सत्यमेव जयते

REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

ON

LOCAL SELF-GOVERNMENT INSTITUTIONS

FOR THE YEAR ENDED MARCH 2022

SUPREME AUDIT INSTITUTION OF INDIA

लोकहितार्थ सत्यनिष्ठा

Dedicated to Truth in Public Interest

Government of Kerala

Report No.4 of the year 2024

Presented to the Legislature on 11 July 2024

REPORT OF THE
COMPTROLLER AND AUDITOR GENERAL OF INDIA
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PREFACE

This Report for the year ended March 2022 is prepared for submission to the Governor of Kerala under Article 151(2) of the Constitution of India.

The Report contains significant results of the audit of the Panchayat Raj Institutions and Urban Local Bodies in the State including the departments concerned.

The issues noticed in the course of audit for the period 2021-22 as well as those issues which came to notice in earlier years but could not be dealt within the previous Reports are also included, wherever necessary.

The audit was conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.

OVERVIEW

OVERVIEW

This report comprises five chapters of which Chapter I and II contain an overview of organisation, devolution, accountability, finances and financial reporting issues of Local Self-Government Institutions (LSGIs) and comments arising from supplementary audit under the scheme for providing Technical Guidance and Supervision by the Comptroller and Auditor General of India. Chapter III, IV and V contains one performance audit, one subject-specific compliance audit and six compliance audit paragraphs. Copies of draft performance and compliance audits and other compliance audit paragraphs were forwarded to the Government and replies, wherever received, are duly incorporated in this report.

Accountability framework, finances and financial reporting issues of LSGIs

The amount spent on productive sector ranged from 9.55 *per cent* to 12.12 *per cent* during 2017-18 to 2021-22, indicating that the LSGIs assigned low priority to productive sector. Out of ₹3,443.60 crore available for implementation of Centrally Sponsored Schemes, substantial portion of the funds amounting to ₹1,424.66 crore (41.37 *per cent*) was lying unspent with State Level Nodal Agency/Poverty Alleviation Units, thereby defeating the purpose for which the funds were earmarked and released by Government of India/Government of Kerala. Out of ₹3,023.90 crore released towards Central Finance Commission grant during 2021-22, ₹1,678.43 crore (55.51 *per cent*) remained unutilised.

(Chapters I and II)

Performance Audit on Assessment, levy, collection and accounting of property tax in Urban Local Bodies

Sections 230 to 233 of the Kerala Municipality Act, 1994 empowered the Urban Local Bodies (ULBs) to levy property tax on all buildings, including the land appurtenant thereto, situated within the jurisdictional area of Corporations and Municipalities. Property tax is a major source of revenue of the Corporations and Municipalities in the State and constitutes about 48.28 *per cent* of their own revenue. In test-checked ULBs, the share of property tax in own revenue ranged from 23.32 *per cent* to 69.18 *per cent* from 2017-18 to 2021-22. A Performance Audit on the assessment, levy, collection and accounting of Property tax in ULBs revealed shortcomings in assessment, levy, collection and accounting of property tax.

The Municipal Act/Rules did not have clear provisions mandating regular enumeration of properties, resulting in the ULBs not possessing a list of entire buildings that could be assessed to property tax. Undue delay in completing digitisation of the database denied the ULBs of opportunity to reap full benefits of technological advancements. Serviced apartments were treated as residential buildings, resulting in short collection of tax. Property tax was not being collected from Self-financing colleges. Similarly, many GOI/BSNL buildings were not being assessed to service charge/property tax by several ULBs. Though ULBs were eligible to collect service cess since they were providing services, certain ULBs did not avail of this option to increase their revenue. Substantial amount of tax remained uncollected in the test checked ULBs. On an average only 43 *per cent* and 69 *per cent* of property tax demanded was collected by Municipal Corporations and Municipalities respectively. Audit noticed failure/delay on the part of GoK and ULBs in timely revision and adoption of rates of property tax. Inadequacy of input control in sanchaya software resulted in short demand of property tax by ULBs. There was failure on the part of ULBs in detecting unassessed and unauthorised constructions.

(Chapter III)

Subject-Specific Compliance Audit

Audit identified a compliance issue based on risk factors and topical importance for conduct of regularity audit in addition to conduct of regular propriety audit. Significant deficiencies noticed during audit are detailed below:

Implementation of Deen Dayal Upadhyaya Grameen Kaushalya Yojana

The Ministry of Rural Development (MoRD) of Government of India (GoI) introduced (September 2014) a youth employment scheme, Deen Dayal Upadhyaya Grameen Kaushalya Yojana (DDU-GKY) with an aim to impart skills to rural youth aged 15 to 35 from poor families and provide them with jobs earning regular monthly wages. Government of India provides 60 *per cent* of the project cost and the remaining 40 *per cent* is borne by the State Government. Kudumbashree implemented DDU-GKY in September 2014. During 2014-2022, Kudumbashree trained and placed 61,459 and 35,741 candidates respectively.

On checking the records related to placement and other aspects, audit found that 32 *per cent* of the placement claimed by Kudumbashree was false and fabricated. Audit could not draw any assurance regarding the satisfactory achievement of training and placement, as multiple suspected frauds were observed in the course of audit. The Project Implementing Agencies (PIAs) manipulated the weakness in the system, resulting in extension of undue financial benefits to private players.

Various instances of fraud like forged bank statements, round tripping of money, presenting own staff as trainee candidates, etc. revealed ineffectiveness of internal controls in Kudumbashree. The PIAs involved in fraudulent practices were found to be awarded projects worth ₹28.23 crore.

Audit noticed awarding of projects worth ₹23.99 crore to ineligible PIAs and sanctioning of projects worth ₹12.26 crore in excess of eligibility, resulting in undue pecuniary benefits to PIAs.

(Chapter IV)

Other Compliance Audit Paragraphs

Audit of financial transactions subjected to test check in various LSGIs revealed instances of misappropriation/fraud, unfruitful expenditure, non/short realisation and other irregularities as mentioned below:

Misappropriation/fraud

Lack of exercise of due care in ascertaining the genuineness of beneficiaries and in overseeing the mode of implementation of a loan-linked project by Thiruvananthapuram Municipal Corporation resulted in misappropriation of ₹5.79 crore through release of subsidy amount to persons who had not availed any loans.

(Paragraph 5.1)

Unfruitful expenditure

Defective planning and lack of feasibility study by District Panchayat, Kasaragod and the Project Officer, District Khadi and Village Industries Office, rendered expenditure of ₹44.01 lakh incurred on the purchase of 45 new looms for installation in Khadi weaving centres in the district infructuous.

(Paragraph 5.2)

Non/short realisation

Failure in adopting maximum permissible Floor Area Ratio of the most restrictive occupancy while calculating permit fee of a multiple occupancy building led to short realisation of ₹39.57 lakh by Thrissur Municipal Corporation.

(Paragraph 5.3)

Regularity issues

Non-compliance to eligibility conditions stipulated in Guidelines for release of Technology Fund by Kudumbashree Mission resulted in selection of ineligible micro enterprises to whom Technology Fund amounting to ₹1.07 crore was released. Failure in adhering to prescribed financial limit for sanctioning of projects by the District Mission Coordinators in Malappuram and Thiruvananthapuram resulted in ineligible release of ₹11.50 lakh to three Self Help Groups.

(Paragraph 5.4)

Irregular inclusion of components in the unit price of RO water purifiers purchased by a micro enterprise unit of Kudumbashree resulted in loss of ₹41.85 lakh from the own funds of Thiruvananthapuram Corporation. Further, idling/non-installation of water purifiers supplied to schools led to unfruitful expenditure of ₹4.28 lakh in 14 test-checked schools.

(Paragraph 5.5)

The Executive Director, Kudumbashree released ₹95 lakh to Marari Marketing Limited from ₹one crore of Corporate Social Responsibility (CSR) Fund received from Kerala State Financial Enterprises, which was utilised for purchase of raw materials, as against ₹10 lakh permissible as per Kudumbashree's proposal for CSR fund. Further, an interest free loan of ₹40 lakh released subsequently by Kudumbashree, to help the company overcome its adverse financial situation remains to be repaid.

(Paragraph 5.6)

CHAPTER I

ORGANISATION, DEVOLUTION AND ACCOUNTABILITY FRAMEWORK OF LOCAL SELF-GOVERNMENT INSTITUTIONS

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ORGANISATION, DEVOLUTION AND ACCOUNTABILITY FRAMEWORK OF LOCAL SELF-GOVERNMENT INSTITUTIONS

1.1 Introduction

The Seventy-third and Seventy-fourth amendments of the Constitution of India gave constitutional status to Local Self-Government Institutions (LSGIs) and established a system of uniform structure, regular elections and flow of funds. Consequent to these amendments, the State Legislature passed the Kerala Panchayat Raj Act, 1994 (KPR Act) and the Kerala Municipality Act, 1994 (KM Act) to enable LSGIs to work as third tier of the Government. The Government also amended other related laws to empower LSGIs. As a follow-up, the Government entrusted LSGIs with such powers, functions and responsibilities as to enable them to function as institutions of self-government. In order to fulfill the mandate bestowed on them under the Constitution and various laws, LSGIs are required to prepare plans and implement schemes for economic development and social justice, including those listed in the Eleventh and Twelfth Schedules of the Constitution.

1.2 Authority for Audit

The authority for audit by the Comptroller and Auditor General of India (C&AG) is derived from Articles 149 and 151 of the Constitution of India and the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 (C&AG's (DPC) Act). The principles and methodologies of various types of audit are prescribed in the Auditing Standards and the Regulations on Audit and Accounts, issued by the C&AG.

1.2.1 Status of transfer of functions and functionaries

As per the provisions of KPR Act and KM Act, it shall be the duty of LSGIs to take care of the requirements of the areas of their jurisdiction in respect of the matters enumerated in the respective Schedules of the Acts, and LSGIs shall have the exclusive power to administer the matters enumerated in the Schedules and to prepare and implement schemes relating thereto for economic development and social justice.

The Acts envisaged transfer of functions of various departments of the Government to LSGIs, together with the staff to carry out the functions transferred. The transfer of functions to different tiers of LSGIs was to be done in such a way that none of the functions transferred to a particular tier overlap with that of the other.

The Eleventh Schedule of the Constitution contains 29 functions (**Appendix 1.1**) pertaining to the Panchayat Raj Institutions (PRIs). As mandated by KPR Act, the Government transferred (September 1995) 26 of these functions to PRIs. The functions relating to minor forest produce, distribution of electricity and implementation of land reforms were yet to be transferred to PRIs. Likewise, the Twelfth Schedule of the Constitution includes 18 functions (**Appendix 1.2**) pertaining to Urban Local Bodies (ULBs). Government stated (February 2023) that all functions except regulation of land use and construction of buildings, water supply for domestic, industrial and commercial purposes, fire services and urban forestry, protection of the environment and promotion of ecological aspects have been transferred to ULBs. However, many of the schemes relating to the transferred functions, to be executed by LSGIs, were also seen implemented in a parallel manner by the departments concerned.

Besides the transferred subjects and activities, LSGIs also undertake agency functions on behalf of both Central and State Governments to implement developmental programmes.

As part of administrative or functional decentralisation, Government transferred public service delivery institutions such as schools, dispensaries, public health centres, hospitals, anganwadis, district farms, veterinary institutions, etc. to LSGIs. All poverty alleviation programmes and welfare pension schemes are also implemented through LSGIs.

For efficient discharge of transferred functions, the LSGIs require qualified and trained personnel. Against the required number of personnel to be deployed in 1,302 posts, Government of Kerala (GoK) created (February 2013) 990 posts in Grama Panchayats by keeping these posts in departments as supernumerary. Of the remaining 312 posts only 234 personnel were deployed (October 2022). Social Justice, Scheduled Caste Development and Scheduled Tribes Development departments have not deployed[1] any personnel to LSGIs (October 2022). Audit noticed that against the additional posts allotted by GoK in July 2000, there was a shortage of 56 personnel in Block Panchayats, 40 in Municipalities, 15 in District Panchayats and 10 personnel in Corporations.

1.3 Profile of LSGIs

As of December 2021, there were 1,200 LSGIs in the State. The details of their wards/divisions and population are presented in **Table 1.1**.

Table 1.1: Comparative position of LSGIs

Level of LSGIs	Number	Number of wards/ divisions	Average population* per LSGI
District Panchayats (DPs)	14	331	1903357
Block Panchayats (BPs)	152	2080	175309
Grama Panchayats (GPs)	941	15962	26674
Municipal Corporations	6	414	491240
Municipalities	87	3113	51664
Total	**1200**	**21900**	**-**

** Population figures- Census 2011*
Source: Thaddesakam 2022 published by Local Self Government Department

[1] The number of personnel to be deployed: Social Justice-26, Scheduled Caste Development-18 and Scheduled Tribes Development-6

1.4 Organisational set up

Local Self-Government Institutions constituted in rural and urban areas are referred to as Panchayat Raj Institutions (PRIs) and Urban Local Bodies (ULBs) respectively. In the three-tier[2] Panchayat Raj system in the State, each tier functions independently of the other. While the Constitution and the Acts confer autonomy and independent status to the LSGIs within the functional domain, the Local Self Government Department (LSGD) of Government is empowered to issue general guidelines to LSGIs in accordance with the National and State policies.

The President/Chairperson/Mayor is the Chief Executive Head of Grama Panchayat/Municipality/Corporation respectively. Each LSGI has a Secretary who is the Chief Executive Officer. The members of each tier of PRIs elect the President, Vice-President and Chairpersons of the Standing Committees. Similarly, Councillors of the Municipality/Municipal Corporation elect the Chairperson/Mayor, Vice-Chairperson/Deputy Mayor and Chairpersons of the Standing Committees.

Government in October 2022 integrated five services under LSGD viz., Panchayat, Rural Development, Urban Affairs, Town and Country Planning Department and Local Self Government Engineering wing and Municipal Common Service and formed LSGD Common Service with Principal Director (LSGD) as its head. The Commissionerate of Rural Development, Directorate of Panchayats and Directorate of Urban Affairs were merged and formed two wings *viz*., Directorate of LSGD (Rural) and Directorate of LSGD (Urban). The LSGD Engineering Wing was renamed as Local Infrastructure Development and Engineering Wing and the Town and Country Planning Wing as LSGD Planning Wing.

1.4.1 Standing Committees

Standing Committees[3] (SCs) analyse issues and proposals before they are considered for decision by the Panchayat Committees/Municipal Councils. There are four SCs for each Grama Panchayat and Block Panchayat, five for each District Panchayat, six for each Municipality and eight for each Corporation. The SCs have the power to make resolutions in respect of their subjects. Every resolution passed by the SCs needs to be placed in the next meeting of the Panchayat Committee/Municipal Council of the LSGIs. The Committee/Council can modify resolutions, if considered necessary.

1.4.2 Steering Committee

Steering Committee coordinates and monitors the working of SCs. The Steering Committee consists of the President/Chairperson, Vice-President/Deputy Chairperson of the LSGIs concerned and Chairpersons of the SCs.

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[2] Grama Panchayat, Block Panchayat and District Panchayat.

[3] Standing committee consists of members elected by the elected members of the LSGIs from among themselves.

1.4.3 Plan formulation process by LSGIs

Consequent on 73rd and 74th amendments to the Constitution and enactment of KPR and KM Acts in 1994, LSGIs have assumed an important role in the formulation and implementation of developmental programmes at the grassroots level which involve active participation of all sections of people in the form of Grama/Ward Sabhas, Working Groups (WGs) and Development Seminars for the overall development of LSGIs. Every year LSGIs have to prepare a development plan for the succeeding year, adhering to the guidelines issued by the Government, and submit the plan to the District Planning Committee (DPC) for approval. In the decentralised planning set-up, WGs, Ward Sabhas/Ward Committees, SCs, DPCs and Implementing Officers are the institutions/groups involved in the plan formulation process and its implementation.

1.5 Vigilance Mechanism

1.5.1 Ombudsman for LSGIs

As envisaged in Section 271G of KPR Act, 1994, Government set up an Ombudsman for LSGIs in the State in the year 2001. The Ombudsman is a high powered quasi-judicial authority which can conduct investigation and inquiries in respect of charges of any action involving corruption, maladministration or irregularities in discharge of administrative function by LSGIs, officials and elected representatives of the LSGIs. Ombudsman could even register cases *suo moto*, if instances of the above kind are noticed. During the period 2021-22, out of 2,730 cases (including 1,996 old cases), 733 cases were disposed off by Ombudsman.

1.5.2 Tribunal for LSGIs

As envisaged in Section 271S of KPR Act, 1994 and Section 509 of KM Act, 1994, a judicial tribunal for LSGIs was set up in the State in February 2004, consisting of one Judicial Officer in the rank of a District Judge. The duty of the Tribunal is to consider and settle appeals and revisions by the citizens against decisions of LSGIs taken in exercise of their functions like assessment, demand and collection of taxes or fees or cess, issue of licences, grant of permits, etc.

During 2015 to 2022, 3,246 cases (appeal, revision and reference) were filed before the Tribunal, out of which 2,573 cases were pending for disposal. Of the pending cases, 2,352 cases (March 2022) were related to the years 2015 to 2021.

CHAPTER II

FINANCES AND FINANCIAL REPORTING ISSUES OF LOCAL SELF-GOVERNMENT INSTITUTIONS

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2.1 Financial Profile of LSGIs

2.1.1 Funds flow to LSGIs

The resources of LSGIs consist of own revenue such as tax and non-tax revenue, funds devolved by State Government, Government of India (GoI) grants, and loans from financial institutions. During 2021-22, out of the total funds available with LSGIs, State grants constituted 57 *per cent*, GoI grants constituted 35 *per cent* and own funds including loans constituted eight *per cent*.

2.1.1.1 Resources: Trends and Composition

The composition of resources of LSGIs for the period 2017-18 to 2021-22 is given in **Table 2.1**.

Table 2.1: Time series data on resources of LSGIs

(₹ in crore)

Resources	2017-18	2018-19	2019-20	2020-21	2021-22
Own Revenue: (i) Tax Revenue	1356.47	1382.87	1228.81	1239.02	1246.39
(ii) Non –Tax revenue	300.44	288.90	275.22	342.62	357.08
Total Own Revenue	**1656.91**	**1671.77**	**1504.03**	**1581.64**	**1603.47**
State Fund: (i) Traditional Functions	1364.67	2674.67	1635.69	1721.78	1959.53
(ii) Maintenance Fund (Road Assets and Non-Road Assets)	2265.33	2347.07	2746.49	2943.83	3290.05
(iii) Expansion and Development	4870.18	5324.01	5168.85	5466.24	5038.34
(iv) Funds for State Sponsored Schemes and State share of Centrally Sponsored Schemes	6227.55	4059.26	1657.49	2575.93	1397.05
Total State Fund	**14727.73**	**14405.01**	**11208.52**	**12707.78**	**11684.97**
GoI grants: (i) Centrally Sponsored Schemes	2632.10	3612.01	4005.88	4678.55	4174.02
(ii) Development and expansion	1793.92	1739.56	2040.51	3549.79	3023.90
Total GoI grant	**4426.02**	**5351.57**	**6046.39**	**8228.34**	**7197.92**
Receipts from loans and other sources: Loans	24.78	1623.14	1045.54	403.80	168.42
Total Receipts	**20835.44**	**23051.49**	**19804.48**	**22921.56**	**20654.78**

(Source: Information Kerala Mission (Details of Own Revenue), State Finance Commission Cell, Commissionerate of Rural Development, Kerala Urban and Rural Development Finance Corporation (KURDFC), Kerala State Poverty Eradication Mission (Kudumbashree))

- During 2021-22, of the total receipts, the percentage share of State, Central, Own revenue and loans and receipts from other sources was 56.57 *per cent*, 34.85 *per cent*, 7.76 *per cent* and 0.82 *per cent* respectively.
- The share of GoI grant to total receipts increased from 21.24 *per cent* in 2017-18 to 34.85 *per cent* in 2021-22.

- The share of State grants to total receipts ranged from 55.44 *per cent* to 70.69 *per cent* during 2017-18 to 2021-22.

2.1.1.2 Transfer of funds from Government to LSGIs

(i) The State Government provides three types of funds to LSGIs from the Consolidated Fund *viz*., grants, funds for State Sponsored Schemes and State share of Centrally Sponsored Schemes (CSSs). Appendix IV to the Detailed Budget Estimates of the Government gives the LSGI-wise allocation of funds. The Heads of Account in the Detailed Budget Estimates for drawal of funds from the Consolidated Fund, along with the releases made during 2021-22, are given in **Table 2.2**.

Table 2.2: Categories of funds and their allotment to LSGIs

Sl. No.	Category	Major Head of Account from which Budget Provision is allotted	Amount allotted during 2021-22 (₹ in crore)	Allotment mechanism
1	Grants[4]	3604 - Compensation and Assignments to Local Bodies and Panchayat Raj Institutions	8267.42	All the grants are drawn directly from Consolidated fund based on allotment.
		3054 - Roads and Bridges	2020.50	
Total			**10287.92**	
2	State Sponsored Schemes	12 Major Heads	791.88[5]	Routed through State Level Nodal Agencies[6]/ Commissionerate of Rural Development
3	State share of CSSs	3 Major Heads[7]	605.17	
Grand total			**11684.97**	

(Source: Government Orders, Voucher Level Computerisation figures, details furnished by State Mission Management Unit (SMMU) AMRUT, Kudumbashree, Commissionerate of Rural Development)

The total fund allotted by the State Government for 2021-22 was ₹11,684.97 crore as against ₹12,707.78 crore allotted during 2020-21, a decrease of 8.05 *per cent*. The allotment of funds towards State Sponsored Schemes and State share of CSSs for 2020-21 were ₹1,518.27 crore and ₹1,057.66 crore respectively. Audit noticed a decrease of 47.84 *per cent* in allotment of funds towards State Sponsored Schemes and a decrease of 42.78 *per cent* in allotment of State share of CSSs. Government did not offer any reasons for the decline in allotment of funds.

(ii) **Table 2.3** gives the details of funds allotted by the State Government under various categories[8] during 2021-22.

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4 General Purpose Fund, Maintenance Fund (Non-Road), Development Fund.
5 Net Budget figure
6 Kudumbashree and AMRUT.
7 Urban Development, Special Programmes for Rural Development, other Rural Development programmes
8 Excluding funds for State Sponsored Schemes and State share of Centrally Sponsored Schemes

Table 2.3: Funds allotted by State Government under different categories during 2021-22

(₹ in crore)

Type of LSGIs	Development Fund	Maintenance Fund	General Purpose Fund	Total
Corporations	613.15	260.40	169.98	1043.53
Municipalities	523.88	373.17	243.90	1140.95
District Panchayats (DPs)	657.80	681.96	60.23	1400.00
Block Panchayats (BPs)	650.44	135.40	85.67	871.51
Grama Panchayats (GPs)	2593.06	1839.12	1399.75	5831.93
Total	**5038.33**	**3290.05**	**1959.53**	**10287.92**

(Source: Details furnished by State Finance Commission Cell)

Audit observed the following deficiencies in the allotment and utilisation of Government funds:

- ***Delayed allotment of funds***

  The sanction for allotment of funds for a financial year would be issued by the State Finance Commission (SFC) cell in three instalments on or before 25 of March, July and November every year and the LSGIs can utilise the funds with effect from the first working day of the next month. The funds not drawn upto 31 March of a financial year will lapse automatically. Audit observed that there was delay upto 67 and 93 days in the allotment of Development funds and Maintenance funds respectively during 2021-22. Delayed release of funds reduces the time available to LSGIs for utilising these funds. Out of the total allotment of ₹8,328.38 crore towards Development and Maintenance funds, ₹1,556.12 crore (18.68 *per cent*) lapsed at the end of the financial year.

- ***Non-authorisation of unspent balance***

  As per the revised guidelines (March 2015), for drawal of funds by LSGIs from the Consolidated Fund, the allotted fund not drawn by 31 March of a particular year, shall be provided through additional authorisation/ Supplementary Demands for Grants along with the second allotment in July of the subsequent year, based on the consolidated figures furnished by the Director of Treasuries. Audit observed that total unspent balance in the Development Fund, Maintenance Fund and Fifteenth Central Finance Commission (CFC) Grant for the period 2020-21 was ₹2,993.41 crore as on 31 March 2021. Out of this, an amount of ₹1,396.45 crore (46.65 *per cent*) only was re-authorised by Government as of March 2022. Only 41.41 *per cent* of the Development Fund and 47.88 *per cent* of the CFC Grant was re-authorised during 2021-22. Government response to the above aspects is awaited (December 2023).

(iii) The funds released to LSGIs for implementation of annual plans along with the State Plan outlay for the period 2017-18 to 2021-22 are given in **Table 2.4**.

Table 2.4: State Plan outlay *vis-à-vis* Development Fund[9] of LSGIs

(₹ in crore)

Year	State Plan Outlay	Development Fund released to LSGIs	Percentage of Development Fund of LSGIs to State Plan Outlay
2017-18	26500.00	4653.02	17.56
2018-19	29150.00	5311.00	18.22
2019-20	30610.00	5164.63	16.87
2020-21	27610.00	4668.99	16.91
2021-22	27610.00	4826.00	17.48
Total	**141480.00**	**24623.64**	

(Source: Budget documents and Government Orders)

Development Fund devolved to LSGIs constituted 17.48 *per cent* of the State Plan outlay for the year 2021-22. Audit observed that the Sixth State Finance Commission had recommended for allocation of 26 *per cent* of the State Plan Outlay towards Development Fund during 2021-22. Though GoK included CFC Grant also in the Development Fund to achieve the prescribed percentage, the total allocation including CFC grant was 24.60 *per cent* only. Government replied (April 2023) that the shortage in allocation was due to short release of CFC grant by GoI. The reply is not acceptable, as Government could have increased the share of Development Fund to achieve the prescribed percentage, thereby contributing enhanced share of funds towards activities of development and expansion in LSGIs.

2.1.1.3 Receipts from GoI

The category-wise release of funds by GoI during 2020-21 and 2021-22 are given in **Table 2.5**.

Table 2.5: Category-wise release of GoI fund

(₹ in crore)

Sl. No.	Category	2020-21	2021-22
1	Fifteenth Finance Commission grant	3549.79	3023.90[10]
2	Centrally Sponsored Schemes	4678.55	4174.02
	Total	**8228.34**	**7197.92**

(Source: Government Orders, Voucher Level Computerisation figures, details furnished by AMRUT, Kudumbashree, Commissionerate of Rural Development)

Audit observed a decrease of ₹1,030.42 crore in release of funds in 2021-22 under the above categories, when compared to 2020-21. In addition to ₹4,174.02 crore released in 2021-22, GoI had released ₹103.64 crore towards Centrally Sponsored Schemes *viz*., Smart City and Swachh Bharat Mission (Urban). However, GoK did not release this amount during 2021-22. Audit noticed a delay of 100 to 144 days in releasing the amount to State Level Nodal Agencies, for which reasons were not furnished.

GoI grant for implementation of Centrally Sponsored Schemes

During 2021-22, GoI provided grants amounting to ₹4,174.02 crore to LSGIs for implementation of 11 Centrally Sponsored Schemes (CSSs). The grants were provided to LSGIs through State Budget, except in the case of wages to workers in Mahatma Gandhi National Rural Employment Guarantee Scheme.

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[9] Excluding CFC Grant

[10] Basic Grant – ₹822.77 crore, Tied Grant – ₹1,774.00 crore, Health Sector Grant – ₹427.13 crore

The details of GoI grants transferred to LSGIs for implementation of CSSs during 2021-22 are given in **Table 2.6**.

Table 2.6: Release of GoI Grant for Centrally Sponsored Schemes during 2021-22

Sl. No.	Authority/Agency through which the Grant was released	Details of Scheme	Amount (₹ in crore)
1.	State Budget	Atal Mission for Rejuvenation and Urban Transformation (AMRUT)	205.89
		Rashtriya Gram Swaraj Abhiyan (RGSA)	12.00
		Swachh Bharath Mission (Gramin)	1.70
2.	Directly to State Level Nodal Agencies (Kudumbashree)	Start-up Village Entrepreneurship Programme (SVEP) Phase V	8.24
		Deendayal Antyodaya Yojana-National Rural Livelihoods Mission	92.62
		Deendayal Antyodaya Yojana-National Urban Livelihoods Mission	29.45
		Pradhan Mantri Awas Yojana-Urban (PMAY-U)	222.13
3.	Directly to Poverty Alleviation Unit (Commissionerate of Rural Development)	Pradhan Mantri Krishi Sinchai Yojana (PMKSY)	5.46
		National Rurban Mission(NRuM)	0.35
		Administrative cost for District Rural Development Agencies	3.81
4.	By online transfer to the Joint Bank Account of District Programme Coordinator and Joint Programme Coordinator	Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS)	3592.37
Total			**4174.02**

(Source: Details furnished by Kudumbashree, Commissionerate of Rural Development, Suchitwa Mission, Directorate of Panchayats, Directorate of Urban Affairs)

In addition to the GoI grants of ₹4,174.02 crore, the State Government provided ₹605.17 crore as its share, for implementation of CSSs. Thus, the total fund received for implementation of CSSs during 2021-22 was ₹4,779.19 crore as against ₹5,736.21 crore during 2020-21.

2.1.1.4 Own funds of LSGIs

Own funds consist of tax[11] and non-tax[12] revenue collected by LSGIs as per provisions in Kerala Panchayat Raj Act, 1994 (KPR Act)/Kerala Municipality Act, 1994 (KM Act) and allied Acts. This category also includes income derived from assets of LSGIs, beneficiary contributions, earnest money deposits, retention money, etc. As per the details furnished by Information Kerala Mission (IKM), Own revenue of 1,200 LSGIs for 2021-22 amounted to ₹1,603.47 crore (tax revenue - ₹1,246.39 crore and non-tax revenue - ₹357.08 crore), as against ₹1,581.64 crore in 2020-21.

[11] Property tax, Profession tax, Entertainment tax, Advertisement tax, etc.
[12] Licence fee, Registration fee, etc.

2.1.1.5 Loans availed by LSGIs

As per provisions of Kerala Local Authorities Loans Act, 1963, LSGIs raise loans from State Government, KURDFC[13], Co-operative Banks, HUDCO[14], etc. **Table 2.7** gives the details of loans availed by LSGIs during 2021-22.

Table 2.7: Loans availed by LSGIs during 2021-22

(₹ in crore)

Source of loan	Loan availed during 2021-22	Loan outstanding[15] as on 31 March 2022
State Government	Nil	225.51
KURDFC	168.42	2675.36
Kerala Bank	Nil	68.78
HUDCO	Nil	12.43
Co-operative Societies	Nil	63.62
Total	**168.42**	**3045.70**

(Source: Details furnished by KURDFC, Kerala Bank, HUDCO, Registrar of Co-operative Societies)

Of the ₹3,045.70 crore loan outstanding, ₹2,604.33 crore pertains to loan availed by local bodies for funding LIFE Mission projects.

2.1.1.6 Application of Resources: Trends and Composition

In terms of activities, total expenditure constitutes expenditure on Productive Sector, Infrastructure Sector, Service Sector and other expenditure[16]. As per the details obtained from IKM, the total development expenditure incurred by LSGIs during 2021-22 amounted to ₹10,108.05 crore.

Table 2.8 shows the composition of application of resources of LSGIs from all sources of funds on these components for the period from 2017-18 to 2021-22.

Table 2.8: Application of resources

(₹ in crore)

Sector	2017-18	2018-19	2019-20	2020-21	2021-22	Total
Productive Sector	955.98	1029.78	714.55	1324.08	1105.58	5129.97
Infrastructure Sector	3096.48	3141.18	2018.61	4485.14	2769.45	15510.86
Service Sector	3837.01	5843.66	4749.73	5940.84	6233.02	26604.26
Total Development Expenditure	**7889.47**	**10014.62**	**7482.89**	**11750.06**	**10108.05**	**47245.09**

(Source: Details furnished by IKM)

- During 2021-22, of the total development expenditure of ₹10,108.05 crore from all sources of fund, percentage of expenditure on productive sector, infrastructure sector and service sector was 10.94 *per cent*, 27.40 *per cent*, 61.66 *per cent* respectively.
- The amount spent on productive sector ranged from 9.55 *per cent* to 12.12 *per cent* during 2017-18 to 2021-22, indicating that the LSGIs assigned low priority to productive sectors like Agriculture, Animal Husbandry, Fisheries, Industries, etc.

Government response to the above is awaited (December 2023).

[13] Kerala Urban and Rural Development Finance Corporation Limited
[14] Housing and Urban Development Corporation Limited.
[15] Including interest
[16] Salaries and honorarium, contingency expenditure, other administrative expenditure, terminal benefits, etc.

2.1.1.7 Public investment through major Centrally Sponsored Schemes

Public investment through major CSSs are made to LSGIs through State Level Nodal Agencies (SLNAs) *viz.*, Kudumbashree, Atal Mission for Rejuvenation and Urban Transformation (AMRUT), Suchitwa Mission, Smart City, Commissionerate of Rural Development (CRD), etc. The grants for CSSs enjoin upon sanctioning authorities the responsibility to ensure proper utilisation of grant money.

Out of ₹3,443.60 crore[17] available for implementation of CSSs, substantial portion of the funds amounting to ₹1,424.66 crore (41.37 *per cent*) was lying unspent with agencies *viz.*, Smart City (₹474.82 crore), Kudumbashree (₹410.74 crore), AMRUT (₹294.40 crore), CRD (₹177.82 crore), Suchitwa Mission (₹60.09 crore), etc., thereby defeating the purpose for which the funds were earmarked and released.

Government response to the above is awaited (December 2023).

2.1.2 Implementation of projects by LSGIs

Under decentralised planning, LSGIs in the State formulated 1,88,011 projects with a total outlay of ₹15,327.49 crore during 2021-22. Of these, the LSGIs had taken up 1,40,020 projects (74.47 *per cent*) for implementation and spent ₹8,040.92 crore on the projects. Of the projects taken up for implementation, only 1,05,026 projects (75.01 *per cent*) were completed during 2021-22 at a cost of ₹5,542.97 crore. The details are given in **Table 2.9**.

Table 2.9: Details of projects taken up and expenditure incurred during 2021-22

Type of LSGI	Number of projects			Amount (₹ in crore)			
	Formu-lated	Taken up	Comple-ted	Outlay of projects formulated	Expen-diture on projects taken up	Expenditure on completed projects	Percentage of expenditure on projects taken up to total outlay of projects formulated
Grama Panchayat	144715	110352	83449	9874.68	5048.72	3370.24	51.13
Block Panchayat	13715	11142	7914	1361.28	788.32	549.64	57.91
District Panchayat	6940	3714	2566	1505.44	836.19	597.25	55.54
Municipality	18335	12270	9144	1479.83	840.00	607.12	56.76
Corporation	4306	2542	1953	1106.26	527.69	418.72	47.70
Total	**188011**	**140020**	**105026**	**15327.49**	**8040.92**	**5542.97**	**52.46**

(Source: Details furnished by IKM)

- Of the 1,88,011 projects formulated, only 1,05,026 projects (55.86 *per cent*) could be completed during the year indicating that local bodies formulated projects much higher in number than their administrative capacity.
- Out of ₹7,050.46 crore allocated, only ₹5,542.97 crore (78.62 *per cent*) was expended towards completed projects indicating that estimates of projects were prepared allocating amounts much higher than actual requirement.

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[17] Does not include Central share of MGNREGS released directly to beneficiaries towards unskilled wages

- With reference to the outlay of projects formulated, the percentage of utilisation of fund was only 52.46 *per cent*. The shortfall in implementation of projects was noticed mainly in Corporations.
- Out of ₹3,023.90 crore released towards CFC grant during 2021-22, ₹1,678.43 crore (55.51 *per cent*) remained unutilised.
- Out of ₹3,290.05 crore released towards Maintenance grant during 2021-22, ₹1,043.93 crore (31.73 *per cent*) remained unutilised.

Government response to the paragraph is awaited (December 2023).

2.1.3 Misappropriation, loss, defalcation, etc.

The Kerala Financial Code stipulates that each Drawing and Disbursing Officer should report all cases of loss, theft or fraud to the Principal Accountant General and the Government. The Government is required to recover the loss, fix responsibility and resolve systemic deficiency, if any. A consolidated statement of the details of misappropriations, loss, theft and fraud was not available with the Government.

Table 2.10 shows the details of misappropriation/defalcation reported to the Director of Urban Affairs, Commissioner of Rural Development, Director of Panchayats, Executive Director of Kudumbashree and LSGD.

Table 2.10: Misappropriation, loss, defalcation

Name of LSGIs/Agency	Amount (₹ in lakh) (Number of cases)					Total
	2017-18	2018-19	2019-20	2020-21	2021-22	
Corporations	0	8.40 (3)	12.59 (6)	26.64 (4)	3.70 (3)	51.33 (16)
Municipalities	2.23 (1)	1.51 (1)	2.16 (3)	0	2.76 (2)	8.66 (7)
District Panchayats	3464.36 (5)	7112.04 (7)	75.58 (4)	0	Not Available	10651.98 (16)
Block Panchayats	0	4.42 (3)	0	0	6.84 (1)	11.26 (4)
Grama Panchayats	5.90 (2)	0	0	15.16 (2)	0	21.06 (4)
Kudumbashree Community Development Societies	28.24 (4)	2.99 (2)	3.33 (3)	9.22 (7)	70.37 (5)	114.15 (21)
Total						**10858.44 (68)**

(Source: Details furnished by Directorate of Urban Affairs, Commissionerate of Rural Development, Kudumbashree, Directorate of Panchayats and LSGD)

2.1.4 Surcharge and Charge imposed by the Kerala State Audit Department

Section 16(1) of Kerala Local Fund Audit Act, 1994 empowers the Kerala State Audit Department (KSAD) to disallow any illegal payment and surcharge the person making or authorising such illegal payment. The KSAD can also charge any person responsible for the loss or deficiency of any sum which ought to have been recovered.

From 2019-20 to 2021-22 KSAD issued 10 Charge Certificates for ₹3.26 lakh and 83 Surcharge Certificates for ₹94.52 lakh. Against the total charge/ surcharge amount of ₹97.78 lakh, only ₹6.41 lakh was realised (6.56 *per cent*), leaving ₹91.37 lakh unrealised.

2.2 Results of Supplementary Audit

As per Rule 62(5) of the Kerala Panchayat Raj (Accounts) Rules, 2011 and as per Rule 58(5) of Kerala Municipality (Accounts) Rules, 2007, the PRIs/ULBs shall prepare Annual Financial Statements (AFS) containing Receipt and Payment Statement, Balance Sheet and Income and Expenditure Statement and forward them to the Director, KSAD after approval by the Panchayat Committee/ Municipal Council not later than 15 May and 31 May respectively of the succeeding year.

According to Kerala Local Fund Audit Act, 1994, LSGIs should present their accounts to KSAD by 31 July of the succeeding year. KSAD should complete audit of the accounts within six months of receipt of the accounts and issue Audit Report within three months of the date of completion of audit. KSAD received accounts pertaining to the year 2021-22 from all the LSGIs by 31 July 2022. Of the 1,200 accounts received, Audit Reports were issued in respect of 1,112 accounts (April 2023).

Supplementary audit under Section 20(1) of the Comptroller and Auditor General of India's (Duties, Powers and Conditions of Service) Act, 1971, in respect of the audited accounts of 65 LSGIs was conducted during 2021-22. Audit noticed the following deficiencies:

(i) As per Rule 62(3) of the Kerala Panchayat Raj (Accounts) Rules, 2011 and Rule 58(3) of the Kerala Municipality (Accounts) Rules, 2007, comparative amounts for the preceding year shall be entered in the Financial Statements. The AFS of one Municipality, three BPs and 42 GPs did not contain the comparative amounts (**Appendix 2.1**).

(ii) As per Rule 62(2) of the Kerala Panchayat Raj (Accounts) Rules, 2011 and Rule 58(2) of the Kerala Municipality (Accounts) Rules, 2007, AFS shall consist of Balance Sheet, Income and Expenditure Statement, Statement of Cash Flow, Receipt and Payment Statements, Notes to Accounts, Key Ratios or Financial Performance Indicators. Appending statements to accounts were not found in one Municipality, three BPs and 38 GPs (**Appendix 2.1**).

(iii) As per Rules 28, 58(4) of the Kerala Panchayat Raj (Accounts) Rules, 2011 and Rules 27, 54(5) of the Kerala Municipality (Accounts) Rules, 2007, at the end of the year, the Secretary may carry out procedures for creation of provision for expenditure already incurred but not paid and amounts receivable. Provision for expenditure already incurred but not paid or provision for amounts receivable were not created in the AFS of one BP and 20 GPs (**Appendix 2.1**).

(iv) There were misclassifications of revenue and capital expenditure, advances and capital work-in-progress, incorporation of incorrect cash/bank/ treasury balances in Balance Sheets, non-transfer of utilised revenue grant to capital contribution, under valuation/non-accounting of fixed assets and providing less, more or nil depreciation to assets. This resulted in not exhibiting a true and fair view of the state of affairs of one Municipality, one BP and 23 GPs (**Appendix 2.1**).

Government remarks have not been received (December 2023).

2.3 Conclusion

- The amount spent on productive sector ranged from 9.55 *per cent* to 12.12 *per cent* during 2017-18 to 2021-22, indicating that the LSGIs assigned low priority to productive sectors like Agriculture, Animal Husbandry, Fisheries, Industries, etc. The Government may analyse the reasons for low expenditure to enable the LSGIs to utilise the funds productively. The Government may also consider fixing a target for expenditure in the productive sector.
- Out of ₹3,443.60 crore available for implementation of CSSs, substantial portion of the funds amounting to ₹1,424.66 crore (41.37 *per cent*) was lying unspent with SLNAs thereby defeating the purpose for which the funds were earmarked and released by GoI/GoK.
- Out of ₹3,023.90 crore released as CFC grant during 2021-22, ₹1,678.43 crore (55.51 *per cent*) remained unutilised.

CHAPTER III

PERFORMANCE AUDIT ON ASSESSMENT, LEVY, COLLECTION AND ACCOUNTING OF PROPERTY TAX IN URBAN LOCAL BODIES

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PERFORMANCE AUDIT ON ASSESSMENT, LEVY, COLLECTION AND ACCOUNTING OF PROPERTY TAX IN URBAN LOCAL BODIES

3.1 Introduction

Sections 230 to 233 of the Kerala Municipality Act, 1994 (KM Act) empowered the Urban Local Bodies (ULBs) to levy property tax on all buildings, including the land appurtenant thereto, situated within the jurisdictional area of the Corporations and Municipalities. Property tax comprises of a tax for general purposes and a service tax which may comprise of water tax, drainage tax, lighting tax and sanitary tax. Accordingly, Government of Kerala (GoK) has issued Kerala Municipality (Property Tax, Service Cess and Surcharge) Rules on 14 January 2011 on the basis of powers vested under Sections 230 to 233 read with Section 565 of KM Act, which empowers the State Government to issue directions to ULBs.

Property tax is a major source of revenue of the Corporations and Municipalities in the State and constitutes about 48.28 *per cent* of their own revenue. In test-checked ULBs, the share of property tax in own revenue ranged from 23.32 *per cent* to 69.18 *per cent* from 2017-18 to 2021-22. The assessment of property tax on the basis of plinth area instead of annual rental value of properties was made applicable for new buildings from 01 April 2013 and for existing buildings from 01 April 2016 onwards. The minimum and maximum limits of rates of basic property tax applicable to various categories of buildings are fixed by Government. Subject to the limits fixed by Government, the rate at which basic property tax to be levied are determined by the respective Municipal Councils. The limits/rates once fixed were to be in force for five years and thereafter rates were to be revised by making an enhancement at the rate of 25 *per cent* on the existing limits, so as to be in force for the next five years. The application software suite 'Sanchaya' was developed by Information Kerala Mission (IKM) for computerisation of revenue system in Local Self-Government Institutions. Sanchaya consists of two modules, one which captures the details of tax payee/institution, demand and collection, etc. and the other, an e-payment module. A Performance Audit (PA) on the assessment, levy, collection and accounting of Property tax in ULBs was undertaken by Audit which revealed shortcomings in assessment, levy, collection and accounting of property tax.

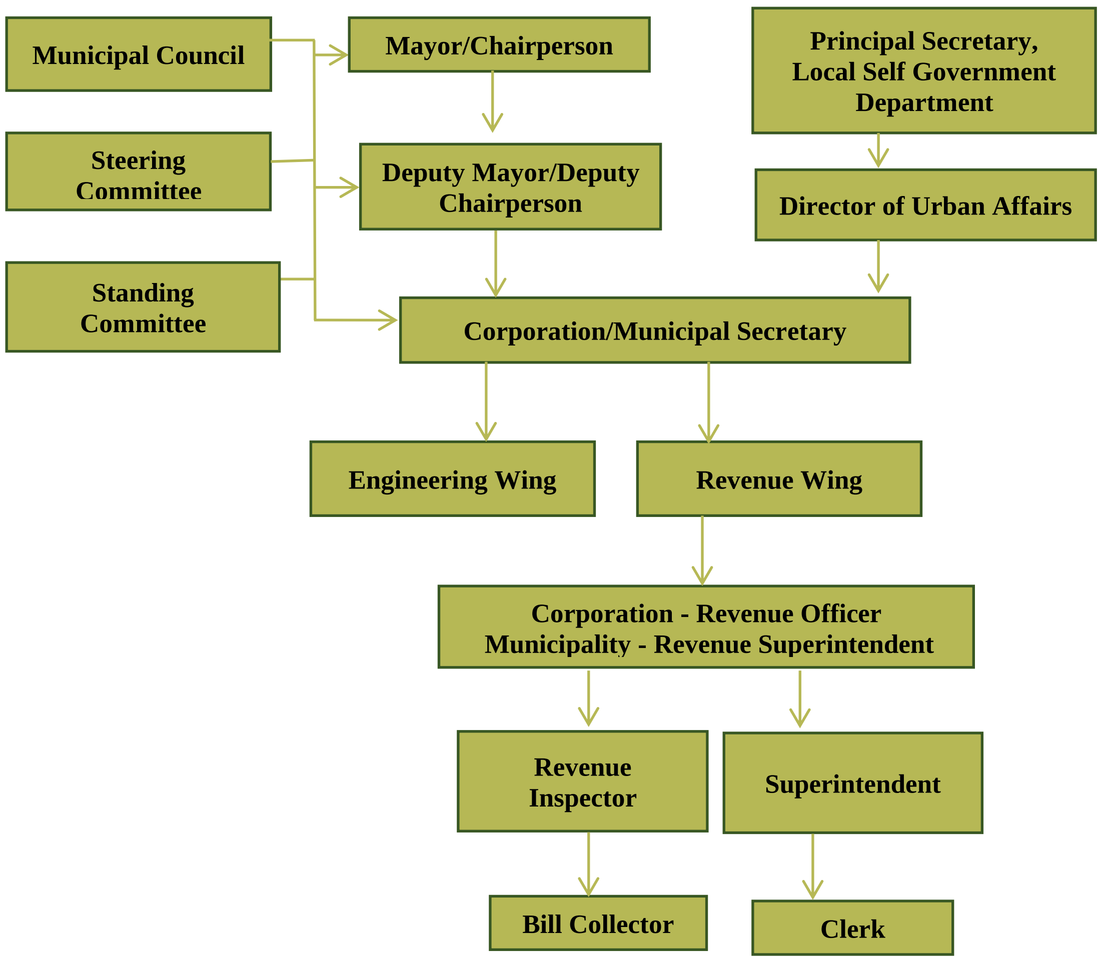
3.1.1 Organisational setup

The Director of Urban Affairs (DUA) under the Local Self Government Department (LSGD) is the overall controlling authority of 93 ULBs[18] in the State. Under the DUA, there is a Joint Director (Administration) and three Regional Joint Directors (for southern, central and northern regions) entrusted

[18] 87 Municipalities and six Municipal Corporations

with the duties relating to realisation of property tax. The Joint Directors concerned oversee tax collection in the Corporations and Municipalities within their jurisdiction. The Secretary of the Municipality/Corporation, assisted by the Revenue Officer, is in charge of assessment, levy and collection of property tax in the ULB. A diagrammatic representation of the organisational hierarchy of authorities involved in the different stages of realisation of property tax is presented below:

Figure 3.1: Organisational setup[19]



[19] Municipal/Corporation Council is the legislative body of Municipality/Corporation. Its responsibility includes formulation of budget, decision on taxes and fees, implementation of policies/programmes, etc.
Steering Committee coordinates and monitors the functions of all the Standing Committees and has the powers as delegated by the Council.
Standing Committees are permanent committees in ULBs, each committee dealing with separate functions, Health, Finance, Works, Welfare, etc.

3.2 Audit objectives

The PA was conducted to evaluate:

- whether the procedures followed by Urban Local Bodies in assessment, levy, collection and accounting of property tax were robust and efficient
- whether there has been timely revision of property tax contributing to enhancement of own revenue of Urban Local Bodies and
- whether a suitable monitoring mechanism was in place to ensure that no building/property assessable to tax escaped assessment.

3.3 Audit criteria

Audit observations were benchmarked against the criteria derived from:

- Kerala Municipality Act, 1994
- Kerala Municipality Building Rules, 1999 and amendments
- Kerala Municipality (Property Tax, Service Cess and Surcharge) Rules, 2011
- Kerala Municipality Building (Regularisation of Unauthorised Construction) Rules, 2018
- Supreme Court and High Court judgments, Central/State Finance Commission Reports and various Government orders

3.4 Scope and methodology of audit

A Performance Audit on 'Assessment and collection of property tax in Kochi Municipal Corporation' was included in the Audit Report for the year ended March 2005. The PA was discussed[20] by the Local Fund Accounts Committee (LFAC) (2010-11) in May 2010. The current PA was conducted covering the period from 2017-18 to 2021-22. Based on appropriate sampling method, a sample of four (29 *per cent*) districts out of the total 14 districts was chosen for detailed scrutiny. Audit methodology included scrutiny of records and registers, issue of audit enquiries, joint physical verifications, measuring of plinth area of buildings, collecting photographic evidence, etc. The Entry Conference of the PA was conducted with the Additional Chief Secretary, Local Self Government Department (LSGD) on 12 May 2022, wherein the audit objectives, criteria, scope, selected institutions, etc., were discussed and the views of Government sought. Exit conference was conducted with the Principal Secretary, LSGD on 27 March 2023 to discuss the audit findings. The remarks offered by Government with respect to the audit findings have been considered in the finalisation of this Report.

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[20] Recommendations of the Committee were included in 37th report of LFAC(2010-11) and further recommendations in 46th report of LFAC(2014-16)

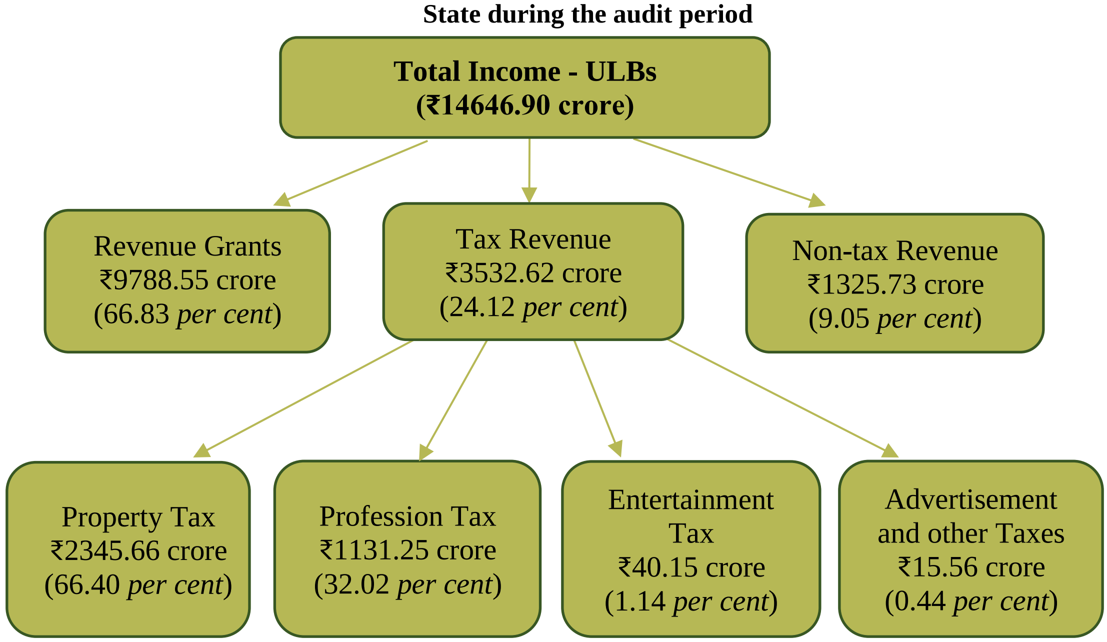
3.4.1 Sampling

The 14 districts in the State were divided into two categories, based on the geographical regions of north and south and two districts each were selected from these regions, using SRSWOR[21] method with IDEA software. Thiruvananthapuram and Ernakulam districts were selected from southern region and Kozhikode and Malappuram from northern region. Of the six Municipal Corporations in the state, three Corporations (50 *per cent*) falling in the selected districts *viz.*, Thiruvananthapuram, Kochi and Kozhikode were selected. There are 87 Municipalities in the State of which 36 Municipalities are in the selected districts. Twenty five *per cent* of these 36 Municipalities were selected subject to minimum of two from each selected district (11 Municipalities), by applying SRSWOR method using IDEA. The details of units selected are shown in **Appendix 3.1**.

3.4.2 Sources of income of ULBs

Consequent upon the enactment of 74th Constitution Amendment Act which facilitated devolution of functions to ULBs, it was imperative that own resources of the ULBs were to be augmented for effective implementation of devolved functions. Even though the quantum of funds available to Local Self-Government Institutions (LSGIs) in Kerala has increased over a period of time, their dependence on grants from Central and State Governments remains significant. The extent of contribution of various taxes to the own revenue of ULBs in the State during the audit period of five years from 2017-18 to 2021-22 are shown in **Figure 3.2**.

Figure 3.2: Extent of contribution of various taxes to the own revenue of ULBs in the State during the audit period



(Source: Information furnished by Directorate of Urban Affairs)

[21] Simple Random Sampling WithOut Replacement

The fact that property tax with its share of 66.40 *per cent*, contributes the major share of tax revenue, underscores the need to step up collection of the tax by plugging loopholes at each level of its realisation.

The Demand, Collection and Balance (DCB) of property tax during the audit period as per DCB statements furnished by test checked ULBs is presented in **Table 3.1**:

Table 3.1: Details of Demand, Collection and Balance in test checked ULBs

Year	Demand *(₹ in crore)*			Collection *(₹ in crore)*				Balance *(₹ in crore)*			Percen-tage of collection
	Arrear	Current	Total	Arrear	Current	Book Adjust ments	Total	Arrear	Current	Total	
2017-18	196.91	191.74	388.65	32.37	132.67	0.42	165.46	164.54	58.65	223.19	42.57
2018-19	222.98	226.38	449.36	55.80	153.82	3.09	212.71	167.18	69.48	236.66	47.34
2019-20	269.63	281.47	551.10	81.24	176.01	6.74	263.99	188.40	98.72	287.12	47.90
2020-21	304.15	277.00	581.15	79.33	166.76	5.08	251.17	224.82	105.17	329.99	43.22
2021-22	324.22	290.15	614.37	91.99	193.51	3.86	289.36	232.23	92.78	325.01	47.10

(Source: DCB data furnished by Revenue wings of test checked ULBs)

During the period from 2017-18 to 2021-22, the growth in collection of property tax was uneven in test checked ULBs. The rate of collection increased during 2019-20 and 2021-22, whereas it was considerably reduced during 2020-21, probably due to the impact of Covid-19 pandemic. The rate of collection of property tax compared to the tax demanded each year was always below 50 *per cent*. The closing balance of each year could not be reconciled with the opening balance of next year, which pointed at the incorrectness of DCB data of ULBs.

Accepting the audit observation, Government replied (April 2023) that discrepancies in DCB data were due to defective data entry, *viz.*, non-posting of collection of Government buildings, incorrect tax recorded for buildings, non-deletion of demolished buildings from Sanchaya database, non-recording of vacancy remission, exemption given to retired defence persons, etc. However, no detailed review was conducted till date to decide upon the corrective steps to be taken to address these issues.

Graphs showing total collection of property tax from Municipalities and Corporations during 2017-2022, as per DCB data furnished by test checked 14 ULBs are given as **Figure 3.3** and **Figure 3.4**:

Figure 3.3: Total Collection for Municipalities during 2017-22

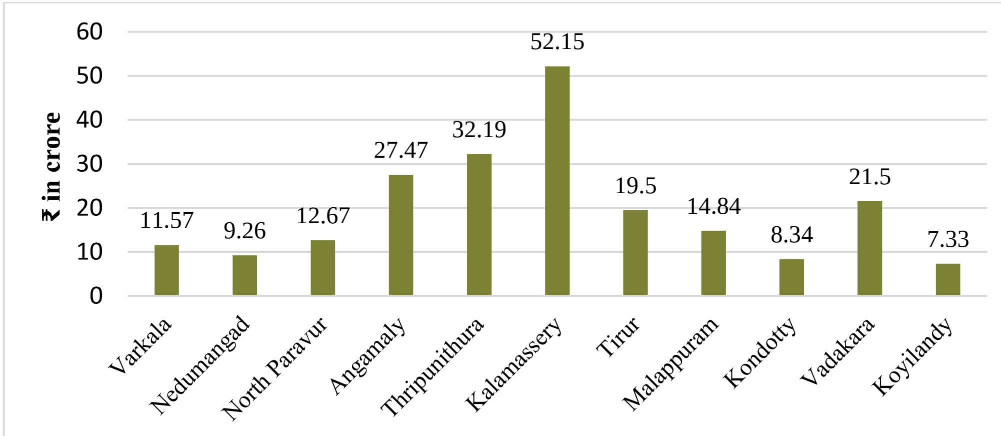
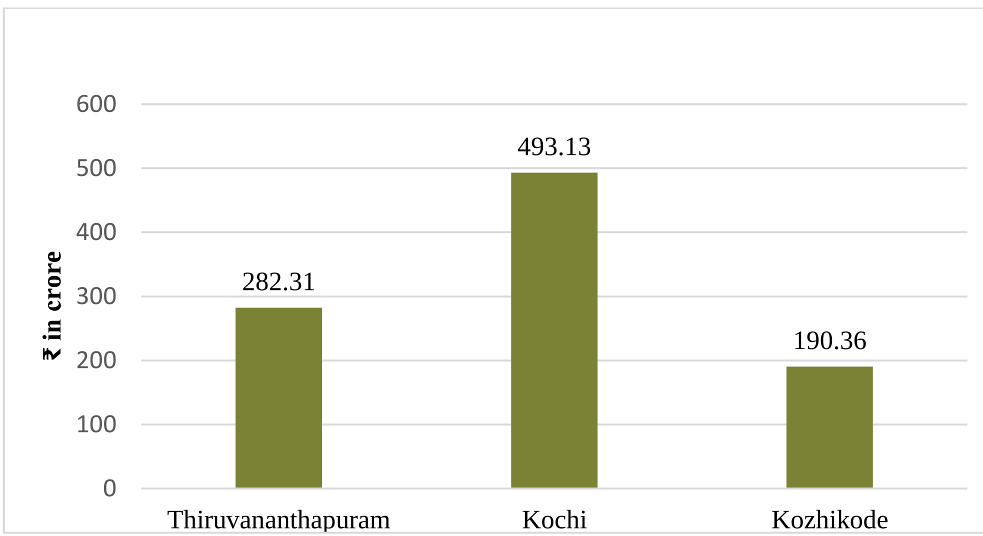


Figure 3.4: Total Collection for Corporations during 2017-22



It was observed that total tax collection in respect of Kalamassery Municipality and Kochi Corporation during 2017-22 far exceeded that of the other Municipalities and Corporations, at ₹52.15 crore and ₹493.13 crore respectively.

Audit Findings

3.5 Enumeration

The primary step towards effective assessment and levy of properties with property tax is the creation of a comprehensive data base of taxable entities. Enumeration or counting of properties, enables creation of a comprehensive database of all properties which are to be levied and assessed to property tax in the jurisdiction of the local body. All properties that are legally in the tax net should be recorded in the property tax register and this register should be regularly updated to capture any new property or changes to existing properties.

As part of implementation of total e-governance in LSGD, Government accorded sanction[22] to create a revenue database through Sanchaya software so as to digitise base data pertaining to property tax. Government also instructed (February 2016) that IKM was to supervise GIS[23] mapping in local bodies and ensure that GIS mapping was integrated with the different software developed and deployed by IKM.

However, Audit observed that digital database generated by test checked ULBs was incomplete and not supported by door-to-door enumeration. It was further observed that many test checked ULBs have not adopted measures to integrate GIS mapped data with Sanchaya software and wherever such integration was attempted, deficiencies were noticed.

The existing Municipal Act/Rules do not have clear provisions mandating regular enumeration of properties. As per the system in practice, once a building is constructed and assessed, unless otherwise the owner himself reports on subsequent alterations to the building to the ULB, such modifications continue to escape assessment.

Various factors which hampered the effectiveness of timely and comprehensive enumeration of properties and creation of digital property tax register in test checked ULBs are listed in the following paragraphs.

3.5.1 Digitisation not supported by physical verification of existing properties

With the advent of plinth area based assessment system (January 2011), the ULBs were required to maintain property tax assessment register in Form 4[24], consisting of details such as types of buildings, plinth area, age, width of road, door numbers, etc. with respect to each building. The base data available with the ULBs in respect of existing buildings was in line with the annual rental value but devoid of details such as age of building, width of road access to the building, zone categorisation, etc. The municipal officials therefore were required to visit each property and collect all relevant data in Form 6 for proper and accurate assessment.

Audit noticed that the ULBs deputed agencies to upload base data recorded in existing registers. The data uploaded in Sanchaya was to be compared with the data collected from the field and verified at multiple levels before being finally approved by the Secretary of the ULB. While analysing details in Sanchaya, Audit noticed instances wherein information available in Form 6 assessments were similar to the data in old property tax registers of ULBs. Random examination of data pertaining to 1,150 numbers of existing buildings by Audit resulted in identification of 85 variations (7.39 *per cent*) with respect to unassessed plinth area, unauthorised constructions, wrong classification of buildings, etc. as compared to the data captured in Sanchaya. This indicates

[22] Government Order No.2380/2013/LSGD dated 25 September 2013
[23] Geographic Information System
[24] Rule 12 of Kerala Municipality (Property Tax, Service Cess and Surcharge) Rules, 2011

absence of upgradation, purification, valuation or verification of uploaded data with respect to digitisation of existing buildings. Creation of digital property records by digitising existing property records without appropriately incorporating adequately verified data emanating from field survey would eventually lead to short demand and short realisation of property tax.

3.5.2 Undue delay in digitisation of property tax records

The Municipalities and Corporations commenced digitisation of property tax assessment records from 2013. The digital database with respect to property tax would essentially include plinth area of the building, name and address of the assessees, building type, width of road access to the building, age, etc. As part of digitisation, the ULBs entrusted entry of base data to different agencies. The data thus entered had to be validated and authenticated by responsible officers. Noticing delay of six years in digitisation of revenue database, Government, in March 2019, directed the ULBs to complete enumeration of all buildings, collection of all data in Form 6 and verification and approval of all buildings by September 2019.

Audit noticed that the extent of digitisation of database ranged from 85 *per cent* to 100 *per cent* in test checked Municipalities and from 25 *per cent* to 100 *per cent* in Corporations. Excepting Varkala and Vadakara Municipalities and Thiruvananthapuram Corporation, the entry of base data was yet to be completed in remaining 11 test checked ULBs. Instances of entering data from old property tax registers without ascertaining their updated status through field visits were observed. In the light of shift in basis of assessment from annual rental value (ARV) to plinth area, this exercise would be grossly inadequate, as revealed from the instances of non/short assessment mentioned in paragraphs 3.6.1 and 3.6.2 of this report. In Kozhikode and Kochi Corporations, 35,000 and 25,104 door numbers were missing respectively from Sanchaya data. This pointed to the possibility of ULBs either not uploading entire data from old property tax registers or not deleting the building numbers of demolished buildings. Further, the entries in the database were not seen validated by Revenue Inspector/Revenue Officer concerned, resulting in errors in data entry going unnoticed. The ULBs did not conduct comprehensive enumeration prior to digitisation, resulting in omissions in assessable units.

Regarding Kozhikode Corporation, Government replied (April 2023) that immediate action would be undertaken for data collection and to complete digitisation process. With respect to the data on 35,000 buildings mentioned as missing, it was replied that this included demolished buildings also and that the number of buildings not digitised would add up to 15,550.

Since creation of a comprehensive database was essential for micro level planning and scaling up of tax revenue, incomplete database would result in incorrect budgeting and inaccurate demand assessment. Further, a foolproof digital database would facilitate online payment of taxes by citizens. The delay in completion of digitisation denied the ULBs of opportunity to make full advantage of technological advancements as in Kochi Municipal Corporation detailed below.

Improper implementation of property tax digitisation project in Kochi Municipal Corporation

Kochi Municipal Corporation (KMC) decided (October 2008) to implement e-governance with the objective of providing efficient services to the citizens under JNNURM[25]. The project envisaged digitisation of property tax registers so as to enable online payment of property tax by citizens along with other services in electronic mode. The total cost of the project was ₹8.70 crore, of which ₹5.57 crore was released to Tata Consultancy Services (₹4.99 crore) and Wipro[26] (₹0.58 crore). Despite spending ₹5.57 crore, the project was abandoned, primarily due to lack of proactive intervention by KMC to tackle the impediments in various stages of digitisation, which would have facilitated smooth transition to e-governance process.

Figure 3.5: Torn and mutilated property tax registers in Kochi Corporation. Photograph taken by Audit party on 22 August 2022

The ineffective implementation of e-governance project resulted in delay in digitisation using Sanchaya software by eight years. Audit noticed that the property tax records of buildings constructed prior to 2013 were still maintained in old physical registers which were in torn and mutilated state.

Government did not offer any remarks on the delay in digitisation in KMC and other test checked ULBs.

3.5.3 Failure in adopting GIS based mapping

Geographic Information System (GIS) and Remote Sensing are the tools to identify the exact location of properties with relevant tax attributes. Each property unit has both spatial and non-spatial data. The integration of both data sets can improve the efficiency of property tax assessment procedures and monitoring systems. The introduction of geospatial technologies to the existing databases will not only simplify the assessment and management of property tax, but also improve the collection efficiency. The tax assessment variables such as zones, tax categories, road access to property, building types of properties can be observed and updated with the help of GIS and remote sensing techniques. This would make the property tax system more transparent, efficient and updated.

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25 Jawaharlal Nehru National Urban Renewal Mission

26 The Tata Consultancy Services was the system integrator for the implementation of e-governance project and Wipro was the project management consultancy.

Based on the request of interested ULBs, M/s ULCC Ltd.[27] was entrusted (February 2016) to undertake the GIS related mapping for property tax management in these ULBs. The implementation of GIS was to be supervised by Information Kerala Mission (IKM). The IKM was to integrate GIS mapped data with various application software developed for assessment, levy and collection of property tax besides collection of sociological data. Audit noticed that among the test checked ULBs, Nedumangad, Varkala and Vadakara Municipalities undertook GIS mapping with an estimated cost of ₹21 lakh, ₹33.82 lakh and ₹58.24 lakh respectively.

The mapping of Nedumangad Municipality undertaken by an agency Karakulam Grameena Patana Kendram, was stated to have been completed by October 2020. Though the agency handed over GIS mapped data to the ULB, the data could not be integrated with various software developed by IKM. Further, IKM did not also validate the GIS data mapping by combining it with door-to-door survey to ascertain the plinth area and other details required for property tax assessment.

The GIS mapping of Varkala Municipality was undertaken by M/s ULCC Ltd. utilising ₹33 lakh. Though M/s ULCC Ltd. completed the exercise, the ULB could not integrate GIS mapping with the software of IKM or carry out any further additions or deletions to the data. The Municipality stated that though IKM was to depute technically competent persons to supervise the mapping task, this was not done. It was also stated that the field survey data as well as the base map have not yet been handed over to the Municipality by M/s ULCC Ltd.

In the case of Vadakara Municipality, the door-to-door survey of plinth area for GIS mapping could not be completed in five of the 47 wards, due to public protest. In the 42 wards where survey was completed, the plinth area details collected by ULB varied significantly with the data uploaded in Sanchaya.

Thus, despite Government issuing orders enabling GIS mapping and designating agencies to perform the task, the test checked ULBs failed in performing GIS mapping of properties for better realisation of property tax. Even in those ULBs where GIS mapping was launched, it failed to capture all the required parameters and get them validated by ground level verification, and integrate mapped data with other software under the supervision of IKM, which would have facilitated realistic assessment and enhancement in collection of property tax. Audit observed[28] that GIS based Municipal Tax and Fee Collection System introduced in Raipur Municipal Corporation in 2018 supported with door-to-door survey enhanced demand by 74 *per cent* from the demand for the previous year.

Government assured in reply (April 2023) that Varkala and Nedumangad Municipalities would initiate action to integrate GIS mapped data with various

[27] Uralungal Labour Contract Co-operative Society Limited.

[28] 'A Toolkit for Property Tax Reforms Volume 1' issued by Ministry of Housing and Urban Affairs, Government of India

IKM software. With regard to other ULBs it was stated that action would be taken to initiate GIS mapping without delay. The Principal Secretary, LSGD opined that existing GIS mapping is a one-time exercise and constant updating of data is required for its fruitfulness, which is being addressed in the new software proposed to be launched by Government.

Recommendations:

Government should consider incorporating suitable provisions relating to periodic enumeration of properties in the Kerala Municipality (Property Tax, Service Cess and Surcharge) Rules.

Digital enumeration should make full use of technologies including GIS mapping along with door-to-door survey and unique identification numbers to the buildings. Government may issue Standard Operating Procedure (SOP) with detailed timelines for implementation and effective integration of GIS mapping with Property Tax data.

3.6 Assessment

The LSGIs are empowered to assess every building with property tax, in the manner and rates fixed as per Sections 230, 231, 232 and 233 of Kerala Municipality Act, 1994 and Kerala Municipality (Property Tax, Service Cess and Surcharge) Rules, 2011.

Assessment of properties refers to the exercise of assessing the tax of a particular property within the parameters defined by State for the purpose of taxation. The buildings are categorised according to usage into residential, industrial, schools and hospitals, amusement parks, mobile telephone towers, commercial, other purposes, etc. According to Kerala Municipality Building Rules, 1999 (KMBR), any person who intends to develop any land or construct any building should submit to the Secretary of the ULB an application for permission, accompanied by plans and connected documents and necessary application fee. The Secretary, after verifying the documents should grant/refuse permission for execution of the work. On receipt of completion report from the owner and after confirming that the construction has been carried out in accordance with the approved plan, the Secretary issues the Occupancy Certificate (OC) for the building and assesses property tax thereon. The amount so assessed shall be the annual property tax of the building payable in two half yearly instalments. Various stages in the assessment of properties are explained with the help of the flowchart below:

Figure 3.6: Various stages in assessment of properties

The assessees are required to furnish all the details in a self-assessment return in **Form 2**

On receipt of property tax return (**Form 2)** from the assessee, the details are recorded in Property Tax Return Register (**Form 3).**

The Secretary engages officials to inspect each building physically within six months and the results so obtained shall be entered in **Form 6** and all the facts to be recorded in the Property tax assessment register also (**Form 4**).

The Property Tax thus assessed by the Municipal officials is intimated to the assessee (**Form 5**)

If the assessee fails to file self-assessment return in **Form 2** in time, the Secretary engages officials to inspect each building physically within six months and the results so obtained shall be entered in **Form 6** and all the facts recorded in the Property tax assessment register also (**Form 4**).

If the assessee did not file return and the assessment was completed by the Municipality, the ULB may collect ₹50 as information collection charge in **Form 7**

The demand of tax so raised is recorded in the property tax demand register in **Form 8**.

Demand notice in **Form 9** shall be issued to the assessee

Rule 12(4) of Kerala Municipality (Property Tax, Service Cess and Surcharge) Rules, 2011 stipulates that the official engaged by the Municipal Secretary shall physically verify the details furnished by the owner of the building and assess property tax within six months. As per Rule 12(7), the loss incurred to the Municipality due to lapse in scrutiny of property tax return furnished by the owner or laxity in physical verification shall be recovered from the official concerned. Despite the above provisions mandating assessment of property tax within prescribed time limits, Audit came across 10,285[29] instances of short

[29] Technopark-11 buildings, Kochi Metro -12, Thiruvananthapuram International Airport- one, Hospitals - three, Budget Hyper Market- one, Serviced Apartments -15,Oberon Mall-one, Cochin Shipyard -14, Cochin Port Trust -1,260, Application of incorrect rate of property tax -2,092, Erroneous application of zonal deduction -2,971, Incorrectly exempted units-3,904 as revealed in analysis of ULB records and Sanchaya data.

assessment of property tax amounting to ₹38.27 crore. In test-checked ULBs, 442 instances of non-assessment of property tax amounting to ₹10.20 crore (excluding penalty) were observed. The details of non/short assessment are listed below.

3.6.1 Non-assessment of property tax

3.6.1.1 QuEST Global Engineering Services Private Limited

QuEST Global Engineering Services Private Limited is a company located in Technopark Campus. As per the Annual Reports of Technopark, the company has the ownership of 1.85 acres of land and a building with plinth area of 41,806.37 sq.m.

Audit noticed that Thiruvananthapuram Corporation has neither issued occupancy certificate nor assigned any building number to the company till March 2022. Since construction of the building was completed in March 2011, rate of tax applicable on plinth area of the building was effective from 2013-14 onwards. Non-assessment of property tax has resulted in loss of ₹3.46 crore to the ULB, for the period from 2013-14 to 2021-22.

Figure 3.7: QuEST Global building at Technopark Campus, Thiruvananthapuram

Government replied (April 2023) that the ULB has, at audit instance, assessed the building and issued demand notice for ₹59.83 lakh for the period 2011-12 to 2012-13[30] on ARV basis, and ₹3.79 crore for the period 2013-14 to 2022-23 on plinth area basis. It was also stated that revenue recovery proceedings will be initiated on non-payment of tax due.

3.6.1.2 Centre for Development of Advanced Computing (C-DAC)

The C-DAC is an autonomous scientific society under the administrative control of Ministry of Electronics and Information Technology (MeitY), Government of India. The C-DAC has in possession, 1.75 acres of land in Technopark Thiruvananthapuram and a building with an area of 27,870.91 sq.m constructed and occupied in 2012. Audit noticed that no building numbers were assigned to C-DAC and no property tax /service charge levied on the building till date.

Since this institution is an autonomous society which is a distinct and separate legal entity, immunity created for GoI institutions under Article 285(1) of the Constitution would not be applicable. Hence, property tax was required to be levied and demanded from C-DAC from 01 April 2013. Since no property tax

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[30] QuEST Global acquired 'NeST Software' in November 2014

has so far been assessed, tax due thereon works out approximately to ₹25.64 lakh per year and ₹2.31 crore for the period from 2013-14 to 2021-22.

Government informed (April 2023) that the ULB has assessed the building and issued demand notice for ₹2.50 crore for the period 2013-2023 on 13 March 2023, as pointed out by Audit.

3.6.1.3 Unaided educational institutions

By virtue of Section 235(b) of KM Act, 1994, buildings exclusively used for educational purposes or allied purposes under the ownership of educational institutions owned by Government, aided or functioning with the financial assistance of Government shall be exempted from property tax. Government of Kerala issued (October 2009) orders re-iterating enforcement of the above provisions. The buildings of unaided recognised educational institutions were liable to be assessed from 14 January 2011[31]. The circular issued (April 2012) by Local Self Government Department also clarified that the buildings of unaided recognised educational institutions were liable to be assessed to tax.

Audit observed that seven unaided educational institutions in three test checked ULBs were not paying property tax. Tax due thereon for the period from 2016-17 to 2021-22 amounted to ₹54.41 lakh, as detailed in **Appendix 3.2**. These instances clearly point out the lack of diligence on the part of ULBs in ensuring that the properties falling in their jurisdiction are assessed in a timely manner and demand raised.

Government stated (April 2023) in reply that self-financing colleges will be assessed and levied with property tax.

3.6.1.4 Service Charge from Government of India buildings

By virtue of Article 285(1) of the Constitution, property tax was not leviable on Government of India (GoI) buildings. As per Rule 30 of Kerala Municipality (Property Tax, Service Cess and Surcharge) Rules, 2011, in the case of GoI buildings which have been exempted from property tax, the Municipality may levy service charge on sanitation, water supply, streetlight and drainage as fixed by the Council. Government of India specified that service charges shall be calculated at the rate of 75 *per cent*, 50 *per cent* or $33^1/_3$ *per cent* of tax levied on property owners, depending on utilisation of full or partial or nil services[32].

It was however noticed that 11 out of 14 test checked ULBs have not assessed service charge from GoI buildings. Only Thiruvananthapuram Corporation and Nedumangad and Angamaly Municipalities collected service charge at the rate of 75 *per cent* of the property tax with effect from 2016-17. Though Kozhikode Corporation decided to levy service charge at the rate of 50 *per cent* of the property tax from 2019-20 onwards, this was not seen implemented. The

[31] The date on which Kerala Municipality (Property tax, Service Cess and Surcharge) Rules, 2011 came into effect treating these institutions as new assesses.

[32] Hon'ble Supreme Court of India confirmed this fact in November 2009. The Fifth State Finance Commission also recommended that the Government shall enforce the statutory provisions to collect service charge on GoI buildings by the ULBs.

Councils of the remaining ULBs did not take any action to assess and levy service charge, despite providing all services to the GoI institutions.

Audit worked out that, had the test checked ULBs decided to levy service charge, the ULBs could have earned ₹50.13 lakh from 126 GoI institutions in three test checked ULBs during the period from 2016-17 to 2021-22, as detailed in **Appendix 3.3**.

Government intimated (April 2023) that action was being taken to assess and demand service charge from GoI buildings in ULBs.

3.6.1.5 BSNL Buildings

The Bharat Sanchar Nigam Limited (BSNL) is a GoI company incorporated (September 2000) under the Companies Act, 1956. Since the company is thus distinct and separate from GoI, no claim for exemption from payment of tax under Article 285(1) of the Constitution of India would be legally permissible. Government had clarified (December 2004) that unlike other GoI Institutions, property tax at full rate as per Section 230 of KM Act was to be realised in respect of buildings owned by BSNL.

Deviating from the above provisions, four test checked ULBs[33] did not assess property tax on BSNL buildings in their jurisdiction. Non-assessment of property tax on 219 BSNL buildings including residential quarters in these ULBs worked out to ₹2.91 crore for the period from 2016-17 to 2021-22. In respect of 60 buildings in the remaining 10 ULBs, property tax pending collection as on 31 March 2022 amounted to ₹0.80 crore (**Appendix 3.4**).

Government stated (April 2023) that action has been initiated to assess and levy property tax on BSNL buildings situated in the jurisdiction of ULBs. However, the reply failed to address the possibility of realisation of tax pending collection.

3.6.1.6 State Government Buildings

Sections 230 to 233 of the Kerala Municipality Act, 1994 empowered the Municipalities and Municipal Corporations to levy property tax on all buildings and land situated within the jurisdictional area of the Municipalities and Municipal Corporations. All buildings owned by State Government unless otherwise specifically exempted, were hence taxable as per the above provisions.

In the test checked ULBs, though the buildings owned by State Government were not specifically exempted from levy of property tax under any rules, it was observed that the assessing authorities had not assessed such buildings. Audit noticed 83 State Government buildings in Kozhikode Corporation which were not assessed till date. Amount of property tax not levied on these buildings worked out to ₹35.38 lakh. In four[34] test checked ULBs, though GoK buildings were assessed, property tax was not paid till date. This resulted in huge

[33] Kochi, Kozhikode and Thiruvananthapuram Corporations and Koyilandy Municipality

[34] Thiruvananthapuram and Kochi Corporations, Tirur and Malappuram Municipalities.

accumulation of arrears as on March 2022 amounting to ₹26.49 crore, as detailed in **Appendix 3.5**.

Government stated (April 2023) that action has been initiated to assess and levy property tax on buildings of State Government. However, the reply was silent on tax pending collection.

3.6.1.7 Kerala Health Research and Welfare Society Pay Wards

Kerala Health Research and Welfare Society (KHRWS) is a society registered under the Travancore Cochin Literary Scientific and Charitable Societies Registration Act-XII of 1955. The KHRWS had 13 pay wards attached to various Government hospitals in the State. As per section 235 of KM Act, KHRWS was not entitled to exemption from property tax and hence, Government did not specifically exempt any of these pay wards from payment of tax. Audit noticed that as against the above provisions, Kozhikode and Kochi Corporations as well as Thrippunithura and North Paravur Municipalities had not assessed or claimed property tax during the audit period. Non assessment of property tax for the period from 2016-17 to 2021-22 in these ULBs worked out to ₹12.61 lakh. It was also noticed that amount of tax pending collection from pay wards of KHRWS at Thiruvananthapuram Corporation as of March 2022 was ₹2.04 crore.

Government informed (April 2023) that ULBs, based on the audit findings, have issued notices to KHRWS for remitting property tax. The reply was silent on the possibility of realisation of ₹2.04 crore of tax due.

3.6.2 Short-assessment of property tax

Audit also came across instances wherein buildings were short-assessed to tax, resulting in loss of revenue to ULBs, as shown in **Table 3.2**:

Table: 3.2: Details of short-assessment of buildings in test checked ULBs

Sl. No.	Details of the building	Plinth area (sq.m)	Short assessed area (sq.m)	Period of loss of revenue	Total amount due (₹ in crore)
1	11 buildings in Technopark, Thiruvananthapuram Corporation	195653.70	118385.30	2013-14 to 2021-22	10.32
2	Kochi Metro Rail Limited (KMRL)- (short assessment/non assessment)	47686.30	22073.30	2017-18 to 2021-22	1.14
		38427.90[35]	38427.90	2017-18 Second half to 2021-22	1.49
		14628.94[36]	14628.94	2017-18 to 2021-22	0.72
3	Terminal II of Thiruvananthapuram International Airport	35023	4576	2016-17 to 2022-23 First half	1.03

[35] Ernakulam (South), Kadavanthra, Elamkulam ,Vyttila, Thaikoodam, Petta
[36] Kalamassery, Cochin University, Pathadipalam

Sl. No.	Details of the building	Plinth area (sq.m)	Short assessed area (sq.m)	Period of loss of revenue	Total amount due (₹ in crore)
4	MIMS Hospital, Baby Memorial Hospital and National Hospital in Kozhikode Corporation	91375.21	49844.78	2016-17 to 2021-22	0.84
5	Budget Hypermarket, Malappuram Municipality	2443	2203.70	From January 2019 to 2021-22	0.09

(Source: Records furnished by ULBs)

Government/ULBs stated (April 2023) that appropriate action would be initiated to make good the loss suffered in the above cases.

3.6.2.1 Serviced Apartments

A serviced apartment is a fully furnished apartment, available for short term and long-term stay, providing amenities for daily use[37], housekeeping and a range of other services, all included within the rental price. As per Rule 30 of KMBR, 1999, Lodging Houses and Special Residential buildings shall include all lodging or rooming houses, dormitories, tourist homes, tourist resorts, hostels, hotels with or without conference halls, dining halls or assembly rooms, etc. Therefore, serviced apartments which fall within this category were to be levied property tax accordingly.

Audit party conducted joint physical verification in 20 residential buildings in Thiruvananthapuram, Kochi and Kozhikode Corporations and noticed that 15 buildings used as serviced apartments were being levied tax at residential rates which resulted in short demand of ₹27.63 lakh as detailed in **Appendix 3.6**.

In the exit conference (March 2023), the Secretaries of ULBs intimated that demand notices have been issued to the building owners concerned, in compliance with the audit observations.

3.6.2.2 Irregular application of Property Tax on Annual Rental Value

With the introduction of Kerala Municipality (Property Tax, Service Cess and Surcharge) Rules, 2011, the new system of assessment based on plinth area would be applicable for existing buildings with effect from 01 April 2016. Audit noticed instances of buildings which were still being assessed on the basis of Annual rental value (ARV) instead of plinth area. Revenue implication for the ULBs was to the tune of ₹6.79 crore, as shown in **Table 3.3:**

[37] Serviced apartments include an equipped kitchen, washing machine, separate bedrooms, living rooms, bathrooms, Wi-Fi services, television, water, electricity and even a periodic housekeeping service.

Table 3.3: Details of buildings assessed on the basis of ARV during the period 2016-2022

(₹ in lakh)

Sl. No	Details of buildings	Amount levied annually on ARV basis	Amount leviable annually on plinth area basis	Annual short levy excluding penalty	Short levy for the period 2016-2022	Remarks
1.	Oberon Mall	42.13	72.27	30.14	180.84	Issues relating to enhancement of tax under ARV basis pending for settlement in the Hon'ble High Court. Government replied (April 2023) that tax revision shall be effected only on the basis of final decision of the Court.
2.	Cochin Shipyard	2.54	12.24	9.70	58.17	Fourteen office buildings and halls were assessed on ARV basis.
3.	Cochin Port Trust	9.40	78.21	68.81	440[38]	Assessment on ARV basis continues, based on agreement executed in the year 2000 between KMC and Cochin Port Trust, without the approval of Government. Amount due to KMC works out to ₹4.40 crore, of which ₹2.34 crore would become time-barred.
	Total				**679.01**	

(Source: Records furnished by Kochi Municipal Corporation)

3.6.2.3 Loss due to application of incorrect rate

On introduction of plinth area based assessment system to levy property tax vide Kerala Municipality (Property Tax, Service Cess and Surcharges) Rules 2011, Government suggested different rates of taxes for commercial buildings such as hotels, shops and godowns having plinth area up to 100 sq.m and above 100 sq.m. Similarly, different rates of taxes were suggested for supermarkets/shopping malls having plinth area up to 200 sq.m and above 200 sq.m. Audit analysis of data pertaining to selected ULBs in Sanchaya software revealed that many commercial buildings and supermarkets/shopping malls were assessed at lower rates fixed for buildings below 100 sq.m and 200 sq.m respectively. Such erroneous assessment resulted in loss of property tax amounting to ₹7.66 crore for the period from 2016-17 to 2021-22 in test checked ULBs as detailed in **Appendix 3.7**.

The above error in input of incorrect rate by the ULBs could have been averted, had proper input controls been put in place while mapping of business rule in Sanchaya software. The plinth area of buildings, which are already available in the database could have been linked with the applicable rate in a ULB and input control put in place to avoid the errors.

In acceptance of audit observation, IKM stated (March 2023) that the problem would be corrected by including validations in the software.

[38] Including three unassessed new buildings.

3.6.2.4 Erroneous application of deductions relating to zones

As per Kerala Municipality (Property Tax, Service Cess and Surcharge) Rules, 2011, the area of a Municipal Corporation needs to be categorised into primary, secondary and tertiary zones, for the purpose of tax assessment depending upon the status of development of the area and deductions on basic tax allowed in that particular area. There is a deduction of 10 *per cent* on basic tax calculated on plinth area basis for buildings in secondary zone and 20 *per cent* for buildings in tertiary zone.

However, due to non-mapping of business rule with respect to categorisation of zones and absence of input controls in Sanchaya, the rates corresponding to the applicable zone were not applied correctly by the ULBs in many instances. Incorrect deductions were given to buildings due to wrong selection of zones during data entry. Audit noticed short assessment of property tax amounting to ₹85.46 lakh during the period from 2017-18 to 2021-22 in Thiruvananthapuram, Kochi and Kozhikode Corporations due to this input error.

Government replied (April 2023) that ULBs would initiate steps to re-assess properties on the basis of zonal categorisation and raise demand accordingly.

3.6.2.5 Buildings not exempted being assessed with nil tax

Every building which was not exempted under Section 235 of KM Act had to be taxed as per Section 233 of KM Act and Kerala Municipality (Property Tax, Service Cess and Surcharge) Rules, 2011. Further, Government, vide orders issued in April and December 2015, exempted residential buildings with plinth area below 61.33 sq.m from paying property tax with effect from 2015-16, provided that the building owner did not have other buildings in his name. Residential buildings owned by ex-service men/widows of ex-service men, residential buildings of retired Central Armed Police Personnel, Indian Coast Guard Personnel, etc. were also exempted from paying property tax. However, this rule was not seen mapped correctly in Sanchaya software as a result of which, a number of residential buildings with plinth area above 61.33 sq.m were also seen exempted. Failure to collect property tax from 3,904 such buildings resulted in a loss of ₹7.06 crore for the period from 2016-17 to 2021-22, in test checked ULBs.

Accepting the observation, Government stated (April 2023) that ULBs are to verify the Sanchaya database and initiate action to levy property tax in respect of residential buildings above 61.33 sq.m, which were incorrectly exempted.

In compliance with Rule 12(7) of Kerala Municipality (Property tax, Service Cess and Surcharge) Rules, 2011, responsibility needs to be fixed on the officials of ULBs, whose negligence in assessment of tax contributed to revenue loss to the Municipalities.

Recommendations:

Urban Local Bodies should ensure that any lapse in physical verification leading to short assessment and consequent short collection of tax should be followed up with disciplinary action against the officials responsible, as provided in the Rules.

Urban Local Bodies should implement a time bound action plan to assess property tax/service charges on all buildings not exempted by the relevant provisions of KM Act. Instances of non-assessment may be investigated and responsibility fixed.

3.7 Levy

As per section 233(13) of KM Act, 1994, on the basis of the return submitted by the owner of the building and on the findings of the Secretary on physical verification, the Secretary shall assess the annual property tax of the building and levy property tax by issuing demand notice to the owner of the building. Further, as per section 230(4) of KM Act, 1994, ULBs are empowered to levy Service Cess for the facilities provided to public like water supply, sanitation, streetlight and drainage at a total of 10 *per cent* of property tax.

3.7.1 Non-levy of Service Cess

The intention to impose service cess for a particular service and the rate of imposition was to be decided by the ULB by a resolution, provided that the rate shall not be less than the rate prescribed for each category of service. The procedure for assessing and demanding property tax was to be applicable to service cess also. Audit noticed that laxity in collecting service cess by 10 out of 14 test checked ULBs resulted in loss of ₹84.40 crore as presented in **Table 3.4**:

Table 3.4: Details of loss/unrealised revenue due to non-levy of Service Cess

(₹ in crore)

Urban Local Bodies	Loss/non-realisation of potential revenue	Remarks
Thiruvananthapuram Corporation	15.54	Non-demand on existing buildings from 2013-14 to 2015-16, despite Council deciding to levy
Kozhikode Corporation	11.21	Council took decision to levy from 2019-20 onwards
Vadakara Municipality	0.21	Levied on residential buildings only
Kochi Corporation, Malappuram, Kondotty, Koyilandy, Kalamassery, Angamaly, North Paravur Municipalities	57.44	Council had not taken decision to levy
Total	**84.40**	

(Source: Details furnished by test checked ULBs)

As ULBs are providing civic services to the public as mandated in the Act, they are rightly eligible to collect service cess as a percentage of property tax collected. Inaction by the ULBs in levying service cess resulted in loss of potential revenue. Government replied (April 2023) that four ULBs had submitted proposal to collect service cess to the respective Councils. Audit noted that no pro-active action was taken by the remaining ULBs to comply with codal provisions.

Recommendation: As the ULBs are providing various civic services to the public, action may be taken to levy service cess mandatorily.

3.7.2 Levy of service charge instead of property tax

Audit noticed instances of levy of service charge instead of property tax as explained below.

- As Airport Authority of India (AAI) is an autonomous body, exemption to Government of India institutions vide Article 285 (1) of the Constitution was not applicable. However, Audit noticed that Thiruvananthapuram Municipal Corporation (TMC) assigned building numbers to certain buildings of Thiruvananthapuram International Airport[39] and levied service charge at the rate of 75 *per cent* of property tax for the period from 2016-17 to first half of 2022-23. The act of TMC in levying and demanding service charge instead of property tax on above mentioned buildings of AAI resulted in short demand of property tax amounting to ₹54.51 lakh for the period from 2016-17 to first half of 2022-23.
- Brahmos Aerospace Thiruvananthapuram Limited (BATL) is a public limited company involved in the manufacture of aerospace products for PSLV and GSLV programme of ISRO and satellites of ISRO. The TMC assigned building numbers to various buildings of BATL and levied service charge at the rate of 75 *per cent* of property tax, resulting in short demand of ₹5.16 lakh for the period from 2016-17 to 2021-22.

Government accepted the audit observation and replied (April 2023) that the buildings would be assessed and appropriate tax will be levied.

3.8 Collection

Multiple channels are available for payment of property tax, *viz*., cash, cheque, demand draft, online banking, etc. The field collectors appointed for the purpose visit the assessees every half year and collect property tax and issue receipts for the amounts received. The collections are remitted to the Municipal fund account. The assessees can also remit property tax through cash counters in offices of the Municipality/Corporation. Online facility for payment of property tax has been made available with the technical assistance of the IKM using the Revenue and Licence System 'Sanchaya'.

[39] Changed to Adani Thiruvananthapuram International Airport Limited since January 2021

3.8.1 Collection efficiency

Collection efficiency means the payment received against the demand raised including the arrears. Collection efficiency is dependent on the completeness of billing and administrative efficiencies in the collection process. Absence of updated property tax registers incorporating the accurate number of properties contributed to poor collection efficiency. As per DCB statements furnished by test checked ULBs, the average collection efficiency of three selected Municipal Corporations was 42.51 *per cent* and that of 11 Municipalities were 69.39 *per cent* during the audit period.

As per Rule 19 of the Kerala Municipality (Property Tax, Service Cess and Surcharge) Rules, 2011, where the owner of a building refuses to remit property tax within the stipulated time as stated in the demand notice, the Secretary may take action to recover the property tax by way of revenue recovery, prosecution, etc. Audit noticed that though arrears in property tax mounted year after year, revenue recovery proceedings were initiated only in 14 cases amounting to ₹1.84 crore in two test checked ULBs during the period 2017-22.

As on 31 March 2022, property tax pending collection in test checked ULBs as per DCB details furnished to audit was ₹325.01 crore. Age-wise analysis of arrears by audit revealed that ₹106.45 crore (32.75 *per cent*) pertaining to Thiruvananthapuram Corporation was related to over five years.

Waiver of penal interest

As per Section 538(2) of KM Act, 1994, the instalment in respect of any half-year shall be paid on or before the last day of the said half-year and if not paid within that date, shall be recovered together with penalty at the rate of one *per cent* per month from the date from which it was due. Audit noticed that Government continually exempted penal interest with effect from 31 December 2016 till 31 December 2022 vide 14 Government orders, on the condition that the defaulters pay the arrears in single lumpsum. The 14 test checked ULBs incurred a loss of ₹117.25 crore during the period from 2016-17 to 2021-22, on account of waiving penal interest. The waiver of penal interest by State Government is against statutory provisions and defeats the will of the Legislature as observed by Sixth State Finance Commission.

The primary task post assessment of property is to ensure that all the assessed properties are levied property tax and that the tax demanded is collected in a timely manner. The method of levying and collecting property tax needs to be transparent and capable of easy administering. The test checked ULBs cited staffing deficits, poorly designed processes, etc. as retarding factors contributing to low collection efficiency.

3.8.2 Non-demand of property tax

3.8.2.1 Development Authorities

The Development Authorities (DA) were constituted for the implementation of planned and scientific development of cities and adjoining areas. There are two

DAs in the State, *viz*., the Greater Cochin Development Authority (GCDA)[40] and the Trivandrum Development Authority (TRIDA)[41]. Both the DAs owned several buildings and land attached to them. The main source of revenue of DAs were centage charges at the rate of 0.5 *per cent*[42] of the total sum of money credited during the preceding year to its Planning and Development Fund by Municipal Corporations concerned and the rent collected from different shopping complexes of DAs.

In consonance with provisions laid down by Sections 230 to 233 of the Kerala Municipality Act, 1994, the DAs being independent organisations, buildings belonging to these organisations were liable to pay property tax. However, Audit noticed that during the years up to 2018-19, property tax was adjusted against the centage charges payable by the Corporations to the DAs.

Government directed (January 2018) all local bodies under the jurisdiction of GCDA to pay the admissible centage charge to GCDA from their own funds. Further, the collection of property tax by GCDA from shop owners was dispensed with and the shop owners were instructed to pay property tax directly to Kochi Municipal Corporation (KMC). As per details furnished by nine zones in KMC, total property tax receivable from 2018-19 till 2021-22 was ₹1.73 crore, against which only ₹30.41 lakh was collected by KMC.

Section 99 of the Kerala Town Planning and Country Planning Act, 2016, providing for payment of centage charge of 0.5 *per cent* of own revenue of the local body to DA was deleted vide notification dated 14 November 2021. As such, non-demand of property tax for the period from November 2021 till March 2022 from TRIDA by Thiruvananthapuram Municipal Corporation (TMC) would result in non-collection of property tax to the tune of ₹35.54 lakh from 13 buildings owned by TRIDA.

Government replied (April 2023) that TMC had served TRIDA with demand notice. In the case of KMC, it has been decided to convene a meeting to resolve the dispute regarding payment of centage charge.

3.8.2.2 Vacant rooms

As per Section 239 of the KM Act, 1994, when any building whether ordinarily let or occupied by the owner himself has been lying vacant and unlet for a half-year, the owner shall be entitled to a remission of tax for that half year. To obtain vacancy remission of property tax, the owner of the building was to apply well in advance for it, before commencement of the half year concerned of the property tax. The Revenue Inspector was to verify and confirm the request of the applicant and place it before the Finance Standing Committee for approval.

Audit noticed that an eight storey (G+7) building, Amrita Trade Tower with 73 units in Ernakulam South, was assessed to property tax amounting to ₹5.28

[40] Constituted in 1976 under the Madras Town Planning Act, 1920
[41] Constituted in 1980 under the Travancore Town Planning Act, 1945
[42] Section 99 of Kerala Town Planning Act, 2016

lakh[43] per year. Of the 73 units, Kochi Corporation sanctioned vacancy remission for 90 half year periods (HYP) (out of total 730 HYP) and the total amount of vacancy remission was ₹3.29 lakh. Of the remaining 640 HYPs, property tax was paid for 42 HYPs. Non-demand of property tax for 598 HYPs during the period from 2017-18 to 2021-22 resulted in loss of revenue of ₹21.71 lakh.

Negligence is noticed on the part of the Secretary of the ULB, who is responsible for the revenue loss due to non-demand of property tax as per Rule 12(7) of Kerala Municipality (Property tax, Service Cess and Surcharge) Rules 2011.

Government replied (April 2023) that the ULB has issued notices to the owners of the building for remitting property tax, failing which revenue recovery procedures would be initiated.

Recommendation: The ULBs should augment their tax collection capabilities by initiating revenue recovery actions as provided in the Rules, to recover arrears of property tax.

3.9 Accounting

3.9.1 Non-compliance with mandatory provisions

Rules 21 to 24 of Kerala Municipality (Accounts) Rules, 2007 stipulate that the collections during a day, received in cash, money, cheques, etc. shall be deposited in the designated bank accounts/Treasury Saving Accounts on the next working day. The cashier is to submit a Head of Account-wise summary of daily collection to the Accounts wing. The Accountant is to get Bank/Treasury statements on a weekly basis and confirm that remittances have been fully credited to the Bank/Treasury Savings Account. Any discrepancy in remittances shall be reported immediately to the Accounts Officer/Secretary as the case may be. The Accounts Officer and Secretary have to verify the Remittance Book on a daily basis and weekly basis respectively. The Fifth State Finance Commission had also recommended creation of the post of Accountant in ULBs.

Audit observed that no post of Cashier or Accountant existed in any of the test checked ULBs and their zonal offices, to ensure compliance of the above rules/recommendation. In their absence, the clerical staff undertook the duties as per priority assigned on day-to-day basis. The deficiency of sanctioned posts mandated in the Rules might have contributed to incidents of misappropriation of cash[44] amounting to ₹32.97 lakh from three[45] zonal offices of Thiruvananthapuram Corporation in 2020. The Zonal Charge Officer had also not monitored remittances of tax amount collected. Further, the Corporation had no system for periodic reconciliation of property tax remittances made by zonal

[43] 2 x ₹2,64,022 (half year tax)
[44] Detected by the Corporation
[45] Nemom, Sreekaryam and Attipra

offices. The Corporation informed that seven employees have been suspended in connection with the fraud, and that the embezzled amount has not been recovered, as investigation was under progress. Such mishandling of amounts collected from taxpayers could be averted only by ensuring compliance, by each designated officer, to relevant provisions in Rules.

Government stated (April 2023) that disciplinary action was initiated against seven officials held responsible for the misappropriation in three zonal offices of Thiruvananthapuram Corporation and that inspection squad has been constituted in the accounts wing of the Corporation, as a preventive step. The reply was silent on the extent of compliance to the recommendation of Finance Commission on the appointment of Accountant.

3.9.2 Incorrect adjustment of service cess

The Councils of Tirur and Thrippunithura Municipalities decided to levy service cess at the rate of 10 *per cent* of property tax with effect from 2013-14 onwards. However, GoK decided (March 2019) that the revised rate of property tax for existing buildings was to be collected from April 2016 only. It was also instructed that any excess amount of property tax collected due to application of revised rate for existing buildings prior to April 2016, was to be adjusted against the future demands of the taxpayer.

Audit scrutiny revealed that the Municipalities, instead of adjusting the excess amount of property tax alone for existing buildings, recovered service cess also, which was irregular. This resulted in a loss of ₹1.87 crore[46] to the two Municipalities.

Government replied (April 2023) that the incorrect adjustment of service cess occurred due to changes made in the software by IKM and ULBs had intimated IKM to rectify the defect.

3.9.3 Irregular credit of dishonoured cheques

Audit observed that there was no effective system to watch over cancellation of entries regarding realisation of time barred/dishonoured cheques/Demand Drafts (DD), etc. made in Sanchaya, which resulted in unintended benefit to the payees. When a cheque is submitted to the cash counter at the office of the ULB by a property tax payer, a printed receipt is issued to the payer and the amount is updated as collection in Sanchaya software with the receipt number. As per Rule 20 of Kerala Municipality (Accounts) Rules, 2007, in the event of a cheque being dishonoured by the bank, the Municipality shall cancel the office copy of the receipt and report the same at once to the tenderer of the cheque, intimating that the receipt issued for payment through cheque stands cancelled and that she/he has to make payment in cash or DD only, along with the bank charges debited by the bank, if any.

Scrutiny of dishonoured cheque register in Thiruvananthapuram Corporation revealed that 26 cheques were dishonoured by the bank during 2019-2022. Of

[46] ₹60.46 lakh to Tirur and ₹1.27 crore to Thrippunithura

these, though 21 cases were settled subsequently, in five cases involving ₹5,61,194, receipts already issued were not cancelled in Sanchaya software even in the absence of cash credit or other means, and in one case, even after three years from the date of dishonouring of the cheque. This resulted in undue benefit to the payees as detailed in **Appendix 3.8**.

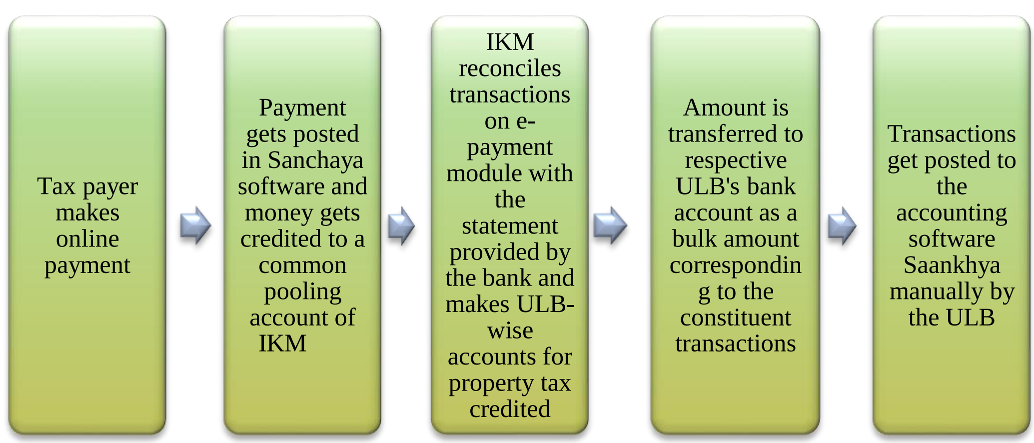
Government replied (April 2023) that in two cases, the tax amount including bouncing charge has been recovered from the owner. The Secretary of the ULB informed that in one case, reverse entry for collection of property tax was made and demand re-instated. The reply was silent regarding the remaining two cases.

Audit observed that the Secretary, Thiruvananthapuram Municipal Corporation should have put in place a system to monitor the cancellation of the receipts and reversal of entries in the Sanchaya Software as similar instances occur frequently. Responsibility should be fixed for the above lapses.

3.9.4 Delay in transfer of tax amount collected to the bank account of the ULB concerned

Government accorded (May 2011) permissive sanction to IKM for the establishment of e-payment facilities for LSGIs in Kerala. All receipts in favour of the local bodies concerned, routed through a pooling account maintained by IKM in State Bank of India (SBI),[47] would be credited to the account of the local body concerned within one day or on the succeeding working day, if there is an intervening holiday. The following chart depicts the cash flow in the e-payment module of Sanchaya till 04 February 2022[48].

Figure 3.8: Chart depicting the cash flow in the e-payment module of Sanchaya till 04 February 2022



Audit observed that a balance of ₹41.84 lakh was kept untransferred (November 2022) in the pooling account corresponding to the property tax amounts of LSGIs credited online during the past years. Had the e-payment tax receipts

[47] At Nanthancode Branch, Thiruvananthapuram

[48] The pooling account was not used for e-payment since 04 February 2022, and a new pooling account and new e-payment process was implemented.

been transferred in a timely manner, the LSGIs could have earned interest of ₹94,197[49] during the period from April 2017 to March 2022.

Audit also noticed that IKM transferred ₹1.46 lakh to three Grama panchayats[50], based on their requests which indicates that, contrary to the directions envisaged in the Government order, the e-payment process did not ensure timely reconciliation of fund transfers after identifying the failed transactions. This resulted in holding of funds of ULBs in pooling account.

In the new e-payment system which came into effect on 04 February 2022, amount collected online is credited to the pooling account of IKM maintained in the bank and then to the account of local body concerned, within the next 48 hours. Prior to the new e-payment system, funds were transferred to the ULBs as bulk payment corresponding to the day along with a reconciled statement prepared by IKM. However, in the new e-payment system where fund transfers are made in baskets of transactions at pre-determined intervals by the system without any manual intervention, the reconciliation has to be done by the ULB itself. Audit noticed that effective training in the new system was not imparted to the ULB staff, resulting in non-reconciliation of funds received from IKM with Sanchaya data since February 2022.

The IKM stated (March 2023) that the balance in the old pooling account is due to transaction errors that occurred while transferring the fund to the local body's account through SBI portal, and that the process of transferring the balance amount is going on.

The reply is not acceptable as IKM could have foreseen scenarios such as failed transactions and put in place processing controls to facilitate identification of beneficiary LSGIs and re-attempt transfer after verifying other parameters relating to the tax remitter. Responsibility must be fixed on the officials who failed to remit or delayed the remittance of tax amounts to ULBs.

Recommendations:

Government should ensure creation of post of Accountant in all ULBs in the State as recommended by Fifth SFC to improve the efficacy of accounting mechanism.

Government should ensure that Municipal Corporations put in place a system for periodic reconciliation of property tax remittances made by zonal offices.

3.10 Revision/Reforms of Property Tax

As per section 233(4) of KM Act, 1994, the limits of rates of basic property tax fixed by the Government and the rates of basic property tax once determined by the Council shall be in force for five years from the date on which they come

[49] Audit computed this figure by calculating simple interest at the rate of 2.75 *per cent* per annum for the monthly average of amounts transferred beyond three days to ULBs' accounts (Monthly average of receipts transferred beyond 3 days x 30 x 2.75/100 x 1/365)

[50] Chottanikkara, Muttar and Kodombelur

into force. Thereafter, on completion of every five years, the Government and the Council shall revise the rates of basic tax by making an enhancement at the rate of 25 *per cent* on the existing limits, so as to be in force for the next five years. The Secretary shall, in accordance with such revision of rates, fix the revised property tax in respect of every building before the expiry of the period. The rates of basic property tax fixed by the Council for the first time under sub-section (3) shall come into force on such date as the Government may, by notification, decide on this behalf.

Audit noticed failures/delay in timely revision of property tax by Government and timely adoption of revised rates by ULBs as detailed below:

3.10.1 Delay in revision of property tax/non-implementation of periodical enhancement

Though KM Act was amended in October 2009 to levy property tax based on the plinth area of buildings, detailed order to give effect to the provisions of the amended Act was issued by the Government only on 14 January 2011, which was made applicable to new buildings from 01 April 2013 and existing buildings from 01 April 2016, after a delay of two years and five years respectively. The delay in formulation of Rules and subsequent postponement of their dates of effect, severely affected the pace of realisation of property tax at enhanced rates. Further, contrary to the provisions laid down by Section 233(4) of KM Act, 1994, Government neither revised the rate of property tax as per KM Act, nor reviewed the process of revision of tax.

As plinth area based assessment was implemented in ULBs with effect from 01 April 2013 for new buildings, subsequent enhancement at the rate of 25 *per cent* was to be made applicable from 2018-19 onwards and in respect of existing buildings, from 2021-22 onwards. Non-implementation of revision as laid down by the Act would result in loss of ₹55.93 crore to the test checked ULBs, as on March 2022.

Government replied (April 2023) that in the absence of specific orders, timely revision of property tax rates could not be effected. It was stated that Government prescribed (March 2023) annual enhancement of property tax at five *per cent* for the next five years from 01 April 2023, and that necessary amendments have been made to the KM Act and Gazette notification issued in this regard.

3.10.2 Delayed revision proceedings at Kozhikode and Kochi Corporations

Audit noticed that though Kerala Municipality (Property Tax, Service Cess and Surcharge) Rules were published in January 2011, two test checked ULBs, Kozhikode and Kochi Corporations showed inordinate delay in revising tax. Both the Corporations commenced the assessment proceedings during the period 2019-20 and 2020-21 respectively. Kozhikode and Kochi Corporations had 2,54,331 and 2,30,955 existing buildings respectively as on 14 January 2011. As on November 2022, the Corporations could complete 2,14,238 and

1,46,620 assessments only, leaving assessment of existing buildings of 40,093 and 84,335 pending. Even though the Corporations demanded property tax with effect from 2016-17, the assessees were not bound to pay arrears prior to three years, as demand is barred by limitation as per Section 539 of KM Act. Due to undue delay in completion of assessments, Kozhikode and Kochi Corporations lost aggregate arrears of ₹19.91 crore for the period from 2016-17 to 2018-19.

Government informed (April 2023) that though Kozhikode and Kochi Corporations have acknowledged the delay in revision of property tax, the issue of time barred loss of arrears has not been reported in these ULBs. The reply is not tenable since these ULBs could not complete revision in respect of 40,093 and 84,335 buildings respectively as of November 2022, against which the tax payer was not legally bound to pay tax pertaining to period prior to three years. Further, Section 539(2) of the Act specifically states that if any amount has been barred by limitation due to the default of any officer, the amount lost to the ULB shall be realised with 12 *per cent* interest thereon from the officer.

3.10.3 Non-implementation of revision of property tax on the basis of fair value of land

In order to compensate the loss in revenue caused to the Central and State Governments by COVID-19 pandemic, Ministry of Finance, Government of India had allowed additional borrowing of two *per cent* of Gross State Domestic Product (GSDP) to States for the financial year 2020-21, subject to the implementation of certain state level reforms[51] for strengthening ULBs. On successfully implementing the 'Ease of doing business' reform, the State of Kerala became eligible (January 2021) to mobilise additional financial resources of ₹2,261 crore through open market borrowings.

The State had decided (June 2020) to derive a formula for re-assessment of property tax as part of implementing reforms in the sector. The Director of Urban Affairs submitted a proposal for the assessment of property tax on the basis of the fair value of the land, based on which GoK issued (February 2021) orders to notify the re-assessment of property tax in Municipalities. The rate of property tax was to be fixed on the basis of fair value of land for each category of building in accordance with the use of buildings. The annual upward revision in the rate of tax was to be by five *per cent* or hike in consumer price index, whichever is lower, from second year onwards as per the existing rules.

However, Audit noticed that property tax revision based on fair value of the property has not so far been implemented in the State (February 2023).

The Principal Secretary, LSGD informed during the exit conference (27 March 2023) that a sample study in a couple of wards in Thiruvananthapuram

[51] Implementation of One Nation One Ration Card System, Ease of Doing Business Reform, Urban Local Body/Utility Reforms, Power Sector Reforms, etc. The Ease of Doing Business Reforms included completion of first assessment of district level Business Reform Action Plan, elimination of requirements of renewal of registration certificates/approval/licences, computerisation of central random inspection system, etc.

Corporation is being conducted by Gulati Institute of Finance and Taxation (GIFT) and the report is awaited. This is indicative of the fact that the Government order was issued and additional borrowing of GSDP availed, even before conducting a sample study.

3.10.4 Non-implementation of SFC recommendations

As per Section 206 of KM Act, 1994, the State Finance Commission (SFC) is constituted every five years to recommend measures needed to improve the financial position of the Municipalities in the State. The SFCs had offered valid recommendations to improve efficiency in collection of property tax. The recommendations relating to property tax offered by various SFCs formed till date, and the status of implementation of major recommendations are shown in **Appendix 3.9**. Audit observed that none of these recommendations, though accepted, have been implemented by the State. This points out the lax approach of Government in implementing measures to facilitate enhancement of revenue from property tax, which might also have contributed to revenue loss amounting to ₹145.20 crore, as discussed in various paragraphs in this report.

3.10.5 Non-constitution of Property Tax Board

The 15th Central Finance Commission (CFC) recommended that grants to local bodies (other than health grants) would be distributed among states based on population and area, with 90 *per cent* and 10 *per cent* weightage, respectively. The CFC also recommended that computerised property records had to be integrated with the registration of transactions and the market value of properties was to be captured. Further, the State Governments were to streamline the methodology of property valuation. Audit noticed that though State Government issued orders to integrate value of properties with that of property tax, implementation of the order is yet to be materialised (February 2023).

Based on the recommendation of 13th CFC, GoK proposed (February 2011) constitution of an independent Property Tax Board to review the property tax system and suggest suitable basis for valuation of properties and modalities for periodic revision. This was reiterated by the sixth SFC in its recommendations. Government also accorded (May 2018) sanction for constituting a committee of nine members with the Principal Director, LSGD as Convener. The committee was to suggest recommendations to assess gaps in the extent of realisation of own revenue of LSGIs and to prevent leakage of tax revenue. Audit observed that the Property Tax Board has not been constituted in the State and the Committee has not met till date.

Some of the major functions of Property Tax Board as noted below could not be carried out due to its non-constitution.

- Review the property tax system and suggest suitable basis for valuation of properties including charges in the parameters involved in the formula used for assessing property tax in the State
- Recommend modalities for periodic revision

- Ensuring collection and imposition of tax for all taxable properties

Recommendation: Government should constitute Property Tax Board to review the property tax system and suggest suitable basis for valuation of properties and modalities for periodic revision.

3.11 Monitoring

Section 22 of KM Act, 1994 empowers the Standing Committee for Finance of the ULB to carefully watch the timely assessment and collection of taxes, fees, rents and other sums due to the ULB. It also entrusts the Standing Committee to check the monthly demand, collection and balance and abstract of receipts and expenditure of the preceding months as furnished by the Secretary. However, the Kerala Municipality (Property Tax, Service Cess and Surcharge) Rules, 2011 do not provide any institutional mechanism which would enable the Standing Committee to effectively exercise its powers and responsibilities.

Audit observed several instances of monitoring failures which resulted in unauthorised constructions and lapses in internal control as detailed below.

3.11.1 Unauthorised constructions

Section 242 of KM Act, 1994 stipulated that where any person has unlawfully constructed or reconstructed any building, the owner of such building shall be liable to pay property tax that would have been paid, had the said building been constructed lawfully, with twice the amount towards property tax, from the date of completion or occupation whichever is earlier, till the date of demolition/ regularisation of that building. The building constructed unlawfully was to be given special building number, purely for taxation purpose.

During joint physical verification, audit noticed 36 cases of unauthorised construction undertaken without the permission of Municipalities/Corporations concerned, in 10 test checked ULBs. The Municipalities had not taken any action to regularise/demolish the building or to issue special building number and realise property tax at compounded rate. The tax due thereon worked out to ₹4.87 crore for the period from 2016-17 to 2021-22 as detailed in **Appendix 3.10**.

One of the important duties assigned to Revenue Inspectors and Bill Collectors was to detect unassessed and under assessed properties within their jurisdiction. The Building Inspectors were to detect unauthorised constructions within their jurisdiction. Audit observed that both Revenue section and Town planning section in ULBs failed to detect unassessed/unauthorised buildings.

Government replied (April 2023) that ULBs have initiated action to assess and levy property tax in respect of unauthorised constructions mentioned in the paragraph.

Recommendation: Government/ULBs may initiate urgent action to detect all unauthorised constructions in ULBs through co-ordinated action of Revenue and Town Planning sections and levy property tax at compounded rates.

3.11.2 Lack of synchronisation between Revenue and Town planning sections in ULBs

Government directed (May 2020) that, property tax shall be assessed with effect from the date of issue of occupancy certificate. The Town planning section of ULB issues building permits and occupancy certificates and the Revenue section assesses the tax on the basis of occupancy certificate issued by the Town planning section. However, this business rule is not mapped in Sanchaya, as a result of which the Revenue wing could make assessment of tax on a building without valid building permit. Further, no control was built in Sanchaya to ascertain whether a valid building permit/occupancy certificate was issued by Town planning section before issue of door number. This is evident from the analysis of details of building permits captured in Sanchaya, wherein it was seen that out of 3,13,068 new buildings assessed (after first half of 2013) in the test checked ULBs, details of building permits were captured for 2,00,455 buildings (64.03 *per cent*) only.

In the course of field level verification, Audit noted that Kozhikode Corporation had identified (2021-22) 24 building numbers allotted to illegal constructions by its Revenue section, after modifying data through the front end of Sanchaya application by unauthorised use of user-id and password. This tampering of data was done without the knowledge of Town planning section of the Corporation.

Audit observed that lack of synchronisation between the Revenue and Town planning wings makes it difficult for the Secretary/Council to monitor the updating of database and collection efficiency of property tax.

3.11.3 Ineffective inspections to detect unauthorised constructions

Rule 157 of KMBR, 1999 and order issued (August 2009) by LSGD necessitated formation of squads at district/municipal level for detecting unauthorised constructions and initiating steps to stop such constructions. The Local Fund Accounts Committee, while discussing the paragraph on assessment and collection of Property tax in Kochi Municipal Corporation which appeared in the Audit Report of Comptroller and Auditor General of India on Local Self-Government Institutions for the year ended 31 March 2005, had pointed out the lapse in formation/functioning of squads and sought reasons for non-functioning of squads. The Government is yet to furnish a report on the above.

Audit observed that only two[52] of the test checked ULBs formed squads, conducted seven inspections and detected 13 unauthorised constructions during the audit period. Non-constitution of squads in the remaining 12 ULBs contrary to the provisions of KMBR reveals the lackadaisical approach of ULBs towards identification of unauthorised buildings and additional construction to existing buildings. Audit, in the course of joint physical verifications with Municipal staff, identified 36 unauthorised constructions, 19 incorrect assessments due to escaped plinth area and 15 wrongly classified buildings. Absence of regular and

[52] Kondotty and Malappuram

periodical enumeration would impact adversely upon the extent of unauthorised/additional constructions detected and assessed to tax.

Government stated (April 2023) that though Kozhikode Corporation did not constitute squads for inspection, Overseers and Revenue Inspectors conducted inspections to detect unauthorised constructions. The reply, which justifies non-formation of squads, is not acceptable as ULBs were to form squads with the composition as prescribed by Government and conduct periodical inspections to streamline the process of detecting unauthorised constructions.

3.11.4 Undue benefit extended to Malayala Manorama building

A mention was made in CAG's Audit Report on Local Self-Government Institutions for the year ended March 2012 on Thiruvananthapuram Municipal Corporation (TMC) not initiating action to assess the new press building[53] constructed by Malayala Manorama with a plinth area of 1,139.82 sq.m. Audit had then pointed out that, the building being an unauthorised construction, property tax due at compounded rate from second half of 2005-06 to 2011-12 amounted to ₹33.40 lakh. The observation was accepted by TMC and assurance regarding realisation of tax due was provided to Audit. However, TMC did not initiate any favourable action in this regard.

Audit, in connection with this PA, noticed that Malayala Manorama completed the fourth floor and undertook extension of first floor and ground floor of the building, with an additional area of 1,012.37 sq.m. The construction of the structures was completed in November 2015 and regularisation of construction sought in November 2018. Since regularisation was effected only in the second half of 2015, tax due at compounded rate, amounting to ₹30.50 lakh for the period from 2012-13 to the first half of 2015-16 was also to be realised. However, TMC regularised the unauthorised construction and issued occupancy certificate in August 2019 giving retrospective effect with effect from November 2015, after collecting permit fee of ₹1.07 lakh at compounded rate. TMC did not take any action to collect the already accumulated tax of ₹63.90 lakh[54].

Audit further observed that, plinth area of the existing old building[55] was 2,846.28 sq.m and that of the new press building (with additional fourth floor and extended ground floor and first floor) was 2,152.19 sq.m. Government orders on tax revision issued from time to time, had re-iterated that all office buildings were to be assessed on plinth area basis with effect from 2016-17. However, revenue assessment was done on plinth area basis for the newly constructed building alone, at the office rate of ₹80. The existing building was levied with tax on ARV basis, amounting to ₹9,270 only. This incorrect

[53] The building had obtained permit for four floors (Ground floor + three floors); however, an unauthorised floor (fourth floor) was also constructed.
[54] ₹33.40 lakh + ₹30.49 lakh
[55] The old press building constructed in 1987.

assessment resulted in short demand of property tax to the tune of ₹15.07 lakh[56] for the period from 2016-17 to 2021-22.

Government intimated (April 2023) that Thiruvananthapuram Corporation has issued notice in connection with initiating revenue recovery proceedings against Malayala Manorama. However on further enquiry, Audit observed that the ULB has only sought for receipts of remittance claimed to have been made by Malayala Manorama.

Despite Audit pointing out the irregular taxation in the C&AG's Audit Report for the year ended 31 March 2012 and the Local Fund Accounts Committee discussing the audit observation in July 2022, TMC not only refrained from realising arrear tax amount for the new building, but also failed in assessing tax on plinth area basis for the existing building.

3.11.5 Unauthorised Mobile Towers

As per Rule 130 of KMBR, 1999, no person shall erect or re-erect any non-governmental telecommunication tower/pole structures without first obtaining a separate permit for each such tower/pole structure from the Secretary of the ULB. Property tax is leviable on these structures in accordance with Kerala Municipality (Property tax, Service Cess and Surcharge) Rules, 2011. According to Section 242 of KM Act, 1994, municipalities are empowered to levy on such structures, property tax that would have been paid, had the said building been constructed lawfully, with twice the amount towards property tax on unauthorised constructions.

Audit noticed that several unauthorised towers were located in the test checked ULBs. The permit fee and property tax at compounded rate due for these unauthorised constructions worked out to ₹47.20 lakh and ₹173.07 lakh respectively as detailed in **Appendix 3.11**.

Government stated (April 2023) that action was being initiated to identify unauthorised mobile towers and to assess and levy them with property tax. However, the reply was silent on whether penalty was levied on these constructions.

3.11.6 Pendency in settling court cases

As per Rule 18 of the Kerala Municipality (Property Tax, Service Cess and Surcharge) Rules, 2011**,** where the owner failed to remit property tax fully or partially for a building, the Secretary may issue demand notice to the possessor of the building to remit property tax within 15 days and the amount paid by him can be recovered from the owner concerned. Similarly, Rule 19 stipulates that where the owner of a building refused to remit the property tax within the stipulated time as stated in the demand notice, the Secretary may take action to recover the property tax by way of revenue recovery, prosecution, litigation, etc.

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[56] Plinth area based assessment of the existing building works out to basic tax of ₹2,27,703 annually.

Scrutiny of case diaries of test checked ULBs revealed that as of March 2022, 412 cases related to property tax were pending in various courts, of which, 336 cases were pending in the High Court. For 28 cases, pendency was over five years.

3.11.7 Segregation of duties

Segregation of duties is a proven way of ensuring that transactions are properly authorised and recorded and that assets are safeguarded. Separation of duties occurs when one person provides a check on the activities of another. It is also used to prevent a single person from carrying out an activity from start to end without the involvement of another person.

Separation of duties is a fundamental control requirement as it reduces the risk of error and fraud. This can be achieved through the existence of, and compliance with, job descriptions.

The duties in Revenue wing in ULBs are segregated as follows.

- Data entry in Sanchaya by Revenue Section Clerks (Data Entry Operators).
- Verification of data entry by the Superintendent.
- Approval of entry by the Revenue Officer.

Audit analysed the transaction details and user tables in Sanchaya to assess whether well-defined job characteristics and segregation of duties were implemented in Sanchaya. On analysing 3.10 lakh file processing activities[57] in the selected ULBs, audit found that,

- Data Entry Operator and Verifier are same in 1211 instances.
- Verifier and Approver are same in 203 instances.
- Data Entry Operator and Approver are same in 337 instances.

It is thus evident that the benefit of segregation of duties was bypassed, thereby exposing the system to fraud and manipulation of data. The controls in Sanchaya failed in ensuring that duties of data entry, verification and approval are performed by different persons. Moreover, processing activities are seen completed in a short span of time, ie., within a few seconds between Data Entry Operator and Verifier and between Verifier and Approver, which is unusual when viewed against the normal pattern of delay in majority of cases (**Appendix 3.12**).

Sharing of login credentials among multiple levels of users has also occurred, compromising the security of the system and enabling fraudulent transactions, as noticed in the following instances:

- Thiruvananthapuram Corporation engaged (September 2013) Human Resource Employment Development Centre (HREDC) for data entry in

[57] Transactions resulting from activities like address change, demolition, exemption, assessment of new buildings, revision of tax, vacancy remission, etc.

online Sanchaya portal for creation of database of property tax. The data entered by HREDC had to be verified by Revenue Inspectors (RI) and approval accorded by the Revenue Officer (RO) through their dedicated login ID and passwords. However, it was observed that 3,11,924 numbers of data entered were verified and approved by HREDC, the same agency entrusted with data entry. The fact that the data was not verified by the RIs was confirmed by Audit on random verification. Verification and approval of data entry was done by the data entry operators themselves, since the login ID and passwords of RI and RO had been shared with them.

- Thiruvananthapuram Corporation informed IKM that building numbers were given without obtaining valid building permit/occupancy certificate from Town planning section in four instances. The transaction details pertaining to 22 June 2022 and 03 July 2022 extracted by IKM and furnished to the Corporation revealed that the data entry, verification and approval took place in very short intervals which establishes the fact that a single person had attempted all three processes, misusing the login ID and passwords of higher officers.

Government replied (April 2023) that Thiruvananthapuram Corporation has terminated the services of the officials who misused the Sanchaya login ID and password. Further, measures have also been taken to ensure the security of login ID and password.

3.11.8 Non-restriction of privileges assigned to users

Sanchaya software was rolled out initially in rural local bodies and later in ULBs. The Municipal Corporations have zonal offices with large number of tax payers, which are functioning more or less like individual local bodies. Access control deficiencies have crept into Sanchaya, while introducing it in ULBs by adopting the system already in use in rural local bodies. The user access through Verifier or Approver login was not restricted to the zonal offices in which they are currently working. Due to the absence of this control, users working in one zonal office could deliberately or inadvertently alter/verify the data relating to other zonal offices.

Instances of allotting numbers to unauthorised constructions by misusing the user ID and passwords of Revenue Officer (RO) were detected by Kozhikode Corporation. It was seen that 1,476 buildings in the wards under the Main office of the Corporation were illegally approved using digital signatures of ROs working in zonal offices. Further, it was also detected that 1,432 buildings in wards under the zonal offices were illegally approved using digital signatures of ROs working in the Main office.

Information Kerala Mission stated (March 2023) in reply that the software is configured in such a way that the users working in one zonal office can process the data of the respective zonal office only. The reply is not factually correct as Audit found 673 instances of verification and 1,254 instances of approval of file processes pertaining to different zonal offices/main office by users within the same day using a single user ID. This was further confirmed by Audit by verifying the front end of Sanchaya and observing that a user login through a single user ID can verify and approve details of buildings coming under other zonal offices/main office.

Government did not furnish response to the audit observation (December 2023).

Recommendations:

Government should introduce Management Information System or other software solutions which would enable effective monitoring of efficiency of property tax collection by public representatives and executives.

Government should ensure data security by defining and enforcing password policy. Incidents of fraud and data manipulation resulting from bypassing segregation of duties may be guarded against.

3.12 Conclusion

The Municipal Act/Rules do not have clear provisions mandating regular enumeration of properties, resulting in the ULBs not possessing a list of entire buildings that could be assessed to property tax. Undue delay in completing digitisation of the database denied the ULBs of opportunity to make full advantage of technological advancements. Government of Kerala/BSNL buildings were not assessed to property tax by several ULBs resulting in loss of ₹3.26 crore. Service charge amounting to ₹50.13 lakh was not levied from GoI buildings. Though ULBs were eligible to collect service cess since they are providing services, certain ULBs did not avail of this option to step up their revenue, resulting in loss of ₹84.40 crore. Non-assessment of property tax amounting to ₹10.20 crore and short assessment of property tax amounting to ₹38.27 crore was noticed. Substantial amount of property tax remained uncollected in test checked ULBs. On an average, only 43 *per cent* and 69 *per cent* of property tax demanded were collected in Municipal Corporations and Municipalities respectively. Though arrears in property tax mounted year after year, revenue recovery proceedings were initiated only in negligible cases. Waiver of penal interest on defaulters by GoK resulted in loss of ₹117.25 crore in the 14 test checked ULBs. Absence of the post of Accountant in the ULBs unlike PRIs, could have resulted in internal control failures leading to instances of misappropriation in Thiruvananthapuram and Kozhikode Corporations. Failure/delay on the part of GoK and ULBs in timely revision and adoption of rates of property tax resulted in loss of ₹75.84 crore. There was failure on the part of ULBs in detecting unauthorised constructions resulting in loss of ₹4.87 crore. Instances of system failures in Sanchaya software and process failures like lack of synchronisation between Revenue and Town planning wings in the ULBs were also noticed, which hampered efficient monitoring.

CHAPTER IV

SUBJECT-SPECIFIC COMPLIANCE AUDIT ON IMPLEMENTATION OF DEEN DAYAL UPADHYAYA GRAMEEN KAUSHALYA YOJANA

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SUBJECT-SPECIFIC COMPLIANCE AUDIT ON IMPLEMENTATION OF DEEN DAYAL UPADHYAYA GRAMEEN KAUSHALYA YOJANA

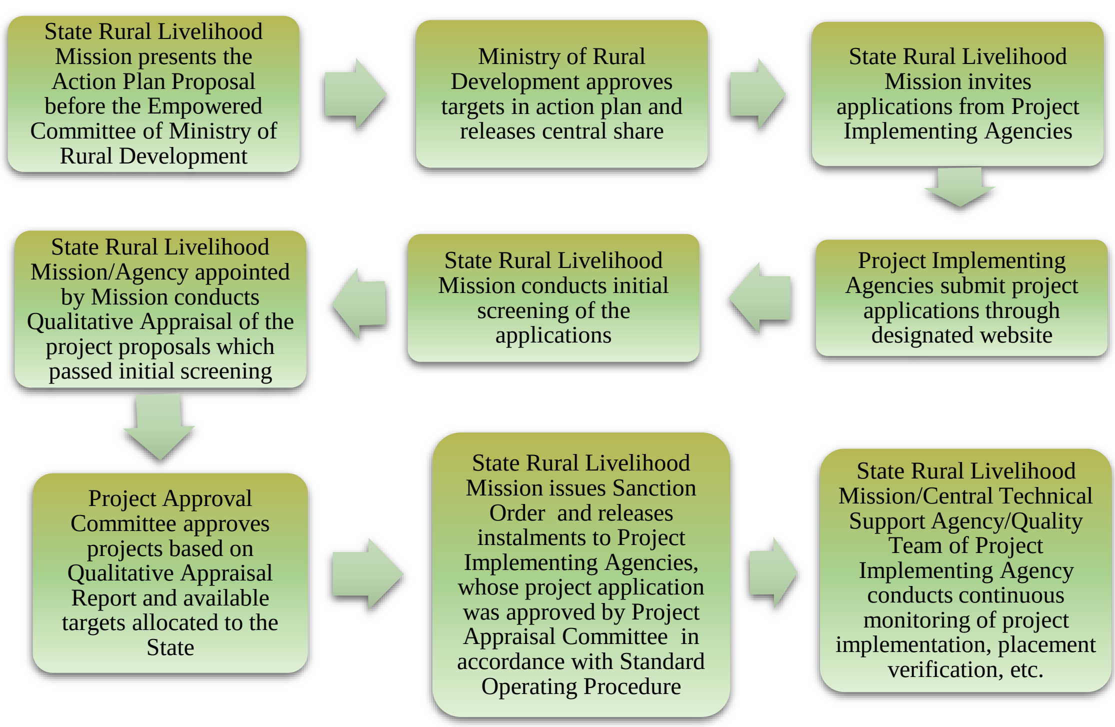
4.1 Introduction

The Ministry of Rural Development (MoRD) of Government of India (GoI) introduced (September 2014) a youth employment scheme, Deen Dayal Upadhyaya Grameen Kaushalya Yojana (DDU-GKY) with an aim to impart skills to rural youth aged 15 to 35 from poor families and provide them with jobs earning regular monthly wages. Government of India provides 60 *per cent* of the project cost and the remaining 40 *per cent* is borne by the State Government.

4.2 Project implementation process

The processes involved in the implementation of the scheme are as shown in figure 4.1:

Figure 4.1: Processes in implementation of the DDU-GKY scheme



As per the guidelines, Kudumbashree, the State Rural Livelihood Mission (SRLM) is envisioned to play a central role in providing co-funding and implementation support to DDU-GKY in the State. The Project Implementing Agencies (PIAs)[58] were to be selected by Kudumbashree to impart training in placement linked skill development courses, based on the project proposals submitted by them. Skills to be imparted were to be selected from the list of skills approved by National Council for Vocational Training (NCVT) or Sector Skills Council (SSC) of National Skill Development Council (NSDC). After the initial verification and qualitative appraisal by Kudumbashree, the projects were approved by the Project Approval Committee[59]. Verification of placement of employed candidates on sample check basis was to be undertaken by Quality Team of the PIAs, Kudumbashree and National Institute of Rural Development and Panchayati Raj (NIRDPR), Hyderabad. Payment to the PIAs was made based on the success rate of the sample candidates verified by the above three agencies. Full payment was to be made if the success rate of placement was 70 *per cent* and proportional payment was to be made if the success rate was between 50 and 70 *per cent*. In case, the success rate was less than 50 *per cent*, pro-rata payment was to be allowed and project to be terminated immediately. Placement for this purpose is defined as continuous employment for a minimum period of three months with one or more employers, proof of which can either be in the form of a salary slip or a certificate indicating salary paid by the employer and bank statements to indicate salary received by the person.

Guidelines stipulate that project cost to PIAs was to be released in four instalments in the ratio 25:50:15:10 of the total project cost, which was subsequently modified (2019)[60] as four equal instalments. As per Guidelines/SOP issued in 2016, the first instalment was to be released on sanction of project and signing the MoU and second instalment, on utilisation of 60 *per cent* of the first instalment and on achieving 10 *per cent* of training target completion and assessment with seven *per cent* verified placement. The third instalment could be claimed after utilisation of 90 *per cent* of the first and second instalments and on achieving 67.50 *per cent* of training target completion and assessment with 47.25 *per cent* verified placement. For the last instalment, achieving 100 *per cent* of training target completion and assessment with 70 *per cent* verified placement and submission of closure document was necessary.

[58] PIAs are agencies having infrastructure to implement the programme through skill training and placement programme.

[59] Committee headed by the Principal Secretary to Government, Local Self Government Department.

[60] Revised in 2019 as- Second instalment can be claimed on utilisation of 60 *per cent* of the first instalment and on achieving 20 *per cent* of training target completion and assessment with 7 *per cent* verified placement. The third instalment can be claimed after utilisation of 90 *per cent* of the first and second instalments and on achieving 60 *per cent* of training target completion and assessment with 25 *per cent* verified placement. For the last instalment, achieving 100 *per cent* of training target completion and assessment with 70 *per cent* verified placement and submission of closure document was necessary.

4.3 Objectives and Scope of Audit

Kudumbashree engaged 164 PIAs to implement 218 projects under DDU-GKY during the period from September 2014 to March 2022. An audit of the scheme was conducted during the period from February 2022 to August 2022 to assess the compliance of Guidelines issued by MoRD in implementation of the scheme by Kudumbashree and veracity of the claims submitted by PIAs and accepted by Kudumbashree.

Audit could not carry out scrutiny of all the project proposals submitted by the PIAs, as many of the project proposals were submitted through designated web portal (*erp.ddugky.info)*[61], which remained blocked since January 2022. In this situation, Audit could verify summary of project proposals of 145 projects (out of 218) and qualitative appraisal reports of 33 projects only. Audit also conducted detailed scrutiny of training and placement documents of 1,479 candidates of 26 projects (out of 218) implemented in five districts[62], with a total project cost of ₹144.01 crore, out of which ₹89.39 crore was released to PIAs as first/second/third instalment.

4.4 Receipt and utilisation of funds

Funds for implementing the scheme were released based on the action plan submitted by Kudumbashree and targets set by MoRD for achievement. Kudumbashree received ₹632.26 crore (Central and State share) during the eight-year period from 2014-2022 out of which ₹380.05 crore (60.11 *per cent*) was utilised as of March 2022. Of the utilised amount, ₹360.26 crore was released to PIAs for training and placement of candidates.

Table 4.1: Receipt and utilisation of funds

(₹ in crore)

Year	Opening Balance	Receipt		Interest and Other Receipts	Expenditure	Closing Balance
		GoI	State			
2014-15	0	45.34	15.11	0.51	28.69	32.27
2015-16	32.27	0	0	1.23	6.92	26.59
2016-17	26.59	1.39	0.93	1.31	27.42	2.79
2017-18	2.79	79.45	52.97	18.08	66.01	87.27
2018-19	87.27	50.15	33.43	3.34	94.65	79.54
2019-20	79.54	24.14	0	3.26	70.16	36.78
2020-21	36.78	187.95	141.4	2.01	75.89	292.26
2021-22	292.26	0	0	0.44	10.31	282.39
Total		**388.42**	**243.84**	**30.18**	**380.05**	

(Source: Records of Kudumbashree)

The above table shows that substantial amounts remained unutilised at the end of every year (except during 2016-17, which was due to non-receipt of funds during 2015-16). In the last two years the unutilised funds exceeded ₹280 crore.

[61] Designed by Government of India for implementation of the scheme

[62] Thiruvananthapuram, Thrissur, Palakkad, Malappuram and Kannur

Kudumbashree informed that after the release of substantial amount in 2020-21, no new projects were sanctioned by MoRD, which, coupled with non-receipt of claims from the PIAs for releasing third and fourth instalments, had resulted in huge closing balance. Despite having huge closing balance in 2020-21, the net interest receipt in 2021-22 was only ₹44.44 lakh, as ₹7.08 crore out of ₹7.53 crore received as interest, was refunded to the heads of accounts of Government.

4.5 Shortfall in training and placement of candidates

Based on the Annual Action Plan proposals of Kudumbashree, MoRD allotted 1,17,247 as target for the period 2014-22 against which Kudumbashree claimed to have trained 61,459 candidates[63] and placed 35,741 candidates for at least three months till March 2022.

Table 4.2: Physical targets and achievements

Year	Target	Achievement		Percentage of Achievement	
		Training	Placement	Training	Placement
2014-19	71200	39876	21277	56	30
2019-22	46047	21583	14464	47	31
Total	**117247**	**61459**	**35741**	**52**	**30**

(Source: Records of Kudumbashree)

As per paragraph 3.2.2.3 of Guidelines, Kudumbashree, while implementing the projects, was to ensure placement to 70 *per cent* of the trained candidates. The table above showed that against the target of 1,17,247, though placement ought to have been provided to 82,073 candidates, only 30 *per cent*[64] of the target was achieved.

4.6 Irregularities in selection of PIAs and awarding of projects

According to the scheme guidelines, any entity registered under Indian Trust Acts or any State Society Registration Act or any State Cooperative Societies or Multi-State Cooperative Acts or the Companies Act, 2013 or the Limited Liability Partnerships Act, 2008, or registered under a government or a semi-government organization at the State and National Level is eligible to apply for the project. Eligibility conditions also include requirement of three years experience, not having two years negative net worth during the past three years, etc. Further, in order to determine the eligibility of project size and period of engagement, PIAs have been categorised into three groups based on the past placement performance, annual turnover for past three years, reputation of educational institutions and experience gained in working under the scheme. Total project cost to a PIA was to be limited to four times its average annual turnover for the past three years.

[63] Enrolment details could not be ascertained as the data available in Kaushal Bharat Portal was incomplete.

[64] (35,741/1,17,247) x 100

Audit observed that Kudumbashree had flouted the provisions of Guidelines in selection of PIAs and awarding of projects. It was observed that projects worth ₹23.99 crore were sanctioned to eight PIAs (having negative net worth and not completed minimum period of existence) and additional projects worth ₹12.22 crore were sanctioned to three PIAs, who were otherwise ineligible. Further targets worth ₹17.94 crore were sanctioned to 22 PIAs exceeding their financial eligibility.

4.6.1 Awarding of projects worth ₹23.99 crore to ineligible PIAs

Audit scrutiny revealed that Kudumbashree officials, disregarding the ineligibility of PIAs on account of non-fulfilment of minimum period of existence and negative net worth during past three years, sanctioned projects which resulted in undue pecuniary advantage to the PIAs as discussed below.

4.6.1.1 Projects sanctioned disregarding minimum period of existence

As per paragraph 4.7 of the Guidelines, while submitting the application in MoRD portal, the PIA should have completed three years to become eligible under the scheme. Verification of registration details from the data uploaded in the portal of Ministry of Corporate Affairs revealed that registration details furnished by the PIA while applying for the project were not matching with the portal details. Audit verified the following cases in which the mandatory three-year period from the date of existence was not complied with, while awarding works to PIAs, as seen from **Table 4.3**

Table 4.3: Details of Projects sanctioned disregarding minimum period of existence

Sl. No.	Name of the PIA	Date of incorporation as a Private Ltd. Company under Companies Act 1956	Date of submission of project application	Date of sanction	Project cost (In ₹)
1	Redox Laboratories (India) Private Limited	31/12/2013	24/02/2015	26/02/2015	49989848
2	Ace Skill Development Private Limited	02/07/2013	26/02/2015	26/02/2015	16831594
3	Edujobs Academy Private Limited	09/01/2013	09/01/2015	26/02/2015	31569543

(Source: Website of DDU-GKY, records of Kudumbashree)

Of the three PIAs, Redox Laboratories (India) Private Limited was blacklisted (October 2016) by Kudumbashree on account of failure to start training and funds amounting ₹1.25 crore released to it was recovered (December 2021) subsequently. However, penal interest is still due for recovery.

Government replied (February 2023) that projects to the PIAs were issued based on the Permanent Registration Number (PRN)[65] obtained from MoRD,

[65] PRN is a unique number generated for each PIA interested in partnering with DDU-GKY. It is issued by MoRD, Government of India and is mandatory for filing project application under the scheme.

Government of India. As these PIAs got PRN from MoRD, the non-fulfilment of three year period was not noticed at the time of project sanctioning.

The reply is not sustainable since PRN user guide displayed in DDU-GKY web portal states that only three year old organisations are eligible for submission of project proposal under DDU-GKY. Though organisations can file application for PRN, they cannot submit their proposal before completion of three years from the date of registration.

4.6.1.2 Projects sanctioned disregarding negative net worth - ₹14.15 crore

Eligibility criteria as per para 4.7 of Guidelines spelt that the PIAs should not have negative net worth in at least two out of the last three years, for being sanctioned with projects under the scheme. The PIAs which did not meet this eligibility condition are listed in **Table 4.4**

Table 4.4: Projects allotted to PIAs with negative net worth

Name of the PIA	Month of sanction and project cost	Year	Net worth as per Project application and QAR (In ₹)	Net worth as per data from Registrar of Companies[66] (In ₹)	Target of Training and Placement	Achievement
Telenova Networks Private Limited	March 2018 ₹5.51 crore[67]	2014-15	(-)3691	(-)3691	300 419	41 135
		2015-16	67571	(-)20912		
		2016-17	3513199	1041695		
Itrans Learning Solutions Private Limited	May 2018 ₹2.45 crore	2014-15	1319183	(-)1319183	175	15
		2015-16	228362	(-)228362		
		2016-17	1146778	(-)1146778		
Sarguru Shiridii Systems Private Limited	May 2018 ₹1.33 crore	2015-16	4859699	(-)1894105	180	14
		2016-17	3788529	(-)2014067		
		2017-18	2246765	(-)2008555		
Raforce Security Services Private Limited	June 2019 ₹2.14 crore	2015-16	Not made available for Audit verification	181808	265	26
		2016-17		(-)376208		
		2017-18		(-)1741520		
		2018-19		Not Available		
Transorze Information Processing Solutions Private Limited	June 2020 ₹2.72 crore	2016-17	Not made available for Audit verification	(-)1112610	350	0
		2017-18		(-)1593340		
		2018-19		(-)112824		
		2019-20		465443		

(Source: Website of Ministry of Corporate Affairs, records of Kudumbashree)

The above PIAs did not also achieve mandatory training and placement targets, which points towards their incapability in imparting training and providing employment.

Accepting the audit observation, Government informed (February 2023) that

[66] As per reports submitted by the companies (Form No. AOC 4) to Registrar of Companies in accordance with Section 137 of Companies Act, 2013

[67] ₹2.29 crore and ₹3.22 crore

Kudumbshree had issued show cause notice to the PIAs and further action would be initiated as per the Guidelines.

4.6.2 Sanctioning additional targets worth ₹12.22 crore to ineligible PIAs

In line with MoRD Notification dated 23 March 2017, additional targets could be sanctioned to PIAs to capitalise on the PIA's proven performance, to encourage optimal utilisation of project infrastructure and to train and place more candidates. Accordingly, Kudumbashree sanctioned 20 projects with additional targets in three phases. The following irregularities were noticed in sanctioning of additional targets.

- The notification stipulated that additional targets may be sanctioned to PIAs on achievement of 80 *per cent* training and 45 *per cent* placement in the ongoing project. Audit observed that in the following cases, the minimum training/placement targets as stipulated in the guidelines were not achieved in respect of the ongoing projects, before sanctioning additional targets.

Table 4.5: Projects in which additional targets were sanctioned without considering eligibility

Sl. No.	Name of PIA	Additional target sanctioned	Year of sanctioning additional target	Total amount released (₹ in crore)	Training and placement under ongoing project as on March 2022		Training and placement under additional target as on March 2022	
					Training *(per cent)*	Placement *(per cent)*	Training *(per cent)*	Placement *(per cent)*
1	Teamlease Services Limited	600	2018	5.90	100	29.51	30	19
2	Amma Charitable Trust	280	2021	0.49	73	32.46	Nil	Nil
3	Syncomint Solutions Private Limited	210	2021	0.43	75	44.29	Nil	Nil

(Source: Records of Kudumbashree, Kaushal Pragati portal)

Government replied (February 2023) that as per the new grading policy formulated and got approved by the Project Appraisal Committee (PAC) for sanctioning additional targets, 80 *per cent* completion of training has been relaxed as 80 *per cent* commencement, in order to speed up commencement of new targets in the available vacant centre capacity. The above argument is not tenable as MoRD guidelines stipulated completion of 80 *per cent* of training (not commencement) for being sanctioned with additional targets. Further, Kudumbashree could not provide any proof for acceptance of the above grading policy by MoRD.

- MoRD notification for sanctioning additional targets stipulated that the applications were to be placed before PAC after a due diligence check on available infrastructure and financial turnover of the PIA. Kudumbashree sanctioned additional targets to eight PIAs in February 2021. Audit noticed that the applications of these PIAs were considered for further proceedings on 23 February 2021 and sanction orders issued by the Executive Director (ED) Kudumbashree on the next day, without consideration by PAC. This irregular way of functioning resulted in eight PIAs obtaining additional targets for 20 months (since February 2021) without sanction of PAC. The Chief Operating Officer (COO), DDU-GKY replied (September 2022) that no PAC was conducted after the sanctioning of additional target in February 2021, and that the same would be ratified in the next PAC meeting.

The oversight of ED was further evident from the fact that 15 *per cent* of PIAs which were provided with additional targets failed to meet mandatory eligibility criteria stipulated by GoI. Of the 20 PIAs which obtained additional targets, 10 PIAs could achieve placement ranging from zero to 19 *per cent* only.

4.6.3 Sanctioning of projects worth ₹12.26 crore in excess of eligibility to PIAs

Audit observed that the failure of Kudumbashree officials in assessing the eligibility of PIAs based on their average annual turnover resulted in awarding of excess project costs as detailed in the succeeding paragraphs.

4.6.3.1 Disregarding the eligible project cost based on average annual turnover - ₹7.35 crore

Scrutiny of project proposals made available to audit revealed that in the seven cases mentioned in **Table 4.6**, Kudumbashree failed to ensure that the PIAs were not awarded projects over and above four times their average annual turnover for the last three years.

Table 4.6: Details of projects awarded in excess of eligibility

(Amount in ₹)

Sl. No.	Name of the PIA	Average Annual Turnover	Eligible total project cost	Cost of projects already awarded	Cost of last project sanctioned	Month of sanction	Excess	Training/ Placement (*per cent*)
1.	Amma Charitable Trust	40628274	162513097	176510668	21248980	February 2021	35246552	0/0
2.	Sparx Rural and Urban Development Society	10224447	40897787	38104480	23385984	June 2020	20592680	14/0
3.	GS Techno Innovations Private Limited	10251836	41007345	13394230	27900973	June 2019	287859	24/6
4.	Sarguru Shiridii Systems Private Limited	3268898	13075592	0	13323585	May 2018	247993	46/8
5.	Sarguru Sainath Systems Private Limited	5261919	21047676	0	21203065	March 2019	155389	27/7

Sl. No.	Name of the PIA	Average Annual Turnover	Eligible total project cost	Cost of projects already awarded	Cost of last project sanctioned	Month of sanction	Excess	Training/ Placement (*per cent*)
6.	Sign Pulinhal	3138263	12553052	0	12949219	October 2020	396167	52/47
7.	Telenova Network Private Limited (two projects)	9632447	38529788	0	55115855	March 2018	16586067	30/14 60/32
	Total			**228009378**	**175127661**		**73512707**	

(Source: Records of Kudumbashree)

Even though the PIAs were awarded projects exceeding their eligible limit, their performance in training and placement was less than 60 *per cent* and 47 *per cent* respectively.

In respect of the first three cases mentioned in Table 4.6, Government stated (February 2023) that projects sanctioned to the PIA in other states were not considered while sanctioning projects in the State. This reply is not acceptable since the value of projects sanctioned across the country should have been considered while sanctioning projects in the State.

In the case of serial numbers five and seven in Table 4.6, Government replied (February 2023) that provisional statements (Sarguru Sainath Systems Private Ltd.-2018-19 and Telenova Networks Private Ltd.-2017-18) were considered while sanctioning projects to these PIAs. This argument is incorrect as the guidelines stipulate that audited financial statements need to be considered in place of provisional statements.

4.6.3.2 Approval of excess project cost overlooking qualitative appraisal reports - ₹0.73 crore

As per notification 20/2017, a project which gets through qualitative appraisal would be placed before the State PAC[68] for approval. Officials of Kudumbashree conduct the qualitative appraisal and PAC approves the project in the State. Audit came across the following instances in which the qualitative appraisal reports (QAR) in respect of PIAs were overlooked by PAC and ineligible project cost sanctioned.

[68] Consisting of Principal Secretary to Government (Local Self Government Department), Principal Secretary (Finance Department), Executive Director (Kudumbashree) and others

Table 4.7: Details of Projects in which qualitative appraisal reports were overlooked

(Amount in ₹)

Sl. No.	Name of PIA	Average Annual Turnover of the PIA (A)	Cost of ongoing project (B)	Maximum Project cost that could have been sanctioned ((A)x4-(B))	Project cost approved by PAC (date of approval)	Ineligible project cost awarded in excess
1	Jan Shikshan Sansthan Malappuram	8330992	9435905	23888063	31156785 (19 March 2018)	7268722
2	Kites Software Private Limited	3296885	10696730	2490810	2502539 (21 July 2017)	11729

(Source: Records of Kudumbashree)

In respect of Jan Shikshan Sansthan Malappuram, Government replied (February 2023) that the PAC chaired by the Principal Secretary, LSGD has the authority to overlook the report of qualitative appraisal considering the capability of PIA. This reply is not tenable as the guidelines do not support the overriding powers of PAC.

In respect of Kites Software Private Limited, Chief Operating Officer (COO), DDU-GKY replied (September 2022) that the annual audit report of 2016-17 was also verified at the time of qualitative appraisal, based on which the average annual turnover increased to ₹48,21,956. The reply is not true to facts, as the PIA had submitted application for the project on 15 February 2017, due to which the financial statements for only three immediately preceding years 2013-14, 2014-15 and 2015-16 could be considered. Further, contrary to the reply, qualitative appraisal did not consider the statement for 2016-17, as it was provisional.

4.6.3.3 Excess award of projects by understating the value of ongoing projects - ₹4.18 crore

As per paragraph 4.7 of the guidelines, the project cost that can be approved to a PIA is limited to four times of the average annual turnover less the total cost of ongoing approved projects. Audit noticed that in respect of four projects, the PIAs understated the total cost of ongoing projects. Audit verification of the total project cost awarded to four PIAs revealed that against their actual cost of ongoing projects amounting to ₹63.21 crore, Kudumbashree considered only ₹36.93 crore on the date of submission of project application. Failure of Kudumbashree in cross verifying the facts included in the application form with Kaushal Pragati (KP)[69] portal led to sanctioning of excess projects worth ₹4.18 crore to various PIAs, as shown in **Table 4.8**.

[69] Kaushal Pragati is the monthly progress report application which is an end-to-end workflow based system to facilitate online management of training and placement.

Table 4.8: Understated ongoing project costs and sanctioning of fresh projects

(Amount in ₹)

Sl. No.	PIA	Average annual turnover	Cost of ongoing project as per PIA	Cost of ongoing project as per KP portal	Total cost that can be approved	Total cost approved by Kudumbashree	Excess	Target (Number)	Candidates placed as on 31/03/2022	
									Number	Percentage
1	Shri Angalamman Trust	17508959	21867667	61044428	8991408	17523324	8531916	245	0	0
2	Syncomint Solutions private Limited	88290180	281077851	379750451	0	18057360	18057360	400	0	0
3	Acme India Microsys Private Limited	21905616	0	49933639	37688825	45242290	7553465	209	0	0
4	Think Skills Consulting Private Limited	43962254	66379982	141351622	34497394	42189622	7692228	576	82	14.24
	Total		**369325500**	**632080140**	**81177627**	**123012596**	**41834969**			

(Source: Kaushal Pragati portal, Records of Kudumbashree)

Government replied (February 2023) that the project cost was sanctioned based on projects exclusively implemented in Kerala. The above contention would not stand as Kudumbashree should have deducted the cost of projects undertaken by the PIA in other States also. Further, despite getting undue benefits, the above-mentioned PIAs could provide placements ranging from zero to 14 *per cent* only.

4.6.4 Undue favour in awarding of projects by the Executive Director, Kudumbashree in contravention to the recommendation of PAC - ₹4.80 crore

As per paragraph 4.1 of MoRD notification (April 2017), after completion of qualitative appraisal the project application shall be placed before the PAC for approval or rejection. Audit came across instances wherein projects were sanctioned to two PIAs[70] by Kudumbashree with targets exceeding those originally approved by PAC. The PIAs were sanctioned projects with training targets of 2,400 and 2,000 in place of 2,000 and 1,000 originally approved by PAC. Consequent to this, these ineligible PIAs could have obtained projects worth at least ₹4.80 crore[71], resulting in excess release of ₹1.20 crore as first instalment. In case of ITCOT Consultancy and Services Limited, the PIA was released ₹4.04 crore in two instalments[72] till date, which was equivalent to 97 *per cent* of the eligible training cost as per revised training target of 1,200.

Government replied (February 2023) that there was no qualitative appraisal or

[70] Kitex Garments, ITCOT Consultancy and Services Limited.

[71] ₹3.47 crore (50 *per cent* of ₹6.93 crore for target of 1,000) + ₹1.33 crore (16.66 *per cent* of ₹7.97 crore for target of 2,000)

[72] Project cost to PIAs was to be released in four instalments

CTSA[73] feedback at the time of sanctioning of projects and that only initial screening and PAC approval was insisted upon. Considering the capability and financial stability of the two PIAs, the Executive Director (ED) took a decision to approve more targets, subject to ratification of PAC in January 2023.

Audit noted that no such discretionary powers were vested with ED as per the scheme guidelines. Also, no confirmation regarding ratification by PAC has been furnished to Audit till date (December 2023).

4.6.5 Sanction of ineligible additional project cost for special areas to PIAs - ₹0.88 crore

As per Para 3.2.2.17 of DDU-GKY Guidelines, a PIA shall be eligible for a payment at the rate of additional 10 *per cent* of base training cost per candidate in cases where training centre is located in special areas[74]. Three districts in the state, *viz*., Malappuram, Palakkad and Wayanad were included (April 2018) for the first time as Left Wing Extremism affected districts.

In accordance with the revised sanction orders for DDU-GKY projects in Kerala following CNN alignment[75] issued (November 2016) by MoRD, Kudumbashree issued (February 2017) revised sanction orders with revised project cost. Audit verified 21 revised sanction orders and observed that in respect of seven projects (33 *per cent*) ineligible additional training cost for special areas amounting ₹87.77 lakh was sanctioned for training candidates at locations which were not notified as special areas. Further, ₹16.95 lakh was released to two PIAs[76] as ineligible additional training cost. Since the locations of the training centers were not included in the list of special areas notified, excess project cost needs to be recovered from the PIAs who have already been benefitted and project cost needs to be reduced in respect of the PIAs who have been sanctioned excess project cost.

Government accepted (February 2023) the audit observations and stated that additional funds released would be recovered.

4.7 Irregularities in conduct of training and placement

As per paragraph 5.9 of scheme guidelines, project cost to PIAs was to be released in four instalments in the ratio 25:50:15:10 of the total project cost, which was subsequently modified (2019) as four equal instalments. Though the scheme was being implemented from 2014, none of the PIAs could receive the fourth and final instalment.

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[73] Central Technical Support Agency

[74] Special areas identified under the scheme by Ministry of Home Affairs for Integrated Action Plan and notified from time-to-time, include all north-eastern states, Jammu and Kashmir, Himachal Pradesh, Uttarakhand, Andaman and Nicobar Islands, Lakshadweep Islands, and districts affected by Left Wing Extremism (LWE).

[75] Common Norms for skill development programmes (CNN) notified by Ministry of Skill Development and Entrepreneurship

[76] Teamlease Services Private Limited - ₹3,47,640 and Quess Corporation Limited - ₹13,47,192

Table 4.9: Details of funds released

Particulars	Number of projects	Number of PIAs	Amount released (₹ in crore)
Total Projects	218	164	360.26
Only first instalment released	110	108	81.09
Up to second instalment released	96	71	244.45
Up to third instalment released	12	09	34.72

(Source: Records of Kudumbashree)

The above table shows that the second instalment was released only to 44 *per cent* of the projects and third instalment was released to less than six *per cent* of projects. This points towards non-achievement of targets by large number of PIAs.

The MoRD issued (September 2015) Standard Operating Procedures (SOPs) I and II as supplement to the DDU-GKY Guidelines. The primary purpose of the SOPs was to lay down the minimum common protocols to be followed by the stakeholders in implementation of projects. Audit scrutiny revealed deviations from these protocols, which resulted in irregularities as detailed below:

4.7.1 Irregularities in showing achievements and claiming project costs

Audit scrutinised records of 26 PIAs in five districts[77] and verified placement documents of 1,479 candidates and MIS reports of 521 candidates trained and placed under the scheme. Of these 1,479 documents, Audit randomly selected 248 bank statements for cross verification with banks concerned, to ascertain the genuineness of bank statements enclosed. Audit observed malpractices and forgeries by PIAs in displaying their placement and payment of salary to candidates, as discussed in the following paragraphs:

4.7.1.1 Malpractices by PIAs to claim second and third instalments

As per the SOP, Kudumbashree was to verify salary slip/salary certificate and place of employment, to ensure that trained candidates were placed, and salary was paid for stipulated minimum period mentioned. The SOP also provides that cross verification of salary statement with bank statement shall be done in all cases to ensure that salary was credited to bank account of the candidate by the employer.

4.7.1.2 Forged bank statements used to claim project costs

Audit collected and cross-verified 248 bank statements of candidates claimed to be trained and placed by 10 PIAs (under 11 projects) and observed that 172 bank transaction statements (69 *per cent*) of eight projects (seven PIAs) submitted by PIAs were not matching with bank statements collected by Audit from respective banks as shown in **Table 4.10**. The PIAs edited the bank statements to show salary credits to the accounts of candidates to claim the project cost. Though six PIAs have already been benefited (₹4.64 crore) from

[77] Thiruvananthapuram, Thrissur, Palakkad, Malappuram and Kannur

these forgeries, two PIAs[78] were not given subsequent instalment after audit disclosures.

Table 4.10: Details of forged documents

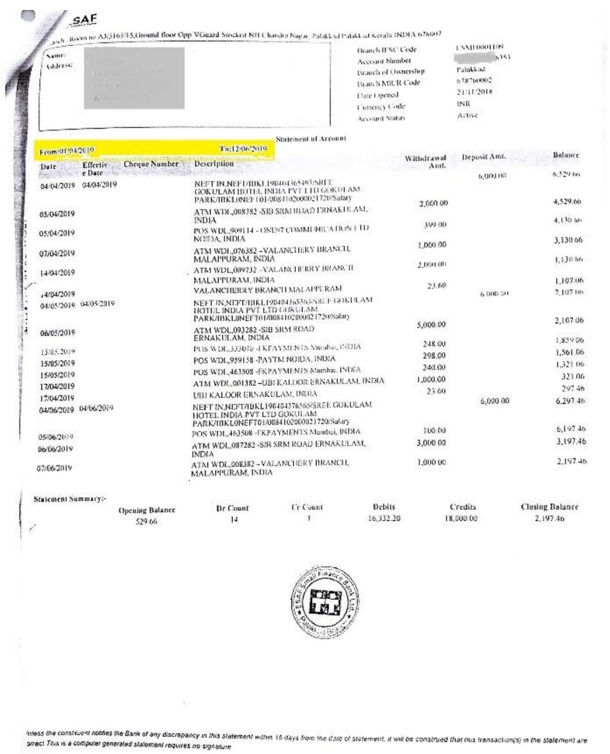
Name of the PIA	Total project cost (₹ in crore)	Training target	Month/ Year of sanction	Bank statement verification		Name of bank
				Audit verified	Found fake	
Premier Centre for Competency Training, Palakkad	3.25	600	03/2018	33	28	Canara Bank
People Service Society, Palakkad	1.63	270	03/2018	19	13	Union Bank
Focus Skillpro Private Limited, Palakkad	4.69	510	05/2018	26	26	ESAF Bank
Jan Shikshan Sansthan, Malappuram	3.12	500	03/2018	37	27	IDBI, Canara Bank
Synchroserve Global Solutions Private Limited, Malappuram	4.71	1029	06/2017	35	32	Bank of Baroda
Labour Bank Welfare Co-operative Society Limited, Kannur	1.18	210	10/2020	16	12	Federal Bank, Canara Bank
Synchroserve Global Solutions Private Limited, Kannur	5.94	800	03/2018	21	21	Punjab National Bank
Hira Charitable Trust, Kannur	3.71	350	06/2019	13	13	South Indian Bank, Kerala Gramin Bank
Total	**28.23**			**200**	**172**	

(Source: Records of Kudumbashree, details collected from banks)

As per the SOP, physical verification of trained and placed candidates was to be done in the ratio 80:15:5 by the PIA, Kudumbashree and NIRD respectively. Further, 10 *per cent* of the primary sample size was to be rechecked by Kudumbashree from the samples checked by PIA and re-checked by NIRD from the samples checked by PIA and Kudumbashree, so as to ensure the genuineness. Out of 172 fake/fabricated bank transaction statements found by audit, 91 statements had been verified by Quality team of PIA, 24 statements by Kudumbashree and 21 statements by NIRD. This points towards inefficiency of these agencies in physical verification of the candidates or probable collusion among these agencies to siphon Government funds.

[78] Synchroserve Global solutions Private Limited, Malappuram submitted documents for release of third instalment, which included 32 forged documents and Labour Bank Welfare Co-operative Society Limited, Kannur submitted documents of second instalment, which included 12 forged documents

Focus Skillpro Private Limited was awarded (May 2018) a project worth ₹4.69 crore to impart skill training to 510 candidates in trades of Food and Beverages service training, Accounts Assistant using Tally and Basic Electrician and ₹1.12 crore each was released as first and second instalments. The PIA claimed to have provided placement to 96 out of 139 trained candidates as of 31 March 2022. District Mission, Palakkad had verified placement documents of 37 candidates (against the mandatory requirement of 36 ie. seven *per cent* of 510) and audit selected bank statements of 26 candidates for detailed scrutiny. Audit observed that nine bank statements were not matching with the statements furnished by the PIA and in respect of the remaining 17 candidates, the bank replied that there were no transactions in the bank accounts since the date of opening of accounts, which indicates fraudulent activity of the PIA in submitting the placement documents.


SAF

Branch : Room no A3/3163/15,Ground floor Opp VGuard Stockist NH Chandra Nagar, Palakkad Palakkad Kerala INDIA 678007

Name:
Address:

Branch IFSC Code	ESMF0001109
Account Number	6353
Branch of Ownership	Palakkad
Branch MICR Code	678760002
Date Opened	21/11/2018
Currency Code	INR
Account Status	Active

Statement of Account

From:01/04/2019 To:12/06/2019

Date	Effective Date	Cheque Number	Description	Withdrawal Amt.	Deposit Amt.	Balance
04/04/2019	04/04/2019		NEFT IN,NEFT/IBKL19040136549?/SREE GOKULAM HOTEL INDIA PVT LTD GOKULAM PARK/IBKL0NEFT01/008410200021720/Salary		6,000.00	6,529.66
05/04/2019			ATM WDL,008782 -SIB SRM ROAD ERNAKULAM, INDIA	2,000.00		4,529.66
05/04/2019			POS WDL,909114 - ONE97 COMMUNICATION LTD NOIDA, INDIA	399.00		4,130.66
07/04/2019			ATM WDL,076382 –VALANCHERY BRANCH, MALAPPURAM, INDIA	1,000.00		3,130.66
14/04/2019			ATM WDL,009732 –VALANCHERRY BRANCH MALAPPURAM, INDIA	2,000.00		1,130.66
14/04/2019			VALANCHERRY BRANCH MALAPPURAM	23.60		1,107.06
04/05/2019	04/05/2019		NEFT IN,NEFT/IBKL190404165563/SREE GOKULAM HOTEL INDIA PVT LTD GOKULAM PARK/IBKL0NEFT01/008410200021720/Salary		6,000.00	7,107.06
06/05/2019			ATM WDL,093282 -SIB SRM ROAD ERNAKULAM, INDIA	5,000.00		2,107.06
13/05/2019			POS WDL,333070 -FKPAYMENTS Mumbai, INDIA	248.00		1,859.06
15/05/2019			POS WDL,959158 -PAYTM NOIDA, INDIA	298.00		1,561.06
15/05/2019			POS WDL,463508 -FKPAYMENTS Mumbai, INDIA	240.00		1,321.06
17/04/2019			ATM WDL,001382 –UBI KALOOR ERNAKULAM, INDIA	1,000.00		321.06
17/04/2019			UBI KALOOR ERNAKULAM, INDIA	23.60		297.46
04/06/2019	04/06/2019		NEFT IN,NEFT/IBKL190404376565/SREE GOKULAM HOTEL INDIA PVT LTD GOKULAM PARK/IBKL0NEFT01/008410200021720/Salary		6,000.00	6,297.46
05/06/2019			POS WDL,463508 -FKPAYMENTS Mumbai, INDIA	100.00		6,197.46
06/06/2019			ATM WDL,087282 -SIB SRM ROAD ERNAKULAM, INDIA	3,000.00		3,197.46
07/06/2019			ATM WDL,008382 – VALANCHERY BRANCH, MALAPPURAM, INDIA	1,000.00		2,197.46

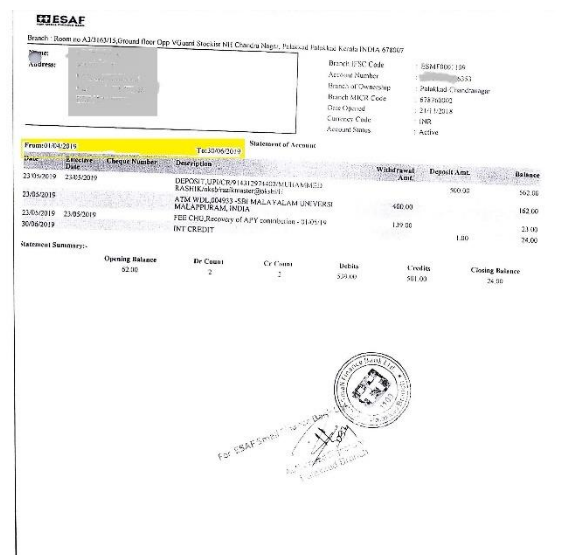
Statement Summary:-

Opening Balance	Dr Count	Cr Count	Debits	Credits	Closing Balance
529.66	14	3	16,332.20	18,000.00	2,197.46

ESAF Small Finance Bank Ltd.

Unless the constituent notifies the Bank of any discrepancy in this statement within 15 days from the date of statement, it will be construed that this transaction(s) in the statement are correct. This is a computer generated statement requires no signature

Fake Statement submitted by PIA


ESAF

Branch : Room no A3/3163/15,Ground floor Opp VGuard Stockist NH Chandra Nagar, Palakkad Palakkad Kerala INDIA 678007

Name:
Address:

Branch IFSC Code	ESMF0001109
Account Number	6353
Branch of Ownership	Palakkad-Chandranagar
Branch MICR Code	678760002
Date Opened	21/11/2018
Currency Code	INR
Account Status	Active

Statement of Account

From:01/04/2019 To:30/06/2019

Date	Effective Date	Cheque Number	Description	Withdrawal Amt.	Deposit Amt.	Balance
23/05/2019	23/05/2019		DEPOSIT,UPI/CR/914312974402/MUHAMMED RASHIK/oksb/razikmaster@oksbi/		500.00	562.00
23/05/2019			ATM WDL,004933 -SBI MALAYALAM UNIVERSI MALAPPURAM, INDIA	400.00		162.00
23/05/2019	23/05/2019		FEE CHG,Recovery of APY contribution - 31/05/19	139.00		23.00
30/06/2019			INT CREDIT		1.00	24.00

Statement Summary:-

Opening Balance	Dr Count	Cr Count	Debits	Credits	Closing Balance
62.00	2	2	539.00	501.00	24.00

For ESAF Small Finance Bank

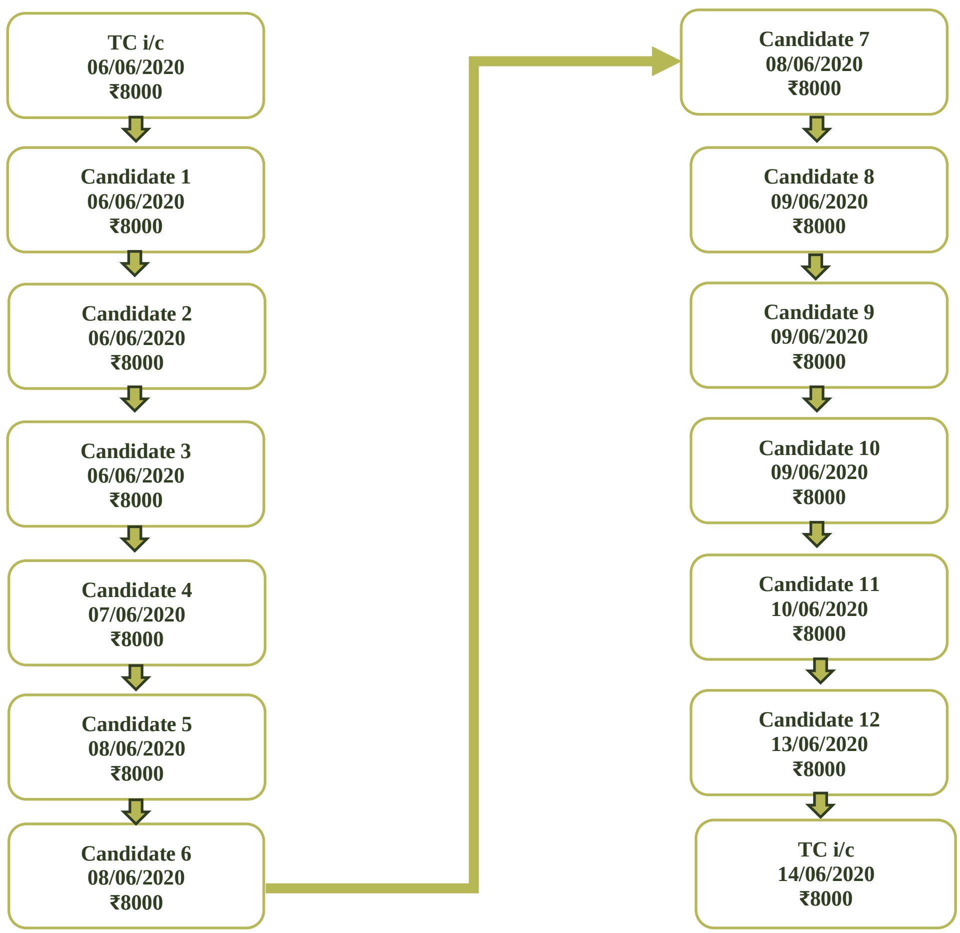
Original Statement collected directly from the bank

4.7.1.3 *Round tripping of amount to show that salary was credited to the bank accounts of all candidates*

A PIA, Hira Charitable Trust was awarded (June 2019) a project worth ₹3.71 crore to impart skill training to 350 candidates in Kannur district in trades of Assistant Electrician, Field Engineer RACW (Refrigeration, Air Conditioner Works) and Emergency Medical Technician-Basic. An amount of ₹91.13 lakh was released as first instalment and ₹89.95 lakh as second instalment and PIA claimed to have trained 215 out of 350 candidates. As per MIS data furnished to audit, 106 candidates were placed by the PIA as of 31 March 2022. The District Mission, Kannur completed desk verification of 25 candidates for releasing the second instalment. Audit verified placement documents of 13 candidates claimed as trained and placed by the PIA.

Bank transaction statements in support of payment of salary submitted by PIA were verified with bank statements collected by audit directly from banks[79]. It was observed that the statements collected from banks were not matching with the 13 statements furnished by the PIA along with placement documents. Audit noticed that the Training Centre in-charge (TC i/c) of Hira Charitable Trust transfer credited an amount of ₹8,000 to the account of the first candidate and the first candidate transferred it to the account of the second candidate and so on, until it was credited back to the account of TC i/c by the last candidate, as illustrated in the **Figure 4.2**

Figure 4.2: Round tripping of amount



The PIA forged the transaction details appearing in the original bank statements as details of salary paid to candidates by a few medical institutions and submitted the forged statement for claiming the second instalment.

4.7.1.4 Irregular UPI transactions

Frostees Exports India Private Limited was awarded a project worth ₹6.99 crore to impart skill training to 800 candidates vide sanction order dated 24 March

[79] South Indian Bank and Kerala Gramin Bank

2018. Funds to the tune of ₹1.65 crore was released as first instalment, ₹3.30 crore as second instalment and ₹99.11 lakh as third instalment for imparting training to candidates. They claimed to have trained 600 candidates and placed 375 candidates as of 31 March 2022. For releasing the subsequent instalment, desk verification of placement documents of candidates was to be completed. Accordingly, the District Mission Office, Kudumbashree, Thiruvananthapuram completed desk verification of 373 candidates.

Audit verified placement documents of 100 candidates trained and placed by Frostees Exports India Private Limited and observed that in respect of 43 candidates, the monthly salaries were credited to candidates' bank accounts through UPI transactions and the same amount or part thereof was returned to the same or another UPI ID on the same date or on the following date. In 14 cases the salary amount was returned on the same date, to the same UPI ID from where it was credited. Further, Audit noticed that 11 UPI IDs were involved in both credit and debit transactions of salary amounts in respect of the 43 candidates placed with various employers.

Audit met eight out of these 43 candidates in the presence of officials from Kudumbashree and all of them stated that the amounts shown as salary credits in their bank statements were not actually their salary, but these amounts were credited to their bank accounts by the staff of Frostees Exports India Private Limited or from accounts of other students or other self-accounts to show them as salary credits as mandated in the DDU-GKY guidelines. Further, six out of the eight candidates met by Audit stated that the signatures shown in their salary certificates were forged and that two of them had not worked with the employer as mentioned in the placement documents.

In response to audit observations in the above three paragraphs, Government replied (February 2023) that cross checking of the veracity of the bank statements was not in practice as per SOP and Kudumbashree could not reveal any malpractices during desk/physical verification. However, comprehensive training has been given to Block Coordinators of Kudumbashree involved in the desk verification of bank statements. Based on the audit observations, Kudumbashree has already initiated action by blacklisting/registering FIR against the PIAs involved in malpractices.

4.7.1.5 Showing existing employees as trainee candidates to siphon off the project cost by captive PIAs

Dentcare Dental Lab Private Limited

Dentcare Dental Lab Private Limited was awarded (February 2015) a project worth ₹6.21 crore to impart skill training to 1,000 candidates in trades of Dental Ceramic Assistant and Dental Technician. The training target was revised (February 2017) to 876 and ₹1.55 crore released as first instalment and ₹2.81 crore as second instalment. The PIA claimed to have trained and placed 812 and 750 candidates respectively. Audit cross-checked the details of 51 (14 *per cent*) of 355 candidates whose training commenced in 2017 with the details of employees who worked at Dentcare Dental Lab Private Limited, collected from Employees' State Insurance Corporation (ESIC). It was observed that 31 candidates were employed in the same organisation well before the date of commencement of training under DDU-GKY.

Kitex Garments Limited and Kitex Children's wear Limited

Kitex Garments Limited was awarded (February 2015) a project worth ₹7.98 crore to impart skill training to 2,400 candidates in three different trades[80]. The training target was revised (February 2017) to 1,550 and ₹1.99 crore was released as first instalment. The PIA claimed to have trained 1,563 candidates and placed 1,081 candidates. Subsequently, the PIA was awarded (May 2018) another project worth ₹3.96 crore to impart skill training to 731 candidates in the trade of Industrial Sewing Machine Operator and ₹89.47 lakh was released as first instalment. The PIA claimed to have trained 664 candidates and placed 396 candidates. The PIA did not seek subsequent instalments though they were eligible as per training and placement achievement claimed.

Status of 470 candidates randomly verified by Audit showed that 457 were employed in companies under Kitex Group during the period of training as per the information available with Employees' Provident Fund Organisation.

As per paragraph 1.3.2 of the guidelines, DDU-GKY is designed to equip unemployed youth from rural poor households with employable skills that enable them to secure employment with regular monthly wages. Audit observes that selecting candidates directly as employees of the organization without imparting formal training and not conducting mandatory assessment and certification[81] as envisaged in guidelines, is a fraud on the unemployed youth of the State and Kudumbashree failed to identify these irregularities. Besides, the veracity of the training and placement figures maintained by Kudumbashree stands doubtful.

Government replied (February 2023) that as per the inspection documents and other data available with Kudumbashree, the candidates have completed training under above PIAs and that no fraudulent action was noticed in the process. The reply is not acceptable as the audit observation was not connected with conduct of training but the inclusion of staff as candidates in the training programme.

4.7.1.6 Release of second instalment in violation of instructions of Project Approval Committee

As per the revised fund release conditions issued (October 2019) by MoRD, the second instalment of a DDU-GKY project (25 *per cent* of the project cost) shall be released to the PIA on achieving the milestone of completion/

[80] Industrial Sewing Machine Operator, Assistant Sewing Machine Operator and Quality Checker

[81] Of the 2,227 candidates trained, assessment was conducted only in respect of 812 candidates

assessment of 20 *per cent* training target and seven *per cent* verified placements. Further, if the PIA has received the first instalment and has submitted documents required for the release of second instalment to Kudumbashree before the date of notification, which were found to be in order, then the PIA would be eligible for all the remaining instalments.

The PIA- Itrans Learning Solutions Private Limited completed training of only 31 candidates (17.71 *per cent*) out of the approved target of 175 and placed only 15 candidates (8.6 *per cent*). However, the PIA placed a special request for a second instalment to continue the training, highlighting its poor financial situation in the PAC meeting held on 18 December 2019 and PAC directed the ED to review the performance and financial viability of the PIA. But, ED released ₹57.46 lakh (25 *per cent* of the project cost) as second instalment[82] to PIA in February 2020. It is pertinent to note that the financial net worth of PIA was negative from 2014-15 and remained so till 2021-22. This indicated that ED did not verify the financial viability of the PIA as instructed by PAC. As per report submitted by the District Mission Coordinator, Thiruvananthapuram, the PIA suspended its operations since March 2020. The PIA had trained only 31 candidates and placed 15 candidates even after receiving ₹1.15 crore, which clearly points to the ineligibility in obtaining funds released to them.

Government replied (February 2023) that 25 *per cent* of the amount (against 50 *per cent* requested by the PIA) was released conditionally to avoid impacting negatively on the training of the candidates. When found not performing, the PIA was blacklisted and the fact was intimated to MoRD. However, the fact remains that the PIA closed all its operations immediately after receipt of funds, evidently due to the failure of ED in assessing the financial viability of the PIA.

4.7.1.7 Delay in invoking Bank Guarantee

(i) M/s Tops Security Limited, a PIA was awarded (July 2017) a three-year project worth ₹9.29 crore to train 980 candidates under three courses[83]. The first instalment of ₹2.15 crore was released (July 2018) and PIA commenced (April 2019) training for two batches of 30 students each. However, the training activity was ceased on 22 June 2019 despite training not being completed for any candidate. Due to non-compliance with the Guidelines and SOP, Kudumbashree initiated penal action against the PIA and issued show cause/default notices. Since no corrective action was taken and no explanation was offered by the PIA, the agency was blacklisted in August 2019.

Audit noticed the following lapses on the part of Kudumbashree officials in recovering the amount released to the PIA.

- As per the default management procedures of the scheme issued in March 2020 by MoRD, the amount to be recovered from the PIA could be made by

[82] First instalment of ₹57.46 lakh paid on June 2018
[83] Fire and Rescue Operator, Security Guard (general), Housekeeper

invoking bank guarantee submitted along with the MoU signed. It was observed that a letter from Kudumbashree was issued to the Manager, Indian Bank, Worli Branch Mumbai to invoke the bank Guarantee on 12 October 2021, four months after the expiry of validity of Bank Guarantee of ₹58.07 lakh (June 2021). Though the PIA was blacklisted in August 2019, audit observed that an undue delay of almost 26 months post blacklisting of the PIA in invoking bank guarantee resulted in non-recovery of a portion of the loss sustained to Government. This defeated the very purpose of insisting upon bank guarantees in cases of upfront release of funds.

- Though ED directed (April 2022) the Programme Officer to start revenue recovery process to recover the amount from the PIA, no action to this effect was seen initiated. As the PIA was under Corporate Insolvency Resolution Process[84] (February 2021), the possibility of recovering ₹2.15 crore with penal interest of 10 *per cent* would be difficult.

Government replied (February 2023) that delay in recovering bank guarantee in time was due to Covid related lockdown and the Bank Guarantee could not be invoked as the company was under insolvency proceedings. This argument would not sustain as the insolvency proceedings commenced 17 months after blacklisting the firm. Further, the Insolvency and Bankruptcy Code, 2016 stipulates that a valid bank guarantee could be invoked after commencement of insolvency proceedings if the currency of the guarantee exists.

(ii) A three-year project worth ₹10.43 crore was awarded (May 2018) to the Maharashtra Academy of Engineering and Educational Research, Pune to train 1,000 candidates and ₹2.49 crore was released (June 2018) as first instalment. Owing to major violation of conditions included in the SOP and defaults noticed in the approved project work schedule, Kudumbashree issued stop memorandum to the PIA on 04 April 2019. The Kudumbashree also recovered (06 March 2020) ₹one crore available in the bank account of the PIA at the time of issuing stop memo. The PIA closed its training centres in the State on 01 April 2020. Audit noted that Kudumbashree had a bank guarantee worth ₹65 lakh which expired on 30 November 2021. Had Kudumbashree taken timely action, the bank guarantee could also have been invoked and the extent of loss could have been reduced.

Government replied (February 2023) that an amount of ₹one crore was recovered from the agency on 06 March 2020 and the bank guarantee was renewed up to 04 November 2023. Further, it was stated that by considering the target trained, amount refunded and renewed bank guarantee, there was no need to start immediate recovery procedure and it could be done after assessing the final achievement through desk/physical/financial verification.

The reply is not acceptable as it was evident that, even after expiry of almost five years of sanctioning the project, none of the candidates had successfully completed training and assessment. Even though the bank guarantee was

[84] As per the information displayed on the website of Ministry of Corporate Affairs.

renewed at audit instance, further delay in recovery of whole amount with interest is not justifiable.

4.7.1.8 Failure in monitoring the validity of Bank Guarantee

Notification No. 50/2017 of MoRD (September 2017) provides for furnishing bank guarantee for a fresh project under DDU-GKY. The Performance Guarantee from bank shall be valid for a period starting on/before the date of signing MoU till 180 days after the end of approved duration of the project. Audit observed that in respect of 35 ongoing projects (**Appendix 4.1**), the validity of bank guarantees had already expired (31 March 2022). Further, only 11 out of 35 projects remained active and non-availability of performance guarantee defeated the chance of immediate recovery from these non-performing PIAs.

Audit also observed that Kudumbashree was not insisting on performance guarantee for additional targets sanctioned in respect of 20 projects for the last three phases. In the absence of specific direction in this regard from MoRD, non-insisting of performance guarantee for additional targets was irregular.

Government replied (February 2023) that additional targets were given to the agencies which were running current projects successfully and whose qualifications have been notified by MoRD and hence the bank guarantee of the current project could also be used for additional target.

As per MoRD notification 50/2017 (September 2017), the bank guarantee needs to be calculated on the total approved project cost. When the project cost is increased while sanctioning additional targets, the bank guarantee was to be collected for the increased value of the project cost. Therefore, the argument of Government was incorrect.

4.8 Conclusion

Kudumbashree implemented the GoI scheme DDU-GKY, introduced in September 2014 with the objective of providing skills to rural youth and placing them in jobs with regular monthly wages. During 2014-2022, Kudumbashree claimed to have trained and placed 61,459 and 35,741 candidates respectively.

After checking of records related to placement and other aspects, it was observed that 32 *per cent*[85] of the data verified by audit was found false and fabricated. Audit could not draw any assurance regarding the satisfactory achievement of training and placement, as multiple suspected frauds were detected. The PIAs have manipulated the weakness in the system resulting in extension of undue financial benefits to private players.

Various instances of fraud like forged bank statements, using UPI transactions to show credits in bank statements (as if salary was paid), showing own staff as

[85] 172 out of 1,479 documents verified and 458 out of 521 MIS verified (630/2000)

training candidates, etc. showed ineffectiveness and inefficiency of internal controls in Kudumbashree in implementing the scheme. The PIAs involved in fraudulent practices were found to be awarded projects worth ₹28.23 crore.

Audit noticed award of projects worth ₹23.99 crore to ineligible PIAs and sanctioning of projects worth ₹12.26 crore in excess of their eligibility to certain PIAs, resulting in undue pecuniary benefits to PIAs.

4.9 Recommendations

- ***A comprehensive review of all existing projects sanctioned under DDU-GKY should be conducted to ascertain the eligibility of PIAs to the sanctioned projects and excess project cost sanctioned may be recovered immediately.***
- ***Considering the widespread forgery and malpractices in showcasing training and placement, a detailed investigation should be conducted to check the veracity of training and placement claimed by PIAs under the scheme and penal actions may be initiated as deemed fit.***

CHAPTER V

COMPLIANCE AUDIT PARAGRAPHS

CHAPTER V
COMPLIANCE AUDIT PARAGRAPHS

Misappropriation/Fraud

5.1 Embezzlement of funds allotted by Thiruvananthapuram Municipal Corporation for micro business activities

Lack of exercise of due care in ascertaining the genuineness of beneficiaries and in overseeing the mode of implementation of a loan-linked project by Thiruvananthapuram Municipal Corporation resulted in misappropriation of ₹5.79 crore through release of subsidy amount to persons who had not availed any loans.

The Subsidy Guidelines issued (February 2018) by Local Self Government Department (LSGD) laid down that Joint Liability Groups (JLGs)[86] comprising five women members, could start micro business ventures by availing loan from banks. The JLGs had to open loan-linked accounts in banks, to which the subsidy amount would be provided as a back-ended[87] subsidy which shall be adjusted for loan closure considering loan repayment by JLG in instalments. In line with the above instructions, Thiruvananthapuram Municipal Corporation (TMC) included two projects each in 2020-21 and 2021-22, for providing self-employment to women by releasing back-ended subsidy (85 *per cent* of the loan amount) to JLGs. The maximum amount that could be released to each JLG from the Development Fund of the Corporation was ₹three lakh. The Industrial Extension Officer (IEO) was the implementing officer of the project. Two IEOs held charge as implementing officers during the period 2020-2022.

The project amount was released to 119 General groups and 33 Scheduled Caste (SC) groups in 2020-21 and 38 General groups and 25 SC groups in 2021-22. Thus, an amount of ₹4.56 crore and ₹1.89 crore was shown as back-ended subsidy released by TMC in 2020-21 and 2021-22 respectively. The list of JLGs, prepared by the ward committees and approved by the Corporation Council was also furnished by TMC to the IEOs.

Kerala State Audit Department (KSAD), in its Corporation Audit report for the year 2020-21[88] issued to TMC in July 2022, had raised red flags with respect to genuineness in selection of SC beneficiaries, actual receipt of loan by JLGs, qualification of age criteria, etc., in 2020-21 and sought for

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[86] Joint Liability Group is a group of 4-10 people of the same village or locality of homogenous nature and of the same socio-economic background who mutually come together to form a group for the purpose of availing loan from a bank without any collateral.

[87] Back-ended subsidy is the assistance released by Government to the bank, on successful utilisation of loan availed by the beneficiary from bank and used for closure of loan account after repayment of due share of the beneficiary.

[88] The inquiry based on an FIR lodged by the Mayor, TMC on the basis of KSAD report, on availing of subsidy by providing forged document to prove SC status, is in progress.

additional documents for investigation. The Secretary, TMC had conveyed (April/July 2022) these objections to IEO/Director of Industries, Thiruvananthapuram. In reply, IEO stated that only limited number of days could be availed for undertaking verification of documents, correspondence with banks, documentation, field level inspection of functional units, etc. It was also stated that being the sole official in charge of multiple tasks, he could not effectively discharge scrutiny at various levels, which led to shortfalls going undetected.

Audit[89], on suspecting forgery[90] of caste certificates presented in support of eligibility of SC beneficiaries in 2021-22 also, subjected the entire trail of transfer of funds from TMC to JLGs through IEOs from 2020 to 2022 to detailed scrutiny. The infringement of stipulated procedures as revealed in audit analysis of records of TMC, IEO and various banks (Appendix 5.1) to which funds were credited, is detailed in the ensuing paragraphs:

The guidelines for annual plan preparation under the five-year plans - subsidy and allied topics - issued by LSGD in April 2017 stipulated that when activities are undertaken by individuals and beneficiary groups, the implementing officer should conduct inspections and ascertain the quality and suitability of the project before releasing subsidy amount to the banks. The implementing officer should also ensure that self-employment ventures and group initiatives of beneficiaries have complied with the guidelines as well as terms and conditions of the scheme, before releasing the subsidy. The working group convened by the implementing officer was to take lead role in the plan formulation in the sector concerned and facilitate discussions on project execution in ward sabhas and other meetings.

Endorsing the essence of the above guidelines, Secretary TMC instructed (April 2022) that the IEOs, being the implementing officers, had to obtain quarterly performance report and receipt/expenditure details of groups receiving subsidy, verify them and ascertain the functioning of these units. They were also required to submit detailed report on functioning of JLGs to Development Standing Committee of the Corporation, once in three months. Before transferring subsidy amount to the banks, IEO was to ensure that the JLGs had opened loan-linked accounts in the banks and have availed loans from these banks for starting micro business ventures.

Audit observed that the IEOs failed in complying with the above stipulations by disregarding the fact that the JLGs had opened Savings Bank (SB) accounts in place of loan accounts in the Service Co-operative Banks (SCB), and that they had not availed any loans from these banks

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89 As the paragraph also mentions the State audit agency, 'KSAD' stands for State audit and 'Audit' denotes AG Audit

90 The SC certificates produced before Audit in different case files were *prima facie* forged, as they were not original documents but photocopies bearing image of the seal and signature of Tahsildar copied from an old certificate issued by Taluk office. Audit also came across discrepancies like overwriting and scoring off of names/caste name, signatures of three different Tahsildars appearing in certificates issued on the same date, etc.

(except in 10 out of 215 cases). The above lapse on the part of IEOs can only be regarded as deliberate, from the specific request made (March/April 2022) by IEO to the Secretary, Kovalam SCB to disburse the subsidy amount transferred to banks, to the SB accounts of JLGs in nine cases. On JLGs opening the SB accounts, the bank intimated this fact to IEO. Audit compared the original letter sent by the Manager of the bank and copy of this letter filed in IEO's records. It was observed that the letter in IEO's file was a forged form of the original one, misrepresenting that the JLGs have opened loan-linked accounts. This seems to be deliberately done to facilitate transfer of subsidy to the bank accounts of JLGs.

Audit cross-verified randomly, the original beneficiary lists of 19 JLGs (2020-21) and all 63 JLGs (2021-22) filed in People's Plan wing of TMC with details of beneficiaries in the records of IEO/bank documents and found that the names of beneficiaries who opened accounts in banks were different from the beneficiaries included in the original list approved by TMC in 19 and 31 cases respectively.

Based on these forged documents, IEO facilitated (January 2021 to March 2021 during 2020-21 and December 2021 to March 2022 during 2021-22) transfer of subsidy amount from District Treasury, Thiruvananthapuram, through the accounts of SCBs[91], to the SB accounts of 205 JLGs[92]. Thus, the subsidy amount was routed to the bank accounts of JLGs, despite the JLGs not availing any loan from the banks. Audit also came upon instances wherein IEOs irregularly transferred[93] the subsidy amount directly to the accounts of JLGs, instead of transferring it to banks as back-ended subsidy.

Audit further analysed the trail of funds released as subsidy to banks and noted that funds to the tune of ₹5.34 crore credited to the bank accounts of JLGs were transferred to three different bank accounts in the name of the sole proprietor of M/s Aswathy Suppliers, supplying sewing machines and accessories. Subsequent joint meetings/telephonic interviews conducted (November 2022) by Audit in the presence of TMC officials with the members of JLGs who opened accounts in the banks disclosed that the members of JLGs were not even known to each other and had not become part of any joint micro business ventures.

Thus, the failure of TMC in ensuring accrual of scheme benefits to eligible beneficiaries, and effectively monitoring scheme implementation through the implementing officer in the manner envisaged in Plan formulation and subsidy guidelines resulted in blatant violation of the above instructions and possible siphoning of public money through suspected fraud and forgery. Consequently, the subsidy amount of a loan-linked scheme was wrongfully claimed by persons who did not avail any loans/start micro

[91] Maintained in Kerala Bank and ICICI Bank
[92] 151 (2020-21) + 54 (2021-22). 10 cases in 2020-22 were found to be genuine.
[93] Using his DDO code (implementing officer) through the web Saankhya software

business ventures. Funds to the tune of ₹5.79 crore[94] were misappropriated during 2020-2022, in addition to ₹33 lakh remaining blocked up[95] in two bank accounts. Responsibility should be fixed on the incumbent IEOs for wilful negligence of duties entrusted and recovery of misappropriated funds effected from them.

On Audit intimating details of embezzlement, Secretary TMC apprised (January 2023) that TMC has sought explanation from both IEOs and that the issue has been reported to the Director of Industries for initiating departmental action against them.

The matter was reported to Government (February 2023). No response has been received (December 2023).

Audit recommends that: Local Self-Government Institutions (LSGIs) should exercise utmost care and caution to ensure that the funds released to implementing officers for pursuing projects, reach eligible beneficiaries as envisaged. Due diligence in effective monitoring is crucial in guarding against embezzlement of public money. Arrangements may be made to investigate the matter by appropriate agencies to ascertain the actual extent of monetary loss to TMC and enable stringent action against the defrauders who siphoned off public money.

Unfruitful expenditure

5.2 Unfruitful expenditure on purchase of looms

Defective planning and lack of feasibility study by District Panchayat, Kasaragod and the Project Officer, District Khadi and Village Industries Office, rendered expenditure of ₹44.01 lakh incurred on the purchase of 45 new looms for installation in Khadi weaving centres in the district infructuous.

District Panchayat (DP), Kasaragod formulated a project in the annual plan for the year 2017-18 for the purchase and installation of 100 looms and allied equipment in the existing/new units of Payyannur Khadi Kendra under the Kerala Khadi Rural Industries Board (Khadi Board). The project also aimed at providing employment to 100 women beneficiaries selected by the DP and for promoting the use of Khadi. The Project Officer, District Khadi and Village Industries Office, Kasaragod was the implementing officer of the project.

The Grama Panchayats (GP) in the DP were to forward the names of locations where weaving units were to be formed and looms received were to be installed. The Director, Payyanur Khadi Kendra was to select beneficiaries from the lists forwarded by GPs as well as from applications received directly. The selected

[94] ₹5.34 crore (Aswathy Suppliers)+₹0.18 crore (wrong transfer)+₹0.27 crore (direct withdrawal as cash)

[95] Due to Managers of some banks raising concerns regarding transparency in mode of disbursement/withdrawal which made them reluctant to disburse amounts and wrong account numbers mentioned in contingent bills.

beneficiaries were to be trained for six months in operating the looms and paid stipend during the period by Khadi Board.

Scrutiny of records revealed that the DP sanctioned ₹1.09 crore from its Development Fund for purchasing the looms and allied equipment. The work was allotted to RAIDCO[96] being the lowest bidder at ₹97.48 lakh and supply order issued (February 2018) by the implementing officer with date of completion of supply as 20 March 2018. An agreement was executed between RAIDCO and the implementing officer on behalf of the DP on 17 March 2018 and ₹29.24 lakh was given as advance to RAIDCO on 20 March 2018. As the supply order was given at the fag end of the financial year and there was delay in finalisation of subsidy rate, RAIDCO requested extension of time of over three months[97] for the supply of all looms. Consequently, the work was carried over to 2018-19 as spillover project for a total sum of ₹97.81 lakh.[98]

Joint verifications conducted (April/October/December 2022) by Audit in 14 selected units along with the implementing officer revealed that, of the 100 looms purchased and installed[99], 45 were not functional and idling in nine units for want of trainees in eight units and dearth of operational space in one unit. The amount of ₹44.01 lakh[100] spent on these machines was thus wasteful. In six units, 31 old looms were replaced by new looms, of which five looms were idling, due to non-availability of trainees/space.

Audit observed that the execution of the project was marked by deficiencies as listed below:

- Despite the date of completion being extended by the DP upto 30 August 2018, the supply of looms could be completed by the vendor in March 2019 only. However, no deduction was effected from the vendor for delayed supply, as stipulated in the agreement[101] executed between RAIDCO and the implementing officer.
- The Director, Payyanur Khadi Kendra had informed (July 2018) the implementing officer that only after erection of the looms it would be possible to ensure that the looms were functional. The agreement as well as supply order also spelt that the payment to the vendor was to be effected only after installation and successful operationalisation of looms. Even though the spare parts needed for assembling the machines

96 Regional Agro-Industrial Development Co-operative of Kerala Limited

97 The looms were to be supplied before 20 May 2018. RAIDCO requested extension of time till 31 July 2018 and further till 30 August 2018

98 Including advertisement charges of ₹32,805

99 Audit noticed during joint verification in October 2022 that though the looms were claimed as installed, in many units they were only assembled without fitting frame sets. In some units, the iron looms in use were seen replaced by the newly purchased wooden looms

100 ₹97,810 (unit cost) x 45

101 Para 5(b) of the agreement states that, if the contractor fails to deliver the stores or perform the service within the time/period specified in the contract, the purchaser shall deduct from the contract price as liquidated damages, a sum equivalent of 0.5 *per cent* or one *per cent* of the delivered price of the delayed stores/services for every week upto a maximum deduction of 10 *per cent* of the contract price

were supplied only in March 2019, the entire payment was authorised to RAIDCO on three occasions[102] without ensuring that the machines were fully installed and made functional.

- The security deposit of ₹4.87 lakh collected to ensure the completion of project by the supplier was released (January 2022) to RAIDCO by the implementing officer without ensuring successful installation of all the looms purchased.
- Of the 57 women who were trained (2018) to operate the looms[103], only 28 continued on the job. The remaining women did not prefer to pursue the work, as they were offered lesser wages in comparison to wages under schemes like MGNREGS[104]. Though Payyannur Khadi Kendra had requested the GPs to provide trainees, no favourable response could be elicited.
- The DP/implementing officer had not assessed the adequacy of space and facilities available in the units suggested by GPs. This resulted in newly purchased looms left in dismantled condition for months, and looms being shifted to new premises/buildings for installation. Buildings proposed for other activities[105] were seen selected for the purpose, which was objected to by the GPs.

Thus, defective planning and improper execution of the project by the DP/implementing officer resulted in unfruitful expenditure of ₹44.01 lakh from the Development Fund of the DP. Out of the 55 functional looms, 24 had been made functional only after Audit pointed out the status (April 2022). Further, the DP had not conducted any feasibility study to assess the actual requirement of looms, possibility of attracting trained workers and availability of space for installing the looms, before finalising the project.

Government stated (November 2022) in reply that while taking stock of the situation, 44 looms seems to be under the verge of shutdown which is mainly owing to the lack of sufficient trainees, on account of negligible wages/stipend. It was also informed that low remuneration discouraged workers from undertaking the work and that women employees did not have the basic facilities in the work site.

The justification of Government is not acceptable, as the DP had failed to carry out a feasibility analysis which would have highlighted these problems and enabled to take suitable action before going ahead with the project. The DP had purchased 100 looms with the aim of providing employment to 100 newly trained women, besides promoting the use of khadi. However, the project has failed to meet its objectives due to poor planning and faulty implementation.

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[102] August 2018, December 2018 and March 2019

[103] The women were trained in using old looms as the new looms were not purchased and supplied at the time of training.

[104] Mahatma Gandhi National Rural Employment Guarantee Scheme

[105] Madikai GP requested (May 2022) to dismantle 12 looms idling for want of trainees in their Shishumandir building, so as to start functioning of Shishumandir.

Audit recommends that LSGIs may conduct feasibility studies before venturing on projects and assess the scope of fruitful implementation with respect to availability of space and skilled workers, financial viability, etc.

Non/short realisation

5.3 Short realisation of Permit fee for additional floor area

Failure in adopting maximum permissible Floor Area Ratio of the most restrictive occupancy while calculating permit fee of a multiple occupancy building led to short realisation of ₹39.57 lakh by Thrissur Municipal Corporation.

According to Rule 31(1) of the Kerala Municipality Building Rules, 1999 (KMBR), the Floor Area Ratio[106](FAR) value shall limit the maximum buildable floor area. As per Rule 11(3) of KMBR, building permit shall be issued on remittance of permit fee as prescribed in Schedule II and if the FAR exceeds the maximum permissible limit, additional fee shall be levied as specified in Table 2 under Rule 31(2) of KMBR. The additional fee was to be charged at the rate of ₹5,000 per square metre[107](sq.m) of additional floor area.

Scrutiny of records by Audit at Thrissur Municipal Corporation (TMC) during February-March 2021 revealed that TMC, while issuing the building permit, had underassessed the additional fee for the floor area which was in excess of the maximum permissible FAR as detailed below:

The Corporation issued a revised permit (April 2018) to construct a Commercial (F) cum Special Residential (A2) building having a plinth area of 7,921.86 sq.m in a plot of 1,583 sq.m (0.1583 hectares[108]). The proposed building had ten floors[109] with a total floor area of 6,142.94 sq.m. The FAR of the building worked up to 3.88[110]. As per the revised permit, the building accommodated shops (Commercial (F) occupancy) and a dormitory (Special Residential (A2) occupancy). As per KMBR, maximum permissible FAR without additional fees for Mercantile/Commercial (F) buildings was 3.0 and that for Special Residential (A2) buildings was 2.5.

Note (ii) under KMBR Rule 31(2) stipulates that, in the case of a building which accommodates more than one occupancy, if the plot area is upto 0.5 hectares, the maximum permissible FAR to be adopted shall be that of the most restrictive occupancy[111]. In this case, the Special Residential (A2) occupancy, with the maximum permissible FAR without additional fees being 2.5, was the most

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[106] Floor Area Ratio (Floor Space Index with effect from 24 September 2020) is the quotient obtained by dividing the total floor area on all floors of the building by the area of the plot.

[107] With effect from 31 October 2017

[108] One square meter is equal to 0.0001 hectares.

[109] Two basement floors, ground floor and seven floors, of which ground floor and six floors accommodated shops and the seventh, a dormitory.

[110] 3.88 = 6142.94/1583

[111] If the different occupancy uses in the multi-occupancy building happens to have the same Floor Space Index, then the occupancy use with minimum coverage will be taken as the most restrictive occupancy.

restrictive occupancy. The maximum permissible floor area without payment of additional fee works out to 3,957.5 sq.m[112]. Therefore, additional fee to be realised for the floor area in excess (2,185.44 sq.m) was to be ₹109.27 lakh[113]. However, the Corporation chose the maximum permissible FAR corresponding to Commercial (F) occupancy for calculating the permit fee. Accordingly, permit fee of ₹70.76 lakh[114] only was collected from the applicant. The money value of short-assessment due to failure in adopting FAR corresponding to the most restrictive occupancy while issuing revised permit amounted to ₹39.57 lakh[115].

When the above issue was brought to notice, TMC replied (February 2022) that on Audit pointing out the irregularity, notice has been issued to the party concerned. Government replied (December 2022) that as per instructions of audit, the amount of ₹39.57 lakh was reported to have been remitted to the own fund of the corporation.

Audit recommends that Government/Director of Urban Affairs may issue instructions to all Local Self-Government Institutions to review the cases of reckoning of maximum permissible Floor Area Ratio of multiple occupancy buildings in their jurisdiction, and to adhere to the prescribed methodology in fresh cases.

Regularity issues

5.4 Irregularities in release of Technology Fund

Non-compliance of eligibility conditions stipulated in the Guidelines for release of Technology Fund by Kudumbashree Mission resulted in selection of ineligible micro enterprises to whom Technology Fund amounting to ₹1.07[116] crore was released. Failure of District Mission Coordinators in Malappuram and Thiruvananthapuram in adhering to prescribed financial limit for sanctioning of projects resulted in ineligible release of ₹11.50 lakh to three Self Help Groups.

Micro Enterprise (ME) promotion and development was one of the significant strategies of Kudumbashree Mission to facilitate economic empowerment. Specific strategies in this regard include imparting trainings, providing partial financial support, arranging facilities for market support, etc. Technology fund is the assistance given to the Kudumbashree ME units/consortium of ME units for installing advanced technologies and machineries, thereby increasing their production capacity and improving income from business. An amount not

[112] Plot area 1583 sq.m multiplied by FAR 2.5 i.e. 3957.5 sq.m is the maximum permissible floor area without payment of additional fee for Special Residential (A2) buildings category.

[113] (6142.94 sq.m - (1583 sq.m x2.5)) x ₹5,000 = 2185.44 sq.m x ₹5,000 = ₹1,09,27,200.

[114] Inclusive of additional FAR fee of ₹69,70,000, i.e., (6142.94 sq.m - (1583 sq.m x3.0)) x ₹5,000 = 1393.94 sq.m x ₹5,000

[115] Short demand = ₹1,09,27,200 - ₹69,70,000 = ₹39,57,200

[116] ₹81.47 lakh (amount released to MEs without registration) + ₹25.76 lakh (amount released to MEs without minimum period of existence)

exceeding 40 *per cent* of the total project cost[117] would be released by District Mission Coordinators (DMC) based on the application submitted before the Community Development Society (CDS) of Kudumabshree. Any amount exceeding ₹five lakh shall be submitted to the State Mission for approval. The balance project cost shall be met by the units through bank loan, beneficiary contribution or through any other financial sources.

During the five year period from 2017-18 to 2021-22, technology fund amounting to ₹3.76 crore was released to 385 units through the District mission offices in 14 districts. As part of audit, field verification was conducted in 32 units which received technology fund (₹40.29 lakh) in four selected districts[118] and observed that nine units were non-functional even after receiving technology fund amounting ₹15.02 lakh. Audit observations on selection of MEs and release of technology fund are given in succeeding paragraphs.

Selection of MEs without registration

As per the Guidelines[119] of the scheme, ME groups applying for technology fund shall be registered under Yuvashree/Rural ME scheme with CDS of Kudumbashree. To verify the registration status, Audit randomly selected 120 ME units (31 *per cent*) from all the 14 districts and verified their registration status in software application maintained by Kudumbashree Mission. It was observed that 43 out of 120 ME units (36 *per cent*) were not registered with CDS, but an amount of ₹81.47 lakh was released to these ME units, violating guidelines. Of this, ₹5.66 lakh was released to Kudumbashree Accounts and Audit Service Society (KAASS), an audit team of Kudumbashree and ME consultants. As KAASS could not be considered as registered ME unit, release of funds to the Society was irregular. Release of technology fund to unregistered units is indicative of bias and arbitrariness of DMCs in selection of units.

Selection of MEs without minimum period of existence

Guidelines stipulate that technology fund can be released to existing ME units functioning successfully for the last one year. Verification of the data furnished to audit by DMCs revealed that in respect of 70 out of 385 units (18.18 *per cent*), year of establishment and year of release of technology fund was the same. This is indicative of the fact that stipulated minimum period of successful running of ME unit was not insisted upon, while releasing ₹25.76 lakh to these units. Audit conducted field verification of 32 units and noticed that two[120] units had discontinued their operation after a few months. Such instances point towards the possibility of release of technology fund for unsuccessful and unviable initiatives.

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[117] Limited to ₹50,000 per member of the Group, subject to a maximum of ₹five lakh

[118] Thiruvananthapuram, Thrissur, Palakkad, Malappuram

[119] Executive Director of the State Mission (vide orders dated 27 April 2017 and revised orders dated 13 August 2019) issued guidelines specifying the eligibilities of MEs/consortium of ME units and maximum amount that can be released as Technology Fund to each unit/group.

[120] Ruchikkoottu (Thiruvananthapuram) and Smecth Solutions (Malappuram)

Release of assistance in excess of eligibility

Financial eligibility to ME unit in respect of technology fund was based on two aspects, *viz*. total project cost and number of members in the group. Technology fund is calculated based on the number of members in the group and each member is eligible for ₹50,000, subject to aggregate amount (whichever is lower), limited to 40 *per cent* of the total project cost. Audit scrutiny revealed release of technology fund amounting ₹12.70 lakh by DMCs to nine ME units (**Appendix 5.2**) in excess of their eligibility in Thiruvananthapuram, Wayanad, Kollam, Kottayam and Idukki, which needs to be recovered. In two instances, assistance released by the DMCs (Idukki, Wayanad) even exceeded the total project cost.

Lack of field visits to ensure purchase of machinery

As per the guidelines issued in this regard, it is the mandatory responsibility of DMCs to ensure proper utilisation of funds disbursed. Assistant DMCs/District Project Managers (DPM) were to conduct inspections and ensure that machineries as proposed in the project proposal have been installed and were functional. However, audit observed that in the test-checked districts, ADMC/DPM did not conduct field visits to ensure that machinery as proposed in the project report was installed in the premises of ME units and that utilisation certificates from the ME units were obtained.

Irregular release of technology fund without ensuring utilisation of project cost and purchase/installation of machinery

- The DMC Malappuram sanctioned (June 2020) ₹10 lakh to a women Self-Help Group (SHG) called 'Café Kudumbashree' as technology fund, for running a canteen in Civil Station, Malappuram. Audit observed that the DMC had overlooked the financial limit prescribed by the guidelines and misapplied his financial powers. Even though the DMC could sanction projects costing up to ₹five lakh only, the DMC Malappuram sanctioned ₹10 lakh to a single group, by admitting three different proposals[121] from three members of the same catering group.

  Further, DMC Malappuram released the financial assistance despite the groups not having the stipulated minimum successful working experience of one year. The DMC should have released the funds only after verifying and ensuring that machineries/materials worth ₹33.50 lakh as mentioned in the project proposal were purchased and installed. Audit however observed that the SHG purchased materials amounting to ₹10 lakh only, as per the bills submitted. Also, the veracity of entire bills submitted could not be ascertained, as GST registration was missing in bills amounting ₹5.79 lakh.

- The DMC, Thiruvananthapuram sanctioned (July 2020) ₹4.5 lakh[122] to the SHG 'Ruchikoottu' comprising five members, for running a canteen in

[121] The DMC sanctioned funds amounting to ₹2.5 lakh each to two women and ₹five lakh to one woman of the same group

[122] The project proposal was submitted for ₹11.78 lakh

MLA Hostel, Thiruvananthapuram. As the SHG had five members, they were eligible for financial assistance of ₹2.5 lakh only. Thus, DMC made an excess release of ₹two lakh. The DMC also failed to ensure a minimum period of successful existence of the SHG. Audit noticed that the SHG did not purchase items[123] as mentioned in the project proposals. It was informed that machineries were procured on rental basis. This clearly indicates that DMC released the funds without doing mandatory field verifications to ensure compliance to scheme guidelines. Further, the project was abandoned after eight months.

The DMC, Thiruvananthapuram further sanctioned (February 2022) ₹4.5 lakh to VIJAY ABC[124] group against a project proposal of ₹11.5 lakh. Audit observed that the release was irregular, as the implementation of the proposed activity of animal birth control by Kudumbashree had been banned (December 2021) by the Honourable High Court. A joint physical verification conducted by Audit on 14 September 2022 revealed that the SHG had only four members. The release of funds for a banned activity also points to possible collusion between SHG and DMC.

Government replied (February 2023) that Covid-19 pandemic necessitated violation of guidelines while sanctioning projects of Café Kudumbashree and Ruchikoottu, as the canteens were functioning at Civil Station Malappuram and MLA hostel, Thiruvananthapuram. It was also informed that VIJAY ABC was sanctioned technology fund based on the recommendation of Thiruvananthapuram Municipal Corporation. The reply is not acceptable as circumventing scheme guidelines and sanctioning of projects for activities banned by Honourable High Court, even in pandemic scenarios, is unlawful. Further, the reply is silent on reasons for not ascertaining that mandatory purchases as mentioned in submitted project proposals were made by SHGs.

Audit recommends that the violations of guidelines and excess release of funds by DMCs may be investigated and responsibility should be fixed.

5.5 Irregularities in purchase and installation of RO water purifiers resulted in siphoning of funds and unfruitful expenditure

Irregular inclusion of components in the unit price of RO water purifiers purchased by a micro enterprise unit of Kudumbashree resulted in siphoning of ₹41.85 lakh. Further, idling/non-installation of water purifiers supplied to schools led to unfruitful expenditure of ₹4.28 lakh in 14 test-checked schools.

Thiruvananthapuram Municipal Corporation (TMC) included a project in its annual plan for 2020-21, for installation of Reverse Osmosis (RO) water purifiers in Government schools under its jurisdiction, where piped water supply

[123] Chapathi maker, idiyappam maker, frost free fridge etc.
[124] Animal Birth Control

from Kerala Water Authority was available. An amount of ₹one crore was allocated for the project from the Development fund of TMC. Based on the decision[125]of the Mayor, the project was entrusted to Kudumbashree District Mission, Thiruvananthapuram (District Mission) at a cost of ₹21,400/unit[126]. Agreement was executed (October 2020) between the Executive Engineer, TMC and District Mission Co-ordinator (DMC), based on which the District Mission was to install 467 water purifiers in 135 schools at an estimated cost of ₹99.94 lakh, within three months. The work order issued (September 2020) by the Superintending Engineer, TMC specified that payment was to be made only on the basis of certificate obtained from the head of the institution, on the number of units installed and in working condition.

The District Mission entrusted (November 2020) the project to Nanma Yuvashree Group, Perayam, Thiruvananthapuram, a micro enterprise (ME) unit affiliated to Kudumbashree. The Corporation released (March 2022) ₹99.51 lakh[127] to the District Mission, with which 465 units of Purella Clever RO water purifiers were purchased[128] and installed in 148[129] schools. Audit scrutiny of records at TMC and District Mission revealed flouting of rules and procedures and suspected fraud in execution of agreement, as detailed below:

- Contrary to the provisions of the Stores Purchase Manual 2013[130] and orders issued by Government of Kerala in May 2015[131], the award of work to the ME lacked transparency, as proposals were neither invited even from other Kudumbashree Groups[132] nor justification for selecting the particular ME recorded.
- The District Mission entered into agreement with Nanma Yuvashree group in November 2020. However, Audit observed that, the ME unit placed purchase orders for 467 RO water purifiers with M/s Med Corp Equipments, Kottayam in August 2020 and purchased the first 100 units in September 2020, prior to the date of execution of agreement, indicating a collusion between authorities involved and the vendor.
- The agreement executed by TMC with the District Mission did not include any mention of the value of equipment, cost of installation, etc. However, as per GST invoices available in files, Audit noticed that Nanma Yuvashree

[125] Ratified by the Corporation Council on 23 October 2020
[126] Kudumbashree Mission informed the cost per unit to Superintending Engineer TMC (implementing officer) in July 2020.
[127] ₹49.97 lakh on 11 November 2020 and ₹49.54 lakh on 28 November 2021
[128] In four lots of 100 each on 22 September 2020, 3 February 2021, 29 March 2021, 17 October 2021 and one lot of 65 on 5 August 2021
[129] List of 148 schools was furnished by District Mission to the Superintending Engineer, TMC on 31 August 2021
[130] Paragraph 7.5 stipulates that tenders should be invited, if the estimated value of the store to be purchased is above ₹one lakh. Para 7.11 states that open tender system should be used as a general rule and must be adopted whenever the estimated value of the contract is ₹ten lakh or more.
[131] Government of Kerala ordered (12 May 2015) that e-procurement shall be followed in all Government Departments/Boards/Public Sector Undertakings for all tenders above ₹five lakh.
[132] There were 7,945 MEs in Thiruvananthapuram district and 97,143 MEs in the State

Group had purchased the water purifiers from M/s Med Corp Equipments, Kottayam at ₹12,400 per unit, which was inclusive of 18 *per cent* GST. It was observed that during the year of purchase, the same make of water purifier had been available in the GeM[133] portal for ₹7,999. Thus, it was evident that the TMC/District Mission had not carried out due diligent verification with respect to price, while agreeing to ₹21,400 per RO water purifier. Consequent on Audit red flagging (March 2021) the abnormally high procurement and installation charges paid per unit of water purifier, TMC/District Mission produced a false component-wise list (**Appendix 5.3**) for the remaining ₹9,000[134], which was a deliberate attempt to circumvent audit objection by misrepresenting facts. Further, no such split up was available in the files made available to Audit. The component-wise details for the remaining ₹9,000 furnished to Audit included 12 *per cent* GST (₹2,568 per unit) charged on ₹21,400. The inclusion of GST element twice, that too at an erroneous rate, was objectionable. Price of electrical and plumbing material purportedly purchased from the market at ₹1,012 and ₹1,982 was also not supported by vouchers. Further, the heads of test-checked schools affirmed that no additional expense was incurred for installation. Audit observed that loss to TMC and siphoning of funds on account of inclusion of such dubious components in the list would work out to ₹41.85 lakh[135].

- To ascertain the genuineness of the invoices of M/s Med Corp Equipments produced by Nanma Yuvashree group, Audit cross-verified the details in these vouchers with the amount of GST shown as paid (₹8,79,560) by M/s Med Corp Equipments to GST Department. Audit observed that the GST returns of the Med Corp for 2020-21 showed remittance of ₹1,83,196 only[136]. The returns filed did not include any mention of two invoices[137] produced to Audit in support of the sale of water purifiers to Nanma Yuvashree Group. Two other invoices[138] out of the five produced to Audit pertained to sale of medicines, pharmaceutical goods, etc. to two hospitals and were in no way related to the project discussed. The above inconsistencies strongly suggest that the invoices produced by Nanma Yuvashree Group could not be relied upon, and that the amount on account of GST payments was fraudulently represented.

- Audit conducted field verification (September 2022) at 14 (10 *per cent)* schools selected for installing water purifiers. It was noticed that out of 45 units supplied to these schools, six units were not installed and 20 units were not working. Despite the clause of free service warranty of two years being part of the agreement, the suppliers did not visit these schools for periodical

[133] Government e-Marketplace
[134] ₹21,400 - ₹12,400; spilt up details of ₹9,000 were communicated to Audit vide letter dated 1/9/2021 of the Secretary, TMC.
[135] ₹9,000 x 465
[136] Relating to all recipients of goods/services
[137] E27/20-21 and E40/20-21
[138] E35/20-21 and E30/20-21

servicing and replacement of filters. As such, expenditure to the tune of ₹4.28 lakh[139] on units supplied to these schools remained unfruitful.

On Audit pointing out the violation of rules and suspected fraud, Executive Director of Kudumbashree Mission formed (July 2022) a three-member committee of senior level officers to conduct preliminary inquiry into the facts reported. The committee detected flaws in the manner of execution of the project by District Mission and absence of agreement or allied records in support of purchase from M/s Med Corp Equipments. The committee opined that remittance of GST amount of ₹8,79,560 by M/s Med Corp Equipments as well as veracity of installation charges claimed needs to be ascertained. The observations of the Committee on irregularities in purchase procedure were reported (July 2022) to the Additional Chief Secretary to Government (LSGD) and comprehensive inquiry at Government level requested.

Thus, failure to exercise mandated checks and lack of timely monitoring by TMC on the methodology of execution of its project entrusted to the District Mission led to siphoning of funds through suspected fraudulent means and unfruitful expenditure resulting in deprival of intended benefits. The DMC, being entrusted with the supply of RO purifiers to selected schools, had to ensure transparency in selection of agency for supplying and fixing water purifiers and realising the charges of procurement/installation of units supplied.

The matter was referred to Government (December 2022). Reply from Government awaited (December 2023).

Audit recommends that departmental inquiry/investigation by law enforcement agencies should be initiated against the officers concerned in TMC as well as DMC to fix responsibility for siphoning of public money and recovery effected from the erring officials.

5.6 Undue favour extended by Kudumbashree to a Public Limited Company

The Executive Director, Kudumbashree released ₹95 lakh to Marari Marketing Limited from ₹one crore of Corporate Social Responsibility (CSR) Fund received from Kerala State Financial Enterprises. The entire amount was utilized for purchase of raw materials, as against ₹10 lakh permissible as per Kudumbashree's proposal for CSR fund. Further, an interest free loan of ₹40 lakh released subsequently by Kudumbashree, to help the company overcome its adverse financial situation remains to be repaid.

Kudumbashree State Mission submitted (February 2020) a proposal to Kerala State Financial Enterprises (KSFE) seeking ₹one crore of Corporate Social Responsibility (CSR) Fund for women empowerment activities. Based on the above proposal, KSFE released (March 2020) ₹one crore as CSR fund to

[139] ₹21,400 x 20

Kudumbashree for carrying out the following activities included in the proposal submitted by the Kudumbashree State Mission, as shown in **Table 5.1**.

Table 5.1: Components included in the proposal submitted by Kudumbashree

Activity	Component	Amount proposed (In ₹)
Conduct of women empowerment campaign	Phase I – Awareness Programme	2300000
	Phase II – Entrepreneurship Development Programme (EDP)	1420000
Capacity Building: Skill Training for new entrepreneurs	Skill training for 200 entrepreneurs	3000000
Performance improvement programme (PIP) for new entrepreneurs	Performance improvement programme for 120 entrepreneurs	1080000
Incubation support for product development	Administrative Expense	600000
	Raw material purchase	1000000
	Handholding support	600000
Total		**10000000**

(Source: Records of Kudumbashree)

M/s Marari Marketing Limited[140] (Marari Ltd.), a Public Limited Company engaged in procuring raw materials and distributing them among Kudumbashree self-help groups for making umbrellas, requested[141] to the Executive Director (ED), Kudumbashree to provide funds of ₹one crore to place an order of raw materials for one lakh umbrellas. Out of ₹one crore received (March 2020) from KSFE, the ED, Kudumbashree released (February[142]and April 2020) ₹55.00 lakh to Marari Ltd. The members of the group were paid wages for assembling the umbrellas, which were sold in the brand name of 'Maari'. Audit observed the following deviations from accepted procedures in release of funds by Kudumbashree State Mission and its utilisation by Marari Ltd.

- As per the proposals submitted by Kudumbashree Mission for obtaining CSR funding of ₹one crore, only 10 *per cent* of the total release was to be used for purchase of raw materials and the balance 90 *per cent* was to be consumed for women empowerment campaign, capacity building, skill training, handholding, etc. However, the entire amount of ₹55 lakh was seen utilized by Marari Ltd. for purchase of raw materials, without incurring any expenditure on the rest of the components. Though Kudumbashree Mission applied (December 2020) for ratification from KSFE for spending the entire amount received on raw materials, no response has been received till date.

140 A Public Limited company owned by Kudumbashree Neighbourhood Groups formed under the Swarnajayathi Gram Swarozgar Yojana Special Project for Micro Enterprises Development with Innovative Community and Market Linkages

141 Vide letters dated 20 January 2020 and 15 February 2020

142 ₹50 lakh was initially released from another source in anticipation of the CSR fund, which was subsequently recouped on receipt of CSR fund on 31 March 2020. ₹Five lakh was released in April 2020

- The ED, Kudumbashree further released (July 2020) ₹40 lakh from the CSR fund as a temporary assistance, citing difficulties faced in earning income through sale of umbrellas during covid season. This amount was recouped (July 2021) after one year by Kudumbashree, with funds received through sale of 19,287 umbrellas.
- In December 2020, ED, Kudumbashree wrote to Government that the Marari Ltd. was under deep financial crisis due to loss of seasonal umbrella sales in the wake of Covid-19 pandemic and consequent piling of unsold stock. It was also stated that 2,000 members (around 100 Micro enterprises) had lost their livelihood measures due to reduced sale of umbrellas during the season. As on 31 December 2020, the total sale of umbrellas stood at 32,753 as against the one lakh projected in the original proposal. Consequently, Government sanctioned (January 2021) ₹40 lakh to Marari Ltd., as interest free loan to be repaid in 24 instalments starting from February 2021. Repayment of this loan amount has not been made by Marari Ltd. to Kudumbashree even in April 2023.

In reply, Government stated (February 2023) that Kudumbashree entered into an agreement with Supplyco in December 2019 for procuring one lakh umbrellas through Kudumbashree for the upcoming season of school reopening and the monsoon. Keeping in view of this bulk order and having decided to go in for standardization and branding of the umbrellas produced, Kudumbashree entrusted the order to Marari Ltd. considering its expertise in umbrella production. Marari Ltd. was to provide skill training, EDP and PIP for women entrepreneurs of umbrella units under Kudumbashree. Since KSFE had approved a CSR fund for enhancing livelihood sector of Kudumbashree, the Mission decided to utilise this fund to improve umbrella clusters/units functioning under Kudumbashree.

Government further stated that since the advent of the pandemic, Kudumbashree and the company could not organize training programmes to utilise the funds as per the proposal approved by KSFE. The company supported its umbrella cluster units by providing work to units by utilizing the amount to procure raw materials. The company paid off these micro enterprises for finished products, thereby supporting 360 women with work and wages during lockdown times. Kudumbashree has not approved this action, however since it directly benefitted the women groups and was done with pure intentions, ratification for the above was sought for from KSFE.

Regarding the release of interest free loan, Government stated that as major season of sale was completely washed off due to Covid, the company was left with large stocks of raw materials, finished goods and debts to suppliers. Hence Kudumbashree requested for interest free loan on the basis of request from company. The Mission had requested for loan rather than grant, on the true spirit of supporting a company to come back and stay in business, rather than for undue pecuniary benefits to the company as observed in audit.

The reply is not acceptable for the following reasons:

Firstly, CSR funds were obtained by Kudumbashree with the intention of transferring the funds to Marari Ltd.[143] (which was already under financial stress as per records) but without informing KSFE about the same. This is clear from the correspondences between Kudumbashree Mission and Marari Ltd. and the fact that ₹40 lakh recouped in July 2021 into the CSR Fund account of the Mission has not been utilised by the Mission even as on date for any kind of women empowerment activities anywhere in the State[144]. Though ED, Kudumbashree subsequently sought ratification (December 2020) from KSFE for the action taken, ratification is yet to be received.

Audit also notes that ED, Kudumbashree in his reply to Audit attempts to present the facts as though the action of Marari Ltd. in utilising the funds for purchase of raw materials (as against for skill training, PIP, EDP, etc.) was without the Mission's knowledge or approval. However, the letters of correspondence exchanged between ED Kudumbashree and Marari Ltd. clearly indicate that the Mission was well aware of the purpose for which the company had sought the funds. Further, once request for ratification (December 2020)[145] was not responded to by KSFE, Government sanctioned ₹40 lakh as interest free loan to the company, which also remains to be repaid (April 2023). Audit also observed the following:

- Funds amounting ₹55 lakh released in favour of Marari Ltd. only benefitted its own umbrella cluster units and no Neighbourhood Group (NHG) outside the company. No other NHG was given any kind of training on umbrella making using these funds.
- While generally, grants or loans from the Mission did not exceed ₹10 lakh, Marari Ltd. benefitted from substantial Government/CSR funding on at least three occasions. No records were there to indicate that awareness had been created among other potential beneficiary groups (companies, CDS or NHGs) about the possibility of such huge funding as support from the Government.
- Audit also observed that Kudumbashree had, on a previous occasion, granted (March 2018) ₹one crore to Marari Ltd., for which Kudumbashree is yet to make available for audit any utilisation certificate from the company.
- No ratification from KSFE was sought for temporary diversion (July 2020) of ₹40 lakh from CSR funds to further support Marari Ltd.'s activities.

[143] Kudumbashree Mission had clearly obtained the money from KSFE with the intent of passing it on to Marari Ltd. as evidenced by correspondences dated 20 January 2020 and 15 February 2020 between them, read along with the proposal dated 10 February 2020 of Kudumbashree to KSFE and the ED's prompt release of funds to Marari Ltd. vide order dated 19 February 2020, based on letter dated 15 February 2020 of Marari Ltd.

[144] Despite this being the purported justification of getting the money from KSFE

[145] For spending the released share of CSR funds in deviation from the original proposal

Thus, the actions taken by Kudumbashree in favour of the company were undue, unwarranted and injudiciously extended, besides not being supported by the CSR framework. The justification offered by Kudumbashree that the procedure adopted was in order to achieve empowerment of women through providing means of livelihood in the backdrop of Covid scenario would not stand, because the Mission had not exercised due diligence in sanctioning and releasing funds to the Public Limited Company on multiple occasions, without even ensuring a clear and implementable plan of action to utilise CSR/Government funds to achieve the ultimate objective of empowering women.

Audit recommends that Government/Kudumbashree may ascertain that the financial assistance released to agencies are spent component-wise, for purposes for which funds were sought, and that no undue favour is extended to any person/agency/institution while releasing funds from various sources.

(S. SUNIL RAJ)
Principal Accountant General
(Audit I), Kerala

Thiruvananthapuram,
The 01 July 2024

Countersigned

(GIRISH CHANDRA MURMU)
Comptroller and Auditor General of India

New Delhi,
The 02 July 2024

APPENDICES

Appendix 1.1
Eleventh Schedule (Article 243G)
(Reference: Paragraph 1.2.1, Page 1)

1. Agriculture, including agricultural extension.
2. Land improvement, implementation of land reforms, land consolidation and soil conservation.
3. Minor irrigation, water management and watershed development.
4. Animal husbandry, dairying and poultry.
5. Fisheries.
6. Social forestry and farm forestry.
7. Minor forest produce.
8. Small scale industries, including food processing industries.
9. Khadi, village and cottage industries.
10. Rural housing.
11. Drinking water.
12. Fuel and fodder.
13. Roads, culverts, bridges, ferries, waterways and other means of communication.
14. Rural electrification, including distribution of electricity.
15. Non-conventional energy sources.
16. Poverty alleviation programme.
17. Education, including primary and secondary schools.
18. Technical training and vocational education.
19. Adult and non-formal education.
20. Libraries.
21. Cultural activities.
22. Markets and fairs.
23. Health and sanitation including hospitals, primary health centres and dispensaries.
24. Family welfare.
25. Women and child development.
26. Social welfare including welfare of the handicapped and mentally retarded.
27. Welfare of the weaker sections, and in particular, of the Scheduled Castes and the Scheduled Tribes.
28. Public distribution system.
29. Maintenance of community assets.

Appendix 1.2
Twelfth Schedule (Article 243W)
(Reference: Paragraph 1.2.1, Page 2)

1. Urban planning including town planning.
2. Regulation of land-use and construction of buildings.
3. Planning for economic and social development.
4. Roads and bridges.
5. Water supply for domestic, industrial and commercial purposes.
6. Public health, sanitation conservancy and solid waste management.
7. Fire services.
8. Urban forestry, protection of environment and promotion of ecological aspects.
9. Safeguarding the interests of weaker sections of society, including the physically and intellectually disabled.
10. Slum improvement and upgradation.
11. Urban poverty alleviation.
12. Provision of urban amenities and facilities such as parks, gardens, playgrounds.
13. Promotion of cultural, educational and aesthetic aspects.
14. Burials and burial grounds; cremations, cremation grounds; and electric crematoriums.
15. Cattle pounds; prevention of cruelty to animals.
16. Vital statistics including registration of births and deaths.
17. Public amenities including street lighting, parking lots, bus stops and public conveniences.
18. Regulation of slaughterhouses and tanneries.

Appendix 2.1
Results of Supplementary Audit
(Reference: Paragraph 2.2, Page 13)

Sl. No.	Name of Institution	Type of Institution	Year of Audit	Non creation of provision	Non inclusion of comparative amounts in AFS	Non inclusion of Financial/key Ratios	Non preparation of appending statements	Improper accounting of Assets and Liabilities	Improper accounting of Income and Expenditure	Grand Total
1	Anthoor	Municipality	2019-20		1	1	1			3
2	Arimpur	GP	2019-20	1	1	1	1	1	1	6
3	Aruvikkara	GP	2019-20	1					1	2
4	Aryanad	GP	2020-21		1	1	1			3
5	Avinissery	GP	2019-20		1	1	1			3
6	Azhikode	GP	2020-21		1	1	1			3
7	Balaramapuram	GP	2019-20	1	1				1	3
8	Chadayamangalam	GP	2018-19		1	1	1		1	4
9	Chathanooor	GP	2019-20		1	1	1			3
10	Chazhoor	GP	2019-20	1	1	1	1	1	1	6
11	Chengamanad	GP	2020-21		1		1	1		3
12	Cherpu	BP	2018-19	1	1	1	1	1	1	6
13	Chirakkal	GP	2018-19		1	1	1			3
14	Chirakkara	GP	2018-19						1	1
15	Choondal	GP	2018-19	1	1	1	1	1	1	6
16	Dharmadom	GP	2018-19		1					1
17	Eranholi	GP	2020-21		1	1	1			3
18	Kadakkal	GP	2018-19		1	1	1			3
19	Kalluvathukkal	GP	2018-19		1	1	1		1	4
20	Kanjiramkulam	GP	2020-21		1	1	1			3
21	Kannur	BP	2018-19		1	1	1			3
22	Karakulam	GP	2019-20		1	1	1		1	4
23	Karukutty	GP	2020-21		1		1	1		3
24	Kilimanoor	GP	2020-21	1	1	1	1			4
25	Kizhakkambalam	GP	2019-20		1		1	1		3
26	Kunnathunad	GP	2019-20		1		1	1		3

Sl. No.	Name of Institution	Type of Institution	Year of Audit	Non creation of provision	Non inclusion of comparative amounts in AFS	Non inclusion of Financial/key Ratios	Non preparation of appending statements	Improper accounting of Assets and Liabilities	Improper accounting of Income and Expenditure	Grand Total
27	Kuttichal	GP	2019-20	1	1	1	1			4
28	Mangalapuram	GP	2019-20		1					1
29	Manickal	GP	2019-20	1					1	2
30	Muzhappilangad	GP	2020-21		1	1	1			3
31	Nellanad	GP	2020-21	1	1	1	1			4
32	Nanniyode	GP	2019-20	1	1	1	1			4
33	Nedumbassery	GP	2019-20		1		1	1		3
34	New Mahi	GP	2018-19		1					1
35	Nilamel	GP	2018-19		1	1	1			3
36	Pallichal	GP	2019-20	1	1	1	1			4
37	Pallickal	GP	2018-19		1	1	1			3
38	Pananchery	GP	2018-19	1	1	1	1	1		5
39	Panavoor	GP	2019-20	1					1	2
40	Pazhayakunnummel	GP	2019-20	1	1	1	1			4
41	Perumkadavila	GP	2020-21	1	1	1	1		1	5
42	Poovar	GP	2019-20	1	1	1	1			4
43	Pothencode	GP	2020-21	1					1	2
44	Punalur	Municipality	2018-19						1	1
45	Puthoor	GP	2018-19	1	1	1	1	1	1	6
46	Thalassery	BP	2018-19		1	1	1			3
47	Tholicode	GP	2019-20		1	1	1			3
48	Vamanapuram	GP	2019-20	1	1	1	1		1	5
49	Vazhakulam	GP	2020-21		1		1	1		3
50	Vellanad	GP	2019-20	1	1	1	1			4
51	Vembayam	GP	2019-20		1	1	1		1	4
52	Vithura	GP	2020-21		1	1	1			3
	Total			**21**	**46**	**36**	**42**	**12**	**18**	**175**

Appendix 3.1
Selected urban local bodies
(Reference: Paragraph 3.4.1, Page 18)

Municipal Corporations	
1	Thiruvananthapuram
2	Kochi
3	Kozhikode
Municipalities	
1	Nedumangad
2	Varkala
3	Thripunithura
4	Kalamassery
5	North Paravur
6	Angamaly
7	Tirur
8	Malappuram
9	Kondotty
10	Koyilandy
11	Vadakara

Appendix 3.2
Unaided educational institutions not paying property tax
(Reference: Paragraph 3.6.1.3, Page 28)

(In ₹)

Sl. No.	Name of ULB	Institution	Building Number	Area (sq.m)	Rate	Basic Tax	Net basic tax after addition/ concession	Library Cess	Service Cess	Total tax	Tax due for the period 2016-17 to 2021-22
1	Kalamassery	School of Engineering, CUSAT	Ward 22	18218	15	273393	273393	13670	0	287063	1722378
2	Kalamassery	Kunjali Marakkar School of Marine Engineering	Ward 27	10209.85	15	153147	153147	7657	0	160804	964824
3	Thiruvananthapuram	Christ Nagar College of Education	57/2791	1881.91	20	37638	33874	1694	3387	38956	233736
4	Thiruvananthapuram	Christ Nagar School	57/2777, 2778, 2779	9810.14	20	196203	176583	8829	17658	203070	1218420
5	Thiruvananthapuram	BNV College of Teacher Education	57/3315	2332.46	20	46649	37319	1866	3732	42917	257502
6	Kozhikode	Bharatiya Vidya Bhavan School	Ward 23	7916.5	16	126664	151996.8	6333.2	0	158330	791650
7	Kozhikode	Shree Gujarati Vidyalaya-Higher Secondary School	Ward 61	2500	16	40000	40000	2000	0	42000	252000
	Total										**5440510**

Appendix 3.3
Service charge due from Government of India buildings
(Reference: Paragraph 3.6.1.4, Page 29)

Sl. No.	Name of ULBs	Nature of occupancy	Details of buildings		Rate per sq.m (In ₹)	Service Charge per year (In ₹) (Percentage of property tax as decided by ULB)	Total Service Charge due (In ₹) (Period in years)
			Number of buildings	Area in sq.m			
1	Municipal Corporation, Kochi	Office	4	17500.59	90	660063 (33)	3960378 (6)
2	Municipal Corporation, Kozhikode	Office	88	7943.81	75	315938 (50)	947814 (3)
		Quarters	25	705	14	5181 (50)	15543 (3)
3	Municipal Office, Malappuram	Office	1	260.8	60	12323 (75)	73938 (6)
		Quarters	8	528.72	6	2498 (75)	14988 (6)
	Total		**126**				**5012661**

Appendix 3.4
Total tax due from BSNL buildings
(Reference: Paragraph 3.6.1.5, Page 29)

(In ₹)

Sl. No.	Name of ULBs		Details of buildings				Rate per sq.m	Basic tax	Library Cess	Service Cess	Net tax per year	Tax due for 2016-17 to 2021-22	Tax due for cases not assessed	Total tax due
			Total no. of Building units	No. of assessed units	No. of units not assessed	Area of assessed units (sq.m)								
1.	Thiruvananthapuram	Office	16	Nil	16	41078	80	3614849	180742	361485	4157076	-	24942456	24942456
		Quarters	9	Nil	9	8130	16	143084	7154	14308	164548	-	987288	987288
2.	Kochi	Office	4	4	Nil	3033.84	90	327655	15654	0	343309	2059854	-	2059854
		Quarters	143	Nil	143	7308	20	146160	7308	0	153468	-	920808	920808
3.	Kozhikode	Office	4	Nil	4	2409.86	75	180739	9037	0	189776	-	1138653	1138653
		Quarters	44	Nil	44	10168	14	142352	7118	0	149470	-	896820	896820
4.	Varkala	Office	-	-	-	-	-	-	-	-	-	-	-	-
		Quarters	6	6	Nil	597	-	29545	1477	2955	33977	203862	-	203862
5.	Nedumangad	Office	-	-	-	Nil	-	-	-	-	-	-	-	Nil
		Quarters	-	-	-	Nil	-	-	-	-	-	-	-	Nil
6.	North Paravur	Office	6	6	Nil	3342.82	60	220590	11027	0	231617	1389702	-	1389702
		Quarters	8	8	Nil	566.06	14	4900	242	0	5142	30852	-	30852
7.	Thripunithura	Office	2	2	Nil	1716.36	40	78954	3948	0	82902	497412	-	497412
		Quarters	16	16	Nil	807.3	12	11624	582	0	12206	73236	-	73236
8.	Kalamassery	Office	5	5	Nil	1420	70	119280	5964	0	125244	751464	-	751464
		Quarters	-	-	-	-	-	-	-	-	-	-	-	-
9.	Angamaly	Office	3	3	Nil	2561.43	50	87288	4364	0	91652	549912	-	549912
		Quarters	-	-	-	-	-	-	-	-	-	-	-	-
10.	Tirur	Office	5	5	Nil	1694.67	70	118626	5930	11862	136417	818502	-	818502
		Quarters	-	-	-	-	-	-	-	-	-	-	-	-
11.	Malappuram	Office	2	2	Nil	1127.7	60	67662	3383	0	71045	426270	-	426270
		Quarters	-	-	-	-	-	-	-	-	-	-	-	-
12.	Kondotty	Office	2	2	Nil	494	60	29640	1482	0	31122	186732	-	186732
		Quarters	-	-	-	-	-	-	-	-	-	-	-	-
13.	Vadakara	Office	1	1	Nil	2280	70	159600	7980	0	167580	1005480	-	1005480
		Quarters	-	-	-	-	-	-	-	-	-	-	-	-
14.	Koyilandy	Office	3	Nil	3	667.5	60	40050	2003	0	42053	-	252318	252318
		Quarters	-	-	-	-	-	-	-	-	-	-	-	-
	Total		**279**	**60**	**219**	**89402.54**		**5522598**	**275395**	**390610**	**6188604**	**7993278**	**29138343**	**37131621**

Appendix 3.5
Tax due from Government of Kerala buildings
(Reference: Paragraph 3.6.1.6, Page 30)

Sl. No.	Name of ULBs	Number of buildings	Tax due for 2016-22	
			Non-assessment (In ₹)	Arrear (In ₹)
1	Kozhikode	83	3538152	-
2	Thiruvananthapuram	172	-	237086161
3	Kochi	7	-	21009510
4	Tirur	23	-	1455797
5	Malappuram	27	-	5302496
	Total		**3538152**	**264853964**

Appendix 3.6
Short demand from serviced apartments
(Reference: Paragraph 3.6.2.1, Page 31)

(In ₹)

Sl No.	Name of ULB	Building Name	Ward No./ Building No	Plinth area of the building (sq.m)	Rate of tax applied	Total Tax assessed	Rate of tax applicable	Basic Tax	Net tax after addition/ concession	Service Cess	Library cess	Tax due per year	Short Demand	Total Short Demand (for period in years)
1	Thiruvananthapuram	DownTown Holidays	27/2086 to 2095	1050.73	16	28663	60	63044	63044	6304	3152	72500	43837	263022 (6)
2	Thiruvananthapuram	Beersheba Apartments	15/434 1 to 4	516.88	16	11418	60	31013	37215	3722	1861	42798	31380	188280 (6)
3	Thiruvananthapuram	Green Royale	24/1276 1 to 6	600.17	16	11051	60	36010	36010	3601	1801	41412	30361	121444 (6)
4	Thiruvananthapuram	Renjini Apartments	27/1756 to1759	492.34	16	16376	60	29540	29540	2954	1477	33971	17595	105570 (6)
5	Thiruvananthapuram	SP Plaza Apartments	41/1841 1 to 8	801.79	16	13289	60	48107	43297	4330	2165	49792	36503	219018 (6)
6	Thiruvananthapuram	Swades My Home	81/684, 684 (1 to 30)	2072.33	16	38153	60	124338	124338	12433	6216	142987	104834	419336 (4)
7	Kochi	D'Homz Suites	56/2196 A, B-B7, C-C7, D-D7	1461.04	20	33386	60	92573	96429	0	4821	101250	67864	407184 (6)
8	Kochi	Grace Apart Hotel	72/352 A1 to 13	662.69	20	15336	60	39761	43738	0	2187	45925	30589	45884 (1.5)
9	Kochi	Casa Allay	40/2053 A, B, C	212.72	20	4471	60	12763	12763	0	638	13401	8930	53580 (6)
10	Kochi	Castillo Inn	40/2056 A, A1, A2, A3	342.6	20	7196	60	20556	20556	0	1028	21584	14388	57552 (4)
11	Kochi	Orient Glory Holidays	38/3661 to 3667	481.94	20	4876	60	28916	28916	0	1446	30362	25486	152916 (6)
12	Kozhikode	City Home Hotel Apartments	63/516 to 530	738.98	14	22822	60	44339	44339	0	2217	46556	23734	142404 (6)
13	Kozhikode	Hotel Villa Maryam	63/3904 B1, C, D, E, F, G, H, I, J, K, L, M	1054.44	14	18612	60	63266	75920	0	3796	79716	61104	274968 (4.5)
14	Kozhikode	Prithvi & Ganga Apartments	68/1347	369.6	14	5383	60	22176	22176	0	1109	23285	17902	107412 (6)
15	Kozhikode	Eco Ville Suites	64/2214 A to E	587.29	14	10367	60	35237	42285	0	2114	44399	34032	204192 (6)
	Total													**2762762**

Appendix 3.7
Loss of revenue due to application of incorrect rate
(Reference: Paragraph 3.6.2.3, Page 32)

Name of ULB	Number of commercial buildings with plinth area above 100 sq.m, but assessed at incorrect lower rate	Short/incorrect assessment of commercial buildings with plinth area above 100 sq.m (In ₹)	Number of commercial buildings with plinth area above 200 sq.m, but assessed at incorrect lower rate	Short/incorrect assessment of commercial buildings with plinth area above 200 sq.m (In ₹)	Total short assessment (In ₹)
Thiruvananthapuram	801	25929970	32	2636137	28566107
Kochi	402	16027224	18	3553631	19580855
Kozhikode	488	13451317	23	1542366	14993683
Nedumangad	24	692833	2	99702	792535
Varkala	9	178075	0	0	178075
Thripunithura	26	397679	1	32964	430643
North Paravur	25	516972	0	0	516972
Kalamassery	44	1665748	5	4173050	5838798
Angamaly	8	152257	0	0	152257
Malappuram	47	1484643	0	0	1484643
Kondotty	14	374575	0	0	374575
Tirur	6	291922	3	1351183	1643105
Koyilandy	27	344245	0	0	344245
Vadakara	87	1722419	0	0	1722419
Total	**2008**	**63229879**	**84**	**13389033**	**76618912**

Appendix 3.8
Details of dishonoured cheques
(Reference: Paragraph 3.9.3, Page 40)

Sl. No.	Receipt No	Date of Receipt	Cheque No.	Date of issue of cheque	Amount (In ₹)	TC Number of the building	Date of return of cheque
1	119290500671	26/10/2019	000790	30/09/2019	39650	98/3745/2	30/10/2019
2	120430500448	30/03/2021	110110	30/03/2021	148258	24/2965/2	28/06/2021
3	121430500253	06/09/2021	770872	06/09/2021	176623	24/1817	21/10/2021
4	121140500658	11/10/2021	418009	29/09/2021	39624	15/3797/4	06/11/2021
5	122140500374	26/08/2022	100004	26/08/2022	157039	29/4559	17/09/2022
				Total	**561194**		

Appendix 3.9
Status of implementation of SFC recommendations related to property tax
(Reference: Paragraph 3.10.4, Page 44)

SFC	Major recommendations related to property tax	Status of acceptance by Government	Status of Implementation	Impact of non-implementation as revealed in audit
Fourth SFC	As per the existing statutes, service tax shall be levied by the ULB subject to the minimum rate fixed for sanitation, water supply, scavenging, street lighting and drainage wherever such services are provided by the Local Governments (LGs). This provision of the statute is not being explored by majority of LGs. Service Tax Rules may be issued immediately.	The Recommendation has been accepted and the term 'service tax' shall be renamed as 'civic service tax'	Not implemented	Non levy of service cess resulted in loss of potential revenue of ₹84.40 crore in 10 selected ULBs
Fifth SFC	There should be proper mechanism to identify unauthorized constructions/ expansions and to tax accordingly. Government should issue directions/ instructions in this regard to LGs.	Accepted	Not implemented	Audit on joint physical verification detected 36 unauthorised constructions in 10 selected ULBs. This indicates the absence of a proper mechanism to identify unauthorised constructions and tax due thereon amounted to ₹4.87 crore during 2016-2022.
Fifth SFC	The Kerala Panchayat Raj (Property Tax, Service cess and Surcharge) Rules, 2011 as amended in 2013 has to be enforced by revoking G.O(Ms)No.144/15/LSGD dated 27/04/2015. The property tax should be revised at the expiry of every five years as envisaged in the Kerala Municipality Act and the rules in this regard be framed/amended promptly. Loss of revenue, if any, incurred by LGs due to lack of timely revision of property tax has to be completely compensated by the State Government at the rate of 5 *per cent* per annum, as contemplated in section 233(4) of the Kerala Municipality Act.	Partially accepted	Not implemented	There was a loss of ₹55.93 crore due to non-implementation of periodical revision of property tax in the selected ULBs.

Appendix 3.10
Property tax due from unauthorised constructions
(Reference: Paragraph 3.11.1, Page 45)

Sl. No.	Name of ULB	Name and address of the owner	Ward No./ Building No (For the actual area as per occupancy)	Unauthorised area detected (sq.m)	Nature of occupancy	Rate of tax applicable (In ₹)	Basic tax(In ₹)	Net tax after addition and concession(In ₹)	Service Cess(In ₹)	Library cess(In ₹)	Tax due per year(In ₹)	Tax at compounded rate(In ₹)	Total tax due for the period (In ₹) (period in years)
1.	Thiruvananthapuram	LBS Institute of Technology for Women, Poojappura	-	14087.60	Educational	20	281754	338105	33811	16905	388821	1166463	6998778 (6)
2.	Thiruvananthapuram	LBS College – Hostel	-	2800	Special residence	60	168000	201600	20160	10080	231840	695520	3477600 (5)
3.	Thiruvananthapuram	Swades my home	-	146.56	Assembly/ conference hall	60	8793	8793	879	439	10111	30333	121332 (4)
4.	Thiruvananthapuram	BM Convention Centre	-	3781.40	Auditorium	60	226884	283605	28361	14180	326146	978437	3913748 (4)
5.	Thiruvananthapuram	TOSS Badminton Academy	-	2076.76	Badminton Court, Gym	60	124606	112145	11215	5607	128967	386901	2321406 (6)
6.	Thiruvananthapuram	National College	-	6270.55	Self-Financing Course	20	125411	112870	11288	5643	129800	389401	2336406 (6)
7.	Thiruvananthapuram	ACE College	-	19218.29	Self-Financing Course	20	384364	442018	44202	22100	508322	1524963	13724667 (9)
8.	Kochi	St. Teresa's College	67/9200 A	338.32	Classroom	20	6766	8120	0	406	8526	25578	127890 (5)
9.	Kochi	St. Albert's College	-	377.05	Classroom	20	7541	9049	0	452	9501	28503	142515 (5)
10.	Kochi	Casa Allay	40/2053 A, B, C	74.27	Serviced Apartment	60	4456	4456	0	223	4679	14037	84222 (6)
11.	Kochi	Orient Glory Holidays	38/3661 to 3667	240.98	Serviced Apartment	60	14459	14459	0	723	15182	45546	273276 (6)
12.	Kochi	Mangalam Daily	53/2105	154.97	Office	90	13947	16737	0	837	17574	52722	210888 (4)

Sl. No.	Name of ULB	Name and address of the owner	Ward No./ Building No (For the actual area as per occupancy)	Unauthorised area detected (sq.m)	Nature of occupancy	Rate of tax applicable (In ₹)	Basic tax(In ₹)	Net tax after addition and concession(In ₹)	Service Cess(In ₹)	Library cess(In ₹)	Tax due per year(In ₹)	Tax at compounded rate(In ₹)	Total tax due for the period (In ₹) (period in years)
13.	Kochi	Girija	45/2128 to 2130	150	Assembly Hall	60	9000	9450	0	473	9923	29769	148845 (5)
14.	Kochi	Amrita Trade Tower	62/1439 to 1511	14	Bunk	90	1260	1512	0	76	1588	4764	23820 (5)
15.	Kochi	Amrita Trade Tower	62/1439 to 1511	245.11	Educational Institution	20	4902	5883	0	294	6177	18531	92655 (5)
16.	Kochi	Amrita Trade Tower	-	135.68	Office	90	12211	14653	0	733	15385	46155	230775 (5)
17.	Varkala	Sree Narayana Guru College of Advanced Studies	-	4172.33	Self-financing course	15	62585	56327	5632	2816	64775	194325	1748925 (9)
18.	Varkala	SNGCAS College - Ladies hostel	-	1034.58	Special residence	50	51729	46556	4656	2328	53540	160620	1445580 (9)
19.	Varkala	Sivagiri convention centre	-	7823.73	Dormitories, double rooms	50	391187	352068	35207	17603	404818	1214634	2429268 (2)
20.	North Paravur	Treeza Garden	27/289	365.13	Commercial	80	29210	26289	0	1314	27603	82809	496854 (6)
21.	North Paravur	Treeza Garden	-	100.22	Assembly hall	50	5011	4510	0	226	4736	14208	85248 (6)
22.	North Paravur	Legends Paravur	-	208.74	Shuttle Court	50	10437	9393	0	470	9854	29562	29562 (1)
23.	North Paravur	Posh Shuttlers	-	167.40	Shuttle Court	50	8370	9207	0	461	9668	29004	14502 (0.5)
24.	North Paravur	MIST Shuttle Court	-	182	Shuttle Court	50	9100	8190	0	410	8600	25800	64500 (2.5)
25.	North Paravur	FAZA Tower	-	418.50	Shuttle Court	50	20925	25110	0	1256	26366	79098	158196 (2)
26.	Kalamassery	Changampuzha Nagar Sports Club	-	195.75	Shuttle Court	50	9788	9788	0	490	10278	30834	185004 (6)

Sl. No.	Name of ULB	Name and address of the owner	Ward No./ Building No (For the actual area as per occupancy)	Unauthorised area detected (sq.m)	Nature of occupancy	Rate of tax applicable (In ₹)	Basic tax(In ₹)	Net tax after addition and concession(In ₹)	Service Cess(In ₹)	Library cess(In ₹)	Tax due per year(In ₹)	Tax at compounded rate(In ₹)	Total tax due for the period (In ₹) (period in years)
27.	Thripunithura	Cricket Academy Pavillion Building	-	52.85	Assembly Hall	45	2379	2855	286	143	3284	9852	29556 (3)
28.	Thripunithura	Badminton Academy	-	394.80	Assembly Hall	45	17766	17766	1777	889	20432	61296	153240 (2.5)
29.	Angamaly	Cultural Society of Angamaly	-	863.28	Auditorium	40	34531	37984	0	1899	39883	119649	717894 (6)
30.	Kondotty	Preeti silks	35/590 to 626	458	Textiles	70	32060	38472	0	1924	40396	121188	727128 (6)
31.	Kondotty	4p Mart	10/1594 to 1599	1712	Supermarket	90	154080	169488	0	7704	177192	531576	2657880 (5)
32.	Kondotty	Mercy hospital	10/1026, 1027	759	Hospital	6	4554	4554	0	227	4781	14343	86058 (6)
33.	Kondotty	Bus stand building	32/659 to 722	472.50	Shops	70	33075	33075	0	1654	34729	104187	625122 (6)
34.	Malappuram	Jamjoom Hyper market	15/477, 477 A to U	506	Supermarket	100	50600	55660	0	2530	58190	174570	1047420 (6)
35.	Vadakara	Orange supermarket	7/179A to Q	437.40	Supermarket	140	61236	73483	0	3062	76545	229635	918540 (4)
36.	Vadakara	Parco Hospital	-	3418	Hospital	15	51270	69214	0	2564	71778	215334	861336 (4)
	Total												**48710636**

Appendix 3.11
Property tax due from unauthorised mobile towers
(Reference: Paragraph 3.11.5, Page 48)

Name of ULB	Number of wards verified and total number of wards in ULB	Number of mobile towers which had not obtained permit	Amount of permit fee for unauthorised mobile tower (₹10000 per tower) on compounding double charge (In ₹)	Amount of property tax for unauthorised mobile towers till 2021-22 (In ₹)
Thiruvananthapuram	100/100	218	4360000	13734000
Kochi	2/74	12	240000	2604400
Angamaly	3/30	3	60000	605475
North Paravoor	1/29	2	40000	32436
Malappuram	1/40	1	20000	330750
Total		**236**	**4720000**	**17307061**

Appendix 3.12
Details of short duration of time for file processing and bypassing of segregation of duties
(Reference: Paragraph 3.11.7, Page 49)

Time taken for file processing	From Data entry to Verification	From Verification to Approval
Zero to one second	In 1140 instances (Data Entry Operator and Verifier same)	In 155 instances (Verifier and Approver same)
One to three seconds	Nil	In 11 instances (Verifier and Approver same)
Three to five seconds	In three instances (Data Entry Operator and Verifier same)	In 13 instances (Verifier and Approver same)
Five to Seven seconds	In three instances (Data Entry Operator and Verifier same in two instances)	In 14 instances (Verifier and Approver same in 13 instances)
Seven to 10 seconds	In 65 instances (Data Entry Operator and Verifier same in 46 instances)	In 16 instances (Verifier and Approver same in four instances)
Greater than 10 seconds	In 301821 instances (Data Entry Operator and Verifier same in 164 instances)	In 302903 instances (Verifier and Approver same in 134 instances)

Appendix 4.1
Project-wise details of expired bank guarantees
(Reference: Paragraph 4.7.1.8, Page 73)

Sl. No.	Name of PIA	Project ID	Bank guarantee valid up to
1.	Topsgrup Services Limited	A032R1081460	22/06/2021
2.	Chethana Integrated Development Society	A032F1097862	29/09/2021
3.	Premier Center for Competency Training	A032CR346383	11/04/2021
4.	PSN Construction Equipment Private Limited	A032R1356482	25/09/2021
5.	Sevents Consultants Private Limited	A032R1874378	29/09/2021
6.	Synchroserve Global Solutions Private Limited	A032CR146284	23/10/2021
7.	Telenova Networks Private Limited	A032R1962679	26/03/2021
8.	Telenova Networks Private Limited	A032R1962680	26/03/2021
9.	The Highrange Rural Development Society	A032F2004276	30/09/2021
10.	Thinkskills Consulting Private Limited	D032CR286081	12/10/2021
11.	ACME India Microsys Private Limited	D032CR499987	18/11/2021
12.	Ambica Shiksha Samaj Kalyan Samiti	D032RF267289	19/11/2021
13.	Focus Skillpro Private Limited	D032CR141688	25/11/2021
14.	Kitex Childrenswear Limited	D032CR563193	18/05/2021
15.	Maharashtra Academy of Engineering and Educational Research, Pune	D032RT463194	30/11/2021
16.	Mahatma Gandhi Technical Education Society	D032F2154995	04/12/2021
17.	Samarthanam Trust for the Disabled	D032RT129996	18/11/2021
18.	IIB Education Private Limited	D032R14243102	30/01/2022
19.	Rajagiri College of Social Sciences	D032RF4563106	08/08/2021
20.	Samvit Education Trust	D032T10114105	05/08/2021
21.	Sree Narayana Educational and Charitable Trust	D032T25077107	10/08/2021
22.	Synchroserve Global Solutions Private Limited	D032CR1462100	07/08/2021
23.	Orion Educational Society	D032F20245113	28/08/2021
24.	Scrony Educational Charitable Trust	D032T26437118	30/09/2021
25.	Sri Angalamman Trust	D032T24340119	02/06/2021
26.	AMET Private Limited	D03211195141	19/12/2021
27.	Balanagar Technical Institute Association	D032F28821134	18/12/2021
28.	Ceemed Surgicals Private Limited	D032R29797144	18/12/2021
29.	Cinzac Sales and Services Private Limited	D032R28842146	19/12/2021
30.	Dr CT Eapen Trust	D032T26496125	20/12/2021
31.	Hira Charitable Trust	D032T29544129	20/12/2021
32.	KTB Educational and Charitable Foundation	D032T29252135	31/12/2021
33.	Soundarya Grameena Haagu Pattana Abivrudhi Samsthe	D032RF7032145	19/06/2021
34.	St. Thomas Association for Rural Service	D032F23733136	18/03/2022
35.	Thrissur District Labour Contract Co Operative Society Limited	D032F28228138	21/12/2021

Appendix 5.1
Details of amount transferred to accounts of Service Co-operative Banks
(Reference: Paragraph 5.1, Page 76)

Year	Name of the Bank	Name of the SCB	Number of Beneficiary groups	Amount transferred (₹ in lakh)
2020-21	Indian Bank, Kazhakkootam Branch	-	1	3
	Kerala Bank, Kunnukuzhy Branch	Pattom SCB	105	315
	Kerala Bank, Puthenchanda Branch	Trivandrum SCB	46	138
2021-22	Kerala Grameen Bank, Pattom Branch	-	3	9
	Bank of Baroda, Vizhinjham Branch	-	1	3
	Indian bank, Kazhakkootam Branch	-	3	9
	Kerala Bank, Kovalam Branch	Kovalam SCB	9	27
	Kerala Bank, Kulathur Branch	-	20	60
	Kerala Bank, Peroorkada Branch	-	5	15
	Kerala Bank, M&E Fort Branch	Muttathara SCB	10	30
	ICICI Bank, Vattiyoorkavu	Vattiyoorkavu SCB	12	36
Total			**215**	**645**

Appendix 5.2

Amount sanctioned in excess of eligibility

(Reference: Paragraph 5.4, Page 84)

(In ₹)

Sl. No	Name of unit	Number of members	Project cost	Eligible amount	Amount sanctioned	Excess amount sanctioned
1	Vishakam Tex and Stitching Centre, Thiruvananthapuram	4	1150000	200000	400000	200000
2	Ruchikoottu, Thiruvananthapuram	5	1171800	250000	450000	200000
3	Theeram Activity Group, Thiruvananthapuram	4	1000000	200000	250000	50000
4	Jwala Nutrimix, Wayanad	3	500000	150000	250000	100000
5	Veena Curry powder, Wayanad	7	260300	104120	400000	295880
6	Mudra Offset Printers, Wayanad	2	375660	100000	150272	50272
7	SS flour Mill Pooyappalli, Kollam	1	300000	50000	129040	79040
8	We-One Nutrimix, Kottayam	3	450000	150000	175000	25000
9	Famous Bakery, Idukki	12	200000	80000	350000	270000
Total						**1270192**

Appendix 5.3
Component-wise list related to purchase of RO water purifiers
(Reference: Paragraph 5.5, Page 87)

Component	Amount (In ₹)
GST charged (12 *per cent* of ₹21,400)	2568
Cost of electrical materials	1012
Cost of plumbing materials	1982
Labour charge	1500
Transportation expenses	600
TDS (2 *per cent*)	428
Estimated profit	910
Total	**9000**