

## Overview

The Principal Accountant General (Audit-II), Kerala audits the Government Departments and Public Sector Undertakings to test check the transactions and verify the maintenance of accounts and other records as prescribed in the rules and procedures. These inspections are followed by Inspection Reports (IRs) which incorporate irregularities detected during the audit and not settled on the spot.

This Report has been divided into two parts. Part I deals with the Compliance Audit Observations of State Government Departments and Part II deals with the Compliance Audit Observations of State Public Sector Undertakings. The total financial impact of the Paragraphs is of ₹27,855.78 crore which is discussed in Chapter II and Chapter III.

Analysis of IRs issued up to September 2022 disclosed that 6,395 paragraphs relating to 1,076 IRs issued to these Departments remained outstanding at the end of September 2022.

*(Paragraph 1.7.1.1)*

Inspection Reports issued up to September 2022 pertaining to 68 State PSUs disclosed that 1,894 paragraphs relating to 335 Inspection Reports remained outstanding at the end of September 2022.

*(Paragraph 1.7.1.2)*

### Part-I Compliance Audit observations relating to State Government Departments

#### **Implementation of preventive and mitigative measures in respect of Human Wildlife Conflict**

##### *Management of wildlife habitats*

Failure of the Department to prevent the diversion of forest lands for non-forest purposes; protect the wildlife habitats from encroachments, unplanned development projects, *etc.*; and maintain wildlife habitats by securing elephant corridors, removal of invasive species, ensuring food and water availability, *etc.*, are the major reasons leading to HWCs in the State.

*(Paragraph 2.1.7)*

##### *Preventive and mitigative measures*

Lapses in construction and maintenance of preventive structures, wildlife population management, radio collar and SMS alert system, vista clearance, *etc.*, were leading to HWCs.

*(Paragraph 2.1.8)*

### ***Post Human Wildlife Conflict measures***

Post human wildlife conflict measures were affected due to delay in compensation payment, irregularities and procedure lapses in approval of claims, absence of rehabilitation support, *etc.*

*(Paragraph 2.1.9)*

### ***Coordination with stakeholders***

Lack of coordination with various stakeholders like LSGIs, Agriculture Department, Revenue Department, *etc.*, was affecting the HWC measures of the Department.

*(Paragraph 2.1.10)*

### **Failure of Forest and Wildlife Department in identifying forest land received in lieu of land transferred for road resulted in non-execution of compensatory afforestation and reconstruction of a State Highway**

Divisional Forest Officer of Forest and Wildlife Department failed in identifying the vested forest land when proposed by Public Works Department for purchasing from a private party and handing over for compensatory afforestation.

*(Paragraph 2.2)*

### **Construction and maintenance activities by the Buildings Wing of Kerala Public Works Department**

#### ***Planning and Estimation***

The lapses in estimation and deficiencies in planning for construction and maintenance of buildings works resulted in time overrun, cost overrun, non-adoption of green building concepts and inadequate maintenance of buildings.

*(Paragraph 2.3.4)*

#### ***Financial Management***

The lapses in financial management of the Buildings Wing resulted in idling accumulation of deposits, non-realisation of lapsed deposits, security deposits, risk and cost, external fund and non-fixing of maintenance grant.

*(Paragraph 2.3.5)*

#### ***Execution of Projects***

The construction and maintenance activities of the Buildings Wing suffered because of time overruns due to non-compliance with prescribed procedures such as investigation, issuing Technical Sanction without ensuring proper design, detailed estimation and handing over the site without removing hindrances. Lapses in ensuring competitive bidding, insurance, liquidated damages, adequate Defect Liability Period, Inspection of buildings and idling of buildings were noticed.

*(Paragraph 2.3.6)*

**Quality control, Monitoring and Internal control issues**

Implementation of Quality Control measures in construction activities was inadequate due to lack of timely monitoring of quality control aspects.

*(Paragraph 2.3.7)*

**Modification of Bill of quantities and non-levy of liquidated damages in favour of the contractor**

Negligence of departmental authorities of Public Works Department in preparation and evaluation of the tender documents of a work resulted in extra financial commitment of ₹6.97 crore to the exchequer and undue financial benefit to the contractor to the tune of ₹14.87 crore.

*(Paragraph 2.4)*

**Incorrect estimate leading to excess expenditure and undue benefit to an accredited agency**

Public Works Department entrusted the construction of two flyovers to an accredited agency based on incorrect estimates by NH Division, Kozhikode resulting in excess expenditure and undue benefit to the agency to the tune of ₹2.87 crore.

*(Paragraph 2.5)*

**Irregular repayment of duly recovered amount by reopening closed work bills and improper adjustments made in the final bills resulting in loss to Government**

Loss to Government to the tune of ₹134.32 lakh occurred due to reopening and irregular refund in respect of three closed work files and improper adjustments made in the final bills of three work files in PWD Roads Division, Kasaragod.

*(Paragraph 2.6)*

**Mining activities in Kerala**

Deficiencies were observed in Rules/ guidelines and its enforcement which led to illegal mining, over-exploitation of mineral resources, and loss of revenue. Further, the impact of illegal mining on environmental degradation was not assessed by Government/ Department of Mining and Geology for remedial action.

*(Paragraph 2.7)*

**Idling of assets purchased costing ₹63.42 lakh**

Non-commissioning/ non-repairing of assets purchased by the Directorate of Archaeology costing ₹63.42 lakh resulted in wastage of public money.

*(Paragraph 2.8)*

### **Undue benefit to contractors**

Payment of ineligible advance by the Directorate of Museums and Zoos resulted in blocking up of funds of ₹8.11 crore.

*(Paragraph 2.9)*

### **Wasteful expenditure**

Failure of the Directorate of Coir Development to monitor creation of facilities by the societies for more than six years resulted in wasteful expenditure of ₹0.61 crore.

*(Paragraph 2.10)*

## **Part-II Compliance Audit observations relating to State Public Sector Undertakings**

### **Operational Performance of Traco Cable Company Limited**

Absence of planning in respect of functional activities, inefficiencies in working capital management, unscientific production process including idle wages, deficiencies in marketing and contract management, investment in unviable and outdated projects etc. led to poor performance of the Company over the years resulting in erosion of capital, and negative return.

*(Paragraph 3.1)*

### **Execution of works for State Water Transport Department by Steel Industrials Kerala Limited**

Adoption of engine with hydraulic propulsion without ensuring its suitability for construction of boats for State Water Transport Department resulted in avoidable loss of ₹60.66 lakh.

*(Paragraph 3.2)*

### **Extra expenditure**

Cancellation of tender by the Kerala State Cashew Development Corporation Limited in violation of the provisions of the Stores Purchase Manual entailed extra expenditure of ₹93.39 lakh.

*(Paragraph 3.3)*

### **Irregular sanction of mobilisation advance, without security and non-recovery of risk and cost liability**

Undue favour by the Managing Director, Kerala State Construction Corporation Limited in sanctioning Mobilisation Advance to a contractor in contravention to CVC guidelines resulted in non-recovery of ₹77.40 lakh.

*(Paragraph 3.4)*

### **Non-release of funds to the Master Trust amounting to ₹26,401.16 crore**

The Master Trust could not invest funds and generate return for paying terminal benefits / pension to the employees/ pensioners of Kerala State Electricity Board Limited as the Company failed to release sufficient funds to the Master Trust. Hence, the purpose of the Government to ensure terminal benefits/ pension, independent of the financial health of the Company, could not be achieved.

*(Paragraph 3.5)*

### **Implementation of pay revision without approval of Government**

Implementation of pay revision violating Articles of Association of Kerala State Electricity Board Limited and orders of Government of Kerala entailed an irregular expenditure of ₹1,011 crore towards arrears of pay and allowances and ₹306.66 crore towards arrears of pension revision.

*(Paragraph 3.6)*

### **Non-inclusion of price variation clause in purchase order resulted in avoidable extra expenditure**

Procurement of High-Tension Aerial Bunched Cable at different rates from the same firm during the same period resulted in avoidable extra expenditure of ₹1.73 crore.

*(Paragraph 3.7)*