FIFTEENTH KERALA LEGISLATIVE ASSEMBLY

COMMITTEE

ON

PUBLIC ACCOUNTS

(2023-2026)

FORTY THIRD REPORT

(Presented on Ist February, 2024)

SECRETARIAT OF THE KERALA LEGISLATURE
THIRUVANANTHAPURAM
2024

FIFTEENTH KERALA LEGISLATIVE ASSEMBLY

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On

Paragraphs relating to Finance Department contained in the Report of the Comptroller and Auditor General of India for the year ended 31st March 2016 (State Finances)

288/2024.

CONTENTS

COMMITTEE ON PUBLIC ACCOUNTS

(2023-2026)

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Smt. Beena O. M., Under Secretary.

INTRODUCTION

I, the Chairman, Committee on Public Accounts, having been authorised by the Committee to present this Report, on their behalf present the Forty Third Report on paragraphs relating to Finance Departments contained in the Report of the Comptroller and Auditor General of India for the year ended 31st March 2016 (State Finances).

The Report of the Comptroller and Auditor General of India for the year ended on 31st March 2016 (State Finances) was laid on the Table of the House on 28th February 2017.

The Committee considered and finalised this Report at the meeting held on 10th January, 2024.

The Committee place on records our appreciation of the assistance rendered to us by the Accountant General in the examination of the Audit Report.

Thiruvananthapuram
Ist February, 2024.

SUNNY JOSEPH
Chairman,
Committee on Public Accounts.

REPORT

FINANCE DEPARTMENT

Profile of Kerala

The State is located at the southern end of the country, sharing borders with Tamil Nadu and Karnataka. Geographical area wise, Kerala is ranked 21st in the country with an area of 38,863 sq.km. The State has a population of 3.34 crore (12th in the country) and it is ranked as the third most densely populated State with a density of 860 persons per sq.km. The decadal growth rate of population was five per cent (3.18 crore in 2001 to 3.34 crore in 2011), which is the lowest rate among Indian states. The literacy rate of Kerala (94 per cent) is the highest among the Indian states. Gross State Domestic Product (GSDP) in 2015-16 of the State at current prices was ₹5,85,467 crore. The per capita income (2015-16) of the State at current prices stands at ₹1,64,462. General data relating to the State is given in Appendix III (Appendix 1.1)

Gross State Domestic Product (GSDP)

GSDP is the market value of all officially recognized final goods and services produced within the State in a given period of time. The growth of GSDP of the State is an important indicator of the State's economy as it indicates the standard of living of the State's population. The trends in the annual growth of India's GDP at current prices are indicated below:

Table 1.1: Trends in annual growth of GDP and GSDP (at current prices)

Particulars	2011-12*	2012-13*	2013-14*	2014-15*	2015-16**
India's GDP (₹ in crore)	87,36,039	99,51,344	1,12,72,764	1,24,88,205	1,35,76,086
Growth rate of GDP (percentage)	..@	13.91	13.28	10.78	8.71

State's GSDP (₹ in crore)	3,64,048	4,12,313	4,62,916	5,19,896	5,85,467
Growth rate of GSDP (percentage)	..@	13.26	12.27	12.31	12.61

Source : Figures furnished by Economics and Statistics Department, Government of Kerala

*Consequent on the revision of the base year from 2004-05 to 2011-12 with effect from the current financial year, the GDP and GSDP figures for the years 2011-12 to 2014-15 have been revised.

**GDP and GSDP figures for the year 2015-16 are also with reference to the base year 2011-12.

@Growth rate of GDP and GSDP not indicated, since comparison with the year 2010-11 could not be made as the base year has been revised to 2011-12.

Growth rate of GSDP had shown marginal increase during the last three years, but it was less than the growth rate shown in 2012-13.

1.1 Introduction

This chapter is based on the audit of Finance Accounts and makes an assessment of the fiscal position of the Government of Kerala as on 31st March 2016. It provides a broad perspective of the finances of the State during 2015-16 along with analysis of the critical changes in the major fiscal aggregates relative to the previous year, keeping in view the overall trends during the last five years. The structure and form of Government Accounts have been explained in Appendix III (Appendix 1.2 Part A) and the layout of the Finance Accounts is shown in Appendix III (Appendix 1.2 Part B). The methodology adopted for the assessment of the fiscal position of the State is given in Appendix III (Appendix 1.3 Part A). As per the Kerala Fiscal Responsibility Act, 2003 the State Government has to present a Medium Term Fiscal Policy and Strategy Statement with Medium Term

Fiscal Plan, along with the budget document. The Medium Term Fiscal Plan for 2015-16 to 2017-18 was presented in the State Legislature in March 2015. It is included as Appendix III (Appendix 1.3 Part B) of this report.

1.1.1 Summary of Fiscal Transactions during the current year

Table 1.2 presents the summary of the State Government's fiscal transactions during the current year (2015-16) vis-a-vis the previous year (2014-15). Appendix III (Appendix 1.4 (Part A and Part B)) provides details of receipts and disbursements as well as the overall fiscal position during the current year.

Table 1.2: Summary of fiscal operations in 2015-16

(₹ in crore)

Receipts	2014-15	2015-16	Disbursements	2014-15	2015-16		
Section-A : Revenue					Non-Plan	Plan	Total
Revenue Receipts	57950.47	69032.66	Revenue Expenditure	71746.43	66610.98	12078.49	78689.47
Tax Revenue	35232.50	38995.15	General Services	31432.75	35967.70	116.98	36084.68
Non-Tax Revenue	7283.69	8425.49	Social Services	23718.11	20011.73	7591.56	27603.29
Share of Union Taxes/Duties	7926.29	12690.67	Economic Services	10197.57	6728.47	4369.95	11098.42
Grants from Government of India	7507.99	8921.35	Grants-in-aid and Contribution	6398.00	3903.08		3903.08

Section-B : Capital and Others							
Miscellaneous Capital Receipts	28.17	28.08	Capital Outlay	4254.59	981.56	6518.48	7500.04
Recoveries of Loans and Advances	123.74	152.63	Loans and Advances Disbursed	743.09	434.64	407.61	842.25
Public Debt Receipts	18509.17	19658.74	Repayment of Public Debt	5842.77			6060.73
Contingency Fund	67.39	0.00	Contingency Fund	...			..
Public Account receipts	141521.71	168623.44	Public Account Disbursements	136242.59			162824.67
Opening Cash Balance	2279.82	1651.00	Closing Cash Balance	1651.00			3229.39
Total	220480.47	259146.55	Total	220480.47			259146.55

Source : Finance Accounts for 2014-15 and 2015-16

Following are the significant changes noticed during 2015-16 compared to the previous year.

- Revenue receipt of the State increased by ₹11082.19 crore (increase of 19.12 per cent over the previous year), mainly due to the increase in

State's share of union taxes and duties (₹4,764.38 crore) and State's own tax revenue (₹3,762.65 crore).

- Revenue expenditure of the State recorded an increase of ₹6,943.04 crore (increase of 9.68 per cent over the previous year), mainly due to the increase in expenditure on General Services by ₹4,651.93 crore and Social Services by ₹3885.18 crore. This increase was partly offset by the decrease in expenditure on Grant-in-aid and Contributions to Panchayati Raj Institutions by ₹2,494.92 crore.
- Substantial increase of 76.28 per cent was noticed in capital expenditure of the State, which increased from ₹4,254.59 crore in 2014-15 to ₹7,500.04 crore in 2015-16.
- Cash balance position of the State also improved from ₹1,651 crore at the end of 2014-15 to ₹3,229.39 crore at the end of 2015-16.

1.1.2 Accuracy of estimation in Budget documents

The estimated statement of receipts and expenditure for a financial year mentioned in the Constitution as the 'Annual Financial Statement', commonly known as 'Budget', is prepared according to Article 202 of the Constitution of India and placed before the State Legislature by the Government. The budget is Government's most important economic policy tool, that translates Government's policies, commitments, goals into decisions on plans to raise the estimated revenue and how to use these funds to meet the State's competing needs. A budget system that functions well is crucial in developing sustainable fiscal policies and economic growth.

Comparison of State's budget estimates vis-a-vis actuals for the year 2015-16 is detailed in Table 1.3.

Table 1.3: Budget estimates and actuals for 2015-16

(₹ in crore)

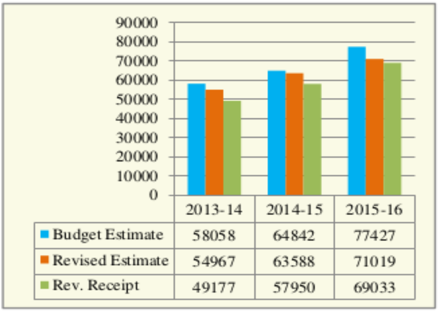
Particulars	Budget Estimate	Revised Estimate	Actual
Revenue Receipts	77427.20	71019.72	69032.66
Revenue Expenditure	85259.12	81834.21	78689.47
Revenue Deficit	7831.92	10814.49	9656.81
Capital Expenditure	9220.16	6206.21	7500.04
Loans and Advances (Net)	673.19	724.44	689.62
Public Debt (Net)	16509.49	14874.49	13598.01
Public Account (Net)	1207.06	2740.95	5798.77

Source : Budget in brief for 2016-17 and Finance Accounts for 2015-16

The revised estimation needs to be more accurate than the original budget estimation as it was done after analysing the receipts and expenditure of the first six months of the financial year. Though, there was variation in respect of actual revenue receipts and revenue expenditure (of about ₹2,000 crore and ₹3,000 crore respectively) against revised estimate, this variation was less than five per cent. However, variations in capital expenditure and net accretions in the Public Account with respect to the revised estimate were more than 20 per cent and 112 per cent respectively. The comparison of last three years budget estimate, revised estimate, actuals in respect of revenue receipt and revenue expenditure is given in Chart 1.1.

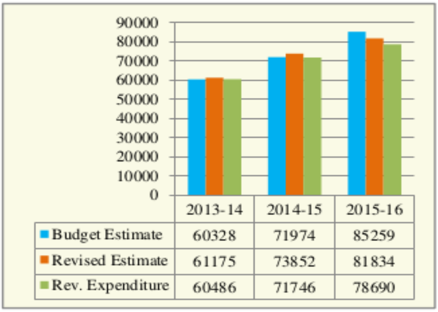
Chart 1.1 : Comparison of budget estimates and actuals

Revenue Receipts (₹ in crore)



	2013-14	2014-15	2015-16
Budget Estimate	58058	64842	77427
Revised Estimate	54967	63588	71019
Rev. Receipt	49177	57950	69033

Revenue Expenditure (₹ in crore)



	2013-14	2014-15	2015-16
Budget Estimate	60328	71974	85259
Revised Estimate	61175	73852	81834
Rev. Expenditure	60486	71746	78690

1.1.3 Status of new schemes announced in the budget speech

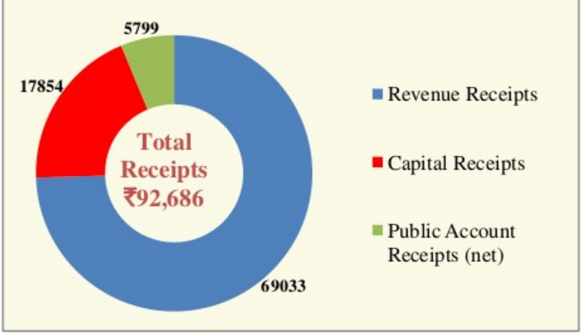
While presenting the budget, 82 new schemes were announced for implementation during the year 2015-16. However, budget allocations were made in 41 schemes and ₹1190.71 crore were incurred on the implementation of 23 schemes. Thus, majority of the schemes (59 schemes) announced in the budget speech remained in paper only at the end of the year.

1.2 Resources of the State

1.2.1 Resources of the State as per the Annual Finance Accounts

Revenue and capital are the two streams of receipts that constitute the resources of the State Government. Revenue receipts consist of tax revenues, non-tax revenues, State's share of union taxes and duties and grants-in-aid from the Government of India (GoI). Capital receipts comprise of miscellaneous capital receipts such as proceeds from disinvestments, recoveries of loans and advances, debt receipts from internal sources (market loans, borrowings from other financial institutions/commercial banks) and loans and advances from GoI. The funds available in the Public Accounts after disbursement are also utilised by the Government to finance its deficit. Charts 1.2, 1.3 and 1.4 depict the composition of resources of the State during the current year.

Chart 1.2 : Composition of Receipts ***(₹in crore)***



Note: Under Capital Receipts, transactions under 'Ways and Means advances' was excluded and under Public Accounts only net receipts was considered.

Chart 1.3 :Composition of Revenue Receipts (₹*in crore*)

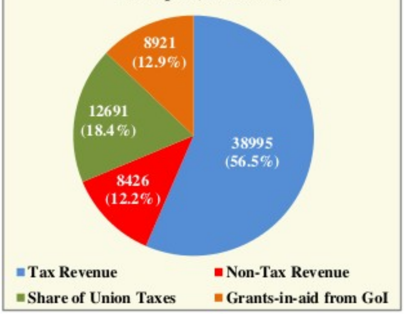
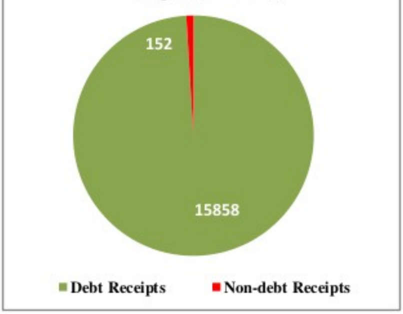


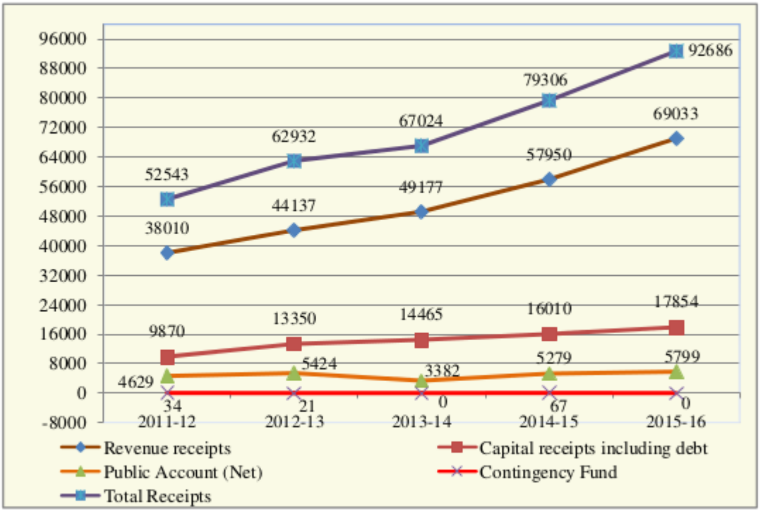
Chart 1.4 :Composition of Capital Receipts (₹*in crore*)



Capital Receipts of the State includes Debt Receipts and Non-debt receipts. Debt receipts consists of loans raised by the State from various sources (open market sources and financial institutions) and loans received from Government of India. Non-Debt receipts are receipts from Capital receipts (disinvestment of shares) and recovery of Loans and Advances disbursed by the State Government.

Total receipts[1] of the State Government increased from ₹52,543 crore in 2011-12 to ₹92,686 crore in 2015-16, showing an increase of 76.4 per cent during the last five years. Trend in total receipts and its components during the last five years is given in Chart 1.5.

Chart 1.5: Trends in total receipts during the last five years (₹in crore)



1.2.2 Receipt and utilisation of GoI flagship programmes

State level implementing agencies are implementing flagship programmes of Government of India and sizeable amounts are passed on to them through State budget. Details of Central funds received and passed on to the implementing agencies along with the State shares during 2015-16 are given in Appendix III (Appendix 1.6). An amount of ₹3,450.16 crore (GoI share: ₹2,606.61 crore and State share: ₹843.55 crore) was released to the implementing agencies for 12 flagship programmes of GoI and at the end of March 2016 an amount of ₹677.86 crore remained unutilised with these agencies. The major portion of the unutilised

1 Consists of Revenue receipts, Capital receipts (including Debt receipts but excluding Ways and Means advances) and Public Account receipts.

balance belongs to Indira Awas Yojana (₹234.80 crore), Mahatma Gandhi National Rural Employment Guarantee Scheme (₹131.58 crore) and Sarva Shiksha Abhiyan (₹112.92 crore).

[Audit paragraphs 1.1 to 1.2.2 contained in the Report of the Comptroller and Auditor General of India for the year ended 31st March 2016 (State Finances)]

[Notes furnished by Government on the above audit paragraphs are included as Appendix-II]

Excerpts from the Committee's discussion with departmental officials.

(1) Regarding the audit para, the Committee enquired about the status of the unutilised amount of ₹ 677.86 crore available with the implementing agencies. To which the Secretary, Finance (Resources) Department replied that those were the amounts related with carry forwarded projects for a period of time and had quantified it to the departments and by the time, most of the Departments had fully utilized the amount. The witness, Additional Secretary, Finance (Secret) Department, replied that mostly CSS funds comes under the receipt head of the State Government during the months of February and March. Therefore, the amount could not be completely utilised by March 31st, but it would be utilized in the following financial year.

(2) The Committee further opined that it could be justified if the remaining funds were utilised in the following financial year. The committee enquired whether there was delay in the execution of CSS in the State due to its unfavourable guidelines and whether the national level yardsticks were suitable to the State. To which the Secretary, Finance Department informed that in some schemes, including the Mahatma Gandhi National Rural Employment Guarantee Scheme, norms are being modified yearly. In such cases, the Government seeks exemptions from the concerned Central Administrative Department. But in some cases it was hard to liberalise the project conditions.

(3) The Committee enquired whether the figures in Finance Department were reconciled with those of Accountant General. The Secretary, Finance Department replied that it was reported that adjustments had been made in the succeeding financial years. Since the State share was released after receiving

Central Fund during the months of January and February, it could be utilised only in the following years.

(4) The Committee observed that the State share of all Centrally Sponsored Schemes was released in the last quarter of the financial year. Therefore, only a small portion of the fund could be utilised in the same financial year. The Committee further noticed that many conditions attached to the Centrally Sponsored Schemes were found unsuitable to the State. Therefore, the Committee recommended to release the state share of Centrally Sponsored Schemes in the beginning of the financial year itself and also to review the suitability of the guidelines of Centrally Sponsored Schemes to the requirements of the State.

(5) The witness, Additional Secretary, Finance (Secret) Department explained that due to the financial crisis in 2015-16 there was a delay in releasing State shares. He further stated that the concerned administrative departments had been empowered, vide a Government Order issued in 2017, to release funds for Centrally Sponsored Schemes without the sanction from the Finance Department. As one time assistance, almost ₹1000 crore was released for 'Jalajeevan' Mission. He further added that the Central Government would migrate to a new Centralised Fund Management System (CFMS) thereby the departments could monitor the transactions and steps had also been taken for linking all departments to the new system.

(6) When asked about the low fund utilisation of 'Jalajeevan' mission, the witness, Additional Secretary, Finance (Secret) Department, replied that payments would be made as soon as the department submit the bill. An amount of around ₹1000 crore was released and deposited in the bank Account of KWA (Kerala Water Authority). He further explained that priority had been given to CSS fund release irrespective of fiscal constraints.

(7) The Committee feels that Kerala does not receive adequate funds due to the incompatible norms attached to the Centrally Sponsored Schemes and this issue can be noticed in the case of SSA. The Committee came to understand that Kerala has not been receiving sufficient funds from the Central Government as the State had already achieved progress in the field of education. The Committee further enquired whether there was any crisis regarding that issue and whether

Government had taken any measures to work out such constraints. The Secretary, Finance (Resources) Department replied that funds were being allocated according to certain parameters and the State had been exempted from several such parameters in respect of SSA funds.

(8) The Committee pointed out that the difference between the budget estimate and the actuals is due to improper planning. The disparity between budget announcement and its implementation cannot be solved altogether. To rectify this problem, Fiscal Responsibility Act was enacted in 2003, but it could not be implemented fully. In this connection, the Committee wished to know if there is any solution to bridge the gap between budget estimates and actuals. The Secretary, Finance (Resources) Department replied that there were numerous economic factors beyond our control which affect State revenue, viz issues faced by Construction sector, the RBI's interest rate movements, Central Government's inter-state policies etc. However, he added that payment had to be made in full for committed expenditure.

(9) An officer from Accountant General pointed out that there are discrepancies between the figures of the AG and the Department as the department does not apply due diligence to reconciliation eventhough para 74 of the Kerala Budget Manual specified the same. The witness, Additional Secretary, Finance (Secret) Department submitted that instructions were being given to all Departments for reconciliation every year.

(10) The Director, Treasury Department informed the Committee that the backlog in reconciliation and lack of timely intervention is a big problem. The Finance Department directs all departments for proper reconciliation and submission of reports to the Accountant General. He further added that the IFMS online platform had the facility to check budget allocation and actual expense at DDO level and controlling officer level. NIC had been tasked with developing a software which could examine reconciliation and generate reconciliation certificates online. Earlier Department accounts had to be reconciled with Treasury accounts for certification. With the advent of the new software, the Department could submit reconciliation certificate to the Accountant General without going to treasury and, with that, backlog in the reconciliation would be fully cleared.

(11) The Committee wanted clarification regarding the working hours of Treasury. The Director, Treasury Department explained that the money for treasury transactions was taken from agency banks. Since local cash chests of SBI has been closed recently, money for treasury transactions is received in the afternoon even if requests are made in the morning and treasury cash transactions can be done till 3.30 pm. He further added that all cash transactions in the state treasuries were closed simultaneously as payments were made through IFMS Software. No cash transactions could be made after the closing time, but the employees could clear their pending works after office hours.

(12) The Committee enquired whether any steps had been taken to prevent recurrence of money laundering in Treasuries. The Director, Treasury Department replied that all security arrangements had been put in place to prevent such incidents. Steps had also been taken to ensure ISO standards in the online financial transactions of Treasuries.

(13) The Committee further wanted to know whether proper assessment was made in respect of the huge unclaimed amount in the Fixed Deposit Accounts in treasuries. The Director, Treasury Department informed that all treasury procedures as provided in the Kerala Treasury Code had been followed in that case. As per the condition in KTC, if an account remains inoperative for 3 years, it could be closed and fund could be transferred to the Government. In the case of unclaimed fixed deposits, amount can be given to legal heirs if they submit a certificate either from the revenue authority or the Civil Court.

(14) One or two isolated accounts may be seen unclaimed in Treasury and timely action is being taken on such accounts. Hence, it cannot be blindly construed that there are huge unclaimed amount in treasury and that the matter has already been monitored by the centralised software of Finance Department. He also informed that unclaimed funds would be transferred to government accounts after a period of five years. However, a legal heir can claim the amount within the

period. Special permission from the government is required for the release of the fund after the specified period.

(15) The Committee directed to submit details regarding the sum total of unclaimed funds kept in Treasury, the amount transferred to government accounts and the amount remaining to be transferred. The Director of Treasuries agreed to do so.

(16) When asked about the possibility of misutilisation of the unclaimed amount, the Director, Treasury Department answered in the affirmative. He further explained that at the initial stage treasury computerisation was only for cash transactions but now the whole treasury proceedings are being done through the newly developed software called IFMS. The Committee also came to learn that all the processes of Finance Department have now been computerised.

Conclusions/Recommendations

(17) The Committee notices that the state share of all Centrally sponsored schemes was released in the last quarter of the financial year and hence, only a small portion of the fund could be utilised for the same financial year. The Committee also observes that many conditions attached to the Centrally Sponsored Schemes were found unsuitable for the State. Therefore, the Committee recommends that the state share of all Centrally Sponsored Schemes should be released at the beginning of the financial year itself. The Committee also suggests to examine the suitability of the guidelines of Centrally Sponsored Schemes to the requirements of the State.

(18) The Committee expresses its concern over the huge amounts of unclaimed fixed deposits in treasuries and the lack of proper assessment of the same. The Committee directs the department to submit the details regarding the total amount of the unclaimed funds kept in treasuries and the unclaimed amount transferred and remaining to be transferred to Government Account.

1.3 Revenue Receipts

Statement No. 14 of the Finance Accounts details the revenue receipts of the Government. The revenue receipts consist of the State's own tax and non-tax revenues, share of central tax transfers and grants-in-aid from GoI. During the last five years (2011-2016) revenue receipts of the State increased from ₹38,010 crore in 2011-12 to ₹69,033 crore in 2015-16, recording a growth of 82 per cent. Over these years State's own receipts (tax and non-tax) was the major component of the revenue receipts, but there was steady decline in its share in revenue receipts during the last four years from 78 per cent in 2012-13 to 69 per cent in 2015-16. This was mainly due to increase in the share of other components like central tax receipts and grants-in-aid from GoI and also due to reduced growth rate of State's own tax revenue, compared to the growth rate of revenue receipts. Share of own tax receipt in revenue receipt also showed decreasing trend during the last five years, decreasing from 68 per cent in 2011-12 to 57 per cent in 2015-16 (Table 1.5). The trend of revenue receipts over the period 2011-2016 is presented in Appendix III (Appendix 1.5) and also depicted in Chart 1.6.

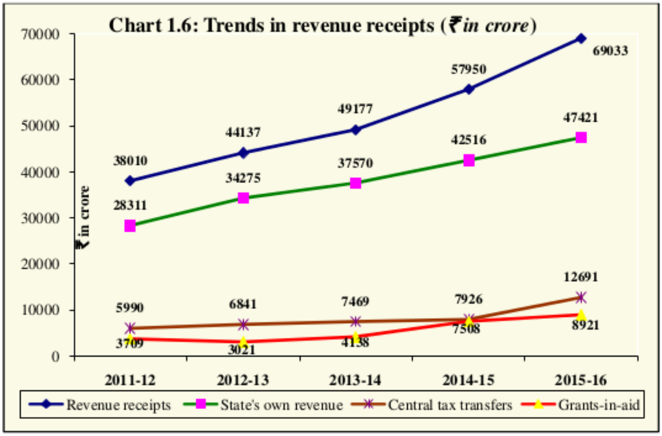
As per Medium Term Fiscal Plan (MTFP) (Appendix 1.3 Part B), projected revenue receipts of the State during 2015-16 was ₹77,427 crore but the actual realisation was ₹69,033 crore. Variations in components of revenue receipts are shown in the table below

Table 1.4 : Comparison of MTFP projections with amount realised

(₹ in crore)

Components	Own Tax Revenue	Non-tax Revenue	Resources from GoI
MTFP projection	45428	8931	23068
Amount realised	38995	8426	21612

Table 1.4 shows that major shortfall occurred in the realisation of State's own taxes.



Compounded annual growth rate of the State for the two periods, i.e. 2006-07 to 2014-15 and 2014-15 to 2015-16 in respect of revenue receipts was compared with General Category States and it was observed that in both periods State's average was better than that of General Category States. (Details are given in Appendix III (Appendix 1.1)

The trends in revenue receipts relative to GSDP are presented in Table 1.5.

Table 1.5: Trends in revenue receipts relative to GSDP during 2011-2016

Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
Revenue Receipts (RR) (₹ in crore)	38,010	44,137	49,177	57,950	69,033
Rate of growth of RR (per cent)	22.65	16.12	11.42	17.84	19.13
State's own tax revenue (₹ in crore)	25,719	30,077	31,995	35,232	38,995

Rate of growth of own tax revenue (per cent)	18.40	16.94	6.38	10.12	10.68
Percentage of own tax revenue in RR	68	68	65	61	57
RR/GSDP (per cent) *	10.44	10.70	10.62	11.15	11.79
Revenue buoyancy w.r.t GSDP*	0.60	1.22	0.93	1.45	1.52
State's Own Tax Buoyancy w.r.t GSDP*	0.48	1.28	0.52	0.82	0.85

Source : Finance Accounts and information furnished by the Economics and Statistics Department, Government of Kerala

*Change in ratio with respect to the previous Report was due to adoption of revised GSDP figures

- The above table shows that the State had better growth in revenue receipts (19.13 per cent) and in State's own taxes (10.68 per cent) when compared with the previous year. Also, an increasing trend in growth rate of revenue receipts and tax revenue was noticed during the last three years.
- Revenue receipts to GSDP ratio showed an increasing trend during the last three years, indicating consistent growth of revenue receipt with respect to GSDP.
- Buoyancy of revenue receipts with respect to GSDP indicates the growth of revenue receipts with respect to growth of GSDP. During the last two years buoyancy was more than one, indicating better growth rate of State's revenue receipts compared to the growth rate of GSDP. However, buoyancy ratio of State's own tax with respect to GSDP was less than one during the last three years, which indicated reduced growth of State's own tax compared to the growth of GSDP. However, an improving trend was noticed during the last two years.

1.3.1 Own resources of the State

As the State's share in central taxes and grants-in-aid is determined on the basis of recommendations of the Finance Commission, the State's performance in mobilisation of resources was assessed in terms of its own resources comprising own tax and non-tax sources.

Taxes collected and grants-in-aid received from GoI during the last five years are given in Table 1.6:

Table 1.6: Resources of the State during last five years

(₹ in crore)

Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
Tax Revenue	25719	30077	31995	35232	38995
Non-tax Revenue	2592	4198	5575	7284	8426
Share of Union taxes/ Duties	5990	6841	7469	7926	12691
Grants-in-aid from Government of India	3709	3021	4138	7508	8921
Total Revenue Receipts	38010	44137	49177	57950	69033

Source : Finance Accounts of respective years

The State's non-tax revenue receipts and grants-in-aid from GoI have increased substantially during the last five years. Increase in non-tax revenue was due to increase in receipts under State Lotteries during the last five years. Though, the tax revenue was the main source of revenue of the State, its increase was only 52 per cent as against an increase of 82 per cent in revenue receipts during the last five years.

1.3.1.1 Tax Revenue

The State's own tax revenue increased from ₹35,232 crore in 2014-15 to ₹38,995 crore in 2015-16. Marginal increase in its growth rate (10.7 per cent) was noticed during 2015-16, compared to the growth rate (10.1 per cent) shown in 2014-15. Various components of State's own tax revenue are given in Table 1.7.

Table 1.7: Components of own tax revenue

(₹ in crore)

Revenue Head	2011-12	2012-13	2013-14	2014-15	2015-16
Taxes on Sales, Trade etc.	18939	22511	24885	27908	30737
Stamps and Registration fees	2987	2938	2593	2659	2878
State Excise	1883	2314	1942	1777	1964
Taxes on Vehicles	1587	1925	2161	2365	2814
Land Revenue	61	122	89	139	182
Taxes on Agricultural income	43	19	22	9	2
Other Taxes	219	248	303	375	418
Total	25719	30077	31995	35232	38995

Source : Finance Accounts of respective years

Compared to 2014-15, all the major tax revenue sources of the State increased during 2015-16. As in the previous year, 'Taxes on Sales, Trade etc.'was the single largest source of the State's own tax revenue and it increased by ₹2,829 crore during 2015-16. This increase was mainly under 'Value Added Tax (VAT) Receipts' (₹1526 crore) and 'Receipts under the State Sales Tax Act' (₹1467 crore).

Tax revenue under 'Taxes on Vehicles' also recorded an increase of ₹449 crore during 2015-16 and this was under 'Receipts under the State Motor Vehicles Taxation Act' (₹246 crore), 'Other Receipts' (₹175 crore) and 'Receipts under Indian Motor Vehicles Act' (₹28 crore).

1.3.1.2 Non-tax Revenue

Receipts under 'State Lotteries' has been the major source (74 per cent) of non-tax revenue of the State for the last five years and an increase of 389 per cent was noticed during 2011-2016. Major sources of non-tax revenue of the State are given in Table 1.8.

Table 1.8: Components of non-tax revenue

(₹ in crore)

Revenue Head	2011-12	2012-13	2013-14	2014-15	2015-16
Interest receipts	136	172	149	102	105
Dividends and profits	67	48	101	74	90
State Lotteries	1283	2674	3796	5445	6271
Forestry and Wildlife	221	237	330	300	283
Other non-tax receipts	885	1067	1199	1363	1677
Total	2592	4198	5575	7284	8426

Source : Finance Accounts of respective years

Though the receipts under State Lotteries was ₹6,271 crore, an equally high expenditure of ₹5,123 crore on distribution of prizes, agent commission, etc. reduced the net yield to ₹1,148 crore during the year.

[Audit paragraphs 1.3.1 to 1.3.1.2 contained in the report of the Comptroller and Auditor General of India for the year ended 31st March 2016 (State Finances)]

[Notes furnished by Government on the above audit paragraphs are included as Appendix II]

Excerpts from Committee's discussion with departmental officials.

(19) The Committee understood that the Government wants to include the tax from state lotteries also in the net income, which adds upto ₹ 1461.16 crore, but as per the report of C&AG net income is shown as ₹ 1148 crore only. Hence, the Committee required an explanation for this disparity. The Senior Deputy Accountant General pointed out that the reason for that disparity may be due to the failure on the part of Finance department in furnishing details during auditing.

(20) The Committee further pointed out that the explanation from the department to include tax collected through lottery operation as income from lottery could be considered as a pertinent point in a practical sense.

Conclusion/ Recommendation

(21) No Comments

1.3.2 Grants-in-aid from Government of India

Grants-in-aid from the GoI increased by ₹1,413 crore (19 per cent) from ₹7,508 crore in 2014-15 to ₹8,921 crore in 2015-16 as detailed in Table 1.9.

Table 1.9: Status of Grants-in-aid received from Government of India

(₹in crore)

Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
Non-plan grants	1433	657	1679	1984	5178
Grants for State plan schemes	904	1163	1154	4929	3406
Grants for central plan schemes	74	60	87	158	170
Grants for Centrally sponsored schemes	1298	1141	1218	437	167
Total	3709	3021	4138	7508	8921

Source : Finance Accounts of respective years

Though the Grants-in-aid from GoI for 'Non-plan grants’ increased from ₹1,984 crore to ₹5,178 crore, 'Grants for State plan schemes' reduced by ₹1,523 crore in 2015-16. This was mainly due to the reduced GoI assistance under Education, Health and Water supply programmes, compared to the previous year. Substantial increase (₹3,194 crore) under 'Non-plan grants’ was on account of release of ₹4,640 crore as 'Post Devolution Revenue Deficit Grant’ based on the recommendations of Fourteenth Finance Commission to the State Government. However, there was considerable reduction in release of grant-in-aid from GoI (as 'Non-plan grants') under 'Grants under proviso to Article 275(1) of the Constitution’ based on the recommendations of Fourteenth Finance Commission. 'Grants for Centrally sponsored plan schemes’ also decreased by ₹270 crore due to non-release of GoI grants for centrally sponsored plan scheme of Handloom Industries, Technical Education, Police, Social Security for unorganized, etc.

1.3.3 Grants-in-aid based on Finance Commission Award

State's share in central taxes and grants-in-aid is determined on the basis of recommendations of the Finance Commissions. As per the recommendations of Thirteenth Finance Commission (ThFC) inter se shares of the State, on proceeds of Union Taxes was 2.34 per cent (2010-2015 period) and it was increased to 2.5 per cent in Fourteenth Finance Commission (FFC) recommendations. The first year of FFC award period was 2015-16 and variations in receipt of grant compared with the last year of Thirteenth Finance Commission award period is detailed in this section. Details of grants received, based on the recommendations of two Finance commissions are given in Table 1.10.

Table 1.10 : Comparison of ThFC and FFC award amounts

(₹ in crore)

Item of grant	Grant received as per ThFC award amount in 2014-15	Grant received as per FFC award amount in 2015-16	Increase/ Decrease
Share of Union taxes and duties	7926.29	12690.67	4764.38
Basic Grant for LSGIs	447.39	392.71	-54.68
Performance Grant for LSGIs	319.32	0.00	-319.32
State specific needs	451.89	0.00	-451.89
State Disaster Response Fund	127.50	138.75	11.25
Grants for other programmes	347.67	0.00	-347.67
Post devolution Revenue deficit grant	0.00	4640.00	4640.00
Total	9620.06	17862.13	8242.07

There was a substantial increase of ₹8,242.07 crore in the overall Grant received during 2015-16, compared to the last year of ThFC (2014-15). This increase was mainly under share of union taxes and duties (₹4,764.38 crore) and post devolution revenue deficit grant (₹4,640 crore).

1.3.4 Efficiency in Tax collection

The average expenditure on tax collection in respect of four major revenue sources of the State compared with all India average, during the last five years, is given in Appendix III (Appendix 1.7). It shows that, during the period from 2012-13 to 2014-15, in respect of two revenue sources, viz. Tax on Sales, Trade, etc., and Taxes on vehicles the State had better average on the tax collection expenditure, compared to all India average. However, in respect of other two major revenue sources, viz. Stamps (Non-judicial) and Registration fees and State Excise, average tax collection expenditure of the State was much higher than the all India average in all the years from 2011-12 to 2014-15. Further, the gap between average expenditure of the State and all India average in respect of State Excise is widening.

1.4 Capital Receipts

Capital receipts comprise of Miscellaneous Capital Receipts, Recovery of Loans and Advances released to government institutions and Public Debt Receipts. Trends in receipts under capital sector are detailed in Table 1.11.

Table 1.11: Trends in growth and composition of capital receipts

(₹ in crore)

Sources of Receipts	2011-12	2012-13	2013-14	2014-15	2015-16
Capital Receipts (CR)					
Miscellaneous Capital Receipts	16	15	19	28	28
Recovery of Loans and Advances	55	74	104	124	153
Public Debt Receipts[2]	9799	13261	14342	15858	17673
Internal Debt Receipts	9392	12709	13950	15106	17142
Loans and Advances from GoI	407	552	392	752	531
Total CR	**9870**	**13350**	**14465**	**16010**	**17854**
Rate of growth of debt capital receipts (per cent)	36.3	35.3	8.2	10.6	11.4

2. Transactions under 'Ways and Means Advances' are excluded as they are not actual capital receipts.

Rate of growth of CR (per cent)	36.0	35.3	8.4	10.7	11.5
Rate of Growth of GSDP(per cent) (*)	38.0	13.3	12.3	12.3	12.6
Buoyancy of Debt receipts w.r.t GSDP	1.0	2.7	0.7	0.9	0.9

Source : Finance Accounts of respective years

(*) change in figures with respect to previous Report is due to adoption of revised GSDP figures

During the last three years capital receipts of the State Government increased steadily due to increase in Internal Debt receipts of the State Government and it was around 95 per cent of the capital receipts in all the last five years. However, during the last three years growth rate of debt receipts as well as capital receipts was less than the growth rate of GSDP which is a good indicator.

1.4.1 Proceeds from disinvestment

As of March 2016, the State Government had invested ₹6,733.85 crore in Statutory Corporations, Government Companies, Joint Stock companies and Co-operatives and received ₹28.08 crore from retirement of capital/disinvestment of shares of co-operative societies/banks and accounted for under Miscellaneous Capital Receipts.

1.4.2 Recoveries of loans and advances

During the year, the State Government had released an amount of ₹842.25 crore as loans and advances to various institutions and an amount of ₹13,009.89 crore was outstanding under this head at the end of March 2016. Against this balance, principal amount recovered was ₹152.63 crore, which was only one per cent of the outstanding balance under loans and advances.

[Audit Paragraphs 1.3.2 to 1.4.2 contained in the report of the Comptroller and Auditor General of India for the year ended 31st March 2016 (State Finances)]

[Notes furnished by Government on the above audit paragraphs are included as Appendix II]

Excerpts from Committee's discussion with departmental officials.

(22) The Committee wanted to know what action was taken against the defaulters in repayment of loans and advances even after repeated instructions and reminders. The Secretary, Finance (Resources) informed that although government provides loans to many institutions, loan repayment was very little, since most of the institutions are not profit making and therefore follow up actions had been taken to make the system efficient. To a query of the Committee whether there is any mechanism for regular monitoring of repayment, the Director, Treasury Department replied that Government sanctions loans to those institutions for accounting purposes knowing that there were less chances for repayment.

(23) The Committee wanted to know the reason for the absence of a loan monitoring system. The Secretary, Finance department replied that the AG's observation in this regard is correct and in the case of non-repayment of loans from those institutions, the said amount was being converted to share capital with the approval of the Government. Efforts are also being made to increase the performance of such institutions.

(24) The committee opined that a regular monitoring system is necessary for effective repayment of loans and efforts should be needed for this purpose.

(25) The Committee recommended that Finance Department should monitor the loan repayment of these agencies and had directed the various administrative departments to furnish the details of loan repayment and examine the documents regarding loan-repayment.

(26) When asked about the Government's initiative for the consolidation of accurate details of loans and advances sanctioned by the government once in every

three months, the Director, Treasury Department informed the Committee that the Government would borrow loans from the market to meet fiscal deficit. Likewise, the Government sanctions loans to Public Sector Undertakings. At present, no module had been developed for inclusion of these in to IFMS software. However, discussions were going on in this regard in the Finance Department and NIC had been entrusted with the task of examining the feasibility of developing a software for this purpose.

(27) The witness, Additional secretary, Finance Department informed the Committee that details of loans sanctioned to PSU's could be collected from the Finance Accounts of the Accountant General. But when the PSU's were asked to repay the loan amount, they used to explain their inability and submit proposals to Government for converting the same to equity share capital. KSRTC was given a loan of ₹2000 Cr for the last two years, he added. The Committee came to know that loans made by NCDC to Co-operative societies are being repaid by the Finance Department and therefore NCDC give sanctions for any loan proposal from these societies.

(28) When asked about the details of co-operative societies, to which loans have been sanctioned, the Additional secretary, Finance Department informed that Since RCS set the agreement and distributes the loan amount, the details regarding such societies were with them. However, they didn't forward the information eventhough the Department requested for it several times.

(29) The Committee directed the Department to take necessary action to provide additional facilities to those societies which are repaying the loans promptly and to impose fines on those who are reluctant to repay loan to Government. The Committee remarked that KSRTC, being a public utility service, can be excused, but co-operative banks which are financial institutions, and can earn interest from loans as well, are liable to repay the amount. The Committee urged the Department to look into the matter seriously and take proper steps.

(30) The Director, Treasury Department apprised the Committee that NCDC and Central Government had formulated various schemes to provide loans to

co-operative societies. The proposals from those societies were usually recommended by RCS and administrative departments without examining the merits and viability of the projects. Not even the Finance Department could stand against such proposals due to various reasons. If there are any obstacles, they will be cleared and grant loans.

(31) The witness, Additional secretary, Finance department informed the Committee that an amount of ₹45956 crore was outstanding against loans from societies in the State. A meeting was recently conducted with RCS officials at the Additional Chief Secretary level to take decision on ensuring repayment and further disbursement of loans to Societies. In reply to a question, the Additional Secretary, Finance Department, explained that Government provides loans to the societies for encouraging Co-operative Sector. Though there is no surety for the loan, the institutions had to enter into an agreement with Government prior to loan disbursement.

(32) The Committee opined that eventhough there are no sureties they are obliged to repay the loan as they have their own assets.

(33) The Committee instructed the department to verify the exact amount due from various Co-operative societies and what action was taken for the repayment and also to verify the proper implementation and utilisation of funds of various schemes.

Conclusions/Recommendation

(34) The Committee recommends that a regular monitoring system is necessary for the effective repayment of government loans and advances and earnest efforts should be made in this regard. The Committee also suggests that Finance Department should monitor the repayment of loans by various institutions and urges the administrative department concerned to furnish the details regarding the advances given to various PSUs and their loan repayment.

(35) The Committee directs the department to take necessary actions to provide additional facilities to those co-operative societies which are repaying the loans promptly and to impose fines on those which are wilfully avoiding repayment of loans.

(36) The Committee directs the department to prepare the details of co-operative societies to which loans have been sanctioned and verify the exact amount due from various co-operative societies. The Committee suggests that steps should be taken for effecting the repayment without further delay and also urges the department to ensure proper implementation of various schemes and utilisation of their funds.

1.4.3 Public Debt receipts

Public Debt receipts of the State Government consist of funds raised from internal sources and loans and advances from GoI. As shown in Table 1.11, internal debt receipts was the main source of public debt receipts and it was around 95 per cent during the last five years. Internal Debt includes Open Market Borrowings, other borrowings from financial institutions like National Bank for Agriculture and Rural Development (NABARD), National Co-operative Development Corporation (NCDC), etc. and Special Securities issued to National Small Savings Fund (NSSF). Composition of Internal Debt during the last five years is given in Table 1.12.

Table 1.12: Composition of Internal Debt

(₹ in crore)

Sources of Internal Debt	2011-12	2012-13	2013-14	2014-15	2015-16
Open Market Borrowings	8880.00	11582.99	12800.00	13200.00	15000.00
NABARD	457.00	410.02	501.25	551.37	600.00
NCDC	0.00	0.00	0.00	222.16	39.13
NSSF	0.00	630.04	565.14	1132.10	1455.20
Others	54.81	85.84	83.85	0.00	47.25
Total	9391.81	12708.89	13950.24	15105.63	17141.58

During the last five years share of open market borrowings in internal debt varied between 87 per cent and 94 per cent. Also, State's open market borrowings increased from ₹8,880 crore to ₹15,000 crore, recording an increase of 69 per cent during the period. Consequently, internal debt steadily increased from ₹9,392 crore in 2011-12 to ₹17,142 crore in 2015-16.

During 2015-16, loans and advances from GoI decreased by ₹221 crore, compared to 2014-15. However, ₹50 crore availed (in 2014-15) by the State from GoI for construction of houses for houseless tribals was not reflected in the accounts as it was released directly to Director of Scheduled Tribes Development. This resulted in understatement of GoI loans to that extent.

1.5 Public Account Receipts

Receipts and disbursements in respect of certain transactions such as Small Savings, Provident Funds, Reserve Funds, Deposits, Suspense, Remittances, etc., which do not form part of the Consolidated Fund, are kept in the Public Account set up under Article 266(2) of the Constitution. Here, the Government acts as banker and the balance after disbursement is the fund available with the Government for use for various activities.

Table1.13: Net receipts under Public Account heads

(₹in crore)

Resources under various heads	2011-12	2012-13	2013-14	2014-15	2015-16
Public Account receipts					
a. Small Savings, Provident Fund etc.	3839.05	3685.54	4231.86	3764.77	8332.07
b. Reserve Fund	146.93	-145.58	78.02	66.00	64.90
c. Deposits and Advances	-51.47	1140.93	187.43	1364.50	-3280.29
d. Suspense and Miscellaneous	852.37	712.44	-946.60	57.90	774.28
e. Remittances	-157.40	30.49	-168.48	25.95	-92.19
Total	4629.48	5423.82	3382.23	5279.12	5798.77

Source : Finance Accounts of respective years

The above table shows that during 2015-16 an amount of ₹5,798.77 crore has been added to the existing balance of the Public Account. This was ₹519.65 crore more than additions (₹5,279.12 crore) during 2014-15. Substantial net addition of ₹8,332.07 crore under the sector 'Small Savings, Provident Fund, etc.', was mainly due to the accumulations of ₹5,615.38 crore occurred under '8031-102-State Savings Bank Deposits'. These accumulations under public account are utilised by the State Government for covering their fiscal deficit.

1.6 Application of Resources

Analysis of the allocation of expenditure at the State Government level assumes significance since major expenditure responsibilities are entrusted with them. Within the framework of fiscal responsibility legislations, there are budgetary constraints in raising public expenditure financed by deficit or borrowings. It is, therefore, important to ensure that the ongoing fiscal correction and consolidation process at the State level is not at the cost of expenditure, especially the expenditure directed towards development of social sector.

1.6.1 Growth and Composition of Expenditure

The trends in total expenditure (aggregate of revenue, capital and loans and advances expenditure) and various components of total expenditure-Plan and Non-Plan revenue expenditure, committed expenditure such as salaries and wages, interest payments, pension payments and subsidies, financial assistance to local bodies, etc., are discussed in the succeeding paragraphs. Chart 1.8 presents the trends in total expenditure of the State Government over a period of five years (2011-12 to 2015-16).

Total expenditure of the State for 2015-16 was ₹87,032 crore, out of which 78,690 crore (90.4 per cent) was revenue expenditure. Composition of total expenditure during 2015-16 is given in Chart 1.7 below.

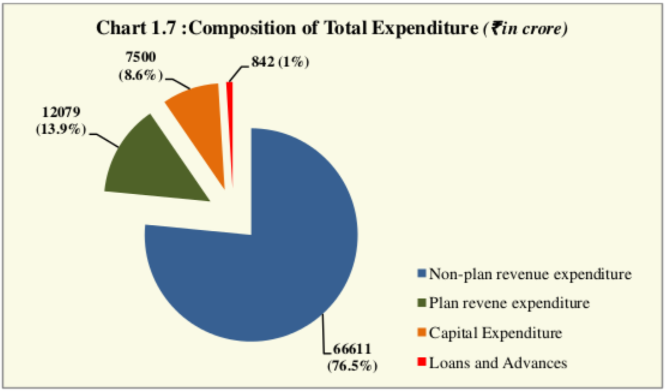
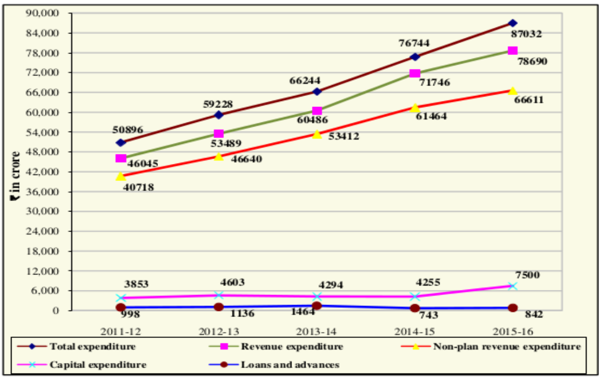


Chart 1.7 : Composition of Total Expenditure (*₹in crore*)

During the last five years, the total expenditure of the State increased by 71 percent from ₹50,896 crore in 2011-12 to ₹87,032 crore in 2015-16. Out of the three components of total expenditure, revenue expenditure showed a similar growth rate of 71 per cent but capital expenditure showed the growth rate of 95 per cent due to substantial increase in capital expenditure during 2015-16.

Chart 1.8: Total expenditure: trends and composition



The total expenditure, its annual growth rate, the ratio of expenditure to the State GSDP and to revenue receipts and its buoyancy with respect to GSDP and revenue receipts are given in Table 1.14.

Table 1.14: Total expenditure - basic parameters

Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
Total expenditure (TE) (₹ in crore)	50896	59228	66244	76744	87032
Rate of growth (per cent)	31.2	16.4	11.8	15.9	13.4
TE/GSDP ratio (per cent)(*)	14.0	14.4	14.3	14.8	14.9
RR/TE ratio (per cent)	74.7	74.5	74.2	75.5	79.3
Buoyancy of TE with reference to:					
GSDP (ratio) (*)	0.8	1.2	1.0	1.3	1.1
RR (ratio)	1.4	1.0	1.0	0.9	0.7

(*) change in figures with respect to previous Report is due to adoption of revised GSDP figures

Table 1.14 shows that

- During last five years (2011-2016) ratio of total expenditure to GSDP was steady and ranged between 14 to 15 per cent, but showed a slight increasing trend during the last two years, which indicated increased growth of total expenditure compared to GSDP.

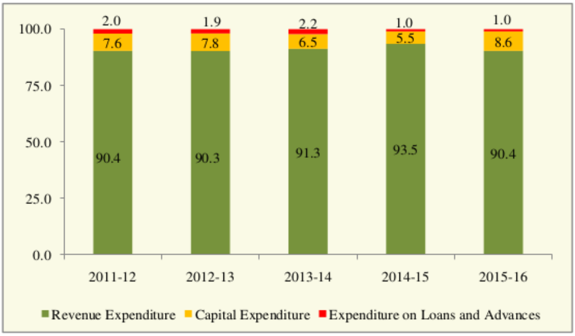
- Revenue receipts to total expenditure ratio also showed an increasing trend during the last two years, which indicate that revenue receipts had better growth than the total expenditure during the period.

- During the last two years, the Buoyancy of the total expenditure with respect to GSDP was more than one, which indicated higher growth rate of total expenditure compared to GSDP during 2014-2016.

- Buoyancy of total expenditure with revenue receipt showed declining trend during the last five years and it was less than one during last two years, which indicated better growth rate of revenue receipts compared to total expenditure.

Trend in share of various components of total expenditure is given in Chart 1.9.

Chart 1.9 : Share of various expenditure in total expenditure



Compounded annual growth rate of total expenditure of the State for the two periods, i.e. 2006-07 to 2014-15 and 2014-15 to 2015-16 was compared with General Category States and it was observed that in the first period State's average was slightly higher than General Category States but in the second period it was much less than General Category States. (Details are given in Appendix III (Appendix 1.1)

1.6.2 Trends in total expenditure in terms of activities

In terms of the activities, total expenditure could be considered as being composed of expenditure on General Services including interest payments, Social and Economic Services, grants-in-aid and loans and advances. Relative shares of different components of total expenditure are given in Table 1.15.

Table 1.15: Components of expenditure – relative shares

(in per cent)

Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
General Services	40.2	38.7	40.4	41.1	41.8
of which, Interest Payments	12.4	12.2	12.5	12.7	12.8
Social Services	33.0	32.8	32.6	32.0	32.9
Economic Services	18.1	19.8	17.3	17.5	19.9
Grants-in-aid	6.7	6.8	7.5	8.4	4.4
Loans and Advances	2.0	1.9	2.2	1.0	1.0

Table 1.15 reveals that:

- Relative share of three components of total expenditure, viz. General Services, Social Services and Economic Services increased during 2015-16, compared to the previous year. Out of this share of General Services showed an increasing trend during the last four years.
- Share of interest payments in total expenditure also increased during the last four years indicating increasing burden of interest payment due to increase in borrowings.
- There was an increasing trend in State's devolution of funds (Grant-in-aid) to Panchayati Raj institutions for the period from 2011-12 to 2014-15, but decreased during the year 2015-16 due to State Government's decision to delay the transfer of funds till the utilisation of funds already released to the institutions in previous years.

- Relative share of loans and advances in total expenditure was only one percent during the last two years, due to decrease in release of loans and advances by the State Government.

1.6.3 Revenue Expenditure

During 2015-16, revenue expenditure recorded an increase of ₹6,944 crore (9.7 per cent), compared to the previous year. However, this increase was lowest during the last five year period in terms of percentage as well as value. The increase in revenue expenditure was mainly due to increase in expenditure under the major heads 'Pension and Other Retirement Benefits' (₹1,810 crore), 'Interest Payments' (₹1,341 crore), 'Social Security and Welfare' (₹1,288 crore), 'General Education' (₹1,088 crore), 'Miscellaneous General Services[3]' (₹876 crore), Special Programmes for Rural Development (₹561 crore), etc.

1.6.3.1 Incidence of revenue expenditure

During the last five years, the share of revenue expenditure to maintain the current level of services and payment for past obligations was between 90 and 94 percent. The overall revenue expenditure, its rate of growth, ratio of revenue expenditure to GSDP and to revenue receipts and its buoyancy are indicated in Table 1.16.

Table 1.16: Revenue expenditure – basic parameters

(₹ in crore)

Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
Revenue expenditure (RE)	46045	53489	60486	71746	78690
Non-plan revenue expenditure (NPRE)	40718	46640	53412	61464	66611
Plan revenue expenditure (PRE)	5327	6849	7074	10282	12079

3 Includes ₹ 638 crore towards increase in expenditure under 'State Lotteries'

Rate of Growth of					
RE (per cent)	32.8	16.2	13.1	18.6	9.7
NPRE (per cent)	33.6	14.5	14.5	15.1	8.4
PRE (per cent)	27.0	28.6	3.3	45.3	17.5
Revenue expenditure as percentage to TE	90.5	90.3	91.3	93.5	90.4
NPRE/GSDP (per cent) (*)	11.2	11.3	11.5	11.8	11.4
NPRE as percentage of TE	80.0	78.7	80.6	80.1	76.5
NPRE/GSDP (per cent) (*)	107.1	105.7	108.6	106.1	96.5
Buoyancy of revenue expenditure with					
GSDP (ratio) (*)	0.9	1.2	1.1	1.5	0.8
Revenue receipts (ratio)	1.4	1.0	1.1	1.0	0.5

Source : Finance Accounts of respective years

(*) change in figures with respect to previous Report is due to adoption of revised GSDP figures

Table 1.16 reveals the following;

- During the last five years, RE and NPRE had shown a growth of 71 per cent and 64 per cent respectively. But PRE increased by 127 per cent which is a positive sign.

- NPRE as a percentage of GSDP was steady during the last five years, but NPRE as a percentage of TE showed a declining trend from 2014-15 and it was lowest during 2015-16, which is a positive sign.

- The buoyancy of RE with GSDP and RR was less than one which indicate that growth rate of revenue expenditure is less than the growth rate of GSDP and RR. This is also a positive sign on state finances.

- During the last five years NPRE as percentage of RR was more than 100 except during 2015-16 and this was due to increase in RR compared to increase of NPRE.

1.6.3.2 Expenditure on salaries, wages, interest payments, pension, etc.

The trends of the committed expenditure of the State Government during 2011-12 to 2015-16 is given in Table 1.17.

Table 1.17: Components of committed expenditure

(₹in crore)

Components of committed expenditure	2011-12	2012-13	2013-14	2014-15	2015-16	
					BE	Actuals
Salaries* and Wages,	16229	17505	19554	21621	26873	23757
Non-plan head	15681	16939	18954	20977	25965	23075
Plan heads**	548	566	600	644	908	682
Interest payments (MH 2049)	6294	7205	8265	9770	10952	11111
Expenditure on pensions (MH 2071)	8700	8867	9971	11253	13172	13063
Subsidies	1014	1268	1279	1252	852	1372
Total	32237	34845	39069	43896	51849	49303

Revenue Expenditure	46045	53489	60486	71746	85259	78690
Revenue Receipts	38010	44137	49177	57950	77427	69033
Percentage of committed expenditure to Revenue expenditure	70	65	65	61	61	63
Percentage of committed expenditure to Revenue receipts	85	79	79	76	67	71
* Salaries include teaching grant paid to aided educational institutions like schools and colleges to meet the salaries of their teaching and non-teaching staff. **The plan heads also include the salaries and wages paid under Centrally Sponsored schemes						

Source : Finance Accounts of respective years

The share of committed expenditure in revenue expenditure has increased during 2015-16, compared to previous year. However, as a percentage of revenue receipts, it decreased steadily during the last five years which indicated better growth of revenue receipts compared to the committed expenditure.

During 2015-16, expenditure on interest payments and pensions showed growth rate of 14 per cent and 16 per cent respectively and this was more than the growth rate shown by revenue expenditure (10 per cent). However, growth rate of salaries was similar to that of revenue expenditure. Due to increase in borrowings (more than ₹10,000 crore every year), the burden of interest payments of the State also increased and it consumed more than 16 per cent of the revenue receipt during the last five years. Similarly, pension payments consumed more than 20 per cent of the revenue receipts during 2011-12 to 2013-14 and around 19 per cent during the last two years.

1.6.4 Subsidies

The subsidies (₹1,372 crore) given during 2015-16 were ₹120 crore more than subsidies (₹1,252 crore) given in the previous year. These mainly include amount given to Food Corporation of India in respect of reimbursement of price difference of ration rice and wheat (₹649 crore), for Paddy procurement through Kerala State Civil Supplies Corporation (₹358 crore), grant to Kerala State Civil Supplies Corporation Limited for market intervention (₹99 crore) and subsidy to Co-operatives for conducting festival markets (₹60 crore).

1.6.5 Financial assistance to Local Bodies and Other Institutions

The assistance provided by the Government as grants and loans to local bodies, educational institutions, Government companies, Welfare Fund Boards, etc.,during the current year relative to the previous years is presented in Table 1.18.

Table 1.18: Financial assistance to local bodies, educational institutions, etc.

(₹ in crore)

Financial Assistance to Institutions	2011-12	2012-13	2013-14	2014-15	2015-16
Educational Institutions (Aided Schools, Aided Colleges, Universities, etc.)	5605.77	6204.36	6934.56	7769.01	8409.89
Municipal Corporations and Municipalities	1073.78	1177.77	1358.09	1836.39	1405.77

Zilla Parishads and Other Panchayati Raj Institutions	4203.98	5279.31	6421.60	8423.74	7767.62
Development Agencies	5.50	5.15	6.42	6.23	5.91
Hospitals and Other Charitable Institutions	144.46	153.33	94.19	305.76	407.60
Other Institutions[4]	1065.96	896.42	1323.46	1602.60	2104.35
Total	12099.45	13716.34	16138.32	19943.73	20101.14
Assistance as percentage of revenue expenditure	26	26	27	28	26

Source: Finance Accounts and information received from the State Government

The financial assistance to local bodies and other institutions increased from ₹12,099.45 crore in 2011-12 to ₹20,101.14 crore in 2015-16. The table above shows that though the aggregate financial assistance increased during 2015-16 the percentage of assistance with reference to revenue expenditure decreased to 26 per cent from 28 per cent in 2014-15.

1.7 Quality of Expenditure

The availability of better social and physical infrastructure in the State generally reflects the quality of its expenditure. Improvement in the quality of expenditure involves whether adequate funds were provided for public expenditure (i.e. adequate provisions for providing public services) and whether the fund was spent efficiently and effectively to achieve the intended objectives.

4 Major institutions under 'Other institutions' are Kerala Water Authority (₹523.40 crore), Loans to Kerala State Road Transport Corporation (₹214.40 crore), IT-Cyber Park-Land acquisition (₹145.84 crore), Kerala Social Security Mission (₹124.58 crore), State Council for Science, Technology & Environment (₹106.65 crore), Kudumbasree (₹75 crore), Contribution to Fishermen Welfare Fund (₹54.63 crore), Kerala State Information Technology Mission (₹53.34 crore), Kerala Sports Council (₹49.60 crore) and Welfare fund for Cashew workers (₹40.56 crore).

1.7.1 Adequacy of public expenditure

Enhancing human development levels requires the States to step up their expenditure on key social services like education, health, etc. Low fiscal priority (ratio of expenditure under a category to total expenditure) is attached to a particular sector, if it is below the respective national average. Table 1.19 analyses the fiscal priority of the State Government with regard to development expenditure, social expenditure and capital expenditure during 2012-13 and 2015-16.

Table 1.19: Fiscal priority of the State in 2012-13 and 2015-16 *(in per cent)*

Fiscal Priority by the State*	TE/ GSDP	DE # / TE	SSE/ TE	CE/ TE	Education/ TE	Health/ TE
General Category States' Average, 2012-13	14.14	70.03	38.47	13.70	17.72	4.72
Kerala's Average, 2012-13	14.36	54.24	33.74	7.77	17.52	5.48
General Category States' Average, 2015-16	16.05	70.63	36.29	14.89	15.63	4.45
Kerala's Average, 2015-16	14.87	53.52	33.01	8.62	16.23	5.48

*As per cent to GSDP

TE: Total Expenditure ;DE: Development Expenditure

SSE: Social Sector Expenditure; CE: Capital Expenditure.

Development expenditure includes Development Revenue Expenditure, Development Capital Expenditure and Loans and Advances disbursed (Social and Economic sector).

Table 1.19 shows that:

- In 2015-16 State's share of expenditure on education and health in total expenditure is higher than General Category States (GCS), indicating State Government's priority in these services. But in respect of development expenditure, social sector expenditure and capital expenditure, State's performance was poor compared to GCS.
- In respect of development expenditure and capital expenditure, while GCS improved their position in 2015-16 compared to 2012-13, State could improve its position only in capital expenditure. Drop in share of development expenditure and social sector expenditure in total expenditure needs to be addressed.

[Audit paragraphs 1.4.3 to 1.7.1 contained in the report of Comptroller and Auditor General of India for the year ended 31st March 2016 (State Finance)]

[Notes received from the Government based on the above audit paragraph is included as Appendix-II]

Excerpts from committee's discussion with department officials.

(37) The Committee enquired whether any steps were taken to improve Development expenditure and capital expenditure. The Secretary, Finance (Resources) Department replied that several measures had been taken to increase the capital expenditure and it was explained in the reply furnished by the department. The Committee accepted the explanation.

Conclusion/Recommendation

(38) No Comments

1.7.2 Efficiency of expenditure

It is important for the State to take appropriate expenditure rationalisation Measures and incur public expenditure on development heads from the point of view of social and economic development. Development expenditure comprised of revenue expenditure, capital expenditure and loans and advances in socio-economic services. Table 1.20 presents the trends in development expenditure relative to the total expenditure of the State during last five years. Chart 1.10 presents component-wise development expenditure during 2011-12 to 2015-16.

Table 1.20: Development expenditure

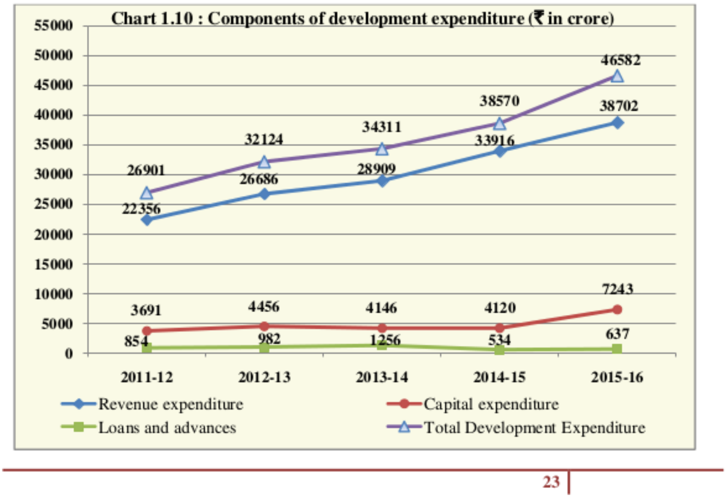
(₹ in crore)

Components of Development Expenditure	2011-12	2012-13	2013-14	2014-15	2015-16
Development Expenditure (a to c)					
a. Revenue expenditure	22356 (43.9)	26686 (45.1)	28909 (43.6)	33916 (44.2)	38702 (44.5)
b. Capital expenditure	3691 (7.3)	4456 (7.5)	4146 (6.3)	4120 (5.4)	7243 (8.3)
c. Loans and advances	854 (1.7)	982 (1.7)	1256 (1.9)	534 (0.7)	637 (0.7)
Total Development Expenditure	26901 (52.9)	32124 (54.2)	34311 (51.8)	38570 (50.3)	46582 (53.5)
Total Expenditure	50896	59228	66244	76744	87032

Source: Finance Accounts of respective years

Figures in parenthesis are its share in total expenditure

During 2015-16 growth rate of total expenditure was 13.4 per cent but the growth rate of development expenditure was 20.8 per cent, which is encouraging. Though 53.5 per cent of total expenditure was utilised for development expenditure, major share (44.5 per cent) was that of revenue expenditure, which



indicated predominance of revenue expenditure items in development expenditure. However, the share of capital expenditure in total development expenditure during 2015-16 was 8.3 per cent and it was the highest during the last five year period (Table 1.20).

Development expenditure increased from ₹26,901 crore in 2011-12 to ₹46,582 crore in 2015-16, recording an increase of 73 per cent in five years. Over the years share of revenue expenditure in development expenditure was around 83 per cent (except during 2014-15, when it was 88 per cent), indicating lower priority given to capital expenditure for development during the period.

Revenue expenditure on development also increased by 73 per cent (similar to that of development expenditure) during the last five years increasing from ₹22,356 crore in 2011-12 to ₹38,702 crore in 2015-16. In 2015-16 revenue expenditure on development increased by ₹4786 crore (14 per cent) due to increase in expenditure under Social Services (₹3,885 crore) and Economic Services (₹901 crore). Out of ₹38,702 crore expenditure under Social and Economic Services, ₹18,456 crore (48 per cent) was incurred on salaries and wages.

In Social Services, this increase was mainly under the sub-sectors 'Social Welfare and Nutrition' (₹1340 crore), 'Education, Sports, Art and Culture (₹1330 crore) and 'Health and Family Welfare' (₹516 crore). In Economic Services, increase was mainly under 'Agriculture and Allied Activities' (₹477 crore) and Transport' (₹220 crore).

Capital expenditure on development increased by ₹3123 crore mainly due to increase of ₹2964 crore under Economic sector, during 2015-16. Increase in Economic Sector was mainly under the sub-sectors 'Transport' (₹1422 crore) and 'Other General Economic Services' (₹826 crore).

1.7.3 Incomplete projects/works

Department-wise information pertaining to incomplete projects/works (each costing above ₹one crore) as on 31 March 2016 is given in Table 1.21.

Table 1.21: Status of incomplete projects in the State

(₹ in crore)

Sl. No	Name of the department/project	No. of incomplete projects/ works	Initial budgeted cost	Cumulative actual expenditure as on 31 March 2016
1.	Irrigation Department – (Irrigation and Minor Irrigation Works)	17	189.28	146.40
2.	Public Works Department – (Roads)	101	695.94	448.31

3.	Public Works Department – (Bridges)	64	470.87	303.60
4.	Public Works Department – (Buildings)	75	335.97	234.41
5.	Harbour Engineering Department	6	59.49	65.77
	Total	263	1751.55	1198.49

Source: Appendix IX of Finance Accounts 2015-16

As per the Finance Accounts 2015-16, there was a delay in completion of the 263 projects/works and this would result in time overrun and cost overrun, besides denying the desired benefit to the beneficiaries.

[Audit paragraphs 1.7.2 to 1.7.3 contained in the Report of Comptroller and Auditor General of India for the year ended in 31st March 2016 (State Finances)]

[Notes received from the Government based on the above audit paragraphs are included as Appendix-II]

Excerpts from the committee's discussion with departmental officials

(39) The Committee came to know from the audit observation that as per the finance accounts 2015-16, there was a delay in the completion of 263 Projects/ Works in different departments and enquired about the present status of the incomplete projects mentioned in the report. The Secretary, Finance Department informed the Committee that the main reason for the incompletion of PWD road was the issues related to land acquisition. The Land Acquisition Act came into force in 2016. Thereafter, many of the big projects had almost been completed and, Action Taken Reports were prepared by the officials. The witness, Joint Secretary, Finance Department further informed the Committee that out of the 105 incomplete works in the PWD (Roads), 89 projects had been completed and works were in progress for the remaining 14 projects. Out of the 64 incomplete projects in the PWD (Bridges), 52 project had been completed and

works were in progress for remaining 12 projects. Three projects in PWD (Roads) were cancelled at Risk and Cost. The Committee suggested that the department should examine the reasons for delay in the execution of major projects and coherent plan of actions should be initiated to set right the slowdown.

(40) The witness, Additional Secretary, Finance Department informed the Committee that the financial losses to the Government in the absence of time bound land acquisition procedure would be much heavier. Government has to pay 15% - 19% interest to the land owners from the date of project notification. If the land is acquired after 10 years from the date of notification, the Government will have to pay a large sum of money to the landowners.

(41) The Committee opined that the department did not pay proper attention to the land acquisition process while working out original project proposals, even though it was a time consuming process. The Committee directs the department to submit a report within two months on the present status of pending/incomplete projects upto 2019-20, reason for their delay and steps taken for their expeditious completion. Details of pending projects under Irrigation and Harbour Engineering Department should also be included in the report.

[Notes received from the department based on the additional Information sought by the Committee is included as Appendix-II]

Excerpts from the committee's discussion with departmental officials on 19-4-2023.

(42) The Committee accepted the additional information furnished by the department.

Conclusion/Recommendation

(43) The committee suggests that Finance Department should examine the reasons for the delay in the execution of major projects and coherent plan of action should be initiated to set right the slowdown in this regard.

1.8 Financial Analysis of Government Investments, Loans and advances

In the post-Fiscal Responsibility and Budget Management framework, the State is expected to keep its fiscal deficit (and borrowings) not only at low levels but also meet its capital expenditure/investment (including loans and advances) requirements from its own sources of revenue. In addition, in a transition to complete dependence on market-based resources, the State Government is required to initiate measures to earn adequate returns on its investments and recover its cost of borrowed funds rather than bearing the same on its budget in the form of implicit subsidies. This section presents the broad financial analysis of investments and other capital expenditure undertaken by the Government during the current year vis-a-vis previous years.

1.8.1 Investment and returns

As of 31 March 2016, the State Government had invested ₹6,733.85 crore in Statutory Corporations, Government Companies, Joint Stock Companies and Co-operatives (Table 1.22). The average return on these investments was 1.4 per cent in the last five years while the Government paid an average interest rate of 7.2 per cent on its borrowings during 2011-12 to 2015-16.

Table 1.22: Return on investments

Investment/Return/Cost of Borrowings	2011-12	2012-13	2013-14	2014-15	2015-16
Investment at the end of the year (₹in crore)	4206.43	4511.03	5623.61	6085.13	6733.85
Return (₹ in crore)	67.44	48.15	100.58	74.18	90.23
Return (per cent)	1.6	1.1	1.8	1.2	1.3
Average rate of interest on Government borrowing (per cent)	7.2	7.1	7.1	7.3	7.3
Difference between interest rate and return (per cent)	5.6	6.0	5.3	6.1	6.0

Source: Finance Accounts of the State Government

During 2015-16, State Government had invested ₹26.14 crore in Statutory Corporations, ₹430.49 crore in Government Companies, ₹77.22 crore in Co-operative Banks and Societies and ₹126.74 crore in other Joint Stock Companies.

1.8.2 Government investment in PSUs, Joint Stock Companies, etc

The State Government has been making investment in Statutory Corporations, Government Companies, Joint Stock Companies, Co-operative Banks and Societies, etc., in the form of share capital contribution and value of land assigned. At the end of March 2016 Government investment in these institutions stood at ₹6692.59 crore[5]. Institution-wise investments are given in Table 1.23.

Table 1.23: Institution-wise Government investment

(₹ in crore)

Type of institutions	Investment at the end of March 2016
Statutory Corporations	977.87
Government Companies	4143.68
Joint Stock Companies	246.89
Co-operative Banks and Societies	1324.15
Total	6692.59

Source: Finance Accounts 2015-16

5 Excludes ₹31.20 crore being the expenditure incurred for equity participation in Smart City Project, ₹0.01 crore being expenditure incurred for State institute for Hotel Management at Kottayam, ₹3.55 crore being expenditure incurred for setting up of Electronic Fabrication Laboratory, ₹1.50 crore being seed capital for NBCFDC and NMDFC schemes and ₹5 crore being capital assistance given to companies producing Neera.

Though the investments are expected to give some financial return (in the form of dividends), returns from these investments were less than two per cent during the last five years as shown in Table 1.22.

A review was conducted on investment made by Government during the last five years. During the last five years share capital investment of the Government increased by ₹2,926.33 crore (from ₹3,807.52 crore in the beginning of 2011-12 to ₹6,733.85 crore at the end of 2015-16). Out of this direct cash investment was ₹2,788.34 crore[6], the rest being value of loans (granted to the institutions) converted into share capital.

It was observed in audit that;

(i) Out of the cash investment of ₹2,297.55 crore, ₹500.06 crore (22 per cent) was made in 18 loss making Government companies/Corporation and ₹1209.55 crore (53 per cent) in seven newly form Companies/ Corporations. Consequently, no benefit accrued to Government from these investments during the last five years.

(ii) ₹96.70 crore invested in Kerala State Cashew DevelopmentCorporation (KSCDC) during the period 2013-14 to 2015-16 was for modernisation and partial mechanization of cashew factories of KSCDC. Later on Government permitted the company to utilise the fund for working capital, payment of onam bonus, urgent market operations, restarting functioning of the Corporation, etc. Thus the purpose of the investment was defeated.

(iii) ₹59.18 crore invested in five [7] companies between 2011-12 and 2015-16 were kept unutilized (August 2016) due to delay in land acquisition, procedural

6 ₹2,297.55 crore in Government Companies/Corporations, Joint Stock companies and ₹490.79 crore in Co-operatives.

7 Kerala State Housing Development Finance Corporation Limited, Kerala Tourism Development Corporation Limited, Kerala State Information Technology Infrastructure Limited, Kerala Shipping and Inland Navigation Corporation Limited and Kerala State Industrial Development Corporation Limited.

delays, etc. Hence, the benefits that would have been gained from their operations didn't materialize.

(iv) An amount of ₹193.18 crore invested in two[8] PSUs during 2011-12 to 2015-16 for various projects was not included as share capitalinvestment of Government in their accounts. Non-treatment of the amount as investment may lead to non-transfer of benefits that may accrue to that PSUs in future to the Government.

(v) During the period 2011-12 to 2015-16, Government had invested an amount of ₹79 crore in Kerala State Information Technology Infrastructure Limited. Besides this cash investment, ₹56.97 crore wa treated as investment *in-lieu* of the land allotted to the PSU for creatin IT infrastructure. Since lease rent collected from IT parks was the main source of income of the PSU, failure on the part of the PSU to collect lease rent by executing proper agreements with IT Parks denied any returns to Government.

(vi) During 2011-12 to 2015-16, Government had permitted conversion of loan amount of ₹119.89 crore, disbursed (in earlier years) to five[9] Government Companies, into share capital. This was done to revive sick companies on the assumption that the companies would make profit and Government would get some returns. However, the companies continued in loss.

(vii) Sanction was accorded by the Government to convert loan amount of ₹2694.34 crore disbursed to seven[10] PSUs in earlier years asinvestment. However, the same was yet to be adjusted in Government accounts.

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8 Kerala State Industrial Development Corporation Limited and Kerala Tourism Infrastructure Limited.

9 Kerala Electrical and Allied Engineering Company Limited, Traco Cable Company Limited, Kerala Ceramics Limited, Kerala State Electronics Development Corporation Limited and Kerala State Textile Corporation Limited.

10 Kerala State Electricity Board Limited, Traco Cable Company Limited, Kerala Electrical and Allied Engineering Company Limited, Kerala State Film Development Corporation Limited, Meat Products of India Limited, The Travancore Cements Limited and Kerala State Road Transport Corporation.

(viii) The investments of Government are classified under the minor heads '190' and '195' below the functional major/sub major heads concerned. But ₹72.32 crore was released to two[11] PSUs through the minor head '800' Other Expenditure and revenue expenditure head. Though this amount has been treated as investment in PSUs account, wrong classification of investment amount caused non-exhibition of the same as investment in Government accounts. Similarly, loan amount of ₹38.96 crore released to two[12] PSUs was erroneously released through investment head, but not reclassified till date. It was ascertained (June 2016) from State Government whether the Government has any policy for making share capital investments in PSUs, Government Companies, etc., but no reply had been furnished till date (November 2016).

[Audit paragraphs 1.8 to 1.8.2 contained in the Report of Comptroller and Auditor General of India for the year 31st March 2016 (State Finances)

[Notes received from the Government based on the above audit paragraph is included as Appendix-II]

Excerpts from committee's discussion with departmental officials

(44) The Committee enquired about the present status of investment made in KSHDFCL. The witness informed that as per last year's report, the Government had invested an amount of almost ₹8,234 crore in that sector. Returns on investment were mostly received in the form of dividend from companies like KSFE. Only an amount of ₹138 crore was collected as financial return during 2019-20 Financial Year.

(45) Quoting the audit query that expected return from the investment in PSU's was hardly nothing, the witness stated that most of these companies were unable to found funds from their own resources for their up-gradation to cope up

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11 Kerala State Road Transport Corporation and Infrastructure Kerala (INKEL) Limited

12 Kerala State Industrial Development Corporation Limited ₹25 crore in 2010-11 and Kerala State Textile Corporation Limited ₹13.96 crore in 2012-13.

with the latest technology. Therefore, the Government is obliged to support them as part of its social commitment. He further added that although government had been investing huge amounts in Public Sector Undertakings it is true that no financial benefits were being properly accrued thereon.

(46) To the Committee's question whether KSHDFC is currently functional, the witness informed that the winding up process of the company is going on and measures were being taken to recoup the instrument made by the government. The Committee further wanted to know about the time required for the winding up procedure, the witness replied that company secretary was authorised for that work and the process was underway. The Committee directed the department to furnish the present status of the winding up process regarding KSHDFCL and take effective measures to recoup the share value of government, to which the witness, Joint Secretary agreed.

(47) The Senior DAG, informed that the loans granted and investments made for loss making companies without considering their performance would lead to fiscal deficit of the state. In response to this statement, the witness, Additional Secretary (Secret), Finance Department stated that such investments had been made by Government in conformity with its declared policy to safeguard PSUs.

(48) The Committee understood that during the financial year 2011-12, the Government had earmarked ₹ 5 crore for the two projects of Kerala Tourism Development Corporation Ltd. (KTDC). But, the projects had been dropped. The Senior DAG opined that a proper methodology would have been followed for investments under government policy and no reply had so far been received from KTDC regarding their policy on share market investments.

(49) The Committee sought an explanation to the audit query with respect to Kerala State Information Technology Infrastructure Limited (KSITIL). The Secretary, Finance (Resources) Department apprised the Committee that KSITIL provide their assets to IT parks like Technopark, Infopark, Cyberpark etc., and collect lease rent from them, and presently Infopark has 100% occupancy. He further clarified that such lease rent issues were there at the time of the audit but now all IT companies are making profits in business.

(50) The Committee found out that no action had been taken so far to convert the loan given by the Government, to the 7 PSU's, into equity and enquired about the present status of these conversions.

(51) The Committee commented that though INKEL is an SPV, it did not deserve exemption as they could not efficiently accomplish any projects undertaken by them. Institutions like KSIDC, INKEL had undermined the purpose for which these institutions were initially envisaged. Therefore, the Committee recommended that Government institutions should always be pursued for its fundamental purposes, without any diversion.

(52) The Committee noted that certain institutions were deliberately desisted repaying loan with an eye to the conversion of the loan into equity.

(53) The Committee remarked that converting loan amount into equity should be done on the basis of an unambiguous criteria, and also pointed out that it was a serious issue that even viable and successful institutions were awaiting equity conversion.

(54) To a query on the action taken report from the Kerala State Textile Corporation, the witness, Joint Secretary, Finance Department said that the Government would sanction loans to spinning mills working under Textile Corporation and Texfed every year. However, those PSUs had never been repaying the loans. Request from those institutions with the recommendation of the Board to convert the loan amount with its interest into equity would be allowed. The reply from the Textile Corporation regarding the loan repayment had not been received so far, he added.

(55) The Director, Treasury Department suggested that instead of scrutinizing each case it should be decided to make the then management liable for the failure to pay the dividend to Government. The Director, Treasury Department further opined that it should not be allowed to convert dividend into equity under any circumstances. Whereas, equity should be allowed to be used as working Capital. If rules were framed to make the Managing Director or Company Secretary personally liable to such wrong doings, the repetition of such issues would be avoided in future.

(56) Having considered the issue as very serious, the Committee wanted to know whether Finance Department had computed the loan amount granted to PSUs and whether any steps had been taken to recover the amount. The witness, Additional Secretary, Finance (Secret) Department informed the Committee that out of the ₹ 17,275 Cr sanctioned as loans during 2019-20, only ₹4983.67 Cr had been repaid till 31-10-2019. He further added that since those loans were sanctioned without any guarantee, they had hesitated to repay the loan amount. Then the Secretary, Finance (Resources) assured the Committee that steps would be taken to prevent the recurrence of such instances in future.

(57) The Committee recommended to formulate strict terms and conditions for sanctioning loans and to make required changes in the policy decisions on loans to PSUs and its repayment as well. The Committee directed the department to formulate explicit guidelines for the conversion of loan amount into equity of Government.

[Note received from the government based on the additional information sought by the Committee is included as Appendix-II]

Excerpts from Committee's discussion with departmental officials

(58) The Committee accepted the additional information furnished by the department.

Conclusions/Recommendations

(59) The Committee directs the department to furnish a report on the present status of the winding up process of KSHDFCL and also urges to take effective measures for the recouping of the invested share value of Government in the entity.

(60) The Committee recommends to formulate strict terms and conditions for sanctioning loans to PSUs and effective monitoring system for their timely repayment. The Committee also directs the department to formulate explicit guidelines for the conversion of loan amount into equity of Government.

(61) The Committee opines that many PSUs are unable to complete the projects undertaken by them which undermine the very purpose for which these institutions were initially envisaged. So the Committee directs that the institution should ensure proper and effective mechanism for the time bound completion of projects undertaken by them.

1.8.3 Loans and advances by the State

In addition to investments in Co-operative Societies, Statutory Corporations and Government Companies, the Government has also been providing loans and advances to many institutions. Table 1.24 presents the outstanding loans and advances as on 31 March 2016 and interest receipts during the last five years.

Table 1.24: Details of loans and advances during the last five years

(₹ in crore)

Quantum of Loans/Interest Receipts/Cost of Borrowings	2011-12	2012-13	2013-14	2014-15	2015-16
Opening balance	8461 [13]	9394 [14]	10360 [15]	11713 [16]	12320[17]
Amount advanced during the year	998	1136	1464	743	842
Amount repaid during the year	55	74	103	124	152
Closing balance	9404	10456	11721	12332	13010

13 Difference of ₹six crore with reference to previous year's closing balance was on account of proforma adjustments vide footnote (z) of statement no.16 of finance accounts 2011-12.

14 Difference of ₹10 crore with reference to previous year s closing balance was on account of proforma adjustments vide footnote (q) of statement no.16 of finance accounts 2012-13.

15 Difference of ₹96 crore with reference to previous year's closing balance was on account of proforma adjustments vide footnote (p) of statement no.16 of finance accounts 2013-14.

16 Difference of ₹eight crore with reference to previous year's closing balance was on account of proforma adjustments vide footnote (o) of statement no.18 of finance accounts 2014-15.

17 Difference of ₹12 crore with reference to previous year's closing balance was on account of proforma adjustments vide footnote (q) of statement no.18 of finance accounts 2015-16.

Net addition	943	1062	1361	619	690
Interest receipts	23	19	21	27	32

Source: Finance Accounts of the State Government.

The total outstanding loans and advances as on 31 March 2016 increased by ₹690 crore compared to those of the previous year. The major disbursement of loans and advances during the current year was to the Kerala State Road Transport Corporation (₹214 crore), Kerala Water Authority for implementing the Water Supply Project assisted by the Japan International Co-operation Agency (₹81 crore), Kerala Co-operative Textile Federation (₹68 crore) and House building advance to State Service Officers (₹195 crore). Interest received against these loans remained less than one per cent during the period 2011-12 to 2015-16 and was 0.2 per cent during 2015-16 as against the average cost of borrowing of 7.3 per cent during the year.

1.8.3.1 Defaulters on loan repayment

Government has been providing loan assistance to Statutory Corporations, Government Companies, Autonomous Bodies and Authorities etc., and the same was treated as assets in the Government accounts. As per Finance Accounts, an amount of ₹13,010 crore was outstanding as loan at the end of March 2016. Also, at the end of March 2016, 76 institutions defaulted in repayment of loans advanced to them and arrears in respect of this were ₹9,328 crore (Principal: ₹5,809 crore and Interest: ₹3,519 crore). About 89 per cent of the above arrears pertain to five institutions viz., Kerala Water Authority (₹3,890 crore), Kerala State Electricity Board Limited (₹1,760 crore), Kerala State Road Transport Corporation (₹1280 crore), Kerala State Housing Board (₹1180 crore) and Kerala State Cashew Development Corporation (₹199 crore). During the year State Government also released loans to 16 institutions amounting to ₹408 crore whose previous loan repayments are in arrears.

It was also observed that State Government released 79 loans to 19 institutions amounting to ₹83.96 crore, during the period from 1991-92 to 2005-06, without specifying the terms and conditions for repayment. In order to provide a true and fair status in the balance sheet of the State Government, Government needs to take effective steps to reduce these non-performing assets.

[Audit paragraphs 1.8.3 and 1.8.3.1 contained in the Report of Comptroller and Auditor General of India for the year ended 31st March 2016 (State Finances)]

[Notes received from the Government based on the above audit paragraph is included as Appendix-II]

Excerpts from committee's discussion with departmental officials.

(62) To the query of the Committee, whether the reconciliation of accounts of KSEB, KWA and KSHB with the Accountant General's figures were being done, the Secretary, Finance (Resources) Department informed the Committee that with the implementation of IFMS, that problem was solved. He also stated that loans were sanctioned in the public interest and that repayment should be ensured from at least profit making companies in future.

Conclusion/Recommendation

(63) No Comments

1.8.4 Cash balances and Investment of cash balances

The cash balances and investments made by the State Government out of the cash balances during the year are shown in Table 1.25.

Table 1.25: Cash balances and Investment of cash balances

(₹ in crore)

Particulars	As on 31 March 2015	As on 31 March 2016	Increase(+)/ Decrease(-)
(a) General Cash balances			
Cash in Treasuries and other banks	4.47	5.43	0.96
Deposit with Reserve Bank	(-)11.07	(-)45.88	(-)34.81
Remittances in transit -Local	1.02	1.07	0.05
Total(a)	(-)5.58	(-)39.38	(-)33.80
(b)Investments from cash balances			
GoI Treasury Bills	141.90	1631.60	(+)1489.70
GoI Securities	5.15	5.15	-
Total (b)	147.05	1636.75	(+)1489.70
(c) Investments in earmarked funds			
Reserve funds not bearing interest	1507.44	1630.37	(+)122.93
Total (c)	1507.44	1630.37	(+)122.93
(d) Departmental cash balances including Permanent advances	2.09	1.65	(-)0.44
Total Cash Balance - (a) to (d)	1651.00	3229.39	(+)1578.39
Interest realised during the year on investment of cash balances	44.16	40.85	(-)3.31

Source : Finance Accounts of the State Government

Table 1.25 shows that cash balance of the State, at the end of March 2016, increased by ₹1,578.39 crore compared to the closing balance at the end of March 2015. This was due to the increase in investments under GoI Treasury Bills (₹1,489.70 crore) and investments in earmarked funds (₹122.93 crore). However, interest received on investment of cash balance decreased by ₹3.31 crore, compared to the previous year.

1.8.4.1 Outstanding balances under the head 'Cheques and Bills'

This head is an intermediary accounting head for initial recording of transactions which are to be cleared eventually. As per accounting rules, when a cheque is issued, the functional head is debited and the Major Head-8670-Cheques and Bills is credited. On clearance of the cheque by the bank, the minus credit is given to Major Head 8670-Cheques and Bills by crediting the Major Head- 8675-Deposits with Reserve Bank and thereby reducing the cash balance of the Government. Thus, the outstanding balance under the Major Head 8670-Cheques and Bills represents the amount of un-encashed cheques.

As on 31 March 2016, there was an outstanding balance (cumulative) of ₹1,873.99 crore. This represents expenditure originally booked under different major heads of Consolidated Fund, which has not resulted in any cash outflow till the end of March 2016.

[Audit paragraphs 1.8.4 and 1.8.4.1 contained in the report of the Comptroller and Auditor General of India for the year ended 31st March 2016 (State Finances)].

[Note received from Government based on the above audit paragraphs are included as Appendix II].

Excerpts from committees discussion with department officials.

(64) Regarding the audit para, the Committee enquired how the cheques from Banking Treasury were encashed. The Director of Treasury replied that if bills were passed from Banking Treasury, payment order cheques could be issued. They were computer print outs and could be encashed by presenting it to the bank. The Committee further enquired about the reason for the huge amount as

the outstanding balance of the State. The Director, Treasury Department replied that these amounts were P.O. cheques, unclaimed or not updated and it was a defect occurred during the implementation of IFMS software and corrections were since been made in the software and completely solved the problem.

(65) He further informed the Committee that POCs are those cheques which were issued when the Treasury officer passes a bill presented to him after incurring expenditure and then it was debited in the concerned Head of Account. P.O cheques come under suspense account which would be deducted corresponding to the passing of cheques.

(66) This outstanding balances under the head 'Cheques and Bills' of ₹1873 crore mentioned in the audit para, was not deducted in suspense account. Accounting head had shown huge unclaimed balance due to the failure in deducting the amount in the suspense account even though the cheques were cleared by the Banks. Those issues had been completely solved, he added.

Conclusion/Recommendation

(67) No Comments

1.9 Assets and Liabilities

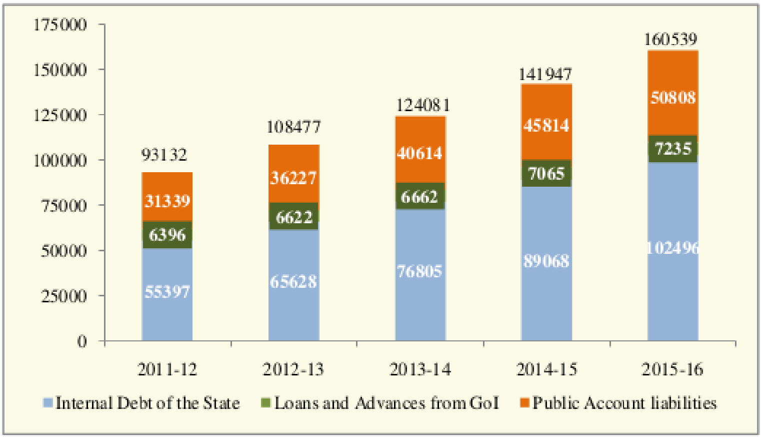
1.9.1 Growth and composition of assets and liabilities

In the existing Government accounting system, comprehensive accounting of fixed assets like land and buildings owned by the Government is not done. However, the Government accounts do capture the financial liabilities of the Government and the assets created out of the expenditure incurred. Appendix III (Appendix 1.4 Part B) gives an abstract of such liabilities and assets as on 31 March 2016, compared with the corresponding position as on 31 March 2015. While the liabilities in this Appendix consist mainly of internal borrowings, loans and advances from GoI, receipts from the Public Account and Reserve Funds, the assets mainly comprise of the capital outlay and loans and advances given by the State Government and its cash balances.

1.9.2 Fiscal liabilities

The trends of outstanding fiscal liabilities of the State are presented in Appendix III (Appendix 1.5). The composition of fiscal liabilities during the last five years are presented in Chart 1.11.

Chart 1.11 : Composition of Fiscal Liabilities (₹ in crore)



The overall fiscal liabilities of the State increased from ₹93,132 crore in 2011-12 to ₹1,60,539 crore in 2015-16, thus recording an increase of 72 per cent during the five year period. During the last four years, growth rate of fiscal liabilities of the State declined from 16.5 per cent in 2012-13 to 13.1 per cent in 2015-16. However, growth rate of fiscal liabilities in 2015-16 was higher than the growth rate of GSDP (12.6 per cent).

Fiscal liabilities of the State comprised of Consolidated Fund liabilities and Public Account liabilities. The Consolidated Fund liabilities (₹1,09,731 crore) comprised of Market Loans (₹84,846 crore), Loans from the Government of India (₹7,235 crore) and Other Loans (₹17,650 crore). The Public Account liabilities (₹50,808 crore) comprised of Small Savings, Provident Funds, etc., (₹47,640 crore),[18] interest bearing obligations (₹73 crore) and non-interest bearing obligations like Deposits and other earmarked funds (₹3,095 crore).

The overall liabilities of the State include balance under Reserve Funds amounting to ₹2,012.06 crore (as on 31 March 2016). The details in respect of two of the reserve funds are given in succeeding paragraphs:

18 This includes liabilities from the Treasury Savings Bank Account (₹10,552 crore) and Treasury Fixed Deposits (₹10,962 crore).

(a) State Disaster Response Fund

The State Disaster Response Fund (SDRF) was set up on 1 April 2010 replacing the existing Calamity Relief Fund. At the beginning of the year, there was ₹21.91 crore as opening balance in the Fund. The size of the Fund for Kerala for the year 2015-16 (fixed by the Fourteenth Finance Commission) was ₹184.75 crore, 75 per cent (₹138.75 crore) of which was to be contributed by the Central Government and 25 per cent (₹46 crore) by the State Government. During the year an amount of ₹184.75 crore was credited to the Fund. After setting off the expenditure for disaster relief operations to the extent of ₹134.14 crore, the balance in SDRF as on 31 March 2016 was ₹72.52 crore.

According to the guidelines issued by the Government of India, balances lying in the fund are required to be invested by the State Executive Committee constituted for the management of the Fund and this was not done. The interest payable on the un-invested balances of the earlier years has not been estimated by the Government (October 2016).

(b) Consolidated Sinking Fund

The State Government had set up a Consolidated Sinking Fund with effect from the financial year 2007-08, according to which the Fund was to be utilised as an Amortisation Fund for redemption of all outstanding liabilities of the Government commencing from the financial year 2012-13. The Fund was to be credited with contributions from revenue at the prescribed rate and interest accrued on investments made out of the Fund. Only the interest accrued and credited in the Fund was to be utilised for redemption of the outstanding liabilities of the Government. As per paragraph 5 of revised model scheme for the constitution and administration of Consolidated Sinking Fund of Kerala, the rate of contribution to the Consolidated Sinking Fund was 0.5 per cent of the outstanding liabilities at the end of the previous year. According to this, the State Government had to contribute ₹709.73 crore during 2015-16 to the Consolidated Sinking Fund. However, the State Government did not contribute any amount to the Fund, during the current year.

As per the guidelines of the fund, the balance at credit of the Fund is required to be invested in the Government of India Securities. During the year, an amount of ₹122.94 crore was received as interest from the investment made out of the fund. At the beginning of the year ₹1,610.37 crore was available and with the interest received on investment and an amount of ₹117.50 crore adjusted for repayment of market loans, the outstanding balance at the end of year was ₹1,615.81 crore.

[Audit paragraphs 1.9 to 1.9.2 contained in the Report of Comptroller and Auditor General of India for the year ended 31st March 2016 (State Finances)]

[Notes received from the Government based on the above audit paragraphs are included as Appendix II.]

Excerpts from Committee's discussion with departmental officials.

(68) The Committee wanted to be enlightened about the Consolidated Sinking Fund (CSF). The witness, Additional Secretary (Secret), Finance Department explained that CSF is the amortisation fund which is a reserved money through which future liabilities are being paid off. Government may contribute 0.5 percent of the outstanding liabilities at the end of the previous year for this purpose and RBI will invest it in Government of India securities for return. The Government had set up a consolidated sinking fund in 2007-08 and had contributed to CSF till the year 2011 but later, as the state was continuing in Revenue Deficit, the contribution has to be made from borrowed funds. He also pointed out that as per the conditions in the CSF Government could invest in the fund from General Revenue at any time or other sources such as disinvestment proceeds at its discretion.

(69) He further stated that at present CSF has an amount of almost ₹ 2185 Crore. If a financial crisis arises, the interest from that fund can only be utilised. The cash balance of the state was not sufficient to meet its obligations and hence it was difficult for the state to contribute to CSF, he added.

Conclusion/Recommendation

(70) No Comments

1.9.3 Review of Kerala Forest Development Fund

Kerala Forest Development Fund (KFDF) was constituted under Section 75 B of Kerala Forest Act, 1961 for crediting the proceeds of Forest Development Tax (5 per cent) introduced from 1 September 1984. According to Kerala Forest Development Fund Rules (Rule 4) 1989, 60 per cent of the KFDF shall be utilised for planting and maintaining softwood and other species of trees which form raw materials for industries and 40 per cent for forest research. The objective of the compliance audit was to examine the utilisation of KFDF by Forest and Wildlife department for the intended purpose.

Detailed audit was conducted by covering the period 2011-12 to 2015-16 in Forest Headquarters (Head of the Department), Thiruvananthapuram and five Divisional Forest Offices of Thiruvananthapuram, Punalur, Thenmala, Wayand (South) and Wayanad (North).

Audit observations

1.9.3.1 Availability of funds and its utilisation

Kerala Forest Development Fund had ₹131.47 crore as opening balance at the end of March 2011. During the period from 2011-12 to 2015-16 an amount of ₹68.02 crore was credited to the fund and against this utilisation was only ₹10.77 crore (₹8.31 crore for plantations and ₹2.46 crore for research), resulting in an unutilised balance of ₹188.72 crore in the fund account at the end of March 2016. Audit analysed the reason for this accumulation of funds and observed the following;

(i) Availability of funds under other budget heads for same purpose

As per Rule 3 (7) of KFDF Rules 1989, the Administrator[19] of the fund has to make proposals for budget allocation under the expenditure heads for utilisation in plantation and research activities, against the balance under the Fund. To facilitate this, divisional offices should propose the funds required for plantation in area under their control. However, the budget proposals for the last five years were less than three per cent of accumulated balance for the preceding years.

19 Chief Conservator of Forests (Development)

Further, audit observed that the department has been providing funds under two other heads of account '4406-01-105-85-Industrial Raw Materials' and '2406-01-101-89-Pulpwood revolving fund[20]' for planting pulpwood trees for industries and during the last five years an amount of ₹58.28 crore (₹27.3 crore and ₹30.98 crore respectively) has been incurred from these heads. Since a specific fund has been created for the purpose of planting and maintenance of softwood and other species of trees, providing of funds in other heads from state plan could have been avoided and funds could have been utilised from the fund created specifically for the purpose. In reply, department stated (November 2016) that KFDF cannot be resorted to as a criterion for raising and maintenance of species which form raw materials for wood based industries. However, the fact remains that as per the Act KFDF can be utilised for other species of trees apart from pulpwood plantations. Regarding the low budgeting under KFDF, department stated that making proposal for whole amount available under KFDF was not feasible as the requirements were assessed based on the working/management plan of the divisions. This reply is not tenable, as the percentage of allocation of the fund was only to the range of 1.4 per cent to 2.6 per cent of the total fund available during the last five years. Audit noticed that though, the Western India Plywoods limited approached the forest department for additional pulpwood requirement of 60000 MT, the request was not met during the period 2011-16. Department stated (November 2016) that due to shift in National Forest Policy (production forestry to protection forestry) more and more of state forest areas are declared as protected areas and planting in new areas are not possible.

(ii) Failure in timely felling and re-plantation

Funds provided in the budget are to be utilised for the maintenance of pulpwood trees already planted as well as for planting new areas for increasing the production and productivity of the pulpwood plantations. However, department failed in timely felling and replanting in an area of 4807.79 ha due to reasons such as surrender of plantations by industrial units[21], non-inclusion of the

20 Revolving fund constituted under the Kerala Forest Revolving Fund for teak and pulpwood Rules 1999.

21 Thiruvananthapuram - 504.82 ha, Thenmala - 393.23 ha, Punalur - 314.496 ha and Wayanad (South) - 199 ha.

plantations which were due for felling in the approved working plan[22], reduction in plantation area due to public protest[23] and conversion of plantations to natural forest[24].

Thus, effective utilisation of KFDF for increasing the plantation area and also for increasing the quantum of pulpwood was absent during the last five years. Department stated (November 2016) that efforts will be taken to prepare a detailed action plan for utilisation of the KFDF.

[Audit paragraphs 1.9.3 and 1.9.3.1 contained in the Report of the Comptroller and Auditor General of India for the year ended 31st March 2016 (State Finances)]

[Notes received from the Government based on the above audit paragraphs are included as Appendix II]

Excerpts from Committees discussion with departmental officials.

(71) The Committee made enquiries on the availability and utilisation of KFDF, and whether there were any restrictions in cutting down of trees, pose a threat to public. The Secretary, Finance (Resources) Department informed the Committee that 60% of the amount credited to the fund(KFDF) should be expended for planting soft wood trees and other species of trees and 40% should be expended for forest research. As per the Kerala, KFDF Rules, Forest Development Tax (FDT) at a rate of 5% is levied on the amount collected over the sale of forest produce, including teak and hard wood trees, which obviously increases. There is no separate fund for cutting trees, that pose a threat to life, and if cutting work costs more than the auction amount, the fund for disaster management would be utilised.

(72) The Committee wanted to know whether unutilised funds in the Forest Department could be transferred to any other schemes under the Forest Department itself. The Secretary, Finance (Resources) Department, assured to submit the reply after examination.

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22 Thiruvananthapuram - 530.51ha, Wayanad (South) -283.33ha and Wayanad (North)- 558.49ha

23 723.31ha in Wayanad (South) and Wayanad (North) divisions

24 Punalur - 45.9 ha, Wayanad (South)-1247.69 ha and Wayanad (North) – 7 ha

Conclusion/Recommendation

(73) **The Committee desires to know whether the unutilised funds in the Forest Department could be transferred to any other schemes under the Forest Department, and if so, directs to submit a detailed report regarding the same.**

1.9.3.2 Utilisation of funds for Forest Research

The funds (40 per cent) meant for research activities are to be utilised for the projects approved by Kerala Forest Development Fund Research Committee (Committee) and the Committee has been sanctioning research projects to various institutions like Kerala Forest Research Institute, Jawaharlal Nehru Tropical Botanical Garden and Research Institute, Rajiv Gandhi Centre for Biotechnology, Kerala Agricultural University, Institution of Foresters Kerala and Research Wing of Forest Headquarters. Audit scrutiny of the records of the department revealed that, department is not ensuring timely completion of research projects and utilisation of the research results for improvement of pulpwood plantations in the State. Department stated (November 2016) that audit observations are noted for future guidance.

(i) Non-submission of Research Reports

During the last two decades (1996-2016) 85 projects (59 projects for ₹3.46 crore during 1996-2010 and 26 projects for ₹1.77 crore during 2011-16) were sanctioned and reports of 74 projects (reports of 11 projects sanctioned during 2011-16 are due after April 2016) were due for submission before March 2016. However, final report submission in respect of 55 projects (out of these 55 projects, 44 are sanctioned way back during 1996-2010 and 11 during 2011-16) was not evident from the records furnished to Audit or not seen discussed in the Kerala Forest Development Research Committee meeting held during the last ten year period. Additional Principal Chief Conservator of Forests stated that the timely completion of Research projects would be ensured in future and the audit observations were discussed in the last KFDF Research Committee meeting held on 27-6-2016.

(ii) Poor follow-up and non-utilisation of research results

In the case of completed projects, it was stated that the final reports were forwarded to the Central Library for reference. But Audit noticed that these reports were not available either from the Library or from the department. Also the department is not maintaining any records showing the details of projects sanctioned, to whom sanctioned, amount sanctioned and paid and progress of the project. In the absence of these details the utilisation of results of research activities could not be ascertained. Department replied (September 2016) that the matter will be taken up in the next KFD Research Committee and as far as possible a copy of the reports would be made available to the library for necessary cross reference.

(iii) Utilisation of Funds for unintended purposes

An amount of ₹0.36 crore was diverted from the funds earmarked for Forest Research activities for the purchase of vehicles (non-research activities) without the approval of the Committee. Though, the Chief Conservator of Forests (Forest Management) had replied that this was done with the prior approval from Government, no approval was available on record. Thus, despite sufficient demand from the industrial units for softwood for industrial use, department's efforts to utilise research activities for improving plantation area or increasing the production of pulpwood were not evident from the records.

1.9.3.3 Deficiencies in internal control

Plantation journals are permanent records maintained by Forest Range offices and separate pages are provided in plantation journals for recording all the activities of a plantation from the initial stage to the final felling. Audit scrutiny revealed that the entries in journals are incomplete and all the details such as various expenditure incurred, activities conducted, details of inspections conducted etc., were not recorded. Hence audit could not ascertain the actual amount expended for raising and maintenance of each plantation.

As per Rule 3(5) of KFD Fund Rules 1989, the Administrator of the Development Fund shall furnish to Government every year a report on the receipt and expenditure of the Fund and Schemes and programmes implemented during the year under review. Department has not complied with this provision so far.

1.9.4 Status of guarantees – contingent liabilities

Guarantees are contingent liabilities on the Consolidated Fund of the State in cases of default by borrowers for whom the guarantees have been extended. Section 3 of the Kerala Ceiling on Government Guarantees (Amendment) Act, 2015[25] which came into effect on 5 December 2003 stipulates that the total outstanding Government Guarantees as on the first day of April every year shall not exceed ₹21,000 crore. The maximum amount for which guarantees were given by the State and outstanding guarantees at the end of the year since 2011-12 are given in Table 1.26.

Table 1.26: Guarantees given by the Government of Kerala (*₹ in crore*)

Guarantees	2011-12	2012-13	2013-14	2014-15	2015-16
Maximum amount guaranteed	11,332.11	11,482.25	12,275.21	13,123.30	13,712.77
Outstanding amount of guarantees	8,277.44	9,099.50	9,763.36	11,126.87	12,438.52
Deposit with Reserve Bank	30	26	25	23	20
Criteria as per Kerala Ceiling on Government Guarantees Act, 2003 (Outstanding amount of guarantees as on the first day of April)	14,000	14,000	14,000	14,000	21,000

Source : Finance Accounts of the State Government

25 Kerala Ceiling on Government Guarantees Act, 2003 has been amended in 2015 and ceiling on outstanding Government guarantee at the end of the year has been revised from ₹14000 crore to ₹21000 crore

The above table shows that there was steady increase in the outstanding guarantees at the end of each of last five years and it increased from ₹8,277.44 crore in 2011-12 to ₹12,438.52 crore in 2015-16. However, as a percentage of revenue receipts, the guaranteed amount showed steady decline from 30 per cent in 2011-12 to 20 per cent in 2015-16, which is a good indicator.

As per Section 6 of the Act, the Government has to constitute a Guarantee Redemption Fund. The guarantee commission charged under Section 5 of the Act was to form the corpus of the Fund. However, the Fund had not been constituted and consequently, guarantee commission of ₹752.78 crore collected during 2003- 04 to 2015-16 had not been credited to the Fund but was treated as non-tax revenue in the relevant years and used for meeting the revenue expenditure of the Government.

During the year, an amount of ₹88.83 crore was received as guarantee commission and as of March 2016, ₹96.96 crore was due as arrears in this regard.

1.10 Debt Management

Apart from the magnitude of debt of the State Government, it is important to analyse various indicators that determine the debt sustainability of the State. This section analyses sustainability of overall debt liability of the State Government in terms of growth rate of debt and GSDP, Debt-GSDP ratio, Debt-RR ratio, impact of growing debt on interest payments, etc. These indicators for the last five years are given in Table 1.27.

Table 1.27: Debt sustainability: indicators and trends

(₹in crore)

Indicators of Debt Sustainability	2011-12	2012-13	2013-14	2014-15	2015-16
Outstanding Debt of the State	93132	108477	124081	141947	160539
Growth rate of Debt	13.0	16.5	14.4	14.4	13.1
Gross State Domestic Product(GSDP)	364048	412313	462916	519896	585467

Growth rate of GSDP	38.0	13.3	12.3	12.3	12.6
Debt-GSDP ratio (per cent)	25.6	26.3	26.8	27.3	27.4
Debt-Revenue Receipt ratio	2.5	2.5	2.5	2.4	2.3
Average interest[26] paid on outstanding debt	7.2	7.1	7.1	7.3	7.3
Percentage of interest paid on revenue Receipt	16.6	16.3	16.8	16.9	16.1
Per capita debt of the State	27,884	32,478	37,150	42,499	45,095

Source : Finance Accounts of respective years

Table 1.27 showed a decreasing trend in growth rate of debt from 2012-13 onwards. However, during the last five years Debt-GSDP ratio had showed an increasing trend and it increased from 25.6 per cent in 2011-12 to 27.4 per cent in 2015-16. This was due to higher growth rate of debt, compared to GSDP.

Interest payments as a percentage of revenue receipt was between 16 to 17 per cent which indicated the steady growth of revenue receipt compared to the ever increasing liability on interest payments.

1.10.1 Public Debt management

Public debt of the State comprises of debt raised from internal sources as well as loans and advances received from Government of India. Over the years loans raised from open market has been the main source for the State Government to meet its fiscal needs. Loans raised by the State Government during the last five years, repayments made with interest and net amount available from the resources are given in Table 1.28.

26 Average interest rate = Interest paid/average of opening and closing balance of debt for the year

Table 1.28 : Net resources available in Public Debt

(₹ in crore)

Description	2011-12	2012-13	2013-14	2014-15	2015-16
Public Debt					
Internal Debt					
Open Market Borrowings	8880	11583	12800	13200	15000
Loan from Financial Institutions	457	410	501	552	600
Special securities issued to NSSF	0	630	565	1132	1455
Others	55	86	84	222	87
Total Internal Debt	9392	12709	13950	15106	17142
Loans and Advances from GOI	407	552	392	752	531
Total Public Debt Receipts	9799	13261	14342	15858	17673
Total Public Debt Payments	2893	2804	3126	3191	4075
Total interest paid on Public Debt	4532	5255	6151	7301	8358
Net Debt available	2374	5202	5065	5366	5240

Source : Finance Accounts of respective years

Table 1.28 shows that though the total public debt receipt increased from ₹13,261 crore in 2012-13 to ₹17,673 crore in 2015-16, there was not much increase in the net debt available with the State for its development activities. Also, during 2015-16, almost 70 per cent of the loans raised by the State Government has been utilised for servicing debt, since the State had no surplus revenue to meet this liability. Status of State's non-debt receipt against total expenditure in last five years is given in Table 1.29.

Table 1.29 : Incremental non-debt receipts and total expenditure

(₹ in crore)

Year	Non-Debt Receipt	Growth compared to last year	Total Expenditure	Growth compared to last year	Resource Gap
2011-12	38081	7021	50896	12105	-5084
2012-13	44226	6145	59228	8332	-2187
2013-14	49300	5074	66244	7016	-1942
2014-15	58102	8802	76744	10500	-1698
2015-16	69214	11112	87032	10288	824

Source : Finance Accounts of respective years

The resource gap (gap between incremental non-debt receipts and incremental total expenditure) was negative from 2011-12 to 2014-15, which indicated that incremental non-debt receipts were inadequate to finance incremental primary expenditure and incremental interest burden. However, resource gap reduced from 2011-12 and it became positive in 2015-16, which is a positive indicator.

Table 1.30 : Maturity profile of Public Debt

(₹ in crore)

Debt maturing	2011-12	2012-13	2013-14	2014-15	2015-16
Up to one year	2154.64 (3.5)	2569.25 (3.6)	2674.90 (3.2)	3289.26 (3.4)	3751.61 (3.4)

One to three years	8401.13 (13.6)	5791.05 (8.0)	6829.83 (8.2)	9139.85 (9.5)	12243.13 (11.1)
Three to five years	9100.09 (14.7)	9100.72 (12.6)	12058.34 (14.4)	13265.26 (13.8)	13284.34 (12.1)
Five to seven years	13156.00 (21.3)	13181.39 (18.2)	13165.08 (15.8)	16667.64 (17.4)	22808.05 (20.8)
Seven years and above	24240.81 (39.2)	36932.83 (51.1)	44048.78 (52.8)	48958.69 (50.9)	52857.95 (48.2)
Maturity profile details not furnished by State Government	4740.42 (7.7)	4674.95 (6.5)	4689.63 (5.6)	4812.26 (5.0)	4785.90 (4.4)

Source : Finance Accounts of respective years

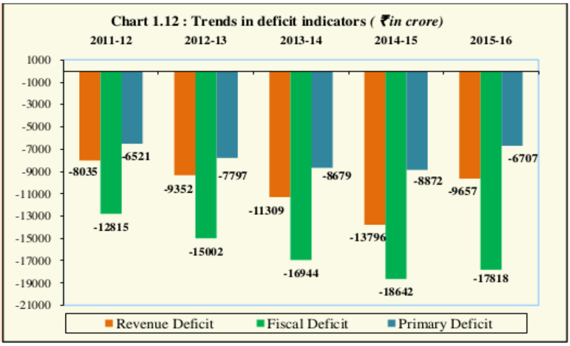
The debt maturity profile of the State given in the Table 1.30 shows that 26.6 per cent of the debt amounting to ₹29,279.08 crore has to be repaid within five years. Also 47.4 per cent (₹52,087.13 crore) of the debt has to be repaid by March 2023 (within seven years). Steep increase in State Government's open market borrowings occurred from 2007-08 onwards and this will have adverse impact on State finances from 2017-18 onwards. State Government has to ensure additional revenue resources to meet this debt burden.

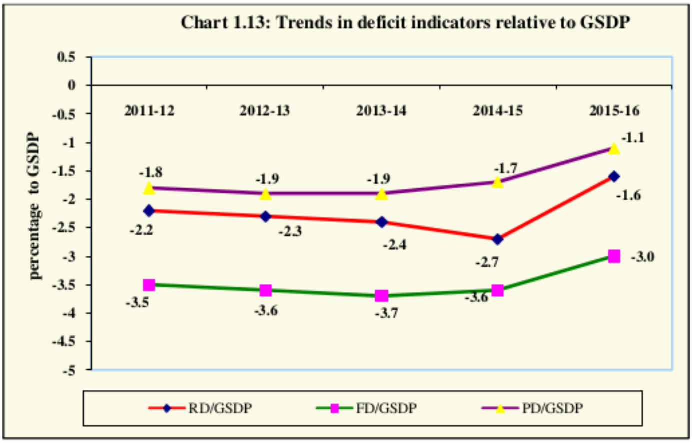
1.11 Fiscal Imbalances

Three key fiscal parameters - revenue, fiscal and primary deficits - indicate the extent of overall fiscal imbalances in the finances of the State Government during a specified period. The deficit in the Government accounts represents the gap between its receipts and expenditure. The nature of deficit is an indicator of the prudence of fiscal management of the Government. Further, the ways in which the deficit is financed and the resources are raised and applied are important pointers to its fiscal health. This section presents the trends, nature, magnitude and the manner of financing these deficits and also the assessment of actual levels of revenue and fiscal deficits vis-a-vis targets set under the Fiscal Responsibility Act/Rules for the financial year 2015-16.

1.11.1 Trends in deficits

Charts 1.12 and 1.13 present the trends in deficit indicators over the period 2011-2016.





The revenue deficit of the State which indicates the excess of its revenue expenditure over revenue receipts, increased steadily since 2011-12 indicating disproportionate growth of revenue expenditure or low growth rate of revenue receipts. However, the State Government could reduce the revenue deficit during 2015-16 due to the receipt of Post Devolution Revenue Deficit Grant (₹4,640 crore) from Government of India, based on the recommendations of Fourteenth Finance Commission.

The fiscal deficit, which represents the total borrowings of the Government and its total resource gap also increased steadily during the last five years. It has been increasing from 2011-12 and there was decrease in the year 2015-16 due to receipt of Finance Commission grant as stated above.

Similarly, primary deficit also decreased during 2015-16, compared to 2014-15 due to the receipt of Finance Commission grant.

As a proportion of GSDP, primary, revenue and fiscal deficits were lowest during 2015-16 which was mainly attributed to the receipt of ₹4,640 crore received as Post Devolution Revenue Deficit Grant.

1.11.2 Components of fiscal deficit and its financing pattern

The financing pattern of the fiscal deficit has undergone a compositional shift as reflected in the Table 1.31. Receipts and disbursements under the components of financing the fiscal deficit during 2015-16 are given in Table 1.32.

Table 1.31: Components of fiscal deficit and its financing pattern

(₹ in crore)

Particulars		2011-12	2012-13	2013-14	2014-15	2015-16
Decomposition of fiscal deficit						
1.	Revenue deficit	8035	9352	11309	13796	9657
2.	Net Capital expenditure	3837	4588	4275	4227	7472
3.	Net loans and advances	943	1062	1360	619	689
Total fiscal deficit		12815	15002	16944	18642	17818

Financing pattern of fiscal deficit *						
1.	Market borrowings	7496	10571	11373	11777	12886
2.	Loans from Government of India	36	226	40	402	169
3.	Special Securities issued to National Small Savings Fund	(-)491	32	(-)42	525	731
4.	Loans from Financial Institutions	(-)7	(-)118	(-)77	(-)69	(-)64
5.	Small savings, PF, etc.	3839	3686	4231	3765	8332
6.	Deposits and Advances	(-)52	1141	188	1365	(-)3280
7.	Suspense and Miscellaneous	852	712	(-)946	58	774
8.	Remittances	(-)157	31	(-)168	26	(-)93
9.	others	32	(-)379	(-)68	164	(-)59
10.	Total(1 to 9)	11548	15902	14531	18013	19396
11.	Increase(-)/Decrease(+)in Cash Balance	1267	(-)900	2413	629	(-)1578
12.	Overall deficit	12815	15002	16944	18642	17818
* All these figures are net of disbursements / outflows during the year						

Source : Finance Accounts of respective years.

Table 1.32: Receipts and disbursements under components financing the fiscal deficit during 2015-16

(₹ in crore)

Sl.No.	Particulars	Receipt	Disbursement	Net
1.	Market borrowings	15000	2114	12886
2.	Loans from Government of India	531	362	169
3.	Special Securities Issued to National Small Savings Fund	1455	724	731
4.	Loans from Financial Institutions	600	664	(-)64
5.	Small Savings, PF, etc	50248	41916	8332
6.	Deposits and Advances	4547	7827	(-)3280
7.	Suspense and Miscellaneous	103331	102557	774
8.	Remittances	10175	10268	(-)93
9.	Others	409	468	(-)59
10	Total(1 to 9)	186296	166900	19396
11	Increase(-)/Decrease (+) in Cash Balance	1651	3229	(-)1578
12	Overall deficit			17818

Source : Finance Accounts of the State Government

Table 1.31 reveals that during the last five years, market borrowings and net accretions in Public Account (especially in Small Savings, PF, etc.) are the main source of the State Government to finance the fiscal deficit. During 2015-16 also, net market borrowings (₹12,886 crore) and net accretions in Small savings, PF,etc (₹8,332 crore) were used for bridging the fiscal deficit of the State.

During 2015-16, the State Government raised ₹15,000 crore as market loans at a weighted average interest rate of 8.25 per cent, loans amounting to ₹600 crore from NABARD at an interest rate of 6.25 per cent to 7 per cent, ₹1,455.20 crore from National Small Savings Fund at an interest rate of 9.5 per cent and ₹31.02 crore from NCDC at an interest rate of 11.45 per cent. The State Government also received loans amounting to ₹531 crore from the Government of India during the year for which the details of interest rate on all loans were not available.

The State Government has been mobilising deposits from its employees, pensioners, institutions and general public through treasuries. During 2015-16, the State Government received ₹33,053.82 crore as deposits through Treasury Saving Bank accounts at an average interest rate of five per cent and ₹9522.18 crore as Treasury Fixed Deposits at interest rates ranging between 7.5 per cent and 9.5 per cent. The balance of such deposits as on 31 March 2016 was ₹21,515.04 crore. This is ₹5,615.38 crore more than the previous year's balance

1.11.3 Quality of deficit

The ratio of revenue deficit to fiscal deficit and the decomposition of primary deficit into primary revenue deficit and capital expenditure (including loans and advances) would indicate the quality of deficit in the State's finances. The ratio of revenue deficit to fiscal deficit indicates the extent to which borrowed funds were used for current consumption. Further, persistently high ratios of revenue deficit to fiscal deficit also indicate that the asset base of the State was continuously shrinking and a part of the borrowings (fiscal liabilities) did not have any asset backup. The bifurcation of the primary deficit (Table 1.33) indicates the extent to which the deficit has been on account of enhancement in capital expenditure which may be desirable to improve the productive capacity of the State's economy.

Table 1.33: Primary deficit/surplus – bifurcation of factors

(₹ in crore)

Year	Non-debt receipts (NDR)	Primary revenue expenditure	Capital expenditure	Loans and advances	Primary expenditure	Primary revenue deficit(-)/ surplus(+)	Primary deficit(-)/ surplus(+)
1	2	3	4	5	6 (3+4+5)	7 (2 - 3)	8 (2 - 6)
2011-12	38081	39751	3853	998	44602	(-)1670	(-)6521
2012-13	44226	46254	4603	1136	52023	(-)2058	(-)7797
2013-14	49300	52221	4294	1464	57979	(-)2921	(-)8679
2014-15	58102	61976	4255	743	66974	(-)3874	(-)8872
2015-16	69214	97579	7500	842	75921	1635	(-)6707

Source: Finance Accounts of respective years

The bifurcation of the factors leading to primary deficit of the State reveals that during 2011-12 to 2015-16, non-debt receipts (NDR) of the State were not enough to meet the primary revenue expenditure[27] of the State. However, the position has improved and there was primary revenue surplus of ₹1635 crore during 2015-16. Though the Government had to depend on borrowed funds even for meeting primary expenditure till 2014-15, the situation improved in 2015-16 due to increased revenue collection of the State as well as receipt of Post Devolution Revenue Deficit Grant.

27 Primary revenue expenditure represents revenue expenditure less expenditure on interest.

1.12 Conclusion

Fiscal position of the State

As in the previous year, revenue resources of the State were insufficient to meet its revenue expenditure and the State had a revenue deficit of ₹9,657 crore in 2015-16. But due to receipt of Post Devolution Revenue Deficit Grant of ₹4,640 crore from Government of India, based on the recommendations of Fourteenth Finance Commission, the State could reduce revenue deficit considerably, compared to 2014-15. However, fiscal deficit (₹17,818 crore) continued to be high and it was 3 per cent of the GSDP against 3.6 per cent in 2014-15. Share of revenue deficit in fiscal deficit also came down to 54.2 per cent in 2015-16 against 74 per cent in 2014-15.

Revenue resources of the State

Revenue receipts (₹69,033 crore) of the State increased by ₹11,082 crore, compared to the previous year, recording an increase of 19 per cent. More than 50 per cent (₹6,178 crore) of this increase was contributed by share of union taxes and grants-in-aid from Government of India. Though, State's own tax revenue increased by ₹3,763 crore, its growth rate (11 *per cent)* was much less than the growth rate of revenue receipts (19 per cent) and also less than the growth rate of GSDP (13 per cent). Substantial increase was noticed in the receipt of non-tax revenue due to increased receipts under State Lotteries. But net yield from the sale of lotteries was less due to increased expenditure on distribution of prizes, agent commission, etc.

Revenue Expenditure of the State

During the last five years, lowest growth rate (9.7 per cent) of revenue expenditure was in 2015-16. As in the previous year, plan revenue expenditure recorded a better growth rate (17.5 per cent) than non-plan revenue expenditure(8.4 per cent) during 2015-16. Though interest payments and pensions recorded an increase of 14 per cent and 16 per cent respectively during 2015-16, growth rate of payment of salary and wages was less than 10 per cent. During the year committed expenditure of the State consumed about 71 per cent of the revenue receipts, but this was lowest during the last five year period.

Quality of expenditure

State's share of expenditure on education and health in total expenditure was higher than General Category States, but in respect of development expenditure, social sector expenditure and capital expenditure, State's performance was poor comparing to General Category States. State's expenditure on share capital investments and release of loans and advances to Government companies, Public Sector Undertakings, etc. continued without any improvement in the return on these expenditures.

Reserve Funds and liabilities

Consolidated Sinking Fund was constituted with the aim to amortize the outstanding liabilities of Government, but Government did not contribute to the fund during 2015-16. Non-contribution of required amount to the fund would reduce the debt redemption options of the Government in future.

Kerala Forest Development Fund was constituted for planting and maintaining softwood and other species of trees which form raw materials for industries, but due to non-utilisation of accruals in the fund as envisaged in the Act, funds accumulated in the Reserve Fund.

Debt management

Though growth rate of debt liability showed a declining trend during the last four years, debt-GSDP ratio showed a steady increasing trend during the last five years indicating increased growth rate of debt compared to GSDP. Public Debt receipt of the State increased by 80 per cent during the last five years, but during 2015-16 more than 70 per cent of the receipt was utilised for redemption of debt liability during the year. Debt maturity profile shows that 47.4 per cent (₹52,087.13 crore) of the debt has to be repaid by March 2023.

1.13 Recommendations

- Government may take necessary steps to improve the growth rate of State's own tax revenue to meet the increasing burden of interest payments and pensions.

- State may improve its Capital expenditure and Development expenditure so that it can match those of General Category States.
- Measures may be taken to improve the utilisation of Kerala Forest Development Fund to achieve its objectives.

[Audit paragraphs 1.9.3.2 to 1.13 contained in the Report of the Comptroller and Auditor General of India for the year ended 31st March, 2016 (State Finances)]

[Notes received from the Government based on the above audit paragraphs are included as Appendix II]

Excerpts from the Committee's discussion with departmental officials.

(74) When enquired about the audit observation in utilisation of funds for Forest Research, The Secretary, Finance Department replied that 17 out of the 21 projects sanctioned by KFRI (Kerala Forest Research Institute) had been completed and the details of present status of remaining projects would be furnished to the Committee. The Committee wanted to know the reason for the delay in completion of research projects and submission of reports and also the reason for the diversion of funds for research activities to non-research activities without the prior approval of Government.

(75) Committee observed that though the projects were approved by the Kerala Forest Development Fund Research Committee (KFDFRC), the department was not ensuring the timely completion of the research result, for the improvement of pulp wood, plantation etc. Committee also suggested that in the case of completed projects, the final project report were to be forwarded to the central library for reference. Committee strongly recommended that the department should take necessary steps for maintaining the records showing the details of projects sanctioned, amount sanctioned and the progress of the project, and also ensure the timely completion of research works and avoid delay on submitting the reports.

Conclusion/Recommendation

(76) The Committee expresses its displeasure over the delay in the completion of Research projects and submission of final project Report and the diversion of funds to non-research activities. The Committee therefore strongly recommends that effective measures should be taken for the proper maintenance of the records showing the details of the projects sanctioned, amount sanctioned for the projects and the progress of the projects. The Committee also directs to ensure prudent utilisation of funds, timely completion of Research works and timely submission of final Research Reports.

CHAPTER II

FINANCIAL MANAGEMENT AND BUDGETARY CONTROL

2.1 Introduction

2.1.1 The Appropriation Accounts are accounts of the expenditure, voted and charged, of the Government for each financial year, compared with the amounts of voted Grants and charged Appropriations for different purposes, as specified in the schedules appended to the Appropriation Acts. These accounts list the original budget estimates, supplementary grants, surrenders and re-appropriations distinctly and indicate actual capital and revenue expenditure on various specified services vis-a-vis those authorised by the Appropriation Act in respect of both charged and voted items of the budget. Appropriation Accounts, thus, facilitate the management of finances and monitoring of budgetary provisions and are, therefore, complementary to the Finance Accounts.

2.1.2 Audit of appropriations by the Comptroller and Auditor General of India seeks to ascertain whether the expenditure actually incurred under various Grants is within the authorisation given under the Appropriation Act and that the expenditure required to be charged under the provisions of the Constitution is so charged. It also seeks to ascertain whether the expenditure so incurred is in conformity with the law, relevant rules, regulations and instructions on the subject.

2.1.3 As per the Kerala Budget Manual, the Finance Department is responsible for the preparation of the annual budget by obtaining estimates from various departments. The departmental estimates of receipts and expenditure are prepared by the Heads of Departments and other Estimating Officers and submitted to the Finance Department on prescribed dates. The Finance Department consolidates the estimates and prepares the Detailed Estimates called 'Demands for Grants'. In the preparation of the budget, the aim should be to achieve as close an approximation to the actuals as possible. This demands foresight in anticipating revenue and expenditure. An avoidable extra provision in an estimate is as much a budgetary irregularity as an excess in the sanctioned expenditure. The budget procedure envisages that the sum provided in an estimate of expenditure on a particular item must be that sum which can be expended in the year and it should not be over or under expenditure. A saving in an estimate constitutes as much of a financial irregularity as an excess in it. The budget estimates of receipts should be based on the existing rates of taxes, duties, fees etc.

Deficiencies in the management of budget and expenditure and violation of the provisions of Budget Manual noticed in audit have been discussed in the subsequent paragraphs.2.2.

2.2 Summary of Appropriation Accounts

The summarised position of actual expenditure during 2015-16 against 47 Grants/Appropriations is given in Table 2.1.

Table 2.1: Summarised position of actual expenditure vis-a-vis original/ supplementary provisions

(₹ in crore)

Nature of Expenditure	Original Grant Appropriation	Supplementary Grant/ Appropriation	Total	Actual Expenditure	Savings(-)/ Excess(+)	Savings/ Excess in percentage
Voted						
I Revenue	74498.93	6486.42	80985.35	68438.50	(-)12546.85	15.5
II Capital	9206.06	1233.78	10439.84	7490.29	(-)2949.55	28.3

III Loans and Advances	845.48	128.73	974.21	842.25	(-)131.96	13.5
Total voted	**84550.47**	**7848.93**	**92399.40**	**76771.04**	**(-)15628.36**	**16.9**
Charged						
IV Revenue	11325.63	84.01	11409.64	11447.26	37.62	0.3
V Capital	36.29	67.48	103.77	98.13	(-)5.64	5.4
VI Public Debt Repayment	14977.98	0	14977.98	6060.74	(-)8917.24	59.5
Total Charged	26339.90	151.49	26491.39	17606.13	(-)8885.26	33.5
Appropriation to contingency Fund (if any)	Nil	Nil	Nil	Nil	Nil	Nil
Grand Total	**110890.37**	**8000.42**	**118890.79**	**94377.17**	**(-)24513.62**	**20.6**

Source: Appropriation Accounts 2015-16 and Appropriation Acts

The overall savings of ₹24,513.62 crore was the result of savings of ₹24,744.39 crore in 44 Grants and 19 Appropriations under the Revenue Section and 27 Grants and six Appropriations under the Capital Section Appendix III (Appendix 2.1), offset by excess of ₹230.77 crore in three Appropriations under the Revenue Section and one Grant under Capital section. Overall savings increased from 19.5 per cent in the last year to 20.6 per cent in 2015-16 indicating increasing deficiency in the budgetary process.

Audit further analysed utilisation of budget allocation under voted category in revenue and capital section separately and observed that in 29 Grants (each having savings exceeding ₹100 crore) budget allocation of ₹16,807.79 crore remained unutilised in plan and non-plan category as detailed in Table 2.2.

Table 2.2 : Savings under Plan and Non-plan category

(₹in crore)

Category	No.of grants	Original budget	Supple-mentary	Final Expenditure	Savings	% of saving
Revenue-Plan	10	12012.04	2271.41	9744.37	4539.08	31.8
Revenue-Non-Plan	9	49527.43	2653.64	43860.73	8320.34	15.9
Capital-Plan	7	3847.03	339.28	2215.42	1970.89	47.1
Capital-Non-plan	3	2587.15	15	624.67	1977.48	76.0
Total	29	67973.65	5279.33	56445.19	16807.79	22.9

Source: Appropriation Accounts 2015-16

Grant-wise details of the above information are given in Appendix III (Appendix 2.2). Apart from the above savings, it was also observed that in Grant number XLI-Transports (Revenue-Non-plan-Charged) substantial portion of budget allocation (₹86 crore out of ₹86.03 crore) remained unutilised at the end of the financial year. Similarly, entire budget allocations under XXXVIII-Irrigation (₹5 crore- Capital-Non-plan-Charged) and XXI- Housing (₹3 crore-capital - Non-plan-voted) were not utilised during the year.

[Audit paragraph 2.1 contained in the audit report of the Comptroller and Auditor General of India for the year ended 31st March, 2016 (State Finances)]

[Notes received from the Government based on the above audit paragraphs are included as Appendix II]

Excerpts from committee's discussion with departmental officials.

(77) The Committee enquired whether the Finance Department considered the status of utilisation of previous years while preparing the budget for the ensuing year and whether the Finance Department had any monitoring mechanism to exercise proper appropriation control. The Secretary, Finance (Resources) Department replied that status of utilization of previous years were examined before budget preparation for the ensuing year. The Director, Treasury Department informed the Committee that upgradation of treasury procedures in IFMS had ensured 100% appropriation control. He further added that even a single bill could not be generated without an allotment to the implementing officer through Budget Allocation and Monitoring System (BAMS)

Conclusion/Recommendation

(78) No Comments

2.3 Financial Accountability and Budget Management

2.3.1 Appropriation vis-a-vis Allocative Priorities

Audit of Appropriation of Accounts revealed that savings exceeded ₹100 crore and also more than 25 per cent of the total budget provision in 14 Grants/Appropriations as detailed in Table 2.3.

Table 2.3: Grants/Appropriations showing substantial savings

(₹ in crore)

Sl. No.	Grant number and Name	Total Grant/ Appropriation	Expenditure	Savings
Revenue-Voted				
1.	II Heads of States, Ministers and Headquarters Staff	630.27	437.62	192.65
2.	XIX Family Welfare	579.16	436.20	142.96
3.	XXII Urban Development	932.90	287.07	645.83
4.	XXVI Relief on Account of Natural Calamities	468.00	351.82	116.18
5.	XXXV Panchayat	551.66	348.85	202.81
6.	XXXVI Rural Development	2982.23	2242.19	740.04
7.	XLIII Compensation and Assignments	6493.05	4217.24	2275.81
Capital - Voted				
8.	XII Police	107.72	3.66	104.06
9.	XX Water Supply and Sanitation	335.18	160.28	174.90
10.	XXV Welfare of Scheduled Castes/ Scheduled Tribes/Other Backward Classes and Minorities	283.63	57.01	226.62

11.	XXVIII Miscellaneous Economic Services	2088.88	910.00	1178.88
12.	XXIX Agriculture	433.18	283.96	149.22
13.	XLI Transport	1217.94	658.86	559.08
Capital-Charged				
14.	Public Debt Repayment	14977.98	6060.74	8917.24
	Total	32081.78	16455.50	15626.28

Source: Appropriation Accounts 2015-16

It was also observed that the savings under above 14 Grants/ Appropriations was more than 64 per cent of the total savings during 2015-16.

2.3.2 Persistent savings

Persistent savings of ₹ 100 crore or more were noticed in ten cases for the last three years as shown in Table 2.4.

Table 2.4: Grant-wise persistent savings

(₹ in crore)

Sl. No.	**Number and Name of Grant/Appropriation**	**Amount of savings**		
		2013-14	**2014-15**	**2015-16**
Revenue -Voted				
1.	XIX Family Welfare	145.57 (29)	148.52 (27)	142.96 (25)
2.	XXII Urban Development	1125.04 (84)	948.83 (75)	645.84 (69)
3.	XXV Welfare of SCs/STs/ Other backward classes and minorities	282.57 (15)	533.94 (23)	405.69 (16)
4.	XXIX Agriculture	231.15 (11)	512.90 (21)	498.24 (18)

Capital - Voted				
5.	XX Water Supply and Sanitation	113.33 (31)	140.30 (52)	174.90 (52)
6.	XXVIII Miscellaneous Economic Services	2421.19 (86)	1361.72 (96)	1178.88 (56)
7.	XXXVII Industries	165.38 (22)	365.83 (51)	133.35 (19)
8.	XXXVIII Irrigation	396.46 (66)	645.03 (79)	107.28 (24)
9.	XLI Transport	1051.74 (56)	118.61 (16)	559.08 (46)
Capital – Charged				
10.	Public Debt Repayment	6859.49 (68)	8349.59 (59)	8917.24 (60)

Source: Appropriation Accounts for respective years.

Figures in parenthesis are percentage of savings with respect to budget allocation

Further analysis revealed that overall savings under the above Grants were due to persistent savings under a few subheads (schemes/activity), which indicated failure of the respective Controlling Officers and the Finance department in making a realistic assessment of the budget requirement based on the expenditure of the previous year and also the ability of the department to utilise the funds.

Details of schemes where persistent savings of ₹ one crore or more was noticed, are given in Appendix III (Appendix 2.3).

2.3.3 Excess over provision during 2015-16

The Appropriation Accounts disclosed excess expenditure of ₹161.54 crore under Revenue Section in three[28] appropriations and ₹69.23 crore under Capital section in Grant- 'Public Works' which require regularisation under Article 205 of the Constitution. The sub-heads in which expenditure exceeded the appropriation under the Grant are detailed in Table 2.5.

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28 Debt charges : ₹154.71 crore, Pension and miscellaneous : ₹6.74 crore and public works : ₹ 0.09 crore.

Table 2.5: Sub-heads in which expenditure exceeded the appropriation

(₹ in crore)

Sl. No.	Head of account and name of the scheme	Final Appropriation	Expenditure	Excess
2049-Interest Payments - Charged (Non-plan)				
1	03-115-98-Fixed Time Deposits	659.78	673.12	13.34
2	03-104-99-Interest on General Provident Fund	1563.82	1625.89	62.07
3.	03-108-99-State Life Insurance Official Branch	150.00	191.21	41.21
4.	04-101-99-Block Loans for State Plan Schemes	157.24	177.13	19.89
5.	03-108-95-Kerala State Government Employees Group Insurance Scheme	98.00	110.97	12.97
4059 Capital Outlay on Public Works - Voted (Non-Plan)				
6.	01-051-75-Construction of office building for Commercial Taxes Department	0.38	7.78	7.40
5054-Capital Outlay on Roads and Bridges- Voted (Plan)				
7.	80-001-99-Establishment charges transferred on percentage basis from 3054-Roads and Bridges	229.02	293.22	64.20

Source: Detailed appropriation Accounts 2015-16

In the case of item number 4, 2049-04-101-99-Block Loans for State Plan Schemes, original budget allocation was ₹210.04 crore. Subsequently, Controlling Officer surrendered an amount of ₹52.80 crore, which resulted in final excess of ₹19.89 crore (final expenditure was ₹177.13 crore). Similarly, in the case of 4059-01-051-75-Construction of office building for Commercial Taxes Department, major portion of the original budget allocation was surrendered (₹4.62 crore out of ₹5.00 crore) without anticipating the expenditure of ₹7.78 crore finally incurred from the head of account.

2.3.4 Excess expenditure over provisions relating to previous years requiring 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 and the connected Audit Report by the Public Accounts Committee (PAC). Excess expenditure under 13 Grants and five Appropriations amounting to ₹817.61 crore for the years 2011-12 to 2014-15 was to be regularised (October 2016) as summarised in Table 2.6. The year-wise and Grant-wise amounts of excess expenditure pending regularisation and the stage of consideration by the PAC are detailed in Appendix III (Appendix 2.4).

Table 2.6: Excess over provisions relating to previous years requiring regularisation

(₹ in crore)

Year	Number of		Amount of excess over provision
	Grant	Appropriation	
2011-12	2		24.50
2012-13	5		40.43
2013-14	6	4	560.68
2014-15		1	192.00
Total	**13**	**5**	**817.61**

Source : As per records maintained by the Principal Accountant General (G&SSA)

[Audit paragraph 2.3.1 to 2.3.4 contained in the audit report of the Comptroller and Auditor General of India for the year ended 31st March, 2016 (State Finances)]

[Notes received from the Government based on the above audit paragraphs are included as Appendix II]

Excerpts from Committee's discussion with departmental officials.

(79) The committee enquired why the Department had not taken any steps to regularise the excess expenditure mentioned in the Audit report even after the PAC Report recommended the same. The director, Treasury Department, enlightened the Committee that Appropriation Accounts vetted by AG, would be submitted as appropriation bills in Legislature. When it is passed in Legislature, it will be regularised. He supplemented that all these processes related to Treasury Department had been carried out accurately. Regarding this issue, the Senior DAG brought to the notice of the Committee that the Department would usually submit delayed reports when asked to furnish the latest status. She further opined that effective measures should be taken for the enactment of Appropriation Act. The witness, Additional Secretary, Finance (Secret) Department agreed to take necessary action.

Conclusion/Recommendation

(80) No Comments

2.3.5 Unnecessary/Excessive Supplementary provision

Supplementary provisions aggregating to ₹781.10 crore, obtained in 20 Grants/Appropriations (₹one crore or more in each case) during the year, proved unnecessary as the expenditure did not come up to the level of even the original provisions as detailed in Appendix III (Appendix 2.5). Since there was sufficient savings in the original budget allocation, the option of re-appropriation of funds between heads of account (where savings are noticed) within the

Grant/Appropriation could have been resorted to by the Chief Controlling Officers (for heads of accounts which require funds) instead of proposing Supplementary Demands for Grants (SDG). Further scrutiny revealed that ₹434.52 crore (out of ₹781.10 crore) were obtained in February 2016 and the departmental officers/chief controlling officers had ample opportunity to assess the expenditure of various heads of account under their control, for re-appropriation of savings, to needy heads of accounts.

Audit further scrutinised the utilisation of supplementary grants obtained for schemes/activity under the above Grants/Appropriation and deficiencies in utilisation of these supplementary grants were as follows:

(i) Grant number I (Revenue-Voted)

The supplementary grant of ₹1.30 crore, obtained in February 2016 was to regularize the additional authorisation issued under the head of account 2011-02- 101-99-04-Travelling Expenses and 103-99-02-wages. Since there was sufficient savings under the above subheads and the savings (exceeding the amount obtained as SDG) the additional authorisation could have been regularized by re- appropriation of funds among the object heads below the subheads, instead of going for SDG

(ii) Grant number II (Revenue-Voted)

Supplementary grant of ₹2.52 crore obtained in February 2016 under various subheads below the minor head 2052-090-Secretariat could have been avoided since the final expenditure under the head of account was less than (₹8.57 crore) the original budget allocation. Hence the savings available under the minor head could have been re-appropriated instead of moving for SDG.

(iii) Grant number VI (Revenue-Voted)

Supplementary grant of ₹two crore obtained in February 2016 under the head of account 2029-103-99 was not utilised and surrendered at the end of the year.

iv) Grant number VIII (Revenue-Voted)

Supplementary grant of ₹15.96 crore obtained in February 2016 under the head of account '2039-001-95-Campaign against alcoholism' was not fully utilised and ₹13.09 crore was surrendered at the end of the year.

(v) Grant number XVII (Revenue-Voted)

Supplementary grants were obtained in February 2016 under two heads of account '2202-03-102-97-Mahatma Gandhi University' (₹One crore) and '2203-112-61-Kerala State Science and Technology Museum' (₹two crore) but the funds remained unutilised at the end of the year.

(vi) Grant number XXXIX (Revenue-Voted)

Supplementary grant of ₹1.60 crore, ₹22.40 crore and ₹2.60 crore were obtained in February 2016 respectively under the heads of account '2801-80-101-99- Subsidy to the KSEB towards power tariff concessions', '2801-80-101-92-Assistance to KSEB to compensate the loss sustained on account of write off of the Electricity charges of KWA' and '2801-80-101-91-Innovation fund and ESCOT'. But the funds remained unutilised at the end of the year.

(vii) Grant number III (Revenue-Charged)

Supplementary grant of ₹1.60 crore obtained under the head of account '2014-00-102-99-High Court' proved unnecessary since the final expenditure under the head of account was ₹nine crore less than the original budget allocation.

(viii) Grant number XXXIX (Capital-Voted)

Out of ₹13.63 crore obtained as supplementary grant in February 2016 under '4801-80-101-99-Investments in KSEB', ₹10.00 crore remained unutilised at the end of the year.

(ix) Grant number XLVI (Capital-Voted)

Out of ₹17.20 crore allocated as supplementary grant in July 2015 under '4235-02-102-94-Convergence of pre-school and pre-primary education centres into Anganwadies', ₹11.61 crore were surrendered at the end of the year. Apart from the above, departmental officers failed to utilise the supplementary grants obtained in following Grants/Appropriations and budget allocations obtained through supplementary grants were surrendered at the end of the year, in five out six cases detailed below:

(i) Grant number XXVI (Revenue-Voted)

Supplementary budget allocations amounting to ₹5.61 crore, ₹6.28 crore, ₹2.65 crore and ₹4.02 crore were obtained respectively under the heads of account '2245-01-101-99-Supply of seeds/Fertilizers and Agricultural implements', '2245-01-102-99-Water Supply', '2245-02-101-98-Food and Clothing' and '2245-02-101-94-Other items' in July 2015. But the amounts were surrendered at the end of the year along with the unutilised portion of the allocation received in original budget.

(ii) Grant number XXXI (Revenue-Voted)

Supplementary grant of ₹0.80 crore was obtained under '2403-789-98-Livestock Health and Disease Control Programme' in December 2015, but the major portion of this amount (₹0.54 crore) was surrendered at the end of the year.

(iii) Grant number II (Revenue-Charged)

Supplementary grant of ₹16.20 crore obtained in February 2016 under the head of account '2051-00-102-99-Public Service Commission' proved unnecessary since the amount surrendered (₹16.55 crore) at the end of the year was more than the supplementary grant obtained.

(iv) Grant number XXXIV (Revenue-Charged)

Supplementary grant of ₹0.14 crore obtained under the head of account '2406-01-001-99-Office of the Chief Conservator' proved wholly unnecessary since the entire amount was surrendered at the end of the year.

(v) Grant number XII (Capital-Voted)

Out of the supplementary grant (₹41.72 crore in July 2015 and ₹25.31 crore in February 2016) obtained under the heads of account '4055-207-97-Other buildings' (₹4.64 crore) and '4055-211-97-Modernisation of police force' (₹61.64 crore), ₹64.08 crore were surrendered at the end of the year.

(vi) Grant number XXIX (Capital – Charged)

Supplementary Grant of ₹0.09 crore (₹0.01 crore in July 2015 and ₹0.08 crore in February 2016) obtained under the head of account '4702-00-101-99-Minor Irrigation Works' proved wholly unnecessary since the entire amount remained unutilised at the end of the year. Further, in 19 Grants/Appropriation, against the additional requirement of ₹2,368.37 crore, supplementary budget allocation of ₹5,500.64 crore obtained during the year proved excessive [Appendix III (Appendix 2.6)] by ₹3,132.27 crore. The departmental officers while making proposals for supplementary grants did not assess the actual requirement of funds which resulted in this avoidable savings.

2.3.6 Re-appropriation of funds

Re-appropriation is transfer of funds within a Grant from one unit of appropriation, where savings are anticipated, to another unit where additional funds are needed. Augmentation of funds through re-appropriation was resorted to by departmental officers. However, audit analysis revealed that augmentation of budget allocation was wholly unnecessary in some sub-heads as the final expenditure was less than the budget allocation (original and supplementary grant) provided under it. Subheads in which augmentation was done through re-appropriation (exceeding ₹one crore) but no part was utilised are given in Appendix III (Appendix 2.7).

In some cases augmentation of funds through re-appropriation proved in excess of the actual requirement. Cases of excess re-appropriation exceeding ₹one crore are given in Table 2.7 below:

Table 2.7 : Subheads in which re-appropriation proved excessive

(₹ in crore)

Scheme/Activity	Budget Allocation	Reapp	Net Budget	Expen-diture	Net Savings
2415-05-277-99-Kerala University of Fisheries and Ocean Studies-(NP)	9.66	5.09	14.75	13.75	1.00

4701-80-800-76-Priority Works-(NP)	0.00	11.99	11.99	10.97	1.02
2225-01-283-89-House to Houseless- SCP-(P)	180.00	79.48	259.48	258.11	1.36
2515-00-196-39-NABARD assisted RIDF Projects undertaken by District Panchayats-(P)	7.18	5.60	12.78	11.42	1.37
7610-00-800-95-Interest Free Advances to Government Employees- (NP)	8.30	2.88	11.18	9.79	1.39
2210-05-105-97-Allopathy Medical College, Kozhikode-(NP)	118.82	10.11	128.93	125.24	3.69
5054-01-337-95-NH Bypasses Kollam and Alappuzha (Cost Sharing Basis with GOI)-(P)	0.01	46.22	46.23	42.11	4.12
2210-05-105-98-Allopathy Medical College, Thiruvananthapuram-(NP)	163.84	14.23	178.07	173.36	4.71
2202-02-001-94-Directorate of Higher Secondary Education (Plus Two)-(NP)	48.07	10.00	58.07	52.11	5.96

Source: Detailed Appropriation Accounts 2015-16 P: Plan; NP: Non-plan

Failure of the departmental officers in assessing the actual requirement of funds also resulted in excess withdrawal of funds from units of appropriation, which finally led to excess expenditure over provision in certain subheads. Cases of such injudicious re-appropriations noticed in 26 schemes /activities are given in Appendix III (Appendix 2.8).

2.3.7 Surrender of budget allocations

As per Paragraph 91 of the Kerala Budget Manual, the Administrative Departments should surrender all anticipated savings before the close of the financial year to Finance Department as and when they are foreseen, unless they are required to meet the excesses under other units of appropriation.

During 2015-16, ₹22,459.15 crore (19 per cent) out of the total budget allocation (₹1,18,890.79 crore) was surrendered at the end of the financial year. More than ₹1,000 crore were surrendered in five Grants/Appropriation, as detailed in Table 2.8.

Table 2.8: Grants in which substantial portion of the budget allocation was surrendered

(₹ in crore)

Grant Number		Budget Allocation	Amount Surrendered	Percentage of Surrender
Revenue-voted				
XVI	Pensions and Miscellaneous	19746.16	1212.63	6
XVII	Education, Sports, Art and Culture	16655.14	1404.67	8
XLIII	Compensation and Assignments	6493.05	2754.97	42
Capital - Voted				
XXVIII	Miscellaneous Economic Services	2088.88	1174.06	56

Capital – Charged				
	Public Debt Repayment	14977.98	8921.97	60

Source: Appropriation Accounts 2015-16

Schemes/activities under which substantial surrenders were made in respect of above Grants/Appropriations are given in Table 2.9.

Table 2.9: Schemes in which budget allocation were surrendered in excess of ₹100 crore

(₹ in crore)

Grant No	Scheme/activity	budget	surrender
XVI	2071-01-101-99-Pension to Kerala Government Pensioners-(NP)	6854.45	302.94
XVI	2075-00-800-72-Spill Over Schemes-(NP)	1000.00	801.30
XVII	2202-01-111-99-Sarva Siksha Abhiyan-(P)	266.23	157.74
XVII	2202-01-112-91-Mid Day Meal (100% CSS)-(P)	222.46	222.46
XVII	2202-03-104-99-Salaries to the staff under the Direct Payment System-(NP)	1165.22	197.44
XVII	2202-03-105-97-Additional Skill Acquisition Programme (ASAP)-(P)	234.68	133.68
XXVIII	5475-00-800-92-Major Infrastructural Development Projects-(P)	2000.00	1126.14
XLIII	3604-00-200-90-Expansion and Development under XIV Finance Commission Recommendations-(NP)	796.30	273.42

XLIII	3604-00-200-91-Funds for Development Expenditure - 4th SFC Recommendations-(NP)	3657.43	1974.41
XLIII	3604-00-200-92-Funds for Maintenance Expenditure (Non-Road Assets) - 4th SFC Recommendations-(NP)	574.49	282.85
XLIII	3604-00-200-94-Performance Grant under Kerala Local Government and Service Delivery Project (KLGSDP) - World Bank Aided-(NP)	345.00	167.74
Public Debt Repayment	6003-00-110-96-Overdrafts-(NP)	1500.00	1378.19
	6003-00-110-98-Special Ways and Means advances-(NP)	4000.00	3294.56
	6003-00-110-99-Ways and Means Advances-(NP)	5500.00	4219.62
	Total	28116.26	14532.4

Source: Detailed Appropriation Accounts 2015-16

Further analysis revealed that surrenders (surrenders involving more than 50 per cent of the total allocation and more than ₹one crore in each case) were noticed in 254 sub-heads, amounting to ₹17403.39 crore. In 206 subheads, entire budget allocation amounting to ₹1,485.53 crore was surrendered and in 46 cases, this was ₹five crore and above as detailed in Appendix III (Appendix 2.9).

In 7 schemes, no budget allocation was provided through original/ supplementary budget but funds were brought in through re-appropriation. Augmentation of ₹11.37 crore through re-appropriation was finally surrendered without utilisation as shown in Table 2.10 below:

Table 2.10 : Funds augmented through re-appropriation and surrendered without utilisation

(₹ in crore)

SL. No.	Scheme/activity	Amount reappro-priated	Amount Surrendred
1.	202-02-001-82-Public Entrance Examination Coaching Scheme (PEECS)-(P)	2.62	2.62
2.	2204-00-104-49-Promotion and Upgradation of Sports Disciplines-Taekwondo, Judo, Karate etc.-(P)	0.67	0.67
3.	2204-00-104-62-Jimmy George Indoor Stadium, Peravoor-(P)	0.99	0.99
4.	2401-00-789-99-National Food Security Mission (NFSM)-(P)	0.25	0.25
5.	2405-00-105-94-XIII Finance Commission Award - Development of model fishing villages and setting up of fish marketing centres-(P)	5.00	5.00
6.	2851-00-105-71-Establishment and strengthening of Departmental Khadi production centres-(P)	1.59	1.59
7.	2851-00-105-72-Establishment and stregthening of Departmental Village Industries Units-(P)	0.25	0.25
	Total	11.37	11.37

Source: Detailed Appropriation Accounts 2015-16

[Audit Paragraphs 2.3.5 to 2.3.7 contained in the report of the Comptroller and Auditor General of India for the year ended 31st March 2016 (State Finances)]

[Notes received from the Government based on the above audit paragraphs are included as Appendix II]

Excerpts from Committee's discussion with departmental officials

(81) The Committee wanted to be informed of the status of surrender of budget allocation after the implementation of IFMS. The Secretary, Finance (Resources) Department informed the Committee that since budget allocation and appropriation had been implemented through BAMS, surrender of budget allocation is automatically adjusted. The Director, Treasury Department added that such problems existed before the implementation of IFMS.

(82) Officials from AG, pointed out that cases of surrender and excess expenditure were reported in the year 2019-20 also and added that cases of surrender of funds could be excused, whereas, the excess expenditure can not be ignored as such. The Secretary, Finance (Resources) Department apprised the Committee that excess expenditure arises after re-appropriation and mainly occurs in salary head. The Director, Treasury Department informed that after the implementation of IFMS, all major head of accounts other than Salary, Pension, interest payment, debt payment is void of excess expenditure. He further added that excess expenditure will increase if Finance Department fail to regularise the expenditure incurred after additional authorisation.

Conclusion/Recommendation

(83) No Comments

2.3.8 Surrender in excess of actual savings

In 16 Grants/Appropriations, the amounts surrendered (₹ one crore or more in each case) was in excess of the actual savings indicating lack of or inadequate financial control. As against savings of ₹13,593.88 crore, the amount surrendered was ₹ 14,170.56 crore, resulting in excess surrender of ₹ 576.68 crore. Details are given in Appendix III (Appendix 2.10). Further, audit analysed the budget management of Departmental officers in respect of schemes/activities under their control and observed that in 20 schemes/activities, injudicious surrender led to excess surrender (in excess of ₹ one crore) in the Grants. Details are given in Appendix III (Appendix 2.11). It was observed from the replies furnished by the departmental officers that excess surrender was due to discrepancies in expenditure details furnished by subordinate offices.

2.3.9 Anticipated savings not surrendered

As per Paragraph 91 of the Kerala Budget Manual, spending departments are required to surrender Grants/Appropriations or portions thereof to the Finance Department as and when savings are anticipated. It was observed that savings of ₹ 840.13 crore available under these three Grants and one Appropriation were not surrendered at the end of the year. Details are given in Table 2.11.

Table 2.11 : Available savings not surrendered at the end of the year

(₹ in crore)

Sl. No.	Grant number and Name		Total Grant/ Appropriation	Expenditure	Savings
Revenue-Voted					
1	VII	Stamps and Registration	185.94	174.29	11.65
2	XVIII	Medical and Public Health	4825.05	4121.48	703.57
Revenue-Charged					
3	XLI	Transport	86.03	0.03	86.00
Capital-Voted					
4	XXI	Housing	63.72	24.81	38.91
Total					**840.13**

₹ 2,859.57 crore (28 per cent) out of the total savings of ₹ 10,203.46 crore under 41 Grants/Appropriations with savings of ₹ one crore and above in each Grant/ Appropriation were not surrendered as detailed in Appendix III (Appendix 2.12).

Besides, ₹3,516.07 crore under 29 major heads was surrendered only on 31 March 2016 (surrender of funds in excess of ₹10 crore). Details are given in Appendix III (Appendix 2.13).

2.3.10 Unexplained re-appropriations

Paragraph 86 (3) of the Kerala Budget Manual lays down that the authority sanctioning re-appropriations should satisfy itself that the reasons given in the sanctions are full, frank and forthright and are not in vague terms such as 'based on actual requirement', 'based on trend of expenditure', 'expenditure is less than that was anticipated', etc., as they have to be incorporated in the Appropriation Accounts which are examined by the Public Accounts Committee of Legislature. However, a test check of re-appropriation orders relating to 12 Grants issued by the Finance Department revealed that in respect of 690 out of 1126 items (61 per cent), the reasons given for withdrawal of provision/additional provision in re- appropriation orders were of general nature like 'expenditure is less than anticipated', 'reduced provision is sufficient to meet the expenditure', etc.

2.4 Non-reconciliation of departmental figures

2.4.1 Pendency in submission of Detailed Countersigned Contingent bills against Abstract Contingent bills

According to Rule 187 (d) of the Kerala Treasury Code, all contingent claims that require the countersignature of the controlling authority after payment are to be initially drawn by the Drawing and Disbursing Officer (DDO) from the treasury by presenting Abstract Contingent bills in the prescribed form (Form TR 60). Abstract Contingent (AC) bills can be drawn only by an authorised officer for the items of expenditure listed in Appendix 5 to the Kerala Financial Code. The DDO should maintain a register of AC bills and monitor submission of detailed bills there against. The Detailed Contingent (DC) bills in respect of such claims should be submitted to the controlling authority for countersignature not later than the 10th of the month succeeding to which they relate. The DC bills pertaining to a month's claim should reach the PAG (A&E), Kerala not later than the 20th of the succeeding month for accounting and monitoring the AC Bills.

As per the records maintained by the PAG (A&E) Kerala, 28 AC bills drawn by 17 DDOs upto March 2016 involving ₹ 0.40 crore were not adjusted as of August 2016 due to non-receipt of DC bills as detailed in Appendix III (Appendix 2.14). Year-wise details are given in Table 2.12. Non-submission of DC bills would lead to retention of advance amount drawn with the drawing officers without accounting under the proper heads of account.

Table 2.12: Pendency in submission of Detailed countersigned Contingent bills against Abstract Contingent bills

(₹ in crore)

Year	AC bills		Outstanding AC bills	
	No. of Items	Amount	No. of Items	Amount
2014-15	260	4.31	1	0.15
2015-16	257	2.75	27	0.25
Total	517	7.06	28	0.40

Source: Information compiled by Principal Accountant General (A&E), Kerala

One AC bill drawn by Principal Agricultural Officer, Thrissur in November 2014 (for ₹ 0.15 crore) has been regularised by presenting DC bill in November 2016.

2.4.2 Un-reconciled receipts and expenditure

According to Paragraph 74 of the Kerala Budget Manual, the expenditure recorded in the books of the Controlling Officer of the department should be reconciled every month with that recorded in the books of the PAG (A&E), Kerala to exercise effective control over expenditure and to keep it within the budget grants and also to ensure accuracy of their accounts. During the year, reconciliation for 79.55 per cent of the total receipts (₹ 37,723.85 crore out of ₹ 47,420.64 crore) and 60.33 per cent of the total expenditure (₹ 51,997.69 crore out of ₹ 86,189.51 crore) were completed. However, 29 Chief Controlling Officers, whose total transactions exceeded ₹ 50 crore did not reconcile their expenditure with the accounts maintained by PAG (A&E) as shown in Appendix III (Appendix 2.15). This was not only in violation of the provisions of Paragraph 74 of Kerala Budget Manual but also casts doubts about the correctness of the expenditure figures supplied by departments concerned and the figures booked by PAG (A&E), Kerala.

2.5 Review on Budgetary process and appropriation control Grant No. XLVI- Social Security and Welfare

Director of Social Justice Department is the Chief Controlling Officer of the Grant No.XLVI-Social Security and Welfare and the directorate is the main body for implementing various social legislations pertaining to the weaker sections of the society. Moreover it promotes flagship programmes for women and creates general awareness among the public about the welfare measures adopted by the State for the upliftment of the needy.

Budget allocations and expenditure of revenue and capital portion of the Grant, during the last three years were separately analysed in audit and we observed that savings in the revenue section ranged from nine to 13 per cent and in the capital section from 35 to 79 per cent, as shown in the Table 2.13.

Table 2.13: Budget allocation and expenditure during 2013-2016

(₹ in crore)

Year	Category	Budget allocation	Expenditure	Savings	% of savings
2013-14	Revenue	2503.36	2230.83	272.53	11
	Capital	63.10	38.74	24.36	39
2014-15	Revenue	3355.73	3054.61	301.12	9

	Capital	77.60	50.30	27.30	35
2015-16	Revenue	4973.68	4340.75	632.93	13
	Capital	106.31	21.95	84.36	79

Source : Detailed appropriation Accounts for respective years

Further, audit analysed the savings during the last three years and observed that the savings were due to the net effect of excesses and savings under various schemes (subheads) as detailed in Table 2.14.

Table 2.14 : Subhead-wise status of excess/savings

Year	Section	Total number of schemes		Excess occurred in subheads		Savings occurred in subheads	
		Plan	Non-plan	Plan	Non-plan	Plan	Non-plan
2013-14	Revenue	57	85	4	25	26	33
	Capital	9	-	1	-	6	-
2014-15	Revenue	65	88	5	24	34	33
	Capital	9	2	-	-	7	1
2015-16	Revenue	73	89	10	25	32	26
	Capital	11	2	-	-	9	-

Source : Detailed appropriation Accounts for respective years

In respect of savings/excess under non-plan schemes, audit scrutiny revealed that it was mainly due to the variations in budget estimations meant for disbursement of salary and other establishment expenditures. Hence the review was focused on the budgetary variations in the plan schemes implemented under the Grant. Audit observations are summarised below:

2.5.1 Persistent savings

Audit scrutiny revealed substantial under-utilisation of budget allocations in plan schemes under revenue section as detailed in Table 2.15.

Table 2.15: Substantial savings under revenue section

(₹ in lakh)

Sl. No.	Name of Scheme	Year	Budget allocation	Expenditure	% of savings
1.	2235-02-001-96-(P) Strengthening of administrative infrastructure.	2013-14	400	159.36	60.16
		2014-15	500	328.85	34.23
		2015-16	500	260.44	47.91
	Reply awaited from Government				
2.	2235-02-101-73-(P) Model programme for support and rehabilitation of adult mentally challenged persons	2013-14	100	7.34	92.66
		2014-15	700	0	100
		2015-16	200	0	100
	The programme was to be implemented with the active involvement of NGOs and the Social Justice department as nodal agency but could not be implemented due to non-availability of suitable proposals.				

3.	2235-02-101-74-(P) Vocational rehabilitation centre for differently abled persons, Wayanad	2013-14	25	12.50	50.00
		2014-15	28	6.25	77.68
		2015-16	20	0	100
	Budget allocations were made for imparting training and work opportunities for persons with disabilities. But suitable proposals were not made by the authorities of the Vocational Training Centre, Wayanad resulted in non-utilisation of budget allocation.				
4.	2235-02-101-75-(P) 'Ente Koodu' - Shelter homes for destitutes	2013-14	80	36.00	55.00
		2014-15	85	9.90	88.35
		2015-16	75	1.44	98.08
	The Department stated that the 'Ente koodu', a project for shelter home for destitutes implemented in Kozhikode district on pilot basis during 2013-14. The mission of starting new 'Ente koodu' project in Thiruvananthapuram could not go ahead during 2014-15 since no suitable places were located for the project. The expenditure incurred was for renovation of a Government building to make it into a shelter home in Kozhikode and for meeting other running expenses incurred there.				
5.	2235-02-101-84-(P) Upgradation of Vocational training Centers	2013-14	20	11.32	43.40
		2014-15	22	9.29	57.77
		2015-16	25	9.62	61.52
	Budget allocation was made for imparting vocational training to mentally challenged students in two Vocational Training Centres located in Thiruvananthapuram and Kozhikode and to arrange hostel facilities to				

	students. Department stated that suitable proposals were not received from the authorities of the Vocational training centres and the plan to provide hostel facilities to students also did not materialise.				
6.	2235-02-102-56-(P) Development of Anganwadi centres as Community resource centres for women and children-A life cycle approach	2013-14	100	55	45
		2014-15	200	99.50	50.25
		2015-16	220	45.39	79.37
	The Project Director ICDS stated that administrative sanction was accorded by the Government for the construction of five new Anganwadies in Kozhikode district at a cost of ₹ 50 lakh in 2013-14 and the fund was transferred to PWD. However construction was completed in respect of only two Anganwadies and for the remaining three construction is in progress. In 2014-15, proposal was to construct nine Anganwadies in Palakkad, Wayanad and Idukki district at total cost of ₹104.90 lakh and the work was entrusted to LSGD engineering wing but the work did not start and budget allocation remained unutilised. In 2015-16, an amount of ₹ 220 lakh was earmarked for construction of 14 Anganwadies Buildings and one Anganwadi-cum-Bio diversity park at Kannur against which ₹ 45.39 lakh was incurred resulting in savings under the head.				
7	2235-02-104-83-(P)-Government-NGO partnership in managing welfare institutions	2014-15	1000	1.44	99.85
		2015-16	1250	7.60	99.36
	The department stated that budget allocations were made for starting old age homes in 14 districts in partnership with NGOs. Only initial procedures could be done so far, which led to savings under the head.				

8.	2235-60-200-72-09(P) Model rehabilitation centre for paraplegic patients	2013-14	400	10	97.50
		2014-15	50	0	100
		2015-16	5	0	100
	The budget allocation was for starting model Paraplegic centre in the State. Though several Local Bodies came with the proposal for site, the department did not accept any, citing the locations as inappropriate for paraplegic patients hence the project could not be started. During 2013-14, expenditure was incurred on Thresiamma memorial hospital and rehabilitation centre, a private hospital owned by N. K. Mathew Charitable trust which was taken over by the Social Justice department and converted into a paraplegic centre. Replies for the years 2014-15 and 2015-16 were not received.				
9.	2235-02-101-82-(P) Home for mentally challenged persons-adult females, Thrissur	2013-14	10	4.71	52.90
		2014-15	11	3.51	68.09
		2015-16	10	1.13	88.70
	Budget allocations were made for giving care, protection, proper medical treatment to inmates of the mentally challenged female person's home in Thrissur. Department stated that no suitable proposals were received from the authorities of the Pratyasha Bhavan.				
10.	2235-02-102-93-(P) C. H.Muhammad koya state institute for the mentally handicapped, Pangappara	2013-14	500	304.36	39.12
		2014-15	700	355.10	49.27
		2015-16	700	170.02	75.71
	The Institute imparts special education, training and rehabilitation services to the mentally challenged in the State. The proposals to				

	regularize the contract staff was not acceded to and administrative sanction for opening of two regional centres at Kasaragod and Malappuram was not given by the Government which resulted in savings.

Source : Detailed appropriation Accounts for respective years

Similarly, in the following plan schemes under capital section, entire budget allocation was either not utilized or substantial portion surrendered at the fag end of the year as detailed in Table 2.16.

Table 2.16 : Substantial savings under Capital section

(₹ in lakh)

Sl. No.	Name of Scheme	Financial Year	Budget allocation	Expenditure	% of savings
1.	4235-02-102-96-Construction of model Anganwadies	2013-14	120	0	100
		2014-15	700	0	100
		2015-16	1000	23.80	97.62
	Failure of the Department to take up the works resulted in savings during 2013-14 and 2014- 15. In 2015-16 the fund was used for clearing pending bills of contractors.				
2.	4235-02-103-99-Construction of Nirbhaya homes	2013-14	300	0	100
		2014-15	900	0	100
		2015-16	800	0	100
	PWD replied that savings was due to failure of the Department to take up the works.				
3.	4235-60-800-98-Buildings for social welfare institutions	2013-14	494.23	19.58	96.03
		2014-15	544	108.44	80.07
		2015-16	1400.33	235.62	83.17

	Savings was due to failure of the Department to take up the works. Funds utilised was for clearing pending bills of contractors.				
4.	4235-02-102-94-Convergence of preschool and pre primary education centres in Anganwadies (NABARD-RIDF)	2013-14	500	0	100
		2014-15	200	0	100
		2015-16	1720	555	67.73
	In 2013-14, the head of account was operated by Chief Engineer, PWD who replied that savings in that period was due to failure of the Department to take up the works. By the end of 2014-15, Government declared Chief Engineer, LSGD (Engineering wing) as the controlling officer of this Head of account. Due to delay in compliance procedures for incurring expenditure, the fund remained unutilized in 2014-15. In 2015-16, ₹ 1720 lakh was obtained through supplementary demand for grants in anticipation of settlement of final bills but the works could not be completed as expected which led to surrender of major portion of supplementary grant obtained.				

Source : Detailed appropriation Accounts for respective years

[Audit Paragraphs 2.3.8 to 2.5.1 contained in the report of the Comptroller and Auditor General of India for the year ended 31st March 2016 (State Finances)]

[Notes received from the Government based on the above audit paragraphs are included as Appendix II]

Excerpts from Committee's discussion with departmental officials

(84) The Committee wanted to know about the present status of utilisation of budget allocations under the Head 2235. The witness, Additional Secretary, Finance (Secret) Department replied that in 2015-16 there was shortage in plan expenditure, but in

the subsequent years, plan expenditure had increased considerably and the last year's plan expenditure was 97.9%.

Conclusion/Recommendation

(85) The Committee recommends that special care should be taken to ensure that surrender of funds in excess of actual savings do not happen under any circumstances and that anticipated savings are surrendered within the prescribed time limit.

2.5.2 Failure in assessing actual requirement of funds during the year

While requesting for additional funds through supplementary demands for grants or through re-appropriation, departmental officers should make sure that the additional funds are actually required for meeting the expenditure during the year. However, audit scrutiny revealed that in 13 sub heads (2013-14: five subheads; 2014-15 : four subheads and 2015-16:four subheads) augmentation of funds through supplementary demands for grants was wholly unnecessary as the entire/substantial portion of the provision obtained through supplementary demands surrendered before the close of the year. Details are given in Appendix III (Appendix 2.16). Similarly augmentation of funds through re-appropriation proved excessive in nine subheads during the last three years. Details are given in Table 2.17

Table 2.17 :Subheads in which re-appropriation proved excessive

(₹ in lakh)

Sl. No.	Year	Head of account and name of the scheme	Original budget	Augmented through re-appropriation	Final expenditure
1.	2013-14	2235-02-106-94(NP)-Rescue homes and after care homes	189.63	0.25	132.14
2.		2235-02-001-99(NP)-Direction	181.30	6.30	182.05
3.		2235-01-001-99(NP)-Directorate of rehabilitation	16.65	1.25	15.27

4.	2014-15	2235-60-200-72(P)-Kerala Social Security Mission	7730.00	1698.60	8750.48
5.		2235-02-789-98(P)-Rajiv Gandhi Scheme for empowerment of adolescent girls (100% CSS)(SABLA)	0.01	47.45	0.00
6.	2015-16	2235-60-200-72(P)-Kerala Social Security mission	12775.01	236.00	12458.18
7.		2235-02-789-99(P)-Supplementary Nutrition programme for children	0.00	1373.80	926.87
8.		2235-02-102-97(NP)-Creches cum day care centers in Unorganized sectors	0.00	6.96	0.00
9.		2235-02-796-99(P)-Supplementary nutrition programme for children (100% CSS)	0.00	497.52	387.11

Source : Detailed appropriation Accounts for respective years

2.5.3 Surrender/Re-appropriation of anticipated savings

According to Paragraph 93(1) of the Kerala Budget Manual, the proposal for re-appropriation and surrender should reach the Finance Department not later than 25 February every year. However, it was observed that during the last three years, the Director of Social Justice had submitted the proposal for re-appropriation/ surrender of anticipated savings on the last day of the financial year. Consequently, the objective of allocating un-utilised funds to another needy department by Finance Department was defeated.

During 2015-16, an amount of ₹ 613.14 crore was surrendered on the last working day of the financial year and also re-appropriation proposal for a total amount of ₹ 49.30 crore was made on the last working day of the year.

According to Paragraph 84(3) of Kerala Budget Manual, if the appropriation under a unit is reduced by re-appropriation or resumption, the expenditure debitable to the unit should be restricted to the reduced appropriation. Under four subheads final expenditure exceeded the original budget allocation and hence reduction of funds through re-appropriation proved injudicious as shown in Table 2.18.

Table 2.18 :Injudicious re-appropriation

(₹ in lakh)

Sl. No.	Year	Head of account	Original budget	Funds after re-appropriation	Final expenditure
1.	2015-16	2235-02-102-53 (NP)- Child Right Commission	255.38	243.76	275.2
2.	2015-16	2235-02-197-50 (NP)- Block grants for revenue expenditure	64.85	57.49	66.2
3.	2013-14	2235-02-102-55(NP)- Improving conditions of Anganwadi workers and helpers	11855.6	11833.73	11965.8
4.	2013-14	2235-02-001-98(NP)- Supervision	378.05	377.12	400.42

Source : Detailed appropriation Accounts for respective years

In the seven subheads (Table 2.19) budget allocation was reduced by re-appropriation, in excess of the actual savings available under the head. This resulted in expenditure exceeding the available allocation under the heads.

Table 2.19 : Reduction of appropriation in excess of actually required

(₹ in lakh)

Sl. No.	Year	Head of account	Original budget	Funds after re-appropriation	Final expenditure
1.	2013-14	2235-02-191-50(NP)-Block grants for Revenue Expenditure	1717.81	1608.07	1711.07
2.	2014-15	2235-60-107-99(NP)-Freedom fighters Pension	6020.00	5303.63	5314.65
3.	2014-15	2235-02-001-96 (P)-Strengthening of Administrative Infrastructure	500.00	319.43	328.85
4.	2014-15	2235-60-191-50 (NP)-Block grants for Revenue Expenditure	6816.86	6673.40	6811.38
5.	2014-15	2235-02-106-97(NP)-Probation service	272.85	268.90	280.80
6.	2015-16	2235-02-001-98 (NP)-Supervision	647.67	587.27	604.75
7.	2015-16	2235-60-200-87 (NP)-Zilla Zainik Welfare Offices	589.13	509.36	519.51

Source : Detailed appropriation Accounts for respective years

2.6 Overstated expenditure

Financial Rules prohibit withdrawal of money from treasury unless it is required for immediate disbursement. However, in some cases departmental officers withdraw budget allocation at fag end of the year, to avoid lapse of budget, and keep them either in Treasury Savings Bank account or outside the Government without actually spending. This has resulted in overstatement of the total expenditure of the Grant as the amount remained unutilised even after the close of financial year. Audit noticed a few instances of under-utilisation of Government funds as detailed in Table 2.20.

Table 2.20: Details of overstated expenditure

(₹ in crore)

<table>
<tr><th>Sl. No.</th><th>Implementing institution/ Name of scheme</th><th>Date of withdrawal of funds</th><th>Amount drawn</th><th>Unutilized amount</th></tr>
<tr><td>1.</td><td>Animal Husbandry Department-Kerala State Poultry Development Corporation/ Poultry Processing Plant, Mobile Freezer Unit, Vacuum packing machine (2403-00-190-94)</td><td>29 May 2012</td><td>2.14</td><td>2.14</td></tr>
<tr><td colspan="5">Though the fund was released in 2012-13, the project was not implemented so far by the Kerala State Poultry Development Corporation due to non-availability of land as well as insufficiency of fund.</td></tr>
<tr><td>2.</td><td>Forest and Wildlife Department-Zoological Park, Wildlife Protection and Research Centre, Puthur (2406-02-110-48)</td><td>30 March 2013</td><td>2.50</td><td>2.50</td></tr>
</table>

Though the fund was released in 2012-13, delay in finalising the design of the zoo resulted non-utilisation of fund (June 2016).				
3.	Agriculture Department-Establishing two mobile soil testing laboratories (2401-00-104-79)	28 March 2016	1.00	1.00
This was a project funded by Government of India, but the funds were not utilised due to delay in fulfilling administrative procedures.				
4.	Kerala Infrastructure Investment Fund Board- Major Infrastructure Development Projects (5475-00-800-92 (P))	28 March 2016	873.86	873.86
This amount was meant for eleven major infrastructure projects of the State and transferred to the corpus fund of KIIFB to facilitate borrowing by that institution.				
Total			**879.50**	**879.50**

Source : Detailed appropriation Accounts of respective years

[Audit Paragraph 2.5.2 to 2.6 contained in the report of the Comptroller and Auditor General of India for the year ended 31st March 2016 (State Finances)]

[Notes received from the Government based on the above audit paragraphs are included as Appendix II]

Excerpts from Committee's discussion with departmental officials

(86) The Committee wanted to be informed of the present status of the projects pointed out as instances of under utilisation of government funds. The Director, Treasury Department replied that government allows the transfer of plan funds to TSB Accounts for implementation at the end of the financial year, resulting in savings in actual expenditure for next year. Since the release of fund takes place during the months of December and

January, there will be no actual expenditure during that financial year; and that is the reason why funds were being allowed to be transferred to the Treasury account.

Conclusion/Recommendation

(87) No comments.

2.7 Inspection of treasuries

There were 23 District Treasuries, 200 sub-treasuries, 12 Stamp depots and one e-treasury functioning in the State as of March 2016. The Principal Accountant General (A&E), Kerala inspected 150 units (including Directorate of Treasuries, District Treasuries and Sub-treasuries). Irregularities and deficiencies noticed during the inspection of treasuries are mentioned in the succeeding paragraphs.

2.7.1 Excess payment of pension

During the course of treasury inspection, excess payment on account of pension/ family pension amounting to ₹ 0.90 crore was noticed in 898 cases. The main reasons for these excess payments were errors in calculation of revised pension, continuance of higher rate of family pension after expiry of authorised period, non-deduction of commuted portion of pension from basic pension, payment of ineligible festival allowance and medical allowance to family pensioners who are also in receipt of regular pension and incorrect calculation of dearness relief. Out of the above excess payment, ₹ 0.30 crore involved in 537 cases have already been recovered as shown in Table 2.21.

Table 2.21: Excess pension that remains to be recovered

(₹ in crore)

Sl. No.	Details of Excess paid pension	Excess paid		Recovered		Balance	
		No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
1.	Excess payment of pension	108	0.42	40	0.16	68	0.26
2.	Excess payment of UGC pension	36	0.03	29	0.01	7	0.02

3.	Excess payment of family pension	81	0.29	22	0.05	59	0.24
4.	Excess payment of festival allowance and Medical allowance	669	0.12	444	0.06	225	0.06
5.	Irregular crediting of MLA pension	3	0.03	2	0.02	1	0.01
6.	Excess payment of inter-state pension	1	0.01	0	0	1	0.01
Total		898	0.90	537	0.30	361	0.60

Source : Data complied by the PAG (A & E), Kerala

2.7.2 Retention of excess cash balance

According to Rule 309 of Kerala Treasury Code Vol.I, every year in January, Government fixes the maximum cash balance for each District Treasury for the next financial year. The District Treasury Officer in turn fixes the cash balance for each Sub Treasury in the district. The actual cash balance in treasury should ordinarily be kept much below the normal maximum balance fixed for a treasury so that Government's credit balance in the Reserve Bank of India may be as large as possible. Moreover excess retention of cash balance in treasuries may cause loss of revenue to the State by way of loss of interest on investment, payment of interest on ways and means advances, etc. Excess retention of cash balance was noticed in 109 treasuries/sub treasuries on 880 occasions during the financial year.

2.7.3 Short/non-recovery of rent of residential quarters

House rent at the rate of two per cent of basic pay (as per paragraph 14 of GO(P) 85/2011/Fin. dated 16 February 2011) has to be recovered with effect from the date of coming over to the revised scale in the case of employees residing in Government quarters and whose scale of pay is 21240-37040 and above. In the case of employees covered under UGC/AICTE scale of pay, rent at the rate of four per cent of their basic pay has to be recovered (paragraph 14 of the Pay Revision Orders 2009). During the year, short/non-recovery of house rent was noticed in 37 cases amounting ₹ 2.84 lakh in 22 sub treasuries, of which ₹ 2.37 lakh in respect of 26 cases was yet to be recovered as on October 2016.

2.7.4 Pending adjustment of advances drawn by Drawing and Disbursing Officers

During the audit of Treasury Information System, Principal Accountant General (A&E), observed that in 92 treasuries, out of ₹ 121.67 crore (389 cases) drawn as advance, ₹121.01 crore (327 cases) were not settled (October 2016) by presenting final bills. Non-settlement of advances distorts the correctness of expenditure booked in Government accounts.

[Audit Paragraphs 2.7 to 2.7.4 contained in the report of the Comptroller and Auditor General of India for the year ended 31st March 2016 (State Finances)]

[Notes received from the Government based on the above audit paragraphs are included as Appendix II]

Excerpts from Committee's discussion with departmental officials

(88) The Committee wanted to know about the current status of the settlement of advances drawn by DDOs.

Conclusion/Recommendation

(89) Committee directs the department to submit a consolidated report on the current status of the settlement of advances drawn by various DDOs at the earliest.

2.7.5 Irregular maintenance of Personal Deposit Accounts and Treasury savings Banking Account

As per existing Government orders, if any Personal Deposit (PD) account remains un-operated for more than three years consecutively, the order of the Government has to be obtained for closing such accounts, if the accounts are no longer required by the

Administrator. Such PD accounts which remain un-operated for more than three financial years, should be closed and the balance transferred to revenue. However, during the audit of 50 treasuries in 2015-16, ₹153.15 crore was seen blocked up in 236 accounts. Out of this, ₹4.82 crore had been credited back to revenue and ₹148.33 crore remained unadjusted (October 2016) in 174 PD accounts.

Similarly, as per Rule 28 and 40 of Treasury Savings Bank Rules, accounts which remain inoperative for more than five completed financial years cease to bear interest and balance outstanding in such accounts are to be transferred to Revenue Deposit. Principal Accountant General (A&E), observed that in 29 treasuries ₹0.54 crore was available in 383 un-operated accounts. Further, an amount of ₹3.05 crore being the balance amount of various projects/schemes implemented by eight departmental officers was idling under treasury savings bank/treasury public account of eight treasuries.

2.8 Conclusion

Against the total budget allocation of ₹ 1,18,890.79 crore, total expenditure was ₹94,377.17 crore, which resulted in under- utilisation of 21 per cent (₹24,513.62 crore) of the budget allocation during 2015-16. This was one per cent more than the under-utilisation during 2014-15. In nine Grants and one Appropriation persistent savings of ₹ 100 crore or more were noticed for the last three years. Excess expenditure of ₹ 230.77 crore under three appropriations and one Grant is to be regularized under Article 205 of the Constitution. Supplementary provisions aggregating to ₹ 781.10 crore, obtained in 20 Grants/ Appropriations (₹one crore or more in each case) during the year, proved unnecessary as the expenditure did not come up to the level of even the original provisions. Augmentation of funds through re-appropriation was proved wholly unnecessary in some sub-heads as the final expenditure was less than the budget allocation received through original and supplementary demands for grants. In 16 Grants/Appropriations, against the actual savings of ₹ 13,593.88 crore, the amount surrendered was ₹ 14,170.56 crore, resulting in excess surrender of ₹ 576.68 crore, which indicated the injudicious management of budget allocation by departmental officers.

Failures in appropriation control on the part of departmental officers of Social Justice Department were noticed in the Grant selected for review. Though, allocations were made in the budget for the last three years (2013-14 to 2015-16) for rehabilitation of mentally challenged and differently abled persons, utilisation of funds by the department was very poor. Funds earmarked for construction of Anganwadies and Nirbhaya homes was also not utilised.

Irregular maintenance of Personal Deposit Accounts and Treasury Savings Bank accounts was noticed during the audit of treasuries.

2.9 Recommendations

- Finance Department may review budgetary process in Grants/ Appropriations continuously showing under-utilisation of budget allocation as overall savings in budget allocations have been increasing year after year.
- Finance Department may ensure the utilisation of budget allocation under the Grant/Appropriation while processing the request of departmental officers for Supplementary Demands for Grants to avoid unnecessary savings under the Grant/ Appropriation at the end of the financial year. Departmental Controlling Officers may propose for Supplementary Grants only after exhausting the chances for re-appropriation between the heads of account under their control.
- Periodical review of inoperative Personal Deposit Accounts and Savings Bank Account may be carried out at treasury level to avoid blockage of funds.

[Audit Paragraphs 2.7.5 to 2.9 contained in the report of the Comptroller and Auditor General of India for the year ended 31st March 2016 (State Finances)]

[Notes received from the Government based on the above audit paragraphs are included as Appendix II]

Excerpts from Committee's discussion with departmental officials

(90) To a query of the Committee the Director, Treasury Department informed that when Treasury procedures were done manually, annual plus and minus statement would be submitted to AG and Treasury. But now in IFMS,

there is disturbance in submitting plus and minus statement and also for account reconciliation. He further added that as per Government Order, Treasury department had taken necessary measures to reconcile all accounts and to close all unoperated accounts. He also supplemented that temporary report regarding that had been submitted to AG.

Conclusion/Recommendation

(91) No Comments

SUNNY JOSEPH
Chairman,
Committee on Public Accounts.

Thiruvananthapuram,
Ist February, 2024.

APPENDIX1

SUMMARY OF MAIN CONCLUSION/RECOMMENDATION

Sl. No.	Para No.	Department Concerned	Conclusion/Recommendation
1	17	Finance	The Committee notices that the state share of all Centrally sponsored schemes was released in the last quarter of the financial year and hence, only a small portion of the fund could be utilised for the same financial year. The Committee also observes that many conditions attached to the Centrally Sponsored Schemes were found unsuitable for the State. Therefore, the Committee recommends that the state share of all Centrally Sponsored Schemes should be released at the beginning of the financial year itself. The Committee also suggests to examine the suitability of the guidelines of Centrally Sponsored Schemes to the requirements of the State.
2	18	”	The Committee expresses its concern over the huge amounts of unclaimed fixed deposits in treasuries and the lack of proper assessment of the same. The Committee directs the department to submit the details regarding the total amount of the

			unclaimed funds kept in treasuries and the unclaimed amount transferred and remaining to be transferred to Government Account.
3	34	Finance	The Committee recommends that a regular monitoring system is necessary for the effective repayment of government loans and advances and earnest efforts should be made in this regard. The Committee also suggests that Finance Department should monitor the repayment of loans by various institutions and urges the administrative department concerned to furnish the details regarding the advances given to various PSUs and their loan repayment.
4	35	”	The Committee directs the department to take necessary actions to provide additional facilities to those co-operative societies which are repaying the loans promptly and to impose fines on those which are wilfully avoiding repayment of loans.
5	36	”	The Committee directs the department to prepare the details of co-operative societies to which loans have been sanctioned and verify the exact amount due from various co-operative societies. The Committee suggests that steps should be taken for effecting the repayment without further delay and also urges the department to ensure proper implementation of various schemes and utilisation of their funds.

6	43	Finance	The committee suggests that Finance Department should examine the reasons for the delay in the execution of major projects and coherent plan of action should be initiated to set right the slowdown in this regard.
7	59	”	The Committee directs the department to furnish a report on the present status of the winding up process of KSHDFCL and also urges to take effective measures for the recouping of the invested share value of Government in the entity.
8	60	”	The Committee recommends to formulate strict terms and conditions for sanctioning loans to PSUs and effective monitoring system for their timely repayment. The Committee also directs the department to formulate explicit guidelines for the conversion of loan amount into equity of Government.
9	61	”	The Committee opines that many PSUs are unable to complete the projects undertaken by them which undermine the very purpose for which these institutions were initially envisaged. So the Committee directs that the institution should ensure proper and effective mechanism for the time bound completion of projects undertaken by them.
10	73	”	The Committee desires to know whether the unutilised funds in the Forest Department could be transferred to any other schemes under the Forest Department, and if so, directs to submit a detailed report regarding the same.

11	76	Finance	sThe Committee expresses its displeasure over the delay in the completion of Research projects and submission of final project Report and the diversion of funds to non-research activities. The Committee therefore strongly recommends that effective measures should be taken for the proper maintenance of the records showing the details of the projects sanctioned, amount sanctioned for the projects and the progress of the projects. The Committee also directs to ensure prudent utilisation of funds, timely completion of Research works and timely submission of final Research Reports.
12	85	Finance	The Committee recommends that special care should be taken to ensure that surrender of funds in excess of actual savings do not happen under any circumstances and that anticipated savings are surrendered within the prescribed time limit.
13	89	”	Committee directs the department to submit a consolidated report on the current status of the settlement of advances drawn by various DDOs at the earliest.

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