

CHAPTER I

INTRODUCTION

1.1 Introduction

Kerala is located at the southern end of India, with a population of 3.63 crore and a geographical areas of 38,863 sq. km. For the purposes of administration, there are 42 departments headed by Additional Chief Secretaries/Principal Secretaries/Secretaries, who are assisted by Directors/Commissioners/Chief Engineers and subordinate officers under them.

Government functioning is broadly classified as General Services, Social Services and Economic Services. This Report covers the functioning of eight Departments of Economic Sector listed in **Table 1.1**.

Of the eight Departments, with a total expenditure of ₹12,990.05 crore in 2018-19 covered here, a major portion of the expenditure was incurred by Public Works Department (39.66 *per cent*), followed by Agriculture Development and Farmers' Welfare Department (31.51 *per cent*) and Food, Civil Supplies & Consumer Affairs Department (11.49 *per cent*) during 2018-19.

1.2 Trend of Expenditure

The expenditure incurred by the departments under Economic Sector during the last five years is given in Table 1.1.

Table 1.1 Expenditure Incurred in Economic Sector Departments
(₹ in crore)

Sl No	Name of the department	2014-15	2015-16	2016-17	2017-18	2018-19
1	Agriculture Development & Farmers' Welfare Department	2,762.94	3,272.38	4,060.87	4,061.54	4,092.71
2	Public Works Department	3,786.53	5,588.51	5,331.26	5,855.39	5,151.80
3	Co-operation Department	451.73	349.87	509.31	504.07	813.84
4	Environment & Climate Change *	NA	NA	NA	NA	NA
5	Fisheries & Ports Department	518.24	876.12	857.77	971.44	841.49
6	Food, Civil Supplies & Consumer Affairs	1,157.16	1,262.20	1,672.33	1,557.24	1,492.45
7	Forest & Wildlife	489.76	502.25	637.56	614.06	597.76
8	Science & Technology *	NA	NA	NA	NA	NA
	Total	9,166.36	11,851.33	13,069.10	13,563.74	12,990.05

Source: Appropriation Accounts for the years 2014-15 to 2018-19

* These are Secretariat level Departments for which there are no separate Grant heads in the Budget. The funds for autonomous bodies/institutions under them are allocated under various other Grant Heads and hence their expenditure also are subsumed in those heads of accounts.

Reasons for increase in expenditure in respect of Co-operation Department was mainly due to assistance to Co-operatives (₹1,445.43 lakh), expenses towards 'Direction and Administration' (₹114.89 lakh) and decrease in recovery of overpayments (₹8,121.43 lakh)

1.2.1 Some major schemes implemented by the Departments of the Economic Sector during 2018-19

- (i) The Ports Department incurred an expenditure of ₹100.69 crore on development of Vizhinjam Deep Water International Transshipment Terminal and ₹26.79 crore towards Port Infrastructure Development for Shipping Operation – Development of Beypore and Kozhikode Ports.
- (ii) The Agriculture Development & Farmers' Welfare Department incurred an expenditure of ₹81.97 crore towards group farming for augmenting rice production.
- (iii) Dairy Development Department incurred an expenditure of ₹43.45 crore towards Commercial Dairy Milk and Milk Shed Development Programme.
- (iv) Forest Department incurred an expenditure of ₹25.96 crore for Forest Protection.

1.3 Authority for Audit

The Comptroller and Auditor General of India's (C&AG) authority for audit is derived from Articles 149 and 151 of the Constitution of India and the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971[C&AG's (DPC) Act]. C&AG conducts the audit of expenditure of the departments of the Government of Kerala under Section 13¹ of the C&AG's (DPC) Act. Besides, C&AG also conducts audit of 23 Autonomous Bodies in the Economic Sector under Section 14² & 15 of C&AG's (DPC) Act, which are substantially funded by the Government. Principles and methodologies for various audits are prescribed in the Auditing Standards and the Regulations on Audit and Accounts, 2007 (as amended up to 2013) issued by the C&AG.

1.4 About this Report

The primary purpose of this Report is to bring to the notice of the State Legislature, the important results of audit. The findings of Audit are expected to enable the Executive to

¹ Audit of (i) all transactions from the Consolidated Fund of the State (ii) all transactions relating to the Contingency Fund and Public Accounts and (iii) all trading, manufacturing, profit & loss accounts, balance sheets and other subsidiary accounts.

² Audit of all (i) receipts and expenditure of a body/authority substantially financed by grants or loans from the Consolidated Fund of the State and (ii) all receipts and expenditure of any body or authority where the grants or loans to such body or authority from the Consolidated Fund of the State in a financial year is not less than rupees one crore.

take corrective actions and to frame policies and directives that would lead to improved financial management of the organisations, thus contributing to better governance.

This Report of the C&AG relates to matters arising from Performance Audit and Compliance Audit of selected activities of Departments coming under the Economic Sector. Compliance Audit covers examination of the transactions relating to expenditure of the audited entities to ascertain whether the provisions of the Constitution of India, applicable laws, rules, regulations and various orders and instructions issued by the competent authorities are being complied with. Performance Audit examines whether the objectives of the programme/activity/Department/entity are achieved economically, efficiently and effectively.

1.5 Planning and conduct of Audit

The audit process starts with the assessment of risks faced by various departments of the Government based on the expenditure incurred, criticality/complexity of activities, level of delegated financial powers, assessment of overall internal controls and concerns of stakeholders. Previous audit findings are also considered in this exercise. Based on this risk assessment, the frequency and extent of audit are decided. During the year 2018-19, the Economic Sector Audit Wing utilised 1,156 party days to carry out audit of 137 units.

After completion of audit of each unit, Inspection Reports (IRs) containing audit findings are issued to the heads of the offices. The departments are requested to furnish replies to the audit findings within four weeks from the date of receipt of the IRs. Whenever replies are received, audit findings are either settled or further action for compliance is advised. The important audit observations arising out of these IRs are processed for inclusion in the Audit Reports, which are submitted to the Governor of the State under Article 151 of the Constitution of India for being presented to the State Legislature.

1.6 Lack of responsiveness of Government to Audit

1.6.1 Outstanding Inspection Reports

The Handbook of Instructions for Speedy Settlement of Audit Objections/Inspection Reports (IRs) issued by the State Government in 2010 provides for prompt response by the Executive to the IRs issued by the Principal Accountant General (PAG) to ensure action for rectification in compliance with the prescribed rules and procedures and accountability for the deficiencies, lapses etc., noticed during the inspection. The Heads of Offices and next higher authorities are required to comply with the observations contained in the IRs, rectify the defects and omissions and promptly report their compliance to the PAG within four weeks of receipt of the IRs. Half-yearly reports of pending IRs are being sent to the Secretaries of the Departments concerned to facilitate monitoring of audit observations.

As on 30 June 2019, 922 IRs containing 4,195 paragraphs were outstanding against the departments under Economic Sector. Year-wise details of IRs and paragraphs outstanding are detailed in **Appendix 1.1**.

A review of the IRs pending due to non-receipt of replies in respect of these departments revealed that the Heads of offices did not furnish even the initial replies in respect of 214 IRs containing 1,452 paragraphs.

1.6.2 Departmental Audit Committee Meetings

No Audit Committee Meetings were held during the year 2018-19.

1.6.3 Response of departments to the draft paragraphs

Four Draft Paragraphs and a Performance Audit paragraph were forwarded semi-officially to the Additional Chief Secretaries/Principal Secretaries/ Secretaries of the departments concerned between March 2020 and August 2020 with a request to furnish their responses within the time limit. The Government replies in respect of Performance Audit and other Compliance Audit paragraphs were received by November 2020. The replies received are suitably incorporated in this Report.

1.6.4 Follow-up action on Audit Reports

The Finance Department issued (January 2001) instructions to all administrative departments of the Government that they should submit Statements of Action Taken Notes on audit paragraphs included in the Audit Reports directly to the Legislature Secretariat with copies thereof to the Audit Office within two months of their being laid on the table of the Legislature.

Four out of the eight departments did not submit Statements of Action Taken Notes for 18 paragraphs for the periods from 2015-16 to 2017-18, even as of November 2020. Action Taken Notes on audit paragraphs were due from the Departments of Public Works (11), Fisheries and Forests & Wildlife (two each), Ports (one) and Co-operation (three).

1.6.5 Paragraphs to be discussed by the Public Accounts Committee

There were 24 paragraphs relating to eight Departments pertaining to the period from 2012-13 to 2017-18 pending discussion by the Public Accounts Committee as of November 2020. Pending audit paragraphs include three from Departments of Co-operation and Forests & Wildlife; four from Fisheries & Ports and 14 from Public Works.