

INTRODUCTION

CHAPTER I INTRODUCTION

1.1. About this Report

This Report of the Comptroller and Auditor General of India (C&AG) relates to matters arising from performance audit of selected programmes and activities and compliance audit of Government Departments and Autonomous Bodies.

Performance audit includes examination of whether the objectives of the programme/activity/department are achieved economically, efficiently and effectively. Compliance audit, on the other hand, refers to examination of 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.

The primary purpose of the Report is to bring to the notice of the State Legislature important results of audit. The audit findings are expected to enable the Executive to take corrective action as also to frame policies and directives that will lead to improved financial management of the organisations, thus contributing to better governance.

This chapter explains the profile of units under audit jurisdiction, planning and extent of audit and follow-up on previous Audit Reports.

1.2. Profile of units under audit jurisdiction

There were 47 Departments in the State at Secretariat level during 2023-24. The Accountant General (Audit I), Kerala (AG (Audit I)), conducts audit of 33 Secretariat Departments¹, all Public Sector Undertakings/ Autonomous Bodies thereunder and Local Self-Government Institutions (LSGIs) in the State. The Departments are headed by Additional Chief Secretaries/ Principal Secretaries/ Secretaries, who are assisted by Directors/ Commissioners and subordinate officers under them.

A comparative position of expenditure incurred by the Government during the year 2023-24 and in the preceding four years is given in **Table 1.1**.

Table 1.1: Comparative position of expenditure

	(₹ in crore)				
Disbursements	2019-20	2020-21	2021-22	2022-23	2023-24
Revenue expenditure	104719.92	123446.33	146179.51	141950.93	142626.34
General services	55504.03	50360.72	70110.00	69831.68	78185.16
Social services	34044.77	44832.44	50695.61	50275.91	44005.28
Economic services	9107.25	18760.72	15713.81	12280.82	11414.83
Grants-in-aid and contributions	6063.87	9492.45	9660.09	9562.52	9021.07
Capital expenditure	8454.80	12889.65	14191.73	13996.56	13584.45
General services	157.42	259.84	268.26	306.89	247.26
Social services	1090.64	2277.90	3342.63	3030.08	2945.57
Economic services	7206.74	10351.91	10580.84	10659.59	10391.62
Total	113174.72	136335.98	160371.24	155947.49	156210.79

(Source: Finance Accounts of respective years)

¹ The Accountant General (Audit II), Kerala conducts audit of 15 Secretariat Departments (In the case of Fisheries and Ports Department, auditee institutions under Fisheries Department are audited by AG (Audit I) and those under Ports Department by AG (Audit II)).

1.3. Authority for Audit – Office of the Accountant General (Audit I), Kerala

The authority for audit by the C&AG 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 audit of expenditure of the Departments of the Government of Kerala (GoK) under Section 13 of the C&AG's (DPC) Act. C&AG is the sole auditor in respect of 25 Autonomous Bodies which are audited under Sections 19 and 20(1) of the C&AG's (DPC) Act. In addition, C&AG also conducts audit of 121 Autonomous Bodies which are substantially funded by the Government, under Sections 14 and 15 of the C&AG's (DPC) Act besides 8,392 aided educational institutions², 50 Public Sector Undertakings and 1,200 LSGIs³. Principles and methodologies for various audits are prescribed in the Auditing Standards and the Regulations on Audit and Accounts, issued by the C&AG.

1.4. Planning and conduct of audit

The audit process starts with the assessment of risks associated with various Departments of Government based on 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.

After completion of audit, Inspection Reports (IRs) containing audit observations are issued to the Heads of the Offices and Departments. The Departments are requested to furnish replies to the audit observations within four weeks from the date of receipt of the IRs. Whenever replies are received, audit observations 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 Reports of the C&AG of India, which are submitted to the Governor of the State under Article 151 (2) of the Constitution of India for placing in the State Legislature.

During 2023-24, the Office of the AG (Audit I) carried out the audit (compliance, performance and financial audits) of 980 units of various departments/ organisations under its jurisdiction.

² Government-aided Colleges: 192
Government-aided Engineering Colleges :03
Government -aided Polytechnic Colleges: 06
Government-aided Higher Secondary Schools: 856
Government-aided Vocational Higher Secondary Schools: 128
Government-aided LP Schools: 3903
Government-aided UP Schools: 1870; and
Government-aided High Schools: 1434

³ Grama Panchayats: 941, Block Panchayats: 152, District Panchayats: 14, Municipalities: 87
Municipal Corporations: 6. AG (Audit I) brings out an Audit Report on LSGIs every year, comprising of observations relating to audit of LSGIs.

1.5. Lack of responsiveness of Government to Audit

1.5.1. Outstanding Inspection Reports

The Handbook of Instructions for Speedy Settlement of Audit Objections/ Inspection Reports/ timely disposal of draft audit paragraphs and matters pertaining to the Public Accounts Committee, issued by the State Government in 2017 provides for prompt response by the Executive to the Inspection Reports (IRs) issued by the Accountant General for rectification, in compliance with the prescribed rules and procedures and accountability for the deficiencies, lapses etc., noticed during audit. The Heads of Offices and next higher authorities are required to comply with the audit observations contained in the IRs, rectify the defects and omissions and report their compliance to the Accountant General within four weeks of receipt of IRs. Status of pending IRs are being sent periodically to the Secretaries of the Departments to facilitate monitoring of audit observations.

As on 31 October 2024, 5,294 IRs (26,951 paragraphs) (issued upto 31 March 2024) were outstanding in respect of 29 Departments. Details of IRs and paragraphs outstanding are given in **Appendix 1.1**.

1.5.2. Response of Departments to the paragraphs included in this Report

Performance Audit and Compliance Audit paragraphs were forwarded to the Additional Chief Secretaries/ Principal Secretaries/ Secretaries of Departments concerned during February 2025 to June 2025 for furnishing replies. Of the one Performance Audit paragraph, one Subject-specific Compliance Audit paragraph and five Compliance Audit paragraphs featured in this Report, response of Government was received for all the paragraphs. The replies received were suitably incorporated in the Report.

1.5.3. Follow-up on Audit Reports

According to the Handbook of Instructions for Speedy Settlement of Audit Objections/ Inspection Reports/ timely disposal of draft audit paragraphs and matters pertaining to the Public Accounts Committee issued by the State Government in 2017, the Administrative Departments should submit Statements of Action Taken Notes on audit paragraphs included in the Reports of the C&AG directly to the Legislature Secretariat, with copies to the Accountant General within two months of their being laid on the Table of the Legislature. As of October 2024, 10 Administrative Departments failed to comply with the instructions and did not submit Statements of Action Taken Notes of 41 paragraphs for the period 2020-21 to 2023-24 as detailed in **Appendix 1.2**.

1.5.4. Paragraphs pending discussion by the Public Accounts Committee

Ninety-three paragraphs pertaining to 12 Departments for the period 2020-21 to 2023-24 were pending discussion by the Public Accounts Committee as of October 2024 (**Appendix 1.3**).