

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 important 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.

Part-I Compliance Audit observations relating to State Government Departments

This part of the Report contains 11 Paragraphs pertaining to Departments. The total financial impact of the Paragraphs is ₹145.69 crore. These are discussed in Chapter II. The Government/ Departments have accepted audit observations involving ₹44.12 crore (as of February 2022).

(Paragraph 1.5)

Analysis of IRs issued up to September 2021 disclosed that 6,177 paragraphs relating to 1,041 IRs issued to these Departments remained outstanding at the end of September 2021.

(Paragraph 1.6)

Non-achievement of intended benefits

Unfruitful investment of ₹1.02 crore by the Directorate of Museums and Zoos for implementation of two projects.

(Paragraph 2.1)

Loss of ₹76.07 lakh due to failure to avail of Input Tax Credit

Failure to utilise the Input Tax Credit of Divisions to set off the tax liability on sale of timber by the Depots due to lapse in assessing the provisions of GST Act resulted in avoidable expenditure of ₹76.07 lakh.

(Paragraph 2.2)

Excess payment of Employer's contribution to the Employees' Provident Fund

Undue benefit of ₹11.86 crore to the employees by excess payment of Employer's contribution to the Employees' Provident Fund.

(Paragraph 2.3)

Delay in enrolment of employees and remittance of EPF contributions

Delay in enrolment of employees and consequent delay in remittance of EPF contributions by four Autonomous Bodies resulted in payment of interest and damages to the extent of ₹57.91 lakh.

(Paragraph 2.4)

Delay in completion of bypass roads

Unfruitful expenditure of ₹54.08 crore on three incomplete bypass road works undertaken without ensuring availability of required land in violation of the provisions of PWD Manual.

(Paragraph 2.5)

Avoidable payment of tax and interest

Payment of Goods and Services Taxes and interest amounting to ₹42.78 crore due to failure of the Department to analyse the impact of GST on the transactions of PWD.

(Paragraph 2.6)

Idle investment

Idle investment of ₹24.22 crore for construction of the PWD Complex at Neriamangalam.

(Paragraph 2.7)

Undue favour to contractors

Undue benefit of ₹4.98 crore to contractors by way of Government decision to pay the price difference of bitumen over and above the agreed rates in violation of the contract conditions.

(Paragraph 2.8)

Excess payment to contractors

Failure of the Department to recover the cost index of bitumen added to the cost of bitumen in the estimate of three works resulted in excess payment of ₹1.26 crore to the contractors during July 2016 to December 2019.

(Paragraph 2.9)

Irregular payment

Payment of ₹20.71 lakh to contractors by recording false measure of work by the Departmental Officer.

(Paragraph 2.10)

Non and short levy of tax

Absence of basic checks of the records in the database by the officials at Regional/ Sub-Regional Transport Offices resulted in non and short levy of tax amounting to ₹3.94 crore.

(Paragraph 2.11)

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

Inspection Reports issued up to September 2021 pertaining to 65 State PSUs disclosed that 2,167 paragraphs relating to 401 Inspection Reports remained outstanding at the end of September 2021.

Five Compliance Audit Paragraphs relating to State PSUs were issued (August 2021 to October 2021) to the Principal Secretaries/ Secretaries concerned of Government of Kerala with requests to furnish replies within four weeks. Replies on all the four Paragraphs and partial replies to one Compliance Audit Paragraph have been received (June 2022) from the State Government and is suitably incorporated in this Report. The total financial impact of the Paragraphs is ₹127.57 crore.

(Paragraph 3.5, 3.6)

Implementation of Projects for Rejuvenation and Revival of Public Sector Undertakings under Department of Industries and Commerce

Despite investing ₹200.17 crore, none of the completed projects performed as envisaged in their respective project reports. Deficiencies in project evaluation, delay in release of funds by Government, diversion of funds by PSUs, deficient project implementation by PSUs *etc.*, led to the non-achievement of intended benefits from the rejuvenation and revival projects.

(Paragraph 4.1)

Avoidable loss

Failure of Transformers and Electricals Kerala Limited to incorporate the provisions of performance security in the contract and invoke 'risk and cost' clause against the supplier who did not supply raw material led to avoidable loss of ₹65.42 lakh.

(Paragraph 4.2)

Avoidable loss due to quoting price lower than the estimated cost

Quoting a price lower than the estimated material cost by Transformers and Electricals Kerala Limited resulted in avoidable loss of ₹2.12 crore and avoidable liquidated damages amounting to ₹1.26 crore. Further, an additional expenditure of ₹0.46 crore was incurred due to defective estimation of transportation cost.

(Paragraph 4.3)

Undue benefit to contractor

Non-inclusion of appropriate clause in the tender document by Kerala State Drugs and Pharmaceuticals Limited for regulating the recovery of interest free mobilisation advance as per CVC guidelines and allowance of excess payment of interest free advance resulted in extension of undue benefit of ₹32.65 lakh to the contractor.

(Paragraph 4.4)

Loss of Central Government assistance

Non-maintenance of records relating to payment of SGST under Saubhagya scheme by Kerala State Electricity Board Limited led to loss of grant of ₹7.30 crore. Failure to provide LED lamps to BPL households under DDUGJY scheme resulted in deprivation of benefit.

(Paragraph 4.5)