

TABLE OF CONTENTS		Page no
Preface		vii
Executive Summary		ix
CHAPTER I : OVERVIEW		
1.1	Profile of Kerala	1
1.1.1	Gross State Domestic Product of State	1
1.2	Basis and Approach to State Finances Audit Report	3
1.3	Report Structure	4
1.4	Overview of Government Account Structure and Budgetary Processes	4
1.4.1	Snapshot of Finances	7
1.4.2	Snapshot of Assets and liabilities of the Government	8
1.5	Fiscal Balance: Achievement of deficit and total debt target	9
1.6	Deficits and Total Debt after examination in audit	15
1.6.1	Post audit - Deficits	15
1.6.2	Post audit – Total Public Debt	16
1.7	Conclusions	17
1.8	Recommendation	17
CHAPTER II: FINANCES OF THE STATE		
2.1	Major Changes in Key fiscal aggregates <i>vis-à-vis</i> 2019-20	19
2.2	Sources and Application of Funds	20
2.3	Resources of the State	22
2.3.1	Receipts of the State	22
2.3.1.1	Trends and growth of Revenue Receipts	24
2.3.1.2	State's Own Resources	26
2.3.1.3	Transfers from the Centre	30
2.3.2	Fifteenth Finance Commission award amount for the award period 2020-21	33
2.3.3	Capital Receipts	33
2.3.4	State's performance in mobilization of resources	35
2.4	Application of Resources	35
2.4.1	Growth and Composition of expenditure	35
2.4.2	Revenue Expenditure	38
2.4.2.1	Major changes in Revenue Expenditure	40

TABLE OF CONTENTS		Page no
2.4.2.2	Committed Expenditure	41
2.4.2.3	Undischarged liabilities in National Pension System	43
2.4.2.4	Subsidies	44
2.4.2.5	Financial assistance to Local Bodies and Other Institutions	45
2.4.3	Capital Expenditure	45
2.4.3.1	Major changes in Capital Expenditure	46
2.4.3.2	Quality of Capital Expenditure	47
2.4.3.3	Implementation of Ujwal Discom Assurance Yojana (UDAY)	52
2.4.3.4	Investment in Government Companies/ Corporations and budgetary support	52
2.4.4	Expenditure Priorities	56
2.4.5	Object head wise expenditure	57
2.5	Public Account	58
2.5.1	Net Public Account Balances	58
2.5.2	Reserve Funds	59
2.5.2.1	Consolidated Sinking Fund	60
2.5.2.2	State Compensatory Afforestation Fund	60
2.5.2.3	State Disaster Response Fund	61
2.5.2.4	Guarantee Redemption Fund	62
2.6	Debt Management	62
2.6.1	Debt Profile: Components	63
2.6.2	Off-budget borrowings	69
2.6.3	Debt Profile: Maturity and Repayment	70
2.7	Debt Sustainability Analysis (DSA)	71
2.7.1	Utilisation of borrowed funds	74
2.7.2	Status of Guarantees- Contingent Liabilities	76
2.7.3	Management of Cash Balance	76
2.8	Conclusions	79
2.9	Recommendations	81
CHAPTER 3 : BUDGETARY MANAGEMENT		
3.1	Budget Process	83

TABLE OF CONTENTS		Page no
3.1.1	Summary of total provisions, actual disbursements and savings/excess during financial year	85
3.1.2	Charged and Voted Disbursement	85
3.2	Appropriation Accounts	86
3.3	Comments on integrity of budgetary and accounting process	86
3.3.1	Misclassification of capital expenditure as revenue expenditure and charged expenditure as voted expenditure and vice versa	86
3.3.1.1	Other Misclassifications	88
3.3.2	Unnecessary or excessive Supplementary Demand for Grants	88
3.3.3	Excess, unnecessary or insufficient re-appropriation	91
3.3.4	Unspent amount and surrendered appropriations and/or large savings/ surrenders	92
3.3.5	Excess expenditure and its regularisation	96
3.3.5.1	Excess expenditure relating to Financial Year 2020-21	96
3.3.5.2	Persistent excesses	99
3.3.5.3	Regularisation of excess expenditure of previous financial years	99
3.3.6	Grant-in-aid for creation of capital assets	100
3.4	Comments on transparency of budgetary and accounting process	101
3.4.1	Lumpsum budgetary provisions	101
3.4.2	Defective Budgeting	102
3.4.2.1	Lack of transparency– Operation of Omnibus Object Head 34 - Other Charges	102
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	102
3.4.2.3	Major works budgeted/booked under Revenue section instead of Capital	103
3.5	Comments on effectiveness of budgetary and accounting process	103
3.5.1	Budget projection and gap between expectation and actual	103

TABLE OF CONTENTS		Page no
3.5.2	Supplementary Budget and Opportunity Cost	105
3.5.3	Major policy pronouncements in budget and their actual funding for ensuring implementation	106
3.5.4	Financial power being flouted –in relation to re-appropriation	106
3.5.5	Rush of expenditure	108
3.5.6	Review of Selected Grant- Review on Budgetary process and Appropriation Control- Grant No XXII- Urban Development	110
3.5.6.1	Budget allocation and expenditure	110
3.5.6.2	Savings	111
3.5.6.3	Unnecessary/excessive supplementary budget provision	112
3.5.6.4	Unspent provision not surrendered	113
3.5.6.5	Expenditure incurred without budget provision	114
3.5.6.6	Unnecessary re-appropriation	115
3.5.6.7	Administrative Expenses not met from Central Pension Fund	116
3.5.6.8	Delay in submitting surrender proposals	116
3.6	Good Practices	118
3.7	Conclusions	118
3.8	Recommendations	118
CHAPTER 4: QUALITY OF ACCOUNTS AND FINANCIAL REPORTING PRACTICES		
4.1	Funds outside Consolidated Fund or Public Account of the State	121
4.1.1	Non Remittance of levies into the Consolidated Fund of the State	121
4.1.1.1	The Building and Other Constructions Workers’ Welfare Cess	121
4.1.1.2	Contributions to District Mineral Foundation Trust	122
4.1.1.3	Funds of Regulators outside Government Account	123
4.2	Non discharge of liability in respect of interest towards interest bearing deposits	124
4.3	Funds transferred to State Implementing Agencies	124

TABLE OF CONTENTS		Page no
	outside the State Budget	
4.4	Delay in submission of Utilisation Certificates	126
4.5	Personal Deposit Accounts	127
4.5.1	Non-reconciliation of PD Accounts	127
4.5.2	Operation of Treasury Savings Bank Accounts	128
4.6	Indiscriminate use of Minor head 800	133
4.7	Outstanding balance under major Suspense and DDR heads	135
4.8	Non-reconciliation of Departmental figures	137
4.9	Reconciliation of Cash Balances	138
4.10	Compliance with Accounting Standards	139
4.11	Submission of Accounts/Separate Audit Reports of Autonomous Bodies	140
4.11.1	Cases of Adverse opinion	143
4.12	Departmental Commercial Undertakings	143
4.13	Non-submission of details of grants / loans given to bodies and authorities	144
4.14	Misappropriations, losses, thefts, etc	145
4.15	Follow up action on State Finances Audit Report	146
4.16	Conclusions	146
4.17	Recommendations	147

APPENDICES		
No.		Page No.
1.1	State Profile	149
1.2	Medium Term Fiscal Plan 2020-21	150
1.3	Abstract of receipts and disbursements for the year 2020-21	151
1.4	Time series data on the State Government Finances	154
1.5	Summarised financial position of the Government of Kerala as on 31 March 2021	157
2.1	Gross collection in respect of major taxes and duties <i>vis-à-vis</i> budget estimates and the expenditure incurred on their collection	159
2.2	Arrears of Revenue	160
2.3	Details of Grant/Loan given to Public Sector Undertakings whose accounts have not been finalised	162
3.1	Excess/Unnecessary/insufficient re-appropriation above ₹ one crore (in cases of Savings/Excess exceeding ₹25 crore)	164
3.2	List of grants having large savings(savings above ₹100 crore) and surrender therefrom during the year	167
3.3	Details of surrender of funds in excess of ₹10 crore at the end of March 2021	170
3.4	Excess expenditure relating to previous years requiring regularisation	173
3.5	Supplementary budget and opportunity cost	176
3.6	Details of the schemes for which provision (₹ 10 crore and above) was made but no expenditure was incurred	178
3.7	Sub-Head(Schemes), where entire expenditure of ₹ one crore or more incurred in March 2021(Descending amount of expenditure)	180
3.8	Surrender of funds greater than 50 <i>per cent</i> of the budget allocation	184
3.9	Schemes with repeated savings (more than ₹10 crore in each case)	186
4.1	Resumption of non-government funds from TSB Accounts during 2020-21	187
4.2	Statement showing performance of Autonomous Bodies	189
4.3	Statement of finalisation of <i>pro forma</i> accounts and Government investment in departmentally managed commercial and quasi-commercial undertakings	192
4.4	Department wise break-up of cases of misappropriation, defalcation, etc.	193