

CHAPTER II
BUDGETARY
MANAGEMENT

Chapter - II: Budgetary Management

This chapter reviews Kerala's budgetary process, revealing significant gaps between budget estimates and actual expenditure, with issues like excess spending, persistent savings, and last-minute fund surrenders. It highlights weaknesses in financial planning, control, and compliance, stressing the need for realistic budgeting and timely fund utilisation. A review of two selected Grants namely Grant No. XXII-Urban Development and Grant No XXV-Welfare of Scheduled Castes, Scheduled Tribes, Other Backward Classes and Minorities were conducted to review the Budgetary procedures followed methodology employed for control over expenditure over a three-year period from 2022-23 to 2024-25.

2.1 Budget Process

In compliance with Article 202 of the Constitution of India, 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 (Budget)" is to be laid before the State Legislature. The estimates of the expenditure show 'charged' and 'voted' items²⁷ of expenditure separately and distinguish expenditure on revenue accounts from other expenditure. Legislative authorization is necessary before incurring any expenditure by the State Government.

As per Kerala Budget Manual, the Finance Department is responsible for preparing the annual budget by obtaining estimates from various departments. The departmental estimates of receipts and expenditure are prepared by Controlling Officers on the advice of the heads of departments and submitted to the Finance Department on prescribed dates. The Finance Department consolidates the estimates and prepares the Detailed Estimates called 'Demand for Grants'. The State budget majorly comprises the following documents:

- ✓ Annual Financial Statement
- ✓ Demand for Grants
- ✓ Detailed budget estimates of revenue
- ✓ Medium Term Fiscal Policy & Strategy Statement with Medium term Fiscal Plan for Kerala
- ✓ Detailed Estimates of receipts and disbursements under Debt heads
- ✓ Gender Budget and Child Budget
- ✓ Budget in Brief
- ✓ Others

2.2 Variation between Budget projection and Actuals

Efficient management of tax administration/other receipts and public expenditure holds the balance for optimum utilization of resources, strengthen scheme implementation and monitoring capacity and achievement of fiscal

²⁷ **Charged expenditure:** Certain categories of expenditure (e.g. salaries of Constitutional authorities, loan repayments, etc.), constitute a charge on the Consolidated Fund of the State and are not subject to vote by the Legislature. **Voted expenditure:** All other expenditure is voted by the Legislature.

targets. Persistent savings/excesses indicate need for improvement in the underlying budgetary processes.

Details of total appropriation obtained from state legislature, actual expenditure and savings are summarized in **Table 2.1**.

Table 2.1: Actual expenditure vis-à-vis budget provision during the financial year 2024-25

(₹ in crore)

	Nature of Expenditure	Original Grant/ App.	Supplementary Grant/ App.	Total Budget	Actual Expenditure	Savings(-)/Excess(+)	Surrender during 2024-25	
							Amount	Per cent
Voted	I.Revenue	1,38,973.51	7,723.77	1,46,697.28	1,33,888.83	(-)12,808.45	12,846.36	100.30
	II.Capital	15,621.78	5,137.25	20,759.03	15,049.88	(-)5,709.15	5,323.43	93.24
	III.Loans and Advances	2,162.90	606.59	2,769.49	2,791.08	21.58	300.84	-
Total		1,56,758.19	13,467.61	1,70,225.80	1,51,729.78	(-)18,496.02	18,470.63	99.86
Charged	IV.Revenue	29,339.10	1,000.69	30,339.79	29,743.06	(-)596.73	596.67	99.99
	V.Capital	41.44	199.55	240.99	221.82	(-)19.17	19.17	99.99
	VI.Loans and Advances	0	14.75	14.75	13.29	(-)1.46	1.46	100.00
	VII.Public Debt Repayment	71,058.30	38,187.19	1,09,245.49	1,11,918.42	2,672.93	0	0
Total		1,00,438.84	39,402.18	1,39,841.02	1,41,896.58	2,055.57	617.30	30.03
Appropriation to Contingency Fund,if any		0	0	0	0	0	0	
Grand Total		2,57,197.03	52,869.79	3,10,066.82	2,93,626.37	(-)16,440.45	19,087.93	100.00

Source: Appropriation Accounts

Note: The expenditure shown above are gross figures without taking into account the recoveries adjusted in the accounts as reduction of expenditure under Revenue Heads (₹7,711.09 crore) and Capital Heads (₹ 189.28 crore).

The amount surrendered under Revenue Voted section have exceeded the actual savings by ₹37.91 crore. This is indicative of systemic weakness in diligently monitoring the budget savings and surrender thereof. As per Appropriation Accounts for 2024-25, surrenders have exceeded savings in seven grants²⁸ to the tune of ₹ 72.72 crore under the Revenue Voted section which have been offset by shortage in surrender to the tune of ₹ 34.81 crore in the remaining 40 grants. Trends in the original budget, revised estimate, and actual expenditure for the period 2020-21 to 2024-25 are given in **Table 2.2**.

²⁸ Police (Grant No XII), Pensions and Miscellaneous (Grant No XVI), Animal Husbandry (Grant No XXXI), Ports (Grant No XL), Tourism (Grant No. XLII), Medical and Public Health (Grant No XVIII) and Labour Labour welfare and Welfare of Non-Residents (Grant No XXIV)

Table 2.2: Original Budget, Revised Estimate and Actual Expenditure during 2020-21 to 2024-25*(₹ in crore)*

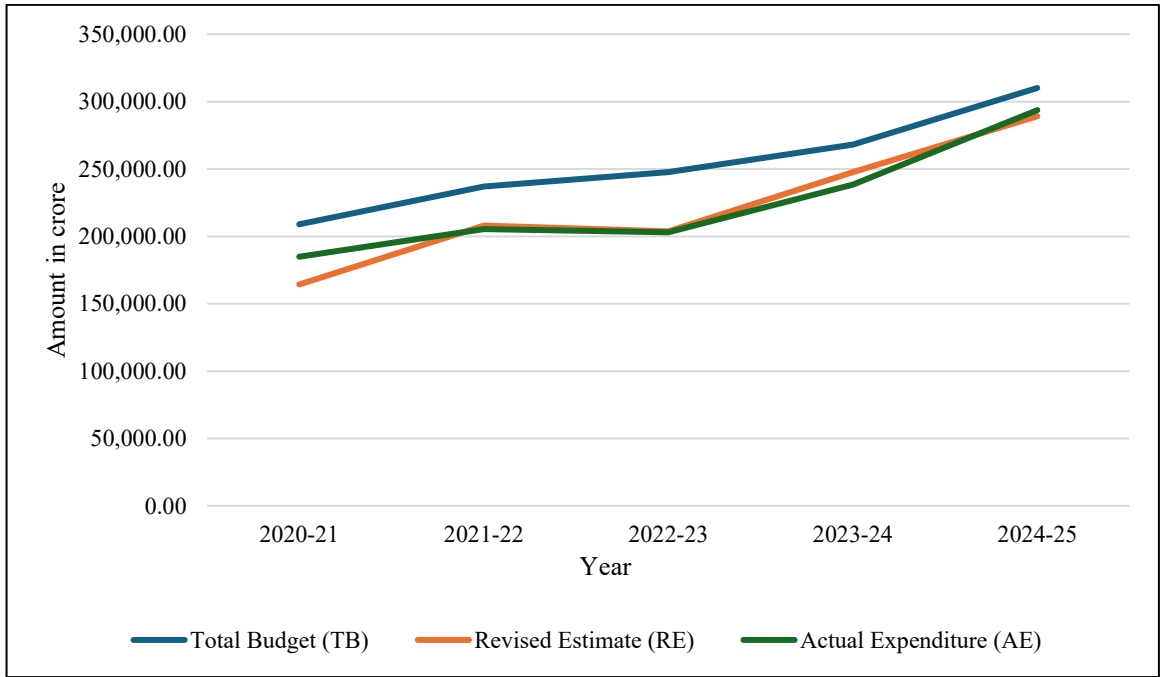
	2020-2021	2021-2022	2022-2023	2023-24	2024-25
Original Budget	1,70,431.18	2,15,813.79	2,30,278.70	2,27,149.60	2,57,197.03
Supplementary Budget	38,515.61	21,202.33	17,350.07	40,819.70	52,869.79
Total Budget (TB)	2,08,946.79	2,37,016.12	2,47,628.77	2,67,969.30	3,10,066.82
Revised Estimate (RE)	1,64,292.70	2,08,086.26	2,03,612.36	2,47,627.56	2,89,085.74
Actual Expenditure (AE)	1,84,877.38	2,05,451.40	2,02,871.93	2,38,434.96	2,93,626.37
Savings	24,069.41	31,564.72	44,756.84	29,534.34	16,440.45
Percentage of Supplementary to the original provision	22.60	9.82	7.53	17.97	20.56
Percentage of overall Savings/excess to the overall provision	11.52	13.32	18.07	11.02	5.30
TB-RE	44,654.09	28,929.86	44,016.41	20,341.74	20,981.07
RE-AE	(-)20,584.68	2,634.86	740.43	9,192.60	(-)4,540.62
(TB-RE) as per cent of TB	21.37	12.21	17.78	7.59	6.77
(RE-AE) as per cent of TB	(-)9.85	1.11	0.30	3.43	(-)1.46

Source: Annual Financial Statement and Appropriation Accounts

Table 2.2 shows that supplementary provision of ₹ 52,869.79 crore during 2024-25 constituted 20.56 per cent of the original provision as against 17.97 per cent in the previous year.

The trends of Total Budget, Revised Estimate and Actual Expenditure during 2020-21 to 2024-25 are given in **Chart 2.1**.

Chart 2.1: Trend showing BE, RE and Actuals during 2020-21 to 2024-25



2.2.1 Component/Services wise analysis of budgetary provisions and expenditure

Component wise analysis of the Budget and Expenditure for the FY 2024-25 is summarized in **Table 2.3**. The summary of explanations received in case of variations in Appropriation Accounts is depicted in **Chart 2.2**.

Table 2.3: Component Wise Budget and Expenditure for the year 2024-25

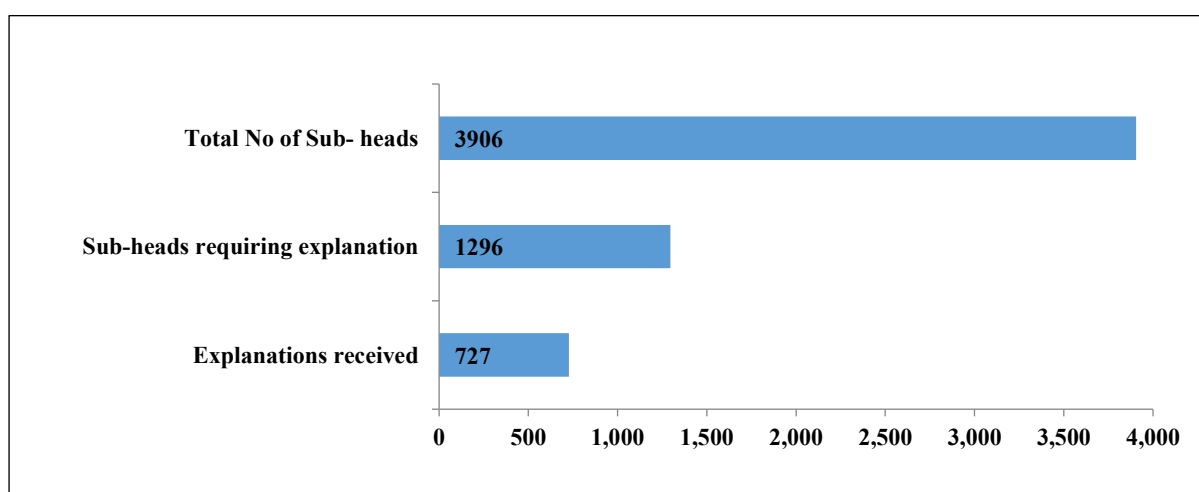
Component	Budget	Expenditure	Percentage of Total Gross Budget	Percentage of Total Expenditure	Percentage of expenditure against the allocated Budget
	₹ in crore)				
(1)	(2)	(3)	(4)	(5)	(6=3/2*100)
Committed Expenditure	1,00,763.12	98,563.59	32.49	33.58	97.81
State Schemes	1,96,202.83	1,85,688.95	63.27	63.22	94.64
Central Share for CSS	7,913.26	4,008.58	2.55	1.36	50.65
State Share for CSS	2,970.18	3,713.85	0.96	1.26	125.03 ²⁹
EAP – Externally Aided Projects	2,217.42	1,651.39	0.71	0.56	74.47

²⁹ In 19 schemes expenditure of ₹922.18 crore was incurred against a budget of ₹321.33 crore and in 14 schemes expenditure of ₹ 102.62 crore was incurred without any budget provision

Apart from showing the expenditure against the approved budget, Appropriation Accounts also provide explanation for cases where the expenditure varies significantly from the budgeted provision including supplementary provision. The threshold levels for inclusion of detailed comments in the Appropriation Accounts are as per the limits approved by the PAC. The norms for selection of sub-heads for comments and for detailed comments are given in the introductory portion of the Appropriation Account of the respective years.

In audit of Appropriation Accounts of 2024-25, it was noticed that the Controlling Officers have not provided explanation/specific reasons for the variations in the expenditure *vis-à-vis* budgeted allocation in about 44 per cent of the cases. The details are given in **Chart 2.2**.

Chart 2.2: Summary of Explanation for Variation in Appropriation Accounts



Source: Appropriation Accounts

Absence of explanation for variation between the budgeted allocation and its utilisation, limits legislative control over budget as a means of ensuring financial accountability of the Government.

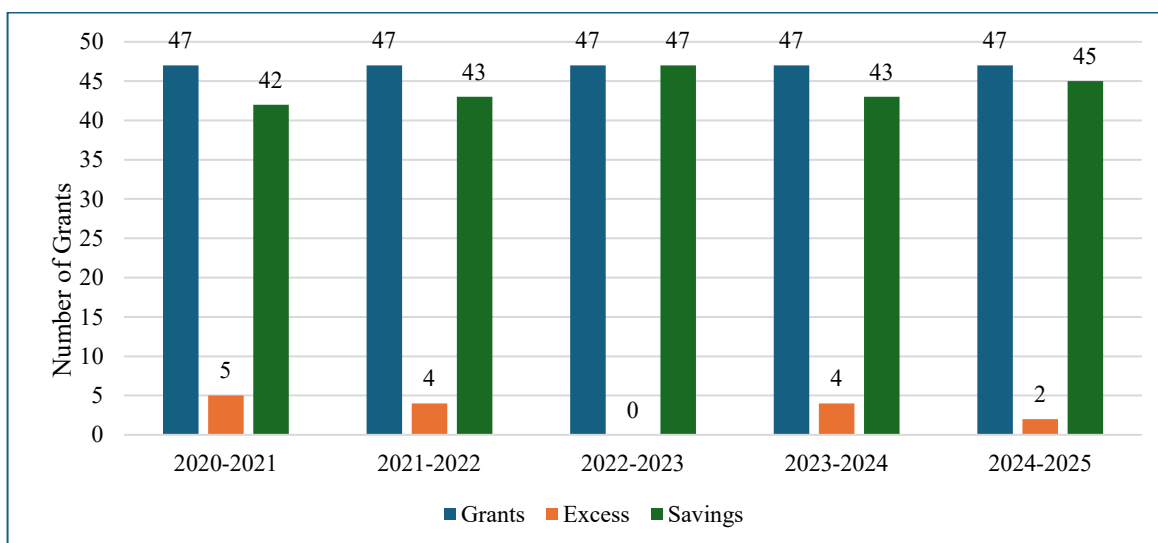
2.3 Budget marksmanship

Expenditure Composition Outturn

Expenditure Composition Outturn measures the extent to which re-allocations between the main budget categories during execution have contributed to variance in expenditure composition.

A year-wise analysis of grants, excesses, and savings provides valuable insights into the efficiency of budget execution and financial management by the State. It has been depicted in **Chart 2.3**.

Chart 2.3: Year-wise Grants, Excesses, and Savings



The expenditure composition outturn for the FY 2024-25 is given in **Table 2.4**. This table enumerates the grants under each section into groups based on the percentage deviation of Actual Expenditure from Revised Estimates. The detailed breakdown of the table is detailed in **Appendix 2.1**.

Table 2.4: Expenditure composition overall deviation FY 2024-25

Section	Overall Deviation (<i>per cent</i>)	Range of Deviation (<i>per cent</i>)	Number of Grants
Revenue (voted)	(+) 0.82	0 to ± 25	42
		± 25 to ± 50	5
		± 50 to ± 100	5
		≥ 100	1
Capital (Voted)	(+) 8.66	0 to ± 25	17
		± 25 to ± 50	10
		± 50 to ± 100	13
		≥ 100	4
Revenue (Charged)	(-) 1.99	0 to ± 25	16
		± 25 to ± 50	1
		± 50 to ± 100	5
		≥ 100	2
Capital (Charged)	(+) 2.47	0 to ± 25	9
		± 25 to ± 50	1
		± 50 to ± 100	2
		≥ 100	3

Source: Appropriation accounts and Demand for Grants

Audit analysed recurring deviations across grants over multiple years and found that there were persistent deviations exceeding ± 50 per cent in four grants³⁰ as

³⁰ Grant No XXVII-Co-operation, Grant No XLVI-Social Security and Welfare, Grant No XXII-Urban Development (Capital Voted) and Grant No. XLI-Transport (Revenue Charged)

detailed in **Appendix 2.1A**. These huge recurring deviations indicate need for strengthening the budget forecasting.

2.4 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 of the Constitution of India. These Accounts depict actual expenditure as against the original budget provision, supplementary grants, surrenders and re-appropriations distinctly on a gross basis.

Audit of appropriations by the CAG seeks to ascertain whether the expenditure actually incurred under various grants is in accordance with the authorization 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.

2.5 Budgetary and Accounting Process

2.5.1 Expenditure without Budget provision

In accordance with the provisions of Article 204 of the Constitution of India, no money shall be withdrawn from the Consolidated Fund of the State except under appropriation made by law. Further according to Article 205 of the Constitution of India, if the amount authorised by the legislature for a particular service for the current financial year is found to be insufficient for the purposes of that year or for new services not contemplated in the annual financial statement of that year, the Governor shall cause to be presented to the Legislative Assembly of the State a demand for such supplementary/excess requirement, as the case may be.

Under Grant No XXII –Urban Development, scrutiny of the detailed Appropriation Accounts for the period 2022-23 to 2024-25 revealed that expenditure was incurred without any budget provision (original budget plus supplementary budget) but through re-appropriation in respect of nine schemes as shown in the **Table 2.5** below

Table 2.5: Expenditure incurred without budget provision

(₹ in crore)

Year	Head of Account	Budget Provision (Original + Supplementary)	Reappropriation Plus	Reappropriation Minus	Reappropriation Net	Expenditure
2022-23	2217-05-191-48(32) Smart Cities Mission Thiruvananthapuram (50% CSS) Central Share	0	106	0	106	106
2022-23	2217-05-191-48(33) Smart Cities Mission Thiruvananthapuram (50% CSS) State Share	0	98	0	98	98
2022-23	2217-05-192 48 (44) Atal Mission for Rejuvenation and Urban Transformation- (AMRUT2.0)(50%CSS)- Municipalities-LSG Institution Share Provided as Advance by State Govt	0	27.75	0	27.75	27.75
2022-23	2217-05-191-48 (47) Atal Mission for Rejuvenation and Urban Transformation- (AMRUT2.0)(33.33%CSS)- Corporations-LSG Institution Share Provided as Advance by State Govt	0	73.23	0	73.23	73.23
2023-24	4217-60-800-89-02 Infrastructure Development Projects under various sectors- Municipalities	0	77.37	0	77.37	77.37
2023-24	4217-60-800-89-01 Infrastructure Development Projects under various sectors- Corporations	0	41.68	0	41.68	41.68
2024-25	2217-05-192-48 (23) Atal Mission for Rejuvenation and Urban Transformation – (AMRUT) (50%CSS) Municipalities Central Share	0	31.61	0	31.61	31.61
2024-25	2217-05-191-48 (26) Atal Mission for Rejuvenation and Urban Transformation – (AMRUT) (50%CSS) Corporations Central Share	0	176.89	0	176.89	176.89
2024-25	2217-05-191-48 (27) Atal Mission for Rejuvenation and Urban Transformation – (AMRUT) (50%CSS) Corporations State Share	0	105.59	0	105.59	105.59

CEO Smart City Thiruvananthapuram Limited replied that (October 2025) separate heads of accounts were assigned to smart city after the budget finalisation for the year 2022-23. The expenditure for the scheme during 2022-23 was met by reappropriating the bulk provision provided under the head of

account 2217-05-191-48- (24) & (26) Smart Cities Mission Kochi during the year. The reply is not tenable because a supplementary Budget has to be laid in the legislature in order to incur expenditure under a new service not contemplated in the budget

Expenditure of ₹119.05 crore was incurred under the head of account '4217-60-800-89- Schemes for special assistance to States for Capital investment for 2023-24' during 2023-24 to release the special assistance to states for capital investment 2023-24, which was sanctioned as loan under capital expenditure by GoI in February 2024.

Funds for the implementation of AMRUT Scheme were provided by re-appropriating savings available under various heads of account below the Grant during 2022-23 to 2024-25. Reasons for incurring expenditure persistently over the years by way of reappropriation without original budget provision have been called for from Directorate of Urban Affairs and reply in this regard is awaited. Meeting the expenditure through re-appropriation during the years indicate that the Budget provision was made without considering the previous year's expenditure as required under paragraph 48 of Kerala Budget Manual. Incurring expenditure without budget provision violates the Constitutional requirement under articles 204 and 205 of getting approval of incurring expenditure from the Consolidated fund of the State. It may also be noted here that to incur an expenditure under a new service not contemplated in the Budget, a supplementary budget has to be laid out in the legislature. Any expenditure incurred under this new service by way of reappropriation even if there are savings in the grant is irregular.

2.5.2 Excess expenditure and its regularisation

As per Article 205 of the Constitution of India, it is mandatory for a State Government to get excesses over grants/appropriations regularised by the State Legislature. Although no time limit for regularisation of 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.

2.5.2.1 Excess expenditure during current year

There was an excess disbursement of ₹ 2684.44 crore over the authorisation made by the State Legislature under two Grants and one appropriation during 2024-25 as indicated in **Table 2.6**.

Table 2.6: Excess expenditure during 2024-25 requiring regularisation

(₹ in crore)

Grant No./ Appropriation	Grant/Appropriation details	Amount of excess expenditure required to be regularised
40	Ports (Capital Voted)	11.51
46	Social Security and Welfare (Revenue Charged)	0.0006
	Public Debt Repayment (Capital Charged)	2,672.93
Total		2,684.44

Source: Appropriation Accounts

Government stated (Appropriation Accounts) that excess expenditure under Grant No XLVI – Social Security and Welfare (Revenue Charged) occurred due to incurring of expenditure for the satisfaction of court decree. It was also replied that excess expenditure under Appropriation ‘Public debt Repayment’ occurred due to delay in getting borrowing consent from Government of India for the last quarter of 2024-25 and State Government had to rely more on overdrafts to overcome the short-term liquidity mismatches.

Thus, excess expenditure incurred in two grants and one appropriation amounting to ₹ 2684.44 crore requires regularisation.

2.5.2.2 Regularisation of excess expenditure of previous financial years

Excess disbursements pertaining to previous years pending regularization from State Legislature are shown in **Table 2.7** below.

Table 2.7: Excess expenditure relating to previous years requiring regularisation
(₹ in crore)

Year	Sl.No	Grant No./ Appropriation	Grant/Appropriation details	Amount of excess required to be regularised as commented in the Appropriation Accounts
2016-17	1	03	Administration of Justice(Revenue-Voted)	0.67
	2	07	Stamps and Registration (Revenue-Voted)	2.83
	3	20	Water Supply & sanitation (Revenue-Voted)	42.04
2017-18	4	34	Forest (Revenue-Charged)	0.02
	5	14	Stationery & Printing & other Administrative services(Capital-Voted)	0.09
	6	17	Education, Sports, Arts & Culture (Capital -Voted)	53.27
2018-19	7	19	Family Welfare (Revenue-Voted)	39.81
	8	34	Forest (Revenue-Charged)	0.12
	9	17	Education, Sports, Arts & Culture (Capital - Charged)	1.02
2019-20	10		Debt Charges (Revenue-Charged)	219.64
	11	26	Relief on account of natural calamities – (Revenue Voted)	109.10
2020-21	12	04	Elections (Revenue-Voted)	54.74
	13	15	Public Works (Revenue-Voted)	268.10
	14	20	Water Supply and Sanitation (Revenue-Voted)	4.47
	15	41	Transport (Revenue-Voted)	0.74
	16	42	Tourism (Revenue-Voted)	6.18
	17		Debt Charges (Revenue Charged)	797.61

Year	Sl.No	Grant No./ Appropriation	Grant/Appropriation details	Amount of excess required to be regularised as commented in the Appropriation Accounts
	18	15	Public Works (Capital-Voted)	141.14
	19	18	Medical and Public Health(Capital Voted)	26.59
	20	20	Water Supply and Sanitation (Capital Voted)	108.41
	21	27	Co-operation(Capital Voted)	19.30
	22	33	Fisheries(Capital-Voted)	23.12
	23	34	Forest (Capital-Voted)	0.40
	24	42	Tourism (Capital-Voted)	11.93
	25	18	Medical & Public Health (Capital-Charged)	0.06
2021-22	26	07	Stamps & Registration (Revenue-Voted)	4.10
	27	13	Jails(Revenue-Voted)	17.68
	28	16	Pensions & Miscellaneous (Revenue-Voted)	190.28
	29	28	Miscellaneous economic services (Revenue-Voted)	0.83
	30	31	Animal Husbandry(Revenue Voted)	24.34
	31	40	Ports (Revenue Voted)	0.45
	32	12	Police(Capital-Charged)	14.81
	33	17	Education, Sports, Arts & Culture (Capital - Voted)	15.78
2022-23	34	34	Forest(Capital-Voted)	0.20
	35	04	Election (Revenue-Charged)	2.10
	36	12	Police (Capital Charged)	0.08
	37	25	Welfare of SC,ST,OBC and Minorities (Revenue-Charged)	0.05
2023-2024	38	09	Taxes on Vehicles(Revenue-Voted)	5.49
	39		Debt Charges (Revenue –Charged)	60.66
	40	12	Police (Capital-Voted)	37.48
	41	15	Public Works (Revenue-Charged)	0.04
	42	25	Welfare of SC,ST,OBC and Minorities (Revenue-Voted)	6.89
	43	38	Irrigation(Capital-Charged)	0.34
	44	40	Ports(Capital-Voted)	84.02
	45	41	Transport(Capital-Voted)	232.74
Total				2,629.79

Source: Information furnished by O/o AG(Audit I)

According to the Handbook of instructions for speedy settlement of audit objections pertaining to PAC, initial notes for regularisation of excess expenditure has to be forwarded by Finance Department to Accountant General for vetting within two months of presentation of Appropriation Accounts in the Legislature. However, it was observed that out of the 45 grants pending regularization pertaining to previous years, initial notes were yet to be received in respect of 27 grants as shown in the **Table 2.8**.

Table 2.8: No. of Grants where initial notes not received

Financial Year	No of Grants for which Initial notes were yet to be received
2017-18	2
2018-19	1
2019-20	2
2020-21	8
2021-22	3
2022-23	3
2023-24	8
Total	27

Source: Information furnished by O/o AG(Audit I)

To strengthen the legislative oversight over the expenditure from Consolidated Fund of State, these excess expenditures need to be regularized at the earliest and measures to contain recurrence of such excess may be taken by the State.

State Government replied (January 2026) that the Public Accounts Committee has presented its 84th report (September 2025) recommending the regularisation of excess expenditure over voted grants/charged appropriations for the financial years 2016-17, 2017-18, 2020-21 and 2021-22. It was also stated that steps were being taken to present the demands for excess grants in the ensuing session of the Legislative Assembly. State Government also replied that efforts are being taken to update the Integrated Financial Management System (IFMS) software applications to avoid excess expenditure/ savings/ unnecessary reappropriation/ SDG etc.

2.5.2.3 Persistent excesses expenditure in certain Grants

Audit scrutiny revealed that in 13 cases under seven grants, there was persistent excess expenditure of more than ₹ five crore in each case during the last five years as detailed in **Table 2.9**. In one case (Sl. No. 3), the expenditure was incurred without any budget provision during 2020-25.

Table 2.9: Persistent excess expenditure during Fys 2020-21 to 2024-25

(₹ in crore)

Sl.No	Description of Grant/Appropriation	2020-21	2021-22	2022-23	2023-24	2024-25
1	15 – Public Works - 4059-01-051-86 – Public Works (Civil Works)					
	Grant	28.93	27.01	23.29	22.72	23.00
	Expenditure	43.83	51.74	44.90	36.11	40.34
	Excess	14.90	24.73	21.61	13.39	17.34

Sl.No	Description of Grant/Appropriation	2020-21	2021-22	2022-23	2023-24	2024-25
2	15- Public Works – 4059-80-001-99 – Establishment Charges Transferred on Percentage Basis from ‘2059-Public Works’					
	Grant	7.43	7.42	8.27	9.10	8.37
	Expenditure	19.88	23.29	18.78	19.26	24.88
	Excess	12.45	15.87	10.51	10.16	16.51
3	15-Public Works-5054-04-337-97-Other District Roads-Developments and Improvements-16 Major Works					
	Grant	0.00	0.00	0.00	0.00	0.00
	Expenditure	16.68	39.01	67.49	57.45	88.87
	Excess	16.68	39.01	67.49	57.45	88.87
4	15 – Public Works – 5054-04-337-99-Major District Roads – Developments and Improvements					
	Grant	601.44	955.66	686.29	543.77	237.45
	Expenditure	862.51	963.36	879.47	716.72	489.80
	Excess	261.08	7.69	193.18	172.95	252.35
5	15-Public Works -5054-80-001-99-Establishment Charges Transferred on Percentage Basis from ‘3054-Roads and Bridges’					
	Grant	98.50	102.18	117.88	159.42	101.81
	Expenditure	299.89	343.05	294.42	277.78	208.05
	Excess	201.39	240.87	176.54	118.35	106.24
6	15-Public Works-5054-80-052-99-Tools and Plants Charges Transferred on Percentage Basis from ‘3054 Roads and Bridges’					
	Grant	6.89	7.15	8.25	11.16	7.13
	Expenditure	20.99	24.01	20.61	19.44	14.56
	Excess	14.10	16.86	12.36	8.28	7.43

Sl.No	Description of Grant/Appropriation	2020-21	2021-22	2022-23	2023-24	2024-25
7	17-Education, Sports, Art and Culture-4202-01-202-91-Infrastructure Facilities-Higher Secondary Education					
	Grant	42.37	40.89	44.96	49.32	55.71
	Expenditure	48.23	56.21	55.91	63.99	68.97
	Excess	5.86	15.32	10.95	14.67	13.26
8	18-Medical And Public Health-2210-06-800-81-Pradhanmantri Jan Aarogya Yojana/Karunya Aarogya Suraksha Padhathi – State Scheme					
	Grant	175.00	675.61	707.00	542.50	546.54
	Expenditure	271.57	910.64	807.00	692.50	846.54
	Excess	96.57	235.03	100.00	150.00	300.00
9	28-Miscellaneous Economic Services-5475-00-115-93-Post Flood Projects Under the Rebuild Kerala Initiative (KfW Aided – RKDP Project Loan))					
	Grant					
	Expenditure	0.00	0.00	0.00	250.00	0.00
	Excess	100.00	125.00	280.00	406.15	246.98
		100.00	125.00	280.00	156.15	246.98
10	38-Irrigation-4711-01-103-99-Civil Works					
	Grant	0.00	0.00	23.63	10.90	28.41
	Expenditure	10.49	36.80	41.79	20.14	37.53
	Excess	10.49	36.80	18.16	9.24	9.12
11	40-PORTS-5051-01-001-99-Development of Vizhinjam Deep Water International Transhipment Terminal					
	Grant	61.44	0.01	0.01	114.04	838.09
	Expenditure	68.97	12.00	13.85	259.10	898.29
	Excess	7.53	11.99	13.84	145.06	60.20
12	Debt Charges-2049-03-108-99-State Life Insurance Official Branch					
	Grant	210.00	355.00	375.00	484.95	532.63
	Expenditure	362.08	404.12	463.86	535.34	610.32
	Excess	152.08	49.12	88.86	50.39	77.69

Sl.No	Description of Grant/Appropriation	2020-21	2021-22	2022-23	2023-24	2024-25
13	Debt Charges-2049-04-112-99-Interest on other Loans for State/Union Territory (with Legislature) Schemes					
	Grant					
	Expenditure	0.00	0.00	0.00	43.00	65.00
	Excess	42.43	38.25	57.03	120.24	158.80
		42.43	38.25	57.03	77.24	93.80

Source: Appropriation Accounts

The persistence of abovementioned excess expenditure points to the need within finance department and administrative departments for establishing stronger scrutiny of the budget proposals, both at the time of preparation of demands for grants and supplementary demands for grants. The department may also take necessary measures including use of IT systems for ensuring proper planning and effective monitoring of expenditure *vis-à-vis* voted grants as to avoid excess expenditure.

2.5.3 Supplementary Grants rendered non-essential

Article 205 of the Constitution prescribes the requirement of a Supplementary or Additional Grant or Appropriation to cater to the requirements in excess of the original provisions.

It was noticed that in 17 instances (**Appendix 2.2**) even though the supplementary provisions of ₹ 870.96 crore were made, the expenditure did not come up to original provisions during the year 2024-25. Similarly, supplementary provisions of ₹4,652.86 crore in 21 cases (more than ₹ three crore in each case) proved non-essential (**Appendix 2.3**) as full amount of supplementary provisions could not be utilized.

2.5.4 Injudicious re-appropriation of funds

Re-appropriation is transfer of funds within a grant from one unit of appropriation to another unit where additional funds are needed. During 2024-25, re-appropriation orders under 46 grants amounting to ₹ 19,507.57 crore were issued.

Further, in two schemes (**Appendix 2.4 A**), reduction of provision exceeding ₹ three crore through re-appropriation orders effected by the department proved injudicious as there was excess expenditure under these cases. In 39 schemes, (**Appendix 2.4 B**) augmentation of provision also proved unnecessary because expenditure was either equal to or did not come up to the level of original/total budget provision.

Under the scheme Block Grants for Centrally Sponsored schemes (2217-05-191-48), in Grant No XXII Urban Development, augmentation of provision by re-appropriation to the tune of ₹ 232.65 crore was excessive resulting in savings of ₹73.31 crore.

2.5.5 Unspent amount and surrendered appropriation and/or Large Savings/Surrenders

Budget proposals should strive to strike to optimize all foreseeable expenditure to appropriate spending levels to balance the quality of expenditure and reduce underutilization of budgeted funds. Timely surrenders by the spending units are an important mechanism for optimal reallocation within the approved budget.

2.5.5.1 Entire budget provision remained unutilised

The analysis of grants and appropriations showed that in five grants during the year 2024-25, the savings (after surrender) exceeded ₹ 5 crore in each case (**Appendix 2.5**). It was further noticed that in one grant no expenditure vis-à-vis total grant amounting to ₹ 0.65 crore as given in **Table 2.10** was incurred during the year 2024-25.

Table 2.10: Entire grant remaining unutilised during the financial year 2024-25
(₹ in crore)

Sl. No.	Number and Name of grant	Amount
1	05-Goods And Service Tax, Agricultural Income Tax and Sales Tax (Revenue Charged)	0.65
Total		0.65

Source: Appropriation Accounts

Under Grant No XXII- Urban Development, audit observed that the entire budget allocation remained unutilised in four schemes (cases where original budget provision is ₹30 crores and above) during 2022-23 & 2023-24 as shown in **Appendix 2.6**.

The reason for non-utilisation of entire budget provision with regard to the schemes have been called for from the department and response is awaited.

2.5.5.2 Savings and Surrender

Further, it was also observed that in 24 cases under 20 grants, there was persistent savings exceeding ₹ 100 crore in each case (**Appendix 2.7**) during 2022-23 to 2024-25. Savings in excess of ₹50 crore and 20 per cent of the budget provision were witnessed in 13 grants. Details are given in **Table 2.11** below:

Table 2.11: Savings in excess of ₹ 50 crore and 20 per cent of the budget provision*(₹ in crore)*

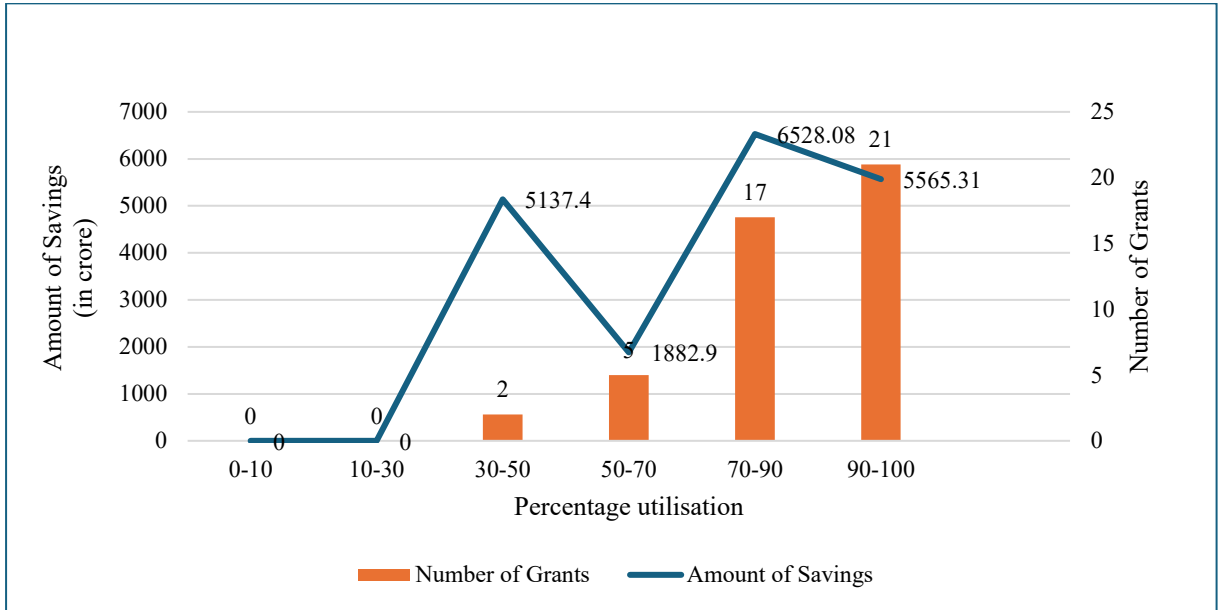
Sl.No.	No. and name of the Grant	Total Budget	Total Expenditure	savings	Percentage of utilisation
1.	42 Tourism	484.2	385.65	98.55	79.65
2.	15 Public Works	5,262.93	3,955.82	1,307.11	75.16
3.	41 Transport	3,628.65	2,698.6	930.05	74.37
4.	37 Industries	1,987.6	1,469.7	517.9	73.94
5.	38 Irrigation	932.25	658.79	273.46	70.67
6.	22 Urban Development	1,964.38	1,382.33	582.05	70.37
7.	27 Co-operation	550.69	382.09	168.6	69.38
8.	29 Agriculture	3,536.38	2427.04	1,109.34	68.63
9.	21 Housing	151.94	100.54	51.4	66.17
10.	32 Dairy	198.84	128.76	70.08	64.76
11.	24 Labour, Labour Welfare and Welfare of Non-Residents	1,239.76	756.28	483.48	61.00
12.	26 Relief on Account of Natural Calamities	1,617.03	687.99	929.05	42.55
13.	36 Rural Development	6,335.25	2,126.9	4,208.35	33.57

Detail of grants grouped by the percentage of utilisation along with total savings during the year 2024-25 has been shown in **Appendix 2.8** and **Chart 2.4**. The following two grants had percentage utilisation of less than 50 per cent.

In Grant No. 36, 'Rural Development', the percentage utilisation stood low at 33.57 per cent of total Budget. Of the total savings of ₹ 4,208.35 crore in the grant, ₹3,560.97 crore pertained to the scheme Mahatma Gandhi National Rural Employment Guarantee Programme (100% CSS)(2505-02-101-99). In Appropriation Accounts, it was stated that savings of ₹3,381.50 crore was mainly due to non-implementation of plan activities to the extent anticipated and savings of ₹236.37 crore was due to disbursement of unskilled wages through the Central DBT NREGA Soft platform under the scheme. There have been substantially persistent savings of more than ₹2,700 crores under this scheme for each of past five financial years (2020-21 to 2024-25) indicating weak budget planning and poor forecasting.

In Grant No 26, 'Relief on Account of Natural Calamities', the percentage utilisation stood at 42.55 per cent of total Budget. Against savings of ₹929.05 crore in this Grant, ₹274.70 crore pertains to Other items (2245-02-101-94), ₹171.96 crore against SDMF-Non Structural Mitigation (2245-07-101-98) and ₹191.79 crore in SDMF-Structural Mitigation Measures (2245-07-101-99). These substantial savings reinforce the systemic issues in Budget planning pointed out by Audit in the foregoing paragraph.

Chart 2.4: The distribution of the number of Grants/Appropriations grouped by the percentage of Savings along with total savings

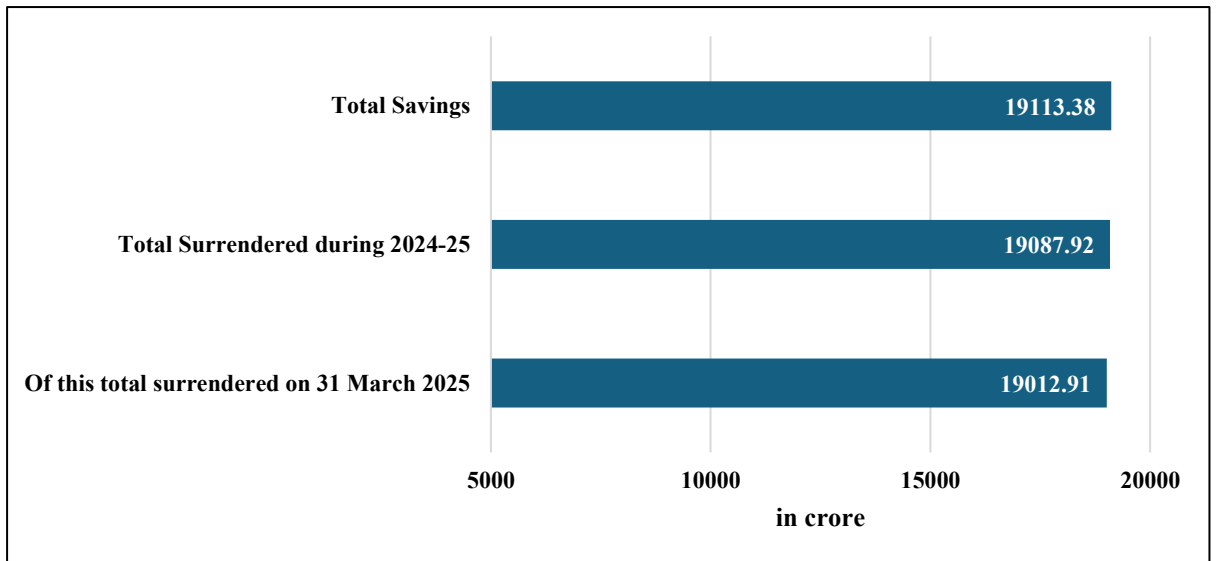


Source: Appropriation Accounts

It was noticed that savings under 10 grants amounting to ₹107.33 crore (**Appendix 2.9**) were not surrendered at all. Details of savings surrendered on the last day of March 2025 is given in **Appendix 2.10**. A comparison of total savings, total amount surrendered and surrender on last day of March 2025 is given in **Chart 2.5**.

Chart 2.5: Savings and surrenders for the year 2024-25

(₹ in crore)



Source: Appropriation Accounts

As per para 91 of Kerala Budget Manual, all anticipated savings should be surrendered to the Finance Department, through the Administrative Department, explaining the reason therefore, immediately as they are foreseen, without waiting till the end of the year, unless they are required to meet excesses under other units, which are definitely foreseen at the time. This measure is critical as it ensures flow of funds to those departments that are in need of funds. In contravention to this provision, out of surrendered amount of ₹19,087.92 crore, ₹19,012.91 crore (99.60 per cent) was surrendered on 31 March 2025 as shown in **Chart 2.5**.

2.5.5.3 Substantial Savings in Schemes

A. Scrutiny of the Appropriation Accounts under Grant No XXII- Urban Development for the years 2022-23 to 2024-25 revealed substantial savings under various Heads of Account as shown in the **Table 2.12**.

Table 2.12: Substantial Savings during 2022-23 to 2024-25

(₹ in crore)

Sl. No.	Year	Head of Account/ Scheme	Original Budget	Supplementary Budget	Expenditure	Savings
1	2022-23	2217-05-191-48 V P Smart Cities Mission, Cochin (50%CSS) State Share	292.00	0	98.00	194.00
2	2022-23	2217-05-191-48-25 V P Smart Cities Mission, Cochin (50%CSS) Central Share	292.00	0	98.00	194.00
3	2022-23	4217-60-051-95-V P Total Housing Scheme – Urban (LIFE – Parpiddam Mission)	192.00	0	6.91	185.09
4	2022-23	2217-05-192-48-15V P Pradhan Mantri Awas Yojana (PMAY) (General) (60%CSS) Municipalities Central Share	220.90	0	111.28	109.62
5	2023-24	4217-60-051-95-V P Total Housing Scheme – Urban (LIFE – Parppida Mission)	192.00	0	8.70	183.30
6	2023-24	2217-05-192-48-15 V P Pradhan Mantri Awas Yojana (PMAY) (General) (60%CSS) Municipalities Central Share	220.90	0	80.98	139.92
7	2024-25	4217-60-051-95 V P Total Housing Scheme – Urban (LIFE – Parppida Mission)	192.00	0	2.28	189.72
8	2024-25	2217-05-192-48-15 V P Pradhan Mantri Awas Yojana (PMAY) (General) (60%CSS) Municipalities Central Share	282.49	0	57.13	225.36

The reason for substantial savings in the above schemes have been called for from the Government and the response is awaited.

- B.** Total savings under Grant No XXV, Welfare of Scheduled Castes, Scheduled Tribes, Other Backward Classes and Minorities during 2022-23 was ₹816.54 crore, ₹378.99 crore during 2023-24 and ₹628.61 crore during 2024-25. Further scrutiny of the Appropriation Accounts has revealed substantial savings under the following Heads of Account as given in **Table 2.13**.

Table 2.13 : Substantial savings in schemes for the years 2022-23 to 2024-25

(₹ in crore)

Sl. No.	Year	Head of Account/ Scheme	Original Budget	Supplementary Budget	Expenditure	Savings
Directorate of Scheduled Castes Development						
1	2022-23	2225-01-277-51-01-V-P Post Matric Scholarship to Scheduled Caste Students (60% CSS Central Share)	162.00	0	41.05	120.95
2	2024-25	2225-01-277-57-V-P Assistance for Education of SC Students	230.00	0	79.45	150.55

The reason for the huge savings in the schemes has been called for from the Government and response is awaited.

2.5.5.4 Persistent savings in schemes

- A.** Rule 48 of Kerala Budget Manual mandates the Finance Department to examine the Budget estimates prepared by the Administrative Department in the lights of actual expenditure of previous year. Scrutiny of Appropriation Accounts under Grant No XXII- Urban Development for the years 2022-23 to 2024-25 showed that there were persistent savings above 50 per cent of the Total budget under three heads of accounts during the above period as shown in the **Table 2.14**.

Table 2.14 : Persistent Savings in Grant XXII Schemes during 2022-23 to 2024-25

(₹ in crore)

Sl. No.	Head of Account	Savings		
		2022-23	2023-24	2024-25
Directorate of Urban Affairs				
1	2217-05-191-35 Greater Cochin Development Authority	2.00 (100)	3.00 (100)	2.4 (80)
2	2217-80-800-71 Suchitwa Keralam – Solid Waste Management Scheme for Urban Areas	15.53 (73.96)	15.87 (72.15)	9.72 (57.17)
3	2217-05-191-36 Trivandrum Development Authority	4.24 (94.30)	4.00 (100)	3.82 (95.53)

Source: Appropriation Accounts

Figures in parenthesis indicate percentage of savings to total provision (original and supplementary budget combined)

The savings as a percentage of budget provision (original budget plus supplementary budget) in the above schemes ranged between 57.17 per cent and 100 per cent during the period 2022-23 to 2024-25. Persistent savings indicates that the budget allocations were made without considering the previous years' expenditure as required under Rule 48 of the Kerala Budget Manual. The reasons for the persistent savings have not been furnished by the State Government departments.

B. Scrutiny of Appropriation Accounts under Grant No XXV- Welfare of Scheduled Castes, Scheduled Tribes, Other Backward Classes and Minorities for the years 2022-23 to 2024-25 showed that there were persistent savings (above 50 per cent of the Total Budget across each financial year) under five heads of accounts during the above period which is indicative of poor budgetary monitoring or shortfall in performance or both.

Audit observed that budget allocations remained unutilized every year indicating non-achievement of the projected financial outlays in the respective years. The budget allocations were made without considering the previous years' expenditure as required under Rule 48 of the KBM, which resulted in persistent savings under the Heads of Accounts as shown in **Table 2.15**.

Table 2.15: Persistent savings in Grant XXV schemes for the years 2022-23 to 2024-25

(₹ in crore)

Sl. No.	Head of Account	Savings		
		2022-23	2023-24	2024-25
Directorate of Scheduled Castes Development				
1	2225-01-800-57 Corpus Fund for SCP (Critical Gap Filling Scheme)	40.68 (90.4)	24.83 (55.19)	29.37 (65.27)
2	2225-01-102-91 Valsalyanidhi	15 (100)	10 (100)	10 (100)
Directorate of KIRTADS³¹				
3	2225-02-001-96 Grant-in-Aid to KIRTADS for Research and Training	4.02 (100)	4.02 (100)	3.70 (71.17)
Directorate of Scheduled Tribes Development				
4	2225-02-102-75 Development Schemes under Grant-in-aid under Article 275 (1)	7.25 (100)	7.68 (100)	7.17 (93.36)
5	2225-02-102-85 Integrated Sustainable Development of Scheduled Tribe Population in Identified Locations/Settlements (ATSP Fund/ Special Package)	27.20 (68.01)	42.73 (85.46)	33.81 (84.54)

Source: Appropriation Accounts

Figures in parenthesis indicate percentage of savings to total provision

³¹ Kerala Institute for Research, Training & Development Studies of Scheduled Castes and Scheduled Tribes

Directorate of Scheduled Tribes Development replied (October 2025) that in respect of Scheme at Sl.no. 4 on Grant-in-aid under Article 275(1)³² during 2022-23, there was delay in appointing implementing agencies and preparing the DPRs (Detailed Project Reports), resulting in non-utilisation of funds during the year. While no reason for 2023-24 was furnished, it stated that as the selection of beneficiaries was not completed by February 2025, scheme could not be implemented fully during 2024-25 due to Treasury restrictions.

Further, towards the scheme at Sl.no. 5, the Directorate cited non-receipt of Central Assistance during 2022-23 and receipt of Central Assistance for 2023-24 in March 2024 as reasons for persistent savings. However, no reasons for savings under the scheme during 2024-25 were specified.

The relevant reasons for persistent savings during 2022-23 to 2024-25 were not furnished by Directorate of KIRTADS and Directorate of Scheduled Castes Development.

2.5.5.5 Non-utilisation of funds under ‘Total Housing scheme-Urban (LIFE-Parppida Mission)’

The scheme ‘Total housing scheme-Urban (LIFE³³-Parppida Mission)’ aims at providing safe housing to the homeless in the State and is implemented by the Local Governments using their plan grant as well as plan support from the State Government. It envisages construction of individual houses to the houseless coming under the extreme poverty list and for meeting the costs of construction of flats/housing complexes/housing clusters in urban areas. The Drawing and Disbursing Officer of the scheme is the Under Secretary, Local Self Government (FM) Department and is implemented by ‘Life Mission’, Kerala.

Audit observed that even though there was a consistent annual budget allocation of ₹192 crore for the scheme ‘4217-60-051-95’-Total Housing Scheme - Urban (LIFE-Parppida Mission) during the last three year period 2022-23 to 2024-25, the expenditure remained constantly very low indicating that the expenditure never aligned with the budgetary provision during the period as detailed in **Table 2.16**.

Table 2.16 : Savings under ‘Total Housing Scheme - Urban (LIFE - Parppida Mission)’ during 2022-23 to 2024-25

(₹ in crore)

Year	Budget Provision	Expenditure	Savings
2022-23	192.00	6.91	185.09
2023-24	192.00	8.70	183.50
2024-25	192.00	2.28	189.72

³² Article 275(1) Grants is an additive to State Plan funds and efforts for Tribal Development. Funds under Article 275(1) must be utilized for raising socio-economic level of schedule Tribes.

³³ (Livelihood, Inclusion and Financial Empowerment) Mission

Scrutiny of vouchers drawn during the year 2024-25 revealed that although an amount of ₹27.00 crore was drawn from the head of account '4217-60-051-95' on 19 July 2024 and transfer credited into the Treasury Savings Account of LIFE Mission, an amount of ₹24.71 crore was seen resumed and credited back to the head of account '4217-60-051-95' as minus expenditure during the close of the financial year 2024-25.

The reasons for consistent non-utilization of the amount have been called for from the Government and response is awaited.

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

Several new schemes were announced in the Budget by the government for implementation. The details of a few new and prominent schemes are detailed in the **Appendix 2.11**.

Audit examined these cases and found that no outlay was set aside for the scheme 'setting up of ETP in fishing industry sector in Aroor-Chandiroor'. Further, though an amount of ₹ three crore for 'construction of cruise vessel for KSINC', ₹two crore for 'UNNATHI' scheme and ₹10 crore for 'Valsalyanidhi' scheme was set aside, no expenditure was incurred on the implementation of these schemes. It was also observed that while ₹100 crore was budgeted for the scheme 'Kerala Climate Resilient Agri Value Chain Modernization', only ₹6.15 crore was spent during the financial year.

The reply from the Government is awaited.

2.5.7 Non-adherence to the Quarterly Expenditure Limit

Para 91(2) of the Kerala Budget Manual stipulates that rush of expenditure during the closing months of the financial year should be avoided.

As against the net expenditure of ₹2,85,726 crore in 2024-25, the break-up of rush of expenditure has been presented in **Table 2.17**.

Table 2.17: Rush of Expenditure during 2024-25

Particulars	Amount (₹ in crore)	As percentage of Net Expenditure in the year
Last Quarter of the year (Jan to Mar-2025)	83,480.81	29.22
Last month of the year (March 2025)	34,005.47	11.90
Last week of the year (25-31 March 2025)	6,312.27	2.21
Last day of the year (31st March 2025)	25.71	0.009

Trends of total Monthly receipts (Revenue Receipts, Capital Receipts and cash balance) and expenditure during financial year 2024-25 are shown in **Chart 2.6** and **Chart 2.7**.

Chart 2.6: Trend analysis of receipts (Month wise)

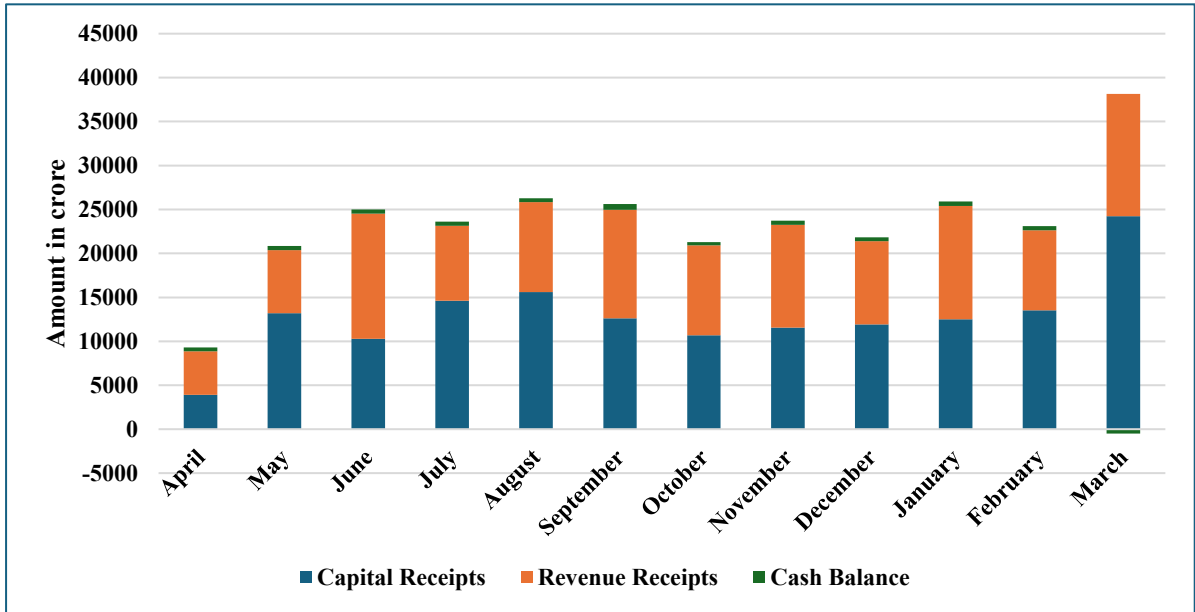
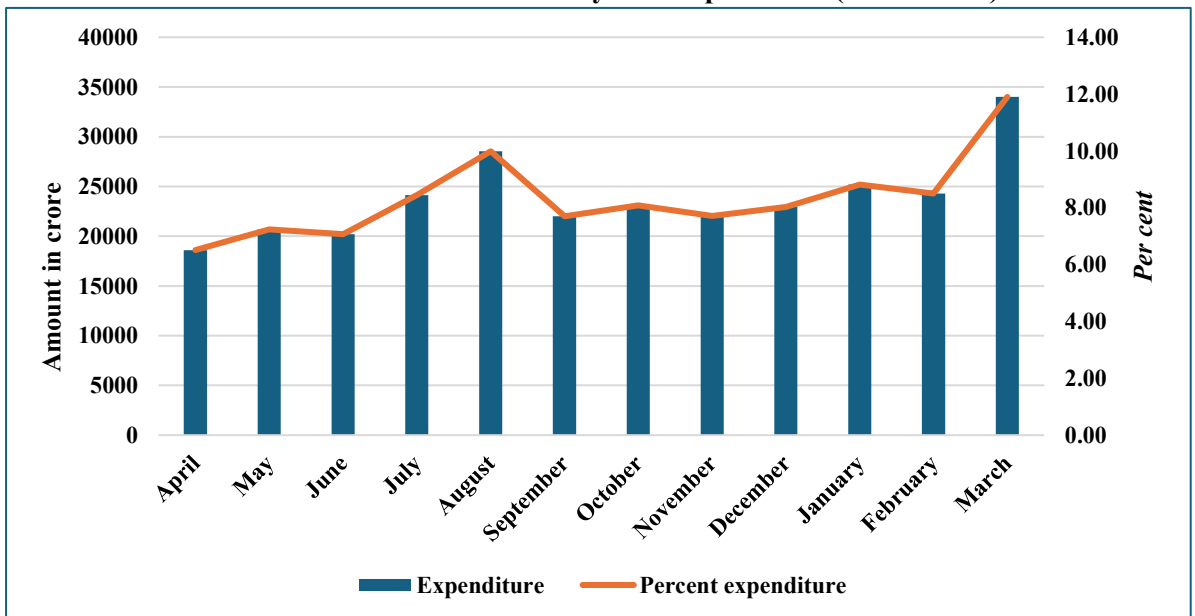


Chart 2.7: Trend analysis of expenditure (Month wise)



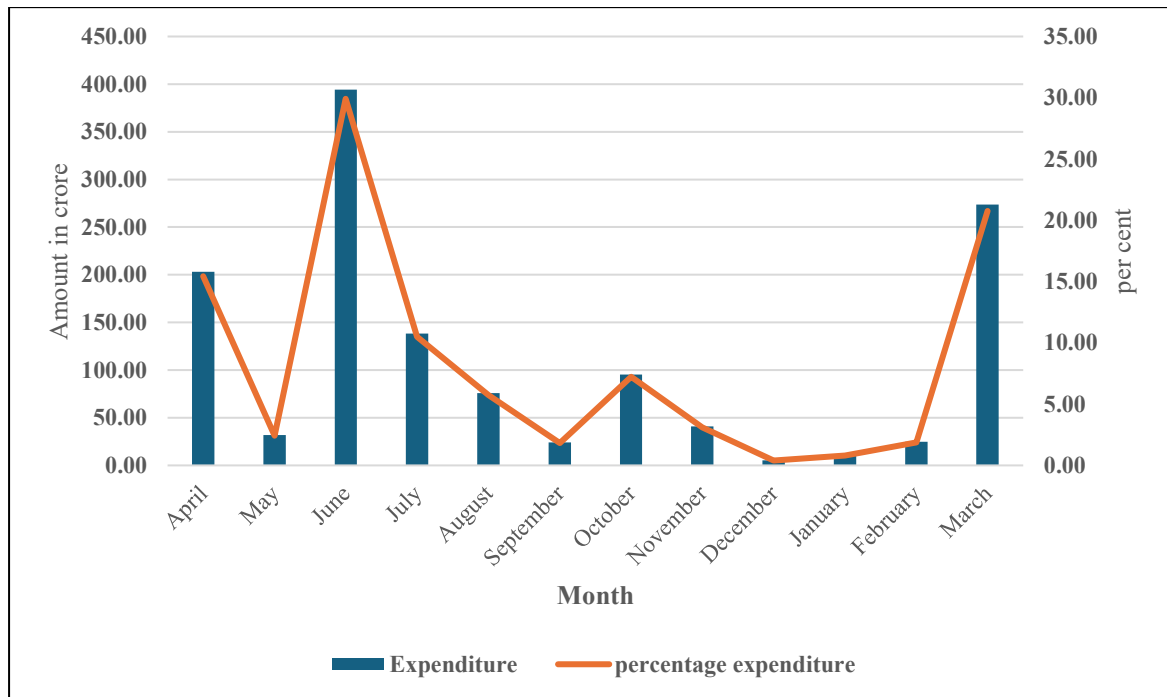
Further, in case of 45 sub-heads, their entire expenditure of ₹ 1,925.94 crore was incurred in the last month of March 2025 itself (**Appendix 2.12**).

Maintaining a steady pace of expenditure is a crucial component of sound public financial management as it prevents fiscal imbalances and temporary cash crunches. The Finance Department sets quarterly ceiling under each unit of appropriation/grant based on the quarterly resource estimation, by exempting

certain inevitable items³⁴. In respect of Plan schemes, the Finance department fixed 20 per cent of Budget estimate as limit for first quarter of 2024-25, 30 per cent for second quarter, 40 per cent for third quarter and 50 per cent for the last quarter. Analysis of data revealed that the limit was exceeded in eight grants in the first quarter, in 16 grants in second quarter, in 19 grants in third quarter and in 30 grants in fourth quarter. The details are shown in **Appendix 2.13**. The details of quarter wise expenditure of all major heads during 2024-25 are shown in **Appendix 2.14**.

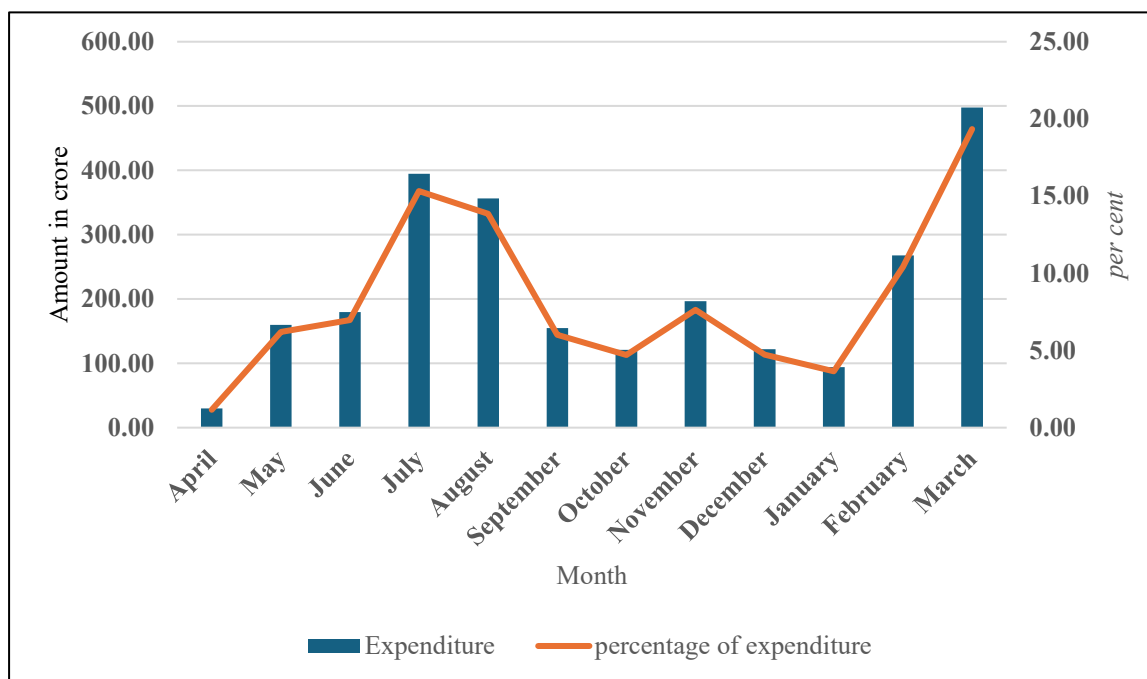
The trend analysis of expenditure of the selected Grants are depicted below

Chart 2.8: Expenditure trend of Grant No XXII Urban Development



³⁴ such as salaries, wages, pension, interest payments, scholarships & stipends, water charges, electricity charges, telephone charges, rent rate and taxes, insurance of vehicles, CSS/SNA-SPARSH schemes and EAP schemes

Chart 2.9: Expenditure trend of Grant No XXV, Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Castes and other Minorities



Rush of Expenditure – Grant No XXII- Urban Development

In Grant No XXII – Urban development, out of a total expenditure of ₹1,318.14 crore incurred during 2024-25, an expenditure of ₹273.68 crore (20.76 crore of total expenditure) was incurred in the last month (March 2025) of the financial year 2024-25, indicating a rush of expenditure towards the end of the financial year under the grant.

Rush of Expenditure - Grant No XXV- Welfare of Scheduled Castes, Scheduled Tribes, Other Backward Classes and Minorities

In Grant No XXV, Scheduled castes, Scheduled tribes, other backward castes and other minorities, expenditure of ₹497.78 crore (19.34 per cent of total expenditure) was incurred in March 2025.

State Government introduced a new scheme ‘Margadeepam’ for providing Pre matric Scholarship for Minority students from class I to VIII whose parent’s/ guardian’s income from all sources does not exceed ₹2.50 lakh per annum. The scholarship scheme was to be implemented by Minority Welfare Department through a new portal which was being developed by C-DIT (Centre for Development of Imaging Technology). During 2024-25 an amount of ₹18.25 crore was incurred towards implementation of the Scheme as shown in **Table 2.18**.

Table 2.18 : Expenditure incurred during March 2025**(₹ in crore)**

Sl. No.	Bill Reference Number	Treasury Bill Date	Amount
1	24011282000101652218	23-03-2025	2.25
2	24011282000101660119	24-03-2025	2.36
3	24011282000101664969	24-03-2025	2.37
4	24011282000101667891	24-03-2025	2.05
5	24011282000101671160	24-03-2025	0.0033
6	24011282000101673874	24-03-2025	2.37
7	24011282000101676081	24-03-2025	2.36
8	24011282000101676249	24-03-2025	2.38
9	24011282000101676749	24-03-2025	2.11
Total			18.2533

Source: Information compiled from Treasury data

It was observed that the the entire expenditure of ₹18.25 crore during 2024–25 was incurred in March 2025, indicating a rush of expenditure to implement the scheme at the fag end of the year.

Director of Minority Welfare replied (October 2025) that delay in developing and hosting a new scholarship web portal hindered the timely invitation of applications for the scholarship scheme, resulting in the entire budget allocation being utilised by the end of the financial year 2024-25.

The reply is not tenable as scheme planning and its implementation should be aligned to ensure timely execution. Any undue delay in scheme implementation leads to rush of expenditure towards the end of the financial year which is regarded as a breach of financial propriety and poor public financial management.

2.6 Implementation of Selected Centrally Sponsored Schemes in the State

A review of the selected Centrally Sponsored Schemes (CSS) was conducted to ascertain the budgeting process, their accounting and the challenges associated with the timely release of funds for effective implementation and the status of migration to SNA SPARSH System.

2.6.1 State Linked Centrally Sponsored Schemes

The following five State Linked CSSs were selected for detailed review.

A. National Health Mission (60 per cent CSS)

The State linked scheme, *National Health Mission (60% CSS- code 2898)* falls within the Government of India Scheme - *Flexible Pool for Reproductive and Child Health (RCH) & Health System Strengthening, National Health Programme and National Urban Health Mission (Code 4063)* with a 60 per cent Central and 40 per cent State Government funding pattern. The scheme aims to provide equitable, affordable, and quality healthcare, focusing on both rural and urban areas to achieve universal health coverage and improve the health status of all citizens.

B. Mahatma Gandhi National Rural Employment Guarantee Programme (Material Cost) (75 per cent CSS)

The State linked Scheme 'Mahatma Gandhi National Rural Employment Guarantee Program (Material Cost- Code 2876)' is part of the Government of India Scheme 'National Rural Employment Guarantee Scheme (MGNREGP)' - Code 9219. The Material Cost under Capital outlay, is accounted with the Central share of 75 per cent and State share of 25 per cent. MGNREGP (Material cost) focuses on creating durable assets such as roads, ponds, and canals, contributing to the long-term development of rural infrastructure and natural resource management.

C. Anganwadi Services (General) (ICDS) (60 per cent CSS)

The State-linked Scheme - *Anganwadi Services (General-Code KL247)*, implemented under the Centrally Sponsored Scheme, *Saksham Anganwadi and Poshan 2.0 (code 3975)*, is funded in the ratio of 60 per cent Central share and 40 per cent State share. Saksham Anganwadi and Poshan 2.0 is an integrated nutrition support programme aimed at addressing malnutrition among children, adolescent girls, pregnant women, and lactating mothers. It focuses on improving nutrition content and delivery through a convergent ecosystem that promotes health, wellness, and immunity.

D. Pradhan Mantri Poshan Shakti Nirman (60 per cent CSS)

The State-linked Scheme - *Pradhan Mantri Poshan Shakti Nirman (code 2819)*, implemented under the CSS - Pradhan Mantri Poshan Shakti Nirman (Code 9165) (Erstwhile National Programme of Mid-Day Meal in Schools) is funded in the ratio of 60 per cent Central share and 40 per cent State share. The scheme is for providing one hot cooked meal per day to all school children studying in Classes I-VIII in Government and Government-Aided Schools.

E. Revision of norms for Central Assistance Released to States/ UTs for meeting expenditure on intra-state movement handing of foodgrains and FPS dealers margin under NFSA, KERALA (50 per cent CSS)

The State linked Scheme 'Revision of norms for Central Assistance Released to States/UTs for meeting expenditure on intra-state movement handing of foodgrains and FPS dealers' margin under NFSA KERALA'(Code - KL200), falls within the Government of India scheme 'Assistance to State Agencies for Intra-state movement of foodgrains under NFSA (50% CSS)'-code 4048. The scheme aims to ensure efficient delivery of subsidized food grains to eligible beneficiaries under the National Food Security Act (NFSA), 2013, by supporting States and UTs with financial assistance for key logistical and operational expenses.

2.6.2 Single Nodal Agency- Central and State Share Transfer

Ministry of Finance, Government of India, mandated (March 2021) release of funds under each Centrally Sponsored Scheme (CSS) through a Single Nodal Agency (SNA) for each CSS, and monitoring their utilisation. Each SNA must have a dedicated bank account in an authorised Scheduled Commercial Bank.

Audit analysed the VLC data of the Accountant General (A&E), the SNA reports in the PFMS portal, and the records of SNAs of the selected CSS/SLS

during the year 2024-25 and the following observations are made on the selected CSSs.

A. National Health Mission (60 per cent CSS)

The details on Central and State Share transfer in respect of National Health Mission (60 per cent CSS) during 2024-25 are given in **Table 2.19**.

Table 2.19 : Central and State share transfer

(₹ in crore)

Source of Data	Central Share received (Cash + commodity)	Central Share transferred to SNA	Short release of Central Share to SNA	State Share transferred to SNA
Head of Account		2210-06-101-19-(01)		2210-06-101-19-(02)
VLC figures	629.10	529.10	100	424.83
SNA PFMS Report	629.10	467.48	161.62	424.83
Difference between VLC figures and PFMS report	0	61.62	-	0

The shortfall in the release of the central share to SNA account during 2024-25 is due to the release of GoI fund amounting to ₹100 crore at the fag-end of the financial year, on 24 March 2025. The amount was credited to the SNA account on 10 April 2025.

The variation amounting to ₹61.62 crore occurred due to the booking of Grant-in-Kind released by the GoI in the accounts through a Transfer Entry, by debiting 2210-06-101-19-01 National Health Mission (60:40)(Central share) and Crediting 1601-06-210-75 - Flexible Pool for RCH & Health system CSS. The details of Grant-in-Kind was not seen accounted under 'Central share transferred to SNA' in the SNA PFMS Report. An amount of ₹ 4.62 crore was outstanding in the SNA account as on 31 March 2025.

State Government replied (January 2026) that grants-in-kind releases were not included in SNA report 'Central share transfer to SNA' as the releases were provided by GoI in commodities. The total value of commodities released by GoI were shown under 'GoI release on commodities' in SNA-01 report in PFMS. It was also replied that NHM was migrated to SNA SPARSH and Finance department has approved the calculations of unspent balances submitted by SNA which is to be approved by the ministry concerned.

B. Mahatma Gandhi National Rural Employment Guarantee Programme (Material Cost) (75 per cent CSS)

The details on Central and State Share transfer in respect of Mahatma Gandhi National Rural Employment Guarantee Programme (Material Cost) (75 per cent CSS) during 2024-25 are given in **Table 2.20**.

Table 2.20: Central and State share transfer

(₹ in crore)

Source of Data	Central Share received	Central Share transferred to SNA	State Share transferred to SNA
Head of Account		4515-00-103-97-(01)	4515-00-103-97-(02)
VLC figures	460.49	460.49	153.50
SNA PFMS Report	460.49	460.49	153.50
Difference between VLC figures and PFMS report	0	0	0

There was no shortfall in transfer of Central and State share to SNA. An amount of ₹ 9.33 crore was outstanding in the SNA account as on 31 March 2025. State Government replied (January 2026) that the scheme was onboarded to SNA SPARSH on January 2026 and the calculation of the unspent balances is under verification in Finance Department

C. Saksham Anganwadi and Poshan 2.0 - Anganwadi Services (General) 60 per cent CSS

The details on Central and State Share transfer in respect of Saksham Anganwadi and Poshan 2.0 - Anganwadi Services (General) 60 per cent CSS during 2024-25 are given in **Table 2.21**.

Table 2.21 : Central and State share transfer

(₹ in crore)

Source of Data	Central Share received	Central Share transferred to SNA	Shortfall in transfer of Central Share	State Share transferred to SNA	Matching State share to be transferred	Shortfall in transfer of State share
Source of Data						
VLC figures		186.25 ³⁵		101.86 ³⁶	174.51	72.65
SNA PFMS Report	261.77	186.25	75.52	101.86		
Difference between VLC figures and PFMS report		0		0		

An amount of ₹ 9.28 crore was outstanding in the SNA account as on 31 March 2025. There was a shortfall in release of matching State Share by ₹72.65 crore.

The State Government replied (January 2026) that out of a total of ₹ 261.77 crore released by the Central Government for the Anganwadi services Scheme, ₹ 104.93 crore was released in March 2025 and this amount was deposited in the SNA account in 2025-26. Further during 2023-24 there was delay in receiving Central share and consequently State Government had allocated ₹

³⁵ 2235-02-102-18-01 - ₹ 169.63 crore; 2235-02-789-90-01 - ₹ 14.27 crore; 2235-02-796-90-01 - ₹ 2.35 crore

³⁶ 2235-02-102-18-02 - ₹ 90.78 crore; 2235-02-789-90-02 - ₹ 9.51 crore; 2235-02-796-90-02 - ₹ 1.57 crore

22.31 crore in advance for the smooth implementation of the scheme. Therefore, the said State share has been adjusted in the release for the financial year 2024-25. Due to this, there has been a reduction of ₹22.31 crore in the State allocation for the financial year 2024-25. The scheme has been onboarded to SNA SPARSH on 07 January 2026 and the process of refund of unspent balance is under process.

D. Pradhan Mantri Poshan Shakti Nirman (60 per cent CSS)

The details on Central and State Share transfer in respect of Pradhan Mantri Poshan Shakti Nirman 60% CSS during 2024-25 are given in **Table 2.22**.

Table 2.22: Central and State share transfer

(₹ in crore)

Source of Data	Central Share received	Central Share transferred	Short fall in release of Central Share to SNA	State Share transferred	Short release by State
Head of Account		2202-01-112-90-(01)		2202-01-112-90-(02)	
VLC	240.67	236.03	4.64	140.56	16.79
SNA PFMS Report	240.67	239.15	1.52	140.56	18.87
Difference between VLC figure & PFMS report		3.12		0	

There was shortfall in release of matching State share amounting to ₹16.79 crore during 2024-25. There is also a variation of ₹ 3.12 crore in the central share of VLC data vis-a-viz SNA PFMS Report. Audit observed that this variation was due to a misclassification of resumption of funds from the PSTSB Account No. 799012700001649 of Kerala State Civil Supplies Corporation Ltd by Additional Sub-Treasury Ernakulam. The previous year recovery was accounted as a minus debit in the current year account head instead of Account head 2201-01-911. An amount of ₹ 97.98 crore was outstanding in the SNA account as on 31 March 2025.

State Government replied (January 2026) that as the OM for the release of fourth instalment of the Central share was issued only on 30 March 2025, the matching state share was released to SNA in the subsequent financial year resulting in shortfall in release of state share during 2024-25.

E. Assistance to State Agencies for Intra-State movement of food grains and FPS dealers' margin under NFSA (50 per cent CSS)

The details on Central and State Share transfer in respect of Intra-State movement of food grains and FPS dealers' margin under NFSA (50% CSS) during 2024-25 are given in **Table 2.23**.

Table 2.23: Central and State share transfer

(₹ in crore)

Source of Data	Central Share received	Central Share transferred (Total)	State Share transferred SNA
Total VLC	72.07	84.95 ³⁷	84.95 ³⁸
SNA PFMS Report	63.60	76.49	76.49
SPARSH PFMS Report	8.47	8.47	8.47
PFMS report Total	72.07	84.96	84.96

An amount of ₹ 1.57 crore was outstanding in the SNA account as on 31 March 2025.

State Government replied (January 2026) that in accordance with Sub-Rule 8, 9 of Rule 10 of Food Security (Assistance to State Governments) rules, 2015, 75 per cent of the expected amount was allocated as Central Share at the beginning of the each financial year by GoI for implementation of NFSA scheme. After the utilisation of Central share, the State Government incurs expenditure towards the Central Share for the remaining months from there on, along with the State share. State Government submits the settlement claim for the sanction of the balance Central share at the end of the financial year. This has resulted in the difference between the Central share received and released to SNA account.

The unspent balance in the SNA account has been refunded to the Consolidated Fund of India/ Consolidated Fund of the State.

2.6.3 Observations relating to Budgetary process of CSS

The selected Centrally Sponsored Schemes were reviewed for the effectiveness of their budgetary process. The findings are as under:

A. Mahatma Gandhi National Rural Employment Guarantee Programme (75 per cent CSS) - Substantial Savings in the Budget Provision

There are substantial savings in the budget provision under the Central / State share of the Scheme 'Mahatma Gandhi National Rural Employment Guarantee Scheme (Material Cost)' during the period 2023-24 and 2024-25 as detailed below in Table 2.24.

Table 2.24 : Budget provision and Actual expenditure

(₹ in crore)

Year	Head of Account	Original Budget	Central Share receipts	Expenditure	Savings / Excess	Percentage of Savings
2023-24	4515-00-103-97-(01)*	688.05	372.17	372.17	(-)315.88	45.91
	4515-00-103-97-(02)#	229.35		124.06	(-)105.29	45.91
2024-25	4515-00-103-97-(01)	688.05	460.49	460.49	(-)227.56	33.07
	4515-00-103-97-(02)	229.35		153.5	(-)75.85	33.07

* Detailed head (01) represents Central Share of the CSS

Detailed head (02) represents State Share of the CSS

³⁷ 2408-01-101-92 (01) – ₹ 31.08 crore and 2408-01-101-91 (01) – ₹ 53.87 crore

³⁸ 2408-01-101-92 (02) – ₹ 31.08 crore and 2408-01-101-91 (02) – ₹ 53.87 crore

Scrutiny of SNA reports revealed that there was variation between the actual release of funds for CSS from GoI and the budget provision in the State Accounts. This resulted in large unspent budget provision under the Centrally Sponsored Scheme for Central and State Share during 2023-24 and 2024-25.

The responses of the State Government for the variation in budget provision and actual release of CSS funds have been called for and reply in this regard is awaited.

**B. Saksham Anganwadi and Poshan 2.0 - Anganwadi Services (General)
60% CSS - Substantial savings in the Budget provision in respect of
Central / State share**

Scrutiny revealed that there were substantial savings in budget provision in respect of central and state share during 2023-24 and 2024-25 as detailed in **Table 2.25**.

Table 2.25: Budget provision and Actual transfer of Central and Matching state share

(₹ in crore)

Year	Head of Account	Total Budget	Expenditure	Savings	Percentage of Savings
2023-24	2235-02-102-18-(01)*	291.48	127.97 ³⁹	(-)163.51	56.10
	2235-02-102-18-(02)#	194.32	107.63	(-)86.69	44.61
2024-25	2235-02-102-18-(01)*	291.48	169.63 ⁴⁰	(-)121.85	41.80
	2235-02-102-18-(02)#	194.32	90.78	(-)103.54	53.29

* Detailed head (01) represents Central Share of the CSS

Detailed head (02) represents State Share of the CSS

Scrutiny of SNA reports revealed that there was variation between the actual release of funds for CSS from GoI and the budget provision in the State Accounts. This resulted in large unspent budget provision under the Centrally Sponsored Scheme for Central and State Share during 2023-24 and 2024-25,

The reasons for the variation in budget provision and actual release of funds for CSS for the period 2023-24 and 2024-25 have been called for from the State Government and reply in this regard is awaited.

C. Assistance to State Agencies for Intra-State movement of food grains and FPS dealers' margin under NFSA (50% CSS) - Expenditure incurred without any budget provision

A scrutiny of the detailed Appropriation Account and VLC data for the period from 2022-23 to 2024-25, 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 2.26**.

³⁹ Includes ₹37.61 crore received during the fag-end of 2022-23 and excludes ₹ 29.42 crore received during the fag-end of 2023-24

⁴⁰ Includes ₹29.42 crore received during the fag-end of 2023-24 and excludes ₹ 56.59 crore received during the fag-end of 2024-25

Table 2.26 : Expenditure without budget allocation

(₹ in crore)

Sl No	Schemes	Year	Original Budget	Supple - mentary	Expenditure
1	2408-01-101-91-01 Central Share-Assistance to State Agencies for FPS dealers margin under NFSA (50% CSS).	2023-24	0	0	48.30
		2024-25	0	0	53.87
2	2408-01-101-91-02 – State Share-Assistance to State Agencies for FPS dealers margin under NFSA (50%CSS).	2023-24	0	0	48.30
		2024-25	0	0	53.87
3	2408-01-101-92-01 – Central share - Intra State movement of food grains under NFSA	2022-23	0	0	25.00
		2023-24	0	0	36.09
4	2408-01-101-92-02 – State share - Intra State movement of food grains under NFSA	2022-23	0	0	25.00
		2023-24	0	0	36.09
		2024-25	0	0	31.08

The expenditure for the schemes was met through reappropriation orders, as no budget provision had been made for this purpose. Audit observed that the funds for the scheme were initially provided under the Non-Plan Head of Accounts 2408-01-101-94-02 (FPS dealers margin under NFSA), and 2408-01-101-94-03 (Intra State movement of foods grains under NFSA). Subsequently, the required amount under the Plan Heads 2408-01-101-91, and 2408-01-101-92 were re-appropriated from the Non-Plan head of account 2408-01-101-94.

On this being pointed out, the Finance Officer, SNA stated that (October 2025) up to 2022-23, the ration dealer's commission for distribution of food grains was fully disbursed from the Non-Plan head of account 2408-01-101-94-(02), while transportation cost, related to ration distribution was met from 2408-01-101-94-(03) (NP). After the introduction of the SNA scheme through PFMS, although new Plan heads were created for the disbursement of ration dealer commission and for handling transportation expenses, the required funds continued to be allocated under the Non-Plan Heads 2408-01-101-94-(02) and 2408-01-101-94-(03). Subsequently, no separate budget provision was made under the plan head of accounts.

The reply is not acceptable as despite opening of new plan subheads for implementing the scheme, adequate budget provision was not provided under the requisite head of account during 2023-24 and 2024-25 indicating lack of Budget Planning. Meeting the expenditure repeatedly through reappropriation during the years indicates that the budget provision during 2024-25 was made without considering the previous year's expenditure as required under Paragraph 48 of Kerala Budget Manual.

2.6.4 Single Nodal Agency - Unspent Balance in Single Nodal Accounts

The Government of India, Ministry of Finance, Department of Expenditure vide Office Memorandum dated 23 March 2021, provided that every State Government is required to designate a Single Nodal Agency (SNA) for implementing each Centrally Sponsored Scheme (CSS). The SNA will open the

dedicated bank account for each CSS at the State level, in a Scheduled Commercial Bank authorised to conduct the government business by the State Government.

On review of the Public Financial Management System (PFMS) reports of the selected five schemes regarding the unspent balance and interest accrued on funds in the Bank account of the SNAs, the following observations were made.

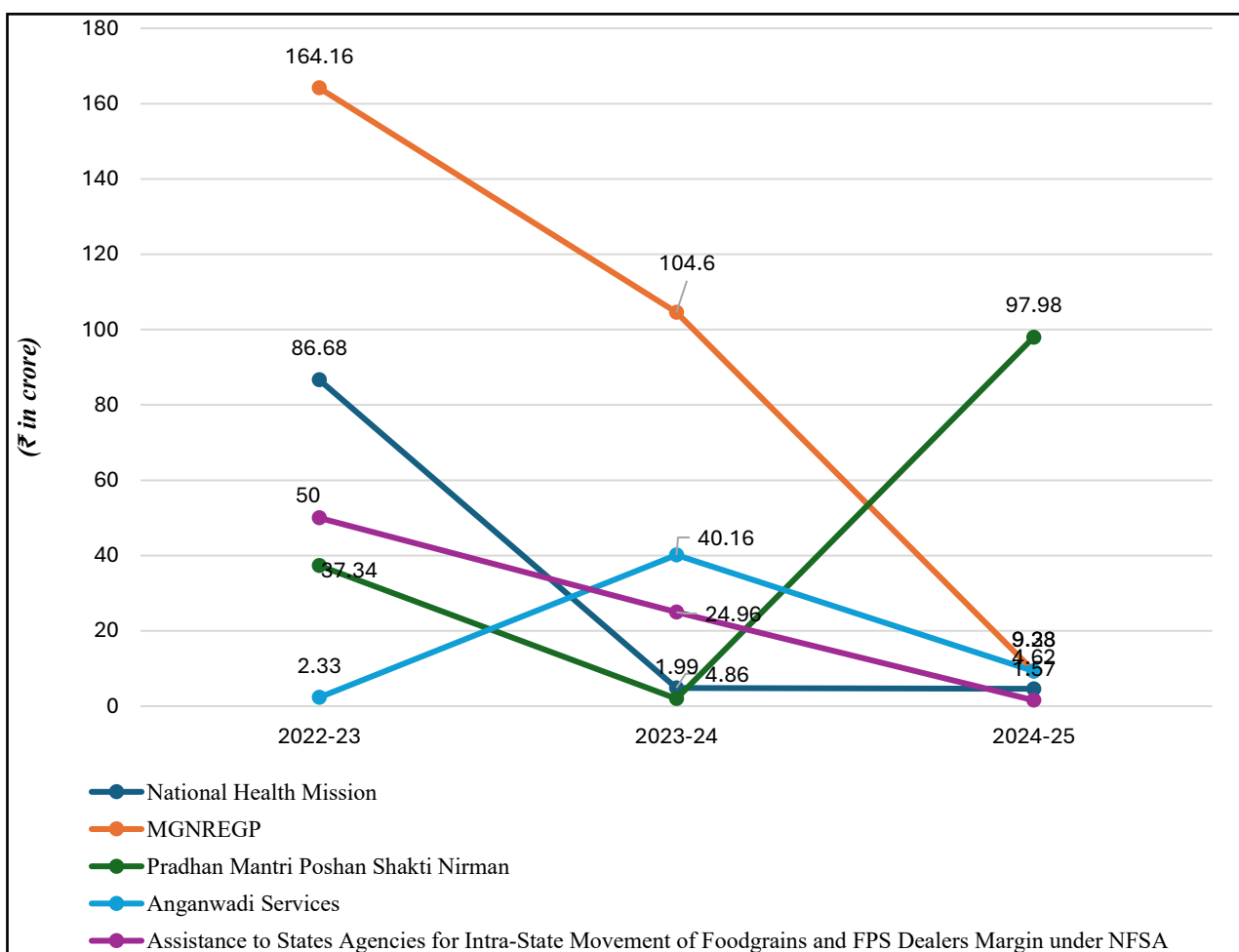
A. Unspent balance with SNA Accounts and interest accrued in the SNA Bank Account

During 2024-25, GoI released ₹1,594.01 crore being Central share of the Centrally Sponsored Schemes to State Government towards the five selected schemes. The State Government transferred an amount of ₹2,327.09 crore (₹1,429.85 crore being the Central Share and ₹897.24 being the State Share) to the SNA account during 2024-25. As on 31 March 2025, an amount of ₹ 122.78 crore remained unspent in the bank accounts of the SNAs in respect of the five Centrally Sponsored schemes as detailed in **Appendix 2.15**.

The trend of unspent balances in the selected five Centrally Sponsored Schemes during the period 2022-23 to 2024-25 is given in **Chart 2.10** below:

Chart 2.10: Trends of unspent balances

(₹ in crore)



The trend of unspent balances in respect of the five selected Centrally Sponsored Schemes indicate that the balances are declining over the period except in the case of 'Pradhan Mantri Poshan Shakti Nirman'.

Director of General Education, the SNA of PM Poshan, replied that (October 2025) the huge unspent balances at the end of year 2024-25 was due to receipt of third instalment of Central share from the Ministry of Education at the fag-end of the year.

B. Refund of Interest earned on savings bank Accounts of SNAs

As per OM F.No.1(13) PFMS/FCD/2020 issued by the Government of India, Ministry of Finance, Department of Expenditure, PFMS Division dated 23 March 2021, along with subsequent communications dated 30 June 2021 and 15 July 2022, interest earned from the funds released should be mandatorily remitted to the respective Consolidated funds on pro-rata basis in accordance with Rule 230(8) of GFR 2017. As per PFMS report, during the year 2024-25, a total interest amount of ₹ 8.02 crore was earned and credited to SNA's Accounts. Details are given in **Appendix 2.16**.

State Government replied (January 2026) that interest accrued in the SNA accounts till the end of financial year 2024-25 of Centrally Sponsored Scheme have been remitted to the Consolidated Fund of India and Consolidated Fund of State.

C. Penal interest due on delayed transfer of Government of India funds to SNA account

Government of India vide Letter F.No.1(13)/PFMS/2020 from MoF, Dept of Expenditure dated 16 February 2023 directed that State Government has to transfer both the Central Share and the commensurate State share to the SNA account within 30 days of the receipt of the Central share. Penal interest @ 7 per cent per annum w.e.f. 01 April 2023 would be levied on the number of days of delay beyond the stipulated 30 days in transferring the Central share to SNA account.

On review of PFMS portal, Audit observed that there were delay ranging from nine to 136 days in transfer of funds in respect of three SLS (NHM, MGNREGP and PM Poshan) out of five selected schemes. The delay in transfer of Central share to SNA within the prescribed time limit resulted in interest liability of ₹7.27 crore to the State (September 2025) as detailed in **Appendix 2.17**. The interest liability of ₹7.27 crore has not been discharged by the State Government till date.

State Government replied (January 2026) that SNA have been directed to verify the accuracy of the figures in PFMS report. It was also replied that the matter would be taken up with the Accountant General (A&E) to arrange remittance of penal interest due.

2.6.5 Single Nodal Agency-SPARSH

SNA-SPARSH (Single Nodal Agency, a Real-time System for Integrated Quick Transfers) was introduced by the Ministry of Finance in July 2023 as an alternative to the Single Nodal Agency (SNA) model for releasing funds for

CSS to State Governments. This system developed under the PFMS platform, aims to achieve “just-in time” fund flow for Centrally Sponsored Schemes by integrating the Public Financial Management System (PFMS), State Integrated Financial Management Information System (IFMIS), and e-Kuber of the Reserve Bank of India (RBI), facilitating efficient and transparent fund disbursement.

Ninety-Nine Centrally Sponsored Schemes are being implemented in Kerala as per Finance Accounts 2024-25. GoI notified to onboard (21 May 2024) 27 Centrally Sponsored Schemes to SNA-SPARSH and further notified (10 June 2025) to onboard additional 37 schemes to SNA-SPARSH. 11 Schemes and the corresponding State Linked schemes (SLS) have been completely onboarded to SNA-SPARSH as per the reply given by Government (October 2025). 42 schemes and the corresponding SLS are yet to be on-boarded to SNA – SPARSH. The remaining 11 schemes have been partly on-boarded as a few SLS in each of these schemes were yet to be onboarded completely.

State Government replied (January 2026) that the complete onboarding of 11 schemes could not be done as allocation from Ministries had been received for certain SLS only and SLSs which have not received allocation were not onboarded due to non-availability of Funds.

State Government also replied (January 2026) that 31 notified Centrally Sponsored Schemes and corresponding 95 State Linked Schemes have been onboarded to SNA SPARSH as on January 2026.

Out of the five selected schemes, four⁴¹ have been notified⁴² by Ministry of Finance for onboarding to SNA-SPARSH platform. Of the four, only one scheme/SLS, *Assistance to State Agencies for Intra-state movement of food grains under NFSA (50% CSS)- SLS code KL200*, has been onboarded (March 2025) to SNA SPARSH model. State Government replied (January 2026) that out of five schemes three⁴³ have been onboarded to SNA SPARSH. Two SLS under MGNREGP has also been onboarded. It was also replied that the Ministry concerned have directed the scheme ‘Pradhan Mantri Poshan Shakti Nirman’ to continue in SNA system.

A. Migration from SNA to SNA - SPARSH Model

A Single Nodal Agency (SNA) is a designated agency that manages funds for Centrally Sponsored Schemes (CSS) on behalf of a State, whereas SNA-SPARSH is a cash management initiative for Centrally Sponsored schemes fund flow from both the Centre and State Consolidated Funds through an integrated framework of PFMS, State IFMIS, and e-Kuber platform of RBI. SNA-SPARSH in an attempt to achieve the goal of “just-in-time” fund flow and to enable the stakeholders (Central Ministries/ Departments and State Government) to monitor the release of central share. As per OM F.No.1(27)/PFMS/2020 issued by the Ministry of Finance, Department of

⁴¹ Assistance to State Agencies for Intra-state movement of food grains under NFSA (50% CSS), Mahatma Gandhi National Rural Employment Guarantee Programme (Material Cost) (75% CSS), National Health Mission (60% CSS), Pradhan Mantri Poshan Shakti Nirman (60% CSS).

⁴² Notified vide F.No. 1(27)/PFMS/2020 dated 21 May 2024 & vide F.No.1(27)/PFMS/2020 dated 17 December 2024.

⁴³ National Health Mission, ICDS-Anganwadi Services and Assistance to State Agencies for intra state movement of food grains under NFSA

Expenditure, PFMS Division, Government of India, dated 13 July 2023, upon onboarding of a scheme to SNA- SPARSH platform, the SNA is required to close all the SNA accounts pertaining to the scheme and refund the Central share / State share of unspent balance lying in the SNA accounts to the respective Consolidated Funds. Further, the Central share under the scheme lying in State Treasury, should also be refunded to the Consolidated Fund of India as per the sharing pattern.

The CSS ‘Assistance to State Agencies for Intra-State Movement of Food Grains under NFSA (50% CSS)’ was onboarded onto the SNA-SPARSH system in March 2025 and first payment was made through SNA- SPARSH on 19 March 2025. It was observed that the unspent balances/ interest was refunded to the respective Consolidated Fund of India/State by the end of September 2025 only.

State Government replied (January 2026) that remitting of unspent balance involves vetting of calculation of central share and state share by Finance department and approval by Ministry concerned which is a time-consuming process. It has also been replied that NHM and ICDS Anganwadi service has since been fully onboarded to SNA Sparsh scheme in November 2025 and January 2026. It has also been replied that in respect of the CSS ‘Pradhan Mantri Poshan Shakti Nirman (60% CSS)’, the Ministry concerned has directed that the scheme may be continued in SNA system.

B. Government of India Incentive scheme for capital investment in IT

Part XI of the guidelines of the ‘Scheme for Special Assistance to States for Capital Investments (SASCI) 2024-25’ stipulates that States would be eligible for an incentive amount of ₹250 crore upon onboarding of at least five CSS onto “SNA-SPARSH” model by 31 January 2025. The states which have onboarded a few CSS on the SNA SPARSH model in the financial year 2023-24 would also be eligible for the incentive. As per the above guidelines, onboarding of a scheme means successful transmission of at least one file per scheme by State IFMS to PFMS, release of central share to the Consolidated Fund of the State by the ministry concerned and release of payment (both Central and State share) by RBI to vendors/ beneficiaries. The State Government is also required to provide a list of capital projects for which it intends to utilize the eligible incentive amount.

State Government replied (January 2026) that though the State has intimated (June 2025) GoI regarding successful onboarding of six Centrally Sponsored Schemes for releasing the eligible incentive amount of ₹300 crore, the same has not been received from GoI till date.

2.7 Other Issues noticed in detailed Review of selected grants

A. Single Nodal Agency

(i) Migration to SNA-Sparsh

GoI notified (May 2024) to on-board 27 Centrally Sponsored Schemes to SNA-SPARSH platform with effect from 01 June 2024. Of the 27 schemes notified for onboarding to SNA-SPARSH, three schemes namely, AMRUT (Atal Mission for Rejuvenation and Urban Transformation), Swachh Bharat Mission

(SBM)-Urban, Pradhan Mantri Awas Yojna (PMAY) fall under Grant No XXII, Urban Development. As per the State Government reply (October 2025), under AMRUT scheme, out of five State Linked Schemes (SLS), four SLS were onboarded in March 2025, while one SLS is yet to be onboarded. Under SBM-Urban scheme, out of five SLS, two SLS were onboarded in July 2025, while another two SLS were onboarded in September 2025 and one SLS is yet to be onboarded. Under PMAY, out of two SLS, one SLS was onboarded in August 2025 and the other SLS (KL 375) was yet to be onboarded pending allocation from the concerned Ministry.

Further, in June 2025, GoI notified to on-board an additional 37 Centrally Sponsored Schemes to SNA-SPARSH with effect from 01 November 2025. Of these 37 schemes notified schemes, two schemes namely PM Young Achievers Scholarship Award Scheme for Vibrant India (PM YAASAVI) for OBCs, EBCs and DNT and PM Vanbandhu Kalyan Yojna fall under Grant No XXV. State Government replied (January 2026) that one CSS under 'PM Vanbandhu Kalyan Yojna' has been onboarded in December 2025. None of the other schemes were on-boarded to SNA-SPARSH platform. Government also stated that the process of on-boarding was going on and RBI accounts have been opened and mapped to PFMS and the mother sanctions have also been received.

(ii) Non remittance of interest accrued due to delay in transfer of CSS funds

As per the procedure⁴⁴ for the release of fund for Centrally Sponsored Schemes (CSSs), the State Government shall transfer the Central share as well as the commensurate State share to the SNA account within 30 days of receipt of Central share.

Further, a penal interest of 7 *per cent* per annum is to be charged w.e.f. 01 April 2023 on the number of days of delay in transfer of Central share beyond 30 days to the SNA account. The penal interest shall be deposited by the State Government to the Consolidated Fund of India.

Scrutiny of SNA Reports under Grant No XXII- Urban Development revealed that there was a delay ranging from three to 54 days in transferring the Central share of the CSS to the SNA account. State had also not provided any penal interest for the delay in transferring the Central share of CSS to the Consolidated Fund of India. The interest liability vis-à-vis the delay works out to ₹0.36 crore calculated at a rate of seven *per cent* per annum as given in **Table 2.27**:

⁴⁴ Para 16 of Letter No. 1(13)/PFMS/FCD/2020 dated 23rd March, 2021 and Letter No. F. No. 1(13)/PFMS/2020 dated 16th February, 2023

Table 2.27 : Delay in transfer of CSS funds and total interest liability for the year 2024-25

(₹ in crore)

Sl. No.	Centrally Sponsored Scheme	Central Share Amount released by State Treasury to SNA	Date of transfer of Central share to State Treasury	Date of transfer of State treasury to SNA	Delay in release (in days)	Interest Amount
1	Urban Rejuvenation Mission – 500 Cities	22.16	29 March 2024	20 June 2024	54	0.23
2	Mission for Development of 100 Cities	28.75	22 March 2024	23 April 2025	3	0.02
		49.00	25 June 2024	31 July 2024	7	0.07
		24.38	25 June 2024	01 August 2024	8	0.04
Total						0.36

Source: SNA – 15 Report generated from PFMS

The reasons for the delay in transferring the Central share of CSS to the SNA account have been called for from Finance Department, however, no reply has been received till date.

Scrutiny of SNA reports under the Grant No XXV- Welfare of Scheduled Castes, Scheduled Tribes, Other Backward Classes and Minorities revealed that there was delay ranging from 53 to 212 days in transferring the Central share of various CSS to the SNA account as detailed in **Table 2.28**. State had also not provided any penal interest for the delay in transferring the Central share of CSS to the Consolidated Fund of India. The interest liability works out to ₹0.35 crore calculated at a rate of seven *per cent* per annum during the period as shown in **Table 2.28**:

Table 2.28 : Delay in transfer of CSS funds and total interest liability for the year 2024-25

(₹ in crore)

Sl. No	Centrally Sponsored Scheme	Central Share released by State Treasury to SNA	Date of transfer of Central share to State Treasury	Date of transfer of State treasury to SNA	Delay in release (in days)	Interest Amount
Directorate of Scheduled Castes Development						
1	Post-matric Scholarship - SCs	0.96	09-02-2024	29-10-2024	212	0.04
Directorate of Scheduled Tribes Development						
2	Pre-matric Scholarship - STs	1.50	28-02-2024	25-10-2024	208	0.06
Directorate of Backward Classes Development						
3	Pre-matric Scholarship for OBC, EBC and DNT students – PM YASASVI	8.80	31-03-2024	21-06-2024	53	0.09
		7.58	25-10-2024	10-03-2025	107	0.16
Total						0.35

Source : SNA – 15 Report generated from PFMS

The total penal interest of liability ₹0.71 crore under the two grants was yet to be discharged by the State to the Consolidated fund of India. State Government replied (January 2026) that SNA have been directed to verify the accuracy of the figures in PFMS report. It was also replied that the matter would be taken up with the Accountant General (A&E), Kerala to arrange remittance of penal interest due.

The reasons for the delay in transferring the Central share of CSS to the SNA account has been called for from the Finance Department and reply is awaited.

(iii) Unspent balances in SNA account as on 31 March 2025 and interest earned during the year 2024-25

As per the procedure⁴⁵ for the release of funds for Centrally Sponsored Schemes, the Single Nodal Agency should ensure that the interest earned from the funds released should be mandatorily remitted to the respective Consolidated Funds on pro-rata basis.

Interest is earned on the balances held in the SNA account associated with SLSs (State Linked Schemes) linked with CSSs (Centrally Sponsored Schemes) and the same has to be transferred to the Consolidated Fund of India and State Treasury in the scheme's Centre-State ratio.

As per SNA reports⁴⁶ generated from PFMS for Grant No XXII-Urban Development, the total interest earned during 2024-25 relating to the SNA accounts of the State Linked Schemes are yet to be transferred to the Consolidated Fund of India and the Consolidated Fund of State as detailed in **Table 2.29:**

Table 2.29: Interest earned during the year 2024-25 and cumulative outstanding balances as on 31 March 2025

<i>(₹ in crore)</i>				
Sl. No.	State Linked Scheme Code	State Linked Scheme Name	Total interest earned during 2024-25	Cumulative outstanding balances in SNA accounts as on 31 March 2025
1	KL312	Atal Mission for Rejuvenation and Urban Transformation AMRUT 2.0 - Municipality (50 %)	0.71	4.17
2	KL264	Local Area Plan/Town Planning Scheme	0.01	0.25
3	KL352	Amrut 2.0 Pilot Project National Urban Digital Mission	0.01	0.07
4	KL368	Sub Scheme on Formulation of GIS based Master Plans of Towns with population 50000 - 99999 under AMRUT 2.0	0.10	7.23
5	KL294	Smart City Mission, Cochin	1.54	39.33
6	KL298	Smart City Mission, Thiruvananthapuram	2.70	71.98
Total			5.07	123.03

Source: SNA Report No. 04⁴⁷ and SNA Report No. 01⁴⁸ generated from PFMS

⁴⁵ Para 16 of Letter No. 1(13)/PFMS/FCD/2020 dated 23rd March 2021

⁴⁶ SNA - 04 Report – Interest Income, SNA - 01 Report – Comprehensive Report for Releases and expenditure and outstanding balance.

⁴⁷ Report on Interest Income.

⁴⁸ Comprehensive Report for Release and Expenditure, and outstanding balances.

The reasons for the unspent balances in SNA accounts are awaited from Directorate of Urban Affairs.

The details of interest credited and total outstanding in SNA Accounts for Grant No XXV- Welfare of Scheduled Castes, Scheduled Tribes, Other Backward Classes and Minorities at the end of 2024-25, are given in **Table 2.30**:

Table 2.30: Interest earned during the year 2024-25 and cumulative outstanding interest balances as on 31 March 2025

(₹ in crore)

SI No	State Linked Scheme Code	State Linked Scheme Name	Total Interest Credited in 2024-25	Outstanding Balances as on 31 March 2025
Directorate of Scheduled Castes Development				
1	KL319	Post-matric Scholarship -SCs	0.39	1.77
2	KL290	Special Central Assistance to Special Component Plan (SCA to SCP) (Linked CSS - Pradhan Mantri Anusuchit Jaati Abhyuday Yojana (PM AJAY))	0.06	2.97
Directorate of Scheduled Tribes Development				
1	2921	Post-matric Scholarship to ST Students	0.85	3.08
2	2948	Pre-matric Scholarship to ST Students (Class IX and X)	0.04	1.80
Directorate of Backward Classes Development				
1	2924	Pre-matric scholarship for OBCs	1.04	29.96
2	2919	Post matric scholarship to students belonging to OBCs	1.17	42.89
Total			3.55	82.47

The reasons for outstanding balance at the end of the financial year in the SNAs have also been called from the Government and the reply is awaited.

2.8 Conclusions

Excess expenditure to the tune of ₹ 2,629.79 crore incurred from 2016-17 to 2023-24 pertaining to 45 grants are pending regularisation from the State Legislature. Further, in financial year 2024-25 also, the State Government incurred an excess expenditure of ₹ 2,684.44 crore in three grants. Besides, instances of incurring expenditure through re-appropriations, without the authority of law, were also noticed during the financial year. The persistence of excess expenditure, incurring irregular expenditure through re-appropriations and delay in taking timely action to regularize the excess expenditure is indicative of weak financial accountability towards legislature.

Audit of specific grants and selected State linked CSS schemes revealed existence of persistent savings across the years. This requires detailed evaluation by the Government for identifying the systemic weaknesses in incurring expenditure and reducing the errors in forecasting the budgetary

requirements for these schemes.

As on 06 January 2026, 31 Centrally Sponsored Schemes and corresponding 95 State Linked schemes have been onboarded to SNA SPARSH. The non-crediting of interest earned on the unspent balances of SNA accounts and delays in transferring CSS share to SNA accounts are other important areas which warrant immediate attention and action from the State Government towards strengthening of the implementation of centrally sponsored schemes.

2.9 Good practices

We also acknowledge the efforts taken by the State Government in onboarding 31 notified Centrally Sponsored Schemes and corresponding 95 State Linked Schemes to SNA SPARSH as on January 2026.

2.10 Recommendations

- 1. State Government should undertake immediate steps to regularize the excess expenditure made from the financial year 2016-17 in contravention to the Article 205 of the Constitution of India.*
- 2. The State Government should implement systemic check to prevent incurring of excess expenditure in violation of Article 205 of the Constitution of India under various grants.*
- 3. Government may expedite the process of onboarding the remaining Centrally Sponsored Schemes to SNA-SPARSH platform to enable timely and efficient fund-flow management and address issues related to fund releases and management under the SNA accounts.*
- 4. Administrative Departments may be sensitised to prepare the budgetary requirements of Centrally Sponsored Schemes meticulously and realistically to avoid persistent savings and thus, facilitate efficient budget management.*

