

सत्यमेव जयते

**STATE FINANCES AUDIT REPORT
OF
THE COMPTROLLER
AND AUDITOR GENERAL OF INDIA
for the year ended March 2021**



लोकहितार्थ सत्यनिष्ठा
Dedicated to Truth in Public Interest



Government of Kerala
Report No. 1 of the year 2022

Presented to the Legislature on 20 July 2022

**STATE FINANCES AUDIT REPORT
OF
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**Government of Kerala
Report No. 1 of 2022**

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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 2021. 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.

A blue graphic element resembling a scroll, with a vertical strip on the left and a horizontal strip extending to the right. The horizontal strip has rounded ends and a thin red outline. The text "EXECUTIVE SUMMARY" is centered on the horizontal strip in white, bold, uppercase letters.

**EXECUTIVE
SUMMARY**

Executive Summary

Back ground

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 3.56 crore (14th in the country) and is ranked as the fifth most densely populated State with a density of 860 persons per sq.km. The decadal growth rate of population was 6.05 *per cent* (3.35 crore in 2011 to 3.56 crore in 2021), which is the second lowest among Indian states. The literacy rate of Kerala (94 *per cent*) is the highest among the Indian states. The Gross State Domestic Product (GSDP) in 2020-21 of the State at current prices was ₹7,58,942 crore.

The Report

Based on the audited accounts of the Government of Kerala for the year ended 31 March 2021, this Report provides an analytical review of the finances of the State Government. The Report is structured in 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 2016-17 to 2020-21, 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 and 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.

The Report also includes appendices of additional data collected from several sources in support of these findings.

Audit findings

Fiscal position

The fiscal position of the State is viewed in terms of three key fiscal parameters – Revenue Deficit, Fiscal Deficit and the ratio of Outstanding Debt to GSDP.

The revenue deficit of the State increased steadily from 2016-17 to 2018-19 and decreased in 2019-20. However, it increased by ₹11,334.25 crore (78.19 per cent) from ₹14,495.25 crore in 2019-20 to ₹25,829.50 crore in 2020-21.

The State did not achieve any of the targets fixed in its Medium-Term Fiscal Plan or the Kerala Fiscal Responsibility Act during the year 2020-21. The fiscal deficit to GSDP ratio was to be anchored at 3 per cent as per KFR Act, 2003, As per State Government accounts, the ratio of fiscal deficit to GSDP increased from 4.17 per cent in 2016-17 to 5.40 per cent in 2020-21. Though the GoI allowed an additional borrowing of 2 per cent thereby increasing the overall borrowing to 5 per cent against which the State registered a fiscal deficit to GSDP ratio of 5.40 per cent during 2020-21. On post audit analysis it was concluded that the Revenue and Fiscal deficit of the State were understated by ₹244.85 crore and ₹9,471.59 crore respectively thereby increasing the fiscal deficit to GSDP ratio to 6.65 per cent in 2020-21.

The outstanding debt of the State ranged between 29.89 and 39.87 per cent of GSDP during the period from 2016-17 to 2020-21, which was consistently above the norm of 29.67 per cent of GSDP prescribed by KFR Act, 2003. The back to back Loan (₹5,766 crore) received from GoI in lieu of GST compensation has not been considered as Debt for working out the indicator.

In the year 2020-21, the overall debt of the State including the outstanding liability of off budget borrowings is ₹3,24,855.06 crore. The effective overall debt of the State would be ₹3,19,089.06 crore as the Department of Expenditure, GoI had decided that GST compensation of ₹5,766 crore given to the State as back to back loan under debt receipts would not be treated as debt of the State for any norms which may be prescribed by the Finance Commission.

(Chapter I)

Finances of the State

The State Government registered an increase of 8.19 per cent in its Revenue Receipts during 2020-21 compared to the previous year.

Revenue resources

Revenue receipts of the State increased from ₹75,611.72 crore in 2016-17 to ₹97,616.83 crore in 2020-21, recording a growth of 29.10 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 13.00 per cent during the period and its share in revenue receipts decreased from 55.78 per cent in 2016-17 to 48.82 per cent in 2020-21 indicating poor collection of tax revenue during the pandemic period.

Revenue Expenditure

Revenue Expenditure of the State increased from ₹91,096.31 crore in 2016-17 to ₹1,23,446.33 crore in 2020-21 recording a growth of 35.51 *per cent* during the five-year period. Revenue expenditure as a percentage of total expenditure ranged between 88 and 92 *per cent* during the period showing predominance of revenue expenditure in total expenditure. Share of committed expenditure in revenue expenditure was 55.64 *per cent* during 2020-21 and it consumed 70.37 *per cent* of the revenue receipts during the year. During 2020-21, interest payments consumed 21.49 *per cent* of revenue receipts.

Quality of Expenditure

Capital Expenditure of the State increased from ₹10,125.95 crore in 2016-17 to ₹12,889.65 crore in 2020-21 recording a growth of 27.29 *per cent* during the five-year period. The State Government invested ₹10,064.70 crore in Statutory Corporations, Government Companies, other Joint Stock Companies and Co-operatives, average return on these investments was 1.34 *per cent* in the last five years while the Government paid an average interest rate of 7.33 *per cent* on its borrowings during 2016-17 to 2020-21. The interest receipt on loans and advances given by State Government was 0.23 *per cent* of outstanding loans and advances during 2020-21 against the average cost of borrowing of 7.31 *per cent*. During the year the Government invested ₹315.41 crore in loss making institutions and ₹146.37 crore in institutions whose net worth is completely eroded.

Reserve Funds and liabilities

The Consolidated Sinking Fund was constituted with the aim to amortise the outstanding liabilities of the Government, but the Government did not contribute to the fund during 2020-21. 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 ₹1,467.16 crore collected during 2003-04 to 2020-21 was not credited to the Fund. The State Disaster Response Fund (SDRF) had an accumulated balance of ₹646.47 crore by the end of March 2021. 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.

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 ₹10,631.94 crore (16.62 *per cent* of public debt receipts) during 2020-21

considering the exclusion of ₹5,766 crore received as back to back loan in lieu of GST compensation.

Off- Budget Borrowings

The State Government resorted to off-budget borrowings amounting to ₹9,273.24 crore during 2020-21.

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.

These off-budget borrowing will have an impact of increasing the liabilities of the State Government, leading to a debt trap over a period of time. As these borrowings are not disclosed in the budgets the Legislature is unaware of creation of such liabilities.

Debt Sustainability

The ratio of Public Debt to GSDP of the State increased from 20.43 *per cent* in 2019-20 to 27.07 *per cent* in 2020-21 (effective increase is 26.31 *per cent* considering the exclusion of back to back loans). Similarly, the ratio of interest payments to total revenue receipts of the State increased from 21.30 *per cent* in 2019-20 to 21.49 *per cent* in 2020-21.

(Chapter II)

Budgetary Management

Variations between the total grants/appropriation and expenditure incurred led to savings which indicates improper scrutiny of budget estimates at various levels of Government and poor budget management.

The supplementary demands for grants obtained in cases where the final expenditure either did not come up to the level of original grants or no expenditure was incurred even after obtaining supplementary demands for grants shows laxity on the part of departmental officers in assessing actual requirement of funds.

Excess, unnecessary or insufficient re-appropriation indicated that departmental officers failed in assessing actual requirement of funds in heads of accounts under their control.

Excess expenditure requiring regularisation indicates inadequate expenditure control.

(Chapter III)

Quality of Accounts and Financial Reporting Practices

There was persistent trend of cess/royalty/fund not being credited to Consolidated Fund of the State.

There were cases of regulators maintaining 'Fund' outside Public Account of the State (Funds of the Kerala State Electricity Regulatory Commission).

Twelve utilisation certificates for ₹22.44 crore were not received by the AG(A&E).

Non reconciliation with respect to PD Accounts is fraught with the risk of misuse of public funds.

Autonomous bodies (23 numbers) were to render annual accounts to C&AG. The arrears in submission of accounts ranged from one to seven years.

There were delays in initiating departmental action, fixing liability, issuing orders of recovery, etc, in respect of cases of misappropriation/loss of public money.

(Chapter IV)



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 3.56 crore (14th in the country) and is ranked as the fifth most densely populated State with a density of 860 persons per sq.km. The decadal growth rate of population was 6.05 *per cent* (3.35 crore in 2011 to 3.56 crore in 2021), which is the second lowest among Indian states. The literacy rate of Kerala (94 *per cent*) is the highest among the Indian states. The Gross State Domestic Product (GSDP) in 2020-21 of the State at current prices was ₹7,58,942 crore. The General data relating to the State is given in **Appendix 1.1**.

1.1.1 Gross State Domestic Product of State

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.

The State's GDP declined from ₹8,54,689 crore in 2019-20 and recorded a negative growth rate of 11.20 *per cent* in 2020-21. As per State Economics and Statistics Directorate, the State's data since 1969 did not record any negative growth in GDP and it's only in 2020-21, GSDP figures of the State has shown a negative growth. National GDP during the year has also shown a negative growth. State's GDP and its growth rate as well as National GDP and growth rate for the period from 2016-17 to 2020-21 are shown in **Table 1.1**.

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

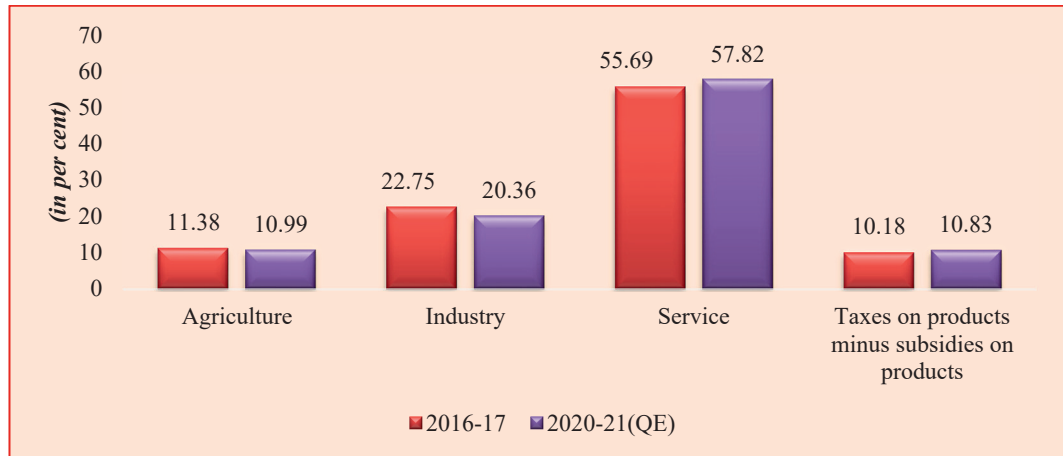
Year	2016-17	2017-18	2018-19	2019-20	2020-21
National GDP (₹ in crore) (2011-12 Series)	15391669	17090042	18886957	20351013	19745670
Growth rate of GDP over previous year (<i>in per cent</i>)	11.76	11.03	10.51	7.75	(-)2.97
State's GDP (₹ in crore) (2011-12 Series)	634886	701588	790302	854689	758942(QE)
Growth rate of GSDP over previous year (<i>in per cent</i>)	12.97	10.51	12.64	8.15	(-)11.20

Source: Ministry of Statistics and Programme Implementation website as on 02.8.2021 and Directorate of Economics and Statistics, QE-Quick Estimate

Though both National and State GDP have shown a negative growth, the decline in the State GDP is higher when compared to decline in National GDP. The steep decline in GDP reflects the delicate state of economy during 2020-21.

The changes in sectoral contribution to the GSDP is important to understand the 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 sectoral contribution to GSDP during 2020-21 as compared to 2016-17 position is shown below in **Chart 1.1**.

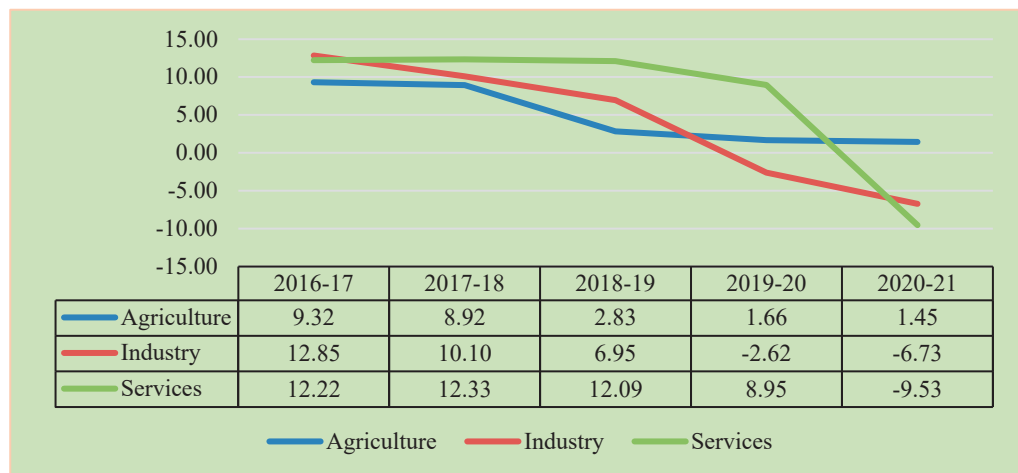
Chart 1.1: Change in Sectoral contribution to GSDP (2016-17 to 2020-21)



Source: Department of Economics and Statistics, Kerala

From 2016-17 to 2020-21, 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 57.82 per cent of GSDP in 2020-21. Taxes on various products excluding subsidies showed a meagre increase from 10.18 per cent in 2016-17 to 10.83 per cent in 2020-21. Sectoral growth in GSDP over a period of five years (2016-17 to 2020-21) is given in **Chart 1.2**.

Chart 1.2: Sectoral Growth in GSDP



Source: Department of Economics and Statistics, Kerala

The chart shows that all sectors have registered lower growth rates compared to previous years and the secondary and tertiary sectors have recorded a negative growth. The growth rate of agriculture sector has been contracting during the

five-year period from 2016-17 to 2020-21, but it is the only sector which has seen a positive growth rate in the year 2020-21. The services sector has shown a very steep decline.

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 Finance Commission (FC), State Financial Responsibility and Budget Management Act, best practices and guidelines of the Government of India. A meeting was held with State Finance Department, wherein the audit approach was explained and the draft report was forwarded to the State Government for comments on 30 November 2021. An exit conference was also held on 23 December 2021. Replies of the Government, 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 2016-17 to 2020-21, 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}

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).

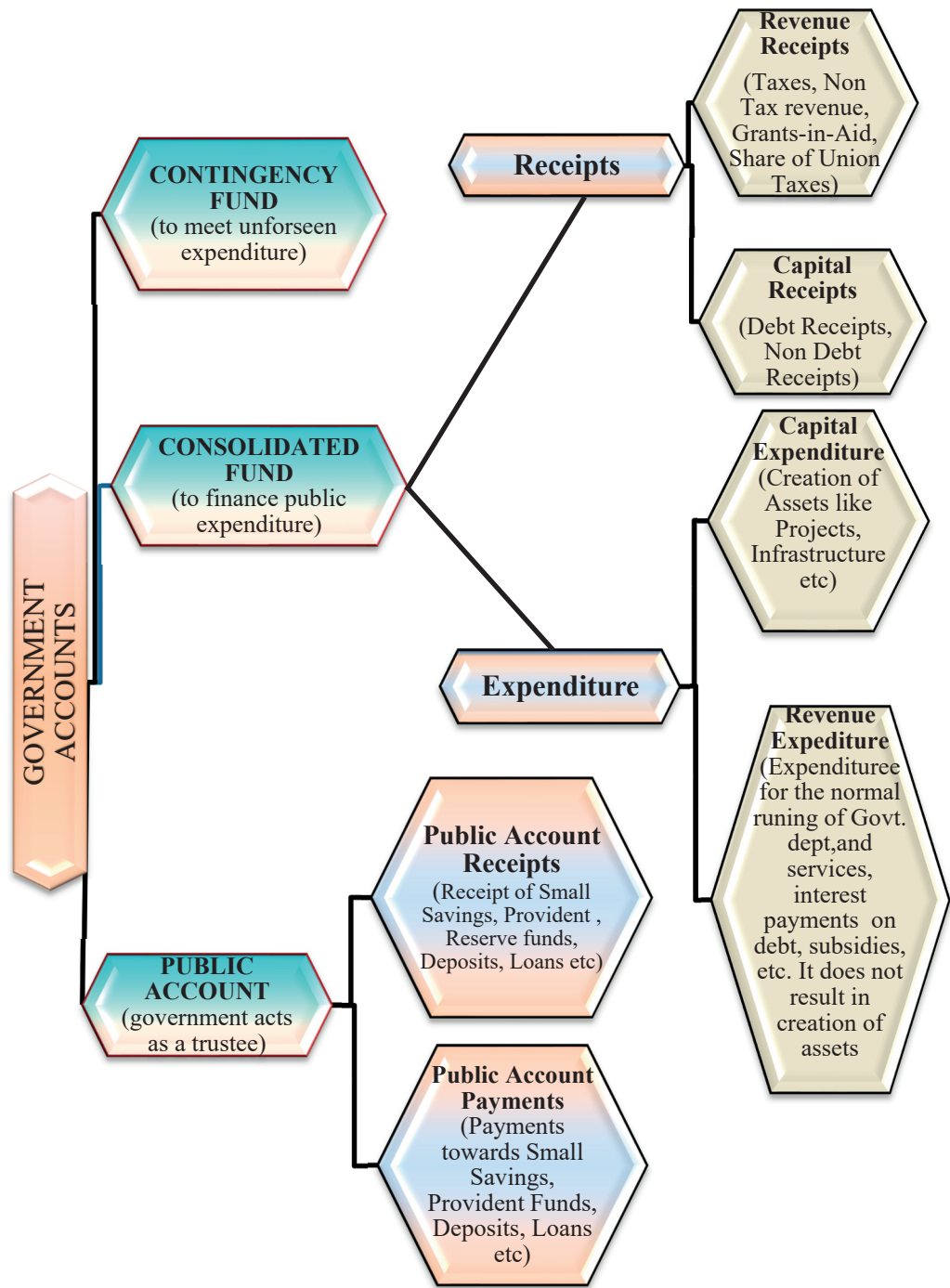
The **Capital Receipts** consist of:

- **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.

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(Section A and Section B) 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-a-vis* Budget Estimates for the year 2020-21 vis-a-vis actual of 2019-20.

Table 1.2: Snapshot of Finances

(₹ in crore)

Sl. No.	Components	2019-20 (Actual)	2020-21 (Budget Estimate)	2020-21 (Actuals)	Percentage of Actual to B.E.	Percentage of Actuals to GSDP
1	Tax Revenue *	50323.14	67420.01	47660.84	70.69	6.28
2	Non-Tax Revenue	12265.22	14587.00	7327.31	50.23	0.97
3	Share of Union taxes/duties **	16401.05	20934.80	11560.40	55.22	1.52
4	Grants-in-aid and Contributions ***	11235.26	11694.09	31068.28	265.68	4.09
5	Revenue Receipts (1+2+3+4)	90224.67	114635.90	97616.83	85.15	12.86
6	Recovery of Loans and Advances	295.32	284.01	263.82	92.89	0.03
7	Other Receipts	27.48	50.00	34.15	68.30	0.00
8	Borrowings and other Liabilities	23837.47	29295.39	40969.69 [^]	139.85	5.40
9	Capital Receipts (6+7+8)	24160.27	29629.40	41267.66	139.28	5.44
10	Total Receipts (5+9)	114384.94	144265.30	138884.49	96.27	18.30

Sl. No.	Components	2019-20 (Actual)	2020-21 (Budget Estimate)	2020-21 (Actuals)	Percentage of Actual to B.E.	Percentage of Actuals to GSDP
11	Revenue Expenditure	104719.92	129837.37	123446.33	95.08	16.27
12	Interest payments	19214.70	19850.00	20975.36	105.67	2.76
13	Capital Expenditure	9665.02	14427.93	15438.16	107.00	2.03
14	Capital outlay	8454.80	12913.22	12889.65	99.82	1.70
15	Loan and advances	1210.22	1514.71	2548.51	168.25	0.34
16	Total Expenditure (11+13)	114384.94	144265.30	138884.49	96.27	18.30
17	Revenue Deficit (5-11)	14495.25	15201.47	25829.50	169.91	3.40
18	Fiscal Deficit [^] {16-(5+6+7)}	23837.47	29295.39	40969.69	139.85	5.40
19	Primary Deficit [^] (18-12)	4622.77	9445.39	19994.33	211.68	2.63

Source: Finance Accounts for 2019-20 and 2020-21, Annual Financial Statement- 2020-21

* Including SGST of ₹20,028.31 crore

** Including CGST of ₹3,325.63 crore

*** Including ₹6,721.38 crore of Compensation for loss of revenue arising out of implementation of GST

[^] Effective Borrowings and other liabilities would be ₹35,203.69 crore as the Department of Expenditure, GoI had decided that GST compensation of ₹5,766 crore given to the State as back to back loan under debt receipts would not be treated as debt of the State for any norms which may be prescribed by the Finance Commission.

The State received total compensation of ₹12,487.38 crore on account of loss of revenue arising out of the implementation of GST during 2020-21. Out of this, ₹6,721.38 crore was received by the State as grants under revenue receipts. However, due to inadequate balance in GST compensation fund during the year 2020-21, the State also received back to back loan of ₹5,766 crore under debt receipts of the State Government with repayment obligations from the cess collected in GST compensation Fund and not from any other resources of the State. Due to this arrangement, the revenue deficit of ₹25,829.50 crore and the fiscal deficit of ₹40,969.69 crore during the year 2020-21 may be read in conjunction with debt receipt of ₹5,766 crore in lieu of GST compensation.

Though tax revenue and non-tax revenue of the State decreased during the year 2020-21 as compared to the year 2019-20, the State was able to withstand the increase in the revenue expenditure from ₹1,04,719.92 crore in 2019-20 to ₹1,23,446.33 crore in 2020-21, mainly by the increased transfer of resources from GoI which included a post devolution deficit grant of ₹15,322.80 crore.

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 2021 compared with the corresponding position as on 31 March 2020. 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					
	2019-20	2020-21	Per cent Increase		2019-20	2020-21	Per cent Increase		
Consolidated Fund									
A	Internal Debt	165960.03	190474.09	14.77	a	Gross Capital Outlay	80796.18	93651.68	15.91
B	Loans and advances from GoI	8680.19	14973.64*	72.50	b	Loans and Advances	17472.08	19756.77	13.08
Contingency Fund		100.00	100.00				75.00	0	
Public Account									
A	Small Savings, Provident Funds, etc.	85671.17	97219.13	13.49	a	Advances	60.08	62.27	3.65
B	Deposits	4135.81	4632.88	12.02	b	Remittance	1081.60	1042.19	
C	Reserve Funds	3113.86	3457.91	11.05	c	Suspense and Miscellaneous	0	0	0
D	Suspense and Miscellaneous	(-)119.58	519.46	534.40	Cash balance (including investment in Earmarked Fund)		2010.22	4967.98	147.14
E	Remittance	0	0	0	Total		101495.16	119480.89	17.72
					Deficit in Revenue Account		166046.32	191896.22	13.47
Total		267541.48	311377.11		Total		267541.48	311377.11	16.38

Source: Finance Accounts

* Effective Loans and Advances from GoI would be ₹9,207.64 crore as the Department of Expenditure, GoI had decided that GST compensation of ₹5,766 crore given to the State as back to back loan under debt receipts would not be treated as debt of the State for any norms which may be prescribed by the Finance Commission.

The capital assets in Consolidated Fund increased by 15.91 per cent in 2020-21. The growth rate of total liabilities increased from 9.70 per cent in 2019-20 to 16.38 per cent in 2020-21. The cash balance of the State at the end of the year was ₹4,967.98 crore. The increase in the cash balance was 147.14 per cent over the previous year.

1.5 Fiscal Balance: Achievement of deficit and total debt target

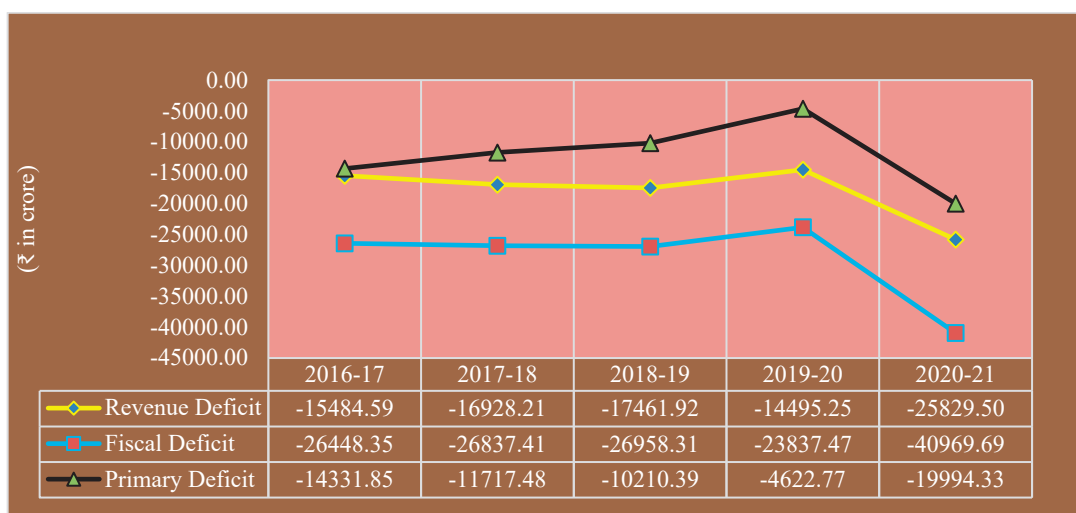
When a government spends more than it collects by way of revenue, it incurs a deficit. There are various measures that capture Government deficit.

<p>Revenue Deficit/ Surplus (Revenue Expenditure – Revenue Receipts)</p>	<p><i>Refers to the difference between revenue expenditure and revenue receipts.</i></p> <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.
<p>Fiscal Deficit/ Surplus {Total expenditure – (Revenue receipts + Non-debt creating capital receipts)}</p>	<p><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></p> <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>
<p>Primary Deficit/ Surplus (Gross fiscal deficit – Net Interest liabilities)</p>	<p><i>Refers to the fiscal deficit minus the interest payments.</i></p> <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 2020-21 are detailed below.

The trend of deficits over the period 2016-17 to 2020-21 are presented in **Appendix 1.4. Chart 1.3** presents the trends in deficit indicators over the period 2016-17 to 2020-21.

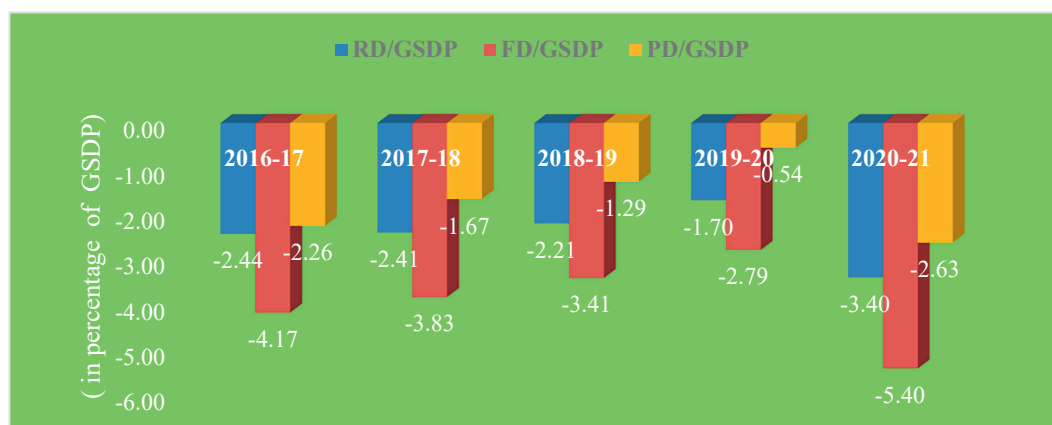
Chart 1.3: Trends in Deficit Parameters



- The revenue deficit of the State increased steadily from 2016-17 to 2018-19 and decreased in 2019-20. However, it increased by ₹11,334.25 crore (78.19 per cent) in the year 2020-21.
- Though the revenue receipts of the state increased by 8.19 per cent, the increase in revenue deficit was mainly due to increase in revenue expenditure by 17.88 per cent, which was more than two times the increase in revenue receipts.
- In the year 2020-21, fiscal deficit which represents the total borrowings of the Government increased by ₹17,132.22 crore (71.87 per cent) in comparison to previous year. The State had a fiscal deficit of ₹40,969.69 crore in the year 2020-21 and is the highest during the five-year period 2016-17 to 2020-21.
- Primary deficit increased from ₹4,622.77 crore in 2019-20 to ₹19,994.33 crore in 2020-21 due to increase in fiscal deficit.

Chart 1.4 provides the trends in deficit indicators relative to GSDP for the period from 2016-17 to 2020-21.

Chart 1.4: 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 increased in 2020-21 as compared to the previous year. However, the post audit deficit figures are higher as explained in **Para 1.6**.

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 2020-21 are given in **Table 1.4** below:

Table 1.4: Fiscal liabilities of the State

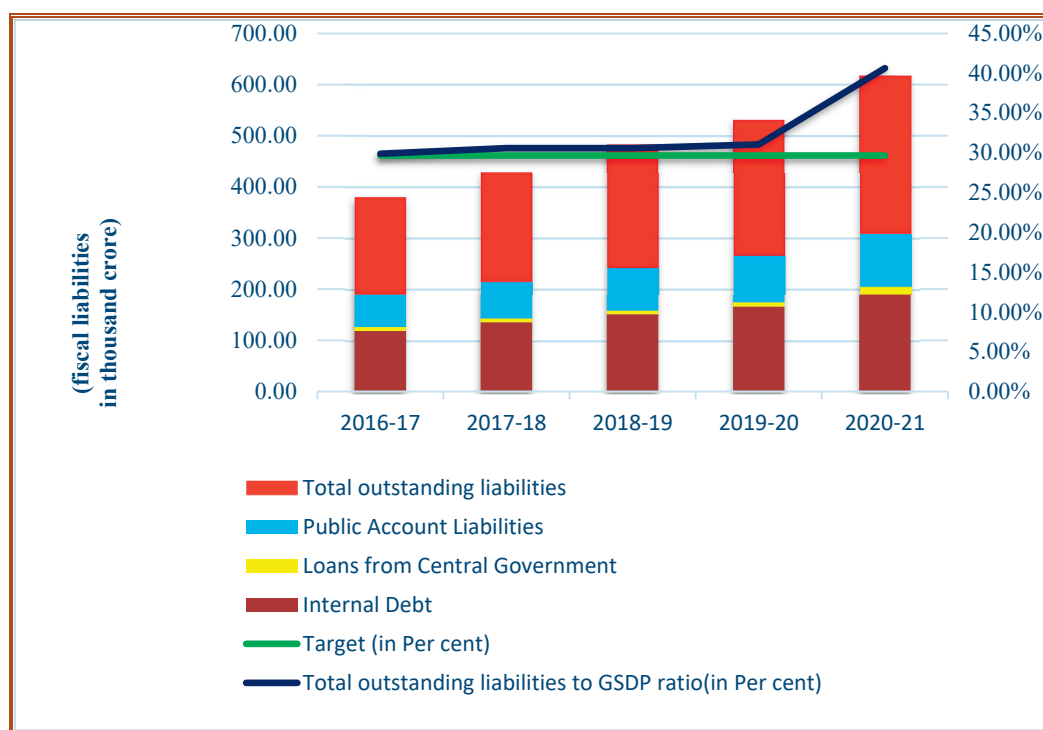
Fiscal liabilities		Amount in crore
Total Consolidated Fund liabilities		₹205447.73
<i>of which,</i>	Market loans	₹165402.04
	Loans from the GoI	₹14973.64*
	Other Loans	₹25072.05
Total Public Account liabilities		₹102938.28
<i>of which,</i>	Small Savings, PF etc.	₹97219.13
	Interest bearing obligations.	₹719.89
	Non-interest-bearing obligations like Deposits and other earmarked funds	₹4999.26

* *Effective Loans and Advances from GoI would be ₹9,207.64 crore as the Department of Expenditure, GoI had decided that GST compensation of ₹5,766 crore given to the State as back to back loan under debt receipts would not be treated as debt of the State for any norms which may be prescribed by the Finance Commission.*

The overall fiscal liabilities of the State increased from ₹1,89,769 crore in 2016-17 to ₹3,08,386.01 crore¹ in 2020-21, thus recording an increase of 62.51 *per cent* during the five year period. During 2020-21, the growth rate of fiscal liabilities was 16.21 *per cent* as compared to 2019-20. The trends of fiscal liabilities during the last five years are presented in **Chart 1.5**.

¹ The above fiscal parameters during 2020-21 may be read in conjunction with debt receipts of ₹5,766 crore in lieu of GST compensation received from Government of India as back to back loans. Thus, the effective fiscal liabilities would be ₹3,02,620.01 crore as the Department of Expenditure, GoI had decided that GST compensation of ₹5,766 crore given to the State as back to back loan under debt receipts would not be treated as debt of the State for any norms which may be prescribed by the Finance Commission. The effective increase would thus, stand at 59.47 *per cent*.

Chart 1.5: Trends in fiscal liabilities and GSDP



Achievement of fiscal targets

The State Government enacted the Kerala Fiscal Responsibility Act, 2003, to ensure prudence in fiscal management and fiscal stability by progressive elimination of revenue deficit and sustainable debt management consistent with fiscal stability, greater transparency in fiscal operations of the Government and conduct of fiscal policy in a medium term framework and for matters connected therewith. The State Government amended its Fiscal Responsibility Act from time to time keeping in view the fiscal parameters prescribed by successive Finance Commissions.

As allowed by the GoI, the State amended the KFR Act, in July 2020 by issuing the KFR(Amendment) Ordinance, 2020, by virtue of which the State was eligible for an additional borrowing of 2 *per cent* of GSDP for 2020-21 in addition to the fiscal deficit target of 3 *per cent* of GSDP subject to conditions specified by the GoI.

Major fiscal variables as targeted in the Kerala Fiscal Responsibility (Amendment) Ordinance, 2020 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				
		2016-17	2017-18	2018-19	2019-20	2020-21
Revenue Deficit (-) / Surplus (+) (₹ in crore)	Revenue	(-)15484.59	(-)16928.21	(-)17461.92	(-)14495.25	(-) 25829.50
	Surplus	X	X	X	X	X
Fiscal Deficit (-)/ Surplus (+) (as percentage of GSDP)	Three * per cent	(-)26448.35 (4.17)	(-)26837.41 (3.83)	(-)26958.31 (3.41)	(-)23837.47 (2.79)	(-)40969.69 (5.40)
		X	X	X	✓	X
Ratio of total outstanding debt to GSDP (in per cent)	29.67 per cent ²	29.89	30.58	30.57	31.05	39.87**
		X	X	X	X	X

X denotes targets not achieved and ✓ denotes targets achieved

* Provided that the State shall be eligible for additional borrowing of two per cent³ of Gross Domestic Product for the financial year 2020-21 subject to the compliance of four state level reforms, implementation of One Nation One Ration Card System, Ease of doing business reforms, Urban Local body/Utility reforms and Power sector reforms as set out in Kerala Fiscal Responsibility (Amendment) Ordinance, 2021.

** The back to back loan (₹5,766 crore) received from GoI in lieu of GST compensation has not been considered as debt for working out the indicator.

The ratio of total outstanding debt to GSDP (39.87 per cent) has been arrived at after excluding GST compensation of ₹5,766 crore given to the State as back to back loan under debt receipts from the total outstanding liabilities as the Department of Expenditure, GoI had decided that it would not be treated as debt of the State for any norms which may be prescribed by the Finance Commission.

The fiscal deficit as a percentage to GSDP was recorded at 5.40 per cent which is beyond the fiscal deficit target of three per cent and additional target of two per cent taken together.

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**.

² 29.80 per cent in 2016-17, 30.40 per cent in 2017-18, 30.01 per cent in 2018-19 and 29.67 per cent in 2019-20

³ GoI (Ministry of Finance), Dept. of Expenditure (Public Finance-State Division) vide letter F. No. 40(06)/PF-S/2017-18/ Vol V dated 17 May 2020 allowed an additional borrowing of two per cent of GSDP to the States in 2020-21 subject to implementation of specific State level reforms. The State shall exhaust the aforesaid additional borrowing during the year 2020-21 and will not be allowed to carry forward to the subsequent years. This was subject to the amendment of State's FRBM legislation for the year 2020-21 to that effect.

Table 1.6: Actuals vis-à-vis projection in MTFP for 2020-21

(₹ in crore)

Sl. No.	Fiscal Variables	Projection as per MTFP	Actuals (2020-21)	Variation (in per cent) with reference to Projections as per MTFP
1	Own Tax Revenue	67420.01	47660.84	(-)29.31
2	Non-Tax Revenue	14587.00	7327.31	(-)49.77
3	Resources from Centre (Share of Central taxes and Grant-in-aid from GoI)	32628.89	42628.68	30.65
4	Revenue Receipts (1+2+3)	114635.90	97616.83	(-)14.85
5	Revenue Expenditure	129837.37	123446.33	(-)4.92
6	Revenue Deficit (-)/ Surplus (+) (5-6)	(-)15201.47	(-)25829.50	69.91
7	Fiscal Deficit (-)/ Surplus (+)	(-)29295.38	(-)40969.69	39.85
8	Debt-GSDP ratio (<i>per cent</i>)	30.07	39.87*	32.59
9	GSDP growth rate at current prices (<i>per cent</i>)	12.22	(-)11.20	(-)191.65

Source: Finance Accounts and MTFP

* The back to back loan (₹5,766 crore) received from GoI in lieu of GST compensation has not been considered as debt for working out the indicator.

The above table shows that the State could not achieve any of the targets fixed in the 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, not depositing cess/royalty to Consolidated Fund, short contribution to New Pension Scheme, 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

Particulars	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- borrowings by KIIFB and KSSPL, where the principal and/ or interest are to be serviced out of the State budgets (issue of completeness of recognising overall debt)	0	(+)9273.24	2.6.2
Cesses/ Royalties not credited to Consolidated Fund	(-)247.61	(-)247.61	4.1
Non-contribution to Guarantee Redemption Fund	Contribution ₹138.78	(+)355.35	2.5.2.3
	Commission ₹216.57	(+)355.35	
Grants-in-Aid booked under Capital section instead of Revenue	(+)46.50	0	3.3.3
Non discharge of Interest liabilities <ul style="list-style-type: none"> • Para 2.4.2.3-Interest on NPS – ₹0.024 crore • Para 2.5.2.2-Interest on State Compensatory Afforestation Fund - ₹2.77 crore • Para 2.5.2.3- Interest on SDRF - ₹87.82 crore 	(+)90.61	(+)90.61	2.4.2.3, 2.5.2.2 & 2.5.2.3
Total	244.85	9471.59	

Source: Finance Accounts and audit analysis

The Revenue and Fiscal deficit of the State are understated by ₹244.85 crore and ₹9,471.59 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

Fiscal Indicators	Pre Audit	Amount understated	(₹ in crore)
			Post Audit
Revenue deficit	25829.50	244.85	26074.35
Fiscal deficit	40969.69	9471.59	50441.28

On post audit analysis, the fiscal deficit as percentage of GSDP was 6.65 per cent which was inclusive of the off-budget borrowings of ₹669.05 crore on the part of KIIFB and ₹8,604.19 crore on the part of KSSPL.

1.6.2 Post audit - Total Public Debt

The State Government resorted to off-budget borrowing of ₹9,273.24 crore through KIIFB and KSSPL in 2020-21. It was in addition to the liabilities of ₹3,08,386.01 crore as mentioned in Finance Accounts 2020-21. As on 31 March 2021, KIIFB and KSSPL have an outstanding liability of ₹16,469.05 crore (para

2.6.2 of Chapter II). Thus, the overall debt of the State increased by ₹16,469.05 crore to ₹3,24,855.06 crore as on 31 March 2021.

Effective Total Public Debt would be ₹3,19,089.06 crore as the Department of Expenditure, GoI had decided that GST compensation of ₹5,766 crore given to the State as back to back loan under debt receipts would not be treated as debt of the State for any norms which may be prescribed by the Finance Commission.

1.7 Conclusions

1. Fiscal position of the State

As per State Government accounts, the ratio of fiscal deficit to GSDP increased from 4.17 *per cent* in 2016-17 to 5.40 *per cent* in 2020-21. Further, on post audit analysis it was concluded that the Revenue and Fiscal deficit of the State were understated by ₹244.85 crore and ₹9,471.59 crore respectively thereby increasing the fiscal deficit to GSDP ratio to 6.65 *per cent* in 2020-21.

The State did not achieve any of the targets fixed in its Medium-Term Fiscal Plan or the Kerala Fiscal Responsibility Act during the year 2020-21. Though the fiscal deficit to GSDP ratio was to be anchored at 3 *per cent* as per KFR Act, 2003, the GoI allowed an additional borrowing of 2 *per cent* thereby increasing the overall borrowing to 5 *per cent* against which the State registered a fiscal deficit to GSDP ratio of 5.40 *per cent* during 2020-21.

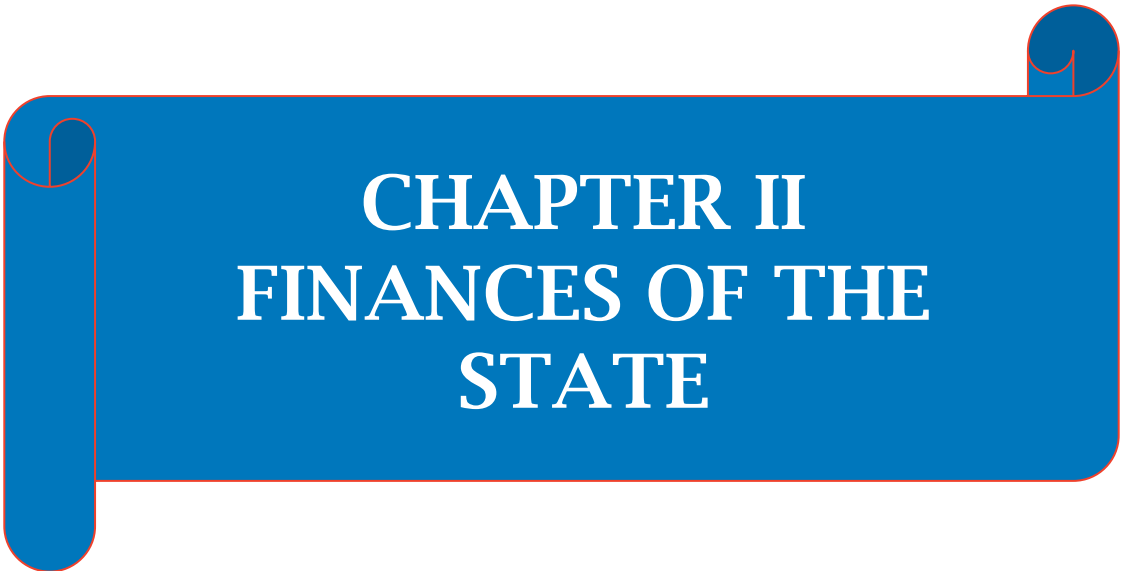
2. Overall Debt

The overall debt of the State including off-budget borrowings (outstanding liabilities of KIIFB and KSSPL) is ₹3,24,855.06 crore⁴. 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.

⁴ Effective Total Public Debt would be ₹3,19,089.06 crore as the Department of Expenditure, GoI had decided that GST compensation of ₹5,766 crore given to the State as back to back loan under debt receipts would not be treated as debt of the State for any norms which may be prescribed by the Finance Commission.



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 2021. It provides a broad perspective of the finances of the State during 2020-21 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* 2019-20

The major changes in key fiscal aggregates of the State during the year 2020-21, compared to the previous year are given in **Table 2.1**

Table 2.1: Changes in key fiscal aggregates in 2020-21 compared to 2019-20

Revenue Receipts	<ul style="list-style-type: none"> ✓ Revenue receipts of the State increased by 8.19 <i>per cent</i> ✓ Own Tax receipts of the State decreased by 5.29 <i>per cent</i> ✓ Own Non-tax receipts decreased by 40.26 <i>per cent</i> ✓ State's Share of Union Taxes and Duties decreased by 29.51 <i>per cent</i> ✓ Grants-in-Aid from Government of India increased by 176.52 <i>per cent</i>
Revenue Expenditure	<ul style="list-style-type: none"> ✓ Revenue expenditure increased by 17.88 <i>per cent</i> ✓ Revenue expenditure on General Services decreased by 9.27 <i>per cent</i> ✓ Revenue expenditure on Social Services increased by 31.69 <i>per cent</i> ✓ Revenue expenditure on Economic Services increased by 106 <i>per cent</i> ✓ Expenditure on Grants-in-Aid increased by 56.54 <i>per cent</i>
Capital Expenditure	<ul style="list-style-type: none"> ✓ Capital expenditure increased by 52.45 <i>per cent</i> ✓ Capital expenditure on General Services increased by 65.06 <i>per cent</i> ✓ Capital expenditure on Social Services increased by 108.86 <i>per cent</i> ✓ Capital expenditure on Economic Services increased by 43.64 <i>per cent</i>
Loans and Advances	<ul style="list-style-type: none"> ✓ Disbursement of Loans and Advances increased by 110.58 <i>per cent</i> ✓ Recoveries of Loans and Advances decreased by 10.67 <i>per cent</i>
Public Debt	<ul style="list-style-type: none"> ✓ Public Debt Receipts increased by 15.44 <i>per cent</i> (<i>Effective increase would be 5.90 per cent considering the exclusion of the back to back loan received in lieu of GST compensation from GoI</i>) ✓ Repayment of Public Debt decreased by 11.53 <i>per cent</i>
Public Account	<ul style="list-style-type: none"> ✓ Public Account Receipts increased by 34.05 <i>per cent</i> ✓ Disbursement of Public Account increased by 33.97 <i>per cent</i>
Cash Balance	<ul style="list-style-type: none"> ✓ Cash balance increased by ₹2,957.76 crore (147.14 <i>per cent</i>) during 2020-21 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 2019-20 and 2020-21

(₹ in crore)

Particulars		2019-20	2020-21	Increase (+)/ Decrease (-) in (per cent)
Sources	Opening Cash Balance	2203.15	2010.22	(-)8.76
	Revenue Receipts	90224.67	97616.83	8.19
	Capital Receipts	27.48	34.15	24.27
	Recoveries of Loans and Advances	295.32	263.82	(-)10.67
	Public Debt Receipts (Net)	16405.77	30807.51*	87.78
	Public Account Receipts (Net)	7313.77	13044.94	78.36
	Contingency fund	0.00	75.00	0.00
	Total	116470.16	143852.47	23.51
Application	Revenue Expenditure	104719.92	123446.33	17.88
	Capital Expenditure	8454.80	12889.65	52.45
	Disbursement of Loans and Advances	1210.22	2548.51	110.58
	Closing Cash Balance	2010.22	4967.98	147.14
	Contingency fund	75.00	0.00	
	Total	116470.16	143852.47	23.51

Source: Finance Accounts for 2019-20 and 2020-21

* Effective Public Debt Receipts (Net) would be ₹25,041.51 crore as the Department of Expenditure, GoI had decided that GST compensation of ₹5,766 crore given to the State as back to back loan under debt receipts would not be treated as debt of the State for any norms which may be prescribed by the Finance Commission.

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

Chart 2.1: Composition of Resources
(in per cent)

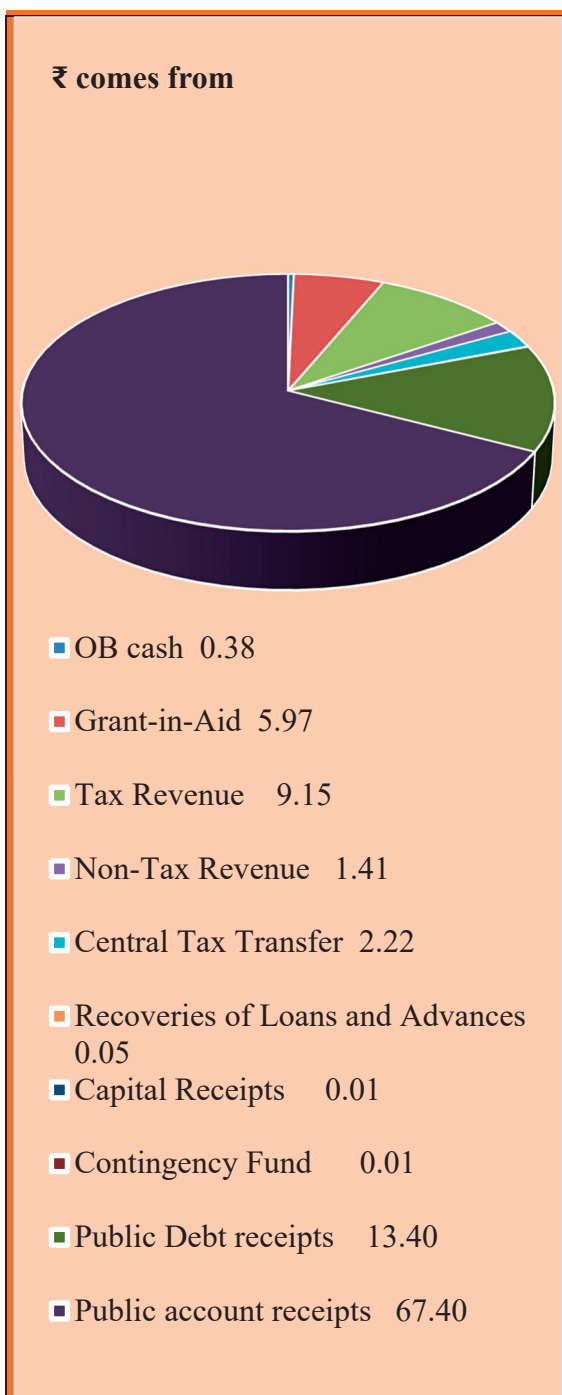
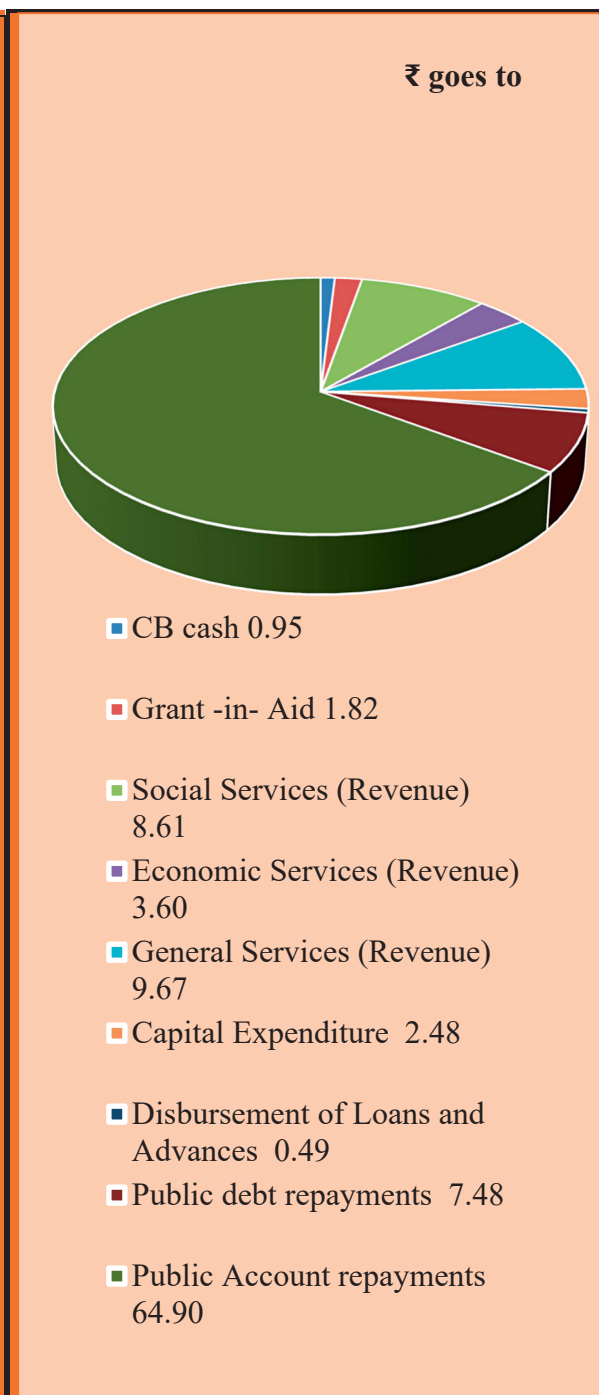


Chart 2.2: Application of Resources
(in per cent)



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 2020-21 (₹ in crore)

Total Receipts ₹1,41,767.25

Revenue Receipts ₹97,616.83		Capital Receipts ₹31,105.48		Net Public Account Receipts ₹13,044.94	
Grant in Aid	31068.28	Non Debt Receipts	297.97	Small Savings PF etc	11547.96
Share of Union Taxes and Duties	11560.40	Recoveries of Loans and Advances	263.82	Reserve Funds	344.05
Non-Tax Revenue	7327.31	Miscellaneous Capital Receipts	34.15	Deposit/advances	494.88
Own Tax Revenue	47660.84	Public Debt Receipts (Net)	30807.51*	Suspensense and Miscellaneous	618.64
State Goods and Service Tax	20028.31	Internal debt excluding ways and means advances	25043.88	Remittances	39.41
Land Revenue	493.35	Net transactions under ways and means advances	(-)529.82		
Stamps and Registration Fees etc	3489.59	Loans & Advances From GoI	6293.45**		
State Excise	2329.22				
Taxes on Vehicles	3386.28				
Taxes on Sales, trade etc	17689.17				
Other Taxes and duties on Commodities and Services	48.80				
Others	196.12				

* Effective Public Debt Receipts (Net) would be ₹25,041.51 crore as the Department of Expenditure, GoI had decided that GST compensation of ₹5,766 crore given to the State as back to back loan under debt receipts would not be treated as debt of the State for any norms which may be prescribed by the Finance Commission.

** Effective Loans & Advances from GoI would be ₹527.45 crore as the Department of Expenditure, GoI had decided that GST compensation of ₹5,766 crore given to the State as back to back loan under debt receipts (6004-Loans and Advances from GoI) would not be treated as debt of the State for any norms which may be prescribed by the Finance Commission.

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.

2.3.1.1 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 2016-17 to 2020-21 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	2016-17	2017-18	2018-19	2019-20	2020-21
Revenue Receipts (RR) (₹ in crore)	75611.72	83020.14	92854.47	90224.67	97616.83
Rate of growth of RR (per cent)	9.53	9.80	11.85	(-)2.83	8.19
Own Tax Revenue	42176.37	46459.61	50644.10	50323.14	47660.84
Non-Tax Revenue	9699.98	11199.61	11783.24	12265.22	7327.31
Rate of growth of Own Revenue (Own Tax and Non-tax Revenue) (per cent)	9.40	11.15	8.27	0.26	(-)12.14
Gross State Domestic Product (₹ in crore)	634886.00	701588.00	790302.00	854689.00	758942.00
Rate of growth of GSDP (per cent)	12.97	10.51	12.64	8.15	(-)11.20
RR/GSDP (per cent)	11.91	11.83	11.75	10.56	12.86
Buoyancy Ratios⁵					
Revenue Buoyancy w.r.t GSDP	0.73	0.93	0.94	(-)0.35	(-)0.73
State's Own Revenue Buoyancy w.r.t GSDP	0.72	1.06	0.65	0.03	1.08

Source: Finance Accounts of respective years; for GSDP MoSPI site as on 02 August 2021 and information from Directorate of Economics and Statistics, Kerala

⁵ Buoyancy ratio indicates the elasticity or degree of responsiveness of a fiscal variable with respect to a given change in the base variable.

Chart 2.4 Trend of Revenue Receipts

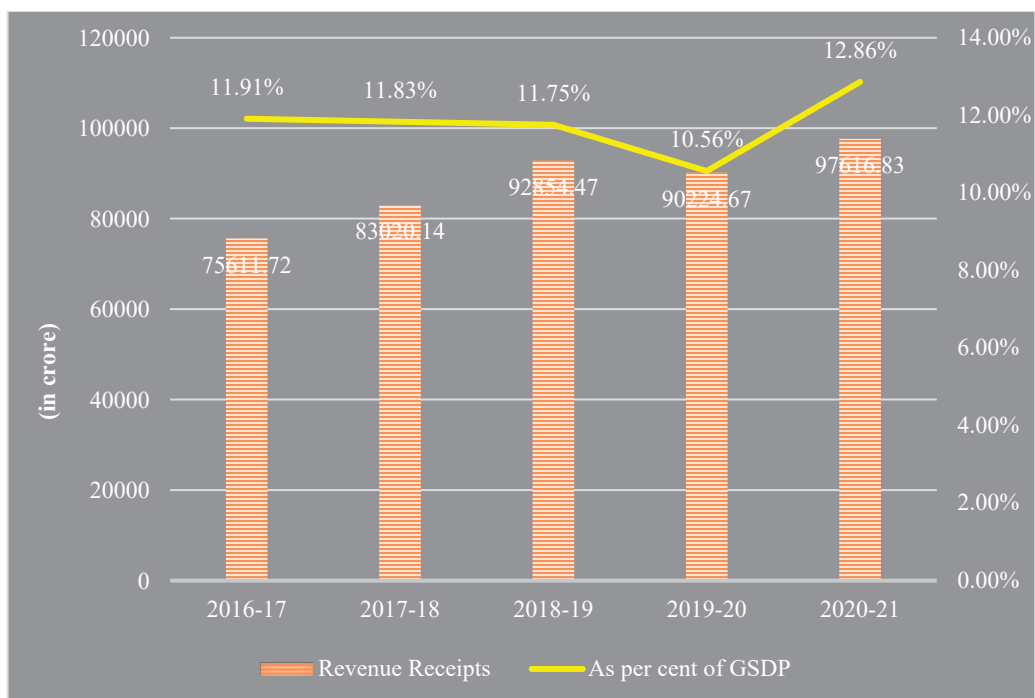
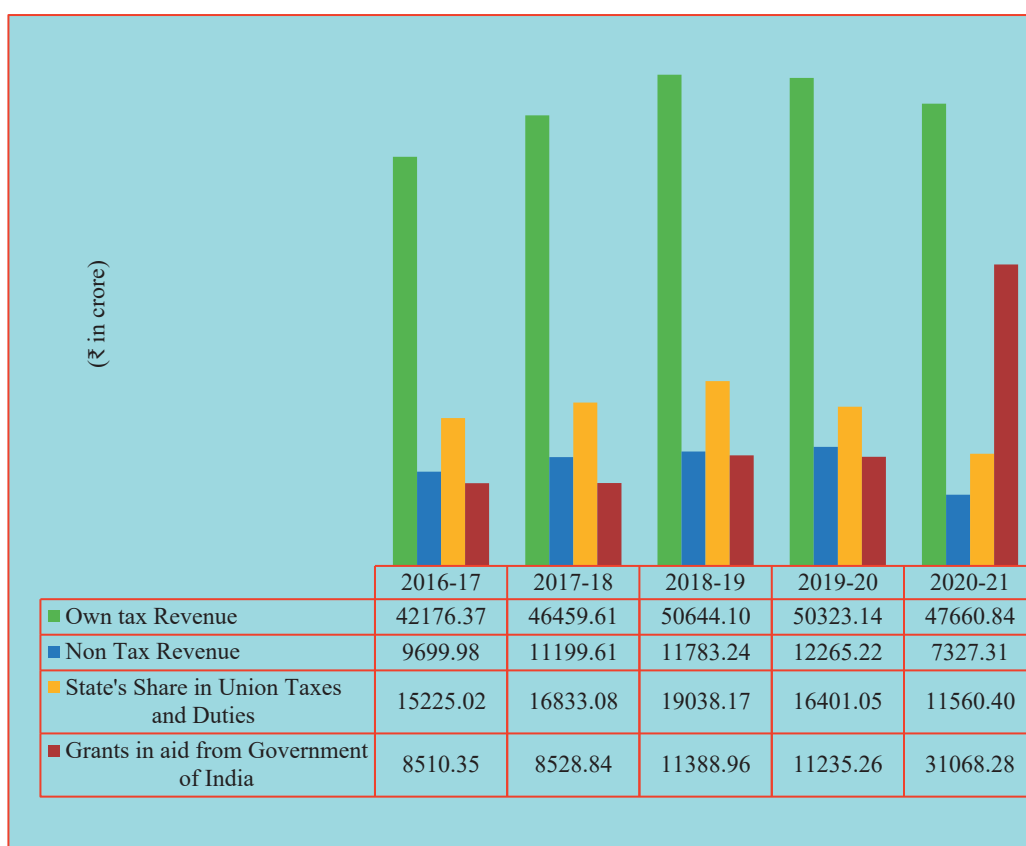


Chart 2.5 : Trend of components of Revenue Receipts



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

- The revenue receipts of the State increased by 8.19 *per cent* from ₹90,224.67 crore in 2019-20 to ₹97,616.83 crore in 2020-21. This was mainly due to a significant increase of 54.25 *per cent* (₹14,992.37 crore) in central transfer to the State, from ₹27,636.31 crore in 2019-20 to ₹42,628.68 crore in 2020-21. This was partly offset by decrease in own revenue of the Government.
- State's own resources contributed to 56.33 *per cent* of the revenue receipts during 2020-21, while union taxes and grant-in-aid together contributed 43.67 *per cent*.
- During 2020-21, own revenue (tax *plus* non-tax) of the State decreased by ₹7,600.21 crore as compared to 2019-20. The rate of growth of States own revenue recorded a negative growth rate at (-)12.14 *per cent*.
- The revenue receipts as a percentage of GSDP increased from 10.56 *per cent* in 2019-20 to 12.86 *per cent* in 2020-21.
- The buoyancy of revenue receipts with GSDP during 2020-21 was recorded at (-)0.73, indicating less than optimum growth in revenue receipts when compared to the growth in GSDP.
- Buoyancy of own revenue with GSDP was more than one (1.08) during the year indicating higher growth rate of own revenue when compared to the growth in GSDP.

2.3.1.2 State's Own Resources

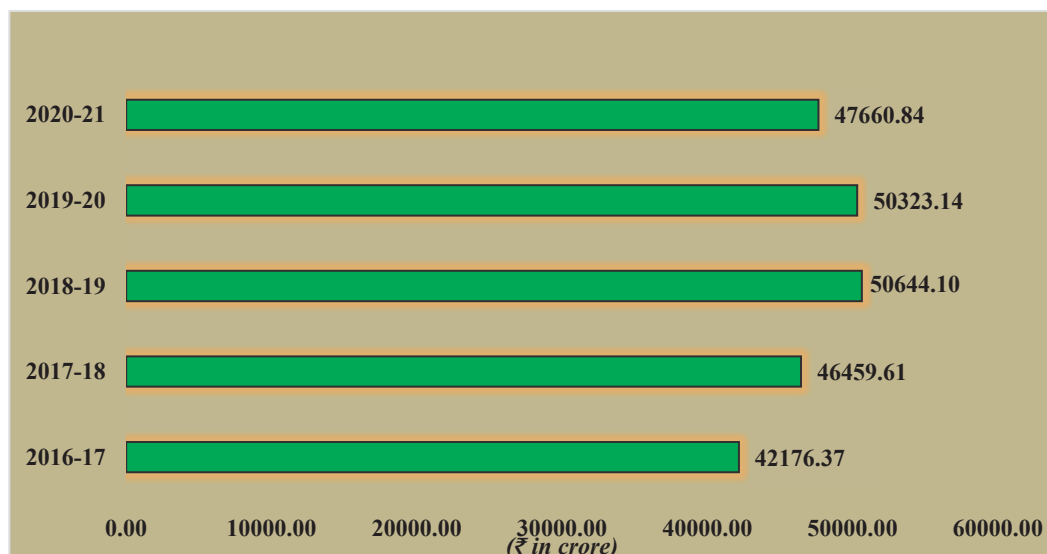
State's share in Central taxes is determined on the basis of recommendations of the Finance Commission. Grants-in-aid from Central Government are determined by the quantum of collection of Central tax receipts and anticipated Central assistance for schemes. State's performance in mobilisation of additional 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 consists 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 2016-17 to 2020-21 is given in **Chart 2.6** below:

Chart 2.6: Growth of Own Tax revenue during 2016-17 to 2020-21



The State's own tax revenue showed an increasing trend from 2016-17 to 2018-19 however it shows a decreasing trend from 2019-20 onwards. Own tax revenue decreased by ₹2,662.30 crore, from ₹50,323.14 crore in 2019-20 to ₹47,660.84 crore in 2020-21. The component wise Own Tax Revenue collected during the five-year period 2016-17 to 2020-21 is given in **Table 2.4**.

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

Revenue Head	2016-17	2017-18	2018-19	2019-20	2020-21	Sparkline
State Goods and Services tax	0.00	12007.69	21014.71	20446.95	20028.31	
Land Revenue	124.15	162.17	202.78	332.42	493.35	
Stamps and Registration Fees	3006.58	3452.56	3693.17	3615.01	3489.59	
State Excise	2019.30	2240.42	2521.40	2255.28	2329.22	
Taxes on Sales, Trade etc.	33453.49	24577.82	19225.75	19649.64	17689.17	
Taxes on Vehicles	3107.23	3662.85	3708.61	3721.14	3386.28	
Other Taxes and Duties on Commodities and Services	240.75	99.58	37.57	39.31	48.80	
Others	224.87	256.52	240.11	263.39	196.12	
Total	42176.37	46459.61	50644.10	50323.14	47660.84	

Source: Finance Accounts of respective years

State goods and services tax contributed 42.02 per cent of the own tax revenue followed by Taxes on sales, Trade etc. 37.11 per cent. State Excise and Land Revenue are the only revenue heads which recorded an increase in revenue collection during 2020-21. The tax collection of four major revenue sources of

the State compared with 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 products⁶) 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 ₹32,388.11 crore for the period 2020-21.

Actual collection of revenue under State Goods and Services Tax (SGST) for the period 2017-18 to 2020-21 is given in the **Table 2.5** below.

Table 2.5: SGST receipts of the State

<i>(₹ in crore)</i>				
Particulars	2017-18	2018-19	2019-20	2020-21
Tax	10927.61	17780.46	18966.81	16375.25
Apportionment of taxes from IGST	1075.51	3231.79	814.41	2613.92
Others	4.57	2.46	665.74	1039.14*
SGST Collection	12007.69	21014.71	20446.96	20028.31
Pre GST-Tax collected ⁷	2460.31	457.81	654.07	613.51

*Includes ₹1,038.71 crore towards Kerala flood cess.

During 2020-21, the State GST collection was ₹20,028.31 crore compared to ₹20,446.96 crore in 2019-20, registering a decrease of ₹418.64 crore (2.05 *per cent*).

⁶ Five petroleum products are: Crude, High speed diesel, Petrol, Aviation turbine fuel and Natural gas

⁷ 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.

Against the projected revenue of ₹32,388.11 crore, the State Government earned a revenue of ₹19,603.11 crore {SGST: ₹18,989.60 crore (excluding flood cess of ₹1,038.71 crore) + subsumed Pre GST-Tax: ₹613.51 crore} during 2020-21 and therefore, entitled to a compensation of ₹12,785 crore.

The State received total compensation of ₹12,487.38 crore on account of loss of revenue arising out of the implementation of GST during 2020-21. Out of this, ₹6,721.38 crore was received by the State as grants under revenue receipts. However, due to inadequate balance in GST compensation fund during the year 2020-21, the State also received back to back loan of ₹5,766 crore under debt receipts of the State Government with repayment obligations from the cess collected in GST compensation Fund and not from any other resources of the State. Due to this arrangement, the revenue deficit of ₹25,829.50 crore and the fiscal deficit of ₹40,969.69 crore during the year 2020-21 may be read in conjunction with debt receipt of ₹5,766 crore in lieu of GST compensation.

The State received ₹3,325.63 crore as its share of net proceeds assigned to the State under Central Goods and Services Tax.

Analysis of arrears of revenue

The arrears of revenue as on 31 March 2021 on some principal heads of revenue amounted to ₹6,881.72 crore of which ₹2,078.13 crore was outstanding for more than five years, as detailed in **Appendix 2.2**. Information called for from Forest, Port, SGST 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.

Non-Tax Revenue

Non-Tax revenue consists of interest receipts, dividends and profits, mining receipts, departmental receipts, etc. Major sources of Non-tax revenue of the State are given in **Table 2.6**.

Table 2.6: Components of non-tax revenue (₹ in crore)

Revenue Head	2016-17	2017-18	2018-19	2019-20	2020-21	Sparkline
Interest receipts	143.51	144.50	132.38	84.95	246.64	
Dividends and profits	96.37	126.48	132.12	100.33	110.19	
State Lotteries	7283.29	9034.17	9264.66	9973.67	4873.01	
Forestry and Wildlife	296.85	245.42	287.21	255.85	236.61	
Other non-tax receipts	1879.96	1649.04	1966.87	1850.42	1860.86	
Total	9699.98	11199.61	11783.24	12265.22	7327.31	

Source: Finance Accounts of respective years

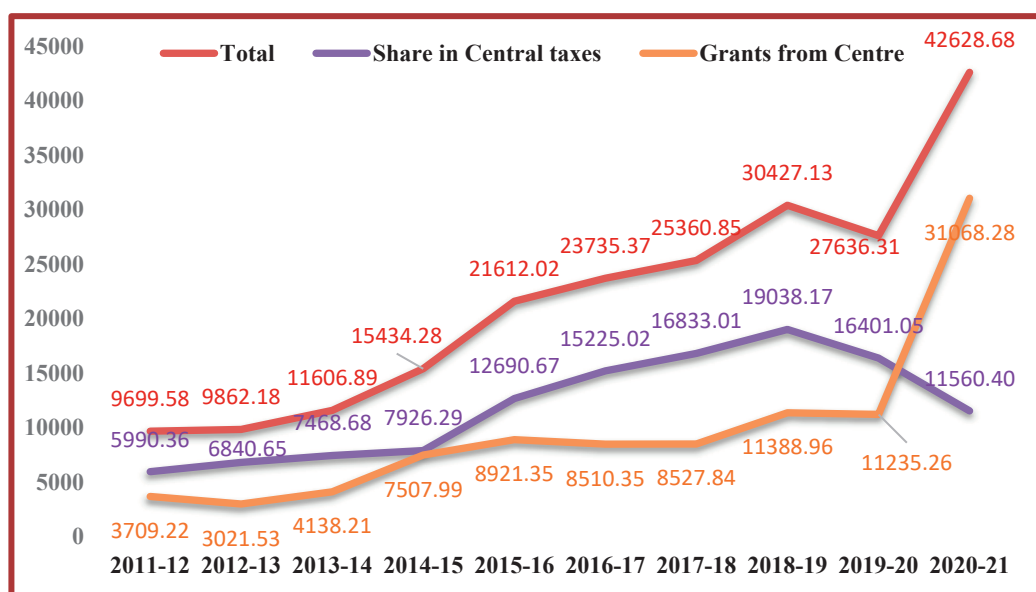
Non-tax revenue contributed to 7.51 per cent of the total revenue receipts of the State during 2020-21. When compared to 2019-20, the non-tax revenue of the State decreased by ₹4,937.91 crore (40.26 per cent) during the year. The decrease is mainly due to a significant decrease in receipts under State Lotteries

by ₹5,100.66 crore (51.14 per cent). Receipts under State Lotteries is the major non-tax revenue of the State and its share in non-tax revenue during the year was 66.50 per cent which was the lowest during the five-year period 2016-17 to 2020-21.

2.3.1.3 Transfers from the Centre

Transfers from Government of India including State's share of Union taxes and Grants-in-aid from Government of India during the period from 2011-12 to 2020-21 are shown in **Chart 2.7**.

Chart 2.7: Transfers from the Centre (₹ in crore)



State's share in Union taxes and duties: Actual devolution *vis-à-vis* Finance Commission projections are given in **Table 2.7**.

Table 2.7: 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
2015-16	42 per cent of net proceeds of all shareable taxes excluding service tax and 2.526 per cent of net proceeds of sharable 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
2020-21	41 per cent of net proceeds of union taxes(As per recommendations of XV FC)	16616.07	11560.40	5055.67

Source: Reports of the XIV-FC, XV-FC and Finance Accounts

Central Tax Transfer

The XV Finance Commission recommend an aggregate share of 41 *per cent* of the net proceeds of Union taxes (divisible pool) to be devolved to States' in the year 2020-21. *Inter se* share of Kerala in the net proceeds of the taxes (divisible pool) as recommended by the Commission is 1.943 *per cent*. The XIV Finance Commission (FC) had recommended the States' share of Central taxes as 42 *per cent* and 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. Further Details of Central tax transfers to the State during 2016-17 to 2020-21 are given in **Table 2.8**.

Table 2.8 : Central Tax Transfers

(₹ in crore)					
Head	2016-17	2017-18	2018-19	2019-20	2020-21
Direct taxes					
Corporation Tax	4885.98	5156.64	6621.02	5592.06	3546.02
Taxes on Income other than Corporation Tax	3395.77	4354.40	4876.10	4381.76	3642.70
Taxes on Wealth	11.18	0.00	2.44	0.25	0.00
Total of Direct Taxes (A)	8292.93	9511.04	11499.56	9973.82	7188.72
Indirect taxes					
Central Goods and Services Tax (CGST)	0.00	239.98	4699.14	4654.19	3325.63
Integrated Goods and Services Tax (IGST)	0.00	1699.96	375.00	0.00	0.00
Customs	2101.76	1699.40	1349.57	1039.60	591.59
Union Excise Duties	2400.03	1776.40	897.00	722.80	380.78
Service Tax	2430.25	1906.55	174.00	0.00	62.54
Other Taxes ⁸	0.05	0.00	44.31	10.39	11.14
Total of Indirect Taxes (B)	6932.09	7322.19	7538.61	6426.98	4371.68
Central Tax transfers (A+B)	15225.02	16833.23	19038.17	16401.05	11560.40
Percentage of increase over previous year	20.00	10.56	13.10	(-)13.85	(-)29.51
Percentage of Central tax transfers to Revenue Receipts	20.14	20.28	20.50	18.18	11.84

Source: Finance Accounts of respective years

The Central tax transfers stood at ₹11,560.40 crore in 2020-21, registering a decrease of 29.51 *per cent* (₹4,840.65 crore) over the previous year. Of the total

⁸ Include Other Taxes on Income and Expenditure, Other Taxes and Duties on Commodities and Services

Central tax transfers, the direct tax transfers was ₹7,188.72 crore and indirect tax transfers was ₹4,371.68 crore which included the Central Goods and Services Tax of ₹3,325.63 crore. The components received under the GST regime, decreased by 28.55 *per cent* over the previous year.

Grants-in-aid from GoI

Grant-in-aid (GIA) received from the Government of India contributed to 31.83 *per cent* of the revenue receipts of the State during 2020-21. Details of GIA received by the State Government from GoI during 2016-21 is given in **Table 2.9**.

Table 2.9 Grants-in-aid from Government of India

	(₹ in crore)				
Head	2016-17	2017-18	2018-19	2019-20	2020-21
Non-Plan Grants	5250.37	--	--	--	--
Grants for State Plan Schemes	2726.92	--	--	--	--
Grants for Central Plan Schemes*	71.31	--	--	--	--
Grants for Centrally Sponsored Plan Schemes	461.75	(-)0.47	(-)0.97	--	--
Grants for Special Plan Schemes	--	--	--	--	--
Grants for Centrally Sponsored Schemes	--	3213.58	3771.07	3262.65	5141.92
Finance Commission Grants	--	3182.04	1646.22	2343.01	18048.80
Other transfers/Grants to States/Union Territories with Legislature	--	2133.69	5972.64	5629.60	7877.56
Total	8510.35	8527.84	11388.96	11235.26	31068.28
Percentage of increase over the previous year	(-)4.61	0.21	33.65	(-)1.35	176.52
Percentage of GIA to Revenue Receipts	11.25	10.27	12.27	12.45	31.83

Source: Finance Accounts of respective years

* 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

During the year 2020-21 the grants-in-aid from GoI increased by ₹19,833.02 crore (176.52 *per cent*) over the previous year. The increase was mainly due to increase in the XV-FC Grants by ₹15,705.79 crore which included the post devolution deficit grant of ₹15,322.80 crore, increase under the component 'Other transfers Grants to State' by ₹2,247.96 crore and increase under 'Centrally Sponsored Schemes' by ₹1,879.27 crore.

2.3.2 Fifteenth Finance Commission award amount for the award period 2020-21

The Fifteenth Finance Commission (XV-FC, henceforth) was constituted by the President of India under Article 280 of the Constitution of India and was mandated 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 Bodies.

Later, the XV-FC was mandated to submit two reports, one for the year 2020-21 and the final Report for the period 2021-22 to 2025-26. The XV-FC submitted its first Report covering the financial year 2020-21 to the President on 5th December 2019.

The Grants-in-aid for the State of Kerala recommended by the XV-FC under Article 275 of the Constitution of India for 2020-21 amounted to ₹18,049 crore.

The Grants-in-aid recommended by XV-FC for the State of Kerala is shown in **Table 2.10**.

Table 2.10: Grants recommended by XV-FC for the State of Kerala in 2020-21

(₹ in crore)

SI No.	Particulars	Award amount for 2020-21
1	Revenue deficit grant	15323
2	Grants to Local Bodies	2412
3	Disaster Management Grants	314
	Total	18049

Source: First report of XV-FC for the year 2020-21

During the award period 2020-21, the State received the entire amount of ₹18,049 crore recommended by the XV-FC.

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 2.11** shows the trends in growth and composition of net Capital Receipts.

Table 2.11: Trends in growth and composition of Capital Receipts

(₹ in crore)

Sources of State's Receipts	2016-17	2017-18	2018-19	2019-20	2020-21
Capital Receipts	24180.37	30614.03	33702.96	60729.85	70033.33
Miscellaneous Capital Receipts	30.24	29.28	46.50	27.48	34.15
Recovery of Loans and Advances	292.24	350.98	210.54	295.32	263.82
Public Debt Receipts	23857.89	30233.77	33445.92	60407.05	69735.36[^]

Sources of State's Receipts	2016-17	2017-18	2018-19	2019-20	2020-21
Internal Debt *	23005.75	29789.00	32993.75	58256.36	62716.62
Loans and advances from GoI	852.14	444.77	452.17	2150.69	7018.74 ^{^^}
Rate of growth of debt Capital Receipts (in per cent)	21.36	26.72	10.62	80.61	15.44
Rate of growth of non-debt capital receipts (in per cent)	78.47	17.92	(-32.40)	25.58	(-7.69)
GSDP	634886.00	701588.00	790302.00	854689.00	758942.00
Rate of growth of GSDP (in per cent)	12.97	10.51	12.64	8.15	(-11.20)
Rate of growth of Capital Receipts (in per cent)	21.88	26.61	10.09	80.19	15.32

Source: Finance Accounts of respective years; for GSDP MoSPI site as on 02 August 2021 and information from Directorate of Economics and Statistics, Kerala

* Including gross figure under Ways and Means Advances

[^] Effective Public Debt Receipts would be ₹63,969.36 crore as the Department of Expenditure, GoI had decided that GST compensation of ₹5,766 crore given to the State as back to back loan under debt receipts would not be treated as debt of the State for any norms which may be prescribed by the Finance Commission.

^{^^} Effective Loans & Advances from GoI would be ₹1,252.74 crore as the Department of Expenditure, GoI had decided that GST compensation of ₹5,766 crore given to the State as back to back loan under debt receipts (6004-Loans and Advances from GoI) would not be treated as debt of the State for any norms which may be prescribed by the Finance Commission.

During the year 2020-21, the capital receipts (₹70,033.33 crore) increased by ₹9,303.48 crore as compared to the previous year (₹60,729.85 crore). During 2020-21, capital receipts increased by 15.32 per cent over the previous year primarily due to increase of 15.44 per cent in public debt receipts. The share of public debt receipts to capital receipts stood at 99.57 per cent in 2020-21.

The Internal debt (₹62,716.62 crore) includes open market borrowings (₹28,566 crore), other borrowings from financial institutions like National Bank for Agriculture and Rural Development (₹521.51 crore), National Co-operative Development Corporation (₹132.38 crore), Special Securities issued to National Small Savings Fund (₹4,273.98 crore) and ways and means advance from RBI (₹29,222.75 crore).

Loans and advances from GoI fluctuated widely during 2016-17 to 2020-21 and were highest at ₹7,018.74 crore in 2020-21. The loans mainly included non-plan block loans of ₹251.63 crore and plan block loans of ₹6,765.58 crore⁹, for various externally aided projects. Effective Loans & Advances from GoI would be ₹1,252.74 crore as the Department of Expenditure, GoI had decided that GST compensation of ₹5,766 crore given to the State as back to back loan under debt receipts (6004-Loans and Advances from GoI) would not be treated as debt of the State for any norms which may be prescribed by the Finance Commission.

⁹ Includes GST compensation of ₹5,766.00 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 2020-21 *vis-à-vis* assessments made by XV-FC and Budget Estimate are presented in **Table 2.12** below.

Table 2.12: Tax and Non-Tax receipts *vis-à-vis* projections for the year 2020-21

(₹ in crore)

Particulars	FC Projections	Budget Estimates	Actual	Percentage variation of actual over	
				Budget Estimates	FC Projections
Own Tax Revenue	72665.00	67420.01	47660.84	(-)29.31	(-)34.41
Non-Tax Revenue	4486.00	14587.00	7327.31	(-)49.77	63.34
Total	77151.00	82008.01	54988.15	(-)32.95	(-)28.73

Source: XV-FC report, Annual financial Statement and Finance Accounts of 2020-21

The actual tax revenue of the State in 2020-21 stood significantly lower than the projections made in the XV- FC, and Budget estimates. The actual tax revenue was lower than budget estimates mainly due to less collection of State Goods and Service Tax (₹12,359.80 crore), Taxes on Sales, Trade, etc. (₹5,573.99 crore), Stamps and registration fees (₹816.65 crore), Taxes on Vehicles (₹581.94 crore) State Excise(₹471.45 crore) Actual non-tax revenue was lower than the budget estimates but higher than XV 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

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 2.13**.

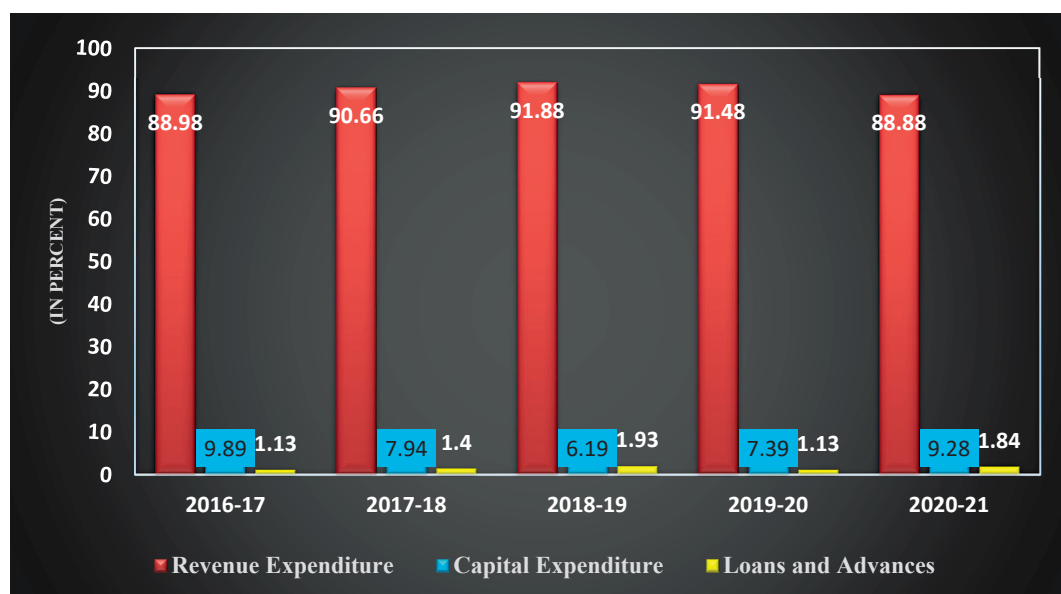
Table 2.13: Total expenditure and its composition

(₹ in crore)					
Parameters	2016-17	2017-18	2018-19	2019-20	2020-21
Total Expenditure (TE)	102382.55	110237.81	120069.82	114384.94	138884.49
Revenue Expenditure (RE)	91096.31	99948.35	110316.39	104719.92	123446.33
Capital Expenditure (CE)	10125.95	8748.87	7430.54	8454.80	12889.65
Loans and Advances	1160.29	1540.59	2322.89	1210.22	2548.51
GSDP	634886.00	701588.00	790302.00	854689.00	758942.00
As a percentage of GSDP					
TE/GSDP	16.13	15.71	15.19	13.38	18.30
RE/GSDP	14.35	14.25	13.96	12.25	16.27
CE/GSDP	1.59	1.25	0.94	0.99	1.70
Loans and advances/ GSDP	0.18	0.22	0.29	0.14	0.34

Source: Finance Accounts of respective years; for GSDP MoSPI site as on 02 August 2021 and information from Directorate of Economics and Statistics, Kerala

The total expenditure of the State increased by 35.65 per cent from ₹1,02,382.55 crore in 2016-17 to ₹1,38,884.49 crore in 2020-21. During the year, it increased by 21.42 per cent over the previous year. As a percentage of GSDP, the Total Expenditure stood at 18.30 per cent during 2020-21.

During the period 2016-17 to 2020-21, a major share of the total expenditure was on revenue account and ranged between 89 and 92 per cent. During 2020-21 it was 89 per cent and the share of capital expenditure (including loans and advances) was 11 per cent. The share of revenue expenditure, capital expenditure and loans and advances for the years 2016-17 to 2020-21 are given in Chart 2.8.

Chart 2.8: Total Expenditure: Trends in share of its components

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 ₹1,38,884.49 crore during 2020-21 is given in **Table 2.14**.

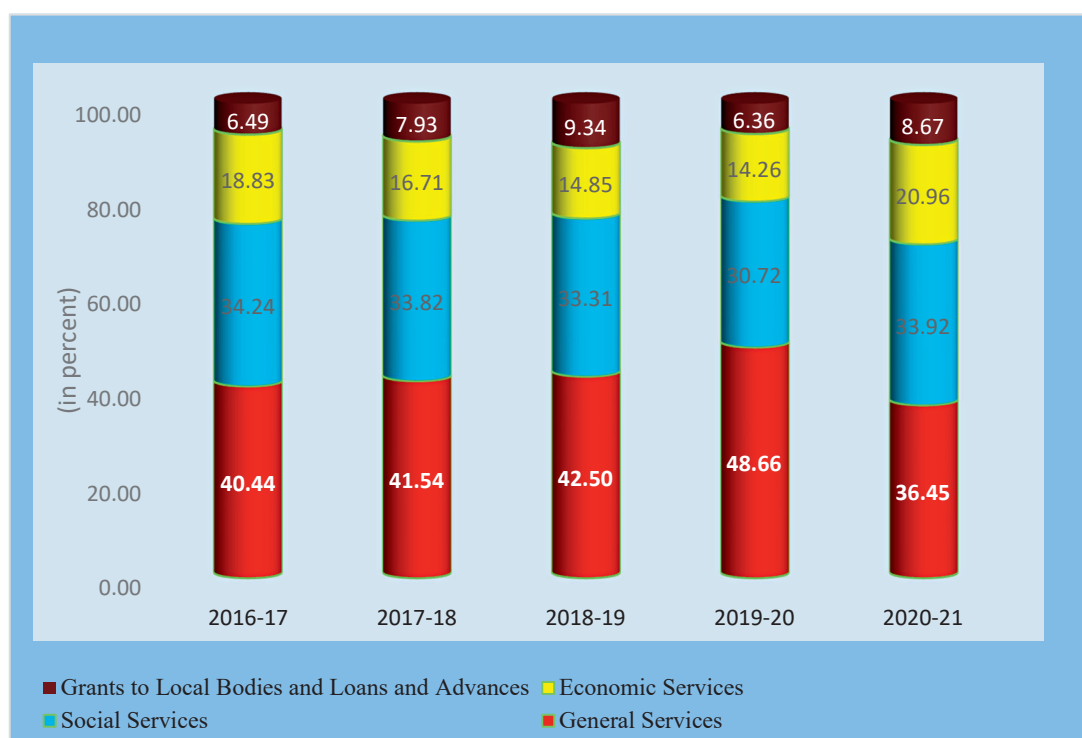
Table 2.14 : Relative share of various sectors of expenditure

(in per cent)

Parameters	2016-17	2017-18	2018-19	2019-20	2020-21
General Services	40.44	41.54	42.50	48.66	36.45
Social Services	34.24	33.82	33.31	30.72	33.92
Economic Services	18.83	16.71	14.85	14.26	20.96
Others(Grants to Local Bodies and Loans and Advances)	6.49	7.93	9.34	6.36	8.67

Source: Finance Accounts of respective years

Chart 2.9 : Total Expenditure: Expenditure by activities

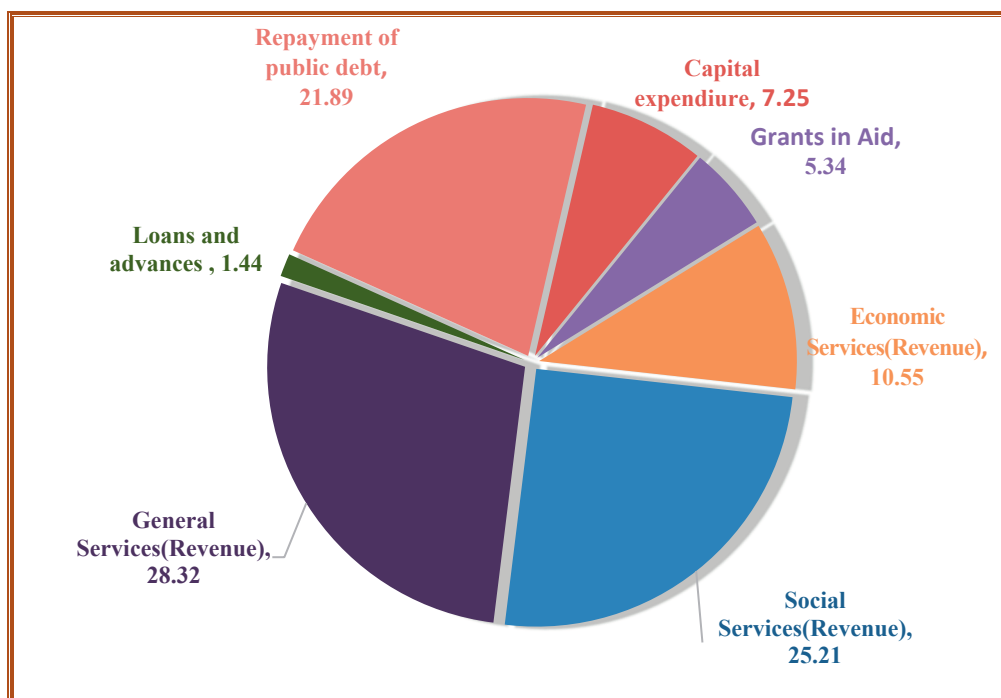


- The movement of the relative share of general, social and economic services exhibited a fluctuating trend during 2016-17 to 2020-21.
- While relative share of General Services in total expenditure decreased, share of Social Services and Economic Services increased during 2020-21 when compared to 2019-20.

- Decrease in expenditure under General Services during 2020-21 was mainly due to decrease in expenditure under Miscellaneous General Service (₹6,332.91 crore) when compared to 2019-20.
- In the year 2020-21, increase in Social Services expenditure is mainly due to increase in expenditure under Social Security and Welfare by ₹9,819.61 crore, when compared to 2019-20. The expenditure under the component Medical and Public health also recorded an increase of ₹1,342.13 crore in the Pandemic period.
- Increase in Economic services is mainly due to increase under the component Food, Storage and Warehousing by ₹4,767.95 crore followed by Road and Bridges ₹2,099.55 crore. In 2020-21, capital expenditure under economic services increased by ₹3,145.17 crore as compared to 2019-20.

Chart 2.10 : Composition of expenditure for the year 2020-21

(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 2.15** and the sectoral distribution of Revenue expenditure pertaining to 2020-21 is given in **Chart 2.11**.

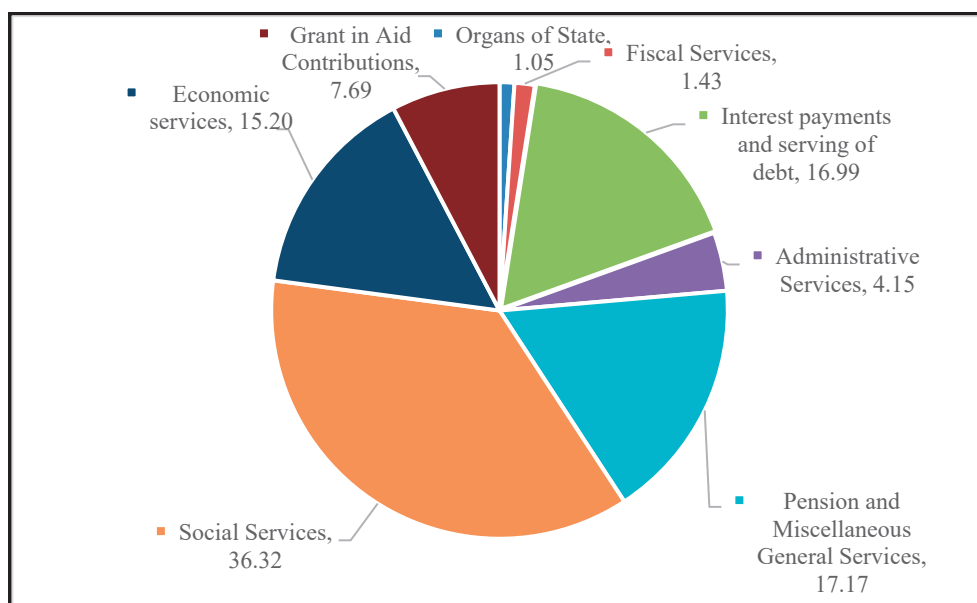
Table 2.15: Revenue expenditure – basic parameters

(₹ in crore)					
Particulars	2016-17	2017-18	2018-19	2019-20	2020-21
Total Expenditure(TE)	102382.55	110237.82	120069.82	114384.94	138884.49
Revenue expenditure (RE)	91096.31	99948.35	110316.39	104719.92	123446.33
Rate of Growth of RE (per cent)	15.77	9.72	10.37	(-)5.07	17.88
Revenue Receipts (RR)	75611.72	83020.14	92854.47	90224.67	97616.83
Rate of growth of Revenue Receipts (per cent)	9.53	9.80	11.85	(-)2.83	8.19
GSDP	634886.00	701588.00	790302.00	854689.00	758942.00
Rate of growth of GSDP (per cent)	12.97	10.51	12.64	8.15	(-)11.20
Revenue expenditure as percentage to TE	88.98	90.67	91.88	91.55	88.88
RE as percentage of RR	120.48	120.39	118.81	116.07	126.46
RE/GSDP(per cent)	14.35	14.25	13.96	12.25	16.27
Buoyancy of Revenue Expenditure with					
GSDP (ratio)	1.22	0.92	0.82	(-)0.62	(-)1.60
Revenue Receipts (ratio)	1.65	0.99	0.88	1.79	2.18

Source: Finance Accounts of respective years; for GSDP MoSPI site as on 02 August 2021 and information from Directorate of Economics and Statistics, Kerala

Chart 2.11 : Sector-wise distribution of revenue expenditure

(in per cent)



- The expenditure pattern of the State revealed that, revenue expenditure hovered around 88 to 92 *per cent* of the total expenditure during the period (2016-17 to 2020-21) leaving inadequate resources for creation of assets.
- The share of Revenue expenditure in total expenditure decreased from 91.55 *per cent* in 2019-20 to 88.88 *per cent* in 2020-21 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.
- The revenue expenditure for the year 2020-21 increased by ₹18,726.41 crore (17.88 *per cent*) when compared to 2019-20. There was decrease under General Services by 9.27 *per cent* (₹5,143.31 crore) and significant increase Social Services by 31.69 *per cent* (₹10,787.67 crore) and Economic Services by 106 *per cent* (₹9,653.47 crore) compared to the previous year indicating increase in development expenditure under revenue component of expenditure. The Grant aid contribution during the year also increased 56.54 *per cent* (₹3,428.58 crore).
- The buoyancy of revenue expenditure with reference to GSDP however, decreased and was (-)1.60 *per cent* in the year 2020-21 due to decrease in the rate of growth of GSDP as compared to increase in the rate of growth of revenue expenditure.

2.4.2.1 Major Changes in Revenue Expenditure

Table 2.16 shows the details of significant variation (₹1,000 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 2.16: Variations in Revenue Expenditure during 2020-21 compared to 2019-20

(₹ in crore)

Major Head of Account	2019-20	2020-21	Increase (+)/ Decrease(-)
2049 Interest Payments	19214.70	20975.36	1760.66
2075 Miscellaneous General Services	8590.35	2257.44	(-)6332.91
2202 General Education	17151.38	15199.63	(-)1951.75
2210 Medical and Public Health	6742.42	8013.18	1270.76
2235 Social Security & Welfare	3758.01	13572.74	9814.73
2408 Food, Storage and Warehousing	1190.81	5955.04	4764.23
3054 Roads and Bridges	1404.90	3103.31	1698.41

Major Head of Account	2019-20	2020-21	Increase (+)/ Decrease(-)
3604 Compensation and Assignments to Local Bodies and Panchayati Raj Institutions	6063.87	9492.45	3428.58

Source: Finance Accounts

Reasons for major variations in Revenue Expenditure is as detailed:

- Increase under the head Interest payment is mainly due to increase under 'Interest on Market Loans', 'Interest on Special securities issued to National Small Savings Fund of the Central Government by State Government', 'Interest on Other Saving Deposits' and 'Interest on Insurance and Pension Fund'. This was partly offset by decrease under 'Interest on State Provident Funds' and 'Interest on Other Internal Debts'.
- Increase under the head Medical and Public health is mainly due to increase in expenditure under 'Prevention and Control of Diseases', 'Assistance to Public Sector and Other Undertakings'. Increase under the head Social Security and Welfare is mainly due to increase on 'Pensions under Social Security Schemes'. Increase under 'Food Subsidies' and 'Procurement and Supply' are the main reasons for increase under the head 'Food Storage and Warehousing'.
- Decrease under the head Miscellaneous General Services is mainly due to decrease under 'State Lotteries' and decrease under the head General Education is due to decrease under 'Assistance to Non-Government Primary Schools', 'Government Primary Schools' under 'Elementary Education', 'Assistance to Non-Government Secondary Schools' and 'Government Secondary Schools' under Secondary Education. This was partly offset by increase under 'Sarva Siksha Abhiyan' under 'Elementary Education'.

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 2.17 presents the trends in the components of committed expenditure during 2016-17 to 2020-21. Percentage of component wise committed expenditure in Revenue Expenditure and the balance revenue expenditure during 2016-17 to 2020-21 is given in **Chart 2.12**.

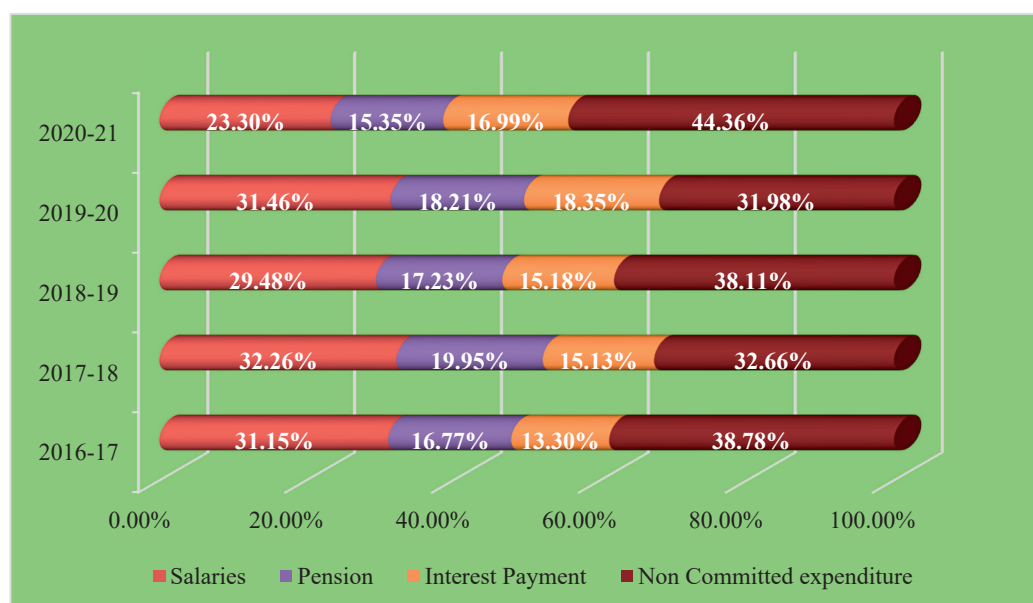
Table 2.17: Components of Committed Expenditure

(₹ in crore)

Components of Committed Expenditure	2016-17	2017-18	2018-19	2019-20	2020-21
Salaries & Wages	28373.10	32242.99	32520.66	32942.28	28767.46
Expenditure on Pensions	15277.03	19938.41	19011.94	19064.29	18942.85
Interest Payments	12116.50	15119.93	16747.92	19214.70	20975.36
Total	55766.63	67301.33	68280.52	71221.27	68685.67
As a percentage of Revenue Receipts					
Revenue Receipts (RR)	75611.72	83020.14	92854.47	90224.67	97616.83
Salaries & Wages	37.52	38.84	35.02	36.51	29.47
Expenditure on Pensions	20.20	24.02	20.47	21.13	19.41
Interest Payments	16.02	18.21	18.04	21.30	21.49
Total	73.75	81.07	73.53	78.94	70.36
As a percentage of Revenue Expenditure					
Revenue expenditure (RE)	91096.31	99948.35	110316.39	104719.92	123446.33
Salaries & Wages	31.15	32.26	29.48	31.46	23.30
Expenditure on Pensions	16.77	19.95	17.23	18.21	15.35
Interest Payments	13.30	15.13	15.18	18.35	16.99
Total	61.22	67.34	61.90	68.01	55.64

Source: Finance Accounts of respective years

Chart 2.12: Share of Committed expenditure in total Revenue Expenditure



Committed expenditure constituted over 55.64 *per cent* of the revenue expenditure of the State in 2020-21, while it accounted for over 70 *per cent* of the revenue receipts during the year. As a percentage of revenue expenditure, the committed expenditure showed a fluctuating trend from 2016-17 to 2020-21. The rate of committed expenditure decreased in 2020-21. The share of non-committed revenue expenditure in total revenue expenditure increased substantially by 63.47 *per cent* in 2020-21 over 2019-20.

The components of committed expenditure are discussed in the succeeding paragraphs.

Salaries and wages

Expenditure on Salaries & wages showed a fluctuating trend from 2016-17 to 2019-20. However, it decreased in 2020-21 by 12.67 *per cent* when compared to 2019-20. It contributed to 23.30 *per cent* of the total revenue expenditure which is the lowest in the five-year period from 2016-17 to 2020-21. The expenditure under the head salaries and wages ranged between 29.48 and 32.26 *per cent* during the period from 2016-17 to 2019-20. Salaries and wages as a percentage of revenue receipts also decreased from 36.51 *per cent* in 2019-20 to 29.47 *per cent* in 2020-21. This was attributed to deferment of salaries by the State Government.

Interest Payments

Interest payments increased from ₹12,116.50 crore in 2016-17 to ₹20,975.36 crore in 2020-21. Interest payments increased by 9.16 *per cent* in 2020-21 over the previous year mainly due to increased interest liability of ₹1,043.55 crore on market loans and ₹42.63 crore on Small Savings, Provident Fund etc. During 2020-21, interest payment on market loans was 58.17 *per cent* of the total interest payments while interest on Small Savings, Provident Fund etc. stood at 30.32 *per cent* of the total interest payments. The expenditure on interest payment as percentage of revenue receipts increased from 16.02 *per cent* in 2016-17 to 21.49 *per cent* in 2020-21.

Pensions

The expenditure during the year on pension and other retirement benefits to State Government employees was ₹18,942.85 crore (19.41 *per cent* of Revenue Expenditure) showing a decrease of ₹121.44 crore when compared to ₹19,064.29 crore for the year 2019-20.

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.

As on 01 April 2020, there was a balance of ₹0.34 crore under MH 8342-117 Defined Contribution Pension Scheme. During the year 2020-21, an amount of ₹945.22 crore (₹472.44 crore on account of Government's contribution and ₹472.78 crore as share of employee contribution) was credited to MH 8342-117 Defined Contribution Pension Scheme. Out of total balances of ₹945.56 crore, the State Government transferred/ remitted ₹945.39 crore to NSDL, leaving a balance of ₹0.17 crore under the head of account as on 31 March 2021.

As per Finance Accounts, ₹0.024 crore was the interest due on the amount. Non-payment of interest resulted in understatement of revenue and fiscal deficit by ₹0.024 crore.

Uncollected, unmatched and untransferred amounts, with accrued interest, represent outstanding liabilities under the New Pension Scheme.

2.4.2.4 Subsidies

There was a significant increase in expenditure on subsidies, from ₹1,429.01 crore in 2019-20 to ₹6,547.48 crore in 2020-21. The subsidies as a percentage of both revenue receipts and revenue expenditure shows a decreasing trend in the past four years. In the year 2020-21, subsidies as a percentage of revenue receipts and revenue expenditure increased from 1.58 per cent and 1.36 per cent to 6.71 per cent and 5.30 per cent respectively. In absolute terms, the expenditure on payment of Subsidies increased by ₹5,118.47 crore during the year when compared to the previous year as detailed in **Table 2.18** below:

Table 2.18: Expenditure on subsidies during 2016-2021

Particulars	(₹ in crore)				
	2016-17	2017-18	2018-19	2019-20	2020-21
Subsidies	1730.68	1583.84	1663.01	1429.01	6547.48
Revenue Receipts	75611.72	83020.14	92854.47	90224.67	97616.83
Revenue expenditure	91096.31	99948.35	110316.39	104719.92	123446.33
Subsidies as percentage of Revenue Receipts	2.29	1.91	1.79	1.58	6.71
Subsidies as percentage of Revenue Expenditure	1.90	1.58	1.51	1.36	5.30

Source: Finance Accounts of respective years

The main items of subsidies given during the year 2020-21 included Grant to Kerala State Civil Supplies Corporation Limited for market intervention operations (₹3,385.08 crore), Ration Subsidy (₹1,714.35 crore), Paddy Procurement through Kerala State Civil Supplies Corporation and Other Agencies (₹844.55 crore), Interest Subsidy to KURDFC towards the loan

availed from HUDCO for the implementation of Life-Parppida Mission (₹175.43 crore).

2.4.2.5 Financial assistance to Local Bodies and Other Institutions

The quantum of assistance provided by way of grants and loans to local bodies, and other institutions during 2016-17 to 2020-21 is presented in **Table 2.19**.

Table 2.19: Financial assistance to local bodies, educational institutions, etc.

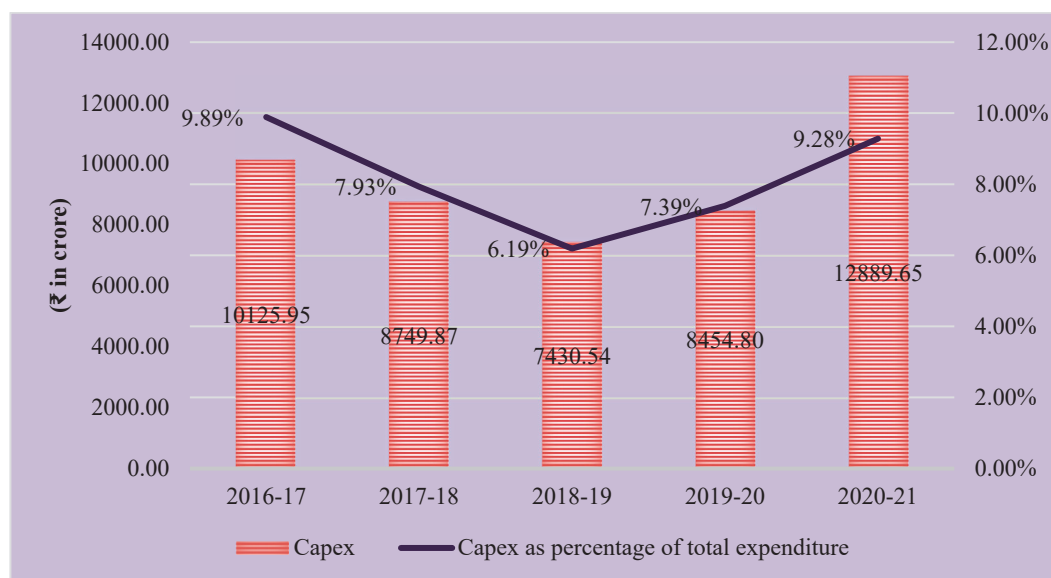
(₹ in crore)					
Financial Assistance to Institutions	2016-17	2017-18	2018-19	2019-20	2020-21
(A) Local Bodies					
Municipal Corporation and Municipalities	2756.55	3178.62	3287.46	2296.24	3653.02
Panchayati Raj Institutions	7775.98	11335.87	10426.56	5711.11	8692.14
Total (A)	10532.53	14514.49	13714.02	8007.35	12345.16
(B) Others					
Public Sector Undertakings (Government Companies and Statutory Corporation)	1096.48	1862.03	1879.81	1489.07	2966.98
Educational Institutions (Universities)	1375.09	1483.81	1524.64	1564.63	1569.61
Cooperative Institutions	78.78	76.56	64.70	50.50	193.97
Other Institutions	2783.96	1616.71	2199.45	1020.49	3429.13
Total (B)	5334.31	5039.11	5668.60	4124.69	8159.69
Total (A +B)	15866.84	19553.60	19382.62	12132.04	20504.85
Revenue Expenditure	91096.31	99948.35	110316.39	104719.92	123446.33
Assistance as percentage of Revenue Expenditure	17.42	19.56	17.57	11.59	16.61

Source: Finance Accounts of respective years

The financial assistance to local bodies and other institutions increased from ₹12,132.04 crore in 2019-20 to ₹20,504.85 crore in 2020-21. The table above shows that the percentage of assistance with reference to revenue expenditure was 16.61 *per cent* during 2020-21 as compared to 11.59 *per cent* in 2019-20. Substantial increase was noticed in the release of Grants in respect of Local Bodies during 2020-21 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 2.13: Capital expenditure in the State

The capital expenditure constituted 9.28 per cent of the total expenditure for the year 2020-21. Capital expenditure as a percentage of total expenditure showed an increase of 25.58 per cent when compared to the year 2019-20 (7.39 per cent) and a decrease of 6.17 per cent to the year 2016-17 (9.89 per cent).

The capital expenditure of the State increased by 52.45 per cent (₹4,434.85 crore) during the year. The increase was mainly under the Social Services sector by 108.86 per cent followed by 65.06 per cent in General Services sector and Economic Services Sector by 43.64 per cent.

2.4.3.1 Major changes in Capital Expenditure

Significant variations under various Head of Account with regard to capital expenditure of the State during the current year and the previous year is given in the **Table 2.20**.

Table 2.20: Capital expenditure during 2020-21 compared to 2019-20

Major Heads of Account	₹ in crore		
	2019-20	2020-21	Increase (+)/ Decrease(-)
4215 Capital outlay on Water Supply and Sanitation	271.58	1146.16	874.58
4217 Capital Outlay on Urban Development	11.78	110.11	98.33
4515 Capital Outlay on other Rural Development Programmes	916.32	1712.44	796.12
4859 Capital Outlay on Telecommunication and Electronic Industries	83.09	180.33	97.24
5053 Capital Outlay on Civil Aviation	238.17	128.50	(-)109.67
5054 Capital Outlay on Roads and Bridges	2302.80	2703.94	401.14
5056 Capital Outlay on Inland Water Transport	13.45	119.06	105.61
5075 Capital Outlay on Other Transport Services	451.13	716.30	265.17

Major Heads of Account	2019-20	2020-21	Increase (+)/ Decrease(-)
5452 Capital Outlay on Tourism	81.68	239.75	158.07
5465 Investment in General Financial and Trading Institutions	0.00	400.00	400.00
5475 Capital Outlay on Other General Economic Services	2217.22	2854.59	637.37

Source: Finance Accounts of respective years

Out of the total capital expenditure of ₹12,889.65 crore, 80 per cent was incurred on Capital Outlay on social services.

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 2020-21, the State Government had invested ₹10,064.07 crore in three Statutory Corporations, 117 Government Companies, 40 other Joint Stock Companies and various co-operatives.

The average return on these investments during the five-year period 2016-17 to 2020-21 was 1.34 per cent, while Government paid an average interest rate of 7.33 per cent on its borrowings during the period.

Table 2.21: Return on investments

Investment/return/ cost of borrowings	2016-17	2017-18	2018-19	2019-20	2020-21
Investment at the end of the year (₹ in crore)	7240.03	8211.47	8322.38	8889.00	10064.07
Return (₹ in crore)	96.37	126.48	132.12	100.33	110.19
Return (in per cent)	1.33	1.54	1.59	1.13	1.09
Average rate of interest on Government Borrowings (in per cent) ¹⁰	6.92	7.48	7.34	7.58	7.31

¹⁰ Interest Payment/ [(Amount of previous year's Fiscal Liabilities + Current year's Fiscal Liabilities)/2] *100.

Investment/return/ cost of borrowings	2016-17	2017-18	2018-19	2019-20	2020-21
Difference between interest rate and return (in per cent)	5.59	5.94	5.75	6.45	6.22
Difference between interest on Government borrowings and return on investment (₹ in crore) ¹¹	404.72	487.76	478.54	573.34	625.99

Source: Finance Accounts of the State Government

During 2020-21, the Government invested ₹92.74 crore in Statutory Corporations, ₹394.47 crore in Government Companies, ₹126.08 crore in Joint Stock, ₹75.56 crore in Co-operative Banks and Societies. Progressive expenditure on investments was increased by ₹7.30 crore under Government Companies and decreased by ₹34.15 crore under Co-operative Banks and Societies.

Out of the total investment of ₹688.85 crore, ₹146.37 crore was invested in one corporation and four government companies, which are loss making and whose net worth is completely eroded as shown in **Table 2.22** below.

Table 2.22: Investment made in corporation/companies, whose net worth is completely eroded

(₹ in crore)

Name of the Company/Corporation	Year upto which accounts finalised	Net worth	Investment made during 2020-21	Cumulative investment as on 31 March 2021
Kerala State Road Transport Corporation	2014-15	(-) 4290.63	2.74	752.34
Kerala State Handloom Development Corporation	2018-19	(-) 43.79	40.00	54.44
The Kerala State Cashew Development Corporation limited	2018-19	(-) 1181.46	51.30	557.34
Meat Products of India Limited	2016-17	(-)21.83	32.33	2.14
Kerala State Horticultural Products Development Corporation Limited	2015-16	(-)3.19	20.00	7.93
Total			146.37	

Source: Data collected from commercial audit wing and Finance Accounts

¹¹ Investment at the end of the year *Difference between interest rate and return.

Table 2.23: Investments made in loss making companies

(₹ in crore)

Company	Year upto which accounts finalised	Loss after tax and interest	Investment made during 2020-21	Cumulative Investment as on 31.03.2021
Kerala Tourism Development Corporation limited	2017-18	(-)12.69	69.00	186.60
The Kerala State Development Corporation for Scheduled Caste and Scheduled Tribes Limited	2018-19	(-)12.36	15.00	207.58
The Kerala State Film Development Corporation Limited	2016-17	(-)1.35	11.00	66.38
Kerala Shipping and Inland Navigation Corporation Limited	2017-18	(-)1.15	3.60	70.27
Indian Institute of Information Technology and Management Kerala	2019-20	(-)0.67	60.00	181.63
Vision Varkala Infrastructure Development Corporation Limited	2017-18	(-)0.35	2.50	14.73
Malabar International Port & SEZ Limited (Erstwhile Azhikkal Port)	2018-19	(-)1.27	28.23	53.80
Kannur International Airport Limited	2015-16	(-)0.52	126.08	1383.24
Total			315.41	2164.23

Source : Data collected from Commercial Audit Wing and Finance Accounts

Eight Companies in which an amount of ₹315.41 crore was invested during the year are loss making. The total investment of the Government upto 31 March 2021 in these loss making Companies was ₹2,164.23 crore. Details of investments made in loss making companies is given in **Table 2.23** above.

The cumulative investment blocked in 16 non-working companies was ₹33.87 crore.

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.

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 2.24** 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 2016-17 to 2020-21.

Table 2.24 : Quantum of loans disbursed and recovered during five years**(₹ in crore)**

Quantum of Loans disbursed and recovered	2016-17	2017-18	2018-19	2019-20	2020-21
Opening Balance of loans outstanding	13009.89	13877.23 ¹²	15163.04 ¹³	16557.18 ¹⁴	17472.08
Amount advanced during the year	1160.29	1540.59	2322.89	1210.22	2548.51
Amount recovered during the year	292.24 ¹⁵	350.98 ¹⁶	210.54 ¹⁷	295.32 ¹⁸	263.82 ¹⁹
Closing Balance of the Loans Outstanding	13877.94	15066.84	17275.39	17472.08	19756.77
Net addition	868.05	1189.61	2112.35	914.90	2284.69
Interest received	30.53	37.53	40.81	50.59	42.83
Interest rate on loans and Advances given by the Government ²⁰ (in per cent)	0.23	0.26	0.25	0.30	0.23
Rate of Interest paid on the Outstanding borrowings of the Government(in per cent)	6.92	7.48	7.34	7.58	7.31
Difference between the rate of interest paid and interest received (per cent)	6.69	7.22	7.09	7.28	7.08

Source: Finance Accounts

Interest received against these loans remained less than one *per cent* during the period 2016-17 to 2020-21 and was 0.23 *per cent* during 2020-21 as against the average cost of borrowings of 7.31 *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 ₹17,472.08 crore in 2019-20 to ₹19,756.77 crore in 2020-21. Of the total loans advanced during the year (₹2,548.51 crore), ₹2,405.39 crore was advanced for economic services, ₹133.18 crore was advanced for social services, and ₹9.94 crore was advanced for Miscellaneous purposes and Government Servants. A significant portion of the Loans advanced under social services were to Pariyaram Medical College (₹100.80 crore) for repayment to District Cooperative Bank, Eranakulam. Of the loans advanced under economic services ₹1,739.85 crore (72.33 *per cent*) was provided to Kerala State Road Transport Corporation.

¹² Difference of ₹0.71 crore with reference to previous year's closing balance was on account of *pro forma* adjustments vide footnote (o) of Statement no. 18 of Finance Accounts 2017-18.

¹³ 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.

¹⁴ 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

¹⁵ Includes ₹125.72 crore being the irrecoverable loans written off.

¹⁶ Includes ₹0.30 crore being the irrecoverable loans written off

¹⁷ Includes ₹0.40 crore being the irrecoverable loans written off

¹⁸ Includes ₹0.30 crore being the irrecoverable loans written off

¹⁹ Includes ₹0.23 crore being the irrecoverable loans written off

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

Further, of the total loans advanced during the year (₹2,548.51 crore), loans amounting ₹532.19 crore (20.88 per cent) 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 2020-21 there are, 354 capital works, each valuing ₹ one crore or more, were incomplete on which an expenditure of ₹1,362.35 crore had been incurred. Age-wise and Department-wise details of incomplete projects are given in **Table 2.25** and **Table 2.26** respectively.

Table 2.25: Age profile of incomplete projects as on 31 March 2021

(₹ in crore)

Year of Commencement	No. of Incomplete projects	Estimated Cost	Expenditure as on 31 March 2021
Prior to 2014	57	767.04	597.84
2015	18	110.57	81.68
2016	50	384.35	224.81
2017	68	538.54	200.59
2018	85	494.79	158.84
2019	76	313.90	98.59
Total	354	2609.19	1362.35

Source: Finance Accounts

Table 2.26: Department-wise profile of incomplete projects as on 31 March 2021

(₹ in crore)

Department	No. of Incomplete projects	Estimated Cost	Expenditure as on 31 March 2021
Public Works Department – (Roads including National Highway)	198	1076.02	509.03
Public Works Department-(Buildings)	98	531.12	207.94
Public Works Department-(Bridges)	38	554.88	354.26
Irrigation Department - (Irrigation and Minor Irrigation Works)	17	412.84	247.65
Harbour Engineering Department	3	34.33	43.47
Total	354	2609.19	1362.35

Source: Finance Accounts

Physical progress of the projects as on 31 March 2021 ranged between five to 99 per cent. There was delay ranging from two to 30 years in completion of 354 projects/ works and this would result in time overrun and cost overrun, and deprive the State of the intended benefits for prolonged periods.

2.4.3.3 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.

2.4.3.4 Investment 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 an important place in the State's economy as the turnover (₹34,924.36 crore²¹) of these PSUs was about 4.60 per cent of the GSDP of the State for 2020-21.

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 a reconciliation of the

²¹ Latest finalised accounts as of September 2021.

differences. The position in this regard as on 31 March 2021 is given in **Table 2.27**.

Table 2.27 : 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	6617.30	9443.33	2826.03
2	Loans	12426.00	9515.33	2910.67
3	Guarantees	24696.44	14928.00	9768.44

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

There were differences in respect of one Power Sector PSU and 122 Other than Power Sector PSUs. The major differences were observed in 22 companies²². 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.

(i) Share Capital in the SPSUs

As of March 2021, there were 144²³ PSUs in the State under the audit jurisdiction of the PAG(Audit), Kerala. The State Government invested ₹18,958.66 crore in these PSUs as at the end of March 2021 as furnished by PSUs in their latest finalised accounts.

In addition to the investments, during 2020-21, the State Government has given grants/ subsidies amounting to ₹13,257.19 crore to 37 PSUs.

(ii) Disinvestment/ Closure of SPSUs

There was no disinvestment, restructuring and privatisation by the State Government during the year 2020-21. Further, out of 18 non-working PSUs, liquidation process was initiated in respect of four PSUs.

²² **Equity:** Kerala State Information Technology Infrastructure Limited, Kannur International Airport Limited, Kerala Tourism Development Corporation Limited, Indian Institute of Information Technology and Management-Kerala, Cochin Smart Mission Limited, Kerala Social Security Pension Limited, Kerala State Drugs and Pharmaceuticals Limited, Kerala State Financial Enterprises Limited, Kerala State Electricity Board Limited, Autokast Limited, Kerala High Speed Rail Corporation Limited, Kerala Electrical and Allied Engineering Company Limited, Kerala Financial Corporation, Kerala Academy for Skills Excellence and Kerala Rail Development Corporation Limited.

Loans: Kerala Cashew Board Limited, Kerala Police Housing and Construction Corporation Limited, Roads and Bridges Development Corporation of Kerala Limited, Autokast Limited, Kerala State Beverages (Manufacturing and Marketing) Corporation Limited, Kerala Urban and Rural Development Finance Corporation Limited, Kerala Industrial Infrastructure Development Corporation Limited, Kerala State Electricity Board Limited, Kerala Electrical and Allied Engineering Company Limited and Kerala State Electronics Development Corporation Limited.

²³ Statutory Corporations - 4, non-working Government Companies - 18, working Government Companies - 122.

(iii) Returns from Government Companies/ Corporations

During 2016-17 to 2020-21, the number of PSUs which earned profits ranged between 45 and 55, out of which only one to nine PSUs had declared dividend. During 2020-21, 50 PSUs earned profit of ₹383.20 crore and none of them paid the dividend.

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 fund infused in the three Power Sector PSUs in the State ranged between (-)52.57 per cent and (-)8.03 per cent during 2016-17 to 2020-21.
- The return on equity in the three Power Sector PSUs from 2016-17 to 2020-21 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 (-)6.50 per cent and 9.55 per cent during the period 2016-17 to 2020-21.
- All the PSUs other than the Power Sector had negative return on investment which ranged between (-)28.01 per cent and (-)16.34 per cent during 2016-17 to 2020-21.
- 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 (-)1.12 per cent and 7.56 per cent during the period 2016-17 to 2020-21.

(iv) Loss incurred by the Government Companies/ Corporations

During 2020-21, 67 working PSUs incurred loss of ₹4,495.47 crore. Out of this, one Power Sector PSU incurred an overall loss of ₹1,822.35 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 2020-21, paid up capital worth ₹5,816.42 crore of 60 PSUs was eroded.

Though the overall net worth of three Power Sector PSUs was positive for the year 2016-17, it remained negative from 2017-18 to 2020-21. The net worth

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.

{(-)₹3,929.11 crore)} of one PSU²⁷ with paid up capital of ₹3,499.05 crore was fully eroded during 2020-21.

Similarly, the overall net worth of PSUs other than Power Sector was positive in all the years during 2016-17 to 2020-21. However, the net worth of 59 PSUs (₹7,547.38 crore) was eroded as at 31 March 2021.

(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 on 31 March 2021, 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 improved as the compounded annual growth rate of turnover was more than that of debt during 2020-21.
- As on 31 March 2021, 45 out of 68 PSUs other than Power Sector 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 2016-17 to 2020-21.

(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 (Act). 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.

(viii) Age-wise analysis of non-submission of accounts by PSUs

During 2020-21, out of three Power Sector PSUs, one account from one PSU was in arrears. In respect of 123 working PSUs other than Power Sector, six PSUs were yet to finalise their first accounts, 325 accounts from 114 working

²⁷ Kerala State Electricity Board Limited.

PSUs were in arrears. The arrears ranged between one to eleven years. The State Government infused ₹24,810.40 crore²⁸ in 84 out of 121 PSUs during the years for which accounts were in arrears.

The details of arrears in submission of accounts by working PSUs as on 30 September 2021 are given in **Table 2.28**.

Table 2.28: Age-wise analysis of non-submission of accounts by PSUs

Particulars	Number of working PSUs with arrears of accounts	Number of accounts in arrears
1 to 3 years	81	138
4 to 6 years	27	132
7 to 10 years	6	45
More than 10 years	1	11
First accounts not finalised	6	13
Total	121	339

During 2020-21, the State Government has released Grants and Loans of ₹2,688.67 crore to 34 Public Sector Undertakings (PSUs) which did not finalise their accounts for the periods ranging from one to eleven years in violation of provisions of the Companies Act, 2013. 50 number of accounts are not finalised in respect of 10 PSUs from 2015-16 to 2019-20 and 18 number of accounts in respect of Six PSUs are pending for finalisation from 2017-18 to 2019-20. Audit is therefore unable to certify the accounts of these Companies as required under CAG's DPC Act, 1971 and the Companies Act, 2013.

(ix) Grant/ Loan given to PSUs whose accounts have not been finalised

During 2020-21, Government of Kerala issued loans to 39 Public Sector Undertakings (PSUs) and grants to 21 PSUs, of which 24 PSUs and 13 PSUs which received an aggregate amount of ₹2,688.67 crore as loans and grants respectively, have not finalised their accounts till 31 March 2021. There were arrears in finalising of accounts ranging from one to eleven years, which is in violation of the provisions of the Companies Act, 2013. **Appendix 2.3** shows the details of grants/ loans given to these PSUs whose accounts have not been finalised.

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.

²⁸ Equity ₹1,008.54 crore, loans ₹4,687.72 crore and grants ₹19,114.14 crore.

Table 2.29 analyses the fiscal priority of the State Government with regard to Health, Education and Capital Expenditure during 2016-17 and 2020-21.

Table 2.29: Expenditure priority of the State with regards to Health, Education and Capital expenditure

(in per cent)

	TE/GSDP	CE/TE	Education/ TE	Health & FW/ TE
States other than North Eastern and Himalayan States (erstwhile General Category States)(2016-17)	17.12	19.77	14.93	5.49
Kerala	16.13	11.02	16.66	5.85
Tamil Nadu	15.35	23.38	13.35	4.32
Karnataka	13.42	18.57	12.69	4.25
States other than North Eastern and Himalayan States (2020-21)	16.18	13.03	15.00	6.74
Kerala	18.30	11.12	11.87	6.41
Tamil Nadu	14.36	13.50	13.97	6.36
Karnataka	13.46	21.45	11.12	5.29
TE- Total Expenditure, CE- Capital Expenditure,				

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

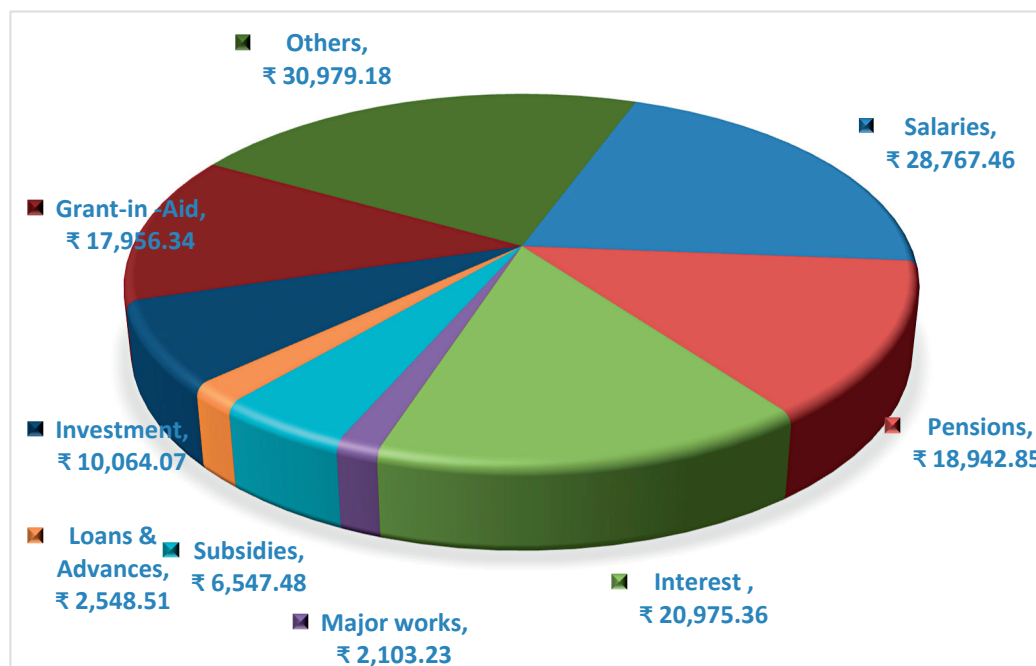
Though in 2020-21, the percentage of Total Expenditure to GSDP for the State was more than that of the percentage of Total Expenditure to GSDP of States other than North Eastern and Himalayan States, the share of Capital Expenditure and the State's share of expenditure on Health and Education sectors in the total expenditure was less than that of States other than North Eastern and Himalayan States.

2.4.5 Object head wise expenditure

The Total Expenditure for the year 2020-21 was ₹1,38,884.49 crore. The **Chart 2.14** below gives information about object/purpose of the expenditure.

Chart : 2.14 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 1.51 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 2021 are shown below in **Table 2.30**.

Table 2.30: Components-wise net balances

(₹ in crore)

Sector	Sub Sector	2016-17	2017-18	2018-19	2019-20	2020-21
I. Small Savings, Provident Funds etc.	Small Savings, Provident Funds	12931.64	7206.84	9619.21	8274.11	11547.96
	(a) Reserve Funds bearing Interest	43.34	171.22	1826.90	(-)1478.41	83.97

Sector	Sub Sector	2016-17	2017-18	2018-19	2019-20	2020-21
J. Reserve Funds	(b) Reserve Funds not bearing Interest	118.88	137.76	154.12	127.99	260.08
K. Deposits and Advances	(a) Deposits bearing Interest	1.40	(-)1.32	(-)0.30	0.23	(-)0.15
	(b) Deposits not bearing interest	104.28	267.23	392.70	584.93	497.22
	(c) Advances	(-)0.03	0.00	(-)0.23	(-)59.42	(-)2.19
L. Suspense and Miscellaneous	(a) Suspense	(-)1015.96	691.76	(-)534.98	17.05	(-)328.46
	(b) Other Accounts	(-)1153.13	510.92	(-)226.68	(-)270.19	967.49
	(c) Accounts with Government of Foreign Countries	0.00	0.00	0.00	0.00	0.00
	(d) Miscellaneous	0.00	(-)0.15	(-)0.57	(-)0.06	(-)20.39
M. Remittances	(a) Money Orders, and other Remittances	(-)367.34	(-)61.62	(-)90.82	35.18	86.49
	(b) Inter Governmental Adjustment Account	54.33	(-)104.35	39.30	82.36	(-)47.08
Total		10717.41	8818.29	11178.65	7313.77	13044.94

Source: Finance Accounts of respective years

The net receipts from the Public Account increased (21.72 per cent) from ₹10,717.41 crore in 2016-17 to ₹13,044.94 crore in 2020-21. When compared to 2019-20 the increase in net balance during 2020-21 is ₹5,731.17 crore, this mainly is due to increase under Small Savings, PF etc. (₹3,273.85 crore), and Reserve Funds bearing interest (₹1,562.38 crore). There is an increase in treasury cheques under Suspense and Miscellaneous by ₹955.78 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 2021, the State Government had 16 Reserve Funds with balances amounting to ₹3,457.91 crore. Out of these, two Reserve Funds (₹719.55 crore) are interest bearing, and 14 Reserve Funds (₹2,738.36 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 is to be utilised as an amortisation fund for redemption of all outstanding liabilities of the Government commencing from the financial year 2012-13. The State Government may contribute to the Fund on a modest scale of at least 0.50 *per cent* of the outstanding liabilities as at the end of the previous year.

At the beginning of the year 2020-21, ₹2,185.31 crore was available and with the interest received on the investment (₹172.95 crore), the outstanding balance at the end of the year was ₹2,358.26 crore. The outstanding balance is invested in GoI Securities as per the recommendations of the XII Finance Commission.

Against a requirement of ₹1,326.81 crore (0.50 *per cent* of the outstanding liabilities of ₹2,65,362.36 crore as on 01 April 2020), 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 has been giving a reply that as the State is continuously running in revenue deficit, the contribution to Consolidated Sinking Fund (CSF) can materialise only from borrowed funds. The 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, the fact remains that the amortisation of loans as envisaged in guidelines of the CSF could not be met.

2.5.2.2 State Compensatory Afforestation Fund

The Compensatory Afforestation Fund Act, 2016, is an Act to provide for the establishment of funds under the public accounts of India and the public accounts of each State and crediting thereto the monies received from the user agencies towards compensatory afforestation, additional compensatory afforestation, penal compensatory afforestation, net present value and all other amounts recovered from such agencies under the Forest(Conservation) Act, 1980; constitution of an authority at national level and at each of the State and Union Territory Administration for administration of the funds and to utilise the monies so collected for undertaking artificial regeneration (plantations), assisted natural regeneration, protection of forests, forest related infrastructure development, Green India Programme, wildlife protection and other related activities and for matters connected therewith or incidental thereto.

The monies received by the State Governments from the user agencies is credited in 'State Compensatory Afforestation Deposits' under interest bearing section in Public Account of the State at Minor Head level below the Major Head '8336-Civil Deposits'. Further as per Section 3(4) of the Act, 90 *per cent* of the fund needs to be transferred to the Major Head '8121-General and Other

Reserve Funds' in Public Account of State and balance 10 *per cent* to be credited into the National Fund on yearly basis.

The applicable rate of interest on balances available under 'State Compensatory Afforestation Deposits' under '8336-Civil Deposits' and 'State Compensatory Afforestation Fund' under '8121- General and other Reserve Funds' will be as per the rate declared by the Central Government on year-to-year basis.

During the year 2020-21, the State Government received ₹0.01 crore from the user agencies and credited the same under Major Head 8336-Civil Deposits and this was not remitted to the National Fund during the year 2020-21. The total balance in the State Compensatory Afforestation Fund as on 31 March 2021 was ₹73.08 crore.

The balance in the fund as on 01 April 2020 was ₹81.59 crore and the rate of interest fixed by Ministry of Environment, Forest and Climate Change was 3.4 *per cent*. An interest of ₹2.77 crore was due on the amount. Non-payment of interest resulted in understatement of revenue and fiscal deficit by ₹2.77 crore.

2.5.2.3 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 is 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 2020-21 was ₹419 crore, 75 *per cent* (₹314 crore) of which was to be contributed by the Central Government and 25 *per cent* (₹105 crore) by the State Government.

During the year, an amount of ₹590.85 crore was credited to the Fund, Central share of ₹314 crore, ₹105 crore of State share and ₹171.85 crore on account of interest on uninvested balances for the years 2018-19 and 2019-20.

After setting off the expenditure for disaster relief operations to the extent of ₹495.99 crore, the balance in SDRF as on 31 March 2021 is ₹646.47 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.

As per Finance Accounts ₹87.82 crore was the interest due on the opening balance (₹551.61 crore) in the Fund. Non-payment of interest resulted in understatement of Revenue and Fiscal deficits by ₹87.82 crore.

2.5.2.4 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.

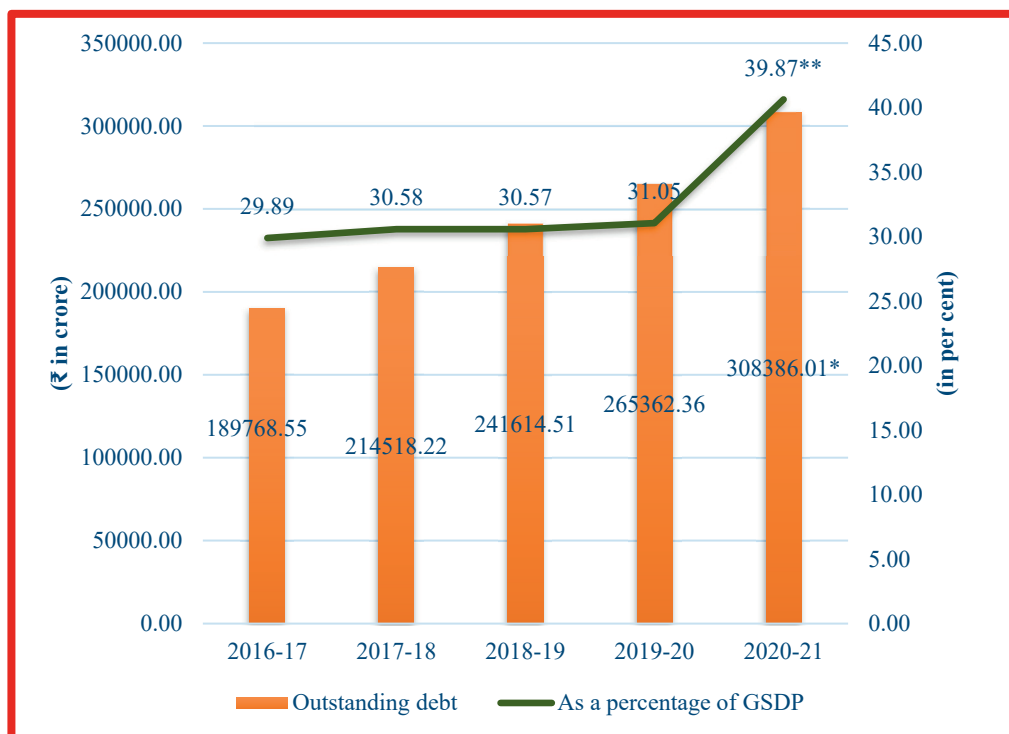
However, Government of Kerala has not established Guarantee Redemption Fund. The Fund is to be operated outside the State Government account and administered by the Reserve Bank of India. Under the guidelines, the State Government is required to make minimum annual contribution of 0.50 per cent of outstanding guarantee at the beginning of the year. The amount be contributed by the State Government in the Fund during the year is ₹138.78 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 ₹1,467.16 crore collected during 2003-04 to 2020-21 (this includes ₹216.57 crore for the year 2020-21) 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.

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 2.15: Trend of Overall Debt



* Effective Outstanding Debt would be ₹3,02,620.01 crore as the Department of Expenditure, GoI had decided that GST compensation of ₹5,766 crore given to the State as back to back loan under debt receipts would not be treated as debt of the State for any norms which may be prescribed by the Finance Commission.

** The back to back loan (₹5,766 crore) received from GoI in lieu of GST compensation has not been considered as Debt for working out the indicator.

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 2016-17 to 2020-21 are given in the **Table 2.31**.

Table 2.31: Component wise debt trends

		(₹ in crore)				
		2016-17	2017-18	2018-19	2019-20	2020-21
Outstanding Overall Debt		189768.55	214518.52	241614.51	265362.36	308386.01*
Public Debt	Internal Debt	118268.72	135500.53	150991.04	165960.03	190474.09
	Loans from GoI	7614.13	7483.99	7243.41	8680.19	14973.64*
Liabilities of Public Account		63885.70	71534.00	83380.06	90722.14	102938.28

	2016-17	2017-18	2018-19	2019-20	2020-21
Rate of growth of outstanding overall debt (<i>per cent</i>)	18.21	13.04	12.63	9.83	16.21
Gross State Domestic Product (GSDP)	634886.00	701588.00	790302.00	854689.00	758942.00
Debt/GSDP (<i>per cent</i>)	29.89	30.58	30.57	31.05	39.87 ^{^^}
Total Debt Receipts	89787.12	120227.77	146499.36	183509.21	245780.87
Total Debt Repayments	60557.25	95478.10	119403.07	159761.36	202757.22
Total Debt Available	29229.87	24749.67	27096.29	23747.85	43023.65
Debt Repayments/Debt Receipts (<i>per cent</i>)	67.45	79.41	81.50	87.06	82.50

Source: Finance Accounts of respective years

^{^^} The back to back Loan (₹5,766 crore) received from GoI in lieu of GST compensation has not been considered as Debt for working out the indicator.

* Effective Outstanding Loans from GoI would be ₹9,207.64 crore as the Department of Expenditure, GoI had decided that GST compensation of ₹5,766 crore given to the State as back to back loan under debt receipts would not be treated as debt of the State for any norms which may be prescribed by the Finance Commission and therefore, the effective Outstanding Debt would be ₹3,02,620.01 crore for the current year.

Total outstanding liabilities of the State grew from ₹1,89,768.55 crore in 2016-17 to ₹3,08,386.01 crore in 2020-21. In 2020-21, the outstanding liabilities grew at 16.21 *per cent* over the previous year. It comprised internal debt of ₹1,90,474.09 crore (62 *per cent*), public account liabilities of ₹1,02,938.28 crore (33 *per cent*) and loans and advances from GoI of ₹14,973.64 crore (five *per cent*). The internal debt largely composed of market loans (₹1,65,402.04 crore) and special securities issued to NSSF (₹19,833.71 crore). Component wise break-up of debt is shown below in **Chart 2.16**.

Chart 2.16: Component wise breakup of debt

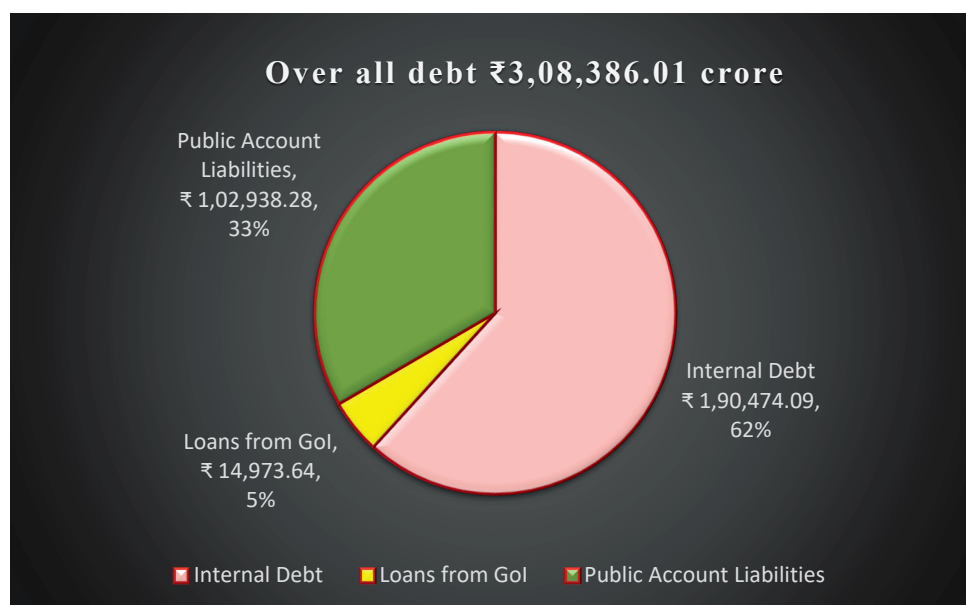
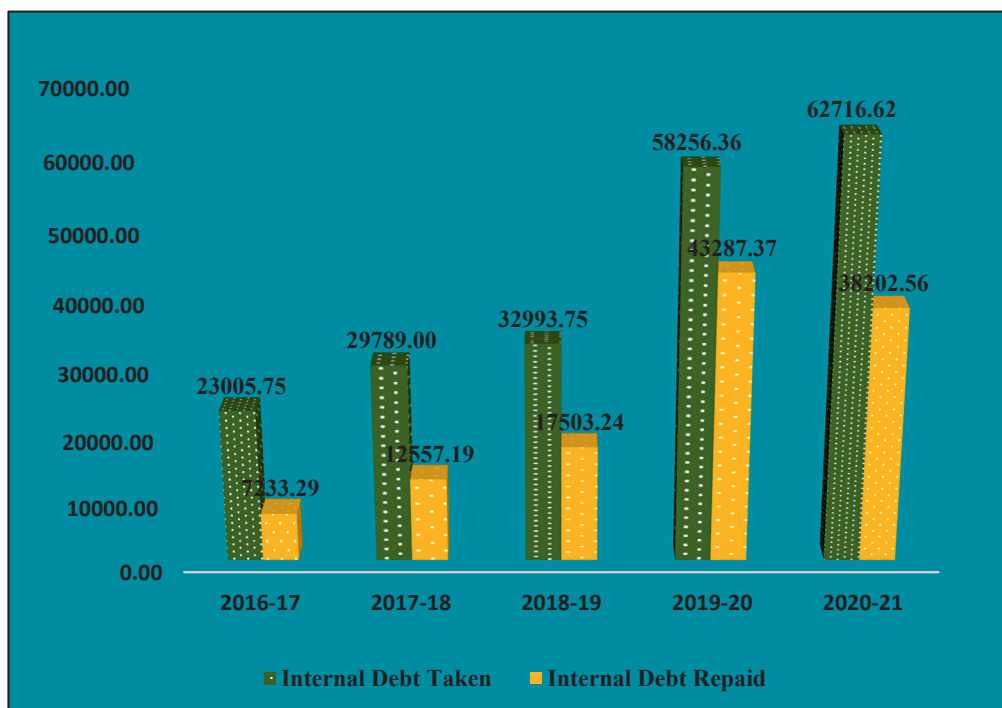


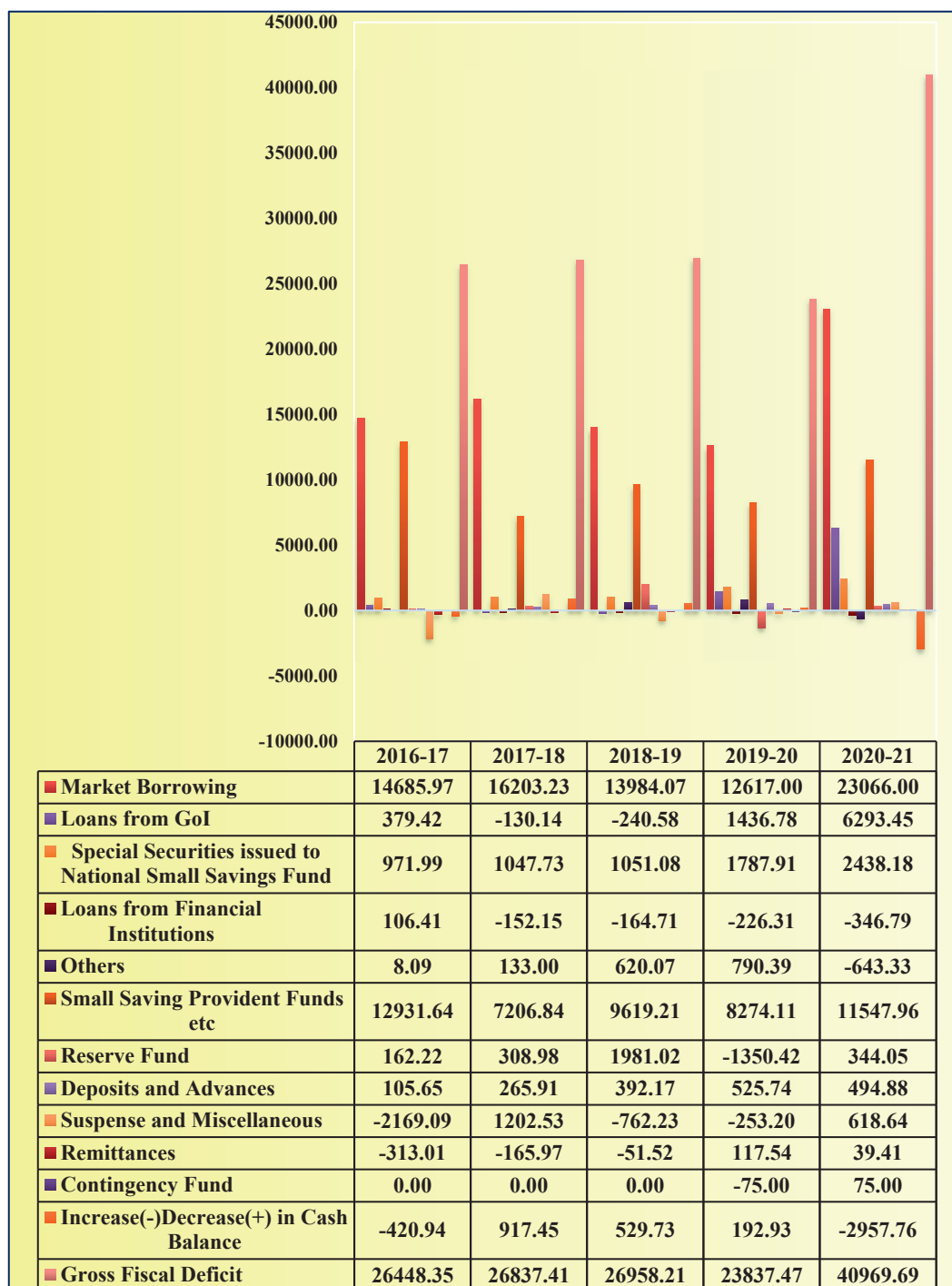
Chart 2.17: Internal debt taken vis-a vis repaid

(*₹ in crore*)

Components of Fiscal deficit and its financing pattern

The financing pattern of the fiscal deficit had undergone a compositional shift as reflected in **Chart 2.18** and **Table 2.32**. The receipts and disbursements under the components of financing the fiscal deficit during the year 2020-21 are given in the **Table 2.33**.

Chart 2.18: Component wise debt trends (₹ in crore)



Note: Effective Loans from GoI would be ₹527.45 crore as the Department of Expenditure, GoI had decided that GST compensation of ₹5,766 crore given to the State as back to back loan under debt receipts would not be treated as debt of the State for any norms which may be prescribed by the Finance Commission.

Table 2.32: Components of Fiscal Deficit and its financing pattern

(₹ in crore)

Particulars	2016-17	2017-18	2018-19	2019-20	2020-21
Composition of Fiscal Deficit					
Revenue Deficit	15484.59	16928.21	17461.92	14495.25	25829.50
Net Capital Expenditure	10095.71	8719.59	7384.04	8427.32	12855.50
Net Loans and Advances	868.05	1189.61	2112.35	914.90	2284.69
Total	26448.35	26837.41	26958.31	23837.47	40969.69
Financing Pattern of Fiscal Deficit					
Market Borrowing	14685.97	16203.23	13984.07	12617.00	23066.00
Loans from GoI	379.42	(-)130.14	(-)240.58	1436.78	6293.45*
Special Securities issued to National Small Savings Fund	971.99	1047.73	1051.08	1787.91	2438.18
Loans from Financial Institutions	106.41	(-)152.15	(-)164.71	(-)226.31	(-)346.79
Others	8.09	133.00	620.07	790.39	(-)643.33
Small Saving Provident Funds etc.	12931.64	7206.84	9619.21	8274.11	11547.96
Reserve Fund	162.22	308.98	1981.02	(-)1350.42	344.05
Deposits and Advances	105.65	265.91	392.17	525.74	494.88
Suspense and Miscellaneous	(-)2169.09	1202.53	(-)762.23	(-)253.20	618.64
Remittances	(-)313.01	(-)165.97	(-)51.52	117.54	39.41
Contingency fund	0.00	0.00	0.00	(-)75.00	75.00
Overall Deficit	26869.29	25919.96	26428.58	23644.54	43927.45
Increase(-) Decrease(+) in Cash Balance	(-)420.94	917.45	529.73	192.93	(-)2957.76
Gross Fiscal Deficit	26448.35	26837.41	26958.31	23837.47	40969.69

Source: Finance Accounts of respective years

* Effective Loans from GoI would be ₹527.45 crore as the Department of Expenditure, GoI had decided that GST compensation of ₹5,766 crore given to the State as back to back loan under debt receipts would not be treated as debt of the State for any norms which may be prescribed by the Finance Commission.

Table 2.33: Receipts and Disbursement under components financing the fiscal deficit

(₹ in crore)

Particulars	Receipts	Disbursement	Net
Market Borrowing	28566.00	5500.00	23066.00
Loans from GoI	7018.74	725.29	6293.45*
Special Securities issued to National Small Savings Fund	4273.98	1835.80	2438.18
Loans from Financial Institutions	521.51	868.30	(-)346.79
Others	29355.13	29998.46	(-)643.33
Small Saving Provident Funds etc.	170413.72	158865.76	11547.96
Reserve Fund	878.63	534.58	344.05
Deposits and Advances	4466.92	3972.04	494.88

Particulars	Receipts	Disbursement	Net
Suspense and Miscellaneous	170492.00	169873.36	618.64
Remittances	4610.66	4571.25	39.41
Contingency fund	75.00	0.00	75.00
Overall Deficit	420672.29	376744.84	43927.45
Increase-Decrease (+) in Cash Balance	2010.22	4967.98	(-)2957.76
Gross Fiscal Deficit	422682.51	381712.82	40969.69

Source: Finance Accounts

* Effective Loans from GoI would be ₹527.45 crore as the Department of Expenditure, GoI had decided that GST compensation of ₹5,766 crore given to the State as back to back loan under debt receipts would not be treated as debt of the State for any norms which may be prescribed by the Finance Commission.

During 2020-21, the State Government raised ₹28,566 crore as market loans at a weighted average interest rate of 6.41 per cent, loans amounting to ₹521.51 crore from National Bank for Agriculture and Rural Development, ₹4,273.98 crore from National Small Savings Fund at an interest rate of 7.40 per cent and ₹132.38 crore from National Cooperative Development Corporation at interest rates of 9.50 per cent to 10.36 per cent. The State Government also received loans amounting to ₹7,018.74 crore from the Government of India during the year.

Chart 2.19: Financing of fiscal deficit from 2019-20 to 2020-21 (₹ in crore)

Fiscal Deficit 2020-21	40969.69
-3150.69 Increase(-) Decrease(+) in Cash Balance	
Contingency fund	150
-78.13 Remittances	
Suspense and Miscellaneous	871.84
-30.86 Deposits and Advances	
Reserve Fund	1694.47
Small Saving Provident Funds etc.	3273.85
-1433.72 Others	
-120.48 Loans from Financial Institutions	
Special Securities issued to National Small Savings Fund	650.27
Loans from GoI	4856.67
Market Borrowing	10449
Fiscal Deficit 2019-20	23837.47

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 (₹23,066 crore) and net accretions in Small Savings, PF etc. (₹11,547.96 crore) contributed to financing 84.49 *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 2020-21 in line with the recommendations of Finance Commission at *three per cent* of the estimated GSDP in April 2020. Thereafter, in May 2020, GoI allowed an additional borrowing of two *per cent* in 2020-21 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.

During 2020-21, Government of Kerala resorted to off-budget borrowing through various entities amounting to ₹9,273.24 crore. It was in addition to the budgeted liabilities of ₹3,08,386.01 crore as on 31 March 2021. **Table 2.34** gives the entity-wise position of borrowings till the end of 2020-21.

Table 2.34: Entity-wise details of off-budget borrowings

(₹ in crore)

Name of the Entity	Total Off Budget Borrowings upto 2019-20	Outstanding Off Budget Borrowings as on 31 March 2020	Off Budget Borrowings during 2020-21	Repayment during 2020-21		Closing Balance
				Principal	Interest	
Kerala Infrastructure Investment Fund Board	5036.61	5017.23	669.05	65.84	469.38	5620.44
Kerala Social Security Pension Limited	13662.47	9124.97	8604.19	6880.55	772.05	10848.61
Total	18699.08	14142.20	9273.24	6946.39	1241.43	16469.05

Source: Information furnished by KIIFB and ACS(Finance Department)

These off-budget borrowings have increased the overall debt liabilities of the State by ₹16,469.05 crore from ₹3,08,386.01 crore to ₹3,24,855.06 crore as on 31 March 2021. The outstanding liabilities of KSSPL amounting to ₹10,848.61 crore constituted a major part (65.87 per cent) of the total outstanding off-budget borrowings of the State.

The overall debt as a percentage of GSDP for the year increased from 39.87 per cent to 42.80 per cent against the FRBM limit of 29.67 per cent (including off-budget borrowing). Further, if the repayment of off-budget borrowings is considered, the total debt repayment to GSDP ratio increased from 26.72 per cent to 27.63 per cent.

The issue of off-budget borrowing was raised on the State Finances Audit Report for the year ended March 2020 too. During the Exit Conference on that report held on 29 April 2021, the Additional Chief Secretary, Finance Department had agreed to consider the disclosure of the details of off-budget borrowings in the Budget and accounts. In the exit conference (December 2021) the Additional Chief Secretary (Finance) stated that the borrowings of KIIFB are not off-budget borrowing of the State but these are at the most contingent liabilities. However, the fact remains that 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 through budget every year. As such, these borrowings cannot be treated as contingent liability, but a direct liability on the States 'own resources.

2.6.3 Debt Profile: Maturity and Repayment

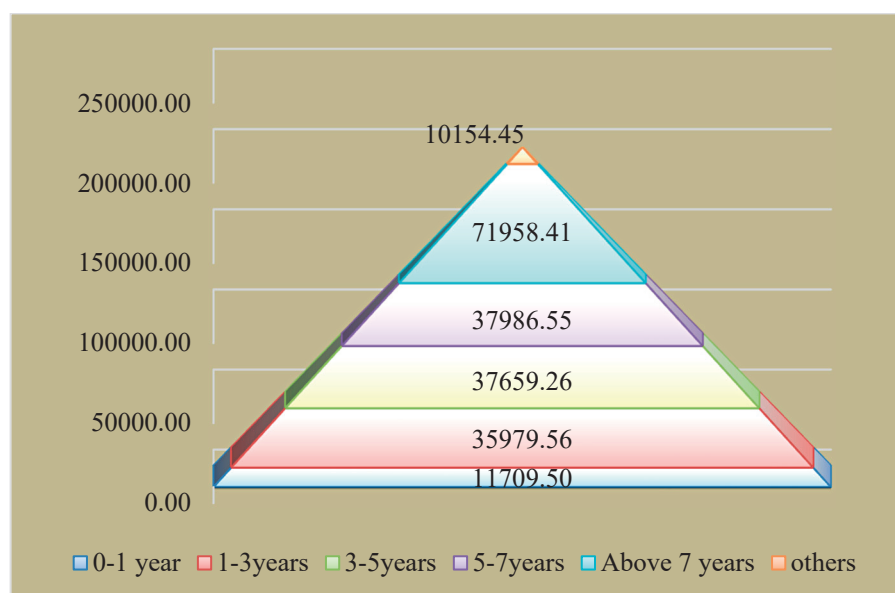
Debt maturity and repayment profile indicates commitment on the part of the Government for debt repayment or debt servicing. As per Finance Accounts for the year 2020-21, the maturity profile of the public debt is as shown in **Table 2.35** and **Chart 2.20**.

Table 2.35: 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 2021-22	0-1 year	11430.75	278.75	11709.50	5.70
Between 2022-23 & 2023-24	1-3 years	34624.58	1354.98	35979.56	17.51
Between 2024-25 & 2025-26	3-5years	36456.74	1202.52	37659.26	18.33
Between 2026-27 & 2027-28	5-7 years	37066.86	919.69	37986.55	18.49
2028-2029 onwards	Above 7 years	60740.71	11217.7	71958.41	35.03
Total		180319.64	14973.64	195293.28	95.06
Amount for which Maturity profile details not furnished by State Government		10154.45		10154.45	4.94

Source: Finance Accounts

Chart 2.20: 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 2.36 and Chart 2.21** below:

Table 2.36: Trends in Debt Sustainability indicators

(*₹ in crore*)

Debt Sustainability Indicators		2016-17	2017-18	2018-19	2019-20	2020-21
Outstanding Public Debt		125882.85	142984.52	158234.45	174640.22	205447.73
Rate of Growth of Outstanding Public Debt		14.72	13.59	10.67	10.37	17.64
GSDP		634886.00	701588.00	790302.00	854689.00	758942.00
Rate of Growth of GSDP		12.97	10.51	12.64	8.15	(-)11.20
Debt/GSDP		19.83	20.38	20.02	20.43	27.07
Debt Maturity profile of repayment of State debt – including default history if any	Up to one year	5682.54	6980.49	6948.14	7063.60	11709.50
	One to three years	13331.80	13373.47	16870.66	22986.77	35979.56
	Three to five years	16677.73	22907.53	26865.91	28555.60	37659.26
	Five to seven years	26786.58	28437.13	30372.21	34323.92	37986.55
	Seven years and above	58456.21	66308.08	70013.73	71540.49	71958.41
	Maturity profile details not furnished by State Government	4948.00	4977.82	7163.79	10169.83	10154.45
Average interest Rate of Outstanding Public Debt (<i>per cent</i>) ²⁹		8.01	8.15	8.04	7.99	7.60
Percentage of Interest Payment to Revenue Receipt		16.02	18.21	18.04	21.30	21.49
Percentage of Public Debt Repayment to Public Debt Receipts		32.30	43.44	54.40	72.84	55.82
Net Public Debt available to the State ³⁰		6735.52	6164.00	3163.64	3131.98	10631.94
Net Public Debt available as <i>per cent</i> to Public Debt Receipts		28.23	20.39	9.46	5.18	30.20

Source: Finance Accounts of respective years

Effective Outstanding Public Debt would be ₹1,99,681.73 crore as the Department of Expenditure, GoI had decided that GST compensation of ₹5,766 crore given to the State as back to back loan under debt receipts would not be

²⁹ Average interest rate = (Interest paid/OB of Public Debt + CB of Public Debt/2)

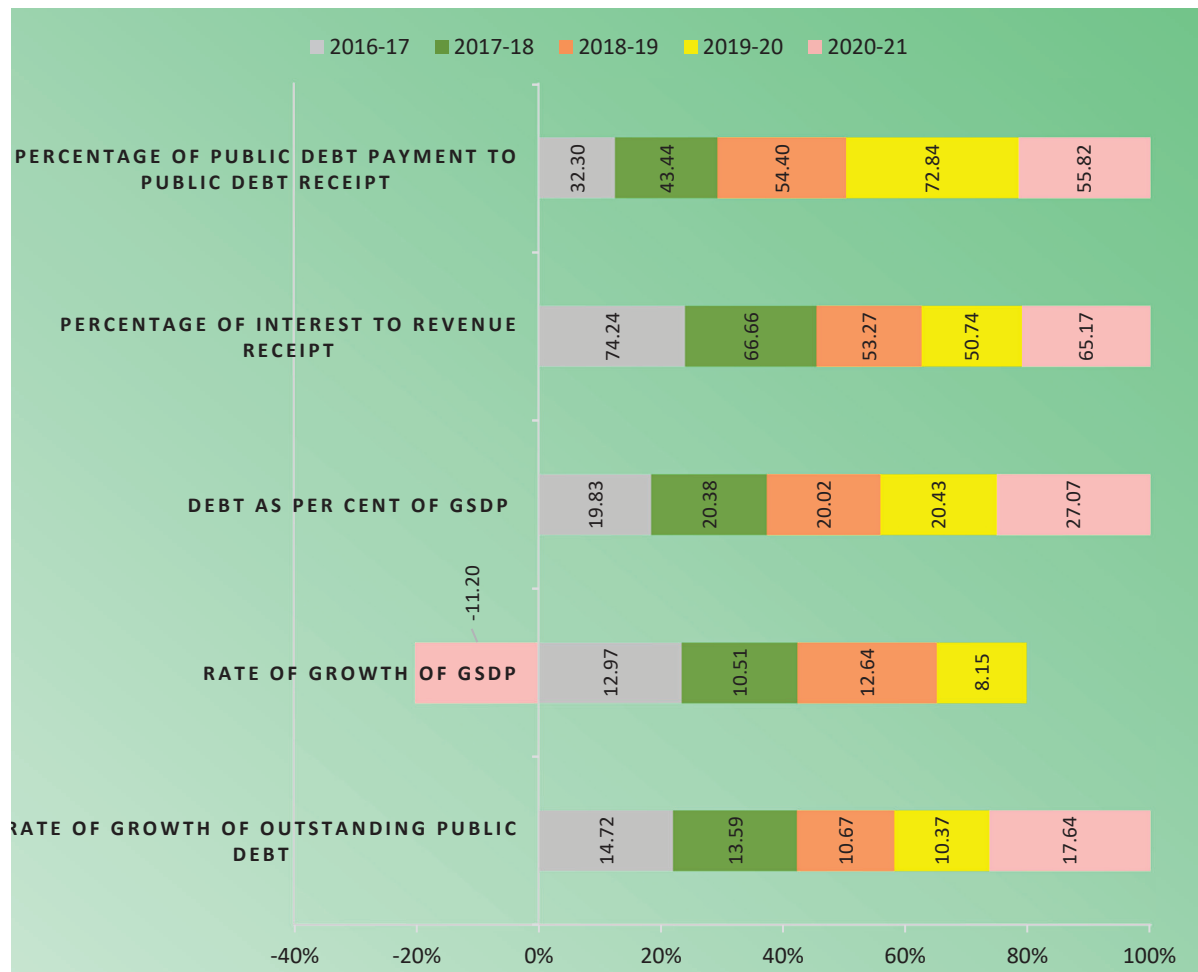
³⁰ Net Debt available=Public debt receipt during the year-repayment of principal amount -Interest paid on public debt and excludes back to back loan received from GI.

treated as debt of the State for any norms which may be prescribed by the Finance Commission. As a result, the effective Rate of Growth of Outstanding Public Debt would be 14.34 *per cent* and the effective Debt-GSDP ratio would stand at 26.31 *per cent*.

The debt maturity profile of the State showed that 42 *per cent* of the debt has to be repaid within five years and 60 *per cent* of the debt within the next seven years. The Debt-GSDP ratio was on an increasing trend over the last five-year period.

Moreover, the committed liability of the State Government as percentage of revenue expenditure has increased from 61.22 *per cent* in 2016-17 to 68.01 *per cent* in 2019-20 (though in 2020-21, it has gone down to 55.64 *per cent* mainly because of deferment of salaries by the State Government). The increased liability due to the increasing committed expenditure coupled with rapid rise in Debt-GSDP ratio, would render the current level of the primary balance insufficient to stabilize the Debt-GSDP ratio. Fiscal adjustment should be made by reducing the fiscal deficit to a level necessary to make public debt sustainable.

Chart 2.21: Trends of Debt Sustainability indicators



Indicators	What it means	What the above table and chart shows
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. However, it has fallen during the year 2020-21.
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 2020-21. It indicates that significant portion of the borrowed funds is utilised 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 has decreased from 72.84 <i>per cent</i> in 2019-20 to 55.82 <i>per cent</i> in 2020-21.

2.7.1 Utilisation of borrowed funds

As per the disclosure Form B-2(A) under Kerala Fiscal Responsibility Rules, 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) Reserve fund/deposits and provident fund of other employees
- (viii) Other liabilities.

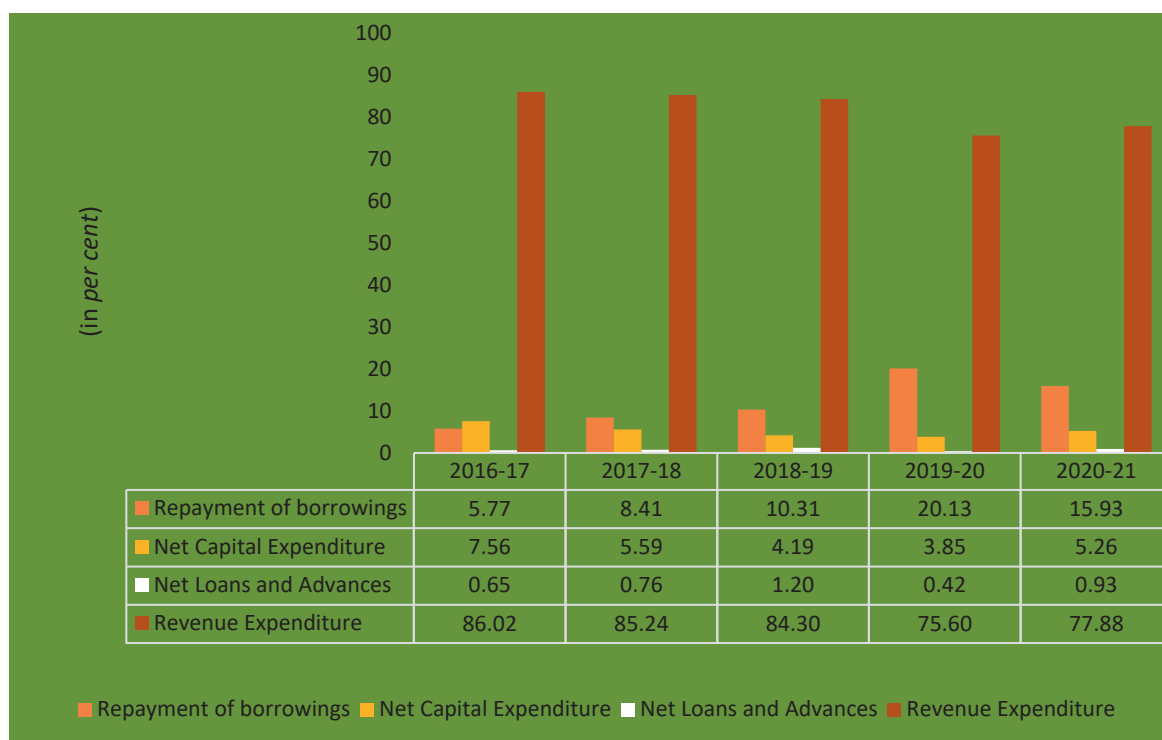
These funds are utilised for various activities of the Government. Details of utilisation of borrowed funds is given in **Table 2.37** and **Chart 2.22** below.

Table 2.37: Utilisation of borrowed funds

Particulars	(₹ in crore)				
	2016-17	2017-18	2018-19	2019-20	2020-21
Total Borrowings	133588.86	156116.62	146330.44	218641.50	244375.58
Repayment of earlier borrowings (Principal)	7706.01	13132.10	18195.99	44001.28	38927.85
Net Capital Expenditure	10095.71	8719.59	7384.04	8427.32	12855.50
Net loans and advances	868.05	1189.61	2112.35	914.90	2284.69
Portion of Revenue expenditure met out of net available borrowings	114919.09	133075.32	118638.06	165298.00	190307.54

Source: Finance Accounts of respective years

Chart 2.22: 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, it increased in 2020-21. 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 Government 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 ₹7,58,942 crore (as per Department of Economics and Statistics). The total outstanding Guarantees as on 31 March 2021 was ₹36,600.99 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 ₹216.57 crore was received during 2020-21. However, Guarantee Commission of ₹257.67 crore was receivable upto 2020-21. Major institutions who have not paid Guarantee Commission upto 2020-21 are Kerala State Road Transport Corporation (₹73.91 crore), Kerala Small Industries Development Corporation Limited (₹37.04 crore), Kerala Water Authority (₹28.04 crore) and Keltron (₹15.81 crore). Nine out of forty two institutions paid guarantee commission of which Kerala State Co-operative Agricultural and Rural Development Bank Limited (₹83.79 crore) and Kerala State Financial Enterprises (₹73.65 crore) are the major contributors.

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 2.38**.

Table 2.38 : Cash balances and Investment of cash balance

(₹ in crore)		
Particulars	Opening balance on 01 April 2020	Closing Balance on 31 March 2021
A. General Cash Balance		
Cash in treasuries	35.13	37.06
Deposits with Reserve Bank of India	(-)221.02	(-)244.42 ³¹
Deposits with other Banks ³²		
Remittance in transit-Local	0.92	0.94
Total	(-)184.97	(-)206.42
Investment held in Cash Balance investment account	1.67	2809.86
Total (A)	(-)183.30	2603.44
B. Other Cash Balances and Investments		
Cash with departmental officers viz, Public Works, Forest Officers	-5.70	(-)7.63
Permanent advances for contingent expenditure with department officers	0.52	0.53
Investment in earmarked funds	2198.70	2371.64
Total (B)	2193.52	2364.54
Total (A+B)	2010.22	4967.98
Interest realised	7.88	4.05

Source: Finance Accounts

Cash Balances of the State Government at the end of the March 2021, increased by ₹2,957.76 crore compared to the closing balance at the end of March 2020. This was mainly due to increase in investment held in Cash Balance Investment Account (₹2,808.19 crore). Interest of ₹4.05 crore was realised during the year against short term investments with a closing balance of ₹2,808.19 in GoI Treasury Bills.

The Cash Balance included investment of ₹2,371.64 crore from earmarked funds. The said investment consisting of Sinking Fund Investment (₹2,358.26 crore) and Development and Welfare funds (₹13.39 crore).

³¹ There was a difference of ₹254.05 crore (debit) between the figures reflected in accounts (credit item ₹244.43 crore) and that communicated by Reserve Bank of India (credit item ₹9.62 crore) as on 31 March 2021. Out of the difference, an amount of ₹193.75 crore (net credit) has been cleared in 2021-22. The balance difference of ₹447.80 crore (net debit) is under reconciliation.

³² Represents cash held with State Bank of India (amount negligible).

- The State Government was able to maintain a minimum cash balance of ₹1.66 crore for 170 days during 2020-21 without taking any advance. However, the State Government had to resort to Ways and Means Advance (₹20,300.95 crore) for 162 days, Special Drawing Facility (₹3,552.44 crore) for 33 days to maintain minimum cash balance.
- Overdraft (₹5,356.08 crore) was taken on 35 days.
- The State Government repaid an amount of ₹29,222.75 crore obtained under Special Drawing Facility, Ways and Means Advances etc. along with an amount of ₹529.82 crore being the balance pertaining to 2019-20, leaving no amount to be repaid.
- An amount of ₹26.95 crore was paid as interest to Reserve Bank of India for the amount obtained under Special Drawing Facility, Ways and Means Advances etc.

The Cash Balance Investment of the State during the five-year period 2016-17 to 2020-21 are given below

Table 2.39 : Cash Balance Investment Account (Major Head-8673)

(₹ in crore)				
Year	Opening Balance	Closing Balance	Increase (+)/ Decrease(-)	Interest earned
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
2020-21	1.67	2809.86	2808.19	4.05

Source: Finance Accounts

Chart 2.23 below, compares the balances available in the Cash Account and Market Loans taken by the State during the period 2016-17 to 2020-21. Both market loan and Cash balance showed a decreasing trend from 2017-18 to 2019-20 and increased in 2020-21.

Chart 2.23: Market Loan vis-à-vis Cash Balance

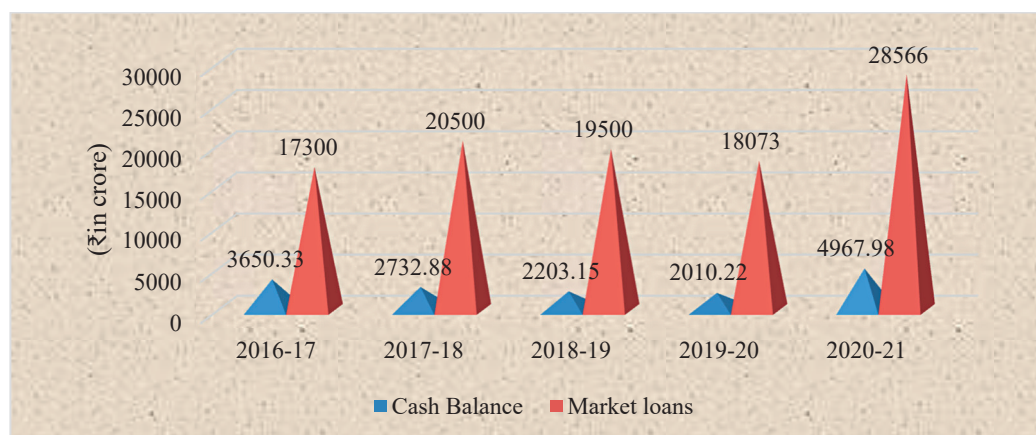
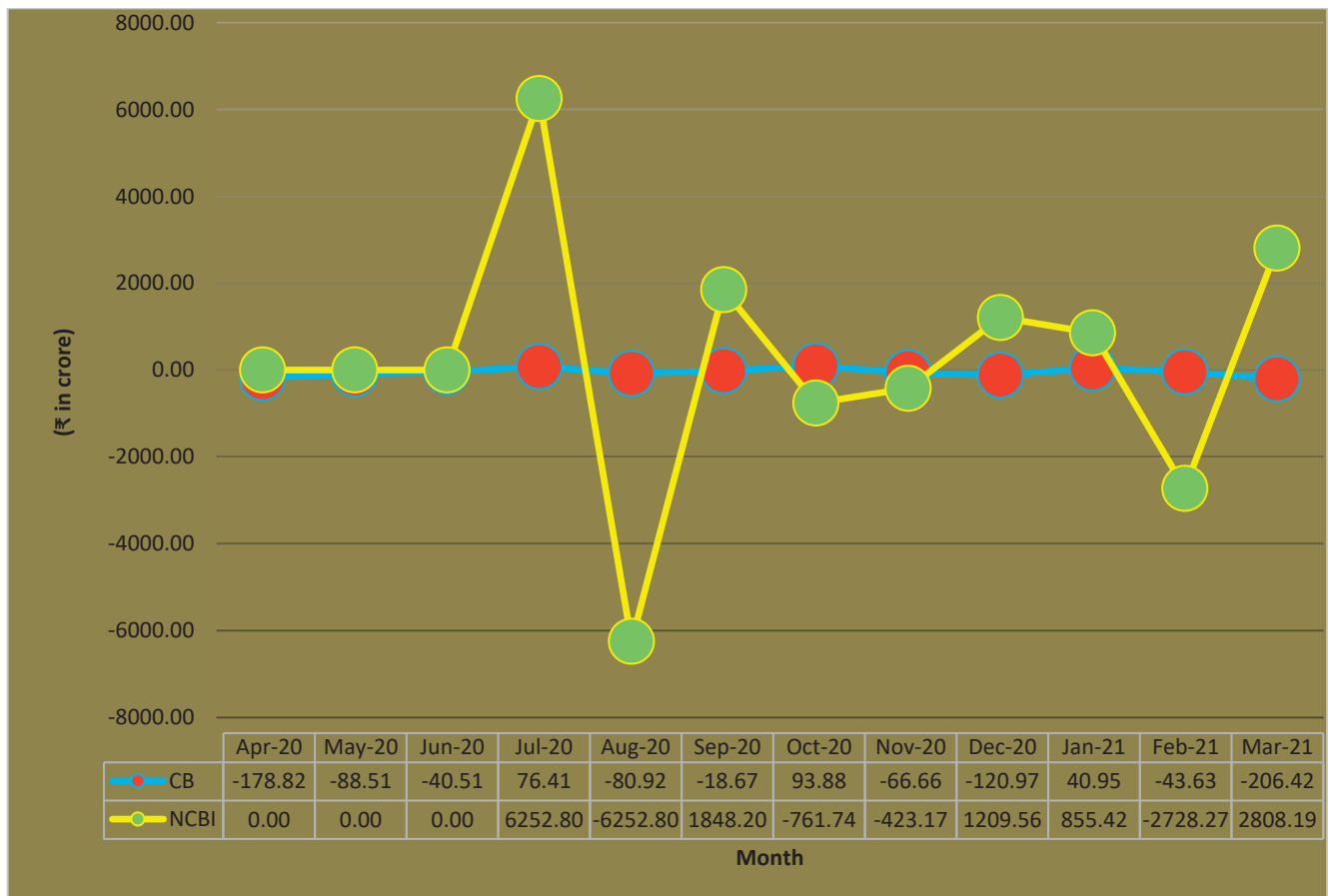


Chart 2.24: Month wise movement of Cash Balances and Net Cash Balance Investment during the year



From the **Chart 2.24** it is seen that the monthly cash balance has shown a negative balance from April 2020 onwards except for the months of October 2020 and January 2021 which showed positive balances. In March 2021, the cash balance was (-) ₹206.42 crore.

2.8 Conclusions

1. Revenue resources

Revenue receipts of the State increased from ₹75,611.72 crore in 2016-17 to ₹97,616.83 crore in 2020-21, recording a growth of 29.10 *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 13.00 *per cent* during the period and its share in revenue receipts decreased from 55.78 *per cent* in 2016-17 to 48.82 *per cent* in 2020-21 indicating poor collection of tax revenue during the pandemic period.

2. Revenue Expenditure

Revenue Expenditure of the State increased from ₹91,096.31 crore in 2016-17

to ₹1,23,446.33 crore in 2020-21 recording a growth of 35.51 *per cent* during the five-year period. Revenue expenditure as a percentage of total expenditure ranged between 88 and 92 *per cent* during the period showing predominance of revenue expenditure in total expenditure. Share of committed expenditure in revenue expenditure was 55.64 *per cent* during 2020-21 and it consumed 70.37 *per cent* of the revenue receipts during the year. Interest payments consumed 21.49 *per cent* of revenue receipts during 2020-21 and is a matter of concern for the State Government.

3. Quality of expenditure

Capital Expenditure of the State increased from ₹10,125.95 crore in 2016-17 to ₹12,889.65 crore in 2020-21 recording a growth of 27.29 *per cent* during the five-year. Though the percentage of total expenditure to GSDP of the State was more than that of States other than North Eastern and Himalayan States, the State's share on expenditure on the health and education sectors and capital expenditure, were less than that of States other than that of North Eastern and Himalayan States. Though the State Government invested ₹10,064.70 crore in Statutory Corporations, Government Companies, other Joint Stock Companies and Co-operatives, average return on these investments was 1.34 *per cent* in the last five years while the Government paid an average interest rate of 7.33 *per cent* on its borrowings during 2016-17 to 2020-21. The interest receipt on loans and advances given by State Government was 0.22 *per cent* of outstanding loans and advances during 2020-21 against the average cost of borrowing of 7.31 *per cent*. During the year the Government invested ₹315.41 crore in loss making institutions and ₹146.37 crore in institutions 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 2020-21. 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 ₹1,467.16 crore collected during 2003-04 to 2020-21 was not credited to the Fund. The State Disaster Response Fund (SDRF) had an accumulated balance of ₹646.47 crore by the end of March 2021. 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 ₹10,631.94 crore (16.62 *per cent* of public debt receipts) during 2020-21 considering the exclusion of ₹5,766 crore received as back to back loan in lieu of GST compensation.

6. Off- Budget Borrowings

The State Government resorted to off-budget borrowings amounting to ₹9,273.24 crore during 2020-21.

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.

These off-budget borrowing will have an impact of increasing the liabilities of the State Government, leading to a debt trap over a period of time. As these borrowings are not disclosed in the budgets the Legislature is unaware of creation of such liabilities.

7. Debt Sustainability

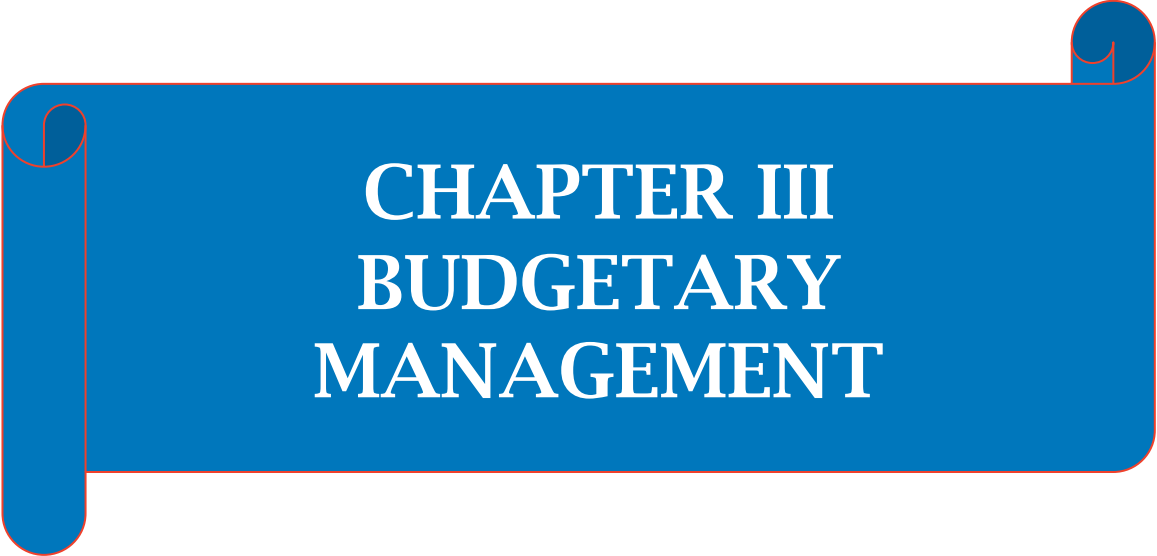
The ratio of Public Debt to GSDP of the State increased from 20.43 *per cent* in 2019-20 to 27.07 *per cent* in 2020-21 (effective increase is to 26.31 *per cent* considering the exclusion of back to back loans). Similarly, the ratio of interest payments to total revenue receipts of the State increased from 21.30 *per cent* in 2019-20 to 21.49 *per cent* in 2020-21.

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. *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.

5. *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.*



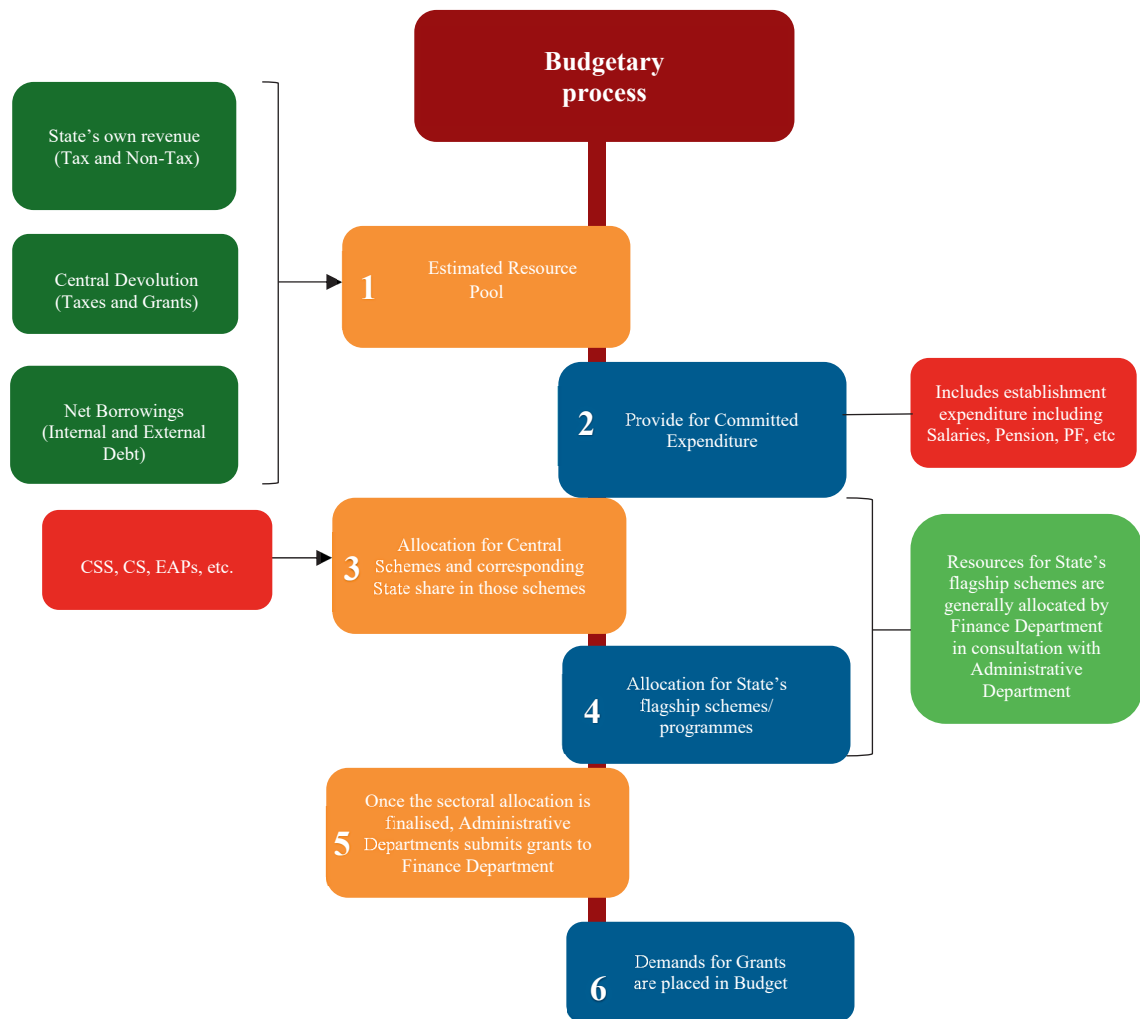
**CHAPTER III
BUDGETARY
MANAGEMENT**

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 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.

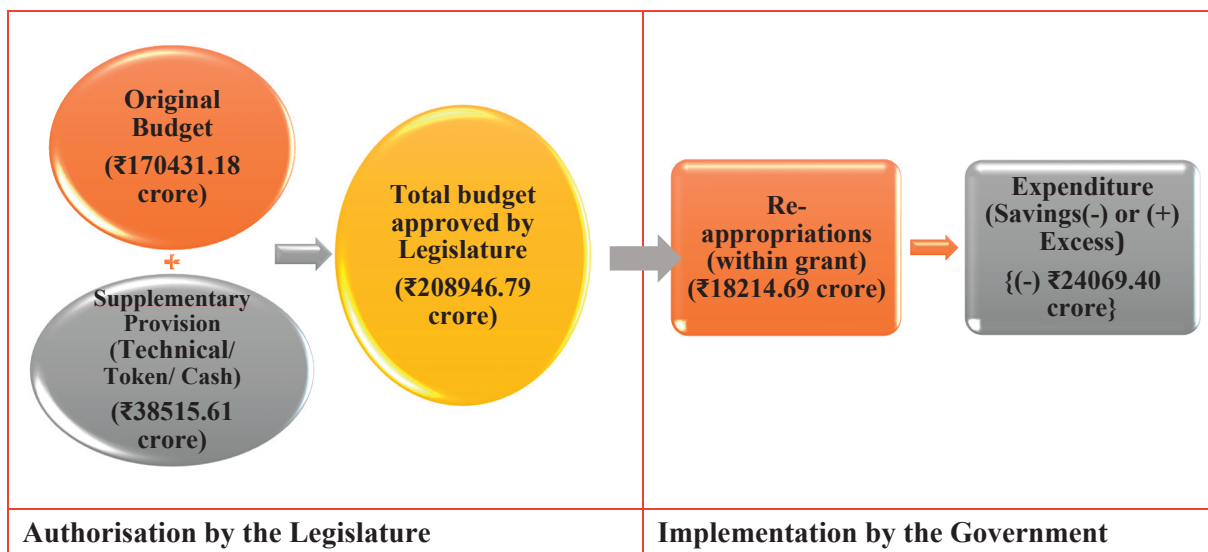
Article 202 of the Constitution of India requires laying of a statement of the estimated receipts and expenditure of the State for that year, as the "Annual Financial Statement" before the House or Houses of the Legislature of the State. The Annual Financial Statement should show expenditure charged 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 2020-21

(₹ in crore)

Total Budget provision		Disbursements		Savings (-) /Excess (+)	
Voted	Charged	Voted	Charged	Voted	Charged
143219.41	65727.38	124436.83	60440.56	(-) 18782.58	(-) 5286.82

3.1.2 Charged and Voted Disbursement

The details of disbursements classified under charged and voted category during the five year period from 2016-17 to 2020-21 are furnished in **Table 3.2**.

Table 3.2: Charged and voted disbursements during the five year period from 2016-17 to 2020-21

(₹ in crore)

Year	Disbursement		Saving(-)/Excess (+)	
	Voted	Charged	Voted	Charged
2016-17	91365.15	20232.56	(-) 13518.40	(-) 6941.89
2017-18	104528.12	28928.84	(-) 11946.04	(+) 521.08
2018-19	108023.70	35697.89	(-) 20927.47	(+) 4274.17
2019-20	100174.27	63641.53	(-) 30890.28	(+) 243.47
2020-21	124436.83	60440.56	(-) 18782.58	(-) 5286.82

The overall savings of ₹24,069.40 crore in 2020-21 was the result of savings of ₹25,532.19 crore in 39 grants and 23 appropriations under revenue section and 22 grants and 10 appropriations under the Capital section, offset by excess of ₹1,462.79 crore in five grants and one appropriation under the revenue section and seven grants and one appropriation under Capital section. The overall savings decreased by 4.24 *per cent* from 15.76 *per cent* in the last year to 11.52 *per cent* in 2020-21. However, the variation of 11.52 *per cent* is significant, leading to overall savings of ₹24,069.40 crore under 37 Grants/appropriations, the reasons for which were either not appropriately explained or not furnished in the Appropriation Accounts.

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 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.

Article 24 to 26 of Kerala Account Code Vol 1 categorise 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 2020-21 is detailed as follows:

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

It is observed that during the year 2020-21, an amount of ₹46.50 crore was debited to the Head of account 4860-60-190-94 (V) (P), a Capital Expenditure head. However, the amount was utilised for disbursement of gratuity to the workers of Kerala State Cashew Development Corporation (KSCDC), and hence is a Revenue Expenditure. 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 ₹46.50 crore and understatement of revenue expenditure. This misclassification i.e., booking of assistance given to KSCDC as Capital Expenditure instead of Revenue Expenditure occurred in 2019-20 too and was pointed out in the State Finances Audit Report for the year ended March 2020. However, the misclassification has recurred.

- **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. An amount of ₹1.09 crore was debited to the head of account 3435-60-800-93 (NP) as voted expenditure being the amount required to comply with the direction of the Hon'ble Supreme Court of India. However as per Article 202 of the Constitution of India, this should have been classified as charged expenditure. The misclassification has led to the violation of the provisions of Article 202 of the Constitution. Similar misclassification of amount required to comply with the directions of the Court was observed during 2019-20 also and was pointed out in the State Finances Audit Report for the year ended March 2020. However, the misclassification has recurred.

3.3.1.1 Other Misclassifications

• Misclassification of Investment

Government of Kerala incurred ₹2.05 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.

3.3.2 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 which supplementary provision was obtained in 33 grants and two appropriations. Out of these, in 18 cases of 15 grants the supplementary demand for grants obtained was unnecessary 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 3.3**).

In 19 cases of 15 Grants and one Appropriation, the Supplementary provision of more than ₹50 lakh obtained was in excess of actual expenditure as detailed in **Table 3.4**.

Table 3.3: Details of cases where supplementary provision proved unnecessary

(₹ in crore)

Sl. No.	Name of the Grant	Original	Supplementary	Actual expenditure	Savings out of Provisions
Revenue (Voted)					
1	I-State Legislature	110.72	17.82	109.06	19.48
2	XII-Police	3777.57	3.00	3324.21	456.36
3	XVI-Pensions and Miscellaneous	30642.72	100.00	26281.35	4461.37
4	XVII-Education, Sports, Art and Culture	20823.11	140.67	16768.78	4195.00
5	XXII-Urban Development	2159.41	201.47	1480.83	880.05
6	XXIV-Labour, Labour Welfare and Welfare of Non-Residents	951.53	199.49	849.24	301.78
7	XXV-Welfare of Scheduled Castes, Scheduled Tribes, Other Backward Classes and Minorities	2817.70	6.17	2695.28	128.59
8	XXXIII-Fisheries	415.63	1.50	323.23	93.90
9	XXXV-Panchayat	820.13	177.00	805.64	191.49
10	XXXVII-Industries	601.75	44.96	582.99	63.72
	Total	63120.27	892.08	53220.61	10791.74
Revenue (Charged)					
11	I-State Legislature	0.81	0.15	0.73	0.23
12	XI-District Administration And Miscellaneous	1.12	0.22	1.09	0.25
13	XII-Police	5.19	0.45	4.77	0.87
14	XV-Public Works	2.68	0.01	1.65	1.04
15	XVIII-Medical and Public Health	0.13	0.03	0.11	0.05
	Total	9.93	0.86	8.35	2.44

Sl. No.	Name of the Grant	Original	Supplementary	Actual expenditure	Savings out of Provisions
Capital (Voted)					
16	XXII-Urban Development	187.01	9.51	103.00	93.52
17	XXIX-Agriculture	240.94	42.88	223.46	60.36
	Total	427.95	52.39	326.46	153.88
Capital (Charged)					
18	XXXVIII-Irrigation	6.61	2.19	6.35	2.45
	Total	6.61	2.19	6.35	2.45
	Grand Total	63564.76	947.52	53561.77	10950.51

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 3.3** that for all these 18 cases of 15 grants, supplementary provision was totally unnecessary since there were savings in the original provision itself.

Table 3.4: Details of cases where supplementary provision (₹50 lakh or more in each case) proved excessive.

Sl. No.	Name of the Grant	Original	Supplementary	Actual Expenditure	Savings out of Provisions
<i>(₹ in crore)</i>					
Revenue (Voted)					
1	XI-District Administration and Miscellaneous	694.27	116.65	794.60	16.32
2	XVIII-Medical and Public Health	7142.48	1542.90	8025.35	660.03
3	XXI-Housing	103.97	21.50	121.77	3.70
4	XXIII-Information And Publicity	92.97	21.66	110.80	3.83
5	XXX-Food	1796.14	5147.52	6007.26	936.40
6	XXXIX-Power	386.92	572.94	910.49	49.37
7	XLVI-Social Security And Welfare	7603.03	6565.93	13796.94	372.02
	Total	17819.78	13989.10	29767.21	2041.67
Revenue (Charged)					
8	XXXVIII-Irrigation	0.05	1.51	1.51	0.05
	Total	0.05	1.51	1.51	0.05

Sl. No.	Name of the Grant	Original	Supplementary	Actual Expenditure	Savings out of Provisions
Capital (Voted)					
9	XVII-Education, Sports, Art and Culture	366.35	100.61	386.33	80.63
10	XXI-Housing	37.77	20.88	39.41	19.24
11	XXXI-Animal Husbandry	23.33	5.16	27.10	1.39
12	XXXV-Panchayat	202.10	224.00	399.32	26.78
13	XXXVII-Industries	842.28	204.86	916.54	130.60
14	XL-Ports	73.65	43.96	85.62	31.99
15	XLI-Transport	1511.09	1309.22	2806.46	13.85
	Total	3056.57	1908.69	4660.78	304.48
Capital (Charged)					
16	XV-Public Works	30.00	193.52	200.98	22.54
17	XL-Ports	0.00	40.80	40.70	0.10
18	XLI-Transport	0.00	0.76	0.16	0.60
19	LXI-Public Debt Repayment	24878.18	19914.70	38927.85	5865.03
	Total	24908.18	20149.78	39169.69	5888.27
Grand Total		45784.58	36049.08	73599.19	8234.47

It can be seen from **Table 3.3** 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.

3.3.3 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 2020-21, disclosed insufficient re-appropriations of above ₹ one crore in three schemes with excess expenditure exceeding ₹25 crore viz. Legislative Assembly(V) (NP) ₹51.47 crore (Grant No IV), Major District Roads-Development and improvements(V)(P) ₹180.55

crore (Grant No. XV) and Fixed Time Deposits(C)(NP) ₹541.19 crore (Debt Charges).

It was also observed that amount of re-appropriations ordered in 11 schemes included under nine grants was unnecessary as the expenditure under these schemes either did not come up to the level of original/supplementary provision. Out of these 11 schemes, three schemes viz. Kerala State Transport Project (World Bank Aided) (V) (P) ₹244.54 crore (Grant No. XV), Grant-in-aid for the management and control of COVID-19 NHM (100 *per cent* CSS) (V) (P) ₹219.38 crore and National Health Mission (CSS 60:40) (V) (P) ₹235.66 crore (Grant No. XVIII) had savings of more than ₹200 crore.

The augmentation of funds through re-appropriation in two schemes included under two grants was in excess of actual requirement.

The details of re-appropriations mentioned in the preceding paras above ₹ one crore in cases of Savings/Excess exceeded ₹25 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 the Legislature. However, a test check of re-appropriation orders relating to 10 Grants issued by Finance Department revealed that in respect of 701 out of 1,299 items, (53.96 *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.

3.3.4 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 utilised.

Out of 45 Grants and two appropriations, there was a total savings (Gross) of ₹25,532.19 crore related to 41 Grants and two Appropriations, of which a total amount of ₹24,290.05 crore was surrendered.

Audit further observed that in 20 grants and one appropriation having savings exceeding ₹100 crore each, the budget allocation amounting to ₹23,956.68 crore remained unutilised in Revenue and Capital Sections. Out of this, an amount of ₹22,772.07 crore (95.05 per cent) was surrendered as detailed in **Appendix 3.2**.

Further analysis revealed that surrender of funds (in excess of ₹10 crore in each case) amounting to ₹24,263.47 crore was made in 37 Grants and one appropriation at the end of March as shown in **Appendix 3.3**.

Distribution of the number of Grants/Appropriations grouped by the percentage of utilisation along with total savings are given in **Chart 3.2** and savings and surrenders before close of the financial year 2020-21 are given in **Chart 3.3**.

Chart 3.2 shows that there was no grant with Budget utilisation of less than 50 per cent. Under four grants, the percentage of utilisation was between 50 and 70 per cent.

It was further observed that eight schemes included in these four grants as shown in **Table 3.5** have no budget utilisation at all, as entire provisions made in the original/supplementary budget were either completely withdrawn by re-appropriation or surrendered in full.

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

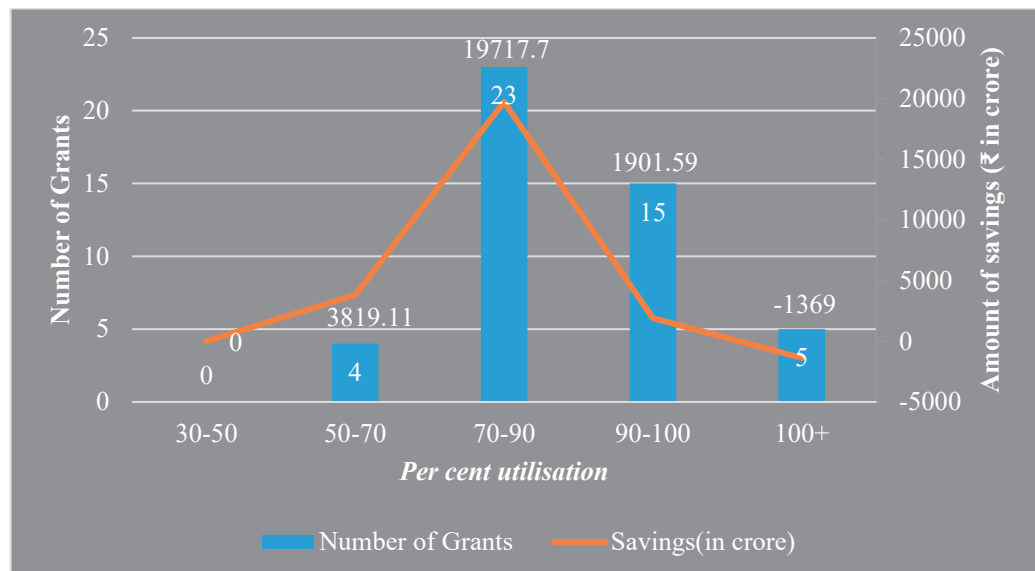
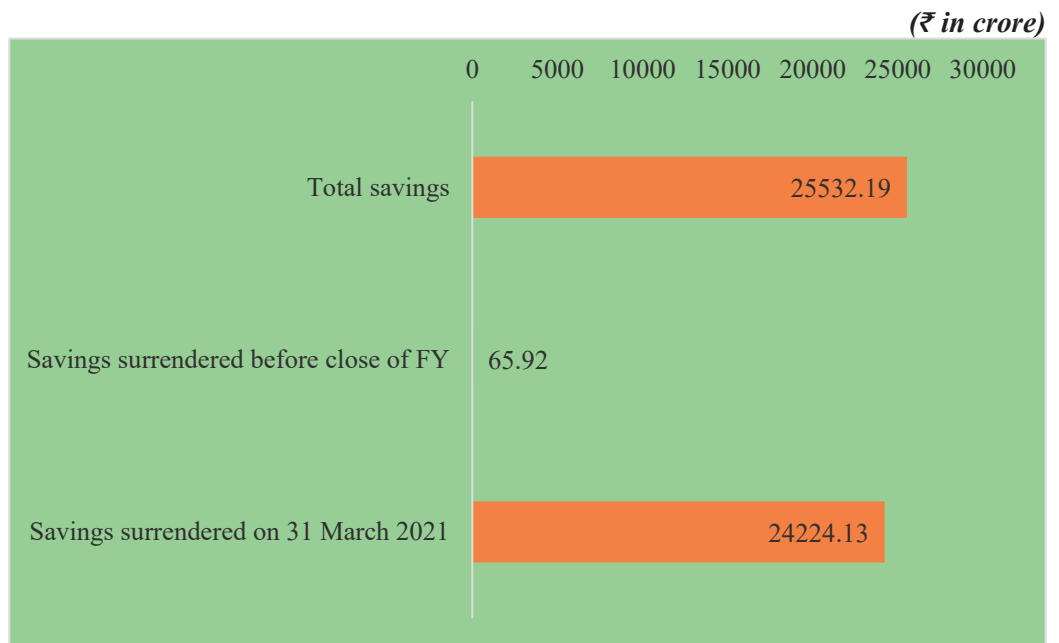


Table 3.5 : Schemes without Budget Utilisation

(₹ in crore)

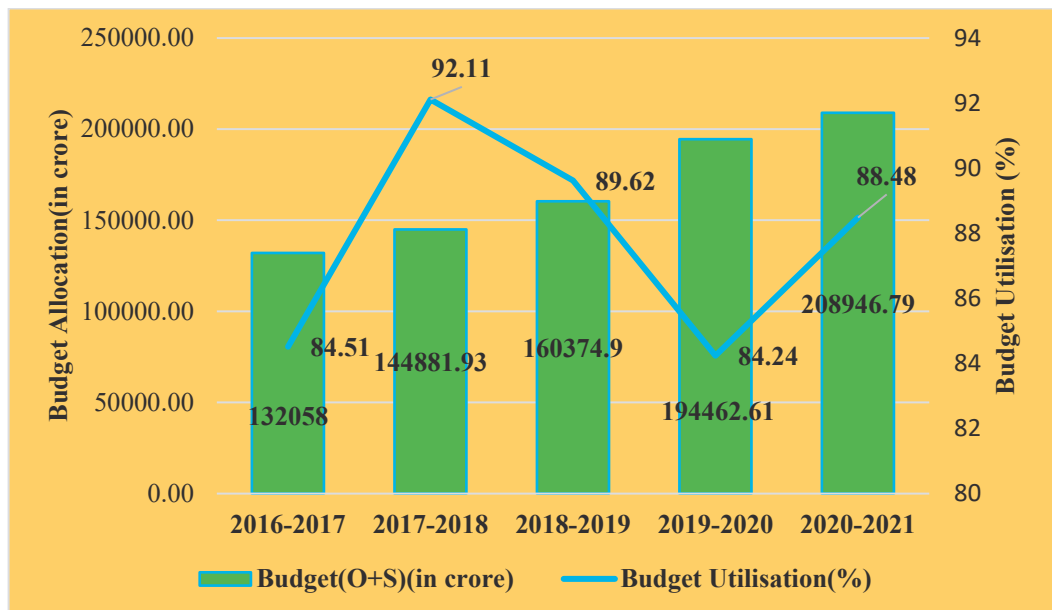
Sl. No	Grant No. and Name	Head of Account and Scheme Name	Original Grant	Supplementary Grant	Total Grant	Actual Expenditure	Percentage of Utilisation
1	XXII-Urban Development	2217-80-001-91- Contribution to the Municipal Common Service Central Pension Fund (V) (NP)	0.00	100.00	100.00	0.00	Nil
2	XXVIII-Miscellaneous Economic Services	5475-00-115-99-Major Infrastructural Development Projects (V) (P)	1000.00	0.00	1000.00	0.00	Nil
3	XXXVI-Rural Development	2501-06-789-98- Pradhan Mantri Awas Yojana (PMAY - Gramin) (60% CSS) (V) (P)	24.00	0.00	24.00	0.00	Nil
		2501-06-796-98- Pradhan Mantri Awas Yojana (PMAY - Gramin) (60% CSS) (V) (P)	12.00	0.00	12.00	0.00	Nil
		2515-00-102-31- Incentivising District Plans - Rural (V) (P)	20.00	0.00	20.00	0.00	Nil
		2515-00-800-48- Kudumbasree (V) (P)	200.00	0.00	200.00	0.00	Nil
4	XXXVIII-Irrigation	4711-01-103-82-Flood Management and Border Area Programme 2020-25 (75% CSS) (V) (P)	196.76	0.00	196.76	0.00	Nil
		4711-01-103-83- Nabard RIDF assistance for Kuttanad (V) (P)	29.10	0.00	29.10	0.00	Nil

Chart 3.3: Savings and surrenders before close of financial year 2020-21



Audit scrutiny revealed that out of the total savings of ₹25,532.19 crore, an amount of ₹65.92 crore only was surrendered before the close of the financial year which works out to 0.26 per cent. It was also observed that ₹24,224.13 crore was surrendered on 31 March 2021.

Chart 3.4: Budget Utilisation during 2016-17 to 2020-21



Audit observed that budget utilisation ranged from 84.51 per cent in 2016-17 to 88.48 per cent in 2020-21. The highest percentage of utilisation was recorded in 2017-18 (92.11 per cent). The percentage of budget utilisation declined from

92.11 per cent in 2017-18 to 84.24 per cent in 2019-20 and increased to 88.48 per cent in 2020-21.

3.3.5 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.

3.3.5.1 Excess expenditure relating to financial year 2020-21

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 2020-21 are furnished in **Table 3.6** and details of excess disbursements over the authorisation from the Consolidated Fund of the State are given in **Table 3.7**.

Table: 3.6 Summary of excess disbursements over grants/appropriations during the year 2020-21

(₹ in crore)

Name of Grant	Voted		Charged	
	Revenue	Capital	Revenue	Capital
IV-Elections	54.74			
XV-Public Works	268.10			
XX-Water Supply and Sanitation	4.47			
XLI-Transport	0.74			
XLII-Tourism	6.18			
Debt Charges			797.61	
XV-Public Works		141.14		
XVIII-Medical and Public Health		26.59		

Name of Grant	Voted		Charged	
	Revenue	Capital	Revenue	Capital
XX-Water Supply and Sanitation		108.41		
XXVII-Co-operation		19.30		
XXXIII-Fisheries		23.12		
XXXIV-Forest		0.40		
XLII-Tourism		11.93		
XVIII-Medical and Public Health				0.06
Total Excess	334.23	330.89	797.61	0.06
Grand Total				1462.79

Excess expenditure incurred in five grants (Revenue Voted) (₹334.23 crore), seven grants (Capital Voted) (₹330.89 crore) and two appropriations under Revenue Charged (₹797.61 crore) and Capital Charged (₹0.06 crore) amounting to a total of ₹1,462.79 crore requires regularisation.

Table 3.7: Major head wise 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	V	2040	Taxes on Sales, Trade etc.	19.68	34.23	14.55	Reply awaited
2	IV	2015	Elections	282.25	336.99	54.74	Reply awaited
3	XI	2250	Other Social Services	117.40	166.83	49.43	Reply awaited
4	XV	3054	Roads and Bridges	3195.71	3548.52	352.81	Reply awaited
		4059	Capital Outlay on Public Works	160.07	175.80	15.73	Reply awaited
		5054	Capital Outlay on Roads and Bridges	2653.25	2778.67	125.42	Reply awaited
5	XVIII	4210	Capital Outlay on Medical and Public Health	290.07	316.72	26.65	Reply awaited
6	XX	2215	Water Supply and Sanitation	401.93	406.40	4.47	Reply awaited
		4215	Capital Outlay on Water Supply and Sanitation	1037.75	1146.16	108.41	Reply awaited

Sl No.	Grant No.	Major Head	Major Head Description	Total provision	Expenditure	Excess	Reasons for excess stated by the Department
7	XXVII	6425	Loans for Co-operation	65.13	87.98	22.85	Reply awaited
8	XXVIII	5465	Investment in General Financial and Trading Institutions	0	400.00	400.00	Reply awaited
9	XXIX	4401	Capital Outlay on Crop Husbandry	5.37	6.96	1.59	Reply awaited
		4402	Capital Outlay on Soil and Water Conservation	74.73	77.35	2.62	Reply awaited
		4435	Capital Outlay on Other Agricultural Programmes	14.65	18.77	4.12	Reply awaited
		6401	Loans for Crop Husbandry	0.00	3.00	3.00	Reply awaited
10	XXX	6408	Loans for Food, Storage and Warehousing	2.28	3.84	1.56	Reply awaited
11	XXXI	4403	Capital Outlay on Animal Husbandry	15.36	21.22	5.86	Reply awaited
12	XXXIII	4405	Capital Outlay on Fisheries	200.76	223.88	23.12	Reply awaited
13	XXXIV	4406	Capital Outlay on Forestry and Wild Life	87.99	88.39	0.40	Reply awaited
14	XXXVI	2501	Special Programme for Rural Development	344.32	495.49	151.17	Reply awaited
		2515	Other Rural Development Programmes	716.27	868.98	152.71	Reply awaited
15	XXXVII	4860	Capital Outlay on Consumer Industries	62.18	77.13	14.95	Reply awaited
		6851	Loans for Village and Small Industries	124.53	142.58	18.05	Reply awaited
		6860	Loans for Consumer Industries	83.30	109.44	26.14	Reply awaited
		6885	Other Loans to Industries and Minerals	57.52	58.80	1.28	Reply awaited
16	XXXVIII	2711	Flood Control and Drainage	54.50	67.39	12.89	Reply awaited
17	XLI	3056	Inland Water Transport	48.25	51.20	2.95	Reply awaited
		7053	Loans for Civil Aviation	0.00	2.27	2.27	Reply awaited
		7055	Loans for Road Transport	1474.91	1742.98	268.07	Reply awaited

Sl No.	Grant No.	Major Head	Major Head Description	Total provision	Expenditure	Excess	Reasons for excess stated by the Department
		7056	Loans for Inland Water Transport	10.97	90.07	79.10	Reply awaited
18	XLII	3452	Tourism	182.44	188.62	6.18	Reply awaited
		5452	Capital Outlay on Tourism	233.34	245.27	11.93	Reply awaited
19	Debt Charges	2049	Interest Payments	20178.03	20975.64	797.61	Reply awaited

3.3.5.2 Persistent excesses

Audit observed that Persistent excess expenditure occurred in one Appropriation viz. Debt charges. The excess expenditure under Debt charges decreased from ₹1,097.61 crore (7.83 per cent) in 2017-18 to ₹797.61 crore in 2020-21 (3.95 per cent), the details of which are shown in **Table 3.8**.

Table 3.8: Persistent Excess

Description of Grant/ Appropriation	(₹ in crore)			
	2017-18	2018-19	2019-20	2020-21
Debt Charges				
Budget provision	14022.37	15868.46	18995.63	20178.03
Expenditure	15119.98	16926.15	19215.27	20975.64
Excess	1097.61	1057.69	219.64	797.61

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

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

3.3.5.3 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 (2011-12 to 2019-20) not yet regularised, are examined.

Year wise details of excess expenditure to be regularised up to the year ending 31 March 2020 are shown in **Table 3.9**.

Table 3.9: Abstract of pendency of regularisation

Year	Number of Grants/Appropriations	Excess expenditure to be regularised
2011-12	2	24.50

Year	Number of Grants/Appropriations	Excess expenditure to be regularised
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
2018-19	6	4463.15
2019-20	3	665.37
Total	48	9863.52

Excess expenditure of previous financial years in respect of 31 Grants and 17 Appropriations amounting to ₹9,863.52 crore from the year 2011-12 to 2019-20 as detailed in **Appendix 3.4** are yet to be regularised. This indicates inadequate expenditure control.

3.3.6 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 authorised 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 3.10**).

Table 3.10: Extent of classification of GIA as Capital Expenditure

	2016-17	2017-18	2018-19	2019-20	2020-21
GIA booked as Capital Expenditure	179.45	169.13	85.04	14.70	46.50
Total Capital Expenditure	10125.95	8748.87	7430.54	8454.80	12889.65
Share of GIA in Capital Expenditure (in per cent)	1.77	1.93	1.14	0.17	0.36
Impact on Revenue Deficit –understated	179.45	169.13	85.04	14.70	46.50

There has been a persistent misclassification of Grant-in-aid as Capital Expenditure year after year for the five year period from 2016-17 to 2020-21.

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 2020-21. The details of the Grants having heads of account with lumpsum provision and their utilisation are given in **Table 3.11**.

Table 3.11: Lumpsum provisions and its utilisation

(₹ in crore)

Sl. No.	Grant No. and Head of Account	Original Provision	Expenditure	Audit observation
1	III Administration of Justice 2014-103-96-Setting up of Fast Track Special Courts for the Trail of POCSO Cases (60 % CSS) (P) (V) - lumpsum provision	21.00	9.64	The entire budget provision was redistributed to various other detailed heads within the same sub head. The lumpsum provision indicates lack of transparency. The budget utilisation of the scheme under the detailed head as against the original provision works out to 45.90 <i>per cent</i> only.
2	XXXVII Industries 4885-60-800-96 – Provision for revival/Diversification of State Public Sector undertakings Lumpsum provision (P) (V)	30.00	Nil	The entire provision was Re-appropriated/surrendered. Provision of ₹16.62 crore was redistributed to various other loan major heads through a series of Re-appropriation orders. No expenditure was incurred under the head during the year. Unnecessary provision of funds indicates inadequate budgetary control.
3	XL Ports 5051-80-800-98- Augmentation of Workshop and Stores Organisation (P) (V)	4.00	0.68	The entire lumpsum provision made under the sub-head 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 17 <i>per cent</i> only. The lumpsum provision indicates lack of transparency and the

Sl. No.	Grant No. and Head of Account	Original Provision	Expenditure	Audit observation
				excessive provision of funds indicates inadequate budgetary control.
4	XLVI Social Security and Welfare 2235-02-102-62-Psycho Social Services to Adolescent Girls (P) (V)	26.80	22.36	The entire lumpsum provision under 102-62 was redistributed to other heads of account with in the same sub head of account. The lumpsum provision indicates lack of transparency.

3.4.2 Defective Budgeting

3.4.2.1 Lack of transparency– Operation of Omnibus Object Head 34 - Other Charges

As per para 9(7) of Kerala Budget Manual (KBM), for the purpose of departmental control, it is necessary to analyse the expenditure on a scheme in terms of inputs such as salaries, grant-in-aid, investments, etc. and as per para 29 of KBM, the detailed head “Other Charges” is a residuary head that will embrace all charges which cannot appropriately be brought to account under any other detailed head.

The object head, being the last tier of classification, exhibits the object/nature of expenditure, required to be prepared by exercising high degree of accuracy. However, Audit noticed that though there are separate standard object heads for Machinery & Equipment, Materials & Supplies, Motor Vehicles, Rent Rate and Taxes, Electricity Charges, Water charges etc., expenditure amounting to a total of ₹2,236.30 crore on these items had been budgeted/ booked under the Omnibus Object Head 34-Other Charges during 2020-21 (Statement No.4B of Finance Accounts for the year 2020-21). Routine and indiscriminate operation of Object head 34-Other charges renders the accounts opaque.

3.4.2.2 Non- allocation of funds for the Scheduled Caste Sub-Plan (SCSP) / Tribal Sub-Plan (TSP) component of the Centrally Sponsored Schemes.

Para 13.4 of the Budget Circular of the Government of India for the year 2020-21 specifies that the Government of India has been earmarking separate allocations for the Scheduled Castes Sub Plan (SCSP) and Tribal Sub Plan (TSP) from the Financial Year 2011-12 onwards. Government of India release for Centrally Sponsored schemes includes the funds for SCSP and TSP components also. As per para 13.4 of the Budget Circular, for incurring expenditure, State Government has to provide sufficient provision under the General, SCSP & TSP components of the Scheme. However, Audit noticed that entire provision had been made in the General component head of two schemes having SCSP and TSP components viz. Rashtriya Uchchatar Shiksha Abhiyaan - RUSA (65 per cent CSS) and Pradhan Mantri Kaushal Vikas Yojana and at the end of the year, budget provision had been re-appropriated to the heads “789

Special Component Plan for Scheduled Castes” and “796 Tribal Area Sub Plan” from the General Component head, which is against the guidelines contained in Para 13.4 of the Budget circular of the GoI for the year 2020-21.

3.4.2.3 Major works budgeted under Revenue section instead of Capital

The object head ‘16 Major works’ should not have been opened under the revenue expenditure head. However, Audit noticed that the object head ‘16 Major works’ was operated under the head ‘3054-Roads & Bridges 80- General-800 Other Expenditure- 95 Road Safety works’ during 2020-21.

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 the 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 utilised.

Summarised position of Actual Expenditure *vis-à-vis* Budget (Original/Supplementary) provisions during the financial year is given below in **Table 3.12**.

Table 3.12 : 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	110796.40	15054.01	125850.41	108953.04	16897.37	15980.85	86.57
	II. Loans and Advances	1514.71	672.56	2187.27	2548.35	(-)361.08	84.69	116.51
	III. Capital Voted	12885.74	2295.99	15181.73	12935.44	2246.29	2147.92	85.20
Total		125196.85	18022.56	143219.41	124436.83	18782.58	18213.46	86.88
Charged	Revenue Charged	20319.53	331.55	20651.08	21254.93	(-)603.85	197.31	102.92
	Public Debt	24878.18	19914.70	44792.88	38927.85	5865.03	5854.09	86.91
	Loans and Advances Charged	0.00	0.48	0.48	0.16	0.32	0.32	33.39

Nature of expenditure	Original Grant/ App.	Supplementary Grant /App.	Total	Actual expenditure	Net of Savings (-)	Surrender during March	per cent of expenditure to Provision
Capital Charged	36.62	246.32	282.94	257.62	25.32	24.87	91.05
Total	45234.33	20493.05	65727.38	60440.56	5286.82	6076.59	91.96
Appropriation to Contingency Fund (if any)	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Grand Total	170431.18	38515.61	208946.79	184877.39	24069.40	24290.05	88.48

Source: Appropriation Accounts.

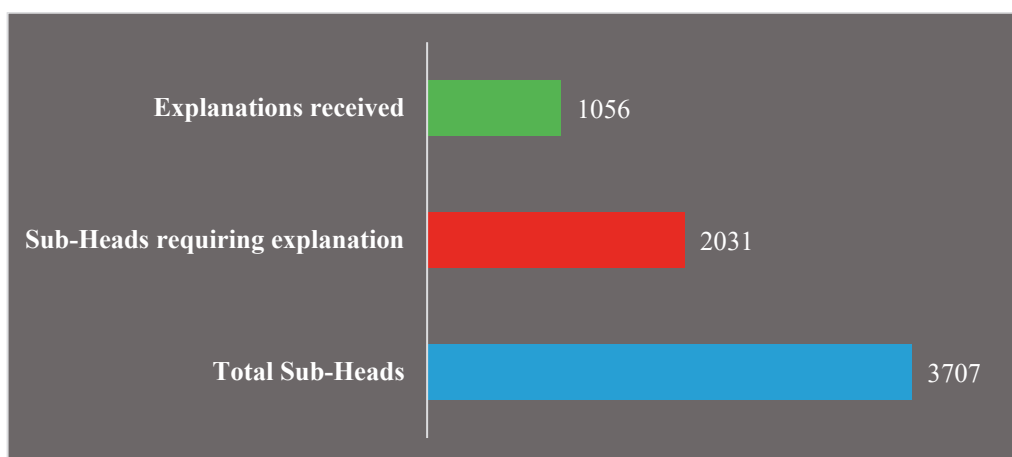
Original Budget, Revised Estimate and Actual Expenditure during 2016-17 to 2020-21 are given in **Table 3.13**.

Table 3.13: Original Budget, Revised Estimate and Actual expenditure during the period 2016-17 to 2020-21

	(₹ in crore)				
	2016-17	2017-18	2018-19	2019-20	2020-21
Original Budget	122593.50	133897.86	142809.88	160613.01	170431.18
Supplementary Budget	9464.50	10984.08	17565.02	33849.60	38515.61
Revised Estimate	104296.99	111351.52	124678.88	125642.93	128382.63
Actual Expenditure	111597.71	133456.97	143721.60	163815.80	184877.39
Saving /excess	20460.29	11424.97	16653.30	30646.81	24069.40
Percentage of Saving	15.49	7.89	10.38	15.76	11.52

Audit observed that the percentage of supplementary provision to the original provision has increased from 7.72 per cent in 2016-17 to 22.60 per cent in 2020-21 which indicates poor planning and budgeting.

There were a total of 3,707 sub heads of which 2,031 sub heads require explanation for variations between the budget provision and actual expenditure in the Appropriation Accounts during the year 2020-21. Out of this, only 1,056 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 ₹12,465.18 crore including supplementary provision was obtained under Capital Section in 22 grants, ₹2,216.10 crore (17.78 per cent) remained unutilised as detailed in **Appendix 3.5**.

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

The details of incomplete projects costing above ₹25 crore which could have utilised this amount are shown in **Table 3.14**.

Table 3.14: Details of incomplete projects costing above ₹25 crore*(₹ in crore)*

Sl No	Name of Scheme/Project (having estimated cost of ₹25 crore or more)	Estimated cost of scheme/project	Yearwise Expenditure incurred during 2016-21		Target year of completion	Expenditure as of 31 March 2021	Physical progress of the work (in per cent)	Funds required for completion of remaining work
			Year	Expenditure				
1	Kuttanad Package-FMP-Modernisation of Thanneermukkom Bund to manage salinity	255.33	2016-17	52.12	2018	141.81	55	113.52
			2017-18	16.81				
			2018-19	8.54				
			2019-20	0.90				
			2020-21	Nil				

Sl No	Name of Scheme/Project (having estimated cost of ₹25 crore or more)	Estimated cost of scheme/project	Yearwise Expenditure incurred during 2016-21		Target year of completion	Expenditure as of 31 March 2021	Physical progress of the work (in per cent)	Funds required for completion of remaining work
			Year	Expenditure				
2	Thuravoor-Pamba Road renovation and construction of Thycattussery Nerekadavu by-pass from 1/790 to 6/530 (2 nd reach)	98.99	2016-17	#	2017	49.29	55	49.70
			2017-18	42.95				
			2018-19	6.34				
			2019-20	Nil				
			2020-21	*				
3	Construction of Kannattu Willington bridge across Kumbalam Kayal	64.00	2016-17	Expenditure details awaited	2016	67.21	90	Reason for excess expenditure is awaited
			2017-18					
			2018-19					
			2019-20					
			2020-21					

#commenced in 2013- No expenditure upto 2016-17

*Expenditure not furnished by the department

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 ₹10 crore and above was made in 19 schemes included in 11 Grants but no expenditure was incurred in any of these schemes. These schemes were also not withdrawn in revised outlay. (**Appendix 3.6**). Out of these 19 schemes, two schemes viz. National Scheme for modernisation of Police and other forces (CSS) (Grant No. XII), Basic Amenities in Village Offices (Grant No. XV) were announced in the budget for financial year 2019-20 too with no actual funding.

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 utilising 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 five Grants after obtaining supplementary provision as detailed in **Table 3.15**.

Table 3.15 : Re-appropriation made after obtaining supplementary provision

<i>(₹ in crore)</i>				
Sl. No.	Grant No.	Head of account	Supplementary provision	Re-appropriation
1	I-State Legislature	2011-02-101-99 (V) (NP)	0.75	-0.92
2	XVIII-Medical and Public Health	2210-03-103-99 (V) (NP)	0.22	-31.53
3	XXXVII-Industries	2851-00-004-99 (V) (P)	1.01	-3.37

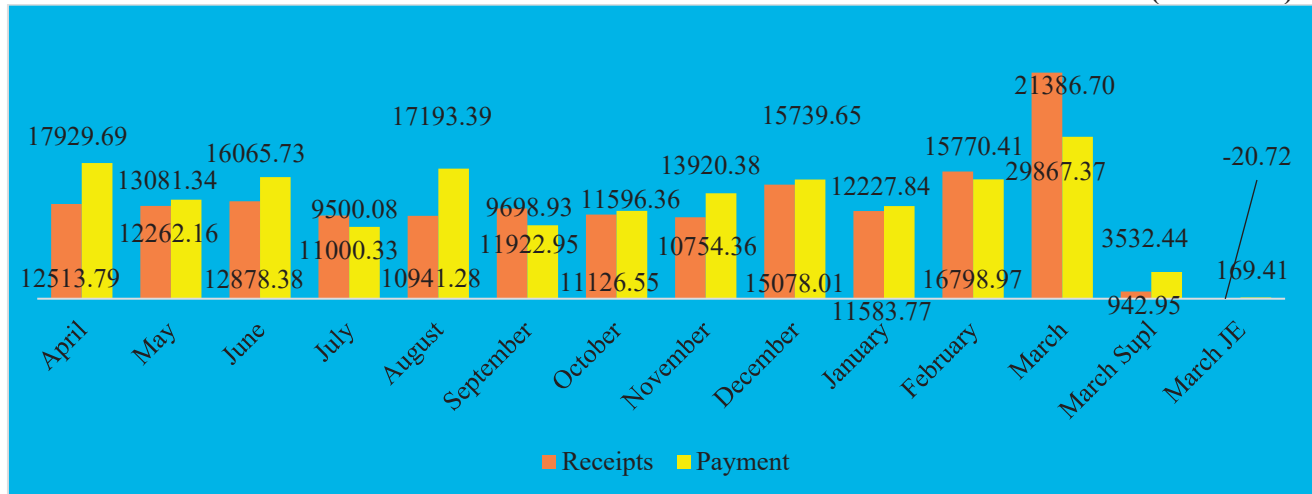
Sl. No.	Grant No.	Head of account	Supplementary provision	Re-appropriation
4	Debt Charges	2049-01-115-96 (C) (NP)	5.19	-6.58
5	Debt Charges	2049-01-115-97 (C) (NP)	0.99	-1.66

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 financial year for the State (₹ in crore)



From **Chart 3.6**, it can be seen that for 2020-21, the monthly spread of receipts and expenditure of the State was not generally even as was observed in the year 2019-20.

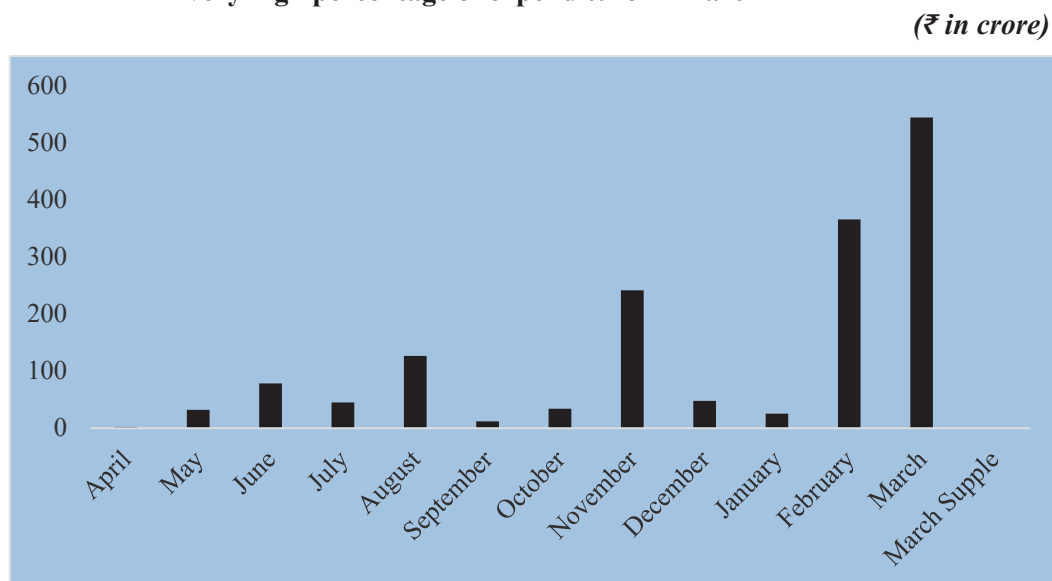
Audit observed that for four Grants shown in **Table 3.16**, more than 25 per cent of the expenditure was incurred in March alone.

**Table 3.16: 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	XX	Water Supply and Sanitation	112.09	182.94	323.03	934.44	1552.50	543.72	35.02
2	XV	Public Works	1132.68	1205.56	1105.18	2673.90	6117.32	1629.08	26.63
3	Public Debt Repayment	Public Debt Repayment	13746.20	7172.74	6144.37	11864.54	38927.85	10026.54	25.76
4	XXXVI	Rural Development	967.78	657.61	721.17	1655.38	4001.94	1005.92	25.14

Chart 3.7: Month wise expenditure of Water supply and Sanitation with very high percentage of expenditure in March



Further, the scheme wise analysis of expenditure of ₹one crore or more, as mentioned in **Appendix 3.7**, has revealed that the entire expenditure was incurred in March during the year 2020-21 in 61 schemes, the incurrence of expenditure in March was very high in three schemes viz. one each in Grant No. XXVIII Miscellaneous Economic Services (₹400 crore), Grant No. XXV

Welfare of Scheduled Castes, Scheduled Tribes, Other Backward Classes and Minorities (₹140 crore) and in Grant No. XVI Pensions and Miscellaneous (₹100 crore).

3.5.6 Review of Selected Grant - Review on Budgetary process and Appropriation Control - Grant No XXII- Urban Development

The Central/State Government have implemented many programmes for the urban development in the State which covers infrastructure for education, health, justice, solid waste, markets, street pavements and cultural heritage protection. The Grant No XXII is controlled by four³³ Controlling Officers in two³⁴ Administrative Departments. The controlling officers are responsible for ensuring appropriation control in each unit of appropriation of the Grant. A review was conducted to ascertain the budgetary process and utilisation of funds earmarked for various schemes implemented by all the four controlling officers. Defective budgetary and appropriation control was noticed in the schemes implemented by all these controlling officers.

3.5.6.1 Budget allocation and expenditure

Budget allocation and expenditure under revenue and capital sections of Grant XXII during the last three years are given in **Table 3.17**.

Table 3.17: Budget allocation and expenditure for the last three years

(₹ in crore)

Year	Category	Budget allocation	Total	Expenditure	Savings	Percentage of Savings during the year
2018-19	Revenue Original(V)	2601.86	2912.91	1129.37	1783.54	61.23
	Supplementary	300.00				
	Capital Original(V)	0.01				
	Supplementary	11.04				
2019-20	Revenue Original(V)	1970.92	2196.93	1084.78	1112.15	50.62
	Supplementary	51.00				
	Capital Original(V)	175.01				
	Supplementary	0.00				
2020-21	Revenue Original(V)	2159.41	2557.39	1583.83	973.56	38.07
	Supplementary	201.47				
	Capital Original(V)	187.01				
	Supplementary	9.51				

Source: Appropriation Accounts 2018-19 to 2020-21, Government of Kerala.

³³ Director of Urban Affairs (formerly Director of Municipal Administration), The Chief Town Planner, The Secretary to Government, Local Self Government Department and The District Collector, Thiruvananthapuram

³⁴ Local Self Government Department and Revenue Department

3.5.6.2 Savings

Table 3.18 shows that more than 38 *per cent* of the budget allocation remained unutilised during the last three years.

Moreover, scrutiny of Appropriation Accounts for the years 2018-19 to 2020-21 showed that in 37 schemes, implemented by the three Controlling officers³⁵, surrender of funds is more than fifty *per cent* of the budget allocations. Out of these 37 schemes, 21 schemes had surrender more than one crore as detailed in **Appendix 3.8**.

It was stated in reply that the expenditure under the head of account could not be incurred in respective years due to 20 *per cent* plan cut effected by Government, Bills not passed by Treasury due to closing down of office in connection with corona out break and deferring the scheme in the working group as part of policy decision of Government.

However, audit observed that, during the above period there were repeated cases of savings of more than ₹10 crore each under 13 schemes as detailed in **Appendix 3.9**. Moreover, the savings year after year indicated failure of the respective Controlling Officers and the Finance Department in making a realistic assessment of the budgetary requirement based on the expenditure of the previous year and the ability of the department to utilise the funds allotted.

It was also observed that in respect of 16 schemes the entire budget allocation remained unutilised in the respective years and was surrendered at the end of the year. Out of these 16 schemes, in six schemes the amount of entire budget allocation surrendered were more than ₹ one crore is given in **Table 3.18**. The surrender of entire provision indicated failure on the part of the department for its proper utilisation. As a result, the objectives of the schemes/ programmes for which the funds were provided for, could not be achieved.

Table 3.18: Schemes in which entire budget allocation was surrendered.

(₹ in crore)				
Sl. No:	Scheme	Year	Budget allocation	Amount Surrendered
Director of Urban Affairs				
1.	2217-05-051-98-(V)(P) Construction of New Building for the Newly formed Municipalities	2018-2019	15.00	15.00
		2019-2020	10.00	10.00
2.	2217-05-800-69-(V)(P) Incentivising District Plans - Urban	2018-2019	10.00	10.00
3.	2217-05-191-36-(V)(P) Thiruvananthapuram Development Authority	2019-2020	15.00	15.00

³⁵ Director of Urban Affairs (formerly Director of Municipal Administration), The Chief Town Planner and the Secretary to Government, Local Self Government Department.

Sl. No:	Scheme	Year	Budget allocation	Amount Surrendered
4.	2217-80-001-91-(V)(NP) Contribution to the Municipal Common Service Central Pension Fund	2020-2021	100.00	100.00
5.	4217-60-800-93-(C)(P) Payment of compensation in LAR cases	2019-2020	1.49	1.49
Secretary to Government, Local Self Government Department				
6.	2217-05-800-70-(V)(P) Interest Subsidy to the Housing Loan availed by permanent contingent employees of Municipalities and Corporations	2018-2019	1.00	1.00

3.5.6.3 Unnecessary/excessive supplementary budget provision

Audit of Appropriation Accounts for the period 2018-19 to 2020-21, revealed that supplementary provision amounting to ₹411.97 crore made by two controlling officers proved unnecessary/excessive as the expenditure did not come up to the level of even original provisions as detailed in **Table 3.19**. Since there were sufficient savings in the original budget allocation, the option of re-appropriation of funds between heads of account (where savings were noticed) within the grant/appropriation could have been resorted to by the Controlling Officers (for heads of accounts which require funds) instead of proposing Supplementary Demands for Grants(SDG).

Table 3.19: Unnecessary/excessive supplementary budget provision

(₹ in crore)

Year	Major Head	Name of Controlling Officer	Sum of Budget original amount	Sum of expenditure	Sum of Budget supplementary amount
2018-19	2217	Secretary to Government, Local Self Government Department	1001.00	699.85	200.00
2019-20	2217	Director of Urban Affairs	996.04	283.84	1.00
2020-21	2217	Secretary to Government, Local Self Government Department	1170.01	977.06	41.08
	4217	Secretary to Government, Local Self Government Department	187.01	102.99	9.51
	2217	Director of Urban Affairs	951.44	471.25	160.38
Total					411.97

Source: Appropriation Accounts 2018-19 to 2020-21, Government of Kerala

3.5.6.4 Unspent provision not surrendered

During the course of 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. Scrutiny of the detailed Appropriation Accounts for the years 2018-19, 2019-20 and 2020-21 revealed that the budget grant which cannot be utilised in full and the funds in excess of requirement has not been surrendered in the financial year in respect of six schemes as shown in **Table 3.20**. In respect of the scheme (Sl.No.6) controlled by the Secretary to Government, Local Self Government Department, balance to be surrendered during the year 2020-21 is ₹12 crore, which is 61.53 per cent of the net budget.

Table 3.20: Schemes in which unspent budget provision not surrendered

(₹ in crore)					
Sl No	Scheme	Year	Net Budget	Expenditure	Balance to be surrendered
Chief Town Planner					
1	2217-05-001-65-(V)(NP) District Planning Units	2019-2020	23.05	22.78	0.27
		2018-2019	22.49	22.24	0.25
		2020-2021	20.31	20.09	0.22
Director of Urban Affairs					
2	2217-05-191-35-(V)(P) Greater Cochin Development Authority	2018-2019	0.16	0.00	0.16
3	2217-80-001-97-(V)(NP) Municipal Secretaries	2020-2021	5.15	4.81	0.34
		2018-2019	5.60	5.39	0.21
		2019-2020	6.26	6.14	0.12
4	2217-80-001-99-(V)(NP) Directorate of Urban Affairs	2020-2021	4.43	4.32	0.11
5	2217-80-800-76-(V)(P) Ayyan Kali Urban Employment Guarantee Scheme	2020-2021	105.21	104.21	1.00
Secretary to Government, Local Self Government Department					
6	4217-01-800-99-(V)(P) Capital Region Development Project	2020-2021	19.50	7.50	12.00

3.5.6.5 Expenditure incurred without budget provision

A scrutiny of the detailed Appropriation Account for the period 2018-19, 2019-20 and 2020-21, has revealed that there are instances of incurring expenditure without any original/supplementary budget provision in the financial year against the Sub heads/schemes as shown in **Table 3.21**. The funds for expenditure were brought through re-appropriation orders for the schemes which were recurring in nature and are for foreseeable items of expenditure such as World Bank aided project and *Attukal Pongala*. In two cases, even the funds provided through re-appropriation could not be completely utilised and resulted in surrender of ₹7.62 crore (Sl. No. 4 & 7). Incurring of expenditure for schemes without original budget provision, which would have foreseen while proposing budget estimates, is contravention of the provisions of budget manual (para 95 of the Kerala Budget Manual).

In six cases (Sl No. 4 to 9) entire provision was provided only to the general component of the scheme and at the end of the year budget provision was re-appropriated from General component to the SC & ST component. This is not a sound practice in budgeting.

Table: 3.21: Schemes in which expenditure incurred without budget provision

(₹ in crore)

Sl No.	Scheme	Year	Budget allotment	Expenditure	surrender
Director of Urban Affairs					
1	2217-80-800-63-(V)(P) Urban Solid Waste Management Initiative (USWMI)	2018-2019	0.00	2.00	0.00
		2019-2020	0.00	0.41	0.00
2	2217-05-800-89-(V)(P) Jawahar Lal Nehru National Urban Renewal Mission	2018-2019	0.00	26.05	0.00
		2020-2021	0.00	0.26	0.00
3	2217-05-796-99-(V)(P) National Urban Livelihood Mission (NULM) (60% CSS) (Tribal Sub Plan)	2018-2019	0.00	0.61	0.00
		2019-2020	0.00	1.84	1.22
4	2217-05-796-98-(V)(P) Pradhan Mantri Awas Yojana (PMAY) (60% CSS) (Tribal Sub Plan)	2018-2019	0.00	0.16	0.00
5	2217-05-796-98-(V)(P) Pradhan Mantri Awas Yojana (PMAY) (60% CSS) (Tribal Sub Plan)	2019-2020	0.00	4.05	0.00
6	2217-05-789-99-(V)(P) National Urban Livelihood Mission (NULM) (60% CSS) (Special Component Plan)	2018-2019	0.00	6.00	0.00
		2019-2020	0.00	9.61	6.40

Sl No.	Scheme	Year	Budget allotment	Expenditure	surrender
7	2217-05-789-98-(V)(P) Pradhan Mantri Awas Yojana (PMAY) (60% CSS) (Special Component Plan)	2018-2019	0.00	4.09	0.00
8	2217-05-789-98-(V)(P) Pradhan Mantri Awas Yojana (PMAY) (60% CSS) (Special Component Plan)	2019-2020	0.00	6.71	0.00
9	2217-05-191-36-(V)(P) Thiruvananthapuram Development Authority	2020-2021	0.00	3.10	0.00
The Secretary to Government, Local Self Government Department					
10	2217-80-800-59-(V)(P) Assistance to Clean Kerala Company for Waste Treatment Activities	2020-2021	0.00	5.00	0.00
11	2217-05-800-66-(V)(P) Kerala Urban Service Delivery Project (KUSDP) - World Bank Aided	2020-2021	0.00	0.50	0.00
The District Collector, Collectorate, Thiruvananthapuram					
12	2217-01-800-94-(V)(P) Assistance to <i>Attukal Pongala</i> Festival	2018-2019	0.00	2.27	0.00
		2019-2020	0.00	1.52	0.00
		2020-2021	0.00	3.75	0.00

3.5.6.6 Unnecessary re-appropriation

Augmentation of funds through re-appropriation was resorted to by the departmental officers if the funds provided through original demands for grants are found insufficient and savings are available under another unit of appropriation with the Grant. However, audit analysis revealed that in 14 sub-heads, the re-appropriation was wholly unnecessary as the final expenditure was less than the budget allocation. Out of these 14 sub-heads, in the head of account operated by Secretary to Government, Local Self Government Department, unnecessary re-appropriation was ₹9.97 crore which is detailed in **Table 3.22**.

Table 3.22: Unnecessary re-appropriations*(₹ in crore)*

Sl No.	Scheme	Year	Budget allocation	Re-appropriation	Expenditure	Savings
Secretary to Government, Local Self Government Department						
1.	4217-01-800-99-(V)(P) Capital Region Development Project	2020-2021	9.52	9.97	7.50	11.99

3.5.6.7 Administrative Expenses not met from Central Pension Fund

According to Kerala Municipality (Employees Death-Cum-Retirement Benefit) Rules 1996, the administrative expenses of the pension scheme for the employees under the regular establishment of urban local bodies, such as establishment expenditure, travelling allowance, stationery, furniture, contingent expenditure etc. of the pension section of the Directorate of Urban Affairs were to be initially met from the sub head '2217-80-001-96' (Centralised Pension Scheme for Kerala Municipal Employees Establishment Charges). After the close of the year, the amount so spent should be remitted back to the Government Account from the Central Pension Fund. Audit observed that during the period from 2018-19 to 2020-21 though an amount of ₹2.30 crore was spent from Government accounts towards administrative expenses of the scheme as shown in **Table 3.23**. Director of Urban Affairs did not remit back the amount to the Government by debit to CPF.

Table 3.23: Amount spent from Government towards administrative expenses*(₹ in crore)*

Head of account	Year	Expenditure as incurred by the department
2217-80-001-96	2018-19	0.84
	2019-20	0.79
	2020-21	0.67
Total		2.30

3.5.6.8 Delay in submitting surrender proposals

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 course of 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

As per para 93(1) of Kerala Budget Manual, the latest date of 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 XXII by various controlling officers during 2018-19 to 2020-21 as shown in **Table 3.24**.

Table 3.24: Delayed submission of surrender proposals to Administrative Department

Year	Date of sending surrender proposal to Administrative Department
Director of Urban Affairs	
2018-19	25 May 2019
2019-20	01 June 2020
2020-21	28 April 2021
Chief Town Planner	
2018-19	05 April 2019
2019-20	21 April 2020
2020-21	31 March 2021

Source: Details collected from Directorates

Similarly, Secretary to Government, Local Self Government Department who is also the controlling officer in respect of certain sub heads of account under Grant XXII 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 3.25**.

Table 3.25: Submission of surrender proposals to Finance Department

Year	Date of sending surrender proposal to Finance Department
2018-19	25 April 2021
2019-20	Proposal not seen to have submitted
2020-21	16 April 2021

Source: Details collected from LSGD Department

Non-submission of surrender proposal, submission of surrender proposals on the last day of the financial year and submission in the succeeding financial year are against the provisions contained in the Budget Manual which would defeat the very purpose of surrender of funds. This indicates the laxity on the part of the department in exercising financial control. The Department replied that the date of sending surrender proposals during 2019-20 would be intimated to Audit later as the file concerned could not be traced out at present.

3.6 Good Practices

It is observed that in 2020-21 there is no low budget utilisation of less than 50 per cent in any of the grants, which was observed in seven grants in 2019-20, which is commendable.

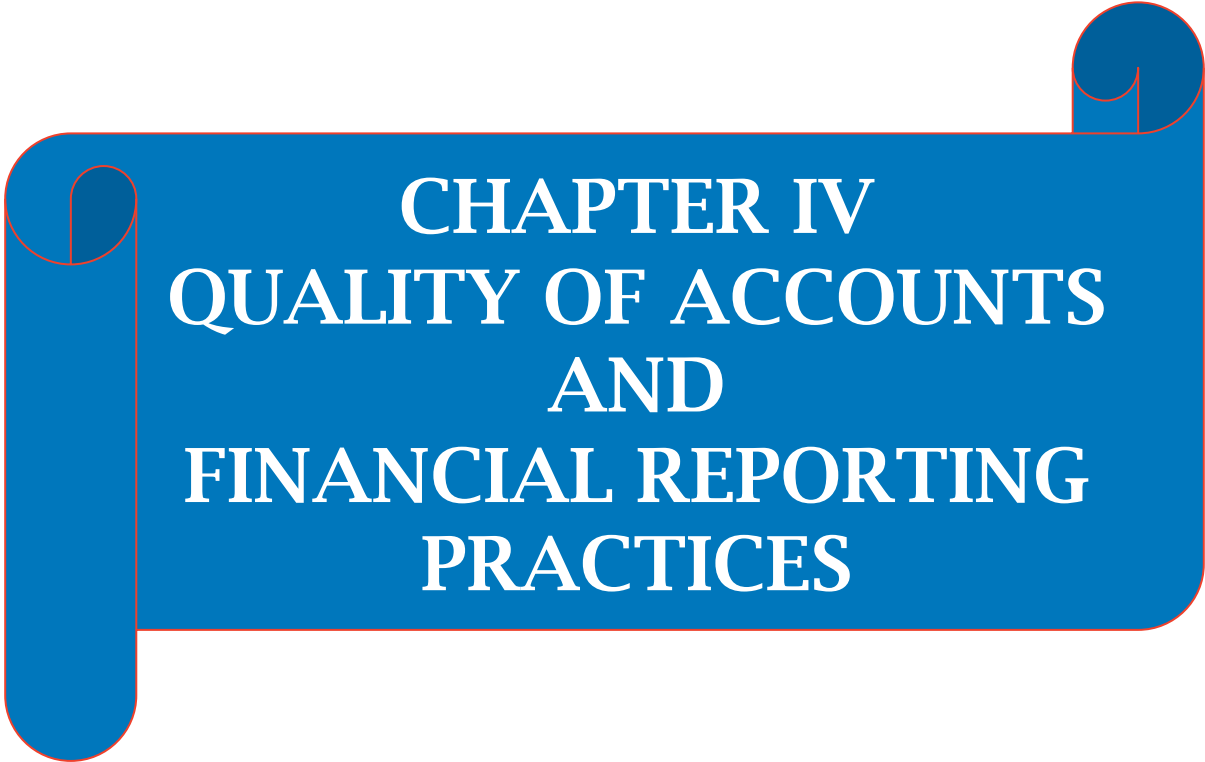
3.7 Conclusions

1. Variations between the total grants/appropriation and expenditure incurred led to savings which indicates improper scrutiny of budget estimates at various levels of Government and poor budget management.
2. The supplementary demands for grants obtained in cases where the final expenditure either did not come up to the level of original grants or no expenditure was incurred even after obtaining supplementary demands for grants shows laxity on the part of departmental officers in assessing actual requirement of funds.
3. Excess, unnecessary or insufficient re-appropriation indicated that departmental officers failed in assessing actual requirement of funds in heads of accounts under their control.
4. Excess expenditure requiring regularisation indicates inadequate expenditure control.

3.8 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.*
4. *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 regularised at the earliest.*
5. *Adopt good practices of Central Government, where Technical and Token Supplementary are encouraged, with Cash Supplementary being the last resort, after all options of utilising the savings has been exhausted.*
6. *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.*

7. *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.*
8. *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 are, thus, 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 2016-17 to 2020-21 are 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	2016-17	2017-18	2018-19	2019-20	2020-21	Total
Building and Other Construction Workers' Welfare Cess received by the Board	203.58	192.45	248.95	232.84	238.08	1115.90

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

It was noticed that the Board had received an amount of ₹1,115.90 crore as cess amount from 2016-17 to 2020-21 which included ₹238.08 crore in 2020-21 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.

4.1.1.2 Contributions to District Mineral Foundation Trust

District Mineral Foundation Trust (erstwhile Quarry Safety Fund³⁶) 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.

- 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 realised 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

³⁶ 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 February 2018.

by District Mineral Foundation Trust and the erstwhile Quarry Safety Fund from 2018-19 to 2020-21 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	2018-19	2019-20	2020-21	Total
District Mineral Foundation Trust (erstwhile Quarry Safety Fund)	9.25	9.37	10.83	29.45

Source: Information collected from Directorate of Mining and Geology

It was noticed that the contributions amounting to ₹29.45 crore was made to District Mineral Foundation Trust from 2018-19 to 2020-21 which included an amount of ₹10.83 crore in 2020-21 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.

All the three issues detailed from para 4.1.1.1 to 4.1.1.3 were pointed out in the State Finances Audit Report for the year ended March 2020 also. However, Government has not taken any action to bring these amounts into the Consolidated Fund/ Public Account of the State Government.

Non-remittance of revenue receipts leads to escape of scrutiny by the Legislature. Therefore, a system for remittance/ release of such money need to be put in place by opening suitable heads of account under revenue receipts/

revenue expenditure for tracking the revenue arising and expenditure incurred out of these funds/ trusts.

4.2 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 2020-21 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	Opening Balance as on 01 April 2020	Amount of Interest not provisioned*
1	National Pension scheme	0.34	0.024

Source: Finance Accounts

*interest is calculated @ 7.1 per cent on the basis of interest rates admissible to GPF during the financial year 2020-21.

Consequent to the non-provision/non-payment of interest, Revenue Expenditure was understated by ₹0.024 crore.

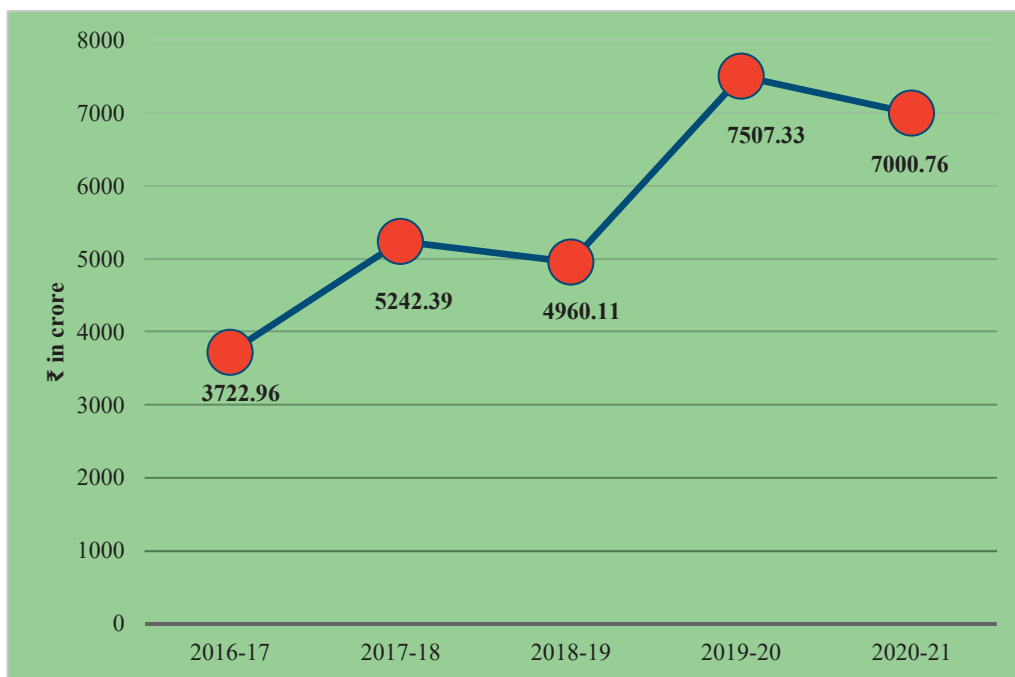
4.3 Funds transferred to State Implementing Agencies outside the State budget

Government of India(GoI) transfers substantial funds directly to State Implementing Agencies(SIAs) for implementation of various Schemes and Programmes. The details of Funds transferred by Government of India directly to SIAs as per the Public Financial Management System(PFMS) portal of the Controller General of Account(CGA) is listed in Appendix VI of Volume-II of the Finance Accounts. Since these funds are not routed through the State Budget/State Treasury System, Finance Accounts do not capture the flow of these funds or the related expenditure.

During the year 2020-21, GoI transferred ₹7,000.76 crore directly to the SIAs implementing various Central Schemes / Programmes.

The direct transfer of funds to implementing agencies has shown a fluctuating trend during the period from 2016-17 to 2020-21 as given in **Chart 4.1**.

Chart 4.1: Direct transfer to Implementing Agencies



The details of agencies that received funds of more than ₹10 crore during the year 2020-21 are detailed in **Table 4.4**.

Table 4.4: Funds transferred directly to State Implementing Agencies (includes schemes with total release of ₹10 crore and above during 2020-21)

(₹ in crore)			
Sl No.	Name of the Schemes of Government of India	Name of the Implementing Agencies	Amount Released 2020-21
1	Food subsidy for decentralized Procurement of food grains under NFSA	Kerala State Civil Supplies Corporation Limited	1214.98
2	Integrated Scheme on Agriculture Census and Statistics	Economics and Statistics Department, Kerala Agriculture University, University of Kerala	58.73
3	National AIDS and STD Control Programme	Kerala State AIDS Control Society	36.66
4	Integrated Development of Tourist Circuits around specific themes(Swadesh Darshan)	Kerala Tourism Development Corporation Limited(KTDC)	23.77
5	Assistance to State Agencies for intra-state movement of food grains and FPS dealers margin under NFSA	Kerala State Civil Supplies Corporation Limited.	23.53
6	National Rural Livelihood Mission(CS)	<i>Kudumbashree</i> (Kerala State Poverty Eradication Mission)	15.08

Sl No.	Name of the Schemes of Government of India	Name of the Implementing Agencies	Amount Released 2020-21
7	Pradhan Mantri Matru Vandana Yojana	Department of Women and Child Development	14.69
8	Pradhan Mantri Kisan Sampada Yojana – Mega Food Parks	Kerala Bureau of Industrial Promotion, Kerala State Industrial Development Corporation	10.96
Total			1398.40

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

Further, as per GoI decision (08 February 2015), all assistance to Centrally Sponsored Schemes(CSS) and Additional Central Assistance(ACA) under various schemes would be released to the State Government and not directly to the Implementing Agencies³⁷ and hence, these funds would be routed through the State budget from the year 2015-16 onwards. However, in Kerala, the funds under Mahatma Gandhi National Rural Employment Guarantee Programme, which is a Centrally Sponsored Scheme, was released directly to SIAs without routing it through the State budget.

Issues related to transparency

4.4 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 rules³⁸ 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 (UCs) for grants-in-aid exceeding ₹2,00,000 have to be forwarded to the Accountant General(Accounts and Entitlement), Kerala. It was observed that 12 utilisation certificates for ₹22.44 crore were not received (March 2021) by the AG(A&E). The year-wise position of delays in submission of Utilisation Certificates is summarised in **Table 4.5**.

³⁷ State Implementing Agency includes any organisation/institution including non-Governmental Organisation which is authorised by the State Government to receive the funds from the Government of India for implementing specific programmes in the State.

³⁸ Article 210 of the Kerala Financial Code (Vol I)

Table 4.5: Year-wise arrears in submission of Utilisation Certificates

(₹ in crore)

Year of UC due	Number of UCs	Amount
Upto 2019-20	0	0
2020-21	12	22.44
Total	12	22.44

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

The above amount pertains to Higher Education Department which has not submitted the UCs as on 31 March 2021.

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.

4.5 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.

4.5.1 Non-reconciliation of PD Accounts

PD accounts are maintained under MH-8443-Civil Deposit-106-Personal Deposit. During 2020-21, no amount was transferred from the Consolidated Fund of the State to the PD Accounts.

The aggregate balance as on 31 March 2021 in PD Accounts under MH-8443-Civil Deposit-106-Personal Deposit was ₹68.03 crore as per records of the Accountant General(A&E). However, as per information furnished by the

Director of Treasuries on October 2021 to the Accountant General (A&E), the balance in these accounts amounted to ₹116.14 crore.

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 administrator of PD Accounts has to furnish to the treasury a certificate of acceptance of closing balance at the close of each financial year after reconciling the difference, if any. The details of acceptance of balance by the administrators during the year has not been received from the Director of Treasuries. The proposal for online submission of details of plus and minus memos of deposit heads on a monthly basis has not been materialised so far.

Non-reconciliation of balances in PD accounts is fraught with the risk of misuse of public funds, fraud and misappropriation.

4.5.2 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.

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. 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 sub head '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'.

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 March 2021, the amount lying in TSB Accounts under the head 8031-00-102-99 was ₹2,657.30 crore. An amount of ₹53,216.55 crore was also outstanding under Term Fixed Deposit accounts in Treasuries as on 31 March 2021 under the head of account 8031-00-102-98.

Advice from RBI

Reserve Bank of India (RBI) in November 2010 had recommended to phase out the Kerala Treasury Savings Deposit Scheme in view of the distortionary impact on the interest rate structure and distortion of the fiscal discipline. It was pointed out thereon that the State Government is paying higher rate of interest on these deposits resulting in an unfair advantage over the banks whose savings rate is regulated by RBI and that the scheme has ramifications for customer service too in the absence of regulations. It was also stated that with the introduction of National Small Savings Fund (NSSF) of which Kerala Government is also a beneficiary, the scheme may be phased out as the State is incurring additional administrative cost which is likely to be even higher than the State Development loans floated by the State Government. At the exit conference held on 23 December 2021, the Additional Chief Secretary, Finance Department stated that as per the Instrument of Accession under which the Travancore State became part of India, institutions that were ongoing at the point of accession including the TSB system are legally allowed to continue and as a result stand the legal scrutiny. However, the above statement is on the legality of TSB system only; whereas audit comment is on the latest recommendation from RBI.

Audit conducted a field study on Treasury Savings Bank Accounts. 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 vide orders dated 27 March 2021³⁹ resumed funds amounting to ₹5,919.33 crore parked in the STSB Accounts of various Government departments, PSUs, Autonomous Bodies etc. into the Consolidated Fund of the State on 31 March 2021. Out of ₹5,919.33 crore resumed, an amount of ₹5,075.81 crore⁴⁰ 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 year.

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. Recovery of over payment during the same financial year in which such over payments are made shall be recorded as reduction of expenditure under the concerned expenditure head of account. As per para 4.3 of the General Directions, in the case of Capital Expenditure, distinct subheads (Deduct-

³⁹ GO(P) No.57/2021/Fin dt.27.03.2021 of Finance (Streamlining) Department

⁴⁰ As per the information by Director of Treasuries, the amount resumed to common head amounts to ₹4,931.34 crore. The difference has not yet been reconciled.

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 and Capital 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.

The Director of Treasuries accepted the audit observation and replied (December 2021) that a software will be developed to capture the revenue/capital expenditure head of account to which the resumed amount is to be credited.

Refund of resumed funds

Finance department released funds amounting to ₹4,075.94 crore resumed under '2075-00-911-94 - Deduct Recoveries-Refund of amounts resumed from the idling STSB accounts' on 31 March 2021 to the STSB accounts concerned during the month of April of the succeeding financial year without waiting for receipt of any proposal for refund from the institutions concerned. The release of funds which were resumed at the end of the financial year under '2075-00-911', during the beginning of the next financial year 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. This practice of temporary resumption on the last day of the financial year is being continued for the last four years.

Inoperative TSB accounts

As per information furnished by the Director of Treasuries, Government money amounting to ₹2,503.79 crore was lying in 1,168 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.

The Director of Treasuries accepted the audit observation and replied (December 2021) that after obtaining permission from Government, steps will be taken to transfer credit amounts in inoperative STSB accounts to the revenue/capital expenditure Head of Accounts.

Resumption of Government of India funds

Govt. of India releases funds to State Government Department/Institutions for implementation of various Centrally Sponsored Schemes. Audit scrutinised records relating to transactions in STSB/PTSB accounts maintained by 12 institutions selected on random basis. Scrutiny revealed that State Government had resumed Government of India funds parked in STSB accounts of three institutions amounting to ₹12.62 crore into the Consolidated Fund of the State on 31 March 2021. Of these resumed GoI funds, an amount of ₹ six crore in respect of one institution has not been reallocated by State Government till date. The details are as shown in **Table 4.6** given below.

Table 4.6: Resumption of GoI funds parked in STSB accounts of three institutions

Name of the Institution	STSB/PSTSB Account No	Amount resumed (₹ in crore)	Remarks
State Child Protection Society	701121400000005	0.96	GoI funds and corresponding State share for implementing Centrally Sponsored Scheme 'Child Protection Services Scheme'. State Government has subsequently reallocated the resumed funds in 2021-22.
MGNREGA State Mission	799011400000486 with District Treasury Thiruvananthapuram	5.66	GoI funds for constructing 720 Anganwadi buildings. The resumed funds were subsequently reallocated by State Government.
Commissionerate of Rural Development	799012700000267 with District Treasury Thiruvananthapuram	6.00	Funds received from GoI for the implementation of PMAY(G) scheme funds resumed not yet reallocated by State Government.

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

Director of Treasuries accepted the audit observation and replied (December 2021) that steps will be taken to avoid resumption from GoI funds in future.

Resumption of Non-Government funds

Scrutiny revealed that non-government funds amounting to ₹300.86 crore maintained in STSB/TSB accounts of 38 institutions were resumed to the Consolidated Fund of the State during 2020-21. This included PF subscription of employees, funds received from foreign embassies for disbursement to legal heirs of persons died while abroad etc. as shown in **Appendix 4.1**. Of these resumed funds, an amount of ₹51.44 crore in respect of 32 institutions resumed during the year has not been reallocated by State Government till date.

Resumption of non-government money parked in STSB/TP Accounts of various institutions is irregular.

The Director of Treasuries replied (September 2021) that accounts involving non-government money that could be identified at the time of resumption were excluded from resumption. It was also replied that in other cases, the resumed funds were reallocated to the same account within one week of the next financial year. The reply is not acceptable as there is no mechanism to identify non-Government funds parked in TSB Accounts. Moreover, Audit had noticed several instances in which State Government had not reallocated non-Government funds resumed as illustrated above.

Resumption of funds from Mineral Foundation Fund

District Mineral Foundation fund is being managed by District Collectors in Special Treasury Savings Bank accounts as stipulated in Rule 8 of Kerala District Mineral Foundation Rules 2018. Revenue realised from lessees of major minerals at the rate specified in Mines and Minerals (Contribution to District Mineral Foundation) Rules 2015 is to be credited to the District Mineral Foundation Fund. Holders of minor minerals leases/permits had to remit ten percentage of royalty/consolidated royalty to the DMF as per Rule 9(2) of Kerala District Mineral Foundation Rules 2018. The fund was to be utilised for meeting expenditure in connection with protection work of abandoned quarries and for the direct benefit of persons living within the affected area. Scrutiny revealed that State Government resumed ₹23.13 crore from District Mineral Foundation Fund parked in STSB accounts in respect of 10 District Collectors into the Consolidated Fund during 2020-21, of which ₹7.58 crore were not reallocated to the respective TSB accounts till date.

The resumption of District Mineral Foundation Fund maintained in Treasury Savings Bank accounts of District Collectors to the Consolidated Fund in violation of provision of Kerala District Mineral Foundation Rules, 2018 is irregular and defeated the intended objectives for which the funds were created.

Other observations

Fraudulent transactions in TSB Accounts

Director of Treasuries reported (August 2020) some serious irregularities at Additional Sub Treasury Vanchiyoor during 2020-21. Gist of the irregularities reported is given below:

An official working in Additional Sub Treasury, Vanchiyoor fraudulently transfer credited ₹ two crore from various individual/ District Collector's accounts to his own TSB account maintained in sub treasury Vanchiyoor in various spells between April 2020 and July 2020. This was done by acquiring and utilising user ID of the Sub Treasury Officer who proceeded on leave preparatory to retirement on 12 April 2020. Later, he transferred ₹1.34 crore from his TSB account to other TSB accounts/ bank accounts including his own and others.

All treasury transactions require dual authentication and so any transaction can be carried out only by the involvement of two officials, ie, an officer at the scrutiny level and an officer at the approval level. Failure of the treasury department to deactivate user ID of the STO who proceeded on leave preparatory to retirement and absence of suitable security measures in the treasury computer system for multi-level authentication including biometrics/ Aadhar enabled the delinquent official to acquire the user ID of the STO and to carry out the fraudulent transactions both at the scrutiny level and at the approval level. The department also failed to identify the loophole in the treasury system in the procedure for cancellation of cheque transactions which enabled the official to fraudulently withdraw money from TSB Accounts without being detected.

The Director of Treasuries replied that (December 2021), out of ₹ two crore transferred, ₹1.57 crore were frozen at various TSB accounts/ Bank accounts and only an amount of ₹43 lakh has to be recovered from the delinquent official. It was also stated that considering the seriousness of the case, the official was dismissed from service and steps have been taken to prevent such fraudulent withdrawals in future.

The Treasury department needs to take urgent steps to strengthen the access controls of the treasury system and to improve information security in order to prevent any such activities in future.

4.6 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.

During 2020-21, expenditure aggregating ₹6,571.81 crore, constituting 4.82 *per cent* of the total expenditure (₹1,36,335.98 crore), was classified under Minor Head 800-Other Expenditure in respect of 71 Major Heads involving both Revenue and Capital sections. Of these, 12 Major heads having expenditure (50 *per cent* and above) booked under Minor Head 800-Other Expenditure are shown below in **Table 4.7**.

Table 4.7 : Significant expenditure booked under Minor Head 800-Other Expenditure during the financial year 2020-21

Sl No	Major Head	Expenditure under Minor Head 800	Total Expenditure	Per cent
1	2075-Miscellaneous General Services *	2,607.14	2,257.44	115.49(**)
2	3055-Road Transport *	15.00	15.00	100
3	4551-Capital Outlay on Hill Areas	0.22	0.22	100
4	4810-Capital Outlay on New and Renewable Energy	1.00	1.00	100

SI No	Major Head	Expenditure under Minor Head 800	Total Expenditure	Per cent
5	4250-Capital Outlay on Other Social Services *	136.74	137.49	99.45
6	5075-Capital Outlay on Other Transport Services *	685.52	716.30	95.70
7	2810-New and Renewable Energy *	31.35	33.42	93.81
8	4701-Capital Outlay on Medium Irrigation*	59.41	64.94	91.48
9	2040-Taxes on Sales, Trade etc. *	29.12	34.22	85.10
10	4700-Capital Outlay on Major Irrigation	61.21	83.47	73.33
11	2852-Industries *	40.45	58.56	69.07
12	4402-Capital Outlay on Soil and Water Conservation *	40.62	76.07	53.40

* Major heads scrutinised by Audit.

(**) The percentage is more than 100 due to "Deduct Refunds".

On a detailed scrutiny of nine out of 12 Major Heads shown above, with expenditure above ₹10 crore under Minor Head 800, Audit noticed that no appropriate Minor Head other than the Minor Head 800 was there for booking the requisite expenditures.

During 2020-21, receipts aggregating ₹2,237.78 crore, constituting 2.29 per cent of the total revenue receipts (₹97,616.83 crore), was classified under Minor Head 800-Other Receipts in respect of 48 Major Heads of Account . Of these, 14 Major Heads having receipts (50 per cent and above) booked under Minor Head 800-Other Receipts are shown below in **Table 4.8**.

Table 4.8 : Significant receipts booked under Minor Head 800-Other Receipts during the financial year 2020-21

(₹ in crore)

SI No.	Major Head	Receipts under Minor Head 800	Total Receipts	Percentage
1	0211-Family Welfare	0.02	0.02	100
2	0217-Urban Development	7.58	7.58	100
3	0235-Social Security and Welfare	0.07	0.07	100
4	0404-Dairy Development	1.23	1.23	100
5	1054-Roads and Bridges	70.35	70.35	100
6	1075-Other Transport Services	0.18	0.18	100

SI No.	Major Head	Receipts under Minor Head 800	Total Receipts	Percentage
7	1452-Tourism	3.06	3.06	100
8	0515-Other Rural Development Programme	5.54	5.55	99.82
9	0702-Minor Irrigation	5.05	5.18	97.49
10	0425-Co-operation	144.23	158.18	91.18
11	0049-Interest Receipts	207.93	246.64	84.31
12	1051-Ports and Light Houses	0.86	1.17	73.50
13	0029-Land Revenue	361.25	493.35	73.22
14	0059-Public Works	5.13	7.24	70.86

On a detailed scrutiny of four out of 14 Major Heads shown above, with receipts above ₹10 crore under Minor Head 800, Audit noticed that only in one Major Head (0029-Land Revenue), the receipts were booked under the Minor Head 800 though there was an appropriate Minor Head (106-Receipts on account of Survey and Settlement Operations).

Audit observed that the Office of the PAG(A&E) has been proactive in examining such cases and suggesting appropriate Minor Head for booking these expenditures. The efforts taken by PAG(A&E) in scrutinising the provisions under the Minor Head 800-Other Expenditure as a part of budget review has helped the Finance department, Government of Kerala in reducing the indiscriminate use of Minor Head 800 to 4.82 *per cent* of the total expenditure.

4.7 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 2018-19 to 2020-21 are given in **Table 4.9**.

Table 4.9: Balances under Suspense and Remittance Heads

(₹ in crore)

Minor Head	2018-2019		2019-20		2020-21	
	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
Major Head 8658 - Suspense						
101 - PAO suspense	293.03	0.13	333.57	(-)8.72	359.03	0.48
Net	292.90		342.29		358.55	
102 - Suspense Account-Civil	440.83	9.33	378.64	12.60	704.46	13.11
Net	(-)431.50		(-)366.04		(-)691.35	
107 - Cash Settlement Suspense Account	43.10		20.03		0	
Net	43.10		20.03		0	
109 - Reserve Bank Suspense - Headquarters	(-)2.81		3.60	0.44	4.57	
Net	(-)2.81		3.16		4.57	
110 - Reserve Bank Suspense - CAO	12.19		69.12		4.48	
Net	12.19		69.12		4.48	
112 - Tax Deducted at Source (TDS) Suspense		35.15		75.93		5.59
Net	35.15		75.93		5.59	
123 - A.I.S Officers' Group Insurance Scheme		0.10		0.15		15.99
Net	0.10		0.15		15.99	
Major Head 8782-Cash Remittances						
102 - P.W. Remittances	688.59	10.43	701.24	1.31	732.54	92.26
Net	678.16		699.93		640.28	
103 - Forest Remittances	45.11		41.84		1.68	
Net	44.70		41.84		1.68	

Source: Finance Accounts of respective years

Accumulations under PAO Suspense and Suspense Account-Civil showed an increasing trend from the year 2018-19 to 2020-21. As the balances under these heads are to be cleared, these accumulations affect the accuracy of the Government Accounts.

4.8 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).

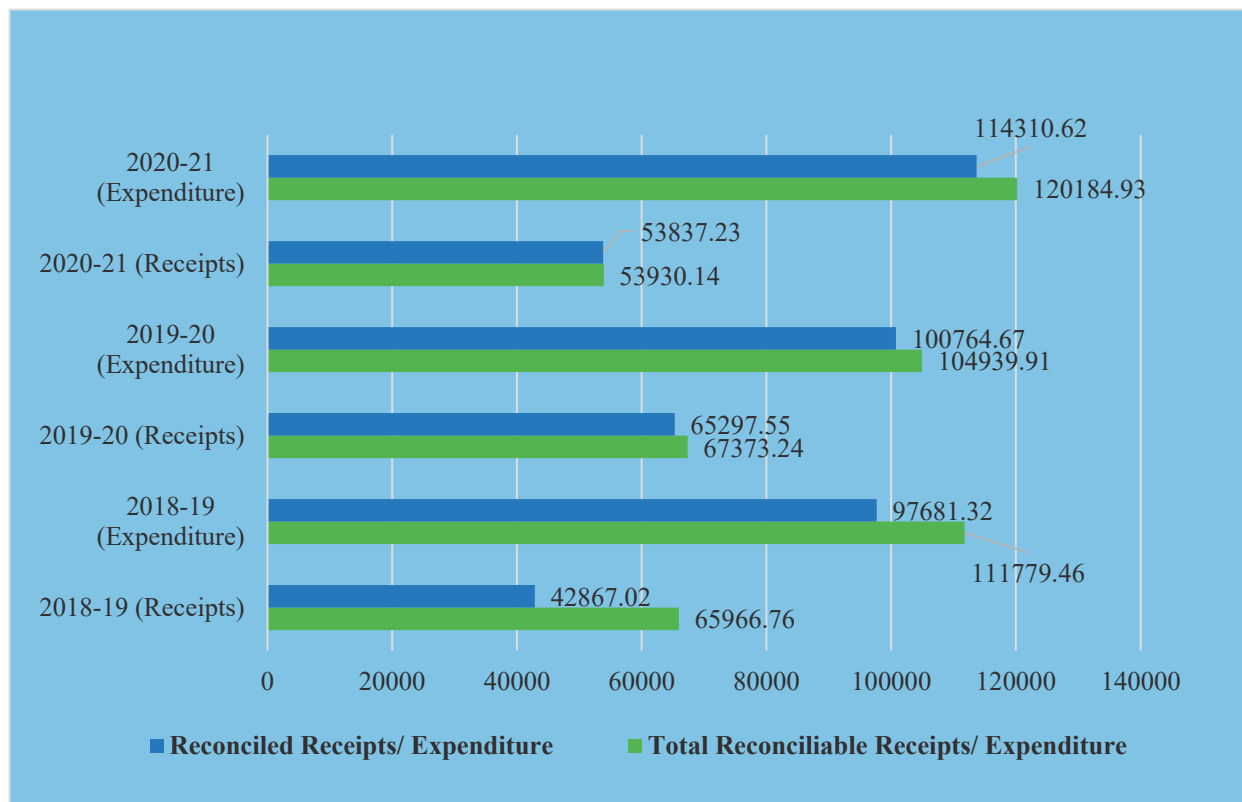
Reconciliation and verification of figures is an important tool of financial management. Failure to exercise/adhere to the codal provisions and executive instructions in this regard not only results in misclassification and incorrect booking of receipts and expenditure in the accounts, but also defeats the very objective of budgetary process. Status of reconciliation done by the Controlling Officers(COs) for three years is given in **Table 4.10**.

Table 4.10: 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				
2018-19	67	58	9	Nil
2019-20	65	65	Nil	Nil
2020-21	66	59	4	3
Expenditure				
2018-19	215	160	38	17
2019-20	207	150	38	19
2020-21	208	173	18	17

Chart 4.2 : Status of reconciliation during the last three years

(₹ in crore)



Thus, the percentage of non-reconciliation of receipts showed a decline from 35.02 per cent in 2018-19 to 0.17 per cent in 2020-21, which is a good trend. However, audit scrutiny revealed that percentage of non-reconciliation of expenditure initially decreased from 12.61 per cent in 2018-19 to 3.98 per cent in 2019-20 and then increased to 4.89 per cent in 2020-21.

4.9 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 2020-21 has revealed that the cash balance of the State of Kerala for the year ending March 2021 as per the books of Accountant General(A&E) was ₹244.43 crore(Credit) whereas the Cash balance reported by Reserve Bank of India was ₹9.62 crore(Debit). Thus, there is a difference of ₹254.05 crore(Debit).

It is stated in the Finance Accounts that the difference is mainly due to incorrect reporting of amounts by Agency banks/Treasuries. Out of this, ₹193.75 crore (net credit) has been reconciled and net balance of ₹447.80 crore (net debit) is under reconciliation.

Issues related to disclosure

4.10 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 2020-21 and deficiencies therein are detailed in **Table 4.11**.

Table 4.11: Compliance to Accounting Standards

Sl. No.	Accounting Standards	Essence of IGAS	Compliance by State Government	Impact of deficiency
1.	IGAS-1 <i>:Guarantees Given by the Government – Disclosure requirements</i>	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 <i>:Accounting and Classification of Grants-in- Aid</i>	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. Expenditure relating to	Not complied (Statement 10 of Finance Accounts).	i) An amount of ₹46.50 crore towards Grants-in-aid was booked under Capital heads, which is in violation of the provisions of IGAS-2. ii) Detailed information in respect of Grants-in-aid given in kind has also not been furnished by the State Government.

Sl. No.	Accounting Standards	Essence of IGAS	Compliance by State Government	Impact of deficiency
		Grants-in-aid should be classified as revenue expenditure even if it involves creation of assets, except in cases specifically authorized by the President on the advice of the Comptroller and Auditor General of India.		
3.	IGAS-3: Loans and Advances made by Government	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).	<p>i) Terms and conditions of repayment of loans have not been settled for loans amounting to ₹92.39 crore to Statutory Bodies/Other entities. Consequently, the receivables of the State Government on this account could not be estimated.</p> <p>ii) The Principal Accountant General (A&E) annually communicated loan balances to the loan sanctioning departments for verification and acceptance. Only 30 out of the 57 loanees have confirmed the balances.</p>

4.11 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 4.2**.

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 23 Autonomous bodies which were to render annual accounts to C&AG, there were arrears in submission of accounts ranging from one to seven years (**Table 4.12**).

Table 4.12: Arrears of accounts of Autonomous bodies due up to financial year 2020-21

Sl. No.	Name of Autonomous body	Accounts pending since	No. of accounts pending up to FY 2020-21
1	Kerala Institute of Labour & Employment, Thiruvananthapuram	2018-19	2
2	Kerala State Human Rights Commission, Thiruvananthapuram	2019-20	1
3	Kerala State Legal Services Authority, Ernakulam.	2018-19	2
4	Permanent Lok Adalath, Thiruvananthapuram	2019-20	1
5	Permanent Lok Adalath, Ernakulam	2019-20	1
6	Permanent Lok Adalath, Kozhikode	2017-18	3
7	District Legal Services Authority, Thiruvananthapuram	2018-19	2
8	District Legal Services Authority, Kollam	2014-15	6
9	District Legal Services Authority, Pathanamthitta	2018-19	2

Sl. No.	Name of Autonomous body	Accounts pending since	No. of accounts pending up to FY 2020-21
10	District Legal Services Authority, Ernakulam	2016-17	4
11	District Legal Services Authority, Thrissur	2018-19	2
12	District Legal Services Authority, Palakkad	2016-17	4
13	District Legal Services Authority, Malappuram	2016-17	4
14	District Legal Services Authority, Kozhikode	2015-16	5
15	District Legal Services Authority, Wayanad	2014-15	6
16	District Legal Services Authority, Kannur.	2015-16	5
17	District Legal Services Authority, Kasaragod	2014-15	6
18	District Legal Services Authority, Kottayam	2017-18	3
19	District Legal Services Authority, Alappuzha	2018-19	2
20	District Legal Services Authority, Idukki	2019-20	1
21	National and State Commissions for Protection of Child Rights (CPCR) (<i>Women and Child Development Department</i>)	2013-14	7
22	Kerala State Commission for SC and ST	2019-20	1
23	Kerala Khadi and Village Industries Board	2017-18	3

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 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 had given loans and grants-in-aid.

Audit has reported the issue of non-submission of accounts of the defaulting Bodies over the years, but no perceivable improvement was noticed as the number of defaulters and the period of delay in submission of accounts has shown an increasing trend. In the absence of finalisation, timely submission of annual accounts and their audit, proper utilisation of the grants and loans disbursed to these Bodies/ Authorities and their accounting cannot be ascertained. Audit is, therefore, unable to certify the accounts of these Bodies/Authorities as required under CAG's DPC Act, 1971.

In reply, the State Government stated (December 2021) that specific directions have been issued (October 2021) to all the autonomous bodies that financial assistance / Grants-in-aid will be withheld if there is a default in submission of accounts for audit beyond two years.

The Government may also consider evolving a system to expedite the process of compilation and submission of annual accounts by autonomous bodies in order to assess their financial position and thereby ensure transparency in their functioning.

4.11.1 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 will be subject to such observations and qualifications as the circumstances may warrant. An adverse certificate will 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. An instance where Audit has given an adverse opinion on financial statements of autonomous bodies is given in **Table 4.13**.

Table 4.13 : Cases of adverse opinion

Sl No.	Body or Authority	Year of Account	Reasons
1	Kerala Khadi and Village Industries Board	2016-17	<p>Non rectification of recurring comments</p> <p>(a) Non rectification of amount lying in suspense account under the head unclassified suspense amounting to ₹16.70 crore.</p> <p>(b) Margin Money Loan funds amounting to ₹10.43 crore during 1996-97 to 2000-2001 was disbursed as grants which were not repayable by the beneficiaries. Therefore inclusion of this amount under liability and asset is not correct and hence liabilities and assets are overstated to this extent.</p> <p>(c) Recoveries pending clearance amounting to ₹1.02 crore</p>

4.12 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 finalised 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 finalisation 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 four such undertakings, are given in **Appendix 4.3**. Out of the four, two were running in loss (Text Book Office and State Water Transport Department). 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.

4.13 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 CAG's DPC Act 1971, 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.

Five⁴¹ out of eight departments, having autonomous bodies under their control, had not furnished the details of grants-in-aid given to various bodies and authorities during the preceding year 2019-20. In the absence of the information from these five departments, reasonable assurance could not be provided to the Legislature/Government about the manner in which the grants sanctioned /

⁴¹ Planning and Economic Affairs Department; Finance Department; Water Resources Department; Power Department; Culture Department.

released by them had been utilised. This dilutes the legislative control over the Government expenditure system.

4.14 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 (Audit I)/Accountant General (Audit II), Kerala as well as to the Heads of Departments.

The final action on 99⁴² cases of misappropriation, defalcation, etc., involving Government money amounting to ₹19.34 crore was pending with the State Government.

Table 4.14: 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	22	773.01	Theft	10	16.44
5 – 10	13	850.28			
10 – 15	11	45.02	Misappropriation/ loss of material	89	1917.73
15 – 20	15	133.00			
20 – 25	18	89.78			
25 and above	20	43.08			
Total	99	1934.17	Total pending cases	99	1934.17

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 4.15**. Department wise details are also shown in **Appendix 4.4**.

Table 4.15: 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	16	40.88
2.	Departmental action initiated but not finalised	50	1521.79
3.	Awaiting orders for recovery or write off	13	18.97
4.	Pending in the courts of law	20	352.53
Total		99	1934.17

Source: Information received from Departments of the State Government

Timely action needs to be taken to settle the misappropriation cases in order to

⁴² This includes cases detected by Audit during local audit as well as cases reported by Government departments as per codal provisions.

bring defaulters to book and to have a deterrent effect on others.

4.15 Follow up action on State Finances Audit Report

In Kerala State the PAC/Finance Department require the line Departments to provide a *suo moto* 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.

The receipt of ATNs from the line departments in respect of the State Finances Audit Report from the year 2016-17 to 2018-19 are pending. The details are shown in **Table 4.16**.

Table 4.16: Number of Audit Paras for which ATN due from Government

Sl No	Year of Audit Report	Total Number of ATNs
1	2016-17	2
2	2017-18	8
3	2018-19	15
Total		25

Only one sitting of PAC was conducted during 2020-21 to discuss the paras in the SFAR and discussion of all paras in Chapter I and II in the SFAR up to the year 2015-16 only had been completed.

4.16 Conclusions

1. There was persistent trend of cess/royalty/fund not being credited to Consolidated Fund of the State.
2. There were cases of regulators maintaining 'Fund' outside Public Account of the State (Funds of the Kerala State Electricity Regulatory Commission).
3. 12 utilisation certificates for ₹22.44 crore were not received by the AG(A&E).
4. Non reconciliation with respect to PD Accounts is fraught with the risk of misuse of public funds.
5. Autonomous bodies (23 numbers) were to render annual accounts to C&AG. The arrears in submission of accounts ranged from one to seven years.
6. There were delays in initiating departmental action, fixing liability, issuing orders of recovery, etc; in respect of cases of misappropriation/loss of public money.

4.17 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. *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.*
3. *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.*

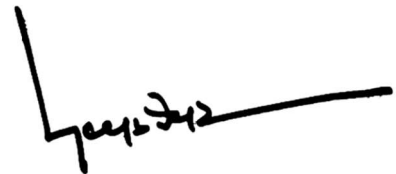


(K. P. ANAND)

Principal Accountant General
(Audit II), Kerala

Thiruvananthapuram,
The 13 April 2022

Countersigned



(GIRISH CHANDRA MURMU)
Comptroller and Auditor General of India

New Delhi,
The 21 April 2022



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
	b. In 2021	3.56
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 = 21.92 per cent)	7.05 per cent
5.	Literacy (as per 2011 census) (All India Average = 73.00 per cent)	94 per cent
6.	Infant mortality(per 1000 live births)(All India Average= 30 per 1000 live births)	6
7.	Life Expectancy at birth (All India Average = 69.40)	75.30
8.	Gini Coefficient	
	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) 2020-21 at current prices (₹ in crore)	758942
10.	Per capita GSDP Compounded Annual Growth Rate (2011-12 to 2020-21)	Kerala 7.78 States other than NE & H States* 8.93
11.	GSDP Compounded Annual Growth Rate (2011-12 to 2020-21)	Kerala 8.51 States other than NE & H States 10.30
12.	Population Growth (2011 to 2021)	Kerala 6.05 States other than NE & H States 12.22
13.	Per Capita GDP (in ₹)	Kerala 213347.76 All India 145680

*States other than North eastern and Himalayan States (erstwhile General Category States)

B. Financial Data (in per cent)

Compounded Annual Growth Rate		Particulars					
		2011-12 to 2019-20		2015-16 to 2019-20		2019-20 to 2020-21	
		General Category States	Kerala	General Category States	Kerala	General Category States	Kerala
a.	Revenue Receipts	11.61	11.41	9.32	6.92	-4.56	8.19
b.	Own Tax Revenue	9.88	8.75	8.74	6.58	-4.43	-5.29
c.	Non Tax Revenue	13.20	21.44	13.88	9.84	-35.60	-40.26
d.	Total Expenditure	12.18	10.65	8.91	7.07	4.54	21.42
e.	Capital Expenditure	10.10	9.00	1.12	3.75	-2.36	59.73
f.	Revenue Expenditure on Education	11.15	8.77	9.65	6.99	-1.32	-11.04
g.	Revenue Expenditure on Health	15.33	12.82	13.09	12.51	14.65	16.34
h.	Salaries and Wages	10.18	9.25	10.01	8.52	2.27	-12.67
i.	Pension	13.31	10.30	14.09	9.91	6.02	-0.64

Source: Information furnished by the Economic Adviser, O/o the C&AG of India, New Delhi

Appendix 1.2
Medium Term Fiscal Plan 2020-21
(Reference: Paragraph 1.5; page No. 14)

(₹ in crore)

Item	2016-17 Accounts	2017-18 Accounts	2018-19 Accounts	2019-20 Revised Estimates	2020-21 Budget Estimates	Forward Estimates	
						2021-22	2022-23
Revenue Receipts (A)	75611.72	83020.14	92854.47	99042.58	114635.90	1133527.60	155571.43
State's Own Tax Revenue	42176.38	46459.61	50644.10	55671.18	67420.01	79555.61	93875.62
Non-Tax Revenue	9699.98	11199.61	11783.24	13243.82	14587.00	16775.05	19291.31
Resources from Centre	23735.37	25360.92	30427.13	30127.58	32628.89	37196.93	42404.51
Revenue Expenditure(B)	91096.31	99948.35	110316.39	116516.85	129837.37	148611.48	169620.78
Non-Interest Revenue Expenditure	78979.81	84828.42	93568.47	98082.28	109987.37	126864.93	145402.42
Interest	1216.50	15119.93	16747.92	18434.57	19850.00	21746.56	24218.36
Salaries	27953.87	31905.92	31405.69	32027.67	32931.40	39554.69	45543.55
Pensions	15277.03	19938.41	19011.94	20351.32	20970.41	24518.93	28244.88
Non-SPI Revenue Expenditure	35748.91	32984.09	43150.84	45703.38	56085.56	62791.31	71613.99
Subsidies	1634.25	1583.79	1663.01	1714.91	2054.98	1794.91	1878.64
Devolution to LSGs	6060.00	8470.23	10278.46	9929.08	11819.06	12453.16	13910.62
Other Revenue Expenditure	28054.66	22930.07	31209.37	22930.37	34059.39	42211.52	55824.74
Revenue Deficit (-) / Surplus (+)	-15484.59	-16928.21	-17461.92	-17474.27	-15201.47	-15083.89	-14049.35
Capital Expenditure	11286.25	10289.46	9753.43	9126.08	14427.93	18471.52	23894.06
Capital outlay	10125.95	8748.87	7430.54	8013.39	12913.22	16729.60	21890.86
Loan disbursements	1160.30	1540.59	2322.89	1112.69	1514.71	1741.92	2003.20
Non-Debt Capital Receipts	322.48	380.25	257.04	414.11	334.02	399.04	476.71
Fiscal Deficit (-) / Surplus (+)	-26448.35	-26837.42	-26958.31	-26186.24	-29295.38	-33156.37	-37466.70
Primary Fiscal Deficit/Surplus	-14331.85	-11717.49	-10210.39	-7751.67	-9445.38	-11409.81	-13248.33
End of the Period Debt	171912.11	198608.13	224196.94	250970.42	279198.12	310665.09	345976.63
Debt Service	12116.50	15119.93	16747.92	18434.57	19850.00	21746.56	24218.36
Salary + Pension + Interest	55347.40	66964.26	67165.55	70813.47	73751.81	85820.17	98006.79
Debt Stock	186453.88	210762.37	237631.50	264309.33	294086.91	327243.28	364709.38
Government Guarantees	16245.55	17356.46	26834.65				
Interest/Revenue Receipts (%)	16.02	18.21	18.04	18.61	17.32	16.29	15.57
Debt/ Revenue (%)	246.59	253.87	255.92	266.86	256.54	245.08	234.43
(Salary +Pen +Interest) /Revenue (%)	73.20	80.66	72.33	71.50	64.34	64.27	63.00
(Salary +Pen +Interest) /GSDP (%)	8.72	9.54	8.59	8.13	7.54	7.77	7.85
(Salary +Pension)/GSDP (%)	6.81	7.39	6.45	6.01	5.51	5.80	5.91
Rev Deficit/ Rev Receipt (%)	20.48	20.39	18.81	17.64	13.26	11.30	9.03
RD/GSDP (%)	2.44	2.41	2.23	2.01	1.55	1.36	1.12
FD/GSDP (%)	4.17	3.83	3.45	3.00	3.00	3.00	3.00
Debt stock/GSDP (%)	29.37	30.04	30.40	30.33	30.07	29.61	29.20
GSDP	634886.40	701577.38	781653.26	871534.00	978064.00	1105212.32	1248889.92
Nominal GSDP Growth Rate (%)	12.97	10.50	11.41	11.50	12.22	13.00	13.00
Average Interest rate (%)	12.05	7.61	7.47	7.35	7.11	7.00	7.00
Domar Gap	5.92	2.89	3.54	4.15	5.11	6.00	6.00

Appendix 1.3

Abstract of receipts and disbursements for the year 2020-21
(Reference: Paragraph 1.4; page No. 7)

(₹ in crore)

Receipts				Disbursements						
2019-20	Section – A: Revenue		2020-21	2019-20	2020-21					
						Non-Plan	Plan	Total		
90224.67	I.	Revenue Receipts	97616.83	104719.92	I.	Revenue Expenditure	105506.79	17939.54		123446.33
50323.14		Own Tax Revenue	47660.84	55504.03		General Services	47466.39	2894.33	50360.72	
12265.22		Non-Tax Revenue	7327.31	34044.77		Social Services	35017.26	9815.18	44832.44	
16401.05		State's share of Union Taxes and Duties	11560.40	18459.63		Education, Sports, Art and Culture	14789.40	1686.28	16475.68	
11235.26		Grants from Government of India	31068.28	7294.59		Health and Family Welfare	5592.71	2894.05	8486.76	
				1467.52		Water Supply, Sanitation, Housing and Urban Development	517.57	1485.21	2002.78	
				73.20		Information and Broadcasting	86.07	24.72	110.79	
				1942.68		Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	438.04	2219.24	2657.28	
				714.47		Labour and Labour Welfare	490.53	357.37	847.90	
				3980.35		Social Welfare and Nutrition	12885.79	1148.31	14034.10	
				112.33		Others	217.15		217.15	
				9107.25		Economic Services	13530.69	5230.03	18760.72	
				4791.01		Agriculture and allied activities	8511.17	1867.61	10378.78	
				1242.09		Rural Development	440.15	1849.35	2289.50	
				22.42		Special Area Programmes	0	53.24	53.24	
				515.53		Irrigation and Flood control	495.59	14.85	510.44	
				17.34		Energy	876.45	34.02	910.47	
				351.21		Industry and Minerals	256.70	322.96	579.66	
				1543.95		Transport	2610.27	609.05	3219.32	
				67.53		Science, Technology and Environment	62.67	98.08	160.75	
				556.17		General Economic Services	277.69	380.87	658.56	
				6063.87		Grants-in-aid and Contributions	9492.45		9492.45	
14495.25	II.	Revenue Deficit carried over to Section B	25829.50			Revenue Surplus carried over to Section B				
104719.92	Total - Section A		123446.33	104719.92						123446.33

Appendix 1.3 –Contd.

(₹ in crore)

Receipts			Disbursements							
2019-20	Section B: Others		2020-21	2019-20	2020-21					
						Non-Plan	Plan	Total		
2203.15	III.	Opening Cash Balance including Permanent Advances, Cash Balance Investment and Investment of earmarked funds	2010.22	0.00	III.	Opening Overdraft from Reserve Bank of India			0.00	
27.48	IV.	Miscellaneous Capital Receipts	34.15	8454.8	IV.	Capital Outlay	953.89	11935.76	12889.65	12889.65
				157.42		General Services	33.35	226.49	259.84	
				1090.64		Social Services	162.60	2115.30	2277.90	
				311.15		Education, Sports, Art and Culture	68.85	317.45	386.30	
				244.24		Health and Family Welfare	64.92	250.68	315.60	
				291.28		Water Supply, Sanitation, Housing and Urban Development	28.00	1243.98	1271.98	
				0.54		Information and publicity	0.00	1.44	1.44	
				117.34		Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	0.12	130.27	130.39	
				29.82		Social Welfare and Nutrition	0.71	33.99	34.70	
				96.27		Other Social Services	0.00	137.49	137.49	
				7206.74		Economic Services	757.94	9593.97	10351.91	
				381.39		Agriculture and allied activities	152.39	400.87	553.26	
				916.32		Other rural development programmes	399.08	1313.36	1712.44	
				0.38		Special Area Programme	0.00	0.22	0.22	
				282.84		Irrigation and Flood Control	32.85	269.30	302.15	
				0.47		Power projects	1.00	1.00	2.00	
				254.02		Industry and Minerals	0.00	486.10	486.10	
				3072.42		Transport	54.84	3746.56	3801.40	
				-		Science, Technology and Environment	0.00	0.00	0.00	
				1734.45		General Economic Services	117.78	3376.56	3494.34	

Appendix 1.3 – Concl'd.

(` in crore)

Receipts				Disbursements				
2019-20	2020-21			2019-20	2020-21			
295.32	V.	Recoveries of Loans and Advances		263.82	1210.22	V.	Loans and Advances Disbursed	2548.51
		From Power Projects					For Power Projects	
		From Government Servants					To Government Servants	
		From Others					To Others	
	VI.	Revenue Surplus brought down			14495.25	VI.	Revenue Deficit brought down	25829.50
60407.05	VII.	Public Debt Receipts		69735.36*	44001.28	VII.	Repayment of Public Debt	38927.85
7805.12		Internal Debt other than Ways and Means Advances, Shortfall and Overdraft	33493.87		8072.02		Internal Debt other than Ways and Means Advances, Shortfall and Overdraft	8449.99
9698.12		Net transactions under Ways and Means Advances excluding overdraft	29222.75		35215.35		Net transactions under Ways and Means advances excluding overdraft	29752.57
692.75		Loans and Advances from Central Government	7018.74**		713.91		Repayment of Loans and Advances to Central Government	725.29
	VIII.	Appropriation from the Consolidated Fund				VIII.	Appropriation to Contingency Fund	
	IX.	Amount transferred to Contingency Fund		75	75	IX.	Expenditure from Contingency Fund	0
261788.85	X.	Public Account Receipts		350861.94	254475.08	X.	Public Account Disbursements	337817.00
118983.22		Small Savings, Provident Funds, etc.	170413.72		110709.11		Small Savings, Provident Funds, etc.	158865.76
514.79		Reserve Funds	878.63		1865.21		Reserve Funds	534.58
3209.17		Deposits and Advances	4466.92		2683.43		Deposits and Advances	3972.04
137056.30		Suspense and Miscellaneous	170492.00		137309.50		Suspense and Miscellaneous	169873.36
2025.37		Remittances	4610.67		1907.83		Remittances	4571.26
	XI.	Closing Overdraft from Reserve Bank of India			2010.22	XI.	Cash Balance at end	4967.98
					35.13		Cash in Treasuries	37.06
					0.92		Local Remittances	0.94
					-221.02		Deposits with Reserve Bank	-244.42
					-5.18		Departmental cash balance including Permanent Advance	-7.10
					1.67		Cash Balance Investment	2809.86
					2198.70		Investment from earmarked funds	2371.64
324721.85	Total – Section B			422980.49	324721.85	Total – Section B		

* Effective Public Debt Receipts would be ₹63,969.36 crore as the Department of Expenditure, GOI had decided that GST compensation of ₹ 5,766 crore given to the State as back to back loan under debt receipts would not be treated as debt of the State for any norms which may be prescribed by the Finance Commission.

** Effective Loans & Advances from GoI would be ₹1252.74 crore as the Department of Expenditure, GOI had decided that GST compensation of ₹5,766 crore given to the State as back to back loan under debt receipts (6004-Loans and Advances from GoI) would not be treated as debt of the State for any norms which may be prescribed by the Finance Commission.

Appendix 1.4

Time series data on the State Government Finances
(Reference: Paragraph 1.5; page No. 10)

(₹ in crore)

Particulars		2016-17	2017-18	2018-19	2019-20	2020-21
Part A: Receipts						
1.	Revenue Receipts	75611.72	83020.14	92854.47	90224.67	97616.83
(i)	Tax Revenue	42176.37 (56)	46459.61 (56)	50644.10 (55)	50323.14 (56)	47660.84 (48)
	Taxes on Sales, Trade, etc.	33453.49 (79)	24577.82 (53)	19225.75 (38)	19649.64 (39)	17689.17 (37)
	State Excise	2019.30 (5)	2240.42 (5)	2521.40 (5)	2255.28 (4)	2329.22 (5)
	Taxes on Vehicles	3107.23 (7)	3662.85 (8)	3708.61 (7)	3721.14 (7)	3386.28 (7)
	Stamps and Registration fees	3006.58 (7)	3452.56 (7)	3693.17 (7)	3615.01 (7)	3489.59 (7)
	Land Revenue	124.15	162.17	202.78	332.42	493.35
	Other Taxes	224.87	256.52	240.11	263.39	196.12
	State Goods and Services Tax	0	12007.69 (26)	21014.71 (42)	20446.95 (41)	20028.31 (42)
	Other taxes and Duties on commodities and Services	240.75	99.58	37.57	39.31	48.80
(ii)	Non Tax Revenue	9699.98 (13)	11199.61 (14)	11783.24 (13)	12265.22 (14)	7327.31 (8)
(iii)	State's share in Union taxes and duties	15225.02 (20)	16833.08 (20)	19038.17 (20)	16401.05 (18)	11560.40 (12)
(iv)	Grants in aid from Government of India	8510.35 (11)	8527.84 (10)	11388.96 (12)	11235.26 (12)	31068.28 (32)
2.	Miscellaneous Capital Receipts	30.24	29.28	46.50	27.48	34.15
3.	Recovery of Loans and Advances	292.24	350.98	210.54	295.32	263.82
4.	Total revenue and Non debt capital receipts (1+2+3)	75934.42	83400.40	93111.51	90547.47	97914.80
5.	Public Debt Receipts	23857.89	30233.77	33445.92	60407.05	69735.36*
	Internal Debt (excluding Ways & Means Advances and Overdraft)	20074.62 (84)	23453.50 (78)	232965.63 (70)	22511.19 (37)	33493.87 (48)
	Net transactions under Ways and Means Advances excluding Overdraft	2931.13 (12)	6335.50 (21)	9698.12 (29)	35745.17 (59)	29222.75 (42)
	Loans and advances from Government of India	852.14 (4)	444.77 (1)	452.17 (1)	2150.69 (4)	7018.74** (10)
6.	Total receipts in the Consolidated Fund (4+5)	99792.31	113634.17	126557.43	150954.52	167650.16
7.	Contingency Fund Receipts	..	..	..	..	..
8.	Public Account receipts	190627.84	215992.46	254069.02	261788.85	350861.93
9.	Total receipts of State (6+7+8)	290420.15	329626.63	380626.45	412743.37	518512.09
Part B: Expenditure/Disbursement						
10.	Revenue Expenditure	91096.31 (89)	99948.35 (91)	110316.39 (92)	104719.92 (92)	123446.33
	Plan	13492 (15)	16182 (16)	13890 (13)	12036 (11)	17939.54 (15)
	Non-Plan	77604 (85)	83766 (84)	96426 (87)	92684 (88)	105506.79 (85)
	General Services (incl. Interest payment)	41195.33 (45)	45523.77 (46)	50827.13 (46)	55504.03 (53)	50360.72 (41)
	Social Services	33764.72 (37)	35876.27 (36)	38210.77 (35)	34044.77 (33)	44832.44 (36)
	Economic Services	10655.35 (12)	11351.08 (11)	12379.77 (11)	9107.25 (9)	18760.72 (15)
	Grants-in-aid and Contributions	5480.91 (6)	7197.23 (7)	8898.72 (8)	6063.87 (6)	9492.45 (8)
11.	Capital Expenditure	10125.95 (10)	8748.87 (8)	7430.54 (6)	8454.80 (7)	12889.65
	Plan	8946 (88)	7994 (91)	6779 (91)	7953 (94)	11935.76
	Non-Plan	1180 (12)	755 (9)	652 (9)	502 (6)	953.89
	General Services	210.87 (2)	268.01 (3)	197.96 (3)	157.42 (2)	259.84
	Social Services	1292.67 (13)	1405.89 (16)	1784.29 (24)	1090.64 (13)	2277.90
	Economic Services	8622.41 (85)	7074.97 (81)	5448.29 (73)	7206.74 (85)	10351.91
12.	Disbursement of Loans and Advances	1160.29 (1)	1540.59 (1)	2322.89 (2)	1210.22 (1)	2548.51 (2)
13.	Total (10+11+12)	102382.55	110237.81	120069.82	114384.94	138884.49

Figures in brackets represent percentages (rounded) to total of each sub-heading.

Appendix 1.4- Contd.

(₹ in crore)

Particulars		2016-17	2017-18	2018-19	2019-20	2020-21
Part B: Expenditure/Disbursement						
14.	Repayment of Public Debt	7706.01	13132.10	18195.99	44001.28	38927.85
	Internal Debt (excluding Ways and Means Advances and Overdrafts)	4302.16	6221.69	7805.12	8072.02	29752.57
	Net transactions under Ways and Means Advances excluding Overdrafts	2931.13	6335.50	9698.12	35215.35	29752.57
	Loans and Advances from Government of India	472.72	574.91	692.75	713.91	725.29
15.	Appropriation to Contingency Fund	...	...	...	...
16.	Total disbursement out of Consolidated Fund (13+14+15)	110088.56	123369.91	138265.81	158386.22	177812.33
17.	Contingency Fund disbursements	...	...	...	75	0
18.	Public Account disbursements	179910.43	207174.17	242890.37	254475.08	337817.00
19.	Total disbursement by the State (16+17+18)	289998.99	330544.08	381156.18	412936.30	515629.33
Part C: Deficits						
20.	Revenue Deficit (1-10)	15484.59	16928.21	17461.92	14495.25	25829.50
21.	Fiscal Deficit (4-13)	26448.35	26837.41	26958.31	23837.47	40969.69
22.	Primary Deficit (21-23)	14331.85	11717.48	10210.39	4622.77	19994.33
Part D: Other Data						
23.	Interest Payments (included in revenue expenditure)	12116.50	15119.93	16747.92	19214.70	20975.36
24.	Financial Assistance to local bodies, etc.	15866.84	19553.60	19382.62	12132.04	20504.85
25.	Ways and Means Advances availed /special drawing facility (days)	25	50	67	234	195
26.	Overdraft availed (days)	Nil	Nil	Nil	57	35
27.	Interest on WMA/Overdraft	2.12	1.54	3.55	28.21	26.95
28.	Gross State Domestic Product (GSDP) at current prices ⁴³	634886	701588	790302	854689	758942
29.	Outstanding Fiscal Liabilities (year-end)	189769	214518	241614.51	265362.36	308386.01 ⁴⁴
30.	Outstanding guarantees (year-end)	16246	17356	26834.65	27757.01	31714.27
31.	Maximum amount guaranteed (during the year)	20204.00	25104.00	46796.00	43433.30	49076.88
32.	Number of incomplete projects/works	226	300	270	295	354
33.	Capital blocked in incomplete projects/works ⁴⁵	974	1208	1292	1302	1362.35

⁴³ GSDP figures from Ministry of Statistics and Programme Implementation website as on 01 August 2019.

⁴⁴ Effective Outstanding Fiscal Liabilities would be ₹3,02,620.01 crore as the Department of Expenditure, GoI had decided that GST compensation of ₹5,766 crore given to the State as back to back loan under debt receipts would not be treated as debt of the State for any norms which may be prescribed by the Finance Commission.

⁴⁵ 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'd.

(₹ in crore)

Particulars		2016-17	2017-18	2018-19	2019-20	2020-21
Part E: Fiscal Health Indicators						
I	Resource Mobilisation					
	Own Tax revenue/GSDP	6.64	6.62	6.41	5.89	6.28
	Own non-tax revenue/GSDP	1.53	1.60	1.49	1.44	0.97
	Central Transfers/GSDP	3.74	3.61	3.85	3.23	5.62
II	Expenditure Management					
	Total Expenditure/GSDP	16.13	15.71	15.19	13.38	18.30
	Total Expenditure/Revenue Receipts	135.41	132.78	129.31	126.78	142.28
	Revenue Expenditure/Total Expenditure	88.98	90.67	91.88	91.55	88.88
	Revenue Expenditure on Social Services/Total Expenditure	32.98	32.54	31.82	29.76	32.28
	Revenue Expenditure on Economic Services/Total Expenditure	10.41	10.30	10.31	7.96	13.51
	Capital Expenditure/Total Expenditure	9.89	7.94	6.19	7.39	9.28
	Capital Expenditure on Social and Economic Services/Total Expenditure	9.68	7.69	6.02	7.25	9.09
III	Management of Fiscal Imbalances					
	Revenue deficit/GSDP	-2.44	-2.41	-2.21	-1.70	-3.40
	Fiscal deficit/GSDP	-4.17	-3.83	-3.41	-2.79	-5.40
	Primary Deficit /GSDP	-2.26	-1.67	-1.29	-0.54	-0.26
	Revenue Deficit/Fiscal Deficit	58.55	63.08	64.77	60.81	63.05
IV	Management of Fiscal Liabilities					
	Fiscal Liabilities/GSDP	29.89	30.58	30.57	31.05	39.87 [^]
	Fiscal Liabilities/Revenue Receipts	250.98	258.39	260.21	294.11	315.91
	Primary deficit <i>vis-à-vis</i> quantum spread	(-)4618.85	(-)5987.10	1173.04	(-)3252.48	(-)82945.06
	Debt Redemption (Principal +Interest)/ Total Debt Receipts (in <i>per cent</i>)	80.30	91.50	92.40	97.27	89.56
V	Other Fiscal Health Indicators					
	Return on Investment (<i>per cent</i>)	1.33	1.54	1.59	1.13	1.09
	Financial Assets/Liabilities	0.40	0.40	0.40	0.40	0.40

* Effective Public Debt Receipts would be ₹63,969.36 crore as the Department of Expenditure, GOI had decided that GST compensation of ₹5,766 crore given to the State as back to back loan under debt receipts would not be treated as debt of the State for any norms which may be prescribed by the Finance Commission.

** Effective Loans & Advances from GoI would be ₹527.45 crore as the Department of Expenditure, GOI had decided that GST compensation of ₹5,766 crore given to the State as back to back loan under debt receipts (6004-Loans and Advances from GoI) would not be treated as debt of the State for any norms which may be prescribed by the Finance Commission.

[^] The back to back Loan (₹5,766 crore) received from GoI in lieu of GST compensation has not been considered as Debt for working out the indicator.

Appendix 1.5

Summarised financial position of the Government of Kerala
as on 31 March 2021

(Reference: Paragraph 1.4.2 page No:9)

(*₹ in crore*)

As on 31 March 2020	Liabilities		As on 31 March 2021
165960.03	Internal Debt		190474.09
142336.00	Market Loans bearing interest	165402.00	
0.04	Market Loans not bearing interest	0.04	
880.55	Loans from Life Insurance Corporation of India	647.91	
153.13	Loans from General Insurance Corporation of India	135.19	
3199.93	Loans from National Bank for Agriculture and Rural Development	3103.71	
480.15	Loans from National Co-operative Development Corporation	523.60	
984.00	Loans from other institutions	827.05	
17395.53	Special securities issued to National Small Savings Fund of the Central Government	19833.71	
0.88	Compensation and other bonds	0.88	
529.82	Ways and Means Advances from Reserve Bank of India excluding Overdrafts	0	
0	Overdrafts from Reserve Bank of India	0	
8680.19	Loans and Advances from Central Government		14973.64
1.16	Pre 1984-85 Loans	1.16	
12.47	Non-Plan Loans	10.63	
6815.83	Loans for State Plan Schemes	6382.00	
(*)	Loans for Central Plan Schemes		
1850.73	Other loans	8579.85	
100	Contingency Fund(Net)		100
85671.17	Small Savings, Provident Funds, etc.		97219.13
4135.81	Deposits		4632.88
3113.86	Reserve Funds3		3457.91
-119.58	Suspense and Miscellaneous		519.46
267541.48	Total		311377.11

(*) ₹ 7,000 only.

Appendix 1.5 – Concl'd.

(₹ in crore)

As on 31 March 2020	Assets		As on 31 March 2021
80796.18⁴⁶	Gross Capital Outlay on Fixed Assets -		93651.68
8889.00	Investments in shares of Companies, Corporations, etc.	10064.07	
71907.18	Other Capital Outlay	83587.61	
17472.08	Loans and Advances -		19756.77
2728.51	Loans for Power Projects		
13775.61	Other Development Loans		
967.96	Loans to Government servants and Miscellaneous loans		
75	Contingency fund		0
60.08	Advances		62.27
	Suspense and Miscellaneous Balances		
1081.6	Remittance Balances		1042.19
297.78	Adjustment on account of retirement/disinvestment		331.93
2010.22	Cash		4967.98
36.05	Cash in Treasuries and Local Remittances	38.00	
(-)221.02	Deposits with Reserve Bank	(-)244.42	
(-)5.70	Departmental Cash Balance	(-)7.63	
0.52	Permanent Advances	0.53	
1.67	Cash Balance Investments	2809.86	
2198.70	Reserve Fund Investments	2371.64	
165748.55⁴⁷	Deficit on Government Account -		191564.29
151280.71	Accumulated deficit at the beginning of the year	165748.55	
14495.25	Add: (i) Revenue Deficit of the current year	25829.50	
0.06	(ii) Miscellaneous Government account	20.39	
27.48	Less: Miscellaneous Capital Receipts	34.15	
267541.48	Total		311377.11

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 ₹254.05 crore (credit) between the figures reflected in the accounts (credit item ₹244.43 crore) and that communicated by Reserve Bank of India (credit item ₹9.62 crore) as on 31 March 2021. Out of the difference, an amount of ₹193.75 crore (net credit) has been cleared in 2021-22. The balance difference of ₹447.80 crore (net debit) is under reconciliation.

⁴⁶ Balance as on 31 March 2020 differs from those shown in the previous year's account due to proforma adjustment vide foot note(b) of Statement 1 of Finance Accounts 2020-21.

⁴⁷ Balance as on 31 March 2020 differs from those shown in the previous year's account due to proforma adjustment vide foot note (c) of Statement 1 of Finance Accounts 2020-21.

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 2.3.1.2; Page No 28)**

(₹ 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.	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*	283.00	0.71	Not available
		2020-21	23263.16	37717.48*	287.31	0.76	Not available
2.	Stamps (non- judicial) and registration fees	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	225.35	6.30	Not available
		2020-21	4306.24	3377.49	214.12	6.34	Not available
3.	State excise	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
		2020-21	2800.67	2329.22	268.95	11.55	Not available
4.	Taxes on vehicles	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
		2020-21	3968.22	3386.28	149.32	4.40	Not available

* including SGST

Appendix 2.2

Arrears of Revenue (Reference: Paragraph 2.3.1.2 Page No 29)

Sl. No.	Head of Revenue	Amount outstanding (₹ in crore)		Remarks of the Department
		Total Amount	Amount Outstanding for more than 5 years as on 31 March 2021	
1.	0030-Stamps and Registration fees	828.57	0	The Registration department stated (October 2021) that the revenue pending collection was towards undervaluation of documents and a proposal was sent to the Government to extended One time settlement scheme.
2.	0043 Taxes and Duties on Electricity	2929.11	887.43	An amount of ₹2,890.31 crore was due from public sector undertakings of Government of Kerala, ₹27.44 crore was due from individuals, private firms, private companies etc. ₹11.19 crore from local bodies. The Department attributed (September 2021) 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.
3.	0055-Police	352.12	190.40	The nature of demand in the Police Department is the cost for providing police personnel for guard duty. ₹136.81 crore and ₹107.17 crore are the amount pending from Public Sector undertakings of GoK and GoI respectively. An amount of ₹54.41 crore from GoI, ₹29.36 crore from GoK, ₹17.13 crore from other state undertakings and ₹7.24 crore from individuals, private firms, private companies etc. is pending collection, Southern Railway (₹105.14 crore) and KSEB (₹128.89 crore) are the major defaulters. The department (August 2021) stated that demand and followup action are being taken.
4.	0058-Stationary and Printing	61.32	32.30	The Director of Printing stated (September 2021) that the nature of demand of the Department of Printing is printing charges. An amount of ₹37.23 crore was due from GoK, ₹13.46 crore from public sector undertakings of GoK and ₹9.70 crore from local bodies. The department attributed the delay in collecting revenue to pending of payment by the concerned departments.

Appendix 2.2 – Concl.d.

Sl. No.	Head of Revenue	Amount outstanding (₹ in crore)		Remarks of the Department
		Total Amount	Amount Outstanding for more than 5 years as on 31 March 2021	
5.	0070-60-110- Fees for Government Audit	89.18	25.23	The Director, Kerala State Audit Department stated (September 2021) that the arrears of revenue pending collection towards audit fee .The earliest year to which arrears is pending is 1994-95. 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 the government has proposed to settle the long term dues of institutions, if possible on instalment basis hence instructions have been given to sub offices to inform the concerned auditee institutions to remit the arrears.
6.	0230-00-103- Fees for inspection of Steam Boilers	1.74	0.04	The Director of Factories and Boilers stated (September 2021) 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.
7	0230-00-101- Receipts under labour Laws	2.78	0.15	The Labour Commissioner stated (October 2021) that the nature of demand in the Labour Department was revenue receipts under labour laws. The amount of arrears of ₹2.78 crore is pending collection from individuals, private firms and private companies. The reasons for delay in collection of revenue were non-submission of application for renewal of registration and negligence from the employers in renewing the registration certificates in due time. The Labour Commissioner stated that inspection and follow up action is being taken to realise the arrears.
8	0041- Taxes on vehicles	2616.90	942.58	Motor Vehicle Department stated (November 2021) that out of the total arrears of ₹2,616.90 crore, the dues from Kerala State Road Transport Corporation is ₹1,844.73 crore and the balance of ₹772.17 crore is from individuals, private firms and private companies. The Major share of arrears is due from KSRTC, a Government owned Corporation alone (70.49 per cent). As per Government order dated 07/06/2019, tax payable for KSRTC buses were exempted for a period upto 31/03/2021 and hence arrears from 01/07/2019 were not demanded. The Department also stated that demand notices were sent to the registered owners of the respective vehicles.
		6881.72	2078.13	

Appendix 2.3

Details of Grant/Loan given to Public Sector Undertakings whose accounts have not been finalised

(Reference: Paragraph 2.4.3.4; Page No 56)

Sl No	Name of the PSU	Year upto which Accounts finalised	Amount of grant for the year 2020-21 (₹ in crore)	Amount of loan for the year 2020-21 (₹ in crore)
1	Kerala State Small Industries Development Corporation Limited	2013-14		17.10
2	Kerala State Bamboo Corporation Limited	2014-15		5.80
3	Travancore Titanium Products Limited	2016-17		13.75
4	Kerala State Electronic Development Corporation Limited	2016-17		6.05
5	Trivandrum Spinning Mills Limited	2008-09		3.00
6	Kerala State Textiles Corporation Limited	2014-15		35.41
7	Travancore Cements Limited	2016-17		9.00
8	Handicrafts Development Corporation	2018-19		7.00
9	Kerala State Mineral Development Corporation (KEMDEL)	2018-19		0.50
10	Kerala State Drugs and Pharmaceutical Industries Limited	2018-19		20.00
11	Autokast Limited	2018-19		13.00
12	Steel Industries Kerala Limited	2018-19		6.75
13	Traco Cables Limited	2018-19		9.00
14	Metal Industries Limited	2018-19		2.91
15	Kerala Automobiles Limited	2018-19		10.33
16	Keltron Electro Ceramic Limited	2018-19		0.75
17	Kerala Cashew Board Limited	2018-19		53.30
18	Sitaram Textiles Limited	2018-19		2.50
19	Kerala Industrial Infrastructure Development Corporation	2018-19		57.52

Appendix 2.3 – Concl.d.

SI No	Name of the PSU	Year upto which Accounts finalised	Amount of grant for the year 2020-21 (₹ in crore)	Amount of loan for the year 2020-21 (₹ in crore)
20	Kerala State Poultry Development Corporation Limited	2014-15	4.39	
21	Kerala State Civil Supplies Corporation Limited	2016-17	8.02	
22	Kerala Medical Services Corporation Limited	2014-15	649.00	
23	Kerala State Road Transport Corporation	2014-15		1739.86
24	Kerala Women Development Corporation	2017-18	8.02	
25	Kerala Livestock Development Board	2014-15	21.50	
26	Kerala State Handicapped Person's Welfare Corporation Limited	2014-15	9.27	
27	Kerala State Warehousing Corporation	2018-19	0.25	1.56
28	Kerala State Welfare Corporation for Forward Communities	2014-15	31.09	
29	Kerala Land Development Corporation	2016-17	2.00	
30	Coconut Development Corporation	2014-15	1.00	
31	Meat Products of India	2016-17	2.50	5.20
32	Kerala Feeds Limited	2017-18	8.90	0.68
33	Kerala State Industrial Development Corporation Limited	2018-19	18.50	
34	Kerala State Palmyrah Products Limited	2014-15		1.62
	Total		764.44	1924.23
	Grand Total		2688.67	

Appendix 3.1

Excess /unnecessary/insufficient re-appropriation above ₹ one crore (in cases of Savings/Excess exceeding ₹25 crore)

(Reference: Paragraph 3.3.3; page No:92)

(₹ in crore)

Sl. No.	Grant No. and Head of accounts	Provisions			Total	Actual expenditure	Final Excess (+) Savings (-)
		Original	Supplementary	Re-appropriation			
Excess Re-appropriation							
1	XVI-2075-00-800-72-Miscellaneous Payments and Other Liabilities (V) (P)	0.00	0.00	2492.50	2492.50	2401.93	-90.57
2	XXVI-2245-02-101-94-Other Items (V) (NP)	214.00	0.00	131.41	345.41	302.93	-42.48
Unnecessary Re-appropriation							
3	XII-2055-00-104-99-Armed Police (V) (NP)	428.25	0.00	6.52	434.77	357.29	-77.48
4	XIV-2070-00-108-98-Protection and Control (V) (NP)	241.26	0.00	4.62	245.88	213.06	-32.82
5	XV-5054-03-337-97-Kerala State Transport Project (World Bank Aided) (V) (P)	400.00	0.00	40.00	440.00	195.46	-244.54
6	XVI-2075-00-103-99-Sale of Lottery Tickets (V) (NP)	240.24	0.00	7.75	247.99	138.15	-109.84
7	XVII-2202-03-103-57-Rashtriya Uchchar Shiksha Abhiyan - RUSA (60% CSS) (V) (P)	144.00	0.00	26.30	170.30	86.90	-83.40

Appendix 3.1 Contd.

(₹ in crore)

Sl. No.	Grant No. and Head of accounts	Provisions				Actual expenditure	Final Excess (+) Savings (-)
		Original	Supplementary	Re-appropriation	Total		
8	XVII-2202-03-103-99-Arts and Science Colleges (V) (NP)	372.62	0.00	9.68	382.30	340.40	-41.90
9	XVIII-2210-06-101-13-Grant-in-Aid for the Management and control of Covid 19 under NHM (100% CSS) (V) (P)	0.00	400.55	58.35	458.90	239.52	-219.38
10	XVIII-2210-06-101-19-National Health Mission (CSS 60:40) (V) (P)	800.00	497.50	171.97	1469.47	1233.81	-235.66
11	XXIX-2401-00-001-96-Strengthening of Agricultural Administration and introduction of Training and Visiting System of Extension (V) (NP)	340.80	0.00	1.35	342.15	280.58	-61.57
12	XXXV-2515-00-101-65-Swachh Bharat Mission (Gramin) - Nirmal Bharat Abhiyan (60% CSS) (V) (P)	71.75	163.17	1.36	236.28	210.42	-25.86

Appendix 3.1 Concl.

(₹ in crore)

Sl. No.	Grant No. and Head of accounts	Provisions				Actual expenditure	Final Excess (+) Savings (-)
		Original	Supplementary	Re-appropriation	Total		
13	XLVI-2235-02-102-47-Integrated Child Development Service (60 % CSS) (V) (P)	460.00	0.00	10.45	470.45	435.31	-35.14
Insufficient Re-appropriation							
14	IV-2015-00-106-99-Legislative Assembly (V) (NP)	0.00	16.64	26.58	43.22	94.69	51.47
15	XV-5054-04-337-99-Major District Roads - Developments and Improvements (V) (P)	45.29	549.84	84.58	679.71	860.26	180.55
16	Debt Charges- 2049-03-115-98-Fixed Time Deposits (C) (NP)	2500.00	150.00	93.15	2743.15	3284.34	541.19

Appendix: 3.2

List of grants having large savings (savings above ₹100 crore) and surrender therefrom during the year

(Reference: Paragraph 3.3.4 page No: 93)

(₹ 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	711.19	0.00	711.19	555.96	155.23	153.84	99.10	1.39
2	III-Administration Of Justice	810.43	0.00	810.43	708.32	102.11	102.21	100.10	-0.10
3	VI-Land Revenue	712.03	0.00	712.03	602.52	109.51	100.88	92.12	8.63
4	XII-Police	3777.57	3.00	3780.57	3324.21	456.36	394.25	86.39	62.11
5	XVI-Pensions And Miscellaneous	30642.72	100.00	30742.72	26281.35	4461.37	4356.51	97.65	104.86
6	XVII-Education, Sports, Art and Culture	20823.11	140.67	20963.78	16768.77	4195.01	3997.83	95.30	197.18
7	XVIII-Medical and Public Health	7142.48	1542.91	8685.39	8025.35	660.04	371.82	56.33	288.22
8	XXII-Urban Development	2159.41	201.47	2360.88	1480.84	880.04	878.24	99.80	
9	XXIV-Labour, Labour Welfare and Welfare Of Non-Residents	951.53	199.49	1151.02	849.23	301.79	273.48	90.62	28.31

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 surrend er
10	XXV- Welfare of Scheduled Castes, Scheduled Tribes, Other Backward Classes and Minorities	2817.70	6.17	2823.87	2695.27	128.60	120.72	93.87	7.88
11	XXVI-Relief on Account of Natural Calamities	1282.79	0.00	1282.79	958.25	324.54	322.11	99.25	2.42
12	XXIX- Agriculture	3235.29	0.00	3235.29	2716.12	519.17	490.04	94.39	29.13
13	XXX-Food	1796.14	5147.52	6943.66	6007.26	936.40	550.26	58.76	386.15
14	XXXV- Panchayat	820.13	177.00	997.13	805.65	191.48	184.05	96.12	7.43
15	XXXVI- Rural Development	3988.97	0.00	3988.97	1568.23	2420.74	2417.80	99.88	2.94
16	XLIII- Compensation and Assignments	9758.38	0.00	9758.38	9505.78	252.60	251.30	99.49	1.30
17	XLVI-Social Security and Welfare	7603.03	6565.93	14168.96	13796.95	372.01	370.47	99.59	1.54
Total		99032.90	14084.16	113117.06	96650.06	16467.00	15335.81	1558.76	1131.19

Appendix : 3.2 Concl.

(₹ in crore)

Sl. No	Number and name of the grant	Original	Supplementary	Total	Actual	Saving/ Excess	Surrender	Percentage of Surrender	Savings excluding surrender
Capital (Voted)									
18	XXVIII- Miscellaneous Economic Services	4457.28	0.00	4457.28	3254.60	1202.68	1202.84	100.01	-0.16
19	XXXVII- Industries	842.28	204.86	1047.14	916.54	130.60	95.19	72.89	35.41
20	XXXVIII- Irrigation	470.20	0.00	470.20	178.83	291.37	284.14	97.52	7.23
Total		5769.76	204.86	5974.62	4349.97	1624.65	1582.17	270.42	42.48
Capital (Charged)									
21	Public Debt Repayment	24878.18	19914.70	44792.88	38927.85	5865.03	5854.09	99.81	10.94
Total		24878.18	19914.70	44792.88	38927.85	5865.03	5854.09	99.81	10.94

Appendix 3.3

Details of surrender of funds in excess of ₹10 crore at the end of March 2021

(Reference: Paragraph 3.3.4; page No. 93)

(₹ in crore)

Sl No.	Grant Number	Original	Supplem entary	Total provisions	Actual Expendit ure	Saving (-) / Excess(+)	Amount Surrend ered
1	II-Heads of States, Ministers and Headquarters Staff	910.69	0.00	910.69	696.13	-214.56	216.58
2	III- Administration of Justice	948.15	0.00	948.15	827.05	-121.10	121.19
3	V-Agricultural Income Tax and Sales Tax	334.27	0.00	334.27	313.69	-20.58	18.00
4	VI-Land Revenue	712.03	0.00	712.03	602.52	-109.51	100.88
5	VII-Stamps and Registration	242.14	0.00	242.14	216.33	-25.81	23.79
6	VIII-Excise	299.16	0.00	299.16	268.99	-30.17	26.88
7	IX-Taxes ON Vehicles	167.55	0.00	167.55	149.37	-18.18	16.53
8	X-Treasury and Accounts	308.38	0.00	308.38	272.56	-35.82	31.84
9	XI-District Administration and Miscellaneous	695.39	116.86	812.25	795.68	-16.57	10.40
10	XII-Police	3876.61	3.45	3880.06	3404.22	-475.84	410.77
11	XIV-Stationery and Printing and other Administrative Services	552.45	0.19	552.64	475.44	-77.20	60.67

Appendix 3.3 Contd.

(₹ in crore)

Sl No.	Grant Number	Original	Supplementary	Total provisions	Actual Expenditure	Saving (-) / Excess(+)	Amount Surrendered
12	XV-Public works	5598.54	989.18	6587.72	6973.38	+385.66	23.13
13	XVI-Pensions and Miscellaneous	30668.90	100.00	30768.90	26290.19	-4478.71	4373.85
14	XVII-Education, Sports, Art and Culture	21189.65	242.79	21432.44	17156.63	-4275.81	4078.54
15	XVIII-Medical and Public Health	7383.52	1692.91	9076.43	8442.98	-633.45	371.87
16	XXI-Housing	141.76	42.96	184.72	161.77	-22.95	23.80
17	XXII-Urban Development	2346.45	218.09	2564.54	1590.94	-973.60	959.80
18	XXIV-Labour, Labour Welfare and Welfare of Non-Residents	1110.41	199.49	1309.90	998.47	-311.43	282.16
19	XXV-Welfare of Scheduled Castes, Scheduled Tribes, Other Backward Classes and Minorities	3045.60	6.17	3051.77	2825.75	-226.02	218.14
20	XXVI-Relief on Account Of Natural Calamities	1282.79	0.00	1282.79	958.25	-324.54	322.11
21	XXVII-Co-Operation	541.47	10.00	551.47	500.08	-51.39	68.07

Appendix 3.3 Concl'd.

(₹ in crore)

Sl No.	Grant Number	Original	Supplem entary	Total provisions	Actual Expendit ure	Saving (-) / Excess(+)	Amount Surren dered
22	XXVIII- Miscellaneous Economic Services	4649.87	0.00	4649.87	3409.88	-1239.99	1238.71
23	XXIX- Agriculture	3476.33	43.23	3519.56	2939.99	-579.57	549.92
24	XXX-Food	1893.21	5147.84	7041.05	6081.69	-959.36	571.56
25	XXXI-Animal Husbandry	715.69	5.16	720.85	651.31	-69.54	64.84
26	XXXII-Dairy	164.55	0.55	165.10	153.26	-11.84	12.68
27	XXXIII- Fisheries	628.39	1.50	629.89	559.11	-70.78	87.18
28	XXXIV-Forest	658.13	21.84	679.97	650.54	-29.43	20.86
29	XXXV- Panchayat	1022.23	401.00	1423.23	1204.96	-218.27	210.83
30	XXXVI-Rural Development	5366.38	0.00	5366.38	2881.35	-2485.03	2482.08
31	XXXVII- Industries	1444.03	249.89	1693.92	1499.53	-194.39	127.67
32	XXXVIII- Irrigation	864.20	3.69	867.89	512.29	-355.60	338.86
33	XXXIX-Power	425.37	572.94	998.31	939.34	-58.97	58.96
34	XL-Ports	136.76	84.76	221.52	172.51	-49.01	46.52
35	XLI-Transport	1673.51	1309.98	2983.49	2876.45	-107.04	187.21
36	XLIII- Compensation and Assignments	9758.38	0.00	9758.38	9505.78	-252.60	251.30
37	XLVI-Social Security and Welfare	7668.71	6565.93	14234.64	13831.65	-402.99	401.20
38	Public Debt Repayment	24878.18	19914.70	44792.88	38927.85	-5865.03	5854.09
Total		147779.83	37945.10	185724.93	160717.91	-25007.02	24263.47

Appendix 3.4

**Excess expenditure relating to previous years requiring regularisation
(Reference: Paragraph 3.3.5.3; page No. 100)**

(₹ 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 Contd.

(₹ 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.

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
2018-19	2 Grants	Revenue- I	0.64	Initial note not received. Not discussed by PAC.
		Revenue-XIX	39.81	Initial note not received. Not discussed by PAC.
	4 Appropriations	Revenue-XXXIV	0.13	Initial note not received. Not discussed by PAC.
		Debt Charges	1057.69	Initial note not received. Not discussed by PAC.
		Capital-XVII	1.03	Initial note not received. Not discussed by PAC.
		Public Debt Repayment	3363.85	Final Copies of notes not received. Not discussed by PAC.
2019-20	1 Grant	Relief on account of Natural calamities	109.10	Initial note not received. Not discussed by PAC.
	2 Appropriations	Debt Charges	219.64	Initial note not received. Not discussed by PAC.
		Public Debt Repayment	336.63	Initial note not received. Not discussed by PAC.
Total			9863.52	

Appendix 3.5

Supplementary budget and opportunity cost (Reference: Paragraph 3.5.2; page No. 105)

(₹ in crore)

Sl. No	Grant No.	Name of the Grant	Original allocation	Supplementary	Total	Actual expenditure	Unutilised funds
Capital Expenditure(Voted)							
1.	XII	Police	93.85	0.00	93.85	75.25	18.60
2.	XIV	Stationery and printing and other administrative services	8.85	0.00	8.85	7.35	1.50
3.	XVII	Education, sports, art and culture	366.35	100.61	466.96	386.34	80.62
4.	XXI	Housing	37.77	20.88	58.65	39.41	19.24
5.	XXII	Urban development	187.01	9.51	196.52	103.00	93.52
6.	XXIII	Information and publicity	4.20	0.00	4.20	1.44	2.76
7.	XXIV	Labour, labour welfare and welfare of non-residents	158.88	0.00	158.88	149.24	9.64
8.	XXV	Welfare of scheduled castes, scheduled tribes, other backward classes and minorities	227.89	0.00	227.89	130.47	97.42
9.	XXVIII	Miscellaneous economic services	4457.28	0.00	4457.28	3254.60	1202.68
10.	XXIX	Agriculture	240.94	42.88	283.82	223.46	60.36

Appendix 3.5 Concl.

(₹ in crore)

Sl. No	Grant No.	Name of the Grant	Original allocation	Supplementary	Total	Actual expenditure	Unutilised funds
11.	XXX	Food	97.07	0.00	97.07	74.11	22.96
12.	XXXI	Animal husbandry	23.33	5.16	28.49	27.10	1.39
13.	XXXII	Dairy	5.00	0.00	5.00	3.93	1.07
14.	XXXV	Panchayat	202.10	224.00	426.10	399.32	26.78
15.	XXXVI	Rural development	1377.41	0.00	1377.41	1313.12	64.29
16.	XXXVII	Industries	842.28	204.86	1047.14	916.54	130.60
17.	XXXVIII	Irrigation	470.20	0.00	470.20	178.83	291.37
18.	XXXIX	Power	38.45	0.00	38.45	28.85	9.60
19.	XL	Ports	73.65	43.96	117.61	85.62	31.99
20.	XLI	Transport	1511.09	1309.22	2820.31	2806.46	13.85
21.	XLV	Miscellaneous loans and advances	14.83	0.00	14.83	9.94	4.89
22.	XLVI	Social security and welfare	65.67	0.00	65.67	34.70	30.97
Total			10504.10	1961.08	12465.18	10249.08	2216.10

Appendix 3.6

Details of the schemes for which provision (₹10 crore and above) was made but no expenditure was incurred

(Reference: Paragraph 3.5.3; page No. 106)

(₹ in crore)

Sl. No.	Department Name	Scheme Name	Approved outlay	Revised outlay	Actual expenditure
1	XII-Police	National scheme for modernisation of police and other forces (CSS)	30.00	Nil	Nil
2	XV-Public Works	Basic Amenities in Village Offices	11.23	Nil	Nil
		Construction of Seaport-Airport road at Kochi	15.00	Nil	Nil
		Additional Public Works	500.00	Nil	Nil
3	XVIII-Medical and Public Health	Government Medical College Kannur	10.00	Nil	Nil
4	XX-Water Supply And Sanitation	ADB assisted Kerala Urban Water Supply Improvement Project - KUWSIP (EAP)	10.00	Nil	Nil
5	XXV-Welfare of Scheduled Castes, Scheduled Tribes, Other Backward Classes and Minorities	Purchase of Land for the Construction of Building for new MRS and Hostels	20.00	Nil	Nil
		Share Capital for the Kerala State Minority Development Finance Corporation	12.00	Nil	Nil
5	XXVIII-Miscellaneous Economic Services	Major Infrastructural Development Projects	1000.00	Nil	Nil
7	XXIX-Agriculture	Sabarimala Master Plan	29.90	Nil	Nil
		Pradhan Manthri Krishi Sinchayee Yojana (60% CSS)	25.00	Nil	Nil
8	XXXV-Panchayat	Prime Minister's Grama Sadak Yojana (60% CSS)	30.00	Nil	Nil

Appendix 3.6 Concl.

(₹ in crore)

Sl. No.	Department Name	Scheme Name	Approved outlay	Revised outlay	Actual expenditure
9	XXXVII- Industries	Provision for Revival/ Diversification of State Public Sector Undertakings Lumpsum Provision	30.00	Nil	Nil
		Loans to Bharat Petroleum Corporation Limited (BPCL)	10.00	Nil	Nil
10	XXXVIII- Irrigation	Flood Management And Border Area Programme 2020-25 (75% CSS)	196.76	Nil	Nil
		NABARD RIDF assistance for Kuttanad	29.10	Nil	Nil
11	XLI-Transport	Modernisation and Qualitative Improvement of Fleet	50.00	Nil	Nil
		Integrated Water Transportation System to Kochi (EAP)	100.00	Nil	Nil
		Metro Rail System in Kochi (EAP)	100.00	Nil	Nil

Appendix 3.7

**Sub-Head (Schemes), where entire expenditure of ₹ one crore or more incurred in March 2021 (Descending amount of expenditure)
(Reference: Paragraph 3.5.5; page No.109)**

Sl No.	Grant No.	Head of Account (up to Sub-Head)	100 per cent expenditure during March only (₹ in crore)
1	XXVIII	5465-01-190-93-Share Capital Contribution to Kerala State Co-Operative Bank	400.00
2	XXV	2225-02-283-83-Housing Scheme for Homeless STs under LIFE Mission	140.00
3	XVI	2075-00-797-99-Transfer to Asset Maintenance Fund	100.00
4	XV	5054-03-337-92-Special Central Assistance as Loans to KSTP	81.50
5	XII	2055-00-102-99-Payment of cost for the deployment of C.R.P.F	20.81
6	XXIX	2401-00-104-72-Bharatiya Prakratik Krishi Padhati (BPKP) under Paramparagat Krishi Vikas Yojana (PKVY) (60% CSS)	20.05
7	XXV	2225-01-277-59-Pre matric Scholarship for SC Students studying in classes IX-X (CSS)	18.00
8	XLVI	2235-02-789-91-Pradhan Manthri Mathru Vandana Yojana - 60%-CSS-SCP	15.56
9	XXXIV	2406-01-102-86-National Afforestation Programme - National Mission for Green India (60:40 between Centre and State)	14.51
10	XXIX	2401-00-102-76-Per Drop More Crop (PDMC) Component of Pradhan Manthri Krishi Sinchayee Yojana (PMKSY)	13.41
11	XVII	2202-01-112-97-Construction of Kitchen-cum-store (60% CSS)	13.01
12	XXIV	2230-03-101-65-Jobs and Skill Development Programme (60%CSS)	10.16

Appendix 3.7 Contd.

Sl No.	Grant No.	Head of Account (up to Sub-Head)	100 per cent expenditure during March only (₹ in crore)
13	XVIII	2210-01-110-30-Women and Children Hospitals	10.00
14	XXV	2225-02-197-48-Block Grant for Centrally Sponsored Schemes	9.90
15	XXXVII	4885-60-800-89-Implementation of Projects under ASIDE (Assistance to States for Developing Export Infrastructure and Allied Activities) Scheme-State Assistance	8.46
16	XX	4215-01-101-96-Modernisation of Aruvikkara Pumping Station	6.32
17	XV	3054-04-198-39-One Time Assistance for Maintenance of Rural Roads	6.08
18	XVII	2202-03-102-63-Chancellor's Award	6.00
19	IV	2015-00-104-99-Elections to Lok Sabha and Legislative Assembly simultaneously	5.57
20	XVIII	2210-01-110-14-Setting up of Dialysis Units in Major Hospitals	5.00
21	XVIII	4210-03-105-41-New Medical College at Pathanamthitta	5.00
22	XXXVII	2851-00-102-29-Permanent Exhibition cum Marketing Complex (Kerala Mart)	5.00
23	XXXVI	2515-00-102-38-Take over of Bhavanasree Loans of Co-operative Banks	4.49
24	XVII	3425-60-200-47-C-STED (Centre for Science and Technology Entrepreneurship Development)	4.14
25	XXXIII	4405-00-104-97-Development of Vizhinjam Fishing Harbour (Centrally Sponsored Scheme) - (50% Central Assistance)	4.11
26	XV	4059-01-051-75-State Goods and Services Department	3.97
27	XV	5054-80-800-73-Land Acquisition for New Railway Overbridges	3.75
28	XXXV	4515-00-800-92-Works included in Appendix II to the Detailed Budget Estimates (Details of Public Works)	3.30

Appendix 3.7 Contd.

Sl No.	Grant No.	Head of Account (up to Sub-Head)	100 per cent expenditure during March only (₹ in crore)
29	XXIX	6401-00-190-86-Loans to Vazhakulam Agro and Fruit Processing Company Ltd. (P)	3.00
30	XLI	5056-00-190-84-Construction of Acid Carrier Barges	2.99
31	XX	2215-02-105-95-Rural Sanitation Services (Grant-in-aid to Sabarimala Sanitation Services)	2.86
32	XLI	5056-00-190-83-Construction of POL Carrier Barges	2.50
33	XLI	7053-02-190-99-Loans to Thiruvananthapuram Airport Development Authority	2.27
34	XXXIII	4405-00-104-85-Fishing Harbour at Muthalapozhy(50% CSS)	2.39
35	XXV	2225-04-277-94-Skill training reimbursement of fees to the minority BPL students studying in two years courses in ITC	2.38
36	XXX	6408-02-195-65-Loans to Primary Co-operatives and Federations (NCDC 100%)	2.28
37	XXXVI	2515-00-198-34-Special Grant for Sabarimala Pilgrimage	2.20
38	XXXIII	2405-00-103-76-Sea Safety & Sea Rescue Operations	2.02
39	XXIX	2401-00-190-96-Kerala Land Development Corporation Grant-In-Aid	2.00
40	XXXV	2515-00-198-36-Opening and Maintenance of Burial and Burning Grounds in Panchayats Grant-in-Aid	1.98
41	XXIX	2401-00-789-90-Umbrella Scheme on Krishi Unnathi Yojana and other CSS(SCP)	1.79
42	LXI	6003-00-105-99-Loans from the National Bank for Agriculture and Rural Development	1.64
43	XXIX	4402-00-800-75-Sahasra Sarovar Scheme & Drainage and Flood protection Project - RIDF XXIV	1.63
44	XXXIII	2405-00-800-91-One time grant to agency for development of Aquaculture,Kerala (ADAK)	1.50
45	XXXVII	2851-00-103-24-Setting up of Textile Processing Centre at Nadukani	1.50

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Sl No.	Grant No.	Head of Account (up to Sub-Head)	100 per cent expenditure during March only (₹ in crore)
46	XXIX	2401-00-104-79-National Mission for Sustainable Agriculture (NMSA) (General)	1.49
47	XXIX	2401-00-796-87-Umbrella Scheme on Krishi Unnathi Yojana and other CSS (60% CSS)	1.45
48	XVIII	2210-05-001-86-E-health programme (DME)	1.41
49	XXIX	2401-00-789-82-Per Drop More Crop (PDMC) Component of Pradhan Manthri Krishi Sinchayee Yojana (PMKSY)	1.37
50	XVIII	2210-05-101-69-Assistance to Kerala Ayurveda Studies and Research Societies	1.32
51	XXVIII	5475-00-800-79-Modernisation Works for the Legal Metrology Department	1.15
52	XXIX	2401-00-789-83-Bharatiya Prakartik Krishi Padhati (BPKP) under Paramparagat Krishi Vikas Yojana (PKVY) (60% CSS)	1.11
53	XXIX	2401-00-796-83-Bharatiya Prakartik Krishi Padahati (BPKP) under Paramparagat Krishi Vikas Yojana (PKVY) (60% CSS)	1.11
54	XXXIV	2406-02-789-99-Project Elephant (60%CSS)	1.08
55	XVIII	2210-05-105-82-Dental College kannur	1.06
56	XVIII	4210-01-110-58-Strengthening og Dental Units under DHS	1.00
57	XVIII	4210-02-103-91-Construction works under National Ayush Mission-CSS(60:40)	1.00
58	XXIV	4250-00-190-95-Equity Contribution - KASE	1.00
59	XXIX	2401-00-190-92-Assistants to Coconut Development Corporation	1.00
60	XXXIII	2405-00-800-96-Yarn Twisting Unit-Paravur	1.00
61	XXXVII	4851-00-195-95-Handloom Apex Society Investments (HANTEX)	1.00

Appendix 3.8

**Surrender of funds greater than 50 per cent of the budget allocation
(Reference: Paragraph 3.5.6.2; Page No.111)**

(₹ in crore)

Sl.No:	Scheme	Year	Budget allocation	Surrender	Expenditure
Director of Urban Affairs					
1.	2217-05-051-98-(V)(P) Construction of New Building for the Newly Formed Municipalities	2018-2019	15.00	15.00	0.00
		2019-2020	10.00	10.00	0.00
2.	2217-05-191-35-(V)(P) Greater Cochin Development Authority	2018-2019	5.00	4.84	0.00
		2019-2020	5.00	4.10	0.90
		2020-2021	5.00	3.51	1.49
3.	2217-05-191-36-(V)(P) Trivandrum Development Authority	2019-2020	15.00	15.00	0.00
4.	2217-05-191-71-(V)(P) Swachh Bharat Mission (Urban) (60% CSS)	2018-2019	21.63	20.49	1.14
		2019-2020	22.50	22.49	0.01
5.	2217-05-191-74-(V)(P) Pradhan Mantri Awas Yojana (PMAY) (60% CSS)	2019-2020	140.00	116.44	23.56
6.	2217-05-191-77-(V)(P) National Urban Livelihood Mission (NULM) (60% CSS)	2018-2019	40.00	30.40	6.96
7.	2217-05-192-70-(V)(P) Swachh Bharat Mission (URBAN) (60% CSS)	2019-2020	52.50	39.64	12.86
8.	2217-05-192-72-(V)(P) Pradhan Mantri Awas Yojana (PMAY) (60% CSS)	2018-2019	1000.00	918.52	78.32
		2019-2020	560.00	419.56	140.44
		2020-2021	495.60	434.07	61.53
9.	2217-05-192-74-(V)(P) National Urban Livelihood Mission (NULM) (60% CSS)	2018-2019	60.00	37.43	18.60
10.	2217-05-789-94-(V)(P) Pradhan Mantri Awas Yojana-Municipalities-SCP	2020-2021	56.00	48.41	7.59
11.	2217-05-789-95-(V)(P) Pradhan Mantri Awas Yojana-Corporations-SCP	2020-2021	14.00	11.98	2.02

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(₹ in crore)

Sl.No:	Scheme	Year	Budget allocation	Surrender	Expenditure
12.	2217-05-800-69-(V)(P) Incentivising District Plans - Urban	2018-2019	10.00	10.00	0.00
13.	2217-80-800-71-(V)(P) Suchitwa Keralam - Solid Waste Management Scheme for Urban Areas	2018-2019	25.00	20.83	4.17
		2019-2020	27.00	26.73	0.27
		2020-2021	22.33	12.05	10.28
14.	2217-80-800-76-(V)(P) Ayyan Kali Urban Employment Guarantee Scheme	2019-2020	75.00	40.72	34.28
15.	2217-80-001-91-(V)(NP) Contribution to the Municipal Common Service Central Pension Fund	2018-2019	100.00	78.86	21.14
		2020-2021	100.00	100.00	0.00
16.	4217-60-800-93-(C)(P) Payment of compensation in LAR cases	2019-2020	1.49	1.49	0.00
Chief Town Planner					
17.	2217-05-001-64-(V)(P) Scheme for Preparing Master Plans and Detailed Town Plans	2020-2021	3.50	2.53	0.97
The Secretary to Government, Local Self Government Department					
18.	2217-05-191-69-(V)(P) Smart City Mission (50%CSS)	2018-2019	400.00	234.68	165.32
19.	2217-05-800-70-(V)(P) Interest Subsidy to the Housing Loan availed by permanent contingent employees of Municipalities and Corporations	2018-2019	1.00	1.00	0.00
20.	2217-80-800-62-(V)(P) Interest Subsidy to KURDFC Towards Loan Availed from HUDCO for the Implementation of LIFE-Parppida Mission Scheme	2018-2019	200.00	190.81	9.19
21.	4217-60-051-95-(V)(P) Total Housing Scheme - Urban (LIFE - PARPPIDA MISSION)	2019-2020	175.00	162.01	5.00

Appendix 3.9

Schemes with repeated savings (more than ₹10 crore in each case)
(Reference: Paragraph 3.5.6.2; Page No.111)

(₹ in crore)

	Schemes	Year	Budget allocation	Expenditure	Savings
Director of Urban Affairs					
1.	2217-05-192-70 Swachh Bharat Mission (URBAN) (60 % CSS)(P)	2018-2019	50.46	37.84	12.62
		2019-2020	52.50	12.86	39.64
2.	2217-05-191-71 Swachh Bharat Mission (Urban) (60% CSS)(P)	2018-2019	21.63	1.14	20.49
		2019-2020	22.50	.01	22.49
3.	2217-80-800-71 Suchitwa Keralam - Solid Waste Management Scheme for Urban Areas(P)	2018-2019	25.00	4.17	20.83
		2019-2020	27.00	0.27	26.73
		2020-2021	22.33	10.28	12.05
4.	2217-05-192-72 Pradhan Mantri Awas Yojana (PMAY) (60% CSS)(P)	2018-2019	1000.00	78.32	921.68
		2019-2020	560.00	140.44	419.56
		2020-2021	495.60	61.53	434.07
5.	2217-05-191-74 Pradhan Mantri Awas Yojana (PMAY) (60 %CSS)(P)	2018-2019	250.00	19.56	230.44
		2019-2020	140.00	23.56	116.44
		2020-2021	123.90	68.96	54.94
6.	2217-05-192-74 National Urban Livelihood Mission (NULM) (60 % CSS)(P)	2018-2019	60.00	18.60	41.40
		2019-2020	45.00	15.31	29.69
7.	2217-05-191-77 National Urban Livelihood Mission (NULM) (60% CSS)(P)	2018-2019	40.00	6.96	33.04
		2019-2020	30.00	18.76	11.24
8.	2217-05-051-98 Construction of New Building for the Newly Formed Municipalities(P)	2018-2019	15.00	0.00	15.00
		2019-2020	10.00	0.00	10.00
9.	2217-80-001-91 Contribution to the Municipal Common Service Central Pension Fund(NP)	2018-2019	100.00	21.14	78.86
		2020-2021	100.00	0.00	100.00
Secretary to Government, Local Self Government Department					
10	4217-60-051-95 Total Housing Scheme - Urban (LIFE - PARPPIDA MISSION)(P)	2019-2020	175.00	5.00	170.00
		2020-2021	187.00	95.50	91.50
11	2217-05-191-68 AMRUT (Atal Mission for Rejuvenation and Urban Transformation (50% CSS)(P)	2019-2020	335.00	261.61	73.39
		2020-2021	482.40	288.41	193.99
12	2217-05-191-69 Smart City Mission (50% CSS)(P)	2018-2019	400.00	165.32	234.68
		2019-2020	400.00	291.51	108.49
		2020-2021	400.00	332.89	67.11
13	2217-05-192-69 AMRUT (Atal Mission for Rejuvenation and Urban Transformation (50% CSS)(P)	2018-2019	200.00	125.35	74.65
		2019-2020	165.00	98.15	66.85

Appendix 4.1

(Reference: Paragraph 4.5.2; Page No. 131)
Resumption of non-government funds from TSB Accounts during 2020-21

Sl. No.	Name of Institution	STSB/TP/TSB Account No.	Amount resumed (₹ in lakh)	Remarks
1	University of Kerala	701010200004071 at District Treasury Thiruvananthapuram	7368.73	Provident Fund (PF) subscriptions of employees. Subsequently reallocated.
2	Kerala State Institute of Children's Literature, Thiruvananthapuram	701010200001552 at District Treasury, Thiruvananthapuram	39.60	
3	Kannur University	719010200001453	3577.56	
4	MG University	708010200000509 at at District Treasury Kottayam	9969.52	
5	Directorate of Urban Affairs	701010200000509 at District Treasury Thiruvananthapuram	702.63	PF of Municipal corporations Staffs ₹702.18 lakh subsequently reallocated on 4.4.2021
6	27 Urban local bodies*		932.62	PF of employees. Resumed funds not reallocated by the State Government till date.
7	Kerala Khadi and Village Industries Board, Thiruvananthapuram	701010200000010 in District Treasury Thiruvananthapuram	1673.21	
8	Collectorate Trivandrum	701011400000331 at District Treasury, Thiruvananthapuram	219.25	Funds received from foreign embassies for disbursement to legal heirs of persons died abroad. Resumed funds were since reallocated in 2021-22
9	Collectorate Kasaragod	720020200000262 at Kasaragod Sub Treasury	212.56	
10	Collectorate Kozhikode	716011400000049	51.64	

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Sl. No.	Name of Institution	STSB/TP/TSB Account No.	Amount resumed (₹ in lakh)	Remarks
11	Collectorate Thrissur	713010200000232	37.62	Funds from various embassies for disbursement to the legal heirs of persons died while abroad. Resumed funds has not been reallocated.
12	Additional Skill Acquisition Programme	799012700000007 at District Treasury Thiruvananthapuram	5300.59	The amount resumed included loans received from Asian Development Bank as EAP share along with State share towards assistance for EAP schemes. State Government refunded an amount of ₹.2800.59 lakh in 2021-22 to ASAP.
Total			30085.53	

* 27 Urban local bodies : Palakkad (₹58.73), Thrissur (₹80.81), Mattannur (₹ 28.87), Kottayam (₹68.61), Manjery (₹7.55), Kunnankulam(₹53.06), Koothuparamb (₹15.30), Irinjalakkuda (₹11.56), Changanacherry(₹13.58), Angamaly(₹44.48), Aluva (₹48.81), Kothamangalam(₹22.09), Thodupuzha(₹60.40), Kasaragod (₹15.08), Kochi (₹57.84), Guruvayur(₹57.07), Kodungallur (₹58.22), Paravur (₹14.45), Thiruvalla (₹12.16), Alappuzha (₹60.04), Pathanamthitta(₹15.07), Moovattupuzha(₹32.70), North Paravur (₹9.57), Varkala (₹8.44), Attingal (₹54.25), Tirur (₹1.55), Payyannur(₹ 22.33).

Appendix 4.2

Statement showing performance of Autonomous Bodies
(Reference: Paragraph 4.11; Page No: 141)

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	2016-17	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	2017-18	2014-15	30.11.2018	19.11.2019	16 months 19 days
3	Kerala State Commission for Backward classes, Thiruvananthapuram	From 2017-18 to 2021-22	2019-20	2018-19	2017-18	24.08.2020	26.04.2021	9 months 26 days
4	Kerala State Commission for Scheduled Castes and Scheduled Tribes	From 2009 onwards	2018-19	2018-19	2018-19	11.10.2021	22.12.2020	17 months 22 days
5	Kerala Building & Other Construction Workers Welfare Board, Thiruvananthapuram	1998-99 onwards Act enacted by Parliament	2019-20	2017-18	2016-17	13.06.2019	14.07.2021	12 months 14 days
6	Kerala State Human Rights Commission	1998-99 onwards Act enacted by Parliament	2018-19	2018-19	2016-17	10.06.2021	01.03.2021	20 months 1 day
7	Kerala State Legal Services Authority, Ernakulam.	1998-99 onwards Act enacted by Parliament	2017-18	2017-18	2017-18	05.10.2021	01.01.2020	18 months 1 day
8	Permanent Lok Adalath, Thiruvananthapuram	1998-99 onwards Act enacted by Parliament	2018-19	2017-18	2017-18	15.10.2021	09.03.2021	20 months 9 days
9	Permanent Lok Adalath, Ernakulam	1998-99 onwards Act enacted by Parliament	2018-19	2018-19	2017-18	13.01.2021	01.01.2020	6 months 1 day

Appendix 4.2 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	2016-17	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	2017-18	2016-17	05.02.2020	14.03.2019	08 months 14 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	2015-16	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	2018-19	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	2015-16	2014-15	2011-12	11.03.2015	09.09.2021	62 months 9 days
16	District Legal Services Authority, Thrissur	1998-99 onwards Act enacted by Parliament	2017-18	2017-18	2016-17	29.10.2019	06.03.2020	20 months 6 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	2015-16	30.11.2018	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 4.2 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	2013-14	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	04.01.2018	30 months 4 days
22	District Legal Services Authority, Kasaragod	1998-99 onwards Act enacted by Parliament	2013-14	2013-14	2011-12	01.12.2015	09.01.2020	66 months 9 days
23	District Legal Services Authority, Kottayam	1998-99 onwards Act enacted by Parliament	2016-17	2016-17	2016-17	29.05.2019	16.07.2018	12 months 16 days
24	District Legal Services Authority, Alappuzha	1998-99 onwards Act enacted by Parliament	2017-18	2017-18	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	2020-21 to 2024-25	2019-20	2014-15	2014-15	05.10.2021	24.08.2021	13 months 24 days

* Not applicable

Appendix 4.3

Statement of finalisation of *pro forma* accounts and Government investment in departmentally managed commercial and quasi-commercial undertakings

(Reference: Paragraph 4.12; Page No 144)

(₹ in crore)

Sl. No.	Name of the undertaking	Accounts finalised up to	Government investment as per the last accounts finalised	Profit/loss as per the last accounts	Government investment last 4 years (2017-18 to 2020-21)	Remarks
1	State Water Transport Department	2015-16	446.92	(-)42.66	Nil	Nil
2	Kerala State Insurance Department	2013-14	NA	NA	Nil	<i>pro forma</i> Accounts due from 2014-15
3	Text Book Office ⁴⁸	1986-87	21.26	(-) 5.61	Nil	<i>pro forma</i> Accounts due from 1987-88
4	Rubber Plantations at Open Prison & Correctional Home, Nettukalthery	2018-19	NA	(+)0.33	Nil	<i>Proforma</i> accounts due for the year 2019-20

⁴⁸ 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 4.4

**Department wise break-up of cases of misappropriation, defalcation, etc
(Reference: Paragraph 4.14, Page No: 145)**

(₹ 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	45.69	4	7.13	3	28.57	1	9.76	0.23	1
Animal Husbandry	1	0.35	0	0	1	0.35	0	0	0	0
Archives Department	1	0.2	0	0	1	0.2	0	0	0	0
Co-operative	2	297.27	0	0	2	297.27	0	0	0	0
Directorate of Health Services	13	15.65	3	7.24	7	4.35	2	0.03	1	4.03
Directorate of Medical Education	1	0.06	0	0	1	0.06	0	0	0	0
Finance	1	0	0	0	1	0	0	0	0	0
Fisheries	1	0.53	0	0	1	0.53	0	0	0	0
Forest and Wild life	5	31.85	0	0	4	29.35	0	0	1	2.50
General Education	10	21.67	0	0	4	16.82	5	3.75	1	1.10
Higher Education	5	43.81	1	15.43	2	27.45	1	0.2	1	0.73
Home	4	34.56	1	0.2	1	19.12	0	0	2	15.24
Industries	1	0.31	0	0	1	0.31	0	0	0	0
Indian System of Medicine	1	1.85	0	0	1	1.85	0	0	0	0

Appendix 4.4 Concl'd.

(₹ 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
Irrigation	2	15.24	0	0	2	15.24	0	0	0	0
Kerala Water Authority	4	181.23	1	4.58	2	4.65	0	0	1	172
Local Self Government	10	101.99	3	3.11	4	95.06	1	0	2	3.82
Mining and Geology	2	82.91	0	0	2	82.91	0	0	0	0
Public Works	3	5.07	2	2.70	1	2.37	0	0	0	0
Schedule Caste and Schedule Tribe	2	0.67	1	0.5	0	0	0	0	1	0.17
Taxes	2	80.06	0	0	0	0	0	0	2	80.06
Transport	2	8.03	0	0	2	8.03	0	0	0	0
Treasury	14	345.24	0	0	5	267.85	2	4.73	7	72.66
Water Resources	2	614.48	1	0.48	1	414	0	0	0	0
Women and Child development	1	5.45	0	0	1	5.45	0	0	0	0
Total	99	1934.17	16	40.88	50	1521.79	13	18.97	20	352.53

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