

Office of the Principal Accountant General (Audit-II), Kerala

Press Brief

The State Finances Audit Report of the Comptroller and Auditor General of India for the year ended 31 March 2023, (Report No.5 of 2024), Government of Kerala has been laid on the table of the **Kerala Legislative Assembly on 15 October 2024**.

This Audit Report, apart from providing a broad perspective of the finances of the Government of Kerala, contains observations on matters arising from examination of the Finance Accounts and Appropriation Accounts of the State Government for 2022-23. The summary of the significant points highlighted in the Report are given below:

Gross State Domestic Product of Kerala

- Gross State Domestic Product (GSDP) (at current prices) of the State grew at an average annual growth rate of 8.69 *per cent* from ₹7,88,286 crore in 2018-19 to ₹10,46,188 crore in 2022-23.

Revenue Resources and Expenditure

- Revenue receipts of the State grew from ₹92,854.47 crore to ₹1,32,724.65 crore during 2018-19 to 2022-23 at an average annual growth rate of 10.10 *per cent*. During 2022-23, the revenue receipts grew by 13.79 *per cent* from ₹1,16,640.24 crore in 2021-22 to ₹1,32,724.65 crore in 2022-23.
- The State's own tax revenue increased by 23.36 *per cent* from ₹58,340.52 crore in 2021-22 to ₹71,968.16 crore in 2022-23. Similarly, the non-tax revenue also increased from ₹10,462.51 crore to ₹15,117.96 crore for the above period.
- Revenue expenditure decreased by 2.89 *per cent* from ₹1,46,179.51 crore in 2021-22 to ₹1,41,950.93 crore in 2022-23.
- Committed expenditure decreased from ₹95,981.59 crore in 2021-22 to ₹90,656.05 crore in 2022-23.
- Capital expenditure of the State decreased from ₹14,191.73 crore in 2021-22 to ₹13,996.56 crore in 2022-23.
- The total expenditure (revenue expenditure, capital expenditure and loans and advances) of the State of Kerala decreased from ₹1,63,225.53 crore in 2021-22 to ₹1,58,738.42 crore in 2022-23 registering a decrease of 2.75 *per cent*.
- The State Government's investment in PSUs increased from ₹9,767.48 crore in 2021-22 to ₹10,602.67 crore in 2022-23. However, the average return on investments in PSUs was 1.34 *per cent* in the last five years while the Government paid an average interest rate of 7.20 *per cent* on its borrowings during 2018-19 to 2022-23.

Result of expenditure beyond means

The gap between the revenue receipt and revenue expenditure results in revenue deficit. The gap between the total expenditure and total non-debt receipt of the State results in fiscal deficit.

- The revenue deficit of the State decreased by 68.77 *per cent* from ₹29,539.27 crore in 2021-22 to ₹9,226.28 crore in 2022-23.
- The fiscal deficit decreased by 44.50 *per cent* from ₹46,045.78 crore in 2021-22 to ₹25,554.54 crore during 2022-23.

Off-budget borrowings

- The State Government, through Public Sector Undertakings, raised ₹8,058.91 crore as off-budget borrowings, which did not flow into the Consolidated Fund of the State but are required to be repaid and serviced through budget.

Kerala Fiscal Responsibility (KFR) Act requirements and compliance with fiscal parameters

The KFR Act prescribes certain limits within which, revenue deficit, fiscal deficit, debt as a percentage of the GSDP should be maintained.

- In 2022-23, revenue deficit was 0.88 *per cent* of GSDP as against the limit of 0.80 *per cent* revenue surplus as envisaged in KFR Act. Similarly, debt was 35.42 *per cent* of GSDP as against the limit of 34.50 *per cent* prescribed in KFR Act. However, fiscal deficit as a percentage of GSDP was 2.44 *per cent* which was within the limit of 4 *per cent* prescribed in KFR Act.

Budgetary Management

- Budget Outlay of the State grew at an average growth rate of 11.46 *per cent* from ₹1,60,374.90 crore in 2018-19 to ₹2,47,628.77 crore in 2022-23.
- The Appropriation Accounts depicted an overall savings of ₹44,759.07 crore offset by excess of ₹2.23 crore during the year 2022-23 resulting in net savings of ₹44,756.84 crore.
- The overall savings, i.e., both charged and voted items of expenditure taken together increased by 4.76 *per cent* from 13.31 *per cent* in 2021-22 to 18.07 *per cent* in 2022-23.

Regularisation of excess expenditure of previous financial years

- The State Government has to get excesses over grants/appropriations regularized by the State Legislature as per article 204 and 205(1)(b) of the constitution. It was observed that in 2022-23 there was excess expenditure of ₹2.23 crore under three appropriations which required regularization. Further, excess expenditure of ₹10,546.40 crore pertaining to the period from 2016-17 to 2021-22 were yet to be regularized.

Submission of accounts/Separate Audit Reports of Autonomous Bodies

- 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 24 Autonomous Bodies which were to render annual accounts to C&AG, there were arrears in submission of accounts ranging from one to ten years.

Financial Performance of Public Sector Undertakings

- As on 31 March 2023, there were 149 State Public Sector Undertakings (SPSUs) in Kerala, including four Statutory Corporations and 130 Government Companies (including nine non-working Government Companies) and 15 Government Controlled other Companies under the audit jurisdiction of the Comptroller and Auditor General of India (CAG).
- Out of 131 working State PSUs, 77 PSUs had an aggregate accumulated losses of ₹18,026.49 crore and of these 77 PSUs, the net worth of 44 PSUs had been completely eroded by accumulated loss and their net worth was negative.