SUPREME AUDIT INSTITUTION OF INDIA
लोकहितार्थ सत्यनिष्ठा
Dedicated to Truth in Public Interest

Combined Report of the Comptroller and Auditor General of India for the period ended March 2023

Government of Kerala

Report No.6 of 2025

(Revenue and Compliance Audit - Civil)

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Preface

This Report of the Comptroller and Auditor General of India is prepared for submission to the Governor under Article 151(2) of the Constitution of India for being laid before the State Legislature.

The Report contains significant results of the Compliance Audit of departments of Government of Kerala. The Report is divided into two parts. Part I covers Audit Observations under Revenue Sector including State Goods and Services Tax/ VAT on Sales, Trade etc., Motor Vehicles Tax, State Excise duty and Stamp duty and Registration fees. Part II covers Departments under Economic Services including the Departments of Forest and Wildlife, Transport, and Public Works.

The instances mentioned in this Report are those which came to notice during the test audit of records during the period 2022-23 as well as those which came to notice in earlier years but could not be reported in previous Audit Reports. Instances relating to the period subsequent to 2022-23 are also included wherever necessary.

Audit has been conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.

Overview

PART I : REVENUE SECTOR

Part I of the Report covers Audit Observations under Revenue Sector including State Goods and Services Tax, Motor Vehicles Tax, Excise duty and Stamp duty and Registration fees. It contains 21 paragraphs including two Subject Specific Compliance Audits involving revenue impact of ₹1,671.25 crore. Some of the major findings are mentioned below:

I. General

Total revenue receipts of the State Government for the year 2022-23 amounted to ₹1,32,724.66 crore against ₹1,16,640.24 crore for the previous year 2021-22. The State's own revenue was ₹87,086.12 crore (66 *per cent* of total receipts); the share of receipts from Government of India was ₹45,638.54 crore (34 *per cent* of total receipts).

(Paragraph 1.1.1)

Arrears of revenue on some principal heads of revenue amounted to ₹28,398.10 crore, which is 21.40 *per cent* of the total revenue of the State.

(Paragraph 1.2)

At the end of June 2023, 14,953 paragraphs involving ₹5,062.52 crore relating to 2,524 Inspection Reports issued up to December 2022 were outstanding.

(Paragraph 1.7)

II. Goods and Services Tax & Taxes/ VAT on Sales, Trade, etc.

Subject Specific Compliance Audit on 'Department's oversight on GST payments and Return filing'.

Monitoring mechanism was deficient in all the selected 10 circles regarding issuing notice to defaulters and recovery of demand from non-filers.

(Paragraph 2.4.6.1)

During the test check of 364 cases, it was observed that in 44 cases slow pace in scrutiny of returns resulted in loss of revenue amounting to ₹103.67 crore.

(Paragraph 2.4.6.2)

Deviations from the provisions of the Act in 271 cases out of 374 inconsistencies /mismatches in data, for which department provided responses, and these Compliance deviations resulted in short levy of tax, amounting to ₹683.50 crore in 229 cases and turnover mismatch in 42 cases.

(Paragraph 2.4.7.3)

Irregular claiming of Input Tax Credit was observed in 13 cases that amounted to ₹139.47 crore.

(Paragraph 2.4.8.3 (i))

Due to the incorrect application of Rule, there was non-reversal/ short reversal of Input Tax Credit in 22 cases that amounted to ₹136.98 crore.

(Paragraph 2.4.8.3 (ii))

Excess availing of Input Tax Credit through Input Service Distribution was observed in 15 cases that amounted to ₹188.89 crore.

(Paragraph 2.4.8.3 (iii))

Availing Input Tax Credit in excess of Input Tax Credit available was observed in 51 cases that amounted to ₹291.75 crore.

(Paragraph 2.4.8.3 (iv))

Audit observed 55 instances of compliance discrepancies in the discharge of tax liability involving tax effect of ₹33.42 crore in 37 instances and turnover escape of ₹482.09 crore in 16 instances.

(Paragraph 2.4.8.4)

Compliance Audit Paragraphs

The omission to levy tax on turnover at the scheduled rate for sales to Special Economic Zone resulted in short levy of tax and interest amounted to ₹0.58 crore.

(Paragraph 2.5)

Ineligible grant of input tax credit resulted in short levy of tax and interest amounting to ₹0.92 crore.

(Paragraph 2.7)

III. Taxes on Vehicles

Non realisation of Penalty and Additional fee on expiry of/ belated renewal of Certificate of Fitness of Transport vehicles amounting to ₹8.82 crore.

(Paragraph 3.4)

Non-collection of service charge for temporary/ special permits issued amounting to ₹4.24 crore.

(Paragraph 3.5)

IV. State Excise

Subject Specific Compliance Audit on 'Enforcement Activities of the State Excise department'

Audit observed procedural lapses/ delays in completion of investigation of Abkari/ Narcotic Drugs and Psychotropic Substances (NDPS) offences. Non invoking of all relevant sections on detection of NDPS offences was noticed in 1,596 cases.

(Paragraph 4.4.6.2)

Non collection of Additional Permit fee for transport of toddy from one district to another amounted to ₹8.31 crore.

(Paragraph 4.4.6.4 - Bullet 1)

Short levy of licence fee due to transfer of Foreign Liquor license in the guise of reconstitution of Director Board of the licensee amounted to ₹0.64 crore.

(Paragraph 4.4.6.4 - Bullet 4)

The non-levy of fee and fine for unauthorised reconstitution of Director Board amounted to ₹0.24 crore.

(Paragraph 4.4.6.4 - Bullet 5 (i))

Compliance Audit Paragraph

Loss of revenue due to non-collection of additional annual rental from toddy shops amounting to ₹0.43 crore.

(Paragraph 4.5)

V. Stamp duty and Registration fees

Short collection/ loss of revenue due to misclassification of land amounting to ₹0.33 crore.

(Paragraph 5.4)

PART II : ECONOMIC SERVICES

Part II of the Report relates to matters arising from audit of selected programmes and activities and compliance audit of four Government Departments, *viz*., Public Works, Forest and Wildlife, Environment and Climate Change, Science and Technology and Autonomous Bodies under them. Major findings are mentioned below:

I. General

The total capital budget provision was ₹3,551.65 crore. An expenditure of ₹2,919.08 crore (82.18 *per cent*) was incurred by the Departments. The total revenue budget provision was ₹4,640.15 crore and an expenditure of ₹3,664.71 crore (78.98 *per cent*) was incurred by the Departments.

(Paragraph 1.1)

At the end of June 2023, 3,011 paragraphs relating to 558 Inspection Reports issued were outstanding.

(Paragraph 1.5.1)

II. Compliance Audit Paragraphs

Transport Department

Short/ Non–transfer of amount to Road Safety Fund

Non-transfer/ short transfer of one-time Cess from vehicle owners and compounded fee to Road Safety Fund impacted the effective implementation of Road Safety Projects. The short transfer for the period 2018-19 to 2022-23 amounted to ₹27,930.88 lakh.

(Paragraph 2.1)

Forest and Wildlife Department

Lapses in Management of Teak Plantations by Kerala Forest and Wildlife Department

Non-adherence to prescribed working plans and deficiencies in plantation and maintenance activities led to lapses in teak plantation management. These lapses included failure of Teak plantations due to lack of platform formations, absence of periodical maintenance, weed removal, plantation violating the prescribed spacing of trees, delayed mechanical/ silviculture thinning, non-conduct of selected felling, non-extraction of matured teak plantation and lack of timely action to prevent borer attack.

(Paragraph 2.2)

Public Works Department

Short recovery of cost of departmental rubble - ₹56.98 lakh

Failure to apply cost index while recovering the cost of departmentally issued rubble resulted in undue gains to the contractor amounting to ₹56.98 lakh.

(Paragraph 2.3)

Non-realisation of arbitral award even after four years from the date of award

Kerala State Transport Project failed to initiate action to realise arbitral award amounting to ₹32.27 crore (including interest of ₹12.40 crore) even after four years from the date of award.

(Paragraph 2.4)

PART I

REVENUE SECTOR

Chapter I
General

CHAPTER - I
GENERAL

1.1 Trend of Revenue Receipts

1.1.1 The tax and non-tax revenue raised by Government of Kerala during the year 2022-23, the State's share of net proceeds of divisible Union taxes and duties assigned to the State, Grants-in-aid received from Government of India during the year and the corresponding figures for the preceding four years, are mentioned in **Table – 1.1**.

Table – 1.1: Trend of Revenue Receipts

(₹ in crore)

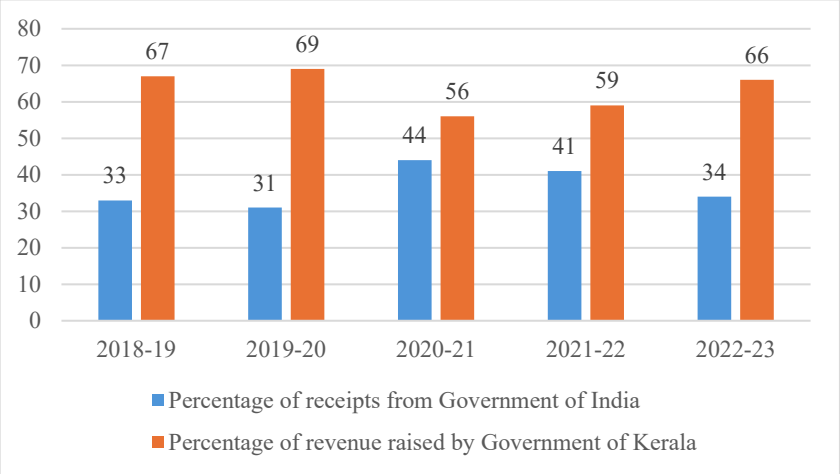
Sl. No.	Particulars	2018-19	2019-20	2020-21	2021-22	2022-23
1	**Revenue raised by the State Government**					
	Tax revenue	50,644.10	50,323.14	47,660.84	58,340.52	71,968.16
	Non-tax revenue	11,783.24	12,265.22	7,327.31	10,462.51	15,117.96
	Total	62,427.34	62,588.36	54,988.15	68,803.03	87,086.12
2	**Receipts from Government of India**					
	Share of net proceeds of divisible Union taxes and duties	19,038.17	16,401.05	11,560.40	17,820.09	18,260.68
	Grants-in-aid	11,388.96	11,235.26	31,068.28	30,017.12	27,377.86
	Total	30,427.13	27,636.31	42,628.68	47,837.21	45,638.54
3	**Total revenue receipts of the State Government (1 and 2)**	**92,854.47**	**90,224.67**	**97,616.83**	**1,16,640.24**	**1,32,724.66**
4	**Percentage of 1 to 3**	**67**	**69**	**56**	**59**	**66**

Source: Finance Accounts prepared by PAG (A&E), Kerala.

The above table indicates that during the year 2022-23, the revenue raised by the State Government (₹87,086.12 crore) was 66 *per cent* of the total revenue receipts. The balance 34 *per cent* of the revenue during 2022-23 was share of net proceeds of divisible Union taxes and duties and Grants-in-aid from Government of India. The revenue raised by State Government during the year 2022-23 shows an increase from the previous years 2021-22 and 2020-21. The total revenue receipts of the State increased by ₹16,084.42 crore during 2022-23, over 2021-22. This was mainly due to an increase in own tax revenue by ₹13,627.64 crore and non-tax revenue by ₹4,655.45 crore.

1.1.2 The percentage-wise details of receipts from Government of India and revenue raised by Government of Kerala with respect to the total revenue receipts of the State Government for the last five years is shown in **Chart – I** given below:

Chart – I: Percentage wise details of Revenue Receipts

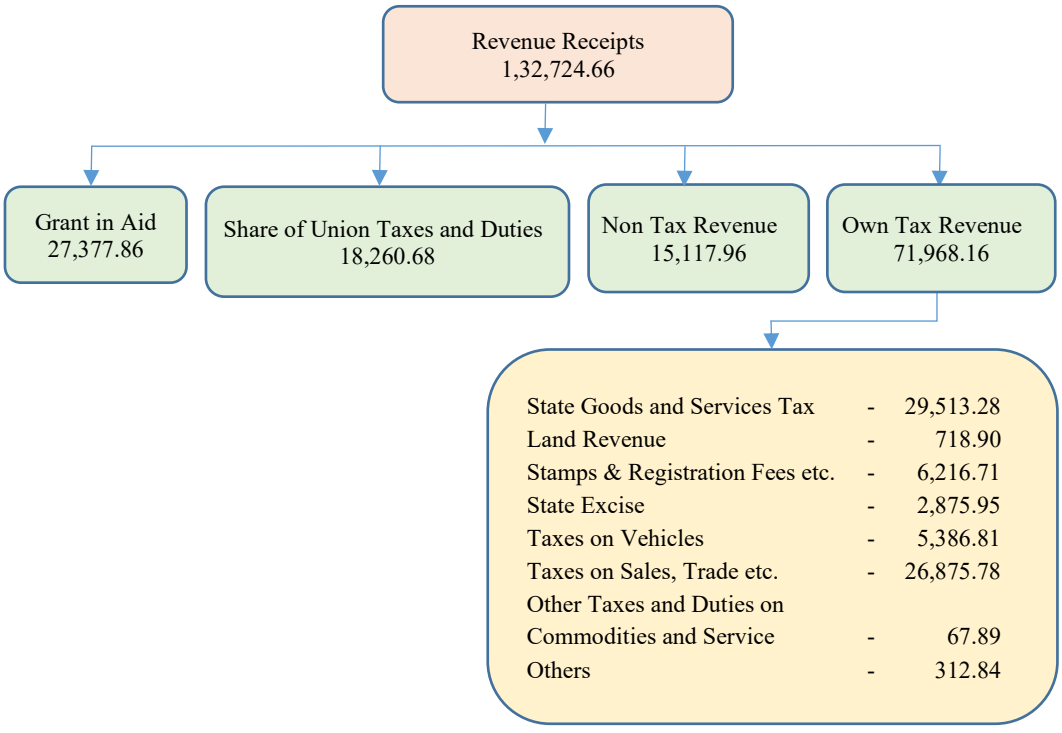


As seen from above, the revenue collection by the State Government increased from 59 *per cent* in 2021-22 to 66 *per cent* in 2022-23 whereas the receipts from Government of India decreased from 41 *per cent* in 2021-22 to 34 *per cent* in 2022-23.

1.1.3 Composition of the revenue receipts

Chart - II below depicts the composition of the revenue receipts of the State during 2022-23 (₹ in crore).

Chart – II: Composition of the revenue receipts of the State



1.1.4 Trends and growth of Revenue Receipts

The total revenue receipts of the State during 2022-23 was ₹1,32,724.66 crore. There was an increase of ₹16,084.42 crore (13.79 *per cent*) when compared to ₹1,16,640.24 crore in 2021-22. The trend of components of revenue receipts is given in **Table – 1.2** below:

Table – 1.2: Trend in Revenue Receipts

(₹ in crore)

Parameters	2018-19	2019-20	2020-21	2021-22	2022-23
Revenue Receipts (RR)	**92,854.47**	**90,224.67**	**97,616.83**	**1,16,640.24**	**1,32,724.66**
Rate of growth of RR (*per cent)*	11.85	(-)2.83	8.19	19.49	13.79
Own Tax Revenue	50,644.10	50,323.14	47,660.84	58,340.52	71,968.16
Non-Tax Revenue	11,783.24	12,265.22	7,327.31	10,462.51	15,117.96
Rate of growth of Own Revenue (Own Tax and Non-tax Revenue) (*per cent)*	8.27	0.26	(-)12.14	25.12	26.57

Source: Finance Accounts of respective years.

1.1.5 State's own revenue

The State's revenue consists of own tax revenue and non-tax revenue.

1.1.5.1 Own tax revenue

Own tax revenue of the State consists of state specific taxes like State GST, Excise etc. The trend of own tax revenue and analysis of its components during the period from 2018-19 to 2022-23 is shown in **Table – 1.3**.

Table – 1.3: Components of the State's own tax revenue

(₹ in crore)

Sl. No.	Revenue Head	2018-19	2019-20	2020-21	2021-22	2022-23	As percentage of total Own Tax revenue during 2022-23
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	State Goods and Services Tax	21,014.71	20,446.95	20,028.31	24,169.81	29,513.28	41.01
2	Taxes on Sales, Trade etc.	19,225.75	19,649.64	17,689.17	22,487.42	26,875.78	37.34
3	Stamps and Registration Fees	3,693.17	3,615.01	3,489.59	4,857.33	6,216.71	8.64

Sl. No.	Revenue Head	2018-19	2019-20	2020-21	2021-22	2022-23	As percentage of total Own Tax revenue during 2022-23
4	State Excise	2,521.40	2,255.28	2,329.22	2,032.23	2,875.95	4.00
5	Taxes on Vehicles	3,708.61	3,721.14	3,386.28	4,037.10	5,386.81	7.48
6	Land Revenue	202.78	332.42	493.35	470.84	718.90	1.00
7	Other Taxes and Duties on Commodities and Services	37.57	39.31	48.80	56.04	67.89	0.09
8	Others	240.11	263.39	196.12	229.75	312.84	0.44
	Total	**50,644.10**	**50,323.14**	**47,660.84**	**58,340.52**	**71,968.16**	**100.00**

Source: Statement 3 of Finance Accounts of respective years.

- The State's own tax revenue increased by ₹13,627.64 crore from ₹58,340.52 crore in 2021-22 to ₹71,968.16 crore in 2022-23 marking a growth of 23.36 *per cent*. As percentage to Revenue Receipts, the State's own tax revenue was 54.22 *per cent* during 2022-23.

- The revenue collection under all components of the State's own tax revenue shows an increasing trend in 2022-23.

- The growth rate of revenue collection under Stamps and Registration declined from 39.19 *per cent* in 2021-22 to 27.99 *per cent* in 2022-23 and Taxes on Sales, Trade etc., declined from 27.13 *per cent* to 19.51 *per cent.*

1.1.5.2 Non-tax revenue

The details of non-tax revenue raised during the period from 2018-19 to 2022-23 are indicated in **Table – 1.4**.

Table – 1.4: Main components of the State's non-tax revenue

(₹ in crore)

Sl. No.	Revenue Heads	2018-19	2019-20	2020-21	2021-22	2022-23
1	State Lotteries	9,264.66	9,973.67	4,873.01	7,134.93	11,892.87
2	Dividends and profits	132.12	100.33	110.19	227.98	48.93
3	Forestry and Wildlife	287.21	255.85	236.61	200.57	290.61
4	Interest receipts	132.38	84.95	246.64	177.05	171.95
5	Other non-tax receipts	1,966.87	1,850.42	1,860.86	2,721.98	2,713.60
6	**Non-Tax revenue**	**11,783.24**	**12,265.22**	**7,327.31**	**10,462.51**	**15,117.96**
7	Total Revenue Receipts	92,854.47	90,224.67	97,616.83	1,16,640.24	1,32,724.66

Sl. No.	Revenue Heads	2018-19	2019-20	2020-21	2021-22	2022-23
8	Non-tax revenue as a percentage of Revenue Receipts	12.69	13.59	7.51	8.97	11.39

Source: Statement 14 of Finance Accounts of respective years.

The non-tax revenue which ranged between 7.51 *per cent* and 13.59 *per cent* of the revenue receipts of the State during the last five years increased by ₹4,655.45 crore (44.50 *per cent*) during 2022-23 over the previous year. Receipt from the State Lotteries is the major source of non-tax revenue and its share in non-tax revenue ranged between 66 *per cent* and 81 *per cent* of non-tax revenue during the period from 2018-19 to 2022-23. During 2022-23, revenue from the State Lotteries increased by 66.69 *per cent* (₹4,757.94 crore) over the previous year and it constituted 78.67 *per cent* of the non-tax revenue.

1.2 Analysis of Arrears of Revenue

The total arrears of revenue as on 31 March 2023 on certain principal heads of revenue amounted to ₹28,398.10 crore, as detailed in **Table – 1.5** below:

Table – 1.5: Arrears of revenue as on 31 March 2023

Sl. No.	Name of Department/ Heads of Account	Amount (₹ in crore)
1	State Goods and Services Tax Department (MH 0006)	13,559.58
2	Motor Vehicles Department (MH 0041)	1,109.91
3	Taxes and duties on electricity (MH 0043)	3,800.92
4	Registration Department (MH 0030)	719.95
5	Forest Department (MH 0406)	398.03
6	Police Department (MH 0055)	454.35
7	Excise Department (MH 0039)	285.26
8	Mining and Geology Department (MH 0853)	198.96
9	Kerala State Audit Department (MH 0070)	105.49
10	Printing (MH 0058)	52.74
11	Stationery (MH 0058)	31.02
12	Factories and Boilers (MH 0230)	1.90
13	Labour Department (MH 0230)	2.56
14	Kerala Maritime Board (MH 1051) (Erstwhile Department of Ports)	2.48
15	Finance Department - Arrears in interest receipts (MH 0049)	6,855.62
16	Finance Department - Arrears in Guarantee commission (MH 0075)	323.68
17	Land Revenue Department (MH 0029)	495.65
	Total arrears	**28,398.10**

Source: Information collected from departments.

The total arrears of ₹28,398.10 crore amount to 21.40 *per cent* of the total revenue of the State. This necessitates urgent intervention from Government to clear the outstanding arrears. The arrear figures are furnished by departments every year only at the instance of Audit. The absence of prompt reporting of arrears to Revenue department and tardy pursuance by departments concerned for realising the arrears are the main reasons for the huge pendency of arrears.

1.3 Analysis of cases in which stay was granted

An analysis of arrears of revenue which are under various stages of collection showed that the arrears pending collection as on 31 March 2023 included collections stayed by various authorities at various stages. Stages of stay granted in seven principal heads of revenue are detailed in **Table – 1.6**.

Table – 1.6: Stages of stay granted

(₹ in crore)

Sl. No.	Head of revenue	Total arrear amount	Stage wise details of stay		Total amount under stay	Percentage of stay to total arrear
			By Court and other Judicial Authorities	By Government		
1	0040 - Tax on Sales, Trade, etc.	13,559.58	5,023.08	35.95	5,059.03	37.31
2	0406 - Forestry and Wild Life	398.03	2.32	130.00	132.32	33.24
3	0039 - State Excise	285.26	64.93	0	64.93	22.76
4	0029 - Land Revenue	495.65	428.14	21.61	449.75	90.74
5	0030 - Stamps and Registration Fees	719.95	4.08	0	4.08	0.57
6	0853 - Non-Ferrous Mining and Metallurgical Industries	198.96	27.62	49.75	77.37	38.89
7	0041 - Tax on vehicles	1,109.91	0.88	0	0.88	0.08
Total		**16,767.34**	**5,551.05**	**237.31**	**5,788.36**	**34.52**

Source: Details obtained from the respective departments.

An amount of ₹5,788.36 crore is pending under stay orders, which is 34.52 *per cent* of the total arrear amount in seven departments. Departments need to take effective action to vacate the stay orders and to realise the amounts.

1.4 Arrears in Assessments

The particulars regarding the arrears in assessments, such as cases pending at the beginning of the year, cases becoming due for assessment, cases disposed of during the year and number of cases pending for finalisation at the end of the year 2022-23 were furnished by departments (January 2024) as shown in **Appendix – I**.

During the year, the Revenue and Disaster Management (R&DM) department cleared 1,95,892 out of 2,28,078 arrear cases of building tax and 274 out of 1,288 cases of plantation tax. The percentage of disposal of arrear cases by the R&DM department is 85.53 *per cent* which is higher than the clearance percentage in the previous year i.e., 2021-22.

In the SGST department, 17,005 out of 39,358 cases were cleared. The percentage of disposal ranged from 22.78 *per cent* with respect to taxes on agricultural income to 100 *per cent* with respect to Luxury Tax. As compared to the previous year i.e., 2021-22, clearance has improved in the case of GST, Sales Tax, Luxury tax and Taxes on Agriculture. The overall percentage of disposal in the SGST department has increased from 35.39 *per cent* in 2021-22 to 43.21 in 2022-23.

Departments may strive hard for the timely clearance of assessments identifying these areas as a potential source of revenue.

1.5 Evasion of tax detected by departments

The cases of evasion of taxes detected by department, cases finalised and demands for additional tax raised are important indicators of revenue collection efforts of the State Government. The promptness in disposal of these cases is an important indicator of the performance of the departments concerned.

The details of cases of evasion of tax detected by departments were called for by Audit from 13 departments out of which seven[1] departments did not detect any case of evasion of tax. Cases of evasion of tax detected by five departments, cases finalised and demands for additional tax raised, as reported by departments are given in **Table – 1.7** below:

[1] Animal Husbandry Department, Stationery Department, Department of Lotteries, Printing Department, Excise Department, Electrical Inspectorate, Public Works Department.

Table – 1.7: Details of evasion of tax

Sl. No.	Particulars		0030-Stamps & Registration fees	0041-Taxes on Vehicles	0406-Forestry and Wildlife	0040-SGST	0029-Land Revenue
1	Number of cases pending as on 31 March 2022		1,47,394	38	3	12,355	2,585
2	Number of cases detected during 2022-23		16,066	1	0	16,081	2,907
	Total		**1,63,460**	**39**	**3**	**28,436**	**5,492**
3	Cases in which assessment/ investigation completed and additional demand with penalty etc., raised	Number of cases	21,610	23	0	9,331	3,031
		Amount of demand (₹ in crore)	20.81	1.11	0	1,189.76	4.87
4	Number of cases pending for finalisation as on 31 March 2023		1,41,850	16	3	19,105	2,461

Source: Information collected from departments.

The details from Health department are awaited (September 2024).

1.6 Pendency of refund cases

The details of refund cases pending at the beginning of the year 2022-23, claims received, refunds allowed during the year 2022-23 and the cases pending at the close of the year 2022-23, as reported by the SGST and Excise departments, are given in **Table – 1.8**.

Table – 1.8: Details of pendency of refund cases

(₹ in crore)

Sl. No.	Particulars	State Goods and Services Tax		State Excise	
		No. of cases	Amount	No. of cases	Amount
1	Claims outstanding at the beginning of the year 2022-23	709	219.16	349	9.99
2	Claims received during the year 2022-23	2,758	413.28	316	5.52
3	Refunds made during the year 2022-23	2,259	367.44	594	12.67
4	Refunds rejected during the year 2022-23	441	77.38	-	-
5	Balance outstanding at the end of the year 2022-23	767	187.62	71	2.84

Source: Details obtained from the respective departments.

In SGST department, the number of refund cases outstanding as at the end of March 2023 was 767 of which, 123 cases pertain to refund of Value Added Tax involving money value of ₹47.11 crore and 619 cases pertain to GST involving money value of ₹128.62 crore. As per Section 56 of the Kerala State Goods and Services Tax Act, 2017, if the tax ordered to be refunded is not refunded within a period of 60 days from the date of receipt of the application, interest at the rate of six *per cent* (nine *per cent* in case of refund made on order passed by an adjudicating authority or Appellate Tribunal or court which has attained finality) will become payable along with refund from the expiry of 60 days till the date of payment of refund. As per Section 89(4) of Kerala Value Added Tax (KVAT) Act, 2003, interest at the rate of 10 *per cent* per annum is applicable on refund cases after 90 days from the date of assessment order or receipt of the order in appeal or revision or the date of expiry of the time for preferring appeal or revision.

In Excise department, the number of refund cases outstanding at the end of March 2023 is 71, involving money value of ₹2.84 crore. Department refunded ₹12.67 crore in 594 cases during the year. Department's progress in disposing 89 *per cent* of pending cases is appreciative.

1.7 Response of Government/ departments to Audit

The Accountant General (AG) (Audit II), Kerala, conducts periodical inspection of Government departments to test check the transactions and verifies the maintenance of important accounts and other records as prescribed in the rules and procedures. These inspections are followed up with inspection reports (IRs) incorporating irregularities detected during the inspection and not settled on the spot, which are issued to the heads of the offices inspected with copies to the next higher authorities for taking prompt corrective action. The heads of the offices/ Government are required to furnish first reply within four weeks from the date of receipt of the Inspection Report. Even if final reply to certain paras in Inspection Report are not furnished within the prescribed time limit, an interim reply is to be furnished indicating the action taken to rectify the defects pointed out by Audit. Serious financial irregularities are reported to the heads of departments and Government.

As of June 2023, 2,524 IRs issued up to December 2022, containing 14,953 paragraphs involving a money value of ₹5,062.52 crore is outstanding as mentioned below with the corresponding figures for preceding two years in **Table – 1.9**.

Table – 1.9: Details of pending Inspection Reports

	June 2021	June 2022	June 2023
Number of IRs pending for settlement	2,275	2,625	2,524
Number of outstanding audit observations	14,654	16,701	14,953
Amount of revenue involved (₹ in crore)	4,412.44	5,084.70	5,062.52

Source: Details compiled by AG (Audit II) and reconciled with respective departments.

1.7.1 Department-wise details of IRs

Department-wise details of the IRs and audit observations outstanding as on 30 June 2023 and the amounts involved are mentioned in **Table – 1.10**.

Table – 1.10: Department-wise details of IRs

Sl. No.	Name of department	Nature of receipts	Number of outstanding IRs	Number of outstanding audit observations	Money value involved (₹ in crore)
1	SGST	Taxes on sales, trade, etc.	1,647	10,861	4,060.37
		Taxes on agricultural income	61	191	74.11
2	Motor Vehicles	Taxes on Vehicles	251	1,937	113.26
3	State Excise	State Excise	104	371	106.37
4	Registration	Stamp duty and Registration fees	324	1,118	296.00
5	Lotteries	Receipts from lotteries	29	86	7.30
6	Finance, Planning and Economic Affairs		108	389	405.11
Total			**2,524**	**14,953**	**5,062.52**

Source: Details compiled by AG (Audit II) and reconciled with the respective departments.

Audit did not receive first replies for 163 IRs during 2022-23 within four weeks from the date of issue of the IRs from six heads of offices. This large pendency of the IRs due to non-receipt of the replies was indicative of the fact that the heads of offices and departments did not initiate action to rectify the defects, omissions and irregularities pointed out by the AG (Audit II) in the IRs. The large pendency of IRs due to non-receipt of replies shows the failure of monitoring mechanism for clearing the pending audit observations by the Audit Monitoring Committees at Secretary level and Apex Committees at Chief Secretary level.

Government needs to put in place an effective system for ensuring prompt and appropriate response to audit observation within the time frame prescribed in the circular[2] issued by the Finance department.

1.7.2 Departmental Audit Committee Meetings

The government set up Audit Committees to monitor and expedite the progress of settlement of local audit reports and paragraphs in the local audit reports. The details of the Audit Committee Meetings held during the year 2022-23 and the paragraphs settled are mentioned in **Table – 1.11**.

Table – 1.11: Details of departmental Audit Committee Meetings

Sl. No.	Head of revenue	Number of meetings held during 2022-23	Number of audit observations pending as on 31 March 2022	Number of paragraphs settled	Amount involved in settled paragraphs (₹ in crore)
1	0030 – Stamps and Registration	2	1,259	56	35.41
2	0041 – Taxes on Vehicles	1	1,042	174	3.90
3	0040- Tax on sales, trade etc.	4	12,948	1,055	2,656.14
Total		**7**	**15,249**	**1,285**	**2,695.45**

Source: Details compiled by AG (Audit II).

No meetings were held in respect of Excise, State Lotteries, Agricultural Income Tax and Finance, Planning and Economic Affairs despite having 1,208 pending audit observations. Government may issue strict instructions to departments to devise periodic action plans to clear all the outstanding paragraphs in a time-bound manner by conducting regular Audit Committee Meetings.

1.7.3 Response of departments to the draft paragraphs

The draft audit paragraphs proposed for inclusion in the Report of the Comptroller and Auditor General of India are sent by the AG (Audit II) to the Secretaries of the respective departments drawing their attention to audit findings and requesting their response within six weeks.

21 paragraphs including two Subject Specific Compliance Audit Reports were sent to the Secretaries of the respective departments by name between September 2023 and August 2024. The Secretaries of departments have furnished reply to 14 paragraphs and interim reply to seven paragraphs.

[2] Circular memorandum No.57374/Ins.2/65/Fin. dated 15 November 1965.

1.7.4 Follow up on the Audit Reports - summarised position

As per notification (December 2002) of the Public Accounts Committee (PAC), after the presentation of the Report of the Comptroller and Auditor General of India in the Legislative Assembly, action taken explanatory notes should be submitted by Government to the Legislature Secretariat within two months of tabling the Report, for consideration of the Committee. The status of follow up on the Reports of the Comptroller and Auditor General of India on Revenue Sector of Government of Kerala for the year ended 31 March 2017 to the period 2021-22 (112 paragraphs including performance audit) placed before the State Legislative Assembly between 12 June 2018 to 14 September 2023 is as follows:

- The action taken explanatory notes from departments concerned on 22 paragraphs were received late with delays ranging from 10 months to 66 months.

- Six departments did not submit action taken explanatory notes on audit paragraphs (March 2024) in respect of 74 paragraphs (62 individual and 12 PA/ Review paragraphs), which includes 33 paragraphs for the Audit Report for the period 2021-22.

- The PAC discussed 16 paragraphs and its recommendations were incorporated in the report during the respective tenure of the Committee during the period 2021-23.

Departments largely responsible for non-submission of action taken explanatory notes were Taxes and Transport. The non-receipt of ATNs were brought to the notice of the Chief Secretary to Government in the Apex Committee meetings held on 15 June 2017, 11 December 2017, 23 June 2018, 18 December 2018, 11 February 2020, 22 February 2022 and 25 May 2023.

Action Taken Notes on PAC recommendations have not been received in respect of 152 out of 161 recommendations of the PAC from four departments i.e., Taxes, Excise, Transport and Revenue and Disaster Management as mentioned in the **Table – 1.12** (March 2024).

Table – 1.12: Details of non-receipt of ATN from four departments

PAC committee formed Year	Name of Department				Total
	Taxes	Excise	Transport	Revenue & Disaster Management	
2004-06	-	-	-	1	**1**
2006-08	-	-	-	2	**2**
2008-11	2	-	-	-	**2**
2011-14	-	-	-	-	**-**
2014-16	2	-	4	-	**6**
2016-19	20	11	7	2	**40**

PAC committee formed Year	Name of Department				Total
	Taxes	Excise	Transport	Revenue & Disaster Management	
2019-21	15	-	5	8	**28**
2021-23	3	-	2	45	**50**
2023-26	2	18	-	3	**23**
Total	**44**	**29**	**18**	**61**	**152**

Source: Records maintained by Accountant General and reconciled with departmental figures.

1.8 Status of the mechanism for dealing with the issues raised in Audit

To analyse the system of addressing the issues highlighted in the Inspection Reports/ Audit Reports by departments/ Government, the action taken on the audit paragraphs and performance audits included in the Audit Reports of the last 10 years of one department was evaluated and included in this Audit Report.

The following paragraphs 1.8.1 to 1.8.2 discuss the performance of the Motor Vehicles department under revenue head 0041 – Taxes on Vehicles and cases detected during local audit and the cases included in the Audit Reports for the years 2013-14 to 2022-23.

1.8.1 Position of Inspection Reports

The summarised position of the inspection reports issued during the last 10 years, paragraphs included in these reports and their status as on 31 March 2023 are tabulated below in **Table – 1.13**.

Table – 1.13: Position of Inspection Reports

(₹ in crore)

Sl. No	Year	Opening Balance			Addition during the years			Clearance during the years			Closing Balance		
		IR	Paras	Money Value	IR	Paras	Money Value	IR	Paras	Money Value	IR	Paras	Money Value
1	2013-14	285	1,540	37.75	71	637	21.92	46	504	5.73	310	1,673	53.94
2	2014-15	310	1,673	53.94	71	734	14.57	41	411	8.87	340	1,996	59.64
3	2015-16	340	1,996	59.64	84	1,005	146.67	30	422	7.46	394	2,579	198.85
4	2016-17	394	2,579	198.85	47	584	41.91	21	331	88.12	420	2,832	152.64
5	2017-18	420	2,832	152.64	99	1,242	52.32	205	1,589	61.59	314	2,485	143.37
6	2018-19	314	2,485	143.37	56	679	26.03	56	737	28.73	314	2,427	140.67
7	2019-20	314	2,427	140.67	47	541	45.91	88	759	43.41	273	2,209	143.17
8	2020-21	273	2,209	143.17	3	51	1.27	2	49	1.69	274	2,211	142.75
9	2021-22	274	2,211	142.75	19	245	5.17	4	99	10.75	289	2,357	137.17
10	2022-23	289	2,357	137.17	37	428	81.03	43	543	54.75	283	2,242	163.45

Source: Records maintained by Accountant General.

The Audit Committee, Apex Committee and Audit Monitoring Committee meetings were held between department/ Government and the Office of the Accountant General to settle the old paragraphs.

1.8.2 Recovery in accepted cases

The position of paragraphs included in the Audit Reports for the last 10 years, those accepted by department and the amount recovered are mentioned in **Table – 1.14**.

Table – 1.14: Details of paragraphs included in Audit Report and Recovery in accepted cases

(₹ in crore)

Sl. No.	Year of Audit Report	Number of paragraphs included	Money value of paragraphs	Number of paragraphs accepted	Money value of accepted paragraphs	Amount recovered during the year	Cumulative position of recovery of accepted cases as of 31.03.2023
1	2012-13	5	1.69	5	1.68	0.89	0.89
2	2013-14	5	10.69	5	10.69	1.10	1.99
3	2014-15	4	2.08	4	2.08	1.37	3.36
4	2015-16	5	8.70	5	8.70	1.49	4.85
5	2016-17	7	155.17	7	132.92	9.01	13.86
6	2017-18	4	459.02	4	459.02	2.13	15.99
7	2018-19	3	5.92	3	5.92	1.94	17.93
8	2019-21*	4	3.93	4	3.93	1.84	19.77
9	2021-22	7	72.98	1	0.83	0.48	20.25

Source: Records maintained by Accountant General.

* Combined Compliance Audit report of the Comptroller and Auditor General of India on Revenue Sector for the period 2019-21.

The above table clearly shows that the progress of recovery in accepted cases has been negligible over the past decade. The recovery in accepted cases is to be pursued as arrears recoverable from the parties concerned.

1.9 Audit Planning

The Annual Audit Plan was prepared on the basis of risk analysis. The unit offices under various departments were categorised into high, medium, and low risk units according to their revenue position, past trends of audit observations, complaints, media reports and instances of non-production of records by department. During the year 2022-23, out of 990 audit units, 176 units were audited, which is 18 *per cent* of the total audit units. In addition, two[3]

[3] Performance Audit on Integrated Financial Management System - Kerala and Performance Audit on E-way bill system under GST.

Performance Audits and two[4] Subject Specific Compliance Audits were also taken up during the year.

1.10 Results of Audit

Position of Audit conducted during the year

Test-check of the records of 176 units of State GST, Motor Vehicles, State Excise, Registration and other departmental offices conducted during the year 2022-23 showed under-assessment/ short-levy/ loss of revenue aggregating to ₹1,800.27 crore in 668 cases. During 2022-23, departments concerned accepted under-assessment and other deficiencies of ₹102.05 crore involved in 431 cases and collected ₹0.51 crore in six cases which were pointed out in Audit. Departments collected ₹35.61 crore in 875 cases during 2022-23, pertaining to the audit findings of previous years.

1.11 Coverage of Part I of the Report

This part of the Report contains 21 paragraphs, which came to notice in the course of test audit of records during the year 2022-23, as well as those in earlier years, involving revenue impact of ₹1,671.25 crore. Instances relating to the period subsequent to 2022-23 were also included, wherever necessary. Department/ Government accepted the audit observations involving ₹642.17 crore, out of which ₹0.41 crore was recovered. These are discussed in the succeeding Chapters II to V.

Recommendation: Government needs to put in place an effective system for ensuring prompt and appropriate response to audit observation within the time frame prescribed in the circular issued by the Finance department.

[4] SSCA on Department's oversight on GST payments and Return filing - Phase II and SSCA on Enforcement Activities of the State Excise Department.

Chapter II

Goods and Services Tax & Taxes/ VAT on Sales, Trade, etc.

CHAPTER - II
GOODS AND SERVICES TAX & TAXES/ VAT ON SALES, TRADE, ETC.

2.1 Tax Administration

Department of Taxes is the major source of revenue of Government of Kerala, accounting for the $^{3}/_{4}^{th}$ of its revenues. The main goal of department is to ensure voluntary tax compliance through transparent and simplified procedures; to eliminate corrupt practices and embracing relevant technology for seamless accessibility to services. The main activities of department are collection of tax, registration of dealers, recovery of arrears of tax, prevention and detection of tax offenses under a series of legislations enacted by the State and Central Governments. The critical functions of department such as filing of returns, payment of tax, issue of statutory forms, declaration of consignments etc., are now fully automated.

Goods and Services Tax (GST) Act, Kerala General Sales Tax (KGST) Act, Kerala Value Added Tax (KVAT) Act, Kerala Money Lending Act, Luxury Tax Act and Agricultural Income Tax Act are administered by department. The Commissioner, SGST department is the head of the SGST department who is assisted by Additional Commissioner, Joint Commissioners (JCs), Deputy Commissioners (DCs), Assistant Commissioners (ACs) and State Tax Officers (STOs). The assessment, levy and collection of tax are done by ACs and STOs.

KGST is leviable on sale of ganja, opium, foreign liquor and certain petroleum products. KVAT was leviable on the Intra-State sale of remaining commodities and Central Sales Tax (CST) on Inter-State sales. GST came into effect from 01 July 2017 subsuming VAT, CST etc.

The Government has implemented Kerala Flood Cess under Section 14 of the Finance Act, 2019 for the purpose of providing reconstruction, rehabilitation and compensation needs which had arisen due to the massive flood which occurred in the State of Kerala in the month of August 2018, for a period of two years from 01 August 2019.

2.2 Internal Audit

After the restructuring, the internal audit is undertaken by Internal Audit and Internal Vigilance Cell that performs departmental audit and disciplinary functions in the GST department. In addition, a Review Cell is also formed that verifies the legality and propriety of the order passed by the adjudicating authorities at the Taxpayer verticals. The Internal Audit and Internal Vigilance Cell consist of one Deputy Commissioner, one State Tax officer and three Assistant State Tax Officers (ASTO) while the Review cell has three Deputy Commissioners, six STOs and ten ASTOs. No specific training has been imparted to the officers.

During 2022-23, out of the overall outstanding of 8,742 paragraphs, only 3,330 paragraphs (38.09 *per cent)* were cleared. In addition, e-audits have been

conducted and additional demands created thereby improving the economy, efficiency and effectiveness of department.

2.3 Results of Audit

There were 55 auditable units in the SGST department. Out of these, 45 units were selected for Audit during the year 2022-23 including 34 units for the SSCA. Test check of the records relating to KVAT/ KGST/ CST assessments and connected documents during 2022-23 showed under-assessment of tax and other irregularities in 14 cases relating to non/ short levy of tax/ interest, irregular allowance of input tax credit, escape of turnover from assessment and other lapses amounting to ₹1,647.34 crore. These cases are only illustrative as these are based on the test-check of records. As this was test audit in the test-checked cases and the audit observation is of a nature that may reflect in other cases not covered in test audit, department may therefore, like to internally examine the position in rest of the units with a view to ensure that the instances of non-compliance are taken care of by taking remedial measures, and may also fix responsibility for the lapses in all such cases. Audit pointed out some of the similar omissions in the earlier years also. Not only do these irregularities persist, but they also remain undetected till the next audit is conducted. Under-assessment of tax and other irregularities involving ₹1,647.34 crore in 14 cases, including one SSCA, which fall under the following categories are given in **Table – 2.1**.

Table – 2.1: Details of under-assessment of tax and other irregularities

Sl. No.	Categories	Number of cases	Amount (₹ in crore)
1	SSCA on 'Department's Oversight on GST Payments and Return filing'	1	1,645.56
2	Short payment of tax due to ineligible/ excess exemption	2	0.70
3	Short payment of tax due to turnover escaped assessment	1	0.13
4	Short payment of tax due to irregular availing of input tax credit	2	0.92
5	Others	8	0.03
Total		**14**	**1,647.34**

Source: Records maintained by Accountant General.

During the year 2022-23, department accepted under assessment and other deficiencies amounting to ₹6.65 crore in 221 cases, which were pointed out by Audit. An amount of ₹20.55 crore pointed out in 749 cases were realised during the year.

2.4 Subject Specific Compliance Audit on 'Department's oversight on GST payments and Return filing' for the year 2018-19 to 2020-21

2.4.1 Introduction

The introduction of Goods and Services Tax (GST) has replaced multiple taxes levied and collected by the Centre and States. GST, which came into effect from 01 July 2017, is a destination-based consumption tax on the supply of goods or services or both levied on every value addition. The Centre and States simultaneously levy GST on a common tax base. Central GST (CGST) and State GST (SGST)/ Union Territory GST (UTGST) are levied on intra state supplies, and Integrated GST (IGST) is levied on inter-state supplies.

Section 59 of the SGST Act, 2017, stipulates GST as a self-assessment based tax, whereby the responsibility for calculating tax liability, discharging the computed tax liability and filing returns is vested with the taxpayer. The GST returns must be filed online regularly on the common GST portal, failing which penalties will be payable. Even if the business has had no tax liability during a particular tax period, it must file a nil return mandatorily. Further, Section 61 of the Act read with Rule 99 of SGST Rules, 2017, stipulate that the Proper Officer may scrutinize the return and related particulars furnished by taxpayers, communicate discrepancies to the taxpayers and seek an explanation.

This Subject Specific Compliance Audit (SSCA) was taken up considering the significance of the control mechanism envisaged for tax compliance and the oversight mechanism of the State Goods and Services Tax Department (SGSTD), Government of Kerala (GoK) in this new tax regime.

2.4.2 Audit objectives

Audit of 'Department's oversight on GST Payments and Return filing' was taken up with the following audit objectives to seek an assurance on:

i. whether the rules and procedures were designed to secure an effective check on tax compliance and were being duly observed by taxpayers; and

ii. whether the scrutiny procedures, internal audit and other compliance functions of the Circles were adequate and effective.

2.4.3 Audit scope

The scope of audit comprises examination of taxpayers' compliance, scrutiny process and subsequent follow-up carried out by the department on returns filed by the registered taxpayers. In addition, the SSCA includes review of records of a sample of taxpayers for the period 2018-19 to 2020-21. The scope of this SSCA also includes evaluation of functions of selected Circles.

The period of review of the scrutiny of returns and verification of taxpayers' records was from April 2018 to March 2021 and that for audit of functions of selected Circles was for 2020-21.

2.4.4 Audit methodology and Sample selection

A data driven approach was adopted for planning, as also to determine the nature and extent of substantive audit. The sample for this SSCA is comprised of

- a sample of Circles for evaluating the compliance functions of the Circles;
- a set of deviations identified through data analysis for centralised audit that did not involve field visits; and
- a sample of taxpayers for detailed audit that involved field visits and scrutiny of taxpayer's records at departmental premises.

This SSCA has three distinct parts as under:

(i) Part I – Audit of Circles

For evaluation of oversight functions, ten[5] assessment circles with jurisdiction over highest number of selected samples for Detailed Audit were considered as the sample for audit of assessment circles.

(ii) Part II – Centralised audit

Audit analysed GST returns data pertaining to 2018-19 to 2020-21 at GSTN premises and identified a set of deviations and logical inconsistencies between GST returns filed by taxpayers. A set of 16 parameters[6] were identified such as mismatch of ITC availed between Annual Returns and Books of accounts, short payment of interest etc. Audit selected a sample of 703 cases for evaluation of the adequacy and effectiveness of the scrutiny procedure of the department. The audit review was limited to queries issued to the respective Taxpayer Services Circles (TPSCs) between June and September 2023. There was no further scrutiny of taxpayer records.

(iii) Part III – Detailed audit

Audit selected 70 taxpayers[7] for detailed audit which involved field visits for verification of records available with the TPSCs. Taxpayers' records like returns and related attachments and information were accessed through Circles for evaluation of the extent of tax compliance by taxpayers. Audit utilised the

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5 Special Circle - II, Ernakulam; Special Circle - III, Ernakulam; Special Circle (Produce), Mattancherry; STO I Circle, Thripunithura; Special Circle, Thiruvananthapuram; STO (Works Contract), Thiruvananthapuram; IAC, Thiruvananthapuram; IAC, Palakkad; STO (Works Contract), Kozhikode; Special Circle, Kannur.

6 16 parameters are indicated in Table 2.2 as D1 to D21; D8, D15, D16, D18 and D19 are absent.

7 Total registered taxpayers in the State is 3,73,940 as on 31 March 2021.

SSOIDs[8] provided to the maximum extent feasible to examine data/ documents relating to taxpayers (*viz*., registration, tax payment, returns and other departmental functions). Efforts were made to access the relevant granular records such as invoices from the taxpayers on a risk based approach through respective assessment circles.

Entry Conference of this SSCA was held on 27 July 2023 with the Commissioner, State GST Department and Additional Secretary (Taxes Department), Government of Kerala (GoK), in which the audit objectives, sample selection, audit scope and methodology were discussed. The Exit Conference was held on 12 September 2024 with the Commissioner, State GST Department and Joint Secretary (Taxes Department), Government of Kerala, in which the audit findings were discussed. The views expressed by the State Government during the Exit Conference and the written replies to the draft report have been suitably incorporated in the relevant paragraphs.

2.4.5 Audit Criteria

The source of audit criteria comprised the provisions contained in the SGST Act, 2017, IGST Act, 2017, and Rules made thereunder. In addition, the notifications and circulars issued by State Tax department relating to filing of returns and Standard Operating Procedures (SoP) containing instructions to departmental officers on various aspects related to filing returns, scrutiny of returns, cancellation of registrations also formed part of the audit criteria.

Audit Findings

2.4.6 Audit of Circles (Part I)

As per Section 61 of the SGST Act, 2017, various returns filed by taxpayers must be scrutinised by Proper Officer to verify the correctness of the returns, and suitable action has to be taken on any discrepancies or inconsistencies reflected in the returns. Proper Officer designated for this purpose is the Assistant Commissioner/ State Tax Officer[9]. Further, Rule 99 of the SGST Rules, 2017, mandates that the discrepancies, if any noticed, shall be communicated to the taxpayer to seek his explanation. If the taxpayer does not furnish a satisfactory explanation within 30 days of being so informed, or does not take any corrective action, Proper Officer may initiate appropriate action, including the issuance of demand notices under Section 73 or Section 74 of the Act, *ibid*.

Section 73 of the SGST Act, 2017, deals with assessment by Proper Officer, where it appears that any tax has not been paid or short paid by the taxpayer, due to any reason specified therein. Before issuing an assessment order, Proper Officer shall issue a notice to the taxpayer, at least three months prior to the time limit specified in Section 73(10) for issuance of order. The time limit for issuance of order for the financial year 2017-18 was extended[10] to 31 December

[8] Single SignON IDs – Unique user ID and password issued to responsible officers for accessing GSTN Backend.
[9] Order No. GSTC 24614/2017/CT dated 06 July 2017.
[10] Notification No. 09/2023-Central Tax dated 31 March 2023.

2023 and for 2018-19 to 30 April 2024. As such, the due date for issue of notices for FY 2017-18 was 30 September 2023 and for FY 2018-19 was 31 January 2024. Hence, no assessment can be made under Section 73(10) for the year 2017-18 and 2018-19, if notices were not issued within the corresponding time limit specified above. As per Section 2(91) of SGST Act, 2017, Proper Officer means the officer of the State Tax Office who is assigned that function by the Commissioner.

2.4.6.1 Deficient monitoring mechanism on return filing

Out of a sample of 10 Circles, the monitoring mechanism for recovery of demand from non-filers was deficient in all the 10 Circles. Further, in all the 10 Circles, the details of issuing GSTR-3A (notice for defaulters who have not filed GST returns) and following it with ASMT-13 (Best Judgement Assessment order in cases where the taxpayers have not complied with GSTR-3A notices) and DRC-07 (Summary of Demand order as a follow up of ASMT-13) were not available with the office.

This was brought to notice of the Government in August 2024. Reply is awaited (September 2024).

2.4.6.2 Slow pace in scrutiny of returns

It was noticed that during the year 2020-21, in the 10 selected Circles, 1,665 cases were identified and selected for scrutiny by Proper Officers. Out of these Audit test checked the records of 364 cases and found that in 44 cases, the department incurred loss of revenue of ₹103.67 crore. The loss is due to the following reasons:

- failure in issuing notices within the time limit and completion of assessment under section 73 of the SGST Act, 2017, on the defects identified, amounting to ₹57.73 crore in eight cases,

- deficiency in return scrutiny and determination of tax due, amounting to ₹40.38 crore in 21 cases,

- irregular acceptance of replies and dropping of discrepancies after issue of intimation/ notice amounting to ₹5.56 crore in 15 cases. The department, after issuing ASMT-10/ SCN, has dropped sustainable discrepancies without proper verification of replies.

On this being brought to notice (August 2024), Government stated (September 2024) that the department had verified 22 cases and stated that in two cases, additional demand of ₹0.18 crore (DRC-07) issued, and in seven cases show cause notices under section 74 of the SGST Act, 2017, was issued, in three cases notice will be issued, and in 10 cases, no irregularities were found. Though it was stated that in 10 cases no irregularities were found, no supporting documents to substantiate the reply was furnished. As per the Exit Conference held on 12 September 2024, the department stated that the reason for dropping/ not taking further action on cases by Proper Officers would be viewed seriously.

Illustrative cases in each category are detailed below:

i. In Special Circle III Ernakulam, scrutiny of the returns filed by a taxpayer for FY 2017-18 was carried out by Proper Officer and ASMT-10 was issued to the taxpayer intimating mismatch of GSTR-2A and GSTR-3B comparison of ₹14.47 crore. However, Proper Officer has not initiated action to determine the tax and other dues as per Section 73 within the prescribed time (30 September 2023). Non-initiation of action within the specified time resulted in loss of revenue.

On this being brought to notice (August 2024), Government stated (September 2024) that the department had verified the case and found that the taxpayer has more ITC in GSTR-2A than in GSTR-3B and hence no excess ITC was claimed by the taxpayer.

The reply is not acceptable as copy of the documents in support of the claim was not submitted. Audit examined the reply with documents available in GSTN. As per the GSTR-2A available in the Model 1 backend, Audit found that the taxpayer has available ITC of ₹12.37 crore each under CGST and SGST and ₹63.66 crore under IGST. However, the Taxpayer vide GSTR-3B, has availed ₹21.29 crore each under CGST and SGST and ₹94.94 crore under IGST. Thus, the taxpayer has availed excess ITC of ₹49.12 crore. This aspect was not seen considered while dropping the case of excess ITC availed by the taxpayer.

ii. In STO (WC) Kozhikode, scrutiny of the returns filed by a taxpayer for FY 2018-19 was carried out by Proper Officer and ASMT-10 was issued (September 2020), intimating discrepancies on output tax liability and ITC utilisation. Further, notice – DRC-01 was issued (December 2023) and based on the reply by the taxpayer, the cases were dropped by the Deputy Commissioner (TPS Division) vide DRC-05 (March 2024).

As per returns filed, the taxpayer had deducted ₹65.56 crore from the taxable turnover, claiming to be unadjusted advances at the beginning of the Financial Year 2018-19 and Turnover as per Audited Financial Statements after adjustment of the advances is shown as ₹71.23 crore (GSTR-9C 5P). Audit noticed that this adjusted turnover does not match with the unadjusted advances shown at the end of 2017-18 (Nil), indicating that the taxpayer's claim was incorrect. Hence, the taxpayer is liable to pay tax on a turnover of ₹136.79 crore. Further, though the taxpayer engaged in the services of construction of premium villas, apartments and commercial projects, which attracts GST at the rate of 18 *per cent,* the taxpayer paid tax at 12 *per cent* for a turnover of ₹66.20 crore. Failure in identifying these discrepancies by the Proper Officer resulted in loss of revenue of tax ₹15.86 crore, interest ₹14.51 crore and penalty ₹1.59 crore totalling to ₹31.96 crore.

On this being brought to notice (August 2024), Government stated (September 2024) that the department issued Show Cause Notice (SCN) under section 74 of the SGST Act, 2017, to the taxpayer demanding tax of ₹16.38 crore each under CGST and SGST.

iii. In Special Circle II Ernakulam, scrutiny of the returns filed by a taxpayer for the year 2017-18 was carried out by the Proper Officer and an intimation in ASMT-10 was issued to the tax payer noticing short payment of tax and excess ITC utilisation. Assistant State Tax Officer, vide ASMT-12 dropped the cases intimating that no further action is required to be taken in the matter.

As per GSTR-3B filed by the taxpayer, the taxpayer claimed ITC of ₹7.30 crore being IGST paid on Import of goods. Audit noticed that, as per GSTR-2A, IGST on 'Import of goods from overseas on bill of entry' was only ₹6.42 crore. Thus, the taxpayer claimed excess ITC of ₹0.88 crore. However, the department has failed to initiate action to determine the amount of tax, interest and penalty under Section 73 of the SGST Act, 2017. This resulted in loss of revenue on account of tax ₹0.88 crore, interest ₹0.90 crore and penalty ₹0.08 crore totalling to ₹1.86 crore.

Moreover, the Assistant State Tax Officer has not been assigned by the Commissioner of State GST[11], the functions of Proper Officer under Section 61(2). However, the Assistant State Tax Officer issued ASMT-12 without proper authority.

This was brought to the notice of the department (May 2024) and the Government (August 2024). Reply is awaited (September 2024).

Recommendation 1:

The department may explore the possibility of introducing an automated system to match the data relating to ASMTs issued with follow up action.

2.4.6.3 Lack of action on late-filers and non-filers of GST returns

Section 46 of the SGST Act, 2017, read with Rule 68 of the SGST Rules, 2017, stipulates issue of a notice in FORM GSTR-3A requiring filing of return within fifteen days if the taxpayer had failed to file the return within the due date. In case the taxpayer fails to file the returns even after such notice, the Proper Officers may proceed to assess the tax liability of the said person to the best of their judgment, taking into account all the relevant material which is available or gathered and issue an assessment order in FORM ASMT-13. This assessment order should be issued within a period of five years from the due date for furnishing the annual return for the financial year, which the tax default relates to. A summary of such order should be uploaded in the system in FORM DRC-07.

The details of action taken on late filers and non-filers in respect of selected ten assessment circles were sought for by Audit but not provided by the department. Non-furnishing of information/ relevant documents restricted the

[11] Order No. GSTC 24614/2017/CT dated 06 July 2017.

scope of audit. Audit verified filing of returns by 70 taxpayers selected for detailed audit and it was noticed that nine taxpayers filed returns with a delay ranging from 1 day to 309 days. However, Proper Officers had not initiated any action regarding assessment and cancellation of registration in these cases.

This was brought to the notice of the department (May 2024) and the Government (August 2024). Reply is awaited (September 2024).

Recommendation 2:

Department may issue instruction to Proper Officers to issue notices to non-filers and late filers of return within the stipulated time.

2.4.6.4 Inadequate follow up on non-filing of GSTR-10 after cancellation of registration

Section 45 of the SGST Act, 2017, stipulates that every registered person who is required to furnish a return under Section 39(1) and whose registration has been cancelled shall furnish a final return (GSTR-10) within three months of the date of cancellation or date of order of cancellation, whichever is later. The purpose of the final return is to ensure that the taxpayer discharges the outstanding liability. In case of non-filing of GSTR-10, the same procedure as adopted for non-filing of any return must be followed by the tax officer.

The last date for furnishing of GSTR-10 by those taxpayers whose registration has been cancelled on or before 30 September 2018 was extended till 31 December 2018[12]. As per Rule 68 of SGST Rules, 2017, if GSTR-10 has not been filed, notice in GSTR-3A has to be issued to the taxpayer and if the taxpayer fails to file the final return within 15 days of the receipt of notice, an assessment order in FORM ASMT-13 has to be issued to determine the tax liability. If the taxpayer did not file the final return within 30 days from the issue of order in ASMT-13, the Proper Officer may initiate proceedings under Section 73 of the SGST Act, 2017.

Audit observed compliance deficiencies in filing of GSTR-10 in 157 cases across five Circles as detailed in **Appendix - II**. In remaining five circles the data was not provided to the audit.

An illustrative case is given below:

In STO I Circle Thripunithura, GSTR-10 was not filed in 141 cases out of 239 cases in which registration was cancelled during 2020-21. Further action taken on these 141 cases are not available with the circle.

This was brought to the notice of the department (May 2023) and the Government (August 2024). Reply is awaited (September 2024).

[12] Notification No. 58/2018 – Central Tax dated the 26 October 2018.

Recommendation 3:

Department may issue instruction to Proper Officers to take action on taxpayers who failed to file GSTR 10 return within the stipulated time limit.

2.4.7 Centralised Audit (Part II)

Audit analysed GST returns data pertaining to 2018-2021 as made available by GSTN. Rule-based deviations and logical inconsistencies between GST returns filed by taxpayers were identified on a set of 16 parameters, which can be broadly categorised into two domains – Input Tax Credit (ITC) and Tax payments.

Out of the 15 prescribed GST returns[13], the following basic returns that apply to normal taxpayers were considered for the purpose of identifying deviations, inconsistencies and mismatches between GST returns/ data:

- GSTR-1: monthly return furnished by all normal and casual registered taxpayers making outward supplies of goods and services or both and contains details of outward supplies of goods and services.

- GSTR-3B: monthly summary return of outward supplies and input tax credit claimed, along with payment of tax by the taxpayer to be filed by all taxpayers except those specified under Section 39(1) of the Act. This is the return that populates the credit and debits in the Electronic Credit Ledger and debits in Electronic Cash Ledger.

- GSTR-6: monthly return for Input Service Distributors (ISD) providing the details of their distributed input tax credit and inward supplies.

- GSTR-8: monthly return to be filed by the e-commerce operators who are required to deduct TCS (Tax Collected at Source) under GST, introduced in October 2018.

- GSTR-9: annual return to be filed by all registered persons other than an Input Service Distributor (ISD), Tax Deductor at Source/ Tax Collector at Source, Casual Taxable Person, and Non-Resident taxpayer. This document contains the details of all supplies made and received under various tax heads (CGST, SGST and IGST) during the entire year along with turnover and audit details for the same.

[13] GSTR-1, GSTR-3B, GSTR-4 (taxpayers under the Composition scheme), GSTR-5 (non-resident taxable person), GSTR-2A (auto generated statement of B2B inward supplies), GSTR-5A (Non-resident OIDAR service providers), GSTR-6 (Input service distributor), GSTR-7 (taxpayers deducting TDS), GSTR-8 (E-commerce operator), GSTR-9 (Annual Return), GSTR-9C (Reconciliation of annual return and financial statements), GSTR-10 (Final return), GSTR-11 (person having UIN and claiming a refund), CMP-08, and ITC-04 (Statement to be filed by a principal/ job-worker about details of goods sent to/ received from a job-worker).

- GSTR-9C: annual audit form for all taxpayers having a turnover above ₹5 crores in a particular financial year. It is basically a reconciliation statement between the annual returns filed in GSTR-9 and the taxpayer's audited annual financial statements.

- GSTR-2A: a system-generated statement of inward supplies for a recipient. It contains the details of all B2B transactions of suppliers declared in their Form GSTR-1/5, ISD details from GSTR-6, details from GSTR-7 and GSTR- 8 respectively by the counterparty and import of goods from overseas on bill of entry, as received from ICEGATE Portal of Indian Customs.

2.4.7.1 Audit findings based on data analysis

The details of data analysis pertaining to state jurisdiction on the 16 identified parameters and extent of deviations/ inconsistencies observed are summarised in **Table 2.2**.

Table – 2.2: Summary of statewide data analysis

Sl No.	Parameter	Algorithm used	Number of deviations	Amount (₹ in crore)
Domain : ITC				
1	Excess availing of ITC [D1]	ITC available as per GSTR-2A with all its amendments was compared with the ITC availed in GSTR-3B in Table 4A(5) (accrued on domestic supplies) excluding the reversals in Table 4B(2) but including the ITC availed in the subsequent year from Table 8C of GSTR-9.	77	529.06
2	ITC passed on by the supplier without remitting tax [D2]	ITC available for the assessment year as per Table 8A of GSTR-9 compared with the ITC available in GSTR-2A. Table 8A of the GSTR-9 is auto-populated (non-editable) from GSTR-2A, as available on 31 October of the following financial year.	50	186.36
3	ITC availed on GSTR-3B filed after limitation period [D3]	ITC availed through Table 4 of GSTR-3B pertaining to 2018-19, 2019-20 and 2020-21 filed by the taxpayer beyond the due dates of September GSTR-3B return of the following year.	50	69.44
4	Excess ITC availed under ISD mechanism [D4]	ISD transferred in GSTR-9 Table 6G or GSTR-3B Table 4A(4) was compared with the sum of Table 5A, Table 8A, and Table 9A of GSTR-6 of recipient GSTINs.	21	26.20

Sl No.	Parameter	Algorithm used	Number of deviations	Amount (₹ in crore)
5	Short payment of tax under Reverse Charge Mechanism (RCM) [D5]	RCM payments in GSTR-9 Table 4G (tax payable) was compared with ITC availed in GSTR-9 Table 6C, 6D and 6F (ITC availed). In cases where GSTR-9 was not available, RCM payment in GSTR-3B Table 3.1(d) was compared with GSTR-3B 4A(2) and 4A(3). Greater of difference in GSTR-9 and GSTR-3B considered where both were available.	49	88.47
6	Mismatch in ITC availed between Annual Return and Financial Statements (Table 12F of GSTR-9C) [D6]	Positive figure in GSTR-9C Table 12F and examination of reasons provided in Table 13 for mismatch.	17	10.38
7	Reconciliation between ITC declared in Annual Return with expenses in financial statement (Table 14T of GSTR-9C) [D7]	Positive figure in GSTR-9C Table 14T and examination of reasons provided in Table 15 for mismatch.	18	61.07
Domain : Tax liability				
8	Undischarged tax liability [D9]	The greater of tax liability between GSTR-1 (Tables 4 to 11) and GSTR-9 (Tables 4N, 10 and 11) was compared with tax paid details in GSTR-3B Tables 3.1(a) and 3.1(b). In cases where GSTR-9 was not available GSTR-3B tax paid was compared with GSTR-1 liability. The amendments and advance adjustments declared in GSTR-1 and 9 were duly considered.	94	643.29
9	Suppression in taxable value in comparison with E-Way bills [D10]	Relevant data related to tax liability declared in GSTR-3B for the years 2018-19 to 2020-21 were compared with disclosures made in E-way bill.	73	0 #
10	Mismatch in tax paid between books of accounts and Annual Return (Table 9R of GSTR -9C) [D11]	Negative figure in GSTR-9C Table 9R and examination of reasons provided in Table 10 for mismatch.	16	24.05
11	Suppression of taxable value	Taxable value declared on account of outward taxable supplies (other	21	0 #

Sl No.	Parameter	Algorithm used	Number of deviations	Amount (₹ in crore)
	identified through TDS/ TCS declaration [D12]	than zero rated, nil rated and exempted) in GSTR-3B were less than the net amount liable for TCS and TDS credit, as auto populated in Table 9 of GSTR-2A.		
12	Suppression of taxable value identified through mismatch in unbilled revenue declared in Table 5 of GSTR-9C [D13]	Table 5B figures of GSTR-9C, the unbilled revenue at the beginning of the financial year, was compared with Table 5H of the previous GSTR-9C returns, which captures the unbilled revenue at the end of that year, to review the extent of identified mismatch in turnover declared in the Annual Return with the Financial Statements.	17	0 #
13	Mismatch in taxable turnover between Annual Return and Financial Statements (Table 7G of GSTR-9C) [D14]	Negative figure in GSTR-9C Table 7G and examination of reasons provided in Table 8 for mismatch.	18	0 #
Domain : Registration				
14	E-commerce benefactors under composition levy [D17]	Datasets pertaining to GSTR-8 filed by the e-commerce operators and CMP-08 filed by the composition taxpayers were compared to check whether the recipients mentioned in GSTR-8 have also filed CMP-08. Checked whether turnover as declared by the E-Com provider in the GSTR - 8 returns pertaining to the taxpayer is more than the turnover declared by the taxpayers in their CMP-08.	5	0 #
Domain : Non-filing of returns				
15	Cases where GSTR-3B not filed but GSTR-1 available [D20]	Taxpayers who have not filed GSTR-3B but have filed GSTR-1 indicating taxpayers carrying on the business without discharging tax.	52	55.85
Domain : Non-payment of interest				
16	Short Payment of interest on delayed payments [D21]	Interest calculated at the rate of 18 *per cent* on cash portion of tax payment on delayed filing of GSTR-3B *vis-a-vis* interest declared in GSTR-3B.	125	29.25

Source: Comprehensive analysis of data in GSTN.
 # Amount shown as zero since these are related with turnover mismatch.

2.4.7.2 Response to Audit

Audit selected a sample of 703 cases from amongst the top deviations/ inconsistencies in each of the 16 parameters for the year 2018-21. The audit queries were issued to the respective TPSCs (between June and September 2023) without further scrutiny of taxpayer's records. The audit check in these cases was limited to verifying the department's action on the identified deviations/ mismatches.

Initial responses were yet to be received, as of September 2024, for 329 inconsistencies (46.80 *per cent*) communicated to the Department which represent deviations of ₹600.28 crore in 260[14] cases as detailed in **Appendix - III**.

Recommendation 4:

Department may urgently pursue the 329 inconsistencies and deviations pointed out by Audit, for which responses have not been provided and intimate the results to Audit.

2.4.7.3 Results of Centralised Audit

Based on responses received from the department to the Audit Queries, the extent to which each of the 16 parameters translated into compliance deviations is summarised in **Appendix - IV**.

Audit noticed deviations from the provisions of the Act in 271 cases constituting 72 *per cent* of the 374 inconsistencies/ mis-matches in data, for which the department provided responses, which involve a short levy of tax of ₹683.50 crore in 229 cases and turnover mismatch in 42 cases. Relatively higher rates of deviations were noticed in risk parameters such as short/ non-payment of interest, undischarged liability and excess ITC availed.

In 99 cases, constituting 26 *per cent*, where the department's reply was acceptable to Audit, data entry errors by taxpayers comprised 41 cases, Department had proactively taken action in 27 cases and 31 cases had valid explanations (**Appendix - V**).

In four cases, constituting one *per cent*, though the department did not accept the deviations pointed out by Audit, its contention was not borne out by evidence, and was thus not amenable to verification by Audit.

2.4.7.4 Cases where department accepted the Audit Observations

Out of the 374 deviations in Appendix - V the department has accepted the audit observations or initiated examination in 252 cases which involve 213 cases with tax effect of ₹589.17 crore and 39 cases with turnover difference of ₹1,989.93 crore.

[14] Remaining 69 cases out of 329 are turnover mismatch cases.

An illustrative case for each dimension is given below:

(i) Excess ITC availed (Dimension 1)

GSTR-2A is a dynamic tax return on Inward Supply that is automatically generated for each business by the GST portal, whereas GSTR-3B is a monthly return in which summary of outward supplies along with ITC declared and payment of tax are self-declared by the taxpayer.

To analyze the veracity of ITC, relevant data were extracted from GSTR-3B and GSTR-2A for the year 2019-20, and the ITC paid as per suppliers' details was matched with the ITC availed by the taxpayer.

Audit observed that in case of a taxpayer under TPSC, Vyttila, the ITC available for the assessment year 2019-20, as per GSTR-2A was ₹318.53 crore and the ITC availed in Table 4A(5)[15] of GSTR-3B was ₹360.73 crore[16]. This resulted in mismatch of ITC availed amounting to ₹42.20 crore, which was communicated to the department (July 2023). In response, the department stated (October 2023) that ASMT-10 was issued to the taxpayer.

This was brought to the notice of Government (August 2024). Reply is awaited (September 2024).

(ii) ITC passed on by the supplier without remitting tax (Dimension 2)

Section 16(2) of SGST Act, 2017, provides that a taxpayer is entitled to take ITC on a supply if invoice details of the same was uploaded by the supplier and tax charged on such supply is actually paid to the government. GSTR-2A is generated based on the disclosures made by the suppliers in their GSTR-1. Table 8A of GSTR-9 is auto-populated (non-editable) from GSTR-2A, as available on 31 October of the following financial year.

Audit observed that in case of a taxpayer under TPSC, Vyttila, the ITC available for the assessment year 2019-20, as per Table 8A of GSTR-9, was ₹311.19 crore and the ITC available in GSTR-2A was ₹331.10 crore. Thus, there was a mismatch of ITC amounting to ₹19.91 crore. which was communicated to the department (July 2023). In response, the department stated (October 2023) that ASMT-10 was issued to the taxpayer.

This was brought to the notice of the Government (August 2024). Reply is awaited (September 2024).

(iii) ITC availed on GSTR-3B filed after limitation period (Dimension 3)

Section 16(4) of SGST Act, 2017, stipulates that ITC on any invoice can be availed only till the due date of furnishing GSTR-3B for the month of September following the end of the financial year to which such ITC pertains or furnishing of relevant Annual Return, whichever is earlier. Accordingly, if any GSTR-3B

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[15] All other eligible ITC.

[16] Including the ITC ₹36.54 crore availed in the subsequent year 2020-21 from Table 8C of GSTR-9.

is furnished after such time, ITC availed therein becomes inadmissible. In order to review the extent of excess/ irregular ITC availed on this account, the ITC availed through Table 4 of GSTR-3B pertaining to 2018-19, 2019-20 and 2020-21 filed by the taxpayer beyond the due dates of September GSTR-3B return of the year, were identified at data level.

Audit observed that a taxpayer under TPSC, Vyttila, filed GSTR-3B for the month of March 2021 on 31 March 2022. This resulted in claim of irregular ITC amounting to ₹5.14 crore, which was communicated to the department (July 2023). In response, the department stated (October 2023) that ASMT-10 was issued to the taxpayer.

This was brought to the notice of the Government (August 2024). Reply is awaited (September 2024).

(iv) Excess ITC availed under ISD mechanism (Dimension 4)

As per Section 20 of SGST Act, 2017, an Input Service Distributor (ISD) can distribute his input tax credit to a recipient of credit, if both are having the same PAN. To analyse whether the ITC availed by the taxpayer is in excess of that transferred by the ISD, ITC availed as declared in the returns of the taxpayer is compared with the ITC transferred by the ISD in their GSTR-6.

In case of a taxpayer under TPSC, Vyttila, audit observed that during 2019-20, the ITC availed as per Table 6G[17] of GSTR-9 of the taxpayer was ₹99.97 crore, as per Table 7H of GSTR-9, reversal of ITC was ₹12.83 crore resulting ITC availment of ₹87.14 crore. ITC transferred by the ISD as per the sum of Table 5A[18], Table 8A[19] and Table 9A[20] of their GSTR-6 was ₹76.10 crore. This resulted in mismatch between ITC availed and that transferred by the ISD, amounting to ₹11.04 crore which was communicated to the department (July 2023). In response, the department stated (October 2023) that ASMT-10 was issued to the taxpayer.

This was brought to the notice of the Government (August 2024). Reply is awaited (September 2024).

(v) Short payment of tax under Reverse Charge Mechanism (RCM) (Dimension 5)

As per Section 9(3) of the SGST Act, 2017, the liability to pay tax under reverse charge mechanism is fixed on the recipient of the supply instead of its supplier.

The extent of availing of ITC under RCM, without discharging equivalent tax liability or short payment of tax under RCM during the audit period was analysed by comparing the datasets pertaining to GSTR-3B and annual return GSTR-9 to check whether the tax has been discharged fully on the activities/ transactions under RCM. In cases where GSTR-9 was filed, the RCM payments

[17] ITC received from ISD.
[18] Distribution of the amounts of eligible ITC for the tax period.
[19] Mismatch of ITC reclaimed and distributed.
[20] Redistribution of ITC distributed to a wrong recipient.

in Table 4G[21] was compared with ITC availed in Table 6C, 6D and 6F. In cases where GSTR-9 was not available, the check was restricted within GSTR-3B where the tax discharged part in GSTR-3B Table 3.1(d) was compared with the ITC availing part of GSTR-3B 4A(2)[22] and 4A(3)[23].

Audit observed that in case of a taxpayer under TPSC, Vyttila, the RCM payments during the year 2019-20 in Table 4G of GSTR-9 was ₹40.65 crore (GSTR-3B also shows RCM payment of ₹40.65 crore) and the ITC availed as per Table 6C, 6D and 6F of GSTR-9 was ₹46.67 crore. This resulted in mismatch in availment of 'ITC on RCM without payment of tax' amounting to ₹6.02 crore which was communicated to the department (July 2023). In response, the department stated (October 2023) that ASMT-10 was issued to the taxpayer.

This was brought to the notice of the Government (August 2024). Reply is awaited (September 2024).

(vi) Mismatch in ITC availed between Annual Return and Financial Statements (Table 12F of GSTR-9C) (Dimension 6)

Table 12 of GSTR-9C reconciles ITC declared in annual return (GSTR-9) with ITC availed as per audited annual financial statement or books of accounts. Column 12F of this table deals with unreconciled ITC. The certified reconciliation statement submitted by the taxpayer as required under Rule 80(3) of SGST Rules, 2017, in Form GSTR-9C for the year 2018-19 to 2020-21 was analysed at data level to review the extent of identified mismatch in ITC declared in the Annual Return with the Financial Statements.

In the case of a taxpayer under TPSC, Thripunithura, Audit noticed unreconciled ITC of ₹1.29 crore in Table 12F of GSTR-9C, for the year 2020-21. It is the difference between eligible ITC based on financial statements and ITC availed in GST returns. This was communicated to the department (July 2023). In response, the department stated (August 2023) that ASMT-10 was issued to the taxpayer.

This was brought to the notice of the Government (August 2024). Reply is awaited (September 2024).

(vii) Reconciliation between ITC declared in Annual return with expenses in financial statement (Table 14T of GSTR-9C) (Dimension 7)

Table 14 of GSTR-9C reconciles ITC declared in annual return (GSTR-9) with ITC availed on expenses as per audited annual financial statement or books of accounts. Column 14T of this table deals with unreconciled ITC. The certified reconciliation statement submitted by the taxpayer as required under Rule 80(3) of SGST Rules, 2017, in Form GSTR-9C for the year 2018-19 to 2020-21 was analysed at data level to review the extent of identified mismatch in ITC

[21] Inward supplies on which tax is to be paid on reverse charge basis.
[22] Import of services.
[23] Inward supplies liable to reverse charge other than Import of Goods and Services.

declared in the Annual Return with the expenses reported in the Financial Statements.

In the case of a taxpayer under TPSC, Vyttila, Audit noticed that during 2020-21, unreconciled ITC of ₹6.71 crore was declared in Table 14T of GSTR-9C, being ITC availed in GST returns in excess of eligible ITC based on expenses reported in financial statements. This was communicated to the department (July 2023). In response, the department stated (October 2023) that ASMT-10 was issued to the taxpayer.

This was brought to the notice of the Government (August 2024). Reply is awaited (September 2024).

(viii) Undischarged tax liability (Dimension 9)

GSTR-1 captures the details of outward supplies of Goods or Services. This detail is also assessed by the taxpayer and mentioned in annual return GSTR-9 in the relevant columns. Further, taxable value and tax paid thereof are also shown in GSTR-3B.

To analyse the undischarged tax liability, relevant data were extracted from GSTR-1 and GSTR-9 and the tax payable in these returns was compared with the tax paid as declared in GSTR-9. Where GSTR-9 was not available, a comparison of tax payable between GSTR-1 and GSTR-3B was resorted to. The amendments and advance adjustments declared in GSTR-1 and 9 were also considered for this purpose. In the case of GSTR-3B, tables 3.1(a)[24] and 3.1(b)[25] were taken into account.

Audit observed that in case of a taxpayer under TPSC, Kottayam Town, the tax payable during the year 2018-19, as per GSTR-1 was ₹3.97 crore and the tax payable declared in GSTR-3B was ₹1.68 crore. This resulted in mismatch of tax liability amounting to ₹2.29 crore between GSTR-1 and GSTR-3B, which was communicated to the department (September 2023). In response, the department stated (September 2023) that SCN was issued to the taxpayer.

This was brought to the notice of the Government (August 2024). Reply is awaited (September 2024).

(ix) Mismatch in tax paid between books of accounts and Annual Return (Table 9R of GSTR-9C) (Dimension 11)

The certified reconciliation statement submitted by the taxpayer as required under Rule 80(3) of SGST Rules, 2017, in Form GSTR-9C for the audit period was analysed at data level to review the extent of identified mismatch in tax paid between the Annual Return and the books of account. Table 9 of GSTR-9C attempts to reconcile the tax paid by segregating the turnover rate-wise and comparing it with the tax discharged as per annual return GSTR-9. The unreconciled amounts could potentially indicate tax levied at incorrect rates, incorrect depiction of taxable turnover as exempt or *vice versa* or incorrect levy

[24] Outward taxable supplies (other than zero rated, nil rated and exempted).
[25] Outward taxable supplies (Zero rated).

of CGST/ SGST/ IGST. There can also be situations wherein supplies/ tax declared are reduced through amendments (net of debit notes/ credit notes) in respect of a financial year transactions carried out from April to September of the subsequent year. Consequential interest payments – both short payments and payments under incorrect heads – also need to be examined in this regard.

In the case of a taxpayer under TPSC, Vyttila, Audit noticed unreconciled payment of tax declared in Table 9R of GSTR-9C during the year 2020-21, amounting to ₹4.91 crore. This was communicated to the department (August 2023). In response, the department stated (October 2023) that ASMT-10 was issued to the taxpayer.

This was brought to the notice of the Government (August 2024). Reply is awaited (September 2024).

(x) Cases where GSTR-3B not filed but GSTR-1 available (Dimension 20)

Audit verified the taxpayers who have not filed GSTR-3B but have filed GSTR-1. GSTR-3B return is the instrument through which the liability is discharged. The filing of GSTR-1 and non-filing of the corresponding GSTR-3B indicate that the taxpayers had undertaken/ carried on the business during the period but have not discharged their tax liability. It also means passing of ITC without the payment of tax.

A taxpayer under TPSC, Kasaragod failed to file any of the GSTR-3B during the period 2019-20. But as per GSTR-1 return filed during this period the taxpayer has tax liability of ₹1.64 crore. The case was communicated to the department (August 2023). In response, the department stated (August 2023) that ASMT-10 was issued to the taxpayer.

This was brought to the notice of the Government (August 2024). Reply is awaited (September 2024).

(xi) Short Payment of interest on delayed payments (Dimension 21)

Section 50 of the SGST Act, 2017 stipulates that every person liable to pay tax in accordance with the provisions of this Act or the Rules made thereunder, but fails to pay the tax or any part thereof to the government within the period prescribed, shall for the period for which the tax or any part thereof remains unpaid, pay interest at the rate notified.

The extent of short payment of interest on account of delayed remittance of tax during the audit period was identified using the tax paid details in GSTR-3B and the date of filing of the GSTR-3B. Only the net tax liability (cash component) has been considered to work out the interest payable.

Audit observed that in case of a taxpayer under TPSC, Vatakara, wherein the returns in GSTR-3B, for all the months of the period 2018-19 were filed belated. This resulted in short payment of interest amounting to ₹1.19 crore which was communicated to the department (August 2023). In response, the department stated (September 2023) that ASMT-10 was issued to the taxpayer.

This was brought to the notice of the Government (August 2024). Reply is awaited (September 2024).

(xii) Suppression in taxable value in comparison with E-Way bills (Dimension 10)

In order to analyse the extent of short-payment of tax, relevant data related to tax liability declared in GSTR-3B for the years 2018-19 to 2020-21 were compared with disclosures made in E-way bill. Output tax liability as well as the tax payable under reverse charge basis for inward supplies are discharged by a normal taxpayer through the monthly returns filed in Form GSTR-3B. Movement of goods either by supply or transfer involving turnover above specified limit are made through e-way bill.

Audit noticed that the total tax liability declared in e-way bills generated during the year 2019-20, by a taxpayer under TPSC, Vyttila, was ₹441.89 crore, whereas, the tax liability declared and paid through the GSTR-3B for the year was only ₹69.57 crore. This resulted in mismatch amounting to ₹372.32 crore, which was communicated to the department (July 2023). In response, the department stated (October 2023) that ASMT-10 was issued to the taxpayer.

This was brought to the notice of the Government (August 2024). Reply is awaited (September 2024).

(xiii) Suppression of taxable value identified through TDS/TCS declaration (Dimension 12)

TDS and TCS details are declared in GSTR-7 and GSTR-8 respectively and communicated to the registered person in Table 9 of GSTR-2A. Audit identified the cases where the taxable value declared on account of outward taxable supplies (other than zero rated, nil rated and exempted) in GSTR-3B were less than the net amount liable for TCS and TDS credit, as auto populated in Table 9 of GSTR-2A.

Audit observed that a taxpayer under TPSC, Irinjalakkuda declared an outward supply turnover of ₹4.40 crore in GSTR-3B for the year 2019-20. But the taxable amount as per TDS/ TCS credits reflected in Table 9 of GSTR-2A was ₹32.55 crore. Mismatch of turnover amounting to ₹28.15 crore was communicated to the department (August 2023). In response, the department stated (September 2023) that ASMT-10 was issued to the taxpayer.

This was brought to the notice of the Government (August 2024). Reply is awaited (September 2024).

(xiv) Suppression of taxable value identified through mismatch in unbilled revenue declared in Table 5 of GSTR-9C (Dimension 13)

In order to review the extent of identified mismatch in taxable turnover reported in the Annual Return *vis-à-vis* the Financial Statements, the relevant data points

pertaining to disclosures of unbilled revenue[26] submitted by the taxpayer in Table 5 of the GSTR-9C for the years 2018-19 to 2020-21 was analysed at data level. Table 5B figures of GSTR-9C, which capture the unbilled revenue at the beginning of the financial year, was compared with Table 5H of the previous GSTR-9C returns, which captures the unbilled revenue of the end of that year, to review the extent of identified mismatch in turnover declared in the Annual Return with the Financial Statements.

Audit noticed that a taxpayer under TPSC, Vypin declared the unbilled revenue at the end of financial year 2017-18 for ₹31.95 crore. But unbilled revenue at the beginning of 2018-19 is Zero. Unbilled revenue at the end of 2017-18 does not match with the unbilled revenue at the beginning of 2018-19. The case was communicated to the department (August 2023). In response, the department stated (September 2023) that ASMT-10 was issued to the taxpayer.

This was brought to the notice of the Government (August 2024). Reply is awaited (September 2024).

(xv) Mismatch in taxable turnover between Annual Return and Financial Statements (Table 7G of GSTR-9C) (Dimension 14)

Table 7 of GSTR-9C is the reconciliation of taxable turnover. Column 7G of this table captures the unreconciled taxable turnover between the annual return GSTR-9 and that declared in the financial statement for the year after the requisite adjustments. The certified reconciliation statement submitted by the taxpayer in GSTR-9C for the audit period was analysed at data level to review the extent of identified mismatch in taxable turnover reported in the Annual Return *vis-à-vis* the Financial Statements. The unreconciled amount in cases where the turnover in GSTR-9 is less than the financial statement indicates non-reporting, under-reporting, short-reporting, omission, error in reporting of taxable supplies. It could also be on account of non-reporting of both taxable and exempted supplies.

In the case of a taxpayer under TPSC, Poojappura, Audit noticed a difference in taxable turnover as captured in Table 7G of GSTR-9C, amounting to ₹435.25 crore. This was communicated to the department (August 2023). In response, the department stated (October 2023) that ASMT-10 was issued to the taxpayer.

This was brought to the notice of the Government (August 2024). Reply is awaited (September 2024).

(xvi) E-commerce benefactors under composition levy (Dimension 17)

Audit attempted to identify those composition taxpayers who have availed e-commerce facility for making their supplies. For that the datasets pertaining to GSTR-8 filed by the e-commerce operators and CMP-08 filed by the composition taxpayers were compared to check whether the recipients

[26] Unbilled revenue accounts for that part of transactions that are recorded in the books of accounts on an accrual basis but against which no invoices have been issued till the close of the financial year.

mentioned in GSTR-8 have also filed CMP-08. Apart from noticing that the taxpayer irregularly availed the benefit of composition levy, it is also noticed that the turnover as declared by the E-Com provider in the GSTR-8 returns pertaining to the taxpayer is more than the turnover declared by the taxpayers in their CMP-08.

Audit noticed that a taxpayer under TPSC, Perumbavoor, has made supply amounting to ₹3.60 crore through e-commerce operator as per GSTR-8 by the E-Com provider. As per Section 10(2)(d) of the SGST Act, 2017, the registered person shall be eligible to opt composition levy if he is not engaged in making any supply of goods or services through an electronic commerce operator. The case was communicated to the department (August 2023). In response, the department stated (August 2024) that ASMT-10 was issued to the taxpayer.

This was brought to the notice of the Government (August 2024). Reply is awaited (September 2024).

Recommendation 5:

Department may instruct Proper Officers to complete the proceedings in a time bound manner on all the deviations pointed out by Audit.

2.4.8 Detailed Audit (Part III)

In a self-assessment regime, the onus of compliance with law is on the taxpayer. The role of the department is to establish and maintain an efficient tax administration mechanism to provide oversight. Given the limited resources, it is crucial to have an efficient governance system to manage tax administration effectively, ensure legal compliance, and facilitate revenue collection. An IT driven compliance model enables maintaining a non-discretionary regime of governance on scale and facilitates a targeted approach to enforce compliance.

From an external audit perspective, Audit also focused on a data driven risk-based approach. Apart from identifying inconsistencies/ deviations in GST returns through pan India data analysis, a detailed audit of GST returns was also conducted as a part of this review by selecting risk-based sample of 70 taxpayers. The methodology adopted was to initially conduct a desk review of GST returns and financial statements filed by the taxpayers as part of the GSTR-9C and other records available in the back-end system to identify potential risk areas, inconsistencies/ deviations and red flags. Based on desk review results, detailed audit was conducted in SGST TPSCs by requisitioning corresponding granular records of taxpayers such as financial ledgers, invoices etc., to identify causative factors of the identified risks and to evaluate compliance by taxpayers.

As brought out in the previous paragraphs detailed audit involved a desk review of GST returns and other basic records to identify risks and red flags, which were followed up by field audit to identify the extent of non-compliance by taxpayers and action taken by the TPSCs. Non-compliance by taxpayers at various stages ultimately impacts the veracity of returns filed, of ITC and

discharge of tax payments. The audit findings are therefore under a) Returns b) Utilisation of ITC and c) Discharge of tax liability.

2.4.8.1 Scope limitation

During the desk review of taxpayers' records available in the back-end system, Audit identified the risks related to excess ITC and tax liability mismatches for detailed examination. On the ITC dimension, the mismatches were identified by comparing GSTR-3B with GSTR-2A and GSTR-9, and the declarations made in Table 12 and 14 of GSTR-9C. On the tax liability dimension, the mismatches were identified by comparing GSTR-3B with GSTR-1 and GSTR-9 and the declarations in Table 5, Table 7, and Table 9 of GSTR-9C.

Audit requisitioned granular records of 70 taxpayers from 38 TPSCs. However, only in 17 cases, the records were produced for audit. In the remaining 53 cases under 31 TPSCs, the department did not produce the corresponding granular records such as the supplementary financial ledgers, invoices, agreement copies etc., required for examining the causative factors for mismatches of ITC and tax liability.

The granular records were partially produced in 76 *per cent* of cases (53 cases), as a result the identified risks relating to excess/ irregular ITC availment and undischarged liability of ₹314.85 crore could not be examined in detail by Audit.

The detailed audit of returns filed by 70 taxpayers disclosed that interest payments were not discharged by taxpayers, irregularities in utilisation of ITC and undischarged liability in a significant number of cases, which are brought out below.

2.4.8.2 Non/ short payment of interest by taxpayers

Audit observed in nine cases, constituting 13 *per cent* of the sample audited, that taxpayers had either filed their returns belatedly or had erroneously utilised excess ITC credits, which were paid back but the interest liability were not discharged amounting to ₹0.91 crore.

An illustrated case is given below:

A taxpayer under TPSC, Feroke had filed the GSTR-3B returns for the months in 2018-19, 2019-20 and 2020-21 belatedly and paid the tax dues in these returns by debiting the Cash Ledger. However, interest amounting to ₹0.40 crore was not paid.

This was brought to the notice of the department (January 2024) and the Government (August 2024). Reply is awaited (September 2024).

2.4.8.3 Utilisation of Input Tax Credit

Input Tax Credit (ITC) means the credit of Goods and Services Tax paid by a taxable person on inward supply of goods and/ or services that are used in the course or furtherance of business. To avoid cascading effect of taxes, credit of taxes paid on input supplies can be used to set-off for payment of taxes on outward supplies.

Section 16 and 17 of the SGST Act, 2017, prescribe the eligibility and conditions to avail ITC. Credit of CGST cannot be used for payment of SGST/ UTGST and *vice versa*. Rules 36 to 45 of the SGST Rules, 2017, prescribes the procedures for availing and reversal of ITC.

Audit observed 112 compliance deficiencies amounting to ₹824.06 crore. The deficiencies were due to ineligible ITC, non or short reversal of ITC and excess availment of ITC on Input Service Distribution.

i) Availing of ineligible ITC

Section 17 of the SGST Act, 2017, provides a list of goods and supplies on which the Input Tax Credit cannot be availed except when the outward taxable supply is of the same category of services.

Audit observed non-compliance in 13 cases where taxpayers had availed ineligible ITC of ₹139.47 crore. The deficiencies were mainly on account of availing ITC on supply of goods and services not used in the business, credit availed on blocked/ not allowed items etc.

An illustrated case is given below:

As per Section 17(5) (c) of the SGST Act, 2017, input tax credit shall not be available in respect of works contract services when supplied for construction of an immovable property (other than plant and machinery) except where it is an input service for further supply of works contract service.

A taxpayer under TPSC, Kawdiar, as per Table 8A of GSTR-9, availed input tax credit of ₹9.58 crore for the year 2019-20 and ₹24.30 crore for the year 2020-21, for the supply from another taxpayer, who is a supplier of works contract service. As per registration details, the taxpayer had rental services of water vessels including passenger vessels, freight vessels etc., with or without operator and other support services not elsewhere classified (HSN 996602 and 998599). Since the supply of works contract services from the other taxpayer is not for further supply of works contract, the taxpayer is not eligible for the ITC for that works contract receipts. It resulted in irregular ITC of ₹33.88 crore.

This was brought to the notice of the department (January 2024) and the Government (August 2024). Reply is awaited (September 2024).

ii) Non-reversal/ Short reversal of ITC

Section 17(2) of the SGST Act, 2017, read with Rules 42 and 43 of the SGST Rules, 2017, states that where the goods or services or both are used by the registered person partly for effecting taxable supplies including zero-rated supplies and partly for effecting exempt supplies, the amount of credit shall be restricted to so much of the input tax as is attributable to the said taxable supplies including zero rated supplies.

Audit observed non-compliance in 22 cases where taxpayers had either not reversed or short reversed ITC of ₹136.98 crore, due to incorrect application of Rule 42 and 43 of SGST Rules, 2017.

An illustrated case is given below:

A taxpayer under TPSC, Ernakulam Central, is carrying out both taxable and exempted supply. As per Table 5D of GSTR-9, the taxpayer had exempted supply during 2018-21. The taxpayer availed ITC of ₹123.44 crore during 2018-21 against the ITC attributed to taxable supply amounting to ₹57.07 crore. Non restriction of ITC to that attributed to taxable supply resulted in excess ITC of ₹66.37 crore[27].

This was brought to the notice of the department (January 2024) and the Government (August 2024). Reply is awaited (September 2024).

iii) Excess availing of ITC through Input Service Distribution

Section 2(61) of the SGST Act, 2017 defines "Input Service Distributor" (ISD) as an office of the supplier of goods or services or both which receives tax invoices towards the receipt of input services and issues a prescribed document for the purpose of distributing the ITC to a supplier of taxable goods or services or both having the same Permanent Account Number (PAN) as that of the said office. Section 20 of the SGST Act, 2017 prescribes the manner of distribution of credit by ISD and the ISD shall issue invoice in accordance with the provisions made under Rule 39(1) of the SGST Rules, 2017.

Audit observed non-compliance in 15 cases amounting to ₹188.89 crore where taxpayers had either irregularly availed ITC through ISD or had availed it in excess.

An illustrated case is given below:

A taxpayer under TPSC, Ernakulam Central, availed ISD credit of ₹73.11 crore as per Table 6(G) of GSTR-9 for the period 2018-19 to 2020-21. However, as per GSTR-2A of the assessee, ITC invoices issued by the ISD were only for

[27] 2018-19 - ₹13.18 crore, 2019-20 - ₹42.86 crore and 2020-21 - ₹10.33 crore.

₹0.80 crore. This shows that the taxpayer availed excess ITC on ISD credit amounting to ₹72.31 crore[28].

This was brought to the notice of the department (January 2024) and the Government (August 2024). Reply is awaited (September 2024).

iv) Availing ITC without satisfying the conditions for taking input tax credit

As per Section 16 of the SGST Act, 2017, every registered person shall, subject to such conditions and restrictions as may be prescribed and in the manner specified in Section 49, be entitled to take credit of input tax charged on any supply of goods or services or both to him which are used or intended to be used in the course or furtherance of his business and the said amount shall be credited to the electronic credit ledger of such person. Also, no registered person shall be entitled to the credit of any input tax in respect of any supply of goods or services or both to him unless -

i. he is in possession of a tax invoice or debit note issued by a supplier registered under this Act, or such other tax paying documents as may be prescribed;

ii. he has received the goods or services or both.

iii. subject to the provisions of Section 41, the tax charged in respect of such supply has been actually paid to the government, either in cash or through utilisation of input tax credit admissible in respect of the said supply; and

iv. he has furnished the return under Section 39.

As per Section 41 of the SGST Act, 2017, every registered person shall, subject to such conditions and restrictions as may be prescribed, be entitled to avail the credit of eligible input tax, as self-assessed, in his return and such amount shall be credited to his electronic credit ledger. The credit of input tax availed by a registered person under sub-section (1) in respect of such supplies of goods or services or both, the tax payable whereon has not been paid by the supplier, shall be reversed along with applicable interest, by the said person.

Audit observed non-compliance in 51 cases where taxpayers had availed ineligible ITC of ₹291.75 crore. The deficiencies were on account of availing ITC in excess of the input tax credit available as per the return GSTR-2A.

An illustrated case is given below:

A taxpayer under TPSC, Vytilla has an excess ITC claim of ₹104.89 crore as per inward supply recorded in Table 8D of GSTR-9 filed by the taxpayer for the period from 2018-19 to 2020-21.

[28] 2018-19 - ₹8.40 crore, 2019-20 - ₹41.86 crore and 2020-21 - ₹22.05 crore.

On this being brought to notice (July 2023), department stated (August 2023) that directions to proceed in this case has been requested from Joint Commissioner.

v) Scrutiny by Audit on action taken by department

As per second proviso below Section 16(2) of SGST Act, 2017, where a recipient fails to pay to the supplier, the amount towards the value of supply along with tax payable thereon within a period of 180 days from the date of issue of invoice by the supplier, an amount equal to the input tax credit availed by the recipient shall be added to his output tax liability, along with interest thereon, as prescribed.

As per Section 73(10) of SGST Act, 2017, Proper Officer shall issue the order under sub-section 9 within three years from the due date for furnishing of annual return for the financial year to which the tax not paid or short paid or input tax credit wrongly availed or utilised. Due date for issuance of adjudication orders for 2018-19 was 30 April 2024.

Upon scrutiny of the 45 cases where action has been taken by the department on the basis of audit observations, Audit observed that lack of proper action by the department in 11 cases resulted in loss of ₹66.97 crore to the exchequer.

On this being brought to notice (August 2024), Government stated (September 2024) that the department had verified four cases out of the 11 cases and stated that in two cases no irregularities found, in one case additional demand of ₹10.34 lakh was created and in one case SCN under section 73(1) of SGST Act, 2017, was issued. In two cases, the department furnished reply and the deviations admitted. Reply awaited in remaining five cases. In the Exit Conference (September 2024), the department stated that the reason for dropping/ not taking further action on cases by Proper Officers would be viewed seriously.

Three cases in this category are illustrated below:

- In respect of a taxpayer under TPSC, Kawdiar, Audit had communicated the difference in ITC availed in GSTR-3B as compared to that detailed in GSTR-2A[29]. The State Tax Officer dropped the proposal to determine tax for the period 2018-19 on the ground that the taxpayer filed reply along with reconciliation statement of GSTR-2A and GSTR-3B.

  On verification of the reconciliation statement, it was noticed that the taxpayer shown 'ITC received in 2018-19 but availed in 2019-20' of ₹28.79 crore. However, on verification of Table 13 of GSTR-9 of 2018-19, it was noticed that 'ITC received in 2018-19 but availed in 2019-20' was ₹46.31 crore. Hence, the reconciliation statement is not correct. This resulted in loss of tax including interest and penalty of ₹35.04 crore to the exchequer.

[29] Circular No. 183/15/2022-GST and 193/05/2023-GST clarifies how to deal with difference in ITC availed in GSTR-3B as compared to that detailed in GSTR-2A.

On this being brought to notice (May 2024) the department stated (May 2024) that the State Tax Officer has not intimated, communicated to the supervisory officers regarding the possibility of issuance of SCN under section 73 against this taxpayer before the last date for issuance of such SCNs. This reply is not relevant to the audit objection.

- In respect of a taxpayer under TPSC, Vyttila, audit had communicated the difference in ITC availed in GSTR-3B as compared to that detailed in GSTR-2A for the year 2018-19. The department issued SCN on the case and the taxpayer filed reconciliation statement of ITC and the department admitted ₹129.61 crore as IGST on import of goods. On verification of the import documents in support of the claim admitted by department, Audit found that 63 invoices with IGST value ₹8.63 crore pertains to the year 2017-18, and as per Table 8C of GSTR-9 for 2018-19, the taxpayer has Nil ITC claim on inward supplies received during 2017-18. The taxpayer, vide Table 6E of GSTR-9 claimed only ₹121.25 crore as IGST on import of goods for the year 2018-19. Hence, the admission of ₹129.61 crore as IGST on import of goods, which was not claimed by the taxpayer, is not in order and this resulted in loss of ₹19.85 crore including interest and penalty.

  On this being brought to notice (May 2024), the department stated (September 2024) that the taxpayer has paid IGST of ₹79.16 crore on import of goods for the year 2017-18 and has unclaimed ITC of ₹8.36 crore for the year 2017-18 on import of goods, which the taxpayer claimed through GSTR-3B for 2018-19.

  The reply is not acceptable as ITC available for the taxpayer as per GSTR-2A (Bill of entry) is rupees two crore only for 2017-18 and the amount has been fully availed in 2017-18. The department accepted the taxpayers claim of IGST without verifying the fact.

- In respect of a taxpayer under TPSC, North Paravur, Audit had communicated the difference in ITC availed in GSTR-3B as compared to that detailed in GSTR-2A for the year 2018-19. The Proper Officer issued SCN intimating the excess ITC availed and determined tax amounting to ₹0.49 crore under Section 73. On scrutiny, it was found that excess credit availed was ₹3.69 crore resulting short determination of tax of ₹3.20 crore and interest of ₹2.87 crore.

  On this being brought to notice (May 2024) the department stated (May 2024) that the discrepancies pointed out in Audit will be escalated to review cell for further proceedings.

2.4.8.4 Discharge of tax liability

Section 9 of the SGST Act, 2017, stipulates levy and collection of tax on all intra-State supplies of goods or services or both, except on supply of alcoholic liquor for human consumption. The tax is to be levied on value determined under Section 15 of the Act *ibid* and at such rates not exceeding 20 *per cent* under each Act, i.e., CGST Act, 2017 and SGST Act, 2017. Section 5 of the

IGST Act, 2017, provides for levy and collection of IGST on interstate supply of goods and services with maximum rate of 40 *per cent*.

Under Section 8 of the Goods and Services Tax (Compensation to States) Act, 2017, a cess is levied on all inter-state and intra-state supply of such goods or services or both which are listed in the schedule of the said Act such as tobacco products, aerated drinks, cigarettes, vehicles etc. Section 9(4) of the SGST Act, 2017, and Section 5 of the IGST Act, 2017 provide for reverse charge levy on certain supplies, wherein the recipient instead of supplier becomes liable to pay tax.

Audit observed 55 instances of compliance discrepancies involving tax effect of ₹33.42 crore (in 37 instances) and turnover escape of ₹482.09 crore (in 16 instances). The deficiencies were mainly caused due to mis-classification of supplies, exclusion of taxable supplies, not adhering to time of supply provisions, short payment of tax under reverse charge basis, non-payment of interest, short discharge of tax liability, short payment of Kerala Flood Cess and non fulfilment of cash payment condition.

i) Short payment of tax due to misclassification of supplies

As per Notification No. 11/2017-Central Tax (Rate), 24/2017-Central Tax (Rate) and 1/2018-Central Tax (Rate), the CGST rate of six *per cent* is applicable for the works contract services provided to Central Government, State Government, Union Territory, a local authority, a Governmental authority or a Government entity for a civil structure or any other work if it is meant predominantly for use other than for commerce, industry or any other business or profession. Otherwise, the rate applicable is nine *per cent*.

Audit observed compliance deficiencies in one case amounting to ₹9.91 crore, due to misclassification of supplies of services by the taxpayer and consequent discharge of tax liability at lower rates by the taxpayer.

A taxpayer under TPSC, Thripunithura supplied works contract service to a joint venture, who received a contract receipt of ₹29.53 crore in 2019-20 and ₹135.70 crore in 2020-21 for which tax was paid at the rate of six *per cent* to the Government. As the service supplied is not to any entities specified in the notification, the tax was to be levied at nine *per cent*. This resulted in short levy of tax ₹1.77 crore in 2019-20 and ₹8.14 crore in 2020-21.

On this being brought to notice (August 2023), the department stated (August 2023) that for short payment of tax due to incorrect rate of tax, ASMT-10 was issued to the taxpayer.

ii) Mismatch of turnover due to exclusion of taxable supplies

As per Section 7 of SGST Act, 2017, supplies includes all forms of supply made for a consideration by a person in the course or furtherance of business, and also includes import of services for a consideration whether or not in the course or furtherance of business. Schedule I specify certain activities which even made without a consideration shall be treated as supply. Schedule II specifies treatment of certain activities or transactions as either supply of goods or supply of services. Section 8 of SGST Act, 2017, deals with composition and mixed supplies.

Audit observed compliance deficiencies in six cases amounting to ₹173.23 crore, due to taxpayers excluding taxable supplies and consequently not discharging the tax liability.

An illustrated case is given below:

The turnover of a taxpayer registered under TPSC, Edappally, for the years 2018-21 as per financial statements is ₹3,223.84 crore. But the turnover reported as per GSTR-9 for these years is ₹3,085.30 crore only resulting in mismatch in turnover of ₹138.54[30] crore.

This was brought to notice of the department (January 2024) and the Government (August 2024). Reply is awaited (September 2024).

iii) Short payment of tax due to non-adherence to the time of supply

The provisions of Section 12 and 13 of SGST Act, 2017, determine the time of supply of goods and services, and Section 14 of SGST Act, 2017, deals with change of rates of tax on supply of goods and services. By virtue of section 20 of the IGST Act, 2017, these provisions are also applicable to inter-State supplies leviable to Integrated tax.

Audit observed compliance discrepancies in two cases amounting to ₹1.49 crore, due to taxpayers not adhering to the time of supply provisions, thereby not discharging tax liability.

An illustrated case is given below:

A taxpayer under TPSC, Ernakulam Central, received advance payment of ₹4.83 crore during 2020-21. As per GSTR-9C, unbilled revenue at the end of 2019-20 and unbilled revenue at the beginning of 2020-21 are Nil. Instead of adding advance received to the turnover, the taxpayer deducted it from turnover which resulted in escape of turnover for ₹9.66 crore and corresponding short levy of tax at the rate of 18 *per cent* amounting to ₹1.39 crore.

[30] 2018-19 - ₹50.45 crore, 2019-20 - ₹69.06 crore, 2020-21 - ₹19.03 crore.

This was brought to the notice of the department (January 2024) and the Government (August 2024). Reply is awaited (September 2024).

iv) Short payment of tax under Reverse Charge Mechanism

As per the provisions of Section 9(3) of SGST Act, 2017, and Section 5(3)of IGST Act, 2017, the Government may, on the recommendations of the Council, by notification, specify categories of supply of goods or services or both, the tax on which shall be paid on reverse charge basis by the recipient of such goods or services or both and all the provisions of this Act shall apply to such recipient as if he is the person liable for paying the tax in relation to the supply of such goods or services or both.

Audit observed compliance deficiencies in two cases amounting to ₹3.45 crore, due to taxpayers incorrectly discharged tax payments under the Reverse Charge Mechanism leading to short levy of tax.

An illustrated case is given below:

Verification of annual return and financial statements of a taxpayer under TPSC, Palakkad revealed short payment of tax under Reverse Charge Mechanism (RCM) on inward supplies "legal and professional fee", "directors commission" and "directors sitting fee". Inward supply on which RCM applicable is ₹18.86 crore during 2018-21. As per table 4G of GSTR-9 tax paid under RCM corresponding to the supplies is only ₹0.30 lakh, resulting in non-payment of tax amounting ₹3.39 crore.

This was brought to the notice of the department (January 2024) and the Government (August 2024). Reply is awaited (September 2024).

v) Non-payment of interest

As per Section 50 of the SGST Act, 2017, every taxpayer who fails to pay the tax or input tax credit has been wrongly availed or fails to pay tax on reverse charge basis to the government within the period prescribed, shall pay interest at such rate for the period for which the tax remains unpaid.

Audit observed compliance deficiencies in seven cases amounting to ₹7.08 crore, due to taxpayers not adhering to provisions of interest payments.

An illustrated case is given below:

A taxpayer under TPSC, Vatakara, claimed exemption for the receipts towards annuity and early completion bonus amounting to ₹139.14 crore received during 2018-21. Authority for Advance Ruling vide order KER/138/2021 dated 21 June 2022 clarified that annuity payments and bonus received by the applicant are taxable at the rate of 12 *per cent*. Subsequently the taxpayer paid

tax for this turnover but didn't discharge the interest liability amounting to ₹6.66 crore[31].

This was brought to the notice of the Government (August 2024). Reply is awaited (September 2024).

vi) Short discharge of tax liability

As per Section 9(1) of SGST Act, 2017, there shall be levied a tax called the Kerala State Goods and Services Tax on the value determined under section 15 of the Act and at such rates, not exceeding twenty *per cent*, as may be notified by the Government on the recommendations of the Council and collected in such manner as may be prescribed and shall be paid by the taxable person.

Audit observed compliance deficiencies in three cases amounting to ₹8.85 crore, due to taxpayers not adhering to provisions on discharge of tax liability.

An illustrated case is given below:

As per Table 9 of GSTR-9 filed by a taxpayer under TPSC, Ernakulam Central, total tax payable for the year 2018-19 is ₹123.27 crore. On verification, Audit found that taxpayer paid ₹114.66 crore only as per Table 6 of GSTR-3B. It resulted in short discharge of ₹8.61 crore.

This was brought to the notice of the department (January 2024) and the Government (August 2024). Reply is awaited (September 2024).

vii) Short payment of Kerala Flood Cess

As per Section 14(1) of the Kerala Finance Act, 2019, read with Kerala Flood Cess Rules, 2019, a Cess called the Kerala Flood Cess has been levied at the rate of one *per cent* on the taxable value of supplies of goods and services or both for which tax rate is fixed at six *per cent*, nine *per cent* and 14 *per cent* as per SGST Act, 2017, on the intra-state supply of goods or services or both, for a period of two years with effect from 01 August 2019. Every taxable person liable to pay the Kerala Flood Cess shall file a monthly return in Form KFC-A on or before the due date of filing GSTR-3B.

Audit observed compliance deficiencies in nine cases amounting to ₹1.44 crore, due to taxpayers not adhering to the provisions of discharging Kerala Flood Cess.

An illustrated case is given below:

As per GSTR-1 B-to-C return filed by a taxpayer under TPSC, Ernakulam Central, for the year 2020-21, the total value of intra-state supplies having SGST tax rates six *per cent*, nine *per cent* and 14 *per cent* amounts to ₹432.21 crore.

[31] 2018-19 – ₹3.24 crore, 2019-20 – ₹2.21 crore, 2020-21 - ₹1.21 crore.

As per KFC-A filed by the taxpayer, Kerala flood cess has been paid for a turnover of ₹384.01 crore showing that KFC for a balance intra-state taxable value of ₹48.20 crore has not been paid by the taxpayer. The undischarged liability comes to ₹0.48 crore.

This was brought to the notice of the department (January 2024) and to the Government (August 2024). Reply is awaited (September 2024).

viii) Cash payment condition not fulfilled

As per Rule 86B of the SGST Rules, 2017, the registered person shall not use the amount available in electronic credit ledger to discharge his liability towards output tax in excess of ninety-nine *per cent* of such tax liability, in cases where the value of taxable supply other than exempt supply and zero-rated supply, in a month exceeds fifty lakh rupees with effect from 01 January 2021.

Audit observed compliance deficiencies in 13 cases amounting to ₹1.20 crore, due to taxpayers not following restrictions on utilisation of credit in electronic credit ledger.

An illustrated case is given below:

As per GSTR-3B for the period February 2021, a taxpayer under TPSC, Panampilly Nagar, has a tax liability of ₹45.40 crore, which was discharged fully utilising the amount available in Electronic Credit Ledger. As per Rule 86B of SGST Rules, 2017, a minimum of ₹0.45 crore out of the tax liability was to be paid through cash.

This was brought to the notice of the department (January 2024) and to the Government (August 2024). Reply is awaited (September 2024).

ix) Improper claim of Zero-rated supply without payment of tax

As per Rule 96A of SGST Rules, 2017, any registered person availing the option to supply goods or services for export without payment of integrated tax shall furnish, prior to export, a bond or a Letter of Undertaking in FORM GST RFD-11 to the jurisdictional Commissioner. The details of the export invoices contained in FORM GSTR-1 furnished on the common portal shall be electronically transmitted to the system designated by Customs and a confirmation that the goods covered by the said invoices have been exported out of India shall be electronically transmitted to the common portal from the said system. The taxpayer is bound to pay the tax due along with interest, if the goods are not exported out of India within a period of fifteen days after the expiry of three months from the date of issue of the invoice for export.

Audit observed irregularity in 10 cases where supply amounting to ₹308.86 crore were claimed as zero-rated supply without payment of tax, which was not established as prescribed.

An illustrated case is given below:

As per Table 5A of GSTR-9, a taxpayer under TPSC, Kattappana, has zero rated supply without payment of tax for ₹52.67 crore and ₹137.47 crore respectively in 2018-19 and 2020-21. Confirmation from Customs that the goods covered by the invoices have been exported out of India was not available in GST portal. The Proper Officer also did not furnish to Audit, any documents to prove the zero-rated supply. Hence, Audit could not verify whether goods were exported or not.

This was brought to the notice of the department (January 2024) and the Government (August 2024). Reply is awaited (September 2024).

Recommendation 6:

The department may initiate remedial action for all the compliance deviations brought out in this report and also recommended that department may verify the compliance deviations in the remaining cases also.

2.4.9 Conclusion

The Subject Specific Compliance Audit (SSCA) on 'Department's oversight on GST payments and Return filing' was undertaken in the context of varying trend of return filing and continued data inconsistencies with an objective of assessing the adequacy of the system in monitoring return filing and tax payments, extent of compliance and other departmental oversight functions.

This SSCA was predominantly based on data analysis, which highlighted risk areas, red flags and in some cases, rule-based deviations and logical inconsistencies in GST returns filed. The SSCA entailed assessing the oversight functions of SGST circle offices at two levels – at the data level through global data queries and at the functional level with a deeper detailed audit both of the assessment Circles and of the GST returns, which involved accessing taxpayer records.

A review of the functioning of circles disclosed that the department incurred loss of revenue due to deviations from the provisions of the Act aggregating to ₹103.67 crore in 44 instances. Centralised Audit disclosed deviations from the provisions of the Act in 271 cases involving a short levy of tax of ₹683.50 crore in 229 cases and turnover mismatch in 42 cases constituting 72 *per cent* of the 374 inconsistencies/ mismatches in data, for which the department provided responses. Detailed Audit disclosed 174 compliance deviations involving deviations with tax effect of ₹858.39 crore.

2.4.10 Summary of recommendations

Considering the significant number of compliance deficiencies, the department must initiate remedial measures. From a systemic perspective, the department needs to strengthen the quality of documentation and reinforce the institutional mechanism in the TPSCs to establish and maintain effective oversight on return

filing, taxpayer compliance, tax payments, cancellation of registrations and recovery of dues from defaulters.

The department may,

1. explore the possibility of introducing an automated system to match the data relating to ASMTs issued with follow up action.

2. issue instruction to Proper Officers to issue notices to non-filers and late filers of return within the stipulated time.

3. issue instruction to Proper Officers to take action on taxpayers who failed to file GSTR-10 return within the stipulated time limit.

4. urgently pursue the 329 inconsistencies and deviations pointed out by Audit, for which responses have not been provided and intimate the results to Audit.

5. instruct Proper Officers to complete the proceedings in a time bound manner on all the deviations pointed out by Audit.

6. initiate remedial action for all the compliance deviations brought out in this report and also recommended that department may verify the compliance deviations in the remaining cases also.

TAXES/ VAT ON SALES, TRADE ETC.

The KVAT Act, 2003, authorises levy of tax on sale of goods in the State upto June 2017 and levy of tax on sale of petroleum products, foreign liquor and ganja is administered by Kerala General Sales Tax Act, 1963. The return filed by the assessee is a deemed assessment under Section 21 of KVAT Act and any escapement or under assessment noticed, the assessing authority may assess the tax due under Section 25(1), to the best of its judgement. According to Section 17 of Kerala General Sales Tax Act, 1963, the assessing officer shall assess the tax either based on the return, if it appears to be correct or it appears not correct, based on best of its judgement. Test check of the records relating to KVAT and KGST assessments and connected documents during 2022-23 showed under assessment of tax and other irregularities involving money value of ₹1.75 crore as given in succeeding paragraphs.

2.5 Short levy of tax due to omission to levy tax at the scheduled rate for sales to Special Economic Zone (SEZ)

Omission to levy at the scheduled rate for sales to Special Economic Zones resulted in short levy of tax and interest amounting to ₹58.03 lakh.

As per Section 5(1) of the Kerala General Sales Tax Act, 1963, a dealer is liable to pay tax at scheduled rate[32] in respect of Foreign liquor, at the point of first sale in the State except where the sale is to the Kerala State Beverages (Manufacturing and Marketing) Corporation Limited. In addition, as per Section 5(2) of the Act, every dealer in Foreign liquor, shall pay turnover tax on the turnover of Foreign liquor at all points of sale in the State, namely (a) by a bar attached hotel, at the rate of ten *per cent*; and (b) by others at the rate of five *per cent*.

M/s SDF Industries Limited is an assessee on the rolls of the Office of the Deputy Commissioner, Tax Payer Services Division, Palakkad and is engaged in trading of IMFL. The assessee filed the annual return for the year 2018-19 (November 2020) conceding total sales turnover of ₹78.46 lakh and taxable turnover of ₹57.62 lakh, without output tax liability.

The Assessment of the assessee for the year 2018-19 was completed (October 2022) by the assessing officer after verifying the books of accounts; and fixed the taxable turnover as ₹57.56 crore by adding the detected omissions and suppressions. The assessing officer demanded an amount of ₹2.88 crore as turnover tax (as per Section 5(2) of the Act) at the rate of five *per cent* for the taxable turnover of ₹57.56 crore.

Audit noticed (May 2023) that the taxable turnover included ₹18.67 lakh, being sales to Special Economic Zone (SEZ) which was concluded by the assessing Officer as taxable sales. Audit observed that sales to SEZ attracts tax at

[32] Scheduled rate of IMFL with effect from 01 April 2018 is 210 *per cent*.

scheduled rate (at the rate of 210 *per cent*) under Section 5(1) of the Act. However, the assessing officer omitted to levy tax accordingly. Thus, the omission to levy tax on turnover in respect of sales to SEZ resulted in short levy of tax and interest amounting to ₹58.03 lakh as shown below in **Table – 2.3**.

Table – 2.3: Details of short levy of tax and interest – M/s SDF Industries Limited

Sl. No.	Particulars	Amount (₹ in lakh)
1	Turnover of Foreign liquor escaped from assessment under Section 5(1)	18.67
2	Tax at the rate of 210 *per cent*	39.21
3	Interest (at the rate of 12 *per cent per annum* for 48 months from May 2019 to April 2023)	18.82
	Short levy	**58.03**

Source: Based on data furnished by department.

The case was reported to Government (July 2023) and Government stated (November 2023) that the dealer's reply to its notice was that the movement of goods to SEZ unit was for export only and hence the sale is eligible for exemption. Government also stated that since the dealer did not produce statutory forms for a claim of ₹10.49 lakh a hearing notice was issued to the dealer and final report will be submitted soon. Further reply is awaited (November 2024).

It is recommended that the Assessing Authorities shall conduct proper verification of records and ensure that scheduled rate of tax be levied on commodities and responsibility shall be fixed for undue benefits given to the assessee.

2.6 Short levy of tax due to suppression of turnover

Failure of the Assessing authority to comply with the provisions of the KVAT Act, 2003, on assessing the suppressed turnover resulted in short levy of tax and interest amounting to ₹12.86 lakh.

As per Section 25AA(4) of the KVAT Act, 2003 (inserted vide Section 11(2) of the Finance Act, 2019), the suppressed turnover[33] of works contractors who have opted for compounding scheme[34] under clause (a) of Section 8 shall be assessed at the applicable compounded rate by adding 25 *per cent* of the suppressed turnover and in such cases, the option of compounding shall not be cancelled.

[33] Taxable turnover not disclosed in the annual return.

[34] The compounding scheme allows a registered Taxpayer to pay tax at a fixed percentage of tax on the whole contract amount, instead of paying tax at scheduled rates on taxable turnover.

M/s Consolidated Construction Consortium Limited is a works contractor in the rolls of the Office of the Assistant Commissioner, Tax Payer Services Circle, Palakkad (East). The assessee filed (November 2016) Annual Return for the period 2015-16 conceding a turnover of ₹5.14 crore and paid ₹1.43 lakh as tax under Section 8(a) of the Act.

The assessment for the year 2015-16 was originally completed (May 2018) by State Tax Officer (Works Contract), Palakkad determining total contract receipts as ₹9.65 crore and demanded tax amounting to ₹67.57 lakh. Aggrieved by this, the assessee filed an appeal before the Deputy Commissioner (Appeals), Palakkad. The Appellate Authority set aside (December 2019) the original assessment order and remanded back to the assessing authority for fresh disposal after having scrutiny of the profit and loss account of the assessee.

In compliance with the directions of Appellate Authority, the assessing officer completed the assessment (October 2020) afresh under Section 25 (1) of the Act determining the turnover as ₹9.14 crore and demanded tax of ₹63.96 lakh.

Audit observed (May 2023) that the assessee had suppressed turnover amounting to ₹4.00 crore, being the difference between the amount declared by the assessee (₹5.14 crore) and actual contract receipts (₹9.14 crore). But while completing the assessment, this suppressed turnover was not assessed under Section 25AA of the Act by adding 25 *per cent* of the suppressed turnover. Failure of the assessing authority to comply with the provisions of the Act resulted in short levy of tax and interest amounting to ₹12.86 lakh as shown below in **Table – 2.4**.

Table – 2.4: Details of short levy of Tax and interest- M/s Consolidated Construction Consortium Limited

Sl No.	Particulars	Amount (₹ in lakh)
1	Total turnover as per the annual return	514.42
2	Total turnover as per the assessment order	913.88
3	Suppressed turnover (2) – (1)	399.46
4	25 *per cent* of the suppressed turnover	99.86
5	Tax at the rate of seven *per cent* of (4)	6.99
6	Interest at the rate of 12 *per cent per annum* for 84 months from May 2016 to April 2023	5.87
	Short levy	**12.86**

Source: Based on the data furnished by department.

On this being pointed out (July 2023), the assessing officer replied (July 2023) that a notice was issued to the dealer in order to rectify the defects pointed out by Audit.

The case was reported to Government (July 2023) and Government stated (August 2023) that notice was issued on 26 July 2023, which was returned with the tag 'no such addressee'. The notice was then forwarded to the partners to

their residential address on 29 September 2023. Government also added that, upon enquiry it was found that the company has filed insolvency and as per National Company Law Tribunal Order a liquidator was appointed. Further details awaited (November 2024).

It is recommended that the Assessing Authority ensure that the provisions of the Act are complied with. The responsibility may be fixed for giving undue benefit to the assessee.

2.7 Short levy due to excess credit of Input Tax

Ineligible grant of input tax credit resulted in short levy of tax and interest amounting to ₹0.92 crore.

As per Rule 12A of KVAT Rules, 2005, when taxable goods are used during a return period, partly in relation to taxable transaction and partly in relation to exempted or non-taxable transaction, the input tax paid during such return period shall be apportioned between the taxable and non-taxable transactions. This should be done on the basis of the ratio of taxable and non-taxable turnover of the return period. The portion of the input tax credit allocable to exempted sale or transaction shall be disallowed.

2.7.1 Undue benefit by allowing ineligible input tax credit

M/s URC Construction (P) Limited is a works contractor on the rolls of Assistant Commissioner, Tax Payer Services Circle, Palakkad (East). The assessee filed (February 2019) Annual Return for the year 2016-17 conceding total contract receipt of ₹48.28 crore including exempted turnover of ₹27.82 crore and paid ₹0.18 crore as tax.

The assessing authority completed the assessment (September 2019) under section 25(1) of the KVAT Act by arriving total contract receipts as ₹48.73 crore and allowed exemption for the turnover of ₹26.44 crore[35] (54 *per cent*). Tax due for the taxable turnover of ₹22.29 crore (46 *per cent*) was ₹3.23 crore at the rate of 14.50 *per cent*. The assessee was allowed input tax credit (ITC) amounting to ₹0.91 crore for the total turnover of ₹48.73 crore.

Audit observed (May 2023) that while allowing ITC, the assessing officer failed to apportion the ITC with respect to taxable and non-taxable turnover by applying Rule 12A, instead allowed ITC in respect of the total turnover. The ITC should have been apportioned between taxable and non-taxable turnover in the ratio of 46:54. Thus the eligible ITC applicable to taxable turnover is ₹0.42 crore (46 *per cent* of ₹0.91 crore) only. However, the assessing officer admitted the ITC amounting to ₹0.91 crore (for the total turnover), resulting in allowing excess ITC of ₹0.49 crore, which resulted in short levy of tax and interest amounting to ₹0.84 crore as shown below in **Table – 2.5**.

[35] Sales to SEZ - ₹18.91 crore,
Exemption under Section 10 at the rate of 25 *per cent* - ₹7.43 crore,
Sub contract amount proved with Form 20H – ₹0.10 crore.

Table – 2.5: Details of short levy of tax and interest - M/s URC Constructions (P) Ltd.

Sl. No.	Particulars	Amount (₹ in crore)
1	Total turnover as per assessment order	48.73
2	Taxable turnover	22.29 (46 *per cent*)
3	Exempted turnover	26.44 (54 *per cent*)
4	Ratio of taxable and exempted turnover	46 : 54
5	Input tax claimed by the assessee and allowed by the assessing officer	0.91
6	Eligible ITC (46 *per cent* of 0.91)	0.42
7	ITC allocable to exempted sale (54 *per cent* of 0.91)	0.49
8	Interest (at the rate of 12 *per cent* per annum for 72 months from May 2017 to April 2023)	0.35
Total short levy		**0.84**

Source: Based on data furnished by department.

On this being pointed out (July 2023), Government stated (November 2024) that assessment has been completed incorporating the audit objection creating an additional demand of ₹0.97 crore. Collection particulars are awaited (November 2024).

2.7.2 Irregular grant of Input Tax Credit

M/s Parisons Foods (P) Limited is a dealer of coconut oil, edible oil, inedible oil, tea, wheat, milk products etc., in the rolls of State Tax Officer, Tax Payer Services Circle, Kozhikode City. The assessee filed Annual Return for the year 2017-18 (November 2020) conceding total local sales turnover of ₹95.20 crore and taxable local sales turnover of ₹81.42 crore. The output tax due was ₹4.28 crore and eligible ITC was ₹1.91 crore.

Assessing authority completed the assessment (March 2021) with total tax due as ₹4.78 crore and Input Tax Credit as ₹1.91 crore.

On scrutiny (June 2023) of the assessment records, figures in books of accounts furnished by Government (January 2024) etc., Audit observed that Assessing Officer allowed ITC without apportioning ITC among taxable and non-taxable turnover as envisaged in Rule 12A. This resulted in short levy of tax and interest of ₹0.08 crore as detailed below in **Table – 2.6**.

Table – 2.6: Details of short levy of tax and interest - M/s Parisons Foods (P) Limited

(₹ in lakh)

Particulars	Sunflower oil	Other edible oil	Total
Total Sales	1,936.87	6,160.80	8,097.67
Stock Transfer out	640.24	142.55	782.79
Percentage of Stock Transfer out	33.06	2.31	
ITC paid on local purchases	6.94	103.12	110.06
Ineligible ITC (proportionate)	2.29 (33.06 *per cent* of 6.94)	2.38 (2.31 *per cent* of 103.12)	4.67
Interest due at the rate of 70 *per cent* (from May 2018 to April 2024)			3.27
Total Short Levy			**7.94**

Source: Based on the data furnished by department.

Government replied (January 2024) that by applying exempted turnover proportion of sunflower oil (33.06 *per cent*) to its local purchase proportion (14.65 *per cent*), the ineligible ITC on sunflower oil comes to only 4.84 *per cent* of the ITC available on the local purchase of sunflower oil and the assessment is under process.

The reply is not acceptable, as the ineligible ITC on stock transfer of sunflower oil is not calculated as per provisions of Rule 12A, according to which, the apportionment of ITC between taxable and exempted transactions shall be made in ratio of taxable and exempted turnover of the return period.

It is recommended that an adequate mechanism be put in place to cross check all the mandatory records before allowing input tax credit. Responsibility must be fixed for giving undue benefit to the assessee.

2.8 Grant of excess exemption resulting in short levy of tax

Incorrect assessment of a works contractor resulted in short levy of tax and interest of ₹0.12 crore.

As per Rule 10(2)(b) of KVAT Rules, 2005, where the actual turnover in relation to a works contract, in which the transfer of goods takes place not in the form of goods but in some other form, which is not ascertainable from the books of accounts of the dealer or where the dealer has not maintained any accounts, the total turnover in respect of such works contract shall be computed after deducting labour and other charges as given from the total amount of contract. As per the table below Rule 10(2)(b), in respect of 'structural contracts', allowable exemption is 30 *per cent* of the value of works contract.

M/s SU Square Projects and Infrastructure (P) Limited is a works contractor on the rolls of State Tax Officer, Tax Payer Services Circle, Chalappuram,

Kozhikode. The assessee filed annual return for the year 2016-17 (July 2018) conceding a total turnover of ₹8.84 crore where the entire contract was shown as structural contracts. The assessee claimed an exemption of ₹3.11 crore (35 *per cent* of total turnover) under Rule 10(2)(b) and taxable turnover was ₹5.73 crore.

The assessment of the assessee was completed under Section 25(1) of KVAT Act (October 2019) arriving at the total contract receipt as ₹8.55 crore and taxable turnover as ₹5.44 crore (after allowing exemption of ₹3.11 crore under Rule 10(2)(b)). Tax liability as per the assessment order was ₹0.78 crore. The assessee had eligible ITC and TDS amounting to ₹0.82 crore and excess credit of ₹0.04 crore was refunded (October 2020).

On scrutiny (June 2023) of the assessment records, Audit observed that eligible exemption allowable under Rule 10(2)(b) for structural contracts is 30 *per cent*. Being so, the exemption allowable to the assessee is ₹2.57 crore only, instead ₹3.11 crore (35 *per cent*) was allowed as exemption. Allowing inadmissible exemption amounting to ₹0.54 crore resulted in short levy of tax and interest of ₹0.12 crore as detailed below in **Table – 2.7**.

Table – 2.7: Details of short levy of tax and interest -M/s SU Square Projects and Infrastructure (P) Limited

Sl. No.	Particulars		Amount (₹ in lakh)
1	Total turnover as per the assessment order		855.40
2	Exemption allowed		311.16 (35 *per cent*)
3	Exemption eligible (30 *per cent* of Sl No.1)		256.62
4	Excess exemption allowed (2) – (3)		54.54
5	Tax due at the rate of 14.50 *per cent* of Sl No.4		7.91
6	Interest	On refund amount of ₹3,61,560 @ 12 *per cent* per annum for 31 months from November 2020 to May 2023	1.12
		On balance tax of ₹4,29,322 (7,90,882 - 3,61,560) at the rate of 12 *per cent* per annum for 73 months from May 2017 to May 2023)	3.13
7	Total interest due		4.25
8	**Total short levy (5) + (7)**		**12.16**
			0.12 crore

Source: Based on the data furnished by department.

On this being pointed out (September 2023), Government stated (November 2024) that while preparing books of accounts assessee had taken material element and labour element on actual basis. They had shown the percentage of material element and service element separately in the ratio 60:40 and 70:30 in their bills. Also, the assessee had done civil, electrical and service only contracts and hence the exemption rate was not fixed. Rule 10(2)(b) is applicable only

when deductions are not ascertainable from the books of accounts and here the assessee keeps separate accounts for material and labour. The assessing officer while granting exemption as per books, mistakenly quoted Rule 10(2)(b) instead of Rule 10(2)(a). Hence, exemption claimed and allowed is as per law.

The reply is not acceptable. Though the Government stated that the assessee keeps separate accounts for material and labour, the assessee had issued bills for material element and service element in two different ratios of 60:40 and 70:30. If they had taken material and service in actual basis, only the actual expenses should be taken into account in the bills issued and not on percentage basis. Moreover, the assessee himself had disclosed all his works as structural contracts, so Government's contention that the assessee had done civil, electrical and service only contracts is also not acceptable.

It is recommended that the Assessing Authority ensure that the provisions of the Act are complied with. The responsibility may be fixed for giving undue benefit to the assessee.

Chapter III
Taxes on Vehicles

CHAPTER - III
TAXES ON VEHICLES

3.1 Tax Administration

The Kerala Motor Vehicles department is primarily established for enforcement of provisions of Motor Vehicle Act, 1988, Kerala Motor Vehicles Taxation Act, 1976 and the rules framed thereunder. The Kerala Motor Vehicle department is entrusted with the responsibility of providing registration of vehicles in Kerala, issuance of Driving licence, issuance of various permits, collection of road taxes and control of vehicular pollution. Safe Kerala Wing of MVD is for road safety activities and enforcement of Motor Vehicles Act. Through these regulatory activities, the Motor Vehicles department is one of the major sources of revenue for the State exchequer.

3.2 Internal Audit

Audit of the State Transport Authority, Regional Transport Offices (RTOs) and offices of the Deputy Transport Commissioner of each zone is conducted by the Senior Finance Officer of the Motor Vehicles department. Internal audit of Sub Regional Transport Offices (SRTOs) and Motor Vehicle Check Posts of department are conducted by the Senior Superintendents attached to the office of each of the Zonal Deputy Transport Commissioners. The Internal Audit team is comprised of one Accounts Officer, nine Senior Superintendents and 11 Clerks. Against the target of 110 units, 50 units were audited during 2022-23. Department stated that the periodicity of audit of all offices is annual, but it could not achieve the target due to shortage of staff in Internal Audit Wing, lack of proper training and audit software. During 2022-23, department cleared 32 paragraphs which was 0.59 *per cent* of the outstanding 5,400 paragraphs.

3.3 Results of Audit

There were 91 auditable units in Motor Vehicles department out of which 41 units were selected for Audit during 2022-23. The audit is conducted through direct scrutiny by visiting the field offices, and also by analysing the data extracted from the VAHAN[36]. Test check of records revealed short/ non-levy/ payment of tax, fees, fines and penalties related to registration/ fitness of motor vehicles and other irregularities during the year 2022-23. Audit had pointed out some of the similar omissions in the earlier years also. Not only do these irregularities persist, but they also remain undetected till the next audit. There is a need for Government to improve the internal control system including strengthening of internal audit so that recurrence of such cases can be avoided. Short/ non-levy of tax and other irregularities involving ₹85.84 crore in 407 cases fall under the following categories are given in **Table – 3.1**.

[36] The computerised software with integrated solutions for vehicle registration, fitness, taxes, permits & enforcement.

Table – 3.1: Details of under assessment of tax and other irregularities

Sl. No.	Categories	Number of cases	Amount (₹ in crore)
1	Short levy of tax	123	6.92
2	Non levy of tax	239	41.44
3	Others	45	37.48
Total		**407**	**85.84**

During the course of the year, department accepted non/ short-levy of tax and other deficiencies of ₹85.84 crore in 407 cases, which were pointed out by Audit. An amount of ₹14.47 crore pointed out was realised in 74 cases during the year.

The Motor Vehicles department fully automated its functions by implementing application software 'SMARTMOVE' with effect from January 2007, which was replaced by 'VAHAN' with effect from 2019 to automate the RTO operations related to Vehicle Registration, Permit, Taxation and Enforcement. A few illustrative cases observed on audit scrutiny of the functions of the RTOs and SRTOs, involving ₹13.53 crore are given in the succeeding paragraphs. It may be mentioned that the paragraphs below are based on the data extracted from VAHAN, SMARTMOVE and physical verification carried out in 41 audit units out of the total audit units of 91 i.e., 45 *per cent*.

3.4 Non-renewal of Certificate of Fitness of Transport Vehicles

Non-realisation of Penalty and Additional fee on expiry of Certificate of Fitness/ belated renewal of Certificate of Fitness of Transport vehicles resulted in a non/ short levy of ₹8.82 crore.

Certificate of fitness is a document that certifies that the vehicle is fit in all respects to ply on the road. As per Rule 62(1) of the Central Motor Vehicles Rules, 1989, a certificate of fitness in respect of a transport vehicle under Section 56 of the Motor Vehicles Act, 1988 when granted or renewed shall be valid for a period of two years for vehicles up to eight years old and one year for vehicles older than eight years. Further, as per Section 55 of the Motor Vehicles Act, 1988, if a motor vehicle has been destroyed or has been rendered permanently incapable of use, the owner shall, within fourteen days report the fact to the registering authority and shall forward to that authority the certificate of registration of the vehicle.

A Transport vehicle shall not be deemed to be validly registered unless it carries a certificate of fitness[37]. To ensure effective control over the fitness of vehicles, Rule 105(5) of Kerala Motor Vehicles Rules provides for imposing penalty for non-renewal of certificate of fitness. Thus, if a vehicle is not produced for the renewal of the certificate of fitness on or before the date of expiry, a penalty at the prescribed rate[38] shall be charged for every calendar month or part thereof. Government of India has introduced[39] an additional fee of ₹50 for each day of delay after the expiry of the certificate of fitness.

3.4.1 Non-realisation of Penalty and Additional fee on expiry of Certificate of Fitness from Transport vehicles

Audit analysed (during 2022-23) the VAHAN database for the certificate of fitness issued to transport vehicles in 12 RTOs and 23 SRTOs during the period 2021-22. It was noticed that in six RTOs and 14 SRTOs, validity of certificate of fitness in respect of 8,333 active transport vehicles had expired during the period 2021-22 and the vehicles were not produced for re-examination for the issue of certificate of fitness. Despite the availability of information in VAHAN, the Enforcement wing of department neither initiated any action to cancel the registration/ permit of these vehicles nor issued any notice to defaulting vehicle owners. As a result, penalty and additional fee in respect of 8,333 vehicles amounted to ₹7.38 crore were not levied as detailed in **Appendix – VI**.

On this being pointed out (July 2024) Government stated (October 2024) that the matter has been intimated to the responsible RTOs and JRTOs[40] and final report would be furnished at the earliest.

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[37] As per Section 56 of the Motor Vehicles Act, 1988.

[38] Penalty at the rate of ₹100 in the case of a two/ three-wheeler, at the rate ₹150 in the case of a motor cab and at the rate of ₹200 in the case of other transport vehicles, vide Gazette Notification No.1913 dated 18 July 2019.

[39] Vide Gazette Notification No G.S.R. 1183 (E) dated 29 December 2016.

[40] Joint Regional Transport Officers.

3.4.2 Non-imposition of penalty for belated renewal of Certificate of Fitness of Transport vehicles

Audit analysed (during 2022-23) the VAHAN database for the certificate of fitness issued to transport vehicles in 12 RTOs and 23 SRTOs during the period 2021-22. It was noticed that in three RTOs and six SRTOs, 3,987 vehicles were produced for fitness check after the expiry of specified date, and it was seen that penalty was not/ short imposed on these 3,987 transport vehicles. This has resulted in non/ short imposition of penalty for belated renewal of Certificate of Fitness of Transport vehicles to the tune of ₹1.44 crore as detailed in **Appendix – VII**.

On this being pointed out (July 2024) Government stated (October 2024) that the matter has been intimated to the responsible RTOs and JRTOs and final report would be furnished at the earliest.

It is recommended that Government may put in place a proper monitoring mechanism to realise requisite fee and penalty in respect of belated renewal or non-renewal of Certificate of Fitness of transport vehicles. Responsibility must be fixed in cases of noncompliance with the relevant provisions of the Motor Vehicles Act.

3.5 Non-collection of service charge for permits issued in check post

Non-realisation of service charge for the issuance of temporary permit and special permit for all classes of vehicles amounting to ₹4.24 crore.

A temporary permit[41], as per Section 87 of the Motor Vehicles Act, 1988, and a Special permit[42], as per Section 88(8) of the *ibid* Act, can be granted by the State Transport Authority/ Regional Transport Authority for inter-state transport vehicles. Transport department had fixed the service charge for issuance of temporary permit (all classes) and special permit (all classes) as ₹105 as per GO (RT) No. 422/2018/Trans. dated 24 September 2018.

Audit analysed (during 2022-23) from the SMARTMOVE database, the details of temporary/ special permits issued during the period 2019-22, through 13 check posts under the control of seven RTOs audited, and found that, 1,77,687 temporary permits and 2,25,993 special permits were issued during the period. It was noticed that the prescribed service charge was not collected by the department. Non collection of service charge is worked out to ₹4.24 crore as detailed in **Appendix – VIII**.

On this being pointed out (July 2024) Government stated (October 2024) that the matter has been intimated to the responsible RTOs and JRTOs and final report would be furnished at the earliest.

[41] Permit issued for short duration for interstate transportation.
[42] Permit issued temporarily for special purposes for interstate transportation.

It is recommended that department may avoid such failures by ensuring strict adherence to the provisions of the relevant Acts. Responsibility may be fixed for non-imposition.

3.6 Non-levy of Green Tax

Non collection of Green tax at the time of renewal of the certificate of registration/ certificate of fitness, amounting to ₹17.25 lakh.

As per Section 3A of the Kerala Motor Vehicles Taxation Act, 1976, green tax shall be levied and collected on the motor vehicles specified below in **Table – 3.2** for the purpose of implementation of various measures to control air pollution.

Table – 3.2: Green tax leviable

Sl. No.	Class and age of vehicle	Rate of Green Tax (₹)	Incidence of levy
1	Non-Transport Vehicles having four or more wheels and completed 15 years from the date of its registration	400 for every five years	At the time of renewal of registration
2	Light Transport Vehicles having four or more wheels and have completed 10 years from the date of its registration	200 for every year	At the time of renewal of fitness certificate
3	Medium Transport Vehicles which have completed 10 years from the date of its registration	300 for every year	At the time of renewal of fitness certificate
4	Heavy Transport Vehicles which have completed 10 years from the date of its registration	400 for every year	At the time of renewal of fitness certificate

Source: Kerala Motor Vehicles Taxation Act, 1976.

Audit reviewed (during 2022-23) through VAHAN database the tax remittance details pertaining to the period 2021-22 in respect of 12 RTOs and 23 SRTOs. It was revealed that in 11 RTOs and 23 SRTOs, green tax has not been collected for 2,886 vehicles, at the time of renewal of the certificate of registration/ certificate of fitness. This resulted in non-realisation of green tax amounting to ₹17.25 lakh as detailed in **Appendix – IX**.

On this being pointed out (July 2024), Government stated (October 2024) that the matter has been intimated to the responsible RTOs and JRTOs and final report would be furnished at the earliest.

It is recommended that Government may put in place a proper mechanism to raise alerts for demanding green tax from vehicle owners whose vehicle completed the stipulated age and thus required to pay the Green Tax.

3.7 Non-realisation of tax in respect of Motor Cab

Non-collection of motor vehicle tax at the prescribed rate amounting to ₹11.20 lakh.

According to Eighth proviso to Section 4(1) of Kerala Motor Vehicles Taxation Act, 1976, motor cabs[43] shall remit tax at the rate specified in item 7(i)(b) and 7(i)(c) of the Schedule. The rate specified in the Schedule is ₹350 per quarter for motor cab specified in item 7(i)(b) and ₹425 for tourist motor cabs specified in item 7(i)(c).

Audit analysed (during 2022-23) from VAHAN database, the tax remittance details pertaining to the period 2021-22 in respect of 12 RTOs and 23 SRTOs in the State. It was noticed that in four RTOs and 10 SRTOs, motor vehicle tax in respect of 800 out of the 16,792 Motor Cabs registered in the offices, had not been remitted till 31 March 2022. However, department had not taken any action to collect the tax, amounting to ₹11.20 lakh as detailed in **Appendix – X**.

On this being pointed out (July 2024), Government stated (October 2024) that the matter has been intimated to the responsible RTOs and JRTOs and final report would be furnished at the earliest.

It is recommended that department may ensure that motor vehicle tax is collected at prescribed rates by ensuring strict adherence to the provisions of the relevant Acts and responsibility must be fixed for non-realisation of tax.

3.8 Short collection of tax from the goods carriages fitted with tipping mechanism

Tax on goods carriages fitted with tipping mechanism was not levied at the prescribed rate which resulted in a short collection of ₹10.24 lakh.

Schedule 3 of Section 3(1) of Kerala Motor Vehicles Taxation Act, 1976, prescribes quarterly charges for goods carriages fitted with tipping mechanism.

Audit scrutinised (during 2022-23) the VAHAN database for the tax remittance details of goods carriages fitted with tipping mechanism in 12 RTOs and 23 SRTOs functioning in the State during the period 2021-22. It was noticed that in four RTOs and eight SRTOs, tax on goods carriages fitted with tipping mechanism was not levied at the prescribed rate. Out of the 8,877 goods carriages fitted with tipping mechanism registered, tax at higher rate was not levied for 559 goods carriages in these offices.

Thus, there was short collection of tax of ₹10.24 lakh due to the application of incorrect rate of tax in respect of these 559 goods carriages fitted with tipping mechanism as detailed in **Appendix – XI**.

[43] Motor vehicles plying for hire and used for transport of passengers and in respect of which permits have been issued under Motor Vehicles Act, 1988.

On this being pointed out (July 2024), Government stated (October 2024) that the matter has been intimated to the responsible RTOs and JRTOs and final report would be furnished at the earliest.

It is recommended that department may issue necessary instructions to RTOs/ SRTOs to levy tax on vehicles fitted with tipping mechanism at the prescribed rates and fix responsibility for the failure on the officials responsible for it.

3.9 Short levy of one-time tax on non-transport vehicles

Short collection of one-time tax at the time of first registration or at the time of renewal of registration or on the expiry of the lifetime tax already paid, amounting to ₹7.90 lakh.

As per Second proviso to Section 3(1) of Kerala Motor Vehicles Taxation Act, 1976, in respect of a new motor vehicle, the purchaser has to pay one-time tax at the rate specified in Annexure I at the time of first registration of the vehicle, from the date of purchase of the vehicle. Thereafter, tax shall be levied at the time of renewal of registration or on the expiry of the lifetime tax already paid.

Audit analysed (during 2022-23) the VAHAN database for the tax remittance details of non-transport vehicles, pertaining to the period 2021-22, in respect of 12 RTOs and 23 SRTOs in the State. It was noticed that in six RTOs and 10 SRTOs, one-time tax paid in respect of 49 vehicles was less than that prescribed in the statutes. Short levy of tax by Regional Transport Officers in respect of 49 vehicles pertaining to the period 2021-22 resulted in short collection of ₹7.90 lakh as detailed in **Appendix – XII**.

In reply to the audit observation, Government stated (October 2024) that the matter has been intimated to the responsible RTOs and JRTOs and final report would be furnished at the earliest.

It is recommended that department may strengthen the collection mechanism, so that one time tax on non-transport vehicles is collected promptly.

Chapter IV
State Excise

CHAPTER - IV
STATE EXCISE

4.1 Tax Administration

The Kerala State Excise is the law enforcement agency for excise in the state of Kerala. Kerala Excise has its headquarters in Thiruvananthapuram. Department administers laws related to liquor, narcotic drugs and psychotropic substances, medicinal preparations containing alcohol and narcotics. The principal duties of the department are protection, augmentation and collection of excise revenue and enforcement of the acts and various rules made thereunder. The duties of the department are broadly classified as collection of revenue, enforcement activity to prevent illicit liquor production, sale and trafficking and campaign against alcoholism. Liquor includes spirits of wine, arrack, spirits, wine, toddy, beer and all liquid consisting of or containing alcohol. An individual has no fundamental right over the manufacture and trade of liquor. Absolute right on liquor is vested with the State. Government formulates Abkari policy of the State every year. The policy formulated by the State Government is implemented by the Excise department.

4.2 Internal Audit

The Internal Audit Wing (IAW) in State Excise department is under the direct control of the Excise Commissioner. The Wing consists of one Joint Commissioner of Excise assisted by one Assistant Excise Commissioner, three Superintendents, three Excise Inspectors and six Preventive Officers. Offices in districts in which more vehicles are seized, collectable revenue are pending and delay in collection is noticed are prioritised in internal audit. During 2022-23, IAW audited all 84 units planned for audit. During 2022-23, out of the 2,215 outstanding observations, department cleared 504 audit observations (22.75 *per cent*).

4.3 Results of Audit

There were 22 auditable units during 2022-23 in the State Excise department. Out of these, nine units were selected for audit. Scrutiny of the records of these units during 2022-23 disclosed 31 cases of non/ short realisation of excise duty and Licence fee and other irregularities involving ₹6.68 crore. In addition, a Subject Specific Compliance Audit on 'Enforcement Activities of the State Excise Department' was undertaken during the year. The cases pointed out are illustrative only as these are based on the test-check of records. Audit pointed out some of the similar omissions in the earlier years also. Not only do these irregularities persist, but they also remain undetected till the next Audit is conducted.

Government needs to improve the internal control system including strengthening of Internal Audit so that occurrence/ recurrence of the lapses can be avoided. Under assessment of tax and other irregularities involving ₹15.94 crore in 32 cases fall under the following categories are given in **Table – 4.1**.

Table – 4.1: Details of under assessment of tax and other irregularities

Sl. No.	Categories	Number of cases	Amount (₹ in crore)
1	Subject Specific Compliance Audit on 'Enforcement Activities of the State Excise Department'	1	9.26
2	Non levy of fee and fine on unauthorised reconstitution of Board of Directors of Companies	5	3.07
3	Irregular transfer of Foreign Liquor Licence	5	1.97
4	Non collection of additional annual Rental from toddy shops	1	0.43
5	Others	20	1.21
Total		**32**	**15.94**

Source: Compiled by AG (Audit II).

During the course of the year, department accepted short levy and other deficiencies involving ₹0.26 crore in six cases pointed out by Audit. Department realised an amount of ₹0.26 crore in six cases during the year 2022-23.

4.4 Subject Specific Compliance Audit on 'Enforcement Activities of the State Excise Department'

4.4.1 Introduction

The Kerala State Excise department is a law enforcement agency which administers laws relating to liquor, narcotic drugs and psychotropic substances and medicinal preparations containing alcohol and narcotics. The Department also collects revenue on liquor by regulating the manufacture, production, purchase, possession, sales and transportation of liquor. Department is responsible for controlling Abkari/ Narcotic related crimes through raids, detection, investigation and prosecution of offences as per law, and prevention of trafficking of Narcotic Drugs and Psychotropic Substances (NDPS) and illicit liquor.

4.4.2 Organisational Structure

The State Excise department is headed by Additional Chief Secretary, Taxes (Excise) at Government level. The Commissioner of Excise is the head of department and is assisted by Additional Excise Commissioner (Enforcement), Additional Excise Commissioner (Administration), four Joint Excise

Commissioners[44] and Deputy Commissioner (Abkari) at Commissionerate level. The Department is divided into three zones (South, Central and North) under the control of Joint Excise Commissioners (Zonal). Deputy Excise Commissioner is the head of the Excise Division Office at district level, assisted by Assistant Excise Commissioners (Enforcement). Excise Division Office is divided into Excise Circle Offices mainly functioning at *Taluk* level, headed by Circle Inspector of Excise and Circle Offices are further subdivided into Excise Range Offices under the control of Excise Inspector.

4.4.3 Audit Objectives

The Subject Specific Compliance Audit was conducted to ascertain whether:

- the provisions in the Acts, Rules and Annual Abkari policies were enforced effectively and in a timely manner to prevent the unlawful activities on use of intoxicants;
- the State Excise department has adequate manpower and physical resources to carry out the enforcement activities effectively;
- the awareness/ de-addiction programmes were carried out effectively.

4.4.4 Audit Criteria

The criteria for Audit were derived from:

- Kerala Abkari Act 1 of 1077.
- Various rules relating to production, manufacture, storage, possession, sale, transportation etc., of country liquor and foreign liquor.
- Narcotic Drugs and Psychotropic Substances (NDPS) Act, 1985.
- NDPS Rules, 1985.
- NDPS (Kerala) Rules, 1988.
- The Spirituous Preparation (Industrial Trade and Commerce) Control Act, 1955.
- Kerala Excise Manual.
- Annual Abkari Policies of Government of Kerala.
- Government Orders, Circulars, Notification etc.

4.4.5 Audit Scope and Methodology

The Subject Specific Compliance Audit was conducted from June to November 2023 covering the period from 2020-21 to 2022-23. Out of 14 districts of the State, Audit selected four[45] districts from three zones by adopting statistical sampling method- Simple Random Sampling Without Replacement (SRSWOR)

[44] Excise Crime Records Bureau, Excise Intelligence and Investigation Bureau, Awareness Programme Co-ordination and Internal Audit Wing.

[45] Kasaragod, Palakkad, Ernakulam and Alappuzha.

through IDEA[46] software. Audit methodology involved scrutiny of records maintained at Government Secretariat, office of the Commissioner of Excise, and at the offices of the Deputy Excise Commissioner of selected districts and its sub-units. Details of units selected for detailed scrutiny are given in **Appendix – XIII**. In addition, data was also collected from Chief Chemical Examiner's Laboratory and Kerala State Beverages Corporation.

An Entry Conference was held online on 22 June 2023 with the Joint Secretary to Government, Taxes (Excise) department and the Commissioner of Excise where the objectives and scope of the Subject Specific Compliance Audit were discussed and an Exit Conference was held on 03 September 2024 with Additional Chief Secretary, Taxes (Excise) and the Commissioner of Excise, where the audit findings were discussed. The views expressed by the State Government during the Exit Conference and the written replies to the draft report have been suitably incorporated in the relevant paragraphs.

4.4.6 Audit Findings

The State Excise department plays a significant role in controlling Abkari/ NDPS crimes in the State and envisions a drug and addiction free Kerala through proactive and empathetic enforcement, promoting responsible use of alcohol and also seeks to achieve excellence in all areas of its operations by ensuring transparency at all levels, maximising citizen friendly approach and ease of doing business and modernisation to match the highest expectations of the citizens.

Audit verified the enforcement activities of department and the important Audit findings are discussed in paragraphs below:

4.4.6.1 Detection of Abkari/ NDPS Crime Cases

The Additional Excise Commissioner (Enforcement) coordinates the enforcement activities at the State level. At district level, the enforcement activities are monitored by the Deputy Excise Commissioner of Excise Division Office with the assistance of an Assistant Excise Commissioner (Enforcement). Control Rooms with toll-free numbers are functioning at State and District levels to receive complaints on use of intoxicants. An Excise Intelligence and Investigation Bureau (EI&IB) has been set up in the department to gather and hand over intelligence inputs to the enforcement units. Search/ raids are carried out by the enforcement units based on complaints/ intelligence inputs received.

Year wise details of Abkari/ NDPS offences detected during the last three years are given in **Table – 4.2** below:

[46] Interactive Data Extraction and Analysis.

Table – 4.2: Year-wise details of Abkari/ NDPS offences

Year	Abkari	NDPS	Total
2020-21	17,695	3,487	21,182
2021-22	19,516	3,857	23,373
2022-23	32,667	11,464	44,131

Source: based on data furnished by department.

Audit verified the effectiveness of measures taken to detect illegal use of intoxicants and noticed deficiencies like non-utilisation of inputs of the EI&IB, inaction on complaints received from general public on illegal use of intoxicants etc., which are discussed in following paragraphs.

- **Utilisation of inputs of Intelligence/ Investigation wing**

Government formed[47] EI&IB in each district for collection and dissemination of information on illegal activities in intoxicants to the Enforcement units, for taking timely action. As per Para 20, Chapter XXV of Kerala Excise Manual Vol. II, Excise Officers in charge of Range, Circle, Squad and EI&IB units must maintain an IB Information Register (IB Input Register) to record the details of information with date and time, along with the name and details of informant, if the informant is willing to disclose the same.

Audit cross verified the details of IB Input Registers maintained at EI&IB of selected districts with that of selected Excise Circle Offices and Excise Range Offices and found that out of the total 2,507 IB inputs transferred from EI&IB units, only 1,823 inputs were received/ registered at the sub-offices. Receipt of 684 IB inputs, and details of action taken on the registered 483 IB inputs, was not recorded in the Register maintained at Circle/ Range offices. Hence, Audit was unable to ascertain whether any action was taken on 1,167 IB inputs.

Details of intelligence inputs, and action taken thereupon, are given in **Appendix – XIV**. Non-utilisation/ non-receipt of IB inputs may have resulted in non-detection of offences relating to intoxicants, considering that offences were detected in 1,091 of 1,340 inputs on which action was taken.

It was noticed that out of the 2,507 IB inputs provided by four EI&IBs, 1,232 inputs (49.14 *per cent*) were related to Kasaragod District alone. Audit also found that, of the 949 IB inputs registered and investigated in Kasaragod, offences were detected in 906 (95.47 *per cent*) cases, whereas, only in 74 (33.04 *per cent*) cases offence was detected when 224 inputs registered and investigated in Palakkad district. This indicates that the quality of inputs from various EI&IBs varies significantly.

On this being pointed out, Government stated (October 2024) that it is not necessary that every IB input would result in detection of crime. Some inputs are very general in nature and majority of them are meant to invite department's attention to some activities in a particular area. These kinds of inputs are immediately attended to and also kept for follow-up action. In respect of non-

[47] Vide GO(MS) No. 95/04/TD dated 08 June 2004.

recording and non-documenting of inputs, a verification is being undertaken to assess the cause.

The reply is not acceptable as IB inputs are inputs given by department officials who were assigned the duty of collection and dissemination of information on illegal activities in intoxicants to the Enforcement units. Hence, their input cannot be general and meant to invite department attention. Their inputs, unlike the inputs from general public, should be more specific. Moreover, a circular[48] was issued by the department, outlining guidelines for documentation and follow up procedures on information received from other offices based on draft Audit observation.

- **Attending complaints from the general public**

The Excise department receives complaints from the general public, mainly through a toll-free number maintained for the purpose. As directed vide Circular No. EXC2/2022/EXCISE dated 01 January 2022, details of all complaints on illegal activities in intoxicants received through telephonic messages should be registered and intimated to the jurisdictional unit/ office concerned, for action. Scrutiny revealed that out of 537 complaints registered in the selected four Divisional offices, 39.66 *per cent* of complaints (213 nos.) were not registered at sub-units, 20.67 *per cent* of complaints (111 nos.), though registered, were not attended at sub-units, and 18.06 *per cent* of complaints (97 nos.) earmarked for detailed investigation were not yet attended. Details are given in **Appendix – XV**.

Though the public is utilising this facility expecting timely action, department is not giving due importance to the complaints received. The Division Office is not ensuring timely action on complaints received and transferred to sub-units.

On this being pointed out, Government stated (October 2024) that majority of complaints turned out to be untrue and quite a number are often seen to be engineered to settle certain scores. As regards non-registration of complaints, the complaints received at Head Offices are forwarded to various offices, and hence, figures of one sub-office will never match with the figures of Head Offices.

The reply is not acceptable as the details of complaints registered and attended by the sub-offices should match with the details available at the Division Office since the complaints are recorded at Divisional Offices and subsequently transferred to sub-offices for action. However, in the sampled Divisional Offices, the data was not matching.

- **Functioning of Control Rooms**

The Excise department had introduced (January 2022) Striking Force, Highway Patrol and Kerala Excise Mobile Intervention Unit (KEMU) for urgent enforcement activities and for inquiring into the information received. A Control Room functions 24 hours at Division Office to coordinate these patrol

[48] Circular No. I/394924/2024 dated 25 September 2024.

units. The Control Room and each Patrol unit is under the control of the Deputy Excise Commissioner.

The functional areas of Patrol units are

i) KEMU- functioning at border districts,

ii) Striking Force - functioning only at night,

iii) Highway Patrol - functioning in each district.

The Commissioner of Excise issued (January 2022) detailed guidelines for proper functioning of Striking Force and Control Room. As per the guidelines, complaints received at Control Room should be documented and handed over to the Patrol units. Likewise, complaints received directly by the Patrol units should also be documented at the control room. Each unit should inform the starting and completion of duty to the control room, besides contacting the control room at intervals of two hours, to update their duty points and duty details.

From the records maintained at Control Rooms of selected districts for the audit period, Audit noticed that:

i) though there is clear direction in the guidelines to document the activities of Patrol units, the Control Rooms, in violation to the directions, do not maintain any registers for documentation of duty points of Patrol units or frequent contact with Patrol units.

ii) responsibility of Control Room was entrusted to a Civil Excise Officer (CEO) instead of a Preventive Officer.

iii) though the complaints received in the Control Room were registered in the Control Room Register, the action taken/ disposal status of the complaints was not seen updated. Further, Control Room Register was not inspected by the Deputy Excise Commissioner every month.

iv) there is no mechanism like Beat Books[49] or surprise checking to monitor and document the functioning of night Patrol units.

On this being pointed out, Government stated (October 2024) that a General Diary is being maintained at all Control Rooms (State/ Division/ *Taluk*), and regular monitoring of Control Rooms is being done at all levels. Monthly Reports in this regard are being collected and reviewed in District-level and State-level Conferences. It was further replied that the State-level Control Room is held under the charge of a Circle Inspector of Excise, whereas the District-level Control Rooms are generally put under the charge of a Preventive Officer. But, owing to the non-availability of Preventive Officers due to various

[49] Beat Book is a book kept in various sensitive spots for documenting the details of patrolling *viz*., location, time, details of work etc. by the officials.

reasons, the charge of District-level Control Rooms is sometimes entrusted to Civil Excise Officers.

The reply is not acceptable as Audit found during scrutiny of registers maintained in Control Rooms that the evidence of inspections was not recorded in the Control Room Registers.

4.4.6.2 Investigation of Abkari/ NDPS offences

The Excise Range Offices, Circle Offices, Anti Narcotic Squads, etc., are responsible for the investigation and timely submission of charge sheets in Abkari/ NDPS cases at Courts of Law concerned. The activities are monitored by Deputy Excise Commissioner and AEC (Enforcement). AEC (Enforcement) is also the investigating officer of major cases in the district. Pendency in charge-sheeting of Abkari/ NDPS cases in the State as on 31 March 2023, is detailed in **Table – 4.3** below.

Table – 4.3: Pendency of charge-sheet

Period of pendency	Abkari cases	NDPS Cases	Total
Less than one year	2,786	1,194	3,980
1-2 year	590	147	737
2-5 years	67	26	93
More than 5 years	51	2	53
Total	**3,494**	**1,369**	**4,863**

Source: based on data furnished by department.

Audit noticed procedural lapses/ delays in completion of investigations, which are discussed in following paragraphs.

- **Delay in completion of investigation**

As per Section 50 of Abkari Act, every investigation shall be completed without unnecessary delay. As per Section 36A(4) of NDPS Act, 1985, in case of persons accused of NDPS offences punishable with imprisonment for a term of not less than ten years, maximum remand period shall be 180 days. The Excise Commissioner also issued instructions (January 2021) that all major cases should be charge-sheeted within the remand period itself. In respect of NDPS offences involving 'commercial quantity', the Excise Commissioner directed all officials to invoke Section 36A(4) of NDPS Act, so that 180 days of remand period will be available for charge-sheeting.

Test check of records relating to major offences (Sessions Court cases) under Abkari/ NDPS Acts revealed that the stipulated time limit to charge sheet, after completion of investigation, was not complied in 36 cases, as detailed in **Appendix – XVI**. Moreover, Section 36A(4) of NDPS Act was not invoked in any case. It was also noticed from the syllabus of the training programme of State Excise Academy & Research Centre that training to ensure timely completion of investigation was not imparted to the officials.

On this being pointed out, Government stated (October 2024) that delay in receiving the Chemical Analysis Report from the Chief Chemical Examiner's Laboratory is one of the main reasons for delay in completion of investigation. Timely instructions are being issued to Investigating and Supervising Officers to complete investigations without unnecessary delay.

The reply indicates a systemic deficiency needing Government's attention to arrest unnecessary delay in furnishing of Lab Reports and resultant delay in investigations.

- **Non-invoking of all relevant sections on detection of NDPS offences**

The NDPS Act provides punishment for consumption of drugs (Section 27), for attempts to commit offences (Section 28), for abetment and criminal conspiracy (Section 29), for preparation in respect of Commercial quantity (Section 30), for offences after previous conviction (Section 31), etc. Narcotic Control Bureau (NCB) issued a Handbook to enable the Field Officers to have a correct interpretation and application of various provisions of NDPS Act. The handbook describes the procedures to be followed in detailed investigation relating to:

i) investigation of different offences involved,

ii) identification of the conspirators/ abettors who facilitated the crime,

iii) source, distribution and destination of the drug,

iv) mode of transport, payment,

v) whether a gang or syndicate was involved, etc.

Audit noticed that 1,596 crime cases involving 'small quantity'[50] of contrabands were booked in selected districts. However, none of the penal provisions stipulated under Section 27 to 31 of NDPS Act, other than that for possession of intoxicants (Section 20, 21 and 22 of NDPS Act), were invoked. Unless detailed investigation is carried out, perpetrators involved in these offences cannot be identified.

Due to the failure in conducting detailed investigations, only the accused in 'small quantity' contrabands was penalised. Department chose to not investigate the matter further, thereby missing out an opportunity to apprehend the perpetrators involved in abetment, conspiracy, preparation and distribution of drugs. It was noticed that department's training programme did not cover training on booking of offences invoking all relevant provisions under Abkari/ NDPS/ PITNDPS Acts.

On this being pointed out, Government stated (October 2024) that the penal provisions of NDPS Act, other than the provisions for possession of intoxicants, can be invoked strictly in accordance with the facts of the case and evidence

[50] Any quantity lesser than the quantity specified by the Central Government by notification in the Official Gazette. Vide S.O.1055 (E) dated 19 October 2001, Government of India specifies the quantities of 239 narcotic drugs.

gathered during detection and investigation of the case. Unnecessary invocation of sections of NDPS Act, beyond the facts and evidence, will be a wrongful action which can invite strictures from the Courts.

The reply is not acceptable as detailed investigations in 'small quantity' cases, whose numbers are significant, have not been carried out owing to non-invocation of penal provisions of NDPS Act. Consequently, such cases continue to rise while the suppliers up in the chain evade punishment.

- **Preventive detention of offenders under PITNDPS Act**

Section 3 of the Prevention of Illicit Traffic in Narcotic Drugs and Psychotropic Substances Act, 1988 (PITNDPS Act) empowers the State Government to direct detention of any person so as to prevent him from engaging in illicit traffic of narcotic drugs and psychotropic substances.

Audit observed that:

i) PITNDPS Act with provisions for preventive detention was enacted in 1988. Though, the number of NDPS cases in the State shows an increasing trend (Table 4.2), Excise department could not detain any offenders invoking provisions of this Act so far.

ii) The Excise Department requires an authority from the Government for preventive detention of offenders, for which proposal is to be furnished by the department. Audit noticed that till 2022, no such proposal was furnished. The proposals furnished in 2022 were returned by the Government on grounds of procedural lapses. It was further noticed that 12 out of the total 62 proposals for preventive detention were submitted to Government after lapse of the mandatory 45-day period, as detailed in **Appendix – XVII**.

Government replied (October 2024) that action in deserving cases is being initiated under PITNDPS Act. Online training programmes on procedures to be followed for invocation of PITNDPS Act, are being planned.

Recommendation 1:

Department may impart proper training to enforcement officials regarding booking of offences invoking all relevant provisions under Abkari/ NDPS/ PITNDPS Acts and ensure the timely completion of investigation.

- **Unnecessary remand of the Accused due to delay in obtaining Chemical Analysis report:**

The Chemical Examiner's Laboratories analyse the samples of contraband, liquor, toddy etc., and their reports are important in proving the offences detected by Excise department. Rule 14 of the Narcotic Drugs and Psychotropic Substances (Seizure, Storage, Sampling and Disposal) Rules, 2022 stipulates that the Chemical Laboratory shall submit its report to the Magistrate's Court within fifteen days from the date of receipt of the sample, with a copy to the Investigating Officer.

Section 21, 22 and 27 of NDPS Act prescribes rigorous imprisonment (RI) for unauthorised manufacture, possession, sale, consumption etc., of psychotropic substances, wherein, the period of imprisonment depends upon the quantity involved in contravention, i.e., one year for 'small quantity', and 10 to 20 years for quantity greater than 'small quantity'. In respect of narcotic drugs and psychotropic substances, the Central Government has specified[51] the quantum to be considered as 'small quantity' or 'commercial quantity'. Vide First Schedule of Cr. PC, offences punishable with imprisonment for less than three years are 'Bailable Offences'. Accordingly, NDPS offences involving 'small quantity' are bailable offences, whereas contraventions involving 'greater than small quantity' are non-bailable. For example, a contravention involving Methamphetamine up to two gram is considered as 'small quantity'[52] and is bailable, whereas contravention of same quantity of MDMA[53] is considered as greater than small quantity[54], and is non-bailable. Hence, for requisite conviction, it is very important to ascertain and prove the type of contraband, which can be done only through a chemical analysis. Delay in receipt of Chemical Analysis Report from Chemical Laboratories not only delays the investigation, but also, results in unnecessary remand of the accused.

Audit noticed that the fifteen days' time frame for furnishing chemical analysis report, stipulated under Rule 14 of the NDPS (Seizure, Storage, Sampling and Disposal) Rules 2022, was not complied in any of the test checked cases. Delays of up to seven months were noticed in test checked institutions. It was also noticed that in 23 instances, the accused were remanded for possession of 'small quantity' (0.5 gm to 2 gm) of MDMA, whereas, the chemical analysis report, received much later, identified the contraband as Methamphetamine. Thus, the delay in furnishing Chemical Analysis Report resulted in unnecessary remand of the accused, some instances of which are detailed in **Appendix – XVIII**.

Rule 15 of the Rules *ibid*, states that after chemical analysis, the remnants of samples should be returned within three months of analysis by the laboratory, to the office from which they were received. The duplicate samples kept with the Inquiry Officer, along with the remnants, should be deposited in the designated warehouses. It was, however, noticed that the remnants were not taken back by

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51 Notification No. S.O. 1055(E) dated 19 October 2001.
52 Sl. No. 159 of Notification.
53 3,4-Methylenedioxymethamphetamine.
54 Sl. No. 134 of Notification.

the Excise department in any of the test checked cases and were retained at the Chemical Examiner's Laboratories.

On this being pointed out, Government stated (October 2024) that Kerala has only three chemical analysis laboratories which cater to the demand of several agencies and Excise department is one among them. Therefore, occurrence of delay in submission of reports is very usual. A systemic improvement to enhance capability and capacity of laboratories is needed.

The reply is not tenable as the fate of the accused in NDPS offences are strongly dependent on the chemical analysis report and delay in getting the result on time may lead unnecessary incarceration and human right violations.

4.4.6.3 Prosecution of offences

The State Excise department books crime cases under various sections of Abkari and NDPS Acts. Abkari offences are bailable as well as non-bailable. While, bailable Abkari offences are disposed of by the Competent Authorities of Excise department or by the Judicial Officers by way of compounding the offence, the non-bailable Abkari offences are disposed of by the Sessions Court after conducting a trial. In case of NDPS offences, both bailable and non-bailable offences are disposed of by the judiciary. As on 31 August 2023, total 18,937 Abkari/ NDPS cases were pending disposal at various Courts in the State.

- **Acquittal of accused in Abkari cases due to procedural lapses**

Section 50(2) of Abkari Act states that as soon as investigation into the offences under this Act is completed, the Abkari Officer shall forward a report to the Magistrate, in accordance with sub section (2) of Section 173 of Code of Criminal Procedure, 1973. The Magistrate shall inquire into such offence and commit to Sessions Court, if the offence is exclusively triable by that Court, or, try the person accused thereof in like manner as provided in Cr.PC.

Audit test checked 38 out of 194 cases disposed during the period from April 2020 to March 2023 in the selected Districts, and noticed that in 33 cases, the accused were acquitted by Sessions Court due to departmental lapses like incorrect certification of inventory by Executive Magistrate, lack of uniform procedure in sampling, failure of the Prosecution to prove liquor sale, etc. Details of Abkari cases disposed of by the Courts and reasons for acquittal are given in **Appendix – XIX**.

In the report submitted to Government, the Additional Excise Commissioner (Enforcement) observed that the conviction rate under Abkari Act is as low as 10 *per cent* of the cases booked. The report focussed on the necessity of training officials in sampling, preparation of *Mahazar*[55], etc.

[55] *Mahazar* is a report prepared by the officer detecting an Abkari/ NDPS case wherein all actions/ procedures performed by the officer before and after the seizure of contraband, place/date/time and cause of action, details of seized articles/evidences, names of persons or officials involved, list of witnesses, etc., are recorded and signed by two or more witnesses.

Thus, the failure to obtain convictions was a result of procedural lapses on part of the department officials. This laxity will have serious repercussions as conviction of offenders also act as a deterrent to more offenses being committed.

On this being pointed out, Government stated (October 2024) that acquittal cases are monitored at Excise Headquarters level and a checklist, to rectify mistakes, has been prepared from various court judgements and issued to Officers for preventing mistakes which led to acquittal.

The reply is not tenable as department has not yet prepared a course schedule to impart training in respect of preparation of *mahazar* and sampling.

Recommendation 2:

The Department needs to

(i) impart periodical training to all Excise Officials on Court procedures and preparation of cases/ papers for the same, for ensuring building of foolproof cases and to minimise acquittals.

(ii) establish a robust mechanism to monitor the use of inputs received from different sources and to expedite the receipt of chemical analysis report from designated Chemical Laboratories.

4.4.6.4 Enforcement in Toddy and Foreign Liquor Sector

Licence for production and sale of toddy, licences/ permits for import and possession of spirit, and, for manufacture, storage and sale of IMFL/ Beer are issued under the Kerala Abkari Act, 1077, and rules framed thereunder.

- **Non-demand and collection of Additional Permit Fee**

Rule 11A of the Tree Tax Rules states that, a toddy-shop licensee can transport toddy from one district to another under a Transport Permit, subject to remittance of Permit Fee at the rate of rupee one per litre and Additional Permit Fee of rupee one per litre (introduced by Government with effect from 23 October 2021). Hence, the licensee who is transporting toddy to other divisions is required to remit permit fee and additional permit fee, in addition to Tree Tax[56].

Scrutiny of records of Excise Division Office, Palakkad and Excise Circle Office, Chittur revealed that against the additional fee leviable of ₹846.53 lakh, demand notice was issued only for ₹36.65 lakh, of which ₹15.41 lakh was collected. The Deputy Commissioner of Excise, Palakkad, who issued Inter Division Permits, did not demand the additional permit fee at the rate of rupee one per liter (except in 73 cases). Non collection of additional fee works out to ₹831.12 lakh as detailed in **Appendix – XX**.

On this being pointed out, Government stated (October 2024) that demand notices were issued to the licensees with retrospective effect, against which, the

[56] Tree Tax is a tax levied under the Tree Tax Rules, for the grant of licences for tapping toddy from toddy producing trees (*viz*., Coconut, Palmyra and Sago trees).

licensees filed writ petitions before the Kerala High Court. The High Court has since stayed the proceedings for recovery of additional permit fees.

The reply is not acceptable. Audit objection is about non-collection of additional permit fee at the time of issue of permits. The matter before the Honourable High Court is on recovery of fees demanded retrospectively.

- **Functioning of Liquor Testing Laboratories**

Rule 33 of Foreign Liquor Rules, 1953, prescribes the procedure for taking samples from Foreign Liquor shops, chemical analysis etc. As per existing (February 1995) directions, Circle Inspectors and Range Inspectors of Excise shall conduct monthly surprise checks at all licensed premises and take liquor samples, which shall be promptly analysed by the Chief Chemical Examiner/ Regional Chemical Examiner. Three Mobile Liquor Testing Laboratories are functioning under the department, one for each Excise Zone, which enables Enforcement Officers to conduct an on-the-spot detection of foreign ingredients and percentage of ethyl alcohol contained in Alcoholic Beverages sold by the licensees.

Audit test checked the Mobile Liquor Testing Laboratory functioning under the Joint Excise Commissioner (Central Zone) and the details of samples taken from Foreign Liquor shops and toddy shops functioning in the selected four districts, its Chemical analysis reports received from the Chemical Analysis Laboratories. It was revealed that:

i) For mobile liquor testing, samples were collected for analysis from Toddy Shops alone, whereas, the Excise Commissioner had directed (09 September 2013 and 03 July 2018) to collect samples from all licensees, *viz*., Toddy shops, Foreign Liquor Shops, Beer/ Wine Parlours, Bar Hotels and liquor serving Clubs, for analysis;

ii) During the period 2022-23, samples for chemical analysis were taken only from 69 out of 208 FL-3 licensees as detailed in **Appendix – XXI**. The chemical analysis report was not obtained in 102 cases.

iii) Targets for collection of toddy and foreign liquor samples were not fixed.

On this being pointed out, Government stated (October 2024) that random sampling and testing of foreign liquor is done at various points in the supply chain, whereas the same is not being done for toddy. Hence, the mobile testing labs are meant for toddy sector and there is only one lab for each zone, these labs cannot be expected to take samples from all shops. Fixation of targets for sample collection is not practical as the samples are randomly collected, which also acts as surprise checks.

The reply is not acceptable as the Excise Commissioner had directed (September 2013 and July 2018) to collect samples from all licensees, and samples were collected from FL shops too during 2022-23. Hence, the

contention that the Mobile Testing Labs were meant for toddy sector alone, is untrue.

- **Granting of FL-4A club licence without verification**

As per Rule 13 (4A) of Foreign Liquor Rules, 1953, FL-4A club licences may be issued to existing clubs for serving liquor to its members, subject to the condition that the Club should have been registered as a Society, and the land and buildings should be in the name of such Society.

Audit test checked 17 out of 23 FL-4A club licences granted in the four selected districts. It was noticed that FL-4A club licence was issued to United Club, Alappuzha, which did not have a land on its own but possessed a government land leased out for the purpose of construction of club and used as playground. The lease deed clearly stipulated that the land assigned should not be used for any other purposes. As the land is not in the name of the Club, it cannot legally serve liquor to its members and therefore, issue of FL-4A licence to United Club Alappuzha is irregular.

On this being pointed out, Government stated (October 2024) that the Village Officer has certified that the land is Government's land which is leased out to the Club and is under possession of the Club and Alappuzha Municipality has issued an Ownership Certificate to the effect that the buildings on the said land are under the ownership of the Club's Secretary. It was also stated that department on verification of the documents furnished by the Club found that the land and building are under the possession and ownership of the Club and hence, FL-4A licence was issued.

The reply is not acceptable. One of the conditions for issuing FL-4A licence is that the land and buildings should be in the name of the Society. As cited by the Village Officer, and evident from records, the land held by the Club is Government's land and leased out to the Club for special purpose and hence is not under Club's ownership.

- **Transfer of Foreign Liquor licences under the guise of reconstitution/ change of name**

Rule 19(ii) and (iii) of the Foreign Liquor Rules, 1953 deals with the reconstitution of partnership by addition or deletion of members or reconstitution of Directors in a Company, on payment of rupee one lakh. Para 18 of Chapter XIX of the Kerala Excise Manual Vol. II stipulates that fixed fee licences shall not be transferred from the name of one person to another and if there is a need for a change in the fixed fee licences, the proper procedure for the holder is to surrender the licence and to treat the case of the proposed transferee as a fresh applicant. The licence fee for FL-3 licence was ₹35 lakh during 2023-24.

Audit verified 45 cases in the four selected districts dealing with permissions granted by the Excise Commissioner during 2022-23 for reconstitution of directors/ partners of companies/ partnership firms and found that in two cases the permission was granted by misinterpreting the Foreign Liquor Rules. In both

cases, the ownership of the property of hotel was transferred from one company to another company. Hence, it was not a reconstitution of directors of a company but transfer of ownership from one company to another company. The proper way of transfer of licence in such case is to surrender the existing licence and get a fresh licence issued in the name of the new owners, if they are eligible. Omission to do so had resulted in short levy of licence fee of ₹64.00 lakh, as detailed in **Table – 4.4**.

Table – 4.4: Short levy of licence fee

Licence No.	Name of the original licensee	Ownership changed to	Order No. Amount Realised	Licence fee applicable (₹ in lakh)	Short realisation (₹ in lakh)
P-15/ 2022-23	Krishnanunny C.S. of Govardhana Restaurant, a unit of Sahadevan Sons Pvt. Ltd.	Rejin. K A of M/s Malampuzha Hotels	PPRRAMBD/ 2023/ 00006 dated 05 June 2023; ₹3,00,000	35.00	32.00
P-34/ 2023-24	Arunraj of Hotel Sreevalsam Residency, a unit of Sree Valsam Hotels & Resorts Pvt. Ltd	Dominic Savio Varghese, partner of M/s TMJ Hotels and Resorts LLP.	PPPRAMBD/ 2023/ 00001 dated 28 August 2023; ₹3,00,000	35.00	32.00
Total short realisation					**64.00**

Source: based on data furnished by department.

On this being pointed out, Government stated (October 2024) that the Excise Manual is a guideline for the officers of the Excise department and it cannot overrule a legislation. The provisions of Rule 19(i) allow transfer of licence under the prior permission of Commissioner and Rule (iv) stipulates the fee for change of name of licensee and hence the licence granted under FL Rules can be transferred from the name of one person to any other person/ firm. The fee for transfer of licence is mentioned in Rule 19(iii) and hence, the transfer of ownership was sanctioned by levying fee of ₹1.00 lakh and change of name was allowed by levying ₹2.00 lakh. Hence, the permissions granted by the Commissioner is in order.

The reply is not acceptable. The 'transfer of licence' laid down in Rule 19(ii) of the Foreign Liquor Rules deals with cases where the board of directors of a Company is reconstituted by way of addition or deletion of directors of that Company and fee prescribed under Rule 19(iii) is for reconstitution of directors of the Company. As there is no clear provision in Foreign Liquor Rules, 1953, to override the guidelines laid down in Kerala Excise Manual in the case of sale of Licences from one holding company to another, the guidelines are applicable in such cases.

- **Unauthorised reconstitution of Board of Directors of Companies and Partnership firms, holding FL Licences**

Rule 19(i) of Foreign Liquor Rules, 1953 restricts transfer of a licence obtained under the Rules without the previous sanction of the Commissioner of Excise. Rule 19(ii) and (iii) of Foreign Liquor Rules, 1953, clarifies that the reconstitution of partnership by addition or deletion of members or reconstitution of Directors in a Company shall be deemed to be a 'transfer of licence' and can be allowed on payment of rupee one lakh. If any unauthorised reconstitution is detected, the Commissioner shall impose a fine of rupees three lakh under Section 67 of the Abkari Act and may regularise such irregular reconstitution after accepting the fine so imposed.

i) Reconstitution of director board of Companies

Audit cross-verified the data of 61 companies holding FL-11 and FL-3 licences in selected districts, with the database in the website of Ministry of Corporate Affairs, GoI, which contain the master data and signatory/ director details of companies, and found that two[57] companies made six instances of reconstitution of board of directors without prior approval of Commissioner of Excise. These reconstitutions were not yet regularised by collecting fee and fine. The non-levy of fee and fine amounted to ₹24 lakh[58].

ii) Reconstitution of Partnership firms

Audit cross-verified the data of 281 Partnership firms holding FL-11/ FL-3 licences in selected Districts with the records of Registrar of Firms, GoK and found that two[59] partnership firms made two instances of reconstitutions of their partnership without the prior approval of Excise Commissioner out of which one is not yet regularised and the other was regularised without collecting fine. The non-levy of fee and fine involved in these reconstitutions amounted to ₹7.00 lakh[60].

On this being pointed out, Government stated (October 2024) that two of the four licences pointed out by Audit have regularised the unauthorised reconstitution, while notices have been issued to the remaining licensees to submit application for regularisation. Further reply awaited (October 2024).

- **Renewal of FL-3/ FL-11 licences without star classification**

Rule 13(3) of Foreign Liquor Rules, 1953 stipulates that FL-3 licences may be issued to hotels which have obtained three-star, four-star, five-star, five-star deluxe, heritage, heritage grand or heritage classic classification from the Ministry of Tourism, Government of India. Government of Kerala, citing huge backlog in issuing star classification by Ministry of Tourism, issued (latest in

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[57] Casino Hotels (25 January 2021, 01 February 2021, 03 September 2021, 15 November 2021 and 03 December 2021) and Harbour View Residency (10 May 2022) of Ernakulam District.

[58] Fee ₹1 lakh each + Fine ₹3 lakh each = ₹(6x1) lakh + ₹(6x3) lakh = ₹24 lakh.

[59] Ranimatha Arcade (01 April 2022) and Malayattur Residency (01 February 2021) of Ernakulam District.

[60] Fee ₹1 lakh for one instance + Fine ₹3 lakh each = ₹1 + ₹6 lakh = ₹7 lakh.

March 2023) directions, without amending the Rule provision, to the State Excise Commissioner to renew FL-3/ FL-11 licences to hotels whose classification was expired, if applications for Star Classification renewal have been submitted to the Ministry of Tourism on time.

Audit verified licence renewals in the selected districts and found that licences of 144 licensees were renewed on production of application submitted to Ministry of Tourism as detailed in **Appendix – XXII**, of which eight licences were renewed continuously for four years and another 10 licences for three years. Since submission of a valid Star Classification certificate is an obligatory condition for grant/ renewal of FL licence, the renewal of FL licences by department, on the basis of a copy of the application submitted to Ministry of Tourism, is irregular.

On this being pointed out, Government stated (October 2024) that direction has been issued to all divisional Deputy Excise Commissioners to examine and report the circumstances leading to the continuous renewal of licences of eight Hotels for four years, and 10 hotels for three years, without a valid Star Classification. In other cases, licences were renewed in accordance with Government sanction to renew the licences of those institutions who have timely applied for renewal of Star Classification to the Tourism Ministry, but whose applications were not processed by the Ministry on time.

The reply is not acceptable. The renewals are to be done as per stipulations of Abkari Act, and any relaxation therein should have Legislature's approval.

Recommendation 3:

Department may establish a monitoring mechanism with respect to issuance and renewal of various Abkari licences.

4.4.6.5 Disposal of Seized Vehicles and other Contrabands

Audit reviewed the disposal of seized vehicles, spirit and other contrabands in the four[61] selected Excise Divisions and found the following:

- **Delay in disposal of seized vehicles**

Section 53A of the Abkari Act stipulates that liquor/ drug/ materials/ conveyances seized under Section 34 of the Act shall be disposed, within one month[62] of orders issued by an authorised officer not below the rank of an Assistant Excise Commissioner, in public auction or e-auction. Section 52A of NDPS Act, 1985 states that vehicles involved in NDPS cases can be disposed after preparation of inventory as stipulated in the Act and certified by the Magistrate of the concerned Court.

Audit reviewed the disposal of seized vehicles in the four selected Excise Divisions and found that, out of the 3,127 seized vehicles involved in Abkari/

[61] Palakkad, Ernakulam, Kasaragod, Alappuzha.
[62] Rule 16 of Kerala Abkari (Disposal of confiscated articles) Rules, 1996.

NDPS cases, available for disposal during the audit period, only 496 vehicles were disposed, leaving 2,631 vehicles pending for disposal as on 31 March 2023. Details of seized vehicles and its disposal is given in **Appendix – XXIII**. Further, since these vehicles were retained in open spaces, they were prone to corrosion, mechanical failure, theft etc., and delay in auction would lead to realisation of value lower than the current realisable value of the vehicle.

On this being pointed out, Government stated (October 2024) that, after seizure of vehicles under Abkari/ NDPS Act, the Chemical Analysis Report of *thondy*[63] articles which is necessary for confiscation, is delayed. Further, documents like Registration Certificates of vehicles, Valuation Certificates from the Mechanical Engineer, and Enquiry Reports are required for disposal of vehicles. Moreover, outdated/ damaged vehicles may not get sold in public auction even after repeated attempts on MSTC[64] platform. All these factors result in delays in disposal of seized/ confiscated vehicles.

The reply highlights systemic deficiencies requiring Government attention. Delay in conducting auction results in vehicles becoming outdated/ damaged and thus remaining unsold in auction. Audit found that at the beginning of the year 2020-21, 1,595 seized vehicles were pending for disposal and altogether only 496 vehicles were disposed during the audit period which means more than 1,000 vehicles remain unsold were kept in open spaces for more than four years, and this may be the cause for outdate/ damage of vehicles.

- **Preparation of inventory and disposal of *Thondy* articles**

Section 53A read with Section 67B of the Abkari Act, deals with the preparation of inventory of *thondy* articles, and their production before an Authorised Officer. As per Rules 4A and 5 of Kerala Abkari (Disposal of confiscated articles) Rules, 1996, contrabands, including spirit, seized in Abkari crime cases is to be disposed of after seizure in such manner as prescribed.

Scrutiny at the four selected Excise Division Offices, revealed that Inventory Register was not maintained properly and the details of certification of inventory was not recorded. Audit inspected *Thondy* rooms of selected Excise Range Offices and found that seized liquor and other contrabands were kept without disposal. For example, a truckload of 5,490 litres of foreign liquor[65], seized in 2003, was dumped in a large room in the Excise Complex at Hosdurg.

On this being pointed out, Government replied (October 2024) that the matter is being examined to ensure compliance and stop the repetition of mistakes. Further reply awaited (November 2024).

[63] Vernacular term for 'seized articles'.
[64] MSTC Limited is a Central Public Sector Undertaking under the Ministry of Steel, Government of India, involved in diversified e-commerce services.
[65] Involved in Abkari Crime No. 06/2003 of ERO Neeleshwaram.

Recommendation 4:

Department may establish effective mechanism to dispose of the seized vehicles and other inventory items involved in Abkari and NDPS offences within the time limits prescribed.

4.4.6.6 Under utilisation of Infrastructure

Article 40(b) of the Kerala Financial Code, Volume-1 stipulates that every Government servant who incurs or authorises the incurring of any expenditure from public funds should see that the expenditure should not be *prima facie* more than the occasion demands.

Audit noticed that in the following instances, though expenditure was incurred, department is not getting its intended services.

- **Non-utilisation of Modern Interrogation Rooms available at Zonal Offices**

Department established Modern Interrogation Rooms[66] in three Zones *viz*., Kollam, Ernakulam and Kannur, at a cost of ₹22.49 lakh, for scientific questioning of the accused in Excise cases. The facilities available there include an interrogation room, an officer's cabin to watch the actions of the accused in the interrogation room without his knowledge, Audio and Video recording of the interrogation, remote viewing of interrogation, laptop for interrogator etc. Audit noticed that the Interrogation Room constructed (August 2022) at Central Zone, Ernakulam, was utilised only in two instances[67]. When an interrogation room with the latest scientific equipment was available, the department chose to leave it unutilised. The accused could have been transported and interrogated in these rooms which would have brought greater benefit in analysing and strengthening the case.

Department replied (December 2023) that the Zonal Interrogation Room was not utilised, as the accused were interrogated at subordinate field offices itself for gathering evidence. Government further replied (October 2024) that preliminary interrogation is made at the spot of crime detection, for gathering evidence. During the limited time of custody of the accused, post detection of cases, it is not practical to bring the accused to the Zonal Interrogation Room. However, instructions have been issued to utilise the facilities of Modern Interrogation Room in the investigation of crimes demanding thorough interrogation.

The replies corroborate Audit finding that scientific methods, though available, were not utilised for interrogation of accused. The officials are still using the conventional method of interrogation in subordinate field offices, where no scientific facilities are available.

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66 Administrative Sanction (01 July 2021).
67 10 May 2023 and 19 July 2023.

- **Injudicious expenditure on purchase of boat**

M/s Steel Industrials Kerala Ltd. (SILK), a Government of Kerala undertaking, manufactured a boat with seating capacity of 20 persons, for the use of Excise Enforcement Wing, working under Excise Range Office, Kuttanad, at a cost of ₹35.02 lakh (April 2014). Audit found that this boat is now docked at Kuttanad Range office. The reason for docking is reported (August 2019) by Excise Circle Inspector, Kuttanad as the boat is of large size and during summer seasons, when the water level decreases, the bottom of the boat touches the canal-bed and during monsoons, the top of the boat touches the bridges across the canals. Hence, the boat is not suitable for raid and patrolling through small canals having bridges across them.

On this being pointed out, Government stated (October 2024) that Kuttanad is a below sea-level waterlogged land, and a boat is very much essential for patrolling and crime-detection. As there was large scale illicit distillation of arrack in Kuttanad Range area, the boat was purchased in 2014 to carry requisite Excise manpower and huge quantities of seized articles like wash, arrack, barrels etc. However, during extreme weather and monsoon seasons, difficulties are faced to operate the boat. Department has held discussions with Inland Water Transport department and District Tourism Promotion Council to exchange this boat with two small boats.

The reply confirms the Audit observation that the expenditure on purchasing the boat was incurred without ascertaining the field conditions *vis-à-vis* departmental requirements.

Recommendation 5:

The Department may:

(i) issue strict instructions to the officials to use the modern interrogation room for interrogating the accused to bring greater benefit in analysing and strengthening the cases;

(ii) take steps to utilise the boat for meaningful purposes.

4.4.6.7 Idling of Human Resources

(i) Excise Circle Offices are functioning at *Taluk* level and the enforcement activities are being co-ordinated through Excise Range Offices under them. Government created (December 2017) six new Excise Circle Offices including one at Vellarikkundu under EDO, Kasaragod. However, no Range Offices have been allotted to ECO, Vellarikkundu. Hence, for the last six years, this office is functioning with one Circle Inspector, two Preventive Officers and one Civil Excise Officer without any enforcement related work.

On this being pointed out, Government stated (October 2024) that the proposal for formation of new Excise Range Office at Vellarikkundu was rejected for the reason that new posts cannot be created at present.

Government reply thus corroborates the Audit observation of wastage of human resources.

(ii) Excise units are functioning in every Distilleries/ Compounding, Blending and Bottling Units/ Warehouses for supervising their activities. Audit noticed that in three[68] defunct Distilleries, department took 47 to 76 months to withdraw Excise officials posted there. Thus, the officials trained in enforcement activities were kept inadequately utilised, with mere duty to guard unsold stock of IMFL, spirit and other manufacturing materials, as detailed in **Appendix – XXIV (A)**.

On this being pointed out, Government replied (October 2024) that, the Excise staff were retained at premises of these licensees till the completion of uninstallation of machineries and destruction of raw materials to prevent any malpractice/ till expiry of licence period. It was also stated that the posts were specifically created for distillery/ brewery and the service ends, as and when the posts are abolished. Hence, the issue of idling does not arise.

Government contention is not acceptable, as it is evident that the staff were retained without any work, particularly at M/s United Spirit, Cherthala and M/s United Brewery, Cherthala, when they could have been utilised for enforcement activities at other stations/ units. Moreover, the present status of utilisation of the staff withdrawn from the distilleries were not furnished by Government to substantiate that their service ends upon their withdrawal.

(iii) For strengthening of enforcement activities and for reducing alcohol consumption and drug abuse among tribal people, Government formed Special Excise Squads (Janamaithri Excise Squads) at tribal areas *viz*., Attappadi (August 2013), Mananthavadi (March 2016), Devikulam (July 2017) and Nilambur (July 2017). These Special Excise Squads were empowered to detect and investigate offences. Audit noticed that vide circular (January 2018), the Excise Commissioner directed the squads to handover crime cases detected by them to other offices for investigation. Audit visited Janamaithri Excise Squad at Attappadi and found that they were not registering crime cases. Without being assigned duties and responsibilities, there is no justification for continuance of Janamaithiri Special Squads with a staff strength as given in **Appendix – XXIV (B)**.

On this being pointed out, Government replied (October 2024) that Janamaitri Excise Squads were set up in Tribal areas with the objective of spreading awareness and weaning the Tribals away from liquor and other intoxicants. The Squads were executing only enforcement activities initially, but upon finding that mere enforcement was not sufficient, the Janamaitri Squads were directed to concentrate on awareness programmes only, and transfer enforcement cases to the Range Offices of their region. The Squads are now engaged in achieving their objective by conducting awareness programmes, providing facilities and

[68] United Spirits Ltd., Kanjikkode; United Spirits, Cherthala; United Breweries, Cherthala.

engaging tribals in beneficial activities like attending coaching classes organised by the Squads for obtaining Government jobs.

Government reply confirms that Janamaithri Squads consisting of Excise officials trained for enforcement activities are not engaged in enforcement functions.

Recommendation 6:

Department may take necessary steps to establish atleast one Excise Range Office under Excise Circle Office, Vellarikkundu and to utilise idle manpower available anywhere in the department, for enforcement activities.

4.4.6.8 Inadequate Internal Control

Internal Control Mechanism provides reasonable assurance of enforcement of Acts, Rules and departmental instructions. It helps in prevention of frauds and other irregularities, thereby ensuring a reliable financial and managerial information system with adequate safeguards against evasion of revenue.

Setting up an Internal Control Mechanism is the responsibility of the department.

Audit noticed that:

i) Excise Commissioner has directed[69] Deputy Excise Commissioner to inspect Excise Circle Office and Excise Range Office at least once in every three months. Audit found that only 11 out of 22 sub offices in the selected four districts were inspected by the Deputy Excise Commissioners during the year 2022-23.

ii) Rule 7 of NDPS (Seizure, Storage, Sampling and Disposal) Rules, 2022 stipulates that department shall designate an Inspecting Officer for each godown established under Rule 4 of the said rules and the Inspecting Officer shall make periodical inspection of the godown, at least once in every quarter. Audit found that, although ten godowns were established (May 2022) in the State, the designated Inspecting Officer for each godown has not yet been (March 2024) notified.

Owing to inadequate inspection, issues like irregular maintenance of basic records, delay in charge sheeting in crime cases, shortfalls in inspection of liquor shops and sample collection from licensees, etc., were not attended.

On this being pointed out, Government replied (October 2024) that strict directions have been given to concerned officers to conduct periodical inspection of sub offices. Action is being taken to notify the designated Inspecting Officer for each godown established under Rule 4 of NDPS (Seizure, Storage, Sampling and Disposal) Rules, 2022.

[69] Circular No.EXC10/2022/EXCISE dated 26 March 2022.

Recommendation 7:

Department may establish a robust system to ensure that all the internal control mechanisms of the department are functioning as envisaged.

4.4.7 Conclusion

The Subject Specific Compliance Audit on Enforcement activities of the State Excise department was undertaken to ascertain whether the Excise department achieved its goal of making Kerala a drug and addiction free State and promoting responsible use of alcohol, through proactive and empathetic enforcement.

A review of the functioning of enforcement of department disclosed shortfall in establishing both Abkari and NDPS offences. This was mainly due to non-utilisation of inputs about the offences received from various sources, delay in completion of investigation, gathering of samples from offence scene/ licensee premises, delay in obtaining chemical analysis reports etc. These procedural lapses resulted in acquittal of accused.

The review also disclosed compliance deviation in granting various Abkari licences like FL-3 (Bar) licence, FL-11 (Beer Parlour) licence, FL-4A (serving liquor in clubs) licence, Toddy tapping licence. These deviations caused revenue loss to the exchequer to the tune of ₹9.26 crore. Delay was also found in disposal of seized articles involved in Abkari/ NDPS offences. Department was found idling some of their human resources and incurring unfruitful expenditure.

Illustrative cases observed during the audit of selected units

Some illustrative cases observed during the audit of selected auditable units are mentioned in the succeeding paragraphs.

4.5 Loss of revenue due to non-collection of additional annual rental from toddy shops

Non-realisation of additional annual rental from toddy shops resulted in short collection of ₹0.43 crore.

As per GO(P)/38/2020/TD dated 12 March 2020, Government of Kerala notified privilege of vending toddy, fixing the annual rental for toddy shops for the financial years 2020-21, 2021-22 and 2022-23 at the rates appended with the notification. Government amended (October 2021) Rule 4(1) of the Kerala Abkari Shops Disposal Rules, 2002, incorporating 'additional annual rental' in addition to the fixed annual rental, which has to be remitted by the grantee or licensee at the rate of ₹1,000 per shop and in the case of toddy shops entrusted to the workers' committee formed by the toddy shop workers and tappers at the rate of ₹250 per shop. The additional annual rental has to be remitted by way of Demand Draft drawn in favour of Deputy Commissioner of Excise of the division concerned.

On scrutiny (September 2022) of the records in the Office of the Excise Commissioner, Audit noticed that out of 5,170 toddy shops in the State, 4,865 toddy shops were handed over, including 690 shops entrusted to the Workers Committee. Audit observed that during the year 2021-22, neither these 4,865 toddy shops remitted additional annual rental, nor the Division Officers concerned demanded it. This resulted in short collection of ₹43.48 lakh as shown below in **Table – 4.5**.

Table – 4.5: Additional Annual Rent

Sl. No.	Particulars	Number	Rate of additional annual rental (₹)	Amount due (₹ in lakh)
1	Toddy shops sold (other than DM/ workers committee)	4,175	1,000	41.75
2	Toddy shops entrusted to workers' committee	690	250	1.73
	Total	**4,865**		**43.48**

Source: based on data collected from department.

On this being pointed out (May 2023), Government stated (July 2023) that instruction has been given to the Excise Commissioner to collect the same and steps are being taken by the Excise Commissioner to issue notice to the licensees concerned to collect the amount in accordance with the law. Department further intimated (December 2023) that additional rent of ₹32.31 lakh have been

collected from individual Toddy Shop licensees, and ₹2.38 lakh from individual shops run by representatives of Workers' Committee. Further progress is awaited (November 2024).

It is recommended that department may ensure adequate monitoring mechanism to ensure that issuance of demand notices and collection of due rent are made in time.

4.6 Unauthorised reconstitution of Board of Directors of company holding Foreign Liquor licence

Non-imposition of fine for unauthorised reconstitution and non-collection of fees for regularisation resulted in non-realisation of ₹4.00 lakh.

As per Rule 19(iii) of Foreign Liquor Rules, reconstitution of partnership/ directors of a company may be allowed on payment of rupee one lakh. As per Section 67(2) read with 67(3) of Akbari Act, the Excise Commissioner (EC) may impose a fine of rupees three lakh each on any person or persons holding a licence or permit for violation by reconstitution, alternation or modification without the permission of the EC. The EC may regularise such irregular constitution on payment of fine and requisite fee from the licensee.

On Audit scrutiny (December 2022) in the Office of the Deputy Commissioner of Excise, Idukki, with reference to the database maintained by the Ministry of Corporate Affairs, Audit observed that the company, 'Green Oasis Regency Hotels Pvt. Ltd.' having hotels with FL-3/FL-11 licences, had reconstituted its Board of Directors during the period 2019-22. But the reconstitution was made without the permission of the EC. Non-imposition of fine for unauthorised reconstitution and non-collection of fee for regularisation resulted in loss of revenue of ₹4.00 lakh as shown in **Appendix – XXV**.

The matter was reported (November 2023) to Government and Government stated (April 2024) that, based on the audit observation, notice was issued to M/s Green Oasis Regency Pvt. Ltd. to regularise the unathorised reconstitution. Government also stated that, upon verification, it was noticed that the company had reconstituted the Director Board six times. In addition, the Director Board was modified by changing the designation of Director Board members twice. For these violations, department imposed a fee of ₹0.06 crore and a fine of ₹0.24 crore. The company remitted the fee of ₹0.06 crore but has filed petition[70] before the Honorable High Court against imposition of fine of ₹0.24 crore. The case is pending for final judgement.

It is recommended that the Department may periodically cross verify the data available with the website of the Ministry of Corporate Affairs or other institutions to identify the unauthorised reconstitutions and action has to be taken to fix responsibility in cases of granting undue benefit to the hotels.

[70] WP(C) 42797/2023.

4.7 Loss of revenue due to irregular transfer of Foreign Liquor licence

Irregular transfer of Foreign Liquor licences instead of issuing fresh licences resulted in short collection of ₹0.27 crore.

Rule 19(i) of Foreign Liquor Rules, 1953, read with Para 18 of Chapter XIX of the Kerala Excise Manual Vol. II, stipulates that, if there is a need for a change in the case of fixed fee licences, the proper procedure for the holder is to surrender the licence and to treat the case of proposed transferee as a fresh applicant. As per Rule 13(3) of FL Rules, 1953, the licence fee for FL-3 (Bar) licence to hotels (three-star and above) was ₹30 lakh during 2021-22.

Upon obtaining three-star classification, the FL-3 licence, granted to Shri. E M Jose, proprietor of Gemini Tourist Home, was reinstated in April 2009 and was renewed up to 2021-22.

During Audit scrutiny (November to December 2022) of records pertaining to Excise Division Office, Idukki for the period 2019-22, it was noticed that in December 2021, the Excise Commissioner accorded sanction for the transfer of FL-3 licence held by Shri. E M Jose to a partnership firm having the same name 'Gemini Tourist Home', with Shri. E M Jose as managing partner and Smt. Shiji Jose as partner. The sanction was provided by levying rupee one lakh for reconstitution and rupees two lakh for change of name of licensee under Rule 19(iii) and 19(iv) of Kerala Foreign Liquor Rules, 1953.

Audit observed that, instead of directing the licensee to surrender the licence and to treat the proposed transfer of licence as a fresh application, FL-3 licence granted to a proprietor, was transferred to a partnership firm treating it as a reconstitution. This had resulted in short levy of ₹0.27 crore as shown in **Table – 4.6**.

Table – 4.6: Loss of revenue due to irregular transfer of Foreign Liquor licence

(₹ in lakh)

Name of licensee	To whom licence was transferred	Date of order by which transfer was effected	Fee collected by department for transfer	Fees to be collected treating the Firm as fresh applicant	Short Levy of fee
E M Jose (Proprietor of Gemini Tourist Home)	E M Jose and Shiji Jose (Partners of the Firm 'Gemini Tourist Home')	06 December 2021	3.00	30.00	27.00

Source: based on data furnished by department.

On this being pointed out (July 2024), Government stated (September 2024) that under Foreign Liquor Rules, Government have fixed the criteria for reconstitution of partnership and directorships of companies holding FL

licences. Citing provisions of Rule 19(i) and 19(iv) of FL Rules, Government contended that the licence granted under FL Rules can be transferred from the name of present licensee to any other person/ firm. Under Rule 19(i) of FL Rules, the Excise Commissioner is competent to allow the sale, transfer or sub-rent of licence granted under FL Rules. Rule 19(ii) clarifies that reconstitution will also come within the purview of transfer of licence. Rule 19(iii) and 19 (iv) of Foreign Liquor Rules prescribe fees for reconstitution and change of name of the licensee respectively. Hence, the order of the Excise Commissioner is in order. The Excise Manual is a guideline for the officers of the Excise department which cannot override the provisions of Abkari Act and has no force of a statutory provision.

The reply is not acceptable. Reconstitution can happen only when there is an addition/ deletion of members in an existing Firm. In this case, the Gemini Tourist Home, to whom the licence was issued, was existing as a Proprietorship Concern. It was subsequently converted into a Partnership Firm which is not a 'reconstitution' comes under the provisions of Rule 19(iii). The licence in the name of Shri. E M Jose is granted in his capacity as the Proprietor of Gemini Tourist Home, and the same cannot be transferred to the Partnership Firm of same name, i.e., Gemini Tourist Home, by changing the name(s) in the licence. Transfer of licence in such manner is not provided under Rule 19 of Foreign Liquor Rules, as it deals with reconstitutions/ name changes/ transfer of ownerships within the same concern only. Transfer of licences from one individual/ concern to another is not covered in Foreign Liquor Rules. However, Excise Manual lays down guidelines for such cases and since there is no explicit provisions in the Act/ Rules, department is bound to follow the guidelines.

It is recommended that in such cases of transfer of licences, instead of regularising the cases by levying required amount, cases have to be considered as fresh applications. It has to be ensured that all the mandatory conditions required for granting fresh licences are fulfilled by the applicants.

Chapter V

Stamp duty and Registration fees

CHAPTER - V
STAMP DUTY AND REGISTRATION FEES

5.1 Tax Administration

Receipts from Stamp Duty and Registration Fees are regulated under the Indian Stamp Act, 1899, Kerala Stamp Act, 1959, Indian Registration Act, 1908, and the rules framed thereunder. Registration law governs documents rather than transactions. The Registration department is one of the oldest departments in the State. The services rendered in the department include registration of documents, issue of encumbrance certificates, registration of marriages, levy and collection of stamp duty and registration fee etc. Department is administered at Government level by the Secretary to Government, Taxes department and the Inspector General of Registration is the head of the Registration department.

5.2 Internal Audit

The Inspector General of Registration monitors the functioning of the Internal Audit Wing (IAW) of department at the State level and the Zonal Deputy Inspector Generals are responsible for monitoring it at the district level. The District Registrars (Audit) of the respective districts conduct the internal audit of Sub Registrar Offices (SROs). The internal audit team consists of one District Registrar and three senior clerks for each district. The auditee offices are selected giving higher weightage to the pendency of internal audit and anticipated retirement of staff in the respective offices. During 2022-23, out of the 323 units planned for audit, the IAW audited 304 units. During 2022-23, out of the 3,925 outstanding observations, department cleared 2,233 Audit observations (56.89 *per cent)*.

5.3 Results of Audit

During the year 2022-23, out of the total 335 offices in the Registration department, 86 offices were test-checked. Short levy of Stamp Duty and Registration Fees due to misclassification of property, splitting up of property, undervaluation of buildings, non-consideration of fair value of mother survey number and other irregularities amounting to ₹52.91 crore were detected in 220 cases as given in **Table – 5.1**.

Table – 5.1: Details of non/ short levy of Stamp Duty and Registration Fees and other irregularities

Sl. No.	Categories	No. of cases	Amount (₹ in crore)
1	Short levy of Stamp Duty and Registration Fees due to misclassification of property	20	1.21
2	Short levy of Stamp Duty and Registration Fees due to undervaluation of buildings	81	43.45
3	Short levy of Stamp Duty and Registration Fees due to splitting up of property	7	0.35
4	Short levy of Stamp Duty and Registration Fees due to non-consideration of fair value of mother survey number	15	0.69
5	Others	97	7.21
Total		**220**	**52.91**

Source: Compiled by AG (Audit II).

During the course of the year, department accepted under-valuation and other deficiencies involving ₹0.86 crore in 33 cases. An amount of ₹0.10 crore pointed out in 27 cases was realised during the year 2022-23.

A few illustrative cases involving ₹0.39 crore are given in the following paragraphs.

5.4 Short collection/ loss of revenue due to misclassification of land

Misclassification of Commercially important plot as residential plot and residential plot with PWD road access as residential plot with *panchayath* road access resulted in short collection of stamp duty and registration fees amounting to ₹0.33 crore.

As per Section 45A (1) of the Kerala Stamp Act (KSA), 1959, while registering an instrument transferring any land, the registering officer shall verify whether the value of the land is the fair value of that land. Government of Kerala fixed the fair value of land and notified (March 2010) by classifying entire land in 15 categories[71] based on usage of land. The fair value has been subsequently revised six times[72], the latest being in 2022 and 2023.

Section 45B of KSA, 1959, states that if the Registering Officer, while registering any instrument transferring any property, has reason to believe that the value of the property has not been truly set forth in the instrument, he may, after registering such instrument, refer the same to the Collector for determination of the value.

[71] Commercially important plot, Residential plot with NH/ PWD road access, Residential plot with Corporation/ Municipality/ *Panchayath* road access, Residential plot with private road access, Residential plot without vehicular access, Garden land with road access, Garden land without road access, coastal belt, water logged land, rocky land, waste land, wet land, Hill tract with road access, Hill tract without road access, and Government Property.

[72] The earlier revisions were in 2014, 2018, 2019 and 2020.

Inspector General of Registrations directed[73] that, where new subdivisions are carved out of existing subdivisions or survey numbers without fixing their classification-by-use and fair values, the Sub Registrars should adopt the fair value of mother subdivision or any other subdivision in mother survey number, whose classification-by-use matches with that of the newly created subdivision.

5.4.1 Misclassification of commercially important plot

On Audit scrutiny (November and December 2021) of sale deeds in six Sub Registrar Offices[74], Audit observed that, even though the category of land as recited in the registered documents was 'commercially important plot', the fair value as applicable to that category was not taken by the Sub Registrars while registering the documents. Further, the Sub Registrar did not comply with Section 45B of KSA, 1959 and failed to report the undervaluation. The misclassification of commercially important plot resulted in undervaluation of the property and resultant short levy of stamp duty and registration fees amounting to ₹0.27 crore in respect of 16 cases, as detailed in **Appendix – XXVI**.

On this being pointed out (November 2022), Government stated (August 2023) that the remarks of the Accountant General are agreed with and *suo motu* undervaluation proceedings have been initiated under Section 45B (3) of Kerala Stamp Act in respect of Sl. No. 1, 2, 6, 7, 8, 9, 10, 11, 12, 13, 15 and 16 of the Appendix XXVI. In respect of Sl. No. 3, 4 and 5, though Government accepted the audit observation, it was stated that, as the time period of five years has elapsed, *suo motu* undervaluation proceedings could not be initiated. The reply is vague because no action was initiated for fixing responsibility on the Registering Officer as directed in Rule 189 of Registration Rules (Kerala), 1958, which states that the Registering Officer will be liable for any loss to Government which may arise from neglect on his/ her part in the registration of a document.

In respect of sale deed 639/2016 (Sl. No.14), it was stated that the value set forth at the time of registration is correct because in the document there was no mention that the building is a shop. Further, the Registering Officer is not liable to visit the site to verify and assess the ground reality. The reply is not tenable as there was recital in the document about the existence of a terrace building which is rented out to KSEB, for commercial purposes. In addition, in the part where the category of land by its usage was described, it was recited that a building of commercial and residential usage is situated. The document also mentioned the building number assigned by Local Body. In the building assessment details of Local Body, which can be accessed online, it was clearly stated that the building is more than 15 years old and is used for commercial purposes. Hence, the Registering Authority, without any site visit, had enough data about the property being a commercially important plot. Moreover, a Joint Physical Verification conducted (December 2021) by the Audit Party and Sub Registrar revealed that the property is situated in the main commercial area of

[73] Circular No. RR-9/20442/2014 dated 01 January 2015.
[74] SROs - Edakkara, Uduma, Ollukkara, Kattoor, Wadakkancherry and Perinthalmanna.

Kattoor Bazar and there is an entrance to the property from PWD road. Further remarks awaited (November 2024).

Thus, due to the failure on the part of Registering Authorities to report undervaluation within the stipulated period of five years, Government had sustained a loss of ₹0.03 crore in three cases and the registering authority failed to either report undervaluation or to ascertain the accurate fair value of land in 13 cases which resulted in short collection of revenue amounting to ₹0.24 crore.

5.4.2 Misclassification of residential plot with PWD road access

On scrutiny (January 2022) of the sale deeds in the Sub Registrar Office, Ollukkara, Thrissur, Audit observed that a sale deed (Doc No. 626/1/2017) was executed (31 March 2017), comprising of 16.19 Ares of land in Panancheri village of Thrissur district by Sri. Shivaprasad in favour of Sri. A.L. Mathunni. The property was classified as 'Residential plot with *Panchayath* road access' at a total consideration of ₹15.00 lakh.

Audit revealed that, as per the document, the property has PWD road access on the Northern side. Being so, the correct classification of the property should be 'Residential plot with PWD road access' instead it was incorrectly categorised as 'Residential plot with *Panchayath* road access'. Further, the Sub Registrar did not comply with Section 45B of KSA, 1959, and failed to report the undervaluation. The incorrect classification resulted in undervaluation and short collection of stamp duty and registration fee amounting to ₹2.14 lakh as detailed in **Appendix – XXVII**.

On this being pointed out (November 2022), Government stated (August 2023) that, though the audit observation is agreed with, *suo motu* undervaluation proceedings could not be initiated as the time period of five years has elapsed.

The reply is not acceptable because action should have been taken against the Registering Officer, fixing responsibility for the loss as stipulated in Rule 189 of Registration Rules (Kerala), 1958, which states that the Registering Officer will be liable for any loss to Government which may arise from neglect on his/ her part in the registration of a document.

Thus, the failure of the Registering Officer to ascertain the accurate fair value of land resulted in loss of revenue amounting to ₹2.14 lakh.

5.4.3 Misclassification of Residential plot with NH road access and a commercially important plot

Scrutiny of sale deeds (July 2022) at Sub Registrar Office, Edappally, Ernakulam, revealed that a sale deed[75] was executed (February 2019) by Sri. Abdul Salim in favour of M/s Double Tree Properties LLP conveying 21.18 Ares of land[76] with residential building in Edappally South Village for a total

[75] Doc. No. 528/1/2019 dated 22 February 2019.

[76] In Survey Nos. 86 (Subdivision nos. 13/6, 13/7, 12A/2, 12A/3, 12B/2) and 85 (Subdivision No. 16B/3) of Edappally South Village, Kanayannur *Taluk*, Ernakulam District.

consideration of ₹7.59 crore[77]. The conveyed property consisted of two scheduled properties, schedule 'A' and schedule 'B'.

Audit noticed that both properties had NH Bypass Road access on the eastern side. The mother subdivisions of schedule 'A' property was classified as 'residential plot', and that of schedule 'B' property was classified as 'commercially important plot'. As such, the correct classification of schedule 'A' property should be 'Residential plot with NH road access' while that of schedule 'B' should be 'commercially important plot'. Failure to classify the properties accordingly had resulted in undervaluation and short collection of stamp duty and registration fees by ₹3.71 lakh, as shown in **Appendix – XXVIII**.

The case was reported to Government (July 2023). Government accepted the observation and replied (August 2023) that, since the property has NH Bypass Road access on the eastern side, the classification should have been 'Residential plot with NH/ PWD Road access'. Hence, the Registering Officer should have booked the document for undervaluation under Section 45B of Kerala Stamp Act, 1959, after completing the registration. It was further stated that the District Registrar (General) has initiated *suo motu* action under Section 45B(3) of Kerala Stamp Act, 1959, to make good the loss to Government.

It is recommended that at the time of registration of land, due attention must be given to the classification of land to avoid misclassification. Responsibility must be fixed on the Registering Officer for causing loss to the exchequer.

5.5 Short levy of Stamp Duty and Registration Fees caused by error in fixation of fair value

The Revenue Divisional Officer without specifying sub-division fixed two fair values for a commercially important land situated in a single re-survey number. Error in fixation of fair value of land resulted in short levy of Stamp duty and Registration fees amounting to ₹7.44 lakh.

Section 28A of the Kerala Stamp Act, 1959, provides that every Revenue Divisional Officer (RDO) shall fix the fair value of land situated within the area of his jurisdiction, for the purpose of determining the duty chargeable at the time of registration of instrument involving land. Accordingly, Government of Kerala notified (March 2010) the fair value of land fixed by Revenue Divisional Officers of Kerala, classifying them into 15 classifications based on usage of land.

As per Rule 4 of the Kerala Stamp (Fixation of Fair Value of Land) Rules, 1995, after fixing, the fair value is to be published by a notification. In Form 'A' of the notification, each piece of land, with reference to survey/ resurvey number, is to be classified according to their use by selecting one of the 15 prescribed classifications.

[77] Land - ₹7,50,00,000; Building – ₹9,00,000.

Scrutiny of sale deeds (April 2022) at Sub Registrar Office, Kattappana revealed that a sale deed (Doc. No. 1339/1/2016) was executed in May 2016 at a sale consideration of ₹47.00 lakh for conveying 10.12 Ares of land. The land was originally a part of resurvey number 52 in Block 58 of Kattappana Village, which was subsequently carved out and assigned sub-division number 52/2. It is recited in the document that the property is part of "commercial important plot". Hence, as per IGR directions, the Sub Registrar should levy stamp duty and registration fee based on the fair value for "commercial important plot" in Resurvey number 52.

The Revenue Authorities fixed two different fair values in resurvey number 52 for the classification "commercially important plot" *viz*., ₹8.00 lakh per Are and ₹3.00 lakh per Are. The fair value was subsequently revised and on the date of registration (12 May 2016), the fair value was ₹12.00 lakh per Are and ₹4.50 lakh per Are.

Audit noticed that instead of considering land value of ₹121.44 lakh (at the rate of ₹12.00 lakh per Are) for levying stamp duty and registration fees, the Sub Registrar made the levy on the sale consideration put forth in the document, i.e., ₹47.00 lakh. This resulted in undervaluation of land by ₹74.44 lakh and short levy of stamp duty and registration fees by ₹7.44 lakh as shown in **Appendix – XXIX**.

The case was reported to Government (July 2023) and it was replied (August 2023) that two fair values existed in the mother survey number, and the total consideration set-forth in the document is in accordance with one of the values in the Gazette notification. Therefore, the Registering Officer has no reason to believe that the value of property has not been truly set forth in the instrument, and hence, no reference was made for undervaluation under Section 45B of Kerala Stamp Act, 1959.

The reply is not acceptable. It is the duty and responsibility of each Government servant entrusted with collection of revenue to protect the interest of the Government exchequer. As two fair values were fixed by the Revenue Divisional Officer for lands classified as "commercially important plot" in Resurvey number 52, without specifying subdivision numbers, the Sub Registrar had reasons to believe that the value of property has not been truly set forth in the instrument. Hence, he should have referred the document to the Collector/ District Registrar under Section 45B of Kerala Stamp Act, 1959, for determination of value and duty leviable thereupon.

Failure of the Registering Authority to refer the document to the collector for determination of correct fair value had resulted in short levy of revenue of ₹7.44 lakh.

It is recommended that at the time of registration of land, due attention must be given to the fair value fixed for the land and if any ambiguity arises, the case may be reported to Collector to determine the value of the land.

PART II

ECONOMIC SERVICES

Chapter I
General

CHAPTER - I
GENERAL

1.1 Profile of Departments under purview and trend of expenditure

The Departments included in this part are headed by Additional Chief Secretaries/ Principal Secretaries/ Secretaries, who are assisted by Commissioners/ Directors/ Deputy Secretaries and subordinate officers. The details of budgetary provisions and actuals of revenue and capital expenditure of the four Departments included in this part are provided in **Table 1.1.**

Table 1.1: Budgetary provisions and actuals of revenue and capital expenditure for 2022-23

(₹ in crore)

Sl. No.	Name of Department	Revenue		Capital	
		Budget provision	Expenditure	Budget provision	Expenditure
1	Public Works	3,908.72	3,016.00	3,462.85	2,852.56
2	Forest and Wildlife	731.43	648.71	88.80	66.52
3	Environment and Climate Change*	NA	NA	NA	NA
4	Science and Technology*	NA	NA	NA	NA
Total		**4,640.15**	**3,664.71**	**3,551.65**	**2,919.08**

Source: Appropriation Accounts for the year 2022-23, Government of Kerala.

* These are Secretariat level Departments for which there are no separate Grant Heads in the Budget. The funds for autonomous bodies/ institutions under them are allocated under various other Grant Heads and hence their expenditure also are subsumed in those Heads of Accounts.

During the year 2022-23, the Departments spent lesser amounts for both capital as well as revenue than that provided in the budget. Out of the total capital budget provision of ₹3,551.65 crore, an expenditure of ₹2,919.08 crore (82.18 *per cent*) was incurred by the Departments. Similarly, out of the total revenue budget provisions of ₹4,640.15 crore, an expenditure of ₹3,664.71 crore (78.98 *per cent*) was incurred by the Departments.

1.2 Authority for conducting audit

Authority of the Comptroller and Auditor General (CAG) for audit of Departments and Public Sector Undertakings (PSUs) 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 [CAG's (DPC) Act]. The principles and methodologies for various audits are prescribed in the Regulations on Audit and Accounts, 2020 and Auditing Standards, 2017 issued by the CAG.

1.3 Audit universe and coverage of units

During the year 2022-23, there were 111 audit units under the four Departments, of which 100 units were audited utilising 920 party days.

Four paragraphs included in this part were forwarded demi officially to the Additional Chief Secretaries/ Principal Secretaries/ Secretaries of the Department concerned between December 2023 and July 2024 to furnish their responses within four weeks. Government replies received in respect of the paragraphs are suitably incorporated in the paragraphs.

1.4 Planning and conduct of audit

Audit process starts with the assessment of risks faced by various Departments of Government and Autonomous Bodies based on expenditure incurred, criticality/ complexity of activities, level of delegated financial powers, assessment of overall internal controls and concerns of stakeholders. Previous audit findings are also considered in this exercise. The frequency and extent of audit are decided based on risk assessment.

After completion of audit of each unit, an Inspection Report (IR) containing audit findings is issued to the Head of the Department and the Administrative Department concerned. The Departments are requested to furnish replies to the audit findings within one month of receipt of the IRs. Whenever replies are received, audit findings are either settled or further action for compliance is advised. The important audit observations arising out of these IRs are processed for inclusion in the Audit Reports. The Audit Reports are submitted to the Hon'ble Governor of the State under Article 151 of the Constitution of India to be tabled in the State Legislature.

1.5 Response of Government to Audit

The Accountant General (Audit-II), Kerala audits the Government Departments and Autonomous Bodies to test check the transactions and verify the maintenance of accounts and other records as prescribed in the rules and procedures. These inspections are followed by IRs which incorporate irregularities detected during the audit and not settled on the spot. The Heads of Departments are required to furnish replies to the IRs within a period of one month. In order to monitor and expedite the progress of settlement of the paragraphs in the IRs, the Government also constitutes Audit Committees/ Audit Sub-committees.

1.5.1 Inspection Reports outstanding

As on 30 June 2023, 558 IRs containing 3,011 paragraphs were outstanding against the four departments covered under this report. Department-wise details of the IRs and paragraphs outstanding are detailed in **Appendix XXX**.

1.5.2 Audit Committee Meetings

The details of the Audit Committee Meetings (ACM) held during the year 2022-23 and the paragraphs settled therein are given in Table **1.2**.

Table 1.2: Details of Audit Committee Meetings held during 2022-23

Sl. No.	Name of the Department	Number of Audit Committee Meetings held	Number of paragraphs settled
1	Public Works	1	26
2	Forest and Wildlife	2	20
3	Environment and Climate Change	Nil	NA
4	Science and Technology	Nil	NA
Total		**3**	**46**

Source: Details compiled by Audit.

1.5.3 Follow-up action on Audit Reports

The Reports of the CAG represent the culmination of the process of audit scrutiny. It is, therefore, necessary that they elicit an appropriate and timely response from the Executive. The Finance Department, GoK, issued directions to all Administrative Departments in 2017 to furnish Explanatory Notes to Performance Audits (PAs)/ Paragraphs included in Audit Reports of the CAG within a period of two months of their presentation to the Legislature for speedy settlement of audit observations.

As of April 2024, departments have not submitted Remedial Measures Taken Statement relating to 16 paragraphs for the period from 2017-18 to 2019-21.

1.5.4 Discussion of Audit Paragraphs by the Public Accounts Committee

There were 21 paragraphs relating to five departments pertaining to Audit Reports for the period from 2017-18 to 2019-21 pending discussion by the Public Accounts Committee as of March 2024. Pending audit paragraphs include one each from Departments of Agriculture, Forest and Wildlife, Tourism, two from Science and Technology and 16 from Public Works Department.

Recommendations:

The Government should

- ***ensure furnishing of replies/ explanatory notes to Audit Reports and Action Taken Notes on the recommendations of Public Accounts Committee as per the prescribed time schedule.***
- ***ensure that Audit Committee Meetings are held regularly.***
- ***instruct the departments to furnish the replies of the Draft Paragraphs and Compliance Audit Paragraphs on time.***

Chapter II

Compliance Audit Paragraphs

CHAPTER - II
COMPLIANCE AUDIT PARAGRAPHS

Transport Department

2.1 Short/ Non-transfer of amount to Road Safety Fund

The Kerala Road Safety Authority Act (KRSA Act), 2007, was enacted (April 2007) by the Government of Kerala (GoK) to prioritise and ensure safer transportation for all road users in the State in compliance with Section 215 of the Central Motor Vehicles Act (MV Act), 1988. GoK has established the Road Safety Fund under Section 11(1) of the KRSA Act, 2007. As per Section 4 of the KRSA Act, one of the functions of KRSA is to manage the Road Safety Fund. This Fund is to be utilised for road safety programmes, awareness programmes, purchase of equipment connected with road safety, funding of approved studies on projects and research regarding road safety, trauma care programmes, administrative expenses of Kerala Road Safety Authority and any other purpose as may be prescribed.

Section 10 of the KRSA Act enables collection of a one-time cess from vehicle owners, which is to be credited to Road Safety Fund as mandated under Section 11(2) of the Act. As per Section 10(6) of the Act, the proceeds of the cess collected shall initially be credited to the Consolidated Fund. After deducting the collection charges, which are defined as one *per cent* of the one-time cess according to Rule 3(4) of the KRSA Rules, 2007, the remaining amount is then transferred to Road Safety Fund. Furthermore, as per Section 11(3) of the Act, the Government is obligated to contribute to the fund annually, an amount equivalent to 50 *per cent* of the compounding fee collected in the previous year under Section 200 of the MV Act, 1988. Section 200 of MV Act, 1988, defines compounding of certain offences in lieu of prosecution and compounding fee as specified is collected by Government. The enforcement wing of both the Motor Vehicle Department and the Police are assigned to collect the compounding fee for motor vehicle offenses.

As on 31 March 2023, the utilisation of Road Safety Fund is as below:

Table 2.1: Details of Receipt and Expenditure under Road Safety Fund

(₹ in lakh)

Year	Opening Balance	Road Safety Fund received from Government	Interest	Refund[78]	Total	Amount allotted to stake holders	Administrative Expenditure	Total Expenditure	Closing Balance
	1	2	3	4	5 (sum of 1 to 4)	6	7	8 (6 + 7)	9 (5 - 8)
2018-19	205.16	2,239.13	11.27	293.55	2,749.11	729.32	163.43	892.75	1,856.36
2019-20	1,856.36	2,200.00	6.52	186.54	4,249.42	1,349.21	140.59	1,489.80	2,759.62

[78] Amount refunded by various implementing agencies to KRSA.

Year	Opening Balance	Road Safety Fund received from Government	Interest	Refund[78]	Total	Amount allotted to stake holders	Administrative Expenditure	Total Expenditure	Closing Balance
	1	2	3	4	5 (sum of 1 to 4)	6	7	8 (6 + 7)	9 (5 - 8)
2020-21	2,759.62	0.00	665.79	14.91	3,440.32	945.82	185.48	1,131.30	2,309.02
2021-22	2,309.02	11,305.00	99.93	78.21	13,792.16	1,164.34	155.51	1,319.85	12,472.31
2022-23	12,472.31	0.00	333.73	32.51	12,838.55	1,786.33	235.87	2,022.20	10,816.35

Source: Data from KRSA.

Audit observed that more than ₹100 crore was parked in the bank account of KRS Fund, instead of allocating funds for projects approved by KRSA. During exit meeting (October 2024), KRSA officials clarified that release of funds was done only after completion of the project (and not as advance) and that this was the reason for ₹108.16 crore remaining parked in the bank account of Road Safety Fund. It was also noticed that no amount was transferred in 2020-21 and 2022-23. Though the issue was brought to notice by Audit, no reply has been received (February 2025) from Finance Department.

The following deficiencies were noticed in management of Road Safety Fund:

2.1.1 Short transfer of Cess and Compounding fee accrued to Road Safety Fund

The amount retained in Consolidated Fund and to be transferred to Road Safety Fund for the five years from 2018-19 to 2022-23 is as indicated in **Table 2.2**, which was determined by Audit using data on cess (Head of Account: 0041-00-800-99) collected for a period of five years from 2018-19 to 2022-23 and the compounding fee (Head of Account: 0041-00-102-97) collected for a period of five years from 2017-18 to 2021-22. Details of short transfer to Road Safety Fund are given in **Table 2.3**.

Table 2.2: Details of Cess and Compounding fee collected

(₹ in lakh)

Year	Cess Collected	Cess after deducting one *per cent*	Compounding fee collected	50 *per cent* of previous year (4)	Total (3+5)
1	2	3	4	5	6
2017-18	-	-	18,658.89		
2018-19	765.23	757.58	17,144.87	9,329.45	10,087.03
2019-20	653.24	646.71	21,318.12	8,572.44	9,219.15
2020-21	509.07	503.98	12,559.64	10,659.06	11,163.04
2021-22	644.34	637.90	11,111.23	6,279.82	6,917.72
2022-23	739.85	732.45	-	5,555.62	6,288.07
Total					**43,675.01**

Source: Data in column 2 and 4 from VLC.

Table 2.3: Short transfer towards Road Safety Fund

(₹ in lakh)

Year	2018-19	2019-20	2020-21	2021-22	2022-23	Total
Amount to be transferred	10,087.03	9,219.15	11,163.04	6,917.72	6,288.07	43,675.01
Amount transferred	2,239.13	2,200.00	0.00	11,305.00	0.00	15,744.13
Short transfer	7,847.90	7,019.15	11,163.04	-4,387.28	6,288.07	27,930.88

An amount of ₹43,675.01 lakh collected as cess and compounding fee was to be transferred to Road Safety Fund. Against this, only an amount of ₹15,744.13 lakh was transferred. Thus, short transfer for the period 2018-19 to 2022-23 amounted to ₹27,930.88 lakh. This short transfer is not in compliance with the provisions of the Act and is detrimental to the achievement of overall objectives of Road Safety Fund.

Though this has been pointed out in June 2024, no reply has been received from the Government (February 2025).

2.1.2 Non-transfer of funds to KRSA in respect of compounding fees collected by Police Department

As per Section 11(3) of KRSA Act, Government is obligated to transfer 50 *per cent* of compounding fee collected in accordance with Section 200 of MV Act,1988 (by MVD) and vide G.O (P) No.37/2019/Trans dated 26 October 2019 (by Police). When the MVD officials collect the compounding fee or when a chalan is generated through VAHAN, the sum is credited under the Head of Account: 0041-00-102-97. With respect to Police, the amount collected on the spot by Police officials was being credited under the Head of Account: 0041-00-102-97 till September 2020 and since October 2020 it is being credited under the Head of Account: 0055-00-103-95.

Audit noticed that though a compounding fee of ₹248.16 crore was collected and credited under the Head of Account: 0055-00-103-95 for the period from 01 October 2020 to 31 March 2023, the Government did not transfer 50 *per cent* of this amount to Road Safety Fund. This had resulted in non-transfer of ₹124.08 crore being 50 *per cent* of compounding fee collected by Police Department. Audit observes that non-transfer of money will affect achievement of overall objectives of Road Safety Fund.

This has been brought to the notice of Finance Department in June 2024, reply has not been received so far (February 2025).

2.1.3 Non/ short collection of Compounding fee by Motor Vehicle Department

Section 200 of MV Act, 1988 defines compounding of certain offences in lieu of prosecution. Section 194 of the MV Act, 1988 imposes a fine of minimum two thousand rupees, with an additional one thousand rupees per tonne of excess load, on individuals who drive a motor vehicle exceeding the permissible load limit. The amendment to the above Act, effective from 09 August 2019, increased the fine to twenty thousand rupees, with an additional two thousand

rupees per tonne of excess load. As per GO dated 26 October 2019, the GoK reduced the fine to ten thousand rupees, with an additional one thousand five hundred rupees per tonne of excess load.

Audit scrutinised the particulars of the check report pertaining to the violation of vehicles plying with loads exceeding the allowable limit during the audit period. The scrutiny focused on the check report status as 'Active'[79] in the 'Smart Move'[80] system during the data transfer to 'VAHAN' system. It was revealed that of the 420 cases examined, in 99 instances (pertaining to the period 2018-2021), chalans were closed and vehicles were removed from the blacklist without the corresponding compounding fee being collected. This action resulted in non-collection of compounding fee (in 70 cases) amounting to ₹13.57 lakh and short collection (in 29 cases) of compounding fee amounting to ₹3.20 lakh in the selected districts[81] as given in **Table 2.4**.

Moreover, 50 cases remain active in the VAHAN software as detailed in **Appendix XXXI** (pertaining to the period 2018-2020), and as such a compounding fee of ₹8.08 lakh as indicated in **Table 2.5** has not been collected for these active cases.

Table 2.4: District-wise details of chalan closed but compounding fee non/ short collected

District	Number of cases of non-collection	Non-collection of Compounding fee (₹ in lakh)	Number of cases of short collection	Short collection of Compounding fee (₹ in lakh)	Number of cases	Compounding fee to be collected (₹ in lakh)
Ernakulam	36	7.50	14	1.46	50	8.96
Kozhikode	12	1.41	5	0.62	17	2.03
Palakkad	9	1.92	5	0.61	14	2.53
Pathanamthitta	10	2.29	3	0.29	13	2.58
Thiruvananthapuram	3	0.45	2	0.22	5	0.67
Total	**70**	**13.57**	**29**	**3.20**	**99**	**16.77**

Source: Data from VAHAN.

Table 2.5: District-wise details of non-collection of compounding fee

District	Number of cases	Compounding fee to be collected (₹ in lakh)
Ernakulam	32	5.11
Kozhikode	8	1.33
Palakkad	4	1.01
Pathanamthitta	4	0.58

[79] 'Active' is the status of chalan report which is not closed in VAHAN software.
[80] 'Smart Move' was the software used by MVD Kerala before the introduction of VAHAN.
[81] Out of the 14 districts in the State, five districts, *viz*., Thiruvananthapuram, Pathanamthitta, Ernakulam, Palakkad and Kozhikode were selected based on stratified random sampling method using the data analytical tool IDEA.

District	Number of cases	Compounding fee to be collected (₹ in lakh)
Thiruvananthapuram	2	0.05
Total	**50**	**8.08**

Source: Data from VAHAN.

Further, according to the statute, Government shall contribute fifty *per cent* of the compounding fee to the Road Safety Fund. Since an amount of ₹24.85 lakh (8.08 + 16.77) remains uncollected, 50 *per cent* of compounding fee, *i.e.*, ₹12.425 lakh, was not transferred to Road Safety Fund.

On this being pointed out, the Department stated (February 2024) that action would be taken to realise the compounding fee. However, as per Section 200 of Motor Vehicle Act, 1988, no action can be taken in offences once compounded leading to non-realisation of compounding fee.

2.1.4 Failure to compound traffic offences leads to non-transfer of share amount to Road Safety Fund

The MV Act, 1988 and Central Motor Vehicle Rules, 1989 require a transport vehicle to have a valid certificate of fitness for registration. The certificate, issued under Section 56, has a two-year validity for new vehicles and one year for those over eight years old and shall be renewed thereafter under Rule 105 of Kerala Motor Vehicle Rules. Section 41(7) of the MV Act stipulates a 15-year validity for the certificate of registration for non-transport vehicles, extendable for five years upon application. Section 192 of the MV Act (2019 Amendment) imposes fines and possible imprisonment for driving without valid fitness or registration. Government Orders extended the validity of documents expiring between 01 February 2020 and 31 December 2021, until 31 December 2021.The revised rate for violation of Section 192(1) of MV Act, 1988 is as follows:

Vehicle Type	Compounding fee for vehicles without valid registration / Certificate of Fitness
(a) Non-transport vehicle	3,000
(b) Transport vehicle	
(i) Two and Three-wheeler vehicles	2,000
(ii) Light Motor Vehicles	3,000
(iii) Medium Motor Vehicles	4,000
(iv) Heavy Motor Vehicles	5,000

Source: Data from VAHAN.

Audit scrutinised 6,39,846 chalan reports generated by the 'e-Chalan' software in the five selected districts during the audit period, and the following observations are made.

- **Non-compounding of offence for driving transport vehicles without valid Certificate of Fitness**

Audit noticed that 10,049 chalans were generated for transport vehicles whose validity of fitness certificates had expired on the date of inspection. However, compounding of the offense of driving without a valid fitness certificate was done only for 9,230 chalans. In the case of 819 chalans, compounding was done for other offenses[82] indicating that the offense of driving without a valid fitness certificate was overlooked in these cases. This led to non-imposition of compounding fee amounting to ₹26.99 lakh. The details of the 819 e-chalans[83] in test-checked districts are shown in **Table 2.6**.

Table 2.6: District-wise details of non-imposition of compounding fee for the offense of driving without a valid certificate of fitness

District	No. of chalans relating to non- imposition of compounding fee	Compounding fee to be imposed (₹ in lakh)
Ernakulam	186	6.23
Kozhikode	64	2.01
Palakkad	133	3.98
Pathanamthitta	138	5.07
Thiruvananthapuram	298	9.70
Total	**819**	**26.99**

Source: Data from VAHAN.

- **Non-compounding of offence for driving vehicles without valid registration**

Audit observed that 2,607 chalans were generated for vehicles whose registration validity had expired at the time of inspection. However, compounding for the offense of driving vehicles without valid registration was done only in the case of 1,964 vehicles and in the case of 643 vehicles that were operating on the road (during 2020 to 2022) without a valid certificate of registration, compounding was done for other offenses, overlooking the offense of driving without a valid certificate of registration. This led to non-imposition of compounding fees amounting to ₹19.29 lakh for these 643 cases. The details of 643 e-chalans in test-checked districts are shown in **Table 2.7**.

Table 2.7: District-wise details of non-imposition of compounding fee for the offense of driving without a valid certificate of registration

District	No. of chalans relating to non-imposition of compounding fee	Compounding fee to be imposed (₹ in lakh)
Ernakulam	115	3.45
Kozhikode	100	3.00
Palakkad	120	3.60
Pathanamthitta	72	2.16

[82] Such as driving without wearing safety belt, using defective fare meter etc.
[83] Pertaining to the period 2020-2022.

District	No. of chalans relating to non-imposition of compounding fee	Compounding fee to be imposed (₹ in lakh)
Thiruvananthapuram	236	7.08
Total	**643**	**19.29**

Source: Data from VAHAN.

It is evident from the above that the non-compounding of offenses led to a cumulative amount of ₹46.28 lakh (26.99 + 19.29) remaining uncollected. Consequently, the required transfer of funds totaling ₹23.14 lakh to the Road Safety Fund, as stipulated by Section 10(7) of KRSA Act, did not materialise. On this being pointed out, the Department stated (February 2024) that action would be taken to realise the compounding fee. However, as per Section 200 of Motor Vehicle Act, 1988, no action can be taken in offences once compounded leading to non-realisation of compounding fee.

Due to failure of the Government in collection and transfer of funds to Road Safety Fund, an amount of ₹403.74 crore, which could have been utilized for various road safety programmes, remains outside the purview of the Fund.

Though the above paragraphs were forwarded to Government in June 2024, no reply has been received so far (February 2025) in spite of repeated reminders[84].

Recommendations: Government should ensure the prompt collection of compounding fee and timely transfer of amount earmarked for Road Safety Fund.

Forest and Wildlife Department

2.2 Lapses in Management of Teak Plantations by Kerala Forest and Wildlife Department

Functions of Kerala Forest and Wildlife Department (Department) include increasing the productivity of forest plantations through appropriate management interventions and use of modern technology to upsurge the tree cover, both in forest and non-forest areas. Plantation area under the Department as of 31 March 2023 is 1,400.146 sq km, which comes to 12.14 *per cent* of the total forest area of 11,531.908 sq km of the State. The teak plantations occupy about 50 *per cent*[85] of the plantation area and forms the major component of plantation resources.

Audit was conducted by reviewing the records at the offices of (i) the Additional Chief Secretary (ACS) to Government, Forest and Wildlife Department, (ii) Principal Chief Conservator of Forests and Head of Forest Forces (PCCF), (iii)

[84] August 2024, December 2024.

[85] 58,837.184 ha is pure teak plantation which constitute 42.02 *per cent* and 11,155.287 ha is teak cum softwood plantation which constitute 7.97 *per cent* of total plantation area totalling 50 *per cent.*

four[86] out of five Circle offices of territorial wing, (iv) seven[87] out of 25 territorial divisions including Marayoor sandal division.

2.2.1 Absence of Working Plan affected timely silviculture operations and final felling of teak plantations

Teak timber is the major source of timber revenue. Ministry of Environment and Forest (MoEF) prescribes preparation of working plan for managing forest land and plantations. Accordingly, a ten-year working plan is to be prepared and approval obtained from MoEF. The working plan of a division prescribes the year in which silviculture thinning or final felling of a teak plantation is to be carried out. To achieve optimum growth of teak tree, periodical silviculture operations and final felling prescribed in the working plan are to be carried out.

Audit noticed that two[88] out of eight Divisions did not have a working plan for six years during the last 10 years. The absence of a working plan leading to non-conduct of silviculture thinning and final felling of teak in the aforesaid Divisions adversely affected proper growth of teak trees and forest revenue.

On this being pointed out, Department replied that the Management Plan[89] for the period 2016-17 to 2017-18 was approved by GoI and due to late receipt of the approved Management Plan and shortage of plan period, the prescription proposed under the above plan were pending for execution. The reply itself reveals that a Management Plan is an interim arrangement for short period, unlike a Working Plan period of 10 years. Hence, timely plantation activities like silviculture thinning and harvesting are affected due to absence of working plan. Deficiencies in this regard are discussed in the paragraphs given below.

2.2.2 Lapses in implementation of Working Plan

National Working Plan Code- 2014 states that Working Plan is the main instrument of forest planning (more exactly for forest working) in the country for scientific management of forests. Generally, the Working Plan is to be revised every 10 years. Para 3 of the National Working Plan Code- 2014 prescribes that all forests are to be sustainably managed under the prescription of a working plan/scheme. Working Plan facilitates systematic observations on a continuous basis with improved coverage for scientific analysis of forest ecosystem functioning. National Working plan also stipulates that there shall be an exclusive plantation chapter under the heading 'Plantation Working Circle' in the Working Plan. Accordingly, a ten-year Working Plan is to be prepared and approval obtained from MoEF.

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86 Circle offices at Kollam, Thrissur, Palakkad and Kannur.

87 Konni, Vazhachal, Chalakudy, Mannarkkad, Nilambur North, Nilambur South and North Wayanad divisions.

88 In Chalakudy division previous 10 year working plan expired in 2014-15 and current working plan commenced in 2018-19 which was approved in December 2021 only. In Vazhachal division latest 10 year working plan commenced in 2018-19 and previous working plan ended in 2011-12. There are 101 TPs each in both the divisions with an area of 3,863.79 ha in Chalakudy and 5,457.20 ha in Vazhachal.

89 In territorial divisions, a management plan is prepared in between two working plan periods, and it is generally prepared on an annual basis.

The chapter on Plantation Working Circle in the Working Plan of each territorial division provides the list of plantations and year of planting. It also mentions the timelines for mechanical thinning[90], silviculture operations[91], rotation age (60 years in the case of teak[92]), final felling[93] and regeneration. The Working Plan lists out the plantations which are to be harvested and replanted in each year.

Audit noticed the following lapses in complying with the Working Plan:

(i) Absence of platform

The Package of Practices of the Department (May 2009) prescribes formation of platforms during the raising of the plantation and its maintenance for the next two years. This would ensure sufficient moisture retention. During the audit period, teak plants in two TPs[94] in Nilambur South division showed poor growth, due to the absence of platform work in first year.

Government stated (December 2024) that platform construction is location-dependent, and that the specified TP was in a plain area, so a platform was unnecessary. The reply is not in conformity with the Package of Practices of the Department. Further, Audit observed that the Divisional Forest Officer had inspected the site and attributed the failure of the plantation to lack of platform, as recorded in the plantation journal.

(ii) Absence of timely maintenance

As per Package of Practices of the Department, maintenance of TPs are to be carried out initially for three years and also specifies that one man-mazdoor can be engaged for each 25 ha plantation. The plantation maintenance worker should be entrusted with the works such as cutting of double shoots, cutting and removal of climbers, casualty replacement, cattle scaring, fire protection, etc., during the first three years of planting. Of the 59 TPs visited, Audit observed double shoots in two new TPs planted during 2020-23, cattle grazing in one new[95] TP and weeds/ climbers in five TPs. Government replied that all the plantations are well stocked. Reply is not tenable, as the provision of plantation worker was provided to ensure the good growth of plants in the initial year.

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[90] Mechanical thinning is carried out in fifth year of planting by cutting diagonally alternate trees to ensure optimum growth of remaining teak trees in teak plantations.

[91] Silviculture operations is the periodical maintenance of teak plantations like silviculture thinning, weed removal, pruning etc., which are necessary to obtain optimum growth of teak trees. The Working Plans of the divisions prescribe five silviculture thinning (10th, 15th, 20th, 30th and 40th year of planting) for obtaining maximum yield from TPs. During thinning, stressed, unhealthy and slow-growing trees are removed which will support better growth and formation of good stem form in the remaining trees.

[92] In the case of two divisions at Nilambur the rotation age of teak is 50 years.

[93] All teak trees in a teak plantation are finally felled after its rotation age. In Nilambur divisions rotation age of teak is 50 years and in other areas the rotation age is 60 years.

[94] 2020 Ezhuthukal TP Bit I and II.

[95] 2023 Pottikkal TP.

In Mannarkkad Division[96], during JPV, Audit noticed absence of commencement of second year periodical maintenance even after three months (26 September 2023) from the date of award (23 June 2023) of the work. Hence, weeding, removal of double shoots and platform maintenance works were not carried out.

In the case of absence of commencement of second year periodical maintenance, Government replied (December 2024) that the first weeding was carried out in June and completed in July 2023. The reply is not acceptable as during the JPV, the result of said activities were not visible.

(iii) Non-conduct of weed removal/ climber cutting in teak plantations

Indian Council of Forestry Research and Education (ICFRE)[97] stipulates that weed management is an important operation in TP development. Weeds in TPs will compete with trees for water, light and soil nutrients and act as host for pests and diseases, seriously damaging growth and development of TPs. Weeds, especially invasive weeds like Mikania, Lantana, Loranthus, etc., hinder the growth of planted trees. Climbers deform the plants by entangling the stem of the trees leading to loss of cylindrical shape and growth of plants.

During JPV (11 October 2023) in Begur range in North Wayanad Division, it was noticed that the invasive species *Senna spectabilis*[98] adversely affected three TPs[99], of which one TP failed completely and dead standing teak trees could be seen, another plantation was 50 *per cent* affected and in the third plantation, many areas were affected with senna species.

Audit noticed[100] climbers in 11 TPs spanning six divisions[101] which affected tree growth by deforming the shape or growth of stem of teak trees. In Chalakudy division, a part of 2011 Kuttanchira TP failed due to *thottapayar* invasion from nearby rubber plantation where eco-restoration was carried out. During JPV (09 November 2023), it was observed that the weed had further spread to the TP area beyond the eco-restoration plot.

As per Working Plan/ teak committee reports, in five divisions 79 TPs were affected with weed infestation. Eg:- In Konni division, climbers, twiners, lantana/eupatorium are common in all plantations which retard the growth of teak trees (**Figure 1**) and in Chalakudy division, TPs are of either poor or very

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96 Second and third year maintenance of 2022 Pottikkal TP in Mukkali Forest station (Agreement no.13/2023-24 dt. 23 June 2023).

97 A handbook on productivity enhancement in forestry plantations issued by Indian Council of Forestry Research and Education.

98 Senna spectabilis is a rapidly growing tree and re-sprouts readily when cut. This is considered as an invasive alien species with high risk to the native flora with high negative impact on the environment due to its ability to spread rapidly and often create monocultures.

99 One TP (1977 Alathur Bit I) has completely failed, in another one (1977 Alathur Bit II) 50 *per cent* stock affected and in third TP (1981 Alathur Bit II) many areas were affected with Senna.

100 JPVs in Konni (16.10.2023), Chalakudy (09.11.2023), Vazhachal (19.09.2023), Mannarkkad (26.09.2023), Nilambur South (13.10.2023), Nilambur North (10.08.2023).

101 Konni, Chalakudy, Mannarkkad, Vazhachal, Nilambur North and Nilambur South.

poor quality and are affected with invasive species like mikania/ lantana/ eupatorium etc.



Figure 1: 2019-2020 - Umayamkuppa TP - weeds and climbers deform the shape of trees - Konni division (16 October 2023).

On this being pointed out, the Government replied (December 2024) that action is being taken to eradicate invasive species.

(iv) Planting of teak trees in deviation to the approved Working Plan

The Working Plan of Konni division, approved (September 2015) by MoEF, prescribes planting of teaks at 2mx2m espacement[102]. During JPV (16 October 2023) in 2018 Kanjirappara TP in Konni division, Audit noticed planting of teak at 3mx3m espacement. Plants in this TP have many branches compared to other TPs, which the departmental officials attributed to larger espacement between the plants. Audit observed that the larger espacement is not only a violation of Working Plan but also affected straight growing characteristics of a healthy teak tree.

Government stated (December 2024) that the effort was experimental and was limited to 10 hectares only, which turned out to be a failure. They also indicated that pruning would be implemented in the TPs to promote straight growth. However, the fact remains that the TPs were planted violating the approved Working Plan and permission has not been obtained from MoEF for the deviation from the Working Plan, as envisaged.

(v) Delay in mechanical/ silviculture thinning leading to poor growth of trees and non-realisation of revenue

The Working plan[103] of divisions, approved by MoEF, prescribes five silviculture thinning (10th, 15th, 20th, 30th and 40th year) for obtaining maximum

[102] Espacement is the spacing between two new teak seedlings when planted in a teak plantation.

[103] Working Plan period of Konni Division is 2015-25, Chalakudy Division is 2018-30, Vazhachal Division is 2018-28, Mannarkkad Division is 2012-23, North Wayanad Division is 2015-25, Nilambur South Division is 2014-24 and Nilambur North Division is 2015-25.

yield from TPs. The Working Plans also prescribe mechanical thinning which is to be carried out in fifth year of planting in which diagonally alternate trees are cut and removed to ensure optimum growth of remaining trees. Also, as per Indian Council of Forestry Research and Education (ICFRE)[104], early thinning is needed for reducing competition for light, water and nutrients. The complete removal of stressed, unhealthy and slow-growing trees will support better growth and formation of good stem form in the remaining trees.



Figure 2: 2013 Parunthupara TP-Chalakudy division- where mechanical thinning not done – teak plants at close intervals causing most of the trees to not acquire required growth (03 October 2023)

Audit noticed that the current Working Plan of seven selected divisions prescribed periodical thinning[105] of 282 TPs having an area of 5,520.558 ha. However thinning was carried out only in 47 TPs (16.67 *per cent*) having an area of 888.75 ha (16.10 *per cent*) in five divisions. In two[106] divisions thinning was not carried out at all. Silviculture thinning was not done in nine[107] TPs having an area of 579.435 ha in two selected divisions citing difficult terrain and accessibility constraints.

Mechanical thinning was not done in 81.49 *per cent*[108] TPs, which affected the growth of plantations (**Figure 2**). Details of periodical thinning in TPs against the Working Plan prescriptions are given in **Table 2.8** below:

[104] A handbook on productivity enhancement in forestry plantations issued by Indian Council of Forestry Research and Education.
[105] Periodical thinning refers to mechanical thinning, 1st,2nd ,3rd and 4th silviculture thinning.
[106] Chalakudy and North Wayanad divisions.
[107] 1978 Poolakkapara (49.3 ha) and 1979 Poolakkapara (39.375 ha) TPs in Nilambur South division; 1971 Athirappilly (108.46 ha), 1973 Olassery (9.75 ha), 1974 Athirappilly (129.55 ha), 1977 Athirappilly two Bits (76.56 ha and 79.64 ha), 1972 Karamthodu (14.28 ha) and 1973 Irumbupalam (72.52 ha) in Vazhachal division.
[108] Out of 281 TPs, mechanical thinning was carried out only in 52 TPs.

Table 2.8: Details of Periodical thinning (other than final thinning) in Teak Plantations against the Working Plan prescriptions

Name of Division	Periodical thinning proposed as per Working Plan		Periodical thinning carried out		Periodical thinning not carried out	
	No. of TPs where periodical thinning proposed	Area (ha)	No. of TPs	Area (ha)	No. of TPs	Area (ha)
Konni	75	1,457.16	10	154.21	65	1,302.95
Chalakudy	6	87.54	0	0	6	87.54
Vazhachal	23	551.76	7	301.19	16	250.57
Mannarkkad	8	79.13	6	54.7627	2	24.3673
North Wayanad	1	10.13	0	0	1	10.13
Nilambur South	94	2,379.238	4	62.19	90	2,317.048
Nilambur North	75	955.6	20	316.4	55	639.2
Total	**282**	**5,520.558**	**47**	**888.7527**	**235**	**4,631.8053**

Source: Data from Forest Department.

Out of the total area of 5,520 ha, area under Konni and Nilambur South divisions constituted 3,836.398 ha (69.49 *per cent*) but periodical thinning was carried out only in 216.40 ha (5.64 *per cent*). Absence of thinning may affect the production of high valued quality Konni and Nilambur teak. Chalakudy division stated that the current working plan commenced in 2018-19, but was approved only in December 2021 and hence periodical thinning was not carried out. In North Wayanad division no reason was stated for non-conduct of periodical thinning.

Government attributed (December 2024) lack of mechanical thinning and periodical thinning to shortage of funds. It was stated that deviations from the schedule of operations prescribed for the silvicultural management of teak plantations have been necessitated due to factors which include changing site quality, and edaphic factors, but agreed that the primary reason was lack of funds for the work.

The intermediate revenue from these plantations could not be realised due to absence of periodical thinning. Also, the thinning activities were not planned based on Working Plan prescriptions, which would affect the quality and health of the trees, thereby impacting future revenue when the trees are harvested.

(vi) Absence of final thinning in teak plantations

According to Working Plan[109] of the Divisions approved by MoEF, final silviculture thinning of TPs is to be carried out in 40th year of planting before final felling. Timber extracted during final silviculture thinning is one of the sources of revenue before final felling. Further, it also ensures healthy growth of remaining trees. Audit noticed that 213 TPs having an area of 8,662.1 ha in seven selected divisions were proposed for final thinning as per current Working Plan, but final thinning was done only in 10 TPs (4.69 *per cent*) having an area of 409.30 ha (4.73 *per cent*) in four divisions as detailed in **Table 2.9**. In three[110] out of seven selected divisions the final thinning was not done.

Table 2.9: Final thinning carried out against the Working Plan proposal

Name of Division	Final thinning proposed as per Working Plan		Final thinning carried out		Final thinning not carried out	
	No. of TPs	Area (in ha)	No. of TPs	Area (in ha)	No. of TPs	Area (in ha)
Konni	63	2,152.89	5	144.54	58	2,008.35
Chalakudy	2	67.56	0	0	2	67.56
Vazhachal	40	2,819.35	2	89.15	38	2,730.20
Mannarkkad	13	152.49	0	0	13	152.49
North Wayanad	8	299.86	1	24.51	7	275.35
Nilambur South	43	1,470.68	0	0	43	1,470.68
Nilambur North	44	1,699.27	2	151.10	42	1,548.17
Total	**213**	**8,662.10**	**10**	**409.30**	**203**	**8,252.80**

Source: Data from Forest Department.

Out of the total area of 8,662.10 ha, Konni and Vazhachal divisions constituted 4,972.24 ha (57.40 *per cent*) but final thinning was carried out only in 233.69 ha (4.70 *per cent*). Chalakudy division attributed delay in approval of working plan for final thinning not done. No reason was furnished by Mannarkkad and Nilambur South divisions for not carrying out final thinning.

The Government stated (December 2024) that there is no loss of revenue due to absence of final thinning and that it is an activity which is decided by fund constraints, timber stock in depots and overall health and hygiene of forests. The reply is not acceptable as it is against the proposals in the Working Plan which has been prepared scientifically after taking into account all factors affecting a teak plantation.

[109] Working Plan period of Konni Division is 2015-25, Chalakudy Division is 2018-30, Vazhachal Division is 2018-28, Mannarkkad Division is 2012-23, North Wayanad Division is 2015-25, Nilambur South Division is 2014-24 and Nilambur North Division is 2015-25.

[110] Chalakudy, Nilambur South and Mannarkkad divisions.

(vii) Non-conduct of selected felling

As per paragraph 3.2 of the Eco-restoration policy 2021, to improve and restore the health of existing forests, failed TPs with poor growth will be converted to natural forests in a phased manner after collection of usable teak. The following deficiencies were noticed in this regard:

The Working Plan[111] of Mannarkkad division prescribed final felling of the 1962 Pottickal TP. Audit noticed that in the Division, planting of miscellaneous species[112] was carried out in the TP without felling the teak trees. Audit observed (JPV dated 26 September 2023) that the canopy cover of the existing teak trees resulted in poor growth of the new miscellaneous species. Hence, the Department failed to tap significant revenue by disposing of selected high valued teak trees.

On this being pointed out, the Government stated (December 2024) that Pottickal TP in Mannarkkad division was a poorly stocked area and extraction of teak will increase working cost and is not economical. Reply is not acceptable, as the TP has 612.89 cum of teak, of which 88.88 *per cent*[113] of area has teak stock including Class I and II as per the Working Plan of the Division. Further, non-felling is affecting the growth of new miscellaneous species as well due to the canopy cover of existing trees.

Teak Evaluation Committee (based on the orders of PCCF in 2019) recommended eco-restoration of the TP and the Government, while issuing eco-restoration policy in 2021, prescribed eco-restoration after collection of usable teak. However, this has not been complied with.

(viii) Non-extraction of matured teak plantation

As per current Working Plan[114] of the Divisions approved by MoEF, 154 TPs having an area of 4,770.471 ha in seven selected divisions were to be finally felled on completion of rotation age. Audit noticed that final felling was carried out only in 51 TPs (33.12 *per cent*) having an area of 1,092.37 ha (22.90 *per cent)*. In two[115] out of the seven divisions, final felling was not carried out at all. Details are given below in **Table 2.10**.

[111] Working Plan period of Mannarkkad Division is 2012-23.
[112] Such as *Seethapazham, Vaaka, Venga* etc.
[113] Class I - 2.21 ha, Class II - 5.99 ha, Class III - 1.79 ha, Class IV – 3.27 ha and Miscellaneous species – 1.66 ha out of 14.92 ha.
[114] Working Plan period of Konni Division is 2015-25, Chalakudy Division is 2018-30, Vazhachal Division is 2018-28, Mannarkkad Division is 2012-23, North Wayanad Division is 2015-25, Nilambur South Division is 2014-24 and Nilambur North Division is 2015-25.
[115] Chalakudy and North Wayanad.

Table 2.10: Details of final felling in Teak Plantations

Name of Division	Final felling proposal as per Working Plan		Final felling carried out		Final felling not done	
	No. of TPs where final felling proposed	Area (in ha)	No. of TPs	Area (in ha)	No. of TPs (percentage in parentheses)	Area (in ha)
Konni	52	1,647.85	12	426.67	40 (76.92)	1,221.18
Chalakudy	13	564.19	0	0	13 (100.00)	564.19
Vazhachal	10	473.93	1	26.25	9 (90.00)	447.68
Mannarkkad	22	166.23	18	99.50	4 (18.18)	66.73
North Wayanad	10	488.56	0	0	10 (100.00)	488.56
Nilambur South	22	838.011	11	381.05	11 (50.00)	456.961
Nilambur North	25	591.70	9	158.90	16 (64.00)	432.80
Total	**154**	**4,770.471**	**51**	**1,092.37**	**103 (66.88)**	**3,678.101**

Source: Data from Forest Department.

Chalakudy division stated that the current working plan commenced in 2018-19, but was approved only in December 2021 and hence final felling was not carried out. In North Wayanad division it was stated that less stock and public protest resulted in non-conduct of final felling.

When this was pointed out, Government stated (December 2024) that there were other factors to be considered before final felling of plantations and that in Kerala, there is ample scope for the trees to continue growing and increase in girth. It is to be noted that during exit meeting (August 2024), Government attributed absence of final felling to shortage of funds. However, Government reply is not acceptable, as felling of these TPs were specifically mentioned in the Working Plan, which was prepared after detailed study by a Special Wing exclusively for the preparation of Working Plan and any deviation from approved Working Plan requires approval from MoEF. This would result ultimately in loss of revenue on account of non-availability of timber for sale as observed in the following cases.

- The depots under the Timber Sales Division, Kozhikode faced shortage of good quality timber for sale due to delay or absence of felling operations.

- Chaliyam depot located near Kozhikode city has good sales and fetched maximum revenue, however the depot faced shortage of good teak timber during 2020-22; especially high value Nilambur teak.

- The Tuet depot under Timber Sales Division, Punalur was lying vacant due to shortage of timber and Audit observed that the land was encroached, against which no specific action has been taken by the Department.

(ix) Lack of timely action to prevent borer attack in teak trees

Teak borer is an insect which destroys the teak trees at any age by making bores in the trees. To prevent this, the practice is to cull the affected trees and prevent its spread to younger trees. Audit noticed (9 November 2023) failure of three

TPs[116] in Palappilly range in Chalakudy division (**Figure 3**) where 50 *per cent* of teak trees were affected by borer attack. It is also pertinent to note that all three TPs have attained rotation age of 60 years, but final felling has not been done so far. Among these three TPs, the previous Working Plan of Chalakudy division for the period 2005-15 had prescribed felling of two TPs[117] in 2011-12 itself. Working plan[118] of Nilambur South division approved by MoEF prescribed final felling of four TPs[119] due to rampant borer attack. But it was carried out only in one[120] case; no reasons were given for not carrying out final felling in the remaining TPs.



Figure 3: 1946 Karikulam TP - Various stages of borer attack in teak trees – Chalakudy division (09 November 2023)

Government replied (December 2024) that Teak Evaluation Committee[121] suggested eco-restoration of the above TPs. However, Audit observed that the Teak Evaluation Committee cited poor plantation management for failure of the three TPs in Chalakudy division. Current Working Plan[122], after considering the suggestions of the Committee, prescribed raising new TPs in these sites after felling. Audit observes that if the Department had adhered to the previous Working Plan[123] prescriptions, the spread of disease could have been controlled. Further, in respect of the Nilambur South Division the Committee recommended retaining the remaining three TPs as plantations and did not suggest eco-restoration of the three TPs as stated in the Government reply.

[116] 1946,1947 and 1961 Karikulam TPs.
[117] 1946 and 1947 Karikulam TPs.
[118] Working Plan period of Nilambur South Division is 2014-24.
[119] 1966 Kalleinthodu (30.834 ha) and 1967 Kalleinthodu (27.65 ha), 1951 Kanjirakkadavu, 1976 Nedungayam.
[120] 1951 Kanjirakkadavu.
[121] Constituted in November 2019.
[122] Current Working Plan period of Chalakudy Division is 2018-30.
[123] Previous Working Plan period of Chalakudy Division is 2005-15.

2.2.3 Monitoring mechanism

The plantation activities of the Department mainly concentrate on teak plantation. Rotation age of teak is 60 years. Hence, recording various information and activities related to TP during the long period will help in better management of the plantation. Seven[124] out of eight selected divisions have TPs. Audit noticed lapses in maintenance of permanent records as detailed below:

(i) Lapses in maintenance of Plantation journals

As per para 9.3.5 Forest Code Volume I, whenever plantations are raised, a record of the various operations from survey and demarcation of the area to the final felling shall be recorded in a permanent register styled as Plantation Journal in the Range Office and the Divisional Forest Office. Audit noticed following lapses in maintaining plantation journals:

- **Absence of plantation journals** - Out of 352 plantation journals called for from seven selected divisions, only 158 journals were produced for verification.

- **Absence of plantation journals at Division Office -** Mandatory retention of copies of plantation journals with Division Offices were not done.

- **Absence of entries in plantation journals** - Audit verified 158 number of plantation journals, of which 133 relating to six[125]selected divisions did not have all the information as prescribed in Forest Code Volume I para 9.3.5. For example, in Charpa Range of Vazhachal division (1988TP), major details such as planting operations, abstract of revenue and expenditure, further silviculture thinning done etc., were kept blank in the journal.

Due to the absence/ improper maintenance of basic documents like plantation journals, continuity of operations cannot be ensured. Absence of journals at both Range and the Divisional Offices adversely affects the monitoring of plantation activities, highlighting the critical need for maintaining copies of these journals at both levels. Absence of these documents affected the plantations as can be observed from the paragraphs mentioned above.

[124] Except Marayoor division.
[125] Except Nilambur North division where plantation journals relating to new plantations alone were produced to audit.

(ii) Absence of required data in range journals

As per para 9.3.3 of Forest Code Volume I, Forest Range Journal shall be maintained by each officer in charge of a Range. It should contain information on the headings more or less of the same nature as the divisional forest journals but should be confined mainly to a record of observations and facts likely to prove useful in the preparation of working plans. A price list exhibiting the current market rates at which various kinds of timber and other forest produces are sold at different places in or near the range, as well as results of auctions and other sales should be recorded in this book. All entries should be signed and dated by the officer recording them. In the selected divisions there were 22 ranges out of which nine ranges furnished journals. Audit noticed that none of the range journals had the price list as required by the Forest code. Hence, the instances of selling softwood at lesser price compared to the extraction cost could not be identified by the Department.

The observed lapses and deviations from the Working Plan highlight that the lack of periodic inspections by the Department for effective monitoring of plantation activities hampers the proper maintenance of teak plantations and results in revenue loss for the State exchequer.

Recommendations: The Government needs to take corrective measures for proper maintenance of teak plantations and prevention of revenue loss by adhering to the approved Working Plan.

Public Works Department

2.3 Short recovery of cost of departmental rubble - ₹56.98 lakh

Failure to apply cost index while recovering the cost of departmentally issued rubble resulted in undue gains to the contractor amounting to ₹56.98 lakh.

As per Clause 26 of Special Conditions of Contract (SCC), if materials other than those specified in the tender documents are issued by the Department, recovery will be effected at data rate[126] plus storage plus sales tax or at current market rates at the time of issue, whichever is higher. Government of Kerala renewed (November 2015) Administrative Sanction (AS) for the work "Improvements to Konni Medical College Road at Konni Constituency". Technical Sanction (TS) was issued (February 2016) for ₹18.10 crore and the work was awarded to M/s Theruvath Builders, Kottayam (contractor) for an amount of ₹14.64 crore which was 19.80 *per cent* below the estimate amount. Agreement for the work was executed on 13 February 2017 with time of completion (ToC) as 19 August 2018. However, the ToC was extended thrice due to various reasons and the work was completed on 19 October 2019.

As per running account bill and notings in the work file, a quantity of 12,919.77 m^3 of rubble was available at site, of which 2,275.03 m^3 was issued as departmental material for Dry Rubble (DR) masonry (item no. 1.05) in consonance with the contract terms.

The contractor requested (06 July 2018) the Chief Engineer, PWD Roads, for permission to use the balance quantity (10,644.74 m^3) of departmental rubble available at site for preparation of Granular Sub Base (GSB) and Wet Mix Macadam (WMM) citing acute scarcity of quarry products and obtained permission on condition that the amount has to be realised as per rules.

Final bill for the work was cleared by PWD Roads Division, Pathanamthitta in March 2021. In this regard, Audit observed (February 2022) that though the estimate for the work was prepared based on DSoR 2014 plus applicable cost index, Department did not apply the cost index while recovering the amount on dry rubble issued, in violation of stated terms and conditions (Clause 26 of the SCC) of the work contract. This has resulted in loss of ₹56.98 lakh to the Government as detailed below in **Table 2.11**.

[126] The rate derived from Delhi Schedule of Rates and shall include conveyance charges and bidders' profit, along with cost index of the district concerned.

Table 2.11: Loss due to non-application of cost index

Sl. No.	Details	Amount recovered by the Department	Amount to be recovered as per clause 26 of SCC
1	Rate of rubble as per DSoR 2014	₹900/m^3	₹900/m^3
2	Contractor's profit @10%	₹90	₹90
3	Conveyance charges	₹125.28	₹125.28
	Sub total	₹1,115.28/ m^3	₹1,115.28/ m^3
4	Cost index @45.71%	Nil	₹509.79
	Total including cost index	₹1,115.28/ m^3	₹1,625.07/ m^3
	Amount recovered/ to be recovered	₹1,18,71,040 (₹1,115.28 x 10644)	₹1,72,97,245 (₹1,625.07 x 10644)
	Add GST @5%	**₹5,93,552**	**₹8,64,862**
	Grand total	**₹1,24,64,592**	**₹1,81,62,107**
	Short recovery (₹1,81,62,107- ₹1,24,64,592)		**₹56,97,515**

Thus, non-application of cost index while effecting recovery on rubble issued to the contractor by the Department resulted in undue gains to the contractor amounting to ₹56.98 lakh.

On this being pointed out, Government replied (January 2025), that a letter was sent to the Superintending Engineer, PWD Roads South Circle, Thiruvananthapuram to recover an amount of ₹36,58,850 from the security deposit/ bills kept in that office and the remaining amount (₹20,38,665) is to be recovered from other securities/ bills payable in favour of the contractor.

Recommendation: Department should strictly adhere to contract conditions before finalising payments in order to prevent loss to Government exchequer.

2.4 Non-realisation of arbitral award even after four years from the date of award

Kerala State Transport Project failed to initiate action to realise arbitral award amounting to ₹32.27 crore (including interest of ₹12.40 crore) even after four years from the date of award.

M/s Wilber Smith Associates (renamed as CDM Smith India Private Limited, the consultant) was selected (January 2012) for upgradation of the Detailed Project Report (DPR) prepared in the year 2002 for Phase II of the World Bank loan assisted Roads Project. Kerala State Transport Project (KSTP) tendered works based on the DPR prepared by the consultant. However, the DPR did not tally with the actual site conditions, which resulted in several variations and additional claims by the contractors to whom the works were entrusted. KSTP asked (January 2016) the consultant to show cause why action should not be taken against the consultant for realising the loss. Subsequently, KSTP filed (31 March 2017) an arbitration request with a claim of ₹255.62 crore with interest at the rate of 18 *per cent* from 25 January 2016 till realisation and future interest at the rate of 12 *per cent*.

The arbitral award was passed by the sole arbitrator on 20 February 2020 directing the consultant to pay a sum of ₹19.69 crore with interest thereon at the rate of nine *per cent* per annum from 31 March 2017 till the date of complete payment. Further, the consultant was also directed to pay KSTP ₹18.34 lakh towards the cost incurred. In June 2020, KSTP requested the Senior Government Pleader and Legal Advisor (SGP&LA), for advice on further course of action on the matter. In December 2020, after a lapse of 10 months from the date of the award, KSTP sent a remittance request to the consultant. As no reply was received from the consultant, KSTP forwarded a letter to SGP&LA in July 2021 to take necessary steps for realisation of the amount. The total amount due as on 31 March 2024 is ₹32.27 crore (including interest of ₹12.40 crore) which remain unrealised.

As per Section 36 of the Arbitration and Conciliation Act, 1996, the award shall be enforced in accordance with the provisions of the Code of Civil Procedure, 1908 (5 of 1908), (CPC) in the same manner as if it were a decree of the Court. The execution proceedings can be initiated for enforcement of the decree under Sections 36 to 74 and Order XXI of the CPC.

Despite the engagement of a Legal Advisor, responsible for overseeing legal matters, there has been a conspicuous lack of activity in pursuing the recovery of the outstanding amount. Moreover, as per the Limitation Act, 1963, the period of limitation for the execution of a decree is twelve years from the date of the decree.

Government replied (February 2024) that action is being taken to realise the Arbitration award through revenue recovery. It was further stated that the Office of the Consultant in Kerala has been permanently closed and that the Registrar of Companies, Bengaluru has been requested to give necessary instruction to the consultant to comply with the Arbitration award. Further remarks awaited (January 2025).

Recommendation: Stringent and effective measures should be adopted by the Department for the realisation of arbitral award in works.

Thiruvananthapuram,
The 17 September 2025

(VISHNUKANTH P B)
Accountant General (Audit II), Kerala

Countersigned

New Delhi,
The 23 September 2025

(K. SANJAY MURTHY)
Comptroller and Auditor General of India

Appendix

Appendix - I
(Ref:Part I Paragraph 1.4)
Arrears in Assessments

Head of revenue	Opening balance	New cases due for assessment during 2022-23	Total assessments due	Cases disposed of during 2022-23	Balance at the end of the year	Percentage of disposal (col. 5 to 4)
1	2	3	4	5	6	7
Revenue and Disaster Management Department						
1) Building Tax	37,676	1,90,402	2,28,078	1,95,892	32,186	85.89
2) Plantation Tax	1,229*	59	1,288	274	1,014	21.27
R&DM Department Total	**38,905**	**1,90,461**	**2,29,366**	**1,96,166**	**33,200**	**85.53**
SGST Department						
1) GST	22,166	14,382	36,548	15,539	21,009	42.52
2) a. Sales Tax	836	745	1,581	873	708	55.22
b. Motor Spirit Tax	162	0	162	135	27	83.33
c. Luxury Tax	66	7	73	73	0	100.00
d. Tax on Works Contracts	33	4	37	26	11	70.27
e. Others	227	572	799	323	476	40.43
3) Taxes on Agricultural Income	106	52	158	36	122	22.78
SGST Department Total	**23,596**	**15,762**	**39,358**	**17,005**	**22,353**	**43.21**

Source: Details obtained from respective departments.

* The closing balance as on March 2022 was 1,227. The department stated that the additional three cases identified through internal inspection have been added to the total cases in Trivandrum district and one case has been deducted from the total cases as it was observed as redundant.

Appendix - II
(Ref: Part I Paragraph 2.4.6.4)
Circles where deficiencies in filing of GSTR-10 noticed

Sl. No.	Name of Cicle	No. of cases
1	Special Circle II, Ernakulam	7
2	Special Circle III, Ernakulam	3
3	Special Circle Produce, Mattancherry	5
4	STO I Circle, Thripunithura	141
5	Special Circle, Kannur	1
Total		**157**

Source: records of the department.

Appendix - III
(Ref: Part I Paragraph 2.4.7.2)
Cases in centralised audit where responses are not yet received

(₹ in crore)

Sl. No.	Audit Dimension	Sample		Department reply not received		Percentage	
		Number	Amount of mismatch	Number	Amount of mismatch	Number	Amount of mismatch
1	D1-Excess availing of ITC	77	529.06	32	116.05	42	21.94
2	D2-ITC availed without supplier remitting tax	50	186.36	29	82.01	58	44.01
3	D3-ITC availed on GSTR-3B filed after limitation period	50	69.44	21	35.14	42	50.60
4	D4-Excess ITC availed under ISD mechanism	21	26.20	16	14.52	76	55.42
5	D5-Short payment of tax under Reverse Charge Mechanism (RCM)	49	88.47	21	37.32	43	42.18
6	D6-Mismatch in ITC availed between Annual Return and Financial Statements (Table 12F of GSTR-9C)	17	10.38	10	5.42	59	52.22
7	D7-Reconciliation between ITC declared in Annual return with expenses in financial statement (Table 14T of GSTR-9C)	18	61.07	9	45.12	50	73.88
8	D9-Undischarged tax liability	94	643.29	33	214.39	35	33.33
9	D10-Suppression in taxable value in comparison with E-Way bills	73	0.00*	42	0.00*	58	-
10	D11-Mismatch in tax paid between books of accounts and Annual Return (Table 9R of GSTR-9C)	16	24.05	8	10.45	50	43.45
11	D12-Suppression of taxable value identified through TDS/ TCS declaration	21	0.00*	12	0.00*	57	-
12	D13-Suppression of taxable value identified through mismatch in unbilled revenue declared in Table 5 of GSTR-9C	17	0.00*	10	0.00*	59	-
13	D14-Mismatch in taxable turnover between Annual return and Financial Statements (Table 7G of GSTR-9C)	18	0.00*	3	0.00*	17	-
14	D17-E-commerce benefactors under composition levy	5	0.00*	2	0.00*	40	-

Sl. No.	Audit Dimension	Sample		Department reply not received		Percentage	
		Number	Amount of mismatch	Number	Amount of mismatch	Number	Amount of mismatch
15	D20-Cases where GSTR-3B not filed but GSTR-1 available	52	55.85	17	22.80	33	40.82
16	D21-Short payment of interest on delayed payments	125	29.25	64	17.06	51	58.32
				329	**600.28#**		

Source: Information received from department and GSTN.

** Amount shown as zero since these are related with turnover mismatch.*

 # Turnover cases amounts to ₹1,251.54 crore not included.

Appendix - IV
(Ref: Part I Para No. 2.4.7.3)
Summary of Deficiencies – Centralised Audit

(₹ in crore)

Audit Dimension	Cases where reply received		Department reply accepted by Audit		Total Compliance Deviations		Detailed reply not furnished with appropriate documentary evidence	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount
1	2	3	4	5	6	7	8	9
Excess availing of ITC [D1]	45	414.11	10	67.79	31	189.31	4	157.01
ITC passed on by the supplier without remitting tax [D2]	21	104.35	3	0.06	18	104.30		
ITC availed on GSTR 3B filed after limitation period [D3]	30	40.85	2	1.96	28	38.89		
Excess ITC availed under ISD mechanism [D4]	4	11.68	0	0.00	4	11.68		
Short payment of tax under Reverse Charge Mechanism (RCM) [D5]	28	51.15	13	28.84	15	22.31		
Mismatch in ITC availed between Annual Return and Financial Statements (Table 12F of GSTR-9C) [D6]	7	4.96	1	0.00	6	4.97		
Reconciliation between ITC declared in Annual return with expenses in financial statement (Table 14T of GSTR-9C) [D7]	9	15.95	1	3.05	8	12.89		
Undischarged tax liability [D9]	61	428.89	26	178.06	35	250.87		
Mismatch in tax paid between books of accounts and Annual Return (Table 9R of GSTR-9C) [D11]	8	13.60	6	6.66	2	6.94		
Cases where GSTR-3B not filed but GSTR-1 available [D20]	35	39.51	8	9.74	27	29.78		
Short Payment of interest on delayed payments [D21]	61	12.19	6	0.64	55	11.56		
Total	**309**	**1,137.24**	**76**	**296.80**	**229**	**683.50**	**4**	**157.01**
Suppression in taxable value in comparison with E-Way bills [D10]	31	0.00*	15	0.00*	16	0.00*		
Suppression of taxable value identified through TDS/ TCS declaration [D12]	9	0.00*	0	0.00*	9	0.00*		
Suppression of taxable value identified through mismatch in unbilled revenue declared in Table 5 of GSTR-9C [D13]	7	0.00*	0	0.00*	7	0.00*		
Mismatch in taxable turnover between Annual return and Financial Statements (Table 7G of GSTR-9C) [D14]	15	0.00*	8	0.00*	7	0.00*		
E-commerce benefactors under composition levy [D17]	3	0.00*	0	0.00*	3	0.00*		

Audit Dimension	Cases where reply received		Department reply accepted by Audit		Total Compliance Deviations		Detailed reply not furnished with appropriate documentary evidence	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount
1	2	3	4	5	6	7	8	9
Total	**65**	**0.00***	**23**	**0.00***	**42**	**0.00***	**0**	**0.00**
Grand Total	**374**	**1,137.24**	**99**	**296.80**	**271**	**683.50**	**4**	**157.01**

Source: Information received from department and GSTN.

* Amount in respect of Turnover mismatch cases shown as zero.

Appendix - V
(Ref: Part I Paragraph 2.4.7.3)
Summary of deficiencies

(₹ in crore)

Audit Dimension	Cases where reply received		Department reply accepted by Audit						Accepted by Department including cases where action is yet to be initiated								Department's reply not acceptable to Audit (Rebuttal)		Department reply not furnished with appropriate documentary evidence		Department Stated they are examining the AQ	
			Data entry errors		Action taken before query		Other valid explanations		Recovered / Demand order issued		ASMT-10		SCN issued		Under correspondence with taxpayer							
	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23
D01	45	414.11	2	21.46	3	25.85	5	20.48	2	7.46	19	145.89	6	18.07			2	2.04	4	157.01	2	15.85
D02	21	104.35					3	0.06			16	81.04	1	17.49			1	5.77				
D03	30	40.85			2	1.96	0	0.00	6	14.58	16	16.91	6	7.40								
D04	4	11.68					0	0.00			2	11.27	2	0.41								
D05	28	51.15	12	26.24			1	2.60			12	17.68									3	4.63
D06	7	4.96					1	0.00			4	2.37	1	0.91	1	1.69						
D07	9	15.95					1	3.05			2	7.16	3	2.47	1	1.29					2	1.97
D09	61	428.89	17	144.51	3	0.36	6	33.19	3	0.01	14	89.51	10	83.09	3	14.72	3	9.76			2	53.78
D10	31	1,39,783.85	9	1,38,914.04			6	90.75			13	761.02			2	12.70	1	5.35				
D11	8	13.60	1	0.00	5	6.66	0	0.00			2	6.94										
D12	9	266.42					0	0.00			8	101.37									1	165.05
D13	7	70.00					0	0.00			4	64.72	2	2.55			1	2.73				
D14	15	2,764.58					8	1,722.23			5	806.91	2	235.44								
D17	3	5.22					0	0.00	1	0.01			1	1.60	1	3.61						
D20	35	39.51			8	9.74	0	0.00	1	7.65	20	16.02	5	5.58			1	0.53				
D21	61	12.19			6	0.64	0	0.00	2	0.35	24	5.98	29	5.23								
	374	**1,44,027.31**	**41**	**1,39,106.25**	**27**	**45.21**	**31**	**1,872.36**	**15**	**30.06**	**161**	**2,134.79**	**68**	**380.24**	**8**	**34.01**	**9**	**26.18**	**4**	**157.01**	**10**	**241.28**

Source: Samples selected through analysis of data in GSTN and responses received from department.

Appendix – VI
(Ref: Part I Paragraph 3.4.1)
Non-realization of Penalty and Additional fee on expiry of Certificate of fitness from Transport Vehicles

Sl. No.	Name of the Office	No. of vehicles	Penalty due (₹)	Additional Fee due (₹)
1	RTO, Alappuzha	251	1,38,850	16,14,700
2	RTO, Attingal	401	2,70,450	27,00,100
3	RTO, Idukki	310	1,48,400	16,16,650
4	RTO, Kozhikode	610	4,34,750	45,96,950
5	RTO, Malappuram	679	6,46,800	53,30,350
6	RTO, Vadakara	381	2,87,050	29,77,050
7	SRTO, Kayamkulam	314	1,78,000	19,94,600
8	SRTO, Koduvally	558	5,72,200	58,42,550
9	SRTO, Kondotty	49	21,950	1,76,800
10	SRTO, Kottarakkara	454	5,33,450	49,52,800
11	SRTO, Koyilandy	158	1,02,700	11,30,400
12	SRTO, Mananthavady	253	1,57,050	16,89,200
13	SRTO, Nanmanda	285	1,71,050	18,48,650
14	SRTO, Nedumangad	524	4,57,750	45,20,750
15	SRTO, North Paravur	484	4,04,800	36,02,750
16	SRTO, Ottapalam	273	1,41,500	15,71,050
17	SRTO, Perambra	281	1,76,700	21,10,900
18	SRTO, Punalur	356	4,44,500	42,28,350
19	SRTO, Thodupuzha	615	2,87,100	33,10,900
20	SRTO, Tirur	1,097	12,58,550	1,11,55,600
	Total	**8,333**	**68,33,600**	**6,69,71,100**
Total			**7,38,04,700**	
			₹7.38 crore	

Source: Compiled by AG (Audit II).

Appendix – VII
(Ref: Part I Paragraph 3.4.2)
Non-Imposition of penalty for belated renewal of Certificate of Fitness of Transport vehicles

Sl. No.	Name of the Office	No. of Vehicles	Penalty short levied (₹)
1	RTO, Attingal	420	15,84,650
2	RTO, Malappuram	654	23,91,350
3	RTO, Idukki	216	6,39,000
4	SRTO, Kottarakkara	471	18,86,250
5	SRTO, Kondotty	202	8,28,800
6	SRTO, Nedumangad	485	19,12,850
7	SRTO, Punalur	277	10,86,100
8	SRTO, Tirur	1,080	33,56,000
9	SRTO, Thodupuzha	182	7,22,350
Total		**3,987**	**1,44,07,350**
			₹1.44 crore

Source: Compiled by AG (Audit II).

Appendix – VIII
(Ref: Part I Paragraph 3.5)
Non-collection of service charge for permits issued in check post

Sl. No.	Name of the Office	Name of the Motor Vehicle Check Post	Number of temporary/ special permit issued without collecting Service Charge		Service Charge collectable (₹)
			Temporary Permit	Special permit	
1	RTO, Idukki	Kumaly	8,981	41,530	53,03,655
2	RTO, Kannur	Iritty	5,172	19,543	25,95,075
3	RTO, Kasaragod	Manjeswaram	28,926	27,738	59,49,720
		Neeleswaram	1,324	4,107	5,70,255
		Perla	3,109	2,454	5,84,115
4	RTO, Kollam	Aryankavu	18,095	24,296	44,51,055
5	RTO, Malappuram	Vazhikkadavu	6,058	34,445	42,52,815
6	RTO, Palakkad	Meenakshipuram	6,341	9,828	16,97,745
		Nadupuni	3,605	3,899	7,87,920
		Velanthavalam	11,572	10,584	23,26,380
		Walayar	66,479	11	69,81,450
7	RTO, Wayanad	Kattikkulam	4,667	20,543	26,47,050
		Muthanga	13,358	27,015	42,39,165
Total			**1,77,687**	**2,25,993**	**4,23,86,400**
			4,03,680		**₹ 4.24 crore**

Source: Compiled by AG (Audit II).

Appendix – IX
(Ref: Part I Paragraph 3.6)
Non-levy of Green Tax

Sl. No.	Name of the Office	Non-Transport vehicles		Transport vehicles	
		No. of vehicles	Amount (₹)	No. of vehicles	Amount (₹)
1	RTO, Alappuzha	17	6,800	4	3,600
2	RTO, Attingal	40	16,000	21	11,600
3	RTO, Idukki	22	8,800	25	20,000
4	RTO, Kannur	28	11,200	39	56,700
5	RTO, Kasaragod	67	26,800	77	60,200
6	RTO, Kollam	12	4,800	172	1,47,500
7	RTO, Kozhikode	58	23,200	19	19,400
8	RTO, Malappuram	89	35,600	112	90,100
9	RTO, Palakkad	149	59,600	38	38,800
10	RTO, Vadakara	49	19,600	20	14,000
11	RTO, Wayanad	0	0	14	16,800
12	SRTO, Chengannur	0	0	7	9,000
13	SRTO, Chittoor	108	43,200	29	25,800
14	SRTO, Iritty	4	1,600	4	5,400
15	SRTO, Kanhangad	0	0	10	8,100
16	SRTO, Kayamkulam	0	0	5	4,300
17	SRTO, Koduvally	43	17,200	40	43,800
18	SRTO, Kondotty	37	14,800	25	13,600
19	SRTO, Kottarakara	122	48,800	107	89,700
20	SRTO, Koyilandy	14	5,600	6	2,800
21	SRTO, Mananthavady	0	0	1	1,200
22	SRTO, Mavelikkara	0	0	4	4,700
23	SRTO, Nanmanda	27	10,800	8	8,200
24	SRTO, Nedumangad	295	1,18,000	127	95,900
25	SRTO, North Paravur	25	10,000	30	22,100
26	SRTO, Ottapalam	25	10,000	5	2,600
27	SRTO, Pattambi	106	42,400	10	5,800
28	SRTO, Perambra	14	5,600	15	15,200
29	SRTO, Punalur	30	12,000	26	10,400
30	SRTO, Sulthan Bathery	0	0	7	11,000
31	SRTO, Thalassery	177	70,800	34	31,000
32	SRTO, Tirur	56	22,400	165	1,50,600
33	SRTO, Thodupuzha	27	10,800	37	26,200
34	SRTO, Vellarikundu	0	0	2	2,000

Sl. No.	Name of the Office	Non-Transport vehicles		Transport vehicles	
		No. of vehicles	Amount (₹)	No. of vehicles	Amount (₹)
Total		**1,641**	**6,56,400**	**1,245**	**10,68,100**
Grand Total		**2,886 vehicles**		**₹17,24,500**	
		₹17.25 lakh			

Source: Compiled by AG (Audit II).

Appendix – X
(Ref: Part I Paragraph 3.7)
Non-realisation of tax in respect of Motor Cab

Sl. No.	Name of the Office	No. of Vehicles	Tax to be collected (₹)
1	RTO, Attingal	90	1,26,000
2	RTO, Idukki	31	43,400
3	RTO, Malappuram	44	61,600
4	RTO, Vadakara	66	92,400
5	SRTO, Kondotty	3	4,200
6	SRTO, Kottarakkara	69	96,600
7	SRTO, Koyilandy	32	44,800
8	SRTO, Mananthavady	31	43,400
9	SRTO, Nedumangad	94	1,31,600
10	SRTO, North Paravur	99	1,38,600
11	SRTO, Punalur	18	25,200
12	SRTO, Sulthan Bathery	79	1,10,600
13	SRTO, Tirur	106	1,48,400
14	SRTO, Thodupuzha	38	53,200
Total		**800**	**11,20,000**
			₹11.20 lakh

Source: Compiled by AG (Audit II).

Appendix –XI
(Ref: Part I Paragraph 3.8)
Short collection of tax from the goods carriages fitted with tipping mechanism

Sl. No.	Name of the Office	No. of Vehicles	Short levy (₹)
1	RTO, Attingal	44	1,28,895
2	RTO, Idukki	9	27,780
3	RTO, Malappuram	156	2,94,357
4	RTO, Vadakara	34	37,427
5	SRTO, Kondotty	62	1,30,141
6	SRTO, Kottarakkara	15	30,431
7	SRTO, Koyilandy	10	8,387
8	SRTO, Mananthavady	7	8,052
9	SRTO, Nedumangad	117	2,02,414
10	SRTO, Sulthan Bathery	17	30,436
11	SRTO, Thodupuzha	8	15,400
12	SRTO, Tirur	80	1,10,426
Total		**559**	**10,24,146**
			₹10.24 lakh

Source: Compiled by AG (Audit II).

Appendix – XII
(Ref: Part I Paragraph 3.9)
Short levy of one-time tax on non-transport vehicles

Sl. No.	Name of the Office	No. of vehicles	Tax short levied (₹)
1	RTO, Alappuzha	2	48,294
2	RTO, Attingal	5	53,575
3	RTO, Kannur	3	3,637
4	RTO, Kozhikode	4	42,193
5	RTO, Vadakara	1	4,767
6	RTO, Wayanad	4	2,44,851
7	SRTO, Chittoor	2	16,589
8	SRTO, Koduvally	1	2,720
9	SRTO, Kottarakkara	8	53,879
10	SRTO, Nanmanda	1	54,000
11	SRTO, Nedumangad	1	5,084
12	SRTO, Ottapalam	1	1,690
13	SRTO, Pattambi	3	24,130
14	SRTO, Perambra	1	4,145
15	SRTO, Punalur	6	64,233
16	SRTO, Tirur	6	1,66,113
Total		**49**	**7,89,900**
			₹7.90 lakh

Source: Compiled by AG (Audit II).

Appendix –XIII
(Ref: Part I Paragraph 4.4.5)
Details of offices selected for detailed scrutiny

District	Excise Circle Offices	Excise Range Offices	Other Offices
Alappuzha	1. Alappuzha 2. Kuttanad	1. Alappuzha 2. Kuttanad	1. De-addiction Centre, Taluk HQ Hospital, Mavelikkara 2. EE & ANSS Office 3. EI & IB Office
Ernakulam	1. Ernakulam 2. Kochi	1. Ernakulam 2. Thripunithura 3. Mattancherry 4. Njarackal	1. De-addiction Centre, Taluk HQ Hospital, Muvattupuzha 2. Mobile liquor testing unit 3. EE & ANSS Office 4. EI & IB Office
Palakkad	1. Chittur 2. Mannarkkad	1. Chittur 2. Kollengod 3. Mannarkkad 4. Agali	1. Janamaithri Excise Squad, Agali 2. De-addiction Centre, Agali 3. Excise Check posts at Walayar, Anakkatty, Govindapuram & Chemmanampathy. 4. EE & ANSS office 5. EI & IB Office
Kasaragod	1. Kasaragod 2. Hosdurg	1. Kumbala 2. Badiyadka 3. Hosdurg 4. Neeleswaram	1. De-addiction Centre, Taluk HQ Hospital, Neeleswaram 2. Excise Check Posts at Manjeswaram, Perla & Aadur 3. EE & ANSS Office 4. EI & IB Office

Source: Selected through data analysis.

Appendix –XIV
(Ref: Part I Paragraph 4.4.6.1 – bullet 1)
Utilisation of Inputs of Intelligence/ Investigation wing

	Ernakulam	Kasaragod	Palakkad	Alappuzha	Total
Total No. of IB inputs transferred to selected subunits	310	1,232	621	344	2,507
No. of IB inputs not documented by the sub offices concerned	178	155	261	90	684
No. of offences detected based on IB inputs	29	906	74	82	1,091
No. of IB inputs attended but offence not detected	14	42	130	21	207
No. of IB inputs attended but offence not detected and kept for further verification	9	1	20	12	42
Details of action taken not recorded in the IB input register	80	128	136	139	483
Percentage of offences detected on IB inputs transferred	9.35	73.54	11.92	23.84	43.52

Source: Based on data furnished by Department.

Appendix – XV
(Ref: Part I Paragraph 4.4.6.1 – bullet 2)
Attending complaints from the general public

	Palakkad	Ernakulam	Alappuzha	Kasaragod	Total
No. of complaints registered at EDO and transferred to sub offices	84	147	134	172	537
No. of complaints received/ registered in sub offices	60	98	56	110	324
No. of complaints omitted to register in sub offices	24	49	78	62	213
No. of complaints attended and offence detected	6	8	1	8	23
No. of complaints attended but offence not detected	25	20	10	38	93
No. of complaints attended but offence not detected and kept for follow up action	14	24	7	52	97
Details of action taken not recorded in the register	15	46	38	12	111

Source: Based on data furnished by Department.

Appendix– XVI
(Ref: Part I Paragraph 4.4.6.2 – bullet 1)
Delay in completion of investigation

Sl. No.	NDPS CR No.	Date of detection	Date of bail granted	Date of charge sheet filed	Delay period (in days)
Excise Range Office, Alappuzha (NDPS)					
1	34/2020	07.11.2020	24.12.2020	06.07.2021	241
2	19/2022	14.04.2022	29.06.2022	24.08.2022	132
3	26/2022	12.05.2022	08.07.2022	03.05.2023	149
4	56/2022	23.09.2022	A1- 02.11.2022, A2 - 29.10.2022	03.03.2023	161
5	90/2022	28.12.2022	A1 - 17.02.2023, A2 - 10.02.2023	21.08.2023	236
6	75/2022	23.10.2022	07.01.2023	28.04.2023	187
Excise Range Office, Alappuzha (Abkari)					
1	58/2020	27.04.2020	18.06.2020	05.01.2022	618
2	164/2020	21.12.2020	31.12.2020	05.08.2021	227
3	73/2021	21.05.2021	16.07.2021	03.06.2022	378
4	116/2022	04.08.2022	25.08.2022	07.02.2023	187
5	01/2023	02.01.2023	19.01.2023	20.11.2023	322
EE & ANSS, Ernakulam (NDPS)					
1	16/2021	26.02.2021	27.03.2021	15.09.2022	566
2	17/2021	09.03.2021	13.04.2021	27.03.2023	748
3	06/2022	16.02.2022	11.03.2022	30.06.2023	499
4	19/2022	23.03.2022	26.05.2022	15.11.2022	237
5	28/2022	14.05.2022	05.07.2022	18.11.2023	553
6	32/2022	28.05.2022	A2 - 30.03.2023 A41 - 02.03.2023	07.11.2023	528
Excise Range Office, Ernakulam (Abkari)					
1	122/2020	12.12.2020	29.12.2020	12.09.2022	639
2	73/2021	23.07.2021	27.08.2021	10.12.2021	81
3	76/2021	31.07.2021	02.09.2021	30.10.2021	91

Sl. No.	NDPS CR No.	Date of detection	Date of bail granted	Date of charge sheet filed	Delay period (in days)
4	55/2021	29.05.2021	23.08.2022	15.09.2022	109
5	25/2022	28.03.2022	16.04.2022	31.03.2023	368
Excise Division Office, Palakkad (NDPS)					
1	09/2020	31.05.2020	A1 - 01.12.2020, A2 - 04.12.2020 (ERO, Kollengode)	15.12.2021	563
2	27/2022	24.08.2022	27.07.2023 (EE & ANSS)	20.09.2023	392
Excise Division Office, Palakkad (Abkari)					
1	28/2020	17.04.2020	30.03.2020 (ERO, Kollengode)	31.11.2022	957
2	36/2020	15.05.2020	16.12.2021 (ERO, Kollengode)	26.08.2023	1,198
3	81/2020	23.05.2020	10.06.2020 (ERO, Chittur)	21.05.2022	728
4	35/2021	15.02.2021	02.03.2021 (ERO, Chittur)	29.07.2023	894
Excise Division Office, Kasaragode (NDPS)					
1	08/2022	21.04.2022	A1,2,3 - 20.10.2022, A4 - 19.10.2022 (EE & ANSS, Kasaragod)	24.10.2022	186
2	04/2020	12.02.2020	27.03.2020 (ERO, Kumbala)	30.09.2022	961
3	06/2020	28.09.2020	07.04.2021 (ERO, Neeleswar)	26.10.2021	393
Excise Division Office, Kasaragode (Abkari)					
1	128/2020	27.12.2020	15.02.2021 (ERO, Badiadka)	16.06.2021	171
2	68/2021	25.05.2021	29.06.2021 (ERO, Kumbala)	08.05.2023	713
3	147/2021	21.11.2021	18.02.2022 (ERO, Neeleswar)	18.10.2023	696
4	113/2021	29.08.2021	25.03.2022 (ERO, Neeleswar)	25.05.2022	269
5	170/2022	06.12.2022	22.12.2022 (ERO, Hosdurg)	18.05.2023	163

Source: Based on data furnished by Department.

Appendix – XVII
(Ref: Part I Paragraph 4.4.6.2 – bullet 3)
Preventive detention of offenders under PITNDPS Act

Sl. No.	Letter No. of proposal	District	Date of detection	Date of furnishing the proposal to Government	Delay period (in days)
1	603/2023	Palakkad	22.11.2022	02.03.2023	100
2	1183/2023	Palakkad	06.09.2022	03.04.2023	209
3	940/2023	Ernakulam	04.09.2022	17.03.2023	194
4	938/2023	Ernakulam	03.10.2022	20.03.2023	168
5	605/2023	Ernakulam	30.12.2021	14.02.2023	411
6	1188/2023	Kasaragod	30.05.2021	10.05.2023	710
7	1189/2023	Kasaragod	08.12.2021	13.04.2023	491
8	1187/2023	Kasaragod	05.11.2022	03.04.2023	149
9	1186/2023	Kasaragod	13.04.2021	03.04.2023	720
10	599/2023	Kasaragod	23.05.2022	15.03.2023	296
11	415/2023	Alappuzha	03.10.2022	15.03.2023	163
12	880/2023	Alappuzha	03.10.2022	17.03.2023	165

Source: Based on data furnished by Department.

Appendix – XVIII
(Ref: Part I Paragraph 4.4.6.2 – bullet 4)
Unnecessary remand of accused

Sl. No.	Cr No.& date	Contraband	Remanded	Bail obtained	Date of chemical analysis report
ERO, Alappuzha					
1	56/2022- 23.09.2022	2.42 gm MDMA	23.09.2022	20.10.2022	20.02.2023
2	50/2022- 03.09.2022	1.55 gm MDMA	03.09.2022	25.11.2022	20.02.2023
3	19/2022- 14.04.2022	1.350 gm MDMA	14.04.2022	29.06.2022	28.06.2022
4	41/2022- 07.07.2022	1.032 gm MDMA	27.07.2022	07.10.2022	26.11.2022
EE & ANSS, Alappuzha					
5	53/2020- 02.11.2020	1.37 gm MDMA	02.11.2020	22.12.2020	08.12.2021
6	78/2022- 04.11.2022	1 gm MDMA	04.11.2022	12.12.2022	02.02.2023
7	83/2022- 23.11.2022	0.6 gm MDMA	23.11.2022	04.01.2023	26.05.2023
8	91/2022- 09.12.2022	1 gm MDMA	09.12.2022	24.01.2023	22.07.2023
9	03/2021- 06.01.2021	0.6373 gm MDMA	06.01.2021	03.03.2021	02.02.2021
10	77/2022- 04.11.2022	1 gm MDMA	04.11.2022	12.12.2022	24.02.2023
11	97/2022- 21.12.2022	0.63 gm MDMA	21.12.2022	27.01.2023	27.07.2023
12	34/2022- 02.05.2022	1.58 gm MDMA	02.05.2022	16.07.2022	18.06.2022
13	50/2022- 26.08.2022	0.6819 gm MDMA	26.08.2022	16.09.2022	01.12.2022
EE & ANSS, Kasaragod					
14	23/2022- 24.12.2022	1.545 gm MDMA	24.12.2022	25.02.2023	31.03.2023
ERO, Kumbala					
15	04/2022- 17.02.2022	0.510 gm MDMA	17.02.2022	Not available	05.05.2022
EE & ANSS, Ernakulam					
16	01/2021- 01.01.2021	0.6760 gm MDMA	01.01.2021	22.02.2021	12.03.2021

Sl. No.	Cr No.& date	Contraband	Remanded	Bail obtained	Date of chemical analysis report
17	51/2022- 25.07.2022	1.422 gm MDMA	25.07.2022	25.08.2022	19.11.2022
18	06/2022- 16.02.2022	1.459 gm MDMA	16.02.2022	11.03.2022	14.06.2022
ERO, Njarakal					
19	20/2022- 12.11.2020	0.515 gm MDMA	12.11.2020	28.12.2020	18.02.2021
ERO, Ernakulam					
20	15/2022- 25.02.2022	0.645 gm MDMA	25.02.2022	24.03.2022	15.06.2022
21	68/2021- 24.12.2021	0.751 gm MDMA	24.12.2021	04.02.2022	11.02.2022
22	08/2023- 15.02.2023	1678 gm MDMA	15.02.2023	21.03.2023	10.07.2023
23	64/2022- 02.08.2022	625 gm MDMA	02.08.2022	14.09.2022	14.09.2022

Source: Based on data furnished by Department.

Appendix – XIX
(Ref: Part I Paragraph 4.4.6.3 – bullet 1)
Acquittal of accused in Abkari cases

Sl. No.	Reason for acquittal	Section invoked	No. of cases acquitted
1	Certification of the inventory under Section 53A is not correct. Possession and sale of other state liquor not proved.	58	11
2	Name of the Excise Guard was not in both the forwarding notes to Lab and the Court. Description of seal affixed on the bottles was absent. Possession and sale of Kerala liquor not proved.	55(i)	11
3	Section 53A of the Act was not followed in respect of wash. Identity of the accused was not proved. Possession of wash for manufacturing arrack not proved.	8(2), 8(1) and 55(g)	9
4	Improper certification of inventory and failed to prove the offence under Section 55(a) of the Act.	55(a)	2

Details of acquittal cases

Sl. No.	Crime No.	Office	Section invoked	Nature of offence	Reasons for acquittal
1	28/2018 Disposed on 23.12.2021	ERO Alappuzha	58	Possession and sale of illicit liquor	Prosecution could not prove that the accused was in possession of illicit liquor knowing the same have been unlawfully imported, transported or manufactured or knowing the duty, tax or rental payable under the Act not to have been paid.
2	38/2016 Disposed on 26.10.2022	ERO Alappuzha	55(i)	Sale of IMFL	Possession and sale was not proved.
3	36/2018 Disposed on 11.12.2020	ERO Alappuzha	55(i)	Sale of IMFL	Failed to prove the identity of the accused. Name of Excise Guard is absent on the forwarding note.
4	111/2017 Disposed on 28.12.2022	ERO Alappuzha	8(2), 8(1) and 55(g)	Possession of arrack, wash and utensil	Possession was not proved. Section 53A of the Act was not followed in respect of wash. Identity of the accused was not proved.
5	68/2017 Disposed on 28.11.2022	ERO Alappuzha	55(i)	Sale of IMFL	Name of the Excise Guard was not in both the forwarding notes to Lab and the Court.

Sl. No.	Crime No.	Office	Section invoked	Nature of offence	Reasons for acquittal
					Description of seal affixed on the bottles was absent.
6	13/2018 Disposed on 31.03.2022	ERO Alappuzha	55(i)	Sale of IMFL	No authority as the detecting Officer was not appointed as the Inspector of the Excise Range.
7	215/2017 Disposed on 10.12.2020	ERO Alappuzha	55(i)	Sale of IMFL	No evidence of tamper proof dispatch. Prosecution failed the links.
8	80/2018 Disposed on 09.03.2022	ERO Kuttanad	55(g)	Possession of wash for manufacturing arrack	Did not follow mandatory provisions of section 53(A) of Abkari Act.
9	13/2019 Disposed on 30.06.2022	ERO Kuttanad	55(i)	Sale of IMFL	Possession of IMFL was not proved.
10	26/2016 Disposed on 20.09.2022	ERO Thripunithura	55(a)	Possession of toddy for sale	i. Unexplained delay in charge sheeting the case. ii. Non-compliance of the provisions u/s 53 A. iii. Possession and sale was not proved.
11	69/2015 Disposed on 27.01.2020	ERO Njarackal	55(a) and 55(i)	Possession and sale of liquor	i. No dated initial of the Magistrate in the forwarding note. ii) Tamper proof despatch of samples not ensured. iii) Prosecution failed to prove sale of liquor.
12	41/2018 Disposed on 28.02.2023	ERO Kollengode	58	Possession and sale of illicit liquor (Tamilnadu liquor)	i. Unexplained delay of two years in charging the case. ii. No seal in seizure *Mahazar*.
13	39/2017 Disposed on 09.02.2021	ERO Kollengode	58 and 55(i)	Possession of IMFL for sale after importing into the state without any authority	Identity of the accused not proved. Sale also not proved.
14	72/2014 Disposed on 24.03.2023	ERO Chittur	55(g) and 67(b)	Possession and transportation of toddy.	i) Sample produced to Court after 14 days. ii) inventory not signed with date and its certification after three months. iii) unexplained delay in filing charge sheet after two years.

Sl. No.	Crime No.	Office	Section invoked	Nature of offence	Reasons for acquittal
15	84/2020 Disposed on 15.02.2023	ERO Agali	55(a) and 55(i)	Possession of liquor for sale.	i) Seal of the court and name of the CEO in sample forwarding note are missing. ii) Delay in producing before the court. iii) Inventory not signed with date.
16	21/2017 Disposed on 12.01.2022	ERO Agali	58	Possession and sale of Tamilnadu Liquor	Investigation not conducted. Sale not proved.
17	26/2021 Disposed on 18.08.2023	ERO Kumbala	58	Possession and sale of illicit liquor (Karnataka liquor)	The Inventory as per section 53-A of the Abkari Act was certified by the Tahsildar, Manjeswaram and no where it is mentioned Tahsildar has the power of executive Magistrate. Hence the certification of the inventory under section 53-A is not correct and the offence was not proved.
18	61/2021 Disposed on 16.08.2023	ERO Kumbala	-do-	-do-	-do-
19	62/2021 Disposed on 19.08.2023	ERO Kumbala	-do-	- do-	-do-
20	39/2021 Disposed on 14.07.2023	ERO Kumbala	-do-	-do-	-do-
21	21/2021 Disposed on 30.06.2023	ERO Kumbala	-do-	-do-	-do-
22	175/2018	ERO Kumbala	55(a)	Transportation of Karnataka FL	Failed to prove the offence under section 55 (a) of the Act. But punished under section 63 of the Act.
23	111/2017 Disposed on 28.11.2022	ERO Kumbala	8(2), 8(1) and 55(g)	Possession of arrack, wash and utensil	Possession was not proved. Section 53A of the Act was not followed in respect of wash. Identity of the accused was not proved.
24	68/2017	ERO Kumbala	55(i)	Sale of IMFL	Name of the Excise Guard was not in both

Sl. No.	Crime No.	Office	Section invoked	Nature of offence	Reasons for acquittal
	Disposed on 28.11.2022				the forwarding notes to Lab and the Court. Description of seal affixed on the bottles was absent.
25	13/2018 Disposed on 31.03.2022	ERO Kumbala	55(i)	Sale of IMFL	No authority as the detecting officer was not appointed as the Inspector of the Excise Range.
26	87/2020	ERO Badiyadka	58	Possession and sale of Karnataka liquor	Inventory certificate was signed by Tahsildar. No seal of Executive Magistrate. Prosecution failed to prove the case.
27	80/2018 Disposed on 09.03.2022	ERO Badiyadka	55(g)	Possession of wash for manufacturing arrack	Did not follow mandatory provisions of section 53(A) of Abkari Act.
28	13/2019 Disposed on 30.06.2022	ERO Badiyadka	55(i)	Sale of IMFL	Possession of IMFL was not proved.
29	38/2020 Disposed on 30.09.2022	ERO Neeleswaram	55(g)	Possession of wash for manufacturing arrack	Did not follow the mandatory provisions of section 53(A) of Abkari Act. Inordinate delay in production of samples to court. Person not identified.
30	74/2019 Disposed on 01.12.2022	ERO Neeleswaram	58	Possession of other state liquor	Identity of the accused not established. Prosecution failed to prove the offence.
31	6/2021 Disposed on 24.11.2022	ERO Neeleswaram	55(g)	Possession of wash for manufacturing arrack	i) Did not follow the mandatory provisions of section 53(A) of Abkari Act, ii) Forwarding Note does not contain the name of officer, who handed over the samples to Lab.
32	53/2020 Disposed on 18.11.2022	ERO Neeleswaram	55(g)	Possession of wash for manufacturing arrack	-do-

Sl. No.	Crime No.	Office	Section invoked	Nature of offence	Reasons for acquittal
33	68/2020 Disposed on 17.03.2023	ERO Neeleswaram	55(g)	Possession of wash for manufacturing arrack	i) No inventory of the contraband has been prepared as required in Section 53A. ii) No evidence for proving the place of occurrence is owned or possessed by the accused.

Source: Based on data furnished by Department.

Appendix – XX
(Ref: Part I Paragraph 4.4.6.4 – bullet 1)
Non collection of additional fee

Inter division transport of toddy

Inter Division Transport Permit details:

	2020-21 (I st H/y[127])	2020-21 (II nd H/y)	2021-22 (I st H/y)	2021-22 (II nd H/y)	2022-23 (I st H/y)	2022-23 (II nd H/y)
Total permit	835	1,002	996	1,109	835	820
Trees	1,09,973	1,55,446	1,54,811	1,70,530	1,16,799	1,18,921
Litres	2,19,946	3,10,891	3,09,621	3,41,059	2,33,598	2,37,842
Tree tax	27,50,730	29,06,580	30,95,880	30,77,640	35,03,970	35,67,630
Additional fees	2,62,44,642	3,95,39,066	4,18,90,059	4,27,26,542	8,54,96,868	8,70,50,172

Source: Based on data furnished by the Department.

Intra-Range Permit details:

	2020-21 (I st H/y)	2020-21 (II nd H/y)	2021-22 (I st H/y)	2021-22 (II nd H/y)	2022-23 (I st H/y)	2022-23 (II nd H/y)
Coconut Trees	33,838	35,635	34,285	32,795	33,235	34,634
Palm Trees	180	170	190	60	97	97
Total Litres	68,486	72,035	69,425	65,860	66,906.50	69,704.50

Source: Based on data furnished by the Department.

Failure to demand and collection of additional permit fee:

Particulars	2021-22		Total	Remarks
	Ist Half	IInd Half		
Total No. of ID permits issued	996	1,109	2,105	Additional Permit Fee due for the year 2021-22 was not demanded in 2021-22 and 2022-23. During 2023-24 demand was made for ₹36.65 lakh in 73 permits and ₹15.41 lakh was collected in 16 permits.
Total quantity of toddy permitted to transport half yearly (in litre)	4,18,90,059	4,27,62,542	8,46,52,601	
Total amount of additional permit fee leviable @ ₹1/ liter (₹)	4,18,90,059	4,27,62,542	8,46,52,601	
Total amount of permit fee and additional fee collected (₹)			15,41,082	
Balance pending collection (₹)			8,31,11,519	

Source: Based on data furnished by the Department.

* *Government vide letter No. G1/50/2023 dated 20 May 2023 clarified that the additional permit fee is collectable on the Inter Division permits issued for the entire year 2021-22 and directed to collect it. However, demand notices were not yet issued for the collection of ₹8.10 crore.*

[127] Half Year.

Appendix – XXI
(Ref: Part I Paragraph 4.4.6.4 – bullet 2)
Collection of samples from Foreign Liquor and its analysis

Details of sample collection during the period 2022-23				
District	**No. of FL Shops**	**No. of FL Shops from which sample collected**	**No. of FL licencees where sample was not collected in single occurrence**	**Chemical analysis report not received**
Ernakulam	159	51	108	76
Kasaragod	16	7	9	10
Palakkad	10	2	8	7
Alappuzha	23	9	14	9
Total	**208**	**69**	**139**	**102**

Source: Based on data furnished by the Department.

Appendix – XXII
(Ref: Part I Paragraph 4.4.6.4 – bullet 6)
Renewal of FL-3/ FL-11 Licences without Star Classification

Sl. No.	Name of licencee	Star classification expired on	Period for which FL-3 licences issued without Star Classification
	EDO, Ernakulam		
1	Abaam Hotel, Vyttila	19.10.2020	2020-21 2021-22
2	Arya International	28.06.2020	2020-21 2021-22
3	Casino Hotel, Willington Island	28.02.2020	2020-21 2021-22
4	CRB Cochin Palace	07.06.2020	2020-21 2021-22
5	Diana Heights	17.02.2020	2020-21 2021-22
6	Gateway Hotel, Marine Drive	29.03.2020	2020-21 2021-22
7	Anjali International, Perumbavoor	05.09.2023	2023-24
8	Hotel Cee Cee Tower	-	2020-21
9	Edassery Mansion, Kathrikkadavu	05.08.2020	2020-21 2021-22 2022-23
10	Hotel Hill View, Padamughal	18.10.2020	2020-21 2021-22
11	Kochi Marriot Hotel	23.06.2020	2020-21 2021-22
12	Kabani Heritage, Ankamaly	-	2020-21 2021-22
13	Kabani International, Thodupuzha	03.06.2020	2020-21 2021-22
14	Kabani Regency, Karimughal	17.08.2020	2020-21 2021-22
15	Mercy Luxury Business Hotel, Ravipuram	03.06.2020	2020-21
16	NM Royal County, Tripunithura	12.10.2020	2020-21 2021-22 2022-23
17	Perumbavoor Galaxy Hotel, Chendamangalam	23.09.2020	2020-21 2021-22 2022-23
18	Paray Residency, Muvattupuzha	01.11.2020	2020-21 2021-22

Sl. No.	Name of licencee	Star classification expired on	Period for which FL-3 licences issued without Star Classification
19	Hotel Park Residency, Kakkanad	26.05.2020	2020-21
20	Rose Residency, Kolencherry	09.08.2020	2020-21 2021-22
21	Saj Earth Resort, Nedumbassery	11.11.2020	2020-21
22	Hotel Periyar Ltd. (Seven star)	24.06.2020	2020-21 2021-22 2022-23
23	Hotel Green Park, Kalady (Sreevilas)	25.06.2020	2020-21 2021-22
24	Trident Kochi, Willington	21.07.2020	2020-21 2021-22
25	VKG Group, Cherai	06.04.2020	2020-21
26	VKL Leisure Inn	-	2020-21
27	Wings Park Hotel & Residency, Perumbavoor	01.11.2020	2020-21 2021-22 2022-23
28	Broad Bean Hotel	18.10.2020	2020-21 2021-22
29	Hotel Cloud 9	13.01.2021	2021-22 2022-23
30	Fragrant Nature	26.10.2021	2021-22 2022-23
31	Highland Star Hotel (Olive down town)	31.12.2021	2021-22 2022-23
32	Holiday Inn	12.06.2021	2021-22 2022-23
33	Blue Waters	28.09.2021	2021-22 2022-23
34	Green Palace	31.12.2021	2021-22
35	Saj International	18.04.2021	2021-22 2022-23
36	Hotel Park Central	27.03.2021	2021-22
37	Kottavathil Restaurant	26.04.2021	2021-22
38	Maxx Cochin Heritage	16.01.2022	2021-22
39	Hotel Dewland	07.04.2021	2021-22 2022-23
40	Hill Palace Hotel	18.04.2021	2021-22
41	Airport Golf view	01.03.2023	2022-23 2023-24

Sl. No.	Name of licencee	Star classification expired on	Period for which FL3 licences issued without Star Classification
42	Ajantha Regency	21.03.2023	2022-23 2023-24
43	Hotel Aramana, Manjapra	05.02.2023	2022-23 2023-24
44	Athena Central, Piravom	20.12.2023	2023-24
45	C & R Hotel & Restaurant	25.12.2022	2022-23 2023-24
46	Cochin Residency	28.12.2022	2022-23
47	Damianz Retreat	04.07.2022	2022-23 2023-24
48	Ekachakra Residency	17.09.2022	2022-23 2023-24
49	Hotel Elegance	26.03.2023	2022-23 2023-24
50	Fort Queen	28.12.2022	2022-23 2023-24
51	Golden Palace	-	2022-23
52	Grand Regency	03.12.2022	2022-23
53	Harbour Hotel	18.09.2022	2022-23 2023-24
54	Harbour View Residency	25.10.2022	2022-23 2023-24
55	Highway Garden Drive Inn	13.08.2022	2022-23 2023-24
56	Hotel Eden Garden	20.12.2022	2022-23 2023-24
57	International Hotel	01.01.2023	2022-23
58	Le Maritime	05.07.2022	2022-23
59	Maxx Cochin Heritage	16.01.2022	2022-23
60	Malabar Illam	16.04.2022	2022-23
61	Hotel Malayattoor Residency	17.09.2022	2022-23
62	Hotel Presidency	16.11.2022	2022-23
63	Mookkannur Tourist Home	05.02.2023	2022-23
64	Periyar Resorts Pvt. Ltd	20.12.2022	2022-23
65	PGS Vedanta Business Hotel	26.03.2023	2022-23
66	Pooja Residency	18.09.2022	2022-23
67	Sea Lagoon	04.09.2022	2022-23
68	Landmark Kaloor	16.04.2022	2022-23
69	Times Hotel	-	2022-23

Sl. No.	Name of licencee	Star classification expired on	Period for which FL3 licences issued without Star Classification
70	Travellers Inn	05.02.2023	2022-23
71	Hotel V day Inn Aluva, Vazhakulam	20.11.2022	2022-23
72	Vivanta Taj	08.06.2022	2022-23
73	Amrutha Residency	23.10.2023	2023-24
74	Anjali International	05.09.2023	2023-24
75	Aquaria Boutique	05.02.2023	2023-24
76	Aruna Tourist Home	04.03.2024	2023-24
77	ATS Willingdon	31.12.2023	2023-24
78	Hotel Blue Bells	25.11.2023	2023-24
79	Gokulam Park	19.03.2023	2023-24
80	Cochin Restaurant	-	2023-24
81	Coral Reef	08.07.2023	2023-24
82	Crown Plaza	14.01.2024	2023-24
83	Edassery Village Resort	28.11.2023	2023-24
84	Elite Tourist Home	10.02.2024	2023-24
85	Embasseril Tourist Home	25.11.2023	2023-24
86	Fort Queen	-	2023-24
87	Four Point	18.02.2024	2023-24
88	Hotel Grand Regency	-	2023-24
89	Hamilton Residency	27.01.2024	2023-24
90	Heritage Methanam	-	2023-24
	EDO, Palakkad		
1	Hotel Ambadi	01.03.2023	2022-23 2023-24
2	Hotel Aramana	26.03.2023	2022-23 2023-24
3	ATS Residency	20.01.2023	2022-23 2023-24
4	Cee Dee Regency	26.03.2023	2022-23 2023-24
5	Hotel Midhila Regency (Cherplassery)	01.02.2023	2022-23 2023-24
6	Chithrapuri hotel	19.12.2022	2022-23 2023-24
7	Deepa Restaurant & Tourist Home	16.12.2023	2023-24
8	Fort Palace Hotel (Palakkad Hotel Pvt. Ltd.)	16.08.2020	2020-21 2021-22 2022-23 2023-24

Sl. No.	Name of licencee	Star classification expired on	Period for which FL3 licences issued without Star Classification
9	Hotel Gayathri Grand	27.12.2022	2022-23 2023-24
10	Gayathri Inn	20.01.2024	2023-24
11	Hotel Gayathri International	15.09.2023	2023-24
12	Hotel Gayathri Regency	05.11.2023	2023-24
13	Hotel Gopalapuram International	16.08.2020	2020-21 2021-22 2022-23 2023-24
14	Grand Kera	04.04.2023	2023-24
15	Indraprastha	03.04.2023	2023-24
16	Jyothis Regency	13.11.2023	2023-24
17	Kairali	04.11.2023	2023-24
18	Kalyan Tourist Home	30.01.2024	2023-24
19	Kottaram Hotel Pvt. Ltd.	25.05.2022	2022-23
20	Mannarkkad Hotel Pvt. Ltd. (Ritzy Malabar)	19.10.2020	2020-21 2021-22 2022-23 2023-24
21	Nila Residency	01.03.2023	2022-23 2023-24
22	Palm Shore	07.02.2022	2022-23 2023-24
23	Paray Village County	03.11.2020	2020-21 2021-22 2022-23 2023-24
24	Hotel Rajaprastham	27.12.2022	2022-23 2023-24
25	Samudra Regency	20.07.2022	2022-23 2023-24
26	Soorya Continental	19.06.2021	2020-21 2021-22 2022-23 2023-24
27	Soorya Residency	19.02.2022	2021-22 2022-23 2023-24
28	Soorya Retreat	27.05.2022	2020-21 2021-22 2022-23

Sl. No.	Name of licencee	Star classification expired on	Period for which FL3 licences issued without Star Classification
			2023-24
29	Soorya Swagath	27.05.2022	2022-23 2023-24
30	Sreevalsom (Olavakkode)	11.06.2022	2022-23 2023-24
31	Sreevatsa Regency (Koduvayur)	20.12.2022	2022-23 2023-24
32	Soorya City (Veeyemmar Int. Pvt. Ltd.)	04.03.2023	2022-23 2023-24
33	Hotel Host International (VMGR Hotels & Resort Pvt. Ltd.)	06.12.2022	2022-23 2023-24
	EDO, Kasaragod		
1	Raj Residency	31.10.2022	2022-23 2023-24
2	Thattil Heritage	13.01.2021	2020-21 2021-22 2022-23 2023-24
3	Sree Gokulam	30.06.2021	2021-22 2022-23
4	Navarang Residency (FL-11)	04.05.2020	2020-21 2021-22 2022-23 2023-24
5	Malanad Tourist Homes	04.10.2023	2023-24
	EDO, Alappuzha		
1	Arcadia Regency	01.06.2021	2021-22 2022-23
2	Aswini Residency	29.03.2020	2020-21 2021-22
3	Hotel Bhagavathi Gardens	20.07.2022	2022-23
4	Hotel Empire Residency	18.09.2022	2022-23
5	Hotel Esquire Inn	05.02.2023	2022-23
6	Hotel Indraprastha	20.12.2022	2022-23
7	Keerthy Regency	31.07.2022	2022-23
8	Lake Palace	28.01.2021	2020-21 2021-22 2022-23
9	Maharaja Palace	20.12.2022	2022-23
10	The Marari Beach	16.03.2021	2020-21

Sl. No.	Name of licencee	Star classification expired on	Period for which FL3 licences issued without Star Classification
11	Raheem Residency	03.06.2020	2020-21 2021-22 2022-23
12	Hotel Sougandhika	04.06.2020	2020-21 2021-22 2022-23
13	Silver Sand	26.04.2021	2021-22 2022-23
14	Hotel Sixer	15.07.2020	2020-21 2021-22
15	Thachamparambil Residency	17.02.2021	2020-21 2021-22 2022-23
16	Hotel Travancore Palace	04.06.2020	2020-21 2021-22 2022-23

Source: Based on data furnished by Department.

Appendix – XXIII
(Ref: Part I Paragraph 4.4.6.5)
Delay in disposal of seized vehicles

Disposal of vehicles in four districts during the audit period, 1 April 2020 to 31 March 2023

District	Total no. of vehicles pending disposal up to 01.04.2020	No. of vehicles seized during audit period	Total	Total vehicles disposed during audit period	No. of vehicles pending disposal as on 31.03.2023
Alappuzha	370	63	433	20	413
Ernakulam	590	469	1,059	161	898
Palakkad	459	473	932	137	795
Kasaragod	176	527	703	178	525
Total	**1,595**	**1,532**	**3,127**	**496**	**2,631**

Source**:** Based on data furnished by Department.

Appendix – XXIV
(Ref: Part I Paragraph 4.4.6.7)
Idling of Human Resources

A. Excise Staff posted at defunct Distilleries/ Breweries:

Sl. No.	Name of Distillery	Details of staff deployed	Company turned defunct w.e.f.	Date of withdrawal of Excise staff
1	United Spirits Ltd., Kanjikkode	EI, PO and CEOs - 03	01.07.2016	25.10.2022
2	United Spirits, Cherthala	EI, PO - 4, CEOs – 10	01.08.2015	01.04.2020
3	United Breweries, Cherthala	EI, CEOs – 03	23.05.2019	01.04.2023

Source**:** Based on data furnished by Department.

B. Strength of Janamaithri Excise Squad:

Designation	Attappadi		Mananthavadi		Devikulam		Nilambur	
	Sanctioned strength	Person in Position	Sanctioned strength	Person in Position	Sanctioned strength	Person in Position	Sanctioned strength	Person in Position
Excise Circle Inspector	1	1	1	1	1	1	1	1
Excise Inspector	1	1	1	1	0	0	0	0
Assistant Excise Inspector	1	1	1	1	0	0	0	0
Preventive Officer	3	3	3	3	2	2	2	2
Civil Excise Officer	11	11	9	9	3	3	5	5
Woman Civil Excise Officer	5	5	5	5	2	2	0	0
Excise Driver	1	1	1	1	1	1	1	1
PTS	0	0	0	0	1	1	1	1
Total	**23**	**23**	**21**	**21**	**10**	**10**	**10**	**10**

Source**:** Based on data furnished by Department.

Appendix – XXV
(Ref: Part I Paragraph 4.6)
Unauthorised reconstitution of Board of Directors of company holding Foreign Liquor license

Name of hotel	Name of company	CIN of company	Name of changed Director Board members	Date of reconstitution	Fee plus fine due to reconstitution (₹ in lakh)	Amount due (₹ in lakh)
Green Oasis Regency Hotels Pvt. Ltd.	Green Oasis Regency Hotels Pvt. Ltd.	U55200KL2007PTC020816	Cherian Joseph Thomaskutty Alex Puthumana Denny Panjikkaran	01.09.2019	4.00	4.00
					Total	**4.00**

Source**:** Based on data furnished by Department.

Appendix – XXVI
(Ref: Part I Paragraph 5.4.1)
Short collection of revenue due to misclassification of commercially important plot

Sl. No.	Name of office/ Document type, Doc No. and date of Registration	Survey number to be referred for Fair Value	Classification and Fair Value (₹) per Are as per document	Area of land convey-ed in Are	Consideration (land + building) as per document (₹)	Classification to be adopted and Fair Value (₹) per Are to be considered	Value applicable (land[128] + building) (₹)	Difference in value (8-6) (₹)	Short levy of SD and RF[129] @ 8% and 2% respectively (₹)	1. Executants and 2. Claimants	Joint physical verifica-tion
1	2	3	4	5	6	7	8	9	10	11	12
SRO, Edakkara											
1	Sale deed-5001/2018 21.12.2018	1111/2B-1784	Residential plot with NH/PWD road access 1,65,000	4.25	42,00,000 (7,03,000 + 34,97,000)	Commercially important plot 6,60,000	63,02,000 (28,05,000 + 34,97,000)	21,02,000	2,10,200	1. Vasudhevan 2. George Kutty K T	No
2	Sale deed-3521/2020 27.10.2020	1087/1C	Residential plot with NH/PWD road access 4,00,000	2.02	8,75,000 (8,24,000 + 51,000)	Commercially important plot 10,00,000	20,71,000 (20,20,000 + 51,000)	11,96,000	1,19,600	1.Kunjalikutty 2. Abdul Rasheed	No
3	Sale deed-990/2017 09.03.2017	1186/2A	Residential plot with NH/PWD road access 2,10,000	3.64	8,70,000 (7,65,000 + 1,05,000)	Commercially important plot 4,50,000	17,43,000 (16,38,000 + 1,05,000)	8,73,000	87,300	1.Azeez 2. Mustafa	No

[128] Fair value of land per Are x area of land conveyed.
[129] Stamp duty and Registration fee.

Sl. No.	Name of office/ Document type, Doc No. and date of Registration	Survey number to be referred for Fair Value	Classification and Fair Value (₹) per Are as per document	Area of land convey-ed in Are	Consideration (land + building) as per document (₹)	Classification to be adopted and Fair Value (₹) per Are to be considered	Value applicable (land[128] + building) (₹)	Difference in value (8-6) (₹)	Short levy of SD and RF[129] @ 8% and 2% respectively (₹)	1. Executants and 2. Claimants	Joint physical verifica-tion
4	Sale deed-1633/2017 04.04.2017	1100/1-15	Residential plot with NH/PWD road access 2,17,500	2.63	10,82,100 (5,72,100 + 5,10,000)	Commercially important plot 6,75,000	22,85,250 (17,75,250 + 5,10,000)	12,03,150	1,20,315	1.Abdul Majeed 2. Subaida	No
5	Sale deed-1634/2017 04.04.2017	1100/1-15	Residential plot with NH/PWD road access 2,17,500	2.63	10,82,100 (5,72,100 + 5,10,000)	Commercially important plot 6,75,000	22,85,250 (17,75,250 + 5,10,000)	12,03,150	1,20,315	1.Abdul Majeed 2. Moideen Kutty	No
6	Sale deed-1600/2019 24.04.2019	1100/1-317	Residential plot with NH/PWD road access 2,39,250	1.32	8,60,000 (3,16,000 + 5,44,000)	Commercially important plot 7,42,500	15,24,100 (9,80,100 + 5,44,000)	6,64,100	66,410	1.Krishnadas P 2.Habeeb Ahammed	No
7	Sale deed-2580/2020 27.08.2020	1186/2A-304	Residential plot with NH/PWD road access 4,00,000	3.51	29,10,000 (14,10,000 + 15,00,000)	Commercially important plot 8,00,000	43,08,000 (28,08,000 + 15,00,000)	13,98,000	1,39,800	1.Abdul Gafoor 2. Shajahan	No
8	Sale deed-3138/2019 29.08.2019	1057/4-82	Residential plot with C/M/P road access 1,81,500	7.99	30,00,000 (27,87,000 + 2,13,000)	Commercially important plot 9,07,500	74,63,925 (72,50,925 + 2,13,000)	44,63,925	4,46,393	1.Hyderali and Veerankutty 2. Sivadas S K	No

Sl. No.	Name of office/ Document type, Doc No. and date of Registration	Survey number to be referred for Fair Value	Classification and Fair Value (₹) per Are as per document	Area of land convey-ed in Are	Consideration (land + building) as per document (₹)	Classification to be adopted and Fair Value (₹) per Are to be considered	Value applicable (land[128] + building) (₹)	Difference in value (8-6) (₹)	Short levy of SD and RF[129] @ 8% and 2% respective ly (₹)	1. Executants and 2. Claimants	Joint physical verifica-tion
9	Sale deed 4182/2018 22.10.2018	1087/1C-4140	Residential plot with C/M/P road access 29,700	7.69	8,01,500 (2,28,500 + 5,73,000)	Commercially important plot 4,12,500	37,45,125 (31,72,125 + 5,73,000)	29,43,625	2,94,363	1.Noushadali and Muhammedali 2.Muhammed Sherif	No
10	Sale deed-2558/2019 05.07.2019	1059/1	Residential plot with C/M/P road access 2,26,875	6.18	19,75,000 (14,10,000 + 5,65,000)	Commercially important plot 10,89,000	72,95,020 (67,30,020 + 5,65,000)	53,20,020	5,32,002	1. Muhammed and Abdul Nasar 2. Ahammed	No
SRO, Uduma											
11	Sale deed 1202/2020 24.06.2020	Re.Sy No 326/1	Residential plot without road access 24,000	5.16	18,25,000 (1,25,000 + 17,00,000)	Commercially important plot 1,40,000	24,22,400 (7,22,400 + 17,00,000)	5,97,400	59,740	1.Abdul Hameed 2.M Hassan and Sameema M	No
SRO, Ollukkara											
12	Sale deed 1891/2016 19.08.2016	833/2	Residential plot with PWD road access 7,50,000	2.25	19,65,000 (16,90,000 + 2,75,000)	Commercially important plot 8,40,000	21,65,000 (18,90,000 + 2,75,000)	2,00,000	16,000 (SD @ 6% and RF @ 2%)	1.P P Unnikrishnan 2.Sukumaran	No
SRO, Kattoor											
13	Sale deed 998/2016	387/1, 387/6	Residential plot with	6.47	20,00,000 (14,56,000 + 5,44,000)	Commercially important plot 3,75,000	29,70,250 (24,26,250 + 5,44,000)	9,70,250	77,620 (SD @ 6% and	1.Usha 2. Pradeep, Jessy Chandran	No

Sl. No.	Name of office/ Document type, Doc No. and date of Registration	Survey number to be referred for Fair Value	Classification and Fair Value (₹) per Are as per document	Area of land convey-ed in Are	Consideration (land + building) as per document (₹)	Classification to be adopted and Fair Value (₹) per Are to be considered	Value applicable (land[128] + building) (₹)	Difference in value (8-6) (₹)	Short levy of SD and RF[129] @ 8% and 2% respectively (₹)	1. Executants and 2. Claimants	Joint physical verifica-tion
	16.07.2016		PWD road access 2,25,000						RF @ 2%)		
14	Sale deed 639/2016 04.05.2016	411/3	Residential plot with Private road access 75,000	3.36	4,16,000 (3,03,000 + 1,13,000)	Commercially important plot 3,75,000	13,73,000 (12,60,000 + 1,13,000)	9,57,000	76,560 (SD @ 6% and RF @2%)	1.Nizabi 2.Abdul Razak, Shaina Abdhul Rahman	Yes
SRO, Wadakkancherry											
15	Sale deed 955/2020 12.06.2020	756/1	Residential plot with PWD road access 2,02,635	30.35	61,50,000	Commercially important plot 3,00,000	91,05,000	29,55,000	2,95,500	1.Vincent Thomas 2. M/s Five Star (partners)	Yes
SRO, Perinthalmanna											
16	Sale deed 2776/2019 25.07.2019	33/1b	Residential plot with Private road access 4,99,125	0.49	8,22,000 (2,50,000 + 5,72,000)	Commercially important plot 9,98,250	10,61,143 (4,89,143 + 5,72,000)	2,39,143	23,914	1.Abdulla Riyaz 2. Kunjamu and Najmudheen	No
								Total	**26,86,032**		

Source: Based on data furnished by Department.

Appendix – XXVII
(Ref: Part I Paragraph 5.4.2)
Short collection/ loss of revenue due to misclassification of land

Sl. No.	Name of office/ Document type, Doc no. and date of Registration	Survey number to be referred for Fair Value	Classification adopted while registration	Area of land conveyed in Are	Consideration as per document (₹)	Classification to be adopted and Fair Value (₹) per Are to be considered	Value applicable to land with NH Road access (₹)	Difference in value (8-6) (₹)	Short levy of SD and RF @ 8% and 2% respectively (₹)	1.Executant and 2. claimant
1	2	3	4	5	6	7	8	9	10	11
SRO, Ollukkara										
1	Sale deed 626/2017 31.03.2017	Re.Sy No 397/8	Residential plot with C/M/P road access	16.19	15,00,000	Residential plot with PWD road access 2,25,000	36,42,750	21,42,750	2,14,275	1.Sivaprasad 2. A L Mathunni
								Total	**2,14,275**	

Source: Based on data furnished by Department.

Appendix – XXVIII
(Ref: Part I Paragraph 5.4.3)
Short collection of revenue by misclassification

Sl. No.	Name of office/ Document type, Doc no. and date of Registration	Survey number to be referred for Fair Value		Newly created Subdivision Nos. with extent (in Ares)	Area of land conveyed in Are	Consideration (land + building) as per document (₹)	Classification to be adopted and Fair Value (₹) per Are to be considered	Value applicable (₹)	Value applicable (land + building) (₹)	Difference in value (9-6) (₹)	Short levy of SD and RF @ 8% and 2% respectively (₹)	1. Executant and 2. Claimant
1	2	3		4	5	6	7	8	9	10	11	12
SRO, Edappally												
1	Sale Deed 528/2019 22.02.2019	Schedule A	86/13	13/6 – 2.93Ares	20.99	7,59,00,000 (7,50,00,000 + 9,00,000)	Residential plot with NH/PWD road access 37,12,500	7,79,25,375	7,96,09,125 (7,87,09,125 +9,00,000)	37,09,125	3,70,912	1.A Abdul Salim 2.M/s Double tree properties
				13/7 – 11.56Ares								
			86/12A	12A/2 – 0.71Ares								
				12A/3 – 3.63Ares								
			86/12B	12B/2 – 2.16Ares								
		Schedule B	85/16B	16B/3 – 0.19Ares	0.19		Commercially important plot 41,25,000	7,83,750				
										Total	**3,70,912**	

Source: Based on data furnished by Department.

Appendix – XXIX
(Ref: Part I Paragraph 5.5)
Short levy of Stamp Duty and Registration Fees due to error in fixation of fair value

Sl. No.	Name of office/ Document type, Doc no. and date of Registration	Survey number to be referred for Fair Value	Classification adopted while registration	Area of land conveyed in Are	Consideration as per document (₹)	Classification to be adopted and Fair Value (₹) per Are to be considered	Value applicable to Land with NH Road access (₹)	Difference in value (8-6) (₹)	Short levy of SD and RF @ 8% and 2% respectively (₹)	1. Executant and 2. Claimant
1	2	3	4	5	6	7	8	9	10	11
SRO, Kattappana										
1	Sale Deed 1339/2016 12.05.2016	Re. Sy. 52, subdivision 02	Not mentioned	10.12	47,00,000	Commercially important plot 12,00,000	1,21,44,000	74,44,000	7,44,400	1.Mariamma Abraham 2.Raghu K
								Total	**7,44,400**	

Source: Based on data furnished by Department.

Appendix XXX
(Ref: Part II Paragraph 1.5.1)
Department-wise breakup of outstanding IRs and paragraphs as on 30 June 2023

Department/ Autonomous Body	No. of IRs	No. of Paragraphs
Environment and Climate Change	4	28
Forest and Wildlife	164	822
Science and Technology	2	4
Autonomous Body- Environment Dept	8	57
Autonomous Body- Forest	2	21
Autonomous Body – Science &Technology	24	108
Public Works Department		
PWD Secretariat	1	8
Roads	132	894
Bridges	5	26
NH	52	175
KSTP	11	96
KHRI & Designs	4	12
KRFB	4	46
Buildings	145	714
Total	**558**	**3011**

Appendix XXXI
(Ref: Part II Paragraph 2.1.3)
Non-transfer of Road Safety Fund from the Consolidated Fund due to non/ short collection of Compounding fee (Active)

Sl. No.	District	Office	Reg. No.	Check office code	Check date	Status	Overload in kgs	Compounding amount due	Non/ Short	Current status	Check report remark
1	Ernakulam	RTO Ernakulam	KL-07-CM-7376	5	06-06-2019	A	9230	11000	11000	A	N12/2865/2019/E. an overload of 9230 kg
2	Ernakulam	RTO Ernakulam	KL-07-CM-7411	39	30-05-2018	A	13130	15000	15000	A	B3/928/2018. overload 13130 kg (loaded weight 38130 kg)
3	Ernakulam	RTO Ernakulam	KL-07-CM-9628	7	02-05-2018	A	9800	10000	10000	A	B3/567/2018/E. Overload of 9800 kg detected, Violation of Sec.113(3B) Of MV Act
4	Ernakulam	RTO Ernakulam	KL-07-CM-9628	17	28-11-2018	A	16860	18000	18000	A	B3/2347/2019/E. Overload Of 16860 kg
5	Ernakulam	RTO Muvattupuzha	KL-17-K-2691	5	16-05-2019	A	8920	10000	10000	A	S2/295/2019. Overloaded with 8920 kg
6	Ernakulam	RTO Muvattupuzha	KL-17-K-3195	36	14-05-2019	A	7780	9000	9000	A	Found carrying an overload of 7780 kg weight against the permissible load
7	Ernakulam	RTO Muvattupuzha	KL-17-M-2205	7	30-06-2018	A	9810	11000	11000	A	S2/277/2019. Overloaded with 9810 kg
8	Ernakulam	RTO Muvattupuzha	KL-17-M-2205	5	20-10-2018	A	9530	11000	11000	A	The vehicle loaded with crushed metal and found that overloaded of 9530 kg
9	Ernakulam	RTO Muvattupuzha	KL-17-M-2205	5	16-05-2019	A	7780	9000	9000	A	S2/296/2019. Overloaded of 7780 kg.
10	Ernakulam	RTO Muvattupuzha	KL-17-M-2205	5	19-07-2019	A	7530	9000	9000	A	S2/78/2019. Overloaded with weight 7530 kg.
11	Ernakulam	RTO Muvattupuzha	KL-17-M-2247	5	29-01-2019	A	6510	8000	8000	A	S2/96/2019/Em. Overload 6510 kg
12	Ernakulam	RTO Muvattupuzha	KL-38-5321	43	08-05-2018	A	3010	5000	5000	A	S4/426/18/Em. Overload detected 3010 kg (weigh slip attached)

Sl. No.	District	Office	Reg. No.	Check office code	Check date	Status	Overload in kgs	Compounding amount due	Non/ Short	Current status	Check report remark
13	Ernakulam	RTO Muvattupuzha	KL-40-D-8207	9	19-07-2019	A	19980	21000	21000	A	V6/609/209/Em. Found carrying in full loaded condition overload 19980 kg
14	Ernakulam	RTO Muvattupuzha	KL-40-D-8207	9	02-10-2019	A		20000	20000	A	V6/608/2019/Em. Overloaded
15	Ernakulam	SRTO Kothamangalam	KL-40-K-9597	11	25-07-2018	A	16800	18000	18000	A	C5/221/2018/Ek. Overload 16800 kg
16	Ernakulam	SRTO Kothamangalam	KL-40-K-9597	11	08-08-2019	A	12650	14000	14000	A	Found carrying sand, suspected excess load. overload of 12650 kg.
17	Ernakulam	SRTO Mattanchery	KL-43-E-7952	4	15-05-2018	A	13440	15000	15000	A	A/92/2018/Emt. Detected an overload of 13440 kg
18	Ernakulam	SRTO North Paravur	KL-02-AR-5469	9	07-05-2018	A	21820	23000	23000	A	Total load 52820 kg, GLW[130] 31000 kgs, overload 21820 detected weighment slip attached
19	Ernakulam	SRTO North Paravur	KL-02-AR-5469	51	05-09-2018	A	3000	5000	5000	A	Suspected overload 3000/- CF[131] not produced
20	Ernakulam	SRTO Perumbavur	KL-40-H-654	40	02-03-2019	A	13550	15000	15000	A	1.Detected overload of 13550 kg
21	Ernakulam	SRTO Perumbavur	KL-40-H-654	7	14-03-2019	A	12440	14000	14000	A	The total weight found 37440 kg which is against the permitted GVW [132] 25000 kg. An excess load of 12440 kg found.

[130] Gross Laden Weight.
[131] Certificate of Fitness.
[132] Gross Vehicle Weight.

Sl. No.	District	Office	Reg. No.	Check office code	Check date	Status	Overload in kgs	Compounding amount due	Non/ Short	Current status	Check report remark
22	Ernakulam	SRTO Perumbavur	KL-40-H-654	40	05-09-2019	A	12920	44000	44000	A	GVW of the vehicle with load is 37920 kgs against permissible GVW of 31000 kgs hence detected overload of 12920 kgs
23	Ernakulam	SRTO Perumbavur	KL-40-J-8334	7	02-08-2018	A	14840	16000	16000	A	C7/376/2018 Load weight 39840 kg permitted weight 25000 kg overload 14840 kg
24	Ernakulam	SRTO Perumbavur	KL-40-J-8334	7	15-07-2019	A	17610	19000	19000	A	GVW of the vehicle with load is 42610 kgs against permissible GVW of 25000 kgs hence detected overload of 17610 kgs
25	Ernakulam	SRTO Perumbavur	KL-40-K-9865	7	06-04-2019	A	14920	16000	16000	A	GVW of the vehicle with load is 45920kgs against permissible GVW of 31000 kgs hence detected overload of 14920 kgs
26	Ernakulam	SRTO Perumbavur	KL-40-K-9865	17	06-06-2019	A	18950	20000	20000	A	GVW of the vehicle with load is 49950kgs against permissible GVW of 31000 kgs hence detected overload of 18950 kgs
27	Ernakulam	SRTO Perumbavur	KL-40-P-9286	7	12-02-2019	A	10380	12000	12000	A	GVW of the vehicle with load is 35380 kgs against permissible GVW of 25000 kgs hence detected overload of 10380 kgs
28	Ernakulam	SRTO Perumbavur	KL-40-P-9303	4	22-01-2019	A	15310	17000	17000	A	GVW of the vehicle with load is 40310 kgs against permissible GVW of 25000 kgs hence detected overload of 15310 kgs

Sl. No.	District	Office	Reg. No.	Check office code	Check date	Status	Overload in kgs	Compounding amount due	Non/ Short	Current status	Check report remark
29	Ernakulam	SRTO Perumbavur	KL-40-Q-518	17	22-07-2019	A	17140	19000	19000	A	A GVW of the vehicle with load is 48140 kgs against permissible GVW of 31000 kgs hence detected overload of 17140 kgs
30	Ernakulam	SRTO Perumbavur	KL-40-Q-518	40	05-09-2019	A	16870	52000	52000	A	GVW of the vehicle with load is 46870 kgs against permissible GVW of 31000 kgs hence detected overload of 15870 kgs
31	Ernakulam	SRTO Perumbavur	KL-40-Q-6408	7	05-07-2019	A	9840	11000	11000	A	As per weighment GVW of the vehicle with load is 34840 kgs against permissible GVW of 25000 kgs, thus overload of 9840 kgs.
32	Ernakulam	SRTO Perumbavur	KL-40-Q-6634	43	07-05-2019	A	12330	14000	14000	A	As per weighment certificate GVW of the vehicle with load is 37330 kgs against permissible GVW of 25000 kgs, thus overload of 12330 kgs.
33	Kozhikode	RTO Kozhikode	KL-08-BK-7784	11	09-08-2018	A	38990	40000	40000	A	Carrying overload, GVW 38990 kg U/S 113, R/W 194
34	Kozhikode	RTO Kozhikode	KL-11-AV-5930	100	02-07-2018	A	-	2000	2000	A	Overload
35	Kozhikode	RTO Kozhikode	KL-11-BA-5786	10	14-11-2018	A	11920	13000	13000	A	Overload 11920 kg
36	Kozhikode	RTO Kozhikode	KL-11-BA-5786	10	03-06-2019	A	-	2000	2000	A	Carrying M sand, suspect overload, directed to weigh, weighment slip not produced
37	Kozhikode	RTO Kozhikode	KL-32-B-802	12	25-04-2018	A	13330	15000	15000	A	Overload 13330 kg

Sl. No.	District	Office	Reg. No.	Check office code	Check date	Status	Overload in kgs	Compounding amount due	Non/ Short	Current status	Check report remark
38	Kozhikode	RTO Kozhikode	KL-55-U-7460	11	10-07-2018	A	1420	3000	3000	A	Found overload 1420 kg v/s 113 B
39	Kozhikode	RTO Kozhikode	KL-57-R-8572	11	03-08-2018	A	22650	24000	24000	A	Carrying overload U/S 113, R/W 194, GVW 22650 kg
40	Kozhikode	SRTO Koduvally	KL-08-BB-2122	18	19-07-2018	A	32560	34000	34000	A	Overload 32560 kg
41	Palakkad	RTO Palakkad	KL-40-D-8207	9	19-07-2019	A	19980	21000	21000	A	Suspect overload. overload of19980 kg found through weigh bill of sreeram weigh bridge 6271 dated 19 July 2019
42	Palakkad	RTO Palakkad	KL-41-Q-7006	9	29-01-2020	A	19010	38500	38500	A	Detected an overload of 19010 kgs
43	Palakkad	RTO Palakkad	KL-47-F-2534	9	18-12-2019	A	17120	35500	35500	A	194-driving vehicle exceeding permissible weight RLW [133] = 28000 kg, net weight = 45120 kg, overload = 17120 kg
44	Palakkad	SRTO Pattambi	KL-17-A-4265	8	06-05-2019	A	4170	6000	6000	A	1. Overload of 4170 kg found
45	Pathanamthitta	SRTO Adoor	KL-23-D-3262	26	05-09-2019	A	3155	26000	26000	A	The ladden weight found as 19190 kgs. the RLW of the vehicle 16200 kgs. the excess load at 3155 kgs.
46	Pathanamthitta	SRTO Ranni	KL-28-B-4657	3	12-03-2019	A	11360	13000	13000	A	Overload [weighment slip attached] excess weight-11360 kg
47	Pathanamthitta	SRTO Ranni	KL-62-A-3111	5	15-05-2019	A	-	2000	2000	A	Overload
48	Pathanamthitta	SRTO Ranni	KL-62-B-7875	2	12-11-2018	A	15600	17000	17000	A	Overload 15600 kg. driver not in uniform, load not covered properly.

[133] Registered Laden Weight.

Sl. No.	District	Office	Reg. No.	Check office code	Check date	Status	Overload in kgs	Compounding amount due	Non/ Short	Current status	Check report remark
49	Thiruvananthapuram	SRTO Kazhakkuttam	KL-21-R-5123	22	24-09-2018	A	-	2000	2000	A	1. RC and MDL [134]not produced 2. Dangerous driving and overload
50	Thiruvananthapuram	SRTO Parassala	KL-19-B-7720	20	10-05-2019	A	1580	3000	3000	A	overload 1580 kg
	Total							**808000**			

Source: Data from Department.

[134] Motor Driving Licence.

Glossary

Glossary of Abbreviations

1	AC	Assistant Commissioner
2	ARN	Application Reference Number
3	ASTO	Assistant State Tax Officer
4	ATN	Action Taken Note
5	CBIC	Central Board of Indirect Taxes and Customs
6	CGST	Central Goods and Services Tax
7	CMV	Central Motor Vehicles
8	CST	Central Sales Tax
9	DC	Deputy Commissioner
10	DEC	Deputy Excise Commissioner
11	DR	District Registrar
12	EC	Excise Commissioner
13	ECI	Excise Circle Inspector
14	ECL	Electronic Credit Ledger
15	EI	Excise Inspector
16	EI & IB	Excise Intelligence and Investigation Bureau
17	FL	Foreign Liquor
18	GoK	Government of Kerala
19	GST	Goods and Services Tax
20	GSTIN	Goods and Services Tax Identification Number
21	GSTN	Goods and Services Tax Network
22	IAW	Internal Audit Wing
23	IGR	Inspector General of Registration
24	IGST	Integrated Goods and Services Tax
25	IR	Inspection Report
26	ISD	Input Service Distributor
27	ITC	Input Tax Credit
28	JC	Joint Commissioner
29	JEC	Joint Excise Commissioner
30	JRTO	Joint Regional Transport Officer
31	KEMU	Kerala Excise Mobile Intervention Unit

32	KGST	Kerala General Sales Tax
33	KMVT	Kerala Motor Vehicles Taxation
34	KSEB	Kerala State Electricity Board
35	KVAT	Kerala Value Added Tax
36	KVATIS	Kerala Value Added Tax Information System
37	LSG	Local Self Government
38	MDMA	3,4 Methylenedioxymethamphetamine
39	MV	Motor Vehicles
40	MVCP	Motor Vehicles Check Post
41	MVD	Motor Vehicles Department
42	NCB	Narcotics Control Bureau
43	NDPS	Narcotic Drugs and Psychotropic Substances
44	PA	Performance Audit
45	PAC	Public Accounts Committee
46	PAR	Plinth Area Rate
47	PITNDPS Act	Prevention of illicit traffic in Narcotic Drugs & Psychotropic Substances Act, 1988
48	RTO	Regional Transport Officer
49	RTOs	Regional Transport Offices
50	R&DM	Revenue and Disaster Management
51	SEZ	Special Economic Zone
52	SGST	State Goods and Services Tax
53	SGSTD	State Goods and Services Tax Department
54	SRO	Sub Registrar Office
55	SRTOs	Sub Regional Transport Offices
56	SRSWOR	Simple Random Sampling Without Replacement
57	SSCA	Subject Specific Compliance Audit
58	STO	State Tax Office
59	TC	Transport Commissioner
60	TCS	Tax Collected at Source
61	TDS	Tax Deducted at Source
62	UTGST	Union Territory Goods and Services Tax
63	VAT	Value Added Tax

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