

*Strategic Requirements-
Audit Online Application
State of Kerala*

LSGD & KSAD



Allocation/Receipt / Utilisation of Grants under the Fifteenth Finance Commission for periods 2020-21, 2021-22, 2022-23

Year	Untied Grant (₹. In Crores)			Tied Grant (₹. In Crores)		
	Allocation	Receipt	Utilisation	Allocation	Receipt	Utilisation
2020-21	814.00	814.00	978.11*	814.00	814.00	315.90
2021-22	481.20	481.20	360.41	721.80	721.80	291.96
2022-23	498.40	498.40	245.92	747.60	747.60	270.37
Total	1793.60	1793.60	1584.44	2283.40	2283.40	878.23

**The unspent balance of 2019-20 is reallocated. Utilisation details extract from AG's Report*



Reporting system existing in the state to monitor the utilisation of XV FC Grant

- Monitoring the time-to-time progress by District Joint Directors of LSGD i.r.f preparation of Action Plan & Expenditure of XV FC grant at District Level
- Project Assistant appointed in each Grama Panchayath facilitates the various processes in e Gram Swaraj portal inclusive of Geo-tagging of assets.
- Block-level Programme Co-Ordinators (under the RGSA scheme) provide technical support for Grama Panchayaths in e Gram Swaraj-related issues



Audit of Panchayat's Annual Accounts

Financial Year of Annual Accounts Audited	Total No. Of RLBs in the State	No. of RLBs audited Online by		No. of RLBs audited Offline by	
		Local Fund Auditors	Empanelled CAs	Local Fund Auditors	Empanelled CAs
2019-20	1107	0	NIL	1107	NIL
2020-21	1107	0	NIL	1107	NIL
2021-22	1107	0	NIL	927	NIL



Staff Pattern & Strength of KSAD

Designation	Sanctioned Post & in position	Efforts made to strengthen the Auditing Units				
Director	1	<div>➤ New Auditing Units created for District Panchayat Audit</div> <div>➤ Modifications were made on “AIMS”</div> <div>➤ Dashboard for aggregating and segregating Audit Data</div> <div>➤ Audit Manual</div>				
Joint Director	22					
Senior Deputy Director	33					
Law Officer	1					
Deputy Director	35					
Audit Officer	207	Name of Office	No. of Office	No of Audit Staffs deployed on field for PRIs & ULBs	Remarks	
Asst Audit Officer	218	District Audit Office	14	513*	*Audit also includes other local funds and institutions	
Auditor [sr gr]	218					
Auditor	219					
Office Supdt	6	District Panchayath Audit	07	28**	**Audit also include District Kudumbasree Units	
Computer Asst	97					
Confidential Asst	3	Concurrent Corporation Audit	06	103		
Attender	34					
Office Assistant	96	Concurrent Municipal Audit	11	80		
Driver	1					
Binder	1	Total	38	724		
Roneo Operator	1					
Total	1193				KSAD	



**STRATEGY FOR 100% COMPLETION OF AUDIT & INTEGRATION OF AUDIT REPORT DATA FROM AIMS TO
AUDIT ONLINE IN RESPECT OF GP/BP/DP FOR THE YEAR 2021-22-Initiated by KSAD**

Sl No	Items	Timelines				Task done/to be done
		March 2023	April 2023	May 2023	June 2023	
1	Audit of GP- 2021-22					75% audit Completed. 25% to be completed by April 2023
2	Audit of BP-2021-22					48% audit Completed. 52% to be completed by April 2023
3	Audit Of DP-2021-22					07% audit Completed. 93% to be completed by April 2023
3	Audit Report scrutiny & issue of Audit Report issue in AIMS					100% issue of AR in AIMS by May 2023
4	Uploading of Audited Report Data to Audit Online (GP/BP/DP)					Integration being done on bi-weekly basis upon the issuance of AR in AIMS. 100% uploading of audited data of RLBs by June 15 th 2023



The strategy of the state in getting a 100% audit of RLBs to meet the condition for the year 2023-24 is uploading provisional Accounts of 2022-23 by LSGIs

Pre- Condition for CFC Grant

States will receive RLB Grants for the number of bodies having both provisional accounts for the previous year and audited accounts for the year before the previous year available on audit online.

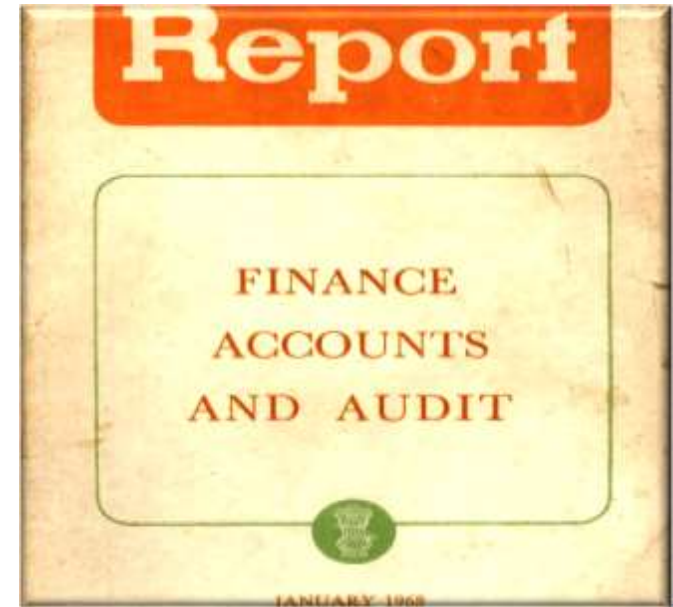
Kerala state suffers the following issues in e GSPI Portal and Audit online, Kerala State couldn't upload 100% provisional accounts for the previous year in the audit online.

- **Non-availability of the Provisional statement of accounts for 2022-23 in the e Gram Swaraj portal of PRIs.**
- **To provide the provisional statement of accounts for 2022-23, exclusive expenditure details of the activities related to 2022-23 are not available separately in e Gram Swaraj Dashboard.**
- **Lack of sufficient intimation and instructions to LBs for obtaining the necessary audited statements of FFC Grant utilization for 2021-22**
- **Non-availability of consolidated details of irregularities detected and reported related to the expenditure of Panchayats from the Dashboard.**



Legacy of LFA & Essence of Decentralisation of Power to Citizens

- It is essentially a political system where citizens can directly operate the accountability relationship with those elected representatives and other officials who hold their territorial public offices
- In order to enable this political vision Kerala's Legislative Assembly transferred the accountant and auditors to the Local Governments' constituencies where they need to facilitate the citizen engagement process with their respective LSGI's
- This Grama /Ward Sabha/committee's Auditor is basically the antonym of the auditor who facilitates the LFAC /PAC who consolidate the Accounts where as the LSGI auditor shall decentralise the LG accounts and shall break them up into pieces according to their respective constituencies.





Empowering Audit infrastructure-Thrust Areas

- Institutional Infrastructure
- Digital Infrastructure
- Data Infrastructure
- Professional Infrastructure (Knowledge, Skill , Expertise and Standardisation of Professional practises)

Ensuring equity and inclusiveness about and within Local Governances



Elements of Public Sector Auditing



Public sector audits involve at least three separate parties: the auditor, the responsible party and the intended users. The relationship between the parties should be viewed within the context of the specific arrangements for each type of audit.



Appropriate forums/levels for placing the Action Taken Report (ATR) on the audit observations in terms of the audit rule of the State (RLB)

Kerala Panchayath Raj Act

3A(3)

(3) The Audit Report or the Performance Audit Report placed for the consideration of the Grama Sabha shall be discussed in the meeting and its views, recommendations and suggestions shall be communicated to the

15. *Panchayat decision on audit report.*—(1) Copy of the audit report and the decision taken by the Panchayat thereon shall be given to the Performance Auditor within two weeks from the date of taking such decision and he shall, after studying the said report and the decisions in detail give necessary guidelines regarding the actions to be taken by the Panchayat in the light of the decisions on the report and shall observe the further-actions.

(2) The copy of audit report and the decisions taken by the Panchayat thereon shall be placed for discussion at 'Grama Sabhas' and they shall be published in the notice board of Panchayat Office concerned but, in the case of Block Panchayat, it shall be published in the office notice board of the Village Panchayats coming under the jurisdiction of such Block Panchayat and in the case of District Panchayat, in the office notice board of Block Panchayat and Village Panchayats coming under the jurisdiction of such District Panchayat.

14. *Submission of Audit Report.*—(1) The copy of the audit shall as soon as the audit is completed, but before the expiry of three months from such completion, be submitted to the Panchayat and to the Officer authorised by the Government in this behalf as specified in sub-section (4) of section 215. Copy of the audit report shall also be given to the Regional Performance Auditor concerned.

(2) The copy of the audit report received by the Panchayat, along with the notes prepared (here on by the Secretary, shall be placed for the consideration of the Panchayat meeting specially convened for the purpose.

(3) Special meeting of the Panchayat shall be convened within one month from the date of receipt of the audit report by the Panchayat and detailed discussion shall be made on the report and suitable decision shall be taken on pertinent references contained in the report. •

Rule – Grama Sabha 15 (1) &
(2)

and
Inspection) Rules 1997
Rule - Panchayath Committee
(4)(3)



Appropriate forums/levels for placing the Action Taken Report (ATR) on the audit observations in terms of the audit rule of the State (ULB)

Kerala Municipality
Act 1994
Section 45(2)

Kerala Municipality Act 1994 Section 42(6) & 42(7)

(6) The Convenor shall place before the Ward Sabha, a report on the development programmes relating to the ward during the preceding year and that are proposed to be undertaken during the current year and the expenditure involved therein and a statement of the annual accounts and the administration report of the preceding year.

(7) The officers of the Municipality shall attend the meeting of the Ward Sabha as required by the Chairperson and an officer nominated by the Council as the coordinator of the Ward Sabha, shall assist the convenor in convening its meetings, recording its decisions in the minute's book and also in taking follow up action thereon.

(2) The Ward committee or the Ward Sabha as the case may be, may in its ordinary meeting or in a special meeting convened for the purpose, discuss the development programmes of the previous year and it is entitled to know the amount earmarked in the budget, the details about the plan out-lay and the object-wise allocation of funds and also the details of the estimates and cost of materials of the works executed or proposed to be executed in the Ward.



Suggestion in respect of time schedule for placing action taken report

LEVEL	FORUM	MEANING & SCOPE
Local Government	<i>E-governance Platform</i>	Financial audit and publication of Certified Accounts and Annual Report by the Auditor Auto Compilation and aggregation of Financial accounts and Annual Reports at all levels of Institution and Constituency Validation of data by community
	<i>Citizen /Grama Sabha query on certified accounts through the E-Governance platform</i>	Citizen queries and seeking explanations through the E-Governance platform on published certified accounts and annual reports to the Auditor
	<i>Compliance and Performance Audit</i>	Compliance audit on the subjects and executive action queried by the Citizens and Performance audit of the institution and its functions
	<i>Publication of Compliance and Performance Audit report to the E-Governance platform</i>	Publishing the Compliance and Performance audit report by the Auditor in the E-Governance platform in response to the queries by the Citizens for their validation



Contd.....

LEVEL	FORUM	MEANING & SCOPE
Local Government	Accountable functionary	To prepare and submit an audit replies concerned to him in the E-Governance platform
	Performance audit supervisor	To validate the audit reply of the accountant functionary and to advise the Panchayat committee and Grama Sabha
	All Standing Committees	All hitherto Auditing action on matters by the subject committee concerned subjects for the steps for rectification
	Panchayat committee	Being the custodian of Local Government
	Grama Sabha	Final acknowledgement of ATR
	Secretary	Compiled audit rectification report to be forwarded to the Auditor by the Secretary through the E-Governance platform



Suggestions for Audit online platform updation

- Local Government database should be created and updated regularly
- An E-Governance platform should be there for citizens to place their demands 24 X 7 which are otherwise identified instantaneously by the system and information interoperable and aggregatable between all tiers of LSGIs/Constituency /Government
- The Data-driven e-Governance platform has to identify the cost against the demands and suggest available financial resources to meet the demands
- Demand should be translated as the proposal by Grama Sabha
- These proposals should be prioritised and consolidated as an annual plan and proposed for projectisation
- Financial plan and budget needs to be prepared and approved
- Project execution through Technical sanction, Procurement sanction and monitoring
- Automated, Intelligent and Integrated Accounting of transaction
- Free and transparent flow of Financial information and generation of financial statements
- Accounting, Auditing and issue of Audit report and Action Taken report (See table above)
- MOPR audit online module should be re-engineered to include the above details namely, data relevant to each account head, demand by Citizens in each account head, the extent to which demand could accommodate in the Budget, Actual expenditure in relation to the budget and proposed availability of finance envisaged in Budget to meet these requirements or demand and actual receipt, expected expenditure and actual expenditure, expected outcome and actual outcome in relation with the evidence of updated database on each account head



Enforcing compliance through incentivisation & Other relevant points

Compliance

If the audit observation is regarding noncompliance with State/National policy objectives by the LSGIs the concerned LSGIs may be forced to comply with incentives/penalties.

If the audit observation is regarding noncompliance with a rule /procedure and leading to financial loss he may be penalized.

The persons or agencies may be forced to comply with thorough penalisation if he repeatedly commits mistakes but without affecting the interest of LSGIs and its citizens.

Conclusion

Kerala state audit department has pointed out that the existing accounting and budget system is incapable of fulfilling the objective of decentralisation as envisaged in the Kerala Panchayat Raj Act 1994 and the Local Fund Accounts committee of the State Legislature has taken up the matter with the Government. The Government has constituted a team to prepare draft rules for empowering Local self Governments to collection, maintenance, and automatic updation of data enabling Data-driven demand, budget, accounts, and annual reports and the Kerala state audit department is cooperating with this endeavour. On the other hand, attempts are taken up by Kerala Urban local bodies to create Data driven software and this department is offering its support.



Status of Election to RLBs in the State

Tier of RLB	Details of Latest Due Elections		Remarks/Reasons for Non Conduct of Election
	Details of Latest Due Election	Month/Year in which elections were actually conducted	
Grama Panchayats	December 2020	December 2020	Not Applicable
Block Panchayats	December 2020	December 2020	Not Applicable
District Panchayats	December 2020	December 2020	Not Applicable



Suggestions regarding MoF preconditions

- Provisional & Audited Accounts of each PRIs shall be made available in the respective public domain Viz Websites.
- Due to data storage limitations, Audit is unable to withhold the back data of Accounts of PRIs. Hence the availability of accounts of each PRIs shall be uploaded to the official website.
- The data can also be uploaded to cloud servers of scheduled domains and Digi locker as proposed by NFRI for company accounts if sufficient storage server space is ensured and cost born centrally at the national level.



Status of SFC

- **6th SFC constituted vide G.O(P) No.146/2019/Fin dated 31.10.2019**
- **Term of 6th SFC expired on 31.03.2022**
- **First, Supplement to the First and Second Report Submitted to Finance Dept**
- **ATR on First, Supplement to the First and Second Report placed before State Legislature**
- **Third & Final Report yet to be received in the Finance Department**

THE END

LSGD &KSAD