Appropriation Accounts are detailed in the subsequent paragraphs.

3.3.1 Expenditure incurred without authority of law

As per Article 204 of the Constitution, no money shall be withdrawn from the Consolidated Fund of the State except under appropriation made by law. Expenditure on any scheme should not be incurred on a scheme/service without provision of funds except after obtaining additional funds by re-appropriation, supplementary grant or appropriation or an advance from the Contingency Fund of the State.

Audit observed that the expenditure was incurred without any provision in the original estimates/supplementary demands in 211 schemes included in 31 grants. Out of these, four grants had incurred expenditure above ₹100 crore without authority of law. The summary of expenditure in these four grants are given in **Table 3.3**.

Table 3.3: Summary of Expenditure incurred by four Grants having highest expenditure without budget provision. (₹in crore)

Grant/ Appropriation	Major Heads (MH) of Account having expenditure without authority of law within the Grant	Expenditure without authority of law (₹ in crore)	Number of Schemes/Sub Heads within the MH
XV Public Works	3054-Roads and Bridges	219.36	1
	4059-COL on Public works	3.60	6
	5054-COL on Roads and bridges	291.02	14
XVII Education, Sports, Art and Culture	2202- General Education	12.94	3
	2203-Technical Education	2.98	1
	2205-Art and Culture	2.53	2
	3435-Ecology and Environment	0.45	1
	4202-COL on Education, Sports, Art and Culture.	83.97	27

Grant/ Appropriation	Major Heads (MH) of Account having expenditure without authority of law within the Grant	Expenditure without authority of law (₹ in crore)	Number of Schemes/Sub Heads
XXVIII Miscellaneous Economic Services	3454-Census survey and Statistics	0.18	3
	3475-Other General Economic Services	1.24	1
	5475-COL on other General Economic Services	2200.00	2
XXXVII Industries	2851-Village and Small Industries	6.08	3
	4858-COL on Engineering Industries	12.75	1
	4859-COL on Telecommunication and Electronic Industries	15.00	1
	4885-Other COL on Industries and Minerals	122.18	2
	6851-Loans for Village and Small Industries	3.00	1
	6858-Loans for Engineering Industries	1.95	1
	Total	2979.23	70

3.3.2 Transfers not mandated by the Appropriation Act/Detailed Demands for Grants (into Public Account/ Bank Accounts)

The Appropriation Act authorises incurrence of expenditure under specified Grants for the respective Financial Year only. The accumulated balance at the close of the year should have been written back to the respective Major Heads of account under the Consolidated Fund from which these were originally transferred, as the drawals from the Minor Head of account in the subsequent years would not require Legislative approval and thus would escape Legislative scrutiny through the Appropriation Account Mechanism.

However, Audit observed that an amount of ₹382.37 crore is parked in the Deposit head (8443-800-Other deposits) to avoid lapse of budgetary Grants as shown in **Table 3.4**.

Table 3.4: Funds parked in 8443-800-Other deposits (₹ in crore)

OB as on 1.4.2019	Head of account	Credit	Debit	Closing balance as on 31.3.2020
80.34	8443-800-Other deposits	453.77	151.74	382.37

The amount of ₹382.37 crore is parked in Deposits to avoid lapse of budgetary Grants.

Further scrutiny of transactions under the Major head 8443 Civil Deposits -800 Other deposits revealed that the amount parked in Minor Head 800 under Major Head 8443 pertains mainly to deposits by Kerala Medical Services Corporation Ltd (KMSCL). An amount of ₹374.39 crore was outstanding as closing balance as on 31.3.2020 under the head of account 8443-00-800-94-Purchase of Equipment through KMSCL. Details are given in **Table 3.5** below.

Table 3.5: Deposit of Kerala Medical Services Corporation Ltd.

(₹ in crore)

OB as on 1.4.2019	Amount credited to the head 8443-00-800-94 during 2019-20	Expenditure during the year 2019-20	Closing balance as on 31.3.2020
72.79	452.39	150.79	374.39

The reasons for the huge amount credited to the deposit head in excess of actual requirement and non-utilisation of the funds out of the amount credited to the deposit head and the balance outstanding during 2019-20 to the tune of ₹374.39 crore were sought from Government. However, no reply has been received.

3.3.3 Misclassification of capital expenditure as revenue expenditure and charged expenditure as voted expenditure and vice versa.

Misclassification of expenditures and receipts has a great impact on the integrity of the financial statements. Article 202 of the Constitution prescribes that, in respect of every financial year, a statement of the estimated receipts and expenditure of the State for that year, called the "annual financial statement" (or the "budget"), is to be laid before House or Houses of the State Legislature. The estimates of expenditure are classified under 'charged' (such expenditure as is not to be submitted to the vote of the Legislative Assembly under the provisions of the Constitution) and 'voted' items of expenditure separately. Annual Financial Statement distinguishes expenditure on revenue account from other expenditure as explained in Chapter II.

State financial rules categorize the primary units of appropriation. There are specific object heads meant for obtaining provision for acquisition of Capital Assets and other Capital Expenditure. These object heads pertaining to booking of expenditure of capital nature should correspond with capital major heads only. Classification of expenditure of revenue nature as capital expenditure or *vice-versa*, results in understatement/overstatement of revenue expenditure and revenue surplus/deficit, respectively.

The misclassification of the above nature observed in audit during the year 2019-20 is detailed as follows:

- **Misclassification of Revenue expenditure as Capital expenditure**

It is observed that an amount of ₹14.70 crore was debited to the Head of account 4860-60-190-94 (V) (P). The amount was utilised for disbursement of gratuity to the workers of Kerala State Cashew Development Corporation (KSCDC). Booking of assistance given to KSCDC as Capital expenditure instead of revenue expenditure is inconsistent with the principles laid down in Indian Government Accounting Standards (IGAS) 2 which prescribes principles of accounting and classification of Grants-in-aid in the Financial Statements of the Government both as a Grantor and as a Grantee. This misclassification has resulted in overstatement of investment by ₹14.70 crore.

- **Misclassification of charged expenditure as voted expenditure**

As per Article 202 of the Constitution, any sums required to satisfy any judgement, decree or award of any court or arbitral tribunal shall be the expenditure charged to the Consolidated fund of the State. However, it is observed in audit that an amount of ₹0.28 crore debited to the head of account 5054-01-337-92 (V) (P) being the amount required to comply with the direction of the Hon'ble High Court of Kerala which should have been classified as charged, was misclassified as voted expenditure. The misclassification has led to the violation of the provisions of Article 202 of the Constitution. Similar misclassification was also noticed in Grant XXXVII Industries under the head of account 4851-800-99-Plan Voted (₹0.06 crore)

3.3.3.1 Other Misclassifications

- **Misclassification of Capital expenditure under loan head of account**

Under Legislative Assembly Constituency Asset Development Scheme (LAC ADS) ₹ five crore has been allocated to each MLA during the financial year for undertaking capital works to improve infrastructural facilities. Provisions have been made under various capital heads of account for this scheme since 2012-13. However, during 2019-20, budget provision of ₹8.49 crore provided under the capital head 5055-00-190-95 LAC ADS has been re-appropriated to the loan head 7055-00-190-94-Project under Legislative Assembly Constituency Asset Development Scheme and ₹1.61 crore was incurred for infrastructure development. Expenditure of capital nature should have been booked under the Capital head against which provision has been made.

- **Misclassification of Investment as Capital Expenditure**

Government of Kerala incurred ₹15.00 crore from the head of account 4859-02-004-97 Indian Institute of Information Technology-Kerala, Pala (IIIT-K, Pala) for the construction of building and infrastructure development of permanent campus at Pala. As the expenditure is in the nature of investment the amount should have been booked under investment head under 4859-02-190-94 Indian

Institute of Information Technology – Kerala, Pala and not under the minor head 004 – Research and Development.

3.3.4 Unnecessary or excessive Supplementary Demand for Grants

As per Article 205 of the Constitution, a Supplementary or Additional Grant or Appropriation over the provision made by the Appropriation Act for the year can be made during the current financial year but not after the expiry of the current financial year as is necessary to meet-

- i. Expenditure on Schemes of New Expenditure to be taken up within the current financial year.
- ii. Inadequacy of provision.
- iii. Fresh expenditure but not technically “Schemes of New Expenditure.”
- iv. Omissions of provision.

When such additional expenditure is found to be inevitable and there is no possibility of effecting savings within the Grant to cover the excess by Re-Appropriation, the Secretary in the Department concerned proposes to the Finance Department for Supplementary or Additional Grant or Appropriation.

There were savings against total budget provision at the end of the financial year for 37 grants/appropriations for which Supplementary budget was obtained. Out of these, 22 grants/appropriations had obtained supplementary Demand for Grants unnecessarily as either the final expenditure did not come even up to the level of original Grants or no expenditure was incurred even after obtaining Supplementary Demand for Grants (**Table 3.6**). For the remaining 15 Grants, the sum of Original and Supplementary provision obtained was in excess of actual expenditure. Out of these 15 Grants, nine grants which obtained Supplementary provision of more than ₹ 50 lakh are shown in **Table 3.7**.

Table 3.6: Details of cases where supplementary provision proved unnecessary
(₹ in crore)

Sl. No.	Name of the Grant	Original	Supplementary	Actual expenditure	Saving out of Provisions
Revenue (Voted)					
1	II-Heads of States, Ministers and Headquarters Staff	740.84	1.91	524.59	218.16
2	III-Administration of Justice	787.69	10.99	760.75	37.93

Sl. No.	Name of the Grant	Original	Supplementary	Actual expenditure	Saving out of Provisions
3	VIII-Excise	298.40	3.00	288.47	12.93
4	XIII-Jails	146.56	1.41	140.00	7.97
5	XVI-Pensions and miscellaneous	30280.55	1998.93	30016.14	2263.34
6	XVII-Education, Sports, Art and Culture	20949.76	220.86	18721.05	2449.57
7	XXI-Housing	122.26	36.63	74.16	84.73
8	XXII-Urban Development	1970.92	51.00	1071.78	950.14
9	XXIV-Labour, Labour Welfare and Welfare of Non-Residents	1361.59	0.35	728.29	633.65
10	XXVII-Co-operation	441.44	0.10	281.46	160.08
11	XXVIII-Miscellaneous Economic Services	202.71	200.00	167.20	235.51
12	XXX-Food	1798.67	0.56	1229.64	569.59
13	XXXIV-Forest	587.06	5.57	529.64	62.99
14	XXXV-Panchayat	611.26	100.00	579.46	131.80
15	XLVI-Social Security and Welfare	4093.57	301.43	3860.79	534.21
	Total	64393.28	2932.74	58973.42	8352.60
Revenue (Charged)					
16	III-Administration of Justice	143.91	1.51	132.38	13.04
17	XVII-Education, Sports, Art and Culture	0.20	0.01	0.16	0.05

Sl. No.	Name of the Grant	Original	Supplementary	Actual expenditure	Saving out of Provisions
	Total	144.11	1.52	132.54	13.09
Capital (Voted)					
18	XXVII-Co-operation	129.81	28.37	98.88	59.30
19	XXXV-Panchayat	597.10	50.00	169.92	477.18
20	XXXVI-Rural Development	1376.62	0.73	746.40	630.95
	Total	2103.53	79.10	1015.20	1167.43
Capital (Charged)					
21	XXXVIII-Irrigation	3.43	0.66	2.65	1.44
22	XVII-Education, Sports, Art and Culture	0.00	0.53	0.00	0.53
	Total	3.43	1.19	2.65	1.97
	Grand Total	66644.35	3014.55	60123.81	9535.09

General directions given in para 14 of the Kerala Budget Manual stipulate that the estimates are neither inflated nor under pitched, but as accurate as possible and that it is restricted to the amount required for actual expenditure during the year. However, it can be seen from **Table 3.6** that for all these 22 Grants/appropriations, supplementary provision was totally unnecessary since there were savings in the original provision itself.

Table 3.7: Details of cases where supplementary provision (₹50 lakh or more in each case) proved excessive. (₹ in crore)

Sl. No.	Name of the Grant	Original	Supplementary	Actual Expenditure	Saving out of Provisions
Revenue (Voted)					
1	I -State Legislature	112.24	20.42	125.72	6.94
2	IV -Elections	167.35	53.55	191.69	29.20
3	IX -Taxes on Vehicles	146.06	32.00	165.54	12.52
4	XI -District Administration and Miscellaneous	705.96	78.05	731.45	52.56
5	XVIII -Medical and Public Health	6393.92	505.07	6763.97	135.03
6	XIX -Family Welfare	519.35	78.00	552.47	44.88
	Total	8044.88	767.09	8530.84	281.13
Capital (Charged)					
7	XXII -Urban Development	0.00	11.63	9.20	2.43
8	XLI -Transport	0.00	42.14	0.66	41.48
	Total	0.00	53.77	9.86	43.91
Capital (Voted)					
9	XLI -Transport	1229.87	821.51	1702.63	348.75
	Total	1229.87	821.51	1702.63	348.75
Grand Total		9274.75	1642.37	10243.33	673.79

It can be seen from **Table 3.6** that there were sufficient savings in the original budget allocation for these grants. Hence, the option of re-appropriation of funds within the Grant/Appropriation (between heads of account where savings are noticed and heads of accounts which require funds) could have been resorted to by the Chief Controlling Officers instead of proposing Supplementary Demands for Grants. This has led to huge savings for these Grants.

3.3.5 Excess, Unnecessary or insufficient re-appropriation

‘Re-appropriation’ - means the transfer, by a competent authority, of savings from one unit of appropriation to meet additional expenditure under another unit within the same grant or charged appropriation. The Government is thus allowed to re-appropriate provisions from one unit of appropriation to another within the same Grant, thus altering the destination of an original provision for one purpose to another, subject to the limits and restrictions laid down.

Appropriation Accounts for the year 2019-20, disclosed insufficient re-appropriations in one scheme each of one Grant and one appropriation.

It was also observed that amount of re-appropriations ordered in 12 schemes included under seven grants was in excess of the actual requirement as the expenditure under these schemes either did not come up to the level of original/supplementary provision or the augmentation of funds through re-appropriation is in excess of actual requirement. The details of re-appropriation exceeding ₹ five crore are furnished in **Appendix 3.1**.

Paragraph 86 (3) of Kerala Budget Manual stipulates that the authority sanctioning re-appropriations should satisfy itself that the reasons given in the sanctions are full, frank and forthright and are not in vague terms such as ‘based on actual requirement’, ‘based on trend of expenditure’, ‘expenditure is less than that was anticipated’ etc., as they have to be incorporated in the Appropriation accounts which are examined by the Public Accounts Committee of Legislature. However, a test check of re-appropriation orders relating to 10 Grants issued by Finance Department revealed that in respect of 1026 out of 1377 items, (74.51 *per cent*) the reasons given for withdrawal of provision or augmentation of provision in the re-appropriation orders were of general nature like ‘expenditure is less than anticipated’, ‘reduced provision is sufficient to meet the expenditure’ etc. which indicated the non-compliance of the provisions of Kerala Budget Manual and inadequate expenditure control mechanism.

3.3.6 Unspent amount and surrendered appropriations and/ or large savings/ surrenders

The golden rule for all Estimating Officers should be to provide in the budget for everything that can be foreseen and to provide only as much as is necessary. The Administrative and Finance Departments should, in checking the estimates, apply unrelentingly the proven and well-tried check of average of previous actuals with known or reasonably foreseeable facts which may modify that average.

When the need for surrender manifests itself, the Controlling Officers should carefully estimate the amounts that they can surrender. The aim should be to surrender as much as they can so as to keep the expenditure just within the modified Grant.

Budgetary allocations based on unrealistic proposals, poor expenditure monitoring mechanism, weak scheme implementation capacities/ weak internal controls promote release of funds towards the end of the financial year, and increase the propensity of the Departments to retain huge balances outside the Government account in Bank Accounts. Excessive savings also deprives other Departments of the funds which they could have utilized.

Audit observed that in 35 grants (each having savings exceeding ₹100 crore) budget allocation amounting to ₹29,618.68 crore remained unutilised in Revenue and Capital Sections. Out of this, an amount of ₹27,730.32 crore (93.62 *per cent*) was surrendered as detailed in **Appendix 3.2**.

Further, Audit also observed that eight Grants and one Appropriation had a budget utilisation less than 50 per cent, the details of which are given in **Table 3.8**.

Table 3.8: Grants/Appropriations with Budget Utilisation of less than 50 per cent (in 2019-20)

(₹ in crore)

Sl No.	Grant	2015-16	2016-17	2017-18	2018-19	2019-20	Number of Years*	Budget 2019-20	Total Budget years
1	XX-Water Supply and Sanitation					43%	1	1394.55	5
2	XXI-Housing				34%	39%	2	208.83	5
3	XXII-Urban Development	33%		38%	40%	49%	4	2208.59	5
4	XXVIII-Miscellaneous Economic Services	46%		46%		39%	3	6185.16	5
5	XXXVI-Rural Development		26%	25 %	31 %	28%	4	5466.53	5
6	XXXVII-Industries					45%	1	1618.07	5
7	XXXIX-Power	37%	40%		12%	6%	4	523.31	5
8	XLV-Miscellaneous Loans and Advances			27%			1	15.63	5
9	Public Debt Repayment	40 %					1	43664.65	5

* Number of years with utilisation below 50 per cent

A low percentage of budget utilisation ranging from 33 to 49 per cent in Grant XXII Urban Development and 34 to 39 per cent in Grant No. XXI Housing are causes of concern. Similarly, repeated low utilisation in Grant XXXVI Rural Development and XXXIX Power despite huge budget allocation also needs examination by Government. It was also observed that in seven grants the budget utilisation was less than 50 per cent in 2019-20.

Further analysis revealed that surrender of funds (in excess of ₹10 crore in each case) amounting to ₹30,103.44 crore was made in 39 Grants and one appropriation at the end of March as shown in **Appendix 3.3**.

Chart 3.2: The distribution of the number of Grants/Appropriations grouped by the percentage of Savings along with total savings

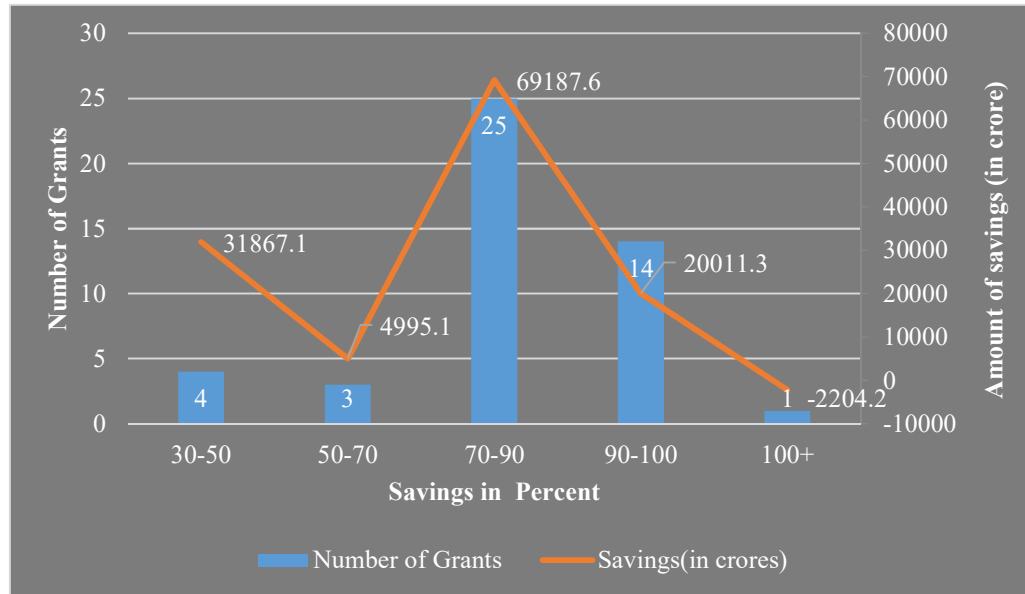
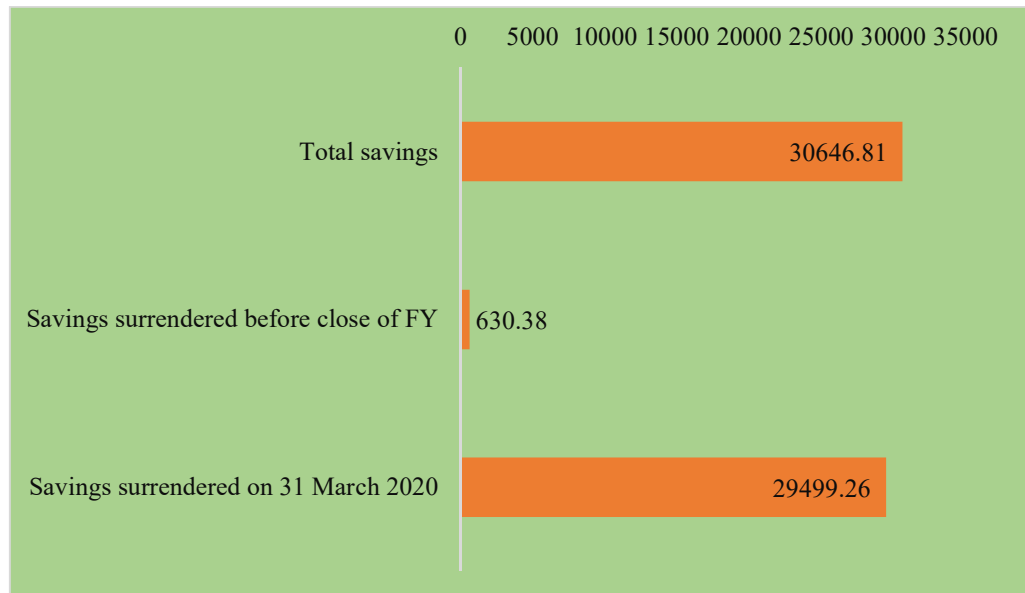


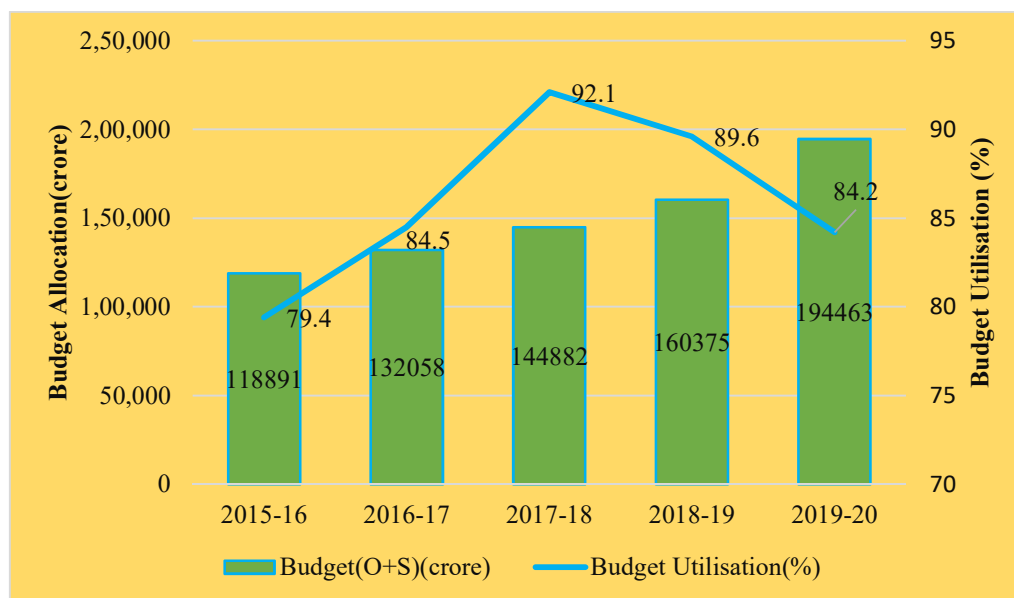
Chart 3.3: Savings and surrenders before close of financial year 2019-20

(₹ in crore)



Audit scrutiny revealed that out of the total savings of ₹30,646.81 crore, an amount of ₹630.38 crore only was surrendered before the close of the financial year which works out to 2.06 per cent. It was also observed that ₹29,499.26 crore was surrendered on 31 March 2020.

Chart 3.4: Budget Utilisation during 2015-16 to 2019-20



Audit observed that budget utilisation ranged from 79.4 per cent in 2015-16 to 84.2 per cent in 2019-20. The highest percentage of utilisation was recorded in 2017-18 (92.1 per cent). The percentage of budget utilisation declined from 92.1 per cent in 2017-18 to 89.6 per cent in 2018-19 and finally to 84.2 per cent in 2019-20.

3.3.7 Excess expenditure and its regularisation

Article 205(1) (b) of the Constitution provides that if any money has been spent on any service during a financial year in excess of the amount granted for that service and for that year, the Governor shall cause to be presented to the Legislative Assembly of the State, a demand for such excess. This implies that, it is mandatory for a State Government to get excesses over grants/appropriations regularised by the State Legislature for the financial year.

Although no time limit for regularisation of excess expenditure has been prescribed under the Article, the regularisation of excess expenditure is done after the completion of discussion of the Appropriation Accounts by the Public Accounts Committee. Failure to do so is in contravention of constitutional provisions and defeats the objective of ensuring accountability by the Legislature of the executive over utilisation of public money.

3.3.7.1 Excess expenditure relating to financial year 2019-20

Excess expenditure over the provision for the year is not only in contravention of the provisions requiring Legislative sanction but also indicative of bad planning, which could be avoided by keeping track of expenditure progression with budget made for the purpose. Cases of excess expenditure over the provision of the financial year are examined.

A summary of excess disbursements over Grants/Appropriations during 2019-20 are furnished in **Table 3.9** and details of excess disbursements over the authorisation from the Consolidated Fund of the State are given in **Table 3.10**.

Table: 3.9 Summary of excess disbursements over grants/appropriations during the year 2019-20
(₹ in crore)

Category	Section	Name of Department/ Grant		
		XXVI Relief on Account of Natural Calamities	Debt Charges	Public Debt Repayment
Voted	Revenue	109.10		
Charged	Revenue		219.64	
	Capital			336.63
No. Of Grants/Appropriations		1	1	1
Total Excess		109.10	219.64	336.63
Grand Total		665.37		

Excess expenditure incurred in one grant (voted) (₹109.10 crore) and two appropriations (charged) (₹336.63 crore) amounting to a total of ₹665.37 crore requires regularisation.

Table 3.10: Details of Grants which incurred excess expenditure during the financial year
(₹ in crore)

Sl. No.	Grant No.	Major Head	Major Head Description	Total provision	Expenditure	Excess	Reasons for excess stated by the Department
1	2	3	4	5	6	7= 6-5	8
1	XXVI	2245	Relief on Account of Natural Calamities	1,935.22	2,044.32	109.10	Reply awaited
2	Debt Charges	2049	Interest Payments	18,995.63	19,215.27	219.64	Reply awaited

Sl. No.	Grant No.	Major Head	Major Head Description	Total provision	Expenditure	Excess	Reasons for excess stated by the Department
3	Public Debt Repayment	6003	Internal Debt of the State Government	42,941.94	43,287.37	345.43	Reply awaited
4		6004	Loans and Advances from the Central Government	722.71	713.91	(-) 8.8*	Reply awaited

*Savings of ₹8.8 crore offset in the excess of ₹345.43 resulting in the net excess of ₹336.63 crore in the Grant Public Debt Repayment.

3.3.7.2 Persistent excesses in certain Grants

Persistent excess noticed during 2019-20 are shown in **Table 3.11**.

Table 3.11: Persistent Excess (₹ in crore)

Description of Grant/Appropriation	2015-16	2016-17	2017-18	2018-19	2019-20
Debt Charges					
Budget provision	10956.14	Nil	14022.37	15868.46	18995.63
Expenditure	11110.86	Nil	15119.98	16926.15	19215.27
Excess	154.71	Nil	1097.61	1057.69	219.64

Audit observed that Persistent excess expenditure occurred in one Appropriation viz. Debt charges. The excess expenditure under Debt charges increased from ₹154.71 crore (1.41percent) in 2015-16 to ₹ 1097.61 crore in 2017-18 (7.83 per cent) and decreased to ₹1057.69 crore (6.67 per cent) in 2018-19 and further to ₹219.64 crore (1.16 per cent) in 2019-20.

Sufficient provision may be made in the Budget estimates of the Government to avoid the incurrence of repeated excess expenditure over the appropriation.

The instances of persistent excess expenditure were brought to the notice of Government and the reply awaited.

3.3.7.3 Regularisation of excess expenditure of previous financial years

Excess expenditure remaining without regularisation for extended periods dilutes legislative control over the executive. Accordingly, all the excess expenditure relating to previous years (2011-18) not yet regularised, are examined.

Year wise details of excess expenditure to be regularised upto the year ending 31.3.2018 are shown in **Table 3.12**.

Table 3.12: Abstract of pendency of regularisation

(₹ in crore)

Year	Number of Grants/Appropriations	Excess expenditure to be regularised
2011-12	2	24.50
2012-13	5	40.44
2013-14	10	560.69
2014-15	1	192.00
2015-16	4	230.76
2016-17	8	141.17
2017-18	9	3545.44
Total	39	4735.00

Excess expenditure of previous financial years in respect of 28 Grants and 11 Appropriations amounting to ₹4,735 crore from the year 2011-12 to 2017-18 as detailed in **Appendix 3.4** is yet to be regularised. This indicates inadequate expenditure control.

3.3.8 Grant-in-aid for creation of capital assets

Grants-in-aid are payments in the nature of assistance, donations or contributions made by one government to another government, body, institution or individual. Grants-in-aid are given for specified purpose of supporting an institution including construction of assets.

As per IGAS 2, Grant-in-aid (GIA) disbursed by a grantor to a grantee shall be classified and accounted for as revenue expenditure irrespective of the purpose for which the funds disbursed as Grants-in-aid are to be spent by the grantee, except in cases where it has been specifically authorized by the President on the advice of the Comptroller and Auditor General of India.

However, Audit has noticed instances of classifying Grant- in- aid as Capital expenditure, which has led to understatement of Revenue Deficit (**Table 3.13**).

Table 3.13: Extent of classification of GIA as Capital Expenditure

(₹ in crore)

	2015-16	2016-17	2017-18	2018-19	2019-20
GIA booked as Capital Expenditure	151.00	179.45	169.13	85.04	14.70
Total Capital Expenditure	7500.04	10125.95	8748.87	7430.54	8454.80
Share of GIA in Capital Expenditure (in per cent)	2.01	1.77	1.93	1.14	0.17
Impact on Revenue Deficit – understated	151	179.45	169.13	85.04	14.70

There has been a persistent misclassification of Grant-in-aid as Capital Expenditure year after year for the five year period from 2015-16 to 2019-20.

3.4 Comments on transparency of budgetary and accounting process

3.4.1 Lumpsum budgetary provisions

Lumpsum provision is a budgetary provision without identifying the exact object of expenditure and it is against transparency. As per Para 14 of Kerala Budget Manual, except when unavoidable, as in the case of repairs and maintenance of buildings, lumpsum demands should not be made. However, Audit observed that lumpsum provisions are made in the Budget for the financial year 2019-20. The details of the Grants having heads of account with lumpsum provision and their utilisation are given in **Table 3.14**.

Table 3.14: Lumpsum provisions and its utilisation*(₹ in crore)*

Sl. No.	Grant No. and Head of Account	Original Provision	Expenditure	Audit observation
1	XXXVII Industries 4885-60-800-96- Provision for Revival/Diversification of State PSUs-lumpsum provision	30.12	Nil	The entire budget provision was redistributed to various other major heads within the Grant. An examination of previous years' Appropriation Accounts has revealed that it is a persistent practice. The lumpsum provision indicates lack of transparency.
2	XII Police 4055-207-92- Modernisation of Police Department (V) (P)	60.00	20.25	The entire provision was redistributed among the detailed heads within the same sub head. Out of the total anticipated saving of ₹39.75 crore, an amount of ₹38.82 crore was surrendered on the last day of the financial year due to non-implementation of plan activities. A comparison of previous years' Appropriation Accounts has revealed that it is a persistent practice. Percentage of utilisation as against the original provision in the scheme works out to 33.75. The excessive provision of funds indicates inadequate budgetary control.
3	XLII Tourism 3452-80-104-98- Marketing-34 Other charges	83.04	58.68	The entire lumpsum provision was redistributed to other heads of account with in the same sub head of account. The budget utilisation of the scheme under the detailed head as against the original provision works out to 70.66 <i>per cent</i> only. The lumpsum provision indicates lack of transparency.
4	XLII Tourism 5452-01-101-99-02-47- 34 Upgradation of Creation of Infrastructure and amenities	132.00	55.70	The entire lumpsum provision under 101-99 was redistributed to other heads of account with in the same sub head of account. The budget utilisation of the scheme under the detailed head as against the original provision works out to 42.19 <i>per cent</i> only.

The percentage of lumpsum provision to the overall provision under the respective grants in the above cases ranged from 2.99 *per cent* to 28.58 *per cent* as shown in **Table 3.15**.

Table 3.15: Percentage of lumpsum provision to the overall provision

(₹ in crore)

Sl No.	Grant No.	Overall Provision of the Grant	Lumpsum provision	Percentage to the overall provision
1	XXXVII Industries	1004.89	30.12	2.99
2	XII Police	85.25	20.25	23.75
3	XLII Tourism (Revenue)	205.28	58.68	28.58
4	XLII Tourism(Capital)	235.30	55.70	23.67

The lumpsum provision made in the above cases indicates lack of transparency.

3.5 Comments on effectiveness of budgetary and accounting process

3.5.1 Budget projection and gap between expectation and actual

Efficient management of tax administration/other receipts and public expenditure holds the balance for achievement of various fiscal indicators. Budgetary allocations based on unrealistic proposals, poor expenditure monitoring mechanism, weak scheme implementation capacities/ weak internal controls lead to sub-optimal allocation among various developmental needs. Excessive savings in some departments deprive other departments of the funds which they could have utilized.

Summarised position of Actual Expenditure *vis-à-vis* Budget (Original/Supplementary) provisions during the financial year is given below in **Table 3.16**.

Table 3.16 : Summarised position of Actual expenditure and Budget

(₹ in crore)

Nature of expenditure		Original Grant/ App.	Supplementary Grant /App.	Total	Actual expenditure	Net of Savings (-)	Surrender during March	per cent of expenditure to Provision
Voted	I. Revenue	107212.18	5164.05	112376.23	90549.13	21827.10	20396.01	80.58
	II. Capital	16201.77	851.83	17053.60	8415.57	8638.03	8411.30	49.35
	III. Loans & Advances	1585.94	48.77	1634.71	1209.56	425.15	208.00	73.99
Total		124999.89	6064.65	131064.54	100174.26	30890.28	29015.31	76.43

Nature of expenditure		Original Grant/ App.	Supplementary Grant /App.	Total	Actual expenditure	Net of Savings (-)	Surrender during March	per cent of expenditure to Provision
Charged	V. Revenue	17790.90	1798.20	19589.10	19550.05	39.05	1060.19	99.80
	VII. Capital	83.44	58.05	141.49	89.54	51.95	51.98	63.28
	VIII. Public Debt- Repayment	17738.77	25925.88	43664.65	44001.28	-336.63	0.00	100.77
	IX. Loans & Advances	0.00	2.82	2.82	0.66	2.16	2.16	23.40
Total		35,613.11	27,784.95	63,398.06	63,641.53	-243.47	1,114.33	100.38
Appropriation to Contingency Fund (if any)		Nil	Nil	Nil	Nil	Nil	Nil	Nil
Grand Total		160613.00	33,849.60	1,94,462.60	1,63,815.79	30,646.81	30,129.64	84.24

Source: Appropriation Accounts.

Original Budget, Revised Estimate and Actual Expenditure during 2016-20 are given in Table 3.17.

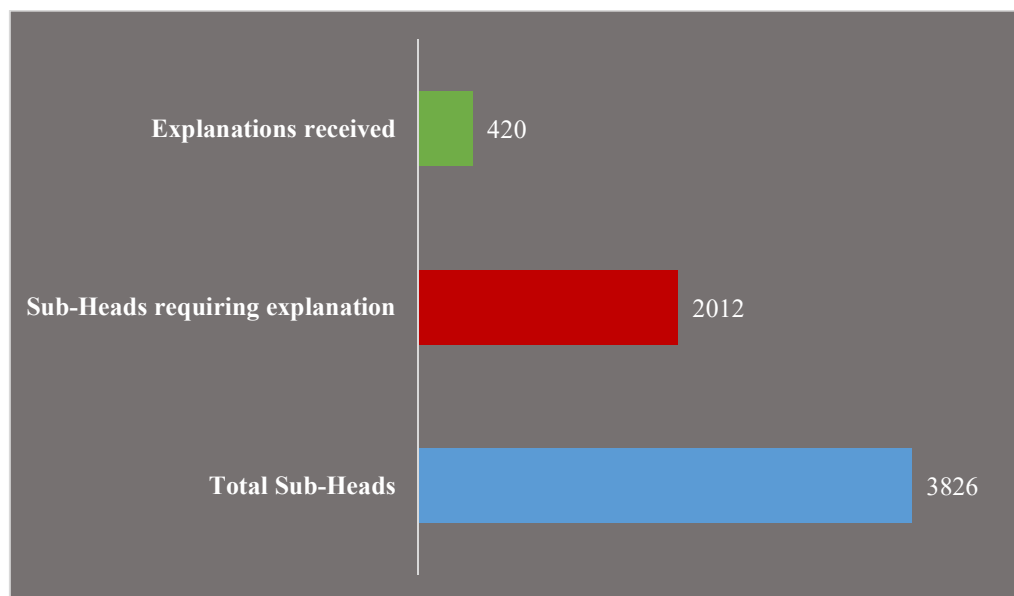
Table 3.17: Original Budget, Revised Estimate and Actual expenditure during the period 2016-17 to 2019-20 (₹ in crore)

	2015-16	2016-17	2017-18	2018-19	2019-20
Original Budget	110890.37	122593.50	133897.86	142809.88	160613.01
Supplementary Budget	8000.42	9464.50	10984.08	17565.02	33849.60
Revised Estimate	88959.68	104296.99	111351.52	124678.88	125642.93
Actual Expenditure	94377.17	111597.71	133456.97	143721.60	163815.80
Saving /excess	24513.62	20460.29	11424.97	16653.30	30646.81
Percentage of Saving	20.62	15.49	7.89	10.38	15.76

Audit observed that the percentage of supplementary provision to the original provision has increased from 7.20 *per cent* in 2015-16 to 21.07 *per cent* in 2019-20 which indicates poor planning and budgeting.

There were a total of 3826 sub heads of which 2012 sub heads require explanation for variations between the budget provision and actual expenditure in the Appropriation Accounts during the year 2019-20. Out of this, only 420 explanations were received, as shown in **Chart 3.5**.

Chart 3.5: Summary of Explanation for Variation in Appropriation Accounts



3.5.2 Supplementary Budget and Opportunity Cost

At times, while obtaining supplementary provision, the Departments report to Legislature large additional requirement for different purposes under various schemes/activities; but finally they are unable to spend not only the entire supplementary provision or parts thereof but also the original budget provision. As a result, the unutilised funds could not be made use of. At the same time, some of the schemes remained incomplete due to want of funds. Thus, the intended benefit of the unfinished schemes could not be extended to the Public at large in such cases. Further, this leads to escalation of project cost.

Audit observed that though a total budget provision of ₹18,631.57 crore including supplementary provision was obtained under Capital Section in 24 grants (27 items), ₹9,042.71 crore (48.53 *per cent*) remained unutilized as detailed in **Appendix 3.5**.

If the excessive budgetary provision is not made, it could have been utilized for other needy departments.

The details of incomplete projects costing above ₹50 crore which could have utilised this amount are shown in **Table 3.18**.

Table 3.18: Details of incomplete projects costing above ₹50 crore (₹ in crore)

Sl No.	Name of Scheme/Project (having estimated cost of ₹50 crore or more)	Estimated cost of scheme/project	Yearwise Expenditure incurred during 2015-20		Scheduled date of completion	Expenditure as of 31 March 2020	Physical progress of the work (in per cent)	Funds required for completion of remaining work	
			Year	Expenditure					
1	Kuttanad package-FMP-Modernisation of Thaneermukkam Bund to manage salinity	255.33	2015-16	49.44	2018	141.81	55	113.52	
			2016-17	52.12					
			2017-18	16.81					
			2018-19	8.54					
			2019-20	0.90					
2	Thuravoor-Pamba Road renovation and construction of Thycattussery Nerekadavu bye-pass construction of bridge	98.99	2015-16	#	2017	49.29	55	49.70	
			2016-17						
			2017-18	42.95					
			2018-19	6.34					
			2019-20	Nil					
3	Construction of Pattithanam - Manarkkad bye pass from 1/790 to 6/530 (2nd reach)	72	2015-16	*	2019	11.50	20	60.50	
			2016-17						
			2017-18						
			2018-19	3.01					
			2019-20	8.49					
4	NABARD RIDF XVIII- Construction of two bridges along with approaches from Cement Kavala at MC Road to Graminchira-Parechal-Thiruvathukkal road from 0/000 to 3/526 km in Kottayam Dist.	53.96	2015-16	Details awaited from WAC section of PAG (A&E)	2017	46.95	95	7.01	
			2016-17						
			2017-18						
			2018-19						
			2019-20						

#commenced in 2013-No expenditure upto 2016-17

*commenced in 2018

3.5.3 Major policy pronouncements in budget and their actual funding for ensuring implementation

Several schemes for which provision was made in budget were not executed, and thus deprived the beneficiaries of intended benefits. Savings in such schemes deprives other Departments of the funds which they could have utilised.

Audit observed that budget provision of ₹ one crore and above was made in 82 schemes included in 23 Grants but no expenditure was incurred in any of these schemes. These schemes were also not withdrawn in revised outlay. (**Appendix 3.6**).

3.5.4 Financial power being flouted -in relation to re-appropriation

‘Re-appropriation’ - means the transfer, by a competent authority, of savings from one unit of appropriation to another within the same Grant, thus altering the destination of an original provision for one purpose to another, subject to the limits and restrictions laid down. The provisions relating to re-appropriation will be laid down in individual State Budget Manuals. However, there are certain broad instructions that are universally applicable:

1. Limitation for Executive:
 - (i) No re-appropriation is permissible from Capital to Revenue & *vice versa*.
 - (ii) No re-appropriation is permissible from Voted to Charged & *vice versa*.
 - (iii) No re-appropriation is permissible from one Grant to another.

However, based on the availability of savings in individual Grants, authorization of Legislature through Supplementary Grant can be obtained by the Government during the course of the year for utilizing Savings in other sections of the Grants. These are generally referred to as technical Supplementaries.

2. Generally, Finance Department has powers to sanction re-appropriation from one Major, Minor or Sub Head to another; and Ministers of respective Departments can sanction Re-appropriation between Heads subordinate to Minor Head, if this does not involve the undertaking of a recurring liability.
3. Permissible re-appropriations within the Grant or Appropriations of a year can be sanctioned at any time within the year but not after the expiry of the year.
4. No re-appropriation shall be made for any purpose whatsoever from Supplementary Grants voted by the Assembly for a definite purpose, so as to ensure that a Supplementary Grant shall be used for the purpose for which it is voted.
5. In a case in which provision made in the Budget under a Sub Head is expected to be exceeded, re-appropriation should ordinarily be postponed

until a reliable forecast is possible, as the information available in the earlier part of the year is not always a safe guide for re-appropriations.

6. No expenditure should, however, be incurred on an object for which no provision exists in the budget.
7. No re-appropriation should be made for a New Service not contemplated in the budget for the year nor for an object not specifically included in that estimates and for which no provision has been made.
8. No re-appropriation should be made which involve the undertaking of liability which is likely to be extended beyond the financial year.

Audit observed that re-appropriations were made from three Grants after obtaining supplementary provision as detailed in **Table 3.19**.

Table 3.19 : Re-appropriation made after obtaining supplementary provision

(₹ in crore)

Sl.No.	Grant No.	Head of account	Supplementary provision	Re-appropriation
1	XXVI Relief on Account of Natural Calamities	2245-02-111-99 (V) (NP)	3.00	(-) 3.44
2	XLI Transport	7055-00-190-99 (V) (P)	43.79	(-) 47.93
3	Public Debt Repayment	6003-00-111-99 (C) (NP)	12.71	(-) 78.07

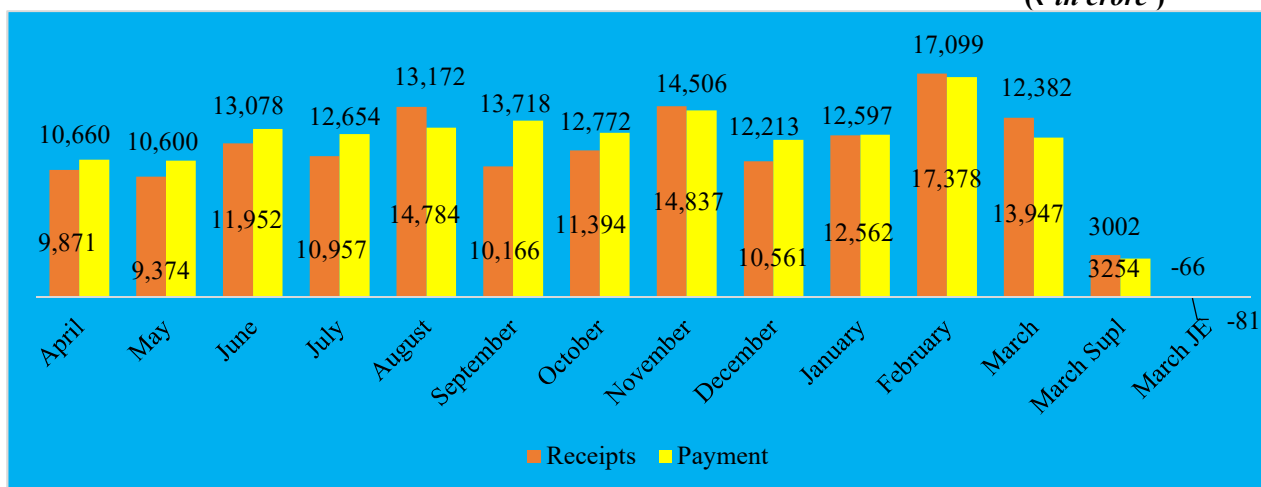
Withdrawal of supplementary provision, through re-appropriation orders, has defeated the objective of supplementary grant.

3.5.5 Rush of Expenditure

As per para 91 (2) of the Kerala Budget Manual the flow of expenditure should be so regulated throughout the year that there is no rush of expenditure, particularly during the closing months of the financial year.

Chart 3.6: Monthly receipts and expenditure during the FY for the State

(₹ in crore)



From **Chart 3.7**, it can be seen that for 2019-20, the monthly spread of receipts and expenditure of the State was generally even, which is commendable.

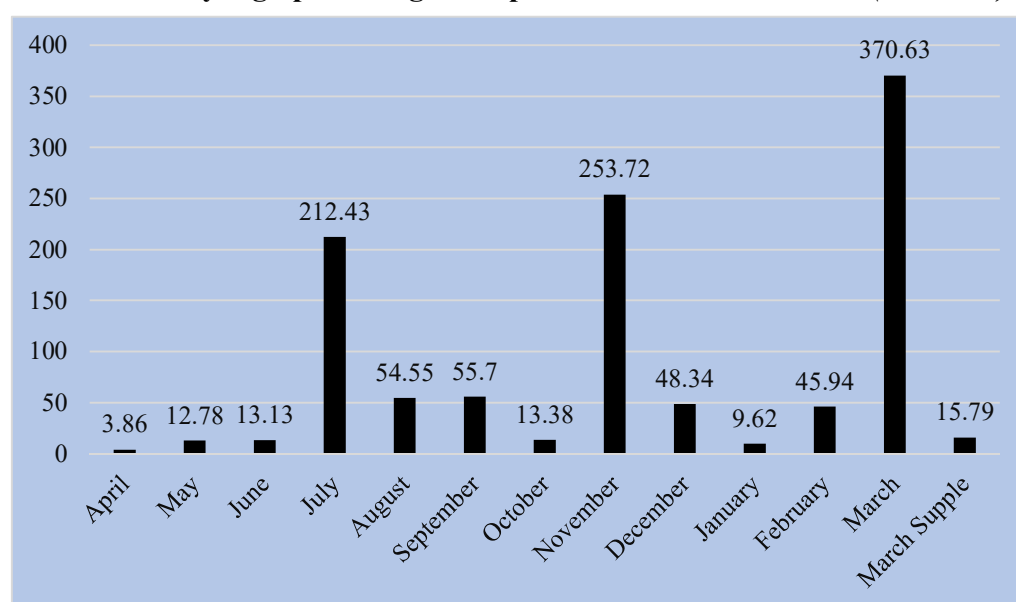
Audit observed that for four Grants shown in **Table 3.20**, more than 25 per cent of the expenditure was incurred in March alone.

Table 3.20: Grants with more than 25 per cent of expenditure in March alone (Descending order of percentage) (₹ in crore)

Sl. No	Grant No.	Description	Ist Qtr	2 nd Qtr	3 rd Qtr	4 th Qtr	Total	Expenditure in March	Expenditure in March as percentage of total expenditure
1	XXII	Urban Development	29.76	322.68	315.45	441.98	1109.87	370.63	33.39
2	XXIV	Labour, Labour Welfare and Welfare of Non-Residents	124.54	231.12	116.25	392.12	864.03	261.22	30.23
3	XXVI	Relief on account of natural Calamities	191.31	392.55	741.92	922.23	2248.01	681.55	30.32
4	XXX	FOOD	492.55	220.46	166.67	538.51	1418.19	368.53	25.99

Further, the scheme wise analysis of expenditure of ₹one crore or more, where the entire expenditure was incurred in March has revealed that during the year 2019-20, the incurrence of expenditure in March ranged from ₹ one crore in Grant No. XVIII Medical and Public Health to a maximum of ₹110 crore in Grant No. XXXVII Industries. (**Appendix 3.7**).

Chart 3.7: Month wise expenditure of Urban Development Department with very high percentage of expenditure in March (₹ in crore)



From the above graph, it can be seen that the monthly expenditure in Urban Development Department in 2019-20 was high in the months of July, November and March. Out of this, the highest expenditure of ₹370.63 crore was incurred in March, which works out to 33.39 *per cent* of the total expenditure of ₹1,109.87 crore incurred by the department for the year 2019-20.

3.5.6 Review of Selected Grants

Review on Budgetary process and Appropriation Control- Grant No XXXVII- Industries

Grant No XXXVII is controlled by eight³² Controlling Officers in four³³ Administrative Departments. The Controlling Officers are responsible for ensuring appropriation control in each unit of appropriation of the Grant. There were 174 schemes under this Grant for 2019-20. Budget allocation and expenditure under revenue and capital sections of Grant XXXVII during the last three years are given in **Table 3.21**.

Table 3.21: Budget allocation and expenditure for the last three years

(₹ in crore)

Year	Category	Budget allocation	Expenditure	Savings	Percentage of Savings
2017-18	Revenue	705.66	648.92	56.74	8.04
	Capital	1214.33	947.05	267.28	22.01
2018-19	Revenue	714.61	609.41	105.20	14.72
	Capital	1035.45	610.17	425.28	41.07
2019-20	Revenue	613.10	353.53	259.57	42.34
	Capital	1004.97	461.47	543.50	54.08

Source: Appropriation Accounts of respective years

From **Table 3.21**, we can see that the Savings under this Grant have been increasing over the years; and in 2019-20, 50 *per cent* of the budget allocation remained unutilized.

³²Director of Industries & Commerce, Director of Handloom and Textiles, Director of Coir Development, Director of Mining & Geology, Director of Economics & Statistics, Secretary (Industries Department) & Secretary (Electronics & Information Technology Department), Commissioner (State Goods and Service Tax).

³³ Industries & Commerce Department, Electronics & IT Department, Taxes Department & Planning and Economic Affairs Department.

A review was conducted covering the period 2017-18 to 2019-20 to ascertain the budgetary process and utilisation of funds earmarked for various schemes in Grant XXXVII implemented by five Controlling Officers viz., Director of Industries and Commerce, Director of Handloom and Textiles, Director of Coir Development, Secretary, Industries Department and Secretary, Electronics and Information Technology (E & IT) Department. These five Controlling Officers were implementing 164 schemes in total during 2019-20 (158 schemes in 2017-18 & 171 schemes in 2018-19). Defective budgetary and appropriation control was noticed in the schemes implemented by all the Controlling Officers selected for audit as detailed below:

1.Savings

The savings incurred by the selected five Controlling Officers for the financial years under review is given in **Chart 3.8**.

Chart 3.8: Controlling Officer wise details of savings

Year	Controlling officer	Savings in crore of rupees	Savings as percentage of budget allocation
2017-18	Director of Industries & Commerce	306.18	34.78
	Director of Handloom and Textiles	39.3	42.27
	Director of Coir Development	45.04	45.87
	Secretary, Industries Department	0	0
	Secretary, E & IT Department	66.69	24.02
2018-19	Director of Industries & Commerce	367.76	50.77
	Director of Handloom and Textiles	33.92	62.38
	Director of Coir Development	71.43	35.89
	Secretary, Industries Department	26.58	59.86
	Secretary, E & IT Department	217.6	67.66
2019-20	Director of Industries & Commerce	604.71	69.23
	Director of Handloom and Textiles	23.09	54.19
	Director of Coir Development	165.37	67.91
	Secretary, Industries Department	3.9	78
	Secretary, E & IT Department	272.14	79.87

Savings as percentage of budget allocation with respect to all the five Controlling Officers exceeded 50 *per cent* in 2019-20. The figures for the previous two years also show poor budgeting. Despite a meagre budget allocation of ₹3.9 crore for Secretary, Industries Department in 2019-20, the Controlling Officer could spend only 22 *per cent* of that amount. Savings incurred by the other four Controlling Officers are analysed below.

Director of Industries and Commerce: Director of Industries and Commerce had huge savings ranging from ₹306.18 crore to ₹604.71 crore. Nine schemes implemented by Director of Industries and Commerce (with budget allocation of ₹10 crore or more) had savings exceeding 79 *per cent* of budget allocation.

Non-utilisation of entire budget allocation is seen in the case of four schemes³⁴ to be implemented by the Director. During the three year under review the entire budget provision for revival of state PSUs amounting to ₹186.41 crore remained unutilised, and despite non-utilisation, budget was provided year after year (**Appendix 3.8**). Four schemes implemented by Director of Industries and Commerce have been showing savings of ₹10 crore or more persistently every year during the three-year period under review (**Appendix 3.9**).

Secretary, E & IT Department: Four schemes with budget allocation of ₹10 crore or more implemented by Secretary, E & IT Department had savings ranging from 77.37 per cent to 100 per cent of budget allocation. Despite meagre expenditure on Cyberpark in 2018-19, an amount of ₹21.69 crore was allocated in 2019-20, and the entire allocation remained unutilised during that year (**Appendix 3.8**). Two schemes implemented by Secretary, E & IT Department have been showing savings of ₹16 crore or more persistently every year during the three-year period under review. For one of these two schemes (Kerala State Information Technology Infrastructure Limited), the budget allocation was increased year after year, even though its yearly savings were significant (**Appendix 3.9**).

Director of Coir Development & Director of Handloom and Textiles: When schemes with budget allocation of ₹10 crore or more was examined, audit saw that three schemes implemented by the Director of Coir Development showed immense savings compared to budget allocation ranging from 78.96 per cent to 100 per cent (**Appendix 3.8**). Out of these, one scheme (Regulated Mechanisation of Coir Industry) had persistent savings of ₹18 crore or more every year during the three year under review(**Appendix 3.9**). One scheme with budget allocation of ₹10 crore or more implemented by the Director of Handloom and Textiles also showed immense savings of 82.51 per cent of the budget allocation during 2018-19 (**Appendix 3.8**).

Entire budget allocation surrendered: There were 52 schemes having budget allocation exceeding ₹10 crore implemented by the selected Controlling Officers during the three-year period. On a scrutiny of these 52 schemes, audit observed that for five schemes implemented by three³⁵ Controlling Officers the entire budget remained unutilised and was surrendered at the end of the respective financial year. The details are given in **Appendix 3.10**.

Huge savings, persistent savings on the same scheme year after year and surrender of entire budget allocation in some cases indicate failure of the respective Controlling Officers and the Finance Department to realistically estimate the budgetary requirement based on current expenditure trends and projections for next year. The existing system of budget allocation may be re-evaluated so that the wide disparity in projection and actuals can be addressed.

³⁴Only schemes with budget allocation of ₹10 crore or more are considered here. There were 52 schemes having budget allocation of ₹10 crore or more implemented by selected Controlling Officers during the three-year period.

³⁵Director of Industries & Commerce (2 Schemes), Secretary/ Electronics & IT Department (2 Schemes) & Director of Coir Development (1 Scheme).

2. Surrender in excess of actual savings

As per Paragraph 91 of the Kerala Budget Manual, the Administrative Departments should surrender all anticipated savings before the close of the financial year to the Finance Department as and when they are foreseen, unless they are required to meet excesses under other units of appropriation. During the financial year, if it is found that the budget grant cannot be utilised in full, then the funds in excess of requirements are to be surrendered by the disbursing officers. Subsequently, the Chief Controlling Officer has to remit back the savings of the Grant to the Finance Department. Due care must be taken to accurately assess the requirements for the remaining part of the year before making surrender proposals, to have optimal allocation of available funds between schemes.

Audit examined the detailed Appropriation Accounts of last three years with respect to the five selected Controlling Officers. Audit found that excess surrender led to excess expenditure over and above budget allocation in the case of eight Schemes under Director of Industries and Commerce and two schemes under Secretary, Industries Department (**Appendix 3.11**). A major share of excess expenditure occurred under the head of account 6885-60-190-99 'Loans to Kerala Industrial Infrastructure Development Corporation (P)' administered by Director of Industries and Commerce in 2017-18 wherein an amount of ₹54.38 crore was surrendered during the year end leading to excess expenditure of ₹28.08 crore under the scheme.

These instances of injudicious surrender indicated inadequate appropriation checks exercised by departmental officers in the heads of account under their control.

3. Injudicious Re-appropriation

Re-appropriation is transfer of funds within a Grant from one unit of appropriation, where savings are anticipated, to another unit where augmentation is needed. Audit analysis revealed that augmentation of budget allocation through re-appropriation was wholly unnecessary in 18 schemes under four³⁶ Controlling Officers, as detailed in **Appendix 3.12**, since the final expenditure was less than the budget allocation (original and supplementary grant) provided under it. Sub heads where savings are greater than ₹ three crore are given in **Table 3.22**.

³⁶Director of Industries & Commerce (12 Schemes), Director of Coir Development (3 Schemes) , Director of Handloom & Textiles (2 Schemes) & Secretary/Electronics and IT Department (1 Scheme)

Table 3.22: Unnecessary re-appropriation as expenditure was less than budget allocation.

(₹ in crore)

Sl. No.	Scheme	Year	Budget allocation	Reappropriation	Final Exp	Savings
Director of Industries and Commerce						
1.	2851-00-004-99 Development of Commerce(P)	2019-20	5.43	2.00	1.13	4.30
2.	6851-00-109-74 Kerala State Co-operative Textile Federation (TEXFED)(P)	2019-20	24.60	1.00	19.49	5.11
3.	6854-01-190-98 Loans to Travancore Cements Limited, Kottayam(P)	2017-18	10.00	5.00	5.00	5.00
4.	6858-01-190-96 Loans to Kerala Electrical and Allied Engineering Company Limited(P)	2017-18	18.00	5.00	14.62	3.38
5.	6860-60-190-94 Loans to Kerala Ceramics Limited(P)	2017-18	15.00	1.65	11.65	3.35
Director of Coir Development						
6.	2851-00-106-34 Price Fluctuation Fund(P)	2019-20	45.00	10.00	35.46	9.54
Secretary /Electronics and Information Technology Department						
7.	4859-02-004-95 Land Acquisition and Infrastructure Development under IT(P)	2017-18	136.00	11.65	119.65	16.35

Source: Detailed Appropriation Accounts of respective years

Director of Industries & Commerce stated that an amount of ₹ Two crore was re-appropriated during 2019-20 under the head of account '2851-00-004-99 Development of Commerce(P)' for organising investors meet 'ASCEND 2020' in January 2020 as sufficient funds were not available in the head of account. It was also stated that the actual expenditure under the head was ₹4.76 crore. The reply is not acceptable as the final expenditure for the scheme booked by AG(A&E) comes to ₹1.13 crore only. The department failed to take steps to reconcile the departmental expenditure figure with expenditure figure booked by AG (A&E).

Audit scrutiny also revealed that with respect to seven schemes implemented by three Controlling Officers during 2017-18 excess withdrawal of funds led to excess expenditure over budget provision amounting to a total of ₹1.21 crore as detailed in **Appendix 3.13**.

The failure of the departmental officers in assessing the actual requirement of funds resulted in excess savings in some schemes and excess expenditure in some other schemes.

4. Delay in submitting surrender proposals.

As per para 93(1) of Kerala Budget Manual, the last date for receipt of surrender proposal in the Administrative department from the Chief Controlling Officer has been fixed as 10 March of the financial year. However, a scrutiny revealed that surrender proposals were sent to Administrative department belatedly in respect

of Grant XXXVII by various Controlling Officers during 2017-18 to 2019-20 as shown in **Table 3.23**.

Table 3.23: Delayed submission of surrender proposals to Administrative Department

Year	Date of sending surrender proposal to Administrative Department
Director of Industries and Commerce	
2017-18	31 March 2018
2018-19	11 April 2019
2019-20	10 August 2020
Director of Handloom and Textiles	
2017-18	4 April 2018
2018-19	10 April 2019
2019-20	15 May 2020
Director of Coir Development	
2017-18	31 march 2018
2018-19	5 April 2019
2019-20	9 April 2020

Source: Details collected from Directorates

Similarly, Secretary to Government, Electronics and Information Technology Department who is also the Controlling Officer in respect of certain sub heads of account under grant XXXVII had also not submitted surrender proposals in respect of funds under his control to Finance Department on time (due date as per Kerala Budget Manual is 20 March) as shown in **Table 3.24**.

Table 3.24: Submission of surrender proposals to Finance Department.

Year	Date of sending surrender proposal to Finance Department
2017-18	16 April 2018
2018-19	29 April 2019
2019-20	1 July 2020

Source: Information collected from Electronics Department

Further, Secretary to Government, Industries Department had not replied to audit requisition for the details of surrender proposal in respect of funds under his control.

Submission of surrender proposals on the last day of the financial year or during the succeeding financial year is against the provisions contained in the Budget manual which defeats the purpose of surrender of funds.

Director, Industries and Commerce replied (October 2020) that delay in sending surrender proposals in 2017-18 and 2018-19 occurred as considerable time is required for the process of consolidation of details collected from 14 District Industries Centres and all Taluk Industries offices. The delay in 2019-20 was

attributed to the Covid 19 pandemic related lockdown and restrictions from March. It was also stated that action would be taken to avoid delay in submitting surrender proposals in future.

The reply is not convincing as the pandemic related lockdown was ordered only from 24 March 2020 onwards and as per the provisions of Kerala Budget Manual, the surrender proposals to the Administrative departments and Finance department had to be submitted on 10 and 20 March 2020, respectively. All Controlling Officers may begin the review and re-evaluation of budget for the ongoing year well in advance so that surrender proposals can be submitted well in time.

5. Non-reconciliation of departmental figures

According to Paragraph 74 of Kerala Budget Manual, the expenditure recorded in the books of the Controlling Officer of the departments should be reconciled every month with that recorded in the books of the AG (A&E), Kerala to exercise control over expenditure, to keep it within the budget grants and to ensure accuracy of their accounts. There were 44 schemes implemented by the selected Controlling Officers having expenditure greater than ₹10 crore. Of these 44 schemes, there were wide variations between the expenditure booked in the books of the Controlling officers and the figures booked by AG (A&E) with respect to six schemes by two³⁷ Controlling Officers **Appendix 3.14**. These variations had not been reconciled and rectified as stipulated in the Kerala Budget Manual. This was not only in violation of the provisions of Paragraph 74 of the Kerala Budget Manual, but also casts doubt about the correctness of the expenditure figures supplied by the departments. Controlling Officers may make sure that the expenditure figures are reconciled every month with AG (A&E). A robust system may be put in place for the same so that these lapses are not repeated.

3.6 Good Practices

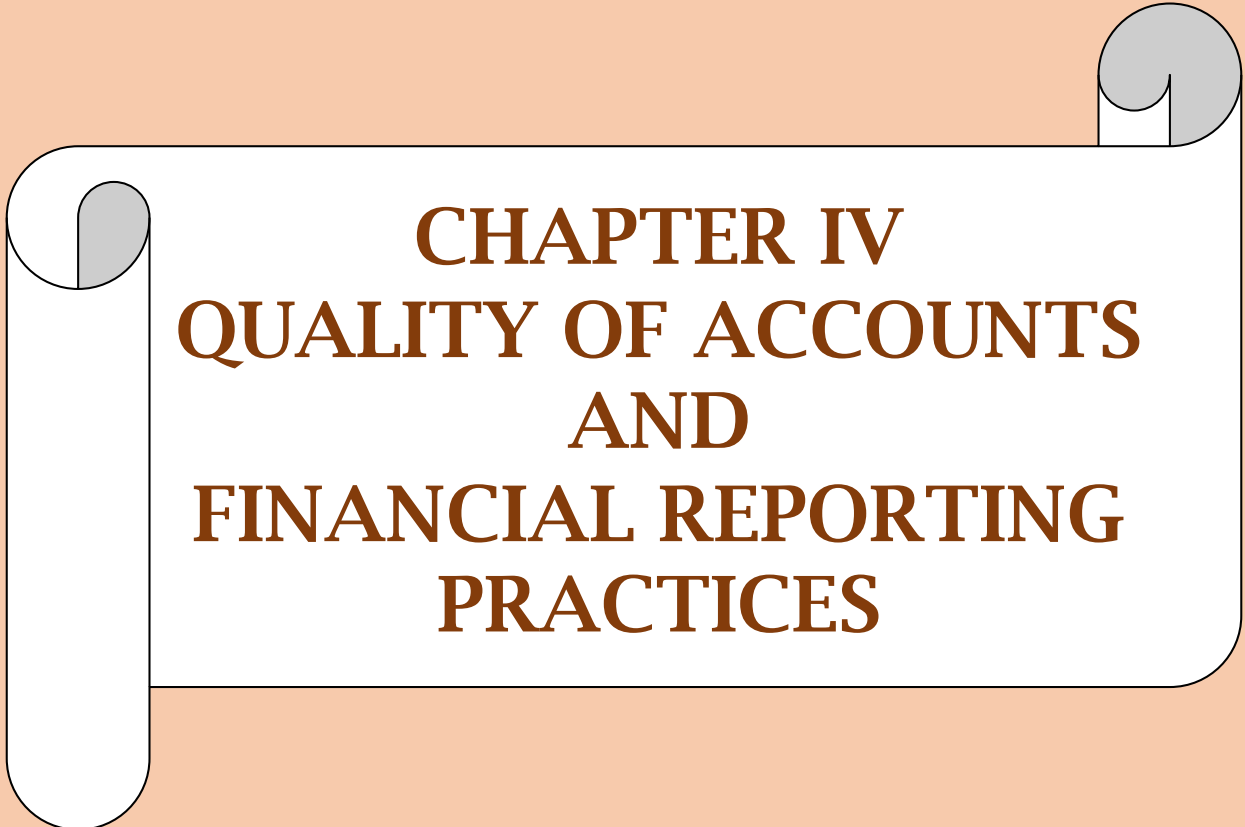
It is observed that for 2019-20, the monthly spread of receipts and expenditure of the State was generally even, which is commendable.

3.7 Recommendations

- 1. Government should be more realistic in its budgetary assumptions and ensure efficient control mechanisms to curtail savings/ excess expenditure.*
- 2. Government should enforce its commitment to achieve its promised/intended objectives for overall development of the State through improved execution, monitoring and financial management of schemes/projects.*
- 3. Government needs to reconcile the differences in the amounts relating to its investment in the State PSUs with regard to equity, loans and guarantees shown in its accounts and the accounts of the concerned PSUs.*

³⁷Director of Industries & Commerce (4 Schemes), Director of Coir Development (2 Scheme)

- 4. The State Government may consider writing back balance under Deposit Accounts to the respective Major/Minor Heads at the close of the year to ensure legislative scrutiny.*
- 5. Excess expenditure over grants approved by the Legislature are in violation of the will of the Legislature. It therefore, needs to be viewed seriously and regularized at the earliest.*
- 6. Adopt good practices of Central Government, where Technical and Token Supplementary are encouraged, with Cash Supplementary being the last resort, after all options of utilizing the savings has been exhausted.*
- 7. State Government needs to formulate a realistic budget based on reliable assumptions of the needs of the Departments and their capacity to utilise the allocated resources.*
- 8. An appropriate control mechanism needs to be instituted by the Government to enforce proper implementation and monitoring of budget to ensure that savings are curtailed, large savings within the Grant/ Appropriation are controlled and anticipated savings are identified and surrendered within the specified timeframe.*
- 9. Controlling Officers need to be made aware of their responsibility to explain the variation in expenditure from the allocation to facilitate proper analysis of budget and preparation of meaningful Appropriation Accounts.*



CHAPTER IV
QUALITY OF ACCOUNTS
AND
FINANCIAL REPORTING
PRACTICES

CHAPTER IV QUALITY OF ACCOUNTS AND FINANCIAL REPORTING PRACTICES

A sound internal financial reporting system with relevant and reliable information significantly contributes to efficient and effective governance by the State Government. Compliance with financial rules, procedures and directives as well as the timeliness and quality of reporting on the status of such compliance is, thus, one of the attributes of good governance. Reports on compliance and controls, if effective and operational, assist the Government in meeting its basic stewardship responsibilities, including strategic planning and decision-making.

Issues related to completeness of accounts

4.1 Funds outside Consolidated Fund or Public Account of the State

Article 266 (1) of the Constitution of India, subject to the provisions of Article 267, provides that all revenues received by the Government of a State, all loans raised by that Government by the issue of treasury bills, loans or ways and means advances and all moneys received by that Government in repayment of loans shall form one consolidated fund to be entitled 'the Consolidated Fund of the State'. Article 266 (2) provides that all other public moneys received by or on behalf of the Government of a State shall be credited to the public account of the State, as the case may be.

4.1.1 Non-remittance of levies into the Consolidated Fund of the State

4.1.1.1 The Building and Other Construction Workers' Welfare Cess

The Building and Other Construction Workers' Welfare Cess Act, 1996 provides for levy and collection of labour welfare cess at a rate of minimum one *per cent* on the cost of construction. Also, the provision of Rule 5 of The Building and Other Construction Workers' Welfare Cess rules (1998) provided that the Cess collected is to be transferred to (Building and Other Construction Workers Welfare Board) the Board along with the form of challan prescribed (and in the head of account of the Board) under the accounting procedures of the State. Audit observed that no rules have been framed by the State Government of Kerala for accounting of Building and Other Construction Workers' Welfare Cess. Neither a sub-head has been opened by the State Government under concerned revenue receipt Major Head (MH) for accounting of Cess collected nor a functional revenue expenditure head has been opened for transfer of the Cess amount to Building and Other Construction Worker's Welfare Board by various Departments/ Agencies etc. The Cess amount collected is not routed through the Consolidated Fund of the State as required under Article 266 (1) of the Constitution of India and is instead being credited directly to Special Treasury Saving Bank (STSB) account of the Board/ Accounts in

Nationalised Banks maintained by Board. The cess amount received by the board from 2015-16 to 2019-20 is shown in the **Table 4.1** given below.

Table 4.1: Year-wise receipt of Building and Other Construction Workers' Welfare Cess by the Board

(₹ in crore)

Year	2015-16	2016-17	2017-18	2018-19	2019-20	Total
Building and Other Construction Workers' Welfare Cess received by the Board	189.11	203.58	192.45	248.95	232.84	1066.93

Source: Information collected from Building and Other Construction Workers' Welfare Board

It was noticed that the Board had received an amount of ₹1,066.93 crore as cess amount from 2015-16 to 2019-20 which included ₹232.84 crore in 2019-20 alone, without being routed through the Consolidated Fund of the State. This was in contravention to Article 266 (1) of the Constitution of India. Non-remittance of Government revenue to the Consolidated Fund resulted in understatement of non-tax revenue and other fiscal parameters derived from it, during the concerned years.

Non-remittance of revenue receipts escapes the scrutiny by the Legislature. Therefore, a system for remittance/release of such money needs to be put in place by opening suitable heads of account under revenue receipts and revenue expenditure for tracking the revenues/expenditure for assurance to indicate that the money generated from the cess collection is transferred to the Board.

Finance Department replied (July 2020) that, though General Administration (Labour) Department had been called for to frame rules and to furnish proposal for opening new heads of account under revenue receipt side and its corresponding expenditure side for the accounting of Kerala Building and other Construction Workers Welfare Cess, the compliance report has not been received from the authorities concerned.

4.1.1.2 Contributions to District Mineral Foundation Trust

District Mineral Foundation Trust (erstwhile Quarry Safety Fund³⁸) was established in all districts under the aegis of District Collector as per Kerala District Mineral Foundation Rules, 2018 intended to work for the interest and benefit of the persons and areas affected by mining related operations in the district. The contributions being made to the District Mineral Foundation Trust comprises of the following revenues of the State Government.

³⁸ Quarry Safety Fund was constituted by the District Collectors in all the districts as per the Kerala Minor Mineral Concession Rules, 2015 to meet necessary expenses for ensuring safety to the abandoned quarries. Quarry Safety Fund as per Kerala Minor Mineral Concession Rules, 2015 was substituted with District Mineral Foundation Trust established as per Kerala District Mineral Foundation Rules, 2018, which came into force w.e.f 22.02.2018.

- Payment made by the lessees of major minerals at a rate of 30 *per cent* of Royalty.
- Payment made by the lessees and quarrying permit holders of minor minerals at a rate of 10 *per cent* of Royalty.
- Payment made by holder of minor mineral leases/ permits at a rate of 10 *per cent* of Royalty or consolidated Royalty.

The revenue realized by above means are being credited directly to a joint Special Treasury Savings Bank Accounts (STSB) managed by District Collectors and District Geologists of respective districts. The amount received by District Mineral Foundation Trust and the erstwhile Quarry Safety Fund from 2015-16 to 2019-20 is shown in the **Table 4.2** given below.

Table 4.2: Year-wise receipts to District Mineral Foundation Trust (erstwhile Quarry Safety Fund)

(₹ in crore)				
Year	2017-18	2018-19	2019-20	Total
District Mineral Foundation Trust (erstwhile Quarry Safety Fund)	5.09*	9.09	9.53	23.71

Source: Information collected from Directorate of Mining and Geology

*Collection for 2017-18 includes arrear collection from 2015 onwards

It was noticed that the contributions amounting to ₹23.71 crore was made to District Mineral Foundation Trust from 2017-18 to 2019-20 which included an amount of ₹9.53 crore in 2019-20 alone. This amount was transferred to the Trust without being routed through the Consolidated Fund of the State despite being a Government revenue. This was in contravention of Article 266 (1) of the Constitution of India. Consequently, the non-tax revenue and the fiscal parameters derived from them were under-stated to that extent during the years concerned.

4.1.1.3 Funds of Regulators outside Government Account

The Regulatory Authorities, are ‘State’ within the meaning of Article 12 of the Constitution. Money being received by them are on account of discharge of functions ‘on behalf of the Government’. Hence, their Funds need to be housed in the Public Account of India/ States.

However, Audit observed that funds of Kerala State Electricity Regulatory Commission are kept outside Government Account.

Kerala State Electricity Regulatory Commission stated that their fund has been constituted in line with section 103 of the Electricity Act 2003 and stated that as per sub rule (3) of rule 3 of the Kerala State Electricity Regulatory Commission Fund Rules 2013, the main account of the Fund shall be maintained in any nationalised bank and subsidiary accounts at such other branches of such banks, as the commission considers appropriate.

The reply is not tenable since public money received on behalf of the State Government is to be credited to public account of the state as per Article 266 (2) of

the Constitution and not doing so involves a breach of the said Article of the Constitution.

4.2 Non-inclusion of clear cut liabilities incurred during the financial year

The Government of Kerala issued (March 2020) orders for shifting the bills submitted at treasuries after 27 March 2020 to treasury queue³⁹. These bills kept under treasury queue were intended to be cleared in the subsequent financial year thereby deferring a substantial amount of clear cut liabilities incurred during the financial year to the succeeding year. Though the State Government had released a cut-off date for the year 2019-20 for clearing the bills at Treasuries, it was noticed that bills submitted at Treasury from October 2019 onwards were also placed at treasury queue.

As per the data furnished by the Directorate of Treasuries, State Government had kept total bills amounting to ₹2,974.64 crore under treasury queue during 2019-20. Deferring of clear cut liabilities incurred during the financial year to the succeeding year has understated the fiscal deficit of the State during the year 2019-20 by ₹2,974.64 crore.

Further, as per the data furnished by Information Kerala Mission⁴⁰, out of the total bills placed under treasury queue as on 31 March 2020, the State Government had kept Local Self Government Institutions (LSGI) bills related to Fourteenth Finance Commission (FFC) Grants amounting to ₹624.08 crore under the treasury queue during the year 2019-20. These unpaid LSGI bills (FFC Grants as referred in para 2.3.2.4 of Chapter 2) being purely revenue in nature had not only deferred the clear cut liabilities incurred by the LSGIs during the year to succeeding year but also understated the revenue deficit and consequently, fiscal deficit of the State for the year 2019-20 by ₹624.08 crore.

Though the bills kept under treasury queue are passed in the succeeding year, the fact remains that through treasury queue, the government is deferring expenditure for the year (both Revenue and Capital nature) to the succeeding year. As such, the amount of such clear cut liabilities are left out from the calculation of fiscal indicators of the State for the year.

³⁹ The bills submitted at treasuries and that has not been passed in a year are shifted to treasury queue as per orders issued by the State Government during the year. Such bills will be cleared in the succeeding financial year.

⁴⁰ Information Kerala Mission (IKM), an autonomous institution under Local Self Government Department, Government of Kerala has been setup with a mandate to strengthen the local self-governance through ICT applications. It is the largest and most comprehensive local body computerization initiative in the country, which envisage computerizing and networking the Local Self Government Institutions in Kerala.

4.3 Non-discharge of liability in respect of interest towards interest bearing deposits

The Government has a liability to provide and pay interest on the amounts in the Interest-bearing Deposits (Major Heads of Accounts 8336 to 8342).

However, audit scrutiny has revealed that no provision has been made in the year 2019-20 in the Budget for the discharge of the interest liability on interest bearing deposits as shown in **Table 4.3**.

Table 4.3: Non discharge of liability in respect of interest towards interest bearing Deposits

(₹ in crore)

Sl. No.	Name of the Interest bearing deposit	Balance as on 31 st March 2020	Amount of Interest not provisioned*
1	Civil Deposits	0.15	0.01
2	Deposits of State Housing Boards	0.07	0.01
3	Defined Contribution Scheme	0.34	0.03

*interest is calculated @ 8 and 7.9 per cent on the basis of interest rates admissible to GPF during the financial year 2019-20.

Source: Finance Accounts

Consequent to the non-provision/non-payment of interest, Revenue Expenditure was understated by ₹0.05 crore.

4.4 Funds transferred to State Implementing Agencies outside the State budget

Government of India has been transferring substantial amount of funds directly to the State Implementing Agencies for implementation of various schemes and programmes. In the present system, these funds are not routed through the State Budget and hence these are not reflected in the Accounts of the State Government.

Details of funds directly transferred to the State Implementing Agencies during 2015-16 to 2019-20 are presented in **Table 4.4**. The details of funds transferred directly to the State Implementing Agencies outside the State Budget are included in Appendix VI of the Finance Accounts by capturing data from the PFMS portal of the Controller General of Accounts (CGA) (unaudited figures).

Table 4.4: Funds transferred directly to State Implementing Agencies during 2015-16 to 2019-20

(₹ in crore)

Years	2015-16	2016-17	2017-18	2018-19	2019-20
Funds transferred by GoI directly to implementing agencies (₹ in crore)	2511.70	3722.96	5242.39	4960.11	7507.33
Rate of Growth (per cent)	43.65	48.22	40.81	-5.38	51.35

Source: Finance Account of respective years

*During 2014-15, the funds transferred by GoI directly to implementing agencies was ₹1,748.47crore.

An amount of ₹7,507.33 crore was directly transferred by GoI to the State Implementing Agencies during 2019-20, registering a substantial increase of ₹2,547.22 crore (51.35 per cent) over the previous year which was the highest during the five-year period.

Audit scrutinised GoI funds directly transferred to State Implementing Agencies, implementing nine major schemes (includes schemes with total release of ₹10 crore and above) as shown in **Table 4.5** given below.

Table 4.5: Funds transferred directly to State Implementing Agencies (includes schemes with total release of ₹10 crore and above during 2019-20)

Sl No.	Name of the Schemes of Government of India	Name of the Implementing Agencies	Previous year Balance	2019-20		Unspent balance
				Amount Released	Amount utilised	
				2019-20	2019-20	
1	Mahatma Gandhi National Rural Employment Guarantee Scheme	Mahatma Gandhi National Rural Employment Guarantee Fund Society, Kerala	14.26	3194.78	3173.94	35.10
2	Pradhan Mantri Kisan Samman Nidhi	Department of Agriculture	0	1954.32	1954.32	0
3	Food subsidy for decentralized Procurement of food grains under NFSA	Kerala State Civil Supplies Corporation Limited	0	469.30	469.30	0
4	MP's Local Area Development Scheme (MPLADS)	District Collectors	-	172.50	28.83**	-
5	Pradhan Mantri Matru Vandana Yojana	Department of Women and Child Development, Kerala	28.43	64.19	57.09	35.53
6	National AIDS and STD control programme	Kerala State AIDS Control Society	5.18	35.54	28.68	12.04
7	National Programme for Dairy Development	Kerala Co-operative Milk Marketing Federation Limited	17.32	30.97	23.65	24.64
8	Sugar Subsidy payable under PDS	Kerala State Civil Supplies Corporation Limited	-2.88*	15.08	12.20	0
9	Pilgrimage Rejuvenation and Spiritual Augmentation Drive (PRASAD)	Kerala Tourism Infrastructure Limited	0	14.93	11.84	3.09
10	Other Programmes ⁴¹	112 other programmes	-	1555.72	-	-
	Total		62.31	7507.33	5759.85	110.40

⁴¹ Since other Programmes include releases for 112 schemes with amount less than ₹10 crore per scheme, the amounts utilised was not obtained from the agencies concerned.

Source: Data obtained from PFMS portal of CGA, Finance Account of respective years and information furnished by implementing agencies

*₹2.88 crore was expended in 2018-19 prior receipt of funds in 2019-20, **Utilisation of GoI funds under MPLADS Scheme during 2019-20: Palakkad (₹8.10 crore); Idukki (₹4.37 crore); Ernakulam (₹8.85 crore); Kannur (₹7.51 crore); Reply from other districts are awaited.

As these funds were not routed through the State budget/State treasury system, the Annual Finance Accounts did not capture these funds flow and to that extent, the State's receipts and expenditure as well as other fiscal variables/parameters derived from them did not present the complete picture.

4.5 Deposit of Local Funds

As per sub section 6 of Section 212 of the Kerala Panchayat Raj Act, the District Panchayat, Block Panchayat and the Grama Panchayat etc. will maintain their respective fund accounts with the Treasury under Public account under the head of account 8448-109-Panchayat Bodies Funds. Details of Deposits of Panchayat Raj Institutions for the period from 2015-16 to 2019-20 are given below in **Table 4.6**.

Table 4.6 : Deposits of Local Funds (₹ in crore)

Year			2015-16	2016-17	2017-18	2018-19	2019-20	
District Panchayat Fund	(8448-109-96-01)	Opening Balance	1	-4.10	-16.45	-22.47	-22.47	-22.47
		Receipt	2	0.00	0.00	0.00	0.00	0.00
		Expenditure	3	12.35	6.02			1.00
		Closing Balance	4	-16.45	-22.47	-22.47	-22.47	-23.47
Block Panchayat fund	8448-109-96-02	Opening Balance	5	-0.15	-2.41	-8.74	-9.48	-10.05
		Receipt	6	0.00	0.00	0.00	0.00	0.00
		Expenditure	7	2.26	6.33	0.74	0.57	1.33
		Closing Balance	8	-2.41	-8.74	-9.48	-10.05	-11.38
Village Panchayat Fund	(8448-109-96-03)	Opening Balance	9	147.69	122.85	100.86	100.16	98.60
		Receipt	10	0.00	0.00	0.00	0.00	0.00
		Expenditure	11	24.84	21.99	0.70	1.56	1.92
		Closing Balance	12	122.85	100.86	100.16	98.60	96.68
Total Closing Balance at the end of the year		(4+8+12)	103.99	69.65	68.21	66.08	61.83	
Municipal Fund	(8448-102)	Opening Balance	13	746.71	-4.47	-15.99	-16.00	-18.77
		Receipt	14	180.81	3.28	0.12	0.00	Nil
		Expenditure	15	931.99	14.81	0.14	2.77	0.34
		Closing Balance	16	-4.47	-15.99	-16.00	-18.77	-19.11

A scrutiny of Finance Accounts for the last five years has disclosed that all the fund accounts of Local bodies except Village Panchayat show a minus balance and it shows a gradual increase over the five-year period from 2015-16 to 2019-20. It is stated in the Finance Accounts that the reasons for the minus balances are under investigation.

The Village Panchayat Fund shows a gradual decrease in the accumulation of unutilised funds over the five-year period from ₹122.85 crore to ₹96.68 crore.

When the accumulation of unutilised funds was brought to the notice of the Director of Panchayats, it was replied in November 2020 that the Department has no mechanism to find out the status of unutilised funds in District and Grama Panchayats.

Issues related to transparency

4.6 Delay in submission of Utilisation Certificates

Article 208 of the Kerala Financial Code stipulates that the State may make such Grants-in-aid for public purposes or activities carried on by private institutions or local bodies as are in conformity with Article 282 of the Constitution of India. Financial rules⁴² stipulate that the authority sanctioning grant-in-aid has to stipulate, in every order sanctioning the grant, a time limit not exceeding one year from the date of sanction for utilisation of the grant and a time limit of nine months for the submission of audited accounts. The utilisation certificate should be furnished within three months from the date of receipt of audited accounts. The Utilisation Certificates (UC) for grants-in-aid exceeding ₹2,00,000 have to be forwarded to the Accountant General (Accounts and Entitlement), Kerala. It was observed that four utilisation certificates for ₹5.45 crore were not received (June 2020) by the AG (A&E). The year-wise position of delays in submission of Utilisation Certificates is summarised in **Table 4.7**.

Table 4.7: Year-wise arrears in submission of Utilisation Certificates

(₹ in crore)

Year of UC due	Number of UCs	Amount
Upto 2014-15	4	5.45
2015-16 to 2019-20	0	0
Total	4	5.45

Source: Details furnished by Accountant General (A&E)

⁴² Article 210 of the Kerala Financial Code (Vol I)

Among the four UCs pending, three Utilisation Certificates pertain to Art & Culture Department (₹0.45 crore) and one pertains to Higher Education (₹ five crore) Department. These are pending from 2014-15 onwards.

The pendency of UCs was fraught with the risk of misappropriation of funds and fraud. Timely submission of UCs should not only be insisted upon but also ensured.

4.6.1 Recording of Grantee Institution as “Others”

Since Grants-in-Aid constitute a significant portion of the total expenditure of the State, it is essential that the Government provides the details and nature of the Grantee institution to which it is providing funds, in the interests of transparency of accounts.

On a scrutiny of Statement No.10 of the Finance Accounts for the year 2019-20, Audit observed that a total of ₹10,921.82 crore was paid as Grant-in-aid to various Grantee institutions in 2019-20, out of which, an amount of ₹923.25 crore was classified as “others” without any details of grantee institutions. It works out to 8.45 *per cent* of the total grant in aid paid during the year 2019-20.

The government may consider introducing a mechanism of allotting institute codes to the various bodies and authorities receiving Grants-in Aid from government and ensure that such Grants are accounted against each code, in the interest of transparency of accounts.

4.7 Abstract Contingent bills

The drawal of contingent charges on items of expenditure by a State Government, for which final classification and supporting vouchers is not available at the time of drawal are made on ‘Abstract Contingent’ (AC) Bills. Initially made as advance, its subsequent adjustments are ensured through submission of Detailed Contingent (DC) bills within a stipulated period of drawal of AC bill. DC bill consists of abstract of expenditure along with sub-vouchers for amount drawn through AC bill. Drawing and Disbursing officers are required to present Detailed Countersigned Contingent (DC) bills duly countersigned by the Controlling Officer in all these cases within the period prescribed in the State Treasury Rules.

Table 4.8: Year wise progress in submission of DC bills against the AC bills
(₹ in crore)

Year	Opening Balance		Addition		Clearance		Closing Balance	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Up to 2016-17	0	0	0	0	0	0	0	0
2017-18	0	0	0	0	0	0	0	0
2018-19	0	0	1	0.01	0	0	1	0.01
2019-20	1	0.01	2	0.0015	0	0	3	0.0115

As per Article 107 of Kerala Financial Code, the abstract contingent bill should be submitted to the Countersigning Authority not later than 10th of the succeeding month of drawal of advance and as per Article 108 of KFC, it should be forwarded to the Accountant General not later than 20th of the month.

However, Audit observed that there was an inordinate delay ranging from one to two years in the submission of Detailed Contingent Bill duly countersigned by the Controlling officer as shown in **Table 4.8**.

All the three abstract contingent bills amounting to ₹0.0115 crore pending clearance relate to Prison department. Out of the total pending DC Bills for an amount of ₹0.0115 crore, ₹0.01 crore was drawn for the purchase of Medicines and the remaining ₹0.0015 crore was drawn as fuel advance under the section of Revenue Expenditure.

Non submission of detailed bill enhances the risk of misappropriation of Public money.

4.8 Personal Deposit Accounts

Personal Deposit (PD) Accounts are in the nature of special banking accounts kept for certain classes of Deposits, which include transactions of a public or quasi-public nature for which it is not necessary to treat each disbursement as made against a particular receipt.

PD accounts are, maintained in the nature of a bank account in the treasury. As per Art 282 (d) of Kerala Financial Code Vol-I, Chapter X, in cases of PD accounts that are opened by orders of the State Government for specific purposes, where, funds are transferred from the Consolidated Fund by booking the expenditure under Service heads, the administrators of these PD accounts should close these PD accounts at the end of the financial year and credit the unspent balances back to the Consolidated Fund under the concerned expenditure heads of accounts from where the amount initially transferred, unless such Personal Deposit accounts were created by Law or Rules having the force of Law.

Further, the PD accounts which have been opened by transfer of funds other than from the Consolidated Fund, should be reviewed every year and the accounts which are in-operative for more than three complete financial years should be closed and balance lying in such accounts should be credited to Government accounts.

4.8.1 Inoperative and non-reconciled PD Accounts

PD accounts are maintained under MH-8443-Civil Deposit-106-Personal Deposit and 8443 Civil Deposits -123- Deposits of Educational Institutions.

The number of live PD Accounts under MH-8443-Civil Deposit-106-Personal Deposit was 1,233 as on 31 March 2020 and the aggregate balance in these PD accounts was ₹67.48 crore as per records of the Accountant General (A&E). However, as per information received from State Government, there were only 830 PD Accounts and the balance in these accounts amounted to ₹254.36 crore. The Director of Treasuries informed that the mismatch of figures of PD Accounts as

per the records of Accountant General and as per details furnished by Director of Treasuries was due to non-transfer of all PD Accounts data from Treasury Information System⁴³ to Core Treasury Information System⁴⁴. Treasury officials also stated that this discrepancy will be cleared after the closing of all the inoperative PD accounts.

Under Major Head 8443-Civil Deposits -123- Deposits of Educational Institutions, the State Government is operating 6,648 PD accounts. As per details furnished by the Government, the balance in these accounts amounted to ₹277.03 crore. As per the Statement No.21 of the Finance Accounts, closing balance under Major Head 8443-Civil Deposits-123-Deposits of Educational Institutions was however ₹128.71 crore only. Further, out of these, 241 PD accounts with a balance of ₹1.11 crore are in-operative.

Directorate of Treasuries informed the Accountant General (A&E) that amount pertaining to 8443-00-123 Deposit of Educational Institutions was misclassified under MH 8443-00-106 in many cases in the past several years.

The reconciliation of PD accounts with the Administrators of deposit accounts is to be conducted by the treasuries concerned. The variations in the records maintained in the Treasury Department and the PAG (A&E) is due to lack of timely reconciliation. The treasury department also failed to identify all inoperative accounts and transfer the balance amount to government accounts, even from accounts which were identified as inoperative.

Non-reconciliation of balances in PD accounts and not transferring the unspent balances lying in PD accounts to Consolidated Fund of State is fraught with risk of misuse of public funds, fraud and misappropriation.

4.8.2 Operation of Treasury Savings Bank Accounts

Introduction

As per Rule 37 of Kerala Treasury Code, Treasury Savings Bank (TSB) Accounts are being maintained in the Treasuries. Kerala inherited the system of Treasury Savings Scheme from the erstwhile Travancore Administration.

The objective of the Government in establishing Treasury Savings Bank Scheme was to provide a ready means for the deposit of savings and to encourage thrift. Subsequently, funds released for various purposes from the Consolidated Fund such as grants-in-aid, loans and investments to State PSUs & Statutory Corporations, funds for Centrally Sponsored Schemes, were also credited to the Special Treasury Savings Bank Account (STSB) temporarily for keeping the unspent balance for a specified period on the basis of various Government Orders.

⁴³ Treasury Information System is an application for doing the transactions (Receipt and Payment) online in a Treasury and for the preparation of accounts.

⁴⁴ After the introduction of IFMS, all transactions of Treasury are performed through a set of new Software namely Core-Treasury Information System.

Government also permits Public Sector Undertakings/Autonomous Bodies/ Institutions and Welfare Fund Boards to deposit their own funds in the Treasury Savings Bank accounts. The State Government also accepts deposits from its employees, pensioners, institutions and the general public through treasuries and accounts it under TSB accounts. The amounts credited to TSB Accounts are booked under subhead '99' below minor head '102 Savings Bank Deposits' below major head '8031-Other Savings Deposits'. Deposits under Term Fixed Deposits are booked under '8031-00-102-98-Fixed & Time Deposits'.

There are two categories of TSB accounts maintained in the Treasury viz., Individual TSB accounts (Pensioners Savings Bank accounts, Employees Treasury Savings Bank accounts etc.) and Institutional TSB Accounts (Social Security Pension accounts, Special Treasury Savings Bank account (STSB), Treasury Public account(TPA), Plan Scheme TSB account (PSTSB) etc.). In Kerala, the plan scheme funds are being credited to the Plan scheme TSB accounts. The TSB account by any person in treasury of the State is being regulated by the instructions contained in Appendix 3 to the Kerala Treasury Code. As on 31.03.2020 the amount lying in TSB Accounts under the head 8031-00-102-99 was ₹7,466.04 crore. An amount of ₹38,592.44 crore was also outstanding under Term Fixed Deposit accounts in Treasuries as on 31.03.2020 under the head of account 8031-00-102-98.

Audit conducted a field study on Treasury Savings Bank Accounts in the State. A few important observations noticed in audit are detailed in the succeeding paragraphs.

Resumption of funds from TSB accounts to a common head of account

State Government resumed funds amounting to ₹14,544.27 crore parked in the STSB Accounts of various Government departments, PSUs, Autonomous Bodies etc. during the last three years i.e. 2017-18, 2018-19 and 2019-20 into the Consolidated Fund of the State. Out of ₹14,544.27 crore resumed, an amount of ₹10,510.70 crore was resumed to a common head of account '2075-00-911-94 Deduct Recoveries-Refund of amounts resumed from the idling STSB accounts' during the three years as shown in **Table 4.9**.

Table 4.9: Details of amount resumed

(₹ in crore)

Sl. No.	Year	Amount resumed from STSB Accounts	Amount resumed to '2075-00-911-94'
1	2017-18	8,298.22*	5,583.44*
2	2018-19	2,568.24**	2,568.24**
3	2019-20	3,677.81**	2,359.02**
Total		14,544.27	10,510.70

*As per Finance Accounts 2017-18 **Figures furnished by Treasury Dept.

As per para 3.10 of General Directions contained in List of Major and Minor Heads (LMMH) of Controller General of Accounts, recoveries of overpayments pertaining to previous year/years under revenue expenditure are to be recorded

under distinct minor head (Deduct Recoveries of Overpayments) below the concerned major/sub major head from where the expenditure was initially incurred. As per para 4.3 of the General Directions, in the case of Capital Expenditure, distinct subheads (Deduct- Receipts and Recoveries on Capital Account) are to be opened below the relevant minor heads under the various Capital major/sub major heads where the capital expenditure was initially incurred. Credit back of amounts originally debited under various Revenue, Capital and Loans heads of accounts to the common head of account 2075-00-911 is in violation of the General Directions contained in paras 3.10 and 4.3 of the List of Major and Minor Heads (LMMH) published by the Controller General of Accounts and will distort all key indicators of fiscal position of Government.

Refund of resumed funds

Finance department released funds amounting to ₹4,927.26 crore⁴⁵ resumed under '2075-00-911-94 - Deduct Recoveries-Refund of amounts resumed from the idling STSB accounts' on 31 March of 2018-19 and 2019-20, to the STSB accounts concerned during the first week of April of the succeeding financial year without waiting for receipt of any proposal for refund from the institutions concerned. The release of entire funds which were resumed at the end of the financial year under '2075-00-911', during the beginning of the next financial year (1st week) itself without receipt of any proposal from the institutions concerned defeated the basic purpose of the resumption, viz. preventing inappropriate parking of funds, as the re-issued funds continued to be parked in the TSB Account. Government has resorted to resumption mainly for the purpose of reducing the public account liability at the year-end in order to increase the borrowing space of Government.

Finance Department stated (February 2021) that funds resumed from STSB accounts having deposits from Non-plan fund are allotted during the next financial year without receipt of any proposal from the institutions concerned as the same is required in the next financial year for its smooth functioning. In case of PSTSB accounts, resumed funds are released in the next financial year only after receipt of proposals from the institutions.

The reply from Finance Department is not acceptable due to the following reasons. Government had introduced PSTSB accounts for managing the release and utilisation of Plan fund for the Government departments and agencies from 2018-19 onwards. Prior to 2018-19, both Plan and Non-plan funds were being routed through STSB accounts. Hence the funds resumed from STSB accounts also included unutilized balance of Plan funds released up to 2017-18 period. Moreover, the State Government refunded the entire amount of ₹2,568.24 crore resumed during 2018-19 including ₹1,342.68 crore resumed from PSTSB accounts without receipt of any proposal from the institutions concerned.

⁴⁵ ₹2,568.24 crore resumed in 2018-19 under 2075-00-911-94, ₹2,359.02 crore resumed in 2019-20 under 2075-00-911-94, ₹11.43 lakh resumed in 2019-20 under 2408-01-101-98-33 (NP) & ₹10 lakh resumed in 2019-20 under 3604-00-200-86-03-35 (NP).

Inoperative TSB accounts

As per information furnished by the Director of Treasuries, Government money amounting to ₹2,502.30 crore was lying in 769 number of STSB accounts which have been lying inoperative for the last three financial years. Of this, an amount of ₹2,498.42 crore pertains to Kerala Infrastructure Investment Fund Board (KIIFB). KIIFB stated that these funds were provided by the State Government as corpus fund during 2015-16 & 2016-17 for facilitating external borrowings.

Resumption of Government of India funds

Audit scrutinized records relating to transactions in STSB/PTSB accounts maintained by eight⁴⁶ institutions selected on random basis. Scrutiny revealed that State Government had resumed Government of India funds parked in STSB accounts of two⁴⁷ institutions amounting to ₹14.48 crore into the Consolidated Fund of the State during 2017-18. Of these resumed GoI funds, an amount of ₹14 crore has not been refunded till date.

Resumption of funds received from GoI for the implementation of Centrally Sponsored Schemes to the Consolidated Fund of the State is irregular.

Other observations

- Departments/Agencies implementing more than one scheme are allowed to deposit funds relating to schemes into one Special TSB account. Over a period of time, it became difficult for the institutions themselves to trace the source of funds and they were being utilized for various purposes. Consequently, the details of funds amounting to ₹3.27 crore which were resumed by State Government on various occasions from such STSB Accounts are not readily available with three⁴⁸ institutions. As the source of funds could not be traced, the details as to whether the amounts resumed were GoI funds or State Government funds, the purpose for which the resumed funds were originally credited to the STSB/PSTSB Accounts, the impact of resumption etc. could not be ascertained.
- Government of India (GoI), Ministry of Tribal Affairs introduced a scheme of 'Pre matric scholarship for Scheduled Tribes students studying in classes IX & X' during the year 2012-13. As per the procedure for claiming the Central Assistance, the scholarship is to be paid out of the State budget against which reimbursement can be claimed from GoI. The Director drew ₹3.90 crore under the head of account '2225-02-277-37(Plan) -Pre matric scholarship for ST students studying in classes IX & X (100 % CSS) in 2014-15 (₹ one crore each on 26.02.2015 & 12.03.2015 and ₹1.90 crore on 27.3.2015) and credited the amount in ICICI Bank for distributing the scholarship as DBT to the ST students. Only a meagre amount of ₹1.09 lakh

⁴⁶ Directorate of Fisheries; Directorate of ST development; Directorate of SC development; Directorate of Agriculture; State Mission Management Unit-AMRUT; RUSA; SSK and Kerala State Library Council

⁴⁷ Director of Agriculture; State Mission Management Unit-Amrut.

⁴⁸ Directorate of Fisheries (₹0.99 crore), Directorate of SC development (₹1.26 crore), Directorate of ST development (₹1.02 crore)

was given as scholarship under the scheme out of these funds during 2014-15. The unutilized amount along with the interest accrued in the bank account amounting to ₹4.16 crore was transferred to STSB Account No 701001140000118 of Director of ST Development with District Treasury in March 2017. However, the fund continued to remain unutilised in the STSB account and it was later resumed by State Government into the Consolidated Fund on 19 January 2018. An amount of ₹5.17 crore was resumed by the State Government from this STSB Account in January 2018 including the above unutilised amount of ₹4.16 crore. The failure of the department to implement the scheme in 2014-15 had deprived the benefits of the scheme to the intended beneficiaries.

The Director, Scheduled Tribes Development Department replied that the funds could not be utilized as the bank account details of the students were not available. It was also stated that the State Government was already implementing another State scheme 'Pre matric studies (2225-02-277-99 – NP)' which also included component of scholarship to ST students for class 9 and 10.

The reply is not acceptable due to the following reasons. As per the GoI guidelines for the scheme, States which are already giving scholarship to ST students from their own resources, would have to either continue to provide scholarship at the rate over and above the scholarship under the proposed Centrally Sponsored Scheme or if it chooses to reduce its own expenditure on its scheme because of the new scheme, such savings effected has to be utilised only on other educational programmes of ST students. However, department failed to comply with either of these conditions resulting in parking of ₹4.16 crore (including interest accrued) in the STSB account which was later resumed by the State Government.

Advice of Reserve Bank of India on TSB

RBI advised the State Government on multiple occasions to phase out the Treasury Savings Bank Scheme in view of distortionary impact on the interest rate structure and distortion of fiscal discipline. However, the State Government has not taken any steps to phase out the Treasury Savings Bank Scheme till date.

4.9 Indiscriminate use of Minor head 800

Minor head 800 relating to Other Receipts and Other Expenditure is intended to be operated only when the appropriate minor head has not been provided in the accounts. Routine operation of minor head 800 is to be discouraged, since it renders the accounts opaque.

Chart 4.1: Operation of Minor Head 800-Other Expenditure during 2015-20

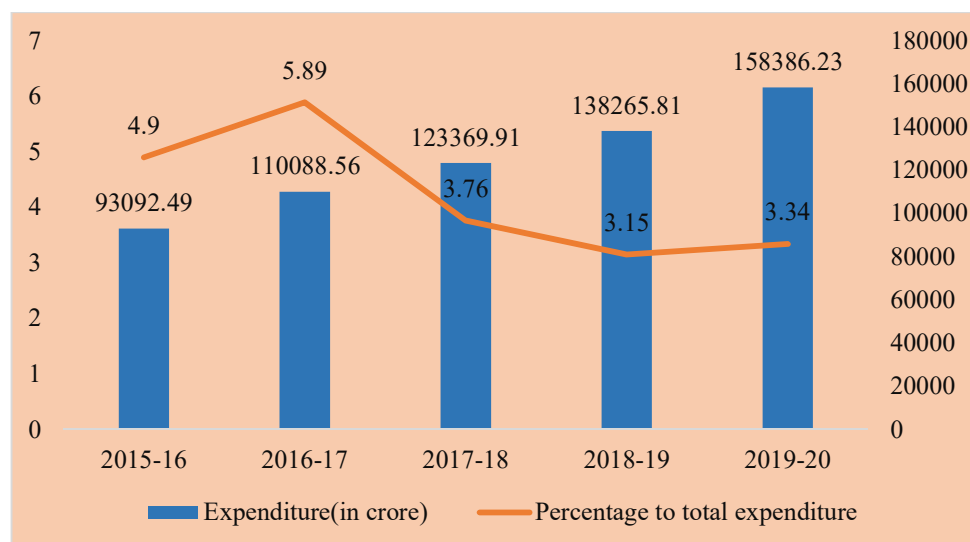


Table 4.10 : Significant expenditure booked under Minor Head 800-Other Expenditure (above ₹10 crore) during the financial year 2019-20

(₹ in crore)

Sl. No	Major Head	Description	Expenditure under Minor Head 800	Total Expenditure	Percent
1	2014	Administration of Justice	91.24	892.94	10.22
2	2029	Land Revenue	12.71	642.99	1.98
3	2071	Pensions and Other Retirement Benefits	24.08	19064.29	0.13
4	2075	Miscellaneous General Services	2477.71	8590.35	28.84
5	2202	General Education	11.34	17151.38	0.07
6	2203	Technical Education	30.33	949.93	3.19
7	2210	Medical and Public Health	501.05	6742.42	7.43
8	2215	Water Supply and Sanitation	27.50	334.23	8.23
9	2216	Housing	20.56	74.44	27.62
10	2217	Urban Development	88.33	1058.85	8.34
11	2220	Information and Publicity	24.08	73.19	32.90
12	2225	Welfare of Scheduled Castes, Scheduled Tribes, Other Backward Classes and Minorities	71.97	1942.68	3.70
13	2401	Crop Husbandry	32.70	931.04	3.51
14	2405	Fisheries	84.14	287.71	29.25
15	2406	Forestry and Wildlife	37.53	516.49	7.27
16	2408	Food, Storage and Warehousing	12.38	1190.81	1.04

Sl. No	Major Head	Description	Expenditure under Minor Head 800	Total Expenditure	Percent
17	2435	Other Agricultural Programmes	11.06	255.20	4.33
18	2515	Other Rural Development Programmes	309.45	970.95	31.87
19	2700	Major Irrigation	12.72	129.32	9.83
20	2702	Minor Irrigation	49.54	189.28	26.17
21	2810	New and Renewable Energy	13.24	14.34	92.34
22	3054	Roads and Bridges	79.78	1404.90	5.68
23	3055	Road Transport	21.75	21.75	100.00
24	3452	Tourism	32.56	155.90	20.88
25	4202	Capital Outlay on Education, Sports, Art and Culture	86.41	311.15	27.77
26	4210	Capital Outlay on Medical and Public Health	22.44	244.23	9.19
27	4215	Capital Outlay on Water Supply and Sanitation	15.00	271.58	5.52
28	4225	Capital Outlay on Welfare of Scheduled Castes, Scheduled Tribes, Other Backward Classes and Minorities	13.56	117.34	11.56
29	4250	Capital Outlay on Other Social Services	80.90	96.27	84.03
30	4402	Capital Outlay on Soil and Water Conservation	21.12	37.39	56.50
31	4515	Capital Outlay on Other Rural Development Programmes	183.09	916.32	19.98
32	4700	Capital Outlay on Major Irrigation	36.62	68.21	53.69
33	4701	Capital Outlay on Medium Irrigation	45.25	51.17	88.42
34	4885	Other Capital Outlay on Industries and Minerals	12.18	135.57	8.98
35	5054	Capital Outlay on Roads and Bridges	163.44	2302.80	7.10
36	5075	Capital Outlay on Other Transport Services	439.37	451.13	97.39
37	7610	Loans to Government Servants Etc.	12.63	12.63	100.00

Audit scrutiny revealed that under eight major heads the expenditure booked under the minor head 800 exceeded 50 *per cent* of the total expenditure of the respective Major heads.

Further, it is also observed that in two Major Heads viz. 3055- Road Transport and 7610- Loans to Government servants etc. the entire expenditure of the major head concerned was booked under the Minor Head '800-Other Expenditure'.

The total expenditure incurred during the year 2019-20 was ₹82,364.33 crore, out of which an amount of ₹5,298.49 crore was booked under the Minor Head '800-Other expenditure'. This works out to 6.43 *per cent* of the total expenditure of the Consolidated Fund.

Table 4.11 : Significant receipts booked under Minor Head 800-Other Receipts (above ₹10 crore) during the financial year 2019-20

(₹ in crore)

Sl. No.	Major Head	Receipts under Minor Head 800	Total Receipts	Percentage
1	0006-State Goods and Services Tax	665.74	20446.95	3.26
2	0029-Land Revenue	202.31	332.42	60.86
3	0030-Stamps and Registration Fees	120.37	3615.01	3.33
4	0039-State Excise	36.36	2255.28	1.61
5	0041-Taxes on Vehicles	53.13	3721.14	1.43
6	0049-Interest Receipts	38.16	84.95	44.92
7	0070-Other Administrative Services	83.18	208.26	39.94
8	0202-Education ,Sports, Art and Culture	37.21	237.68	15.65
9	0230-Labour and Employment	19.86	34.25	57.99
10	0405-Fisheries	11.05	23.26	47.51
11	0406-Forestry and Wild Life	11.69	255.85	4.57
12	0425-Co-operation	187.21	202.41	92.49
13	0515-Other Rural Development Programmes	10.14	10.13	99.88
14	1051-Ports and Light Houses	29.87	30.69	97.32
15	1054-Roads and Bridges	31.53	31.54	99.97

Analysis revealed that out of the amount of ₹62,483.83 crore received during the year 2019-20, receipts amounting to ₹1,632.39 crore was booked under the Minor Head '800- Other Receipts' which works out to 2.61 per cent of the total receipts during the year.

Classification of large amounts under the omnibus Minor Head '800' affects transparency in financial reporting and distorts proper analysis of allocative priorities and quality of expenditure.

4.10 Outstanding balance under major Suspense and DDR heads

Certain intermediary/adjusting heads of accounts known as 'Suspense Heads' are opened in Government accounts to reflect transactions of receipt and payments which cannot be booked to a final head of account due to lack of information such as non-furnishing of Schedule of Settlement by the Treasuries/ PAOs, Non-receipt of clearance memos from RBI, non-receipt of vouchers etc. These heads of accounts are finally cleared by minus debit or minus credit when the accounts under them are booked to their respective final heads of accounts. If these amounts remain uncleared, the balance under the suspense heads would accumulate and would not reflect Government's receipt and expenditure accurately.

Remittances embrace all transactions which are adjusting Heads of Account and the debits or credits under these heads are eventually cleared by corresponding credit or debit within the same or in another circle of accounting.

The net balances under Suspense and Remittance Head can be obtained from Finance Accounts. The outstanding balances under these heads are worked out by aggregating the outstanding debit and credit balances separately under various heads.

Clearance of suspense and remittance items depends on the details furnished by the State Treasuries/ Public Works and Forest Divisions, etc. The details of outstanding balances under a few major suspense and remittance heads from 2017-18 to 2019-20 are given in **Table 4.12**.

Table 4.12: Balances under Suspense and Remittance Heads

(₹ in crore)

Minor Head	2017-2018		2018-19		2019-20	
	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
Major Head 8658 - Suspense						
101 - PAO suspense	259.48	0.68	293.03	0.13	333.57	-8.72
Net	258.80		292.90		342.29	
102 - Suspense Account-Civil	405.78	183.89	440.83	9.33	378.64	12.60
Net	-221.89		-431.50		-366.04	
107 - Cash Settlement Suspense Account	44.17		43.10		20.03	
Net	44.17		43.10		20.03	
109 - Reserve Bank Suspense - Headquarters	2.13	2.72	-2.81	-	3.60	0.44
Net	-0.59		-2.81		3.16	
110 - Reserve Bank Suspense - CAO	-0.78		12.19		69.12	
Net	-0.78		12.19		69.12	
112 - Tax Deducted at Source (TDS) Suspense		316.79		35.15		75.93
Net	316.79		35.15		75.93	
123 - A.I.S Officers' Group Insurance Scheme		0.12		0.10		0.15
Net	0.12		0.10		0.15	
Major Head 8782-Cash Remittances						
102 - P.W. Remittances	657.90	12.69	688.59	10.43	701.24	1.31
Net	645.21		678.16		699.93	
103 - Forest Remittances	61.10	6.63	45.11	0.41	41.84	
Net	-54.47		44.70		41.84	

Source: Finance Accounts of respective years

The total accumulation of receipts (Cr) under suspense works out to ₹80.40 crore during 2019-20 against the total receipts (excluding borrowings) of ₹90,547.47 crore, the percentage of which works out to 0.09 and the expenditure items held under suspense heads mentioned above amounting to ₹804.96 crore against the

revenue and capital expenditure to the tune of ₹1,14,385 crore, the percentage of which works out to 0.70.

Accumulations under suspense heads except Cash settlement suspense showed an increasing trend from the year 2017-18 to 2019-20. These accumulations affect the accuracy of the Government Accounts.

4.11 Non-reconciliation of Departmental figures

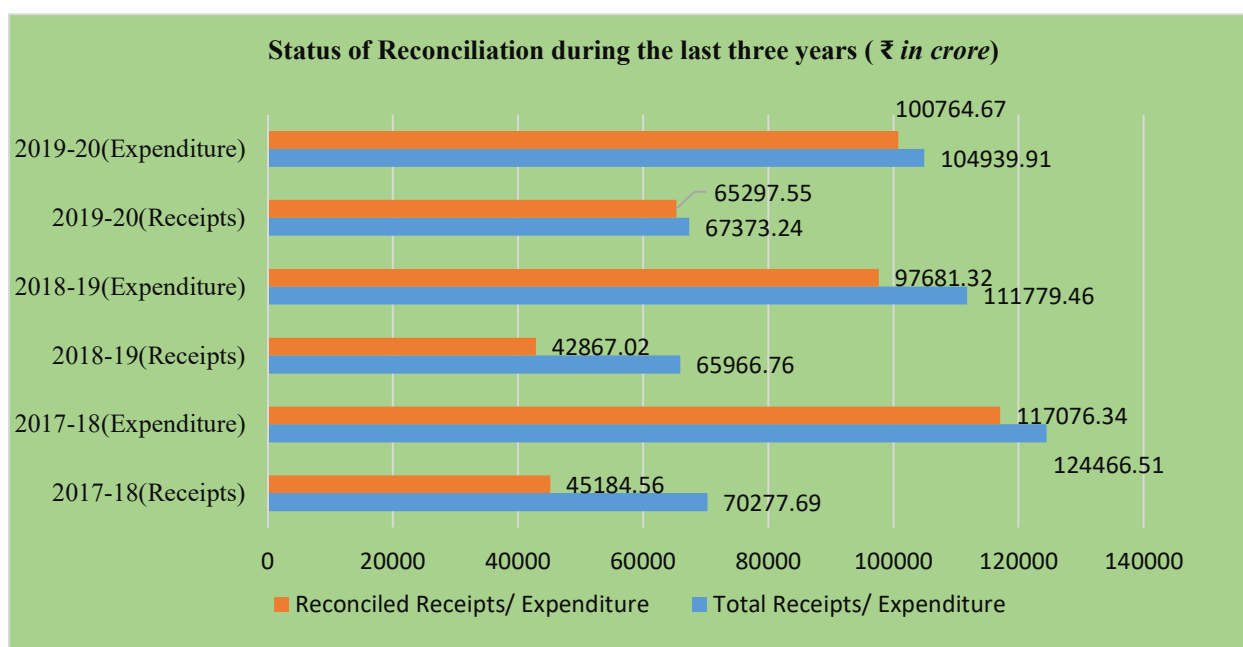
To enable Controlling Officers of the Departments to exercise effective control over spending to keep it within the budget grants and to ensure accuracy of their accounts, Para 74 of the Kerala Budget Manual stipulates that receipts and expenditure during the financial year recorded in their books be reconciled by them every month with that recorded in the books of the Accountant General (A&E).

Reconciliation and verification of figures is an important tool of financial management. Failure to exercise/adhere to the codal provisions and executive instructions in this regard not only results in misclassification and incorrect booking of receipts and expenditure in the accounts, but also defeats the very objective of budgetary process. Status of reconciliation done by the Controlling Officers (COs) for three years is given in **Table 4.13**.

Table 4.13: Status of Reconciliation of Receipts and Expenditure figures by Controlling Officers

Year	Total No. of Controlling Officers	Fully Reconciled	Partially Reconciled	Not reconciled at all
Receipts				
2017-18	70	65	5	Nil
2018-19	67	58	9	Nil
2019-20	65	65	Nil	Nil
Expenditure				
2017-18	215	184	18	13
2018-19	215	160	38	17
2019-20	207	150	38	19

Chart 4.2 : Status of reconciliation during the last three years



Audit scrutiny revealed that percentage of non- reconciliation of expenditure initially increased from 5.94 per cent in 2017-18 to 12.61 per cent in 2018-19 and then declined to 3.98 per cent in 2019-20. This indicates that the department and Office of the Accountant General (A&E) are giving adequate attention to reconciliation.

Similarly, the percentage of non-reconciliation of receipts also showed a decline from 35.71 per cent in 2017-18 to 35.02 per cent in 2018-19 and then to 3.08 per cent in 2019-20.

4.12 Reconciliation of Cash Balances

There should be no difference between the Cash Balance of the State as per the books of Accounts of the Accountant General (A&E), and the Cash Balance as reported by the Reserve Bank of India.

However, a scrutiny of Finance Accounts for the year 2019-20 has revealed that the cash balance of the State of Kerala for the year ending March 2020 as per the books of Accountant General (A&E) was ₹221.02 crore (Credit) whereas the Cash balance reported by Reserve Bank of India was ₹1.19 (Debit). Thus, there is a difference of ₹219.83 crore (Debit).

It is stated in the Finance Accounts that ₹201.17 crore (net credit) would be cleared in 2020-21 and the balance difference of ₹421.00 crore (net debit) is under investigation.

Issues related to disclosure

4.13 Compliance with Accounting Standards

As per article 150 of the Constitution of India, the President of India may, on the advice of the Comptroller and Auditor General of India, prescribe the form of accounts of the Union and of the States. Further, the Comptroller and Auditor General of India set up a Government Accounting Standards Advisory Board (GASAB) in 2002, for formulating standards for government accounting and financial reporting, to enhance accountability mechanisms. On the advice of the Comptroller and Auditor General of India, the President of India has so far notified three Indian Government Accounting Standards (IGAS). Compliance to these Accounting Standards by Government of Kerala in 2019-20 and deficiencies therein are detailed in **Table 4.14**.

Table 4.14: Compliance to Accounting Standards

Sl. No.	Accounting Standards	Essence of IGAS	Compliance by State Government	Impact of deficiency
1.	IGAS-1: Guarantees Given by the Government – Disclosure requirements	The Financial Statement shall disclose maximum amount for which Guarantees have been given during the year, additions, deletions, amount of Guarantee invoked, Guarantees outstanding at the beginning and end of the year, Guarantee Commission received etc.	Complied (Statements 9 and 20 of Finance Accounts)	Not applicable
2.	IGAS-2: Accounting and Classification of Grants-in-Aid	This standard prescribes the principles for the accounting and classification of Grants-in-aid in the Financial Statements of the Government both as a Grantor and as a Grantee. The financial statement shall include disclosures such as Grants-in-aid received in kind, total funds released to the grantees, funds allocated for creation of capital assets etc.	Not complied (Statement 10 of Finance Accounts)	(1) ₹14.70 crore released to Kerala State Cashew Development Corporation (KSCDC) for disbursement of gratuity to the workers, which was in revenue nature, was booked under Capital head. (ii) Details of Grants-in-aid received in kind were not included in the Financial Statement, since the State Government did not furnish this information to AG (A&E)

Sl. No.	Accounting Standards	Essence of IGAS	Compliance by State Government	Impact of deficiency
3.	IGAS-3: <i>Loans and Advances made by Government</i>	This standard prescribes the norms for Recognition, Measurement, Valuation and Reporting in respect of Loans and Advances made by the Government in the Financial Statements to ensure complete, accurate and uniform accounting practices. The financial statement shall include disclosures such as details of fresh loans and advances made during the year, information on loans of which, terms and conditions have not been settled, repayment in arrears from loanee entities etc.	Not complied (Statement No. 7 & 18 of Finance Accounts)	Terms and conditions of loans of ₹27.37 crore advanced to KSEB in 2002-03 for renovation and upgrading of Neriamangalam hydroelectric power project under Indo Swiss mixed scheme where detailed accounts are maintained by AG (A&E) have not been settled so far. Terms and conditions of loans aggregating to ₹ 406.56 crore where detailed accounts are maintained by the State Departments have also not been fixed by the State Government.

4.14 Submission of Accounts/ Separate Audit Reports of Autonomous Bodies

As per Section 19(2) of the CAG's DPC Act, the duties and powers of Comptroller and Auditor General in relation to the audit of accounts of Corporations established by or under law made by Parliament shall be performed and exercised by him in accordance with the provisions of the respective legislations. As per Section 19(3) of the CAG's DPC Act, the Governor/ Administrator may, in the public interest, request the CAG to audit the accounts of a Corporation established by law made by the Legislature of the State or of the Union Territory, as the case may be, and where such request has been made, the CAG shall audit the accounts of such corporation and shall have, for the purposes of such audit, right of access to the books and accounts of such Corporation.

Apart from Section 19, where the audit of the accounts of any body or authority has not been entrusted to the CAG by or under any law, he shall, if requested so to do by the President, or the Governor of a State or the Administrator of a Union Territory having a Legislative Assembly, as the case may be, undertake the audit of the accounts of such body or authority on such terms and conditions as may be agreed upon between him and the concerned Government and shall have, for the purposes of such audit, right of access to the books and accounts of that body or authority under Section 20(1) of CAG's DPC Act.

On completion of financial audit, audit certificate is issued in case of above stated Autonomous bodies and authorities provided CAG is the sole auditor. Apart from audit certificate, the audit office also issues separate audit report (SAR) that is part of the audit certificate on the accounts. These SARs are to be placed before the State legislature.

The audit of accounts of 27 Autonomous Bodies in the State was entrusted to the Comptroller and Auditor General of India under Sections 19(2), 19(3) and 20 (1) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. The status of entrustment of audit, rendering of accounts to audit, issuance of Separate Audit Reports (SAR) and their placement in the Legislature are indicated in **Appendix 4.1**.

The Autonomous bodies coming under the audit purview as per Section 19 or 20 of CAG's DPC Act are required to submit annual accounts to audit before 30 June every year. In respect of 21 Autonomous bodies which were to render annual accounts to C&AG, there were arrears in submission of accounts ranging from one to six years (**Table 4.15**).

Table 4.15: Arrears of accounts of Autonomous bodies due up to financial year 2019-20

Sl. No.	Name of Autonomous body	Accounts pending since	No. of accounts pending up to FY 2019-20
1	Kerala Khadi and Village Industries Board, Thiruvananthapuram	2017-18	2
2	Kerala Institute of Labour & Employment, Thiruvananthapuram	2017-18	2
3	Kerala Building & Other Construction Workers Welfare Board, Thiruvananthapuram	2018-19	1
4	Kerala State Human Rights Commission	2018-19	1
5	Kerala State Legal Services Authority, Ernakulam.	2018-19	1
6	Permanent Lok Adalath, Thiruvananthapuram	2018-19	1
7	Permanent Lok Adalath, Kozhikode	2017-18	2
8	District Legal Services Authority, Thiruvananthapuram	2018-19	1
9	District Legal Services Authority, Kollam	2014-15	5
10	District Legal Services Authority, Pathanamthitta	2018-19	1
11	District Legal Services Authority, Ernakulam	2015-16	4
12	District Legal Services Authority, Thrissur	2018-19	1
13	District Legal Services Authority, Palakkad	2016-17	3
14	District Legal Services Authority, Malappuram	2016-17	3
15	District Legal Services Authority, Kozhikode	2015-16	4
16	District Legal Services Authority, Wayanad	2014-15	5
17	District Legal Services Authority, Kannur.	2014-15	5

Sl. No.	Name of Autonomous body	Accounts pending since	No. of accounts pending up to FY 2019-20
18	District Legal Services Authority, Kasaragod	2012-13	6
19	District Legal Services Authority, Kottayam	2017-18	2
20	District Legal Services Authority, Alappuzha	2018-19	1
21	National and State Commissions for Protection of Child Rights (CPCR) (<i>Women and Child Development Department</i>)	2013-14	6

Source: Information collected from respective functional wings handling the autonomous bodies

Major pendency in submission of Accounts pertained to National and State Commissions for Protection of Child Rights and District Legal Services Authorities namely Kollam, Wayanad, Kannur and Kasaragod. The inordinate delays in submission of Accounts and their presentation to the State Legislature result in delayed scrutiny of the functioning of these bodies by the Legislature where Government investments are made.

4.14.1 Cases of adverse opinion

The Autonomous bodies and authorities are required to prepare annual accounts and submit to AG (Audit) for audit. The audit certificate issued in this regard may be subject to such observations and qualifications as the circumstances may warrant. An adverse certificate may be given if the observations and qualifications are of such nature as may not warrant certification of accounts as presenting a true and fair view of the financial position of the Corporation. The instances where audit has given an adverse opinion on financial statements of autonomous bodies are given in **Table 4.16** given below.

Table 4.16 : Cases of adverse opinion

Sl No.	Body or Authority	Year of Account	Reasons
1	Kerala Water Authority	2014-15	The financial statements does not give a true and fair view mainly due to following reasons: (a)The fixed asset register has not been updated since 31.3.2012. (b)Sundry Debtors balances worth ₹725.34 crore have not been reconciled and no provision has been made for doubtful debts. (c)The transactions from balances in various Treasury/Bank accounts worth ₹451.28 crore is not maintained in Cash book.
2	Kerala Khadi and Village Industries Board	2015-16	The accounts of the Board do not reflect a true and fair position mainly due to following reasons: 1. The Board has not maintained a proper fixed asset register. 2. Immovable property ₹70.41 crore not accounted or disclosed in accounts. 3. The method of provisioning for damaged goods has not been disclosed in the Notes forming part of accounts.

4.14.2 Non-entrustment of Autonomous Bodies/ authorities to audit

Section 20(2) of CAG's DPC Act provides that the Comptroller and Auditor General may propose to the President, the Governor of a State or the Administrator of a Union Territory having a Legislative Assembly to authorise him to undertake the audit of the accounts of any body or authority not entrusted to him if he is of the opinion that such audit is necessary, in public interest, because of substantial investments in or advances made to such body or authority by the Central or State or Union Territory Government.

Table 4.17 depicts the quantum of State Government funds transferred from 2015-16 to 2019-20 to Kerala Infrastructure Investment Fund Board (KIIFB), whose audit has not been entrusted, despite request from Audit under Section 20(2) of CAG's DPC Act.

Table 4.17 : Cases of Non-entrustment of audit

(₹ in crore)

Sl No.	Body or Authority	Quantum of funds transferred during last 5 years					Total
		2015-16	2016-17	2017-18	2018-19	2019-20	
1	Kerala Infrastructure Investment Fund Board (KIIFB)	873.85	2354.09	1100.89	1616.57	2200.00	8145.40

Source: Information collected from KIIFB

The State Government replied that in addition to the audit under Section 14(1) of C&AG's DPC Act, KIIFB is also subject to an external audit by a Chartered Accountant as provided in the KIIF Act and as such both the audits would co-exist. The fact, however, remains that the State Government has not yet entrusted the audit of the accounts of KIIFB under Section 20 (2).

4.15 Departmental Commercial Undertakings

The departmental undertakings of certain Government Departments performing activities of commercial and quasi-commercial nature are required to prepare proforma accounts in the prescribed format annually, showing the working results of financial operations, so that the Government can assess their working. The finalized accounts of departmentally managed commercial and quasi-commercial undertakings reflect their overall financial health and efficiency in conducting their business.

In the absence of timely finalization of accounts, results of the investment of the Government remain outside the purview of State Legislature and escape scrutiny by audit. Consequently, corrective measures, if any, required for ensuring accountability and improving efficiency cannot be taken in time. Besides, the delay renders the system vulnerable to the risk of fraud and leakage of public money.

The Heads of Departments in the Government are to ensure that the departmental undertakings prepare such accounts and submit the same to the Accountant General (Audit) within a specified time frame.

The department-wise position of arrears in preparation of *pro forma* accounts and investments made by the Government in respect of three such undertakings, are given in **Appendix 4.2**. Out of the three, two were running in loss (State Water Transport Department and Text Book Office). Accounts of Text Book Office were in arrears from 1987-88. The State Government decided (December 2008) to dispense with the preparation of *pro forma* accounts for the period from 1975-76 to 1986-87 in respect of State Text Book Office. Decision on preparation of *pro forma* accounts for the period from 1987-88 to 2003-04 was pending with the Government. In the absence of up-to-date accounts, the current financial status of the Text Book Office could not be ascertained.

4.16 Non-submission of details of grants/ loans given to bodies and authorities

Sections 14 and 15 of the Comptroller and Auditor General's (CAG) (Duties, Powers and Conditions of Service) Act, 1971 (DPC Act) envisages audit of receipt and expenditure of institutions receiving Government grants, subject to conditions stipulated based on the quantum of the grants received. In order to identify the institutions / organisations which attract audit under Sections 14 and 15 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act 1971(C&AG's DPC Act), the Government / HODs are required to furnish to Audit every year

- detailed information about the financial assistance given to various institutions,
- the purpose for which the assistance is granted, and
- total expenditure of the institutions.

Further, Regulation on Audit and Accounts, 2007 provides that Governments and Heads of departments which sanction grants and/ or loans to bodies or authorities shall furnish to the audit office by end of July every year a statement of such bodies and authorities to which grants and/ or loans aggregating ₹10 lakh or more were paid during the preceding year indicating (a) the amount of assistance; (b) the purpose for which the assistance was sanctioned; and (c) the total expenditure of the body or authority.

Only three⁴⁹ out of 44 departments had furnished the details of grants-in-aid given to various bodies and authorities during the preceding year 2018-19. In the absence of the information from remaining 41 departments, reasonable assurance could not be provided to the Legislature/Government about the manner in which the grants sanctioned / released by them had been utilised. This dilutes the legislative control over the Government expenditure system.

⁴⁹ General Education Department; Higher Education Department; Cultural Affairs Department.

4.17 Timeliness and Quality of Accounts

Number of accounts excluded from monthly Civil Accounts during 2019-20

The due date of closing of Monthly Civil Accounts is the 25th of succeeding month. First List of Payments (LOP) containing supporting schedules and vouchers is due to be received by the A&E Office by 18th of the same month and the second LOP along with supporting documents is due to be received by 8th of succeeding month.

It is commendable that there were no delays in monthly rendition of accounts by the account rendering units and no exclusion was noticed in the Monthly Civil Accounts.

4.18 Misappropriations, losses, thefts, etc.

Article 297 of the Kerala Financial Code provides that cases of defalcation or loss of public money, stamps, stores or other property should be reported to the Accountant General (General and Social Sector Audit)/Accountant General (Economic and Revenue Sector Audit), Kerala as well as to the Heads of Departments.

The final action on 147⁵⁰ cases of misappropriation, defalcation, etc., involving Government money amounting to ₹25.39 crore was pending with the State Government.

Table 4.18: Profile of misappropriations, losses, defalcations, etc.

A. Age-profile of the pending cases			B. Nature of the pending cases		
Range in years	Number of cases	Amount involved (₹ in lakh)	Nature/characteristics of the cases	Number of cases	Amount involved (₹ in lakh)
Less than 5 years	29	590.02	Theft	20	126.39
5 – 10	31	1235.75			
10 – 15	17	86.81	Misappropriation/ loss of material	127	2412.56
15 – 20	29	495.61			
20 – 25	24	102.58			
25 and above	17	28.18			
Total	147	2538.95	Total pending cases	147	2538.95

Source: Cases reported by departments of the State Government

The reasons for delay in finalisation of outstanding cases were analysed by Audit and are summarised in **Table 4.19**. Department wise details are also shown in **Appendix 4.3**.

⁵⁰ This includes cases detected by Audit during local audit as well as cases reported by Government departments as per codal provisions.

Table 4.19 Reasons for outstanding cases of misappropriations, losses, defalcations, etc.

Sl. No.	Reasons for the delay/outstanding pending cases	Number of cases	Amount (₹ in lakh)
1.	Awaiting departmental and criminal investigation	14	174.32
2.	Departmental action initiated but not finalised	36	1454.62
3.	Awaiting orders for recovery or write off	83	808.20
4.	Pending in the courts of law	14	101.81
Total		147	2538.95

Source: Information received from Departments of the State Government

Timely action needs to be taken to settle the misappropriation cases in order to bring defaulters to book and to have a deterrent effect on others.

4.19 Follow up action on State Finances Audit Report

In Kerala State the PAC/Finance Department require the line Departments to provide a *suo motu* Explanatory Note (EN) on the paragraphs featuring in the Audit Reports within two months of placing the Reports in the Legislature. The line Departments are also required to provide Action Taken Notes (ATNs) to the AG (for vetting and onward transmission to the PAC) within two months of tabling the Reports.

At the instance of the Public Accounts Committee (PAC), the Finance Department issues instructions to all the Departments to initiate *suo moto* action on all paragraphs and reviews featuring in the Audit Reports irrespective of whether the cases had been taken up for examination by PAC or not.

However, only one sitting of PAC was conducted during 2019-20 to discuss the paras in the SFAR and discussion of all paras in the SFAR up to the year 2014-15 only had been completed.

4.20 Conclusions

Positive Indicators

1. No exclusion was observed in monthly civil accounts.
2. No delay in monthly rendition of accounts by the account rendering units.

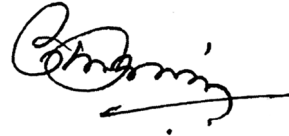
Negative Indicators

1. Persistent trend of cess/royalty/fund not being credited to Consolidated Fund of the State.
2. Continuing cases of regulators maintaining 'Fund' outside Public Account of the State (Funds of the Kerala State Electricity Regulatory Commission).
3. Increased tendency to postpone liabilities due, to the next financial year.
4. Increasing number of outstanding UCs.
5. Increasing arrears in respect of annual accounts of Autonomous bodies and PSUs.
6. Increasing amount under Suspense Heads.
7. Non reconciliation with and accumulation of funds in Bank Accounts.
8. Classification of large amounts under the omnibus Minor Head '800' affecting transparency in financial reporting and distorting proper analysis of allocative priorities and quality of expenditure.

4.21 Recommendations

1. *The Government may bring all the funds lying outside the Consolidated Fund/ Public Accounts in breach of constitutional provisions, within the fold of Consolidated Fund/ Public Accounts.*
2. *Government should avoid deferring clear cut liabilities.*
3. *The Government may ensure timely submission of utilisation certificates by the departments in respect of the grants released for specific purposes.*
4. *The Finance Department may review all PD/STSB/PSTSB accounts to ensure that all amounts unnecessarily lying in these PD/STSB/PSTSB accounts are immediately remitted to the Consolidated Fund. Further, the Finance Department may reiterate the instructions contained in the financial rules and ensure that appropriate action is taken against departmental officers who fail to follow the rules.*
5. *Finance Department may consider evolving a system to expedite the process of compilation and submission of annual accounts by autonomous bodies and departmentally run undertakings in order to assess their financial position.*
6. *The Government may consider preparing a time bound framework for taking prompt action in cases of misappropriation, loss, theft, etc. and strengthening the internal control system to prevent recurrence of such cases.*

7. *The Finance Department may, in consultation with the Accountant General (A&E), conduct a comprehensive review of all items presently appearing under minor head 800 and ensure that all such receipts and expenditure are in future booked under the appropriate heads of account.*




(K. P. ANAND)

Principal Accountant General
(Audit-II), Kerala

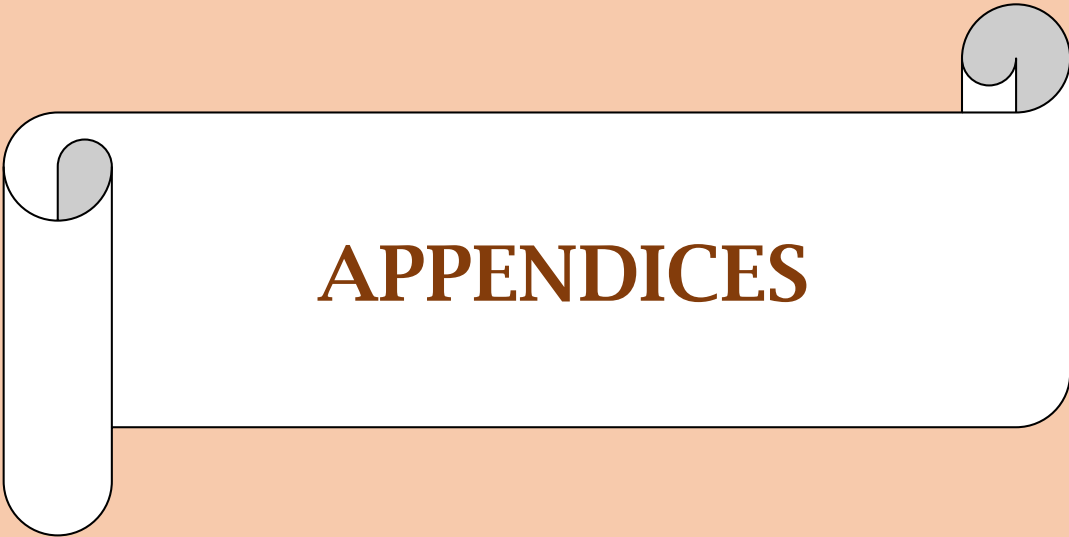
Thiruvananthapuram,
The 16 September 2021

Countersigned



(GIRISH CHANDRA MURMU)
Comptroller and Auditor General of India

New Delhi,
The 04 October 2021



APPENDICES

Appendix 1.1
State Profile
(Reference: Paragraph 1.1 page No. 1)

A. General Data

Sl. No.	Particulars	Figures
1.	Area	38,863 sq.km
2.	Population	
	a. In 2011	3.35 crore
	b. In 2020	3.54 crore
3.	Density of Population (as per 2011 Census) (All India Density = 382 persons per sq.km)	860 persons per sq.km
4.	Population Below Poverty Line (BPL) (All India Average = 21.9 per cent)	7.10 per cent
5.	Literacy (as per 2011 Census) (All India Average = 73.0 per cent)	94 per cent
6.	Infant mortality (per 1000 live births)(All India Average =33 per 1000 live births)	10
7.	Life Expectancy at birth (All India Average = 69.4 years)	75.3 years
	Gini Coefficient	
8.	a. Rural (All India = 0.29)	0.42
	b. Urban (All India = 0.38)	0.50
9.	Human Development Index 2019 (All India = 0.645)	0.79
	Gross State Domestic Product (GSDP) 2019-20 at current prices	₹8,54,689 crore
10.	Per capita GSDP Compounded Annual Growth Rate (2011-12 to 2019-20)	Kerala 10.71 per cent General Category States 10.53 per cent
11.	GSDP Compounded Annual Growth Rate (2011-12 to 2019-20)	Kerala 11.26 per cent General Category States 11.98 per cent
12.	Population Growth (2011 to 2020)	Kerala 5.57 per cent General Category States 10.98 per cent
13.	Per capita GSDP (in ₹)	Kerala ₹2,45,323 All India ₹1,51,677

B. Financial Data (In per cent)

Compounded Annual Growth Rate		Particulars					
		2010-11 to 2018-19		2014-15 to 2018-19		2018-19 to 2019-20	
		General Category States	Kerala	General Category States	Kerala	General Category States	Kerala
a.	Revenue Receipts	13.65	14.70	12.71	12.51	2.08	-2.83
b.	Own Tax Revenue	12.21	11.16	10.42	9.50	2.12	-0.63
c.	Non Tax Revenue	11.19	25.37	9.67	12.78	23.44	4.09
d.	Total Expenditure	13.87	15.17	12.22	11.84	4.09	-4.67
e.	Capital Expenditure	14.64	10.41	12.35	14.96	-3.86	13.78
f.	Revenue Expenditure on Education	11.58	13.64	9.37	10.36	11.81	-2.53
g.	Revenue Expenditure on Health	15.43	16.89	13.23	14.13	9.48	6.54
h.	Salary and Wages	10.78	14.28	10.35	10.74	9.51	1.29
i.	Pension	14.14	16.08	14.27	14.01	9.74	0.27

Source: Information furnished by the Economic Adviser, O/o the C&AG of India, New Delhi

Appendix 1.2
Medium Term Fiscal Plan 2019-20
(Reference: Paragraph 1.5 page No. 13)

(₹ in crore)

Item	2015-16 Accounts	2016-17 Accounts	2017-18 Accounts	2018-19 Revised Estimates	2019-20 Budget Estimates	Forward Estimates	
						2020-21	2021-22
Revenue Receipts (A)	69033	75612	83020	100006	115355	133698	157754
State's Own Tax Revenue	38995	42177	46460	53110	65785	76542	91850
Non Tax Revenue	8426	9700	11199	12992	15070	17481	20278
Resources from Centre	21612	23735	25361	33904	34500	39675	45626
Revenue Expenditure(B)	78690	91096	99948	113033	124125	139749	166481
Non-Interest Revenue Expenditure	67579	78980	84828	97407	106924	120198	144718
Interest	11111	12116	15120	15626	17201	19551	21763
Salaries	23450	27954	31906	32219	32734	35776	43098
Pensions	13063	15277	19938	19189	18912	21232	26553
Non SPI Revenue Expenditure	31066	35749	32984	45999	55278	63190	75067
Subsidies	1343	1634	1584	1847	2064	2227	2404
Devolution to LSGs	5029	6060	8470	8617	11867	13000	17026
Other Revenue Expenditure	24694	28055	22930	35535	41347	47963	55637
Revenue Deficit(-) /Surplus (+)	-9657	-15484	-16928	-13027	-8770	-6051	-8727
Capital Expenditure	8342	11286	10289	11645	17855	24071	25397
Capital outlay	7500	10126	8749	9811	16269	22247	23300
Loan disbursements	842	1160	1540	1834	1586	1824	2097
Non Debt Capital Receipts	181	322	380	986	335	443	586
Fiscal Deficit (-)/Surplus (+)	-17818	-26448	-26837	-23686	-26290	-29679	-33538
Primary Fiscal Deficit/Surplus	-6707	-14332	-11717	-8060	-9089	-10129	-11775
End of the Period Debt	146405	171912	198608	223535	250384	279299	310908
Debt Service	11111	12117	15120	15626.45	17201	18782	21137
Salary + Pension + Interest	47624	55347	66964	67035	68847	76560	91415
Debt Stock	157370	186454	210762	236308	264459	294139	327678
Government Guarantees	12439	16246	17053				
Interest/Revenue Receipts (%)	16	16	18.21	15.63	14.91	14.62	13.80
Debt/ Revenue (%)	228	247	254	236.29	229.26	220.00	207.71
Salary+Pen+Interest) /Revenue (%)	68.99	73.20	81	67.03	59.68	57.26	57.95
Salary+Pen+Interest) /GSDP (%)	8.09	8.97	10	8.65	7.86	7.74	8.18
(Salary +Pension)/GSDP (%)	6.21	7.01	8	6.63	5.90	5.76	6.23
Rev Deficit/ Rev Receipt (%)	13.99	20.48	20	13.03	7.60	4.53	5.53
RD/GSDP (%)	1.64	2.51	2.46	1.68	1.00	0.61	0.78
FD/GSDP (%)	3.02	4.29	3.91	3.06	3.00	3.00	3.00
Debt stock/GSDP (%)	26.75	30.22	30.69	30.49	30.21	29.73	29.31
GSDP	588337	617035	686764	774995	875514	989331	1117944
Nominal GSDP Growth Rate (%)	11.85	4.88	11.42	12.85	12.97	13.00	13.00
Average Interest rate (%)	7.59	7.05	7.61	6.99	6.87	7.00	7.00
Domar Gap	4.26	-2.17	3.81	5.86	6.10	6.00	6.00

Appendix 1.3
Abstract of receipts and disbursements for the year 2019-20
(Reference: Paragraph 1.4 page No. 7)

(₹ in crore)

Receipts				Disbursements					
2018-19			2019-20	2018-19	2019-20				
	Section – A: Revenue					Non-Plan	Plan	Total	
92854.47	I. Revenue Receipts		90224.67	110316.39	I. Revenue Expenditure	92683.73	12036.19	104719.92	104719.92
50644.10	Own Tax Revenue	50323.14		50827.13	General Services	52972.33	2531.70	55504.03	
11783.24	Non-Tax Revenue	12265.22		38210.77	Social Services	27031.64	7013.13	34044.77	
19038.17	State's share of Union Taxes and Duties	16401.05		18968.26	Education, Sports, Art and Culture	17262.45	1197.18	18459.63	
11388.96	Grants from Government of India	11235.26		6847.05	Health and Family Welfare	5269.62	2024.97	7294.59	
				1579.72	Water Supply, Sanitation, Housing and Urban Development	453.71	1013.81	1467.52	
				93.05	Information and Broadcasting	50.38	22.82	73.20	
				2554.94	Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	448.28	1494.40	1942.68	
				1266.99	Labour and Labour Welfare	506.37	208.10	714.47	
				6797.95	Social Welfare and Nutrition	2928.50	1051.85	3980.35	
				102.81	Others	112.33	0	112.33	
				12379.77	Economic Services	6615.89	2491.36	9107.25	
				6193.40	Agriculture and allied activities	3819.62	971.39	4791.01	
				1622.06	Rural Development	467.01	775.08	1242.09	
				31.34	Special Area Programmes	0	22.42	22.42	
				576.63	Irrigation and Flood control	503.73	11.80	515.53	
				22.67	Energy	1.30	16.04	17.34	
				608.03	Industry and Minerals	194.94	156.27	351.21	
				2482.54	Transport	1311.29	232.66	1543.95	
				143.83	Science, Technology and Environment	27.20	40.33	67.53	
				699.27	General Economic Services	290.80	265.37	556.17	
				8898.72	Grants-in-aid and Contributions	6063.87	0	6063.87	
17461.92	II. Revenue Deficit carried over to Section B		14495.25		Revenue Surplus carried over to Section B				
110316.39	Total - Section A		104719.92	110316.39					104719.92

Appendix 1.3 – Contd.

(₹ in crore)

Receipts				Disbursements					
2018-19			2019-20	2018-19	2019-20				
	Section B: Others				Non-Plan	Plan	Total		
2732.88	III. Opening Cash Balance including Permanent Advances, Cash Balance Investment and Investment of earmarked funds		2203.15	0	III. Opening Overdraft from Reserve Bank of India			0	
46.50	IV. Miscellaneous Capital Receipts		27.48	7430.54	IV. Capital Outlay	502.25	7952.55	8454.8	8454.8
				197.96	General Services	23.12	134.30	157.42	
				1784.29	Social Services	111.44	979.20	1090.64	
				472.66	Education, Sports, Art and Culture	73.50	237.65	311.15	
				251.51	Health and Family Welfare	22.60	221.64	244.24	
				623.34	Water Supply, Sanitation, Housing and Urban Development	15.00	276.28	291.28	
				3.25	Information and publicity	0	0.54	0.54	
				176.82	Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	0.10	117.24	117.34	
				121.14	Social Welfare and Nutrition	0.24	29.58	29.82	
				135.57	Other Social Services	0	96.27	96.27	
				5448.29	Economic Services	367.69	6839.05	7206.74	
				593.63	Agriculture and allied activities	149.33	232.06	381.39	
				316.95	Other rural development programmes	153.62	762.70	916.32	
				8.71	Special Area Programme	0	0.38	0.38	
				271.78	Irrigation and Flood Control	13.48	269.36	282.84	
				0.93	Power projects	0	0.47	0.47	
				276.74	Industry and Minerals	0	254.02	254.02	
				2245.10	Transport	45.90	3026.52	3072.42	
				-	Science, Technology and Environment	0	0	0	
				1734.45	General Economic Services	5.36	2293.54	2298.90	

Appendix 1.3 – Concl'd.

(₹ in crore)

Receipts				Disbursements			
2018-19			2019-20	2018-19		2019-20	
210.54*	V.	Recoveries of Loans and Advances	295.32	2322.89	V.	Loans and Advances Disbursed	1210.22
		From Power Projects				For Power Projects	
171.47		From Government Servants		356.94		To Government Servants	
39.07		From Others		1965.95		To Others	
	VI.	Revenue Surplus brought down		17461.92	VI.	Revenue Deficit brought down	14495.25
33445.92	VII.	Public Debt Receipts	60407.05	18195.99	VII.	Repayment of Public Debt	44001.28
23295.63		Internal Debt other than Ways and Means Advances, Shortfall and Overdraft	22511.19	7805.12		Internal Debt other than Ways and Means Advances, Shortfall and Overdraft	8072.02
9698.12		Net transactions under Ways and Means Advances excluding overdraft	35745.17	9698.12		Net transactions under Ways and Means advances excluding overdraft	35215.35
452.17		Loans and Advances from Central Government	2150.69	692.75		Repayment of Loans and Advances to Central Government	713.91
	VIII.	Appropriation from the Consolidated Fund			VIII.	Appropriation to Contingency Fund	
	IX.	Amount transferred to Contingency Fund			IX.	Expenditure from Contingency Fund	75
254069.02	X.	Public Account Receipts	261788.85	242890.37	X.	Public Account Disbursements	254475.08
106577.13		Small Savings, Provident Funds, etc.	118983.22	96957.92		Small Savings, Provident Funds, etc.	110709.11
3299.64		Reserve Funds	514.79	1318.62		Reserve Funds	1865.21
3019.82		Deposits and Advances	3209.17	2627.65		Deposits and Advances	2683.43
138789.71		Suspense and Miscellaneous	137056.3	139551.94		Suspense and Miscellaneous	137309.5
2382.72		Remittances	2025.37	2434.24		Remittances	1907.83
	XI.	Closing Overdraft from Reserve Bank of India		2203.15	XI.	Cash Balance at end	2010.22
				34.16		Cash in Treasuries	35.13
				0.20		Local Remittances	0.92
				(-)52.17		Deposits with Reserve Bank	-221.02
				(-)0.50		Departmental cash balance including Permanent Advance	-5.18
				189.53		Cash Balance Investment	1.67
				2031.93		Investment from earmarked funds	2198.70
290504.86		Total – Section B	324721.85	290504.86		Total – Section B	324721.85

*including ₹ 0.40 crore written off

Appendix 1.4
Time series data on the State Government finances
(Reference: Paragraph 1.5 page No. 9)

(₹ in crore)

Particulars	2015-16	2016-17	2017-18	2018-19	2019-20
Part A: Receipts					
1. Revenue Receipts	69033	75612	83020	92854	90225
(i) Tax Revenue	38995 (57)	42177 (56)	46460 (56)	50644 (55)	50323 (56)
Taxes on Sales, Trade, etc.	30737 (79)	33453 (79)	24578 (53)	19226 (38)	19650 (39)
State Excise	1964 (5)	2019 (5)	2240 (5)	2521 (5)	2255 (4)
Taxes on Vehicles	2814 (7)	3107 (7)	3663 (8)	3709 (7)	3721 (7)
Stamps and Registration fees	2878 (7)	3007 (7)	3453 (7)	3693 (7)	3615 (7)
Land Revenue	182	124	162	203	333
Other Taxes	420	467	256	240	263
State Goods and Services Tax	0	0	12008 (26)	21015 (42)	20447 (41)
Other taxes and Duties on commodities and Services	0	0	100	37	39
(ii) Non Tax Revenue	8426 (12)	9700 (13)	11199 (14)	11783 (13)	12265 (14)
(iii) State's share in Union taxes and duties	12691 (18)	15225 (20)	16833 (20)	19038 (20)	16401 (18)
(iv) Grants in aid from Government of India	8921 (13)	8510 (11)	8528 (10)	11389 (12)	11235 (12)
2. Miscellaneous Capital Receipts	28	30	29	47	27
3. Recovery of Loans and Advances	153	292	351	211	295
4. Total revenue and Non debt capital receipts (1+2+3)	69214	75934	83400	93112	90547
5. Public Debt Receipts	19658	23858	30234	33446	60407
Internal Debt (excluding Ways & Means Advances and Overdraft)	17141 (87)	20075 (84)	23454 (78)	23296 (70)	22511 (37)
Net transactions under Ways and Means Advances excluding Overdraft	1986 (10)	2931 (12)	6335 (21)	9698 (29)	35745 (59)
Loans and advances from Government of India	531 (3)	852 (4)	445 (1)	452 (1)	2151 (4)
6. Total receipts in the Consolidated Fund (4+5)	88872	99792	113634	126558	150954
7. Contingency Fund Receipts
8. Public Account receipts	168623	190628	215992	254069	261789
9. Total receipts of State (6+7+8)	257495	290420	329626	380627	412743
Part B: Expenditure/Disbursement					
10. Revenue Expenditure	78690 (90)	91096 (89)	99948 (91)	110316 (92)	104720 (92)
Plan	12079 (15)	13492 (15)	16182 (16)	13890 (13)	12036 (11)
Non-Plan	66611 (85)	77604 (85)	83766 (84)	96426 (87)	92684 (88)
General Services (incl. Interest payment)	36085 (46)	41195 (45)	45524 (46)	50827 (46)	55504 (53)
Social Services	27603 (35)	33765 (37)	35876 (36)	38211 (35)	34045 (33)
Economic Services	11099 (14)	10655 (12)	11351 (11)	12380 (11)	9107 (9)
Grants-in-aid and Contributions	3903 (5)	5481 (6)	7197 (7)	8898 (8)	6064 (6)
11. Capital Expenditure	7500 (9)	10126 (10)	8749 (8)	7431 (6)	8455 (7)
Plan	6518 (87)	8946 (88)	7994 (91)	6779 (91)	7953 (94)
Non-Plan	982 (13)	1180 (12)	755 (9)	652 (9)	502 (6)
General Services	257 (3)	211 (2)	268 (3)	198 (3)	157 (2)
Social Services	1035 (14)	1293 (13)	1406 (16)	1784 (24)	1091 (13)
Economic Services	6208 (83)	8622 (85)	7075 (81)	5449 (73)	7207 (85)
12. Disbursement of Loans and Advances	842 (1)	1160 (1)	1541 (1)	2323 (2)	1210 (1)
13. Total (10+11+12)	87032	102382	110238	120070	114385

Figures in brackets represent percentages (rounded) to total of each sub-heading.

Appendix I.4- Contd.

(*₹ in crore*)

	2015-16	2016-17	2017-18	2018-19	2019-20
Part B: Expenditure/Disbursement					
14. Repayment of Public Debt	6061	7706	13132	18196	8786
Internal Debt (excluding Ways and Means Advances and Overdrafts)	3713	4302	6222	7805	8072
Net transactions under Ways and Means Advances excluding Overdrafts	1986	2931	6335	9698	3525
Loans and Advances from Government of India	362	473	575	693	714
15. Appropriation to Contingency Fund
16. Total disbursement out of Consolidated Fund (13+14+15)	93093	110088	123370	138266	123171
17. Contingency Fund disbursements	75
18. Public Account disbursements	162825	179910	207174	242890	254475
19. Total disbursement by the State (16+17+18)	255918	289998	330544	381156	377721
Part C: Deficits					
20. Revenue Deficit (1-10)	9657	15484	16928	17462	14495
21. Fiscal Deficit (4-13)	17818	26448	26838	26958	23838
22. Primary Deficit (21-23)	6707	14331	11718	10210	4623
Part D: Other Data					
23. Interest Payments (included in revenue expenditure)	11111	12117	15120	16748	19215
24. Financial Assistance to local bodies, etc.	20101	23890	34,929	31,487	22,192
25. Ways & Means Advances/Overdrafts availed (days)	23	25	50	67	291
Ways and Means Advances availed (days)	23	25	50	67	203
Overdraft availed (days)	Nil	Nil	Nil	Nil	57
26. Interest on WMA/Overdraft	1.37	2.12	1.54	3.55	28.21
27. Gross State Domestic Product (GSDP) at current prices ⁵¹	5,61,994	6,34,871	7,00,532	7,81,653	8,54,689
28. Outstanding Fiscal Liabilities (year-end)	160539	189769	214518	2,41,615	2,65,362
29. Outstanding guarantees (year-end)	12439	16246	17356	26,835	27,757
30. Maximum amount guaranteed (during the year)	13713	20204	25104	46,796	43,433
31. Number of incomplete projects/works	263	226	300	270	295
32. Capital blocked in incomplete projects/works ⁵²	1198	974	1208	1292	1302

⁵¹ GSDP figures furnished by Economic Adviser.⁵² Represents progressive amount blocked in incomplete projects/works at the end of the year based on figures collected from departmental heads.

Appendix 1.4- Concl.

(₹ in crore)

		2015-16	2016-17	2017-18	2018-19	2019-20
Part E: Fiscal Health Indicators						
I	Resource Mobilisation					
	Own Tax revenue/GSDP	6.9	6.6	6.6	6.5	5.9
	Own non-tax revenue/GSDP	1.5	1.5	1.6	1.5	1.4
	Central Transfers/GSDP	3.8	3.7	3.6	3.9	3.2
II	Expenditure Management					
	Total Expenditure/GSDP	15.5	16.1	15.7	15.4	13.38
	Total Expenditure/Revenue Receipts	126.1	135.4	132.8	129.3	126.8
	Revenue Expenditure/Total Expenditure	90.4	89.0	90.7	91.9	91.55
	Revenue Expenditure on Social Services/Total Expenditure	31.7	33.0	32.5	31.8	29.8
	Revenue Expenditure on Economic Services/Total Expenditure	12.8	10.4	10.3	10.3	8.0
	Capital Expenditure/Total Expenditure	8.6	9.9	7.9	6.2	7.4
	Capital Expenditure on Social and Economic Services/Total Expenditure	8.3	9.7	7.7	6.0	7.3
III	Management of Fiscal Imbalances					
	Revenue deficit/GSDP	(-1.7)	(-2.4)	(-2.4)	(-2.2)	(-1.70)
	Fiscal deficit/GSDP	(-3.2)	(-4.2)	(-3.8)	(-3.4)	(-2.79)
	Primary Deficit /GSDP	(-1.2)	(-2.3)	(-1.7)	(-1.3)	(-0.54)
	Revenue Deficit/Fiscal Deficit	54.2	58.5	63.1	64.8	60.81
IV	Management of Fiscal Liabilities					
	Fiscal Liabilities/GSDP	28.6	29.9	30.6	30.9	31.0
	Fiscal Liabilities/Revenue Receipts	232.6	250.9	258.4	260.2	294.11
	Primary deficit <i>vis-à-vis</i> quantum spread	(-3,456)	(-4,618)	(-5,987)	(-1,479)	(-371)
	Debt Redemption (Principal +Interest)/ Total Debt Receipts (in <i>per cent</i>)	89.7	80.3	91.5	92.4	97.27
V	Other Fiscal Health Indicators					
	Return on Investment (<i>per cent</i>)	1.3	1.3	1.5	1.5	1.1
	Financial Assets/Liabilities	0.4	0.4	0.4	0.4	0.4

Appendix 1.5
Summarised financial position of the Government of Kerala
as on 31 March 2020
(Reference: Paragraph 1.4.2 page 8)

(₹ in crore)

As on 31 March 2019	Liabilities		As on 31 March 2020
150991.04	Internal Debt		165960.03
129719	Market Loans bearing interest	142336.00	
0.04	Market Loans not bearing interest	0.04	
1145.64	Loans from Life Insurance Corporation of India	880.55	
171.54	Loans from General Insurance Corporation of India	153.13	
3142.74	Loans from National Bank for Agriculture and Rural Development	3199.93	
393.37	Loans from National Co-operative Development Corporation	480.15	
811.09	Loans from other institutions	984.00	
15607.62	Special securities issued to National Small Savings Fund of the Central Government	0	
	Compensation and other bonds	0.88	
	Ways and Means Advances from Reserve Bank of India excluding Overdrafts	529.82	
	Overdrafts from Reserve Bank of India	17395.53	
7243.41	Loans and Advances from Central Government		8680.19
1.16	Pre 1984-85 Loans	1.16	
14.32	Non-Plan Loans	12.47	
7214.32	Loans for State Plan Schemes	6815.83	
(*)	Loans for Central Plan Schemes	(*)	
13.61	Other loans	1850.73	
100.00	Contingency Fund(Net)		100
77397.06	Small Savings, Provident Funds, etc.		85671.17
3550.65	Deposits		4135.81
4464.28	Reserve Funds		3113.86
133.56	Suspense and Miscellaneous		-119.58
243880.00	Total		267541.48

(*) ₹ 7,000 only.

Appendix 1.5 – Concl'd.

(₹ in crore)

As on 31 March 2019	Assets		As on 31 March 2020
72361.56⁵³	Gross Capital Outlay on Fixed Assets -		80788.88
8322.38	Investments in shares of Companies, Corporations, etc.	8881.70	
64039.18	Other Capital Outlay	71907.18	
16557.18⁵⁴	Loans and Advances -		17472.08
2714.92	Loans for Power Projects	2728.51	
12699.82	Other Development Loans	13775.61	
1142.44	Loans to Government servants and Miscellaneous loans	967.96	
	Contingency fund		75
0.66	Advances		60.08
	Suspense and Miscellaneous Balances		
1199.14	Remittance Balances		1081.60
270.30	Adjustment on account of retirement/disinvestment		297.78
2203.15	Cash -		2010.22
34.36	Cash in Treasuries and Local Remittances	36.05	
(-)52.17	Deposits with Reserve Bank	(-)221.02	
(-)0.98	Departmental Cash Balance	(-)5.70	
0.48	Permanent Advances	0.52	
189.53	Cash Balance Investments	1.67	
2031.93	Reserve Fund Investments	2198.70	
151288.01⁵⁵	Deficit on Government Account -		165755.84
133872.53	Accumulated deficit at the beginning of the year	151288.01	
17461.92	Add: (i) Revenue Deficit of the current year	14495.25	
0.56	(ii) Miscellaneous Government account	0.06	
46.50	Less: Miscellaneous Capital Receipts	27.48	
243880.00	Total		267541.48

Explanatory Notes

The abridged accounts in Appendix 1.5 have to be read with comments and explanations in the Finance Accounts. Government accounts being mainly on cash basis, the deficit on Government account, as shown in Appendix 1.5 indicates the position on cash basis, as opposed to accrual basis in commercial accounting. Consequently, items payable or receivable, depreciation or variation in stock figures, etc., do not figure in the accounts. Suspense and Miscellaneous balances include cheques issued but not paid, payment made on behalf of the State and others pending settlement, etc. There was a difference of ₹219.83 crore (debit) under the head 'Deposit with Reserve Bank' between the figures reflected in the accounts (credit item ₹221.02 crore) and that communicated by the Reserve Bank of India (debit item ₹1.19 crore). The difference of ₹421.00 crore (net debit) is under reconciliation.

⁵³ Balance as on 31 March 2019 differs from those shown in the previous year's account due to proforma adjustment vide foot notes (b) and (c) of statement No. 1 of Finance Accounts 2019-20

⁵⁴ Balance as on 31 March 2019 differs from those shown in the previous year's account due to proforma adjustment vide foot note (d) of statement No. 1 of Finance Accounts 2019-20

⁵⁵ Balance as on 31 March 2019 differs from those shown in the previous year's account due to proforma adjustment vide foot notes (e) of statement No. 1 of Finance Accounts 2019-20

Appendix 2.1
Gross collection in respect of major taxes and duties vis-à-vis budget estimates and the expenditure incurred on their collection
(Reference: Paragraph 2.3.2.2 page 27)

(₹ in crore)

Sl. No	Head of revenue	Year	Budget Estimate	Collection	Expenditure on collection of revenue	Percentage of expenditure to gross collection	All India average percentage of expenditure to gross collection
1.	Tax on sales, trade etc.	2015-16	34712.28	30736.78	225.09	0.73	0.66
		2016-17	37452.98	33453.49	282.10	0.84	0.69
		2017-18	42187.57	36585.51*	313.15	0.86	0.69
		2018-19	46791.10	40240.46*	310.53	0.77	Not available
		2019-20	52958.79	40096.59	272.96	0.68	Not available
2.	Stamps (non- judicial) and registration fees	2015-16	4165.77	2778.99	172.28	6.19	2.87
		2016-17	3303.62	2890.38	201.55	6.97	2.99
		2017-18	3339.00	3335.81	205.36	6.16	2.96
		2018-19	3596.21	3562.13	226.09	6.35	Not available
		2019-20	4281.90	3455.53	217.60	6.30	Not available
3.	State excise	2015-16	2600.66	1964.15	213.87	10.89	3.21
		2016-17	2397.36	2019.30	253.93	12.58	2.01
		2017-18	2945.34	2240.42	277.45	12.38	1.83
		2018-19	2804.42	2521.40	284.06	11.27	Not available
		2019-20	2983.74	2255.28	288.46	12.79	Not available
4.	Taxes on vehicles	2015-16	3087.35	2814.30	95.13	3.38	4.99
		2016-17	3406.49	3107.23	120.05	3.86	2.61
		2017-18	3890.64	3662.85	124.63	3.40	2.61
		2018-19	4683.41	3708.61	147.86	3.99	Not available
		2019-20	4711.58	3721.14	165.50	4.45	Not available

* including SGST

Appendix 2.2
Arrears of Revenue
(Reference: Paragraph 2.3.2.2 page 28)

(₹ in crore)

Sr. No	Head of revenue	Amount outstanding as on 31 March 2020		Remarks of the Department
		Total Amount	Amount outstanding for more than 5 years	
1	0043 Taxes and Duties on Electricity	1951.93	126.44	An amount of ₹1921.58 crore was due from public sector undertakings of Government of Kerala, ₹21.02 crore was due from individuals, private firms, private companies etc. ₹9.18 crore from local bodies The Department attributed (December 2020) the reason for delay in collecting the revenue to non –remission of dues regularly by consumers, which included institutions like KSEB, KWA, PWD, Irrigation etc. The Department stated that Government constituted a committee for finalising the issue with KSEB and periodical reminders are sent to other consumers.
2	0230-00-103- Fees for inspection of Steam Boilers	0.81	0.02	The Director of Factories and Boilers stated (November 2020) that the nature of demand of the Department of Factories and Boilers was fee for renewal of licence of factories. The Department stated that the delay in collection was due to the fact that most of the factories, which have arrears, are not working
3	0055-Police	340.06	168.54	The nature of demand in the Police Department is the cost for providing police personnel for guard duty. ₹126.96 crore and ₹112.12 crore are the amount pending from Public Sector undertakings if GoK and GoI respectively. An amount of ₹50.71 crore from GoI, ₹24 crore from GoK, ₹16.81 crore from other state undertakings and ₹8.67 crore from individuals, private firms, private companies etc. is pending collection, Southern Railway (₹110.20 crore) and KSEB (₹119.34 crore) are the major defaulters. The department (February 2021) stated that demand and followup action are being taken.
4	Printing	51.25	30.37	The Director of Printing stated (January 2021) that Printing charges amounting to ₹49.21 crore from Public sector undertakings of GoK, ₹1.50 crore from Local Bodies, ₹0.50 crore from GoI and ₹0.04 crore from public sector undertakings of GoI is pending collection.

Appendix 2.2- Concl.

(₹ in crore)

Sr. No	Head of revenue	Amount outstanding as on 31 March 2020		Remarks of the Department
		Total Amount	Amount outstanding for more than 5 years	
5	0030-Stamps and Registration fees	978.15	0	The Registration department stated (February 2021) that the revenue pending collection was towards undervaluation of documents and the Government extended One time settlement scheme upto 31 March 2021.
6	0039-State Excise	262.37	237.51	The Excise Commissioner stated (January 2021) that abkari arrears in the Department are period from the year 1952 onwards. Out of the abkari arrears of ₹262.37 crore due from individuals, private firms, private companies etc., an amount of ₹253.26 crore is due from 342 defaulters from whom rupees one lakh or more is due. The Department attributed the reasons for delay in collection of revenue to pending revenue recovery action and stay by court.
7	0853-Non-Ferrous Mining and Metallurgical Industries	105.59	0.68	The Director of Mining and Geology stated (March 2021) stated that the main source of revenues are from royalty and other fees derived from the grant of mineral concessions and its regulation. The arrears of revenue pending collection are ₹0.59 crore from Co-operative Society, ₹0.36 from PSUs of GoK and ₹104.64 crore from individuals, private firms, private companies etc.
8	0070-60-110-Fees for Government Audit	85.09	Not furnished	The Director, Kerala State Audit Department stated (February 2021) that the arrears of revenue pending collection towards audit charges are ₹26.68 crore from Universities, ₹7.91 crore from Devaswom Boards, ₹8.41 crore from Temples, ₹22.01 crore from developmental authorities and Kerala State Housing Boards, ₹1.04 crore from tourism councils, ₹0.75 crore from sports council, ₹ 12.38 from welfare boards, ₹1.31 from cultural institutions and ₹3.48 crore from miscellaneous institutions. The Kerala State Audit department attributed the reasons for pendency to the lack of initiative from auditee institutions in remitting the audit charges. The Director stated that demand notices have been sent to auditee institutions and proposals have been submitted to the Government for realising the audit charges from the grants given to the auditee institutions.
		3775.25	563.56	

Appendix 3.1

Excess /unnecessary/insufficient re-appropriation (₹ five crore or more)

(Reference: Paragraph 3.3.5 page No. 105)

(₹ in crore)

Sl. No.	Grant No. and Head of accounts	Provisions				Actual expenditure	Final Excess (+) Saving (-)
		Original	Supplementary	Re-appropriation	Total		
Excess Re-appropriation							
1	XVI -2075-00-800-72- MISCELLANEOUS PAYMENTS AND OTHER LIABILITIES (V) (P)	0.00	1998.93	825.20	2824.13	2275.03	-549.10
2	XVIII-2210-03-103-99- PRIMARY HEALTH UTILITIES AND HEALTH CENTRES (V) (NP)	470.85	0.00	17.21	488.06	481.70	-6.36
3	XVIII-2210-05-101-95- AYURVEDA MEDICAL COLLEGE THIRUVANATHAPURAM (V) (NP)	27.37	0.00	45.14	72.51	27.47	-45.04
4	XVIII-2210-06-101-19- NATIONAL HEALTH MISSION (CSS 60:40) (V) (P)	537.50	0.00	60.00	597.50	590.78	-6.72
5	XVIII-2210-06-101-94- CONTROL OF COMMUNICABLE DISEASES - T.B. (V) (NP)	3.99	0.00	33.24	37.22	4.64	-32.58
6	XXXIII-2405-00-103-82- NCDC ASSISTED INTEGRATED FISHERIES DEVELOPMENT PROJECT PHASE II (STATE SHARE) (V) (P)	0.00	0.00	18.83	18.83	12.71	-6.12
7	XXXVII-6851-00-106-84- RE-ORGANIZATION OF COIR INDUSTRY - SECOND PHASE (NCDC ASSISTED) (V) (P)	0.01	0.00	57.69	57.70	7.70	-50.00

Appendix 3.1- Concl.

(` in crore)

Sl. No.	Grant No. and Head of accounts	Provisions				Actual expenditure	Final Excess (+) Saving (-)
		Original	Supplementary	Re-appropriation	Total		
Unnecessary Re-appropriation							
8	XV-3054-80-800-95-ROAD SAFETY WORKS (V) (P)	7.25	0.00	0.82	8.07	1.73	-6.34
9	XVI-2075-00-800-09-REPAYMENT OF INTEREST SUBVENTION IN CONNECTION WITH HBA TAKE OVER BY PUNJAB NATIONAL BANK AND FEDERAL BANK (V) (NP)	0.00	0.00	6.46	6.46	0.00	-6.46
10	XVII-2202-01-102-95-DISTRIBUTION OF SCHOOL UNIFORMS IN GOVERNMENT/AIDED SCHOOLS (V) (P)	80.00	0.00	43.10	123.10	75.04	-48.06
11	XVIII-2210-80-190-99-GRANT-IN-AID TO KERALA MEDICAL SERVICES CORPORATION LIMITED (KMSCL) (V) (NP)	360.00	0.00	80.21	440.21	307.07	-133.14
12	XXIX-4402-00-203-95-DEVELOPMENT OF KOLE LANDS IN THRISSUR DISTRICT (NABARD ASSISTED) (V) (P)	20.00	0.00	5.51	25.51	12.29	-13.22
Insufficient Re-appropriation							
13	XXVI-2245-02-122-99-REPAIRS AND RESTORATION OF DAMAGED IRRIGATION AND FLOOD CONTROL WORKS (V) (NP)	0.33	150.00	188.26	338.59	455.47	116.88
14	PUBLIC DEBT REPAYMENT-6003-00-110-98-SPECIAL WAYS AND MEANS ADVANCES (C) (NP)	1000.00	3629.53	416.75	5046.28	5242.32	196.04

Appendix: 3.2

List of grants having large savings (savings above ₹100 crore) and surrender therefrom during the year

(Reference: Paragraph 3.3.6 page No. 105)

(₹ in crore)

Sl. No	Number and name of the grant	Original	Supplementary	Total	Actual	Saving/ Excess	Surrender	Percentage of Surrender	Savings excluding surrender
Revenue (Voted)									
1	II-Heads Of States, Ministers and Headquarters Staff	740.84	1.91	742.75	524.59	218.16	178.30	81.73	39.86
2	XII-Police	4006.58	0.00	4006.58	3606.74	399.84	325.44	81.39	74.40
3	XV-Public Works	3641.21	0.00	3641.21	2126.14	1515.07	1495.37	98.70	19.70
4	XVI-Pensions and Miscellaneous	30280.55	1998.93	32279.47	30016.14	2263.33	1707.48	75.44	555.85
5	XVII-Education, Sports, Art and Culture	20949.76	220.86	21170.62	18721.05	2449.57	2168.73	88.54	280.84
6	XVIII-Medical and Public Health	6393.92	505.07	6899.00	6763.97	135.03	0.00	0.00	135.03
7	XX-Water Supply and Sanitation	505.15	0.00	505.15	334.25	170.90	169.73	99.31	1.17
8	XXII-Urban Development	1970.92	51.00	2021.92	1071.78	950.14	949.58	99.94	0.56
9	XXIV-Labour, Labour Welfare and Welfare Of Non-Residents	1361.59	0.35	1361.94	728.29	633.65	586.57	92.57	47.08

Appendix 3.2- Contd.

(₹ in crore)

Sl. No	Number and name of the grant	Original	Supplementary	Total	Actual	Saving/Excess	Surrender	Percentage of Surrender	Savings excluding surrender
10	XXV- Welfare Of Scheduled Castes, Scheduled Tribes, Other Backward Classes and Minorities	3003.62	0.00	3003.62	1958.18	1045.44	1039.83	99.46	5.61
11	XXVII-Co-Operation	441.44	0.10	441.54	281.46	160.08	155.95	97.42	4.13
12	XXVIII-Miscellaneous Economic Services	202.71	200.00	402.71	167.20	235.51	233.63	99.20	1.88
13	XXIX-Agriculture	3647.89	0.00	3647.89	2032.46	1615.43	1570.16	97.20	22.21
14	XXX-Food	1798.67	0.56	1799.23	1229.64	569.59	473.71	83.17	95.88
15	XXXI-Animal Husbandry	714.78	0.00	714.78	602.03	112.75	104.89	93.02	7.86
16	XXXIII-Fisheries	466.74	0.00	466.74	288.10	178.64	169.58	94.92	9.06
17	XXXV-Panchayat	611.26	100.00	711.26	579.46	131.80	128.24	97.29	3.56
18	XXXVI-Rural Development	4089.18	0.00	4089.18	804.32	3284.86	3257.20	99.16	27.66
19	XXXVII-Industries	613.10	0.00	613.10	354.12	258.98	192.56	74.35	66.42
20	XXXIX-Power	482.55	0.00	482.55	17.34	465.21	462.79	99.48	2.42
21	XLIII-Compensation and Assignments	9948.42	0.00	9948.42	6088.93	3859.49	3858.52	99.97	0.97
22	XLVI-Social Security and Welfare	4093.57	301.43	4395.00	3860.79	534.21	516.73	96.73	17.48
	Total	99964.45	3380.21	103344.66	82156.98	21187.68	19744.99	93.19	1442.69

Appendix 3.2- Contd.

(₹ in crore)

Sl. No	Number and name of the grant	Original	Supplementary	Total	Actual	Saving/ Excess	Surrender	Percent age of Surrender	Savings excluding surrender
Capital (Voted)									
23	XV-Public Works	3547.62	0.00	3547.62	2366.99	1180.63	1157.64	98.05	22.99
24	XVII-Education, Sports, Art and Culture	516.50	0.00	516.50	311.64	204.86	204.85	99.99	0.01
25	XX-Water Supply and Sanitation	889.40	0.00	889.40	271.58	617.82	617.82	100.00	0.00
26	XXII-Urban Development	175.01	0.00	175.01	13.00	162.01	162.01	100.00	0.00
27	XXV-Welfare Of Scheduled Castes, Scheduled Tribes, Other Backward Classes and Minorities	262.94	0.00	262.94	117.97	144.97	139.79	96.43	5.18
28	XXVIII-Miscellaneous Economic Services	5782.45	0.00	5782.45	2218.48	3563.97	3565.01	100.03	-1.04
29	XXIX-Agriculture	294.47	0.00	294.47	175.47	119.00	101.43	85.24	17.57
30	XXXV-Panchayat	597.10	50.00	647.10	169.92	477.18	477.04	99.97	0.14
31	XXXVI-Rural Development	1376.62	0.73	1377.35	746.40	630.95	630.95	100.00	0.00
32	XXXVII-Industries	1004.89	0.00	1004.89	380.15	624.74	364.72	58.38	260.02
33	XXXVIII-Irrigation	358.91	0.00	358.91	155.16	203.75	196.26	96.32	7.49

Appendix 3.2- Concl.**(₹ in crore)**

Sl. No	Number and name of the grant	Original	Supplementary	Total	Actual	Saving/ Excess	Surrender	Percent age of Surrender	Savings excluding surrender
34	XLI-Transport	1229.87	821.51	2051.38	1702.63	348.75	229.49	65.81	119.26
35	XLII-Tourism	235.30	0.00	235.30	82.93	152.37	138.32	90.78	14.05
	Total	16271.08	872.24	17143.32	8712.32	8431.00	7985.33	94.71	445.67

Appendix 3.3

Details of surrender of funds in excess of ₹ 10 crore at the end of March 2020

(Reference: Paragraph 3.3.6 page No. 106)

(₹ in crore)

Sl No.	Grant Number	Original	Supplem entary	Total provisions	Actual Expenditu re	Saving (-)/ Excess(+)	Amount Surrend ered
1	II-HEADS OF STATES, MINISTERS AND HEADQUARTERS STAFF	961.64	1.91	963.55	684.19	-279.36	235.40
2	III-ADMINISTRATIO N OF JUSTICE	931.60	12.50	944.10	893.13	-50.97	47.65
3	IV-ELECTIONS	167.35	53.55	220.90	191.69	-29.21	21.56
4	V-GOODS AND SERVICES TAX, AGRICULTURAL INCOME TAX AND SALES TAX	340.82	2.02	342.84	311.49	-31.35	28.51
5	VI-LAND REVENUE	686.58	0.00	686.58	643.55	-43.03	33.60
6	IX-TAXES ON VEHICLES	146.06	32.00	178.06	165.54	-12.52	10.98
7	X-TREASURY AND ACCOUNTS	307.56	0.00	307.56	287.13	-20.43	16.20
8	XI-DISTRICT ADMINISTRATIO N AND MISCELLANEOUS	707.09	78.05	785.14	731.85	-53.29	51.75
9	XII-POLICE	4097.38	0.00	4097.38	3633.28	-464.10	389.69
10	XIV-STATIONERY AND PRINTING AND OTHER ADMINISTRATIV E SERVICES	565.00	0.00	565.00	493.21	-71.79	63.44
11	XV-PUBLIC WORKS	7272.01	0.00	7272.01	4566.72	-2705.29	2662.55
12	XVI-PENSIONS AND MISCELLANEOUS	30392.81	1998.93	32391.74	30028.17	-2363.57	1806.21

Appendix 3.3- Contd.

(₹ in crore)

Sl No.	Grant Number	Original	Supplementary	Total provisions	Actual Expenditure	Saving (-) / Excess (+)	Amount Surrendered
13	XVII- EDUCATION, SPORTS, ART AND CULTURE	21466.46	221.40	21687.86	19032.85	-2655.01	2374.15
14	XVIII-MEDICAL AND PUBLIC HEALTH	6717.91	508.30	7226.21	7008.20	-218.01	83.70
15	XIX-FAMILY WELFARE	519.36	78.00	597.36	552.47	-44.89	37.65
16	XX-WATER SUPPLY AND SANITATION	1394.55	0.00	1394.55	605.83	-788.72	787.55
17	XXI-HOUSING	171.93	36.90	208.83	82.55	-126.28	121.02
18	XXII-URBAN DEVELOPMENT	2145.96	62.63	2208.59	1093.98	-1114.61	1114.05
19	XXIII- INFORMATION AND PUBLICITY	107.04	0.00	107.04	74.52	-32.52	33.83
20	XXIV-LABOUR, LABOUR WELFARE AND WELFARE OF NON-RESIDENTS	1562.20	0.35	1562.55	831.70	-730.85	681.32
21	XXV-WELFARE OF SCHEDULED CASTES, SCHEDULED TRIBES, OTHER BACKWARD CLASSES AND MINORITIES	3266.57	0.00	3266.57	2076.15	-1190.42	1179.62
22	XXVII-CO- OPERATION	571.25	28.47	599.72	380.33	-219.39	214.87
23	XXVIII- MISCELLANEOUS ECONOMIC SERVICES	5985.16	200.00	6185.16	2385.69	-3799.47	3798.63
24	XXIX- AGRICULTURE	3942.46	2.60	3945.06	2210.55	-1734.51	1671.68

Appendix 3.3- Concl.

(₹ in crore)

Sl No.	Grant Number	Original	Supplementary	Total provisions	Actual Expenditure	Saving (-) / Excess(+)	Amount Surrendered
25	XXX-FOOD	1891.38	0.56	1891.94	1308.45	-583.49	486.64
26	XXXI-ANIMAL HUSBANDRY	737.83	0.00	737.83	618.33	-119.50	111.64
27	XXXII-DAIRY	184.09	0.00	184.09	139.07	-45.02	40.93
28	XXXIII-FISHERIES	716.44	0.00	716.44	464.98	-251.46	242.42
29	XXXIV-FOREST	673.41	5.58	678.99	573.19	-105.80	98.22
30	XXXV-PANCHAYAT	1208.36	150.00	1358.36	749.38	-608.98	605.27
31	XXXVI-RURAL DEVELOPMENT	5465.80	0.73	5466.53	1550.72	-3915.81	3888.16
32	XXXVII-INDUSTRIES	1618.00	0.00	1618.00	734.27	-883.73	557.28
33	XXXVIII-IRRIGATION	793.53	0.66	794.19	500.21	-293.98	268.82
34	XXXIX-POWER	523.31	0.00	523.31	31.41	-491.90	489.48
35	XL-PORTS	169.01	0.00	169.01	112.34	-56.67	56.26
36	XLI-TRANSPORT	1408.61	863.65	2272.26	1790.41	-481.85	361.99
37	XLII-TOURISM	440.58	0.00	440.58	240.01	-200.57	177.42
38	XLIII-COMPENSATION AND ASSIGNMENTS	9948.42	0.00	9948.42	6088.93	-3859.49	3858.52
39	XLVI-SOCIAL SECURITY AND WELFARE	4189.53	301.43	4490.96	3890.61	-600.35	587.52
40	DEBT CHARGES-DEBT CHARGES	17201.28	1794.35	18995.63	19215.27	+219.64	807.26
	Total	141596.33	6434.57	148030.90	116972.35	-31058.55	30103.44

Appendix 3.4

Excess expenditure relating to previous years requiring regularisation

(Reference: Paragraph 3.3.7.3 page No. 111)

(₹ in crore)

Year	Grant No./Appropriation	Grant/Appropriation details	Amount of excess required to be regularised as commented in the Appropriation Accounts	Status of regularisation
2011-12	2 Grants	Revenue – XLI	14.91	Notes considered by PAC. Appropriation Act not yet passed.
		Capital-XLII	9.59	Notes considered by PAC. Appropriation Act not yet passed.
2012-13	5 Grants	Revenue-IX	0.81	Notes considered by PAC. Appropriation Act not yet passed.
		Revenue-XVII	29.72	Notes considered by PAC. Appropriation Act not yet passed.
		Revenue-XXXI	4.80	Notes considered by PAC. Appropriation Act not yet passed.
		Revenue-XLII	3.93	Notes considered by PAC. Appropriation Act not yet passed.
		Capital-XVII	1.18	Notes considered by PAC. Appropriation Act not yet passed.
2013-14	6 Grants	Revenue-I	0.33	Notes considered by PAC. Appropriation Act not yet passed.
		Revenue-IV	2.10	Notes considered by PAC. Appropriation Act not yet passed.
		Revenue-XIII	3.75	Notes considered by PAC. Appropriation Act not yet passed.
		Revenue-XVI	371.24	Notes considered by PAC. Appropriation Act not yet passed.
		Capital-XV	72.53	Notes considered by PAC. Appropriation Act not yet passed.
		Capital-XXXII	0.002	Notes considered by PAC. Appropriation Act not yet passed.
	4 Appropriations	Revenue-I	0.08	Notes considered by PAC. Appropriation Act not yet passed.
		Revenue-Debt charges	109.11	Notes considered by PAC. Appropriation Act not yet passed.
		Revenue-XV	0.27	Notes considered by PAC. Appropriation Act not yet passed.
		Revenue-XVI	1.28	Notes considered by PAC. Appropriation Act not yet passed.
2014-15	1 Appropriation	Revenue-Debt charges	192.00	Notes considered by PAC. Appropriation Act not yet passed.

Appendix 3.4- Concl'd.

(₹ in crore)

Year	Grant No./Appropriation	Grant/Appropriation details	Amount of excess required to be regularised as commented in the Appropriation Accounts	Status of regularisation
2015-16	1 Grant	Capital-XV	69.23	Notes considered by PAC. Appropriation Act not yet passed.
	3 Appropriation	Debt charges	154.71	Notes considered by PAC. Appropriation Act not yet passed.
		Revenue-XV	0.09	Notes considered by PAC. Appropriation Act not yet passed.
		Revenue-XVI	6.73	Notes considered by PAC. Appropriation Act not yet passed.
2016-17	8 Grants	Revenue-III	0.67	Initial note not received. Not discussed by PAC.
		Revenue-VII	2.83	Initial note not received. Not discussed by PAC.
		Revenue-X	10.80	Final Copies of notes received. Not discussed by PAC.
		Revenue-XI	1.81	Final Copies of notes not received. Not discussed by PAC.
		Revenue-XIX	13.93	Final Copies of notes received. Not discussed by PAC.
		Revenue-XX	42.04	Initial note not received. Not discussed by PAC.
		Capital-XV	67.46	Final Copies of notes received. Not discussed by PAC.
		Capital-XXX	1.63	Final copies of notes received. Not discussed by PAC.
2017-18	6 Grants	Revenue- I	0.69	Final Copies of notes received. Not discussed by PAC.
		Revenue-XV	65.47	Final Copies of notes not received. Not discussed by PAC.
		Revenue-XVI	2273.73	Final Copies of notes received. Not discussed by PAC.
		Revenue-XIX	54.54	Final Copies of notes not received. Not discussed by PAC.
		Capital- XIV	0.09	Initial note not received. Not discussed by PAC.
		Capital-XVII	53.27	Initial note not received. Not discussed by PAC.
	3 Appropriations	Revenue-Debt charges	1097.61	Final Copies of notes received. Not discussed by PAC.
		Revenue-XIX	0.02	Final Copies of notes not received. Not discussed by PAC.
		Revenue-XXXIV	0.02	Initial note not received. Not discussed by PAC.
			Total	4735.00

Appendix 3.5
Supplementary budget and opportunity cost
(Reference: Paragraph 3.5.2 page No. 116)

(₹ in crore)

Sl. No	Grant No.	Name of the Grant	Original allocation	Supplementary	Total	Actual expenditure	Unutilised funds
Capital Expenditure(Voted)							
1.	XII	Police	85.25	0.00	85.25	21.64	63.61
2.	XV	Public Works	3547.62	0.00	3547.62	2366.99	1180.63
3.	XVII	Education, Sports, Art and Culture	516.50	0.00	516.50	311.64	204.86
4.	XVIII	Medical And Public Health	323.81	0.00	323.81	241.01	82.80
5.	XX	Water Supply and Sanitation	889.40	0.00	889.40	271.58	617.82
6.	XXI	Housing	49.65	0.00	49.65	8.09	41.56
7.	XXII	Urban Development	175.01	0.00	175.01	13.00	162.01
8.	XXIV	Labour, Labour Welfare and Welfare of Non-Residents	200.61	0.00	200.61	103.40	97.21
9.	XXV	Welfare Of Scheduled Castes, Scheduled Tribes, Other Backward Classes and Minorities	262.94	0.00	262.94	117.97	144.97
10.	XXVII	Co-Operation	51.26	23.39	74.65	52.16	22.49
11.	XXVIII	Miscellaneous Economic Services	5782.45	0.00	5782.45	2218.48	3563.97
12.	XXIX	Agriculture	294.47	0.00	294.47	175.47	119.00
13.	XXX	Food	92.71	0.00	92.71	78.81	13.90
14.	XXXIII	Fisheries	249.70	0.00	249.70	176.88	72.82
15.	XXXIV	Forest	86.35	0.00	86.35	43.54	42.81
16.	XXXV	Panchayat	597.10	50.00	647.10	169.92	477.18

Appendix 3.5- Concl.d.

(₹ in crore)

Sl. No	Grant No.	Name of the Grant	Original allocation	Supple mentary	Total	Actual expenditure	Unutilised funds
17.	XXXVI	Rural Development	1376.62	0.73	1377.35	746.40	630.95
18.	XXXVII	Industries	587.72	0.00	587.72	255.51	332.21
19.	XXXVIII	Irrigation	358.91	0.00	358.91	155.16	203.75
20.	XL	Ports	105.28	0.00	105.28	60.41	44.87
21.	XLI	Transport	229.87	777.72	1007.59	709.23	298.36
22.	XLII	Tourism	235.30	0.00	235.30	82.93	152.37
23.	XLVI	Social Security and Welfare	95.95	0.00	95.95	29.82	66.13
Total			16194.48	851.84	17046.32	8410.04	8636.28
Loans & Advances(Voted)							
24	XXVII	Co-operation	78.55	4.98	83.53	46.72	36.81
25	XXXVII	Industries	417.17	0.00	417.17	124.64	292.53
26	XXXIX	Power	40.76	0.00	40.76	14.06	26.70
27	XLI	Transport	1000.00	43.79	1043.79	993.40	50.39
Total			1536.48	48.77	1585.25	1178.82	406.43

Appendix 3.6
Details of the schemes for which provision (₹ one crore and above) was made but no
expenditure was incurred
(Reference: Paragraph 3.5.3 page No. 118)

Sl. No.	Department Name	Scheme Name	(₹ in crore)		
			Approved outlay	Revised outlay	Actual expenditure
1	XII-POLICE	National scheme for modernisation of police and other forces (CSS)	15.00	Nil	Nil
2	XV-PUBLIC WORKS	Basic Amenities in Village Offices	4.00	Nil	Nil
		Flood damage repairs	2.00	Nil	Nil
		Ordinary Repairs	5.00	Nil	Nil
		Manning of Unmanned Level Crossing	2.00	Nil	Nil
		Construction of buildings for Kerala Public Service Commission	5.00	Nil	Nil
		Construction of Excise Tower at Kasargod	5.03	Nil	Nil
		Improvement of roads in the cities of Thiruvananthapuram	2.39	Nil	Nil
3	XIV-PENSIONS AND MISCELLANEOUS	Deposit of Decretal amount to Courts for satisfaction of Court Decrees connected with land acquisition cases in respect of Local Bodies/Public Sector Undertakings/Other Institutions	6.00	Nil	Nil
4	XVII-EDUCATION, SPORTS, ART AND CULTURE	Chancellor's Award	6.00	Nil	Nil
		Setting up of Additional Sports Divisions (as Kannur Sports Division)	3.00	Nil	Nil
		Promotion and Upgradation of Sports Disciplines-Taekwondo, Judo, Karate etc.	2.45	Nil	Nil
		Incentive Cash Awards to winners in the National and International Sports Meets	1.50	Nil	Nil
		Special Programmes of Kerala State Council for Science, Technology and Environment	3.00	Nil	Nil
		Kerala center for integrated Coastal Management(KCICM)	59.60	Nil	Nil
		School Education - Modernisation	4.00	Nil	Nil
		Arts, Sports and Craft Park	3.00	Nil	Nil
5	XVIII-MEDICAL AND PUBLIC HEALTH	Developing the facilities of hospitals and health care institutions in tribal, Coastal and Remote areas.	2.00	Nil	Nil
		Comprehensive stroke center in Government Medical Colleges	5.00	Nil	Nil
		Kerala Pharmaceutical Corporation - Share Capital Contribution	2.50	Nil	Nil

Appendix 3.6- Contd.

(₹ in crore)

Sl. No.	Department Name	Scheme Name	Approved outlay	Revised outlay	Actual expenditure
6	XX-WATER SUPPLY AND SANITATION	Enterprise Resource Planning (ERP)	5.00	Nil	Nil
		Renovation of Existing Civil Structures Owned by Kerala Water Authority	5.00	Nil	Nil
		Manufacturing Units for Bottled Water	5.00	Nil	Nil
		Transportation charges for drinking water supply to Vypin area	1.50	Nil	Nil
		Water Supply Schemes to specified institutions/ locations	2.00	Nil	Nil
		Human Resource Development, Research and Development and Quality Control.	2.00	Nil	Nil
		Source improvement and water conservation	4.00	Nil	Nil
7	XXI-HOUSING	Housing scheme for Government employees in Government land	6.00	Nil	Nil
		Aswas Rental Housing Scheme	5.00	Nil	Nil
8	XXII-URBAN DEVELOPMENT	Payment of compensation in LAR cases	1.49	Nil	Nil
9	XXIV-LABOUR, LABOUR WELFARE AND WELFARE OF NON-RESIDENTS	Kerala Shops and Commercial Establishment Workers Welfare Fund	1.50	Nil	Nil
		Global Kerala Cultural Festival	5.00	Nil	Nil
		Grant for payment of employees contribution to Kerala Toddy Workers Welfare Fund Board	2.43	Nil	Nil
		New Initiative for Market Research, Skilling, Pre Recruitment, Recruitment and Post Recruitment Services.	3.00	Nil	Nil
		Upgradation of ITIs	4.47	Nil	Nil
		Studio Apartment for Working Women in Urban Areas	2.31	Nil	Nil
10	XXV-WELFARE OF SCHEDULED CASTES, SCHEDULED TRIBES, OTHER BACKWARD CLASSES AND MINORITIES	Infrastructure facilities to KIRTADS	2.00	Nil	Nil
		Establishment of minority research institute under the University of Calicut	2.00	Nil	Nil
		Share capital contribution - Kerala State Federation of SCs/STs Development Co-operative Limited	2.00	Nil	Nil
11	XXVII-CO-OPERATION	Assistance to Co-operative Entrepreneurship-Employment Generation Scheme	1.50	Nil	Nil
		Member Relief Fund	5.00	Nil	Nil
12	XXIX-AGRICULTURE	Arecanut Package	2.00	Nil	Nil
		Infrastructure development works and Sahasrasarovar Scheme RIDF XXII	6.00	Nil	Nil

Appendix 3.6- Contd.

(` in crore)

Sl. No.	Department Name	Scheme Name	Approved outlay	Revised outlay	Actual expenditure
13	XXX-FOOD	Annapoorna Food Security Scheme for the aged destitutes (80% CSS)	2.20	Nil	Nil
		Formation of State Consumer Affairs Division	2.00	Nil	Nil
		Assistance to Kerala State Ware Housing Corporation for construction of Godown Cum Agri Complex	1.50	Nil	Nil
		Loans to Primary Co-operatives and Federations (NCDC 100%)	2.28	Nil	Nil
14	XXXI-ANIMAL HUSBANDRY	Assistance to Meat Products of India	2.50	Nil	Nil
15	XXXIII-FISHERIES	Establishment of Matsyabhavans in Inland Areas	1.50	Nil	Nil
		Insurance Coverage of Fishing Implements	4.00	Nil	Nil
		Rectification Works to Resolve the Problems of Siltation at Thottappally FH	5.00	Nil	Nil
16	XXXV-PANCHAYAT	Opening and Maintenance of Burial and Burning Grounds in Panchayats Grant-in-Aid	2.50	Nil	Nil
17	XXXVI-RURAL DEVELOPMENT	Take over of Bhavanasree Loans of Co-operative Banks	1.33	Nil	Nil
18	XXXVII-INDUSTRIES	Strengthening of linkage between Universities/ Research Institutes and Industry/ Enterprises	1.10	Nil	Nil
		Cashew area expansion scheme (RKVY - RAFTAR - State Share)	2.72	Nil	Nil
		Revival of Small and Medium scale cashew factory units for rebuilding lost livelihoods	4.00	Nil	Nil
		Cultivation of organic cashew and establishment of a Raw Nut Bank	2.43	Nil	Nil
		Small Industry Cluster Development Programme	4.00	Nil	Nil
		Handloom Apex Society Investments (HANTEK)	2.20	Nil	Nil
		Investment in Capex as Share Capital Contribution	2.00	Nil	Nil
		Quality raw material for weavers	2.00	Nil	Nil
		Loans to Kerala State Industrial Enterprises Limited (KSIE)	2.50	Nil	Nil

Appendix 3.6- Concl.

(₹ in crore)

Sl. No.	Department Name	Scheme Name	Approved outlay	Revised outlay	Actual expenditure
19	XXXVIII-IRRIGATION	Dam and Appurtenant work	5.00	Nil	Nil
		Distributories	2.00	Nil	Nil
		Dam and Appurtenant Works	4.00	Nil	Nil
		Dam and Appurtenant Works	5.00	Nil	Nil
		Canals	3.50	Nil	Nil
		Regulator cum Bridge at Chamravattom	3.46	Nil	Nil
20	XL-PORTS	Development of Non Major Ports - Alappuzha Port	2.00	Nil	Nil
21	XLI-TRANSPORT	Motor Vehicle Department - Establishment of new Sub Offices	1.88	Nil	Nil
		Kerala State Road Transport Corporation Investments	56.00	Nil	Nil
		Construction of Ferry Terminal Jetty (KSINC)	2.72	Nil	Nil
		Construction of a small Dry Dock (Kerala State Inland Navigation Corporation Ltd.)	3.00	Nil	Nil
22	XLII-TOURISM	Responsible Tourism	4.95	Nil	Nil
		Other Schemes of the Department of Tourism	3.65	Nil	Nil
		Projects under Legislative Assembly Constituency Asset Development Scheme (LAC ADS)	4.00	Nil	Nil
		Bakel Resort Development Corporation Limited	3.30	Nil	Nil
23	XLVI-SOCIAL SECURITY AND WELFARE	Assistive Solutions for Persons with Disabilities among the Flood Victims	2.00	Nil	Nil
		Restoration of Anganwadi Centres Damaged due to Flood	2.00	Nil	Nil
		Investment in Kerala State Welfare Corporation for Forward Communities	5.00	Nil	Nil
		Corporation for the Welfare of the Physically Handicapped - Investments	2.50	Nil	Nil
		Loans to Kerala State Women's Development Corporation	5.00	Nil	Nil

Appendix 3.7
Sub-Head (Schemes), where entire expenditure of ₹ one crore or more
incurred in March 2020 (Descending amount of expenditure)
(Reference: Paragraph 3.5.5 page No. 120)

Sl. No.	Grant No.	Head of Account (up to Sub-Head)	100 % expenditure during March only(₹ in crore)
1	XXXVII	4885-01-190-98- The Kerala Financial Corporation -Investments	110.00
2	XLVI	2235-03-198-48- Block Grant for Centrally Sponsored Schemes	102.00
3	XXV	2225-02-283-83- Housing scheme for homeless STs under LIFE mission	64.46
4	XXII	2217-80-001-91- Contribution to the Municipal Common Service Central Pension Fund	50.00
5	XXIV	2230-01-103-86- Kerala Tailoring Workers Welfare Scheme and other new welfare schemes	46.80
6	XLVI	2235-03-192-48- Block Grant for Centrally Sponsored Schemes	25.50
7	Debt Charges	2049-05-105-99- State Disaster Response Fund	24.27
8	XLVI	2235-03-191-48- Block Grant for Centrally Sponsored Schemes	22.50
9	XXIV	2230-01-103-73- Kerala Beedi and Cigar Workers Welfare Fund - Contribution	22.16
10	XX	2215-01-800-47-Drinking water- Drought mitigation	22.15
11	XXV	2225-01-277-59-Pre matric scholarship for SC students studying in classes IX-X(CSS)	22.00
12	XXIV	2230-01-103-51-Flagship Programme on Social Security	13.86

Appendix 3.7- Contd.

Sl. No.	Grant No.	Head of Account (up to Sub-Head)	100 % expenditure during March only(₹ in crore)
13	XXXVII	4858-03-004-99- Feasibility study and preparation of DPR for High Speed Rail Corridor Project	12.75
14	XXII	2217-05-789-99- National Urban Livelihood Mission (NULM) (60% CSS) (Special Component Plan)	9.61
15	XXIV	2230-03-001-91-Pradhan Mantri KaushalVikasYojana (General Component)	8.74
16	XXIV	2230-01-103-92- Kerala Handloom Workers Welfare Scheme	8.08
17	XXXVI	2505-02-101-97- Social Audit Cell for Mahatma Gandhi National Rural Employment Guarantee Programme	7.30
18	XXII	2217-05-789-98- Pradhan MantriAwasYojana (PMAY) (60% CSS) (Special Component Plan)	6.71
19	V	2040-00-800-98- Traders' Welfare Fund	5.00
20	XII	2055-00-101-95- Crime and Criminal Tracking Network and Systems (CCTNS)	5.00
21	XXV	2225-04-102-93- Water supply scheme in minority concentrated areas	4.77
22	XLII	5452-01-190-99- Kerala Tourism Development Corporation	4.58
23	XXV	4225-04-102-99- Multisectoral development programme in minority concentrated block (60 % CSS)	4.10
24	XXII	2217-05-796-98- Pradhan MantriAwasYojana (PMAY) (60% CSS) (Tribal Sub Plan)	4.05
25	XXIV	2230-01-103-35- Kerala Head Load Workers' (Scattered Section) Welfare Scheme	3.65
26	XVII	4202-02-105-86- Construction of compound wall for IIT Palakkad.	3.50
27	XXIV	2230-03-789-99- Pradhan MantriKaushalVikasYojana (SCP)	3.29

Appendix 3.7- Concl.

Sl. No.	Grant No.	Head of Account (up to Sub-Head)	100 % expenditure during March only(₹ in crore)
28	XII	2055-00-001-88-Nationwide Emergency Response System (NERS)	3.10
29	XXIV	2230-03-101-57-Skill Strengthening for Industrial Value Enhancement (STRIVE) Programme (100% CSS)	2.64
30	XXI	4216-80-201-98-Working women's Hostel (60% CSS)	2.40
31	XXV	2225-04-277-94-Skill training reimbursement of fees to the minority BPL students studying in two years courses in ITC	2.00
32	XVII	2205-00-102-92-K.P.P.NambiarSmaraka Museum	2.00
33	XXIV	2230-03-796-99-Pradhan MantriKaushalVikasYojana (TSP)	1.97
34	XXII	2217-05-796-99-National Urban Livelihood Mission (NULM) (60% CSS) (Tribal Sub Plan)	1.84
35	XXIX	2401-00-789-90-Umbrella Scheme on KrishiUnnathiYojana and other CSS(SCP)	1.70
36	XXV	4225-03-190-97-Share capital contribution to Kerala State Pottery Manufacturing and Marketing Development Corporation	1.00
37	XVIII	2210-05-200-92-Cochin Cancer and Research Centre Ernakulam	1.00

Appendix 3.8

**Schemes with substantial Savings (schemes having budget allocation exceeding ₹10 crore)
(Reference: Paragraph 3.5.6 page No. 123)**

(₹ in crore)

Sl. No.	Scheme	Year	Budget allocation	Expenditure	Savings	Savings (%)
Director of Handlooms and Textiles						
1	2851-00-103-33 Modernisation of Handloom Societies, Hantex, Hanveev and promotion of value added products(P)	2018-19	12.00	2.09	9.91	82.58
Director of Industries and Commerce						
2	4885-60-800-96 Provision for Revival/ Diversification of State Public Sector Undertakings Lumpsum Provision(P)	2017-18	98.44	0.00	98.44	100.00
		2018-19	57.85	0.00	57.85	100.00
		2019-20	30.12	0.00	30.12	100.00
3	4851-00-101-90 Construction of Multistoried Industrial Estate (State Share)(P)	2017-18	23.06	3.85	19.21	83.31
		2018-19	36.66	5.31	31.35	85.51
		2019-20	29.79	6.01	23.78	79.84
4	6853-60-190-97 Travancore Titanium Products Limited(P)	2017-18	26.00	3.44	22.56	86.77
		2019-20	24.00	2.50	21.50	89.61
5	4885-01-200-95 Industrial Promotional Activities implemented through KSIDC(P)	2019-20	102.01	11.49	90.52	88.73
6	6859-02-190-99 Loans to Kerala State Electronics Development Corporation Limited(P)	2019-20	19.54	1.41	18.13	92.78
7	6860-60-190-94 Loans to Kerala Ceramics Limited(P)	2019-20	17.21	2.50	14.71	85.47
8	4851-00-101-87 Development of Industrial Parks/Areas/Estates on PPP mode(P)	2019-20	10.50	0.00	10.50	100.00
9	6860-60-190-78 Loans to Kerala Cashew Board Limited (P)	2019-20	30.30	0.00	30.30	100.00
10	4860-60-102-99 Integrated rice technology parks(P)	2019-20	20.00	0.00	20.00	100.00
Director of Coir Development						
11	6851-00-106-84 Re-organization of coir industry - second phase(P)	2018-19	30.00	0.00	30.00	100.00

Appendix 3.8- Concl.

Sl. No.	Scheme	Year	Budget allocation	Expenditure	Savings	Savings (%)
12	2851-00-106-93 Welfare Measures - Coir workers pension(NP)	2019-20	95.68	2.80	92.88	97.08
13	2851-00-106-62 Regulated Mechanisation of Coir Industry(P)	2019-20	46.00	9.68	36.32	78.96
Secretary/Electronics and Information Technology Department						
14	4859-02-190-90 One time financial assistance for re-structuring IITM-K as deemed university(P)	2018-19	50.00	0.00	50.00	100.00
15	4859-02-004-96 Cyberpark(P)	2018-19	25.69	5.81	19.88	77.37
		2019-20	21.69	0.00	21.69	100.00
16	4859-02-004-95 Land Acquisition and Infrastructure Development under IT(P)	2019-20	83.00	0.00	83.00	100.00
17	4859-02-004-94 Infoparks(P)	2019-20	66.05	6.60	59.45	90.01

Appendix 3.9
Schemes showing Persistent Savings (savings more than ₹10 crore)
(Reference: Paragraph 3.5.6 page No. 123)

(₹ in crore)

Sl. No.	Scheme	Year	Budget allocation	Expenditure	Savings
Director of Industries and Commerce					
1.	4851-00-101-90 Construction of Multi storied Industrial Estate (State Share)(P)	2017-18	23.06	3.85	19.21
		2018-19	36.66	5.31	31.35
		2019-20	29.79	6.01	23.78
2.	4885-01-200-95 Industrial Promotional Activities implemented through KSIDC(P)	2017-18	166.27	155.05	11.22
		2018-19	118.25	72.57	45.68
		2019-20	102.01	11.49	90.52
3.	4885-60-800-96 Provision for Revival/ Diversification of State Public Sector Undertakings Lumpsum Provision (P)	2017-18	98.44	0.00	98.44
		2018-19	57.85	0.00	57.85
		2019-20	30.12	0.00	30.12
4.	6885-60-190-99 Loans to Kerala Industrial Infrastructure Development Corporation (P)	2017-18	111.32	66.36	44.96
		2018-19	61.60	22.67	38.93
		2019-20	80.03	21.16	58.87
Director of Coir Development					
5.	2851-00-106-62 Regulated Mechanisation of Coir Industry(P)	2017-18	45.00	16.49	28.51
		2018-19	50.77	32.16	18.61
		2019-20	46.00	9.68	36.32
Secretary/Electronics and Information Technology Department					
6.	4859-02-190-94 Kerala State Information Technology Infrastructure (KSITIL) (P)	2017-18	38.10	20.30	17.80
		2018-19	52.37	25.00	27.37
		2019-20	148.00	48.12	99.88
7.	4859-02-004-95 Land Acquisition and Infrastructure Development under IT	2017-18	136	119.65	16.35
		2018-19	83	22.46	60.54
		2019-20	83	0	83

Appendix 3.10
Schemes where entire budget allocation surrendered (more than ₹10 crore)
(Reference: Paragraph 3.5.6 page No. 123)

(₹ in crore)

Sl. No.	Scheme	Year	Budget allocation	Amount Surrendered
Director of Industries and Commerce				
1.	4851-00-101-87 Development of Industrial Parks/Areas/Estates on PPP mode(P)	2019-20	10.50	10.50
2.	4860-60-102-99 Integrated rice technology parks(P)	2019-20	20.00	20.00
Secretary/Electronics and Information Technology Department				
3.	4859-02-190-90 One time financial assistance for re-structuring IITM-K as deemed university(P)	2018-19	50.00	50.00
4.	4859-02-004-96 Cyberpark(P)	2019-20	21.70	21.70
Director of Coir Development				
5.	6851-00-106-84 Re-organization of coir industry - second phase(P)	2018-19	30.00	30.00

Appendix 3.11
Surrender in excess of actual savings/ injudicious surrender of funds
(Reference: Paragraph 3.5.6 page No. 124)

(₹ in lakh)

Sl. No.	Scheme	Year	Net Budget	Amount Surrendered	Expenditure	Excess Expenditure
Director of Industries and Commerce						
1.	2851-00-104-86 Establishment of Common Facility Service Centres(P)	2017-18	15.87	69.13	47.00	31.13
2.	2885-60-190-91 Investment in industrial promotion activities under KSIDC (P)	2017-18	400.00	600.00	401.62	1.62
3.	6860-01-190-97 Loans for the Sitaram Textiles Limited(P)	2017-18	300.00	150.00	380.00	80.00
4.	6885-60-190-99 Loans to Kerala Industrial Infrastructure Development Corporation(P)	2017-18	3828.00	5438.00	6636.00	2808.00
5.	2851-00-001-93 Capacity Building/ Intensive Industrialisation Support Programme(P)	2018-19	777.98	22.02	778.71	0.73
6.	2851-00-102-86 District Industries Centres(NP)	2019-20	4183.04	572.60	4565.47	382.43
7.	2851-00-001-97 Industries-Taluk Offices(NP)	2019-20	1234.06	138.13	1277.96	43.90
8.	2852-80-001-99 Directorate of Industries and Commerce(NP)	2019-20	884.27	104.73	910.36	26.09
Secretary Industries Department						
9.	4885-60-190-93 Providing common facilities for working women at industrial parks(P)	2019-20	0.00	200.00	50.00	50.00
10.	4885-60-190-94 Upgradation of the infrastructure in existing industrial parks(P)	2019-20	49.75	250.25	60.00	10.25

Appendix 3.12
Unnecessary Re-appropriation, as expenditure was less than original / supplementary
budget allocation

(Reference: Paragraph 3.5.6 page No. 124)

(₹ in crore)

Sl. No.	Scheme	Year	Budget allocation	Reappropriation	Final Exp
Director of Industries and Commerce					
1.	6854-01-190-98 Loans to Travancore Cements Limited, Kottayam(P)	2017-18	10.00	5.00	5.00
2.	6858-01-190-98 Loans to Traco Cables Limited(P)	2017-18	10.00	3.00	8.07
3.	6860-60-190-94Loans to Kerala Ceramics Limited(P)	2017-18	15.00	1.65	11.65
4.	6858-01-190-96 Loans to Kerala Electrical and Allied Engineering Company Limited(P)	2017-18	18.00	5.00	14.62
		2018-19	10.00	3.00	9.00
5.	2851-00-105-66 Development of Khadi and village industries(P)	2018-19	2.12	0.13	0.86
6.	6858-03-190-99 Kerala Automobiles Limited Three Wheeler Project(P)	2018-19	10.00	3.33	9.83
7.	2851-00-001-97 Industries-Taluk Offices(NP)	2019-20	13.60	0.12	12.78
8.	2851-00-004-99 Development of Commerce(P)	2019-20	5.43	2.00	1.13
9.	2851-00-102-86 District Industries Centres(NP)	2019-20	47.54	0.02	45.65
10.	2851-00-104-71 Assistance to National Bamboo Mission (60% Central Assistance)(P)	2019-20	0.80	1.20	0.10
11.	2852-80-001-99 Directorate of Industries and Commerce(NP)	2019-20	9.88	0.01	9.10
12.	6851-00-109-74 Kerala State Co-operative Textile Federation (TEXFED)(P)	2019-20	24.60	1.00	19.49
Director of Coir Development					
13.	2851-00-106-99 Development of Coir Industry-Supervision(NP)	2018-19	15.96	0.16	15.89
		2019-20	16.38	0.32	15.81
14.	2851-00-106-34 Price Fluctuation Fund(P)	2019-20	45.00	10.00	35.45
15.	2851-00-106-98 Assistance for procurement of husk/ fibre(NP)	2019-20	1.93	0.20	1.74
Director of Handloom and Textiles					
16.	2851-00-103-97 Machinery for Collection of Statistics(NP)	2019-20	1.58	0.01	1.54

Appendix 3.12- Concl.

(₹ in crore)

Sl. No.	Scheme	Year	Budget allocation	Reappropriation	Final Exp
17.	2851-00-103-99 Development of Handloom Industry-Supervision(NP)	2019-20	8.53	0.07	7.25
Secretary /Electronics and Information Technology Department					
18.	4859-02-004-95 Land Acquisition and Infrastructure Development under IT(P)	2017-18	136.00	11.65	119.65

Appendix 3.13
Schemes in which injudicious re-appropriation led to excess expenditure
(Reference: Paragraph 3.5.6 page No. 125)

(₹ in crore)

Sl. No.	Scheme	Year	Original budget	Supplementary budget	Reappropriation	Net _budget	Expenditure	Excess
Director of Industries and Commerce								
1.	2851-00-001-97 Industries-Taluk Offices(NP)	2017-18	12.991	0.00	-0.19	12.80	13.09	0.29
2.	2851-00-101-96 Strengthening of existing Functional Industrial Estates(NP)	2017-18	0.8646	0.00	-0.13	0.73	0.74	0.01
Director of Coir Development								
3.	2851-00-106-98 Assistance for procurement of husk/ fibre(NP)	2017-18	1.71	0.00	-0.20	1.51	1.55	0.04
4.	2851-00-106-99 Development of Coir Industry-Supervision(NP)	2017-18	16.36	0.00	-1.03	15.33	15.87	0.54
Director of Handloom and Textiles								
5.	2851-00-103-72 Direction and Administration(NP)	2017-18	0.82	0.00	-0.01	0.81	0.84	0.03
6.	2851-00-103-97 Machinery for Collection of Statistics(NP)	2017-18	1.46	0.00	-0.02	1.43	1.48	0.05
7.	2851-00-103-99 Development of Handloom Industry-Supervision(NP)	2017-18	7.89	0.00	-0.43	7.46	7.71	0.25

Appendix 3.14
Non reconciliation of departmental figures with that of AG (A&E)
(expenditure more than ₹ 10 crore)
(Reference: Paragraph 3.5.6 page No127)

(₹ in lakh)

Sl. No	Scheme	Year	Expenditure as booked by the AG (A&E)	Expenditure as booked by the department	Difference
Director of Industries and Commerce					
1.	2851-00-001-97 Industries- Taluk Offices (NP)	2017-18	1309.09	30.38	1278.71
		2018-19	1301.29	29.56	1271.73
		2019-20	1277.94	24.81	1253.13
2.	2851-00-102-86 District Industries Centres(NP)	2017-18	4611.74	94.08	4517.66
		2018-19	4614.39	104.69	4509.70
		2019-20	4565.47	108.10	4457.37
3.	4885-01-200-95 Industrial promotional activities implemented through KSIDC(P)	2018-19	7257.42	8869.00	1611.58
4.	2851-00-101-92 Improving infrastructure in existing DA/DP(P)	2018-19	1423.85	1645.48	221.63
Director of Coir Development					
5.	2851-00-106-99 Development of Coir industry- supervision(NP)	2017-18	1587.21	1530.76	56.45
		2018-19	1589.21	1612.23	23.02
		2019-20	1581.64	1602.81	21.17
6.	2851-00-106-62 Regulated mechanization of coir industry(P)	2017-18	1648.94	1650.67	1.73
		2018-19	3216.51	3218.63	2.12

Appendix 4.1
Statement showing performance of Autonomous Bodies
(Reference: Paragraph 4.14; Page 152)

Sl. No.	Name of Autonomous body	Period of entrustment	Year up to which accounts were rendered	Period up to which separate audit report issued	Placement of SAR in the Legislature		Date of submission of accounts	Period of delay in submission of accounts
					Year of Latest SAR	Date of Placement		
1	Kerala Khadi and Village Industries Board, Thiruvananthapuram	Up to 2017-18	2016-17	2015-16	2015-16	05.11.2019	18.06.2020	36 months 18 days
2	Kerala Institute of Labour & Employment, Thiruvananthapuram	For five years from 2017-18	2017-18	2016-17	2014-15	30.11.2018	14.11.2018	4 months 14 days
3	Kerala State Commission for Backward classes, Thiruvananthapuram	From 2017-18 to 2021-22	2018-19	2017-18	2017-18	24.08.2020	03.02.2020	7 months 03 days
4	Kerala State Commission for Scheduled Castes and Scheduled Tribes	From 2009 onwards	2018-19	2016-17	2014-15	29.10.2019	22.12.2020	17 months 22 days
5	Kerala Building & Other Construction Workers Welfare Board, Thiruvananthapuram	1998-99 onwards Act enacted by Parliament	2017-18	2016-17	2016-17	13.06.2019	19.06.2019	11 months 19 days
6	Kerala State Human Rights Commission	1998-99 onwards Act enacted by Parliament	2017-18	2017-18	2015-16	30.11.2018	11.03.2020	20 months 11 days
7	Kerala State Legal Services Authority, Ernakulam.	1998-99 onwards Act enacted by Parliament	2017-18	2017-18	2014-15	20.10.2016	01.01.2020	18 months
8	Permanent Lok Adalath, Thiruvananthapuram	1998-99 onwards Act enacted by Parliament	2017-18	2017-18	2015-16	30.01.2018	31.05.2019	11 months
9	Permanent Lok Adalath, Ernakulam	1998-99 onwards Act enacted by Parliament	2018-19	2017-18	2017-18	13.01.2021	01.01.2020	6 months

Appendix 4.1 Contd.

Sl. No.	Name of Autonomous body	Period of entrustment	Year up to which accounts were rendered	Period up to which separate audit report issued	Placement of SAR in the Legislature		Date of submission of accounts	Period of delay in submission of accounts
					Year of Latest SAR	Date of Placement		
10	Permanent Lok Adalath, Kozhikode	1998-99 onwards Act enacted by Parliament	2016-17	2014-15	2014-15	20.10.2016	28.09.2018	14 months 28 days
11	District Legal Services Authority, Thiruvananthapuram	1998-99 onwards Act enacted by Parliament	2017-18	2016-17	2016-17	05.02.2020	08.01.2019	06 months 08 days
12	District Legal Services Authority, Kollam	1998-99 onwards Act enacted by Parliament	2013-14	2013-14	2013-14	19.03.2018	30.03.2016	21 months
13	District Legal Services Authority, Pathanamthitta	1998-99 onwards Act enacted by Parliament	2017-18	2013-14	2013-14	30.11.2018	11.02.2020	19 months 11 days
14	District Legal Services Authority, Idukki	1998-99 onwards Act enacted by Parliament	2018-19	2017-18	2017-18	13.01.2021	10.09.2020	14 months 10 days
15	District Legal Services Authority, Ernakulam	1998-99 onwards Act enacted by Parliament	2014-15	2014-15	2011-12	11.03.2015	13.05.2020	58 months 13 days
16	District Legal Services Authority, Thrissur	1998-99 onwards Act enacted by Parliament	2017-18	2017-18	2016-17	29.10.2019	15.10.2019	15 months 15 days
17	District Legal Services Authority, Palakkad	1998-99 onwards Act enacted by Parliament	2015-16	2010-11	2010-11	28.06.2016	18.06.2018	23 months 18 days
18	District Legal Services Authority, Malappuram	1998-99 onwards Act enacted by Parliament	2015-16	2015-16	2014-15	08.11.2016	23.05.2017	10 months 23 days
19	District Legal Services Authority, Kozhikode	1998-99 onwards Act enacted by Parliament	2014-15	2014-15	2013-14	16.12.2015	22.02.2016	7 months 22 days

Appendix 4.1 Concl'd.

Sl. No.	Name of Autonomous body	Period of entrustment	Year up to which accounts were rendered	Period up to which separate audit report issued	Placement of SAR in the Legislature		Date of submission of accounts	Period of delay in submission of accounts
					Year of Latest SAR	Date of Placement		
20	District Legal Services Authority, Wayanad	1998-99 onwards Act enacted by Parliament	2013-14	2012-13	2012-13	30.01.2018	09.05.2019	58 months 09 days
21	District Legal Services Authority, Kannur.	1998-99 onwards Act enacted by Parliament	2014-15	2014-15	2012-13	08.08.2017	15.09.2017	26 months 15 days
22	District Legal Services Authority, Kasaragod	1998-99 onwards Act enacted by Parliament	2012-13	2011-12	2011-12	01.12.2015	17.03.2020	80 months 17 days
23	District Legal Services Authority, Kottayam	2011-12 onwards Act enacted by Parliament	2016-17	2016-17	2016-17	29.05.2019	23.03.2018	08 months 23 days
24	District Legal Services Authority, Alappuzha	2013-14 onwards Act enacted by Parliament	2017-18	2016-17	2015-16	30.01.2018	10.09.2020	26 months 10 days
25	Kerala State Commissions for Protection of Child Rights (CPCR)	2013-14 onwards Act enacted by Parliament	Accounts not being received yet.	NA*	NA	NA	NA	NA
26	Kerala Real Estate Regulatory Authority	2019-20 onwards Act enacted by Parliament	2019-20	No SAR issued yet	NA	NA	24.11.2020	4 months 24 days
27	Kerala Water Authority	Till 2019-20	2018-19	2014-15	2013-14	30.11.2018	09.01.2021	18 months 09 days

* Not applicable

Appendix 4.2

Statement of finalisation of *pro forma* accounts and Government investment in departmentally managed commercial and quasi-commercial undertakings

(Reference: Paragraph 4.15 Page 155)

(₹ in crore)

Sl. No.	Name of the undertaking	Accounts finalized up to	Government investment as per the last accounts finalized	Profit/loss as per the last accounts	Government investment last 4 years (2016-17 to 2019-20)	Remarks
1	State Water Transport Department	2015-16	446.92	(-) 42.66	Nil	<i>pro forma</i> Accounts due from 2016-17
2	Kerala State Insurance Department	2013-14	Nil	0.32	Nil	<i>pro forma</i> Accounts due from 2014-15
3	Text Book Office ⁵⁶	1986-87	21.26	(-) 5.61	Nil	<i>pro forma</i> Accounts due from 1987-88

⁵⁶ Government decided (December 2008) to dispense with the preparation of *pro forma* accounts for the period from 1975-76 to 1986-87. Decision on preparation of *pro forma* accounts for the period from 1987-88 to 2003-04 was pending with the Government.

Appendix 4.3
Department wise break-up of cases of misappropriation, defalcation etc.
(Reference: Paragraph 4.18, Page 156)

(₹ in lakh)

Name of Department	Cases of misappropriation/ losses /theft of Government material		Reasons for the delay in final disposal of pending cases of misappropriation, losses, theft, etc.							
			Awaiting departmental and criminal investigation		Departmental action initiated but not finalised Total		Criminal Proceedings finalised but recovery of the amount pending		Pending in the courts of law	
	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
Agriculture	9	89.45	0	0	0	0	8	86.39	1	3.07
Animal Husbandry	8	3.15	0	0	0	0	8	3.15	0	0
Archaeology	1	0.20	0	0	0	0	1	0.20	0	0
Co-operative	2	5.72	0	0	0	0	1	1.92	1	3.80
cultural	2	378.75	0	0	2	378.75	0	0	0	0
Directorate of Health Services	19	194.64	4	3.20	5	11.59	10	179.85	0	0
Directorate of Medical Education	9	90.82	2	57.50	3	23.53	4	9.79	0	0
Fisheries	2	4.38	0	0	1	3.85	1	0.53	0	0
Forest and Wild life	4	29.35	0	0	4	29.35	0	0	0	0
General Education	22	63.80	4	7.66	1	1.69	17	54.45	0	0
Higher Education	6	43.83	1	15.43	2	27.45	2	0.22	1	0.73
Home	4	15.82	0	0	2	4.77	1	0.38	1	10.67
Industries	2	40.31	1	40.00	1	0.31	0	0	0	0
Indian System of Medicine	3	11.54	0	0	2	9.70	1	1.85	0	0
Information & Public Relations	1	13.78	0	0	0	0	1	13.78	0	0
Local Self Government	9	105.45	1	1.50	1	0.82	5	99.30	2	3.82
Mining and Geology	2	82.91	0	0	1	65.45	1	17.46	0	0
Planning Board	1	6.86	0	0	1	6.86	0	0	0	0
Public Works	4	7.75	0	0	0	0	4	7.75	0	0

Appendix 4.3 Concl.

(₹ in lakh)

Name of Department	Cases of misappropriation/ losses /theft of Government material		Reasons for the delay in final disposal of pending cases of misappropriation, losses, theft, etc.							
			Awaiting departmental and criminal investigation		Departmental action initiated but not finalised Total		Criminal Proceedings finalised but recovery of the amount pending		Pending in the courts of law	
	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
Revenue	1	5.60	0	0	0	0	1	5.60	0	0
Schedule Caste and Schedule Tribe	4	2.94	0	0	2	2.27	1	0.50	1	0.17
Social Justice	2	14.38	0	0	1	5.46	0	0	1	8.92
Taxes	3	104.97	1	49.03	1	53.32	1	2.61	0	0
Technical Education	1	35.10	0	0	0	0	1	35.10	0	0
Transport	2	8.03	0	0	0	0	2	8.03	0	0
Treasury	16	412.94	0	0	3	202.06	7	140.25	6	70.63
Water Resources	8	766.48	0	0	3	627.39	5	139.09	0	0
Total	147	2538.95	14	174.32	36	1454.62	83	808.20	14	101.81

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