

CHAPTER IV
STAMP DUTY AND REGISTRATION FEES

4.1 Results of audit

Test check of the records of the offices of the registration department during the year 2008-09 revealed undervaluation of documents, short remission of stamp duty etc., amounting to Rs. 7.02 crore in 235 cases which may be categorised as follows:

(Rupees in crore)

Sl. No.	Category	No. of cases	Amount
1.	Information technology audit of Package for Effective Administration of Registration Laws (PEARL)(A review)	1	0.00
2.	Undervaluation of documents	200	5.95
3.	Other lapses	34	1.07
Total		235	7.02

During the year 2008-09, the department accepted undervaluation and other deficiencies of Rs. 37.97 lakh involved in 54 cases out of which 20 cases involving Rs. 17.39 lakh were pointed out during 2008-09 and the balance in the earlier years. The department recovered Rs. 2.87 lakh in 52 cases during the year of which four cases involving Rs. 19,167 pertained to 2008-09.

A review of ‘**Package for Effective Administration of Registration Laws (PEARL) in the Registration Department**’ and few other audit observations involving Rs. 1.07 crore are mentioned in the succeeding paragraphs.

4.2 Information technology review of Package for effective administration of registration laws (PEARL)

4.2.1 Highlights

- Every user could login as Sub Registrar as passwords were shared by all, exposing to the risk of unauthorised modification of data.

(Paragraph 4.2.4.4)

- Stakeholders are totally helpless as validated electronic copy of data and documents were not kept in Sub Registry Office (SRO), Kottarakara where a fire mishap devastated 99 *per cent* of documents. It took four years to resume computerised activity in another SRO where hardware was stolen.

(Paragraph 4.2.5.1)

- Stamp duty calculated and stored in PEARL was short of requirement in 47 *per cent* of records.

(Paragraph 4.2.6.2)

- There is no restriction for any user to access and modify backend data. Data analysis found no login information in 12 *per cent* of records.

(Paragraph 4.2.6.4)

- The fields storing survey number details were blank in 3,493 records and age fields of executants and claimants were blank in 87 *per cent* of records. Crucial data of boundary details contained trash data in 99 *per cent* of records.

(Paragraph 4.2.7.2)

- 44 *per cent* and 18 *per cent* mistakes were observed in data stored relating to accounts and registration documents respectively.

(Paragraph 4.2.7.3)

- Legal suits initiated against the department due to issuance of incorrect encumbrance certificates generated from not-validated data.

(Paragraph 4.2.7.4)

- Though computerisation started in the year 2000 and Rs. 24.41 crore was incurred, the System has not been fully operationalised; bugs are not rectified; only 1 out of 5 modules are put to use and the required amendments to Acts and Rules were not carried out till date.

(Paragraph 4.2.8.2 and 4.2.8.3)

- Though Government have taken no decision on commencement of scanning, scanners continued to be purchased (Rs. 70 lakh) in all the six phases and annual maintenance contract also was provided (Rs. 3 lakh) for scanners which remained packed.

(Paragraph 4.2.8.6)

4.2.2 Introduction

4.2.2.1 Project

Registration Department is one of the oldest Departments in the State and it touches the citizens at all levels at some time or other. Stamp duty and registration fees, at present is the third largest source of revenue to the State exchequer. The main objectives of registration laws are to

- provide a conclusive proof of genuineness of documents
- afford publicity to transactions
- prevent fraud
- afford facility for ascertaining whether a property has already been transacted and
- afford security of title deeds and facility of providing titles in case the original deeds are lost or destroyed.

4.2.2.2 The functions

The main functions of Sub Registry Offices are

- registration of Documents;
- preparation of Encumbrance certificate and certified copies;
- perform the functions of Marriage officer under the Special Marriage Act 1954 and
- perform the functions of the Registrar of Chitty under Kerala Chitties Act 1975.

4.2.2.3 Organisational set-up

Principal Secretary (Taxes) is in charge of the department at Government level and the Inspector General of Registration (IGR) is the head of the department with headquarter at Thiruvananthapuram. There are 4 zonal offices, 14 district offices and 309 Sub Registry Offices (SROs). Each zone is under the control of a Dy. IGR. Each district is under the charge and control of a District Registrar (DR) and the Sub Registry Offices (SRO) which are the functional units headed by Sub Registrars (SR).

4.2.2.4 Objectives of computerisation

The computerisation in Registration Department aimed at providing better service to citizens for the services rendered by the Registration Department. The software was designed to eliminate the maladies affecting the system of Registration through electronic delivery of all its services.

It aimed to

- demystify the registration process,
- introduce a transparent system easily accessible to the citizen,
- bring in speed, efficiency and reliability,

- replace the manual system of copying and filing of documents with a sophisticated document management system that uses imaging technology,
- replace the manual system of indexing, accounting and reporting and
- improve the citizen interface substantially.

4.2.2.5 The system

Government of Kerala approved the project of Computerisation of Registration Department in January 2000. NIC developed the software - Package for Effective Administration of Registration Laws (PEARL) with Visual Basic and MS SQL Server in Windows platform. The pilot phase comprising computerisation in 4 SROs¹ was inaugurated in August 2000. The remaining 305 SROs were subsequently computerised in 5 phases².

4.2.2.6 Hardware

All the 309 SROs have been supplied with a server, 2 personal computers (3 PCs where there were two Sub Registrars), 2 dot-matrix printers, 1 laser jet printer and 1 scanner each along with the required UPS working in LAN. For issuing certified copies, a digital imaging unit comprising a digital camera, a PC and a laser printer each was provided to all the 309 SROs. The total cost of the hardware works out to Rs. 1,040 lakh.

4.2.2.7 Financial status

Government incurred Rs. 2,441 lakh towards computerisation of 309 SROs under plan funds and MGP funds during the period 1999-2000 to 2008-09.

4.2.3 Scope and methodology of audit

4.2.3.1 Scope of audit

Audit evaluated the system to see whether the required controls were in place to ensure the security of the system including data, whether the objectives of computerisation were achieved, whether the social objective of serving public as envisaged was achieved and whether the computerised system effectively replaced the manual system.

4.2.3.2 Audit methodology

An entry conference was held in March 2009. Audit was conducted during February-May 2009 and the audit team visited 31 out of 309 SROs in 7 out of 14 districts and seven DR offices for on the spot verification of the working of the system and discussing with Sub Registrars and other end users on the basis of questionnaire prepared for the purpose to assess the usefulness and user-friendliness of the software. As separate databases were maintained for 309 SROs, backup data in respect of 3 SROs³ was analysed using CAATs⁴. The

¹ Nemom, Palakkad, Thalassery and Thodupuzha

² February 2001, December 2002, December 2004, December 2005 and March 2007

³ Sasthamangalam, Thodupuzha and Villiapally

⁴ Computer assisted audit techniques

review was sent to the Government on 1 July 2009 and discussed in the exit conference in July 2009.

4.2.3.3 Audit criteria

Indian Registration Act 1908, Kerala Stamp Act, Registration Manual, Department Circulars, Software Requirement Specification and Software Design Document were relied upon for audit.

4.2.4 Audit findings

4.2.4.1 Deficiencies in general IT controls

General computer controls are critical to the organisation's ability to safeguard its assets and ensure reliability of financial management information. Weakness in Information System's general controls affects the overall efficiency and security of computer operations.

4.2.4.2 Ineffective physical access controls

Regarding physical access controls audit observed that

- Most of the SROs were housed in very old and near-dilapidated buildings eg. SRO, Nellai and SRO, West Hill.
- Many offices did not have a compound wall or even fencing.
- Even though the Departmental Manual stipulates that the registration offices should not be left unguarded; the system of deploying peons⁵ for the purpose was not effectively implemented. Against the strength of two peons per SRO, in 29 SROs there was only one peon each.

There was a theft of the lone server from SRO, Nellai and consequently the computerised process was suspended for four years from 18 November 2003 to 26 November 2007.

4.2.4.3 Ineffective environmental controls

According to the Registration Act and Rules, SROs are responsible for registration of different types of documents, upkeep and safe custody of the same. Non-availability of the documents registered assumes significance of an unimaginable dimension and repercussions. No orders, procedures, instructions etc. were issued by the department on environmental security.

Regarding environmental controls, audit observed that

- The record rooms which house the copies of registered documents were not equipped adequately to meet the increased requirements. In the absence of sufficient racks and space, the volumes were seen dumped on the floor exposing them to the risk of damage due to dampening and mites, e.g., SRO, West Hill.
- Fire fighting mechanisms such as fire extinguishers, smoke sensors etc. were not provided in any of the SROs.

⁵ The duties of peon include that of chowkidar also.

4.2.4.4 Logical access controls and segregation of duties

Logical access controls in the IT System are intended to protect computer resources against unauthorised access. For ensuring IT security, the duties and responsibilities of staff should be adequately segregated.

In this regard, the following deficiencies were noticed:

- Although two levels of users were provided and all the employees were supplied with separate usernames and passwords, in the entire test checked SROs the passwords were found to be shared among all.
- Every user performed the duties of others including that of Sub Registrar defeating the very purpose of segregation of duties.
- Delegation and rights of the Sub Registrars were exercised by subordinate staff by logging in as the Sub Registrar.
- Passwords were never changed.

Government stated (August 2009) that once the security policy was in place and implemented at all levels the issues connected with access control would be over.

4.2.5 Lack of audit trail

Audit trail leaves evidence in respect of all access to the system and modifications of data which is required to prevent unauthorised access and manipulations and fixing responsibility. In PEARL when any modification is made to data, the System does not retain data such as the values before modification, who and when the modification was done, etc., for the audit trail.

4.2.5.1 Business continuity and disaster management plan

Business Continuity Planning (BCP) is essential to ensure that the organisation can prevent disruption of business and resume processing in the event of a total or partial disruption in the information availability. Availability and trouble free working of hardware and software including data are to be ensured for the smooth and uninterrupted functioning of an IT system. Improper maintenance of hardware will result in the non-availability of the same when it is in need.

It was observed that no business continuity plan/disaster management policy has been evolved and documented by the department. In this connection audit observed that:

- All the 309 SROs have been provided with computers in the pattern of 1 server and 2 or 3 nodes. But no computer has been kept as reserve to meet any unforeseen eventuality. As a result non-availability of hardware for long periods (exceeding one year) was noticed in many SROs, in spite of availability of Annual Maintenance Contract(AMC).
- In SRO, Nellai, where the lone server was stolen, it took four years for replacement of the same compelling them to resort to manual system during the period.

- There was loss of records by fire mishap in SRO, Kottarakara (March 2009). 1,998 out of 2,012 (99 *per cent*) volumes of copies of registered documents were gutted in the fire. Though computers with data could be salvaged, the data salvaged was not validated. In the absence of original records, validation was no more possible. Digitised documents as envisaged were also not kept.

4.2.5.2 Ineffective backup policy

According to circulars issued by the department backup had to be taken daily in SROs in CD media, a half-yearly (30 June and 31 December) backup had to be submitted to the DRs and an annual backup (31 December) to be submitted to the IGR. An analysis of the backup CDs (as on 31 December 2008) stored in the department revealed the following:

- Backup of only 26 out of 41 SROs relating to Thiruvananthapuram district were available.
- In Kollam district, backup CDs of only 18 out of 30 SROs were available; of which 8 CDs were either blank or contained obsolete backup.
- In Kannur district Backup CDs of only 20 out of 23 SROs were available.
- Out of 135 CDs relating to 5 districts checked, 120 CDs did not contain the data as on the specified date
- Backup were not stored in external media in certain offices. It was stated that CDs were not supplied by the department for taking the backup.
- Owing to a system failure 8,488 records were lost in SRO, Mararikulam (2007). The data had to be re-entered, with proneness to data entry mistakes, from original records as no back up was available.
- As a best practice, a second copy of the backup was not taken daily and kept in a different geographical location (ie. a location other than the office premises) for the restoration of data in the event of data loss.

All of these establish that daily backup were not taken by SROs as per instructions in this regard and also not monitored by competent authorities at respective levels.

Government stated (August 2009) that once the latest version (3.1) was deployed in all SROs the issues related to backup of data would be solved. Government further stated that they were planning to switch over the storage of data to a centralised location.

4.2.5.3 Non-uniformity in backup procedure affecting completeness of data

Backups taken were either in SQL format or in text format. While the SQL format backups can directly be restored, text format requires a batch file for restoration. Two versions of batch files were found to be in use. Both these batch files can restore 178 tables to the database. Analysis of backup CDs, having text format, revealed that 41 CDs contained more than or less than 178 tables. Variation in the number of tables backed up and restored would result

in data inconsistencies and will also render the integration of database difficult.

4.2.6 Deficiencies in application controls

Application controls are used in IT Systems to provide assurance to the management that all transactions are valid, authorised, complete and accurate.

4.2.6.1 Non-uniformity in data structure

Two versions of the software with different variants were in use in different SROs. The structure of data was not uniform. A test check of data relating to 135 SROs revealed that while the number of tables in 94 offices was 178, in the remaining 41 offices the number of tables was either more than or less than 178 tables. Owing to the non-uniformity of data structure, it would be difficult for the envisaged data integration.

4.2.6.2 Weak input controls and validation checks resulting in incorrect data

The objective of input control is to ensure that the procedures and controls reasonably guarantee that (a) data received for processing are genuine, complete, not previously processed, accurate and properly authorised and (b) data entered are accurate and without duplication. Data validation is a process for checking transaction data for any errors or omissions and to ensure the completeness and correctness of input. In this regard, audit observed the following:

- While reasonable input controls for data integrity were provided in the online mode of data entry, such controls were not in place in the backlog data entry mode. In 90 *per cent* of the SROs test checked instead of online registration process, they resorted to backlog option. When data was entered through backlog mode completeness of data could not be ensured as essential fields were not made mandatory.
- For capturing survey numbers two separate fields were provided for entering the survey number and the sub division number. The survey number field consists of only numeric values whereas sub division number consists of alpha numeric values. In the absence of input controls, subdivision numbers consisting of alphabets were also captured in the survey number field. This adversely affected the uniformity of data leading to incorrect search results in the preparation of ECs.
- The system calculates stamp duty and surcharge on the basis of value of documents and other parameters. However, owing to the non-availability of stamp paper of the exact denomination, executants would opt for stamp papers of higher denomination resulting in excess remittance of stamp duty. There are provisions in the software to capture both the values viz. stamp duty due and stamp duty paid. In no circumstances stamp duty paid can be less than what is due. Data analysis revealed that in 47 *per cent* of records pertaining to stamp duty stored was short of what was required. Shortage of fees was also noticed in 27 *per cent* of records.

4.2.6.3 Avoidable re-entry of data resulting in mistakes and erosion of user-friendliness

In a database management system any data should be entered only once. The data so entered should be available for any number of processes required at any stage. Re-entering the same data for different modules/sub modules would be prone to data entry mistakes and finally resulting in incorrect outputs. In this regard, audit observed the following mistakes in data analysis:

- Owing to re-entry of dates there were differences relating to year in 5,445 records.
- Owing to re-entry of codes there were mistakes relating to District/SRO codes in 92 records.
- Difference in page numbers of filing sheets were noticed in 88 *per cent* of records as data was re-entered without utilising the already captured data regarding the number of filing sheets used.

Re-entry of data will also result in erosion of user-friendliness.

4.2.6.4 Unauthorised modification of backend data affecting data security

Unauthorised access or changes to data is considered to be one of the highest risks in any IT system. It was found that any user proficient in SQL Server could access the back-end, make unauthorised modification to data and delete the user login information. Data analysis revealed that in 12 *per cent* of records, the user login information was not available.

4.2.6.5 Control weakness by providing editing right to ordinary user

The right to edit data once entered should be given to a higher level of user in order to check unauthorised modification and to ensure authenticity. But in PEARL, data once entered can be edited by the same user or any other ordinary user.

Government stated (August 2009) that the editing rights would be restricted to higher level functionaries. Insufficiencies pointed out would be brought to the attention of technical team of NIC for necessary modification to the software.

4.2.6.6 Insufficiencies in the system

The successes of implementation of any IT system and user acceptance depend mainly on the software being user friendly and easy to operate. The system should be able to replace the manual system in a better way. In this regard, the following deficiencies were noticed:

- There was no provision to enter name of applicant applying for registration through private attendance.
- There was no provision to generate KVAT at four *per cent*, required to be collected from fee for additional sheets.
- When a registration is made through private attendance, an additional fee is to be collected at Rs. 25 per claimant. However, irrespective of the number of claimants involved, the System generated the fee of Rs. 25.

- Screens of the System were designed at a bigger size than the monitors provided to all the users, causing difficulties and hassles for all the users.

4.2.6.7 Generation of incorrect/defective reports

Regarding generation of reports audit observed the following:

- In version 2.0, accounts consolidation report generated was defective. While there is no stamp duty for 'will' documents which is included under Book III, stamp duty was shown against Book III in the accounts generated.
- Reports generated for 'Index II' were devoid of any uniform order in different offices.
- Reports could not be generated in the indexed order as required by the user for different purposes.
- 'Index II' reports printed the same document numbers repeatedly in cases, where there were more than one executants or more than one survey number. The same document number was seen repeated even upto 51 times.

4.2.7 Data deficiencies

The most valuable component of an IT system is its data. So data must be reliable, authentic, correct and complete. It must have proper authorisation. If the correctness of the data cannot be guaranteed the entire system is considered to be useless. During the course of audit the following data deficiencies were noticed:

4.2.7.1 Non-validation of legacy data

Legacy data relating to the last 13 years was entered as a prelude to the commencement of computerised operations in each office. The data entry was entrusted to three outsourced agencies⁶ at a per-record rate of honorarium. As per the agreement conditions, data entry was done at their premises bringing records from the respective SROs. However, it was found that the source input document was the Index registers and not the office copies of the registered documents (volumes) from which the Index registers were prepared. But the data entered was never verified with the original records and correctness and completeness certified by the department before it was put to use. It was also observed that in SRO, Kottarakara, where 99 *per cent* of the records were gutted in a fire mishap, the electronic data, though salvaged was not validated as pointed out in para 4.2.5.1 above.

Though a provision exists in the front-end to eliminate junk data, it has not been put to use in any of the offices. The Department stated (June 2009) that the provision for eliminating junk data was not made use of because of reported data loss owing to certain deficiencies in the module.

4.2.7.2 Deficiencies in the database

Analysis of data using CAATs revealed that:

⁶ KUDUMBASREE (a women self dependant group – an NGO), KELTRON and Dinesh IT Systems

- Survey No. field, which is the most vital information for issue of encumbrance certificate, was blank in 3,493 out of 3,17,898 records. Survey No. field, which should contain only numerals, contained data other than numerals in 1,145 records.
- 99 *per cent* of the records contained trash data in boundary details fields, by which a property is identified.
- Values in age field of claimants and executants were either null or invalid in 87 *per cent* of records.
- 35 *per cent* of records contained invalid Local Body name.
- 10 *per cent* of records contained invalid land type.
- Local Body type is crucial information based on which the rate of duty and fees are calculated. 13,581 records contained invalid values
- In the Account table while 3,623 records contained blank account codes, 1,849 records contained blank executant's name and 2,352 records were devoid of claimant name.
- 449 records contained invalid years (ranging from 1,797 to 9,992) in the fields of registration and execution year.
- 303 records contained transaction codes, which were not available in the master table.
- In the cases of registration relating to other SROs, 174 records contained transaction codes, which were not available in the master table.
- In 272 records, SRO, district, *taluk* or village codes were blank.
- 244 records contained invalid measurement unit.

4.2.7.3 Non-validation of current data

The current data was entered by the staff, but a second level verification of the data was not done.

A physical test check of 420 records in the database with office copies of documents (Volume) in selected 30 SROs revealed that 18 *per cent* of records contained errors as shown below:

- there were 24 mistakes pertaining to survey No.
- there were 21 mistakes pertaining to extent of property
- there were 28 mistakes pertaining to Local Body type

A test check of 888 records with account books in selected 30 SROs revealed that 44 *per cent* of records contained errors as detailed below:

- there were 301 mistakes pertaining to stamp duty collected
- there were 438 mistakes pertaining to fee collected
- there were 38 mistakes pertaining to value of documents.

4.2.7.4 Dependence on unreliable data leading to legal issues

The Encumbrance Certificate (EC), the only authorised document showing the details of transactions on a property, was generated through the system and issued to the applicants. As the data was not validated, there is no guarantee that the details generated from the system are correct. The data is critical as an incorrect EC might result in ineligible and unauthorised financial transactions which could lead to legal issues.

ECs have to be prepared after searching the records for any transaction for the required period. Name of the clients and survey number-wise searches were provided in the software for the purpose. Owing to improper capture of data in the Name and Survey number fields the search results obtained required manual editing to a certificate. However, in the entire test checked SROs, it was observed that the EC, prepared by one of the users, is issued by the SR without verification at a second level. This could result in issuance of incorrect/manipulated ECs.

In the latest version (PEARL 3.1) which is under trial run in SRO, Sasthamangalam, two independent searches were made systemically compulsory to mitigate the above deficiency. However, this would yield fruits only if the password policy was strictly adhered to. Audit observed a single user making both the searches using another's username and password.

To an audit query, the department stated (May 2009) that three legal suits were pending against the department in connections with incorrect ECs issued.

4.2.7.5 Obsolete master data

On an analysis of the master data relating to the classification of documents and rates of stamp duty and registration fee thereon, the following observations are made.

- Master data, though it should be same throughout, varied from office to office. The data was not validated and authenticated at any stage.
- Master data requires modification when rates are changed or new types of documents are included. But these changes were not seen made up-to-date.

Government stated (August 2009) that on installation of the new version, the master data would be up-to-date.

4.2.8 Other findings

4.2.8.1 Defective internal control mechanism

The success of any Department in its performance and achievement of targets is mainly based on the strength of the internal control mechanism it has. Internal Audit forms a main component of the Internal Control Mechanism.

Though each district had an internal audit wing headed by DR (Audit), they were not trained to audit in IT environment. An audit module was also not provided in PEARL.

4.2.8.2 Inordinate delay in completion of the project

Though nine years have elapsed and Government spent a sum of Rs. 24.41 crore on the project the general public is deprived of the benefits envisaged out of the computerisation. A scrutiny of different stages of computerisation shows that the delay can be attributed to the following.

- There was no perspective computerisation plan in the Registration Department.
- An empowered committee at apex level with sufficient powers was not constituted to take decisions and oversee the implementation. A steering committee at middle level also was not constituted for the implementation of the project.
- Failure on the part of the Department to prepare a User Requirement Specification.
- There was no effective liaison with NIC at top management level to ensure timely completion of the development of the system. Target dates fixed for the completion of each phase was not ensured. Bugs noticed could not be got rectified by the NIC.
- Facilities have been provided in PEARL to digitise documents and fingerprints of the executants, but could not be put to use pending legislation required for amending the relevant provisions in the Acts and Rules.
- There was delay on the part of NIC in keeping the schedule without any reason.

As no reason for the delay could be found which was beyond the control of the department the delay can be attributed to lack of commitment and initiatives on the part of the management. There had never been a fund constraint as evident from the fact that while Rs. 24.41 crore was spent on the project, Rs. 25.51 crore was surrendered during the period upto the year 2008-09.

As nine years have already completed, the system when completed would be an out-dated one with less efficiency and usefulness as the technology has advanced further like the web based applications used in other departments.

Government stated (August 2009) that the department did not have the technical expertise to oversee the implementation. It was also stated that the department has constituted a high level technical committee to decide the future course of action and prioritise the activities of the project.

4.2.8.3 Non-achievement of objectives

The objective of PEARL was to computerise all manual activities in the registration offices so that efficiency, speed and transparency are increased to the benefit of the public. Out of the five⁷ activities enumerated in a sub registry office only one viz. issuing encumbrance certificates was done

⁷ Activities relating to (a) Registration and issue of encumbrance certificates, (b) Digitisation of Documents and issue of certified copies, (c) Chitties, (d) Special Marriage and (e) Fare value of property.

through PEARL. The main objective viz. replacing the manual system of copying and filing of documents with a sophisticated document management system that uses imaging technology has not been commenced.

4.2.8.4 Inefficient management of annual maintenance contract

The hardwares supplied to the SROs were covered under AMC with a single vendor across the State. As per the agreement conditions computers had to be set right within 24 hours failing which penalty was to be imposed on the vendor proportionate to the down time in excess of 24 hours. But a test check conducted in 30 selected SROs revealed that:

- The AMC did not yield required results as the system of recording and reporting faults was not in place in 90 *per cent* of SROs visited.
- In 80 *per cent* of offices inspected, where there were instances of non-functioning of the hardware, no records were available to assess the duration of non-availability of the system as fault log registers were not maintained. It was observed that computers including servers remained faulty for periods exceeding one year, e.g. SRO, Njarakkal, Principal SRO, Thiruvananthapuram, SRO, Kadirur etc. But no penalty was levied from the vendor for the laxity.
- Although monthly reports on the conditions of hardware were sent from the SROs to the DRs concerned, 95 *per cent* of them did not contain the duration of down time. Remedial measures were not taken by DRs on the basis of the reports received.
- In cases of faults of server, one node was configured as server. But due to limited resources of the node, the software would not function properly and online registration would not be possible. In such cases data was entered through back log data entry option, where all the input controls were not available affecting data integrity and completeness of data.
- In SROs, Kadirur and Cherthala only one PC each was found in working condition.

Government stated (August 2009) that the department was planning to switch over from AMC to facility management system which would reduce the “down time”.

4.2.8.5 No Business Process Re-engineering (BPR)

An IT project should not only replace the manual system but also help to enhance efficiency through a process improvement for the ultimate benefit of the stakeholders.

In the manual system, in order to assist the citizens in preparing documents there is an authorised system comprising of document writers outside the department who act as an interface between the public and the Department. Licenses are issued to document writers by the department after qualifying an examination conducted by the Department. Nevertheless, the drafting, language, etc., used in the documents were not in a standardised form across the State. As a result the documents are unnecessarily lengthy and complex

with worn out words and styles causing difficulties not only to the public but also to the department as far as data entry is concerned.

With the introduction of a module the System could generate any type of documents by supplying the required details which could be collected from the executants/claimants through a proforma. As a result the concept of document writers would then become insignificant and could be dispensed with. This would not only simplify the registration process, but also ensure speed, efficiency, transparency, elimination of the intermediary etc. to the ultimate benefit to the public. Computerised issuance of the ECs and the certified copies of document has enhanced the image of the Department and its staff manifold when the public started getting these services within a day's time without the help of any intermediary.

Government stated (August 2009) that elimination of intermediaries had far reaching consequences and wider ramifications. As such a policy decision by the Government in the matter was required.

4.2.8.6 Unfruitful expenditure on the purchase of scanners

One of the main objectives of computerisation was doing away with the practice of storing hard copies of the registered documents by digitising them and maintaining as soft copies in order to improve manageability, easy retrievability, providing better and prompt services to citizens, savings in manpower, storage space etc. With this in view, a module was incorporated in PEARL at the pilot stage itself for digitising and archiving the documents. Audit observed the following in this regard:

- Although, scanning did not commence for want of Government decision, the scanners continued to be purchased in all the five more phases.
- The first batch of scanners is now nine years old. In 99 per cent of the SROs the scanners were still to be unpacked (September 2009).
- The cost of scanners purchased in different phases would indicate that the cost had been steadily falling down. (The cost of scanners purchased varied from Rs. 35,000 to Rs. 16,750).
- The optimum life of computer peripherals being around five years, there is no probability of utilising the scanners purchased in the initial years.
- There is no guarantee that the old scanners would work with the new versions of operating systems and hardware due to compatibility issues.
- Scanners had not been put to use in any of the SROs and date of commencement of scanning was not yet decided by the Government. Nevertheless AMC was awarded to scanners periodically. An avoidable expenditure of Rs. 3.01 lakh was incurred on AMC for scanners alone during the period upto 31 March 2009.

The warrantee given by the manufacturers also could not be availed of as they were not put to use. The procurement without proper planning resulted in unfruitful expenditure of Rs. 70 lakh.

4.2.8.7 Injudicious decision resulting in avoidable expenditure of Rs. 2.87 crore

Digitisation of the registered documents was one of the main objectives of computerisation in the Registration Department. In the absence of storing digitised images of documents in the database, Government decided to go for a separate set of digital image printing (DIP) unit comprising one PC, a digital camera and a laser printer together with an image editing software for issuing certified copies of documents. Had the Department utilised the facilities in the software, expenditure of Rs. 2.87 crore spent for the purchase of the imaging unit could have been avoided.

During the last two years 6,50,150 certified copies were issued by the department using the DIP unit. However, the scanned images were not stored for future use.

Government stated (August 2009) that storage of digital image would consume more disk space and was not required as copies were available in the 'register volume'. However, Audit is of the opinion that preservation of 'register volume' was costlier and more cumbersome than digital storage and also these paper documents were more susceptible to destruction by mite, fire etc. The entire documents kept in 'register volumes' right from the oldest one should have been digitised and stored in the database so that certified copies of documents could have been issued easily. Objectives of computerisation envisaged digitisation of documents and PEARL software had provisions for the same. But audit observed that Government introduced the DIP unit as a remedy for coping up with the delay. The fact remains that heavy accumulation of pendency in issue of certified copies was caused by improper implementation of computerisation.

4.2.9 Conclusion

Though the project is under implementation for over nine years, the System was not free from bugs; it was not formally accepted by the department; data remained unreliable; no modules, except one, were put to use and no time frame fixed for validation of data, completion and online use of the software in its fullness. Required amendments to provisions in the Act and Rules to legalise the computerised activities were not made. After incurring an expenditure of Rs. 24.41 crore, stakeholders are deprived of the benefits envisaged out of the computerisation. This system when completed would not help to achieve the objectives in full.

4.2.10 Recommendations

- Officers should be nominated for effective liaison with NIC for completion and acceptance of the project;
- Validation of data should be given utmost priority. Completeness and correctness of data should be certified at appropriate levels;
- Individual databases should be merged and centralized;
- AMC conditions should be strictly enforced;

- Data backup policy should be revised. Offsite storage of daily backup should be made;
- Digitisation of documents should be commenced;
- A suitable Business Continuity/Disaster Management Plan should be formulated and implemented;
- A password policy should be formulated and its compliance should be ensured;
- Environmental/physical access control weaknesses should be remedied in a timely fashion;
- Enactment required for the computerised operation should be made; and
- A business process re-engineering should be done in order to impart the intended benefit of computerisation to the stakeholders.

4.3 Other Audit observations

Scrutiny of records of various Registration Offices revealed several cases of non compliance of the provisions of the Kerala Stamp Act 1959 (KS Act) and Indian Stamp Act 1899 and other cases as mentioned in the succeeding paragraphs in this chapter. These cases are illustrative and are based on a test check carried out in audit. Such omissions on the part of the Sub Registrars(SRs) are pointed out in audit each year but not only the irregularities persist; these remain undetected till an audit is conducted. There is need for Government to improve the internal control system including strengthening of internal audit.

4.4 Non-compliance of provisions of Acts/Rules

The provisions of the KS Act and Registration Rules require:-

- i) initiating action in cases where documents were undervalued; and*
- ii) correct classification of documents.*

It was noticed that the SRs did not observe some of the above provisions at the time of registration of documents. This resulted in short levy/evasion of stamp duty of Rs. 1.07 crore as mentioned in the paragraphs 4.4.1 to 4.4.2.

4.4.1 Short levy due to undervaluation

Under the Kerala Stamp Act 1959, if the registering officer is of the opinion that the consideration conceded in the instrument for registration has not been truly set forth, he may, after registering the document, refer the document to the District Collector for determining the value or consideration and the duty payable thereon. Also, the Collector may, *suo motu*, within two years from the date of registration of any instrument not already referred to him, call for and examine the instrument and determine its value or consideration and the duty payable thereon. Government in October 1986, appointed District Registrars (DRs) as Collectors for this purpose. As no guidelines on value of land at different localities are issued by the Government, large scale undervaluation is taking place all over the State. A few observations are mentioned below.

4.4.1.1 During scrutiny of records in sub registry office, Tripunithura, in September 2008, it was noticed that a sale deed for 90.726 cent of land was registered vide a document in June 2006 for a consideration of Rs. 36.29 lakh. The above property along with another land of 9.724 cent together forming 100.45 cent was sold in the same month vide another document for a consideration of Rs. 5 crore. As such, the property in the first document was undervalued to the extent of Rs. 4.15 crore and the matter has not been reported as a case of undervaluation. This resulted in short levy of stamp duty and registration fees of Rs. 60.22 lakh.

After the case was pointed out, the department stated in April 2009 that the SR has no authority to report the previous document as undervalued. The reply was not tenable as the DR can take action in undervaluation cases only on the basis of the report of the SR.

The matter was reported to the Government in March 2009; their reply has not been received (September 2009).

4.4.1.2 During scrutiny of records in the sub registry office, Pooyappally in October 2008, it was noticed that two documents were registered as sale deeds on the same date in respect of land in two survey numbers for an extent of one hectare 50 ares and 20 sqm each for a consideration of Rs. 15 lakh each. The same properties were subsequently registered as a single sale deed vide a document at sub registry office, Chadayamangalam along with a small plot at Chadayamangalam, after two weeks for a total consideration of Rs. 10 lakh and the fact informed at sub registry office, Pooyapally on the same date itself. As such the document registered at Chadayamangalam was under valued for Rs. 20 lakh. However, on verification of the document it was seen that the above aspect was not reported to the DR. This resulted in short levy of stamp duty and registration fees of Rs. 2.40 lakh.

After the case was reported to the department in November 2008, the department stated in April 2009 that the document has been reported to the DR as a case of undervaluation in April 2009. Further development has not been received (September 2009).

The matter was reported to the Government in January 2009; their reply has not been received (September 2009).

4.4.1.3 During scrutiny of records in eight offices between February 2008 and January 2009 it was noticed that eight documents registered for sale of properties/power of attorney were undervalued, resulting in short levy of stamp duty and registration fee of Rs. 26.56 lakh as detailed below:

Sl. No.	Name of office/ Month & year of audit	Short levy of stamp duty and registration fees (Rs.)	Nature of objection
1.	<u>SRO, Kazhakutam</u> January 2009	5.23 lakh	A document comprising of 29.6 cents of land registered for a consideration of Rs. 11.84 lakh was seen undervalued when 17.59 cent of land belonging to the above property was sold subsequently for a consideration of Rs. 32 lakh, vide three documents within three months of the first document. The matter was reported to the DR as a case of undervaluation. However, the value reported was much below the compared value.
<p>After the case was pointed out, the sub registrar stated in January 2009 that the matter would be examined and detailed reply furnished. Further reply has not been received (September 2009).</p> <p>The matter was reported to the department in January 2009 and Government in March 2009; their reply has not been received. (September 2009).</p>			

2.	<p><u>SRO Chadayamangalam</u> November 2008</p>	4.32 lakh	<p>Property of 28 ares was divided into four adjacent plots with an approach road and sold on the same day. However, one document was registered for Rs. 0.53 lakh per are and two documents at Rs. 3.71 lakh each and the other one at Rs. 2.06 lakh per are. As such the first document was undervalued to the tune of Rs. 35.98 lakh when compared to the least value of the other three documents i.e., Rs. 2.06 lakh per are.</p> <p>After the case was pointed out, the department stated in May 2009 that action was taken to rectify the mistake. Further development has not been reported (September 2009).</p> <p>The matter was reported to the Government in February 2009; their reply has not been received (September 2009).</p>
3.	<p><u>SRO Kothamangalam</u> December 2008</p>	3.71 lakh	<p>A property comprising of 6 ares and 7 sqm bought by a sale deed for Rs. 80,000 was resold within four months for Rs. 26.40 lakh. Hence the first document was undervalued which was not reported to the DR.</p> <p>After the case was pointed out, the department stated that the sub registrar has no authority to report the previous document as undervalued. The reply was not correct as undervaluation cases are decided by the DR based on the report of SR.</p> <p>The matter was reported to the Government in March 2009; their reply has not been received (September 2009).</p>
4.	<p><u>SRO, Kakkattil</u> December 2008</p>	3 lakh	<p>A document comprising of 20 cents of land (which is included in a total extent of 40 cents) was executed for a consideration of Rs. 20 lakh. The case was reported as undervalued for an amount of Rs. 1 crore. After three months another 10 cents of land included in the same property was again sold by the same executants for a consideration of Rs. 10 lakh. However, this case was reported as undervalued for Rs. 25 lakh only resulting in short reporting of undervaluation of Rs. 25 lakh when compared to the value reported for the first document.</p> <p>After the case was pointed out the sub registrar stated in December 2008 that the case would be examined. Further reply has not been received (September 2009).</p> <p>The matter was reported to the department in January 2009 and Government in March 2009; their reply has not been received (September 2009).</p>

5.	<u>SRO Puthanambalam</u> February 2008	2.78 lakh	A document of 38.5 ares of land executed for a consideration of Rs. 2.75 lakh and reported by the SR as undervalued to the tune of Rs. 63,000 was subsequently sold after two months for a consideration of Rs. 26.55 lakh. However, the value of Rs. 26.55 lakh received after two months was not considered for undervaluation of the first document.
<p>After the case was pointed out in March 2008, the department stated in August 2008 and May 2009 that once the document is reported for undervaluation, the SR need not report the same for higher value. The reply was not correct as the value of property has increased to almost seven times of its previous value within two months and as the DR is taking action based on the report of SR, the factual position should have been brought to the notice of higher authority for evaluating the land under consideration in the interest of revenue.</p> <p>The matter was reported to the Government in January 2009; their reply has not been received (September 2009).</p>			
6.	<u>SRO, Murukumpuzha</u> March 2008	2.70 lakh	A document comprising of 16 ares and 18 sqm executed for a consideration of Rs. 1.50 lakh was seen undervalued when 12 Are and 94 sqm area of land included in the same property was sold after 13 days for a consideration of Rs. 19.20 lakh. The case was not reported to the DR.
<p>After the case was pointed out, the sub registrar stated in March 2008 that the case would be examined. Further development has not been reported (September 2009).</p> <p>The matter was reported to the department in April 2008 and Government in March 2009; their reply has not been received (September 2009).</p>			
7.	<u>SRO, Kuttanallor</u> December 2008	2.59 lakh	An irrevocable power of attorney was executed for a value of Rs. 1 lakh, in the name of a company for development and construction of multistoried apartments/complex and to sell, lease or gift the said properties to any person(s). However, the executants of the power of attorney became the absolute owners of the said property by another document just two months before the execution of power of attorney for a consideration of Rs. 17.60 lakh. As the value shown in the power of attorney was not a match for the construction purpose and its sale value, at least the value of the land as shown in the sale deed should have been adopted as the consideration for the power of attorney.

	After the case was reported to the department in December 2008 and Government in February 2009, the Government stated in June 2009 that in the referred document there is no mention about the transfer of property other than authorising the agent to do certain things and the document was clearly a power of attorney. The reply was not correct as the document was a power of attorney authorising the company to develop and construct multistoreyed buildings which are liable to stamp duty at conveyance rate.	
8.	<u>SRO, Karunagapally</u> October 2008	2.23 lakh
	A document comprising of 27.42 cent of land and building registered for a consideration of Rs. 2 lakh (land value Rs. 1.40 lakh) was seen undervalued when sold within four months for a consideration of Rs. 38 lakh (land value Rs. 20 lakh). The undervaluation in respect of landed property alone worked out to Rs 18.60 lakh.	
	After the case was pointed out, the sub registrar stated in October 2008 that the previous value cannot be assessed for the second transaction. The fact remains that the land value increased almost 14 times within a time span of four months for which no justification is recorded. Further, the matter has not been reported to the DR also. The matter was reported to the department in November 2008 and Government in March 2009; their reply has not been received (September 2009).	

4.4.1.4 During scrutiny of the records in sub registry office, Kattakkada in June 2008, it was noticed that two sale deeds for 50 cent each of land were registered vide two documents in April 2006. Another sale deed of 16 cent of land and building was executed vide another document in March 2006 with a consideration of Rs. 5.50 lakh for land and Rs. 14.50 lakh for building. All the three plots lie in a single site of 2.78 acre, in the same survey number and have same road access. The first two documents were reported as cases of under valuation, in comparison to the land value of the third document, by the SR fixing the value of land as Rs. 4.00 lakh. However, the land value of the first two documents when worked out at the rate conceded in the third document comes to Rs. 34.38 lakh. This resulted in under reporting of consideration by Rs. 30.38 lakh and consequent short levy of stamp duty and registration fees of Rs. 3.65 lakh.

After the case was pointed out in July 2008, the department stated in April 2009 that the document to which the undervalued documents were compared was heavily priced in order to get maximum loan from banks and the undervaluation reported was based on the guideline value fixed by the department. The reply was not correct as the guideline value was not acceptable as it was not fixed by the Government. In the absence of fixed fair value, undervaluation can be estimated based on the prevailing market value of the adjacent plot.

The matter was reported to the Government in February 2009; their reply has not been received (September 2009).

4.4.2 Short levy due to misclassification

Under the schedule attached to Kerala Stamp Act as amended by Kerala Finance Act 2007, if an agreement relating to giving authority or power to a

promoter or developer for construction, development or sale or transfer of any immovable property is executed, the same duty as a conveyance on the sale or the estimated cost of the proposed construction/development of such property may be recovered.

During scrutiny of records in the sub registry office, Tripunithura, in September 2008, it was noticed that out of a total extent of 122 cents of land, a power of attorney was executed, in respect of 103.950 cents of land paying stamp duty of Rs. 150 and registration fee of Rs. 50, vide a document, in order to develop the property, construct buildings in the property and to enter into agreements with persons interested in purchasing undivided share of the said property for constructing apartments/commercial spaces/offices. From the narration of the document it could be seen that the document was not a mere power of attorney but was giving power of attorney to the promoter for construction or development of immovable properties which came under the amended provision of 5(c). The value of the property was not set forth in the document. Further scrutiny of records revealed that the balance property of 18.050 cents of land was transferred by the executant of the power of attorney to his wife by a deed of settlement vide another document, for a consideration of Rs. 21 lakh i.e., at a rate of Rs. 1.16 lakh per cent. As the value of the estimated cost of the proposed construction/development was not mentioned in the first document, the property should have been valued at the rate conceded in the second document. Failure to do so resulted in short levy of stamp duty and registration fees of Rs. 14.51 lakh.

After the case was reported to the department in October 2008 and Government in February 2009, the Government stated in June 2009 that the document was authorising the agent to do certain things other than selling the property and was clearly a power of attorney and the donor was not authorising the agent to sell the property. The reply was not correct as the power of attorney conferred on the builder was to develop, arrange for parties to sell undivided right in the property and to fix the sale price, which would tantamount to construction/development. Moreover, the agent was a well known developer in the construction field. Further replies have not been received (September 2009).