CHAPTER IV
QUALITY OF ACCOUNTS AND FINANCIAL REPORTING PRACTICES

A sound internal financial reporting system with relevant and reliable information significantly contributes to efficient and effective governance by the State Government. Compliance with financial rules, procedures and directives as well as the timeliness and quality of reporting on the status of such compliance are, thus, the attributes of good governance. Reports on compliance and controls, if effective and operational, assist the Government in meeting its basic stewardship responsibilities, including strategic planning and decision-making.

Issues related to completeness of accounts

4.1 Funds outside Consolidated Fund or Public Account of the State

Article 266(1) of the Constitution of India, subject to the provisions of Article 267, provides that all revenues received by the Government of a State, all loans raised by that Government by the issue of treasury bills, loans or ways and means advances and all moneys received by that Government in repayment of loans shall form one consolidated fund to be entitled 'the Consolidated Fund of the State'. Article 266(2) provides that all other public moneys received by or on behalf of the Government of a State shall be credited to the Public Account of the State, as the case may be.

4.1.1 Non-remittance of levies into the Consolidated Fund of the State

4.1.1.1 The Building and Other Construction Workers' Welfare Cess

The Building and Other Construction Workers' Welfare Cess Act, 1996 provides for levy and collection of labour welfare cess at a rate of minimum one *per cent* on the cost of construction. Also, the provision of Rule 5 of The Building and Other Construction Workers' Welfare Cess rules(1998) provided that the Cess collected is to be transferred to (Building and Other Construction Workers Welfare Board) the Board along with the form of challan prescribed (and in the head of account of the Board) under the accounting procedures of the State. Audit observed that no rules have been framed by the State Government of Kerala for accounting of Building and Other Construction Workers' Welfare Cess. Neither a sub-head has been opened by the State Government under concerned revenue receipt Major Head (MH) for accounting of Cess collected nor a functional revenue expenditure head has been opened for transfer of the Cess amount to Building and Other Construction Worker's Welfare Board by various Departments/ Agencies etc. The Cess amount collected is not routed through the Consolidated Fund of the State as required under Article 266(1) of the Constitution of India and is instead being credited directly to Special Treasury Saving Bank (STSB) account of the Board/ Accounts in Nationalised Banks maintained by Board. The cess amount received by the Board from 2016-17 to 2020-21 are shown in the **Table 4.1** given below.

Table 4.1: Year-wise receipt of Building and Other Construction Workers' Welfare Cess by the Board

(₹ in crore)

Year	2016-17	2017-18	2018-19	2019-20	2020-21	Total
Building and Other Construction Workers' Welfare Cess received by the Board	203.58	192.45	248.95	232.84	238.08	1115.90

Source: Information collected from Building and Other Construction Workers' Welfare Board

It was noticed that the Board had received an amount of ₹1,115.90 crore as cess amount from 2016-17 to 2020-21 which included ₹238.08 crore in 2020-21 alone, without being routed through the Consolidated Fund of the State. This was in contravention to Article 266(1) of the Constitution of India. Non-remittance of Government revenue to the Consolidated Fund resulted in understatement of non-tax revenue and other fiscal parameters derived from it, during the concerned years.

4.1.1.2 Contributions to District Mineral Foundation Trust

District Mineral Foundation Trust (erstwhile Quarry Safety Fund[36]) was established in all districts under the aegis of District Collector as per Kerala District Mineral Foundation Rules, 2018 intended to work for the interest and benefit of the persons and areas affected by mining related operations in the district. The contributions being made to the District Mineral Foundation Trust comprises of the following revenues of the State Government.

- Payment made by the lessees of major minerals at a rate of 30 *per cent* of Royalty.
- Payment made by the lessees and quarrying permit holders of minor minerals at a rate of 10 *per cent* of Royalty.
- Payment made by holder of minor mineral leases/ permits at a rate of 10 *per cent* of Royalty or consolidated Royalty.

The revenue realised by above means are being credited directly to a joint Special Treasury Savings Bank Accounts (STSB) managed by District Collectors and District Geologists of respective districts. The amount received

[36] Quarry Safety Fund was constituted by the District Collectors in all the districts as per the Kerala Minor Mineral Concession Rules, 2015 to meet necessary expenses for ensuring safety to the abandoned quarries. Quarry Safety Fund as per Kerala Minor Mineral Concession Rules, 2015 was substituted with District Mineral Foundation Trust established as per Kerala District Mineral Foundation Rules, 2018, which came into force w.e.f 22 February 2018.

by District Mineral Foundation Trust and the erstwhile Quarry Safety Fund from 2018-19 to 2020-21 is shown in the **Table 4.2** given below.

Table 4.2: Year-wise receipts to District Mineral Foundation Trust (erstwhile Quarry Safety Fund)

(₹ *in crore*)

Year	2018-19	2019-20	2020-21	Total
District Mineral Foundation Trust (erstwhile Quarry Safety Fund)	9.25	9.37	10.83	29.45

Source: Information collected from Directorate of Mining and Geology

It was noticed that the contributions amounting to ₹29.45 crore was made to District Mineral Foundation Trust from 2018-19 to 2020-21 which included an amount of ₹10.83 crore in 2020-21 alone. This amount was transferred to the Trust without being routed through the Consolidated Fund of the State despite being a Government revenue. This was in contravention of Article 266(1) of the Constitution of India. Consequently, the non-tax revenue and the fiscal parameters derived from them were under-stated to that extent during the years concerned.

4.1.1.3 Funds of Regulators outside Government Account

The Regulatory Authorities, are 'State' within the meaning of Article 12 of the Constitution. Money being received by them are on account of discharge of functions 'on behalf of the Government'. Hence, their Funds need to be housed in the Public Account of India/ States.

However, Audit observed that funds of Kerala State Electricity Regulatory Commission are kept outside Government Account.

Kerala State Electricity Regulatory Commission stated that their fund has been constituted in line with section 103 of the Electricity Act, 2003 and stated that as per sub rule (3) of rule 3 of the Kerala State Electricity Regulatory Commission Fund Rules 2013, the main account of the Fund shall be maintained in any nationalised bank and subsidiary accounts at such other branches of such banks, as the commission considers appropriate.

The reply is not tenable since public money received on behalf of the State Government is to be credited to public account of the state as per Article 266 (2) of the Constitution and not doing so involves a breach of the said Article of the Constitution.

All the three issues detailed from para 4.1.1.1 to 4.1.1.3 were pointed out in the State Finances Audit Report for the year ended March 2020 also. However, Government has not taken any action to bring these amounts into the Consolidated Fund/ Public Account of the State Government.

Non-remittance of revenue receipts leads to escape of scrutiny by the Legislature. Therefore, a system for remittance/ release of such money need to be put in place by opening suitable heads of account under revenue receipts/

revenue expenditure for tracking the revenue arising and expenditure incurred out of these funds/ trusts.

4.2 Non-discharge of liability in respect of interest towards interest bearing deposits

The Government has a liability to provide and pay interest on the amounts in the Interest-bearing Deposits (Major Heads of Accounts 8336 to 8342).

However, audit scrutiny has revealed that no provision has been made in the year 2020-21 in the Budget for the discharge of the interest liability on interest bearing deposits as shown in **Table 4.3**.

Table 4.3: Non discharge of liability in respect of interest towards interest bearing Deposits

(₹ in crore)

Sl. No.	Name of the Interest bearing deposit	Opening Balance as on 01 April 2020	Amount of Interest not provisioned*
1	National Pension scheme	0.34	0.024

Source: Finance Accounts

**interest is calculated @ 7.1 per cent on the basis of interest rates admissible to GPF during the financial year 2020-21.*

Consequent to the non-provision/non-payment of interest, Revenue Expenditure was understated by ₹0.024 crore.

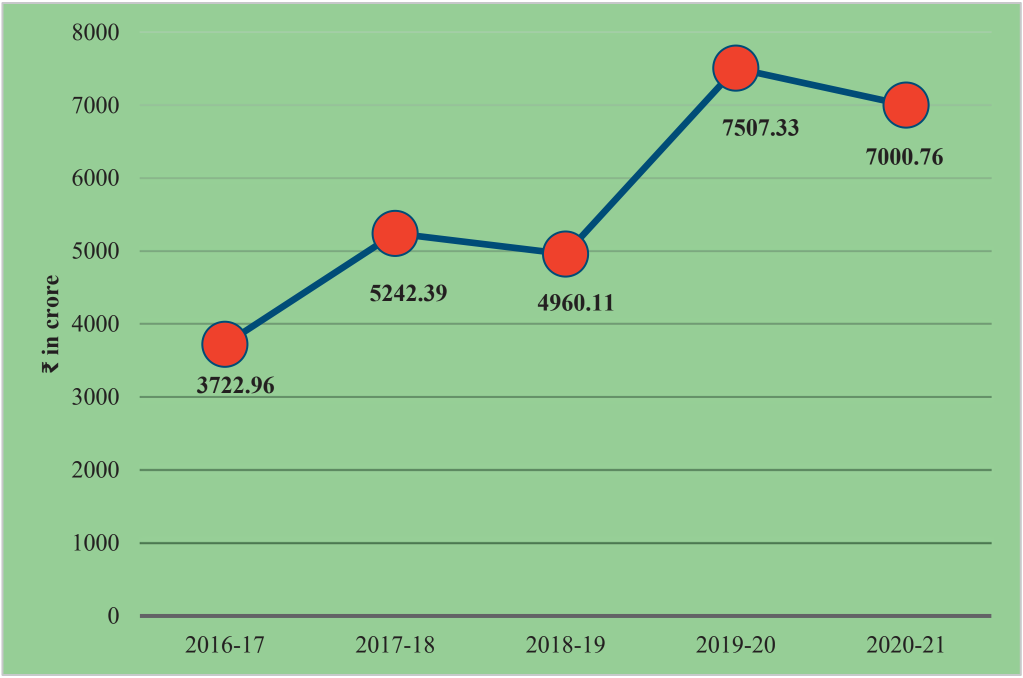
4.3 Funds transferred to State Implementing Agencies outside the State budget

Government of India(GoI) transfers substantial funds directly to State Implementing Agencies(SIAs) for implementation of various Schemes and Programmes. The details of Funds transferred by Government of India directly to SIAs as per the Public Financial Management System(PFMS) portal of the Controller General of Account(CGA) is listed in Appendix VI of Volume-II of the Finance Accounts. Since these funds are not routed through the State Budget/State Treasury System, Finance Accounts do not capture the flow of these funds or the related expenditure.

During the year 2020-21, GoI transferred ₹7,000.76 crore directly to the SIAs implementing various Central Schemes / Programmes.

The direct transfer of funds to implementing agencies has shown a fluctuating trend during the period from 2016-17 to 2020-21 as given in **Chart 4.1**.

Chart 4.1: Direct transfer to Implementing Agencies



The details of agencies that received funds of more than ₹10 crore during the year 2020-21 are detailed in **Table 4.4**.

Table 4.4: Funds transferred directly to State Implementing Agencies (includes schemes with total release of ₹10 crore and above during 2020-21)

(₹ in crore)

Sl No.	Name of the Schemes of Government of India	Name of the Implementing Agencies	Amount Released 2020-21
1	Food subsidy for decentralized Procurement of food grains under NFSA	Kerala State Civil Supplies Corporation Limited	1214.98
2	Integrated Scheme on Agriculture Census and Statistics	Economics and Statistics Department, Kerala Agriculture University, University of Kerala	58.73
3	National AIDS and STD Control Programme	Kerala State AIDS Control Society	36.66
4	Integrated Development of Tourist Circuits around specific themes(Swadesh Darshan)	Kerala Tourism Development Corporation Limited(KTDC)	23.77
5	Assistance to State Agencies for intra-state movement of food grains and FPS dealers margin under NFSA	Kerala State Civil Supplies Corporation Limited.	23.53
6	National Rural Livelihood Mission(CS)	*Kudumbashree* (Kerala State Poverty Eradication Mission)	15.08

Sl No.	Name of the Schemes of Government of India	Name of the Implementing Agencies	Amount Released 2020-21
7	Pradhan Mantri Matru Vandana Yojana	Department of Women and Child Development	14.69
8	Pradhan Mantri Kisan Sampada Yojana – Mega Food Parks	Kerala Bureau of Industrial Promotion, Kerala State Industrial Development Corporation	10.96
	Total		**1398.40**

Source: Data obtained from PFMS portal of CGA, Finance Accounts of respective years and information furnished by implementing agencies

Further, as per GoI decision (08 February 2015), all assistance to Centrally Sponsored Schemes(CSS) and Additional Central Assistance(ACA) under various schemes would be released to the State Government and not directly to the Implementing Agencies[37] and hence, these funds would be routed through the State budget from the year 2015-16 onwards. However, in Kerala, the funds under Mahatma Gandhi National Rural Employment Guarantee Programme, which is a Centrally Sponsored Scheme, was released directly to SIAs without routing it through the State budget.

Issues related to transparency

4.4 Delay in submission of Utilisation Certificates

Article 208 of the Kerala Financial Code stipulates that the State may make such Grants-in-aid for public purposes or activities carried on by private institutions or local bodies as are in conformity with Article 282 of the Constitution of India. Financial rules[38] stipulate that the authority sanctioning grant-in-aid has to stipulate, in every order sanctioning the grant, a time limit not exceeding one year from the date of sanction for utilisation of the grant and a time limit of nine months for the submission of audited accounts. The utilisation certificate should be furnished within three months from the date of receipt of audited accounts. The Utilisation Certificates (UCs) for grants-in-aid exceeding ₹2,00,000 have to be forwarded to the Accountant General(Accounts and Entitlement), Kerala. It was observed that 12 utilisation certificates for ₹22.44 crore were not received (March 2021) by the AG(A&E). The year-wise position of delays in submission of Utilisation Certificates is summarised in **Table 4.5**.

[37] State Implementing Agency includes any organisation/institution including non-Governmental Organisation which is authorised by the State Government to receive the funds from the Government of India for implementing specific programmes in the State.

[38] Article 210 of the Kerala Financial Code (Vol I)

Table 4.5: Year-wise arrears in submission of Utilisation Certificates

(₹ in crore)

Year of UC due	Number of UCs	Amount
Upto 2019-20	0	0
2020-21	12	22.44
Total	12	22.44

Source: Details furnished by Accountant General (A&E)

The above amount pertains to Higher Education Department which has not submitted the UCs as on 31 March 2021.

The pendency of UCs was fraught with the risk of misappropriation of funds and fraud. Timely submission of UCs should not only be insisted upon but also ensured.

4.5 Personal Deposit Accounts

Personal Deposit (PD) Accounts are in the nature of special banking accounts kept for certain classes of Deposits, which include transactions of a public or quasi-public nature for which it is not necessary to treat each disbursement as made against a particular receipt.

PD accounts are, maintained in the nature of a bank account in the treasury. As per Art 282 (d) of Kerala Financial Code Vol-I, Chapter X, in cases of PD accounts that are opened by orders of the State Government for specific purposes, where, funds are transferred from the Consolidated Fund by booking the expenditure under Service heads, the administrators of these PD accounts should close these PD accounts at the end of the financial year and credit the unspent balances back to the Consolidated Fund under the concerned expenditure heads of accounts from where the amount initially transferred, unless such Personal Deposit accounts were created by Law or Rules having the force of Law.

Further, the PD accounts which have been opened by transfer of funds other than from the Consolidated Fund, should be reviewed every year and the accounts which are in-operative for more than three complete financial years should be closed and balance lying in such accounts should be credited to Government accounts.

4.5.1 Non-reconciliation of PD Accounts

PD accounts are maintained under MH-8443-Civil Deposit-106-Personal Deposit. During 2020-21, no amount was transferred from the Consolidated Fund of the State to the PD Accounts.

The aggregate balance as on 31 March 2021 in PD Accounts under MH-8443-Civil Deposit-106-Personal Deposit was ₹68.03 crore as per records of the Accountant General(A&E). However, as per information furnished by the

Director of Treasuries on October 2021 to the Accountant General (A&E), the balance in these accounts amounted to ₹116.14 crore.

The reconciliation of PD accounts with the Administrators of deposit accounts is to be conducted by the treasuries concerned. The variations in the records maintained in the Treasury Department and the PAG(A&E) is due to lack of timely reconciliation. The administrator of PD Accounts has to furnish to the treasury a certificate of acceptance of closing balance at the close of each financial year after reconciling the difference, if any. The details of acceptance of balance by the administrators during the year has not been received from the Director of Treasuries. The proposal for online submission of details of plus and minus memos of deposit heads on a monthly basis has not been materialised so far.

Non-reconciliation of balances in PD accounts is fraught with the risk of misuse of public funds, fraud and misappropriation.

4.5.2 Operation of Treasury Savings Bank Accounts

Introduction

As per Rule 37 of Kerala Treasury Code, Treasury Savings Bank (TSB) Accounts are being maintained in the Treasuries.

The objective of the Government in establishing Treasury Savings Bank Scheme was to provide a ready means for the deposit of savings and to encourage thrift. Subsequently, funds released for various purposes from the Consolidated Fund such as grants-in-aid, loans and investments to State PSUs & Statutory Corporations, funds for Centrally Sponsored Schemes, were also credited to the Special Treasury Savings Bank Account (STSB) temporarily for keeping the unspent balance for a specified period on the basis of various Government Orders. Government also permits Public Sector Undertakings/Autonomous Bodies/ Institutions and Welfare Fund Boards to deposit their own funds in the Treasury Savings Bank accounts. The State Government also accepts deposits from its employees, pensioners, institutions and the general public through treasuries and accounts it under TSB accounts. The amounts credited to TSB Accounts are booked under sub head '99' below minor head '102 Savings Bank Deposits' below Major Head '8031-Other Savings Deposits'. Deposits under Term Fixed Deposits are booked under '8031-00-102-98-Fixed & Time Deposits'.

The TSB account by any person in treasury of the State is being regulated by the instructions contained in Appendix 3 to the Kerala Treasury Code. As on 31 March 2021, the amount lying in TSB Accounts under the head 8031-00-102-99 was ₹2,657.30 crore. An amount of ₹53,216.55 crore was also outstanding under Term Fixed Deposit accounts in Treasuries as on 31 March 2021 under the head of account 8031-00-102-98.

Advice from RBI

Reserve Bank of India (RBI) in November 2010 had recommended to phase out the Kerala Treasury Savings Deposit Scheme in view of the distortionary impact on the interest rate structure and distortion of the fiscal discipline. It was pointed out thereon that the State Government is paying higher rate of interest on these deposits resulting in an unfair advantage over the banks whose savings rate is regulated by RBI and that the scheme has ramifications for customer service too in the absence of regulations. It was also stated that with the introduction of National Small Savings Fund (NSSF) of which Kerala Government is also a beneficiary, the scheme may be phased out as the State is incurring additional administrative cost which is likely to be even higher than the State Development loans floated by the State Government. At the exit conference held on 23 December 2021, the Additional Chief Secretary, Finance Department stated that as per the Instrument of Accession under which the Travancore State became part of India, institutions that were ongoing at the point of accession including the TSB system are legally allowed to continue and as a result stand the legal scrutiny. However, the above statement is on the legality of TSB system only; whereas audit comment is on the latest recommendation from RBI.

Audit conducted a field study on Treasury Savings Bank Accounts. A few important observations noticed in audit are detailed in the succeeding paragraphs.

Resumption of funds from TSB accounts to a common head of account

State Government vide orders dated 27 March 2021[39] resumed funds amounting to ₹5,919.33 crore parked in the STSB Accounts of various Government departments, PSUs, Autonomous Bodies etc. into the Consolidated Fund of the State on 31 March 2021. Out of ₹5,919.33 crore resumed, an amount of ₹5,075.81 crore[40] was resumed to a common head of account '2075-00-911-94 Deduct Recoveries-Refund of amounts resumed from the idling STSB accounts' during the year.

As per para 3.10 of General Directions contained in List of Major and Minor Heads (LMMH) of Controller General of Accounts, recoveries of overpayments pertaining to previous year/years under revenue expenditure are to be recorded under distinct Minor Head (Deduct Recoveries of Overpayments) below the concerned major/sub major head from where the expenditure was initially incurred. Recovery of over payment during the same financial year in which such over payments are made shall be recorded as reduction of expenditure under the concerned expenditure head of account. As per para 4.3 of the General Directions, in the case of Capital Expenditure, distinct subheads (Deduct-

---

[39] GO(P) No.57/2021/Fin dt.27.03.2021 of Finance (Streamlining) Department

[40] As per the information by Director of Treasuries, the amount resumed to common head amounts to ₹4,931.34 crore. The difference has not yet been reconciled.

Receipts and Recoveries on Capital Account) are to be opened below the relevant minor heads under the various Capital major/sub major heads where the capital expenditure was initially incurred. Credit back of amounts originally debited under various Revenue and Capital heads of accounts to the common head of account 2075-00-911 is in violation of the General Directions contained in paras 3.10 and 4.3 of the List of Major and Minor Heads (LMMH) published by the Controller General of Accounts and will distort all key indicators of fiscal position of Government.

The Director of Treasuries accepted the audit observation and replied (December 2021) that a software will be developed to capture the revenue/ capital expenditure head of account to which the resumed amount is to be credited.

Refund of resumed funds

Finance department released funds amounting to ₹4,075.94 crore resumed under '2075-00-911-94 - Deduct Recoveries-Refund of amounts resumed from the idling STSB accounts' on 31 March 2021 to the STSB accounts concerned during the month of April of the succeeding financial year without waiting for receipt of any proposal for refund from the institutions concerned. The release of funds which were resumed at the end of the financial year under '2075-00-911', during the beginning of the next financial year itself without receipt of any proposal from the institutions concerned defeated the basic purpose of the resumption, *viz*. preventing inappropriate parking of funds, as the re-issued funds continued to be parked in the TSB Account. Government has resorted to resumption mainly for the purpose of reducing the public account liability at the year-end in order to increase the borrowing space of Government. This practice of temporary resumption on the last day of the financial year is being continued for the last four years.

Inoperative TSB accounts

As per information furnished by the Director of Treasuries, Government money amounting to ₹2,503.79 crore was lying in 1,168 number of STSB accounts which have been lying inoperative for the last three financial years. Of this, an amount of ₹2,498.42 crore pertains to Kerala Infrastructure Investment Fund Board (KIIFB). KIIFB stated that these funds were provided by the State Government as corpus fund during 2015-16 & 2016-17 for facilitating external borrowings.

The Director of Treasuries accepted the audit observation and replied (December 2021) that after obtaining permission from Government, steps will be taken to transfer credit the amounts in inoperative STSB accounts to the revenue/capital expenditure Head of Accounts.

Resumption of Government of India funds

Govt. of India releases funds to State Government Department/Institutions for implementation of various Centrally Sponsored Schemes. Audit scrutinised records relating to transactions in STSB/PTSB accounts maintained by 12 institutions selected on random basis. Scrutiny revealed that State Government had resumed Government of India funds parked in STSB accounts of three institutions amounting to ₹12.62 crore into the Consolidated Fund of the State on 31 March 2021. Of these resumed GoI funds, an amount of ₹ six crore in respect of one institution has not been reallocated by State Government till date. The details are as shown in **Table 4.6** given below.

Table 4.6: Resumption of GoI funds parked in STSB accounts of three institutions

Name of the Institution	STSB/PSTSB Account No	Amount resumed *(₹ in crore)*	Remarks
State Child Protection Society	701121400000005	0.96	GoI funds and corresponding State share for implementing Centrally Sponsored Scheme 'Child Protection Services Scheme'. State Government has subsequently reallocated the resumed funds in 2021-22.
MGNREGA State Mission	799011400000486 with District Treasury Thiruvananthapuram	5.66	GoI funds for constructing 720 Anganwadi buildings. The resumed funds were subsequently reallocated by State Government.
Commissionerate of Rural Development	799012700000267 with District Treasury Thiruvananthapuram	6.00	Funds received from GoI for the implementation of PMAY(G) scheme funds resumed not yet reallocated by State Government.

Resumption of funds received from GoI for the implementation of Centrally Sponsored Schemes to the Consolidated Fund of the State is irregular.

Director of Treasuries accepted the audit observation and replied (December 2021) that steps will be taken to avoid resumption from GoI funds in future.

Resumption of Non-Government funds

Scrutiny revealed that non-government funds amounting to ₹300.86 crore maintained in STSB/TSB accounts of 38 institutions were resumed to the Consolidated Fund of the State during 2020-21. This included PF subscription of employees, funds received from foreign embassies for disbursement to legal heirs of persons died while abroad etc. as shown in **Appendix 4.1**. Of these resumed funds, an amount of ₹51.44 crore in respect of 32 institutions resumed during the year has not been reallocated by State Government till date.

Resumption of non-government money parked in STSB/TP Accounts of various institutions is irregular.

The Director of Treasuries replied (September 2021) that accounts involving non-government money that could be identified at the time of resumption were excluded from resumption. It was also replied that in other cases, the resumed funds were reallocated to the same account within one week of the next financial year. The reply is not acceptable as there is no mechanism to identify non-Government funds parked in TSB Accounts. Moreover, Audit had noticed several instances in which State Government had not reallocated non-Government funds resumed as illustrated above.

Resumption of funds from Mineral Foundation Fund

District Mineral Foundation fund is being managed by District Collectors in Special Treasury Savings Bank accounts as stipulated in Rule 8 of Kerala District Mineral Foundation Rules 2018. Revenue realised from lessees of major minerals at the rate specified in Mines and Minerals (Contribution to District Mineral Foundation) Rules 2015 is to be credited to the District Mineral Foundation Fund. Holders of minor minerals leases/permits had to remit ten percentage of royalty/consolidated royalty to the DMF as per Rule 9(2) of Kerala District Mineral Foundation Rules 2018. The fund was to be utilised for meeting expenditure in connection with protection work of abandoned quarries and for the direct benefit of persons living within the affected area. Scrutiny revealed that State Government resumed ₹23.13 crore from District Mineral Foundation Fund parked in STSB accounts in respect of 10 District Collectors into the Consolidated Fund during 2020-21, of which ₹7.58 crore were not reallocated to the respective TSB accounts till date.

The resumption of District Mineral Foundation Fund maintained in Treasury Savings Bank accounts of District Collectors to the Consolidated Fund in violation of provision of Kerala District Mineral Foundation Rules, 2018 is irregular and defeated the intended objectives for which the funds were created.

Other observations

Fraudulent transactions in TSB Accounts

Director of Treasuries reported (August 2020) some serious irregularities at Additional Sub Treasury Vanchiyoor during 2020-21. Gist of the irregularities reported is given below:

An official working in Additional Sub Treasury, Vanchiyoor fraudulently transfer credited ₹ two crore from various individual/ District Collector's accounts to his own TSB account maintained in sub treasury Vanchiyoor in various spells between April 2020 and July 2020. This was done by acquiring and utilising user ID of the Sub Treasury Officer who proceeded on leave preparatory to retirement on 12 April 2020. Later, he transferred ₹1.34 crore from his TSB account to other TSB accounts/ bank accounts including his own and others.

All treasury transactions require dual authentication and so any transaction can be carried out only by the involvement of two officials, ie, an officer at the scrutiny level and an officer at the approval level. Failure of the treasury department to deactivate user ID of the STO who proceeded on leave preparatory to retirement and absence of suitable security measures in the treasury computer system for multi-level authentication including biometrics/ Aadhar enabled the delinquent official to acquire the user ID of the STO and to carry out the fraudulent transactions both at the scrutiny level and at the approval level. The department also failed to identify the loophole in the treasury system in the procedure for cancellation of cheque transactions which enabled the official to fraudulently withdraw money from TSB Accounts without being detected.

The Director of Treasuries replied that (December 2021), out of ₹ two crore transferred, ₹1.57 crore were frozen at various TSB accounts/ Bank accounts and only an amount of ₹43 lakh has to be recovered from the delinquent official. It was also stated that considering the seriousness of the case, the official was dismissed from service and steps have been taken to prevent such fraudulent withdrawals in future.

The Treasury department needs to take urgent steps to strengthen the access controls of the treasury system and to improve information security in order to prevent any such activities in future.

4.6 Indiscriminate use of Minor Head 800

Minor Head 800 relating to Other Receipts and Other Expenditure is intended to be operated only when the appropriate Minor Head has not been provided in the accounts. Routine operation of Minor Head 800 is to be discouraged, since it renders the accounts opaque.

During 2020-21, expenditure aggregating ₹6,571.81 crore, constituting 4.82 *per cent* of the total expenditure (₹1,36,335.98 crore), was classified under Minor Head 800-Other Expenditure in respect of 71 Major Heads involving both Revenue and Capital sections. Of these, 12 Major heads having expenditure (50 *per cent* and above) booked under Minor Head 800-Other Expenditure are shown below in **Table 4.7**.

Table 4.7 : Significant expenditure booked under Minor Head 800-Other Expenditure during the financial year 2020-21

(₹ in crore)

Sl No	Major Head	Expenditure under Minor Head 800	Total Expenditure	*Per cent*
1	2075-Miscellaneous General Services *	2,607.14	2,257.44	115.49(**)
2	3055-Road Transport *	15.00	15.00	100
3	4551-Capital Outlay on Hill Areas	0.22	0.22	100
4	4810-Capital Outlay on New and Renewable Energy	1.00	1.00	100

Sl No	Major Head	Expenditure under Minor Head 800	Total Expenditure	*Per cent*
5	4250-Capital Outlay on Other Social Services *	136.74	137.49	99.45
6	5075-Capital Outlay on Other Transport Services *	685.52	716.30	95.70
7	2810-New and Renewable Energy *	31.35	33.42	93.81
8	4701-Capital Outlay on Medium Irrigation*	59.41	64.94	91.48
9	2040-Taxes on Sales, Trade etc. *	29.12	34.22	85.10
10	4700-Capital Outlay on Major Irrigation	61.21	83.47	73.33
11	2852-Industries *	40.45	58.56	69.07
12	4402-Capital Outlay on Soil and Water Conservation *	40.62	76.07	53.40

* *Major heads scrutinised by Audit.*

(**) The percentage is more than 100 due to "Deduct Refunds".

On a detailed scrutiny of nine out of 12 Major Heads shown above, with expenditure above ₹10 crore under Minor Head 800, Audit noticed that no appropriate Minor Head other than the Minor Head 800 was there for booking the requisite expenditures.

During 2020-21, receipts aggregating ₹2,237.78 crore, constituting 2.29 *per cent* of the total revenue receipts (₹97,616.83 crore), was classified under Minor Head 800-Other Receipts in respect of 48 Major Heads of Account . Of these, 14 Major Heads having receipts (50 *per cent* and above) booked under Minor Head 800-Other Receipts are shown below in **Table 4.8**.

Table 4.8 : Significant receipts booked under Minor Head 800-Other Receipts during the financial year 2020-21

(₹ in crore)

Sl No.	Major Head	Receipts under Minor Head 800	Total Receipts	Percentage
1	0211-Family Welfare	0.02	0.02	100
2	0217-Urban Development	7.58	7.58	100
3	0235-Social Security and Welfare	0.07	0.07	100
4	0404-Dairy Development	1.23	1.23	100
5	1054-Roads and Bridges	70.35	70.35	100
6	1075-Other Transport Services	0.18	0.18	100

Sl No.	Major Head	Receipts under Minor Head 800	Total Receipts	Percentage
7	1452-Tourism	3.06	3.06	100
8	0515-Other Rural Development Programme	5.54	5.55	99.82
9	0702-Minor Irrigation	5.05	5.18	97.49
10	0425-Co-operation	144.23	158.18	91.18
11	0049-Interest Receipts	207.93	246.64	84.31
12	1051-Ports and Light Houses	0.86	1.17	73.50
13	0029-Land Revenue	361.25	493.35	73.22
14	0059-Public Works	5.13	7.24	70.86

On a detailed scrutiny of four out of 14 Major Heads shown above, with receipts above ₹10 crore under Minor Head 800, Audit noticed that only in one Major Head (0029-Land Revenue), the receipts were booked under the Minor Head 800 though there was an appropriate Minor Head (106-Receipts on account of Survey and Settlement Operations).

Audit observed that the Office of the PAG(A&E) has been proactive in examining such cases and suggesting appropriate Minor Head for booking these expenditures. The efforts taken by PAG(A&E) in scrutinising the provisions under the Minor Head 800-Other Expenditure as a part of budget review has helped the Finance department, Government of Kerala in reducing the indiscriminate use of Minor Head 800 to 4.82 *per cent* of the total expenditure.

4.7 Outstanding balance under major Suspense and DDR heads

Certain intermediary/adjusting heads of accounts known as 'Suspense Heads' are opened in Government accounts to reflect transactions of receipt and payments which cannot be booked to a final head of account due to lack of information such as non-furnishing of Schedule of Settlement by the Treasuries/PAOs, Non-receipt of clearance memos from RBI, non-receipt of vouchers etc. These heads of accounts are finally cleared by minus debit or minus credit when the accounts under them are booked to their respective final heads of accounts. If these amounts remain uncleared, the balance under the suspense heads would accumulate and would not reflect Government's receipt and expenditure accurately.

Remittances embrace all transactions which are adjusting Heads of Account and the debits or credits under these heads are eventually cleared by corresponding credit or debit within the same or in another circle of accounting.

The net balances under Suspense and Remittance Head can be obtained from Finance Accounts. The outstanding balances under these heads are worked out by aggregating the outstanding debit and credit balances separately under various heads.

Clearance of suspense and remittance items depends on the details furnished by the State Treasuries/ Public Works and Forest Divisions, etc. The details of outstanding balances under a few major Suspense and Remittance heads from 2018-19 to 2020-21 are given in **Table 4.9**.

Table 4.9: Balances under Suspense and Remittance Heads

(₹ in crore)

Minor Head	2018-2019		2019-20		2020-21	
Major Head 8658 - Suspense	**Dr.**	**Cr.**	**Dr.**	**Cr.**	**Dr.**	**Cr.**
101 - PAO suspense	293.03	0.13	333.57	(-)8.72	359.03	0.48
Net	**292.90**		**342.29**		**358.55**	
102 - Suspense Account-Civil	440.83	9.33	378.64	12.60	704.46	13.11
Net	**(-)431.50**		**(-)366.04**		**(-)691.35**	
107 - Cash Settlement Suspense Account	43.10		20.03		0	
Net	**43.10**		**20.03**		**0**	
109 - Reserve Bank Suspense – Headquarters	(-)2.81		3.60	0.44	4.57	
Net	**(-)2.81**		**3.16**		**4.57**	
110 - Reserve Bank Suspense - CAO	12.19		69.12		4.48	
Net	**12.19**		**69.12**		**4.48**	
112 - Tax Deducted at Source (TDS) Suspense		35.15		75.93		5.59
Net	**35.15**		**75.93**		**5.59**	
123 - A.I.S Officers' Group Insurance Scheme		0.10		0.15		15.99
Net	**0.10**		**0.15**		**15.99**	
Major Head 8782-Cash Remittances						
102 - P.W. Remittances	688.59	10.43	701.24	1.31	732.54	92.26
Net	**678.16**		**699.93**		**640.28**	
103 - Forest Remittances	45.11		41.84		1.68	
Net	**44.70**		**41.84**		**1.68**	

Source: Finance Accounts of respective years

Accumulations under PAO Suspense and Suspense Account-Civil showed an increasing trend from the year 2018-19 to 2020-21. As the balances under these heads are to be cleared, these accumulations affect the accuracy of the Government Accounts.

4.8 Non-reconciliation of Departmental figures

To enable Controlling Officers of the Departments to exercise effective control over spending to keep it within the budget grants and to ensure accuracy of their accounts, Para 74 of the Kerala Budget Manual stipulates that receipts and expenditure during the financial year recorded in their books be reconciled by them every month with that recorded in the books of the Accountant General (A&E).

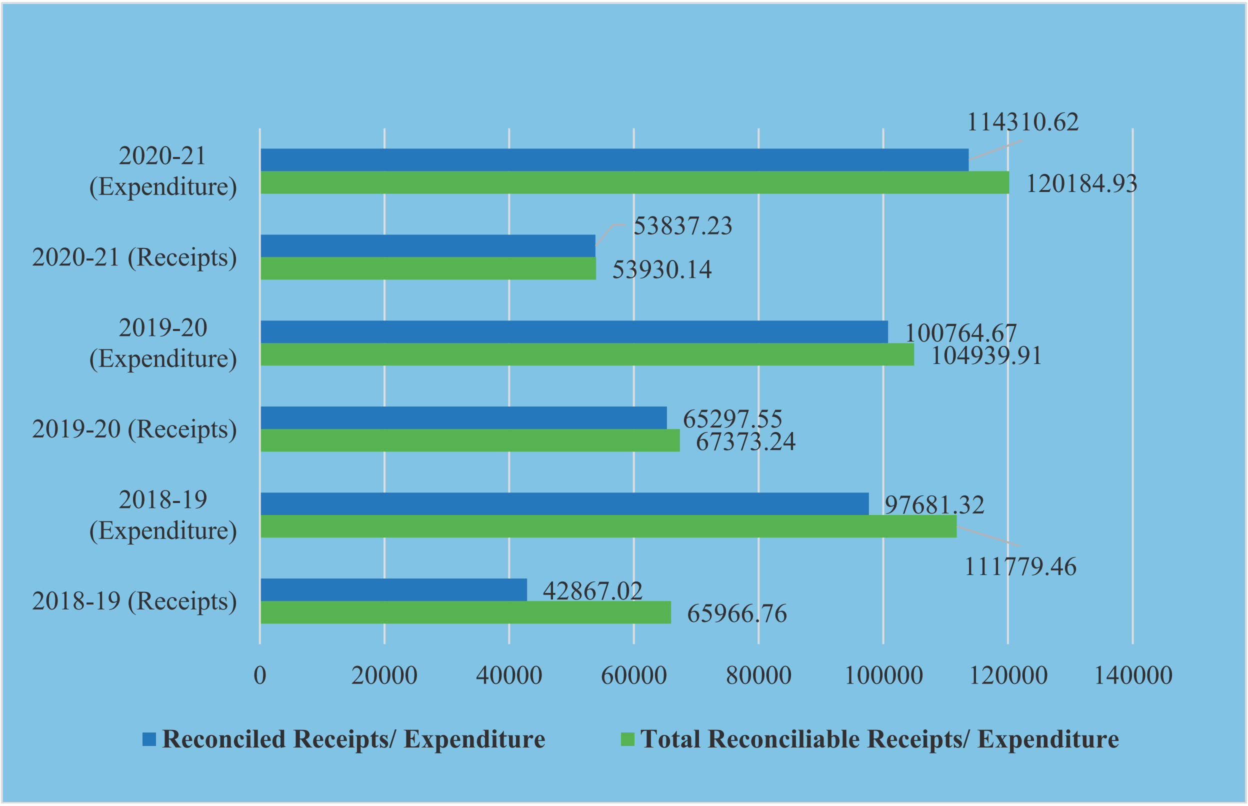
Reconciliation and verification of figures is an important tool of financial management. Failure to exercise/adhere to the codal provisions and executive instructions in this regard not only results in misclassification and incorrect booking of receipts and expenditure in the accounts, but also defeats the very objective of budgetary process. Status of reconciliation done by the Controlling Officers(COs) for three years is given in **Table 4.10**.

Table 4.10: Status of Reconciliation of Receipts and Expenditure figures by Controlling Officers

Year	Total No. of Controlling Officers	Fully Reconciled	Partially Reconciled	Not reconciled at all
Receipts				
2018-19	67	58	9	Nil
2019-20	65	65	Nil	Nil
2020-21	66	59	4	3
Expenditure				
2018-19	215	160	38	17
2019-20	207	150	38	19
2020-21	208	173	18	17

Chart 4.2 : Status of reconciliation during the last three years

(₹ in crore)



Thus, the percentage of non-reconciliation of receipts showed a decline from 35.02 *per cent* in 2018-19 to 0.17 *per cent* in 2020-21, which is a good trend. However, audit scrutiny revealed that percentage of non-reconciliation of expenditure initially decreased from 12.61 *per cent* in 2018-19 to 3.98 *per cent* in 2019-20 and then increased to 4.89 *per cent* in 2020-21.

4.9 Reconciliation of Cash Balances

There should be no difference between the Cash Balance of the State as per the books of Accounts of the Accountant General(A&E), and the Cash Balance as reported by the Reserve Bank of India.

However, a scrutiny of Finance Accounts for the year 2020-21 has revealed that the cash balance of the State of Kerala for the year ending March 2021 as per the books of Accountant General(A&E) was ₹244.43 crore(Credit) whereas the Cash balance reported by Reserve Bank of India was ₹9.62 crore(Debit). Thus, there is a difference of ₹254.05 crore(Debit).

It is stated in the Finance Accounts that the difference is mainly due to incorrect reporting of amounts by Agency banks/Treasuries. Out of this, ₹193.75 crore (net credit) has been reconciled and net balance of ₹447.80 crore (net debit) is under reconciliation.

Issues related to disclosure

4.10 Compliance with Accounting Standards

As per Article 150 of the Constitution of India, the President of India may, on the advice of the Comptroller and Auditor General of India, prescribe the form of accounts of the Union and of the States. Further, the Comptroller and Auditor General of India set up a Government Accounting Standards Advisory Board (GASAB) in 2002, for formulating standards for government accounting and financial reporting, to enhance accountability mechanisms. On the advice of the Comptroller and Auditor General of India, the President of India has so far notified three Indian Government Accounting Standards (IGAS). Compliance to these Accounting Standards by Government of Kerala in 2020-21 and deficiencies therein are detailed in **Table 4.11**.

Table 4.11: Compliance to Accounting Standards

Sl. No.	Accounting Standards	Essence of IGAS	Compliance by State Government	Impact of deficiency
1.	**IGAS-1** **:***Guarantees Given by the Government – Disclosure requirements*	The Financial Statement shall disclose maximum amount for which Guarantees have been given during the year, additions, deletions, amount of Guarantee invoked, Guarantees outstanding at the beginning and end of the year, Guarantee Commission received etc.	Complied (Statements 9 and 20 of Finance Accounts).	Not applicable.
2.	**IGAS-2** **:***Accounting and Classification of Grants-in- Aid*	This standard prescribes the principles for the accounting and classification of Grants-in-aid in the Financial Statements of the Government both as a Grantor and as a Grantee. The financial statement shall include disclosures such as Grants-in-aid received in kind, total funds released to the grantees, funds allocated for creation of capital assets etc. Expenditure relating to	Not complied (Statement 10 of Finance Accounts).	i) An amount of ₹46.50 crore towards Grants-in-aid was booked under Capital heads, which is in violation of the provisions of IGAS-2. ii) Detailed information in respect of Grants-in-aid given in kind has also not been furnished by the State Government.

Sl. No.	Accounting Standards	Essence of IGAS	Compliance by State Government	Impact of deficiency
		Grants-in-aid should be classified as revenue expenditure even if it involves creation of assets, except in cases specifically authorized by the President on the advice of the Comptroller and Auditor General of India.		
3.	**IGAS-3:** *Loans and Advances made by Government*	This standard prescribes the norms for Recognition, Measurement, Valuation and Reporting in respect of Loans and Advances made by the Government in the Financial Statements to ensure complete, accurate and uniform accounting practices. The financial statement shall include disclosures such as details of fresh loans and advances made during the year, information on loans of which, terms and conditions have not been settled, repayment in arrears from loanee entities etc.	Not complied (Statement No. 7 & 18 of Finance Accounts).	i) Terms and conditions of repayment of loans have not been settled for loans amounting to ₹92.39 crore to Statutory Bodies/Other entities. Consequently, the receivables of the State Government on this account could not be estimated. ii) The Principal Accountant General (A&E) annually communicated loan balances to the loan sanctioning departments for verification and acceptance. Only 30 out of the 57 loanees have confirmed the balances.

4.11 Submission of Accounts/ Separate Audit Reports of Autonomous Bodies

As per Section 19(2) of the CAG's DPC Act, the duties and powers of Comptroller and Auditor General in relation to the audit of accounts of Corporations established by or under law made by Parliament shall be performed and exercised by him in accordance with the provisions of the respective legislations. As per Section 19(3) of the CAG's DPC Act, the Governor/ Administrator may, in the public interest, request the CAG to audit the accounts of a Corporation established by law made by the Legislature of the State or of the Union Territory, as the case may be, and where such request has been made, the CAG shall audit the accounts of such corporation and shall have, for the purposes of such audit, right of access to the books and accounts of such Corporation.

Apart from Section 19, where the audit of the accounts of any body or authority has not been entrusted to the CAG by or under any law, he shall, if requested so to do by the President, or the Governor of a State or the Administrator of a Union Territory having a Legislative Assembly, as the case may be, undertake the audit of the accounts of such body or authority on such terms and conditions as may be agreed upon between him and the concerned Government and shall have, for the purposes of such audit, right of access to the books and accounts of that body or authority under Section 20(1) of CAG's DPC Act.

On completion of financial audit, audit certificate is issued in case of above stated Autonomous Bodies and Authorities provided CAG is the sole auditor. Apart from audit certificate, the audit office also issues separate audit report (SAR) that is part of the audit certificate on the accounts. These SARs are to be placed before the State Legislature.

The audit of accounts of 27 Autonomous Bodies in the State was entrusted to the Comptroller and Auditor General of India under Sections 19(2), 19(3) and 20 (1) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. The status of entrustment of audit, rendering of accounts to audit, issuance of Separate Audit Reports(SAR) and their placement in the Legislature are indicated in **Appendix 4.2**.

The Autonomous bodies coming under the audit purview as per Section 19 or 20 of CAG's DPC Act are required to submit annual accounts to audit before 30 June every year. In respect of 23 Autonomous bodies which were to render annual accounts to C&AG, there were arrears in submission of accounts ranging from one to seven years (**Table 4.12**).

Table 4.12: Arrears of accounts of Autonomous bodies due up to financial year 2020-21

Sl. No.	Name of Autonomous body	Accounts pending since	No. of accounts pending up to FY 2020-21
1	Kerala Institute of Labour & Employment, Thiruvananthapuram	2018-19	2
2	Kerala State Human Rights Commission,Thiruvananthapuram	2019-20	1
3	Kerala State Legal Services Authority, Ernakulam.	2018-19	2
4	Permanent Lok Adalath, Thiruvananthapuram	2019-20	1
5	Permanent Lok Adalath, Ernakulam	2019-20	1
6	Permanent Lok Adalath, Kozhikode	2017-18	3
7	District Legal Services Authority, Thiruvananthapuram	2018-19	2
8	District Legal Services Authority, Kollam	2014-15	6
9	District Legal Services Authority, Pathanamthitta	2018-19	2

Sl. No.	Name of Autonomous body	Accounts pending since	No. of accounts pending up to FY 2020-21
10	District Legal Services Authority, Ernakulam	2016-17	4
11	District Legal Services Authority, Thrissur	2018-19	2
12	District Legal Services Authority, Palakkad	2016-17	4
13	District Legal Services Authority, Malappuram	2016-17	4
14	District Legal Services Authority, Kozhikode	2015-16	5
15	District Legal Services Authority, Wayanad	2014-15	6
16	District Legal Services Authority, Kannur.	2015-16	5
17	District Legal Services Authority, Kasaragod	2014-15	6
18	District Legal Services Authority, Kottayam	2017-18	3
19	District Legal Services Authority, Alappuzha	2018-19	2
20	District Legal Services Authority, Idukki	2019-20	1
21	National and State Commissions for Protection of Child Rights (CPCR) (*Women and Child Development Department*)	2013-14	7
22	Kerala State Commission for SC and ST	2019-20	1
23	Kerala Khadi and Village Industries Board	2017-18	3

Source: Information collected from respective functional wings handling the autonomous bodies

Major pendency in submission of Accounts pertained to National and State Commissions for Protection of Child Rights and District Legal Services Authorities namely Kollam, Wayanad and Kasaragod. The inordinate delays in submission of Accounts and their presentation to the State Legislature result in delayed scrutiny of the functioning of these bodies by the Legislature where Government had given loans and grants-in-aid.

Audit has reported the issue of non-submission of accounts of the defaulting Bodies over the years, but no perceivable improvement was noticed as the number of defaulters and the period of delay in submission of accounts has shown an increasing trend. In the absence of finalisation, timely submission of annual accounts and their audit, proper utilisation of the grants and loans disbursed to these Bodies/ Authorities and their accounting cannot be ascertained. Audit is, therefore, unable to certify the accounts of these Bodies/Authorities as required under CAG's DPC Act, 1971.

In reply, the State Government stated (December 2021) that specific directions have been issued (October 2021) to all the autonomous bodies that financial assistance / Grants-in-aid will be withheld if there is a default in submission of accounts for audit beyond two years.

The Government may also consider evolving a system to expedite the process of compilation and submission of annual accounts by autonomous bodies in order to assess their financial position and thereby ensure transparency in their functioning.

4.11.1 Cases of Adverse opinion

The Autonomous bodies and authorities are required to prepare annual accounts and submit to AG(Audit) for audit. The audit certificate issued in this regard will be subject to such observations and qualifications as the circumstances may warrant. An adverse certificate will be given if the observations and qualifications are of such nature as may not warrant certification of accounts as presenting a true and fair view of the financial position of the Corporation. An instance where Audit has given an adverse opinion on financial statements of autonomous bodies is given in **Table 4.13**.

Table 4.13 : Cases of adverse opinion

Sl No.	Body or Authority	Year of Account	Reasons
1	Kerala Khadi and Village Industries Board	2016-17	Non rectification of recurring comments (a) Non rectification of amount lying in suspense account under the head unclassified suspense amounting to ₹16.70 crore. (b) Margin Money Loan funds amounting to ₹10.43 crore during 1996-97 to 2000-2001 was disbursed as grants which were not repayable by the beneficiaries. Therefore inclusion of this amount under liability and asset is not correct and hence liabilities and assets are overstated to this extent. (c) Recoveries pending clearance amounting to ₹1.02 crore

4.12 Departmental Commercial Undertakings

The departmental undertakings of certain Government Departments performing activities of commercial and quasi-commercial nature are required to prepare proforma accounts in the prescribed format annually, showing the working results of financial operations, so that the Government can assess their working. The finalised accounts of departmentally managed commercial and quasi-commercial undertakings reflect their overall financial health and efficiency in conducting their business.

In the absence of timely finalisation of accounts, results of the investment of the Government remain outside the purview of State Legislature and escape scrutiny by Audit. Consequently, corrective measures, if any, required for ensuring accountability and improving efficiency cannot be taken in time. Besides, the delay renders the system vulnerable to the risk of fraud and leakage of public money.

The Heads of Departments in the Government are to ensure that the departmental undertakings prepare such accounts and submit the same to the Accountant General (Audit) within a specified time frame.

The department-wise position of arrears in preparation of *pro forma* accounts and investments made by the Government in respect of four such undertakings, are given in **Appendix 4.3**. Out of the four, two were running in loss (Text Book Office and State Water Transport Department). Accounts of Text Book Office were in arrears from 1987-88. The State Government decided (December 2008) to dispense with the preparation of *pro forma* accounts for the period from 1975-76 to 1986-87 in respect of State Text Book Office. Decision on preparation of *pro forma* accounts for the period from 1987-88 to 2003-04 was pending with the Government. In the absence of up-to-date accounts, the current financial status of the Text Book Office could not be ascertained.

4.13 Non-submission of details of grants/ loans given to bodies and authorities

Sections 14 and 15 of the Comptroller and Auditor General's (CAG) (Duties, Powers and Conditions of Service) Act, 1971 (DPC Act) envisages audit of receipt and expenditure of institutions receiving Government grants, subject to conditions stipulated based on the quantum of the grants received. In order to identify the institutions / organisations which attract audit under Sections 14 and 15 of CAG's DPC Act 1971, the Government / HODs are required to furnish to Audit every year

- detailed information about the financial assistance given to various institutions,
- the purpose for which the assistance is granted, and
- total expenditure of the institutions.

Further, Regulation on Audit and Accounts, 2007 provides that Governments and Heads of departments which sanction grants and/ or loans to bodies or authorities shall furnish to the audit office by end of July every year a statement of such bodies and authorities to which grants and/ or loans aggregating ₹10 lakh or more were paid during the preceding year indicating (a) the amount of assistance; (b) the purpose for which the assistance was sanctioned; and (c) the total expenditure of the body or authority.

Five[41] out of eight departments, having autonomous bodies under their control, had not furnished the details of grants-in-aid given to various bodies and authorities during the preceding year 2019-20. In the absence of the information from these five departments, reasonable assurance could not be provided to the Legislature/Government about the manner in which the grants sanctioned /

[41] Planning and Economic Affairs Department; Finance Department; Water Resources Department; Power Department; Culture Department.

released by them had been utilised. This dilutes the legislative control over the Government expenditure system.

4.14 Misappropriations, losses, thefts, etc.

Article 297 of the Kerala Financial Code provides that cases of defalcation or loss of public money, stamps, stores or other property should be reported to the Accountant General (Audit I)/Accountant General (Audit II), Kerala as well as to the Heads of Departments.

The final action on 99[42] cases of misappropriation, defalcation, etc., involving Government money amounting to ₹19.34 crore was pending with the State Government.

Table 4.14: Profile of misappropriations, losses, defalcations, etc.

A. Age-profile of the pending cases			B. Nature of the pending cases		
Range in years	**Number of cases**	**Amount involved (*₹ in lakh*)**	**Nature/characteristics of the cases**	**Number of cases**	**Amount involved (*₹ in lakh*)**
Less than 5 years	22	773.01	Theft	10	16.44
5 – 10	13	850.28			
10 – 15	11	45.02	Misappropriation/ loss of material	89	1917.73
15 – 20	15	133.00			
20 – 25	18	89.78			
25 and above	20	43.08			
Total	**99**	**1934.17**	**Total pending cases**	**99**	**1934.17**

Source: Cases reported by departments of the State Government

The reasons for delay in finalisation of outstanding cases were analysed by Audit and are summarised in **Table 4.15.** Department wise details are also shown in **Appendix 4.4**.

Table 4.15: Reasons for outstanding cases of misappropriations, losses, defalcations, etc.

Sl.No.	Reasons for the delay/outstanding pending cases	Number of cases	Amount (*₹ in lakh*)
1.	Awaiting departmental and criminal investigation	**16**	**40.88**
2.	Departmental action initiated but not finalised	**50**	**1521.79**
3.	Awaiting orders for recovery or write off	**13**	**18.97**
4.	Pending in the courts of law	**20**	**352.53**
Total		**99**	**1934.17**

Source: Information received from Departments of the State Government

Timely action needs to be taken to settle the misappropriation cases in order to

[42] This includes cases detected by Audit during local audit as well as cases reported by Government departments as per codal provisions.

bring defaulters to book and to have a deterrent effect on others.

4.15 Follow up action on State Finances Audit Report

In Kerala State the PAC/Finance Department require the line Departments to provide a *suo moto* Explanatory Note (EN) on the paragraphs featuring in the Audit Reports within two months of placing the Reports in the Legislature. The line Departments are also required to provide Action Taken Notes (ATNs) to the AG (for vetting and onward transmission to the PAC) within two months of tabling the Reports.

At the instance of the Public Accounts Committee (PAC), the Finance Department issues instructions to all the Departments to initiate *suo moto* action on all paragraphs and reviews featuring in the Audit Reports irrespective of whether the cases had been taken up for examination by PAC or not.

The receipt of ATNs from the line departments in respect of the State Finances Audit Report from the year 2016-17 to 2018-19 are pending. The details are shown in **Table 4.16**.

Table 4.16: Number of Audit Paras for which ATN due from Government

Sl No	Year of Audit Report	Total Number of ATNs
1	2016-17	2
2	2017-18	8
3	2018-19	15
Total		**25**

Only one sitting of PAC was conducted during 2020-21 to discuss the paras in the SFAR and discussion of all paras in Chapter I and II in the SFAR up to the year 2015-16 only had been completed.

4.16 Conclusions

1. There was persistent trend of cess/royalty/fund not being credited to Consolidated Fund of the State.
2. There were cases of regulators maintaining ‘Fund’ outside Public Account of the State (Funds of the Kerala State Electricity Regulatory Commission).
3. 12 utilisation certificates for ₹22.44 crore were not received by the AG(A&E).
4. Non reconciliation with respect to PD Accounts is fraught with the risk of misuse of public funds.
5. Autonomous bodies (23 numbers) were to render annual accounts to C&AG. The arrears in submission of accounts ranged from one to seven years.
6. There were delays in initiating departmental action, fixing liability, issuing orders of recovery, etc; in respect of cases of misappropriation/loss of public money.

4.17 Recommendations

1. ***The Government may bring all the funds lying outside the Consolidated Fund/ Public Accounts in breach of constitutional provisions, within the fold of Consolidated Fund/ Public Accounts.***
2. ***Finance Department may consider evolving a system to expedite the process of compilation and submission of annual accounts by autonomous bodies and departmentally run undertakings in order to assess their financial position.***
3. ***The Government may consider preparing a time bound framework for taking prompt action in cases of misappropriation, loss, theft, etc. and strengthening the internal control system to prevent recurrence of such cases.***

(K. P. ANAND)
Principal Accountant General
(Audit II) , Kerala

Thiruvananthapuram,
The **13 April 2022**

Countersigned

(GIRISH CHANDRA MURMU)
Comptroller and Auditor General of India

New Delhi,
The **21 April 2022**