

FOURTEENTH KERALA LEGISLATIVE ASSEMBLY

**COMMITTEE
ON
PUBLIC ACCOUNTS
(2016-2019)**

THIRTY SIXTH REPORT
(Presented on 5th December, 2018)



**SECRETARIAT OF THE KERALA LEGISLATURE
THIRUVANANTHAPURAM
2018**

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THIRTY SIXTH REPORT

on

**Action Taken by Government on the Recommendations contained in the
49th Report of the Committee on Public Accounts (2006-2008)**

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(2016-2019)

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INTRODUCTION

I, the Chairman, Committee on Public Accounts, having been authorised by the Committee to present this Report, on their behalf present the 36th Report on Action Taken by Government on the Recommendations contained in the 49th Report of the Committee on Public Accounts (2006-2008)

The Committee considered and finalised this Report at the meeting held on 3-12-2018.

Thiruvananthapuram,
3rd December, 2018.

V. D. SATHEESAN,
Chairman,
Committee on Public Accounts.

REPORT

This Report deals with the Action Taken by Government on the recommendations contained in the Forty Ninth Report of the Committee on Public Accounts (2006-2008).

The 49th Report of the Committee on Public Accounts (2006-2008) was presented to the house on 17th March, 2008. This report contained ten recommendations related to Co-Operation Department. The Government was addressed on 29th March 2008 to furnish the Statements of Action Taken on the recommendations contained in the Report and final reply from the government was received on 27-10-2017.

The Committee considered the Action Taken Statements in its meetings held on 3-6-2015, 23-12-2015 & 13-12-2017 and decided not to pursue further action on the recommendations in the light of the replies furnished by the government. Such recommendations and government replies are incorporated in this Report.

CO- OPERATION DEPARTMENT

Recommendation

(Sl. No. 1, Para No. 13)

The Committee comes to know that one of the reasons for the escalation in arrears of audit is due to the paucity of Staff and also finds there is no proportionate increase in staff corresponding to the increase in the number of Co-operative Societies.

Action Taken

The Co-operation Department was re-organised in the year 1981 and since then the Department has been functioning in the structure and pattern so approved. Over the years the Co-operative sector of the State developed significantly which resulted more work load to the Department Staff. It is felt that a work study of the Department is necessary and the Centre for Management Development, Thiruvananthapuram, an autonomous Institution sponsored by the Government of Kerala agreed to conduct the study at a cost of Rs. 9.78 lakhs and Government

have accorded administrative sanction for the release of Rs. 9.78 lakh and the CMD was entrusted to conduct the work study vide proceedings No. G(1) 22399/12(I) dated 13-12-2012. The CMD team have visited all District Offices and it is expected that the report will be submitted very shortly.

To overcome the shortage of auditors the department is providing temporary auditors in large Co-operatives such as Apex Federations, District Central Co-operative Banks, Urban Co-operative Banks, PCARD, and PACS, etc. These exclusive auditors are posted under rule 156 PART I KSR for single institutions. This system is managed with the concurrence of the respective Co-operatives which are willing to bear the cost of the auditor. At present there are 1321 temporary auditors under different categories of posts working in the Department. This system help the audit wing to complete the audit of the co-operative banks coming under the purview of the Banking Regulation Act 1949 (AACS) in time without any backlog audit is appreciated by NABARD and Reserve Bank of India.

Most of the large co-operatives and apex federations co-operating in rendering the services of such auditors bearing the cost of audit and it help the government to perform the statutory audit without any financial commitment. However in the long run this is not a perfect method to conduct the statutory audit. Since some of the institutions are reluctant or in poor financial condition to bear the audit cost which is comparatively larger than audit fees fixed by the government.

Recommendation

(Sl. No. 2; Para No. 14)

The Committee is of opinion that the societies which are defunct should be rejuvenated and measures should be taken to clear the pending arrears. The Committee also recommends that if the paucity of Staff affected the entire process of work both the Department and the Government should find a reasonable remedy to clear the audit arrears in the Department.

Action Taken

Funds are provided for revitalisation of defunct SC/ST, Women Marketing and Credit Co-operatives under state plan during the current year. This year there are 17727 audits to be completed by the Department. The staff strength of regular auditors posted for unit auditing are 455. However the Department never gets the service of all auditors due to delay in recruitment, in service training , leave etc. If the department is getting service of all the 455 auditors they can complete about 16500 audits per year as per the norms fixed, i.e., three audits per capital per month. Unfortunately the department is getting only an average of 375 auditors for the work and they are able to cover an average of 13500 audits per year that is a shortage of 4200 audits per annum. Therefore earnest efforts of auditors to work with higher targets enabled to bring down the arrears far below from the 30000 in the period 2006-2008. As on 1-4-2012 the total number of audits due is 34672 including arrears of which 17727 audit were complete. To clear the arrears a special drive was conducted in PACS which is considered as a key sector in the three tier short term credit structure. During the drive the department was able to clear 1283 audits out of 1489 and some of the districts such as Palakkad, Wayanad and Kasaragod were able to touch cent percent in clearing arrears. As on 31-8-2012 the arrear audit up to 2010-11 is only 14277.

Recommendation

(Sl. No. 3, Para No. 15)

The Committee finds that there is no corresponding increase in the number of audit staff even if the number of Societies are seen to have increased. Hence the Committee suggests that the department concerned convince the Finance Department and get the proposal agreed without delay.

Action Taken

Department of Co-operation require more auditors to perform efficiently without any backlog. It is expected that the problem can be solved by Legislation to the 9th amendment this will become mandatory to provide auditors so as to complete audit without any arrears.

Recommendation

(Sl. No. 4, Para No. 16)

The Committee observes that the process of computerization in the Co-operation Department is under way and recommends that an early decision be taken to replace with new system in the audit wing of the Department to avoid lagging.

Action Taken

The Proposal to computerize the process of audit wing has been taken up. The proposal is to issue Audit Certificate generated by electronic system under the plan scheme for the financial year 2012-13. In the first phase, this process is to be implemented in 16 taluk offices of 3 districts namely Ernakulam, Kottayam and Kannur and the Directorate. The process involves computerization of the Audit Note and preparation of audit certificate and to build up repository of Audit note and other documents in phase II, the process is to be extended to all the remaining district in the 46 Taluk offices and 11 district offices. A discussion with C-DIT has already been held to draw up an action plan for preparation of a technical proposal of Phase I and Phase II. They have already submitted the proposal for Phase-I and the same is under consideration of the Government. It is understood that the same was not cleared by the working group due to shortage of plan funds. A master plan and road-map covering the entire scope of computerization for the co-operatives are under consideration. The C-DIT has already been entrusted to implement the computerization in the audit wing by re-engineering of audit wing processes for making it more efficient and effective and developing knowledge management systems for institutionalizing best practices elsewhere and it is under the scrutiny of the Government.

Recommendation

(Sl. No: 5, Para No. 17)

The Committee opines that if the system is modernised, it would be easy to link the societies with the office of Registrar of Co-operative Societies.

Action Taken

It is informed that an amount of Rs. 15 lakhs was provided for the modernisation of the Department from 2003-04 onwards. An amount of Rs. 30 lakh was provided during the year 2012-13. But in addition to the Department needs for the current year the provision is extended to Kerala State Co-operative Election Commission, Co-operative Ombudsman, Co-operative Tribunal and Arbitration Court. Besides the expenditure towards re-organisation of the Department has also to be met from this provision. The proposed amount for the modernisation of the Department was not sufficient to meet requirements which is a big hindrance to achieve the desired objective. It may also be noted that with the current provision replacement of existing hardwares and maintenance only be possible.

In view of the above facts the department proposed for an outlay of Rs. 500 lakh towards modernisation of the department for the year 2013-14. If this amount is provided in 3 phases, net working, link between the Co-operatives and computerisation in the audit wing can be implemented.

Recommendation

(Sl. No. 6, Para No. 18)

The Committee learns that the system of group audit in Co-operative institutions in the state is not functioning effectively. Hence the Committee recommends for the need of modernising the audit mechanism in the Co-operative Department in order to see the process of audit functioning in more

effective manner. The Committee finds that making an amendment in the relevant Rules would be a necessity to ensure the effective functioning of the audit wing in the Co-operation Department. Hence the Committee suggests that a special Committee be constituted to study all aspects of audit of Co-operative Societies and a comprehensive Audit Manual be prepared.

Action Taken

Based on the recommendations and finding of the Committee, the Centre for Management Development (CMD) was entrusted to study the amendment of Audit Manual. The CMD submitted their proposal to amend the Audit Manual incorporating the required changes and adapting national standards in Co-operative audit. Later, on the basis of the decision taken in the meeting held by the Secretary (Co-operation), the Director of Co-operative Audit has submitted a panel of officers for constituting Working Group for the above purpose and Government, vide G.O. (Rt.) No. 458/14/Co-op. Dated 11-8-2014, has constituted a Working Group consisting of 5 persons to furnish report for the amendment of the Co-operative Audit Manual within a period of six months.

Additional Information Sought

The Committee enquired the current status of the amendment procedure of Audit Manual and to inform the details to the Committee.

Action Taken

സഹകരണ ആഡിറ്റ് മാനുവൽ കാലാനുസൃതമായി പരിഷ്കരിക്കുന്നതിനുള്ള ശുപാർശകൾ ഉൾക്കൊള്ളിച്ചും ആഡിറ്ററുടെ ചുമതലകളും ഉത്തരവാദിത്വങ്ങളും വ്യക്തമായി നിർണ്ണയിച്ചുമുള്ള റിപ്പോർട്ട് 31-12-2016-ന് മുമ്പായി സർക്കാരിന് സമർപ്പിക്കേണ്ടതാണെന്ന വ്യവസ്ഥയോടെ 30-8-2016-ലെ സ.ഉ. (സാധാ.) 460/2016/സഹ.-പ്രകാരം കേരള സഹകരണ ആഡിറ്റ് മാനുവൽ പരിഷ്കരണത്തിനായുള്ള വർക്കിംഗ് ഗ്രൂപ്പ് പുനഃസംഘടിപ്പിച്ചുകൊണ്ട് ഉത്തരവ് പുറപ്പെടുവിച്ചിട്ടുണ്ട്. (Annexure).

Recommendation

(Sl. No. 6, Para No. 19)

Regarding the arrear of audit fee and cost realisable from the various Co-operative Institutions, the Committee wants more details on the subject. The Committee urges the Department to furnish the current details of the arrears in the Audit fee and cost to be realised from the Co-operative Institutions.

Action Taken

An amount of Rs. 10.53 crore was in arrear towards audit fees as on 31-3-2012 and an amount of Rs. 40.51 lakh was in arrear towards audit cost as on 31-3-2012. It may be noted that circular direction has been issued to collect all government dues including arrear audit fees and to keep necessary registers.

A major portion of the arrear audit fees are related to Co-operatives under the control of functional Registrars. The Audit Review committee meeting was convened recently in the districts chaired by the District Collector to review the situation. Revenue Recovery Proceedings are also initiated to recover the dues. It is assured all steps will be taken to reduce the arrear in audit fees.

Recommendation

(Sl. No. 8, Para No. 28)

The Committee finds that about 77% of the total arrears of revenue collection is due from the Institutions like Kerala State Marketing Federation, Kera Karshaka Federation and Kerala State Co-operative Consumer Federation. In the case of Marketing Federation Government had converted Rs. 20 crores as equity and waived Rs. 7 crore as penal interest. But in the case of Consumer Federation no such move has seemed taken. It is informed that package was under consideration

for favourable action to the Consumer Federation. The Committee suggest that the package under consideration for favourable action in the case of Consumer Federation be implemented at the earliest.

Action Taken

Even though the Registrar of Co-operative Societies has submitted proposal in respect of Kerala State Co-operative Consumer's federation (Consumerfed) for the conversion of Rs. 2566.06 lakh (loan outstanding as on 31-3-2009) into share capital and to write off Rs. 1287.38 lakh being interest and penal interest payable to Government, the Finance Department has raised objection in adhering to the request.

Recommendation

(Sl. No. 9, Para No. 29)

Dissatisfied by the reply regarding Para 7.5.11, the Committee view it so serious and comments it as breaching the time limit as per the Public Accounts Act. Hence the Committee would like to see a final settlement to the issue.

Action Taken

The observation of the C & AG in para 7.5.11 is that Kottayam, Palakkad and Pathanamthitta District Co-operative banks short remitted interest of Rs. 3.30 crore on loan aggregating Rs. 8.37 crore disbursed to primary co-operatives during the period from 1988-1989 to 2001-2002 under ICDP scheme.

In order to settle the issue, a meeting of the DCB officials was convened on 5-6-2014. In the meeting the DCB officials pointed out that the failure of marketing, SC/ST and Consumer Co-operatives have attributed to the short remittance.

But as per guidelines of the ICDP scheme, the DCBs, being the implementing agency, responsibility of recovery of loan with interest is vested with them. This was brought to their notice and directed to take possible steps to remit the interest payable.

The Kottayam District Co-operative Bank has remitted Rs. 1,81,50,966 in Government vide Chelan No. 99 on 18-11-14 being interest on ICDP loan mentioned in the report of C & AG.

The Pathanamthitta and Palakkad District Co-operative banks have remitted the full amount of interest (observed by Accountant General) in ICDP scheme. The balance amount to be paid by the above two banks are Nil.

The DCB Kottayam has remitted the amount reported by the Accountant General and the share, loan, interest amounts are not fully remitted by the Kottayam District Co-operative Bank. Steps have been initiated to recover the pending amount.

As pointed out in the Report the amount due in terms of interest has been remitted by the three District Co-operative Banks to Government. Remittance particulars of Pathanamthitta District Co-operative Bank & Palakkad District Co-operative Bank are given below:

Name of Bank	Interest amount due (observed by Accountant General) as on 31-3-2002	Amount remitted by Bank	Balance Amount
Pathanamthitta District Co-operative Bank	1,19,85,798	1,19,85,798	Nil
Palakkad District Co-operative Bank	28,93,140	28,93,140	Nil
Kottayam District Co-operative Bank	1,81,50,966	1,81,50,966	Nil
Total	3,30,29,904	3,30,29,904	

Details regarding the first phase in ICDP Scheme as on 31-5-2015

	District Co-operative Bank (Pathanamthitta)	District Co-operative Bank (Kottayam)	District Co-operative Bank (Palakkad)
Loan amount Sanctioned	5,03,27,250	2,87,58,510	1,33,15,650
Remitted by Bank	5,03,27,250	2,07,70,393	1,33,15,650
Balance Amount	Nil	79,88,117	Nil
Share amount sanctioned	7,83,92,800	4,61,18,290	3,11,21,300
Remitted by Bank	7,83,92,800	2,81,00,910	3,11,21,300
Balance amount	Nil	1,80,17,380	Nil
Interest	2,51,72,620	6,59,04,075	1,71,10,467
Remitted by Bank	2,51,72,620	3,64,17,628	1,71,10,467
Balance Amount	Nil	2,94,86,447	Nil

Recommendation

(Sl. No. 10, Para No. 30)

The Committee understands that total turn over of the Co-operation Department is about Rs. 40,000 crores and also wishes to have a separate Directorate for monitoring the system. Hence the Committee strongly recommends that Government take immediate steps to constitute a viable system for the audit of the Co-operative Societies.

Action Taken

Since the formation of Directorate of Co-operative Audit all possible measures are being taken to improve the audit Co-operatives in quality as well as quantity. Monitoring of audit progress strictly is watched from circles to state level in every month. Separate review conference is conducting at state level for apex co-operatives and Central Co-operatives. New training programme are designated for new auditors for proper induction in the Department. The present auditors are introduced to the new modern systems to professionalize their career and improve the quality of Audit.

Thiruvananthapuram,
3rd December, 2018.

V. D. SATHEESAN,
Chairman,
Committee on Public Accounts.

ANNEXURE I

വെബ്സൈറ്റ് നമ്പർ: 18



കേരള സർക്കാർ
സംഗ്രഹം

സഹകരണ വകുപ്പ് - കേരള സഹകരണ ആഡിറ്റ് മാനുവൽ പരിഷ്കരണത്തിനായുള്ള വർക്കിംഗ് ഗ്രൂപ്പ് - പുനഃസംഘടിപ്പിച്ച് ഉത്തരവ് പുറപ്പെടുവിക്കുന്നു

സഹകരണ (എ) വകുപ്പ്

സ.ഉ.(സാധാ) നം. 460/2016/സഹ

തീയതി, തിരുവനന്തപുരം, 30.08.2016

- പരാമർശം:
- 11.08.2014 ലെ സ.ഉ.(സാധാ) 458/2014/സഹ നമ്പർ ഉത്തരവ്
 - 22.06.2015 ലെ സ.ഉ.(സാധാ) 341/2015/സഹ നമ്പർ ഉത്തരവ്
 - 15.12.2015 ലെ സ.ഉ.(സാധാ) 746/2015/സഹ നമ്പർ ഉത്തരവ്
 - സഹകരണ സംഘം രജിസ്ട്രേഷൻ 15.07.2016 ലെ ജി(1) 38834/14 നമ്പർ കത്ത്

ഉത്തരവ്

പരാമർശം (1) പ്രകാരം കേരള സഹകരണ ആഡിറ്റ് മാനുവൽ പരിഷ്കരണത്തിനായി 5 പേരടങ്ങുന്ന ഡെ വർക്കിംഗ് ഗ്രൂപ്പ് രൂപീകരിച്ച് ഉത്തരവായിരുന്നു പ്രസ്തുത വർക്കിംഗ് ഗ്രൂപ്പിന്റെ കാലാവധി 5 മാസമായിരുന്നു. നിർദ്ദിഷ്ട 6 മാസ കാലാവധിയ്ക്കുള്ളിൽ റിപ്പോർട്ട് സമർപ്പിക്കാനാതിനെ തുടർന്ന് പരാമർശം (2) പ്രകാരം 15.07.2015 വരെയും പരാമർശം (3) പ്രകാരം 31.03.2016 വരെയും കാലാവധി ദീർഘിപ്പിച്ചു നൽകിയിരുന്നു. എന്നാൽ നിർദ്ദിഷ്ട കാലാവധിയ്ക്കുള്ളിലും റിപ്പോർട്ട് സമർപ്പിക്കുവാനാകാത്തതിനെ തുടർന്ന് പ്രസ്തുത വർക്കിംഗ് ഗ്രൂപ്പ് പുനഃസംഘടിപ്പിക്കണമെന്ന് സഹകരണ സംഘം രജിസ്ട്രാർ പരാമർശം (4) പ്രകാരം അപേക്ഷിച്ചിരിക്കുന്നു.

അപ്രകാരം ശുപാർശ ചെയ്തതിന്റെ അടിസ്ഥാനത്തിൽ കേരള സഹകരണ ആഡിറ്റ് മാനുവൽ പരിഷ്കരിക്കുന്നതിനായുള്ള വർക്കിംഗ് ഗ്രൂപ്പ് താഴെപ്പറയും പ്രകാരം പുനഃസംഘടിപ്പിച്ച് ഉത്തരവ് പുറപ്പെടുവിക്കുന്നു:

1. ശ്രീ.ജോസ് ഫിലിപ്പ് ചെയർമാൻ
അഡീഷണൽ രജിസ്ട്രാർ (ആഡിറ്റ്),
സഹകരണ സംഘം രജിസ്ട്രാറുടെ ഓഫീസ്
2. ശ്രീ.സുബ്രഹ്മണ്യം എം. അംഗം
അഡീഷണൽ ഡയറക്ടർ(ആഡിറ്റ്),
സഹകരണ ആഡിറ്റ് ഡയറക്ടറേറ്റ്
3. ശ്രീ.ആർ.കെ. മേനോൻ അംഗം
ഡയറക്ടർ, ഐ.സി.എം., തിരുവനന്തപുരം

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