

**Observations of Hon'ble Minister for Finance, Kerala on the
report of the Comptroller and Auditor General of India on state
finances for the year ended March, 2021.**

The State Finance Audit Report for the year ending March 2021 has been sent by the Accountant General (Flag A), Kerala to Government for submission to His Excellency the Governor and thereafter for placing it before the Legislative Assembly of the State under Article 151 of the Constitution.

The Audit Report reiterates last year's observations that were rejected by the PAC and by the State Assembly with regard to the borrowings of the Kerala State Infrastructure Investment Fund Board (KIIFB), which is being categorized as "off-budget" borrowing by the State. As was made clear during the discussions in the Assembly on the State Finance Audit Report for 2019, the borrowings of the KIIFB, are on the basis of Government Guarantees and are therefore not direct liabilities of the State but only contingent liabilities particularly since KIIFB also funds remunerative projects and generates its own income as well. CAG has also categorized the borrowings of Kerala Social Security Pension Limited (KSSPL) as an "off-budget" debt liability of the Government. In actual fact, the borrowings of KSSPL are only for the purpose of managing the liquidity of the State and for ensuring that welfare pensions to over 60 lakh beneficiaries in the State are not delayed due to any cash management issues. Most of these amounts are repaid during the course of the year. The report also loses sight of the fact that it is because of the State's wide social security net through KSSPL, that the State has been able to keep poverty down to below 1%, which is the lowest in the Country (if we go by the reports of the NITI Ayog of the Government of India).



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