

<b>TABLE OF CONTENTS</b>		<b>Page No</b>
<b>Preface</b>		<b>ix</b>
<b>Executive Summary</b>		<b>xi</b>
<b>CHAPTER I : OVERVIEW</b>		
<b>1.1</b>	<b>Profile of Kerala</b>	<b>1</b>
<b>1.2</b>	<b>Gross State Domestic Product of Kerala</b>	<b>1</b>
<b>1.2.1</b>	<b>Sectoral contribution to GSDP</b>	<b>2</b>
<b>1.3</b>	<b>Basis and Approach to State Finances Audit Report</b>	<b>4</b>
<b>1.4</b>	<b>Report Structure</b>	<b>4</b>
<b>1.5</b>	<b>Overview of Government Accounts</b>	<b>5</b>
<b>1.6</b>	<b>Snapshot of Finances of the State Government</b>	<b>8</b>
<b>1.6.1</b>	<b>Snapshot of Financial results 2021-22</b>	<b>8</b>
<b>1.6.2</b>	<b>Snapshot of the Finances</b>	<b>9</b>
<b>1.6.3</b>	<b>Abstract of receipts and disbursements 2021-22</b>	<b>11</b>
<b>1.6.4</b>	<b>Snapshot of Assets and Liabilities as on 31 March 2022</b>	<b>11</b>
<b>1.7</b>	<b>Fiscal Balance: Achievement of deficit and total debt target</b>	<b>13</b>
<b>1.7.1</b>	<b>Revenue Deficit</b>	<b>13</b>
<b>1.7.2</b>	<b>Fiscal Deficit</b>	<b>13</b>
<b>1.7.3</b>	<b>Primary Deficit</b>	<b>13</b>
<b>1.7.4</b>	<b>Manner of Financing Deficits</b>	<b>14</b>
<b>1.7.5</b>	<b>Achievement of Fiscal Target</b>	<b>15</b>
<b>1.8</b>	<b>Deficits and Total debt after examination in audit</b>	<b>18</b>
<b>1.8.1</b>	<b>Post audit - Deficits</b>	<b>19</b>
<b>1.8.2</b>	<b>Post audit – Total Public Debt</b>	<b>19</b>
<b>1.9</b>	<b>Conclusions</b>	<b>20</b>
<b>1.10</b>	<b>Recommendations</b>	<b>20</b>
<b>CHAPTER II : FINANCES OF THE STATE</b>		
<b>2.1</b>	<b>Major Changes in Key fiscal aggregates <i>vis-a-vis</i> 2020-21</b>	<b>21</b>
<b>2.2</b>	<b>Sources and Application of Funds</b>	<b>23</b>
<b>2.3</b>	<b>Resources of the State</b>	<b>24</b>
<b>2.3.1</b>	<b>State’s Revenue Receipts</b>	<b>26</b>
<b>2.3.1.1</b>	<b>Trends and growth of Revenue Receipts</b>	<b>26</b>
<b>2.3.2</b>	<b>State’s Own Revenue</b>	<b>27</b>
<b>2.3.2.1</b>	<b>Own Tax Revenue</b>	<b>27</b>
<b>2.3.3</b>	<b>Analysis of Arrears of revenue and assessment</b>	<b>29</b>

<b>TABLE OF CONTENTS</b>		<b>Page No</b>
<b>2.3.3.1</b>	<b>Arrears of revenue</b>	<b>29</b>
<b>2.3.3.2</b>	<b>Arrears of assessment</b>	<b>30</b>
<b>2.3.3.3</b>	<b>Evasion of Tax detected by the Department</b>	<b>30</b>
<b>2.3.4</b>	<b>Non-Tax Revenue</b>	<b>31</b>
<b>2.3.4.1</b>	<b>State Lotteries</b>	<b>32</b>
<b>2.3.5</b>	<b>State's performance in mobilisation of resources</b>	<b>32</b>
<b>2.3.6</b>	<b>Capital Receipts</b>	<b>34</b>
<b>2.3.7</b>	<b>Transfers from the Centre</b>	<b>35</b>
<b>2.3.7.1</b>	<b>Share of Central Tax</b>	<b>36</b>
<b>2.3.7.2</b>	<b>Grants-in-Aid from GoI</b>	<b>37</b>
<b>2.3.7.3</b>	<b>Fifteenth Finance Commission award amount in 2021-22</b>	<b>38</b>
<b>2.4</b>	<b>Application of Resources</b>	<b>40</b>
<b>2.4.1</b>	<b>Trend of Expenditure</b>	<b>40</b>
<b>2.4.1.1</b>	<b>Trend of growth of components of expenditure</b>	<b>41</b>
<b>2.4.2</b>	<b>Revenue Expenditure</b>	<b>42</b>
<b>2.4.2.1</b>	<b>Committed Expenditure</b>	<b>45</b>
<b>2.4.2.2</b>	<b>Undischarged liabilities in National Pension System</b>	<b>48</b>
<b>2.4.2.3</b>	<b>Subsidies</b>	<b>49</b>
<b>2.4.2.4</b>	<b>Financial assistance to Local Bodies and Others</b>	<b>49</b>
<b>2.4.2.5</b>	<b>Allocation of expenditure booked under CSS</b>	<b>50</b>
<b>2.4.2.6</b>	<b>State Finance Commission</b>	<b>51</b>
<b>2.4.3</b>	<b>Capital Expenditure</b>	<b>51</b>
<b>2.4.3.1</b>	<b>Major changes in Capital Expenditure</b>	<b>52</b>
<b>2.4.3.2</b>	<b>Quality of Capital Expenditure</b>	<b>52</b>
<b>2.4.3.3</b>	<b>Loans and Advances by the State</b>	<b>53</b>
<b>2.4.3.4</b>	<b>Arrears in recoveries of loans</b>	<b>54</b>
<b>2.4.3.5</b>	<b>Expenditure Priorities</b>	<b>55</b>
<b>2.4.3.6</b>	<b>Object head wise expenditure</b>	<b>56</b>
<b>2.5</b>	<b>Public Account</b>	<b>57</b>
<b>2.5.1</b>	<b>Net Public Account Balances</b>	<b>57</b>
<b>2.5.2</b>	<b>Reserve Funds</b>	<b>58</b>
<b>2.5.2.1</b>	<b>State Disaster Risk Management Fund</b>	<b>58</b>
<b>2.5.2.2</b>	<b>State Compensatory Afforestation Fund</b>	<b>59</b>
<b>2.5.2.3</b>	<b>Consolidated Sinking Fund</b>	<b>60</b>

<b>TABLE OF CONTENTS</b>		<b>Page No</b>
<b>2.5.3</b>	<b>Management of Cash Balance</b>	<b>60</b>
<b>2.6</b>	<b>Profile of Public Debt and Public Account Liabilities</b>	<b>61</b>
<b>2.6.1</b>	<b>Outstanding Public Debt and Public Account Liabilities</b>	<b>62</b>
<b>2.6.2</b>	<b>Receipts and Payments during the year 2021-22</b>	<b>63</b>
<b>2.7</b>	<b>Liabilities upon Consolidated Fund</b>	<b>64</b>
<b>2.7.1</b>	<b>Trend of Public Debt</b>	<b>65</b>
<b>2.8</b>	<b>Liabilities upon Public Account</b>	<b>66</b>
<b>2.9</b>	<b>Other liabilities of the State</b>	<b>67</b>
<b>2.9.1</b>	<b>Off - budget borrowings</b>	<b>67</b>
<b>2.9.1.1</b>	<b>Kerala Infrastructure Investment Fund Board</b>	<b>68</b>
<b>2.9.1.2</b>	<b>Kerala Social Security Pension Limited</b>	<b>69</b>
<b>2.9.1.3</b>	<b>Borrowings under Bill Discounting System</b>	<b>70</b>
<b>2.9.2</b>	<b>Guarantees</b>	<b>70</b>
<b>2.9.2.1</b>	<b>Non-Constitution of Guarantee Redemption Fund</b>	<b>71</b>
<b>2.10</b>	<b>Cost of Public Debt and Other Liabilities</b>	<b>71</b>
<b>2.11</b>	<b>Net borrowing Ceiling</b>	<b>72</b>
<b>2.12</b>	<b>Utilisation of borrowed funds</b>	<b>73</b>
<b>2.13</b>	<b>Debt Sustainability Analysis (DSA)</b>	<b>74</b>
<b>2.13.1</b>	<b>Debt Stabilisation-Debt Sustainability Indicators</b>	<b>74</b>
<b>2.13.1.1</b>	<b>Rate of growth of outstanding public debt</b>	<b>75</b>
<b>2.13.1.2</b>	<b>Ratio of outstanding debt to GSDP</b>	<b>76</b>
<b>2.13.1.3</b>	<b>Ratio of Revenue receipts to total outstanding debt</b>	<b>76</b>
<b>2.13.1.4</b>	<b>Cost of public borrowings to growth of GSDP and primary balance</b>	<b>77</b>
<b>2.13.1.5</b>	<b>Domar's approach towards Debt stability</b>	<b>77</b>
<b>2.14</b>	<b>Maturity and repayment of public debt</b>	<b>78</b>
<b>2.14.1</b>	<b>Trend of repayment of principle and interest of outstanding debt stock in the next ten years</b>	<b>79</b>
<b>2.15</b>	<b>Conclusions</b>	<b>81</b>
<b>2.16</b>	<b>Recommendations</b>	<b>82</b>
<b>CHAPTER III: BUDGETARY MANAGEMENT</b>		
<b>3.1</b>	<b>Introduction</b>	<b>83</b>
<b>3.1.1</b>	<b>Budgetary Cycle</b>	<b>83</b>
<b>3.1.2</b>	<b>Budgetary Documents</b>	<b>84</b>

<b>TABLE OF CONTENTS</b>		<b>Page No</b>
<b>3.1.3</b>	<b>Understanding the various measures for allocation and re-allocation of funds</b>	<b>84</b>
<b>3.1.4</b>	<b>Audit of budgetary management through Appropriation Accounts</b>	<b>85</b>
<b>3.2</b>	<b>Summary of Appropriation Accounts 2021-22</b>	<b>85</b>
<b>3.2.1</b>	<b>Reconciliation between Finance Accounts and Appropriation Accounts</b>	<b>86</b>
<b>3.2.2</b>	<b>Summary of total budget provision, actual disbursements and savings/ excess during the financial year</b>	<b>87</b>
<b>3.2.3</b>	<b>Charged and Voted disbursements</b>	<b>88</b>
<b>3.2.4</b>	<b>Audit of Appropriation Accounts</b>	<b>89</b>
<b>3.3</b>	<b>Accounting and budgetary process</b>	<b>89</b>
<b>3.3.1</b>	<b>Misclassification of expenditure in Government Accounts</b>	<b>89</b>
<b>3.3.2</b>	<b>Supplementary Demand for Grants</b>	<b>91</b>
<b>3.3.3</b>	<b>Re-appropriation</b>	<b>93</b>
<b>3.3.4</b>	<b>Unspent amount in Grants</b>	<b>95</b>
<b>3.3.4.1</b>	<b>Budget Utilisation during 2017-18 to 2021-22</b>	<b>96</b>
<b>3.3.4.2</b>	<b>Total Savings in Grants/ Appropriations</b>	<b>96</b>
<b>3.3.4.3</b>	<b>Grants having large savings</b>	<b>99</b>
<b>3.3.4.4</b>	<b>Persistent savings under Grants</b>	<b>100</b>
<b>3.3.4.5</b>	<b>Savings under CSS and welfare schemes intended for weaker sections</b>	<b>100</b>
<b>3.3.4.6</b>	<b>Surrender of Savings</b>	<b>101</b>
<b>3.3.5</b>	<b>Excess expenditure and its regularisation</b>	<b>101</b>
<b>3.3.5.1</b>	<b>Excess expenditure relating to Financial Year 2021-22</b>	<b>102</b>
<b>3.3.5.2</b>	<b>Regularisation of excess expenditure of previous financial years</b>	<b>104</b>
<b>3.4</b>	<b>Comments on transparency of budgetary and accounting process</b>	<b>105</b>
<b>3.4.1</b>	<b>Irregular use of system of token provision</b>	<b>105</b>
<b>3.5</b>	<b>Comments on effectiveness of budgetary and accounting process</b>	<b>106</b>
<b>3.5.1</b>	<b>Budget projection and gap between expectation and actual</b>	<b>106</b>
<b>3.5.2</b>	<b>Missing/incomplete explanation for variation from the budget</b>	<b>107</b>
<b>3.5.3</b>	<b>Performance Budgeting</b>	<b>108</b>
<b>3.5.4</b>	<b>Withdrawal of supplementary provision through re-appropriation</b>	<b>109</b>

<b>TABLE OF CONTENTS</b>		<b>Page No</b>
<b>3.5.5</b>	<b>Rush of expenditure</b>	<b>110</b>
<b>3.6</b>	<b>Gender budgeting in Kerala</b>	<b>112</b>
<b>3.7</b>	<b>Review of Grant No. XXVIII- Miscellaneous Economic Services</b>	<b>115</b>
<b>3.7.1</b>	<b>Budget allocation, Expenditure and Savings</b>	<b>115</b>
<b>3.7.1.1</b>	<b>Post flood projects under the Rebuild Kerala Initiative</b>	<b>117</b>
<b>3.7.1.2</b>	<b>Major Infrastructure Development Projects- '5475-00-115-99'</b>	<b>120</b>
<b>3.7.1.3</b>	<b>Financial Assistance to KIIFB</b>	<b>121</b>
<b>3.7.1.4</b>	<b>Other issues noticed</b>	<b>122</b>
<b>3.7.2</b>	<b>Grant No. XXVI-Relief on Account of Natural Calamities</b>	<b>124</b>
<b>3.7.2.1</b>	<b>Savings</b>	<b>124</b>
<b>3.7.2.2</b>	<b>Persistent Savings</b>	<b>125</b>
<b>3.7.2.3</b>	<b>Unspent provision not surrendered</b>	<b>125</b>
<b>3.7.2.4</b>	<b>Expenditure incurred without budget provision</b>	<b>126</b>
<b>3.8</b>	<b>Conclusions</b>	<b>127</b>
<b>3.9</b>	<b>Recommendations</b>	<b>128</b>
<b>CHAPTER IV: QUALITY OF ACCOUNTS AND FINANCIAL REPORTING PRACTICES</b>		
<b>4.1</b>	<b>Issues related to completeness of Accounts</b>	<b>129</b>
<b>4.1.1</b>	<b>Failure to remit levies to Consolidated Fund of the State</b>	<b>129</b>
<b>4.1.2</b>	<b>Failure to Deposit funds in Public account by Kerala State Electricity Regulatory Commission</b>	<b>131</b>
<b>4.1.3</b>	<b>Bill Discounting System</b>	<b>132</b>
<b>4.1.4</b>	<b>Non discharge of liability in respect of interest towards interest bearing deposits</b>	<b>134</b>
<b>4.2</b>	<b>Issues related to transparency</b>	<b>135</b>
<b>4.2.1</b>	<b>Delay in submission of Utilisation Certificates</b>	<b>135</b>
<b>4.2.2</b>	<b>Personal Deposit Accounts</b>	<b>136</b>
<b>4.2.2.1</b>	<b>Operation of PD Accounts</b>	<b>136</b>
<b>4.2.2.2</b>	<b>Non-reconciliation of PD Accounts</b>	<b>137</b>
<b>4.2.3</b>	<b>Clubbing of unrelated expenditure in common heads</b>	<b>138</b>
<b>4.2.3.1</b>	<b>Lumpsum provision under capital head</b>	<b>138</b>
<b>4.2.3.2</b>	<b>Indiscriminate operation of Minor head 800-other receipts and other expenditure</b>	<b>138</b>
<b>4.2.3.3</b>	<b>Operation of omnibus object head 34 –'other charges'</b>	<b>140</b>

<b>TABLE OF CONTENTS</b>		<b>Page No</b>
<b>4.2.4</b>	<b>Outstanding balance under major Suspense and DDR heads</b>	<b>141</b>
<b>4.2.4.1</b>	<b>PAO Suspense</b>	<b>142</b>
<b>4.2.4.2</b>	<b>Non-reconciliation of Departmental figures</b>	<b>143</b>
<b>4.2.4.3</b>	<b>Reconciliation of Cash Balances</b>	<b>144</b>
<b>4.3</b>	<b>Compliance with Accounting Standards</b>	<b>145</b>
<b>4.3.1</b>	<b>Submission of Accounts/Separate Audit Reports of Autonomous Bodies</b>	<b>146</b>
<b>4.3.2</b>	<b>Departmental Commercial Undertakings</b>	<b>147</b>
<b>4.3.3</b>	<b>Non-submission of details of grants / loans given to bodies and authorities</b>	<b>148</b>
<b>4.3.4</b>	<b>Misappropriations, losses, thefts, etc.</b>	<b>149</b>
<b>4.4</b>	<b>Follow up action on State Finances Audit Report</b>	<b>150</b>
<b>4.5</b>	<b>Conclusions</b>	<b>151</b>
<b>4.6</b>	<b>Recommendations</b>	<b>151</b>
<b>CHAPTER V: FINANCIAL PERFORMANCE OF STATE PUBLIC SECTOR UNDERTAKINGS</b>		
<b>5.1</b>	<b>Introduction</b>	<b>153</b>
<b>5.2</b>	<b>Role of Public Sector Undertakings in the economy of Kerala</b>	<b>153</b>
<b>5.2.1</b>	<b>Status of PSUs</b>	<b>153</b>
<b>5.2.2</b>	<b>Contribution of the State PSUs to the GSDP of the State</b>	<b>153</b>
<b>5.3</b>	<b>Investment in State PSUs</b>	<b>154</b>
<b>5.4</b>	<b>Non-reconciliation</b>	<b>156</b>
<b>5.5</b>	<b>Returns from the State PSUs</b>	<b>157</b>
<b>5.5.1</b>	<b>Summary of Financial Performance</b>	<b>157</b>
<b>5.5.2</b>	<b>Dividend payout by State PSUs</b>	<b>159</b>
<b>5.6</b>	<b>Operating efficiency of State PSUs</b>	<b>159</b>
<b>5.7</b>	<b>Erosion of Capital in State PSUs</b>	<b>159</b>
<b>5.7.1</b>	<b>Return on Equity (ROE) of State PSUs</b>	<b>160</b>
<b>5.8</b>	<b>Adequacy of assets to meet loan liabilities</b>	<b>161</b>
<b>5.9</b>	<b>Interest Coverage</b>	<b>161</b>
<b>5.10</b>	<b>Age wise analysis of interest outstanding on State Government Loans</b>	<b>162</b>
<b>5.11</b>	<b>Conclusions</b>	<b>162</b>
<b>5.12</b>	<b>Recommendations</b>	<b>163</b>

## APPENDICES

No.		Page No.
1.1	State Profile	165
1.2	Time series data on the State Government Finances	166
1.3	Summarised position of liabilities/sources of funds	169
1.4	Summarised financial position of the Government of Kerala as on 31 March 2022	171
1.5	Medium Term Fiscal Plan 2021-22	173
2.1	Arrears in Assesment	174
2.2	Capital Expenditure during 2021-22 compared to 2020-21	175
2.3	Details of Outstanding Loans as on 31 March 2022 availed by KIIFB	176
2.4	Institutionwise details of loans availed by KSSPL and loans outstanding as on 31 March 2022	177
2.5	Major defaulters in contributing Guarantee Commission	178
3.1	List of Budgetary documents	179
3.2	Details of cases where supplementary provision proved unnecessary	180
3.3	Details of cases where supplementary provision (₹25 crore or more) proved excessive	182
3.4	List of grants having large savings(savings above ₹100 crore) and surrender therefrom during the year	183
3.5	Grants/appropriations (divided into revenue/capital and voted/charged) with budget utilisation less than 50 per cent	185
3.6	List of Grants having Persistent savings from 2017-18 to 2021-22	187
3.7	Schemes with low percentage(less than 50 per cent) of budget utilisation	189
3.8	Schemes with Excess expenditure (₹five crore and above) during 2021-22	193
3.9	Excess expenditure relating to previous years requiring regularisation	198
3.10	Sub-head(Schemes), where entire expenditure of ₹ one crore or more incurred in March 2022 (Descending amount of expenditure)	200
3.11	Component wise expenditure under RKDP	203
3.12A	Status of work under Roads of Local Self Government RKI	204

3.12B	Status of work under PWD Roads and Bridges RKI	206
3.13	Status of work Post flood projects under RKI (KfW aided) Road and Bridges	208
3.14	Schemes with utilisation less than 50 per cent of budget allocation	209
3.15	Schemes with persistent savings	211
4.1	Significant expenditure booked under Minor Head 800 – other expenditure	212
4.2	Significant receipts booked under Minor Head – 800 – other receipts	213
4.3	Statement showing performance of Autonomous Bodies	214
4.4	Arrears of accounts of Autonomous Bodies due upto financial year 2021-22	217
4.5	Department wise break up of cases of misappropriation, defalcations etc.	218
5.1	Statement showing differences between Finance Accounts of Government of Kerala and Accounts of State PSUs in respect of balances of Equity, Loans and Guarantee as on 31 March 2022	220