

As per Section 4 of the Kerala Local Fund Audit Act 1994 , the audit of accounts of local authorities and Local funds included in the Schedule to the Act has to be conducted by the Director of Kerala State Audit Department in the manner provided by or under the Act. The Kerala Local Fund Audit Rules 1996 (B) framed for Implementing the provisions in the Act were issued in G.O (P) No.180/96/Fin dt.9.2.1996. The power to issue charge and surcharge certificates for the recovery of losses sustained by the local fund institutions as disclosed in audit is vested with the Director of Local Fund Audit vide Section 16 of the Kerala Local Fund Audit Act 1994 and Rule 20 of the Kerala Local Fund Audit Rules 1996.

### **A.Details of Accounts Audited during 2014-2015**

Annual audit of accounts of 5974 Institutions have been completed by this Department, besides issuing audit notes and objection slips in the major concurrent audit institutions, during 2014-15.

### **B. Audit Report Issued/Closed**

A total of 30521 Audit Reports have to be pending closure on 1.4.2014 and 1583 Audit Reports were closed during 2014-15 financial year. 28938 numbers of Audit Reports are pending closure as on 31.3.2015.

### **C. Audit Certificates Issued**

1836 numbers of Audit Certificates were issued during the year 2014-15.

### **D. Misappropriation and serious Irregularities**

During the year 2014-15 irregularities were noticed in Grama Panchayats, Block Panchayats, Municipalities, Corporations, Universities, Devaswom Boards etc. The details are included in the respective Audit Reports issued from various sub offices. In addition to these, misappropriation cases were noticed in some of the Institutions.

### E. Pension Papers disposed off

The verification and certification of pensionary claims of Municipal employees, employees of Development authorities, Corporations, Devaswom, HR &CE Institutions, Universities, KSHB, SIEP, SIL etc are done by the Department. A total of 2656 pension files have been verified and claims certified by the Department during 2014-15.

#### 1. F. Result of Audit

The magnitude of the expenditure, incurred by all the Institutions which were subjected to audit during 2014-15, amounts to **Rs.1451842/-** lakhs. As a result of audit transactions to the tune of **Rs.47645.58/-** lakhs were held under objection and **Rs.9245.224/-** lakhs disallowed

### G. Audit Charge

The Department earns revenue to Government in the form of audit fee from the Auditee Institutions. An amount of **Rs.351527370/-** is pending collection towards audit charges at the end of 31.3.2015. An amount of **Rs.414336975/-** is demanded and **Rs.62809605/-** is collected during 2014-15.

Section 19 (4) of Kerala Local Fund Audit Act empowers this department to collect the arrears of audit charges if it were not paid within one year from the date of its becoming due and where no grant or sum is payable by the Government to the local authority by effecting the provisions of Kerala Revenue Recovery Act 1968.

### **H Charge and Surcharge action**

The power to issue charge and surcharge certificate for the recovery of losses sustained by Local Fund Institutions as disclosed in audit is vested with the Director of Kerala State Audit Department vide Section (16) of the Kerala Local Fund Audit Act 1994 and Rule 20 of the Local Fund Audit Rule 1996. As per the rules the executive authority of Local bodies has to send a rectification report to the auditor within a period of 2 months of receipt of the audit report.

On receipt of the rectification report, the issuing authority has to issue further remarks within a period of 2 months and to forward charge and surcharge proposals to the Director of Kerala State Audit Department for pending items. In the case, where no rectification report has been furnished by the executive authority after the expiry of 2 months, the report issuing authority will issue further report to the executive authority and charge/surcharge proposals to the Director of Local Fund Audit.

Even though earliest efforts are being made to recover the losses through the issue of charge and surcharge certificates and recoup the losses mentioned in the audit reports of Local Self Government Institutions etc, the act of recoupment is time consuming and much tardy. It is prescribed in Section 16 (4) of the Kerala Local Fund Audit Act that every sum certified to be due from any person by the auditor under this Act shall be paid by such person to the Executive authority within one month after the intimation to him of the decision of the Director under within that time such person has filed an application before the District Court against the decision

under sub section (3) and such amount if not so paid or such amount as the District Court shall declare to be due shall be recoverable under the provisions of the Kerala Revenue Recovery Act 1968 (Act 15 of 1968) for the time being in force as if it were an arrear of public revenue due on land. It is to be noted here that very little is being recouped through charge and surcharge action.

As such during the year 2014-15, 38 numbers of Charge Certificates and 186 numbers of Surcharge Certificates were issued and the total amount involved came to Rs.2165581/- and Rs.15257107/- respectively. Against the issued certificates Rs.350921/- has been reported as recouped.

In addition to above, 28 numbers of Charge Notices and 338 numbers of Surcharge Notices were issued during the year. The total amount involved came to Rs.38,92,722/- and Rs.4,58,55,840/- respectively. The amount recouped against Charge Notice was Rs.12,660/- and Surcharge Notice was Rs.3,24,549/-

### **1. J. Charitable Endowment**

There are 1321 Endowments vested with the Treasurer of Charitable Endowments, Kerala as on 31.3.2015, within the provisions of the Charitable Endowments Act 6 of 1890 (Central Act) The total amount of Corpus vested with the Treasurer of Charitable Endowments as on 31.3.2015 comes to Rs.118952662/-. During the year under report a sum of Rs.2703521/- has been received by way of interest and a total amount of Rs.392679/- released to various administrators, on demand. An amount of Rs. 85600000/- has been invested for amalgamated fund. Rs.7967115/- has been received as interest on various fixed deposits and Rs.50,00,000/- has been released for amalgamated fund meant for the welfare of Ex-service men.

### **K. Local Fund Accounts Committee Reports**

Local Fund Accounts Committee was constituted by Rule 261(G) and (4) of Rule of Procedure and Conduct of Business in the Kerala Legislative assembly vide Notification No. 27/Legn.2/2002/Leg. dated: 18.2.2003 and the first Local Fund Accounts Committee was constituted on 27.06.2003.

The Chairman of Local Fund Accounts Committee is Shri.Varkala Kahar and the members are as follows.

1. Shri.A.P.Abdullakutty
2. Shri.K.Achuthan
3. Shri.M.Chandran
4. Shri.K.K.Jayachandran
5. Shri.Mullakara Ratnakaran
6. Shri.N.Shamsudeen
7. Shri.K.Sivadasan Nair
8. Shri.P.SreeRamakrishnan
9. Shri.G.Sudhakaran
10. Shri.M.A.Waheed.

The main responsibility of the Committee is to examine the Consolidated Audit Reports of the accounts audited by the Director of Kerala State Audit Department which is laid annually before the Legislative Assembly. In addition to this, Committee also examines the Audit Report on Local Self Government Institutions submitted by the Comptroller and Auditor General of India by amending the Rule 261(G) of the rules of procedure and Conduct of Business in the Legislative Assembly.

Altogether the Honourable Local Fund Accounts Committee has considered the consolidated reports of accounts audited by the Director of Local Fund Audit for the years 1998-99, 1999-2000, 2000-01, 2001-02, 2002-03, 2003-04, 2004-05, 2005-06, 2006-07, 2007-08, 2008-09, 2009-10, 2010-11, 2011-12.

20 sittings of the Local Fund Accounts Committee (2011-14) and the first meeting of the Local Fund Accounts Committee (2014-16) were held during the year 2013-14 and gave its recommendations for the smooth and proper functioning of the Local Self Government Institutions and other Institutions.

Local Fund Accounts Committee 2014-16 has conducted 30 meetings during 2014-15 and considered Consolidated Audit Reports from 1999 to 2012-13.

Local Fund Accounts Committee (2011-14) has submitted following reports before the Legislative Assembly during the year 2013-14.

Sl. No.

Year of Local Fund Accounts Committee

Report No.

Subject

Date

of submission to Legislative Assembly

1

2011-14

14

Report on Thiruvananthapuram Municipal Corporation

22.06.2013

2

2011-14

18

Report on Municipalities of Wayanad and Malappuram

09.04.2013

3

2011-14

19

Report on Kerala and Mahatma Gandhi University

09.04.2013

4

2011-14

20

Report on Kochi Corporation

09.05.2013

5

2011-14

21

Report on District Panchayats of Kottayam and Idukki



09.04.2013

6

2011-14

23

Report on Village Panchayats of Malappuram

23.01.2014

### 1. L. Settlement of objections

Sub rule (1) of the Rule 21 of the Kerala Panchayat Raj (Procedure for verification and audit of accounts) Rules 1997 envisages that the Executive authority of Grama Panchayats on the decision of the Panchayat should furnish a rectification report to the auditor after rectifying the irregularities and defects observed in the audit report with copy to the Government within 2 months of the date of receipt of audit report. In spite of the above statutory requirements follow up action on the part of the Local bodies for the settlement of objections raised in audit is not satisfactory resulting in huge accumulation of audit objections over the years. In the same manner as stated above, the Municipal Authorities are also required to furnish compliance report to the audit within two months.

### M. General State of Accounts

The standards of maintenance of the books of accounts of institutions which were subjected to audit during the year under report also remain far from the satisfactory as stated in the administration reports of previous years. Instructions from Audit in the successive audit reports of the institutions highlighting the need for the proper up keep of the books of accounts have not been complied with. Hence a proper picture about the state of funds of the auditee Institutions is not available. Due to non-submission of accounts for audit, the very purpose of accounting and auditing itself is defeated. The deficiency in the maintenance of books of accounts should be rectified to a considerable extent had regular and periodical inspections been conducted by the performance audit wing as stipulated in the concerned local body's Act.

### Statement showing the details of Accounts Audited during 2013-14

(Up to 31.03.2014)

**SI.No.**

**Name of Institution**

**Number of auditee institutions**

**Number of institutions audited**

**Number of accounts due for audit**

**Number of accounts audited**

### **Number of Accounts remained to be audited at the close of 2013-2014**

1

Grama Panchayats

978

718

2127

1068

1059

2

Block Panchayats

152

120

333

192

141

3

District panchayats

14

14

27

17

10

4

Municipal Councils

60

40

121

54

68

5

Municipal Corporations

8

8

22

12

11

6

Universities

10

9

23

9

14

7

Devaswom Board

1343

88

1277

304

973

8

Welfare fund

27

21

49

33

16

9

KSHB

1

1

1

1

0

10

SIEP

1



1

2

2

0

11

Development Authorities

4

3

9

7

2

12

SIL

1

1

2

1

1

13

Library council

79

63

82

64

18

14

Orphanages

729

537

708

572

136

15

Hospital Development Committee

2062

136

1088

352

736

16

KHRWS

3

2

7

2

5

17

Courts

373

132

201

93

108

18

Cultural Institutions

54

38

50

40

10

19

Miscellaneous Institutions

157

78

174

99

75

1

Total

6056

2010

6303

2922

3383

Statement showing the number of Audit Reports issued, closed and pending closure as on 31.03.2014

Sl.No.

**Name of auditee Institution**

**Number of audit reports pending closure at the beginning of the year**

**Number of Audit Reports issued**

**Number of Audit Reports Closed**

**Number of audit reports pending closure at the close of 2013-14**

**Number**

**Total**

**(1)**

**(2)**

**(3)**



(4)

(5)

(6)

(7)

1

Grama Panchayats

20364

884

21248

504

20744

2

Block Panchayats

1943

155

2098

33

2065

3

District panchayats

207

15

222

0

222

4

Municipal Councils

1496

56

1552

8

1544

5

Municipal Corporations

251

17

268

0

268

6

Universities

184

8

192

3

189

7

KSHB

36

1

37

0

37

8

Development Authorities

54

8

62

0

62

9

Welfare fund

76

18

94

1

93

10

Courts

138

83

221

102

119

11

Orphanages

0

353

353

353

0

12

Devasom Board

2224

109

2333

0

2333

13



Hospital Development Committee

47

65

112

87

25

14

Library council

20

41

61

54

7

15

Cultural Institutions

281

27

308

17

291

16

KHRWS

9

0

9

0

9

17

Miscellaneous Institutions

287

214

501

163

338

1

Total

27617

2054

29671

1325

28346

**Statement showing the details of Eligibility/Utilization/Audit Certificates issued**

**during the year 2013-14**

**Sl.No.**

Name of Institution

No.of certificates issued

Amount involved (Rs)

(1)

(2)

(3)

(4)

1

Grama Panchayats

512

7387777845

2

Block Panchayats

84

1472853792

3

District panchayats

8

-

4

Municipality

35

## Achievements

---

1256138590 Receipts-780543445

Expenditure-738081788

5

Municipal Corporations

2

759032176

6

Devasom Board

Nil

Nil

7

Universities

393

1497927924.5

8

Welfare Fund

1

174986

9

Orphanages

709

273585662.2



10

Hospital Development Committee

21

Nil

11

Development Authority

1

Nil

12

SIL

1

25578000

13

SIEP

1

27120000

14

Library councils

147

91385777.5

15

Cultural Institutions

24

170715666

16

KSHB

1

Nil

17

Miscellaneous Institutions

104

380418445

Total

2044

13342708863.7

**Statement showing the details of misappropriation cases detected during 2012-13 & 2013-14**

Sl.

No

Name of Institutions

Cases outstanding at the beginning of the year

Cases detected during the year

Cases settled during the year

Cases in which final action is pending

No.of cases

Amount involved (Rs)

No.of cases

Amount involved (Rs)

No.of cases

Amount involved (Rs)

No.of cases

Amount involved (Rs)

(1)

(2)

(3)

(4)

(5)

(6)

(7)

(8)

(9)

(10)

1

Grama Panchayats

92

12408898.21

11

16743125

1

1

102

28517221.21

2

Block Panchayats

2

1425995

2

2312730

1

1

4

3738725

3

Municipal Councils

4

378090

2

2398655

1



75782

5

2700963

4

Municipal Corporations

-

-

2

56025

1

11701

1

44324

5

Universities

\$

388358.44

1

202415

-

-

6

590773.44

6

Devasom Board

19

2817964.98+393.25 gm gold

5

10484930

-

-

124

13302894.98+393.25 gm gold

7

KHRWS

-

-

1

2849370

-

-

-

Total

222

17419306.63+393.25 gm gold

24

35047250

2

87483

242

48894901.63+393.25 gm gold

**Analysis of the Pending Defalcation/Misappropriation cases for the year ended 2013-14**

**Sl.**

**No**

**Name of Institutions**

**Cases awaiting Departmental action**

**Cases in which Departmental action started but not completed**

**Cases in which criminal investigation pending court**

**Cases awaiting orders of recovery**

**No.of cases**

**Amount**

**(Rs)**

**No.of cases**

Amount

(Rs)

No.of cases

Amount (Rs)

No.of cases

Amount

(Rs)

(1)

(2)

(3)

(4)

(5)

(6)

(7)

(8)

(9)

(10)

1

Grama Panchayats

98

14319711.21

21

7996910.45



1

0

29

\$537203.21

2

Block Panchayats

3

3738725

-

-

0

0

3

1436095

3

Municipal Councils

3

280692

4

297984

2

280692

3

280692

4

Devasom Board

121

13120878.98

-

0

2

116063

1

24709

5

Universities

5

388358.44

1

202415

0

0

5

388358.44

6

KHRWS

1

-

1

2849370

7

Municipal Corporations

1

44324

1

44324

-

-

-

-

**Total**

231

31892689.63

28

11391003.45

5

396755

41

10667057.65

**Statement showing the number of pension papers of Auditee Institutions received and  
disposed off during the year 2013-14 (up to 31.03.2014)**

SI.

**No.**

**Name of Auditee Institutions**

**No. of cases pending at the beginning of the year**

**No. of cases received during the year**

**Total**

**No. of cases disposed off**

**Number of cases pending at the close of the year**

**(1)**

**(2)**

**(3)**

**(4)**

**(5)**



(6)

(7)

1

Grama Panchayats

11

193

204

197

7

2

District Panchayat

0

2

2

2

0

3

Municipal Councils

50

615

665

642

23

4

Municipal Corporations

7

540

547

493

54

5

Devasom Board

14

267

281

248

33

6

Development Authority

0

19

19

19

0

7

K\$HB

12

196

208

164

44

8

KHRWS

0

29

29

29

0

9

SIEP

0

1

1

1

0

10

Universities

239

885

1124

1034

90

11

Miscellaneous Institutions

0

0

0

0

0

12

SIL

0

9

9

9

0

13

Library Council

0



4

4

3

1

1

Total

333

2760

3093

2841

252

Statement showing the accounts audited and the amount disallowed and objected  
  
during the year 2013-14 (Rupees in lakhs)

Sl.

No.

Name of Auditee Institutions

Total Receipts

(Rs. In lakhs)

Total Expenditure

(Rs. In lakhs)

Amount Disallowed

(Rs. In lakhs)

Amount objected (Rs. In lakhs)

(1)

(2)

(3)

(4)

(5)

(6)

1

Grama Panchayats

565188.89

529446.57

1130.25

18757.12

2

Block Panchayats

179791.18

160493.81

372.27

6378.16

3

Municipal Councils

86506.12

93953.665

272.32

4033.29

4

District Panchayat

63857.78

58111.43

159.78

9132.9

5

Orphanage

3079.92

2946.21

0

0

6

Hospital Development Committee

45.18

29.64

0

0

7

Library Council

171.78

993.18

0.98

2.34

8

Cultural Institutions

129.85

119.93

0

0

9

Courts

0

0

0

0

10

Municipal Corporations

5\$333.08



61675.82

129.326

3641.61

11

Universities

92861.633

91332.3

140.471

1008.535

12

Deyasom Boards

42333.65

30862.01

173.848

1122.111

13

Welfare Fund Boards

39084.93

20187.3

6.23

142.17

14

Development Authority

2468.525

1389.176

0.43

0

15

KHRWS

0

0

0

0

16

KSHB

6732.27

8362.97

23.34

31.28

17

SIEP

518.348

374.43

0

76.495

18

SIL

481.62

474.821

3.155

8.168

19

Miscellaneous Institutions

18859.76

16187.6

440960.62

416.01

1

**Total**

1161444.516

1076940.862

443373.02

44750.19

**Abstract of audit charges pending remittance from institutions as on 31.03.2014**

**Sl.**

**No.**

**Name of Institutions**

**Arrear Demand up to 2012-13**

**(Rs)**

**Current Demand 2013-14**

(Rs)

**Total**

(Rs)

**Arrear collection up to 2012-13**

(Rs)

**Current collection during 2013-14**

(Rs)

**Total**



(Rs)

Arrear balance up to 2012-13

(Rs)

Current balance during 2013-14

(Rs)

Total balance

(Rs)

1

2

3

4

5

6

7

8

9

10

11

1

Welfare Funds

12072875

1978527

14051402

1866

0

1866

12071009

1978527

14049536

2

Cultural Institutions

841700

255365

1097065

138339

0

138339

703361

255365

958726

3

Miscellaneous Institutions

12657745

12589713

25247458

876021

2622327

3498348

11781724

9967386

21749110

4

Universities

142638189

16967941

159606130

6078806

1539245

7618051

136559383

15428696

151988079

5

Devaswom Board

20423650

11771972.96

32195622.96

2399874

2687189

5087063

18023776

9084783.96

27108559.96

6

Development Authorities

8807555

31173847

39981402

2431068

0

2431068

6376487

31173847

37550334

7

KHRWS

847745

0



847745

0

0

0

847745

0

847745

8

KSHB

105239652

6732269

111971921

0

0

0

105239652

6732269

111971921

9

\$IL

96146

106110

202256

0

0

0

96146

106110

202256

10

\$IEP

218854

45001

263855

0

0

0

218854

45001

263855

11

Municipal Corporations

27551

362280

389831

0

0

27551

362280

389831

1

Total

303871662

81983025.96

385854687.9

11925974

6848761

18774735

291945688

75134264.96

367079952.96

Statement showing the number of accounts pending submission to audit

Sl. No.

District

Grama Panchayat

Block Panchayat

District Panchayat

Municipal Councils

Municipal Corporations

Universities

Devaswom Board

Miscellaneous institutions

Welfare Fund

Orphanage

Total

1

2

3

4

5

6

7

8

9

10



11

12

13

1

Thiruvananthapuram

2

56

58

2

Kollam

## Achievements

---

6

66

72

3

Pathanamthitta

113

113

4

Idukki

13

4

115

132

5

Kottayam

25

25

6

Alappuzha

5

6

0

11

7

Ernakulam

14

19

3

3

1

9



## Achievements

---

49

8

Thrissur

3

3

1

139

146

9

Palakkad

## Achievements

---

4581

67

4648

10

Malappuram

8

15

6



## Achievements

---

175

129

304

12

Wayanad

17

1

0

18

13

Kannur



Kasaragode

0



0

Total

57

38

0

15

6

5

4759

911

66

7

5864

Statement showing the details of Charge/Surcharge Certificates issued during the year 2013-14

Particulars

**Achievements**

---

☐ Charge Certificate

☐

☐ Surcharge Certificate

☐ Amount Recouped

☐ No.

☐ Amount

☐ (Rs)

☐ No.

☐ Amount (Rs)

☐ Charge

☐ (Rs.)

☐ Surcharge

(Rs.)

Certificate issued during 2013-14

12

343248

88

4172233

117645

**Achievements**

---

Particulars

☐

Charge Notices

☐

Surcharge Notices

Amount Recouped

No.

Amount

(Rs)

No.

Amount (Rs)

Charge

(Rs.)

Surcharge

(Rs.)

Notice issued during 2013-14

100

7293042

700

198636988

121752

698762

**Particulars on charitable Endowments during the year 2013-14**

Particulars

F.D Invested (Rs.)

Interest on F D (Rs)

Amount Released to various Administrators of charitable Endowments/ Amalgamated Fund (Rs)

Corpus funds of Charitable Endowments

33252662

1754300

945381

Unutilised Interest (U.U.I) Added to Corpus

Amalgamated Fund

80600000

9003744

5000000



Total

113852662

10758044

5945381