

FIFTEENTH KERALA LEGISLATIVE ASSEMBLY

**COMMITTEE
ON
PUBLIC ACCOUNTS
(2023-2026)**

EIGHTY NINTH REPORT

(Presented on 28th January , 2026)



**SECRETARIAT OF THE KERALA LEGISLATURE
THIRUVANANTHAPURAM
2026**

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on

**Paragraphs relating to Taxes Department contained in the
Report of the Comptroller and Auditor General of India for the
year ended 31st March, 2017**

(Revenue Sector)

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COMMITTEE ON PUBLIC ACCOUNTS
(2023-2026)
COMPOSITION

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Shri. M. V. Govindan Master

Dr. K. T. Jaleel

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Shri. Selvarajan P. S., Joint Secretary.

Shri. Jomy K. Joseph, Deputy Secretary

Smt. Beena O. M., Under Secretary.

INTRODUCTION

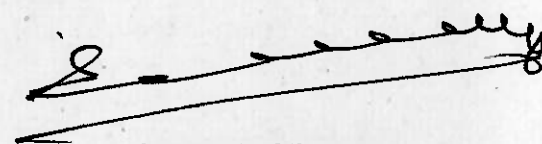
I, the Chairperson, Committee on Public Accounts, having been authorised by the Committee to present this Report, on their behalf present the Eighty Ninth Report on paragraphs relating to Taxes Department contained in the Report of the Comptroller and Auditor General of India for the year ended 31st March, 2017 (Revenue Sector).

The Report of the Comptroller and Auditor General of India for the year ended 31st March, 2017 (Revenue Sector) was laid on the Table of the House on 12th June, 2018.

The Committee considered and finalised this Report at the meeting held on 20th January, 2026.

The Committee place on records our appreciation of the assistance rendered to us by the Accountant General in the examination of the Audit Report.

Thiruvananthapuram,
28th January 2026



SUNNY JOSEPH,
Chairperson,
Committee on Public Accounts.

REPORT

TAXES DEPARTMENT (STATE LOTTERIES)

6.1 Tax administration

The Lotteries (Regulation) Act, 1998, promulgated by the Government of India was formed to regulate the system of lotteries in the States of India and empowered the States to regulate the conduct of lotteries. In Kerala, a separate Department called "Directorate of State Lotteries" was formed under the administrative control of Secretary (Taxes).

6.2 Internal audit

The internal audit wing (IAW) of the Lotteries Department consists of one Joint Director, one District Lottery Officer, one Accounts Officer, one Senior Superintendent, one Junior Superintendent and four clerks supervised by Finance Officer. During the year 2016-17, 183 audit observations were settled out of the 232 outstanding observations, which was 78.88 per cent of the outstanding observations.

6.3 Compliance Audit on Conduct of Lotteries in the State of Kerala

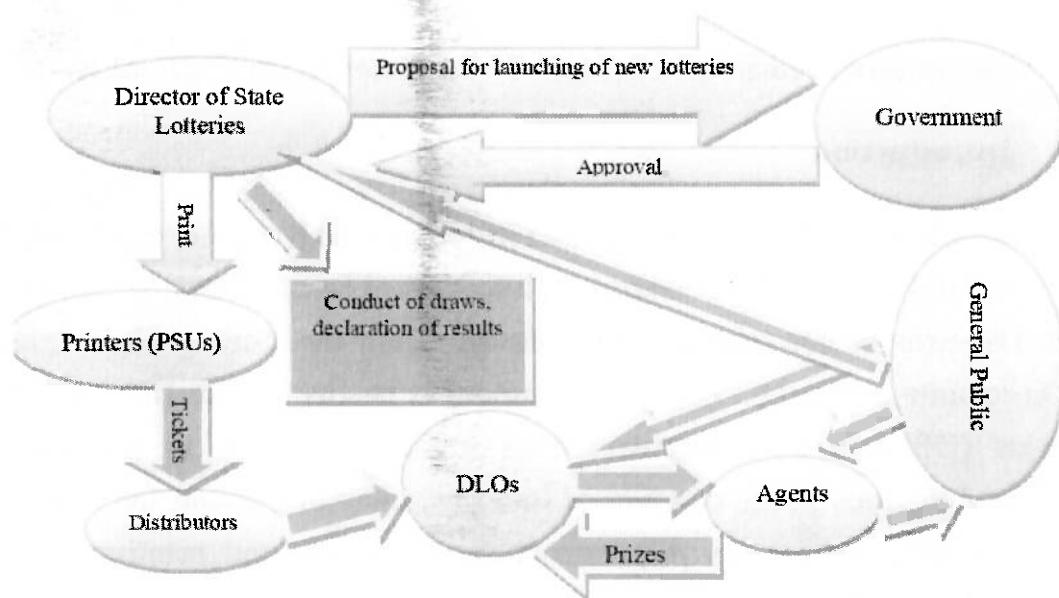
6.3.1 Introduction

The administration of the conduct of lotteries in Kerala is governed by the Kerala Paper Lotteries (Regulation) Rules, 2005. The Secretary to Government, Taxes Department has administrative control over the Lottery Department. At the Directorate level, the Lottery Department is headed by the Director of State Lotteries (DSL) who is empowered to organise lotteries in the State. All important functions in the conduct of lotteries, including fixing the number and face value of a lottery, its prize structure, designing and printing of lottery tickets, sale of lottery tickets to distributors, draw of lotteries, etc., are vested with the DSL, who is assisted by Additional/Joint/Deputy Directors at State level and District Lottery Officers (DLOs) at district level. The State is

conducting three type of lotteries; normal¹, specific purpose² and bumper lotteries³. The specific purpose lotteries inter alia include 'Karunya' and 'Karunya Plus' lotteries, from the net proceeds of which Government constituted⁴ the Karunya Benevolent Fund (KBF) organised by the State for providing financial assistance to the poor for the treatment of cancer, kidney and heart diseases, palliative care patients and haemophilia.

During the audit period,⁵ the Department conducted 2011 normal draws and 36 bumper draws and distributed 10.97 crore prizes amounting to ₹10,845.82 crore. Department earned a revenue of ₹27,019.49 crore by selling 806.20 crore tickets during the same period. Net profit earned by the Department during the audit period was ₹6,185.54 crore, which comprises 22.89 per cent of the total revenue of the Department. Gross revenue contributed by the Department comes to 71.53 per cent of the total non-tax revenue of the Government of Kerala during the audit period.

The process of conducting lotteries is depicted in the following flow chart.



1 Weekly lotteries conducting without any specific purpose.

2 Weekly lotteries conducting with intention to transfer its net proceeds to some specific purpose.

3 Lotteries conducted on special occasion with high prizes.

4 Vide GO(MS)No.07/12/TD dated 30 January 2012.

5 From 2011-12 to 2016-17.

The core functions and responsibilities of the State, distributors and customers in the lottery process and their inter-relationship are given in Appendix III(1).

The objectives of Audit were to assess whether:

- (1) procedures laid down in the Lotteries (Regulation) Act, Rules and the State specific Rules were followed in letter and spirit while organising lotteries by the State;
- (2) revenues from the lotteries are properly assessed and remitted;
- (3) taxes on income/VAT, wherever applicable, were deducted at source and remitted/paid into proper heads of account; and
- (4) in the case of special purpose lotteries, revenue generated was used for the prescribed purposes.

Audit of the conduct of lotteries in the State of Kerala was conducted between September 2016 and April 2017, covering the period from 2011-12 to 2016-17.

The scope of the audit was confined mainly to the Directorate of State Lotteries, Kerala State Lottery Agents and Sellers Welfare Fund Board (KSLASWFB), KBF and District Lottery Offices. Audit selected five⁶ out of the 14 District Lottery Offices by simple random sampling method using IDEA. An entry conference was held on 19 September 2016 with the Additional Secretary, Taxes Department, to discuss the Audit objectives, scope, criteria and audit plan. On conclusion of the audit, an exit conference was held on 17 July 2017 with the Additional Secretary (Taxes) and the Director of State Lotteries. Audit findings were also discussed with the Secretary (Taxes) on 24 August 2017. Their views and replies have been suitably incorporated in the relevant paragraphs.

The Indian Audit and Accounts Department acknowledges the co-operation of the Taxes Department, the Directorate of State Lotteries, The Kerala Police Department, The Kerala Books and Publications Society, C-apt,

6 DLO Ernakulam, Kozhikode, Palakkad, Thiruvananthapuram and Thrissur.

KBF, authorities of various hospitals and Kerala State Lottery Agents and Sellers Welfare Fund Board in providing necessary information and records to Audit.

Audit findings

6.3.2 Conduct of lotteries

6.3.2.1 Lack of transparency in the appointment of selling agents of lottery tickets

According to Rule 5 of the Kerala Paper Lotteries (Regulation) Rules, 2005, any person desirous of obtaining an agency for sale of Kerala State lottery tickets shall apply for it in Form No. II to the District Lottery Officer by remitting a fee of ₹200 (from 1 October 2014 ₹300) in cash.

Audit observed that the District Lottery Offices did not have a separate inward receipt section and the applications for agency were received directly in the counter and no inward receipt register was maintained in the counter. As on 31 March 2017, there were 65,079 registered lottery agents, out of which 28,456 agents were registered during the period from 2010-11 to 2016-17. The District Lottery Office-wise statement is given in the Appendix III(2). On a scrutiny of Lottery Information Management System (LIMS), Audit observed that the Department did not have Management Information System (MIS) report on the status of applications for agency. In the absence of MIS report, the total number of applications received and disposed off, the reason for pendency or rejection of applications, etc., could not be ascertained, which indicated lack of control over applications received.

Government stated (October 2017) that on the basis of Audit observation, direction was given to all District Lottery Officers for maintaining a register of all agency applications received and details of grant of registration.

[Audit Paragraphs 6.1 to 6.3.2.1 contained in the Report of the Comptroller and Auditor General of India for the year ended 31st March 2017. (Revenue Sector)]

[Note furnished by the Government on the above audit paragraphs is included as Appendix II]

(Excerpts from the discussion of Committee with officials concerned)

1) The Committee enquired about the current status of the software regarding inclusion of MIS reports of appointment of selling agents. The Director, Lotteries Department submitted that necessary software system had been installed and the applications for appointment of selling agents were being received and processed using the software system. To a query of the Committee regarding the qualification required to become a lottery agent, the Director, Lotteries Department submitted that there was no prescribed qualification. The agency number would be allotted to an applicant on submitting the PAN Card and remitting ₹300. When the Committee enquired about the criteria to issue the tickets, the Director, Lotteries Department submitted that initially a new agent would be issued a maximum of 300 tickets, and after two months, the number of tickets issued might be increased to 600, and subsequently it could be increased up to 48000, depending on the availability of tickets in the lottery office. He added that the lottery tickets were in high demand, and often sufficient number of tickets might not be available in the office.

2) The Committee wanted to know whether all the tickets purchased by the agents would be sold out and the unsold tickets if any, would be returned to the Department. The Director, Lotteries Department submitted that all the tickets issued to the agents would be recorded as sold tickets and hence the agents would purchase only as many tickets as they could sell. The maximum number of tickets that an agent could legally purchase from the Department had been limited to 48000, and if the inheritance rights of any deceased person had been transferred to an agent, a maximum of 96000 tickets would be allowed to him. If any ticket left with the agent had been awarded the prize, it would be considered as sold ticket and its prize money would be allowed to the agent. The Committee accepted the reply.

Conclusion/Recommendation

3) No Comments

6.3.2.2 Failure to collect the details of sub agents from the registered agents

Rule 6 of the Kerala Paper Lotteries (Regulation) Rules, 2005, stipulates that the agent shall be liable to keep and produce, on demand, all particulars of sub agents and retailers under him for verification to the District Lottery Officers. The Director of State Lotteries had also issued circular⁷ to collect the details of tickets sold by the agents, who collect more than 2,000 tickets from the District Lottery Offices.

Audit observed that in three⁸ District Lottery Offices, out of the five District Lottery Offices audited, the authorities did not demand such particulars from the registered agents and hence the officers responsible to monitor the sale of lottery tickets were functioning without the knowledge of the number and details of sellers of lottery tickets in the State. The Joint Physical Inspection (JPI) conducted during March and April 2017 with the Police Department and Directorate of State Lotteries, in the offices of four wholesale dealers under the jurisdiction of two District Lottery Offices⁹ showed that they did not submit any sales details as required under the Rules to the District Lottery Officers in spite of sales of more than 2,000 tickets.

Government stated (October 2017) that on the basis of the Audit observation, strict instructions were given to all District Lottery Officers to direct the agents to comply with the Rule 6 of the Kerala Paper Lotteries (Regulation) Rules, 2005, and to conduct surprise checks of the same.

[Audit Paragraph 6.3.2.2 contained in the Report of the Comptroller and Auditor General of India for the year ended 31st March, 2017. (Revenue Sector)]

[Note furnished by the Government on the above audit paragraphs is included as

⁷ No. S1/2231/12/DSL dated 7 August 2012.

⁸ DLO Ernakulam, Palakkad and Thiruvananthapuram.

⁹ DLO Ernakulam and Palakkad.

Appendix II]

(Excerpts from the discussion of Committee with officials concerned)

4) When the Committee directed to give reply on the audit para, the Director, Lotteries Department submitted that there were some practical difficulties in collecting the details of sub agents and retailers under a registered agent as huge number of tickets were being sold. A software system was required to collect the particulars of registered lottery agents and their sub agents to whom each ticket had been sold, and hence permission from the Government had been sought by the Department to develop and implement such a software module. To a query of the Committee about the agency commission for sub agents, the Director, Lotteries Department submitted that the sub agents would not have any connection with the Department. The income from lottery would be in two ways. There would be an out fund discount for the tickets. He explained it through an example that a ticket having face value of ₹40 would be sold to an agent at a discount of ₹7 and then it would be sold to his sub agent at a lesser discount of ₹6. Also twelve percent of the prize money would be allowed to the agent, and that amount would be passed on to the sub agents and retailers. Thus a seller at the lowest level in that field also would get the benefit of the prize money.

5) The Committee wanted to know whether an agent would be allowed to select the serial number of the tickets. The Director, Lotteries Department informed that the allocation of tickets from the pool to each office would be done by the system and at present there was no option to select the serial number of the tickets. He added that there was some superstition among the agents and retailers that if the fourth digit of the ticket number was zero, it would not get the prize. Though all the numbers were having equal probability to win the prize, the software had been so configured that the number with zero digit in the ticket numbers would be minimum

6) The Committee enquired about the method used to draw a number from among the large number of sold tickets. The Director, Lotteries Department

submitted that earlier the tickets draw were done from among the people, but that method was found to be impractical as it was time consuming and moreover the number of lottery prizes had increased significantly at present. He explained that at present there would be a draw machine connected to motor, and when the switch of the draw machine would be pressed by the panel of judges, the number displayed at the window would get the prize. Each lottery ticket would have unique number and the number would consist of six digits from zero to nine and a series of two letters. Each digit of the number would be drawn by the machine. For large prizes, all the six digits of the ticket number had to be the same as that of the drawn number. All particulars of the sold and unsold tickets would be available at the data base of the Lottery Department and the system would check whether the drawn ticket number was a sold one or not, and if it was found an unsold ticket, the draw would be repeated again. The process would be continued until a sold ticket would get the prize. He added that the method used would be different for small prizes where only the last four digits would be drawn and the process would not be repeated depending on whether the ticket was a sold one or not. The prize money would be given to those who had won the prize.

Conclusion/Recommendation

7) The Committee observes that as per Rule 6 of the Kerala Paper Lotteries (Regulation) Rules, 2005, the lottery agent is liable to keep and produce, on demand, all particulars of sub agents and retailers under him for verification to the District Lottery Officers. The Committee directs the Department to furnish present status report regarding the software module intended to capture the details of registered lottery agents and the sub agents/retailers under them, and to ensure identification of the individuals to whom each lottery ticket had been sold.

6.3.2.3 Non-payment of charges for the lotteries organised/promoted in the State

According to Rule 3(10) of the Lotteries (Regulation) Rules, 2010, the organising State shall charge a minimum amount of ₹ five lakh per draw for

bumper draw of lotteries and for all other form of lotteries, a minimum of ₹10,000 per draw with effect from 1 April 2010.

Audit observed that from 1 April 2011 to 31 March 2017, lottery tickets of 36 bumper draws and 2,011 other draws organised by DSL were sold in the State. However, the DSL did not pay any amount as provided under the Rules, which resulted in non-payment of charges of ₹3.81 crore to the Government.

Government stated (October 2017) that the Department was paying taxes on all the lotteries conducted at the prescribed rate to the Commercial Taxes Department.

The reply was not acceptable since the provisions for collecting charges were as per Rule 3(10) of Lotteries (Regulation) Rules, 2010 and taxes paid by DSL were derived from Section 6 of the Kerala Tax on Paper Lotteries Act, 2005, i.e., from two different statutes, one from Union List and the other from State List.

[Audit Paragraph 6.3.2.3 contained in the Report of the Comptroller and Auditor General of India for the year ended 31st March, 2017. (Revenue Sector)]

[Note furnished by the Government on the above audit paragraphs is included as Appendix II]

(Excerpts from the discussion of Committee with officials concerned)

8) When the Committee directed to give a reply regarding the above audit observation, the Director, Lotteries Department submitted that no loss of money to Government or non remittance of charges had been occurred. All the income from the lottery were being deposited to the Consolidated fund of the State Government and the audit observation was about non transferring of the money from one Head of Account to another. The Senior Audit Officer intervened and opined that, the non remittance of charges as per the Lotteries (Regulation) Rules would be illegal. The Senior Deputy Accountant General pointed out that as per the Rules, the organising State should charge a minimum amount of ₹ five

lakh per bumper draw of lotteries and for all other form of lotteries, a minimum of ₹10,000 per draw with effect from 1st April 2010, and the DSL had not paid any amount as provided under the Rules, which resulted in non-payment of charges of ₹3.81 crore to the State Government. To a query of the Committee about the non remittance of the said amount, the Director, Lotteries Department submitted that the audit observation was not about the non remittance of the amount charged, but the deposition of money in a particular Head of Account as per the Lotteries (Regulation) Rules 2010. All the sales proceeds from Lotteries including the said charges had been deposited to the consolidated fund of the State Government and it was a matter of non transferring of the money to a particular Head of Account under the Consolidated fund itself. He added that the said Rules was not relevant at present as the GST had come into force with effect from 2017, and all the sales proceeds from Lotteries were being deposited to the Consolidated fund of the State.

9) To a query of the Committee about the Lotteries (Regulation) Rules, the Director, Lotteries Department submitted that the Rules at present did not contain any provision to collect charges as done earlier. He added that the Rules had been amended during December 2024. The Committee directed to submit the amended rule and the Director, Lotteries Department agreed to do so.

Conclusion/Recommendation

10) No Comments

6.3.2.4 Multiple payments of prizes for a single ticket

According to Rule 9(6) of Kerala Paper Lotteries (Regulation) Rules 2005, no ticket shall be eligible for more than one prize in a draw and if any event of a ticket winning more than one prize in a draw, the ticket shall be eligible only for the highest prize declared to it.

The prizes were allowed after identifying the prize winning tickets by reading the number and secret code using bar code readers and match it with the input data available in LIMS. Audit observed that in the selected District Lottery

Offices¹⁰, 1,149 prizes were distributed for 568 prize winning tickets of same series during the period from April 2011 to February 2013. Against an actual prize claim of ₹2.26 lakh for the 568 tickets, the DLOs distributed ₹4.53 lakh to the winners and this had resulted in an excess payment of ₹2.27 lakh as shown in Appendix III(3).

Government stated (October 2017) that even though preliminary examination of the winning prize search reports pertaining to the ticket numbers in LIMS software shows multiple payments for a single ticket, the subsidiary cash book, which is the authentic report on daily receipts and expenditure, shows only single payment. It was also stated that the service provider, M/s KELTRON, informed that in normal case, the possibility of this kind of error of duplicate ticket was not possible. M/s KELTRON was required to analyse the database and programme for finding any issue and would submit report on completion of the analysis.

However, even after persistent follow-ups, the Department did not provide the subsidiary cash book and connected vouchers to verify the correctness of the reply (February 2018).

[Audit Paragraph 6.3.2.4 contained in the Report of the Comptroller and Auditor General of India for the year ended 31st March, 2017. (Revenue Sector)]

[Note furnished by the Government on the above audit paragraphs is included as Appendix II]

(Excerpts from the discussion of Committee with officials concerned)

11) The Committee directed to give a reply regarding the above audit paragraph. The Director, Lotteries Department submitted that when the sale of lottery tickets had increased too much, as part of the transition from the existing manual system, barcode scanning system was introduced for the payment of prize money. The prize winning tickets received in an office had been scanned and verified using a barcode reader to check whether prize money had been

10 DLO Ernakulam, Kozhikode, Palakkad, Thiruvananthapuram and Thrissur.

issued from that office. But the system used earlier had no facility to cross check the scanned data with the server data to verify whether the ticket had been issued the prize money from any other office. Thus some instances of multiple payment of prize money had occurred due to the software bug, but later necessary modifications had been made to the software system and no such issues were existing at present. When the Committee enquired about to whom the excess amount had been paid, the Director, Lotteries Department submitted that only a small amount had been paid as excess prize money. In case of small prizes that did not require TDS by the Income Tax Department, the prize money would be distributed and the lottery tickets would be brought to the office by the agents themselves. The Committee accepted the reply.

Conclusion/Recommendation

12) No Comments

6.3.2.5 Disbursement of prizes on tickets collected unauthorisedly by agents from the prize winners

Rule 9(5) of Kerala Paper Lotteries (Regulation) Amendment Rules, 2008, stipulates that the agents can collect prize tickets up to the amount of ₹5,000 from the prize winners and can present the same for payment to District Lottery Officers within a period of 60 days from the date of draw. Sub Rule 3(5) of Rule 6 of Kerala Treasury Code provides that the sale proceeds of lottery tickets received by District Lottery Officers may be utilised for meeting the expenditure of prize money up to ₹5,000 by direct appropriation of departmental receipts.

Audit observed that the District Lottery Officers allowed the claims of ₹10,000 and ₹one lakh submitted by agents, though the agents were not authorised to collect such tickets as mentioned in the succeeding paragraphs.

- **Unauthorised appropriation of prize amount against cost of tickets**

Audit verified the claims of ₹10,000 prizes disbursed during the period from 2011-12 to 2016-17 by collecting the data captured in LIMS and observed

that though the agents were not allowed to collect the prize tickets of ₹10,000, the District Lottery Officers allowed prizes of those unauthorisedly collected tickets. Scrutiny of the vouchers submitted by agents in the selected cases, revealed that there were instances in which the prize amount of ₹10,000 was adjusted against the cost of new tickets purchased by the agent who presented the prize winning tickets. Illustrative cases are mentioned in Appendix III(4).

The District Lottery Officers neither complied with the provisions of the Rules nor reported the matter of unauthorised collection of tickets by agents to the DSL and appropriated the prize amount against the cost of tickets violating the provision in Kerala Treasury Code.

Government stated (October 2017) that circular was sent to all District Lottery Officers not to accept ₹10,000 prize claims from agents other than from their unsold portion. As per the proceedings of the DSL dated 28 June 2017, prize structure of all lottery schemes was revised eliminating ₹10,000 prizes, except consolation prizes, which were limited to only 11 prizes.

- **Unauthorised collection of ₹ one lakh prized tickets**

Audit collected the details of prizes of ₹ one lakh disbursed during the period from 2011-12 to 2016-17 by five District Lottery Offices selected for audit and observed that in three District Lottery Offices¹¹, out of 2,951 prize winning tickets of ₹ one lakh, 937 tickets were presented by 31 agents contrary to the Rule as shown in Appendix III(5), which constituted 32 per cent of the total claims.

The District Lottery Officers neither complied with the provisions of the Rules nor reported the matter of unauthorised collection of tickets by agents to the DSL. As Income Tax was paid in the name of the agents, payment of high value prizes will create unaccounted money in the hands of actual prize winner.

During discussion Secretary (Taxes) stated (August 2017) that majority of the claims of ₹ one lakh prizes by agents were on the tickets kept with them as unsold. The issue was referred to Vigilance and Enforcement Directorate. The

11 DLO Ernakulam, Palakkad and Thiruvananthapuram.

reply was not acceptable since one of the 31 agents mentioned in the para claimed ₹ one lakh prizes 155 times during the audit period. However, Government reply (October 2017) was silent on the issue.

[Audit Paragraph 6.3.2.5 contained in the Report of the Comptroller and Auditor General of India for the year ended 31st March, 2017. (Revenue Sector)]

[Note furnished by the Government on the above audit paragraphs is included as Appendix II]

(Excerpts from the discussion of Committee with officials concerned)

13) When the Committee directed to give a reply regarding the audit paragraph, the Director, Lotteries Department submitted that as per the Rules, the agents were only authorised to collect tickets for small prizes. Tickets winning larger prizes needed tax deduction by the Income Tax Department and those tickets had to be submitted to the office directly by the prize winners. When the threshold limit of TDS was modified by the Income Tax Department, the agents were permitted to collect tickets of larger prizes. But as per the instructions issued at present, the agents were allowed to collect tickets of prize money only up to the amount of ₹5,000. If the unsold tickets left with the agents had won the prize, they would be considered as prize winners and the TDS deducted from them would be processed.

14) While considering the audit observation of unauthorised collection of ₹one lakh prized tickets, the Director, Lotteries Department submitted that the ₹one lakh prized tickets were the unsold tickets left with the agents and hence the agents had to be considered as prize winners. To a query of the Committee about the unsold tickets, the Director, Lotteries Department clarified that if the lottery tickets purchased from the Department remain unsold with the agents and would win prizes, the prize money would be allowed to the agents, after deducting TDS as per rule. Unsold tickets were those printed tickets left in the Department without being purchased by the agents, and if such unsold ticket would get the Bumper prize, the draw would be done again and the process would be continued until a sold ticket would get the prize.

15) When the Committee enquired about the total number of tickets being printed and the number of prizes for each draw, the Director, Lotteries Department submitted that the Department had permission to print 1.8 crore tickets per day for each of the weekly tickets of ₹40/- and ₹50/-, and 1.8 crore tickets of ₹40/- and 96 lakh tickets of ₹50/- were being printed at present. Out of the 1.8 crore printed tickets, around 2.9 lakh tickets would get prizes. As there were demands to increase the number of prizes, a new scheme had been declared by the Government in which the total number of prizes being drawn per day was increased to 6.5 lakh.

16) The Committee wanted to know whether the details of the agents who got prizes from the tickets remained unsold with them would be available. The Director, Lotteries Department submitted that TDS would be deducted from an agent whose income exceeded ₹10000, and the details of the prize winning agents could be obtained by compiling the Income Tax data.

17) When the Committee enquired about the audit observation that an agent had claimed ₹one lakh prize for 155 times, the Director, Lotteries Department informed that no body could be prevented from becoming a lottery agent, and lakhs of tickets might be purchased by some big agents. Some agents would purchase tickets on behalf of their family members also.

18) To a query of the Committee about the commission provided to the agents, the Director, Lotteries Department informed that 12 percent of the bumper prize would be the agent commission for a ticket worth ₹40/- and 10 percent of the bumper prize would be the agent commission for a ticket worth ₹50/-. Thus the income of the lottery agents would be increased with the number of tickets sold and the amount of the prizes. The Committee accepted the reply.

Conclusion/Recommendation

19) No Comments

6.3.2.6 Existence of fake lottery tickets

Section 7(3) of Lotteries (Regulation) Act, 1998, provides rigorous imprisonment to those persons who organise, conduct, promote lotteries or purchase and sell the tickets of lotteries in contravention to the provisions of the Act. Rule 3(21) of the Lotteries (Regulation) Rules, 2010, stipulates that the organising State shall devise suitable means and procedures to effectively supervise the conduct of lotteries to avoid any malpractice. According to Section 26(2) of Kerala Tax on Paper Lotteries Act 2005, any person who is found to be in possession of unaccounted lottery tickets shall be liable to a penalty of ₹one lakh.

Audit observed that in all the five selected District Lottery Offices, 2,348 claims of prizes were pending for payment from March 2014, the reason stated for which was that the tickets presented were not genuine¹² tickets. Further to verify whether these were stray incidence or not, Audit collected the data relating to tickets presented for prize claim of all the District Lottery Offices in the State for the period from 2011-12 to 2016-17 from LIMS. The analysis of the data revealed that during the period 8,18,96,698 prize winning tickets were presented, out of which 3,48,699 tickets were denied payment by the District Lottery Officers for the reason that payment for those tickets were already made. Illustrative cases are given in Appendix III(6).

When these tickets were identified by the authorities as fake, those were returned back to the presenters. Only in few cases, the presenters insisted for prize claiming that the tickets presented by them were genuine and so the District Lottery Officers sent the tickets to DSL for verification and 123 such tickets were received by DSL.

The DSL also received details of 36 tickets confiscated by the Police Department and submitted to the Judicial First Class Magistrate, Thiruvananthapuram as 'mainour'¹³, out of which, 30 tickets were confirmed as fake by the printers C-apt (Kerala State Centre for Advanced Printing & Training). Though prize payments were not effected to a second ticket presented,

¹² Tickets printed and sold by the Department and complete in all respects.

¹³ A thing stolen, discovered in the hands of the thief.

neither the District Lottery Officers had reported the existence of fake ticket of the same number to the higher authorities nor DSL followed up LIMS report in this regard. Audit also felt that had the DLOs and DSL reported the cases to the Commercial Tax Department, penalty would have been levied as per Section 26(2) of Kerala Tax on Paper Lotteries Act, 2005, for possession of unaccounted lottery tickets.

During discussion, the Secretary (Taxes) stated (August 2017) that there was no revenue loss to Government due to the existence of fake lottery tickets as fake prize winning tickets were made as photocopy/scanned copy of prize winning tickets after the draw. Government stated (October 2017) that the agents, who present the tickets were not aware that the tickets were fake as they collected the tickets from the winners and the cases were registered for production of fake tickets. Enquiry on cases registered was in progress and penal provisions could be initiated only on completion of enquiry.

The reply was not acceptable as Rule 3 (21) of Lotteries (Regulation) Rules, 2010, stipulates that the organising State shall device suitable means and procedures to effectively supervise the conduct of lotteries to avoid any malpractice. There was neither an enforcement wing to curb this practice nor manual prescribing the procedures to be followed in such occasions.

6.3.2.7 Non/short deduction of Income Tax from the agent prize disbursed

Rule 9(7) of the Kerala Paper Lotteries (Regulation) Rules, 2005, stipulates that Income Tax and surcharge as per Rules will be deducted from the prize claims and remitted to Income Tax Department. According to section 194G of Income Tax Act 1961, any person who is responsible for paying to any person, who is or has been stocking, distributing, purchasing or selling lottery tickets, any income by way of commission, remuneration or prize (by whatever name called) on such tickets in an amount exceeding ₹1,000 (from 1 June 2016 ₹15,000) shall, at the time of credit of such income to the account of the payee or at the time of payment of such income in cash or by the issue of a cheque or draft or by any other mode, whichever is earlier, deduct Income Tax thereon at the rate of 10 per cent (from 1 June 2016 five per cent).

Audit observed that during the period from 2011-12 to 2016-17, three District Lottery Officers did not deduct Income Tax at prescribed rates from the agent prize disbursed in 284 cases out of 779 cases test checked. Illustrative cases are given in Appendix III(7).

Government stated (October 2017) that the cases pertaining to the period from 2011-12 to 2015-16 and the Department has to verify the records at District Lottery Offices and detailed reply would be furnished later.

6.3.2.8 Non deduction of Income Tax from winning prizes disbursed

Rule 3(18) of the Lotteries (Regulation) Rules, 2010, states that it shall be the duty of the lottery organising State to ensure that Income Tax on prizes, wherever applicable, is deducted at source. According to Section 194B of Income Tax Act, the person responsible for paying to any person any income by way of winnings from any lottery or crossword puzzle or card game and other game of any sort in an amount exceeding ₹10,000 shall, at the time of payment thereof, deduct Income Tax thereon at the rate of 30 per cent.

Audit observed that in all the five District Lottery Offices selected for audit, the agents or individuals claimed prizes exceeding ₹10,000 at a time through more than one prize winning tickets of ₹10,000. As the prize won by a person from a single draw exceeds ₹10,000, Income Tax should be deducted from the prizes disbursed. A total of 40,216 tickets which won ₹10,000 prizes were disbursed during the period from 2011-12 to 2015-16 to agents or individuals who won two or more such prizes in a single draw. Illustrative cases are furnished in Appendix III(8). There was no provision in LIMS to deduct Income Tax automatically on winning from lotteries where the prize amount was less than ₹ one lakh. Prizes worth ₹40.20 crore were disbursed without tax deducted at source.

Government stated (October 2017) that as per the Finance Act 2010, the word “ten thousand rupees” was substituted for “five thousand rupees” and thereby mandating TDS for only prizes above ₹10,000. It was also stated that as per Rule 9(6) of the Kerala Paper Lotteries (Regulation) Rules 2005, no ticket shall be eligible for more than one prize in a draw and hence there cannot be two

or more ₹10,000 prizes on the same lottery ticket warranting TDS.

The reply was not acceptable since Section 194B of Income Tax Act clearly provides that TDS must be effected for payment exceeding ₹10,000 at a time from winning of lotteries.

6.3.2.9 Irregular collection of Service Tax from agents violating the provisions of Service Tax Act

According to Section 73 A (2) of the Service Tax Act, 1994, where any person who has collected any amount, which is not required to be collected, in any manner as representing Service Tax, such person shall forthwith pay the amount so collected to the credit of the Central Government.

Government appointed¹⁴ the Kerala State Lottery Agents and Sellers Welfare Fund Board (KSLASWFB) as the sole distributor of the State lotteries and KSLASWFB opted (November 2015) for compounding system of payment of Service Tax¹⁵. The sole distributor is responsible for paying Service Tax on behalf of the agents. Government permitted¹⁶ the distributor to collect Service Tax from the agents at prescribed¹⁷ per cent on the face value of the tickets. The District Lottery Officers who sold the tickets to agents on behalf of the distributor collected the Service Tax from the agents and the DSL consolidated the figures received from District Lottery Officers and transferred it to KSLASWFB for payment to the Central Excise Department.

During the period from November 2015 to March 2017, the District Lottery Officers collected Service Tax of ₹153.96 crore from agents and transferred to KSLASWFB, which remitted ₹131.85 crore to Central Excise Department thereby keeping ₹22.10 crore as detailed in Appendix III(9), violating the provisions of Service Tax Act.

Government stated (October 2017) that it was clearly written in the

14 GO (P) No. 177/2015/TD dated 30 September 2015.

15 Required to pay Service Tax at the rate of ₹12,800 on every ₹10 lakh (or part thereof) of aggregate face value of tickets printed by the State.

16 Letter No. 10751/H1/2015/TD dated 8 October 2015.

17 1.35 per cent against 1.28 per cent from 8 October 2015, 1.5 per cent against 1.33 per cent from 22 December 2015, 1.6 per cent against 1.38 per cent from 4 July 2016.

invoice given to the agents that 1.6 per cent collected was towards Service Tax and administrative expenses of Welfare Board. So it is erroneous to conclude that Service Tax was retained by Welfare Board against the provisions of the Service Tax Act. Moreover, the balance ₹22.10 crore with KSLASWFB as mentioned in the audit report includes ₹7.41 crore in the Service Tax component for the period 9 November to 31 December 2016 for which exemption was sought for from the Central Government as a relief towards losses occurred due to demonetisation.

The reply was not acceptable as the Government order states that 1.6 per cent should be collected as Service Tax and not include administrative expenses as claimed in the reply. The amount collected in the name of Service Tax was seen appropriated towards payment of Service Tax in respect of unsold tickets. This clearly violates Section 73A(2) of Service Tax Act.

[Audit Paragraphs 6.3.2.6 to 6.3.2.9 contained in the Report of the Comptroller and Auditor General of India for the year ended 31st March, 2017. (Revenue Sector)]

[Note furnished by the Government on the above audit paragraphs is included as Appendix II]

(Excerpts from the discussion of Committee with officials concerned)

20) The Committee considered and accepted the reply furnished by the Department regarding the audit paragraphs 6.3.2.6 and 6.3.2.7.

21) While considering the audit paragraph 6.3.2.8, the Director, Lotteries Department submitted that if the prize money awarded to a lottery ticket was more than ₹10000/-, TDS deduction had to be done, but the audit observation was about the total prize money received by an agent or an individual on various draws. Then the Senior Audit Officer intervened and stated that the audit observation was about the prize money of ₹10000/- each received to some tickets. The Director, Lotteries Department clarified that TDS deduction was not required in cases where the total prize amount received by individuals had exceeded ₹10000/-. Notice from Income Tax Department in connection with the

matter had been received and the Lottery Department had won the case in that regard. He added that the Faceless Appeal Centre of the Income Tax Appellate Tribunal had also agreed with the Department. The Committee accepted the reply.

22) While considering the audit paragraph 6.3.2.9, the Director, Lotteries Department submitted that as per Section 73 A (2) of the Service Tax Act, 1994, the amount collected as Service Tax should be remitted to the Central Government, but the amount collected by the Kerala State Lottery Agents' and Sellers' Welfare Fund Board (KSLASWFB) was inclusive of both service tax and administrative expenses. The said amount would not come to the purview of the above section and hence need not to be remitted as service tax. The Senior Audit Officer intervened and pointed out that as per the Government Order, 1.6 per cent had to be collected and remitted towards Service Tax.

23) Then he enquired about the collection of GST on sale of lottery tickets. The Director, Lotteries Department submitted that 28 percent of the ticket price was being collected towards GST at present. 28 percent of the amount paid by the agents would be earmarked for GST and would be remitted on 20th of the upcoming month. But earlier, when the compounding system was in practice, a particular amount had to be remitted regardless of the fact that the tickets were sold out or not, and the exact amount to be paid was not known to the Department. Hence, a particular amount had been earmarked towards service tax and other expenses, and the whole amount need not to be remitted towards service tax. He differed with the audit observation that the whole amount had to be remitted as service tax. The Senior Audit Officer reiterated that the audit observation was in accordance with the Government Order. Then the Committee directed to examine the Government Order, and the Director, Lotteries Department agreed to do so.

Conclusion/Recommendation

24) **No Comments**

Internal Control

6.3.2.10 Lack of Internal control mechanism to ensure correctness of printing/sale of lottery tickets

Section 4(b) of Lotteries (Regulation) Act, 1998, provides that lottery tickets bear the imprint and logo of the State in such manner that the authenticity of the lottery ticket is ensured. As per Rule 3 of Kerala Paper Lotteries (Regulation) Rules, 2005, the tickets shall bear the facsimile signature of DSL and shall contain name of the lottery, draw number, date of draw, series, ticket number, cost of the ticket and other important details on the front side of the ticket and details such as prize pattern, terms and conditions, etc., on the reverse side of the ticket. As per the agreement between the printers and DSL, if the contractors default in the prompt printing and supply of tickets or any portion thereof or commits breach of all or any of the provisions, the contractor shall be responsible for the resulting revenue loss to the Government exchequer and the entire revenue loss shall be recovered from the contractor.

An authentic ticket contains unique number and corresponding to the unique number a secret code, which can be verified by bar code readers using LIMS. The Regional Director of State Lotteries, Ernakulam was assigned with the responsibility to supervise the output of printed tickets from the Kerala Books and Publications Society¹⁸ and the Deputy Director of State Lotteries (Printing) was assigned with the responsibility to supervise the output of printed tickets from the Kerala State Centre for Advanced Printing and Training (C-apt).

Analysis of data collected from Directorate of State Lotteries revealed that in the case of a particular lottery, 'Bhagyanidhi' (BN 258) series, out of the 2,348 tickets presented for payment in six District Lottery Offices¹⁹, 1,410 tickets were pending for disposal as LIMS was unable to read the bar codes and secret codes in those tickets presented. The cause for this was attributed to printing errors.

¹⁸ The Kerala Books and Publications Society and C-apt are the printing presses authorised for printing the lottery tickets.

¹⁹ DLO Ernakulam, Kollam, Kozhikode, Palakkad, Thiruvananthapuram, Thrissur.

A beneficiary survey conducted by Audit among 50 agents and four sub agents during December 2016 and January 2017 revealed that tickets purchased by four agents from District Lottery Offices or from registered agents were with printing errors.

During joint physical inspection, one agent produced evidences of defective printing of lottery tickets, which were purchased from District Lottery Offices. During the scrutiny of records of Directorate of State Lotteries, the major printing errors noticed were (a) in certain tickets of a particular draw the details of another lottery was printed (b) the bar code and secret code were printed outside the specified place (c) printers failed to print the full digits of the ticket number, etc.

Audit observed that these types of printing errors were the result of lack of internal control mechanism to monitor the printing of tickets and also found that this will affect the credibility of the conduct of lotteries by DSL. Besides this, revenue loss occurred to Department due to the printing errors was also not levied against printing presses as provided in item 13 of the agreement between the printers and DSL.

Government stated (October 2017) that strict instructions were given to the printers to avoid mistakes/doubling of tickets and that if the Department had to make prize payments due to printing errors, the printers are made liable for the same and the amount would be deducted from printing charges. It was also stated that more security features were added to lottery tickets so that the chances of fake tickets reaching the hands of public can be avoided. Government further stated that as per clause 13 of the agreement executed with the press, press was liable to pay any revenue loss to Government due to printing errors and the Department deducted ₹18,540 from two presses.

The reply was not acceptable as recovery was made only in two small cases and the reply was silent on the introduction of proper monitoring system.

- **Failure to conduct annual financial audit of various lottery schemes and system audit**

Rule 3(19) of Lotteries (Regulation) Rules, 2010, provides that every lottery organising State shall conduct an annual financial audit of various lottery schemes organised by it and system audit.

Audit observed that the Department failed to conduct financial audit of the various lottery schemes organised during the audit period (from 2011-12 to 2016-17) by the Directorate of State Lotteries. As the records pertaining to earlier periods could not be traced, the same was not verified.

It was also noticed that the functions regarding the conduct of lotteries, except printing, were computerised in 2008 using the web based software, LIMS. Though the software certification for LIMS by Standardisation Testing and Quality Certification was taken up in 2010, the accuracy and reliability of the software was not tested by a competent authority and as such the Directorate was still using uncertified software. Though this was brought to the notice of the Department vide para No.8.1.5.4 of the Report of the Comptroller and Auditor General of India (Revenue Receipts) for the year ended 31 March 2012, the position remained unchanged.

Government stated (October 2017) that lottery/scheme-wise audit was not conducted in the Department due to various reasons such as non-completion of prize distribution of a particular draw/scheme within a fixed time, difficulty in separation of publicity, distribution and other charges, etc. Government further stated that financial audit was conducted based on the total receipts and expenditure of a financial year. The software developer/promoter, M/s KELTRON, assured that LIMS was safe, even though uncertified, since it functions in Virtual Private Network (VPN) platform. It was also stated that the Department was permitted to develop a new version of Lottery Information Management System, entrusting it to NIC.

Reply was not acceptable since the multiple prize payment was made for the same number (para 6.3.2.4) and Income Tax to be deducted from prize winners of above ₹10,000 was not done (para 6.3.2.8) due to the failure of software. Moreover, the statute mandates the conduct of annual financial and system audit.

[Audit Paragraph 6.3.2.10 contained in the Report of the Comptroller and Auditor General of India for the year ended 31st March, 2017. (Revenue Sector)]

[Note furnished by the Government on the above audit paragraphs is included as Appendix II]

(Excerpts from the discussion of Committee with officials concerned)

25) The Committee directed to give explanation regarding the audit observation. The Director, Lotteries Department submitted that the lottery tickets were being printed at the Kerala Books and Publications Society and Kerala State Center for Advanced Printing and Training (C-apt) in Ernakulam district. Defective printing such as ink spreading, colour mismatch etc. had occurred very rarely in lottery ticket printing, and such mistakes, when detected, were being rectified without delay. He added that steps were being taken to purchase the latest lottery design software by which such printing errors could be minimized.

26) To a query of the Committee about forged tickets, the Director, Lotteries Department informed that there would be two types of fake tickets. There had been some rare instances in which the differently abled lottery agents were deceived by giving colour photo copy of the prize winning tickets. Police investigation would be taken against such deceitful acts when detected.

27) While considering the audit observation about the failure to conduct annual financial audit of various lottery schemes and system audit, the Director, Lotteries Department submitted that no such issues were existing at present. All details of lottery such as number of tickets sold, number of prize winning tickets, prize money etc. of each draw were available in the software, and all such details were being submitted to Government every year in the annual report.

28) When the Senior Audit Officer enquired about the remarks in the

Government report that a system audit of the Department was in the pipeline, the Director, Lotteries Department submitted that a software developed by KELTRON was being used in the Lottery Department at present. A System Administrator and a Database Administrator had been appointed for its management. The mandatory auditing as per rule was being carried out before launching each module, and the system was functioning very well. The Committee accepted the reply.

Conclusion/Recommendation

29) No Comments

Non utilisation of sale proceeds of lotteries introduced for special purposes

According to Rule 3(2) of the Lotteries (Regulation) Rule, 2010, State Government may organise a lottery by issuing a notification in its official gazette outlining the purpose, scope, limitation and methods thereof. Audit observed that in two cases, out of the three such lotteries organised, the net proceeds were not fully utilised for the intended purposes as stated below:

6.3.2.11 Lottery organised for women welfare

Kerala State Social Security Mission, under Social Justice Department, proposed to implement 'Sthree Sakthi' a scheme for the upliftment of women with components like increase work participation of women, modernise the rehabilitation of the distressed women, extend higher education to the needy women, assistance to physically/mentally challenged and aged women, marriage assistance to poor and needy women, assistance to widows, etc. The State Government accorded sanction²⁰ for a special purpose weekly lottery 'Sthree Sakthi' lottery, with the intention of utilising the net proceeds of the lottery for the implementation of Sthree Sakthi Scheme. The first draw of the lottery was on 3 May 2016.

²⁰ GO(MS)No. 38/2016/TD dated 19 February 2016.

Audit observed that though 48 draws of 'Sthree Sakthi' lottery were made upto 31 March 2017, the scheme was not implemented even after a lapse of one and half years after commencement of the lottery. The net sale proceeds from the 48 draws of the lottery comes to about ₹169.22 crore and this fund was placed in the Consolidated Fund, just like all other lotteries conducted by DSL, instead of transferring it for the intended purpose for which the lottery was organised.

Government stated (October 2017) that Social Security Mission or Social Justice Department did not submit any scheme for implementation.

The reply of Government was not tenable as it was its duty to work towards the intended objectives.

6.3.2.12 Bumper lottery organised for Jawans

On the basis of decision of Armed Forces Flag Day Fund Committee (9 November 2011) Government agreed to launch a lottery to give the net proceeds to Sainik Welfare Department for the welfare of the war veterans, war widows and ex-servicemen. Based on this, Government directed²¹ to change the name of "X' Mas New Year Bumper 2012-13" as "X' Mas New Year Bumper for Jawans" and to contribute the net proceeds from the lottery of that year to Sainik Welfare Department.

Audit observed that though the net proceeds from the lottery in 2012-13 was ₹12.97 crore, only ₹two crore was transferred²² to Sainik Welfare Department and ₹10.97 crore collected in the name of Jawans was kept in the Consolidated Fund.

Government stated (October 2017) that sales proceeds of X'mas New year Bumper for Jawan 2012-13 lottery was remitted to Government/treasury account as in the case of all other lotteries and ₹ two crore was so far been given by the Taxes Department to the Sainik Welfare Department on the basis of their request. No further requests was received from the Sainik Welfare Department.

21 Letter No.10605/HI/2012/TD dated 12 October 2012.

22 vide GO(Rt)No.6233/14/GAD dated 22 August 2014 and GO(Rt) No.7221/16/GAD dated 22 October 2016.

The reply was not acceptable since the lottery was marketed in the name of Jawans and the net proceeds from its sale was kept in the Consolidated Fund without utilisation.

[Audit Paragraphs 6.3.2.11 and 6.3.2.12 contained in the Report of the Comptroller and Auditor General of India for the year ended 31st March, 2017. (Revenue Sector)]

[Note furnished by the Government on the above audit paragraphs is included as Appendix II]

(Excerpts from the discussion of Committee with officials concerned)

30) Regarding the audit para 6.3.2.11, the Committee wanted to know about the details of remittance of the sale proceeds from the 'Sthree Sakthi' lottery and the fund utilised for the implementation of the scheme. The Director, Lotteries Department submitted that the net sale proceeds from each lottery scheme would be remitted to the Consolidated Fund of the State and no separate Head of Account for 'Sthree Sakthi' scheme had been maintained by the Department. He added that the implementation of the scheme was up to the Government and fund transfer from one account to another in the Consolidated Fund would be carried out as per the directions of the Finance Department. The Committee decided to recommend that the sale proceeds of special purpose lotteries should be utilised for its intended purpose only.

31) While considering the audit para related to bumper lottery organised for Jawans, the Committee observed that the audit para was similar to the previous one, and decided to recommend that the sale proceeds of special purpose lotteries should be utilised for its intended purpose only. To a query of the Committee about special schemes, the Director, Lotteries Department informed that some of the schemes would be implemented as per the orders of the Taxes Department.

Conclusion/Recommendation

32) The Committee records its strong displeasure over the non utilisation of the net proceeds from the sale of special purpose lotteries organised for the welfare of women and for Jawans. The Committee therefore recommends that necessary effective measures should be taken to ensure that the sale proceeds of such lotteries are strictly utilised for the intended objectives only.

6.3.3 Karunya Benevolent Fund

6.3.3.1 Introduction to Karunya Benevolent Fund

In January 2012, Government constituted²³ the Karunya Benevolent Fund (KBF) for providing financial assistance to the poor for the treatment of cancer, kidney, heart diseases and palliative care patients, by utilising the net proceeds from the draws of 'Karunya' and 'Karunya Plus' lotteries organised by DSL. The Taxes Department, Government of Kerala, issued detailed guidelines²⁴ for the implementation of KBF schemes. As per the guidelines, patients from BPL²⁵ families as also from APL²⁶ families whose annual income is less than ₹three lakh are entitled to get a maximum financial assistance of ₹two lakh. According to budget allocation, fund will be transferred to KBF by DSL, who is also the Administrator of KBF. The facility is available for treatment in all government hospitals in the State, including premier tertiary hospitals²⁷ with the treatment facility for diseases specified in the guidelines. Assistance is also given from KBF for treatment in the accredited private hospitals.

For the implementation of the scheme, two committees were constituted, one at District level, with the District Collector as Chairman, to examine the genuineness of the applications and an Apex Monitoring Committee at the State level, with the Minister (Finance) as the Chairman, to sanction the assistance on the basis of recommendations from the District level committees. Government vide orders²⁸ granted permission to the State Level Committee (SLC) for taking

23 Vide GO (MS) No.07/TD dated 30 January 2012.

24 Vide GO (MS) 26/12/TD dated 21 February 2012.

25 Categorisation of families as "Below Poverty Line".

26 Categorisation of families as "Above Poverty Line".

27 Malabar Cancer Centre, Regional Cancer Centre, Sree Chitra Thirunal Institute for Medical Science and Technology.

28 GO(MS)/No.830/2015/TD dated 9 November 2015.

decisions in cases that warranted allowing of relaxation to the prescribed norms for assistance.

Claimants²⁹ shall submit applications in prescribed forms with necessary supporting documents to District Lottery Officer, who place the applications before the District level committee and the committee examines genuineness of the cases with the assistance of expert doctors from government hospitals and recommend the appropriate package to the State Level Committee, which shall consider the recommendations and pass orders for providing financial assistance, which shall be paid to the account of the government hospital concerned. On completion of treatment, the hospital concerned was to send the utilisation certificate along with a declaration from the patient to the effect that he had undergone treatment in the hospital and balance amount, if any, to be refunded to the KBF. In respect of private hospitals, the financial assistance as per the package rate will be remitted to the account of the hospital concerned on completion of treatment and submission of discharge summary and a declaration from the patient.

Net proceeds from Karunya lotteries and the funds transferred to KBF during the period 2011-12 to 2016-17 is given in Table – 6.1.

Table - 6.1

Details of funds received and expenditure from Karunya Lotteries

(₹ in crore)

Year	Receipt							Expenditure		
	Net proceeds from Karunya lotteries	Budget provision/ Fund allotted	Interest	Public contribution/ contribution from DSL	Total funds received	Refunds received	Total	Fund transferred to Hospital	Establishment cost	Total
2011-12	38.96	15	0	0	15	0	15	0.17	0.02	0.19
2012-13	105.25	100	0.01	0	100.01	2.97	102.98	72.28	1.04	73.32
2013-14	132.02	210	0.24	0	210.24	7.78	218.02	183.08	1.00	184.08
2014-15	273.20	200	0.43	0.05	200.48	28.93	229.41	296.09	1.65	297.74
2015-16	303.55	250	0.59	0.50	251.09	34.33	285.42	157.64	1.60	159.24
2016-17	370.26	250	0.29	0	250.29	38.08	288.37	416.20	1.67	417.87
Total	1223.24	1025	1.56	0.55	1027.11	112.09	1139.20	1125.46	6.98	1132.44

Source: Data received from Director of State Lotteries and Karunya Benevolent Fund.

²⁹ Patients who apply for assistance from KBF.

As on 31 March 2017, sanction was accorded to 1,23,553 patients, requiring an amount of ₹1,603.90 crore, for taking treatment in government hospitals and to 24,951 patients, requiring an amount of ₹235.75 crore, for taking treatment in private hospitals as shown in Table – 6.2.

Table- 6.2
Details of requirement of funds

Periods	Government hospitals		Private hospitals	
	Number of patients	Required amount	Number of patients	Required amount
2011-12	20	0.17	0	0.00
2012-13	8,822	94.34	1136	12.18
2013-14	22,579	280.72	5274	57.42
2014-15	25,813	336.27	6960	67.35
2015-16	32,812	432.60	6159	51.69
2016-17	33,507	459.80	5422	47.11
Total	1,23,553	1,603.90	24,951	235.75

Source : Data received from Karunya Benevolent Fund.

Out of 1,23,553 patients, 62,435 claims, requiring ₹611.47 crore, in government hospitals and out of 24,951 patients, 8,792 claims, requiring ₹20.53 crore, in private hospitals were pending for disbursement.

Government stated (October 2017) that since large number of applications were received under Karunya Scheme and also due to the shortage of budget provision, payment was pending to be disbursed to the government hospitals. With regard to the pendency of private hospitals, urgent steps are taken by engaging more employees to clear the arrears and the process was going fast to settle the pending claims.

6.3.3.2 Non-refund of assistance received that was not utilised or partially utilised

According to decision 11³⁰ of the Committee, headed by the Administrator and attended by other members of KBF, held on 9 August 2012 for finalising the process of implementation of KBF, the treatment of patients

³⁰ Minutes of meeting held on 9 August 2012.

selected would start based on the pre-authorisation certificate issued by KBF to the patients and the fund for that would be transferred to the designated account of the hospitals. The sanction orders clearly mention the details of patients to whom the assistance were intended to. The hospitals were required to submit utilisation certificates for the amount received.

- **Non-refund of assistance received that was not at all utilised**

Audit scrutiny of utilisation of KBF by the test checked government hospitals revealed that 1,520 beneficiaries, out of 49,023 beneficiaries who were sanctioned assistance for taking treatment in six hospitals, did not take treatment in that hospital, as neither the treatment details of those patients were available in the hospitals nor any amount was expended on their account, and the amounts sanctioned for their treatment were kept in the account of the hospitals as shown in Table - 6.3.

Table - 6.3
Details of unutilised amount

(₹ in crore)			
Sl No.	Name of hospital	No. of cases	Amount remained unutilised
1	General Hospital, Ernakulam	89	0.92
2	Medical College Hospital (MCH), Kozhikode	260	3.49
3	Medical College Hospital (MCH), Thiruvananthapuram	264	3.01
4	Medical College Chest Hospital (MCCH), Thrissur	97	0.66
5	Regional Cancer Centre (RCC), Thiruvananthapuram	204	3.13
6	Sree Chitra Thirunal Institute for Medical Science and Technology (SCTIMST), Thiruvananthapuram	606	8.47
Total		1520	19.68

Source: Data maintained by hospitals

These amounts were transferred to the hospitals from 2012 to 2016. As these patients did not undergo treatment, this amount should have been refunded to KBF.

On this being pointed out in Audit, Medical College Hospital, Kozhikode refunded (April 2017) ₹3.29 crore to KBF. Reply in respect of remaining cases was awaited by Audit.

- **Non-surrender of funds that remained partially utilised for a long period**

Test check of the cases in the following four government hospitals revealed that in 3,142 cases, out of 38,460 cases, utilisation was less than 20 per cent of amount transferred. Even after a lapse of two to five years of disbursement, the unutilised amount of ₹40.96 crore was kept in the KBF accounts of the hospitals as shown in Table - 6.4.

Table - 6.4
Details of partially utilised amount

(₹ in crore)				
Sl No.	Name of hospital	Number of cases	Amount transferred	Amount remained unutilised
1	MCH, Kozhikode	1710	26.34	24.23
2	MCH, Thiruvananthapuram	76	0.86	0.77
3	MCCH, Thrissur	107	0.78	0.72
4	RCC, Thiruvananthapuram	1249	16.86	15.24
		3142	44.84	40.96

Source: Data received from hospitals

The balance unutilised amount of ₹40.96 crore should have been refunded to KBF as per the guidelines. Audit observed that there was no system in the KBF to monitor the utilisation of fund, which resulted in unnecessary parking of funds in the account of hospitals.

Government stated (October 2017) that letters were issued to the Secretary Health/Taxes, all hospital authorities, Director of Health Services and Director of Medical Education for taking necessary action for the refund of amount and also to collect utilisation certificates. As per the decision of 28th State Level Committee, a committee including the Secretary, Taxes/ Finance/

Health was constituted to decide the amount to be released to government hospitals in lump sum without considering the patient wise details and the next instalment would be released only after the submission of utilisation certificate of the fund already released.

6.3.3.3 Non-remittance of interest accrued in the KBF account into the Consolidated Fund

According to Rule 6(2) (Section V) of Kerala Treasury Code, all moneys, that form part of Consolidated Fund, received shall be paid into treasury and moneys received as aforesaid shall not be appropriated to meet departmental expenditure nor otherwise kept apart from Government account.

Audit verified the bank account details of selected government hospitals and KBF account and observed that interest accrued to the tune of ₹14.35 crore³¹ on the amount deposited by KBF was credited in the bank account as shown in Appendix III(10). Since Government permitted to utilise only the net proceeds from Karunya lotteries for the treatments under KBF, the interest accrued should be credited to the Consolidated Fund. Moreover, all kind of tax and non-tax revenue are to be credited to the Consolidated Fund of the State and expenditure from this fund can be made through budget proposals. Audit observed that no guideline was issued by KBF to remit the interest accrued on its funds into the treasury, but permitted to utilise the interest accrued on the balance kept in the accounts to meet the expenditure on wages of clerical assistants posted in the hospitals for KBF related work. The permission given by KBF to utilise the interest for wages and the non-remittance of receipts on account of interest into Consolidated Fund of the State and meeting the expenditure from it without legislative approval was irregular.

Government stated (October 2017) that hospitals were directed to furnish the details of receipt and expenditure towards interest amount. After getting the same, the details of interest would be submitted before the State Level Committee for taking necessary action.

31 ₹1.56 crore in the account of KBF and ₹12.79 crore in the KBF account of hospitals.

6.3.3.4 Violation of agreements by the accredited private hospitals

According to item 6.2 of KBF guidelines for the implementation of the scheme, private hospitals of good repute shall be accredited on the basis of norms fixed by the State Level Committee and Memorandum of understanding (MoU) entered with these hospitals for providing treatment as per the approved packages at the cost fixed by the committee. According to item 9 of Article 2 of MoU between KBF and the accredited hospitals, the accredited hospital shall undertake specified interventions/treatment to the beneficiaries as per the package rates mentioned in the schedule and as per item 2 and 3 of Article 6, no amount other than the agreed amount shall be charged.

Audit observed that out of the 11 accredited hospitals test checked, five private hospitals³² charged amount in excess of the package rates and claimed the difference amount from the beneficiaries concerned. This was a violation of the agreement and against the intention of KBF scheme to give cashless treatment to small income groups. A few cases are illustrated in Appendix III(11).

Audit also observed that in EMS Memorial Co-operative Hospital & Research Centre, Perinthalmanna, most of the patients test checked had given undertakings to the effect that they needed additional facilities such as rooms, better quality stent, consumables, etc., and they were ready to pay for the same. KBF guidelines did not permit for getting payments for providing additional facilities. It was not ascertained whether such patients actually needed assistance from KBF, as they were capable and willing to pay these amounts.

Government stated (October 2017) that if any hospital had charged any additional amount from the patient, legal action would be taken against them. Direction was also issued to take action to avoid getting financial assistance for patients who actually do not need assistance from KBF as they are capable and willing to pay these amounts. It was further stated that directions were given to conduct audit on the accounts of accredited private hospital by the Internal Audit Wing.

32 Amala Cancer Hospital and Research Centre, Thrissur; Baby Memorial Hospital, Kozhikode; Caritas Hospital, Kottayam; Lisie Hospital, Ernakulam and EMS Co-operative Hospital & Research Centre, Perinthalmanna.

In the circumstances, Audit recommends investigation for further appropriate action in the matter as per scheme objectives.

6.3.4 Conclusion

The Department did not pay charges for regulating the lotteries organised/promoted in the State. Non-compliance of certain provisions in the statute leads to flaws in areas like printing/sales of tickets and disbursement of prizes. Department did not evolve an effective mechanism to wipe out the existence of fake lottery tickets. Non-reconciliation of funds transferred to government hospitals leads to accumulation of Karunya Benevolent Fund in the bank account of hospitals. Non-conduct of inspection in accredited private hospitals leads to violation of agreement by hospitals.

[Audit Paragraphs 6.3.3 to 6.3.4 contained in the Report of the Comptroller and Auditor General of India for the year ended 31st March 2017. (Revenue Sector)]

[Note furnished by the Government on the above audit paragraphs is included as Appendix II]

(Excerpts from the discussion of Committee with officials concerned)

33) While considering the audit observation about the Karunya Benevolent Fund, the Committee enquired about the details of fund released for the settlement of pending claims of Government hospitals. The Director, Lotteries Department informed that the scheme had been handed over to State Health Agency in 2019. All documents in connection with the settlement of pending claims had been transferred to State Health Agency and the Lottery Department had no means for settlement of claims at present. The Committee suggested to enquire about the details of settlement of pending claims from the State Health Agency. To a query of the Committee whether the benefits to the public had been affected any way due to the transfer of the scheme to State Health Agency, the Director, Lotteries Department submitted that the Department could not make any comment as the scheme had been handed over in 2019, and further steps in that regard could be taken by the State Health Agency. The Committee

decided to obtain a detailed report in that regard from the State Health Agency.

34) When the Committee directed to give reply on the audit paragraph regarding the non-refund of assistance received that was not at all utilised, the Director, Lotteries Department submitted that the scrutiny of the accounts of some Government hospitals had revealed that documents of treatment provided to the patients and the amount expended for treatment were not available, and the amount sanctioned for treatment had been kept in the accounts of the hospital. The Lottery Department had requested the Government that the claims be settled by the State Health Agency. The Committee decided to obtain a detailed report in that regard from the State Health Agency.

35) The Director, Lotteries Department submitted that the audit observation regarding the non-surrender of funds that remained partially utilised for a long period was due to the non submission of utilisation certificates of the fund received in advance to the Government hospitals. The Committee decided to obtain a detailed report in that regard from the State Health Agency.

36) While considering the audit observation related to non-remittance of interest accrued in the KBF account into the Consolidated Fund, the Director, Lotteries Department informed that the reply to the audit paragraph was same as that of the previous one.

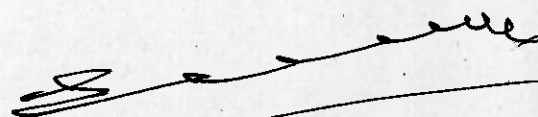
37) The Committee directed to give a reply on the audit paragraph 6.3.3.4 and enquired whether any explanation for the excess amount charged from the beneficiaries had been obtained from those private hospitals. The Director, Lotteries Department admitted that the incident of receiving excess amount for providing additional facilities to the patients was against the guidelines of the KBF scheme, and strict direction had been issued to the hospitals to provide cashless treatment as per the guidelines. He added that no further action was needed in that regard as the scheme had been wound up. The Committee accepted the reply.

Conclusion/Recommendation

38) The Committee notes with concern that non-reconciliation of funds transferred to Government hospitals has resulted in the unnecessary parking of Karunya Benevolent Fund in the bank accounts of hospitals. Furthermore, inadequate inspection has led to violations of agreements by accredited private hospitals. Therefore, the Committee directs the Health Department to furnish a detailed report regarding the *Karunya Benevolent Fund*, incorporating the details of the fund released for the settlement of pending claims in Government hospitals along with the steps taken to refund the unutilised amount remaining in the bank accounts of hospitals.

39) The Committee observes that the non-remittance of interest accrued on the amount deposited by KBF into the Consolidated Fund of the State, and the permission given to utilise the said interest for meeting the expenditure towards wages is irregular. Hence, the Committee directs to issue guidelines for the remittance of interest accrued on the balance amounts maintained in the bank accounts of hospitals and to furnish a detailed report on its receipt and expenditure.

Thiruvananthapuram,
28th January 2026



SUNNY JOSEPH,
Chairperson,
Committee on Public Accounts.

APPENDIX I

SUMMARY OF MAIN CONCLUSIONS / RECOMMENDATIONS

Sl No.	Para No.	Department concerned	Conclusion / Recommendation
1	7	Taxes	The Committee observes that as per Rule 6 of the Kerala Paper Lotteries (Regulation) Rules, 2005, the lottery agent is liable to keep and produce, on demand, all particulars of sub agents and retailers under him for verification to the District Lottery Officers. The Committee directs the Department to furnish present status report regarding the software module intended to capture the details of registered lottery agents and the sub agents/retailers under them, and to ensure identification of the individuals to whom each lottery ticket had been sold.
2	32	Taxes	The Committee records its strong displeasure over the non utilisation of the net proceeds from the sale of special purpose lotteries organised for the welfare of women and for Jawans. The Committee therefore recommends that necessary effective measures should be taken to ensure that the sale proceeds of such lotteries are strictly utilised for the intended objectives only.
3	38	Taxes	The Committee notes with concern that non-reconciliation of funds transferred to Government hospitals has resulted in the unnecessary parking of Karunya Benevolent Fund in the bank accounts of hospitals. Furthermore, inadequate inspection has led

Sl No.	Para No.	Department concerned	Conclusion / Recommendation
			to violations of agreements by accredited private hospitals. Therefore, the Committee directs the Health Department to furnish a detailed report regarding the <i>Karunya Benevolent Fund</i> , incorporating the details of the fund released for the settlement of pending claims in Government hospitals along with the steps taken to refund the unutilised amount remaining in the bank accounts of hospitals.
4	39	Taxes	The Committee observes that the non-remittance of interest accrued on the amount deposited by KBF into the Consolidated Fund of the State, and the permission given to utilise the said interest for meeting the expenditure towards wages is irregular. Hence, the Committee directs to issue guidelines for the remittance of interest accrued on the balance amounts maintained in the bank accounts of hospitals and to furnish a detailed report on its receipt and expenditure.

APPENDIX II
NOTES FURNISHED BY THE GOVERNMENT
LOTTERIES DEPT.

Statement of action taken on the Recommendations on para 6.1 to 6.3 of the C&AG Report on State Finance for the year ended March 2017.

Para No.	Recommendation contained in C&AG Report	Action Taken
6.3.2.1	<p><u>Lack of Transparency in the appointment of selling Agents of Lottery Tickets</u></p> <p>The District Lottery Offices did not have a separate inward receipt section and the applications for agency were received directly in the counter and no inward receipt register was maintained in the counter.</p>	<p>This may be noted that who ever approaches to the District Lottery Offices for being registered as an agent, the details of his Identity and address along with his passport size photograph is being insisted and the same is entered in to a register. Before the implementation of computerisation, this was the sole document to cross check the credentials of an agent. But once it was computerised, all the core activities were brought in to the software application platform including agency registration/renewal details. But still the practice is not done away with since it has been required to stick the passport size photograph of the agent on the register because there is no provision in Lottery Information Management System software(LIMS) to capture the photograph of an agent.</p> <p style="text-align: right;">As observed in the report of C&AG</p>

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, MIS report is not available in LIMS regarding the pendency report of agency registration which consists of the number of application for agency registration received, rejection of application if any, pendency of application, disposal of application etc. But it is possible to verify the number of agents registered in a District within a given period etc. It could be because of the age and nature of the software that we could not capture the agency registration MIS details in to the software as reported in the C&AG observation. But direction has been given to National Informatics Centre (NIC), the developer of the new software to include the provision of MIS reports on agency registration in to the new software version.

6.3.2.2

Failure to collect the details of sub agents from the registered agents. As per the Rule 6 of Kerala Paper Lottery (Regulation) Rules 2005, a circular has been given to all District Lottery Officers

Audit observed that the District Lottery Offices have not maintained the tickets sold by the agents who collect more tickets to sub agents, retailers and sellers under the registered agents who had been purchased more than 2000 tickets per

than 2000 tickets.

each draw. Audit observed that majority of the DLO's are not collecting these details from the registered agents. In this connection, strict instruction has been given to all DLO's to consider the matter seriously without any fail.

6.3.2.3 Non Payment of Charges for the Lotteries Organised/ promoted in the State

From 1st April 2011 to 31st March 2017, the DSL had not paid any amount as provided under rule 3 (10) of Lottery Regulation Rule 2010.

State means the State Government which conducts the lottery either in its own territory or sells the tickets in the territory of any other state. In case of lotteries being promoted by an organising state through a promotor, the section 3(10) may be invoked and levy Rs.5 lakhs and Rs 10,000/- against both Bumper and weekly lotteries respectively. In the case of Kerala State Lotteries, the complete sales proceeds are being deposited in to the Consolidated Fund of the State Government. There is no need to divide certain amount of the sales proceeds as levy and remit the same as draw fee since it is the State conduct its own lotteries within the geographical boundary of the State itself. Hence as per section 3(10) of the Central Lotteries Regulation Rules, no amount has been charged upon the State Lotteries by the State. If the

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lotteries are sold under the jurisdiction of the State Government, it is entitled to charge a minimum amount of Rs 2000 per draw from the Organising State but the maximum amount chargeable shall not be more than what is being charged by the State Government for its own Lotteries. This provision of Central Lotteries(Regulation) Rules 3(11) apply the Kerala Lotteries too particularly in the circumstance if more lotteries are organised within its jurisdiction. Accordingly a Government order has been brought to effect towards levying the special charge on ordinary and Bumper ticket as per GO(Rt) No.523/2018/Taxes, Dated 19.07.2018. As per this order Rs 50 lakh is levied against ordinary draw and 1 crore is levied against Bumper Draw.

6.3.2.4 Multiple payments of prizes for a single tickets

Audit observed that in District Lottery Offices of Ernakulam, Kozhikkode, Palakkad, Thiruvananthapuram and Thrissur 1,149 prizes were distributed for 568 prize

Prize module in LIMS has been in operation since 2008 July onwards.

At first, payment towards prize tickets below Rs 100 were made without verifying every single tickets. Instead, accorded payment by entering the total number of tickets against its offered prize. This procedure continued till 2011. As

winning tickets of same series part of increasing the security of the during the period from April lottery tickets and for increasing the prize 2011 to February 2013. Against transaction, the Department implemented an actual prize claim of 2.26 Barcode and Secret code in lottery tickets lakh for the 568 tickets, the in the year 2011 with the technical DLOs distributed 4.53 lakh to assistance of NIC. Since the the winners and this had implementation of barcode and secret resulted in an excess payment code facility in Lottery Tickets, it was of Rs. 2.27 lakh.

started to accord payment towards the prize tickets after reading the barcode and secret code printed on the tickets using barcode readers. Even then, apart from, barcode checking higher prizes starting from 500 onwards were accorded payments after matching the relevant counterfoil of the prize ticket. When there is any problem with barcode printed on the tickets, such tickets were accorded payment after matching the relevant Counterfoil with it. When barcode system was introduced, the prize disbursal time came down. Thousands of tickets submitted in vouchers began to be passed within minutes. This induced increase in sales which resulted in the submission of more and more prize tickets at the office. An user, mostly clerical staffs used to

enter the details of the tickets by using barcode reader and the immediate superior officer used to verify this and an Assistant District Lottery Officer/ District Lottery Officer approve this.

In fact this was the period when users began to experience the transition from the manual system of prize processing to software aided provisions. As for converting the system to more user friendly and for duplicate checking at voucher level, it was performed through client side scripting facility. This facility is laid in the window for passing the prize tickets in the vouchers. In this window the following actions are performed.

1. Checking the prize tickets to verify if there is any prize, the amount of prize etc.

2. After checking the prize ticket, it get saved to the facility.

The first one is being verified by pushing the data in to the server and retrieve the results while the second is being performed in the local user level to avoid Data base load initially in order to improve the performance of application.

In the time ever since the full ticket checking by barcode reading was introduced, the number of tickets being passed also increased and the server became too slow. This happened because servers were not able to handle the increased load properly which were procured to handle the initial load only in those times, the barcode reading became too slow and this kind of complaints were usual at that time. This was informed by KELTRON to the Dept and conveyed the need of the hardware up-gradation to handle the load. The up-gradation was delayed until getting the cloud machines from SDC. Till then, the application was running in the old server which was inadequate to do more processing and DB level locking features to provide finer level of atomicity of transactions, a transaction property to find the duplication. It was very difficult during the period to accord prizes due to the slow in checking the barcode and for according prizes. Even Trade Unions and some organisations took to dharna in offices to enhance the capacity of the servers during

this period. This is presumed that while entering the prize details in to the relevant window, the checking of the barcode and secret code by pushing the data in to server and retrieving the same may take time. Meanwhile without waiting for the reply, the user may continue to verify the tickets one by one which may get added in to the facility(Window). But once saved and after writing the pass order, the vouchers are being send to the verifying officer who acknowledge the amount claimed in the voucher and passed what exactly claimed. This multiplicity of payment as reported in the audit by AG is taken out after undertaking the audit of application data during the time.

That is why it has not been notified to the Department . There can be a slight chance of getting duplicate ticket in the same voucher if the checking user reads the same barcode two times in a fraction of a second. this could be more probable in times when the DB level checking becomes slow.

Incidents had occurred when same winning numbers printed in multiple

lottery tickets due to the fault from the side of the printing press. If same winning numbers are found in multiple lottery tickets, the Department is mandated to pay the money towards those winning tickets. Accordingly it was facilitated by creating workflow in the application to accord payment of prize towards multiple tickets of same winning numbers. This was done only as per the concurrence from the Directorate.

The application was done a functional audit on 2010 by STQC for initial requirements, ever since lot of functionalities are changed and patching up happened as part of the changing requirements of lotteries. Till now, the application is running in the old platform which developed in 2008. Revamping/Redesigning by keeping in the existing old platform is difficult and redesigning and revamping to a new secure platform is required for making the application future proof and scalable. Accordingly process of developing a new software after addressing all the bugs in the report is progressing and is around

		completion.
6.3.2.5	<p><u>Disbursement of prizes on tickets collected unauthorized by agents from the prize winners.</u></p> <p>Rule 9 (5) of Kerala Paper Lotteries (Regulation) Amendment Rules, 2008, stipulates that the agents can collect prize tickets up to the amount of Rs.5,000 from the prize winners and can present the same for payment to District Lottery Officers within a period of 60 days from the date of draw. Sub Rule 3(5) of Rule 6 of Kerla Treassury Code provides that the sale proceeds of lottery tickets received by District Lottery Officers may be utilised for meeting the expenditure of prize money up to Rs.5,000/- by direct appropriation of departmental receipts. Audit observed that the District Lottery Officers allowed the claims of Rs.10,000</p>	<p>At the time of framing of Kerala Paper Lotteries (Regulation) Rules 2005, winnings from any lottery in an amount exceeding 5,000/- rupees warranted tax deduction (TDS) at the rate of 30% as per Section 194 B and hence Rule 9 (5) of the said rules permitted collection of prize tickets by the agents upto the amount of Rs.5,000/- from the prize winner. As per Finance Act 2010 the word "Ten thousand rupees" was substituted for "Five thousand rupees" but Rule 9 (5) was not amended accordingly and the department has been taking steps for the same. Since the prizes upto Rs. 10,000/- came out of the ambit of TDS after passing of Finance Act 2010 it is seen that agents had started collecting prizes of Rs.10,000/- in anticipation of the change in the rule and the DLO's started accepting the same. But since the audit pointed out that this practice cannot be accepted until amendment to the rule is made the following corrective steps were immediately taken.</p> <p>1) Circular dated 20-02-2017 was sent</p>

and Rs. One lakh submitted by agents, though the agents were not authorised to collect such tickets.

to all DLOs not to accept 10,000/- prize claims from agents other than from their unsold portion.

2) As per the proceedings of the Director of State Lotteries dated 28-06-2017, the prize structure of all existing lotteries schemes has been revised eliminating 10,000/- rupees (3rd or 4th prizes) except consolation prizes which is limited to only eleven prizes (for twelve series).

*Un authorized collection of Rs.1 Lakh prized tickets.

The majority of the claims of the 1 lakh prizes by agents were on the tickets kept with them as unsold.

Audit observed that out of 2951 prize winning tickets of Rupees one lakh collected in three lottery offices, 937 tickets were presented by 31 agents contrary to the Rules, which constituted 32 percent of total claims.

6.3.2.6

Existence of Fake Lottery Tickets.

Audit observed that 2348 claims of prizes received in 5 District Lottery Offices were pending for payment from March 2014.

By declining payment towards fake tickets, it was able to save Government money. In compliance of the audit observation, a security Lab Facility has been opened at the Directorate of State Lotteries with the technical support of C-

possibility of Lottery Tickets being forged/copied.

3. There have been provisions in the lottery software aided application to capture the distribution of lottery tickets and payment chains towards the prize tickets.

4. Strict directions have been issued towards the disbursal of prizes after securing the ID proof of the prize winner. It has been issued to agents and sellers to register a complaint with police if any one is either duped with or chanced up on a forged prized ticket before approaching Lottery office.

5. As per S R O No. 255/2018/TD dated 28.4.2018, an amendment in Kerala Paper Lottery (Regulation) Rules has been brought in to effect for further regulating and monitoring the lottery conduct within the State of Kerala. This amendment lend the authority vested with the monitoring of Lottery Conduct within the State, enforcement power to take legal action against the perpetrators.

6. All the instances of violation reported in media and the instances come

to the notice of the District Lottery Offices are immediately reported to CBCID Cell constituted for the purpose of monitoring Lottery related offences.

7. Apart from this, District Level and State level Monitoring cell is being updated on the occurrence of Lottery related offences regularly.

6.3.2.7

Short deduction of Income Tax from the agents prize disbursed.

Audit observed that during the period from 2011-12 to 2016-17, three District Lottery Officers had not deducted Income Tax at prescribed rates from the agents prize disbursed in 284 cases out of 779 cases test checked.

According to Section 194 G of Income Tax Act 1961, Income Tax is deducted by the District Lottery Officers at the time of payment of agents prizes. On verification of 779 cases of short deduction of income tax as pointed out by Audit, it is seen that reduced rate of tax was deducted, since agents concerned, mainly differently abled, had produced tax exemption/tax rate reduction from the Income Tax department, as DLOs reported. It is seen from the collected records that a special exemption has been got from the Income Tax Department to reduce the deduction rate.

6.3.2.8

Non-deduction of Income Tax from winning prizes disbursed.

Audit observed that in all the five District Lottery Offices

The department has been deducting TDS at the rate of 30% for all prizes above Rs. 10,000/- and duly paying the same to Income Tax Department. From 2011-12 to

selected for audit, the agents or individuals claimed prizes exceeding Rs.10,000 at a time through more than one prize winning tickets Rs.10,000. As the prize won by a person from a single draw exceeds Rs.10,000, Income Tax should be deducted from the prizes disbursed. A total of 40,216 tickets which won Rs. 10,000 prizes were disbursed during the period from 2011-12 to 2015-16 to agents or individuals who won two or more such prizes in a single draw.

2015-16 the department has deducted 412.74cr. and paid the same to the Income Tax Department. The department has deducted TDS for prizes above 5,000/- till 2010 and for prizes above 10,000/- after passing of the Finance Act 2010. At the time of framing of Kerala Paper Lotteries (Regulation) Rules 2005, winnings from any lottery in an amount exceeding 5,000/- rupees warranted tax deduction (TDS) at the rate of 30% as per Section 194 B and hence Rule 9 (5) of the said rules permitted collection of prize tickets by the agents upto the amount of 5,000/- rupees from the prize winner. As per Finance Act 2010 the word "Ten thousand rupees" was substituted for "Five thousand rupees" and there by mandating TDS deduction for only prizes above 10,000/-. As per Rule 9(6) of Kerala Paper Lotteries (Regulation) Rules, 2005 no ticket shall be eligible for more than one prize in a draw and hence there can't be two or more 10,000 prizes on the same lottery (ticket) warranting TDS deduction. Hence there is no lapse in deduction of income tax from winning prizes and there

6.3.2.9 Irregular collection of Service Tax from agents violating the provisions of Service Tax Act.

The audit observed that during the period from November 2015 to March 2017, the District Lottery Officers collected Service Tax of Rs.153.96 crore from agents and transferred to KSLASWFB, which remitted Rs.131.85 crore to Central Excise Department thereby keeping Rs.22.10 crore violating the provisions of Service Tax Act. It is pointed out that the 1.6 per cent should be collected as service tax and not include administrative expense. The amount collected in the name of service tax was seen appropriated towards payment of service tax in respect of unsold tickets. This is in violation of section 73 A (2)

by the department has fully complied with Section 194 B of Income Tax Act.

The State Lotteries Department has appointed the Kerala State Lottery Agents' and Sellers' Welfare Fund Board as the sole distributor of State Lotteries at the first point of sale. As per G.O (MS) No.168/15/TD dated 11.09.2015, the above mentioned sole distributor is responsible to collect the service tax from the agents and remit the same (by compounding method) to the central Excise Customs and Service Tax Department. In Paragraph 6(5) of G.O. (MS) No.168/15/TD dated 11.09.2015 stated that 'the service tax component in proportion to the sale of the tickets plus administrative expenses shall be deducted from the lottery agents/retailers while selling the tickets to them and the same shall be handled by the Board for remittance to the Central Board of Customs and Excise and adhere to the statutory processing requirements. Government permitted to collect service tax from the agents (@1.6% of the total face value of tickets purchased by them in

of Service Act.

order to remit the service tax for each draw as well as the additional expenses if any. If the whole number of tickets printed were sold in each draw, then a considerable amount will be left in the account even after remitting the service tax.

There is no mechanism in the department to determine the exact number of tickets that could be sold in each draw. Only on the basis of sale progress of the prior lotteries alone is taken into account for the printing of the forthcoming lotteries. Sometimes only on the eleventh hour political parties may declare Harthal/ Bandh. In these circumstances agents abstain from purchasing lottery tickets and large number of tickets remain unsold in different offices. The department has to pay service tax for the entire lottery tickets printed, then the required additional amount of service tax can be met from the amount already collected, which is left in the account.

6.3.2.10 Lack of internal Control State Lottery Department has been taken

Mechanism to ensure strong and efficient steps to ensure the correctness of the Printing /Sale genuineness of lottey tickets. As per the of Lottery Tickets. advice of technical committee appointed Audit observed that the printing by the Government, the department have errors occured in the printing of incorporated seven (7) security features in tickets were the result of lack of the lottery tickets namely Guilloche internal control mechanism to Pattern, Relief Pattern, Opaque Text monitor the printing of tickeets Pattern, Micro Letters Pattern, void and also found that this will Pantograph pattern, Linear barcode, Innet effect the credibility of the Microline Pattern, inorder to avoid fake conduct of lotteries by DSL. tickets and tampered tickets in the market. Besides this, revenue loss Strict instructions have been given to the occurred to Department due to printing presses for avoiding the mistakes the printing errors was also not in printing of lottery tickets to ensure levied against printing presses credibility of the department. Before and as provided in item 13 of the after printing of Lottery tickets, agreement between the printers department thoroughly verifies and and DSL.

ensures that there is no mistakes occurred and only after such a confirmation distribute them to various offices for sale. Directions were given to the agents to verify the tickets before sale and return the same to the offices concerned if they found any defects. This instruction has also printed on the back side of each ticket of book containing 10 or 25 leaf of tickets. More over agents shall be

responsible for sale of defective tickets to public because it will affect the credibility of the lottery tickets and department as well. If any agent returned the duplicate and defective tickets before the draw date department make an adjustment in the accounts, he will be given another ticket. The department will keep the defective/duplicate tickets in safe custody. The defective tickets will be treated as unsold and department will seek report from the printing presses concerned and recover compensation from them on defective and doubling tickets as per the agreement between the press and the department. During the period of 2016-17 State Lottery department has recovered compensation in all reported cases of doubling and defective printing of lottery tickets.

Failure to conduct annual financial audit of various Lottery Scheme The core activities of the Lotteries Department starting from printing of Lottery Tickets to distribution of prizes Audit observed that the are being captured in the Lottery functions regarding the conduct Information Management System of lotteries, except printing, software(LIMS). The software was

were computerised in 2008 audited in terms of Functionality by using the web based software, STQC and it has been in operation since LIMS. Though the software then. One of the most notable features of certification for LIMS by the prevailing application is that no online Standardisation Testing and financial transaction is being conducted Quality Certification was taken through LIMS either by integrating any up in 2010, the accuracy and Banking site or by practising net banking reliability of the software was sort of transaction through LIMS. Hence not tested by a competent with VPN facility recommended by authority and as such the Keltron, the software has been able to Directorate was still using cater to the needs of the Department. But uncertified software. Though when the Department began to this was brought to the notice of experience the difficulties of meeting the the Department vide para rising requirement, it has been decided to 8.1.5.4 of the report of the develop a new software with most Comptroller and Auditor advanced provisions including online General of India (Revenue auditing as per the directions extended by Receipts) for the year ended 31 the team of Accountant General Office.

March 2012, the position remained unchanged.

As for conducting financial audit without fail, the Department had constituted an entire wing under a Joint Director to perform financial audit on the transactions, lottery schemes, resource mobilisation, publicity, printing etc. Accordingly periodic Audit is being performed under the supervision of an audit officer deputed from the Office of


		<p>the Accountant General.</p> <p>As part of implementing modernisation by employing most advanced technical solutions, Government had constituted a technical committee and as per the recommendation of the committee an expert team had visited the printing facility of Lotteries, Kerala Books and Publication Society (K.B.P.S) for auditing the hardware facility in terms of security and awaiting its report. A systems audit of the Department is also in the pipeline and the security standardisation as per ISO is also planning.</p>
6.3.2.11	<p><u>Lottery organized for women welfare.</u></p> <p>Audit observed that though 48 draws of Sthree Sakthi lottery were made upto 31 March 2017, the scheme was not implemented even after a lapse of one and half years after commencement of the lottery. The net sale proceeds from the 48 draws of the lottery comes to about Rs. 169.22 crore and this</p>	<p>The name of Dhanasree Lottery with face value Rs.40, which was drawn on every Tuesday was changed as Sthree Sakthi Lottery with face value Rs.50 as per G.O. (MS) No. 38/2016/TD Dt. 19.02.2016. In the above mentioned G.O., it was stated that 'the net proceeds of the Sthree Sakthi lottery are proposed to be used for the implementation of sthree sakthi scheme and the scheme aims at the overall development/empowerment of women in Kerala. The implementation of those</p>

	fund was place in the Consolidated Fund, just like all other lotteries conducted by DSL, instead of transferring it for the intended purpose for which the lottery was organised.	schemes lies under Government. The net proceeds from the sale of the Lottery tickets goes to the Consolidated Fund of the State and is allocated to various developmental activities of the State through Budget Provision during the correspondent Fianancial Years.
6.3.2.12	<u>Bumber Lottery organized for Jawans.</u> Audit observed that though the net proceeds from the lottery in 2012-13 was Rs.12.97 crore, only two crore was transferred to Sainik Welfare Department and Rs.10.97 crore collected in the name of Jawan was kept in the Consolidated Fund.	On the basis of the decision of Armed Forces Flag Day Fund Committe (9 Novemeber 2011) Government agreed to launch a lottery to give the net proceeds to Sainik Welfare Department for the welfare of the war veterans, war widows and ex-servicemen. The sale proceeds of X'mas-New Year Bumper for Jawan 2012-13 lottery was transfered to the Consolidated Fund and as requested by the Sainik Welfare Department, two crore was sanctioned to that Department. It is to submit that the net sale proceeds from each Lottery scheme is remitted to the Consolidated Fund of the State and is allocated to various developmental activities of the State through Budget Provision.
6.3.3.1	<u>Introduction to Karunya Benevolent Fund</u>	The pending Claims for Rs.20.53 crore to Private Accredited Hospitals as on

	<p>Audit directed to engage more staffs to clear the arrears in respect of the Private Hospitals and for the speedy settlement of the claims.</p>	<p>31.03.2017 has been reduced to 4.85 crore by engaging additional staffs.</p>
6.3.3.2	<p><u>Non Refund of assistance received that was not utilized or partially utilized</u></p> <p>The audit directed to submit utilisation certificates for the amount received.</p>	<p>As per decision 31/12 of 31st State Level Committee of Karunya Benevolent Fund held on 26.09.2017, fund has been disbursed to Government hospitals in lumpsum without considering individual details from KBF. Further amount will be released to those hospitals who submit patient wise Utilization Certificate. Hence parking of huge amount of fund in the account of these Government Hospitals has been avoided.</p>
6.3.3.3	<p><u>Non remittance of interest accrued in the KBF account of hospitals into the Consolidated Fund</u></p> <p>The Audit observed the permission given by KBF to utilise the interest for wages and the non-remittance of receipts on account of interest into Consolidated Fund of the State</p>	<p>Direction have been given to the administrator KBF to direct the Government/Private Hospitals to remit the interest accrued in the KBF account to treasury. In the case of Hospitals, which spend interest amount for the administrative expenses it has been directed to remit back the balance amount remained with them to treasury.</p> <p>The Karunya Benevolent Fund Scheme operated by the Taxes Department is</p>

	and meeting the expenditure from it without legislative approval was irregular.	merged with Karunya Arogya Suraksha Padhathy (KASP) with effect from 01.04.2019 and the scheme because non operational w.e.f 01.09.2020.
6.3.3.4	<p><u>Violation of agreements by the accredited private hospitals .</u></p> <p>Audit observed that out of the 11 accredited hospitals test checked, five private hospitals charges amount in excess of the package rates and claimed the difference amount from the beneficiaries concerned. This was a violation of the agreement and against the intention of KBF scheme to give cashless treatment to small income groups. Audit also observed that in EMS Memorial Co-operative Hospital & Research Centre, Perinthalmanna, most of the patients test checked had given undertakings to the effect that they needed additional facilities such as rooms, better quality</p>	<p>In this connection, Strict directions has been issued to all Private accredited hospitals, that legal action will be taken for not providing cashless treatment as per the approved package. It was also directed that, the financial assistance should not be provided to those patients, capable of bearing the additional expenditure by themselves.</p>

stent, consumables, etc., and they were ready to pay for the same. KBF guidelines did not permit for getting payments for providing additional facilities.


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APPENDIX. III

Appendices from AG's Audit Report.

Audit Report (Revenue Sector) for the year ended 31 March 2017

Appendix XXXVIII

(Reference: Paragraph 6.3.1)

Core functions and responsibilities of organising State, distributors/selling agents and customers in the lottery process and their inter-relationship

Element	Core functions and responsibilities
Director of State Lotteries	Conduct the lottery and sell the tickets either in its own territory or in the territory of any other State(s) or both; shall charge a minimum of ₹ five lakh per draw of bumper draw and ₹ 10,000 for any other draws; publish the results through national newspapers; responsible to ensure that distributors or selling agents act in conformity with the provisions of the Act and Rules; print lottery tickets at a Government Press or any other high security press included in the panel of the RBI or Indian Banks' Association; keep record of tickets printed, sold, that remaining unsold and the prize winning tickets and amount of prizes in respect of each draw; ensure that the sale proceeds received from the distributors/selling agents are deposited into the Public Accounts or the Consolidated Fund of the State; give the prize to winners, following prescribed procedures and ensure deduction of Income Tax, wherever applicable; conduct an annual financial and systems audit of the various lottery schemes organized by it; take suitable steps to effectively supervise the processes and to avoid malpractices; pay to the distributors or selling agents any commission due to them and the prize amounts disbursed by them to the winners, if any.
Distributors/selling agents	Maintain records of the tickets obtained from the DSL, tickets sold and those remaining unsold, details of sub agents appointed, etc.
Customers	Preserve the tickets and in case of winning a prize, produce the same to the distributors/selling agents in case of prize up to ₹ 5,000 and along with required documents to the Department in case of prize above ₹ 5,000 for disbursement of the prize amount.
Karunya Benevolent Fund	The method adopted for transfer of funds from KBF to the treatment in the case of government hospitals was first authorisation letter would be issued to the hospital to which treatment was proposed and after sanction by State Level Committee, a bulk fund proportionate to the amount authorised would be transferred to the designated bank account of the hospitals opened for this purpose. In the case of private accredited hospitals, the pre-agreed amount was reimbursed to them after the completion of the treatment.

Appendix XXXIX

(Reference: Paragraph 6.3.2.1)

Lack of transparency and control in the appointment of selling agents

Sl No.	Number of agents taken registration during the period from 2010-11 to 2016-17									Total number of registered lottery agents in the district as on 31 March 2017
	Name of the DLO	Period								
		2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	Total	
1	Alappuzha	576	294	294	122	233	195	222	1,936	4,913
2	Ernakulam	1,050	349	268	125	275	304	360	2,731	8,564
3	Idukki	298	184	167	73	173	291	130	1,316	4,024
4	Kannur	377	148	174	128	215	226	203	1,471	5,076
5	Kasargod	105	22	53	54	65	87	53	439	1,096
6	Kollam	559	348	652	131	416	478	419	3,003	5,944
7	Kottayam	737	451	417	234	404	405	342	2,990	7,997
8	Kozhikode	458	228	182	90	286	306	240	1,790	5,902
9	Malappuram	339	139	223	70	356	224	165	1,516	3,914
10	Palakkad	604	273	540	195	495	422	229	2,758	5,272
11	Pathanamthitta	264	144	189	98	236	200	145	1,276	2,647
12	Thiruvanantha puram	587	483	679	299	478	436	430	3,392	6,665
13	Thrissur	811	270	358	213	411	489	398	2,950	1,612
14	Wayanadu	254	80	115	53	111	131	144	888	1,453
Total		7,019	3,413	4,311	1,885	4,154	4,194	3,480	28,456	65,079

Appendix XL

(Reference: Paragraph 6.3.2.4)

Multiple payments of prizes for a single ticket

(Amount in ₹)								
Sl. No.	Name of Office	Name of lottery	No. of draws	No. of tickets won the prizes	No. of prizes claimed	Amount won	Amount claimed	Excess claim
1	DLO Ernakulam	Bhagyanidhi	3	4	8	5,600	11,200	5,600
2		Dhanasree	2	2	4	5,100	10,200	5,100
3		Karunya	3	3	6	10,050	20,100	10,050
4		Monsoon Bumper - 2011	1	2	4	200	400	200
5		Pournami	3	4	8	650	1,300	650
6		Pratheeksha	4	7	14	1,600	3,200	1,600
7	DLO Kozhikode	Win-Win	18	30	60	2,230	4,460	2,230
8		Akshaya	3	3	6	600	1,200	600
9		Bhagyanidhi	4	4	8	250	500	250
10		Dhanasree	1	1	2	100	200	100
11		Karunya	2	2	4	550	1,100	550
12		Pournami	2	2	6	550	1,200	650
13		Pratheeksha	1	1	2	100	200	100
14		Vishu Bumper-2011	1	2	4	200	400	200
15		Win-Win	23	82	169	27,030	54,240	27,210
16	DLO Palakkad	Akshaya	1	1	2	50	100	50
17		Bhagyanidhi	1	1	2	50	100	50
18		Dhanasree	2	2	4	200	400	200
19		Karunya	4	4	8	1,600	3,200	1,600
20		Pournami	2	2	4	100	200	100
21		Pratheeksha	3	15	30	1,500	3,000	1,500
22	DLO Thiruvananthapuram	Akshaya	2	2	5	600	1,700	1,100
23		Dhanasree	1	1	2	1,000	2,000	1,000
24		Karunya	2	2	4	550	1,100	550
25		Pournami	1	1	3	50	150	100
26		Pratheeksha	2	2	4	1,000	2,000	1,000
27		Win-Win	17	42	84	2,020	4,040	2,020
28	DLO Thrissur	Akshaya	6	61	122	5,250	10,500	5,250
29		Vishu Bumper	2	2	4	200	400	200
30		Win-Win	30	186	374	30,330	60,780	30,450
31		Akshaya	10	38	76	80,350	1,60,700	80,350
32		Karunya	3	3	7	1,050	2,600	1,550
33		Pournami	4	8	16	25,150	50,300	25,150
34		Pratheeksha	3	3	6	700	1,400	700
35		Thiruvonam Bumper - 2012	1	1	2	2,000	4,000	2,000
36	Total	Win-Win	19	42	85	16,980	33,980	17,000
			187	568	1,149	2,25,540	4,52,550	2,27,010

Appendix XLI

(Reference: Paragraph 6.3.2.5 – bullet 1)

Illustrative cases of ₹ 10,000 prize tickets collected by agents and prize amount appropriated against the cost of tickets

Sl. No.	Name of Office	Name of lottery	Draw number	Year	Agent code	Name of winner (Shri)	Number of tickets claimed	Amount paid (₹)	Vr. No.	Date
1	DLO Thiruvananthapuram	Pournami	RN58	2012-13	T4232	HM Shafi	2	20,000	10686	30.11.2012
2	DLO Thrissur	Win-Win	W320	2015-16	R4457	SS Manian	3	30,000	5420	13.8.2015
3	DLO Thrissur	Win-Win	W320	2015-16	R4457	SS Manian	3	30,000	6072	17.8.2015
4	DLO Thrissur	Win-Win	W320	2015-16	R4457	SS Manian	3	30,000	6070	17.8.2015
5	DLO Thrissur	Bhaghyaniidhi	BN200	2015-16	R4119	K.Arumugham	3	30,000	8542	22.8.2015
6	DLO Thrissur	Bhaghyaniidhi	BN200	2015-16	R4119	K.Arumugham	3	30,000	4842	12.8.2015
7	DLO Thrissur	Bhaghyaniidhi	BN200	2015-16	R4119	K.Arumugham	3	30,000	6166	17.8.2015
8	DLO Thrissur	Win-Win	W290	2014-15	R5949	TB Dayanandan	7	70,000	3326	8.1.2015
9	DLO Thrissur	Bhaghyaniidhi	BN200	2015-16	R4119	K.Arumugham	3	30,000	7683	20.8.2015
10	DLO Thrissur	Karunya	KR203	2015-16	R4119	K.Arumugham	3	30,000	10636	31.8.2015

Appendix - XLII

(Reference: Paragraph 6.3.2.5 – bullet 2)

Disbursement of ₹ one lakh prizes on tickets unauthorisedly collected by agents from the prize winners

Sl. No.	Name of Office	Name of the winner Shri/Smt	Agent code	Number of prizes won	(₹ in crore)
					Amount
1	DLO Ernakulam	Rajagopal V	E5390	40	0.40
2	DLO Ernakulam	Rajesh Babu.S.R	E4583	27	0.27
3	DLO Ernakulam	Brushnev T.B	E4612	24	0.24
4	DLO Ernakulam	M.K. Ajith Kumar	E1177	21	0.21
5	DLO Ernakulam	Ajesh Kumar.N	E5529	13	0.13
6	DLO Ernakulam	Krishnakumar.K.	E5779	10	0.10
7	DLO Palakkad	P.A.Rajeshmani	P2844	87	0.87
8	DLO Palakkad	P G Bhakthavalsalan	P2988	65	0.65
9	DLO Palakkad	Vaiyapuri K S	P2870	57	0.57
10	DLO Palakkad	A Kajahussain	P1844	54	0.54
11	DLO Palakkad	Shajahan	P3030	49	0.49
12	DLO Palakkad	P Haridas	P300	36	0.36
13	DLO Palakkad	R. Krishnadas	P1859	27	0.27
14	DLO Palakkad	Jaison P F	P1857	23	0.23
15	DLO Palakkad	M Shanmugasundaram	P2204	22	0.22
16	DLO Palakkad	P.Rakesh	P3614	21	0.21
17	DLO Palakkad	K.Asokan	P3337	18	0.18
18	DLO Palakkad	Saravanan.V	P2880	15	0.15
19	DLO Palakkad	Senthil Kumar.M	P2929	15	0.15
20	DLO Palakkad	R. Kannan	P1938	13	0.13
21	DLO Palakkad	S Babitha	P2180	12	0.12
22	DLO Palakkad	Jameesha.M	P2784	11	0.11
23	DLO Palakkad	P.Mohanan	P321	10	0.10
24	DLO Palakkad	Satheesh.V	P3267	10	0.10
25	DLO Palakkad	P. Haridasan	P2058	10	0.10
26	DLO Thiruvananthapuram	S. Mohamed Yazeen	T2441	155	1.55
27	DLO Thiruvananthapuram	K Narayanan	T3502	29	0.29
28	DLO Thiruvananthapuram	P Thankarajan	T2356	23	0.23
29	DLO Thiruvananthapuram	C N Mithran	T3796	16	0.16
30	DLO Thiruvananthapuram	G Manicka Selvam	T3856	12	0.12
31	DLO Thiruvananthapuram	P.Ummer Khan	T3957	12	0.12
Total				937	9.37

Appendix XLIII

(Reference: Paragraph 6.3.2.6)

Illustrative case of existence of fake tickets

Sl. No.	Name of Office where payment effected	Name of lottery	Lottery series	Ticket series	Ticket digit	Name of the person whose claim admitted Shri/Smt	Prize amount (₹)	Name of the Office where ticket of the same number presented	Name of the person who was denied payment Shri/Smt
1.	DLO Ernakulam	Akshaya	AK213	AU	924176	Jiji Mon.K.T.	1,000	DLO Alappuzha	V.G.Vijayan Nair
2.	DLO Ernakulam	Akshaya	AK51	AM	407676	Kademytheen	1,00,000	DLO Idukki	T M Kader
3.	DLO Ernakulam	Pratheeksha	PR39	PS	392172	Shaji P.S	10,000	DLO Kottayam	Shaji P.S
4.	DLO Ernakulam	Karunya	KR46	KL	204526	Brushnev T.B	5,000	DLO Ernakulam	Mukundan.K.
5.	DLO Ernakulam	Pratheeksha	PR100	PW	373127	Sinkaram Lottery	5,000	DLO Ernakulam	Seena Lenin
6.	DLO Ernakulam	Karunya	KR127	KT	190617	Kannan Pillai	5,000	DLO Ernakulam	Vargheese K.G
7.	DLO Ernakulam	Win-Win	W305	WU	472038	M K Ajithkumar.	5,000	DLO Ernakulam	Cyril Chacko
8.	DLO Idukki	Win-Win	W178	WH	304175	Sumeesh KM	2,000	DLO Idukki	Mathew K.J
9.	DLO Idukki	Bhagyanidhi	BN86	BL	123451	Sunny John	5,000	DLO Idukki	Raveendran M.R
10.	DLO Idukki	Akshaya	AK202	AE	126183	C.K.Divakaran	1,000	DLO Idukki	T.N Kasi
11.	DLO Idukki	Pournami	RN243	RG	363442	M Parvathy Muthu	5,000	DLO Ernakulam	Sinkaram
12.	DLO Kannur	Bhagyanidhi	BN155	BL	321034	P Prakashan	1,000	DLO Kozhikkode	K. Viswanathan
13.	DLO Kasaragod	Akshaya	AK182	AR	625568	Remya.G	5,000	DLO Kasaragod	N T Prakashan
14.	DLO Kasaragod	Vishu Bumper - 2015	BR43	VB	247046	Preetha Jayachandran	10,000	DLO Kasaragod	S. Madhusoodhanan
15.	DLO Kollam	Karunya	KR83	KM	487857	Meenakshy Lotteries	1,000	DLO Palakkad	Syedibrahim
16.	DLO Kollam	Karunya	KR164	KY	388764	Rasheed J	1,000	DLO Kollam	Lathika.S
17.	DLO Kollam	Win-Win	W282	WB	589640	Shengottaisingam,T	5,000	DLO Kollam	J.K.Enterprises
18.	DLO Kollam	Pournami	RN273	RJ	510373	Remain unsold	2,000	DLO Thiruvananthapuram	Muhammed Yassin
19.	DLO Kollam	WinWin	W395	WZ	652202	Mukesh Thevar	5,000	DLO Ernakulam	Sasi Balan
20.	DLO Kottayam	Dhanasree	DS10	DL	279958	Biji Suresh	10,000	DLO Kottayam	Meenakshy Lotteries
21.	DLO Kottayam	Pournami	RN11	RR	140903	Meenakshy Lotteries	10,000	DLO Kottayam	T.K.Madhu
22.	DLO Kottayam	Pournami	RN209	RU	430942	V.G. Prasannan	5,000	DLO Kottayam	Biji Suresh
23.	DLO Kottayam	Karunya Plus	KN130	PL	624811	Manikandan	1,000	DLO Thrissur	Pradeep
24.	DLO Kozhikode	Win-Win	W241	WD	913256	K. Viswanathan	2,000	DLO, Kozhikkode	P.Mohanan
25.	DLO Kozhikode	Pournami	RN241	RK	141212	P.A.Ganesh	5,000	DLO, Kozhikkode	K.V.Rajeesh
26.	DLO Kozhikode	Vishu Bumper - 2014	BR37	UB	274374	K.V.Rajeesh	5,000	DLO Thrissur	Geever M.J

Appendix XLIII - Concl'd.

(Reference: Paragraph 6.3.2.6)

Illustrative case of existence of fake tickets

Sl. No.	Name of Office where payment effected	Name of lottery	Lottery series	Ticket series	Ticket digit	Name of the person whose claim admitted Shri/Smt	Prize amount (₹)	Name of the Office where ticket of the same number presented	Name of the person who was denied payment Shri/Smt
27.	DLO Malappuram	Bhagyanidhi	BN40	BY	692447	Maresh	1,000	DLO Malappuram	M.Prabhakaran
28.	DLO Malappuram	Akshaya	AK90	AL	324331	K.Unnikrishnan	5,000	DLO Malappuram	Abdul Khadar
29.	DLO Malappuram	Pratheeksha	PR128	PW	216600	Vipin Chas M.P	5,000	DLO Malappuram	Balan. K
30.	DLO Malappuram	Win Win	W383	WW	453739	K Sajesh	5,000	DLO Malappuram	KP Unnikrishnan
31.	DLO Palakkad	Akshaya	AK145	AB	726670	Abdul Rehman.K.M	5,000	DLO Palakkad	N.Subramanian
32.	DLO Palakkad	Pournami	RN186	RC	677001	K.Vijayakumar	1,00,000	DLO Palakkad	Abdul Rehman.K.M
33.	DLO Thiruvananthapuram	Akshaya	AK240	AT	842114	P.Ummer Khan	5,000	DLO Thrissur	Anoob Kumar
34.	DLO Thiruvananthapuram	Dhanasree	DS35	DR	300139	M.S. Hameed	5,000	DLO Thiruvananthapuram	S. Sivakumar
35.	DLO Thiruvananthapuram	Bhagyanidhi	BN115	BT	744828	Shereef	2,000	DLO Thiruvananthapuram	Prem Nazer. M
36.	DLO Thiruvananthapuram	Akshaya	AK211	AH	102995	S. Suran	5,000	DLO Thiruvananthapuram	Sheeju K
37.	DLO Thrissur	Summer Bumper - 2013	BR30	SB	336222	Vijoy K	10,000	DLO Pathanamthitta	Meenakshy Lotteries
38.	DLO Thrissur	Karunya	KR28	KW	138783	Sivadas.R	500	DLO, Ernakulam	Krishnakumar.K.
39.	DLO Thrissur	Win-Win	W88	WH	481812	S.S.Manian	500	DLO, Kozhikkode	P.A.Ganesh
40.	DLO Thrissur	Karunya	KR29	KB	238478	Sivadas.R	5,000	DLO Thrissur	Rakeshkumar.M
41.	DLO Thrissur	Pournami	RN55	RS	394902	Udayakumar P.K	5,000	DLO Thrissur	Rajan P.K.
42.	DLO Thrissur	Akshaya	AK110	AL	987534	Anirudhan P.P	5,000	DLO Thrissur	P V Bhaskaran
43.	DLO Thrissur	Akshaya	AK278	AY	767607	K Vijoy	5,000	DLO Malappuram	KV Govindan
44.	DLO Thrissur	Pournami	RN249	RH	734537	TP Lohidasan	2,000	DLO Thrissur	SS Maniyan
45.	DLO Thrissur	Pournami	RN274	RY	603991	PV Pradeep	1,000	DLO Ernakulam	Rajesh babu
46.	DLO Thrissur	Karunya	KR229	KA	778381	PT Seythlavi	2,000	DLO Malappuram	KP Somasundaram
47.	DLO Wayanadu	Dhanasree	DS51	DT	287098	P.V.Valsala Kumari	5,000	DLO Wayanadu	Kannan V
48.	DLO Wayanadu	Bhagyanidhi	BN164	BL	307063	Noushad M.K.	5,000	DLO Wayanadu	Gopi.T.G
49.	Judicial 1 st Class Magistrate	Karunya	KR 103			Confiscated			
50.	Judicial 1 st Class Magistrate	Karunya	KR 103			Confiscated			
51.	Judicial 1 st Class Magistrate	Karunya	KR 103			Confiscated			

Appendix XLIV

(Reference: Paragraph 6.3.2.7)

Illustrative cases of non/short deduction of Income Tax from the agents prize disbursed

Sl. No.	Name of Office	Year	Name of agent Shri/Smt	Agent code	Total agent prize disbursed	Exemption granted	% of tax to be collected for exempted amount	Agent prize taxable after exemption	Tax for exempted amount	Tax due	Total tax due	Income Tax collected	Short collection
					F	G	H	I	J	K	L	M	N-(L-M)
A	B	C	D	E									
1	DLO Palakkad	2014-15	P Chidambaram	P439	1,82,655	1,00,000	1	82,655	1000	8,266	9,266	7,172	2,094
2	DLO Palakkad	2015-16	P Chidambaram	P439	1,63,190	1,00,000	0	63,190	0	6,319	6,319	2,860	3,459
3	DLO Palakkad	2014-15	E K Mohammed	P548	18,265	1,00,000	1	0	1000	0	1,000	772	228
4	DLO Palakkad	2014-15	K B Kunjappa	P797	70,040			70,040	0	7,004	7,004	2,877	4,127
5	DLO Palakkad	2011-12	L. Kailasam	P1395	18,150	2,00,000	1	0	2000	0	2,000	599	1,401
6	DLO, Ernakulam	2015-16	B.S Ramachandran	E1389	40,110	33,365	0	6,745	0	675	675	219	456
7	DLO, Ernakulam	2012-13	M V Chakko	E1942	18,905		0	18,905	0	1,891	1,891	0	1,891
8	DLO, Ernakulam	2012-13	T.B Chandran	E2745	17,175			17,175	0	1,718	1,718	666	1,052
9	DLO Thiruvananthapuram	2011-12	A. Shajahan	T530	54,805	50,000	0	4,805	0	481	481	189	292
10	DLO Thiruvananthapuram	2012-13	A. Shajahan	T530	2,57,830	2,00,000	0	57,830	0	5,783	5,783	0	5,783
11	DLO Thiruvananthapuram	2011-12	S. Syed Ibrahim	T807	20,660			20,660	0	2,066	2,066	0	2,066
12	DLO Thiruvananthapuram	2012-13	S. Syed Ibrahim	T807	49,495			49,495	0	4,950	4,950	2	4,948
13	DLO Thiruvananthapuram	2011-12	C.Joseph Fernandez	T945	19,710			19,710	0	1,971	1,971	123	1,848

Appendix XLV

(Reference: Paragraph 6.3.2.8)

Illustrative cases of non-deduction of Income Tax

Sl. No.	Name of Office	Name of lottery	Lottery draw number	Name of winner Shri/Smt	Voucher No./date	Number of tickets claimed	Amount paid (₹)
1	DLO Thiruvananthapuram	Karunya Plus	KN 71	N.Arun, T 3793	10201/31.8.15	4	40,000
2	DLO Thiruvananthapuram	Karunya	KR 202	N.Arun, T 3793	7900/22.8.15	4	40,000
3	DLO Thiruvananthapuram	Karunya Plus	KN 69	S Mohammed Yazeen, T 2441	9117/25.8.15	5	50,000
4	DLO Thiruvananthapuram	Win Win	W 320	HM Rafi, T 2062	4249/12.8.15	7	70,000
5	DLO Thiruvananthapuram	Win Win	W 319	N.Arun, T 3793	1768/05.8.15	7	70,000
6	DLO Thiruvananthapuram	Win Win	W 318	P.Thankarajan, T 2356	418/1.8.15	2	20,000
7	DLO Thiruvananthapuram	Win Win	W 318	P.Thankarajan, T 2356	7626/21.8.15	2	20,000
8	DLO Thiruvananthapuram	Karunya	KR 202	HM Rafi, T 2062	3844/11.8.15	3	30,000
9	DLO Kozhikode	Akshaya	AK 193	Sahadevan PK, D 3967	4869/11.6.2015	5	50,000
10	DLO Kozhikode	Bumper	BR 43	Kunhan.K, D 3612	4490/16.6.2015	5	50,000
11	DLO Kozhikode	Win Win	W 304	MK Babu, D 4962	5079/12.5.2015	4	40,000
12	DLO Kozhikode	Karunya	KR 187	KV Rajeesh, D 4565	1779/4.5.2015	3	30,000
13	DLO Kozhikode	Akshaya	AK 190	Gireesh, D 5363	10199/26.5.2015	7	70,000

Appendix XLVI

(Reference: Paragraph 6.3.2.9)

Details of Service Tax collected and remitted

(Amount in ₹)

Month	Year	Service Tax collected	Service Tax including cess remitted	Balance
November	2015	4,80,85,916	3,42,29,943	1,38,55,973
December	2015	7,55,47,793	7,52,99,840	2,47,953
January	2016	7,95,26,143	8,00,97,645	-5,71,502
February	2016	8,14,75,787	7,16,43,430	98,32,357
March	2016	9,31,38,863	8,67,42,859	63,96,004
April	2016	9,69,10,404	8,72,91,439	96,18,965
May	2016	9,11,61,011	9,87,42,869	-75,81,858
June	2016	8,87,43,831	9,21,49,718	-34,05,887
July	2016	10,31,91,225	9,65,07,425	66,83,800
August	2016	11,76,99,339	9,59,40,573	2,17,58,766
September	2016	11,71,24,119	11,35,91,086	35,33,033
October	2016	11,76,53,081	10,47,48,110	1,29,04,971
November	2016	5,96,32,608	2,91,43,542	3,04,89,066
December	2016	8,34,33,407	0	8,34,33,407
January	2017	9,03,57,963	8,06,00,000	97,57,963
February	2017	9,10,29,779	7,82,26,290	1,28,03,489
March	2017	10,48,55,374	9,35,81,028	1,12,74,346
Total		1,53,95,66,643	1,31,85,35,797	22,10,30,846

Appendix XLVII

(Reference: Paragraph 6.3.3.3)

Non-remittance of interest accrued in the KBF

(Amount in ₹)

Sl. No.	Name of the hospital	Consolidated deposit and interest credited by Banks (₹)										Total interest
		2012-13		2013-14		2014-15		2015-16		2016-17		
		Deposit	Interest	Deposit	Interest	Deposit	Interest	Deposit	Interest	Deposit	Interest	
1	District Hospital, Palakkad	1,20,000	4,677	116,350	15,977	19,65,598	38,147	1,67,49,583	1,17,246	12,41,78,143	5,91,708	7,67,755
2	Generat Hospital, Emakulam	1,79,77,166	62,974	3,75,64,975	9,09,430	4,49,95,534	18,81,626	4,25,68,340	28,78,363	13,15,83,130	20,87,947	78,20,340
3	KBF Account, Pattom Office	44,47,37,212	1,35,965	78,43,31,758	24,19,448	10,07,25,223	43,08,858	1,36,24,21,215	58,71,968	6,74,70,018	28,88,725	1,56,24,964
4	Medical College Chest Hospital, Thrissur	84,34,843	52,059	2,56,27,941	4,33,581	9,54,06,000	14,83,110	3,11,02,500	33,71,781	15,59,13,155	14,67,325	68,07,856
5	Medical College Hospital, Thiruvananthapuram	811,41,952	10,00,000	15,80,09,327	24,81,263	22,02,18,889	36,43,921	15,53,81,956	28,46,794	34,79,67,458	3,32,039	1,03,04,017
6	Medical College Hospital, Kozhikode	10,73,37,314	5,18,588	22,91,93,500	48,79,030	33,74,52,590	97,34,894	13,26,08,292	1,22,89,536	41,93,45,986	86,31,199	3,60,53,247
7	Regional Cancer Centre, Thiruvananthapuram	12,36,40,925	72,329	32,12,19,434	47,04,195	53,62,90,044	1,15,32,452	22,03,73,252	1,70,51,813	81,27,21,118	3,27,30,033	6,60,90,822
	Total		18,46,592		1,58,42,924		3,26,23,008		4,44,27,501		4,87,28,976	14,34,69,001

Appendix XLVIII
(Reference: Paragraph 6.3.3.4)

Illustrative cases of violation of agreements by accredited hospitals

(Amount in ₹)

Sl. No.	Name of hospital	Name of the patient Shri/Smt	Reference No.	Amount sanctioned	Bill amount	Amount paid by the beneficiaries
1.	Amala Cancer Hospital and Research Centre, Thrissur	Sobhana T.P	135977	75,000	1,27,847	52,847
2.	Amala Cancer Hospital and Research Centre, Thrissur	Bhaskaran M D	110384	65,000	1,17,090	52,090
3.	Amala Cancer Hospital and Research Centre, Thrissur	Rajan VN	131804	88,000	1,71,940	83,940
4.	Baby Memorial Hospital, Kozhikode	Ummerul Farooq	92011	2,00,000	3,15,252	1,15,252
5.	Baby Memorial Hospital, Kozhikode	Kanaran	112355	50,000	2,23,196	1,73,196
6.	Baby Memorial Hospital, Kozhikode	Safeer MP	78882	2,00,000	3,57,228	1,57,228
7.	Baby Memorial Hospital, Kozhikode	Unnikrishnan P	66049	88,000	2,53,420	1,65,420
8.	Baby Memorial Hospital, Kozhikode	Naseera	57466	2,00,000	3,47,709	1,47,709
9.	Baby Memorial Hospital, Kozhikode	Sumesh	98451	2,00,000	3,58,650	1,58,650
10.	Baby Memorial Hospital, Kozhikode	Sreejith	107396	2,00,000	3,40,391	1,40,391
11.	Baby Memorial Hospital, Kozhikode	Raneesh	87363	2,00,000	3,00,000	1,00,000
12.	Baby Memorial Hospital, Kozhikode	Rameez	93742	2,00,000	3,28,482	1,28,482
13.	Baby Memorial Hospital, Kozhikode	Girivasan	93396	2,00,000	3,16,884	1,16,884
14.	Baby Memorial Hospital, Kozhikode	Saranya	90257	2,00,000	3,00,000	1,00,000
15.	Baby Memorial Hospital, Kozhikode	Bijin	65682	2,00,000	3,75,000	1,75,000
16.	Baby Memorial Hospital, Kozhikode	Dheeraj	60015	2,00,000	3,25,000	1,25,000
17.	Caritas Hospital, Kottayam	Varghese T Lawrence		77,000	1,98,230	1,21,230
18.	EMS Co-operative Hospital & Research Centre, Perinthalmanna	Abdul Khader	77533	65,000	1,30,449	65,449
19.	EMS Co-operative Hospital & Research Centre, Perinthalmanna	Hamza	79291	60,000	1,21,529	61,529
20.	EMS Co-operative Hospital & Research Centre, Perinthalmanna	Chandrasekharan	74381	60,000	1,44,769	84,769
21.	EMS Co-operative Hospital & Research Centre, Perinthalmanna	Krishnan	71160	65,000	1,29,429	64,429
22.	EMS Co-operative Hospital & Research Centre, Perinthalmanna	Kandu	77490	65,000	1,34,233	69,233

Appendix XLVIII - Concl'd.
(Reference: Paragraph 6.3.3.4)

Illustrative cases of violation of agreements by accredited hospitals

(Amount in ₹)

Sl. No.	Name of hospital	Name of the patient Shri/Smt	Reference No.	Amount sanctioned	Bill amount	Amount paid by the beneficiaries
23.	EMS Co-operative Hospital & Research Centre, Perinthalmanna	Rasiya	79085	90,000	1,52,756	62,756
24.	EMS Co-operative Hospital & Research Centre, Perinthalmanna	Vasanthakumari	178507	65,000	1,45,010	80,010
25.	EMS Co-operative Hospital & Research Centre, Perinthalmanna	Ummer	177728	65,000	1,63,132	98,132
26.	EMS Co-operative Hospital & Research Centre, Perinthalmanna	Ali N P	175689	65,000	1,37,500	72,500
27.	EMS Co-operative Hospital & Research Centre, Perinthalmanna	Ibrahim	181236	60,000	1,43,320	83,320
28.	EMS Co-operative Hospital & Research Centre, Perinthalmanna	Rasheed	180035	60,000	1,26,211	66,211
29.	EMS Co-operative Hospital & Research Centre, Perinthalmanna	Kadeeja	175510	1,90,000	6,07,945	4,17,945
30.	EMS Co-operative Hospital & Research Centre, Perinthalmanna	Mohanan	181288	60,000	1,25,492	65,492
31.	EMS Co-operative Hospital & Research Centre, Perinthalmanna	Latheef	184963	60,000	1,58,091	98,091
32.	EMS Co-operative Hospital & Research Centre, Perinthalmanna	Parikutty	184809	60,000	1,37,870	77,870
33.	EMS Co-operative Hospital & Research Centre, Perinthalmanna	Madhavan	182168	60,000	1,33,882	73,882
34.	EMS Co-operative Hospital & Research Centre, Perinthalmanna	Pareekutty	181325	60,000	1,59,140	99,140
35.	Lisie Hospital, Ernakulam	Rajesh M R	IP 002649	2,00,000	2,28,080	28,080
36.	Lisie Hospital, Ernakulam	Manzoor C P	IP 002545	2,00,000	2,69,990	69,990
37.	Lisie Hospital, Ernakulam	Nishad P H	IP 003019	2,00,000	2,89,920	89,920