പതിനാറാം കേരള നിയമസഭ

ഒന്നാം സമ്മേളനം

നക്ഷത്രചിഹ്നമിടാത്ത ചോദ്യം നമ്പർ: 70 **22-06-2026-ൽ മറുപടിയ്ക്ക്**

കിഫ്ബി മൂലമുണ്ടായ സാമ്പത്തിക ബാധ്യത

ചോദ്യം ഉന്നയിച്ച അംഗങ്ങൾ

ശ്രീ. അൻവർ സാദത്ത്

ശ്രീ. നീലകണ്ഠൻ

ശ്രീ. സന്ദീപ് വാര്യർ

ശ്രീ. ടി .ഒ. മോഹനൻ

മറുപടി നൽകിയ മന്ത്രി

ശ്രീ. വി. ഡി. സതീശൻ
(മുഖ്യമന്ത്രി)

(എ) മുൻ സർക്കാരിന്റെ കാലയളവിൽ കിഫ്ബിക്ക് നല്കിയ ആകെ തുകയെത്രയെന്ന് വ്യക്തമാക്കാമോ; കിഫ്ബിക്ക് വകയിരുത്തിയ ബജറ്റ് വിഹിതം, കിഫ്ബിക്കു വേണ്ടി എടുത്ത കടം എന്നിവയുടെ വിശദാംശങ്ങൾ നല്കാമോ;

മറുപടി: കഴിഞ്ഞ സർക്കാരിന്റെ സാമ്പത്തിക വർഷം 2021-22 മുതൽ 2025-26 വരെയുള്ള കാലയളവിൽ കിഫ് ആക്ട് പ്രകാരം കിഫ്ബിയ്ക്ക് ആകെ 15,713.37 കോടി രൂപ സർക്കാർ നൽകിയിട്ടുണ്ട്. ഈ കാലയളവിൽ 36,346.73 കോടി രൂപ കിഫ്ബി വായ്പയായി സമാഹരിച്ചിട്ടുണ്ട്

(ബി) കിഫ്ബി സി.എ.ജി. യുടെ ഓഡിറ്റിന് വിധേയമായിട്ടുണ്ടോ; ഉണ്ടെങ്കിൽ ഓഡിറ്റിലെ നിരീക്ഷണങ്ങൾ വിശദമാക്കാമോ;

മറുപടി:

01/01/2016 മുതൽ 31/03/2020 വരെയും 01/04/2020 മുതൽ 31/03/2024 വരെയുമുള്ള കാലയളവിലെ സി & എ.ജി.യുടെ ഓഡിറ്റ് കിഫ്ബിയിൽ നടന്നിട്ടുണ്ട്. ആദ്യ ഓഡിറ്റിന്റെ ഭാഗമായുള്ള പ്രാഥമിക നിരീക്ഷണങ്ങൾക്ക് വിശദീകരണങ്ങൾ കിഫ്ബി നൽകിയിട്ടുണ്ട്. നിരീക്ഷണങ്ങൾ സംബന്ധിച്ച മറുപടികളിൽ വ്യക്തത ലഭിക്കുന്ന മുറക്ക് അവ ഒഴിവാക്കപ്പെടുകയാണ് രീതി. ഇപ്രകാരം ആദ്യ ഓഡിറ്റിന്റെ ഭാഗമായി 9 ഓളം നിരീക്ഷണങ്ങൾ ഇതിനോടകം തീർപ്പാക്കി കഴിഞ്ഞു. ശേഷിക്കുന്നവയ്ക്ക് തുടർ വിശദീകരണങ്ങൾ നൽകുകയും ആവശ്യമായ രേഖകൾ സമർപ്പിക്കുകയും ചെയ്തിട്ടുണ്ട്. ആയതിന്മേൽ സി & എ.ജി.യുടെ മറുപടി പ്രതീക്ഷിക്കുന്നു. തീർപ്പാക്കാൻ ബാക്കിയുള്ള ഓഡിറ്റ് നിരീക്ഷണങ്ങൾ അനുബന്ധം-1 ആയി നൽകുന്നു. രണ്ടാമത്തെ ഓഡിറ്റിന്റെ ഭാഗമായുള്ള പ്രാഥമിക നിരീക്ഷണങ്ങൾക്കും കിഫ്ബി വിശദീകരണങ്ങൾ നൽകിയിട്ടുണ്ട്. തുടർന്ന് ചില നിരീക്ഷണങ്ങളിൽ കൂടുതൽ വിവരങ്ങൾ ആവശ്യപ്പെടുകയും ആയത്

കിഫ്ബി നൽകുകയും ചെയ്തിട്ടുണ്ട്. ഇതിന്മേൽ സി & എ.ജി.യുടെ മറുപടി പ്രതീക്ഷിക്കുന്നു. പ്രസ്തുത റിപ്പോർട്ടിന്റെ പകർപ്പ് അനുബന്ധം -2 ആയി നൽകുന്നു.

(സി) കിഫ്ബി വഴി സർക്കാരിനുണ്ടായ ബാധ്യതകൾ പരിഹരിക്കാനും കിഫ്ബി പദ്ധതി തുടരാനും ഉദ്ദേശിക്കുന്നുണ്ടോ; ഉണ്ടെങ്കിൽ അതിനുള്ള മാർഗ്ഗങ്ങളും സ്വീകരിക്കാനുദ്ദേശിക്കുന്ന നടപടികളും വ്യക്തമാക്കാമോ?

<u>മറുപടി:</u> കിഫ്ബിയുടെ പ്രവർത്തനവുമായി ബന്ധപ്പെട്ട വിഷയങ്ങൾ പരിശോധിക്കുന്നത് സർക്കാരിന്റെ പരിഗണനയിലാണ്

സെക്ഷൻ ഓഫീസർ

प्रधान महालेखाकार (लेखापरीक्षा -II) का कार्यालय, केरला, तिरुवनंतपुरम
OFFICE OF THE PRINCIPAL ACCOUNTANT GENERAL (AUDIT-II) KERALA,
THIRUVANANTHAPURAM-695 001

सत्यमेव जयते

'लोकहितार्थ सत्यनिष्ठा
"Dedicated to Truth in Public Interest"

No. AMGI /(HQ) IV/KFIIB/ 01/2021-22/ 96
Dated: 16.04.2021

To

The Chief Executive Officer,
Kerala Infrastructure Investment Fund Board,
2nd Floor, Felicity Square, Statue,
M.G. Road, Thiruvananthapuram -695 001

Sir,

Sub: Local Audit Report of KIIFB– forwarding of –

I am to forward herewith the Local Audit Report on the Inspection of accounts of receipts and refunds and expenditure of office of the **Chief Executive Officer, Kerala Infrastructure Investment Fund Board (KIIFB), Thiruvananthapuram,** for the period **01.01.2016 to 31.03.2020** and to request you to furnish the replies through **The Adl. Chief Secretary, Finance Department, Government of Kerala** so as to reach this office not less than 4 weeks from the date of receipt of this letter. In this connection, I invite your attention to Article 63(c) of the Kerala Financial Code Vol. I impressing upon the essential need for furnishing complete replies to the objections expeditiously.

Receipt of this documents may please be acknowledged.

Yours faithfully,

Sr. Audit Officer

Copy to,

The Adl. Chief Secretary,
Finance Department,
Government of Kerala
Thiruvananthapuram.

Sr. Audit Officer

दूरभाष / Telephone : 0471-2330899 ई-मेल / e-mail : agaukerala2@cag.gov.in फैक्स / Fax : (0471) 2330699, 2332022

INSPECTION REPORT ON THE AUDIT OF ACCOUNTS AND RECORDS OF KERALA INFRASTRUCTURE INVESTMENT FUND BOARD (KIIFB) FOR THE PERIOD 1.1.2016 TO 31.03.2020

PART I

A. Introductory

Government of Kerala notified (May 2000) 'The Kerala Infrastructure Investment Fund Act, 1999 to provide for the constitution of a fund for investments in the infrastructure projects in the State and for matters connected therewith or incidental thereto. For the administration of the fund and to supervise or carry out the activities financed from the fund, a Board called the 'Kerala Infrastructure Investment Fund Board' (KIIFB) was formedas a 'body corporate' on 11.11.1999. Over a course of time, the rules and limits for borrowings set by regulators like RBI and SEBI changed a lot.As the Government felt that the Kerala Infrastructure Investment Fund Act, 1999 was insufficient to cater to the changes made by RBI and SEBI regarding borrowing and in order to meet the proposed new strategy & structure, a comprehensive Act was found necessary. Accordingly, the Kerala Infrastructure Investment Fund Act, 1999 was amended and a new amended act viz., 'The Kerala Infrastructure Investment Fund (Amendment) Act, 2016' (Act) was notified by the Government. The KIIFB, as per the amended Act was chaired by the Chief Minister. Minister of Finance was the vice chairperson. Members of the Board included Vice chairman, State Planning Board, Chief Secretary, Secretary (Law), Secretary (Finance), Secretary (Finance-Resources) and seven independent members who were experts in areas of Finance, Banking and Economics. The Chief Executive Officer (CEO) who is also the Fund Manager of the Board was to be the member secretary of the Board. There are eight members in the Executive committee besides the Finance Minister who is the chairperson of the committee. Chief Executive Officer was appointed on contract for a period of three years. He was also appointed as the ex-officio Secretary, Finance (Infrastructure) department.

The office of KIIFB is headed by the CEO with three independent divisions under his control, viz., Finance and Administration division, Project Appraisal division and Inspection Authority. The Finance and Administration division,

headed by the Joint Fund Manager[1], looks after the administrative and financial matters of KIIFB. The Project Appraisal division is headed by two General Managers. Inspection Authority has two wings, viz., Administrative Inspection Wing headed by an Additional Secretary and Technical Inspection Wing headed by Chief Project Examiner.

Finance (Infrastructure) Department under the Finance Department, Government of Kerala is the Government Administrative Department of KIIFB. Finance (Infrastructure) Department is directly under the control of Ex-officio Secretary to the Government with an Additional Secretary, a Joint Secretary and a full-fledged section. The Administrative department functions along with the KIIFB. The Additional Secretary and Joint Secretary also function as the Joint Fund Manager and Deputy Fund Manager of KIIFB respectively.

The fund comprises of budgetary allocation[2] by Government of Kerala, amount raised through loans from various financial institutions like banks & non-financial institutions like KSFE & NORKA, amount raised through market borrowings and interest income. The fund may be utilized to finance or leverage in infrastructure projects in the State and/or to provide financial assistance in public sector undertakings and other undertakings for their investments in infrastructure projects[3] etc. The Government shall guarantee the payment of principal and interest of any fund proposed to be raised by the Board under Section 8 of the Act.

(ii) Period of audit

This is the first audit of KIIFB under Section 14 of the Comptroller and Auditor General of India's (Duties, Powers and Conditions of Service Act. 1971) was conducted for the period from 1 January 2016 to 31 March 2020. The party comprising of Sri. Jacob.K.G, Senior Audit Officer, SriManu.G.S, Sr.AO, Sri L.S.Sujithkumar, Assistant Audit Officer (AAO), Smt Asha Mathew, AAO, Sri Pramod.N, AAO, Kesavan Nampoothiri, AAO, Sri Sudheer.B, AAO, Sri Bijoy

---

[1] Additional Secretary, Finance (Infrastructure) Department is the Joint Fund Manager

[2] to defray expenses incurred for payment of annuity or other repayment obligations and to meet the operational and administrative expenses of the Board as per Rule 7 of the Act. Share of MVT collection of the previous year -10 % in the first year increased by 10 percent each year, upto 50% in the fifth year and Cess levied on Petrolieum products as per Rule 7 of the Act

[3] Section 3 (4) of the Act.

Sasi, AAOand Sri Arun Krishna.E.P, AAO conducted the audit of the institution. However, the services of Sri. Jacob.K.G, Sr.AO, Sri L.S.Sujithkumar, AAO and Smt Asha Mathew, AAO only were available through out the period of audit, while the services of others could not be utilised completely due to the lockdown. During the course of audit, 76 audit enquiries were issued for which replies were received for 73 audit enquiries. All replies received till the time of preparation of report have been considered. Eventhough activities of the KIIFB till the conclusion of audit was considered, financial positions were considered only till 31.3.2020.

B. Scope and Objectives

KIIFB is maintaining their records in the e-filing mode. Audit test checked the documents relating to administrative matters, accounts of the organisation, appointments, travel claims, masala bonds, KSFE pravasi chitty, work files available in KIIFB office, etc.

The objective of audit was to ascertain whether the grants given to KIIFB by the Govt. and amount raised through loans and borrowings were utilised for the purpose for which it was granted/availed and the expenditure so incurred was in conformity with the law, relevant rules and regulations issued by Govt. from time to time.

The audit commenced on 27 January 2020 and concluded on 25 August 2020 leaving aside the lock down period from 19 March 2020 to 24 May 2020 and 3 July 2020 to 9 August 2020. Due to lockdown and restrictions in force, audit could not conduct field inspections of projects in progress. Eventhough the primary objective of KIIFB was creation of infrastructure, due to the restrictions, audit could not analyse the performance of KIIFB in that front. Hence the analysis and observations made in respect of projects are very limited. Attendance restrictions of staff in KIIFB also affected the smooth conduct of audit. The report was prepared from the data furnished and made available to audit.

C. Officers-in-charge

Dr. K.M.Abraham was the Chief Executive Officer of the institution during the period covered in audit.

D. Financial position

(₹ in crore)

Year	Funds received from GoK[4]	Funds received from other sources[5]	Total receipts	Disbursements
2015-16	940.86	0.00	940.86	0.00
2016-17	2354.10	7.05	2361.15	0.69
2017-18	1042.64	163.98	1206.62	458.58
2018-19	1600.69	3130.02	4730.71	1204.04
2019-20	2200.00	2020.31	4220.31	3691.04
TOTAL	8138.29	5321.36	13459.65	5354.34[6]

Interest income including interest accrued till 31.12.2019 - ₹284.74 crore.

As on 31.3.2020 KIIFB had the following deposits/investments.

(₹ in crore)

Term Deposits	4232.22
DSRA[7]	164.62
Sweep Deposits	971.17
Savings	180.98
Current Accounts	0.05
Treasury Accounts	2534.35
Investment in Mutual Fund	600.00
Investment in KIFML[8]	1.01
TOTAL	**8684.40**

The amount of ₹940.86 crore received in 2015-16 includes an amount of ₹67.37 crore transferred by government through treasury account no.177. Account statement starting from the period 2010 shows that the account (earlier a/c no. 9666) was being operated by the Fund manager, KIIFB. The opening balance in 2010 showed as ₹105.89 crore. At the time of transfer to reconstituted KIIFB, it had a balance of ₹67.37 crore. Expenditures were being met from this account during the intermittent period for which details were not available.

---

[4] Government of Kerala

[5] Other sources include Term loans raised from financial institutions, funds raised through KSFE Pravasi chitty, NORKA dividend scheme, Masala bonds and Interest

[6] This includes ₹276.64 crore being Centage charges receivable from Govt of Kerala

[7] Debt Service Reserve Account

[8] Kerala Infrastructure Fund Management Limited.

As on 31 March 2020, 679 projects amounting to ₹ 54391.21 crore were approved by KIIFB; of which 396 projects amounting to ₹13656 crore were tendered.

On a test check of records and files Audit noticed the following.

Part II

A. MAJOR IRREGULARITIES

I. Imprudent Financial Management: Loss of interest of ₹ 4.69 crore on pre closure of non-callable fixed deposit.

As per the Kerala Infrastructure Investment Fund Act (Act), all moneys other than the money contributed by Government of Kerala (GoK) under section 7 of the Act shall be deposited with the approval of Board in nationalised banks or in such other prudent investment other than in the state treasury. During the year 2018-19, the KIIFB had raised an amount of ₹ 2150 crore through the issue of Masala Bond. The Masala Bond proceeds were invested in fixed deposit Accounts opened at various commercial banks, treasury bills and sweep accounts. As on October 2019, the KIIFB had utilised ₹500.77 crore out of the masala bond proceeds for project payments. The balance fund amounting to ₹ 1649.23 crore was deposited in various fixed deposit accounts maintained with six commercial banks. The details of the above FDs are shown below.

Name of Bank	Amount (₹ in crore)	Date of Deposit	Date of maturity	Rate of interest (%)
Union bank of India	102.00	30.3.2019	30.3.2020	7.61
HDFC Bank	370.00	30.3.2019	30.3.2020	7.75
ICICI Bank	328.00	30.3.2019	30.3.2020	7.70
Axis bank	100.00	30.3.2019	04.4.2020	7.90
Union Bank of India	400.23	04.4.2019	04.4.2020	7.48
Bank of Baroda	149.00	04.4.2019	04.4.2020	7.40
Vijaya Bank	200.00	04.7.2019	04.7.2020	7.10
Total	1649.23			

In order to meet urgent payments, the KIIFB pre closed the non-callable the FD of ₹ 200 crore maintained with the Vijaya Bank on 4.11.2019. However, the interest for the period from the date of deposit (04.7.2019) to the date of closure (04.11.2019) has not been collected by KIIFB till date (July 2020).

The pre mature closure of the fixed deposit has resulted in loss of interest amounting to ₹4.67 crore (interest for 123 days from 04.07.2019 to 04.11.2019 @ 6.96 per cent [9]*per annum*)

KIIFB replied that the proceeds of Masala bonds were deposited in non-callable Fixed deposits as there was enough liquidity for meeting one year's project financial commitment.

As the funds were to be utilised for project expenditure within 2 Years as per covenants of the Masala Bond, the funds should have been placed in callable deposits which would have reduced the loss of interest on preclosure. Lack of prudence in fund management resulted in the loss.

II. Non-recovery of expenses incurred for Pravasi Chitty from KSFE. ₹31.86 crore.

The Kerala State Financial Enterprises Limited (KSFE) had introduced Pravasi Chitty Scheme (a financial savings scheme) for the welfare of Malayalees living outside Kerala. The Board of KIIFB in its 27th meeting held on 7.11.2016 resolved to associate with KSFE for availing the funds from the NRI Chitty set up by KSFE. It was also announced in the State Budget Speech for the year 2017-18 that KIIFB would develop the necessary software platform for KSFE for the online chitty and the 'float amount' from the chitty would be invested in KIIFB bonds. Subsequently, a Memorandum of Agreement (MoA) was entered into between KIIFB and KSFE on 01.06.2019.

As per Article 11.1 and 11.2 of the Agreement, "*the Board had incurred certain expenses towards the development of the Pravasi Chitty Software Platform and other incidental activities connected with Pravasi Chitty. The details of the*

[9] Interest rate offered by the Indian bank for amount above 100 crore and up to 500 crore for period 121 days to 180 days.

expenses will be worked out separately by mutual consent. KIIFB and KSFE shall enter into a separate agreement covering the terms of repayment of the expenses incurred by KIIFB. The repayment may be in the form of a lower interest rate being payable to KSFE for investible instruments issued hereunder till the expenses are recouped by KIIFB or in such other mutually agreed manner. The separate agreement for the repayment of expenses shall be deemed to be a part of this Agreement".

KIIFB expended ₹18.56 crore towards the development of software and technological components for the Pravasi Chitty and ₹13.30 crore in connection with the various programmes arranged for the publicity of Pravasi Chitty project in Kerala and abroad and in various print and visual media.

In this context, audit observed the following

a) No agreement was entered into with the KSFE till date (June 2020) as reqired in the MoA and due to this an amount of ₹ 31.86 crore spent by KIIFB for Pravasi Chitty remained unrecovered.

b) During the years 2018-19 and 2019-20, KIIFB had issued Security Bonds amounting to ₹109.38 crore to KSFE at coupon rates ranging from 7.5% to 8.6%. The coupon rates were fixed without considering the amount spent by KIIFB for Pravasi Chitty scheme as required in the MoA . Thus, in addition to the amount of ₹ 31.86 crore incurred, the KIIFB had to pay interest on the amount of 109.38 crore deposited by KSFE.

c) Further, it was observed that the software acquired for Pravasi Chitty scheme for ₹ 7.51 crore had not been transferred to the KSFE till date and was accounted as the asset of the KIIFB. Audit observed that even though the control of the software and the future economic benefits from the asset (software) were vested with the KSFE, the accounting of software as an asset of KIIFB was against the Accounting Standard (AS) 26 Intangible Assets. An asset is a resource which is controlled by the enterprise and out of which future economic benefits are expected to flow to the enterprise.

d) Considering the benefits to KIIFB, a proposal was placed in the 31st General Body meeting held on 30-11-2017, as 13 agenda note – Report on KSFE NRI Chitty, that the expenditure for establishing the NRI Chitty Software Platform and the Chitty

Bond Conversion Software Platform and the expenditure for the first year for implementing the advertising and media plan would be fully borne by KIIFB. But this was not approved by the Board (Audit further noticed that in the same minutes, out of 18 agenda points, decisions viz. "approved/accepted" was clearly recorded against agenda items 2,3,4,6,8,9,10,11,12,14,15,16 & 17). Though, the proposal submitted was to bear all the expenditure for the first year for implementing the advertising and media plan by KIIFB, all the expenditure on Pravasi Chitty is still borne by KIIFB (August 2020).

KIIFB replied that it has not entered into agreement with KSFE, the amounts receiveable from KIIFB could be arrived at and settled only after completion of the development work. Regarding the points raised in (b) and (c) above no reply was furnished. Regarding the point (d), KIIFB replied that the words in the minutes of 31st General Body " The Board considered the report" means that the Board accepted the proposal.

The reply furnished by KIIFB in respect of point raised in (d) is not acceptable since out of the 18 agenda items decisions viz. "approved/accepted" was clearly recorded against agenda items 2,3,4,6,8,9,10,11,12,14,15,16 & 17) .

III. Denial of equal opportunity, lack of transperancy and extra expenditure of ₹42.11 lakh in the appointment of of Chief Project Examiner in KIIFB

Government of Kerala, through GO (P) No. 27/2016/Fin dated 26.2.2016 made applicable the guidelines regarding contractual appointments that was already in force in PSUs/ABs to Grant-in-aid institutions also. As per the GO, the period of appointment shall not be beyond a period of one year and the contractual amount (consolidated emolument) shall not exceed the sum of the minimum of basic pay of the post, DA admissible at the time of appointment and other admissible allowances attached to the post, if any.

Govt. of Kerala, (Finance (Infrastructure) Department), vide GO(MS) No.77/2017/Fin dated 14-2-2017 issued orders sanctioning the Organizational & Staff Structure and creation of posts in KIIFB. The GO had specified the various categories of posts, the required qualification, experience and the scale of pay

attached to each post under four sections viz., Finance and Administration, Institutional Finance Group, Project Appraisal Division and Inspection Authority. The section 'Inspection Authority' included the post of Chief Project Examiner (CPE) and the mode of appointment/required qualification specified therein for this post was as below:

1. On deputation basis and should be a person with 20 years of experience who has worked in Central Government or a Central PSU at the level of Superintending Engineer or above.
2. Minimum qualification: B-tech (Civil Engineering)
3. Minimum Project Experience: Must have supervised or executed at least three construction projects of not less than ₹25 crore each
4. The scale of pay specified in the GO against this post was ₹85000-117600. (Scale of pay equivalent to Joint Secretary with GoK)

Applications were invited for the post of CPE through the website and three applications were received. The application submitted by Shri Krishnankutty was not considered as he did not possess the required qualification. Eventhough another applicant, Shri Kuruvila Eapen, (Dy.CE (Retd.) from FACT) had the required qualification, his application was rejected on the ground that the post of CPE was to be filled up on deputation basis. The remaining applicant, Shri S.J.Vijayadas, was a Superintending Engineer in BSNL and was on deputation as Assistant Chief Technical Examiner in the Finance Department. He was appointed as CPE on contract basis (after taking VRS from BSNL) on 02.11.2017 with the approval of the Council of Ministers and vide GO (Rt) No. 7601/2017/Fin dated 10.10.2017.

Post appointment, the qualifications of the post as stipulated in GO dated 14.02.2017 were changed by EC and got approved by Government as:

a. Equivalent level- CTE in Finance (Inspection Wing) GOK
b. Academic Qualification- B-tech in Civil Engineering from a reputed institution. M-Tech/MBA are additional desirable qualifications
c. Work Experience- Persons having a total post qualification work experience of not less than 20 years, working in Central Government Public Work Organisations or PSUs following CPWD works procedures having rank not

less than Superintending Engineer/equivalent with pay scale not less than Level 13(7th CPC)/E6 in CPSE

d. Period and Method of employment- Deputation/Contract for a period of three years

The condition that the incumbent must have supervised or executed at least three construction projects of not less than ₹25 crore each was done away with in the revised criteria.

In this case Audit found that :

1. Though none of them satisfied the conditions in one way or the other, appointment of Shri S. J. VIjayadas was done on contract basis without re-inviting applications for the post (despite the fact that the criteria, qualifications and or experience of the selected candidate was changed from that required in the advertisement and Government order) and denying equal opportunity to another applicant Shri. Kuruvilla Eapen (who could also have been considered for appointment on contract basis). Thus, in the appointment of CPE there was denial of equal opportunity, lack of transperancy and violation of the requirements stipulated in the advertisement for the post.

2. Had the appointment been made on deputation basis the pay should have been limited to the basic pay and other allowances attached to the post as stipulated in GO(MS) No.77/2017/Fin dated 14-2-2017 and GO(P)No. 27/2016/Fin dated 26.02.2016. The appointment of CPE on contract basis instead of on deputation resulted in extra expenditure of 42.11 lakh as detailed in **Annexure I**.

KIIFB replied that that on being adjudged suitable for the post Shri S. J. VIjayadas was selected and at the time of selection he was on deputation as Asst. Chief Technical Examiner (Asst. CTE) in Finance Department. Due to the restrictions in extending deputation by his parent department (BSNL), he expressed his willingness to work with KIIFB on contract by taking voluntary retirement. Considering his track record as Asst. CTE in Finance Department, he had been selected through a merit-based selection process and Government decided (2-11-2017) to appoint him on contract basis for three years.

The reply is not acceptable as the appointment of Shri Vijayadas was in violation of the mode of appointment and critera prescribed in the notice inviting applications to the post. While the application of Shri Kuruvila Eapen was rejected on the ground that he could not be taken on contract basis, Shri Vijayadas was taken on contract basis.

Regarding the extra expenditure incurred by KIIFB on the post of CPE on contract basis it was replied that he had been given pay and allowances as per GO (Rt) No. 7601/2017/Fin dated 10.10.2017. The reply is not acceptable since the the appointment to the post of CPE was to be made on deputation basis and on the pay scale attached to the post was ₹ 85000-117600. Instead he was sanctioned a consolidated pay of ₹2.3 lakh.

IV. Violation of statues and Govt. guidelines in contractual appointments leading to non-adherence to reservation norms and irregular payment of ₹128.54 lakh.

KIIFB is an autonomous body of the Government of Kerala set up as a statutory Board under an Act of the State Legislature, i.e., KIIF Act, 1999.

As per Section 10 (1) and 10 (4) of the KIIFB (Amendment) Act,2016 –Act 15 of 2016,Law (Legislation-A) Department, No. 15841/Leg. A1/2016/Law dated 05.11.2016- The Board may with the approval of Government, create such posts and appoint such number of staff and officers as it considers necessary to assist the Board in the discharge of its functions and duties under the Act. The method of appointment, salary and allowances and other conditions of service of the officers and the staff appointed under sub-section (1) shall be such as may be specified, by the Government from time to time.

As per para 6 of the Indian Government Accounting Standards (IGAS2) - Accounting and Classification of Grant-in -aid, which is applicable to Central and State Governments, Grant-in-aids are payments, transfer of funds, in Cash or kind, in the nature of donations, contributions by one Govt (grantor) to another Govt, body, institution or individual(grantee).

Government of Kerala (GoK), vide GO (P) No. 27/2016/Fin dated 26.2.2016 issued guidelines for regulating the appointment of employees on contract basis in Public Sector undertakings/ Autonomous and grant-in-aid institutions. As per the order, appointment can be made provided there exists sanctioned posts created with the approval of Government, irrespective of the mode of appointment . As per the GO, recruitment procedure should be transparent in compliance of the required formalities including the reservation norms. There should be a contract between employer and employee which should not be for a period beyond one year at a time and the contractual amount (consolidated emolument) should not exceed the sum of the minimum of basic pay of the post, DA admissible at the time of appointment and other admissible allowances attached at the posts.

Audit observed that:

a) while making contractual appointments either direct or through Centre for Management Development (CMD), reservation norms prescribed in GO (P) No. 27/2016/Fin dated 26.2.2016 was not followed by KIIFB.

b) As the number of projects undertaken by KIIFB has increased, it created the posts (Sr. Consultant, Consultant, Jr. Consultant, Inspection Assistant, Project Coordinator, Transportation Engineer, Project engineer, and GIS Assistant) that were not sanctioned in the GO dated 14.02.2017.

These contractual posts that have been equated with posts in government is shown in the table below.

Sl. No.	Post/designation	Consolidated pay fixed (₹)	Equated scale of pay (₹)	Remarks
1	Sr. Consultant	1,25,000	77400-116200	The post of Executive Engineer with a scale of pay of ₹ 77400-11120 was re-designated as Sr. Project Examiner and later on re-designated as Sr. Consultant
2	Consultant	80,000	36600-79200	The scale of pay equivalent to the contractual pay of ₹80000/- ,i.e, the pay of Assistant Project Manager has been considered
3	Jr. Consultant	60,000	36600-79200	As there is no comparable scale of pay, the pay for this post was

				equated with the next higher scale of pay
4	Inspection Assistant	40,000	27800-59400	The scale of pay equivalent to the contractual pay of ₹40000/- i.e., the pay of Project Assistant has been considered
5	Project Co-ordinator	80,000; 60,000	36600-79200	One project co-ordinator is granted a consolidated pay of ₹80,000 while another is granted ₹60,000. As there is no comparable scale of pay, the pay for this post was equated with the next higher scale of pay
6	Transportation Engineer	40,000	27800-59400	The scale of pay equivalent to the contractual pay of ₹40000/- i.e., the pay of Project Assistant has been considered
7	Project Engineer	40,000	27800-59400	The scale of pay equivalent to the contractual pay of ₹40000/- i.e., the pay of Project Assistant has been considered
8	GIS Assistant	35,000	27800-59400	As there is no comparable scale of pay, the pay for this post was equated with the next higher scale of pay

As on 31.3.2020, there were 56 employees on contract including 46 recruited through CMD. As per the guidelines, pay of officials appointed on contract can be fixed only at the minimum of basic pay plus DA and other allowances. Non-adherence to these guidelines has led to irregular excess payment of ₹128.54 lakh, split-up of which is given in the **Annexure II**.

(c) KIIFB also made contractual appointments to the following posts that have not been mentioned in GO dated 14-2-2017, viz., Accounts officer, Dy. Accounts Officer, etc. with Consolidated pay as below:

Sl. No.	Designation	Consolidated pay (Rs)
1	Accounts Officer	₹ 50000[10] (Present pay)
2	Dy. Accounts officer	₹35000
3	Media Management Co-ordinator	₹80000
4	Bill Checking Assistant	₹35000[11]

[10] Appointment to the post of Accounts officer was initially made with a consolidated pay of ₹30,000 per month in 2016.

[11] The official was appointed in October 2018 for a consolidated pay of ₹25000 and pay increased to ₹35000 in October 2019.

These posts have neither been mentioned in GO(MS) No.77/2017/Fin dated 14-2-2017 nor seen equated with any post in the GO. Excess drawn pay in violation of Clause 5 of GO (P) No. 27/2016/Fin dated 26.2.2016 in respect of these posts could not be arrived at.

KIIFB in its reply dated 16-03-2020 to the observation in (a) stated that they need not maintain a separate policy for recruitment including reservation and the contract employees were engaged based on requirement and on merit basis.

The reply is not acceptable since the general instructions issued in GO dated 26.2.2016 are applicable to Public Sector undertakings/ Autonomous and Grant-in-aid institutions.

KIIFB did not furnish a specific reply to the observation in (b) above.

As there is no Government sanction for creation of post and mode of appointment to these posts as as per Section 10 (1) and 10 (4) of the KIIFB (Amendment) Act, 2016 and as per GO dated 26.02.2016, the appointments were irregular.

KIIFB replied to the observation in (c) that the post of Accounts Officer, Deputy Accounts Officer, etc., were created on a need basis and since the fund raising activities were in full throttle, all the posts currently engaged in accounts wing were vital and they have to continue. Government approval will be obtained soon and intimated to Audit.

As there is no Govt sanction for creation of post and mode of appointment, the appointments were irregular.

KIIFB also replied that, it is not a Grant in aid institution. Therefore, GO(P) No. 27/2016/Fin dated 26-2-2016 issued to regulate contract employment in Grant-in Aid institutions was not applicable to KIIFB. Further, Section 6 A(c) of the KIIF Act empoweres KIIFB to regulate its own procedures and Section 6 A (q) empoweres it to do all acts necessary for and incidental to the carrying out of the function entrusted or delegated to it.

The reply of KIIFB regarding its Grant –in –aid status is not correct since as per Appendix 13 of the Kerala Budget Manual "Grant - in - aid" has been defined as the amounts paid by Government to an institution to cover recurrent and/or non-recurrent costs of the institutions or for any other specific purpose and which are subject to scrutiny and or audit of actual utilisation shall be termed as 'GRANT-IN-AID'.

Moreover, as per para 6 of the Indian Government Accounting Standards (IGAS2) - Accounting and Classification of Grant-in -aid, which is applicable to Central and State Governments Grant-in-aids are payments, transfer of funds, in Cash or kind, in the nature of donations, contributions by one Govt (grantor) to another Govt, body, institution or individual(grantee).

In vew of the above definition and accountating standards the plea that KIIFB is not a Grant-in-aid institution is not valid.The statement that it is not a grant in aid instistiution is only a misinterpretation of the of facts to draw a veil over the irregulaties.

V. Creation and appointment of posts in KIIFB with out Government approval/ orders.

As per Section 10 of the Kerala Infrastructure Investment Fund (Amendment) Act 2016, the Board may with the approval of the Government, create such posts and appoint such number of officers and staff as it considers necessary to assist the Board in discharge of its functions and duties and the method of appointment, salary and allowances and other conditions of service of the officers and staff shall be such, as may be specified, by the Government from time to time.

(a) Vide GO(MS) No. 77/2017/Fin dated 14-2-2017 Government issued orders sanctioning the organisational and staff structure and creation of 40 posts in KIIFB which are to be filled up by deputation/working arrangement from Government and on contract appointment . Besides the posts sanctioned vide GO 77 dated 14-2-17, only the posts of CEO, Deputy Managing Director and Chief Auditor were approved by the Government. Vide GO(Ms) No. 9/21/Fin dated 22.01.21 five post (Accounts Officer -1, Deputy Accounts

Officer-1 and Project Assistant-3) were also sanction by Government. Against these 48 posts, 98 persons are working in KIIFB as detailed below.

Sl No	Details	Number of posts
A	**With the approval of Government:**	
1	On Contract basis	2
2	Working arrangement	4
3	On Deputation	20
4	Daily wages	3
	Total (A)	**39**
B	**Without approval of Govt**	
1	Direct Contract by Board	5
2	Contract through CMD	46
3	Daily wages	8
4	**Total (B)**	**59**
	Grant Total. (A + B)	**98**

Audit found that the contract appoinments to the post in KIIFB made through CMD were defective/irregular on account of absence of Government approval, notification of posts and recruitment procedure, enhancing the pay in violation of the conditions prescribed in the recruitment order, appointment to the post created by Government in violation of the prescribed qualification/experience/ mode of appointment, recruitment of a low ranking person to a non - existing post and payment of salary of a higher post. A few illustrative cases are noted below.

a) Absence of approval for the creation and appointments to the posts of Senior Consultant and Consultant: With the approval of Government, two posts of Executive Engineer and two posts of Assistant Engineer (sanctioned vide GO(MS) No. 77/2017/Fin under the Technical Inspection Wing (TIW)) were re-designated as Senior Project Examiner and

Project Examiner respectively. Of this, one post of Senior Project Examiner was filled up through deputation. Remaining posts were filled up through manpower arrangement from CMD. As the comparable designation to the posts of Senior Project Examiner and Project Examiner in CMD were Senior Consultant and Consultant, those filled up through CMD were designated as Senior Consultant and Consultant. Later on, seven more posts were added to the original sanctioned strength of one Senior Project Examiner and two Project Examiners by re-designating as Sr. Consultant & Consultant and by changing the qualification/sector. At the time of audit, two Senior Consultants, six Consultants and two Junior Consultants were recruited in TIW through CMD. Since these additional posts in KIIFB were over and above to that created by Government, the re-designation to the post of Sr Consultant/Consultant and changes in qualification and sector for the recruitment required Government approval. Audit noticed that no such approval had been obtained for the creation and subsequent appointments to these posts.

KIIFB replied that additional technical support personnel as Senior Consultant and Consultant level were being engaged in KIIFB through CMD on a need basis with due approval of EC/Board. KIIFB also replied that these were not additional posts and hence only the approval of the appointing authority was required and that no approval from Government was necessary. It was stated that the Board was empowered to do all acts necessary for and incidental to the carrying out of the function entrusted or delegated to it vide section 6(A) (q) of the Act.

As per Section 10 of the Kerala Infrastructure Investment Fund (Amendment) Act 2016, the Board may with the approval of the Government, create such posts and appoint such number of officers and staff as it considers necessary to assist the Board in discharge of its functions and duties and the method of appointment, salary and allowances and other conditions of service of the officers and staff shall be such, as may be specified, by the Government from time to time.

No freedom is given to KIIFB in the appointment of staffas per Kerala Infrastructure Investment Fund (Amendment) Act 2016.

b) Absence of any procedure for appointment and fixation of pay of Media Management Co-ordinator on contract basis: A Media Cell was formed for implementation of strategy for effective, efficient communication and advertisement for KIIFB, vide GO(MS) No. 275/2019/Fin dated 22-7-2019. Earlier, based on the proposal from C-Dit, KIIFB appointed Shri K G Jayaprakash as a media consultant for Pravasi Chitty and he worked in this capacity in KIIFB from August 2018 to December 2018. He was later on appointed as Media Management Co-ordinator for a period of one year from 1.8.2019 and his remuneration was fixed at a consolidated pay of ₹80000/- which is equivalent to that of Asst Project Manager in KIIFB. It was not forthcoming how KIIFB equated the post of Media Management Co-ordinator with that of APM and fixed remuneration. Neither any notification regarding qualification, experience, etc., was issued by KIIFB nor was any procedure for recruitment to the post on contract basis was conducted by KIIFB.

KIIFB replied that the services of Shri K G Jayaprakash was very useful in managing the marketing strategy for KSFE pravasi chits. It also stated that it considered his experience and his previous salary in C-DIT before deciding to pay a consolidated amount of ₹80000/- per month. KIIFB accepted the findings of Audit that there was no functionally equitable post to the post of Media Manager. Since the Covid pandemic led to a temporary suspension of the extensive media campaigns, the service of Shri JayaPrakash was now availed only on a part-time basis and remuneration was restricted to ₹40000/- per month.

The fact remains that no specific criteria was followed in KIIFB while fixing remuneration. Moreover, it did not furnish the procedure adopted for his recruitment.

c) Enhancing the pay of the official after appointing for a consolidated pay is in violation of the conditions prescribed in the recruitment order:

Shri K Mohanan Pillai, who was employed in government service as Divisional Accountant was appointed through CMD as Bill Checking Assistant on contract basis for one year with a consolidated pay of ₹25000 per month. He joined duty on 22-10-2018. On 5-11-2019, he submitted a request to enhance his pay to ₹37500 as KSR provides for a pay equal to the difference between the last basic pay drawn by him (₹72000) and basic pension of ₹34561/-, which comes to ₹37439/-. His proposal was approved and his pay was increased to ₹35000/- wef 22-10-2019, from the date on which his extension was due, with an annual increase of 10 percent for the next two years. Enhancing the pay of the official after appointment on a consolidated pay is violation of the conditions prescribed in the recruitment order. The official was given undue increase in pay by interpreting Rule 100[12] of KSR- Part III which is not applicable to KIIFB.

KIIFB replied that the amount chargeable to the service was increased considering the volume of work.

KSR is applicable in Govt departments and in statutory bodies/PSUs/Grant-in –aid institutions where KSR is made is applicable. In KIIFB it is not made applicable as per KIIFB Act. Creation and appointment to a post can be done only with Government approval.

In this case the official was given undue increase in pay by interpreting a rule which is not applicable to KIIFB. As the usual practice in KIIFB, utmost he can be given 10 % increase in pay on extension of contract (25000+ 10% of 25000). Even that is not proper since this appointment does not have Govt approval.

Therefore, enhancing the pay of the official after appointing for a consolidated pay is in violation of the conditions prescribed in the recruitment order.

[12] The pay of a re-employed pensioner will be fixed at an amount equal to the difference between the pay drawn by him at the time of his retirement and the basic pension as per amendment vide GO (P) No. 159/2016/Fin dated 19.10.2016.

d) Appointment to the post created by Government was done in violation of the qualification/experience/ mode of appointment without the approval of Government: As per the GO(MS) No.77/2017/Fin dated 14-2-2017, there existed two posts of Assistant General Manager under the wing 'Institutional Finance Group' ; one each to be posted from SEBI and RBI. Audit noticed that Shri Ajosh Krishnakumar assumed charge as Assistant General Manager under Institutional Finance Group w.e.f 14-08-2019. Scrutiny of records revealed that he was appointed on contract basis and was neither an official from SEBI/RBI.

KIIFB replied that the matter was placed before EC and GB and they resolved to accept the proposal for modification in qualification, experience and mode of appointment for the post of AGM. It also stated that an e-file had been put up with Additional Secretary, Finance (Infrastructure) department.

Since the posts in KIIFB had been created by Government, modifications in qualification, experience, mode of appointment, etc., requires Government approval. Therefore the appointment is irregular.

e) Recruitment of a low ranking person to a non –existing post and payment of salary of a higher post:

Smt Arathi S, an MBA holder who was included in the recruitment list of Asst. Project Manager (APM), joined as Project Co-ordinator (a non-existing post, not approved by the Government or Board) in KIIFB on 6-6-2018 for a period of six months for a consolidated pay of ₹60,000 per month. Higher rank holders in the list were appointed as APM (pay-₹80000). After completing six months, her period of contract was extended to one year. She was given increment of 10 *percent* on completion of one year enhancing her pay to ₹66000 w.e.f. 6-6-2019. The 13th EC held on 19.8.2019 decided to equate the post of Project Co-ordinator with that of APM on the ground that technical and administrative responsibilities of Project Co-ordinator was equivalent to that of APM, the officer was performing well and as she was recruited from the

rank list of APM it enhanced the pay of the incumbent from ₹66000/- to ₹80000/-(33.3% increase).

Later on, a fresh recruitment notification for selection to the post of Project Co-ordinator was issued on 14-8-2019 against which another person was appointed on 5.12.2019 with a lesser pay of ₹60000.

Audit noticed that:

- a person from the recruitment list for another post was appointed to a non-existing post pf Project Coordinator without any advertisement for the post of Project Coordinator.
- no approval of Government/Board/EC was obtained for the creation of the post of Project Co-ordinator.
- there were no equivalent posts in Government against these posts created by KIIFB for contract appointment.
- no uniform pattern was seen followed while making appointments, with respect to pay, equivalence of posts and status, etc.
- while Smt. Arathi.S, Project Co-ordinator, who was appointed against a consolidated pay of ₹60000 on 6.6.2018 was drawing a pay of ₹80,000, another official who joined on 5.12.2019 as Project Co-ordinator was drawing a lesser consolidated pay of ₹60000.

KIIFB replied that the technical and administrative responsibilities of project co-ordinator was equivalent to APM and hence it was decided to equate the post of project co-ordinator with that of APM, pay given to Smt.Arathi was commensurate to her work load and competence and the pay enhancement was granted with the approval of 13 EC.

The reply is not acceptable as the post of Project Co-ordinator was not held equivalent to that of APM at the time of her appointment, subsequent recruitment also shows that the technical and administrative responsibilities of Project Co-ordinator was not equivalent to that of APM, appointment of a person to a post from a recruitment list for another post, grant of increment to a contract employee, appointing a contract employee for more than one year at a time, hike in salary of 33 per cent on the claim of voluminous work load and

competence and non- approval by Government and Board are irregular. This renders the appointment to the post of Project Coordinator irregular.

f) Appointment of staff on contract basis without Government approval: The following recruitments on contract basis were made by KIIFB through CMD without the approval of Government.

Details of persons recruited	Period of contract
Smt Resmi R Pillai and Shri Arun Thomas, Senior Consultants	From 03.09.2018, contract extended upto 02.09.2021 with annual increase of 10 %
9 persons recruited during 4/2018, 5/2018 and 6/2018	contract extended upto 31.12.2021
6 persons recruited during 1/19, 3/19, 5/19 and 7/19	contract extended upto 31.12.2021

KIIFB replied that those were technical manpower service made through CMD based on requirement and were project specific. The execution of KIIFB projects was spread over years and such manpower arrangement was necessary to ensure the efficiency and quality of projects. Those engagements were temporary in nature. The rationale for setting the organisational structure GO(MS) No. 77/2017/Fin dated 14-2-2017 was based on minimising expenditure of a permanent nature, need to be flexible enough to recruit manpower that suits the requirements at any point in time in the project cycle and to ensure that the amounts invested in training the human resources were not wasted on account of heavy turnover of employees.

The reply is not acceptable since as per Section 10 of the Kerala Infrastructure Investment Fund (Amendment) Act 2016, the Board may with the approval of the Government, create such posts and appoint such number of officers and staff as it considers necessary to assist the Board in discharge of its functions and duties and the method of appointment, salary and allowances and other conditions of service of the officers and staff shall be such, as may be specified, by the Government from time to time.

As per the Act no freedom is given to KIIFB in the appointment of staff. The appointments of staff on contract basis through CMD without approval of

Government is irregular. Hence these appointments made by KIIFB are in violation of the provisions of the Act.

VI. Irregular appointment to the posts of Jr. Consultant which did not exist and without the approval of Government.

Section 10 of the KIIF (Amendment) Act, 2016 states that the Board may with the approval of Government, create such posts and appoint such number of officers and staff as it considers necessary to assist the Board. Government of Kerala, (Finance (Infrastructure) Department), vide GO(MS) No.77/2017/Fin dated 14-2-2017 issued orders sanctioning the Organizational & Staff Structure and creation of posts in KIIFB.

Employees working for KIIFB comprise of those appointed/recruited through regular appointment/deputation from Finance department, working arrangement from revenue department, contractual appointments as per GO(MS) No.77/2017/Fin, contractual appointments made by KIIFB, contractual appointments made through Centre for Management Development[13] (CMD) and other agencies and those employed on daily basis.

CMD is providing advisory and consultancy services and supply of manpower etc to KIIFB. Man power is supplied by CMD by following a selection process which includes shortlisting of candidates and conduct of interview. Chief Project Examiner of KIIFB is nominated as the representative in the interview committee for appointments made through CMD.

Audit test checked the appointments made to the posts of Consultant (Project Examination-Building and General Civil Works), Jr. Consultant (Project Examination - Transportation) and Jr. Consultant (Project Examination - Building and General civil works).

Audit observed the following.

Besides other posts, GO(Ms) No.77/2017/Fin has specified two posts each of Executive Engineer (EE) and Assistant Engineer (AE) with a pay scale of ₹77400-111200 and ₹39500-83000 respectively in the Technical Inspection

[13] CMD is a Government of Kerala agency that was authorised by KIIFB to do recruitment and provide manpower support, provide consultancy, etc. for KIIFB

Wing[14] (TIW), to be appointed on deputation basis. Later these posts were re-designated as Senior Project Examiner (SPE) and Project Examiner (PE) respectively by the Board. Recruitment for filling up these posts through deputation was conducted and only one person (SPE) could be recruited. As per agenda 14 of 9th EC (24-10-2018), it was resolved to recruit persons to these posts through CMD. In the meeting between Finance & Accounts wing and TIW chaired by the CEO on 3.11.2018, it was proposed to fix an age limit of 55 years for SPE and 50 years for PE. As officers of same rank appointed through CMD in the TIW were having the designation of Senior Consultant and Consultant, the posts of SPE and PE were re-designated as Senior Consultant and Consultant respectively by the Board. Against the three vacant posts, KIIFB directed CMD (3-12-2018) to recruit one person each to the posts of Sr. Consultant (Project Examination - Bldgs and General Civil Works), Consultant (Project Examination - Bldgs and General Civil Works) and Consultant (Project Examination - Transportation). TIW had proposed slight changes in the sector[15] and qualification[16] while issuing notification to these

[14] TIW –This is one of the four wings in KIIFB which is entrusted with the job of conducting inspections, providing support to Special Purpose Vehicles, etc.)

[15] Sector 'Civil' was changed toSector 'Project Examination – General civil works' and to Sector 'Project Examination – Transportation'

[16] Qualification for–

Sr.Project Examiner (Civil) – Qualification before re-designation	Sr. Consultant (Project Examination – General Civil works) – Qualification after re-designation
Officers having a total post qualification work experience of not less than 10 years working in Central Government Public works organisations or PSUs following CPWD works procedure having rank not less than Asst. Executive Engineer/equivalent with pay scale not less than level 10 (7th CPC) **OR** Officers from the Engineering Departments of Kerala having rank not less than Executive Engineer with adequate exposure to quality management functions.	Officers having a total post qualification work experience of not less than 10 years, in Central Government Public Works organisations/PSUs following CPWD works procedure/any other reputed engineering organisations with adequate exposure to quality management functions like third party technical audit, etc
Project Examiner (Civil)	Consultant (Project Examination – Building and General Civil works)
Officers from the Engineering departments of Government of India having rank not less than AE/CPSU (E3 grade)/those from Government of Kerala having not less than Asst. Executive Engineer with 5 years of post qualification experience, adequate exposure to quality management functions.	Experience in Buildings/General Civil Engineering works including works sector, planning & construction with good exposure to quality control/assurance activities having a post qualification experience of not less than 5 years
	Consultant (Project Examination – Transportation)
	Experience in Highway/Road planning & construction with good exposure to quality control/assurance activities having a total post qualification experience of not less than 5 years

posts. CMD conducted an interview on 16-2-2019 and none of the candidate qualified for the post to which they applied for. However, the selection committee recommended the candidate (Shri Pramod Sankar) who applied for the post of Sr Consultant – PE (Buildings and General Civil Works) to the post of Consultant (PE-Bldgs and General Civil Works) and he was appointed to the post on 1-4-2019.

One post each of Sr Consultant- PE(Buildings and General Civil Works) and Consultant-PE(Transportation) still remained vacant. Based on a decision in the 35th board meeting held on 27.2.2019, TIW proposed in March 2019 to recruit one more Consultant –PE (Transportation) and the Board approved the proposal resulting in vacancy of one post of Sr. Consultant-PE(Bldgs and General Civil Works) and two posts of Consultant-PE(Transportation).

On 22.5.2019, CMD conducted another interview without any notification/request for recruitment from KIIFB and a new list was prepared which did not have none of the applicants who featured in the list prepared earlier for the interview on 16.2.19.

The Interview Board indicated that none of the candidates appeared for the other two posts were qualified. But, CMD furnished a rank list of five candidates for the post of Consultant-PE(Buildings and Civil Works) for which no vacancy actually existed.

However, Shri Eldo Paul (working in KIIFB as Inspection Assistant who applied for the post of Consultant -PE (Buildings and Civil works), who did not have any qualification related to Transportation) and Smt T V Deepa, who applied for the post of Consultant -PE (Buildings and Civil works), were listed first and second. They were issued appointment orders for the post of Consultant -PE (Buildings and Civil works) by the CMD. Accordingly, Shri Eldho Paul was accommodated (4-7-2019) against a non-existent post of Jr Consultant (Transportation) by down scaling the existing vacancy of Consultant-PE (Transportation). The salary fixed for this post also was ₹60,000.

Smt T V Deepa joined KIIFB on 10-7-2019. As there was no vacancy in the post of Consultant -PE (Buildings and Civil works), she was accommodated against a non-existent post of Jr Consultant (Buildings and Civil Works) by downscaling the approved post of Sr Consultant (Buildings and Civil Works). The salary fixed for this post was ₹60,000.

Subsequently, the organisational structure of TIW was revised by the Executive committee by including new posts of Junior Consultants.

On 16.11.2019, TIW requested KIIFB to restore the post of Sr. Consultant which was down scaled for accommodating Smt T.V.Deepa. While restoring the post of Sr Consultant, one vacant post of Consultant-PE (Transportation) was converted to Consultant -PE(Bldgs and General Civil Works) in order to accommodate Smt T V Deepa. This was approved and CMD was directed to select suitable person from the list for Sr Consultants on an urgent basis.

In this connection the following observations are made by audit.

a. As per GO(Ms) No.77/2017/Fin dated 14-02-2017, Government have sanctioned the organizational and staff structure and creation of posts in KIIFB, subject to the condition that recruitment to these posts shall be made on actual need basis only. No post of Junior Consultant existed in the organisation chart for TIW as per the above GO. Audit noticed that selection to the post of Consultant (Buildings and General Civil Works) conducted by CMD without analysing the actual need and was done against non-existing vacancy. Instead of rejecting the appointment order issued by CMD, KIIFB accommodated the candidate to the non-existant post of Jr. Consultants. Thus, KIIFB made appointment to a non-existant posts on the pretext of a recruitment procedure to one existing post and another non-existing post to accommodate certain persons.

b. The intention of Government as per GO 77 was to appoint candidates who had sufficient knowledge and experience. (The posts were proposed to be filled by EEs and AEs having 10 and five year experience). By prescribing the age limit of 55 and 50 years, KIIFB diluted the chances of getting sufficiently qualified experienced hands. Qualified experienced retired government hands could have been appointed in place of persons who are either in-experienced or under-qualified.

KIIFB in their reply stated that considering the pressing need for additional manpower in TIW, 9th EC approved the proposal to recruit one Sr Consultant and two Consultants through CMD. The procedure adopted for placing both Shri Eldho Paul and Smt T V Deepa by designating them as Junior Consultant were ratified in the 13 EC. The selection of both Shri Eldho Paul and Smt T V Deepa was made to the post of Consultant (PE-Buildings and General Civil Works) and the former was considered for appointment in transportation sector as an internal arrangement. All of them were positioned against the post for which they have applied or in a lower post.

The reply furnished above is not tenable as at the time of selection of the said two candidates to the post of Consultant (PE- Buildings and General Civil Works), there was no vacancy against this post and they were accommodated by creating the post of Junior Consultants. Regarding the contention that they were positioned against the post for which they have applied for or in a lower post is not correct as both of them were positioned against a post to which they have not applied and one of them was accommodated in Transportation Wing, for which he has not even applied for.

The reply is silent whether any approval was received from the Government for diluting the conditions specified in the G.O. The Act or G.O 77does not empower KIIFB to create posts not in line with that ordered in the G.O.

VII. Irregular payment of allowances and other benefits to employees by KIIFB without Government approval.

Kerala Infrastructure Investment Fund Board is a statutory board formed as per the KIIF (Amendment) Act, 2016. Section 10(4) of the Act states that the method of appointment, salary and allowances and other conditions of service of officers and the staff appointed under subsection (1) of the Act be as specified by the Govt. from time to time. Accordingly, GoK, vide GO (Ms) No. 77/2017/Fin dated 14.2.2017 sanctioned the organisational & staff structure and creation of posts in KIIFB.

The service conditions of a government employee are as per the provisions contained in the Kerala Service Rules (KSR). In the Pay revision orders issued by GoK, it has been stated that in respect of PSUs, Statutory corporations/Bodies, Autonomous bodies and Government grant-in-aid institutions where state scale of pay and DA rate are allowed to the employees, formal approval/sanction of government would have to be obtained for extending the revised pay scales and other benefits to their employees.

As the administrative and operational expenses of KIIFB are met entirely from the grants received from the Government, any rule framed in relation to the conditions of service, Pay and allowances relating to the staff of KIIFB has to be in line with that of the existing rules of the Government of Kerala or be with the approval of the Government of Kerala.

Manual on Administrative Procedure (Manual) approved by KIIFB provides a framework for the Administrative Procedures for various categories of employees in KIIFB covering Leave Rules, Travelling Allowance, Guidelines for Performance Appraisal System, General Rules and Conduct and Disciplinary Rules & Procedures.

The various allowances such as daily allowance on tour and room rent admissible to the Government employees are based on the category of the employee. KIIFB has changed the categorisation of employee, rates of daily allowance on tour and room rent as detailed in the **Annexure III**.

A scrutiny of certain provisions included in the Manual has shown that the provisions were not in conformity with the orders/rates issued by govt. from time to time as detailed below.

1) **Categorisation of Employees**

   The classification of grades in Government were on the basis of the basic pay drawn by the officer. However, the classification of levels in KIIFB was made on the basis of designation of the employees.

2) Daily Allowance

Daily Allowance fixed by KIIFB was not in line with government rates and are exorbitant. On a test check of certain TA bills, it was found that the staff in KIIFB were being paid daily allowance at enhanced rates as compared to state government employees. Moreover, the rules prescribed in KSR regarding calculation of time spent on tour was also not seen followed. A few cases in which the excess paid amounting to ₹18,970 are illustrated in **Annexure IV**.

3) Room Rent

KSR/PR orders do not allow reimbursement of rom rent within the state, while the Manual provides for reimbursement of room rent for KIIFB staff inside the state also.

It was observed that the staff in KIIFB were being paid room rent both within and outside state and also at enhanced rates. Excess drawal of Hotel rent paid worked out to ₹4,11,717/-as shown below (detailed calculation is shown in **Annexure V**):

Sl. No.	Name of employee	Designation	Excess Drawal
1.	Shri. Thaha Muhammad Musthafa K.N.	Inspection Assistant	12492.00
2.	Shri. Ajith P Ponnu	Inspection Assistant	16263.00
3.	Shri. Jobin John Philip	Inspection Assistant	11592.00
4.	Shri. Sreekumar K.J.	Senior Project Examiner	26855.00
5.	Shri. Sruthikumar M.	Inspection Assistant	34774.00
6.	Shri. Nishanth S.	Inspection Assistant	11683.00
7.	Shri. Subodh	Data Entry Operator	1600.00
8.	Shri. Arun M	Data Entry Operator	1600.00
9.	Shri. Ajmal Salam	Project Assistant	1600.00
10.	Shri. Jithin Jose	Inspection Assistant	59056.00
11.	Smt. Akhila K Padman	Inspection Assistant	3569.00
12.	Shri. Jithin M.S.	Project Examiner	71906.00
13.	Shri. Rahul V.T.	Inspection Assistant	53468.00
14.	Shri. Tony Rajan Mathew	Inspection Assistant	1598.00
15.	Shri. Chichu Khader Muhammed	Inspection Assistant	9603.00

Sl. No.	Name of employee	Designation	Excess Drawal
16.	Shri. Eldho Paul	Inspection Assistant	19186.00
17.	Smt. Soorya S.R.	GIS Assistant	8365.00
18.	Smt. Indu P Nair	GIS Assistant	2534.00
19.	Smt. Reshmi R Pillai	Sr. Consultant	19731.00
20.	Shri. Arun Thomas	Sr. Consultant	19839.00
21.	Shri. Mohammed Irshad	Inspection Engineer	9291.00
22.	Shri. Pramod Shankar	Consultant (GCW)	12272.00
23.	Smt. Anu J.S.	GIS Intern	2840.00
		Total	**4,11,717.00**

4) Other Expenses not allowed.

The following officials claimed certain expenses which were not eligible as per rules. Reason for inadmissibility of the claims is shown against each.

Date of Travel	Place of visit	Nature of claim	Drawn Amount	Eligible Amount	Excess Drawn	Remarks
Shri. Sruthikumar M., Inspection Assistant						
2-9-2018	Bangalore	One day trip	4800.00	0	4800.00	Details of journey and purpose for hiring 18 seater not provided
Shri. Jithin Jose, Inspection Assistant						
31-8-2018	Bangalore	One day trip	3750.00	0	3750.00	Details of journey and purpose for hiring 18 seater not provided
Jithin M.S., Project Engineer						
30-08-2018	Bangalore	One day Trip	3350.00	0	3350.00	Details of journey and purpose for hiring 18 seater not provided
Rahul V.T., Inspection Assistant						
1-09-2018	Bangalore	One day Trip	3750.00	0	3750.00	Details of journey and purpose for hiring 18 seater not provided
Shri. Eldho Paul, Inspection Assistant						
3-09-2018	Bangalore	One day Trip	3750.00	0	3750.00	Details of journey and purpose for hiring 18 seater not provided

Date of Travel	Place of visit	Nature of claim	Drawn Amount	Eligible Amount	Excess Drawn	Remarks
Smt. Reshmi R Pillai, Sr. Consultant						
5-09-2019 to 6-09-2019	Bangalore	Taxi charge	2096.00	0	2096.00	Receipt not attached
5-09-2019	Bangalore	Participation Fee	3200.00	0	3200.00	Participation in any event is not part of TA bill.
				Total	**24696.00**	

5) Monthly ceiling of TA claims.

Govt. of Kerala, vide GO(P) No.137/2016/Fin dated 9.9.2016 has fixed the monthly/quarterly TA ceiling of employees. In most of the cases, this was not seen followed.

Eg: (i)Sri. Ajith.P.Ponnu, Inspection Assistant was sanctioned ₹12845 for the quarter Jan. to March 2019, while he was eligible for only ₹7650. {₹7650 is the rate applicable to a state level officer of Grade II(b)}.

(ii) Sri Jithin.M.S, Consultant was sanctioned ₹44,681 for the period from 1.1.2019 to 8.3.2019[17] while he was eligible for only ₹14700 for the quarter (₹14700 is the quarterly ceiling fixed by government for a state level grade I officer).

6) Other deviations noticed.

i. It was seen that most of the employees who have undertaken travel were employees who were in the roll of CMD and not in the roll of KIIFB. Clarification was sought for as to how allowances of these persons could be settled in KIIFB.

ii. Claims preferred by the staff members have not been verified and admitted in accordance with the existing rules of the Government.

iii. Claims of individuals that include claims of other persons were allowed.

iv. Claims without supporting vouchers were allowed.

v. Items of expenditure (Participation fees in various events) not covered under the purview of tour also allowed.

vi. Tampered/corrected Hotel bills were allowed.

[17] The official has claimed the remaining part of March 2019 along with the bill for April 2019 which amounted to ₹14689.

vii. Controlling officer has corrected certain actual TA claims and sanctioned amounts over and above the claim of individual.

7) Other Benefits

Following benefits are allowed to employees from Assistants to Officer as given below:

Top Management	Vehicle on hire for official use, Mobile phone& Telephone charge at residence reimbursement, computer/laptop at residence with unlimited mobile internet connectivity.
Senior Management	Vehicle on hire for official use, Mobile phone charge reimbursement, computer/laptop at residence
Middle Management	Vehicle on hire for official use with the permission of the Competent Authority. Mobile phone charge reimbursement, computer/laptop at residence
First line Management	Vehicle on hire for official use with the permission of the Competent Authority. Mobile phone charge reimbursement
Supporting Staffs	Mobile phone charge reimbursement

Additionally, talk value of ₹1000 per month in BSNL CUG connection for Top Management to Middle Management and ₹500 per month to all other staff not covered above were also allowed.

These benefits were also not at par with the existing provisions of service rules under the Government of Kerala.In Government service, above facilities are provided only to highest level officers or to those specifically so mentioned by government.

KIIFB replied that the classification of employees, allowances, classification of cities were done not only on the basis of corresponding Government Orders, but also considering the provisions made by Government of India and public financial institutions in that regard. KIIFB had experienced while negotiations with international organisations for raising funds, among other things, they scrutinize KIIFB's ability to provide a working environment that can yield performance with

high efficiency and quality with respect to administration of funds they would be providing.

The rationality of the benefits ensured by the Administrative manual is to ensure a congenial working environment for effective and efficient conduct of the functions of the KIIFB and maintaining high degrees of standards. Section 6A of the KIIF (Amendment) Act 2016 empowers KIIFB to regulate its own procedures (Section 6A(c)), to disburse all expenses relating to the administration of the Fund including travel, interest on borrowing, fees, professional charges, and other expenses (Section 6A(j)) and to do all acts necessary for and incidental to carrying out the functions entrusted or delegated to it (Section 6A(q)). Two very important aspects unique to the KIIF structure in the legislative framework were (i) direction from Government can only be in relation to State and National Policies and not for the routine management of the affairs of Board and (ii) except for the matter of creating posts in KIIFB and determining their salaries and allowances, the Board has been granted complete operational autonomy.

It is true that as per Section 6A of the Act KIIFB is empowered to regulate its own procedures, to disburse all expenses relating to the administration of the Fund including travel, interest on borrowing, fees, professional charges, and other expenses and to do all acts necessary for and incidental to carrying out the functions entrusted or delegated to it. But as per Section 14 of the Act it shall be lawful for the Government to issue directions to the Board in matters relating to State and National policies and such directions shall be binding on the Board. The Government may, after consultation with the Board, give to the Board general directions to be followed by the Board. The Board shall not depart from any such general directions issued without the previous permission of the Government. As per Section 10 (4) of the Act, the method of appointment,salary and allowances and other conditions of services of the officers and staff of KIIFB shall be such as may be specified by Government from time to time.

It is obvious from Section 10 (4) and Section 14 of the Act that the KIIFB do not have the exclusive autonomy to determine the matters relating to method of appointment,salary and allowances and other conditions of services of the officers and staff of KIIFB and such other general directions issued by Government to KIIFB. Even in issuing general directions to the Board, it is not compulsaory for

the Government to consult the KIIFB. Where the Government has made consultations with the KIIFB, it is not necessary for the Government to follow or take into consideration the views of the expressed by the Board during the consultation. Government can issue such general directions to KIIFB as it deems fit. Thus, KIIFB is not superior to Government but subordinate to Government.

Categorisation of employees, daily allowance and room rent payable to employees while on tour, ceiling on TA claims and other benefits admissible to employees etc., comes under the purview of allowances and other conditions of services of the officers and staff mentioned in Section 10 (4) of the Act. Therefore, as per Section 10 (4), these requires the approval of Government which has not been obtained by KIIFB. Mere approval of the Board in respect of conditions or rates relating to daily allowance and room rent payable to employees while on tour, ceiling on TA claims and other benefits admissible to employees is not valid. Any payment made or expenditure incurred in this respect without Government approval is irregular.

VIII. Irregular payment of stipend ₹ 51.03 lakh to interns without any government orders and their continuance beyond intership period.

In order to overcome the situation of non-availability of trained manpower in the long run KIIIFB decided in 2018 to select and train technical personnel having sound technical base and willing to develop skills by positioning them in the Technical Resource Centre (TRC) in an internship mode for a period of three months. Each candidate was paid monthly stipend of ₹25000 during their period of internship.

55 candidates underwent internship and was paid ₹ 51.03 lakh as stipend to them by KIIFB as on 31.03.2020. Some of the candidates continued in KIIFB beyond the internship period of three months. Details of internship are given below.

Sl. No.	Batch No.	No. of interns trained	Start date	End date	Duration of internship (months)	Area in which the interns were trained	Stipend paid till 31-3-2020 (₹)
1	Phase I-Batch1	15	1.4.2019	31.7.2019	4	Design upgradation/Project Management/GIS	1402667
2	Phase 2-Batch 1	10	2.9.2019	Continuing	7	Project Management/ GIS/QAC	1585002
3	Phase2-Batch2	5	1.11.2019	Continuing	5	QA/GIS	619000
4	Phase 2-Batch 3	5	2.12.2019	Continuing	4	Design upgradation/Project Management/GIS	485470
5	Phase 2-ESG interns	2	1.11.2019	Continuing	5	Sustainability	254001
6	Phase 2-HR intern	1	18.9.2019	15.3.2020	6	Training need analysis	144333
7	Phase 2-Finance interns	2	1.11.2019	Continuing	6	Accounting, tally, bond issuance,ALM	250000
8	Phase 3-Batch 1	15	2.3.2020	Continuing	3	Project scheduling, civil works ,transportation, quality assurance	362910
		55	Total				5103383

Period after 31.3.2020 was not considered for calculation of stipend.

Audit noticed that continuance of inters beyond the internship period of three months and the fixation of their remuneration were without the sanction of the Government.

Joint Fund Manager replied that as per Section 6A(c) of the KIIF (Amendment) Act, 2016, Board has the powers to regulate its own procedures and as per Section 6A(j), Board has the powers to disburse all expenses relating to the administration of the Fund including travel, interest on borrowings, fees, professional charges and other expenses. It was also replied that Section 6A(q) empowers the Board to do all acts necessary for and incidental to the carrying out of the function entrusted or delegated to it.

Reply furnished is not acceptable. As per Section 10(4) of the Act the method of appointment, salary and allowances and other conditions of service of officers

and the staff appointed under subsection (1) of the Act be as specified by the Govt. from time to time. While prescribing the staff frame work of KIIFB vide GO (Ms) No. 77/2017/Fin dated 14.2.2017 post of interns were not been prescribed therin. Though the Act permits KIIFB to do all acts necessary for and incidental to the carrying out of the function entrusted or delegated to it, the ceration of posts, appointment, salaries and other conditions of service etc., are exclusively reserved for the Government to decide.

Hence the Payment of stipend amounting to ₹ 51. 03 lakh without Government sanction is irregular.

IX. Setting up of integrated Data Centre for KSFE Pravasi Chitty – Idling of hardware costing ₹ 90 lakh and non-supply of a Diesel Generator.

In November 2016 KIIFB resolved to assosciate itself with KSFE for availing the funds from the proposed NRI chitty being set up by the KSFE. In November 2017 KSFE entrusted works relating to establishing and implementation of NRI Chitty software platform, setting up of Technological components of the IT applications and other IT infrastructure along with data connectivity, communication and documentation to M/s C-DIT. In December 2017 the Technology Roadmap and Infrastructure committee approved the IT components and other technical infrastructure requirements for the implementation of the NRI chitty scheme was prepared by C-DIT. Detailed technical and financial proposal for the establishment and implementation of chitty and IT infrastructure was submitted by C-DIT in March 2018 . The proposal included setting up of an Integrated Data Centre and procurement of 60KVA Diesel Generator exclusively for the Data Centre.

The work of setting up an Integrated Data Centre on the 6th floor of KSRTC bus terminal building (owned by KTDFC), Thampanoor, Thiruvananthapuram was awarded to M/s. Techpool Consultancy Services Pvt. Ltd for ₹ 90,37,787/-. As per Invoice dated 24.12.2018 items such as 42U Network Rack, Biometric Access Control, 32 port IP KVM switch, 40 KVA modular UPS systems, etc., were supplied and works such as installation and commissioning of integrated data centre and electrical work for the installation commissioning of data centre were done by

M/s. Techpool Consultancy Services Pvt. Ltd. As the racks and UPS installed in Data Centre could not be put to use due to lack of electrical power at site KIIFB disengaged C-DIT and at present KSFE is directly handling the services in Pravasi Virtual Branch and they were asked to provide the electrical supply through KSEB and redundancy through generator.

Due to changes in the design and plan, the power requirements of the KSFE contact centre, Data centre and virtual branch was found to be more than 100 KVA (150 KW) which was more than the total power allotted (90 KW) by KTDFC. Considering the future electrical load requirements, it was decided to install a 160 kVA Diesel Generator and a purchase order was placed with BHEL Electrical Machines Ltd.in May 2019. An advance of ₹8,68,000/-, being 50 per cent of the purchase cost was released to BHEL Electrical Machines Ltd and the set was to be delivered within 2 to 3 months of date of order. In November 2019 BHEL informed C-DIT that due to non-availability of working capital and until the takeover of the company by the Government of Kerala is completed it would not be able to deliver the DG set. Accordingly KIIFB cancelled the procurement order.

Audit noticed that:

- Due to non-availability of electrical power at site, equipment purchased/installed at a cost of ₹90,37,787/- could not be put into use even after 19 months from its supply/ installation.
- Warranty period of Smart racks costing ₹60.18 lakh expired on 24.11.2019 and this has not been installed due to lack of electric power at site.
- DG set has not been supplied by BHEL Electrical machines Ltd. nor has it been obtained from any other source till date. KIIFB has not taken any action to make alternate arrangements.
- Advance paid to BHEL Electrical Machines Ltd amounting to ₹8.68 lakh remains blocked up.
- No permission for installation of DG set was obtained from the building owner.

Failure in estimating the power requirements of the centre, ensuring the availability of electrical power at site, and non-supply of 160 KVA DG set had affected the functioning of Data Centre and has led to idling of Modular UPS and Smart Rack costing ₹ 90,37,787/- for more than 19 months from its supply/ installation.

KIIFB replied that in the case of noninstallation of hardware, the racks and UPS installed in Data Centre of KSFE Pravasi Chitty through M/s C-DIT could not be put to use due to lack of electrical power at site. The Pravasi Chitty Implementation Committee had taken up the matter of providing electrical connection several times with C-DIT. But, those did not prove fruitful. KSFE was directly handling the services in Pravasi Virtual Branch and they were asked to provide the electrical supply through KSEB and redundancy through generator.

The reply is not acceptable since neither KIIFB nor KSFE took any proactive steps to make available the power supply on war footing. The KIIFB which claims to be comprised of high powered officials in the top echelons of the Government and which claims to achieve high standards of efficiency in it performance could have brought the issue to notice of the Chief Minister (Chair person of KIIFB) himself and sovled the issue instead of dragging it for more than 19 months from the installation of the equpments.

PART II B

OTHER IMPORTANT IRREGULARITIES

I. Discrepancies in recording of Fixed Deposits in the records.

On a scrutiny of the Fixed Deposits of KIIFB for the years 2017-18 and 2018-19, following discrepancies were noticed: -

a) As per the confirmation received from the banks, total Fixed Deposits as on 31.03.2018 was ₹834.40 crore whereas the same was shown as ₹841.03 crore in the Balance Sheet on that date resulting excess accounting of fixed deposits amounting to ₹6.63 crore. However, in the Balance Sheet as at 31.03.2019, the FDs of 2017-18 (previous year) was shown as ₹829.43 crore with a short accounting of ₹4.97 crore.

b) Total interest accrued on six FDs as on 31.03.2018 was Rs.6.63 crore, whereas it was not accounted as Accrued Interest in the Balance Sheet. While regrouping/classification of the previous year figures in the Balance Sheet as at 31.03.2019, Accrued Interest was wrongly shown as ₹11.60 crore instead of ₹6.63 crore.

The discrepancies in recording and depicting the fixed deposits was asked to be verified and reconciled and the justification for such wrong depiction was called for.

As per reply of KIIFB the difference is due to interest accrued and TDS recovered from interest accrued which has been wrongly classified in the Accounts.

Necessary corrections may be made in the accounts.

II. Raising of Rupee Denominated Bonds– Excess payments made to third parties

The 31st Board meeting held on 30.11.2017 considered an agenda for issue of Rupee Denominated Bonds (masala bonds) and accorded sanction for the same. Quotes were invited and the following agencies were selected to act as parties for the issue.

Sl No.	Work Description	Agencies
1	Lead Managers	Axis bank, Standard Chartered Bank
2	International Rating Agencies	S&P Global Ratings, Fitch Ratings
3	Trustee	HSBC
4	International Legal Counsel	DLA Piper
5	Domestic Legal Counsel	Cyril Amarchand Mangaldas (CAM)

₹2150 crore were raised by listing the bonds at Singapore Stock Exchange and London Stock Exchange.

Following differences were noticed while comparing the payments made vis-à-vis the quotes submitted by the third parties.

a) Excess amount being paid to International agencies over and above the quoted amount by KIIFB

Table showing Excess amount being paid to International(foreign) agencies

(in US $)

Sl No.	Agencies which carried out the work	Work Description	Quoted amount	Paid amount	Excess Amount paid over and above the Quote amount
1	DLA Piper	International Legal Counsel	188200	200503.11	12303.11
2	HSBC	Trustee	8500	12500	4000
	Total		**196700**	**213003.11**	**16303.11**

KIIFB paid an amount of USD 16303.11 to International agencies over and above the quoted amount towards issuance of Masala Bond by KIIFB

The reply furnished by KIIFB that the excess expenditure was due to the extra work undertaken by DLA piper in relation to negotiations with the anchor investor is not in order as the scope of RFP should have been accepted only after considering all the aspect of the issue. About HSBC, KIIFB replied that all the payments made to the agency were as per the accepted quote. The reply is not acceptable as it is evident that KIIFB had paid USD 12,500 against the quoted amount of USD 8,500 thereby incurring an excess expenditure of USD 4,000.

b) Excess amount being paid to Domestic agency over and above the quoted amount by KIIFB

Table showing excess amount being paid to domestic (Indian) agency

(in ₹)

Sl No.	Agencies which carried out the work	Work Description	Quoted amount	Paid amount	Excess Amount paid over and above the Quote amount
1	CAM Cyril Amarchand Mangaldas	Domestic Legal counsel	1375000	2139408	764408

KIIFB paid an amount of ₹ 7,64,408 to the Domestic Legal counsel (CAM) over and above the quoted amount towards issuance of Masala Bond by KIIFB. In reply to audit enquiry, KIIFB replied that the additional fee was paid for the supplemental work that CAM did in connection with issuance of Masala Bond. The reply is not acceptable

c) Excess amount being paid to agencies outside the scope of Request for Proposal (RFP)

KIIFB had incurred an additional expenditure of ₹ 37,078.84 outside the scope of RFP for issuance of Masala Bonds as shown in the Table below:

Table showing amount being paid to agencies outside the scope of Request for proposal (RFP)

Sl No.	Agencies which carried out the work	Work Description	Paid amount
1	Canadian wrap	Professional service fee	7064.14
2	Norton Rose Fulbright	Legal Counsel of Trustee	20000
3	TSMP	Singapore listing agent	10014.70
	Total		**37078.84**

Payments that had to be made outside the scope of RFP shows that the scope was not properly considered in detail by the KIIFB which resulted in the additional expenditure.

III. Usage of vehicles in violation of guidelines

Government have issued orders vide G.O.(MS) No.113/2003/Fin dated 24-02-2003 and GO.No.41/2008/Fin dated 2-08-2008 regarding the usage of vehicles in Government Departments, Public Sector Undertakings, Local/Autonomous Bodies, etc., having any control by Government. The following are some of the important instructions contained in the above GOs:

1. All vehicles are intended to be used only for bonafide official purpose within the state including tours of officers who are entitled to use special conveyance and claim higher road mileage.

2. Controlling Officer/Officer performing the journey would be personally responsible to enter the details of places of visit and purpose of journey in the log book before commencement of the journey.

3. Government vehicles should not be used for commuting officials between office and residence. However, exemptions in this regard had been granted to Principal Secretaries/Secretaries, HODs and Private Secretaries to the Ministers.

4. If any vehicle was found misused for any purpose other than those specified above and also by officers other than those specified above shall attract stringent disciplinary action including recovery of 50% of the cost of fuel consumed during a month (month with maximum consumption of fuel) from the Controlling Officer/Officer found using the vehicle.

Again, vide GO No.66/2018/Fin dated 17.04.2018, as part of austerity measures, govt. have directed to lease vehicles instead of buying vehicles and that the cost of leased vehicle should not be above ₹14 lakh.

On a scrutiny of the details furnished, it was seen that fourteen Light Motor Vehicles (Car) and one Bus (Autolab) were placed at the disposal of KIIFB. Out of the above, Autolab and one LMV (Bolero - KL-01-CN-8601) are owned by KIIFB while the remaining 13 LMVs were hired vehicles. Four vehicles were placed at the disposal of Tahsildars in charge of Land Acquisition units of KIIFB at Thiruvananthapuram, Alappuzha, Malappuram and Kannur. Remaining vehicles

were allotted for other purposes including to divisional heads and they were made responsible for the proper use of the vehicles under their control. Following observations were made by audit regarding hiring and usage of vehicles in KIIFB.

a. As per the orders issued by Government, no officer other than Principal Secretaries/Secretaries, HODs, Private Secretaries to the Ministers were permitted to use Government vehicle to commute between office and residence. However, a scrutiny of log book of vehicles revealed that the following officers, viz. Joint Fund Manager, Additional Secretary, etc. who do not come under the above category were using official vehicle for personal use and to commute between their residence and office. This is in contravention of the directions issued by Government.

Sl. No.	Name of Officer	Designation	Places commuted
1.	Annie Jula Thomas	Joint Fund Manager (Additional Secretary)	Mudavanmugal – Medical College – RCC
2.	S.J.Vijayadas	Chief Project Examiner	Edapazhinji
3.	George Thomas K	Addl. Secretary	Nalanchira – Benedict Nagar
4.	Shyla P.A.	Addl. Secretary	Pettah

Orders issued by the government again says that if any vehicle was found misused for any purpose other than those specified in the above orders, (i.e. for bonafide official purpose) and also by officers other than those specified above shall attract stringent disciplinary action including recovery of 50% of the cost of fuel consumed during a month (month with maximum consumption of fuel) from the Controlling Officer/Officer found using the vehicle.

b. The vehicles were hired for a monthly rent at a flat rate for the first 2000 kms. After 2000 kms, they were charged extra on per km basis. Log book of eight vehicles that was hired between May 2019 and June 2020 were test checked by audit for a continuous running period of 6 months selected on a random basis. Utilisation of vehicles during that period is given in the following table.

Sl. No.	Register No.	Vehicle	Monthly rate as per agreement		Actual monthly utilisation			Excess (+)/under (-) utilisation In kms	Remarks
			Kms.	Rent ₹	Month/ year	Kms covered	Rent Paid ₹		
1.	KL-22-K-7823	Toyota Innova Crysta	2000	50500	01-2020	1145	50500	(-)855	The car clocked less than 1210 kms in 4 selected months
					02-2020	2264	54460	(+)264	
					03-2020	1210	50500	(-)790	
					04-2020	710	50500	(-)1290	
					05-2020	812	50500	(-)1188	
					06-2020	2831	62965	(+)831	
2.	KL-22-K-9548	Toyota Innova Crysta	2000	50500	07-2019	1294	50500	(-)706	Never ran 2000 kms or above. Crossed 1400 kms only once
					08-2019	1266	50500	(-)734	
					09-2019	1054	50500	(-)946	
					10-2019	1398	50500	(-)602	
					11-2019	1338	50500	(-)662	
					12-2019	1961	50500	(-)39	
3.	KL-22-J-4867	Toyota Etios GD	2000	31000	07-2019	2008	31096	(+)8	The car clocked less than 1400 kms in 5 selected months
					08-2019	1115	31000	(-)885	
					09-2019	962	31000	(-)1038	
					10-2019	1304	31000	(-)696	
					11-2019	1062	31000	(-)938	
					12-2019	1364	31000	(-)636	
4.	KL-22-J-7690	Toyota Etios GD	2000	31000	01-2020	1918	31000	(-)82	Never ran 2000 kms or above. Crossed 1500 kms only thrice
					02-2020	1538	31000	(-)462	
					03-2020	1540	31000	(-)460	
					04-2020	737	31000	(-)1263	
					05-2020	1269	31000	(-)731	
					06-2020	1188	31000	(-)812	
5.	KL-21-N-4539	Toyota Etios GD	2000	31000	05-2019	1261	31000	(-)739	The car clocked more than 1000 kms only once
					06-2019	946	31000	(-)1054	
					07-2019	996	31000	(-)1004	
					08-2019	800	31000	(-)1200	
					09-2019	709	31000	(-)1291	
					10-2019	895	31000	(-)1105	
6.	KL-01-CD-2008	Hyundai Elantra	2000	40000	01-2020	1016	40000	(-)984	The car clocked more than 1000 kms only twice.
					02-2020	398	40000	(-)1602	
					03-2020	971	40000	(-)1029	
					04-2020	230	40000	(-)1770	
					05-2020	635	40000	(-)1365	
					06-2020	1021	40000	(-)979	
7.	KL-59-K-9855	Bolero	2000	41000	10-2019	5357	86320	(+)3357	
					11-2019	3411	60049	(+)1411	
					12-2019	2526	48101	(+)526	
					01-2020	2610	49235	(+)610	
					02-2020	4238	71213	(+)2238	
					03-2020	3854	66029	(+)1854	
8.	KL-01-CM-400	Bolero	2000	41000	09-2019	3781	65044	(+)1781	
					10-2019	5299	85537	(+)3299	
					11-2019	3967	67555	(+)1967	
					12-2019	4230	72320	(+)2230	
					01-2020	4278	71753	(+)2278	
					02-2020	4431	73819	(+)2431	

From the above, it can be seen that except vehicles shown at sl.no. 7 & 8, all others were underutilised, the average of which comes to only around 1200 kms

per month against which KIIFB was paying at a flat rate for 2000 kms/month. Further, test check of log book showed that majority of the running of these vehicles were utilised for plying between office and residence of officers and not for any official purpose. This is against the government order as the vehicles were intended to be used only for bonafide official purpose. If the vehicles were used only for official purposes according to the instructions contained in the above instructions, hiring of minimum three vehicles could have been avoided, thereby avoiding an expenditure of ₹0.93 lakh (₹31000X 3 vehicles) per month from May 2019 to June 2020. Total avoidable expenditure comes to ₹13.95 lakh (₹31000 X 3 Vehicles X 15 months) from May 2019.

c. Through GO No.66/2018/Fin dated 17.04.2018, govt. had directed to lease vehicles instead of buying vehicles and also directed that the cost of leased vehicle should not be above ₹14 lakh. It was seen that vehicles costing more than ₹14 lakh such as Toyota Innova Crysta 2.4G(BS IV) were being leased by KIIFB.

d. Controlling Officer/Officer performing the journey would be personally responsible to enter the details of places of visit and purpose of journey in the log book before commencement of the journey. Scrutiny of log books revealed that officials performing journey were not recording the details of visit and purpose of journey in the log book. Trip sheet was being recorded as 'official duty/local trip' in general and it shows only a vague idea of the places visited in some of the log books.

In response to the above, KIIFB furnished the following reply.

The Head of Divisions were provided vehicles to accomplish their official works efficiently, considering the magnitude of responsibilities entrusted to them. Clause 9(iii) (c) of G.O.(Ms) No. 113/2003/Fin dated 24.02.2003 stipulates that Journeys performed when officers have to be picked up from their residence or dropped back in cases when they are required to attend meeting if the meetings have been convened at places outside their normal duty points or outside normal working hours can be treated as official. KIIFB replied that all the Division Heads had to work outside their normal working hours and they were called upon regularly to attend meetings with higher official or other scheduled meetings even prior to

the commencement of regular office in the morning and after the close of office hours. Hence, they were provided with pick up and drop facility.

KIIFB stated that it also made sure that the vehicles which were on lease were used within the minimum allotted kilometres, and that there was no wastage of public money. The Joint Fund Manager who had used the official vehicle for personal use, as observed in the Audit, had remitted the prescribed charges vide chalan no.7858/12-06-2020, chalan no.12863/17-06-2020 and chalan no.15089/17-06-2020.

KIIFB replied that as it is a statutory body under Finance Department with required powers to regulate its own procedures under the KIIF Act, it has issued its own Transportation Guidelines vide order No.FA-3/2564/2019/KIIFB dated 20-05-2020 for the effective and proper use of vehicles. As per that guidelines "the official vehicle may be permitted for conveyance of any staff member from/to residence if the situation warrants. The person using the vehicle should obtain specific written permission/order from the Division Head concerned for each such use."

Regarding the under usage of vehicles, KIIFB replied that the vehicles were allotted to different Heads of Divisions specifically for the official use of the person concerned because of the reason detailed above. The same vehicles were desirably used for the inspection purposes also. The usage of such vehicle was purely based on the nature of functions carried out by the officers concerned. Usage of those vehicles was restricted to the allowable distance slab would, in fact underscore the discipline and financial prudence adhered to by the HoDs and employees of KIIFB. It, however, did not mean that the number of vehicles could be cut down or pooled, as each vehicle serves a separate set of work requirements, for different divisions/officers. Trying to cut down on the number of vehicles or attempting any pooling of vehicles would be at the cost of efficiency and flexibility that should be a sine qua non for effective operations of KIIFB. Three Innova's hired by KIIFB were not only for the HODs but were also used for providing transportation facility for the officials of FTAC, for independent members of the Board etc.

The reply that the Heads of Divisions were required to reach office early and leave office at late hours in the day is not acceptable as on a scrutiny of log book, it was found that on almost all days the vehicles carrying the officers reached KIIFB between 09.00 and 10.00 AM and has left KIIFB between 5.00 and 6.00 PM.

Reply furnished by KIIFB that as per it's own transport guidelines the official vehicle was permitted for conveyance of any staff member from/to residence if the situation warrants is not tenable as it has been instructed by the Finance (Inspection NT-F) department vide circular no. 41/2008/Fin dated 02.08.2008 that except for Prl. Secretaries/Secretaries, Heads of important departments, Private Secretaries of Ministers, government vehicles cannot be used for transporting government official between office and residence. As payments for hiring vehicles are being met from public account, it may be clarified whether orders issued by government in this regard were considered while preparing transport guidelines.

Usage of these vehicles was restricted to the allowable distance slab would in fact underscore the discipline and financial prudence adhered to by the HoDs and employees of KIIFB is not acceptable as optimum usage with optimum number of vehicles can be considered as better financial prudence than under usage with excess number of vehicles.

The reply that cutting down on the number of vehicles or attempting any pooling of vehicles (due to under usage) would be at the cost of efficiency and flexibility and it that would be a sine qua non for effective operations of KIIFB is not acceptable as it can be seen from the log books that these vehicles (except Boleros) predominantly plied within or around Trivandrum city and were used for limited time in a day as is evident from the log book and distance covered in a month. The argument that the three Innova's hired by KIIFB were used not only for the HODs but were also used for providing transportation facility for the officials of FTAC, for independent members of the Board, etc., is also not acceptable as the FTAC meeting is conducted only twice in a year and this cannot be considered as an argument for hiring a vehicle for a longer period. Moreover, hiring of Innova Crysta, which costs more than ₹14 lakh is a violation of GO No.66/2018/Fin dated 17.04.2018. The claim that the Joint Fund Manager has remitted the charges for personal use of official vehicle could not be verified by audit as the reply to the enquiry was furnished after conclusion of audit and supporting documents were not attached.

As per the orders issued by government regarding curbing of misuse of vehicles of government (GO(Ms) No. 113/2003/Fin dated 24.2.2003), the officer performing the journey would be personally responsible to enter the details of

places of visit and purpose of journey in the log book, before commencement of the journey. Scrutiny of log books reveal that the purpose of journey was either not noted or even if was noted, it was just noted as official or local trips. This being the case, the argument that vehicles were to accomplish the official works efficiently, considering the magnitude of responsibilities entrusted to the HODs is irregular.

IV. Procurement and transfer of equipment and vehicles to KHRI using KIIFB funds and lapse of budgetary allotment of KHRI

While inaugurating an exhibition of state-of-the art equipment, procured by KIIFB for inspection and quality monitoring purposes, Hon. Minister for Public Works department appreciated the efforts taken by KIIFB and desired KIIFB to guide Public Works Department (PWD)/Kerala Highway Research Institute (KHRI) to procure similar equipment as part of their capacity development. Subsequently, in a meeting attended by the Secretary (PWD) on 24.7.2018 to discuss technical issues, it was suggested that assistance be provided to procure lab equipment and to conduct quality management training for PWD/KHRI officials by KIIFB along with necessary support to equip the quality control labs under PWD as a part of institutional strengthening.

Besides the KHRI, there are three regional labs and 11 district labs functioning under the Chief Engineer (Design) of PWD. In a meeting held with KHRI officials and Chief Engineer (Design) on 21.08.2018, it was suggested to include KHRI in the list of network labs and to finalise the list of equipment needed along with areas of training which were to be provided. Chief Engineer (Design), in a letter to KIIFB dated 30.8.2018 stated that the Quality Control Labs and KHRI have only bare minimum tools and equipment required for quality testing and also stated that in order to cope up with the modern technological advancements, they required quality testing equipments. CE again stated that the district officers of the Quality Control labs have to collect samples and conduct surprise inspections. For this, the CE forwarded a list of equipment and vehicles[18] that were required for carrying field equipment and transport of inspection & testing personnel. Noting of Additional Secretary, Finance (Infrastructure) department on 1.10.2018 in the file

[18] Fourteen, 7 seater vehicle (Bolero or equivalent vehicle) for each QC regional and district labs

states that in a meeting held by her with the officials of KHRI and Kerala Road Fund Board (KRFB), CE informed that as the vehicles were meant for mounting heavy equipment for testing and to carry heavy loads of samples collected from sites such as bitumen mixes, cement, sand brick, solid blocks, concrete cubes etc., vehicle agencies were reluctant to provide vehicles and hence recommended purchase of Bolero. The official from the KHRI confirmed that out of the 14 districts, post of driver was available in eight districts and in the remaining districts, drivers could be deployed from districts where more than one post was available. Sanction was sought for procurement of vehicles on the condition that no post of driver would be created and that KHRI should deploy the drivers to the districts wherever posts of driver were not available. It was also proposed that the expenditure in that regard would be met from the centage charges eligible for KRFB from KIIFB. The 9th Executive Committee meeting held on 24.10.2018 approved the proposal for procuring lab equipment for KHRI and the JFM made a proposal to meet cost of vehicles from the centage charges due to KRFB. Accordingly, C-DIT was entrusted on 1.02.2019 to carry out the procurement.

Meanwhile, it was decided (19.01.2019) to transfer some of the large sized equipment (Field CBR, Core cutter, Accelerated Curing tank, Asphalt Content Test Apparatus and Automatic Traffic Counter) which were procured by KIIFB to KHRI for positioning the same at their labs. This decision was taken as KIIFB did not have the required space/facilities to place them and due to difficulty in handling them. It was decided that the same could be utilised both by KHRI and KIIFB. Out of this, four equipment (Field CBR-₹67,260, Core Cutter-₹173,460, Accelerated Curing Tank-₹60,180, Asphalt content tester-₹405,920) were transferred on 24.12.2019. These equipment were removed from the stock register of KIIFB.

KHRI revised the procurement plan by considering the actual needs of KHRI & QC labs and a modified list of equipment & vehicles was furnished on 5.7.2019. The specification with reference to the modified list was submitted on 26.7.2019. The estimate after making the revision came to ₹7.19 crore and this was approved by the CEO on 30.8.2019. Later, on 25.9.2019, KIIFB decided to procure one vehicle for Quality Management facilities for the use of Technical Resource Centre in KIIFB, thereby making the total number of vehicles to be procured as 15.

On 17.10.2019, C-DIT was directed to procure 15 vehicles (Bolero) for KIIFB. Accordingly, C-DIT floated tender for the procurement of the equipment and inspection vehicle to KHRI and QC labs. Vehicles were procured and registered on 14.2.2020. 14 vehicles were registered in the name of CEO, KRFB and one in the name of CEO, KIIFB. Of the 14 vehicles registered in the name of CEO, KRFB, 10 vehicles were allotted to the QC units and four[19] were kept with KRFB/KIIFB(TIW). An amount of ₹1.15 crore was released to C-DIT in this regard vide proceedings dated 14.02.2020. This included ₹97.66 lakh incurred for the purchase of 14 vehicles for KHRI which was to be recouped from the eligible centage charges of KRFB.

In a meeting held on 18.3.2020, KRFB requested to allot ₹35000 for each vehicle for fuel and salary of drivers. As per the guidelines for vehicle management approved by the CEO on 14.5.2020 and as per note dated 19.5.2020 regarding proposal of the deployment and management of vehicles procured for KRFB/QC wing of PWD, it was stated that the responsibility of quality control activities of various KIIFB works were entrusted to the QC wing of PWD. It was also stated that (i) a consolidated amount of ₹35000 would be given for each vehicle towards fuel and salary for driver, (ii) assurance that vehicle be made available during inspection of KIIFB officials and (iii) that the vehicles be used exclusively for KIIFB projects.

In this connection, following observations were made in audit.

a. As part of austerity measures, GoK, vide GO No.66/2018/Fin dated 17.04.2018 had issued orders directing government departments to avoid procurement of vehicles. By avoiding the budgetary allotment and using funds available with KIIFB, it was to be construed that this way of procurement was to bypass the government orders on austerity measures.

KIIFB replied that it decided to finance the machinery and equipment for meeting a specific objective required as part of proper execution of the KIIFB projects. On the basis of observations and information from the field, KIIFB assessed that lack of vehicles to transport personnel to sites to conduct quality inspections and tests

[19] Considering the non-uniform volume of work and the Quality audit functions carried out by QA cell of TRC for KRFB, it was decided that out of 14 vehicles, 10 would be allocated to PWD, QC wing and remaining four kept jointly by KRFB/KIIFB(TIW) for the time being.

were seriously hampering quality control during execution of projects. The need for vehicles was informally and formally raised by PWD officials engaged in KIIFB funded infrastructure projects.

The reply is not tenable since this way of procurement bypasses the GOs on austerity measures.

As per the request of CE(Design), 14 vehicles were procured through C-Dit. However, after procurement, on the plea that the volume of work is non-uniform and the Quality audit functions of QA cell of TRC, only 10 vehicles were transferred to the PWD. If only 10 vehicles were necessary, the need for purchasing 14 vehicles may be intimated. Had the necessity been analysed earlier, procurement of four vehicles could have been avoided.

KIIFB replied that as KRFB had not appointed an Independent Quality Audit (IQA) team for the projects, it was decided to entrust the activities of IQA to Quality Assurance (QA) cell in TRC for low value projects and M/s RITES for high value projects to ensure timely quality auditing of works. It also replied that KIIFB accorded approval for IQA in the 38th General Body meeting held on 21.01.2020. It stated that it was in the above background that four vehicles were retained by KIIFB for conducting audit of KRFB works by QA cell. It further stated that such a measure led to avoiding unnecessary expenditure. Had four vehicles were not retained temporarily for this purpose, vehicles would have had to be hired from external agencies. By utilising these four vehicles, hire charges were saved and once IQA activities were taken up by Quality wing of PWD/KRFB along with other quality control activities, those would be duly returned.

The contention that four vehicles were retained for QA cell as IQA was not appointed by KRFB may be reconsidered as KIIFB accorded approval for IQA on 21.01.2020 and the vehicles were registered on 14.2.2020. Moreover, retention of four vehicles would have saved hire charges may also be reconsidered as this has to be considered with the fact that three vehicles that were hired remained underutilised as stated in Para No. II B III (**Usage of vehicles in violation of guidelines)**. Hence, the purchase of vehicles in excess of requirement may be reconsidered.

b. In the meeting with the officials of KHRI and KRFB, official from the KHRI confirmed that out of the 14 districts, post of driver was available in eight districts and in the remaining districts, drivers could be deployed from districts where more

than one post is available. However, it was seen that a consolidated amount of ₹35000 was sanctioned for each vehicle towards fuel and salary for driver. It was sought for as to why this amount was sanctioned despite the assurance by KHRI officials that drivers would be deployed by them. The vehicles were registered in the name of CEO, KRFB. Expenses could be met from the centage charges for KRFB or from the 'POL' head of PWD. The necessity of meeting expenses for fuel from the borrowed amounts was called for. Avoidable expenditure for 10 vehicles in this regard comes to ₹3.5 lakh per month.

KIIFB replied that vide Note dated 25.06.2020, the recurring expenditure including the wages to drivers and fuel expenses has to be met by KRFB from the centage charges sanctioned to them and the approval of funds for the same would take some time. It was also stated that the amount would be deducted from the centage charges of KIIFB subsequently.

Further reply is awaited.

c. Government of Kerala vide GO(Ms) No.3/2000 dated 22.2.2000 have issued orders nominating C-DIT as a Total Solution Provider (TSP) for assisting Government departments in their computerisation efforts. It may be intimated whether C-DIT has been nominated as made a procurement agency for purchases other than that related to Information Technology. Government orders in this regard may be furnished to audit.

KIIFB replied that most of the equipment required by KHRI and KIIFB belonged to the genre of Non-Destructive (NDT) instruments and that they were mainly electronic and computer associated equipment like Electronic Density Gauge, Rebound Hammer, Ultrasonic Pulse Velocity Gauge, Electronic Distance Meters, Thermal scanner, etc. It was also replied that, procuring the same through multiple agencies based on finer classification of the equipment would have been inefficient and difficult to coordinate.

Reply is not tenable as the said order (GO No 3/2000) was regarding approval of Total Solution Providers including C-DIT for assisting govt. departments in their computerisation efforts. As the payment of all procurements would ultimately be borne by the state budget, KIIFB has to follow the rules of the State government including Store Purchase Rules. Further reply is awaited.

V. Appointment/absorption of Computer programmers for development of KSFE Pravasi chitty application

KIIFB had been involved in the application development and promotion of Pravasi Chitty of KSFE. The development of KSFE Pravasi Chitty Application was entrusted with the National Informatics Centre (NIC) and the Application was in operation since July 2018. NIC, Thiruvananthapuram has developed the Core Application for the Pravasi Chitty of KSFE and the project management was being done by KIIFB. On noticing the delay in payment of salary to the developers due to the processes involved in the NIC which attributed to the delay in programming of Core Application, it was decided in July 2019 by KIIFB to transfer credit three months salary of programmers to NIC in advance and on submission of UC, further advance was to be released. The decision was taken unilaterally by KIIFB without any request from NIC and an amount of ₹8,78,644/- (three months salary) was transfer credited to the bank account of NIC on 30-07-2019.

Some of the modules of the application remained in the developing phase and on completion of the same, the application was to be handed over to KSFE for complete operations.Thereafter the routine maintenance was to be taken care of by them. Hence, it was decided to form a team of developers with those involved in the development of Pravasi Chitty application, in KIIFB itself. Subsequently, NIC handed over (December 2019) the then development team of KSFE Pravasi Chitty to KIIFB. The team consisted of seven members on contract as proficient developers and salary offered to them were as follows.

Sl No	Name	Experience in years	Proposed Pay (in ₹)	Next Increment
1	Sruthy. S	1	26620	Apr-2020
2	Jeethu Mohan	1	26620	Mar-2020
3	Nikhil P.K	1	26620	Sep-2020
4	Anju D Raj	2	29240	Aug-2020
5	Christeena John	2	29240	Aug-2020
6	Varsha S Kumar	2	29240	Aug-2020
7	Raji P Nair	7	54450	Jan-2020

The aforementioned members were appointed through CMD w.e.f. 2-12-2019 and included in the Technical Resource Centre of KIIFB by CMD on request from JFM, KIIFB. Their salaries were fixed as proposed above from their date of joining and increments were also granted on the dates shown against each member which

was due in NIC. Increment sanctioned for Ms. Raji P Nair was in Level 4 @ ₹4950 and for the remaining members it was in Level 1 @ ₹2420 considering their experience in NIC.

With regard to the above, following observations were offered by audit for remarks:

a. Appointment/absorption of the above seven officials without following recruitment procedures for appointment of persons on contract basis was not in order.

b. As per G.O.(P) No.81/2019/Fin dated 9-07-2019 (applicable to Govt. institutions/grant-in-aid institutions/educational institutions) revising the payment for daily wage employees/contract appointments, the post of Computer Programmer with MTech/ME/BTech/BE/MCA/MSc-Computer Science Qualification is listed under Category IX and can draw a maximum monthly contract pay of ₹31,920. Fixing of pay for Ms. Raji P Nair at ₹54,450 is not justifiable. Fixation of pay against as pointed out above resulted in excess payment of ₹77,490 upto 31 March 2020 as detailed below.

Month	Amount Due (₹)	Amount Drawn (₹)	Excess paid (₹)
January	31920	54450	22530
February	31920	59400	27480
March	31920	59400	27480
Total	**95760**	**173250**	**77490**

If pay was fixed on the basis of any other guidelines/orders issued by Govt., that was requested to be furnished to Audit.

c. It was noticed that increments were also sanctioned to Ms. Raji P Nair in Level 4 @ ₹4950.

d. Payment of advance salary for three months without demand from NIC authorities and absorbing their contract staff in KIIFB with enhanced pay and increments were not in line with the government rules/provisions.

e. Selecting the programmers by KIIFB on its own and requesting CMD to make appointment in TRC under KIIFB resulted in avoidable payment to CMD on account of Centage charges and avoidable expenses towards GST.

KIIFB replied that it has not selected the seven developers and that they were selected by NIC, Thiruvananthapuram through NICSI. As NIC failed to deliver the project as per agreed timelines, for successful continuation of project management for KIIFB, the services of these developers were availed by KIIFB. The developers were paid salary on the basis of NICSI rates and when CMD had to take over these developers, the same rates of salary had to be maintained as their services were in continuation of their engagement. Increment was sanctioned on completion of one year in the same pay. Salary of Smt. Raji.P.Nair was not fixed by KIIFB but was paid on the basis of NICSI rates. Due to the unsatisfactory project management and delay in delivery of modules on the part of NIC, Thiruvananthapuram, the services of developers had to be availed.

The reply is not tenable as salary and increment are met from public fund. Further reply is awaited.

VI. Non-commencement of the Project

In the revised Budget speech 2016-17, Government had announced a project 'Creation of basic infrastructure facilities in Government Arts & Science Colleges and Government Engineering Colleges' by using funds from KIIFB. This was proposed to be implemented in 52 Govt. Arts & Science Colleges, seven engineering colleges and nine Polytechnics in the State. Administrative Sanction was accorded by the Higher Education Department entrusting Kerala Infrastructure and Technology for Education (KITE) as Special Purpose Vehicle (SPV) for execution of the project (G.O. (Ms) No. 284/2017/HED dt 10.11.17).

Sanction was accorded for funding the project 'Tranche 8 - HED 007 - 02 : Augmentation of infrastructural facilities at Government Colleges in Kozhikode and Kannur districts – Cluster Phase I'(Order No. HED 007-02-PA-01 dt 7.6.18).The project cost was limited to ₹34 Cr (@Rs. 8.5 Cr per college) in accordance with G.O.(Rt). No. 2249/2017/HEDN dt 12.12.17.

A tripartite agreement (No 23/2018) was executed amongst SPV (KITE), Higher Education Department and KIIFB on 18.5.2018. The project shall be completed within nine months, starting with tendering and award of work in the first month and inauguration of the project at the ninth month.

On the basis of a request from KITE that the organization had been overloaded with KIIFB works entrusted to them, the Administrative Department (Higher Education Dept.) vide G.O (Rt) No:33/2020/HEDN dt 6.1.2020, i.e. 18 months after payment of advance centage charges, decided to relieve KITE from the status of SPV in seven Arts and Science Colleges. Accordingly, the government changed the SPV of the seven Arts & Colleges (including the four Colleges listed under the project 'Tranche 8 - HED 007 - 02 : Augmentation of infrastructural facilities at Government Colleges in Kozhikode and Kannur districts – Cluster Phase I') from M/s KITE to M/s KITCO Ltd vide this G.O. It was also ordered that KITE shall transfer the works in all the seven colleges, along with all available documents after completing the bid evaluation process and obtaining Technical Sanction. KITCO shall complete the tender process as per norms and proceed with the award of work to the lowest bidder identified in the tender. KITCO shall be eligible for centage charges as per the norms of KIIFB.

In this regard, the following observations were made for remarks:

(a) The Project utilizing KIIFB funds amounting to₹34 Crore for which advance centage charges were paid in June 2018 could not be completed as of March 2020.

(b) The KIIFB had incurred gross amount of₹30,09,000 towards centage charges to KITE on 26.6.2018.

(c) As per the available records in Project portal, details of handing over of the Works to new SPV (KITCO) were not available, hence the present position of the project was called for by Audit.

In response to the above observations, KIIFB furnished the following reply.

The SPV had already prepared the DPR and the centage charge to KITE was released on the basis of 'Administration Sanction proposed cost'. Tender was floated by SPV on 31.7.2018 and the technical committee on 28.11.2018 proposed to retender as the single qualified bidder who quoted 20 *per cent* above estimate refused to reduce the quoted amount. The 9thBoard meeting of KITE authorised KITE to proceed for re-tendering and the tender was published on 2.3.2019. Even though the tendering process was almost completed, on the basis of a request from KITE, Government (General Education Department) decided to change the SPV.

KIIFB replied that most of the projects have been delayed due to the unprecedented events that happened in the State in the last two years and that cannot be considered as arising from any fault of SPV.

Tripartite agreement was executed between the SPV, the Administrative department and KIIFB on 18.5.2018. The tendering procedure was carried out and was almost completed. At that stage, the SPV backed out from the implementation of the project and work was entrusted to the new SPV on 6.1.2020.

The delay in completion of project and non information on the present status of the project was brought to notice for further remarks.

VII. Incorrect application of Exchange Rate resulted in an excess payment of ₹11,77,149 in connection with pravasi chitty

In connection with the launch of Pravasi Chitty in UAE, a proposal for media plan was submitted by M/s C-DIT on 26.05.2018 as shown below:

Sl. No.	Components	Amount (₹)
1	Radio/ TV/Press Advertisement	273,07,687.00
2	Digital promotion	17,25,000.00
3	PR Campaign	23,00,000.00
4(A)	Branding in Taxi Cars	51,10,312.50
4(B)	Branding in Trucks(Optional)	130,45,312.50
	Total	494,88,312.00
	GST @ 18%	89,07,896.16
	Grand Total	**5,83,96,208.00**

The above figure was arrived by C-DIT after applying exchange rate of ₹18.75/ Emirati Dirham (AED). There was no mention about Exchange Rate Variation (ERV) and no agreement was executed between C-DIT and KIIFB for execution of the above proposal. The proposal was placed before the 8th meeting of Executive Committee and 32nd General Body meeting of KIIFB. Both the Committee and Board approved the proposal except the optional component branding in Trucks. After omitting the Truck component, the proposal amount comes to ₹4,30,02,739. Considering the urgency in carrying out the promotional activities, C-DIT requested an advance payment ₹1.5 Crore plus GST. Accordingly advance amounts were released to C-DIT as shown below:

Date of payment	Description	Amount (₹)
7-06-2018	Advance Payment	7500000
20-06-2018	Advance Payment	7500000
	Total	15000000
	GST 18%	2700000
	Less TDS @ 10%	1500000
	Total Amount Paid	**16200000**

On completion of the above media activities under Phase I, C-DIT had submitted a detailed bill along with supporting vouchers to KIIFB on 1-09-2018. The Total Claim amounted to ₹1,99,43,716 (AED 10,06,242 X 19.82 exchange rate as on 26-09-2018) plus ₹35,89,869 (19943716 x 18%) as GST which worked out to Rs. 2,35,33,585. Total ₹2,30,62,913 after deducting ₹4,70,672 towards TDS was paid to C-DIT on 11-10-2018.

The actual due for payment worked with an Exchange Rate of ₹18.75 as per the proposal is ₹22263105 {₹1,88,67,038 (AED 10,06,242 X ₹18.75) + ₹33,96,067 GST 18% - ₹377341 TDS 2%}.

Incorrect application of Exchange Rate resulted in an excess payment of ₹1270480 (23533585-22263105). Excess payment amounting to Rs.1270480 beyond the terms of the offer of C-DIT is brought to notice.

No reply was furnished by KIIFB in this regard.

VIII. KSFE Pravasi Chitty Media Plan Phase II & Phase III – Excess payment due to delayed settlement of expenses - ₹37.63 lakh

a) Media Plan Phase II (UAE)

Pravasi Chitty Co-ordination Committee chaired by Hon'ble Minister for Finance decided on 31-10-2018 to continue the marketing activities in the media during the second phase of the KSFE Pravasi Chitty auction and to continue C-DIT as the media plan partner for the program till December 2018 or till KSFE was in position to execute the events directly through a new media partner. Accordingly, C-DIT vide letters dated 21-11-2018 & 24-11-2018 submitted the media plan proposal for ₹2,08,44,554.49 as detailed below:

Sl. No.	Particulars Phase II (UAE)	Cost (incl. GST) in INR
1	Customer meet (including Hotel Ballroom with 3 course buffet dinner for 500 pax at 5 star deluxe hotel Deira, Dubai)	5631846.55
2	Media campaigns (Radio campaigns)	13138571.66
3	Travel and Accommodation in UAE	262216.28
4	Hotel Ballroom with 3 course buffet dinner for additional 500 pax	1811920.00
	Total	**20844554.49**

On accepting the above proposal, an advance of ₹1,04,22,277 (50 %) was transfer credited to C-DIT on 26-11-2018 by KIIFB.

After that C-DIT vide letter dated 5-12-2018, submitted a request from Indian Association Sharjah, a leading NRI organisation in UAE for sponsorship participation in their Onam event (Nallonam 2018) being organised on 7th December 2018. The total cost of sponsorship including GST was ₹14,88,628.17. C-DIT requested to approve the cost estimate submitted by them and to release 100% advance. Though the proposal was put up on 10 December 2018, no formal approval was seen accorded by the CEO. However, the same was forwarded to the Technical Committee (TC) for comments on 13 December 2018. No action was taken by TC till 12-02-2019. KIIFB directed (26.3.2019) C-DIT to raise the corresponding invoices for payment.

Technical Committee evaluated the expenses in connection with the KSFE Pravasi Chitty media activities under Phase II (UAE Promotion) & Phase III (Europe Promotion) and as per its report submitted on 11/07/2019, the admitted total expense for Phase II (UAE) was ₹2,70,85,370.00 including expenditure of ₹11,52,731 towards 'Nallonam 2018' conducted by Indian Association Sharjah as detailed below:

Description Phase II (UAE)	AMOUNT (₹)
IVR Production	2,27,500.00
Travel	3,41,281.80
Customer Meet	63,14,491.00
Abu Dhabi Fest	2,26,547.16
Indian Association Sharjah expo	11,52,731.00

Media Campaign	1,18,79,452.00
Daily Hunt	7,25,000.00
Sub-Total	**2,08,67,002.96**
Service Charge (10%)	20,86,700.00
Total (Taxable Amount)	**2,29,53,703.00**
GST (18%)	41,31,667.00
Grant Total	**2,70,85,370.00**

The above amount was arrived at by the Technical Committee by considering an exchange rate of ₹19.06 per AED as on 11-07-2019. Since, the above activities were conducted in November-December 2018 and presuming the voucher was raised on 1st January 2019, the exchange rate should have been taken as ₹18.95 per AED (Exchange rate as on 1.1.2019). As C-DIT did not submit the original vouchers, the payable amount was worked out by the TC on the basis of a utilisation statement furnished by C-Dit.

b) Media Plan Phase III (Europe)

In connection with the Market opening ceremony relating issue of Rupee denominated bonds at London Stock Exchange on 17/05/2019 and the launch of Pravasi Chitty in London, necessary media campaign was conducted to create awareness among Keralites in Europe. The details of the Phase III (Europe) expenses approved by TC were as follows:

DESCRIPTION	Amount (₹)
Total expenses	2,37,21,664.00
Service Charges (10%)	23,72,166.40
Total (Taxable Amount)	**2,60,93,830.40**
GST (18%)	46,96,889.47
Total Payable	**3,07,90,719.87**

Original vouchers were not submitted by C-DIT and the TC stated that, since the transaction involved were of foreign exchange any amount that comes as savings/additional amount can be calculated only after settling the bills. The TC considered an exchange rate of ₹20.00 per AED and recommended a payment of ₹3,07,90,720 to C-DIT.

Total amount recommended by the TC for Phase II & III together are as shown below:

Phase	Amount (in ₹) (including GST)
Phase II	2,70,85,370.00
Phase III	3,07,90,720.00
Total	**5,78,76,090.00**

The above amount was approved and KIIFB transfer credited ₹3,45,07,926 to C-DIT vide proceedings dated 23-07-2019 as shown below:

Sl. No.	Particulars	Phase II	Phase III	TOTAL
A	Taxable Amount	2,08,67,003.00	2,37,21,664.00	4,45,88,667.00
B	GST @ 18%	37,56,061.00	42,69,900.00	80,25,960.00
C	**Sub Total 1**	**2,46,23,063.00**	**2,79,91,564.00**	**5,26,14,627.00**
D	Service Charge to C-DIT (at 10%)	20,86,700.00	23,72,166.00	44,58,867.00
E	GST @18% to Service Charge	3,75,606.00	4,26,990.00	8,02,596.00
F	**Sub-Total 2**	**24,62,306.00**	**27,99,156.00**	**52,61,463.00**
G	TDS @ 10% of Service Charges	2,08,670.00	2,37,217.00	4,45,887.00
H	**Grant Total (C+F)**	**2,70,85,370.00**	**3,07,90,720.00**	**5,78,76,090.00**
I	Actual Amount Payable (H - G)	2,68,76,700.00	3,05,53,503.00	5,74,30,203.00
J	Advance paid	1,04,22,277.00	1,25,00,000.00	2,29,22,277.00
	Balance amount to be paid (I - J)	**1,64,54,423.00**	**1,80,53,503.00**	**3,45,07,926.00**

The above payments were sanctioned subject to the condition that C-DIT should furnish the final invoices and utilisation statement of the entire fund received in that regard. Also, any amount received in excess due to fluctuation in foreign exchange rates should be remitted to KIIFB within 30 days after settlement of such claims.

With regard to the payments made above, Audit made the following observations for remarks.

a) The Technical Committee did not consider original vouchers and the payments were recommended on the basis of utilisation statements submitted by C-DIT.

KIIFB replied that the Technical Committee had recommended for payment in each activity based on the scrutiny of original bills and vouchers and evidence of activity and not based on the Utilization Statement of C-DIT as stated in the Audit Enquiry Note. The comparison of rates agreed upon was also made. All the supporting details to that effect were available in KIIFB.

Audit could not ensure the claim of KIIFB that all the supporting details to that effect were available in KIIFB as they were not made available for verification. Moreover, it was clearly mentioned in the proceedings (23-07-2019) sanctioning the amount that 'The above payments were sanctioned subject to the condition that C-DIT should furnish the final invoices and utilisation statement of the entire fund received in that regard'. Reply is not tenable as Audit has made the observation on the basis of files and records produced to audit. Further reply is awaited.

b) KIIFB had directed C-DIT to furnish final invoices and utilisation statement of the entire fund received in this regard on making the payment (23-07-2019). But, C-DIT had not submitted the same even after a lapse of one year (14-08-2020). Audit requested KIIFB to produce the Original vouchers/bills to audit.

KIIFB replied that directions were given to C-DIT to settle the accounts immediately.

The reply furnished by KIIFB that directions were given to C-DIT to settle the accounts contradicts the reply to (a) above that all the supporting details to this effect were available in KIIFB. Further reply is awaited.

c) It was observed that the activities for Phase II concluded in December 2018. Hence, the exchange rate (ER) should have been applied at the rate of ₹18.95, i.e., the rate as on 1st January 2019. The exchange rate considered by the TC for Phase II was ₹19.06 per AED (11-07-2019). Incorrect adoption of exchange rate resulted in excess payment to C-DIT to the tune of ₹1,19,391.20.

d) Similarly, as the activities in Phase III commenced in May 2019 and concluded in June 2019, the exchange rate should have been applied at the rate of ₹18.81, i.e.

the rate as on 1st July 2019. But, the exchange rate considered by the Technical Committee for Phase III was ₹20.00 per AED. Excess payment made to C-DIT on account of incorrect application of exchange rate worked out to ₹18,17,933.

In response to (c) and (d) above, KIIFB replied that the exchange rates would not be same at the time of advance payments and at the time of final payment and hence adoption of the same rates of exchange would neither be possible nor fair to either of the parties involved.

Reply furnished by KIIFB is not acceptable as KIIFB failed to enter into an agreement (as projected through (c) above) with the C-DIT for transactions involving foreign currency and exchange rates. Reply is not tenable as adoption of date for exchange rates is far later than the rate prevalent on the date of conduct of programme.

e) It was observed that the participation arranged by C-DIT in Onam programme organised by the Indian Association Sharjah on 7th December 2018 was without the approval from KIIFB. But it was seen that payment of ₹14,84,718 {₹11,52,731 + ₹2,07,492 (GST18%) + ₹1,15,273 (10% Service Charge) + ₹20,749 (18% GST on Service Charge) – ₹11,527 (10 % TDS on Service Charge)} was approved by KIIFB.

KIIFB replied that permission was granted by KIIFB to participate in the Onam Celebrations of Indian Association Sharjah for the promotion of Pravasi Chitty.

As permission granted by KIIFB in that regard was not produced to audit for verification, copy of the permission issued to C-DIT for participating in Onam Celebrations organised by the Indian Association Sharjah may be furnished.

f) Evidence of participation in the Onam programme viz. Exhibition KSFE-Pravasi Chitty logo, photographs of stall branding at the entrance of the expo centre, details of subscription obtained for Pravasi Chitty as offered were also not available in file. Documentary evidence in support of participation in the programme was called for by Audit.

KIIFB replied that all the documentary evidences were available in KIIFB on the promotion of Pravasi Chitty in the Onam Celebrations of Indian Association of Sharjah.

No evidences in this regard were produced during the course of audit. These documentary evidences may be produced.

g) Also, as per rules, when Boarding and Lodging were provided, only ¼ Daily Allowance was admissible. But it was noticed that Daily allowances as per normal rates were drawn by officials (of KIIFB) for whom boarding and lodging were provided by KIIFB. This may be reviewed and excess Daily Allowance paid in this account to all officials may be regularised under intimation to Audit.

In response KIIFB replied that though accommodation and travel were arranged by KIIFB, their food and incidental expenses were not arranged by KIIFB and hence they were paid very reasonably for the same by KIIFB.

As payment in this regard are met from the public fund, relevant orders that permit permitting DA at full rate may be furnished to audit.

h) It is also observed that the bills and vouchers involving huge payments to C-DIT was scrutinised by a two member Technical Committee constituted by KIIFB. The Committee comprised of Shri. George Thomas K, Additional Secretary (Inspection Authority), KIIFB and Shri. Manoj Kumar K, Former Additional Director, Public Relations Department. It was further noticed that Shri. Manoj Kumar K was also working as a consultant in C-DIT. As the Technical Committee was entrusted with the scrutiny of bills and vouchers submitted by C-DIT, clarification was sought for as to how Shri. Manoj Kumar K, who was also working as a consultant in C-DIT was included in the Technical committee.

KIIFB replied that it has taken Sri.Manoj Kumar K as the member in the Technical committee for evaluation of media activity considering his reputation and experience in the media activity as Additional Director of Public Relations Department. Had audit found any irregularity in the media activity, then the statement in audit has some meaning.

Reply furnished is not acceptable as Audit has pointed out the fact that Sri Manoj Kumar.K was working as consultant in C-DIT at the time of induction into the Technical committee and that the same Technical Committee was entrusted with the scrutiny of bills and vouchers submitted by C-DIT. This, in turn, resulted in as many discrepancies/deficiencies pointed out from paragraphs a to h.

IX. Delayed submission of mandatory report on Masala Bond to RBI – Penalty paid ₹1,00,000/-

As per the Foreign Exchange Management Act, 1999, all institutions resorting to external commercial borrowings are required to submit a report of actual transactions of External Commercial Borrowings (ECB) in form ECB2 within 7 working days from the close of the month through the designated Authorised Dealer to the Director, Department of Statistics and Information Management (DSIM), Balance of Payments Statistics Division, Reserve Bank of India, C-8/9, Bandra-Kurla Complex, Bandra (East), Mumbai-400 051. If there is no transaction during a particular period, a 'Nil' Return should be submitted. Any borrower, who is otherwise in compliance of ECB guidelines, can regularize the delay in reporting of drawdown of ECB proceeds before obtaining Loan Registration Number or delay in submission of Form ECB 2 returns, by payment of late submission fees as per the rates mentioned in the Circular.

KIIFB has availed ₹2150 Crore by way of Masala Bond in March 2019. ECB2 Certificates due on 7th April 2019 & 7th May 2019 was submitted only on 7th June 2019. Due to delay in submission, KIIFB was forced to pay ₹1,00,000 as penalty on 7-06-2019 to the Reserve Bank of India.

Audit noticed that KIIFB committed delay in submission of ECB2 statement resulting in avoidable payment of penalty of one lakh rupees.

KIIFB replied that it was unaware of such statutory compliances and depended completely on the advice of Authorised Dealer (AD) bank. It accepted that the AD bank did not clue KIIFB at the right time and hence had to pay one lakh rupees as penalty to RBI. But, it is not forthcoming from the reply as to why KIIFB should pay the penalty for the negligence on the part of Authorised Dealer bank.

Further reply is awaited.

X. Preparation of various manuals for KIIFB– reg.

As part of streamlining KIIFB, it was decided in the meeting on 13.11.2017 to review the activities of CMD for KIIFB to prepare detailed organisation structure (indicating levels, communication co-ordination and reporting pattern), job profile and key result areas of officers at various levels. On 15.11.2017, CMD forwarded a proposal for preparation of various manuals that were expected to help KIIFB in

conducting its business smoothly. A total of nine volumes of manuals were proposed covering the following areas.

1. KIIFB Organisation Structure
2. Process integration Scheme
3. Project Appraisal
4. Project Implementation Monitoring
5. Administration Procedures
6. Inspection Authority Guidelines & Procedures
7. FTAC Supporting Documentation & Process
8. Institutional Finance & Fund Management
9. Revenue Realization Framework for projects

CMD estimated that the preparation of manuals could be completed in six months and that they would charge ₹40 lakh plus GST as professional fee in this regard.

On 5.1.2018, proceedings were issued entrusting CMD with the work of preparation of manuals for KIIFB for a professional fee of ₹25.00 lakh. As per the payment schedule, ₹10.00 lakh was to be paid on approving the proposal for preparation of manuals, ₹5.00 lakh on submission of three draft manuals, ₹5.00 lakh on submission of next six draft manuals and ₹5.00 lakh on submission of final manuals. It was noticed that the first instalment of ₹10.00 lakh was paid to CMD on 09.01.2018 and ₹0.80 lakh on 12.3.2018 after deducting ₹1.00 lakh towards TDS. Again, second instalment of ₹5.40 lakh was transfer credited to the bank account of CMD vide proceedings dated 26-10-2018 after deducting ₹0.50 towards TDS. Total payment to CMD including TDS till 31-03-2020 was ₹17.70lakh. (₹10 lakh+ ₹0.80 lakh + ₹1.00 lakh (TDS) + ₹5.40 lakh + ₹ 0.50 lakh (TDS)).

Audit noticed the following:

a) Even though not on the basis of any demand from KIIFB, CMD had proposed to complete the preparation of manuals in six months from the start. Advance of ₹10.00 lakh was paid on 5.1.2018 and only one manual has been completed till date, i.e. even after a lapse of 29 months, the work has not been completed.
b) KIIFB has paid total ₹17.70 lakh CMD by October 2018. This much amount has been unnecessarily held up with CMD for 19 months.

KIIFB replied that various draft volumes were at different stages of discussions and because of the increasing workload of a funding organisation like KIIFB, that appraise/monitor projects worth ₹75000 plus crores, the finalisation of the vetting process got prolonged. It stated that four volumes would be placed in the Board meeting scheduled for 30.06.2020. In response to observation (b), KIIFB stated that amount proportionate to work done by CMD had been released.

Further progress in completion of preparation of manuals is awaited.

XI. Non-adherence to provisions contained in Employment Exchanges (Compulsory Notification of Vacancies) Act 1959

According to Rule 4 of Employment Exchanges (Compulsory Notification of Vacancies) Rules, 1960 read with Section 4 of Employment Exchange (Compulsory Notification of Vacancies) Act, 1959 (CNV Act), the vacancies in an establishment as defined in the act shall be notified in writing to the appropriate Employment Exchange in the prescribed proforma furnishing as many details as practicable in respect of each type of vacancy. Rule 6 (read with Section 5 of the Act) stipulates that an employer shall furnish to the local employment exchange quarterly returns in form ER-I within 30 days of the due dates, viz., 31 March, 30 June, 30 September and 31 December and biennial returns in form ER-II within 30 days of the due date as notified in the Official Gazette.

Government vide Circular No.39483/G2/87/LBR dated 5.1.1988 and No.25941/G2/2013/LBR dated 5/2/2014 have issued directions to all heads of departments/chief executives of Government establishments/ undertakings/boards/companies/corporations stating that service of employment exchanges should invariably be utilized for filling up vacancies coming outside the purview of the Public Service Commission as per the provisions of the Act. Circular no. 25941/G2/2013/LBR dated 5.2.2014 also state that the Heads of Departments/Chief Executives will personally be held responsible for ensuring strict compliance with the statutory requirements in that regard.

KIIFB is a statutory Board under the Finance department, Government of Kerala. Audit noticed that KIIFB is making appointments on contract basis through CMD and is not making any appointments through the Public Service Commission.

KIIFB replied that KIIFB is sourcing professional services through M/s CMD and that M/s CMD follows their own procedures for screening and selection. It was also replied that instructions have been issued to CMD for strict compliance of the provisions of the CNV Act while supplying professional services to KIIFB.

Further reply in regard to the compliance of the CNV Act is awaited.

XII. Delay in execution of revenue generating projects

Provisions contained in the Kerala Infrastructure Investment Fund (Amendment) Act, 2016 (Act) entrusts the KIIFB to undertake various infrastructure activities in the state.

As part of implementing various infrastructure activities, KIIFB has undertaken 28 no.s of projects which are revenue generating in nature, e.g., Kerala Fibre Optic Network, Transgrid, Setting up of petro chemical park, etc.

Following observations were made by Audit on the basis of work status furnished by KIIFB as on 31.3.2019.

a) The work on the sub-project, Transgrid 2.0-GIS Package-II-Upgradation of 110 KV Substation to 220 KV gas insulated Substation (POW002-15) with a capital outlay of ₹224.82 crore was approved by KIIFB and tripartite agreement executed on 14.06.2018. The work in which KSEB is the SPV was expected to be completed by 31.05.2020. It was noticed that ₹50.41 crore was paid and only 51.46 per cent was completed.

KIIFB replied that work has been halted since 25.3.2020 due to covid lockdown. It stated that the work had restarted and efforts were being taken to complete the projects by September 2020.

Reply may be reconsidered as only 51.46 per cent progress could be achieved by 31.3.2020. Reason for slow progress was not furnished to audit. Progress of completion may be intimated to audit.

b) Work on the sub-project, Transgrid 2.0-400KV GIS at Kottayam (POW002-08) which is expected to be completed by 2021 is progressing at a very slow pace (zero per cent completion) even though ₹20.72 crore has been paid.

KIIFB replied that the proposed land for the substation was purchased for an amount of ₹20.72 crore. It stated that the e-tender was invited by the SPV on 18.2.2019 and the work was awarded on 02.04.2020. It also stated that the contractor could commence the site activities only on 26.06.2020.

Reply furnished by KIIFB is silent as to whether the work could be completed by 2021. Neither does it speak of the reason for delay in award of work.

Further reply is awaited.

c) K-FON (ITD002-01), for which KSITIL is the SPV was sanctioned on 9.3.2019 is expected to be completed by July 2021. Even though ₹53.94 crore out of a capital outlay of ₹1061.73 crore has been paid, only 11 per cent has been completed.

KIIFB replied that the System Integrator (M/s BEL) could not begin civil works at NOC, as the identified location at Cherthala did not get permission from SEZ authorities and the NOC location was changed to InfoPark, Kochi. It stated that the work at that location was progressing and was expected to be completed by August 2020. It also stated that the fiber laying started in January 2020 and the work, that had to be suspended due to lockdown has resumed partially. More than 2800 kms of cable has been been laid.

The reply furnished by KIIFB that the civil works could not be started at the identified location at Cherthala due to non-receipt of permission from SEZ authorities indicates that the planning of KIIFB in implementation of a major project costing more than ₹ One thousand crore was weak to that extent.

d) KSITIL is being entrusted with the work 'IT parks- First building at technocity (ITD001-03)'. ₹43.36 crore out of a total outlay of ₹100 crore has been paid and the work is proposed to be completed by August 2020. However, with only 5 months remaining from March 2020, only 65 per cent of the work has been completed.

KIIFB replied that the work awarded during the GST transition period and consequent delay in payment occurred due to GST clarifications that affected project execution part. KIIFB stated that MEP works viz., electrical, HVAC, Fire protection/FAS, IBMS, lifts, etc., are pending and the contractor had committed to deliver major capital equipment by end of July 2020. It also stated that once the capital equipment was delivered, there would be steady progress in work.

In the reply furnished in August 2020, it is not stated whether the major capital equipment was delivered in July 2020. The reason quoted by KIIFB that work was awarded during GST transition period and this affected project execution is not tenable since the work was extended four times.Moreover, only 65 per cent was completed as on 30.3.2020 and KIIFB could not furnish the revised date of completion.

On an analysis of data furnished by KIIFB, it can be seen that none of the revenue generating projects are expected to be completed within the expected date of completion. So, further replies are awaited.

XIII. Payment of rent for a building not occupied by KIIFB

An implementation group headed by the Chief Secretary, in its meeting held on 19.05.2015 accorded sanction to hire an appropriate building within the city limits to accommodate KIIFB. Accordingly, KIIFB sub-hired 4000 sq.ft in 3rd and 4th floors of a building ('India heights' at Vazhuthacaud, Trivandrum) which was already hired by Additional Skill Acquisition Program (ASAP). An MoU was signed on 26.2.2016 for a period of three years and it was seen that KIIFB had paid rent and electricity charges to ASAP from 20.6.2015 and wastage charges from 1.1.2016 onwards. KIIFB replied that even though the MoU was signed on 26.2.2016, it had occupied the building from 20.6.2015 and hence the rent was paid for that period.

On a further scrutiny of files relating to payment of rent, it was found that in anticipation of expansion of staff strength and as that office was not sufficient to accommodate new sections, it decided to shift the office from that location. Accordingly, quotations were invited for providing new office space for KIIFB (Quotation was not produced to audit). Three[20] quotations were received and Felicity Square being L1 was selected by the KIIFB. A lease agreement was entered into between Mrs. Mariamma Varkey (Lessor) and KIIFB (Lessee) on 13th March 2017. KIIFB was allowed to occupy the 2nd floor of Felicity square, a multi storied commercial building situated at M.G Road, Trivandrum admeasuring 6040 sq. ft. area for a period of 9 years. Rent for the first three years i.e., from 13/03/2017 to 12/03/2020 was fixed as Rs.2,32,540 per month.

---

[20] (i) KSRTC bus terminal – 4465.40 sq.ft @ ₹43.73/sq.ft + maintenance charge = ₹48.10/sq.ft
(ii) Felicity square – 6200 sq.ft @ ₹38.5/sq.ft + maintenance charge = ₹44/sq.ft
(iii) Artech Meenakshi plaza – 3600 sq.ft@ ₹48/sq.ft + maintenance charge = ₹51/sq.ft

Quotes were invited for the modification works of the new office space of KIIFB at the 2nd floor of Felicity square on 13.10.2017 and sanction was accorded to entrust the modification work of 2nd floor of Felicity Square to Uralungal Labour Contract Co-operative Society Ltd (ULCCS) being L1, vide Order No.FA-2/25/2017/KIIFB dated 15.12.2017. An agreement was executed with ULCCS on 15.12.2017 with period of completion of work of two months from the date of handing over of site.

Later, KIIFB vacated the 4th floor of India Heights building (Old Building) on 14.02.2018 i.e. 11 months after the date from which the rent payment of Felicity Square (new building- ie 2nd floor of Felicity building) started. On 30.8.2018, KIIFB vacated the 3rd floor of India Heights building. But rent was seen paid till June 2018.

The rent paid by KIIFB during the period from July 2017 to June 2018 was as detailed below.

Month	Share of rent paid to ASAP (₹)	Remarks
July 2017	174070	
August 2017	174091	
September 2017	171286	
October 2017	172553	
November 2017	172832	
December 2017	171982	
January 2018	173187	
February 2018	129687	KIIFB vacated 4th floor on 14.02.2018
March 2018	87891	
April 2018	86699	
May 2018	87042	
June 2018	86198	
TOTAL	1687518	

Following observations are made in this regard.

Audit observes that KIIFB was in possession of 2nd floor of Felicity square from 13.3.2017 onwards. Had prompt action been taken for modification of this

floor in March 2017, the building could have been occupied latest by July 2017 (Considering time for processing of papers and two months for completion of work). Even though 6040 sq.ft was hired at Felicity square, KIIFB kept on paying rent for 4000 sq.ft in India heights till June 2018. Thus, lack of proper planning in hiring of building resulted in avoidable payment of rent from July 2017 to June 2018 amounting to ₹ 16,87,518.

Reply is awaited from KIIFB.

XIV. Avoidable payment of Penalty due to delayed payment of Guarantee Commission – ₹6.98 lakh

As per section 9(1) of the KIIF Amendment Act 2016, the Government shall guarantee the payment of principal and interest of any fund proposed to be raised by the Board under section 8. It says that the Board may, from time to time, with the previous sanction of the Government and subject to such conditions as the Government may by general or special order determine, borrow any sum required for the purposes. As per section 5 of the Kerala ceiling on Government Guarantees act, 2003, "The Government shall charge a minimum of 0.75 per cent per annum as guarantee commission, which shall not be waived under any circumstances".

GoK have accorded sanctions to provide unconditional and irrevocable Government Guarantee for the repayment of principal and payment of interest availed by KIIFB from various sources. As per the conditions stipulated in Government sanctions, the government guarantee due should be paid in 2 equal instalments, one in 1st April and the other in 1st October of Financial Year. Simple Interest at 12% will be charged for the defaulted payment from 1st April and 1st October respectively.

As of 31 March 2018, KIIFB has availed ₹100.80 crore as loan from NABARD @9.30% interest on Government Guarantee. The Guarantee Commission due to government as of 1st April 2018 was ₹75,60,000/- and the same was not remitted to the Government till 6-01-2019. Due to this, KIIFB paid a penalty of ₹6.98 lakh (@12% for₹75,60,000) for the delay of 281 days.

KIIFB replied that care would be taken in future to remit such commissions or dues to Government to avoid any adverse accounting entry in the books of KIIFB.

XV. Non-settlement of advances paid to contractors/suppliers resulting in a loss of interest to the tune of ₹21,31,120

Scrutiny of advances outstanding as on 31 March 2020, revealed that an amount of ₹6,02,40,825 was recorded as closing balance as shown below:

Sl. No.	Particulars	Balance Amount of Advance (in ₹)
1	Advance	10,000
2	Advance to Ashique Ali	15,000
3	Advance to Jobin John Philip	10,000
4	Advance KSIE	16,16,452
5	Advance Resmi R Pillai	15,000
6	Advance TA	17,000
7	Advance to C-DIT	5,34,53,813
8	Advance to CMD	5,97,000
9	Advance to IIIC	27,26,000
10	Advance to Kerala State IT Mission	6,69,560
11	Advance to ULCCS	11,10,000
12	Akhil G Nair	4,000
13	Onam Advance	-3,000
	Total	**6,02,40,825**

From the above total amount of ₹60240825, an amount of ₹68000 was paid to staff members of KIIFB. Hence, the outstanding amount in respect of advances paid to contractors as on 31-03-2020 is ₹6,01,72,825.

In this connection, the following observations were offered for specific remarks:

a. As KIIFB is implementing developmental projects of the departments under the Government of Kerala from borrowed capital at an interest rate ranging from 7.5 per cent to 9.75 per cent, justification for granting of huge advances to contractors/suppliers/service providers without interest.

b. It was noticed that C-DIT, a Total Service Provider was engaged for the implementation of KSFE Pravasi Chitty. Technical components and the customisation of applications required for KSFE Pravasi Chitty were provided by C-DIT by engaging sub-contract. Since, KIIFB received a lot of complaints from the vendors engaged by C-DIT regarding non-receipt of payments for more than a year and has resulted in considerable delay in delivery of modules by the vendors, KIIFB disengaged C-DIT from all its contract engagements vide letter

No.AS/3235/2019/KIIFB dated 25-01-2020. Reason for non-settling of outstanding advance amount of ₹5,34,53,813 even after a lapse of seven months from termination of contract was called for.

c. Further scrutiny revealed that granting of non-interest bearing advances to suppliers/contractors from borrowed capital (at an average interest rate of 8.5 per cent) and its non-adjustment resulted in a loss of interest to the tune of ₹21,31,120 (₹6,01,72,825 * 8.5 *5/12) to the exchequer as on 1-08-2020.

Reply was not furnished by KIIFB.

XVI. Delayed/non-settlement of advances by regular/contract employees

Article 99 of Kerala Financial Code, Volume I allows work advances/temporary advances to be paid for meeting contingent expenditure of specified kind or on a special occasion. It also states that the advance should be adjusted by detailed bills as soon as possible. The Govt. of Kerala, vide G.O(P) 419/11/Fin dated 4.10.2011 has issued the following directions regarding settlement of advances drawn.

(i) A time limit of three months is fixed for the presentation of final bill.

(ii) In cases where the adjustment bill was not submitted within the prescribed time, the entire amount of advance may be recovered in one lump immediately on the expiry of such time limit. Interest at the rate of 18 per cent would be charged on the entire amount of advance from the date of drawal to the date of recovery of the amount.

On a scrutiny of data furnished by KIIFB, it is seen that, as on 31.3.2020, 38 advance payments drawn were not settled within the prescribed period of three months.

Audit noticed that TIW drew an advance of ₹75000 on 29.08.2018, of which ₹65000 was settled on 12.12.2018, i.e. after expiry of three months and ₹5000 was settled on 10.01.2019. ₹ 5000 still remains un-settled even after a lapse of almost 18 months. Again, advances drawn by two contract employees, Sri. Akhil.G.Nair (₹4000) on 27.03.2019 and Sri. Ashique Ali (₹15,000) on 4.12.2019, remained outstanding as on 31.3.2020.

As per Government directions, if the adjustment bill was not submitted within the prescribed time (3 months), the entire amount of advance may be recovered in one lump immediately on the expiry of such time limit. Interest at the rate of 18 per cent was to be charged on the entire amount of advance from the date of drawal to the date of recovery of the amount. Action taken in implementation of these instructions was called for by audit.

In the case of ₹5000 (drawn on 29.08.2018) pointed out as outstanding against TIW, KIIFB replied that this was settled during April 2019. It also replied that the advance amounts of ₹4000 sanctioned to Sri Akhil.G.Nair on 27.3.2019 and ₹15000 sanctioned to Sri Ashique Ali on 4.12.2019 were settled on 14.08.2020.

However, the reply furnished by KIIFB is silent about the interest charged while settling these advances. The reply is also silent about the interest charged in respect of the other cases.

Further reply is awaited.

PART III

Findings of outstanding paras from previous inspection reports

-NIL-

PART IV

Best practices

The institution is still in the expansion stage. Audit appreciates the electronic file management system implemented by KIIFB towards being a paper less office.

PART V

Acknowledgement

Audit acknowledges the co-operation extended by the CEO and the staff for the smooth conduct of audit.

Sr. Audit Officer

Annexures

Annexure I

(Refer para IIA III)

Excess pay drawn by Shri S J Vijayadas , CPE for the period from November 2017 to March 2020

Month	Pay drawn (Rs)	Pay due(Rs)	DA admissible-15% (Rs)	Total (Rs)	Excess drawn (Rs)
Nov-17	192333	85000	12750	97750	94583
Dec-17	230000	85000	12750	97750	132250
Jan-18	230000	85000	12750	97750	132250
Feb-18	230000	85000	12750	97750	132250
Mar-18	230000	85000	12750	97750	132250
Apr-18	230000	85000	12750	97750	132250
May-18	230000	85000	12750	97750	132250
Jun-18	230000	85000	12750	97750	132250
Jul-18	230000	85000	12750	97750	132250
Aug-18	230000	85000	12750	97750	132250
Sep-18	230000	85000	12750	97750	132250
Oct-18	230000	85000	12750	97750	132250
Nov-18	230000	85000	12750	97750	132250
Dec-18	230000	85000	12750	97750	132250
Jan-19	253000	85000	12750	97750	155250
Feb-19	253000	85000	12750	97750	155250
Mar-19	253000	85000	12750	97750	155250
Apr-19	253000	85000	12750	97750	155250
May-19	253000	85000	12750	97750	155250
Jun-19	253000	85000	12750	97750	155250
Jul-19	253000	85000	12750	97750	155250
Aug-19	253000	85000	12750	97750	155250
Sep-19	253000	85000	12750	97750	155250
Oct-19	253000	85000	12750	97750	155250
Nov-19	253000	85000	12750	97750	155250
Dec-19	253000	85000	12750	97750	155250
Jan-20	276000	85000	12750	97750	178250
Feb-20	276000	85000	12750	97750	178250
Mar-20	276000	85000	12750	97750	178250
Total					**4211583**

Annexure II

(Refer para IIA IV)

Sl. No.	Name	Designation	Excess (₹)
1	Shahim S Shahul	Project Assistant	256284
2	Julin Elsa Varghese	Project Assistant	256284
3	Ajmal Salam	Project Assistant	209862
4	Shameema	Project Assistant	209862
5	Ajith C A	Project Assistant	209862
6	Lekshmi Raj	Asst Project Manager	144320
7	Chandran Chandresh	Asst Project Manager	144320
8	Nitish Krishnan	Asst Project Manager	965214
9	Mathew Francis	Asst Project Manager	1226988
10	Arun thomas	Sr Consultant	685280
11	Resmi R Pillai	Sr Consultant	685280
12	Jithin M S	Consultant	904036
13	Jithin Jose	Consultant	866858
14	Pramod Shankar	Consultant	432960
15	Smitha R Prasad	Consultant	144320
16	Deepa TV	Jr Consultant	140052
17	Eldho Paul	Inspection Assistant	239348
18	Abhijith S	Jr Consultant	56540
19	Rahul P S	Jr Consultant	37107
20	Akhila K Padman	Inspection Assistant	210388
21	Jobin John Philip	Inspection Assistant	190388
22	Sruthin Kumar M	Inspection Assistant	190388
23	Rahul V T	Inspection Assistant	190388
24	Nishanth S	Inspection Assistant	182914
25	Ajith P Ponnu	Inspection Assistant	182914
26	Mohammed Irshad R	Inspection Assistant	79680
27	Arun Kumar S	Inspection Assistant	71969
28	Anoop A V	Inspection Assistant	25495
29	Abhilash K ashok	Inspection Assistant	19925
30	Sanjeed Farhan C N	Inspection Assistant	13280
31	Sarath S Nair	Inspection Assistant	6640
32	Allen Mathew Chittooran	Inspection Assistant	23347
33	Arathy S	Project Coordinator	548662
34	Sajula G	Project Coordinator	63662
35	Gayathri U G	Project Assistant	23995
36	Neethu S Nair	Project Assistant	12216
37	Anjin Ajay	Transportation Engineer	72617
38	Sanal sunny	transportation Engineer	72617
39	Mohammed Yahiya R	Transportation Engineer	72617
40	Saleel K	Transportation Engineer	71117
41	shaz F	Transportation Engineer	70046

42	Ashique Ali	Transportation Engineer	65520
43	Lincy Susan Babu	Project Engineer	23995
44	Aravind AnilKumar	Project Engineer	23995
45	Jansu Ann Jose	Project Engineer	19925
46	Najeeh C Muhammad Ali	Project Engineer	18426
47	Vineeth V T	Project Engineer	17569
48	Ejas Ansari	Project Engineer	17569
49	Joseph Camron Culas	Project Engineer	16926
50	Neeraja M	Project Engineer	12216
51	Indhu P Nair	GIS Assistant	70888
52	Surya S R	GIS Assistant	70888
53	Bibin Hezekiel V	GIS Assistant	6560
54	Anoja B V	GIS Assistant	7477
55	Thaha Muhammed	Inspection Assistant	68068
56	Chichu Khader Muhammad	Inspection Assistant	92960
57	Sunil Kumar	General manager	2111220
		Grand Total	**12854244**

Annexure III

Para IIA - VII

A. Categorisation of Employees:

As per pay revision orders (G.O(P) No.7/2016/Fin dated 20.01.2016) :

Grade I	All Officers who draw an actual basic pay of Rs.50400 and above and Heads of Departments, Private Secretary to Ministers and All India Service Officers irrespective of the Pay drawn by them.
Grade II (a)	Officers with actual basic pay of Rs.42500 and above, but below Rs.50400
Grade II (b)	Officers with actual basic pay of Rs.27800 and above, but below Rs.42500. Non gazetted Officers, other Last Grade Servants when they accompany the Governor and Ministers will be treated as Grade II (b)
Grade III	Officers with actual basic pay of Rs.18000 and above, but below Rs.27800
Grade IV	Officers with actual basic pay below Rs.18000

As per KIIFB Manual:

Level	Group	Designations	Remarks
Level 1	Top Management	Chief Executive Officer, Deputy Managing Director	
Level 2	Senior Management	Executive Director, Chief General Manager, Chief Project Examiner, General Manager, Additional Secretary, Joint Fund Manager, Deputy General Manager, Assistant General Manager, Joint Secretary	Pay scale of Additional Secretary in Government is ₹89000-120000. Pay scale of Joint secretary in Government is ₹85000-117600.
Level 3	Middle Management	Senior Project Examiner, Project Manager, Deputy Fund Manager, Deputy/Under Secretary	Pay scale of Deputy Secretary in Government is ₹77400-115200. Pay scale of Under Secretary in

			Government is ₹45800-89000
Level 4	Junior Management	Section Officer Assistant Project Manager, Project Engineer, Project Consultant, Accounts and Administration Officer	Pay scale of Section officer in Government is 36600-79200
Level 5	Supporting Staffs	All employees not covered under Level 1 to 4	

B. Daily Allowance on Tour

As per G.O(P) No. 7/2016/Fin			Rates in KIIFB		
Grades	**Inside State (Rs.)**	**Outside State (Rs.)**	**Levels of Employees**	**Inside State (Rs.)**	**Outside State (Rs.)**
Grade I	400	550	Level 1	1000	1200
Grade II (a)	320	450	Level 2	900	1000
Grade II (b)	320	450	Level 3	600	700
Grade III	250	350	Level 4	400	500
Grade IV	250	350	Level 5	300	400

Rule 63 of KSR states that Daily allowance for halt on tour at an outstation would be calculated on the basis of the period of halt which would begin from the time the forward journey ends at the outstation and would end at the time the return or further journey commences.

The rate of daily allowance would be calculated as below:

1.	Halt upto six hours	Nil
2.	Halt exceeding six hours but not exceeding twelve hours	Half daily allowance
3.	Halt exceeding 12 hours but not exceeding twenty four hours	Full daily allowance
4.	Halt exceeding twenty four hours	One daily allowance for every 24 hours at the end of the halt, daily allowance will be calculated as indicated above.

C. Room Rent

As per G.O(P) No. 7/2016/Fin			Rates in KIIFB			
Grades	**New Delhi, Mumbai, Kolkata, Chennai (Rs.)**	**Other Cities/Towns outside State (Rs.)**	**Levels of Employees**	**Class X Cities**	**Class Y Cities**	**Class Z (Other Localities)**
Grade I	2000	1500	Level 1	7000	5000	4000
Grade II (a)	2000	1500	Level 2	5000	4000	3000
Grade II (b)	1600	1000	Level 3	4000	2500	2000
Grade III	1600	1000	Level 4	3500	2000	1500
Grade IV	1100	1000	Level 5	3000	1000	1000

Note: Class X, Class Y and Class Z Cities as notified by Government of India from time to time.

Current Classification: Class X cities- Hyderabad, Delhi, Ahmedabad, Bengaluru, Greater Mumbai, Pune, Chennai and Kolkata.

Class Y: Population between 5 lakh -50 lakh (Eg: Thiruvananthapuram, Cochin, Kozhikode, etc.)

Annexure IV

(Refer para II A VII)

Shri. Ajith P Ponnu., Inspection Assistant					
Date of Travel	**Place of visit**	**Drawn Amount**	**Eligible Amount**	**Excess Drawn**	**Audit observation**
01-10-2019	Pala	300	160	140	Halt for 7.30 hrs only
03-10-2019	Thiruvalla	300	160	140	Halt for 7hrs only
09-10-2019	Aluva	300	0	300	Halt less than 6 hrs
11-10-2019	Ernakulam	300	160	140	Halt for 9 hrs only
18-10-2019	Punalur	300	160	140	Halt for 7hrs only
23-10-2019	Putur	300	0	300	Halt less than 6 hrs
12-11-2019	Kalamassery	300	160	140	Halt for 8hrs only
Shri. Sreekumar K.J., Senior Project Examiner					
01-10-2019	Kottayam	600	200	400	Halt for 7 hrs only
03-10-2019	Alappuzha	600	200	400	Halt for 8 hrs only
10-10-2019	Tirur	600	200	400	Halt for 7 hrs only
24-10-2019	Kasaragod	600	200	400	Halt for 8 hrs only
Shri. Sruthikumar M., Inspection Assistant					
16-01-2019	Pathanamthitta	600	480	120	Halt for 30.30 hrs. 1.5 DA @320
06-02-2019	Oonnampalam	300	160	140	Halt 9.30hrs only
07-02-2019	Oonnampalam	300	160	140	Halt 9.30hrs only
09-02-2019	Oonnampalam	300	160	140	Halt 9.30hrs only
29-04-2019	Alappuzha	300	160	140	Halt 7.30hrs only
30-04-2019	Alappuzha	300	160	140	Halt 7.30hrs only
01-05-2019	Alappuzha	300	160	140	Halt 7.30hrs only
03-05-2019	Cherthala	300	160	140	Halt 7.30hrs only
05-05-2019	Cherthala	300	160	140	Halt 7.30hrs only
07-05-2019	Parippally	150	0	150	Halt less than 6 hrs
06-06-2019	Kollam	300	0	300	Halt less than 6 hrs
11-06-2019	Mangad	300	0	300	Halt less than 6 hrs
14-06-2019	Kollam	300	160	140	Halt 7.30hrs only
18-06-2019	Chengannur	300	160	140	Halt 7.30hrs only
20-06-2019	Adoor	300	0	300	Halt less than 6 hrs
21-06-2019	Kollam	300	160	140	Halt 7.30hrs only
Shri. Nishanth S., Inspection Assistant					
04-05-2019	Paripally	300	0	300	Halt less than 6 hrs. Controlling officer revised claim from 160 to 300
14-05-2019	Mancheri	300	160	140	Halt 7.30 hrs only
11-06-2019	Mangadu	300	0	300	Halt less than 6 hrs.
14-06-209	Kollam	300	160	140	Halt 7.30 hrs only
18-06-2019	Chengannoor	300	160	140	Halt 7.00 hrs only
20-06-2019	Adoor	300	0	140	Halt less than 6 hrs
22-06-2019	Alappuzha	300	160	140	Halt 7.30 hrs only
28-06-2019	Venjaramoodu	150	0	150	Halt less than 6 hrs
29-06-2019	Kozhencherry	300	160	140	Halt 7.30 hrs only
Shri. Jithin Jose., Inspection Assistant					
21-11-2018	Trivandrum	200	0	200	Halt less than 6hrs
22-11-2019	Trivandrum	200	0	200	Halt less than 6hrs

26-11-2019	Trivandrum	200	0	200	Halt less than 6hrs
04-12-2019	Thenmala	200	0	200	Halt less than 6hrs
10-12-2019	Parassala	200	0	200	Halt less than 6hrs
11-12-2019	Punalur	200	160	40	Halt for 6hrs only
12-12-2018	Ernakulam	400	320	80	Halt for 25.30hrs
Shri. Rahul V.T., Inspection Assistant					
07-12-2018	Pangode	300	160	140	Halt for 8.45hrs only
13-12-2018	Methuvinmel	300	160	140	Halt for 7.30hrs only
22-12-2018	Thalasserry	1800	1600	200	Claim revised by controlling officer
Shri. Tony Rajan Mathew, Inspection Assistant					
03-09-2018	Bangalore	2200	1800	400	4 DA @450
Shri. Mathew Francis C, Assistant Project Manager					
13-01-2018	Ernakulam	800	640	160	2 DA @320
08-04-2018	Ernakulam	800	640	160	2 DA @320
11-04-2018	Trivandrum	200	0	200	DA less than 6hrs
30-04-2018	Trivandrum	400	320	80	1 DA @320
Smt. Soorya S.R., GIS Assistant					
01-02-2019	Oonnampalam	300	160	140	Halt for 9.30hrs
02-02-2019	Oonnampalam	300	160	140	Halt for 9.30hrs
06-02-2019	Oonnampalam	300	160	140	Halt for 9.30hrs
07-02-2019	Oonnampalam	300	160	140	Halt for 9.30hrs
08-02-2019	Oonnampalam	300	160	140	Halt for 9.30hrs
09-02-2019	Oonnampalam	300	160	140	Halt for 9.30hrs
14-02-2019	Oonnampalam	300	160	140	Halt for 9.30hrs
Smt. Reshmi R Pillai, Sr. Consultant					
05-07-2019	Kozhikode	1800	960	840	Eligible for 3 DA @320
19-07-2019	Munnar	1800	960	840	Eligible for 3 DA @320
04-08-2019	Maneswar	5600	3150	2450	Eligible for 7 DA @450
Shri. Arun Thomas, Senior Consultant					
06-08-2019	Chavara	600	160	440	Halt for 7.30hrs only. Controlling officer revised claim from 300 to 600
08-08-2019	Calicut	1200	640	560	Halt for 38hrs only
29-08-2019	Chavara	600	160	440	Halt for 7.30hrs only. Controlling officer revised claim from 300 to 600
30-08-2019	Punalur	600	320	240	Halt for 13hrs only
Shri. Mohammed Irshad, Inspection Engineer					
16-10-2019	Kasaragod	750	600	150	Claim of 600 revised to 750 by controlling officer
29-10-2019	Pattimattam	750	600	150	Claim of 600 revised to 750 by controlling officer
Shri. Pramod Shankar, Consultant (General Civil Works)					
04-07-2019	Aluva	400	160	240	Halt for 7hrs only
16-07-2019	Kasaragode	400	160	240	Halt for 9hrs only
17-07-2019	Kannur	400	0	400	Halt less than 6hrs
23-07-2019	Konni	400	0	400	Halt less than 6hrs
26-07-2019	Kozhakootam	400	0	400	Halt less than 6hrs
27-07-2019	Idukki	400	0	400	Halt less than 6hrs
			Total	**18970**	

Annexure V

(Refer para IIA VII)

Shri. Thaha Muhammad Musthafa K.N., Inspection Assistant

Date of Travel	Place of visit	Drawn Amount (₹)	Eligible Amount (₹)	Excess Drawn(₹)	Remarks
11-06-2018 to 13-06-2018	Thalassery	2940.00	0	2940.00	As per KSR, no room rent admissible inside State
30-08-2018 to 3-09-2018	Bangalore	5600.00	4000.00	1600.00	As per KSR, Room rent admissible at Bangalore is ₹1000 per day
22-10-2018 to 24-10-2018	Idukki	1300.00	0	1300.00	As per KSR, no room rent admissible inside State
26-11-2018 to 28-11-2018	Kannur	1485.00	0	1485.00	
18-12-2018 to 19-12-2018	Wayanad	1026.00	0	1026.00	
24-01-2019 to 25-01-2019	Thrissur	330.00	0	330.00	
01-02-2019 to 02-02-2019	Kozhikkode	952.00	0	952.00	
13-02-2019 to 13-02-2019	Kozhikode	748.00	0	748.00	
13-02-2019 to 15-02-2019	Wayanad	2111.00	0	2111.00	
				12492.00	

Shri. Ajith P Ponnu., Inspection Assistant

Date of Travel	Place of visit	Drawn Amount (₹)	Eligible Amount (₹)	Excess Drawn (₹)	Audit observation
11-06-2018 to 13-06-2018	Thalassery	2940.00	0	2940.00	As per KSR, no room rent admissible inside State
30-08-2018 to 3-09-2018	Bangalore	5600.00	4000.00	1600.00	As per KSR, Room rent admissible at Bangalore is ₹1000 per day
14-09-2018 to 15-09-2018	Kozhikode	300.00	0	300.00	As per KSR, no room rent admissible inside State
22-10-2018 to 24-10-2018	Idukki	1300.00	0	1300.00	
26-11-2018 to 28-11-2018	Kannur	1485.00	0	1485.00	

18-12-2018 to 19-12-2018	Wayanad	1026.00	0	1026.00	
24-01-2019 to 25-01-2019	Thrissur	330.00	0	330.00	
13-02-2019 to 13-02-2019	Kozhikode	748.00	0	748.00	
13-02-2019 to 14-02-2019	Wayanad	700.00	0	700.00	
7-03-2019 to 8-03-2019	Kannur	1632.00	0	1632.00	
21-03-2019 to 22-03-2019	Idukki	560.00	0	560.00	
9-10-2019 to 10-10-2019	Malappuram	1000.00	0	1000.00	
10-10-2019 to 11-10-2019	Ernakulam	652.00	0	652.00	
30-10-2019 to 31-10-2019	Kannur	1000.00	0	1000.00	
31-10-2019 to 1-11-2019	Kannur	990.00	0	990.00	
				16263.00	

Shri. Jobin John Philip., Inspection Assistant

Date of Travel	Place of visit	Drawn Amount (₹)	Eligible Amount(₹)	Excess Drawn (₹)	Audit observation
11-06-2018 to 13-06-2018	Thalassery	2940.00	0	2940.00	As per KSR, no room rent admissible inside State
16-07-2018 to 18-07-2018	Bangalore	2990.00	2000.00	990.00	As per KSR, Room rent admissible at Bangalore is ₹1000 per day
30-08-2018 to 3-09-2018	Bangalore	5600.00	4000.00	1600.00	
14-09-2018 to 15-09-2018	Kozhikode	300.00	0	300.00	As per KSR, no room rent admissible inside State
4-12-2018 to 6-12-2018	Ernakulam	1900.00	0	1900.00	
4-12-2018 to 6-12-2018	Ernakulam	1900.00	0	1900.00	As per KSR, no room rent admissible inside State. **Bill of Mr. Pradeep Kumar, driver was paid by Shri. Jobin John Philip**

					can not be claimed in Shri. Jobin's TA bill
24-01-2019 to 25-01-2019	Thrissur	330.00	0	330.00	As per KSR, no room rent admissible inside State
6-03-2019 to 8-03-2019	Kannur	1632.00	0	1632.00	
				11592.00	

Shri. Sreekumar K.J., Senior Project Examiner

Date of Travel	Place of visit	Drawn Amount (₹)	Eligible Amount (₹)	Excess Drawn (₹)	Audit observation
13-02-2019 to 15.02.2019	Kozhikode	4480.00	0	4480.00	As per KSR, NO room rent is eligible inside State
27-02-2019 to 28-02-2019	Palakkad	2016.00	0	2016.00	
6-03-2019 to 6-03-2019	Kasaragod	300.00	0	300.00	
6-03-2019 to 7-03-2019	Kannur	2666.00	0	2666.00	
20-03-2019 to 21-03-2019	Iddukki	1643.00	0	1643.00	
22-10-2018 to 23-10-2018	Idukki	1100.00	0	1100.00	
18-12-2018 to 19-12-2018	Wayanad	1428.00	0	1428.00	
18-06-2019 to 19-06-2019	Kozhikode	1450.00	0	1450.00	
4-07-2019 to 5-07-2019	Malappuram	2296.00	0	2296.00	
16-07-2019 to 16-07-2019	Kasargod	900.00	0	900.00	
16-07-2019 to 17-07-2019	Kannur	2016.00	0	2016.00	
9-10-2019 to 10-10-2019	Malappuram	2000.00	0	2000.00	
10-10-2019 to 11-10-2019	Ernakulam	2260.00	0	2260.00	
24-10-2019 to 25-10-2019	Kozhikode	2300.00	0	2300.00	

				26855.00	

Shri. Sruthikumar M., Inspection Assistant

Date of Travel	Place of visit	Drawn Amount (₹)	Eligible Amount(₹)	Excess Drawn(₹)	Audit observation
16-07-2018 to 17-07-2018	Kasaragod	807.50	0	807.50	As per KSR, NO room rent is eligible inside State
17-7-2018 to 18-07-2018	Kozhikkode	1168.50	0	1168.50	
30-8-2018 to 3-09-2018	Bangalore	5600.00	4000.00	1600.00	As per KSR, Room rent admissible at Bangalore is ₹1000 per day
11-09-2018 to 12-08-2018	Palakkad	810.00	0	810.00	As per KSR, NO room rent is eligible inside State
30-10-2018 to 31-10-2018	Aluva	850.00	0	850.00	
7-11-2018 to 8-11-2018	Kozhikode	1011.00	0	1011.00	
19-11-2018 to 21-11-2018	Kozhikode	2907.00	0	2907.00	
16-01-2019 to 17-01-2019	Pathanamthitta	917.00	0	917.00	
12-02-2019 to 13-02-2019	Kozhikode	865.00	0	865.00	
13-02-2019 to 15-02-2019	Wayanad	1827.00	0	1827.00	
28-02-2019 to 8-03-2019	Kannur	5886.00	0	5886.00	
21-03-2019	Idukki	500.00	0	500.00	
22-03-2019	Idukki	560.00	0	560.000	
25-04-2019 to 26-04-2019	Ernakulam	589.00	0	589.00	
14-05-2019 to 14-05-2019	Perinthalmanna	475.00	0	475.00	
22-05-2019 to 25-05-2019	Ernakulam	2448.00	0	2448.00	
28-05-2019 to 30-05-2019	Ernakulam	3000.00	0	3000.00	As per KSR, No room rent is eligible inside State **Claim include room rent for Driver Pradeep Kumar**

30-05-2019 to 31-05-2019	Kothamangalam	1000.00	0	1000.00	
27-06-2019 to 27-06-2019	Kannur	1120.00	0	1120.00	
4-07-2019 to 5-07-2019	Malappuram	1126.00	0	1126.00	
5-07-2019 to 6-07-2019	Palakkad	1120.00	0	1120.00	
9-10-2019 to 10-10-2019	Malappuram	1000.00	0	1000.00	As per KSR, NO room rent is eligible inside State
10-10-2019 to 11-10-2019	Ernakulam	652.00	0	652.00	
16-10-2019 to 17-10-2019		442.00	0	442.00	
12-11-2019 to 13-11-2019	Kottayam	589.00	0	589.00	
21-11-2019 to 21-11-2019	Kozhikode	817.00	0	817.00	
27-12-2019 to 28-12-2019	Palakkad	687.00	0	687.00	
				34774.00	

Shri. Nishanth S., Inspection Assistant

Date of Travel	Place of visit	Drawn Amount	Eligible Amount	Excess Drawn	Audit observation
16-07-2018 to 17-07-2018	Kasaragod	807.50	0	807.50	As per KSR, NO room rent is eligible inside State
17-7-2018 to 18-07-2018	Kozhikkode	1168.50	0	1168.50	
30-08-2018 to 3-09-2018	Bangalore	5600.00	4000.00	1600.00	As per KSR, Room rent admissible at Bangalore is ₹1000 per day
11-09-2018 to 12-09-2018	Palakkad	810.00	0	810.00	As per KSR, NO room rent is eligible inside State
30-10-2018 to 31-10-2018	Aluva	850.00	0	850.00	
7-11-2018 to 8-11-2018	Kozhikkode	799.00	0	799.00	

16-01-2019 to 17-01-2019	Pathanamthitta	700.00	0	700.00	
14-05-2019 to 14-05-2019	Perinthalmanna	950.00	0	950.00	
4-07-2019 to 5-07-2019	Malappuram	1126.00	0	1126.00	
5-07-2019 to 6-07-2019	Palakkad	1120.00	0	1120.00	
16-07-2019 to 17-07-2019	Kannur	1752.00	0	1752.00	
				11683.00	

Shri. Subodh., Data Entry Operator

Date of Travel	Place of visit	Drawn Amount	Eligible Amount	Excess Drawn	Audit observation
30-08-2018 to 3-09-2018	Bangalore	₹5600.00	₹4000.00	₹1600.00	As per KSR, Room rent admissible at Bangalore is ₹1000 per day
				1600.00	

Shri. Arun M, Data Entry Operator

Date of Travel	Place of visit	Drawn Amount	Eligible Amount	Excess Drawn	Audit observation
30-08-2018 to 3-09-2018	Bangalore	₹5600.00	₹4000.00	₹1600.00	As per KSR, Room rent admissible at Bangalore is ₹1000 per day
				1600.00	

Shri. Ajmal Salam, Project Assistant

Date of Travel	Place of visit	Drawn Amount	Eligible Amount	Excess Drawn	Audit observation
30-08-2018 to 3-09-2018	Bangalore	5600.00	4000.00	1600.00	As per KSR, Room rent admissible at Bangalore is ₹1000 per day
				1600.00	

Shri. Jithin Jose., Inspection Assistant

Date of Travel	Place of visit	Drawn Amount	Eligible Amount	Excess Drawn	Audit observation
16-07-2018 to 17-07-2018	Kasaragod	1425.00	0	1425.00	As per KSR, NO room rent is eligible inside State
17-7-2018 to 18-07-2018	Kozhikkode	1856.00	0	1856.00	
30-8-2018 to 3-09-2018	Bangalore	10018.00	4000.00	6018.00	As per KSR, Room rent admissible at Bangalore is ₹1000 per day

11-09-2018 to 12-09-2018	Palakkad	1621.00	0	1621.00	
12-12-2018 to 13-12-2018	Ernakulam	2360.00	0	2360.00	
12-02-2019 to 13-02-2019	Calicut	1450.00	0	1450.00	
13-02-2019 to 15-02-2019	Calicut	4234.00	0	4324.00	
15-02-2019 to 16-02-2019	Thrissur	1277.00	0	1277.00	
28-02-2019 to 01-03-2019	Malappuram	4032.00	0	4032.00	
6-03-2019 to 6-03-2019	Kazargod	300.00	0	300.00	As per KSR, NO room rent is eligible inside State
6-03-2019 to 8-03-2019	Kannur	4780.00	0	4780.00	
20-03-2019 to 22-03-2019	Kottayam & Idukki	2100.00	0	2100.00	
28-3-2019 to 30-03-2019	Thrissur	4480.00	0	4480.00	
23-05-2019 to 25-05-2019	Ernakulam	4480.00	0	4480.00	
28-05-2019 to 30-05-2019	Ernakulam	4480.00	0	4480.00	
18-06-2019 to 18-06-2019	Kozhikode	1834.00	0	1834.00	As per KSR, NO room rent is eligible inside State. **Controlling officer added claims over and above the officials claim.**
4-07-2019 to 5-07-2019	Malappuram	2296.00	0	2296.00	
16-07-2019 to 17-07-2019	Kannur	2240.00	0	2240.00	
17-07-2019 to 18-07-2019	Aluva	2085.00	0	2085.00	As per KSR, NO room rent is eligible inside State
18-07-2019 to 19-07-2019	Munnar	1500.00	0	1500.00	

4-09-2019 to 5-09-2019	Palakkad	1839.00	0	1839.00	
3-09-2019 to 4-09-2019	Malappuram	2279.00	0	2279.00	
				59056.00	

Smt. Akhila K Padman, Inspection Assistant

Date of Travel	Place of visit	Drawn Amount	Eligible Amount	Excess Drawn	Audit observation
11-06-2018 to 13-06-2018	Thalassery	2940.00	0	2940.00	As per KSR, NO room rent is eligible inside State
30-08-2018 to 3-09-2018	Bangalore	4629.00	4000.00	629.00	As per KSR, Room rent admissible at Bangalore is ₹1000 per day
				3569.00	

Shri. Jithin M.S., Project Examiner

Date of Travel	Place of visit	Drawn Amount	Eligible Amount	Excess Drawn	Audit observation
30-08-2018 to 4-09-2018	Bangalore	13461.00	4000.00	9461.00	As per KSR, Room rent admissible at Bangalore is ₹1000 per day
20-09-2018 to 24-09-2018	Alappuza	1800.00	0	1800.00	As per KSR, NO room rent is eligible inside State
14-11-2018 to 15-11-2018	Thrissur	1615.00	0	1615.00	
15-11-2018 to 16-11-2018	Wayanad	2085.00	0	2085.00	
17-12-2018 to 20-12-2018	Kasargod	5712.00	0	5712.00	
30-01-2019 to 2-02-2019	Kozhikkode	9551.00	0	9551.00	
13-02-2019 to 15-02-2019	Wayanad	2784.00	0	2784.00	
27-02-2019 to 1-03-2019	Malappuram	4032.00	0	4032.00	
1-03-2019 to 2-03-2019	Ernakulam	2240.00	0	2240.00	
6-03-2019 to 8-03-2019	Kannur	5172.00	0	5172.00	

20-03-2019 to 21-03-2019	Idukki	1500.00	0	1500.00	
21-03-2019 to 22-03-2019	Idukki	600.00	0	600.00	
28-03-2019 to 30-03-2019	Ernakulam	4480.00	0	4480.00	
18-06-2019 to 19-06-2019	Kozhikode	2330.00	0	2330.00	
27-06-2019 to 28-06-2019	Kasargode	1162.00	0	1162.00	
28-06-2019 to 29-06-2019	Kozhikode	1450.00	0	1450.00	
4-07-2019 to 5-07-2019	Malappuram	2072.00	0	2072.00	
5-07-2019 to 6-07-2019	Kannur	1472.00	0	1472.00	
16-07-2019 to 17-07-2019	Kannur	2240.00	0	2240.00	
23-07-2019 to 25-07-2019	Pathanamthitta	3530.00	0	3530.00	
6-08-2019 to 8-08-2019	Kozhikode	4350.00	0	4350.00	
18-09-2019 to 20-09-2019	Malappuram	2268.00	0	2268.00	
				71906.00	

Shri. Rahul V.T., Inspection Assistant

Date of Travel	Place of visit	Drawn Amount	Eligible Amount	Excess Drawn	Audit observation
11-06-2018 to 13-06-2018	Thalassery	2940.00	0	2940.00	As per KSR, NO room rent is eligible inside State
10-07-2018 to 12-07-2018	Kozhikode	2726.00	0	2726.00	
16-07-2018 to 18-07-2018	Bangalore	2990.00	2000.00	990.00	As per KSR, Room rent admissible at Bangalore is ₹1000 per day
30-08-2018 to 4-09-2018	Bangalore	5600.00	4000.00	1600.00	

10-10-2018 to 10-10-2018	Thrissur	891.00	0	891.00	
10-10-2018 to 12-10-2018	Thalasserry	2272.00	0	2272.00	As per KSR, NO room rent is eligible inside State
17-12-2018 to 20-12-2018	Kasargode	5712.00	0	5712.00	
20-10-2019 to 21-10-2019	Bangalore	5511.00	1000.00	4511.00	As per KSR, Room rent admissible at Bangalore is ₹1000 per day
20-11-2019 to 21-11-2019	Kozhikode	2399.00	0	2399.00	
7-11-2019 to 8-11-2019	Kozhikode	799.00	0	799.00	As per KSR, NO room rent is eligible inside State
21-01-2019 to 23-01-2019	Kannur	2346.00	0	2346.00	
21-01-2019 to 23-01-2019	Kannur	1200.00	0	1200.00	As per KSR, NO room rent is eligible inside State. Claim of Driver Pradeep Kumar
23-01-2019 to 25-01-2019	Thalasserry	2346.00	0	2346.00	As per KSR, NO room rent is eligible inside State
24-01-2019 to 25-01-2019	Thalasserry	500.00	0	500.00	As per KSR, NO room rent is eligible inside State. Claim of Driver Pradeep Kumar
30-01-2019 to 31-01-2019	Kozhikode	2296.00	0	2296.00	As per KSR, NO room rent is eligible inside State
30-01-2019 to 31-01-2019	Kozhikode	1200.00	0	1200.00	As per KSR, NO room rent is eligible inside State. Claim of Driver Sheroy
12-02-2019 to 13-02-2019	Kozhikode	865.00	0	865.00	
13-02-2019 to 15-02-2019	Wayanad	2111.00	0	2111.00	As per KSR, NO room rent is eligible inside State
15-02-2019 to 16-02-2019	Thrissur	1137.00	0	1137.00	
28-02-2019 to 6-03-2019	Kannur	4299.00	0	4299.00	As per KSR, NO room rent is eligible inside State. Claim of Driver Pradeep Kumar
6-03-2019 to 8-03-2019	Kannur	1600.00	0	1600.00	

28-02-2019 to 8-03-2019	Kannur	5732.00	0	5732.00	
5-07-2019 to 6-07-2019	Kasaragod	756.00	0	756.00	As per KSR, NO room rent is eligible inside State
23-07-2019 to 25-07-2019	Pathanamthitta	2240.00	0	2240.00	
				53468.00	

Shri. Tony Rajan Mathew, Inspection Assistant

Date of Travel	Place of visit	Drawn Amount	Eligible Amount	Excess Drawn	Audit observation
30-08-2018 to 3-09-2018	Bangalore	5598.00	4000.00	1598.00	As per KSR, Room rent admissible at Bangalore is ₹1000 per day
				1598.00	

Shri. Chichu Khader Muhammed, Inspection Assistant

Date of Travel	Place of visit	Drawn Amount	Eligible Amount	Excess Drawn	Audit observation
1-02-2019 to 2-02-2019	Kozhikode	952.00	0	952.00	
13-02-2019 to 13-02-2019	Kozhikode	748.00	0	748.00	
13-02-2019 to 15-02-2019	Wayanad	2111.00	0	2111.00	
8-03-2019	Kannur	1632.00	0	1632.00	As per KSR, NO room rent is eligible inside State
21-03-2019 to 23-03-2019	Idukki	1160.00	0	1160.00	
16-07-2019 to 17-07-2019	Kannur	2000.00	0	2000.00	
28-07-2019 to 29-07-2019	Palakkad	1000.00	0	1000.00	
				9603.00	

Shri. Eldho Paul, Inspection Assistant

Date of Travel	Place of visit	Drawn Amount	Eligible Amount	Excess Drawn	Audit observation
11-06-2018 to 13-06-2018	Thalassery	2940.00	0	2940.00	
10-07-2018 to 12-07-2018	Kozhikode	2726.00	0	2726.00	As per KSR, NO room rent is eligible inside State

30-08-2018 to 3-09-2018	Bangalore	5600.00	4000.00	1600.00	As per KSR, Room rent admissible at Bangalore is ₹1000 per day
20-09-2018 to 24-09-2018	Kollam	2400.00	0	2400.00	As per KSR, NO room rent is eligible inside State
19-12-2018 to 20-12-2018	Mavelikkara	425.00	0	425.00	
27-02-2019 to 1-03-2019	Ernakulam	1904.00	0	1904.00	
24-05-2019 to 25-05-2019	Idukki	700.00	0	700.00	
12-06-2019 to 15-06-2019	Wayanad	2741.00	0	2741.00	
15-10-2019 to 16-10-2019	Ernakulam	1274.00	0	1274.00	
22-10-2019 to 25-10-2019	Kannur	2170.00	0	2170.00	
20-11-2019 to 22-11-2019	Shornur	306.00	0	306.00	
				19186.00	

Smt. Soorya S.R., GIS Assistant

Date of Travel	Place of visit	Drawn Amount	Eligible Amount	Excess Drawn	Audit observation
30-08-2018 to 3-09-2018	Bangalore	4629.00	4000.00	629.00	As per KSR, Room rent admissible at Bangalore is ₹1000 per day
28-02-2019 to 2-02-2019	Kannur	2866.00	0	2866.00	As per KSR, NO room rent is eligible inside State
11-04-2019 to 14-04-2019	Varkala	2965.00	0	2965.00	As per KSR, NO room rent is eligible inside State. Stay at Varkala ?
16-09-2019 to 17-09-2019	Thrissur	1905.00	0	1905.00	As per KSR, NO room rent is eligible inside State
				8365.00	

Smt. Indu P Nair, GIS Assistant

Date of Travel	Place of visit	Drawn Amount	Eligible Amount	Excess Drawn	Audit observation
30-08-2018 to 3-09-2018	Bangalore	4629.00	4000.00	629.00	As per KSR, Room rent admissible at Bangalore is ₹1000 per day

16-09-2019 to 17-09-2019	Thrissur	1905.00	0	1905.00	As per KSR, NO room rent is eligible inside State
				2534.00	

Smt. Reshmi R Pillai, Sr. Consultant

Date of Travel	Place of visit	Drawn Amount	Eligible Amount	Excess Drawn	Audit observation
28-02-2019 to 01-03-2019	Malappuram	2016.00	0	2016.00	As per KSR, No Room rent admissible inside state
20-03-2019 to 21-03-2019	Idukki	1500.00	0	1500.00	
28-03-2019 to 30-03-2019	Ernakulam	4480.00	0	4480.00	
28-05-2019 to 29-05-2019	Ernakulam	2275.00	0	2275.00	
20-06-2019 to 21-06-2019	Ernakulam	2240.00	0	2240.00	
3-07-2019 to 5-07-2019	Wayanad	4720.00	0	4720.00	
17-07-2019 to 19-07-2019	Munnar	2500.00	0	2500.00	
				19731.00	

Shri. Arun Thomas, Senior Consultant

Date of Travel	Place of visit	Drawn Amount	Eligible Amount	Excess Drawn	Audit observation
10-10-2018 to 12-10-2018	Thalasserry	2273.00	0	2273.00	As per KSR, No Room rent admissible inside state
19-12-2018 to 20-12-2018	Mavelikkara	1260.00	0	1260.00	
15-11-2018 to 16-11-2018	Wayanad	2085.00	0	2085.00	
7-05-2019 to 8-05-2019	Kannur	1568.00	0	1568.00	
8-05-2019 to 9-05-2019	Kozhikode	2330.00	0	2330.00	
16-05-2019 to 17-05-2019	Pathanamthitta	1150.00	0	1150.00	
18-06-2019 to 19-06-2019	Kozhikode	2330.00	0	2330.00	

16-07-2019 to 17-07-2019	Kannur	2934.00	0	2934.00	
16-07-2019 to 16-07-2019	Kasaragod	900.00	0	900.00	
7-08-2019 to 8-08-2019	Kozhikode	1510.00	0	1510.00	
20-08-2019 to 21-08-2019	Kannur	1499.00	0	1499.00	
				19839.00	

Shri. Mohammed Irshad, Inspection Engineer

Date of Travel	Place of visit	Drawn Amount	Eligible Amount	Excess Drawn	Audit observation
3-09-2019 to 5-09-2019	Kasargod	1800.00	0	1800.00	
5-09-2019 to 6-09-2019	Kannur	1883.00	0	1883.00	
25-09-2019	Adoor	400.00	0	400.00	
27-09-2019 to 28-09-2019	Thiruvalla	500.00	0	500.00	
16-10-2019 to 17-10-2019	Kasaragod	700.00	0	700.00	As per KSR, No Room rent admissible inside state
6-11-2019 to 8-11-2019	Kasaragod	1998.00	0	1998.00	
15-11-2019 to 16-11-2019	Wayanad	1780.00	0	1780.00	
20-11-2019 to 22-11-2019	Shornur	230.00	0	230.00	
				9291.00	

Shri. Pramod Shankar, Consultant (General Civil Works)

Date of Travel	Place of visit	Drawn Amount	Eligible Amount	Excess Drawn	Audit observation
9-05-2019 to 10-05-2019	Palakkad	1680.00	0	1680.00	
11-06-2019 to 12-06-2019	Malappuram	3400.00	0	3400.00	As per KSR, No Room rent admissible inside state
18-06-2019 to 19-06-2019	Kozhikode	1700.00	0	1700.00	
5-07-2019 to 5-07-2019	Malappuram	2072.00	0	2072.00	As per KSR, No Room rent admissible inside state

6-07-2019 to 6-07-2019	Ernakulam	1270.00	0	1270.00	As per KSR, No Room rent admissible inside state
16-07-2019 to 17-07-2019	Kannur	2150.00	0	2150.00	As per KSR, No Room rent admissible inside state. **Daily allowance corrected by controlling officer**
				12272.00	

Smt. Anu J.S., GIS Intern

Date of Travel	Place of visit	Drawn Amount	Eligible Amount	Excess Drawn	Audit observation
30.12.2019 to 4-01-2020	Alappuzha	2840.00	0	2840.00	As per KSR, No Room rent admissible inside state
				2840.00	

महालेखाकार (लेखापरीक्षा -II) का कार्यालय
केरल, तिरुवनंतपुरम - 695 001

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

OFFICE OF THE ACCOUNTANT GENERAL (AUDIT-II)
KERALA, THIRUVANANTHAPURAM- 695 001

No.Au-II/AMG-I(HQ)III(Fin,P&EA)/12-78/2024-25
Date:19/03/2025

To

Chief Executive Officer,
Kerala Infrastructure Investment Fund Board,
2nd Floor, Felicity Square, Statue, M.G.Road,
Thiruvananthapuram-695 001

Subject: Inspection Report on Compliance Audit of the accounts and registers of Kerala Infrastructure Investment Fund Board, Thiruvananthapuram for the period from 01/04/2020 to 31/03/2024.

Sir/Madam,

I am forwarding herewith the Inspection Report on Compliance Audit of the accounts and registers of Kerala Infrastructure Investment Fund Board, Thiruvananthapuram for the period from 01/04/2020 to 31/03/2024 and request you to furnish reply to this office through the Additional Chief Secretary, Finance Department, Government of Kerala within four weeks from the receipt of this report. In this connection, a reference is invited to Article 63 (c) of Kerala Financial Code Vol. I impressing upon the essential need for furnishing the complete replies to the objections expeditiously.

The receipt of the documents may kindly be acknowledged.

Yours faithfully,

Sudha Mathew
Sr.Audit Officer/AMG-I(HQ)-III

Encl: As above

Copy to: -

Additional Chief Secretary.
Finance Department,
Government of Kerala,
Thiruvananthapuram.

Sd/-
Sr.Audit Officer/AMG-I(HQ)-III

दूरभाष / Telephone : 0471-2330899 ई-मेल / e-mail : agaukerala2@cag.gov.in फैक्स / Fax : (0471) 2330699, 2332022

INSPECTION REPORT ON COMPLIANCE AUDIT OF THE ACCOUNTS AND REGISTERS OF KERALA INFRASTRUCTURE INVESTMENT FUND BOARD, THIRUVANANTHAPURAM FOR THE PERIOD FROM 01/04/2020 to 31/03/2024

PART-I

A. Introduction

Kerala Infrastructure Investment Fund Board (KIIFB) was established as the principal funding arm of Government of Kerala on 11/11/1999 by the Kerala Infrastructure Investment Fund Act 1999 (Act 4 of 2000). Through various functions provided in the Act, KIIFB aims to channelize funds for critical and large public infrastructure projects in Kerala. Subsequently, comprehensive modifications to the Act were enacted through Kerala Infrastructure Investment Fund (Amendment) Act, 2016. With the expanded scope and structure provided under the amended Act, KIIFB now channelises funds for facilitating development of physical and social infrastructure including major land acquisition needs.

KIIFB provides funds for projects in sectors like Transport, Water Sanitation, Energy, Social & Commercial Infrastructure, IT and Telecommunication etc. KIIFB also acts as the nodal agency for scrutinizing, approving and funding major infrastructure projects including Public Private Partnership (PPP) projects. The management of the Fund is detailed in the Scheme notified by Government in S.R.O No.920/99 published in the Extraordinary Gazette No.2073 dated 11/11/1999.

The main objective of KIIFB is financing the investment in critical and large infrastructure projects in the State of Kerala by mobilizing resources from outside the budgetary limits of the state.

The main functions of KIIFB include:

- Approve the selection of projects eligible for financial assistance.
- Authorise mobilisation of resources for augmentation, maintenance, and utilisation of funds.
- Approve the public agency for implementation of project through public-sector or PPP mode.
- Coordinate efforts of Government, public agency and sponsoring agency

- Identify financing sources.
- Approve suitable modes of raising resources.
- Identify bottlenecks in projects and recommend policy initiatives to rectify the same.
- Any other function entrusted by the Government.

B. Scope & Objectives of Audit

The audit of Kerala Infrastructure Investment Fund Board (KIIFB), Thiruvananthapuram under Section 14 of CAG's DPC Act, 1971 was conducted from 21/10/2024 to 12/12/2024, covering the period from 01/04/2020 to 31/03/2024. Records such as annual accounts and e-files in PFMS, files in e-office and connected vouchers were test checked.

C. Officer in charge

Dr. K.M. Abraham, Ex-Officio Secretary, served as the Chief Executive Officer (CEO) and Member Secretary of KIIFB during the audit period.

D. Financial position

Details of receipts of funds and expenses for the period from 2020-21 to 2023-24 as per the financial statements of KIIFB are shown below:

(₹ in crore)

Receipts	**2020-21**	**2021-22**	**2022-23**	**2023-24**
From GoK - MVT	1633.85	1568.08	2203.76	2636.25
From GoK – Cess on petrol and diesel	539	499.99	265.93	594
Additional contribution from Government	-	322.07	-	-
Other Borrowings*	669.87	7762.8	5109.24	5803.87
Total	**2842.72**	**10152.94**	**7578.93**	**9034.12**

**Includes borrowings from bonds issued to Kerala State Financial Enterprise (KSFE), loan from NORKA Welfare Board (Pravasi Dividend Scheme), Housing and Urban Development Corporation (HUDCO), Public Financial Corporation (PFC), Kerala Financial Corporation (KFC), National Bank for Agricultural and Rural Development (NABARD), Green Bond, Domestic Bond and term loans from Banks.*

Expenditure

(₹ in crore)

Expenses	2020-21	2021-22	2022-23	2023-24
Direct cost of projects-out of corpus fund	4521.77	5988.81	4699.77	4641.95
Employee benefits expense	5.64	7.27	7.56	7.84
Finance costs	534.94	914.47	1416.96	1834.64
Depreciation and amortization expense	12.59	11.81	11	9.89
Other expenses	68.20	40.79	51.37	106.38
Total	**5143.14**	**6963.15**	**6186.66**	**6600.70**

E. Internal Audit

Internal Audit of the Office by M/s K. Venkatachalam Aiyer & Company for the Financial year 2021-2022 is ongoing and report has not been submitted (November 2024).

PART-II

(Audit Findings)

PART-II-(A)

(Significant Audit Findings)

Reference Number: OBS-1684768

I. Avoidable expenditure due to payment of GST on centage charges

As per Sl. No.3 of Notification No.12/2017 Central Tax (Rate) dated 28/06/2017 issued by Ministry of Finance, Government of India and Notification issued vide SRO.No.371/2017 dated 30/06/2017 by Taxes (B) Department, Government of Kerala, pure services (excluding works contract service or other composite supplies involving supply of any goods) provided to the Central Government, State Government or Union territory or local authority or a Governmental Authority or Government entity by way of any activity in relation to any function entrusted to a Panchayat under Article 243G of the Constitution or

in relation to any function entrusted to a Municipality under Article 243W of the Constitution, is exempted.

As per the Notification, the supply of services without involving any supply of Goods would be treated as supply of Pure Services. The exemption for the pure services provided to Governmental Authority or Government Entity was withdrawn with effect from 01/01/2022 vide notification No. S.R.O. 975/2021 dated 21/12/2021.

In this regard, "Government Entity" means an authority or a board or any other body including a society, trust, or corporation, (i) set up by an Act of Parliament or State Legislature; or (ii) established by any Government, with 90 *percent.* or more participation by way of equity or control, to carry out a function entrusted by the Central Government, State Government, Union Territory, or a local authority.

The Kerala Infrastructure Investment Fund Board (KIIFB) is a statutory body constituted (November 1999) and controlled by the State Government under the Kerala Infrastructure Investment Fund Act to manage the Kerala Infrastructure Investment fund with the objective of providing investment for critical and large infrastructure projects in Kerala and hence coming under the definition of Government Entity.

KIIFB has several Special Purpose Vehicles (SPVs) through which its infrastructure projects are implemented. KIIFB pays centage charges and its GST to these SPVs for the execution of its projects based on the bills raised by them. According to the data made available to Audit, KIIFB paid GST for its 30 SPVs from July 2017 to December 2021 amounting to **₹67,59,24,220.19** (Annexure I). The five major SPVs to whom GST on centage charge was paid are detailed below:

(in ₹)

SPV	Centage charges (July 2017 to December 2021)	GST @18%
KRFB	89,52,94,601.83	16,11,53,028.33
KITE	56,88,99,174.02	10,24,01,851.70
INKEL	33,31,60,171.69	5,99,13,033.91
KWA	29,23,72,828.35	5,26,27,109.10
RBDCK	25,57,12,392.17	4,60,28,228.20

Centage charges are paid to the SPVs for the project management services rendered by them on the works executed under KIIFB funded projects. These project management

services are pure services, provided without any supply of materials. The services rendered by SPVs relate to the construction of roads, bridges, hospitals, water supply facilities, etc. and are thus activities aligned with functions entrusted to a Panchayat or Municipality under Article 243 G or Article 243 W of the Constitution.

As such, the services supplied by the SPVs to KIIFB were eligible for exemption until 31/12/2021, as those were pure services provided to a Government Entity by way of any activity in relation to any function entrusted to a Panchayat or Municipality under Article 243 G or Article 243 W of the Constitution.

Audit observed that the payment of GST amounting to ₹67.59 crore on these exempted services did not comply with the applicable GST laws. This indicates a deficiency in KIIFB's application of GST regulations, leading to unnecessary GST payments that restricted funds available for critical and large infrastructure projects.

On this being pointed out, the Joint Fund Manager, KIIFB stated (December 2024) that the projects funded by KIIFB are implemented by Special Purpose Vehicles (SPVs) as instructed by Government of Kerala through an Administrative Sanction. Vide letter No. FA- 7125O212023/KIIFB dated 06/04/2024, Kerala Road Fund Board (KRFB) - a key SPV managing maximum number of KIIFB-funded projects - was requested to seek Advance ruling from the GST authorities on whether:

- the SPV needs to raise invoice in favour of the Administrative Department (AD) for any service (if at all) they are giving to AD
- there is any GST liability on centage received by SPV from KIIFB (paid on behalf of Government).

As reported by KRFB, the request submitted by them in this regard is currently under the consideration of GST Commissionerate and a response is awaited in this matter.

The request sent for Advance ruling and legal opinion obtained in this regard may be furnished to audit. If the Advance ruling has been obtained the same may also be furnished.

Reference Number: OBS-1738701

II. Appointment of Independent Quality Auditor- Award of contract on nomination basis

KIIFB engaged M/s RITES Limited for the Independent Quality Audit and design review of the Transport project of KIIFB based on the decision of Chief Executive Officer (CEO), KIIFB. Letter of acceptance was issued by KIIFB on 21/04/2020. Agreement was executed with M/s RITES on 28/05/2020 for conducting design review of transport sector projects including design stage safety audit of selected KIIFB projects accepting the terms and conditions of M/s RITES Limited. The decision taken by the CEO for engaging M/s RITES Limited for the Independent Quality Audit and design review of the Transport project was ratified in 39th General Board meeting of KIIFB held on 30/06/2020. M/s. RITES was entrusted to carry out 123 projects with an outlay of ₹5,879 crore.

KIIFB made payment to the tune of ₹41.99 crore to M/s RITES till March 2024 as shown below:

Particulars	Amount (₹ in lakh)
Independent Quality Audit	3975.54
Design Review	223.27
Total	4198.81

As per para 7.33 of Kerala Store Purchase Manual which is applicable to autonomous bodies, aided institutions and all institutions under Government and PSUs, the open tender system should be resorted to for procurement of both goods and services. In cases of various technical solutions, it would be prudent to invite expressions of interest and proceed to finalise specifications based on technical discussions/presentations with experienced suppliers in a transparent manner. However, two-stage tendering process has to be resorted to in such cases (para 7.50 of Store Purchase Manual). Further, as per para 9.18 of Store Purchase Manual, in selecting the tenders for acceptance, the financial status of the tenderers should be taken into consideration in addition to all other relevant factors.

However, Audit noticed that M/s RITES was selected without inviting tenders. The two-stage tendering process was not resorted to by the KIIFB. Instead, they were selected on nomination basis by the CEO and got ratified by the Governing Board. In selecting the tenders for acceptance, the financial status of the tenderers should be taken into

consideration in addition to all other relevant factors. The various tenders should be compared in respect of price, quality, terms of delivery, terms of payment, etc. The mandated tender formalities were not fulfilled while selecting M/s RITES. Selection was not made in a transparent manner analysing the financial bid of all the technically viable firms after having technical discussions/presentations with the experienced firms in a transparent manner.

Audit observed that transparency was not maintained in the selection of M/s RITES. An expenditure of ₹41.99 crore was incurred without observing statutory selection procedure and is not in order.

On this being pointed out, the Joint Fund Manager stated (December 2024) that KIIFB in its 38th General Body meeting, had decided to introduce independent quality audit process in the projects. Subsequently, it was proposed to engage a pioneer agency capable of handling the process of independent quality audit in terms of expertise, resources, and credibility. The agencies which are independent of its routine association with Government of Kerala and KIIFB were proposed to be considered, preferably a Central Government PSU, to ensure transparency and avoid conflicts.

The reply is not acceptable as the award of contracts/projects/procurements on nomination basis without adequate justification prevents discovery of market price for the service and amounts to restrictive practice eliminating competition, fairness, and equity.

Further reply is awaited.

Reference Number: OBS-1693572 and OBS-1726268

III. Observations on Masala Bond

1. Raising of Masala Bond at higher interest rates

KIIFB had raised an amount of **₹2150** crore through overseas Rupee denominated Bond offering (Masala Bond) duly guaranteed by Government of Kerala for the repayment of its interest and principal amount. The tenure of the foreign bond is five years commencing from 26th March 2019 at a coupon rate of **₹9.723** *per cent per annum*. The interest was to be serviced on a semi-annual basis, with the principal amount repaid at the end of the Bond

period. KIIFB repaid the amount of Masala bond upon completion of the tenure on 26th March 2024. The interest payments made by KIIFB for the masala bond are shown below.

Year	Interest (in ₹) (Including bank charges)
2019-20	2092492732
2020-21	2090479700
2021-22	2090478400
2022-23	2090478400
2023-24	2090478400
Total	**1045,44,07,632**

Audit noticed that KIIFB also availed loans from various Public Sector Banks, Companies, and Financial institutions duly backed by the Guarantee of Government of Kerala. The interest rates of the five major lending institutions over the past five years are as shown below:

(in %)

Institution	2019-20	2020-21	2021-22	2022-23	2023-24	Average
State Bank of India	9	7.7	7.7	9.05	9.55	8.6
Indian Bank	8.7	7.7	7.7	9.3	9.2	8.52
Union Bank of India	8.35	7.5	7.55	8.95	10.2	8.51
NABARD	9	9	9	9	9	9
Syndicate/ Canara Bank	8.6	7.8	7.55	8.35	8.95	8.25

Thus, from the above table it can be ascertained that the average maximum interest rate charged by Indian financial institutions was only @9 *per cent*. During the year 2018-19 itself, KIIFB had raised loans from State Bank of India for ₹ 1000 Cr @ 9.15 *percent* interest, from Indian Bank for ₹ 500 Cr @ 9.15 *percent* interest and from Union Bank of India for ₹ 500 Cr @ 8.95 *percent* interest. These domestic borrowings have a tenure of 10 to 12 years. Therefore, raising of Masala bond at higher interest rate of 9.723 *per cent* could have been avoided.

On this being pointed out, the Joint Fund Manager, KIIFB explained about the Mandate provided to KIIFB through Kerala Infrastructure Fund Act and its approach. The explanation covered the Fund mobilization strategy such as loan from NABARD, Term loan from Public sector bank loans, Issue of bonds in domestic market, and Off shore bonds and Masala bonds.

It was also explained that for large-scale fund mobilization for an entity such as KIIFB, it is critical to have a diverse borrowing mix. Accordingly, relying solely on term loans is often impractical due to lender specific limitations. Financial institutions have various constraints being entities regulated by RBI, including borrower and category-based exposure limits, restricting the total amount they can lend to a single borrower or sector. On the other hand, bonds allow issuers to access a broader pool of investors by tapping into capital markets. Accordingly, having a diversified borrowing mix not only facilitates larger fund mobilisation but also offers more flexibility in terms of tenure, interest rates, and repayment structures. KIIFB requires a diversified borrowing mix including bonds and term loans to effectively fulfil mandate entrusted to it by the Government of Kerala. While Term loans from public sector banks have floating interest rates, with varying reset frequencies, bonds are generally issued on a fixed rate basis. Having a good mix of fixed rate instruments in the borrowing mix also reduces the interest rate risk faced by KIIFB.

However, on verifying the financial position of KIIFB, it was noticed that there was no urgent need to raise high-interest, overseas Rupee-denominated Masala bonds as shown below.

Financial position (₹ in crore)

Year	Fund received from GoK	[1]Funds borrowed	Total receipts	Expenditure for various projects	Cumulative Expenditure for various projects	Balance/ Cumulative Balance
Additional funds from GoK for Major Infrastructure Development Projects and Technical Assistance Fund from 2015-16 to 2018-19	2572.55	-	2572.55			2572.55
2015-16 to 2018-19	3372.85	3106.57	6479.42	1511.67	1511.67	7540.3
2019-20	2200	1930.04	4130.04	3502.5	5014.17	8167.84
2020-21	2173	670	2843	5485	10499.17	5525.84

From the above table, it was noticed that even without availing ₹2150 crore of Masala bond, KIIFB could have made the disbursements to the projects using other domestic receipts.

[1] Funds borrowed include Term loans raised from Banks and Financial institutions, KSFE, Masala bond

Further, it was also noticed that Masala bond constitutes 71.53 *per cent* of the total funds borrowed in the year 2018-19 (i.e., ₹3005.77 crore) indicating that a diverse borrowing mix was not achieved. Furthermore, it was noticed that KIIFB secured a loan from KSFE in the year 2018-19 by issuing security bonds at an interest rate of only 8%.

It was also stated that the rate quotes received for KIIFB's domestic bond were at 10.15%. However, the details of the domestic bond quotes were not provided. The agenda notes of meetings wherein the details of exploration of term loans were explained to the KIIF Board members may also be furnished to audit.

Further reply is awaited.

Reference Number: OBS-1726268

2. Parking of funds raised through Masala bond in fixed deposits with lower returns

On scrutiny of the utilisation of ₹2150 crore, it was noticed that masala bond proceeds are invested in Fixed deposits opened at various commercial banks, treasury bills, and sweep accounts. As on November 2019, KIIFB had utilised only ₹700.77 crore for project expenses. ₹1449.23 crores were kept in Fixed Deposit (FD) for the period ranging from March 2020 to May 2020 and out of this, ₹649.98 crores were again kept in FD for the period ranging from May 2020 to October 2020 as stated in the Annexure- II.

KIIFB repaid the masala bond upon completion of the tenure on 26th March 2024.

Audit observed that masala bonds are bearing higher interest rates than any other borrowings of KIIFB. However, without utilisation, the funds were parked in Fixed Deposits bearing lower interest rates for a period ranging from March 2020 to October 2020.

KIIFB raised funds through the issue of masala bonds for investing in the field of Infrastructure. However, parking funds in term deposits indicates that the funds were borrowed without actual requirement. Borrowing funds at higher interest rates without requirement led to incurring expenditure of ₹40.90 crore on account of payment of interest at higher rates as stated in Annexure- III. Borrowing of funds without actual requirement led to avoidable expenditure of ₹40.90 crore.

On this being pointed out in Audit, the Joint Fund Manager stated (December 2024) that the proactive mobilisation of funds through Masala Bonds was a strategic decision aligned with KIIFB's long-term objectives. By leveraging favourable market conditions and exemptions, KIIFB saved significant costs while ensuring financial readiness for its extensive project pipeline. The temporary parking of funds in fixed deposits was a necessary step to maintain liquidity and did not result in any financial loss.

The reply is not acceptable to Audit. The funds borrowed at higher interest rates were not utilised by KIIFB during the next financial year also. During 2019-20, details of investments made by KIIFB is ₹6150.18 crore, in addition to ₹2534.34 crore in treasury accounts, as shown below:

Deposits (2019-20)	**Amount (₹ in crores)**
Term Deposit	4232.44
DSRA	164.61
Sweep Deposit	971.16
Savings & Current Accounts	180.96
Investment in Mutual funds	600.00
Investment in KIFML	1.005
Total	**6150.175**

Funds were kept in fixed deposits for nearly one and half years without utilization. Keeping huge funds in fixed deposits, that too borrowed at higher interest rates, indicates lack of prudence on part of KIIFB in borrowing funds without correlating with the actual requirement for investment in current projects.

Further reply is awaited.

Reference Number: OBS-1725998

IV. Lack of transparency in selection of firms in conducting media campaign

During 2023-24, KIIFB incurred an amount of ₹5.38 crores towards advertising charges for LIMAX Advertising Private Limited for campaign of propagating and escalating the activity to strengthen the financial status of Kerala Infrastructure Developments through *Daily Hunt* platform at Northern States, Western States, North East, Andhra Pradesh (AP), Telangana, Tamil Nadu (TN) and Karnataka at Public Relations Department (PRD) rates. On scrutiny of utilisation details, Audit noticed the following events:

Date	Events
22/01/2024	M/s. LIMAX Advertising Private Limited submitted proposal for the promotion of Kerala Infra Projects for ₹5.38 crore as detailed in Annexure IV
19/03/2024	Ver Se Innovation Private Limited (owner of Daily Hunt platform) authorises M/s LIMAX Advertising Private Limited to act as Ver Se's appointed agency to release advertisements and provisional services to the clients including Public Relations Department and Government/private sectors.
20/03/2024	KIIFB issues work order to LIMAX for ₹4,56,61,071 + Tax for publishing in TV and News portals through Daily Hunt for strengthening financial capabilities for infra projects in North, West, Northeast, Andhra Pradesh, Telangana, Tamil Nadu, Karnataka, and Global Malayalees from November 2023 to February 2024.
20/03/2024	M/s LIMAX submitted invoice for ₹5,38,80,063.00 (including GST) as detailed in Annexure IV
27/03/2024	KIIFB released ₹5,38,80,064 to M/s LIMAX

Audit observed that:

1. As per Kerala Store Purchase Manual (para 7.33) the open tender system should be resorted to for the procurement of both goods and services. Further, as per para 9.18 of Store Purchase Manual, in selecting the tenders for acceptance, the financial status of the tenderers should be taken into consideration in addition to all other relevant factors. However, KIIFB placed a contract (issued work order) with M/s LIMAX Advertising Private Limited without complying with the above provisions.

2. The proposal submitted by M/s LIMAX dated 22/01/2024 mentions that it is for "news published by Major, TV and News portals promoted through Daily Hunt for the period from November 2023 to February 2024". In the proposal (22/01/2024) itself the exact number of impressions and clicks were mentioned (pre-determined), and same was reflected as such both in the work order as well as in the invoice. Awarding the work by KIIFB and submission of vouchers by M/s LIMAX is on the same date i.e., on 20/03/2024.

3. 'Placement of contract /issue of work order' is an initial step for entering into contract for an expenditure to be incurred in future. However, in this case, the work order was issued

on 20/03/2024 for meeting the expenditure in connection with advertisement campaign which was already completed during the period from November 2023 to February 2024. Further, the Letter of authorisation was issued by Ver Se Innovation Private Limited (Ver Se) in favour of M/s LIMAX on 19/03/2024. The authorisation indicates that the expenditure was already incurred by Ver Se and M/s LIMAX is only an intermediary agency for getting payment and it appears that the proposal dated 22/01/2024 of M/s LIMAX is a pre-dated one as it reflects the events that happened during the period from November 2023 to February 2024. Absence of transparency is noticed in selection of the firm(s).

4. The purpose of the campaign is for propagating and escalating the activity to strengthen the financial status of Kerala Infrastructure Developments. However, Audit observes that the campaign material does not conform to the stated purpose.

On this being pointed out, the Joint Fund Manager stated (December 2024) that M/s LIMAX Advertising Pvt. Ltd. is an empanelled agency of Public Relations Department for various media activities. The work order was issued on March 2024 after completing the work in full extent and at that time only the exact number of impressions and clicks were available to Media cell and accordingly work order was issued. As per the Audit Committee of KIIFB, whenever the empanelled agency is submitting the Bill, they have to submit the credentials of the immediate agency through which the work was executed. M/s Ver se Innovation Private Limited is the owner of Daily Hunt platform and hence M/s Limax was to submit the authorisation from the company to prove that M/s Limax is an authorised agent of M/s Ver se Innovation Private Limited.

Reply is not acceptable as the expenditure was incurred by M/s Ver Se Innovation Private Limited and not by LIMAX Advertising Pvt. Ltd. and LIMAX was used only as an intermediary for the activity. Further, no contract was entered into with LIMAX Advertising Pvt. Ltd. before carrying out the campaign activity and the work order was issued only after completion of campaign activity. It is also clear that the pre-dated proposal was received after commencement of the activity.

Further reply is awaited.

Reference Number: OBS-1725967

V. Expenditure incurred on Keraleeyam 2023 by KIIFB

Government of Kerala decided (13/07/2023) to organise a festival called 'Keraleeyam 2023' in order to mark the 67th anniversary of formation of Kerala State. Government accorded financial sanction (13/10/2023) stating that the expenditure in connection with Keraleeyam is to be met from the Head of account "3452-80-104-99-Conservation, Preservation and Promotion of Heritage, Environment and Culture" of Tourism Department. However, it was also mentioned therein that the expenditure towards infrastructure in connection with Keraleeyam shall be met by KIIFB and financial sanction shall also be given by KIIFB.

KIIFB accorded sanction (12/10/2023) for an estimate of ₹12.14 crores for providing infrastructure facilities for Keraleeyam subject to the conditions that CE Buildings shall arrange to tender the work following the due procedures, do the evaluation of the same and identification of successful bidder for each work. The bills after verification and certification by PWD Buildings, shall be submitted to KIIFB for payment to the contractor. KIIFB sanctioned (21/10/2023) an additional amount of ₹7.12 crore for the additional infrastructure required for the Keraleeyam 2023 event. The programme Committee of Keraleeyam has recommended the estimate submitted by PWD buildings and forwarded it to KIIFB for sanction and KIIFB released an amount of ₹15.27 crore in this connection.

On scrutiny of utilisation details, it was noticed that the expenses were incurred for media expenses, providing temporary stalls, erection of temporary pandals, internal exhibition arrangements, venue decoration and providing temporary arrangements, providing temporary air conditioning, food expenses, etc. as shown below:

Particulars	Amount (in ₹)
Temporary stage works, stalls, and allied works	123306140
Media Action plan	29355245
Food expenses	120793
Total	**152782178**

Audit observed that:

As per Section 2(f) of Kerala Infrastructure Investment Fund Act 1999 (as amended in 2016), infrastructure projects include assets/services in the sectors of electric power, roads, irrigation, ports, airports, water supply, inland navigation, solid waste management and drainage or a multipurpose project in any one or more of these areas.

However, the works met from KIIFB fund for Keraleeyam 2023 are for media expenses, temporary erection of stages and stalls and food expenses. It cannot be categorised under "infrastructure" and are not in correlation with the objectives of formulation of KIIFB. This is against the objective of the KIIF Act that KIIFB is constituted for investments in infrastructure projects in the State and for matters connected therewith or incidental thereto. Being so, incurring expenses to the tune of ₹15.27 crore from the developmental fund of KIIFB is not in order.

On this being pointed out, the Joint Fund Manager stated (December 2024) that KIIFB has accorded sanction for the estimate and Media cell of KIIFB was authorised to manage the work on behalf of KIIFB based on Government Order. It was further stated that the Government has approved Media Communication Strategy approved by KIIFB General Body for effective and efficient communication and advertisement of KIIFB and that the media cell can also undertake Government's activities, if so directed by the Government. KIIFB also informed that since the government directed to provide infrastructure to Keralyeeyam 2023, it was decided to manage these works through the Media cell. It was also stated that this work is not an infrastructure project as defined under section 2(f) of KIIF Act 1999 (as amended in 2016) but such expenditure is inevitable to promote and disseminate information about infrastructure projects financed through KIIFB.

The reply is not tenable. The expenditure incurred by KIIFB on Keraleeyam 2023 could not be categorised as Infrastructure expenditure as proclaimed in KIIF Act, and confirmed by KIIFB in the reply above. Further, the event was not organized to disseminate information about infrastructure projects financed through KIIFB. Hence, incurring of ₹15.27 crore expenditure for the festival is not in accordance with the provision of KIIF Act and is irregular.

Further reply is awaited.

Reference Number: OBS-1678122

VI. Blockage of funds due to non-availability of land

In the year 2016-17, Government announced Construction of Flyover at Ettumanoor in Kottayam District, as a project funded by KIIFB. The proposed Ettumanoor flyover starts from- near VKB Road and Sakthi Lane in MC road, which extend along the Main Central (MC) road cross Ettumanoor junction, and end near the entrance road of Kerala State Road Transport Corporation (KSRTC) bus stand with a length of 1300m.

The GO (MS) No.315/2016 Fin dated 08/08/2016 and GO (MS) No.69/2018/Fin dated 24/02/2018 provide the implementation procedure and detailed guidelines for planning & execution of KIIFB assisted infrastructure projects by the various Special Purpose Vehicles (SPVs). The role of SPV is to plan, appraise, approve, implement, manage, operate, monitor, and evaluate the project entrusted to it.

The Government of Kerala (PWD) accorded Administrative Sanction (AS) for the project – "Construction of Ettumanoor Flyover (PWD 002-03)" on 27/09/2016 for an amount of ₹30 crore. As per Government Order (G.O) (Rt) No.1324/2016/PWD dated 27/09/2016, Government accorded sanction to Roads & Bridges Development Corporation Kerala (RBDCK) Ltd, designating it as the SPV for implementing the project. Tripartite agreement was signed by KIIFB, Public Works Department and RBDCK (SPV) on 17/07/2017. The DPR including a provision for land acquisition was prepared by the SPV and submitted to KIIFB for approval and was appraised by KIIFB. As per the Detailed Appraisal Report (DAR) of KIIFB, the total area of land to be acquired was 113.00 cents and the number of structures to be acquired was 44. Approximate estimate for land acquisition was ₹36.84 crore and the cost of construction was ₹53.84 crore (excluding GST) Financial sanction was given for ₹97.16 crore on 11/05/2018.

As per Government Order GO(P) No.170/2019/FIN dated 13/12/2019, the Government have fixed the centage charges payable to Special Purpose Vehicles (SPVs) for the implementation of public infrastructure projects funded by KIIFB. The procedure (iv) of the order states that 20 *percent* of the eligible centage charges, based on the Administrative Sanction/DPR/KIIFB Financial Sanction cost, will be released as the first installment in advance and shall not be recouped.

Initially, KIIFB released 1st Installment centage charges (20 *percent* of ₹97.50 lakh, i.e.,3.25 *percent* of AS) for the project for an amount of ₹19.50 lakh, based on the AS proposed cost of ₹30 crores. Since the project was given financial sanction for ₹97.16 crore, balance centage charges ₹43.65 lakh were also paid. Thus, the total centage paid aggregates to ₹63.15 lakh.

However, RBDCK reported that the work was stopped as they were not able to acquire the required land for the project. They also reported that there was no suitable alternate alignment for the proposed flyover and in the review meeting of projects convened by the Hon'ble Minister for Co-operation & Registration on 03/11/2022 at Kottayam Collectorate, it was decided to exclude the project. Consequently, KIIFB decided to exclude the project from funding on 15/02/2023.

Audit observed that though KIIFB had paid ₹63.15 lakh as centage charges to RBDCK for the implementation of the project, the project was abandoned due to non-availability of land leading to an unproductive expenditure of ₹63.15 lakh.

On this being pointed out, the Joint Fund Manager stated (December 2024) that the centage charges were disbursed in compliance with the provisions of the Government Order and accounted for the initial preparatory expense of the SPV. Hence, the release of ₹63.15 lakh to the SPV prior to the actual commencement of the project cannot be treated as an unproductive expenditure. Further, upon receiving confirmation from the Administrative Department, the proposal to defer the project will be placed before the KIIF Board for approval. Following the Board's decision, the Financial Sanction (FS) order will be cancelled and any settlement of centage charges related to the project required will be made subsequently as per the recommendation of the KIIF Board.

Reply is not tenable. The initial preparatory expense of the SPV became futile as the project was abandoned due to the non-availability of land since both the KIIFB and the SPV failed to assess the availability of land during the preparation and appraisal of the DPR. Action

taken on the cancellation of FS and any settlement of centage charges as per the recommendation of the Board is awaited.

Reference Number: OBS-1757981

VII. Loan to KINFRA for Development of Industrial Park by taking over land from HNL

Hindustan Newsprint Limited (HNL), Vellore, Kottayam a wholly-owned subsidiary of Hindustan Paper Corporation Limited (HPCL), a Government of India (GOI) Undertaking was under liquidation vide order dated 02/05/2019 of the National Company Law Tribunal (NCLT). As part of Corporate Insolvency Resolution Process (CIRP), KINFRA submitted a resolution plan to take over HNL. As per the Order, KINFRA was to settle the creditors of HNL and take over all its assets. Accordingly, KINFRA submitted a Detailed Project Report (DPR) for ₹321.50 crore to KIIFB, with the objective to monetize the vacant land area of around 300 acres in Vellore (out of the total land area of 698.68 acres) for the purpose of development of Industrial Park (land to be developed and allotted to various industrialists). KIIFB, duly accorded Financial Sanction (FS) to a loan of ₹200.60 crore (proceedings No. IND007-01/APR-6/2021/KIIFB dated 25/02/2021) for the "Development of Industrial Park by taking over land from HNL". The split up of FS is shown below:

Description	Approved Cost (₹in crores)	Remarks
Acquisition Cost for 300 Acres	145.60	Payment to Creditors
	55.00	Capital Addition for resumption of operation
Total	**200.60**	

The conditions of grant of loan were:

1. The amount disbursed will be recovered by KIIFB with interest equivalent to Average Cost of Domestic Borrowing (ACDB) of KIIFB plus Guarantee Commission, with a two-year moratorium from the first date of release.
2. The land so acquired should be mortgaged to KIIFB which will be discharged on remittance of sale proceeds received by the SPV (KINFRA) for any parcel of land so acquired.

3. In case of any inability on the part of SPV in repaying the principal and interest, the Industries Department, Government of Kerala (GoK) shall provide for the shortfall which shall be agreed in the Schedule to the Tripartite Agreement.

Repayment Agreement (RPA) was signed between KINFRA and KIIFB on 01/03/2021. ESCROW agreement (a legal contract that outlines the terms and conditions for holding assets in escrow until certain conditions are met) was also signed on the same date. A total amount of ₹145.60 crore was deposited to KINFRA by KIIFB, as two instalments of ₹72.80 crore each (on 01/03/2021 and 10/3/2021) and KINFRA completed the disbursement of funds to operational creditors and financial creditors. As per the repayment agreement, the loan tenure is five years with a moratorium period of two years from the date of first payment. The moratorium period thus expired in March 2023. As per RPA, KINFRA is liable to repay the loan with interest by March 2026. Since no repayment has been made by KINFRA, a revised repayment agreement was signed on 28/02/2024 extending the moratorium period to 48 months (and expiring in March 2025). The total amount payable by KINFRA as on November 2024 is ₹191,34,51,587 (principal: ₹145,60,17000; interest: ₹45,74,34,587).

Audit observed the following:

Section 3 (4) (ca) of the KIIF Act stipulates that the funds of KIIFB may be utilised to finance or leverage investments and financial instruments relating to land acquisitions for infrastructure projects and other Government purposes. The above project was considered under item 10: "Industrial Estates including Industrial parks and Special Economic Zones" of Schedule 2 of KIIF Act though financing and funding activities such as taking over of Companies/Industrial Units (through NCLT) are not covered/ permitted in the Infrastructure Definition (Schedule 2) of the Act. The amount of ₹145.60 crore availed as loan from KIIFB was utilised to settle the creditors of erstwhile HNL.

The prime objective of the project is to develop the industrial park and industrial infrastructure by takeover of land from M/S Hindustan Newsprint Ltd (now KPPL) to promote industrial development in Kerala. Also Government entrusted Kerala Rubber Limited (KRL) to develop a CIAL model Rubber Company and KRL has set up their project in the available land of erstwhile HNL in Vellore (164 acres). As per the status of KIIFB projects (as on 31/10/2024) furnished by KIIFB, the status of the above project was noted as "completed". However, the first step, i.e., land acquisition is still pending (November 2024);

Government has yet to issue orders to transfer all the assets including the land belonging to erstwhile HNL to KPPL and to transfer the required land from KPPL to KRL, Vellore.

It was noticed during Audit that neither any land was acquired, nor any development work carried out till date (November 2024); the amount advanced as loan was utilised to repay the creditors, and no asset has been created out of the fund.

When brought to notice, the Joint Fund Manager replied (December 2024) that the takeover of assets of Hindustan Newspaper Ltd. using the fund from KIIFB under its Land Acquisition Pool is a social infrastructure project with the vision of revamping and developing the industrial park for industrial growth of the state. All amounts related to financial commitment of KIIFB towards the project have been completed, and hence, the status of the project is now considered as completed according to KIIFB.

The reply is not tenable. Although the project was titled as "Development of Industrial Park by taking over land from HNL", the financial assistance extended by KIIFB was utilised for settlement of amount payable to creditors which has neither resulted in land acquisition nor development of industrial park. As such the assistance given by KIIFB to KINFRA is not in line with KIIFB's mandate as per the Act.

Further reply is awaited.

PART-II-(B)

(Other incidental Audit Findings)

Reference Number: OBS-1738593

I. Non realisation of advance from Information and Public Relations Department

The Government of Kerala (Information and Public Relations Department) accorded Administrative Sanction (18/02/2022) for conducting exhibitions in all districts of Kerala from April 2022 to May 2022 as part of first anniversary celebrations of the Government of Kerala. The exhibition is meant for an awareness regarding the achievement of Government in various fields and the coordination of the various departments for the benefit of the public. As per Government Order (GO), the amount for conducting the exhibition is allotted

to the plan fund (Head of Account-2220-01-001-96 Special Public Relations campaigns) of Information and Public Relations Department (I&PRD). The responsibility of arranging infrastructure for the exhibitions is vested with KIIFB and the same is executed through the Indian Institute of Infrastructure and Construction (IIIC), which was engaged for the conduct of 'Ente Keralam' event by Government.

Memorandum of Understanding (MOU) was executed (26/03/2022) between IIIC and KIIFB and payment to the tune of ₹9,16,72,563 (including GST) was made by KIIFB on account of conducting exhibition in 13 districts (from September 2022 to February 2023). However, the amount has not been reimbursed by I&PRD so far.

Audit observed that as per the GO dated 18/02/2022, the responsibility of arranging infrastructure for the exhibitions is vested with KIIFB. However, it was not mentioned therein to meet the expenditure in advance by KIIFB. KIIFB had incurred the expenditure directly without involving I&PRD in the settlement with IIIC. Pendency in realisation of advance amount of ₹9.16 crore even after nearly two years was also observed.

On this being pointed out, the Joint Fund Manager stated that KIIFB has taken the matter extremely seriously. There have been regular follow-ups, including in-person meetings. In the audited financial statements, this sum is also regarded as receivable under the nature of assets.

Final reply is awaited regarding settlement of advance.

Reference Number: OBS-1693535, OBS-1678459 and OBS-1756125

II. Unproductive centage charges due to incomplete projects

(1) Construction of cultural complexes in all districts of Kerala

The Government of Kerala accorded Administrative Sanction, vide GO No. 318/2017 dated 27/04/2017 for the establishment of cultural complexes in each district, funded through KIIFB, with a total allocation of ₹700 crore, averaging ₹50 crore per district across 14 districts. Kerala State Film Development Corporation (KSFDC) is the Special Purpose Vehicle (SPV) for the above project 'Construction of Cultural Complexes' in all Districts of Kerala funded by KIIFB. Vide Order No.FA-4/41/2018/KIIFB dated 23/02/2018, KIIFB

released advance centage charges amounting to ₹2.65 crore to KSFDC for the implementation of the project.

The SPV is eligible for centage charges on the executed value of the project for Planning, Designing, Tendering, Monitoring, and Handing over of the project. Detailed split up of centage money released to the 14 cultural complexes and the status of the work are stated in the Annexure-V .

From the Annexure-V, it was noticed that only three out of the 14 sub-projects initiated in 2018 have been completed. Out of the remaining 11 projects, six have not started initial work of DPR preparation, and the other five are in the preliminary stages of DPR preparation or approval from KIIFB.

In the internal review meeting held on 05/01/2024, chaired by the CEO of KIIFB to discuss various projects, it was decided (against the request from the Cultural Department) to reconsider funding for the cultural complexes in Kannur, Kottayam, and Alappuzha. Due to funding constraints, additional projects for cultural complexes could not be approved.

Audit observed that out of a total of ₹2,65,00,000 released as advance centage charges for the 14 sub-projects, only three were completed. The decision not to approve funding for the remaining projects resulted in unproductive centage charges amounting to ₹2,08,21,428 (₹18,92,857.14*11) for the 11 incomplete projects, for which advance centage charges had been released in 2018.

On this being pointed out, the Joint Fund Manager replied (December 2024) that, of the 14 proposed cultural complexes, Detailed Project Reports (DPRs) for seven sub-projects have been submitted, and the centage for one project has been recouped. The feasibility discussions for the remaining projects are ongoing and necessary settlement of centage charges will be made once the final claim is settled with the SPV. As such the release of centage charge is productive and justified.

The reply is not tenable as the decision made during the internal review meeting to withhold the approval for funding the remaining projects will lead to delay in implementing those projects for which centage charges have already been provided. As a result, the centage charges disbursed so far would remain unproductive.

Further reply is awaited.

Reference Number: OBS-1678459

(2). Development of OP Unit, Casualty Block and Diagnostic facilities in TH Peerumedu, Idukki

The Government of Kerala (H&FWD) accorded Administrative Sanction (AS) for the project – Development of Out Patient (OP) Unit, Casualty Block and Diagnostic facilities in TH Peerumedu, Idukki on 11/08/2020 for an amount of ₹13.69 crore and designated HLL Infratech Services Ltd (HITES) as its SPV. Tripartite agreement was signed by KIIFB, Health and Family Welfare Department (H&FWD) and HITES on 16/04/2018. The Government Taluk Hospital TH) in Peerumedu serves patients from various parts of the Peerumedu Taluk in Idukki District. KIIFB released 1st instalment centage charges (20 *percent*) for the project for an amount of ₹10,40,080/- based on the AS amount of ₹13.69 crore (total centage charges- 4 *percent* of building cost of ₹12.69 crore and 1.25 *percent* of medical equipment of ₹ one crore). A Detailed Project Report (DPR) was prepared and submitted to KIIFB for approval on 07/09/2021.

As per GO (P) No.170/2019/FIN dated 13/12/2019, the Government have fixed the centage charges payable to Special Purpose Vehicles (SPVs) for the implementation of public infrastructure projects funded by KIIFB. The procedure (iv) of the order states that 20 *percent* of the eligible centage charges, based on the Administrative Sanction/DPR/KIIFB Financial Sanction cost, will be released as the first instalment in advance and shall not be recouped. As such, centage charge amounting to ₹10.40 lakh was disbursed to HITES for the project.

However, the SPV had later withdrawn the submitted DPR in November 2021 as it was based on constructing a new block in a congested area within the hospital compound and it was decided to acquire an adjacent plot to relocate the new block. Even though HITES has submitted the revised DPR for the Development of Taluk Hospital, Peerumedu including the provision for land acquisition, KIIFB decided in December 2023 to reconsider the project only after the improvement of its financial position and the DPR was returned to SPV.

Audit observed that since the project was cancelled due to financial constraints, the centage charges paid are now deemed unnecessary.

On this being pointed out, the Joint Fund Manager replied (December 2024) that considering its financial position, Project HFW002-57 was placed on hold with a decision to revisit and reconsider it at a later stage. Since the centage charges were disbursed in accordance with the provisions of the Government Order and accounted for the SPV's initial preparatory expenses for the entire project, the release of ₹10.40 lakh to HITES cannot be deemed unnecessary.

Reply is not acceptable. As the project has been placed on hold, the expenditure of ₹10.40 lakh paid towards centage charges has become infructuous.

Reference Number: OBS-1756125

(3). Projects under Public Works Department

During the year 2023, twelve sub-projects under the Public Work Department (PWD) were deferred by KIIFB due to various reasons including land constraints and various technical and other reasons. KIIFB incurred expenses on this account being project expenses including land cost and centage charges to SPVs as shown in Annexure VI.

KIIFB released an amount ₹2.16 crore for land acquisition and payment to the contractors in connection with the projects. In addition, centage charges amounting to ₹3.25 crore were released to the SPVs, viz., Kerala Road Fund Board (KRFB) and Roads and Bridges Development Corporation of Kerala (RBDCK). KIIFB incurred a total amount of ₹5.41 crore for the above deferred projects.

As per guidelines of KIIFB, for implementation of the projects, Financial Sanction (FS) has to be issued after having detailed examination of the feasibility of the project. However, the deferment of the above projects depicts lack of scrutiny of the feasibility of the projects, resulting in infructuous expenditure of ₹5.41 crore.

On this being pointed out, the Joint Fund Manager stated (December 2024) that KIIFB had deferred projects due to various reasons including land acquisition constraints and various technical and other reasons. The projects are deferred only and not abandoned. KIIFB can consider these projects on a priority basis as and when the land acquisition constraints are resolved and solutions for technical/other reasons leading to the deferment are arrived.

The projects are accorded Administrative Sanction by KIIFB after detailed scrutiny of the technical viability. However, deferment of the projects due to technical flaws reflects lapses on the part of KIIFB in assessing the feasibility of the project leading to the blocking of funds.

Further reply is awaited.

Reference Number: OBS-1694992

III. Delay in implementation of project due to DPR Deficiencies

The GO(MS) No.315/2016 Fin dated 08/08/2016 and GO (MS) No.69/2018/Fin dated 24/02/2018 provide the implementation procedure and detailed guidelines for planning and execution of KIIFB assisted infrastructure projects by the various Special Purpose Vehicles (SPVs). The role of SPV is to plan, appraise, approve, implement, manage, operate, monitor, and evaluate the project entrusted to it.

The Development and Expansion of Chithranjali Studio into a Film City project envisions establishing and acquiring a range of new production facilities, including high-end digital cameras, state-of-the-art outdoor units, ATMOS 3D mixing studio, multipurpose sets, theme parks, film museum, theaters, hotels, etc. The goal is to transform Chithranjali Studio into a premier film city with world-class infrastructure, attracting productions not only from the Malayalam film industry but also from across the Globe.

The Administrative Sanction for the project – Development & Expansion of Chithranjali Studio into Film City (CAD 003-01) was accorded on 25/04/2017 for an amount of ₹150 crore by Cultural Affairs Department (CLAD). The Government appointed Kerala State Film Development Corporation Ltd (KSFDC) as the designated SPV, for the implementation of the project (31/01/2017). Tripartite agreement was signed by KIIFB, CLAD, and KSFDC (SPV) on 23/02/2018.

The SPV appointed M/s. Price Waterhouse Coopers Pvt. Ltd (PWC) as consultant for the preparation of Detailed Project Report (DPR) on 05/11/2017. Subsequently, DPR was submitted by the SPV to KIIFB for approval. DPR was appraised by KIIFB and financial sanction was given for ₹66.88 crore on 26/03/2020. Later, based on the revised proposal submitted by the SPV, sanction was accorded to enhance the financial cost to ₹67.17 crore. Also, KITCO was engaged as the Project Management Consultant (PMC) for the supervision of the project by the SPV on 05/11/2022.

Further, KIIFB had released ₹1.80 crore towards centage charges to the SPV. Also, KSFDC has paid an amount of ₹ 2,07,46,786 to M/s.PWC and ₹10,45,213 to M/s.KITCO for the services availed from them.

The SPV pointed out in January 2024 that PWC failed in many aspects of designs, quantification and estimations for the modernisation of the project. In February 2024, KIIFB advised the SPV to closely monitor PWC's assignments and consider disengaging the consultant if their output remained unsatisfactory. Subsequently, KITCO reviewed PWC's drawings and found that multiple components were incomplete and required new designs. Due to PWC's lack of cooperation in addressing these deficiencies and redesigning the DPR, project execution has become challenging.

A package amounting to ₹44.94 crore was created for civil, electrical, and recording studio works of the project and an expenditure of ₹4.21 crore was incurred.

Audit observed that deficiencies in the DPR prepared by SPV went undetected during its preparation and appraisal by KIIFB, leading to significant delay in project execution. Even after a lapse of four years from the date of financial sanction, the progress of the project has been slow. Furthermore, the consultancy fee of ₹2.07 crore paid to PWC is not fruitful due to the consultant's inadequate performance.

On this being pointed out, the Joint Fund Manager replied (December 2024) that the DPR prepared by PWC failed to meet their requirements and could not be revised satisfactorily. Owing to PWC's subpar performance, their services were terminated, and subsequently engaged M/s. KITCO to assist with project execution.

The reply does not address the issue of accountability for the unproductive expenditure of ₹2.07 crore paid to the consultant, PWC. The consultant's failure to deliver such a DPR to the SPV, and the institution's inability to ensure its quality during the appraisal stages, have directly contributed to significant delay in the project. Further, steps to recover costs and imposing penalties as stated in the agreement may be intimated to audit.

Further reply is awaited.

Reference Number: OBS-1694966

IV. Construction of Melechova underpass in Kannur district - Non-completion of the project

In the year 2016-17, Government announced Construction of Melechova underpass in Kannur district, as a project funded by KIIFB. The underpass at Melechova junction of Kannur district was proposed along National Highway (NH)-66, which is the main Highway running along the length of Kerala. The structure follows an undivided two lane configuration and extends to a length of around 55m.

The Government of Kerala (PWD) accorded Administrative Sanction (AS) for the project – Construction of Melechova underpass in Kannur district on 27/09/2016 for an amount of ₹30 crore. As per Government Order G.O (Rt) No. 1324/2016/PWD dated 27/09/2016, Government accorded sanction to Roads & Bridges Development Corporation Kerala (RBDCK) Ltd, being the designated SPV, for implementing the project. Tripartite agreement was signed by KIIFB, PWD and RBDCK (SPV) on 17/07/2017. The DPR including a provision for land acquisition was prepared by the SPV and submitted to KIIFB for approval and was appraised by KIIFB. As per Detailed Appraisal Report (DAR) of KIIFB, the approximate estimate for land acquisition was ₹11.19 crore and the cost of construction was ₹16.4 crore (excluding GST). Financial sanction (FS) was accorded for ₹27.59 crore on 20/01/2018.

As per GO (P) No.170/2019/FIN dated 13/12/2019, the Government have fixed the centage charges payable to Special Purpose Vehicles (SPVs) for implementation of public infrastructure projects funded by KIIFB. The procedure (iv) of the order states that 20 *percent* of the eligible centage charges, based on the Administrative Sanction/DPR/KIIFB Financial Sanction cost, will be released as the first installment in advance and shall not be recouped.

KIIFB released first installment centage charges (20 *percent* of ₹89.67 lakh, i.e.,3.25 *percent* of approved cost) for the project for an amount of ₹17.94 lakh based on the KIIFB approved cost of ₹27.59 crore. Land acquisition for the project was completed in December 2021. However, the SPV failed to relocate the KWA pipelines. The two pipelines of KWA currently crossing NH-66 would have to be relocated during the construction of the proposed Melechova underpass. If any problems occur during the shifting of the pipeline,

entire nearby areas would be flooded, and residents would face severe drinking water problems for a long time. Hence, it was decided to construct a flyover instead of the proposed underpass. Revised administrative sanction was given for the flyover for ₹44.71 crore and KIIFB approved the revised project on 11/10/2023. For the proposed flyover it was also required to acquire 0.4872 hectares of additional land.

Audit observed that the study conducted by the SPV was inadequate, as it failed to account for the impact of the utility shifting. Additionally, during the project approval process, KIIFB also did not identify this factor. Had this issue been identified from the beginning, a flyover could have been considered instead of an underpass. This led to an unproductive expenditure of ₹17.94 lakh incurred for the project as centage charges on underpass. The project has yet to yield positive results, even after six years from the date of financial sanction.

On this being pointed out, the Joint Fund Manager (December 2024) replied that in the present case, the project is ongoing and only the scope of the project has been modified. The first installment released is considered as a part payment of the total centage release. Furthermore, the project has successfully overcome initial technical challenges and is now progressing on-site. Hence, the release of the first installment of centage adhering to Government orders cannot be deemed as unproductive.

Reply is not tenable as it does not address the issue of inadequate initial planning, and the resultant unproductive expenditure incurred for the underpass. Further progress of the work may be intimated.

Reference Number: OBS-1678320 and OBS-1738695

V. Excess payment of Centage charges

(1). Improvements to Kannadi - Pannikkode road 0/000 to 10/000Km (PWD004-121)

The Government of Kerala (PWD) accorded Administrative sanction (AS) for the project – Improvements to Kannadi - Pannikkode road 0/000 to 10/000Km (PWD004-121) on 01/11/2016 for an amount of ₹10 crore and also designated KRFB as its SPV. Kannadi - Pannikkode road is a major district road in Palakkad district with a length of 10km which starts from Palakkad-Thrissur road and ends at Koduvayur Thrippalur road. Tripartite agreement was signed by KIIFB, PWD and Kerala Road Fund Board (KRFB) on

17/07/2017. The Detailed Project Report (DPR) including the details of required land for the project was prepared by the SPV and submitted to KIIFB for approval and was appraised by KIIFB.

In the Detailed Appraisal Report (DAR), land acquisition is mentioned over an area of 30 cents at a rate of ₹2.00 lakh per cent. Thereby, a package for land acquisition for ₹60 lakh was created and an expenditure of ₹15.55 lakh was incurred.

As per Government Order GO(P) No.170/2019/FIN dated 13/12/2019, the Government have fixed the centage charges for Special Purpose Vehicles (SPVs) for the implementation of public infrastructure projects funded by KIIFB. The procedure (iv) of the order states that 20 *percent* of the eligible centage charges, based on the Administrative Sanction/DPR/KIIFB Financial Sanction cost, will be released as the first instalment in advance and shall not be recouped. As per GO(P) No.92/2021/FIN dated 30/06/2021, a separate rate of 0.5 *percent* of the approved project cost is fixed for Centage charges related to the Land Acquisition (LA) component for SPVs. Any excess centage charges paid will be adjusted in subsequent installments.

As such, KIIFB released first installment centage charges (20 *percent* of ₹84.32 lakh, i.e., 3.5 *percent* of approved amount) for the project for an amount of ₹16,86,300/- based on the KIIFB approved amount of ₹24.09 Crores. However, KIIFB decided to defer the project in October 2023 due to reasons such as non-availability of land/various technical reasons. However, it was decided by KIIFB in January 2024 that, KIIFB funds would be allocated exclusively for the Land Acquisition component, while road construction and maintenance works should be proposed through Budget funding in subsequent period.

Audit observed that centage charge amounting to ₹16.86 lakh was disbursed to KRFB for the project. However, the project was deferred and only land acquisition would be done using KIIFB funds. As such, the SPV is only eligible for centage of ₹30,000/- (0.5 *percent* of ₹60 lakh).

On this being pointed out, the Joint Fund Manager replied (December 2024) that the Financial Sanction (FS) order issued for the project has not yet been cancelled. Since the Administrative Sanction order for the project has not been revised, KIIFB is still the funding agency. Upon receiving confirmation from Administrative Department, the proposal to defer the project will be placed before the KIIF Board for approval. Following

the Boards decision, the FS order will be cancelled and any settlement of centage charges related to the project required will be made subsequently as per the recommendation of the KIIF Board. Also, it was replied that any interim excess paid in between will be reimbursed from the subsequent claims.

Further action taken on the cancellation of FS and settlement of centage charges as per the recommendation of the Board is awaited.

Reference Number: OBS-1738695

(2). Improvements to Pulimuttu-Vattakinar Road

Government of Kerala accorded (July 2017) Administrative Sanction for the improvements to Pulimuttu-Vattakinar road for an amount of ₹25 crore availing funds from KIIFB. Kerala Road Fund Board (KRFB) was the SPV for the project. As per the Detailed Project Report (DPR), KIIFB approved project cost of ₹212.45 crore. Tripartite agreement was executed (July 2017) by Kerala Road Fund Board (1st part), Public Works Department (2nd part) and KIIFB (3rd part).

Centage charge for construction of Road is 3 *percent* of the approved cost. Centage charges are paid to SPVs in five instalments, in which the first instalment of 20 *percent* will be paid in the initial stages, based on the Administrative Sanction (AS) proposed cost. Based on the approved amount of ₹212.45 crore, KIIFB released (July 2019) centage charges of ₹1,27,47,000, being the first release of 20 *percent* of ₹6,37,35,000 (3 *percent* of approved cost of ₹212.45 crore). The expected date of commencement of the project was 01/09/2019 and expected date of completion was 31/08/2021.

Subsequently, KIIFB proposed (February 2020) that the project could be undertaken in a phased manner with land acquisition processes initiated and completed upfront for facilitating smooth rollout of the second phase comprising construction. The cost of land acquisition is considered in the first phase. The proposal was revised and financial sanction was accorded (15/02/2020) by KIIFB for ₹36.67 crore including land acquisition cost (₹19.67 crore) and cost of affected structures (₹17 crore). An amount of ₹50,00,000 was paid by KIIFB. However, the land acquisition process was not completed so far.

Audit observed that centage charges to land acquisition are 0.50 *percent* of the approved cost as per GO(P) No.92/2021/FIN dated 30/06/2021. Being so, centage charges to SPV

based on new Financial Sanction is ₹3,66,700 only, being 20 *percent* of ₹18,33,500 (0.50 *percent* of the approved cost of ₹36.67 crore). However, ₹1,27,47,000 was already released as the first instalment. An amount of ₹1,23,80,300 is paid in excess and no action was taken to recover the excess centage charges paid to the SPV.

On this being pointed out, the Joint Fund Manager stated (December 2024) that the first instalment centage paid to the SPV pertains to the entire project, not just the Land Acquisition (LA) component. Upon completion of LA, Financial sanction will be accorded for the construction phase. Any excess payment made will be adjusted in subsequent centage instalment claims.

Further action on settlement of centage charges is awaited.

Reference Number: OBS-1684779

VI. Ineffective administration of the Funds received from the Government

As per Section 3(1A) of KIIFB Act, 1999 as amended by Amendment Act of 2016, the fund Corpus shall include the amounts released to the Board from the budget allocation of Government. From, time to time, Government makes provisions in the Annual Budget to defray the expenses incurred for payment of annuity or other repayment obligations of the Board. For this, Government set apart a share of the Motor Vehicle Taxes as contribution to the fund, and a cess of not less than one rupee levied on each litre of petrol also be contributed to the Fund by the Government.

As per the Annual Accounts of KIIFB, Audit noticed that the Corpus fund is split into two, an Initial Corpus Fund and a Revolving Corpus Fund.

The Initial Corpus Fund represents funds received initially for Major Infrastructural Development Projects as per Government Orders[2]. This amount is kept separately in the Special Treasury Savings Bank (STSB) account on an interest-free basis. As of 31 March 2023, the Initial Corpus Fund of the Board was ₹2820.49 crore.

[2] G.O (Ms) No. 16/2016/Plg dated 30/03/2016 - ₹873.56 crore and G.O (Ms) No 18/2017/Plg. dated 30/03/2017 - ₹1624.57 Crores; In addition to statutory contribution Financial support granted and release of the fund ₹322.07 Cr vide Administrative sanction G.O (Rt) No.389/2022/ Fin dated 17/01/2022

The Revolving Corpus fund represents the capital investment of State Government in the Board to meet its long-term/short-term capital requirements for financing the infrastructure projects in the State and to meet the operational and administrative expenses of the board as per the objectives in the KIIFB Act, 1999 as amended by the Amendment Act of 2016. This fund is received on an annual basis towards financial support for Infrastructure Development by way of statutory contribution being the share of KIIFB from cess on petrol and share of KIIFB from Motor Vehicle Tax as per KIIFB Act. The interest generated from the deposits made out of the corpus funds received are credited to the Revolving Corpus Fund as such interest is to be mandatorily used for the objectives of the Act and hence forms a part of statutory contribution accounted under Corpus Fund.

KIIFB has several deposits accruing interest also.

During the year 2023-24, Government of Kerala authorized ₹99.18 Crore and ₹322.07 Crore through additional authorization. The additional authorization was to provide eligible balance amount towards the share of Motor vehicle tax payable to KIIFB as stipulated in Section 7(1) of Kerala Infrastructure Investment Fund Act 2016.

Audit observed that this amount, totaling ₹421.25 crore, which represents the share of Motor Vehicle Tax, was to be credited to the Revolving Corpus Fund in the form of interest-bearing bank deposits for use in infrastructure projects. Instead, the management transferred (January 2024) the amount to the Initial Corpus fund, placing it in an interest-free STSB account earmarked for Initial Corpus. There is no Administrative Sanction (AS) of the Finance Department for the transfer credit of the amount to STSB Account No. 701011400000479 of KIIFB. Since KIIFB typically earns a minimum interest rate of 7 *percent* on its Term deposits, the decision to transfer the amount of ₹422.50 crore [₹421.25 + ₹1.25 (undrawn balance for 2022-23) to the interest free special treasury account without the Administrative Sanction of the Finance Department reflects ineffective Fund management.

On this being pointed out, the Joint Fund Manager replied (December 2042) that the decision to credit the amount to the STSB Account of KIIFB was taken by the Government due to financial constraints experienced by the State during the last quarter of 2023-24.

However, KIIFB has not taken any steps to transfer the funds back from the interest free STSB account to interest bearing account even after the financial year 2023-24 (till November 2024).

Further reply is awaited.

Reference Number: OBS-1738633

VII. Non -settlement of project accounts

Government of Kerala accorded Administrative Sanction (01/11/2016) for the work of 'PWD006-21, MES College-Payyanadan Road Kilometre 0/000 to 8/000 in Palakkad District' for an amount of ₹10 crore under Infrastructure Development works – Implementation of projects funded by KIIFB. KIIFB accorded Financial Sanction (16/03/2018) for an amount of ₹21.57 crore. Technical Sanction was issued (16/05/2018) and work was implemented through Kerala Road Fund Board (KRFB- Special Purpose Vehicle for implementing KIIFB funded projects).

The work was awarded to M/s KCD Infra Ltd. (Formerly KCP Engineers Pvt. Ltd.) vide agreement dated 01/10/2018 with time of completion of work as 18 months. The actual date of completion was 04/04/2020 but was extended up to 31/01/2023 within which the work was completed. Total expenditure incurred for the project was ₹13.75 crore (up to March 2023). Even though the work was completed (January 2023), the final bill has not been settled.

KRFB had forwarded (07/06/2023) a letter of the KCP to KIIFB for release of cost escalation amounting to ₹4.06 crore including GST variation and price variation, which was caused due to delay in completion of project. The Technical Inspection Wing, KIIFB had recommended (April 2024) for the payment of ₹4.06 crore including GST variation and price variation.

Audit noticed that as per Government Order dated 16/08/2023 of Finance (Infrastructure) Department, price variation is not applicable to projects completed before 31/03/2023 and for the projects where final bills are submitted. Price variation is only applicable to running projects.

On this being pointed out, the Joint Fund Manager stated (December 2024) that the claim mentioned in the audit observation was not released. The final settlement of claims would be done once the bills were submitted to KIIFB. KIIFB had not made any decision/communication accepting the price variation in the project.

Further reply is awaited regarding the settlement of the claims.

Reference Number: OBS-1726244

VIII.Expenses incurred for Pravasi Chitty from KSFE

The Kerala State Financial Enterprises Limited (KSFE) introduced Pravasi Chitty Scheme (a financial savings scheme) for the welfare of Malayalees living outside Kerala. The Board of KIIFB in its 27th meeting held on 07/11/2016 resolved to associate with KSFE for availing the funds from the Non-Resident Indian (NRI) Chitty set up by KSFE. It was also announced in the State Budget Speech for the financial year 2017-18 that KIIFB would develop necessary software platform for KSFE for the online chitty and the 'float amount' from the chitty would be invested in KIIFB bonds. Subsequently, a Memorandum of Agreement (MoA) was entered into between KIIFB and KSFE on 01/06/2019.

As per clauses 11.1 and 11.2 of the Agreement, "the Board has incurred certain expenses towards the development of the Pravasi Chitty Software Platform and other incidental activities connected with Pravasi Chitty. The details of the expenses will be worked out separately by mutual consent. KIIFB and KSFE shall enter into a separate agreement covering the terms of repayment of the expenses incurred by KIIFB. The repayment may be in the form of a lower interest rate being payable to KSFE for investible instruments issued hereunder till the expenses are recouped by KIIFB or in another mutually agreed manner. The separate agreement for the repayment of expenses shall be deemed to be a part of this Agreement."

Audit noticed that the Board incurred ₹70.20 crore towards the development of software and technological components for the Pravasi Chitty and ₹13.30 crore in connection with

the various programs arranged for the publicity (various print and visual media) of Pravasi Chitty project in Kerala and abroad.

Audit observed that KIIFB had not entered an agreement with the KSFE till November 2024 as required in the MoA. Due to this, an amount of ₹83.50 crore spent by KIIFB for Pravasi Chitty remained unrecovered.

On this being pointed out, the Joint Fund Manager stated (December 2024) that a technical committee will be constituted to finalise the amount and determine the modality for recovery of the amount from KSFE Ltd. Once these matters are finalised, the agreement will be executed between KIIFB and KSFE, and the assets will be transferred as mutually agreed.

Further reply is awaited.

Reference Number: OBS-1700917

IX. Double payment of income tax - unadjusted

On scrutiny of tax payment details, Audit noticed that during the Assessment Year (AY) 2018-19, the Income Tax (IT) Department raised a demand of ₹112.57 lakh under limited scrutiny assessment, for AY 2014-15 against which an appeal was filed. Of this, the demand amount of ₹32.25 lakh was a result of an erroneous computation and the remaining ₹80.328 lakh was paid anticipating a favourable order.

However, the IT Department has adjusted the said demand amount against the refund due for AY 2019-20 which has resulted in double payment of ₹80.328 lakh.

On this being pointed out, the Joint Fund Manager stated (December 2024) that the Income Tax Department has adjusted the amount of ₹112.57 lakh against the refund due to AY 2019-20, which has resulted in double payment. KIIFB had already filed a grievance petition in e-Nirvan-Income Tax dated 22/03/2021 for recovery of excess payment.

Final reply is awaited.

PART-III

(Follow up on findings outstanding of previous Inspection Reports)

Sl. No.	LAR No.	Part II A	Part II B
1	AMG I(HQ) IV/KIIFB/01/2021-22	I, II, III, IV, V, VII, VIII, IX	II, III, VI, VII, VIII, X, XII, XV

PART-IV (Best Practice)

Nil

PART-V (Acknowledgement)

Audit acknowledges the co-operation and assistance extended by the officers and staff of the Kerala Infrastructure Investment Fund Board, Thiruvananthapuram in the conduct of this audit.

Disclaimer

This report was prepared based on information furnished and records made available by the Kerala Infrastructure Investment Fund Board, Thiruvananthapuram. The Office of the Accountant General (Audit–II) Kerala disclaims any responsibility for any misinformation and/ or non-information on the part of the audited entity.

Sudha Mathew

for Senior Deputy Accountant General (Admin.&AMG-I)

Annexure I

Sl.No.	SPVs	Sum of Centage charges	Sum of GST @18%
1	KRFB	89,52,94,601.83	16,11,53,028.33
2	KITE	56,88,99,174.02	10,24,01,851.70
3	INKEL	33,31,60,171.69	5,99,13,033.91
4	KWA	29,23,72,828.35	5,26,27,109.10
5	RBDCK	25,57,12,392.17	4,60,28,228.20
6	KITCO	23,38,14,659.79	4,20,66,540.33
7	KRCL	12,50,20,000.00	2,25,03,600.00
8	HITES	11,16,41,125.50	2,00,95,402.07
9	KMRL	11,15,49,291.00	2,00,78,872.00
10	WAPCOS	10,22,42,266.00	1,84,03,609.00
11	KSFDC	9,98,23,853.03	1,79,68,296.29
12	KSEB	14,31,55,952.70	2,57,68,072.49
13	KIIDC	7,88,99,591.00	1,42,01,926.00
14	KSITIL	7,85,70,280.00	1,41,42,650.00
15	KMSCL	4,67,19,500.00	84,09,510.00
16	KSCCL	6,01,19,657.00	1,08,21,537.56
17	KILA	3,37,57,627.00	60,76,372.00
18	KSCADC	3,02,76,160.00	54,49,708.50
19	IMPACT	2,61,58,841.12	46,97,888.62
20	KSHB	2,19,97,520.00	39,59,554.10
21	TFDA	1,73,10,158.00	31,15,828.00
22	KRTCL	1,70,46,050.00	30,68,289.00
23	KASE	1,60,24,621.00	28,84,432.00
24	RICK	1,52,41,200.00	27,43,416.00
25	NPFDA	1,46,79,697.00	26,42,346.00
26	BSNL	1,18,45,041.60	21,32,107.49
27	KAICO	84,84,600.00	15,27,227.50
28	KTDC	21,65,200.00	3,89,736.00
29	CUSAT	21,33,600.00	3,84,048.00
30	SFDA	15,00,000.00	2,70,000.00
	Total	**3,75,56,15,659.80**	**67,59,24,220.19**

19/03/2025

Assistant Audit Officer

Annexure II

Sl. No.		Name of Bank	Amount (₹ in crore)		Rate of interest (in percentage)	Date of deposit	Date of Closure of FD
1.		Union Bank of India	102.00		7.61	30/03/2019	30/03/2020
2.		HDFC Bank	370.00		7.75	30/03/2019	29/04/2020
3.		ICICI Bank	328.00		7.7	30/03/2019	29/04/2020
	a.	*Bank of India*		50.00	3.6	29/04/2020	14/05/2020
	b.	*ICICI Bank*		88.00	4.25	29/04/2020	30/05/2020
	c.	*Axis Bank*		6.00	4.25	29/04/2020	30/05/2020
	d.	*Union Bank of India*		2.00	3.75	29/04/2020	30/05/2020
	e.	*Union Bank of India*		100.00	4	29/04/2020	29/06/2020
	f.	*HDFC bank*		100.00	4.25	29/04/2020	29/07/2020
	g.	*Union Bank of India*		100.00	4.5	29/04/2020	28/08/2020
	h.	*Kotak Mahindra Bank*		1.99	4.75	29/04/2020	28/08/2020
	i.	*Union Bank of India*		100.00	4.5	29/04/2020	26/09/2020
	j.	*Standard Chartered*		1.99	6.45	29/04/2020	27/10/2020
	k	*HDFC Bank*		100.00	5	29/04/2020	27/10/2020
4.		Axis bank	100.00		7.9	30/03/2019	04/05/2020

5.		Union Bank of India	400.23		7.48	04/04/2019	04/04/2020
6.		Bank of Baroda	149.00		7.4	04/04/2019	04/04/2020
		Total	**1449.23**	**649.98**			

14/03/2025

Assistant Audit Officer

Annexure III

Sl. No.	Name of Bank	Amount (₹ in crore)		Rate of interest (in %)	Period (in months)	Interest paid on masala bond @9.723 % (₹ in crore)	Interest on term deposit (₹ in crore)	Loss on account of interest (₹ in crore)
1.	Union Bank of India	102.00		7.61	12	9.917	7.762	2.155
2.	HDFC Bank	370.00		7.75	13	38.973	31.065	7.908
3.	ICICI Bank	328.00		7.7	13	34.549	27.361	7.188
a.	*Bank of India*		50.00	3.6	½ month	0.203	0.075	0.128
b.	*ICICI Bank*		88.00	4.25	1	0.713	0.312	0.401
c.	*Axis Bank*		6.00	4.25	1	0.049	0.021	0.028
d.	*Union Bank of India*		2.00	3.75	1	0.016	0.006	0.01
e.	*Union Bank of India*		100.00	4	2	1.621	0.667	0.954
f.	*HDFC bank*		100.00	4.25	3	2.431	1.063	1.368
g.	*Union Bank of India*		100.00	4.5	4	3.241	1.5	1.741
h.	*Kotak Mahindra Bank*		1.99	4.75	4	0.065	0.032	0.033
i.	*Union Bank of India*		100.00	4.5	5	4.051	1.875	2.176
j.	*Standard Chartered*		1.99	6.45	6	0.097	0.064	0.033
k	*HDFC Bank*		100.00	5	6	4.862	2.500	2.362

4.		Axis bank	100.00		7.9	13	10.533	8.558	1.975
5.		Union Bank of India	400.23		7.48	12	38.914	29.937	8.977
6.		Bank of Baroda	149.00		7.4	12	14.487	11.026	3.461
								Total	**40.898**

19/03/2025
Assistant Audit Officer

Annexure- IV

Particulars	Impression	Clicks	PRD Rate (in ₹)	Amount (in ₹)
North (07/02/2024)	27458503	165044	120.00	32,95,020.36
West (07/02/2024)	31236956	188006	120.00	37,48,434.72
Northeast (07/02/2024)	21098043	127749	120.00	25,31,765.14
Andhra Pradesh (07/02/2024)	28622554	173111	120.00	34,34,706.42
Telangana (07/02/2024)	49127456	295964	120.00	58,95,294.68
Tamil Nadu (07/02/2024)	62409320	375605	120.00	74,89,118.35
Karnataka (07/02/2024)	35550252	215525	120.00	42,66,030.18
Global Malayalees and KL (07/02/2024)	81550252	490525	120.00	97,86,030.18
News published by major, TV and News portals promoted through Daily Hunt for the period from November 2023 to February 2024	43455592	255755	120.00	52,14,671.00
			Total	4,56,61,071.02
			GST 18%	82,18,992.78
			Grand Total	**5,38,80,063.80**

19/03/2025
Assistant Audit Officer

Annexure V

Sl. No	Project Name	KIIFB approved cost (₹ in crore)	Centage charge as per GO(Rt) No. 627/2017/CAD dated 01/11/2017 (1st instalment) (in ₹)	Up-to-date payment of centage charges (in ₹)	Status of the work
1.	V T Bhattathirippad Cultural Complex in Palakkad	56.48	18,92,857.14	42,97,566.14	Work completed
2.	Subramanyan Thirumunp Cultural Complex in Kasargod	36.20	18,92,857.14	42,97,566.14	Work completed
3.	Sree Narayana Guru Cultural Complex in Kollam	44.41	18,92,857.14	42,97,566.14	Work completed
4.	Ayyankali Cultural Complex at Thiruvananthapuram	-	18,92,857.14	18,92,857.14	Project created
5.	P Krishna Pillai Cultural Complex at Alappuzha	43.44	18,92,857.14	18,92,857.14	Appraisal in progress
6.	Chattampi Swami Cultural Complex at Pathanamthitta	-	18,92,857.14	18,92,857.14	Project created
7.	Accama Cherian Cultural Complex at Idukki	-	18,92,857.14	18,92,857.14	Project created
8.	Lalithambika Antharjanam Cultural Complex at Kottayam	32.92	18,92,857.14	18,92,857.14	DPR submitted to KIIFB
9.	Soahodaran Ayyappan Cultural Complex at Ernakulam	-	18,92,857.14	18,92,857.14	Project created
10.	Vallathol Narayana Menon Cultural Complex at Thrissur	36.12	18,92,857.14	18,92,857.14	Appraisal in progress

11.	Abdur Rahiman Sahib Cultural Complex at Malappuram	39.67	18,92,857.14	18,92,857.14	KIIFB approved
12.	Vaikom Muhammed Basheer Cultural Complex at Kozhikode		18,92,857.14	18,92,857.14	*Project created
13.	Vagbhatanandan Cultural Complex at Kannur	30.71	18,92,857.14	18,92,857.14	DPR submitted to KIIFB
14.	Edachena Kunkan Cultural Complex at Wayanad	-	18,92,857.14	18,92,857.14	Project created

*Joint Fund Manager, KIIFB replied that centage charge for the Project has been recouped.

19/03/2025

Assistant Audit Officer

Annexure VI

Sl. No.	Department	Project Code	Sub Project Name	Project Outlay (₹in Crore)	Date of AS	Date of approval by KIIFB	SPV Name	Fund released from KIIFB (₹ in Crore)	Centage charges paid to SPVs
1	PWD	PWD 001-07	Construction Edatharakavu Kadavu Bridge across Chalakkudy river in Thrissur District	10.28	01/11/2016	21/08/2017	KRFB	0	0.08
2	PWD	PWD 004-113	Erattupetta - Wagamon Road	63.99	01/11/2016	29/11/2017	RICK	0.75	0.49
3	PWD	PWD 002-03	Ettumanoor Flyover	97.16	27/09/2016	25/04/2018	RBDCK	0	0.74
4	PWD	PWD 004-134	Improvements of Karimannu-KulukkaparaKalliyampara-Ozhalapathy road in between km 0/000 to 10/400	21.96	01/11/2016	01/06/2018	KRFB	0	0.18
5	PWD	PWD 004-123	Improvements to Kannanore-Chungamannam Road Km 0/000 to 5/200 in Palakkad District	11.73	01/11/2016	25/04/2018	KRFB	0.03	0.09
6	PWD	PWD 015-43	Construction of Road from National Highway Vayalar Junction to Pallippuram Infopark including a bridge across Vayalar Kayal	94.18	10/07/2017	19/08/2019	KRFB	0.46	0.75

7	PWD	PWD 015-66	Improvements to Chowalloor – Myladi Road, Nedumkuzhy – Parunthumpara – Myladi Road, Cat College Road in Trivandrum District	7.40	10/07/ 2017	30/06/ 2020	KRFB	0.16	0.008
8	PWD	PWD 004-23	Improvements to Azhakulam-Muttakad-Panangode-Kattukulam-Nellivila-Thettivila Road	32.57	06/06/ 2018	20/01/ 2020	KRFB	0.63	0.20
9	PWD	PWD 001-46	Construction of Pazhampalakkode Pandikkadavu Kodathur Bridge and Road in Palakkad District	15.84	31/10/ 2016	20/01/ 2020	KRFB	0	0.13
10	PWD	PWD 004-28	KIIFB 2016-17 - Improvements to Kollam Nelliyadi-Meppayur road in Kozhikode District	38.96	01/11/ 2016	13/10/ 2020	KRFB	0.12	0.26
11	PWD	PWD 011-07	Construction of ROB in lieu of LC 227 in between Railway KM 731/100-200 at Kozhikkal in Kannur District	46.57	19/04/ 2018	20/01/ 2020	RBD CK	0	0.21
12	PWD	PWD 016-18	Construction of Arangalikadavu (Aralikadavu) Bridge across Chalakudy River in Thrissur District-LA	3.10	10/07/ 2017	20/01/ 2020	KRFB	0.01	0.11
		Total						**2.16**	**3.25**

19/03/2025

Assistant Audit Officer