

**FIFTEENTH KERALA LEGISLATIVE ASSEMBLY**

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

**SEVENTY FOURTH REPORT**

**(Presented on 12<sup>th</sup> March, 2025)**



**SECRETARIAT OF THE KERALA LEGISLATURE  
THIRUVANANTHAPURAM  
2025**

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**SEVENTY FOURTH REPORT**

**on**

**Paragraphs relating to Local Self Government Department  
contained in the Reports of the Comptroller and Auditor General  
of India for the years ended 31<sup>st</sup> March, 2015 and  
31<sup>st</sup> March, 2017**

**(General and Social Sector)**

# CONTENTS

	<b>Page</b>
Composition of the Committee	: V
Introduction	: VII
Report	: 1
Appendices :	
I. Summary of main Conclusions/Recommendations	: 64
II. Notes furnished by the Government	: 68
III. Appendices from AG's Report	: 124

# COMMITTEE ON PUBLIC ACCOUNTS

(2023-2026)

## COMPOSITION

### **Chairperson :**

Shri. Sunny Joseph

### **Members :**

Shri. Manjalamkuzhi Ali

Shri. M. V. Govindan Master

D<sub>R</sub>. K. T. Jaleel

Shri. C. H. Kunhambu

Shri. Mathew T. Thomas

Shri. M. Rajagopalan

Shri. P. S. Supal

Shri. Thomas K. Thomas

Shri. K. N. Unnikrishnan

Shri. M. Vincent

### **Legislature Secretariat :**

D<sub>R</sub>. N. Krishna Kumar, Secretary.

Shri. Selvarajan P. S., Joint Secretary.

Shri. Jomy K. Joseph, Deputy Secretary

Smt. Beena O. M., Under Secretary.

## INTRODUCTION

I, the Chairperson, Committee on Public Accounts, having been authorised by the Committee to present this Report, on their behalf present the Seventy Fourth Report on paragraphs relating to Local Self Government Department contained in the Report of the Comptroller and Auditor General of India for the years ended 31<sup>st</sup> March, 2015 and 31<sup>st</sup> March, 2017 (General and Social Sector).

The Report of the Comptroller and Auditor General of India for the years ended 31<sup>st</sup> March, 2015 (General and Social Sector) and 31<sup>st</sup> March, 2017 (General and Social Sector) were laid on the Table of the House on 24<sup>th</sup> February, 2016 and 18<sup>th</sup> June, 2018 respectively.

The Committee considered and finalised this Report at the meeting held on 7<sup>th</sup> February, 2025.

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

Thiruvananthapuram,  
12<sup>th</sup> March, 2025.

**SUNNY JOSEPH,**  
*Chairperson,*  
*Committee on Public Accounts.*

## REPORT

### LOCAL SELF GOVERNMENT DEPARTMENT

#### 4.8 **Laxity in implementing a GOI funded poverty alleviation scheme for BPL women beneficiaries**

**Due to laxity in implementation of a GOI approved poverty alleviation scheme, 11,214 BPL women beneficiaries could not be benefitted despite availability of ₹ 2.80 crore which was parked irregularly in fixed deposits.**

Government of India (GOI) accorded administrative approval (March 2005) to a project 'Promotion of Back Yard Breeding of Chicks in Kerala' at a total approved cost of ₹14.92 crore<sup>1</sup>. The project was proposed by Kerala State Poultry Development Corporation Ltd., (KEPCO)<sup>2</sup> under the Swarnajayanti Grama Swarozgar Yojana (SGSY), a Centrally Sponsored Scheme. KEPCO was identified as the Project Implementation Agency (PIA) responsible for implementing the Scheme in the State. The scheme was implemented with the active participation of Local Self Government Institutions. The Block Panchayat authorities were to invite the applications and the beneficiary selection was to be finalised by them. The scheme envisaged alleviation of poverty among 40000 Below Poverty Line (BPL) women from 50 selected blocks of the State by providing each beneficiary with adequate training along with one time supply of wooden cage, 20 layer birds, 40 kg of Poultry feed and medicines worth ₹50. The Scheme was conceived as an ongoing scheme but without recurring assistance. An individual investment of ₹3730 on a beneficiary (inclusive of her contribution of ₹50 and Loan ₹120) was projected to generate an income of ₹26,793 over a period of five years.

GOI released ₹8.11 crore to KEPCO in two installments of ₹4.05 crore each during March 2005 and March 2009 respectively with directions to

- 1 Government share: ₹ 13.52 crore to be shared between GOI and GOK in the ratio of 75:25 i.e. ₹ 10.14 crore and ₹ 3.38 crore respectively (State share routed through District Rural Development Agency); Bank credit: ₹ 1.20 crore and beneficiary contribution: ₹ 0.20 crore
- 2 A Government of Kerala undertaking

maintain a separate bank account and not to be parked in fixed deposits. KEPCO was also responsible for furnishing progress reports, utilization certificate, Audit certificate and other documents to GOI for claiming subsequent installments of funds. Proportionate assistance of ₹2.70 crore was released by GOK in two equal installments during March 2006 and April 2009 respectively.

The project was initially slated for completion by March 2007. As KEPCO/GOK sought (February 2008) extension of time by 18 months citing reasons such as outbreak of bird-flu/general elections, extension was granted (March 2009) by GOI up to 31.03.2009. KEPCO again requested GOI (April 2010) for further extension of project period till March 2011 citing difficulties in implementation and also asked for revision of rates of certain components under the project. In order to take a decision, GOI directed GOK (August 2010) to furnish the component wise expenditure details. Despite the Commissioner for Rural Development, GOK requesting KEPCO multiple times<sup>3</sup> to furnish the requisite information for onward transmission to GOI, the information was not furnished by KEPCO. GOI neither granted extension of time nor released the third and final installment of ₹2.04 crore (March 2015). Meanwhile, GOI informed (October 2013) that the SGSY scheme had ceased to exist with effect from 01.04.2013.

In this regard, following observations are made in audit.

- KEPCO could cover only 28786 of the 40000 beneficiaries in 36 of the 50 blocks targeted to be covered during 2005-07, despite having adequate funds and obtaining extension of time for completion of the scheme till March 2009 from GOI.
- Unspent scheme funds of ₹3.37 crore (including interest on deposits) was parked with Banks including ₹2.80 crore in fixed deposits (March 2014) by KEPCO, in clear violation of GOI guidelines.

Audit had earlier reported in Para 5.8 of Report of the Comptroller and Auditor General of India on General and Social Sector for the year ended March

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<sup>3</sup> Letters from the Commissioner of Rural Development, GOK to the Managing Director, KSPDC dated 29.10.2010, 25.11.2010, 28.02.2011, 16.07.2011, 04.11.2011

2014 that KEPCO had failed to implement a similar scheme for providing livelihood to unemployed Scheduled Castes resulting in blocking up of funds of ₹2.80 crore for a period of over three years. The persistent failure of KEPCO to successfully implement schemes despite availability of funds and resultant loss of GOI assistance is cause for concern.

Government accepted the audit observations and stated (October 2015) that KEPCO failed to achieve the target even during the extended period due to various reasons like discontinuance of supply of cages by M/s. Kerala Small Industries Corporation Ltd.<sup>4</sup>, non-willingness of local banks to sanction loans, increase in production cost of birds and feeds and high transportation cost of birds from production centres to supply sites. It also stated that ₹2.80 crore was lying as unspent balance and was kept in bank account as fixed deposit.

The reply is not acceptable as GOK failed to explore other possible ways to overcome the known obstacles and implement the scheme.

**[Audit Paragraph 4.8 contained in the Report of the Comptroller and Auditor General of India for the year ended 31<sup>st</sup> March 2015. (General and Social Sector)]**

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

*(Excerpts from the discussion of Committee with officials concerned)*

1) Regarding the audit para, the Committee observed that the Department failed to obtain the Central share of the project to the tune of about two crore rupees and was not able to obtain the same even after the extended period of the project, and wanted to know whether the expenditure details of the project had been submitted to Government of India.

2) The Managing Director, KEPCO submitted that the duration of the project, targeted for the benefit of 40,000 women beneficiaries under the BPL category selected from 50 Blocks, was from 2005 to 2007, and the Central share

<sup>4</sup> M/s. Kerala Small Industries Corporation Ltd., a GOK undertaking was engaged for supply of cages by KEPCO



was ₹10.14 crore of which the third instalment was pending. The Managing Director further informed that the project could not be implemented during the period when election code of conduct was in force. Moreover, delays occurred in selecting the beneficiaries and in the meantime, input costs increased considerably. The Managing Director informed the Committee that the expenditure details and the Utilisation Certificate had been given to Government of India and also stated that the unspent amount with interest was remitted in the relevant head of account.

3) The Committee did not agree with the contention by the Managing Director, KEPCO. The Senior Deputy Accountant General opined that failure in timely submission of the Utilisation Certificate to Government of India led to the non release of remaining portion of the Central share. The Committee suggested the Managing Director to submit copy of the expenditure details to the Rural Development Commissioner and the Local Self Government Department.

#### **Conclusion/Recommendation**

**4) The Committee expresses its displeasure on the failure of the Department to obtain the entire Central share of the project and to achieve the target even after the extended period of the project. The Committee observes that the failure in timely submission of the Utilisation Certificate to Government of India led to the non release of entire Central share. Therefore, the Committee directs to set up a regular monitoring mechanism for ensuring the timely submission of Utilisation Certificates with regard to Centrally Sponsored Schemes.**

**Role of Kudumbashree in the socio-economic empowerment of women.*****Executive Summary***

*'Kudumbashree' – a registered society under the Travancore-Cochin Literary, Scientific and Charitable Societies Registration Act, 1955, was set up as a Poverty Eradication Mission in Kerala on 17 May 1998. Kudumbashree has evolved into a mass women participation programme, encompassing 43 lakh members. Over the years, Kudumbashree received many national and international awards for excellence and best practice and is a globally acclaimed model of women empowerment and entrepreneurship. A Performance Audit to assess the role of Kudumbashree in the socio-economic empowerment of women was conducted covering the period 2012-17. The Performance Audit brought out the following audit findings.*

**At least 35 per cent of Micro Enterprises (MEs) under Kudumbashree were inactive. MEs were registered without assessing financial viability of projects being undertaken by them. Training to members of Neighbourhood Groups (NHGs) was not conducted as envisaged.**

*(Paragraph 3.7)*

**'Punarjani' a skilling and placement project to train 5,000 Kudumbashree workers benefitted only 1,794 members. The activities of Programme Implementation Agencies (PIAs) were not monitored by Kudumbashree resulting in deficiencies in the scheme.**

*(Paragraph 3.8)*

**The target of bringing a minimum of 24,000 Ha of land under cultivation with the participation of 1,50,000 women forming 30,000 farming groups under Mahila Kisan Sashakthikaran Pariyojana was not achieved.**

*(Paragraph 3.9)*

**Project to train women in video making under 'Mediasree' did not deliver the intended results.**

*(Paragraph 3.11)*

**A Community College programme implemented by Kudumbashree in collaboration with Tata Institute of Social Sciences offered a one-year postgraduate diploma course in Development Praxis to only one batch of 43 students.**

*(Paragraph 3.12)*

**Financial Management under Kudumbashree was deficient. The financial statements contained material mis-statements and did not give a correct picture about the financial transactions of Kudumbashree during 2012-16.**

*(Paragraph 3.13)*

### **3.1 Introduction**

Government of Kerala (GOK) approved (1997) the recommendations of a Special Task Force for setting up the State Poverty Eradication Mission (SPEM) with the objective to eradicate absolute poverty from the State over a period of ten years. The SPEM was registered (November 1998) under the Travancore-Cochin Literary, Scientific and Charitable Societies Registration Act, 1955, and started functioning on 01 April 1999 under the Local Self Government Department. It was named Kudumbashree<sup>5</sup> Mission. As of March 2017, there were 2.77 lakh Neighbourhood Groups (NHGs) with 43 lakh members, 19,854 Area Development Societies (ADS) and 1,073 Community Development Societies (CDS) under Kudumbashree in the State. Kudumbashree membership is open to all adult women, limited to single membership per family.

### **3.2 Organisational set up**

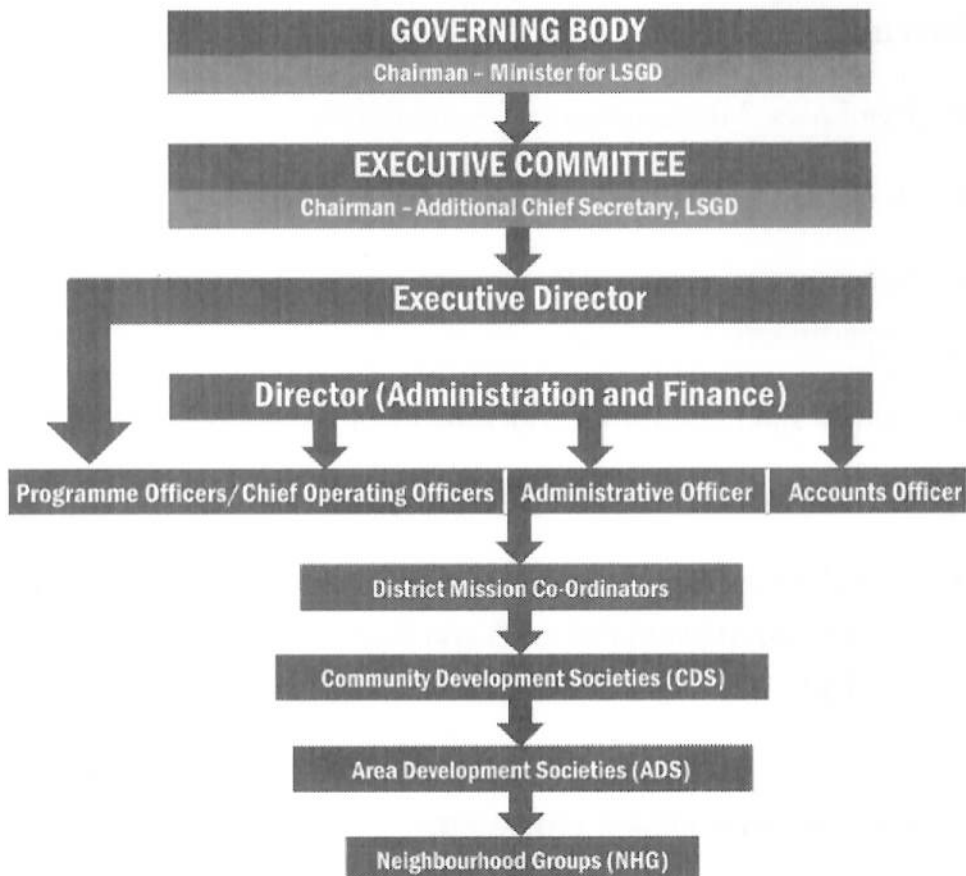
The State Mission Office of Kudumbashree at Thiruvananthapuram with a field office in each district, supports and facilitates the activities of the community network across the State. Governance of the Mission is vested with the Governing Body comprising of 28 members, chaired by the Minister for Local Self-Government, Government of Kerala. The Executive Committee consisting of eight members was to oversee the Mission's administration. The Principal Secretary, Department of Local Self-Government is its chairperson and the Executive Director of Kudumbashree Mission is its convenor. For effective

<sup>5</sup> The name Kudumbashree in Malayalam language means 'prosperity of the family'.

convergence of the programme, it has a three-tier structure of women community network comprising NHGs at the base level, ADS at ward level and CDS at Grama Panchayat/Municipality/Corporation level. A Neighbourhood Group (NHG) consists of 10 to 20 women members represented by a member of the age of 18 years and above from one family. NHG is the base unit of the three tier organisational structure of Kudumbashree. Area Development Society (ADS) is the middle level of the Kudumbashree structure. An ADS is formed at the ward level of the Grama Panchayat/Municipality/Corporation. Each NHG shall be affiliated to the ADS. The Community Development Society (CDS) is the apex body of the Kudumbashree organisational structure having jurisdiction at Grama Panchayat/Municipality/Corporation level. Each NHG, which adopts the bye laws of Kudumbashree shall be given affiliation to the CDS representing the area in which the NHG is situated.

The organisational structure of Kudumbashree in the State is shown in Chart 3.1.

**Chart 3.1: Organisational Structure of Kudumbashree**



### **3.3 Audit objectives**

The Performance Audit was conducted to assess whether:

- the welfare schemes of Kudumbashree were properly planned and implemented effectively for the removal of poverty and achievement of self-sufficiency of women and were envisioned to achieve Government of India adopted United Nations Sustainable Development Goals of ending poverty in all its manifestations and establishing gender equality by 2030;
- the financial management under Kudumbashree was efficient and effective; and
- the institutional framework established under Kudumbashree was efficient and effective for the achievement of objectives of the Mission.

### **3.4 Audit Criteria**

The audit criteria for evaluation of performance of Kudumbashree were derived from:

- Bye Laws, Memorandum of Association;
- Rules and Regulations of Kudumbashree Mission;
- Relevant orders issued by Government/Local Self Government Departments;
- Annual Plan and Budget documents of Kudumbashree Mission;
- Kerala Financial Code and Treasury Code;
- Guidelines of Government of India schemes viz., National Rural Livelihood Mission (NRLM) and National Urban Livelihood Mission (NULM); and
- Targets and indicators of Sustainable Development Goals of United Nations Development Programme.

### **3.5 Audit Coverage and Methodology**

The Performance Audit was conducted from May 2017 to September 2017 covering the period from 2012-17. Records were test-checked in the Government Secretariat, the State Mission Office at Thiruvananthapuram, four selected District Mission offices, CDSs, ADSs and NHGs. In the first stage of sampling, the State Mission Office and connected administrative offices in Thiruvananthapuram district were selected. In the second stage, the four districts of Wayanad, Thrissur, Alappuzha and Thiruvananthapuram were selected using Simple Random Sampling method. In the third stage, 10 per cent of CDS with a minimum of six CDSs from a district were selected by Stratified Random Sampling method. Thus, 36 CDSs, 72 ADSs and 144 NHGs were selected for test-check. Additionally, 12 Exclusive Tribal NHGs in Wayanad District were also selected locally.

Audit conducted a preliminary study to obtain background information on the subject. An Entry Conference was held on 11 April 2017 with the officials of Kudumbashree Mission and Government wherein the scope, objectives, methodology and criteria were discussed and agreed upon. Audit methodology included sample beneficiary survey to assess whether the beneficiaries of various schemes for educational and skill development had actually derived the intended benefits and enhanced their capability. The findings of the Performance Audit were discussed in the Exit Conference held on 09 January 2018 with the Additional Chief Secretary to Government, Local Self Government Department (ACS), the Executive Director of Kudumbashree (ED) and other senior officers. Response of Government was obtained and included in the report.

### **3.6 Receipt and utilisation of funds**

Kudumbashree received funds for its activities from:

- Plan funds of the Government of Kerala (GOK)/Government of India (GOI), Participating institutions like National Bank for Agriculture and Rural Development (NABARD), Scheduled Tribe Development Department (STDD), Social Justice Department and Local Self Government Institutions.

- Recurring and non-recurring grants made by the GOI/GOK for the furtherance of the objectives of the Mission.

Details of financial assistance received by the Mission are given below:

**Table 3.1: Details of funds received and expended ( ₹ in crore)**

Year	OB	Receipts <sup>6</sup>	Total	Expenditure	CB
2012-13	53.91	207.13	261.04	135.81	125.23
2013-14	125.23	209.16	334.39	221.59	112.80
2014-15	112.80	185.35	298.15	191.28	106.87
2015-16	106.86	148.48	255.34	178.65	76.69
2016-17	76.70	272.82	349.52	262.67	86.85
<b>TOTAL</b>		<b>1022.94</b>		<b>990.00</b>	

(Source: Details received from Kudumbashree Mission)

The table shows that the balance of funds available with Kudumbashree at the end of each year ranged from ₹ 76.69 crore to ₹ 125.23 crore, revealing that funds at the disposal of Mission were not utilised in full.

### ***Audit Findings***

During 2012-17, Kudumbashree implemented GOK schemes like Gender Self Learning, Tribal Project, Micro Finance, Micro Enterprise Activities, Samagra (Animal Husbandry), Joint Liability Group (JLG) farming, etc. During this period, Kudumbashree also implemented 12<sup>7</sup> schemes of the Government of India. However, only eight<sup>8</sup> GOI schemes were operational in 2016-17. Audit,

6 Including Receipts from others ₹ 51.92 crore viz., Interest from Bank, receipts from NABARD on account of MKSP receipts, Consortium of Malappuram, Palakkad, Thrissur (CoMPT), etc.

7 Mahila Kisan Sashaktikaran Pariyojana (MKSP), National Rural Livelihood Mission (NRLM), National Urban Livelihood Mission (NULM), Deen Dayal Upadhyaya Grameen Kaushalya Yojana (DDU-GKY), Rajiv Awas Yojana (RAY), National Resource Organisation (NRO), Pradhan Mantri Awas Yojana (PMAY) and MKSP – Attappady, Swarna Jayanthi Shahari Rozgar Yojana (SJSRY), Basic Services for Urban Poor Programme (BSUP), Integrated Housing and Slum Development Programme (IHSDP) and Valmiki Ambedkar Awas Yojana (VAMBAY).

8 The term period of four schemes, viz., SJSRY, BSUP, IHSDP, VAMBAY ended prior to 2016-17.

besides examining records relating to GOK schemes, also examined three GOI implemented schemes which impacted women empowerment, viz., Mahila Kisan Sashakthikaran Pariyojana (MKSP), Deen Dayal Upadhyaya Grameen Kaushalya Yojana (DDU-GKY) and NRLM. The results of Audit are detailed below.

**[Audit Paragraphs 3.1 – 3.6 contained in the Report of the Comptroller and Auditor General of India for the year ended 31<sup>st</sup> March 2017.  
(General and Social Sector)]**

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

*(Excerpts from the discussion of Committee with officials concerned)*

5) While considering the above audit paragraphs, the Committee directed to give a reply regarding the audit para. The Director (A&F), Kudumbashree, informed that the fund was sanctioned only by the month of March during the audit period. Hence, the entire fund could not be utilised and the unspent amount of the Centrally Sponsored Schemes could be carried over to the subsequent year.

### **Conclusion/Recommendation**

6) **No comments**

#### **3.7 Functioning of Micro Enterprises**

Kudumbashree envisaged promotion and development of Micro Enterprises (MEs) as an important strategy to facilitate economic empowerment of the poor. The strategy provided for women of each NHG to start an ME, either individually or in groups, within a single NHG or women from several NHGs grouped together. It was envisaged to provide subsidy of ₹7,500 or 30 per cent of total project cost whichever was lower to individual entrepreneurs. Group entrepreneurs were entitled to subsidy of ₹10,000 per member subject to a maximum of ₹ one lakh or 50 per cent of total project cost, whichever was less. It was also envisaged to promote MEs by making available financial assistance



through Revolving Fund<sup>9</sup>, Innovation Fund<sup>10</sup>, Technology Fund<sup>11</sup>, Technology Upgradation Fund<sup>12</sup>, Second Dose Assistance to Micro Enterprises<sup>13</sup> and Crisis Management Fund<sup>14</sup>. While the Crisis Management Fund given to eligible MEs was to be refunded to Kudumbashree, all the other funds were to be given to the MEs as financial assistance without need for repayment. Training programmes for existing enterprises like Performance Improvement Programmes as well as training for capacity building and technology upgradation were also envisaged. Observations of Audit on the functioning of MEs are given below.

### 3.7.1 Inactive Micro Enterprises

The ME consultants of Kudumbashree/CDSs were to assess the requirements for expansion and technological upgradation of MEs and facilitate planning of projects to be undertaken by MEs. They were also entrusted with timely detection of problems faced by MEs, and seek solutions to these problems from appropriate levels. The CDSs were to submit details of MEs, which were inactive/slowing down to District missions, who were to initiate steps to revive them. Details obtained from Kudumbashree revealed that around 35 per cent of the MEs were inactive and non-functional as of March 2017 as shown in **Table 3.2**.

- 
- 9 Revolving fund – A fund for meeting additional requirement of working capital. Enterprises were eligible for revolving fund @ 15 per cent of the total project cost subject to a maximum of ₹ 35,000 per group.
  - 10 Innovation fund – A fund to provide assistance to MEs started on the basis of new entrepreneurial ideas as well as existing enterprises introducing innovative changes to solve difficulties involved. Enterprises were eligible for ₹ 25,000 per member subject to a maximum of ₹ 2.50 lakh or 40 per cent of the total project cost, whichever was less. The maximum amount eligible should not exceed 50 per cent of total project cost including subsidy plus innovation fund.
  - 11 Technology fund – A fund to procure advanced and innovative technologies for setting up MEs.
  - 12 Technology Upgradation fund – A fund to upgrade the technology already acquired by the MEs.
  - 13 Second Dose Assistance to ME – to enhance and widen the existing activities of entrepreneurs and to review their activities to enable them to be introduced to new spheres of activities.
  - 14 Crisis Management fund – A fund for responding to an unpredictable negative event to prevent it from escalating into an even bigger problem related to MEs activities of Kudumbashree. It is an interest free loan given to the MEs.

**Table 3.2 : District wise details of MEs as on 31 March 2017**

Sl No.	District	Registered MEs	Active MEs	Inactive MEs	Inactive MEs (in per cent)
1	Thiruvananthapuram	4187	783	3404	81.30
2	Kollam	264	246	18	6.82
3	Pathanamthitta	840	733	107	12.74
4	Alappuzha	318	71	247	77.67
5	Kottayam	1612	1359	253	15.69
6	Idukki	1535	1033	502	32.70
7	Ernakulam	8078	5783	2295	28.41
8	Thrissur	1250	585	665	53.20
9	Palakkad	1556	1210	346	22.24
10	Malappuram	1148	920	228	19.86
11	Kozhikode	2972	2274	698	23.49
12	Wayanad	467	160	307	65.74
13	Kannur	2372	1697	675	28.46
14	Kasaragod	921	901	20	2.17
	<b>TOTAL</b>	<b>27520</b>	<b>17755</b>	<b>9765</b>	<b>35.48</b>

(Source: Data received from Kudumbashree mission)

A study conducted (August 2013) by the Gulati Institute of Finance and Taxation (GIFT) on the request of Kudumbashree reported that the data available with the District Missions regarding MEs under their jurisdiction was doubtful. Audit observed that the quality of data on inactive MEs as maintained by Kudumbashree was suspect. It was seen that against the high percentage of

inactive MEs reported by Kudumbashree in Thiruvananthapuram (81.30 per cent), Alappuzha (77.67 per cent), Thrissur (53.20 per cent) and Wayanad (65.74 per cent) as per **Table 3.2**, test-check of 36 out of 288 CDSs (12.50 per cent) revealed that the percentage of inactive MEs was 40.99, 49.27, 51.39 and 44.16 respectively. The possibility of more number of inactive MEs in the remaining 87.50 per cent cannot be ruled out.

Audit surveyed 62 of the 163 MEs in the 147 NHGs<sup>15</sup>. Audit also conducted a survey of 702 members belonging to 147 NHGs. Convenors of 21 out of 62 MEs surveyed claimed difficulty in making a sustainable livelihood from MEs, which was analogous to the findings of GIFT that 1,001 out of 1,246 MEs were running at a loss.

Audit observed that ME Consultants/CDSs did not submit details of inactive MEs to District Missions and as a result, no data on inactive MEs was maintained at the State Mission Office. Government, while admitting these facts, stated (February 2018) that a campaign was initiated to revive all defunct MEs and that a regular online system of monitoring was being designed for concurrent evaluation of MEs.

*Recommendation 3.1: Kudumbashree may facilitate continuous handholding of MEs at all levels to ensure that MEs remain active and economically viable.*

**[Audit Paragraphs 3.7 & 3.7.1 contained in the Report of the Comptroller and Auditor General of India for the year ended 31<sup>st</sup> March 2017.**

**(General and Social Sector)]**

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

*(Excerpts from the discussion of Committee with officials concerned)*

7) Regarding the audit para, the Committee wanted to know the number of inactive Micro Enterprises at present and the action taken to make them active. The Director (A&F), Kudumbashree, submitted that out of the 104200 Micro

<sup>15</sup> Out of 156 NHGs selected (144+12 ST NHGs) for survey by Audit, 147 responded.

Enterprises, 3400 were inactive at present and that the inactive agricultural Micro Enterprises were found by the audit during the off season period. The Programme Officer, Kudumbashree informed that a revival and rehabilitation scheme started in which Micro Enterprises Consultants (MECs) had been appointed and each consultant had control of 10 sick Micro Enterprises, as part of which inspections were being conducted every month to assess the active/inactive status of Micro Enterprises. In case Micro Enterprises became inactive, provisions were included to make timely intervention and provide support and through those actions, the number of sick Micro Enterprises decreased considerably. At present, there is a tracking application and a monitoring system for follow up. The Committee accepted the reply furnished by the Department.

### Conclusion/Recommendation

#### 8) No comments

#### 3.7.2 Lack of awareness of MEs regarding availability of various funds

The Mission envisaged rendering assistance from various funds available. The actual funds provided were as shown in Table 3.3.

**Table 3.3: Details of financial assistance rendered during 2012-17**

Name of Fund	2012-13		2013-14		2014-15		2015-16		2016-17		Total amount paid (₹ in crore)
	MEs	Amount (₹ in crore)	MEs	Amount (₹ in crore)	MEs	Amount (₹ in crore)	MEs	Amount (₹ in crore)	MEs	Amount (₹ in crore)	
Subsidy	667	4.33	1316	6.84	1863	9.62	462	1.65	663	2.02	24.46
Revolving	98	0.31	129	0.49	35	0.09	97	0.29	323	0.88	2.06
Innovation	5	0.08	0	0	1	0.02	0	0	11	0.09	0.19
Technology	6	0.06	16	0.15	4	0.03	1	0.01	53	0.90	1.15
Technology Upgradation	0	0	0	0	0	0	0	0	26	0.39	0.39
Crisis Management	576	3.19	210	2.87	438	1.56	225	0.90	63	1.04	9.56

(Source: Data received from Kudumbashree Mission)

The above table revealed that meagre assistance was given to MEs by Kudumbashree under Revolving, Innovation, Technology and Technology Upgradation funds. During 2012-17, while ₹2.06 crore was paid as financial assistance under the Revolving Fund to 682 MEs, the assistance rendered under the Innovation, Technology and Technology Upgradation funds was only ₹ 0.19 crore, ₹ 1.15 crore and ₹ 0.39 crore to 17, 80 and 26 MEs respectively. However, analysis of accounts of Kudumbashree revealed huge balances<sup>16</sup> available under these funds, which could have been given to the MEs.

The beneficiary survey conducted by Audit revealed low awareness among the NHG members about various funds. Out of 702 NHG members surveyed, only 91 members were aware of Crisis Management Fund, 64 members were aware of the Technology Fund and 40 members were aware of the Technology Upgradation Fund. Audit observed that due to lack of awareness of MEs regarding availability of the above funds, the demand for funds raised by the MEs was low and the funds under these heads remained undisbursed.

The CDS, being the apex body of the three tier organisational structure of Kudumbashree Mission, and the District Mission Offices did not function effectively for facilitating the various funds available at the disposal of the Mission for the benefit of MEs. Government failed in ensuring that proper initiatives were made by Kudumbashree Mission in spreading adequate awareness among the NHG members of the availability of various types of assistance for the support of the MEs.

Government stated (February 2018) that the District Mission Offices were given direction to give adequate publicity and awareness about the various financial aids to MEs.

*Recommendation 3.2: Kudumbashree may ensure that beneficiaries are informed of financial assistance available under various funds, to ensure that no needy beneficiary is deprived of assistance.*

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<sup>16</sup> The closing balances as per the audited Annual Accounts of Kudumbashree as of March 2016 were Innovation Fund - ₹ 2.64 crore, Technology fund - ₹ 2.16 crore and Crisis Management fund - ₹ 3.73 crore.

**[Audit Paragraph 3.7.2 contained in the Report of the Comptroller and Auditor General of India for the year ended 31<sup>st</sup> March 2017. (General and Social Sector)]**

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

*(Excerpts from the discussion of Committee with officials concerned)*

9) When the Committee directed to give a reply on the audit para, the Director (A&F), Kudumbashree informed that the Micro Enterprises were being provided awareness regarding various financial assistance avenues and their criteria through MECs as per the amended guidelines of Kudumbashree in 2017. In addition, through such means as media publications, articles, campaign, Kudumbashree Website and mobile app, NHG members were being made aware of the various sources of funding. He further submitted that the district level monitoring committee was monitoring income and expenditure related to the funds and that special audit team was formed in every district to carry out monitoring of proper utilisation of funds. The Committee accepted the reply.

**Conclusion/Recommendation**

**10) No comments**

**3.7.3 Setting up of MEs without preparation of detailed project report**

The guidelines issued by Kudumbashree for setting up of MEs stipulated that before starting an ME, the individual enterprise or enterprise group should prepare a Detailed Project Report (DPR) including a feasibility study of the ME, with the assistance of the MEC and submit the report to the concerned CDS. A feasibility study helps in determining legal and technical feasibility apart from the economic viability of a project. In case of MEs availing subsidy, the CDSs were to submit DPRs to the bank for sanction of loan. The loan sanctioning letter from the bank along with the project report are subsequently forwarded by the CDS to the District Mission Coordinators, who after scrutiny, transfer the subsidy directly to the bank account of the MEs. It was seen that out of 2,359

MEs registered during 2012-17 in the selected 36 CDSs, only 1,278 MEs (54.18 per cent) submitted the DPRs including the feasibility study.

The MECs, the CDSs and the District Mission Co-ordinators failed to ensure formulation of DPRs including feasibility study by all registered MEs to facilitate their productive and successful sustenance. Had the submission of DPRs with feasibility study been insisted upon by CDSs/District Missions for all MEs, which was necessary for getting financial support, the proportion of MEs turning inactive could have been minimised.

Government admitted in reply (February 2018) that some of the earlier projects missed out on DPRs and affirmed that they were being currently insisted upon for all MEs.

**[Audit Paragraph 3.7.3 contained in the Report of the Comptroller and Auditor General of India for the year ended 31<sup>st</sup> March 2017. (General and Social Sector)]**

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

*(Excerpts from the discussion of Committee with officials concerned)*

11) When the Committee directed to give a reply, the Director (A&F), Kudumbashree informed that some enterprises were started without DPR earlier, but DPR had become an inevitable part of new enterprises as they could secure loans from the Banks if only they had DPR with them. Those enterprises started with their own funds were made aware of the necessity of DPR for getting assistance from Kudumbashree.

### **Conclusion/Recommendation**

12) **No comments**

### 3.7.4 Conduct of entrepreneurship development programmes for MEs

The Micro Enterprise Scheme Guidelines envisaged general orientation programme to identify potential entrepreneurs and entrepreneurship development programme (EDP) for those who participated in the general orientation programme and were interested in setting up MEs. Further, Performance Improvement Programme (PIP) was to be conducted mandatorily after six months of starting of each ME. Data obtained from 36 test-checked CDSs revealed shortage in conduct of PIPs as shown in Table 3.4.

**Table 3.4: Details of training conducted in the 36 test-checked CDSs**

Year	No. of MEs started in 36 CDSs	No. of MEs given PIP training	Percentage of MEs given PIP training
2012-13	450	33	7.33
2013-14	560	34	6.07
2014-15	791	54	6.83
2015-16	326	31	9.51
2016-17	232	41	17.67
<b>TOTAL</b>	<b>2359</b>	<b>193</b>	<b>8.18</b>

(Source: Details collected from test-checked CDS)

Audit noticed that the mandatory participation of all MEs in the PIPs was not ensured by Kudumbashree. Training was given to only 193 of the 2,359 MEs (8.18 per cent) established in the test-checked CDSs during the period 2012-13 to 2016-17. It was observed that CDSs were lax in conducting training. Out of 36 CDSs, only three<sup>17</sup> CDSs conducted PIPs each year during 2012-17. In two<sup>18</sup> CDSs, PIPs were conducted thrice, in one<sup>19</sup> CDS, PIPs were conducted twice

<sup>17</sup> Edathua in Alappuzha district, Karakulam in Thiruvananthapuram district and Thondernad in Wayanad district.

<sup>18</sup> Kandanassery in Thrissur District and Thanneermukkam in Alappuzha district.

<sup>19</sup> Thrikkunappuzha in Alappuzha District.



and in four<sup>20</sup> CDSs, PIP was conducted once during 2012-17. Of the test-checked 36 CDSs, 1,292 MEs in 26 CDSs did not undergo even a single PIP during 2012-17.

The CDSs attributed lack of demand from the MEs as reason for non-conduct of PIPs. Even though during the Exit Conference (January 2018) the ACS agreed that conduct of PIP was mandatory and directed ED, Kudumbashree to do the needful, GOK stated (February 2018) that PIPs were need-based. The reply of GOK was not acceptable since it was contrary to the stipulations contained in the ME Guidelines issued by Kudumbashree.

**[Audit Paragraph 3.7.4 contained in the Report of the Comptroller and Auditor General of India for the year ended 31<sup>st</sup> March 2017. (General and Social Sector)]**

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

*(Excerpts from the discussion of Committee with officials concerned)*

13) The Committee directed to give reply on the audit para. The Programme Officer, Kudumbashree admitted that some lapses had occurred in providing timely training to enterprises during audit period. Adequate fund was being provided every year for the purpose of training. At present training was being arranged in each sector, giving priority to institutions which were being dysfunctional.

#### **Conclusion/Recommendation**

**14) The Committee expresses its displeasure over the laxity on the part of Kudumbashree in conducting the mandatory training to Micro Enterprises through Community Development Societies, and observes that lack of adequate training may lead to incompetency and stagnation of the Micro Enterprises. Hence, the Committee directs the Department to furnish year wise detailed report of Performance Improvement Programme Training**

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<sup>20</sup> Aryancode, Kattakkada, Kadinamkulam and Thiruvananthapuram Corporation CDS III in Thiruvananthapuram district.

**provided to MEs, including allocation & utilisation of fund and participation of MEs.**

### **3.7.5 Marketing Initiatives by Kudumbashree**

#### **3.7.5.1 Monthly markets**

Kudumbashree conceived (April 2015) a strategy of monthly markets to make available a permanent market network for sale of its products, thereby facilitating a sustainable source of income to the entrepreneurs. These monthly markets were to be held by the CDSs at the district, taluk, block, municipal and panchayat levels. The conduct of monthly markets was entrusted to CDSs, which were to identify and facilitate sites for the markets. Data regarding conduct of monthly markets, details of income received and expenditure incurred by CDSs on conducting monthly markets, number of participants in the market, analysis of consumer details, etc., were to be forwarded to the State Mission by the Marketing Consultant of the District Mission within the first five days of the ensuing month. Test-check of 36 CDSs by Audit revealed that during 2012-17, only three<sup>21</sup> CDSs organised monthly markets as stipulated in the guidelines. It was observed that only 259 (6.86 per cent) of the 3,778 MEs participated in the monthly markets during 2016-17.

Audit observed that the State Mission did not obtain the above mentioned details on markets held, from District Missions in the test-checked districts. The State Mission informed that the details were awaited from the District Missions.

Government confirmed (February 2018) that failure of CDSs to keep track of markets and maintain essential data resulted in absence of data at the State level. The fact remains that had the State Mission effectively monitored the activities of CDSs/District missions, more number of monthly markets could have been held.

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21 Kanjikkuzhy in Alappuzha district and Chalakkudy and Chavakkad in Thrissur district.

**[Audit Paragraphs 3.7.5 & 3.7.5.1 contained in the Report of the Comptroller and Auditor General of India for the year ended 31<sup>st</sup> March 2017. (General and Social Sector)]**

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

*(Excerpts from the discussion of Committee with officials concerned)*

15) The Committee wanted to know about the number of monthly markets, their monitoring system, and the possibility of product diversification and marketing of Kudumbashree products. The Programme Officer, Kudumbashree informed that the number of monthly markets increased considerably more than that of the audit period. In 2022-23, 2098 monthly markets were organised in which 20172 entrepreneurs participated. In addition to that, agriculture enterprises also were there. Each MEC was deputed for monitoring monthly markets for promoting participation of entrepreneurs, and the turnover therefrom. The turnover from monthly markets was ₹ 6,13,58,000 last year and the figure was better than that of the audit period. The monthly markets aimed mainly at the marketing of locally available agricultural products and also some branded products having demand in the market.

16) On export of Kudumbashree products and the availability of space at Nedumbasery Airport for their sale, the Programme Officer informed that sales were gradually increasing at the Airport outlet though it was low at the initial stage. The Committee wanted to get clarification whether the sanction was granted for marketing all brands through Kudumbashree with the objective of increasing income. The Programme Officer informed that as the objective of Kudumbashree was women empowerment, Government had taken a policy decision not to promote products of other agencies. The Principal Secretary, Local Self Government Department informed that the Kudumbashree products were made available on ONDC platform, Signature Stores, Cochin Airport, Calicut Airport, Cochin Metro Stations etc.

## Conclusion/Recommendation

### 17) No comments

#### 3.7.5.2 Failure in the branding of Kudumbashree products

Kudumbashree invited Expression of Interest (September 2014) from designers/companies to accomplish brand development and the right 'Marketing Mix' to market the selected products and services of MEs owned by women entrepreneurs under the Mission effectively to its target population of consumers of selected products and services of Kudumbashree.

M/s. Eggs Creative Solution (agency) was selected and work awarded for ₹ 1.75 crore. A Memorandum of Agreement was executed (July 2015), which specified the branding exercise to be completed with six milestones<sup>22</sup>. An advance of ₹ 0.29 crore was sanctioned and paid (July 2015) as 50 per cent for the first and second milestones. As per the Memorandum of Agreement executed on 28 July 2015, the agency was to complete all six milestones within 18 months by January 2017.

It was noticed that the project which was to be completed within 18 months, was yet to complete even the first milestone, despite the passage of 29 months (December 2017). Audit observed that the progress of the project was held up because of various reasons like the reports on brand and market study not submitted in a manner acceptable to Kudumbashree, failure of Kudumbashree to approve the logo for branding submitted by the agency, etc.

Audit observed that failure of Kudumbashree to ensure successful completion of the work resulted in failure to develop brand identity, besides inability to develop an ideal marketing mix to market its selected products and services effectively.

During the Exit Conference (January 2018), the ED Kudumbashree cited failure to find common ground on the design of the logo proposed by the agency

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<sup>22</sup> Kudumbashree brand identity, product preparation, brand promotion, sales promotion and consultancy, quality assurance and certification and other initiatives of brand identity.

and non-submission of Brand study report in the prescribed manner by the selected firm, as reasons for lack of progress in the branding exercise.

Government replied (February 2018) that progress of the project was held up mainly due to non-submission of 'Brand study report' by the selected firm. Audit was further informed that Kudumbashree had since approved the logo and steps undertaken to review the projects and speed up its implementation.

Audit observed that laxity of Kudumbashree in resolving the issue resulted in failure to brand its products and develop the right marketing mix for its products.

**[Audit Paragraph 3.7.5.2 contained in the Report of the Comptroller and Auditor General of India for the year ended 31<sup>st</sup> March 2017. (General and Social Sector)]**

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

*(Excerpts from the discussion of Committee with officials concerned)*

18) The Committee opined that the products made by using modern technologies had more potential for export than the conventional ones. The Principal Secretary, Local Self Government Department informed the Committee that plans were being conceived to diversify Kudumbashree products and to make export oriented quality products. Steps were also being taken to modernise the activities of Kudumbashree to make newer products and to explore the market positively.

#### **Conclusion/Recommendation**

**19) The Committee expresses its displeasure on the lack of seriousness on the part of Kudumbashree in implementing the project, 'branding of Kudumbashree products' and directs the Department to furnish a report on the present status of the project within two months.**

### 3.7.6 Irregular award of work of MIS software without tender

Paragraph 7.11 of Stores Purchase Manual stipulated that advertised tender (open tender) should be used as a general rule and must be adopted, whenever the estimated value of the contract is ₹ 10 lakh or more. Paragraph 7.13 clarified that in all cases of open tender, it was essential that wide publicity was given to the tender. Audit noticed violation of these provisions by Kudumbashree as shown below.

Kudumbashree was making use of Management Information System (MIS) software developed by Centre for Development of Advanced Computing (C-DAC) since 2010. A pre-survey report<sup>23</sup> submitted (November 2012) by GIFT identified serious gaps in the quality of database of MEs operating under Kudumbashree Mission. These included details of a single ME entered multiple times, discrepancies in name, address and area of operations of MEs, name of schemes under which MEs were functioning, product/service profile, etc. Subsequently, Kudumbashree entered (May 2013) into an agreement with GIFT for developing a database in which all data on MEs were to be entered and handed over. The software was to be designed in such a manner that the District Missions of Kudumbashree would be able to update the data as and when required, segregated as well as the consolidated data be made available to Kudumbashree and necessary reports generated. As per terms of the agreement, ₹ 0.15 crore was paid to GIFT.

Audit observed that Kudumbashree did not initiate procedures for award of work through tender and the work was entrusted to GIFT without considering their competence in the field. GIFT was specialised only in the fields of research, training and consultancy in the areas of finance and taxation and had faculties only in Law, Public Finance, Accounting and Management. The incompetence of GIFT to execute the work of development of database on MEs was evident from the fact that the work was outsourced by GIFT to a third party<sup>24</sup>. The work, which was due for completion in May 2014 is yet to be completed (January 2018).

<sup>23</sup> Pre survey report on 'Developing database of Micro Enterprises under the Kudumbashree Mission'.

<sup>24</sup> M/s. Saturn Systemwares Private Ltd.

There was no provision to initiate action against GIFT, for non-fulfilment of the terms of contract. Though the agreement stipulated that any dispute between the two parties shall be referred to the Principal Secretary of the Department of Local Self Government, whose decision shall be binding on both the parties, Kudumbashree did not initiate any action against GIFT, for the non-fulfilment of the terms of the contract.

Government stated (February 2018) that since GIFT conducted a study on building institutional capacities of Kudumbashree units, they had knowledge of all MEs and hence the job of developing the portal was entrusted to them. It was also stated that GIFT, an autonomous institution formed by GOK 'for undertaking research, training, consultancy and publication in the area of Public Economics was entrusted with the software analytical part as otherwise analysis of study would not have been comprehensive'. The reply is not acceptable since development of software was not in their sphere of competence and in fact, GIFT outsourced the work to a third party. Kudumbashree should have invited tenders as stipulated in the revised Stores Purchase Manual, 2013 and ensured effective execution and completion of the work by competent agencies.

**[Audit Paragraph 3.7.6 contained in the Report of the Comptroller and Auditor General of India for the year ended 31<sup>st</sup> March 2017. (General and Social Sector)]**

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

*(Excerpts from the discussion of Committee with officials concerned)*

20) Regarding the audit para, the Committee wanted to know whether the tender procedure was followed in entrusting Gulati Institute of Finance and Taxation (GIFT) for software development and whether the payment was made to them. The Director (A&F), Kudumbashree informed that GIFT was entrusted to develop a database for Micro Enterprises, without any tender, and a payment of ₹ 15 lakh had been made to them as part payment. Since the software developed by them had no updation facility, the final instalment of payment had

not been released to them. The software modified with the help of the Kerala Start Up Mission was being used at present.

21) The Senior Deputy Accountant General opined that as GIFT was not an expert organization in that field, there was no need to spend ₹ 15 lakh for their software for data storage, and that data storage could have been carried out using MS Excel or similar software. The Director (A&F), Kudumbashree agreed with Senior Deputy Accountant General's opinion.

### **Conclusion/Recommendation**

22) **The Committee observes that the MIS Software Development project for Kudumbashree was awarded to Gulati Institute of Finance and Taxation (GIFT), an agency which is not competent in the field of software development, without following the tender procedure. The initial payment made to the GIFT became unfruitful, as the agency failed to execute and complete the work within the stipulated time frame. The Committee, therefore, directs the Department to be more vigilant so that such flaws are not recurred in future.**

### **3.8 Implementation of Punarjani Scheme**

'Punarjani' was a skilling and placement programme implemented (September 2014) by Kudumbashree for training 5,000 women aged between 35 and 50 years. The scheme was targeted to improve the socio-economic status of the most disadvantaged women in the society like widows, unwed mothers, women abandoned by husbands, victims of domestic violence, human trafficking and persons with disabilities. The training, with a duration of three months comprising modules on soft skills, English and Sector Skills<sup>25</sup> was to be imparted at the district level. On successful completion of the training, participants were to be given certificates approved by the National Council for Vocational Training (NCVT) or Sector Skill Council (SSC) or other approved agencies and placements offered to at least 75 per cent of the trained candidates assuring a minimum monthly salary of ₹ 6,000.

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<sup>25</sup> Heating, Ventilation and Air Conditioning (HVAC), Plumbing, automobile washing and retail marketing were identified as sector skills.



The first stage of the programme envisaged training of 3,400 women in nine<sup>26</sup> districts and aimed to provide jobs to at least 2,550 candidates. Kudumbashree invited Expression of Interest and agreements were entered into with three Project Implementing Agencies (PIAs), as detailed in Table 3.5.

**Table 3.5: Details of number of trainees and cost of training to be conducted by each PIA**

Sl No.	Name of agency	No. of women to be trained	No. of women to be trained in								Contract Cost (₹ in crore)
			Plumbing and HVAC	Per head cost* (in ₹)	Painting	Per head cost* (in ₹)	Industrial Sewing Machine Operations	Per head cost* (in ₹)	Nursing Assistance	Per head cost* (in ₹)	
1.	M/s SB Global Educational Resources Pvt. Ltd.	1200	1000	13000	200	9000	-	-	-	-	1.48
2.	M/s Isha Learning	1700	-	-	-	-	1700	10000	-	-	1.70
3.	M/s Ramakrishna Institute	500	-	-	-	-	-	-	500	10000	0.50

\*Not including 12.36 per cent service tax per candidate.

(Source: Agreement between Kudumbashree and PIAs)

**[Audit Paragraph 3.8 contained in the Report of the Comptroller and Auditor General of India for the year ended 31<sup>st</sup> March 2017. (General and Social Sector)]**

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

(Excerpts from the discussion of Committee with officials concerned)

23) When the Committee directed to give a reply, the Director (A&F), Kudumbashree informed that final instalment had not been released as the work was not completed as per MoU and defects were detected in the work and that the institutions associated with the project had filed a case in the court and the case was pending.

26 Alappuzha, Ernakulam, Thrissur, Malappuram, Kannur, Thiruvananthapuram, Kollam, Palakkad and Kozhikode districts.

### **Conclusion/Recommendation**

**24) The Committee directs the Department to furnish the present position of the case filed by the institutions associated with the project as detailed by the Kudumbashree Officials in connection with the Audit Paragraph.**

#### **3.8.1 Lack of transparency in selection of Project Implementing Agencies**

Paragraph 7.13 of the Stores Purchase Manual stipulated that in all cases of open tender, it was essential that wide publicity be given to the tender. GOK also stipulated<sup>27</sup> compliance with the provisions contained in the orders dated 18 December 2003 of the Central Vigilance Commission (CVC) on Improving transparency in Procurement/Sale, etc. The CVC stipulated that in addition to the existing rules and practices regarding giving publicity of tenders through newspapers, trade journals and providing tender documents manually and through post, etc., the complete bid documents along with application form shall be published on the website of the organisation. Kudumbashree did not comply with these provisions as detailed below.

Contrary to stipulations contained in the Stores Purchase Manual to ensure wide publicity to the tender, the invitation for Expression of Interest (EOI) was published only on the website of Kudumbashree and not in any newspaper. Audit observed that even though the EOI was invited from various skill and placement agencies on 05 September 2014, the minutes of a meeting held at the Kudumbashree State Mission Office on 30 August 2014 indicated that Kudumbashree had already decided upon M/s. SB Global Education Resources Private Ltd. as the agency to implement the scheme in Malappuram, Thrissur, Ernakulam and Alappuzha. It was observed that the Chief Operating Officer of M/s. SB Global Education Resources Private Ltd., attended the meeting during which the agency was entrusted to conduct a Skill Gap Assessment in the selected districts. Audit noticed that the terms of payment for services to be rendered and timeline for submission of detailed budget and draft Memorandum of Understanding (MoU) by the agency were finalised during the meeting. The agency had also agreed to enter into MoU/Agreement as well as

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<sup>27</sup> Note 2 below paragraph 7.33 (ix) of the Stores Purchase Manual.

provide offer letter to trained women. Therefore, it was evident that the decision to award the work to M/s. SB Global Education Resources Private Ltd., was taken even before issue of the EOI on 05 September 2014. An MoU was executed (September 2014) with M/s. SB Global Education Resources Private Ltd. at a contracted cost of ₹ 1.66 crore including service tax.

Kudumbashree, thus, violated the stipulations contained in the Stores Purchase Manual requiring it to resort to open tender whenever the estimated value of the contract was ₹ 10 lakh or more and wide publicity to be given to the tender. As such, the process of award of work to M/s. SB Global Education Resources Private Ltd. was vitiated.

Government replied (February 2018) that the meeting was convened to decide upon the strategies for implementation of the project and no decision was taken to entrust the project to any agency. It was also stated that work was awarded subsequently on the basis of EOI. The reply of Government is wrong and factually misleading and does not offer any explanation to the observations of Audit. It is therefore quite evident that Kudumbashree decided upon the above agency as the implementing agency for the project without complying with the provisions of Stores Purchase Manual on award of contracts.

**[Audit Paragraph 3.8.1 contained in the Report of the Comptroller and Auditor General of India for the year ended 31<sup>st</sup> March 2017.  
(General and Social Sector)]**

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

*(Excerpts from the discussion of Committee with officials concerned)*

25) When the Committee directed to give a reply, the Director (A&F), Kudumbashree informed that the Project Implementing Agencies in Kudumbashree projects were selected through advertisements in the print media, after the Accountant General had pointed out the observation. The Committee agreed with the reply.

### Conclusion/Recommendation

#### 26) No comments

#### 3.8.2 Failure of Kudumbashree in ensuring successful implementation of the scheme

The MoU entered into by Kudumbashree with the Project Implementation Agencies clearly stipulated the responsibility of Kudumbashree to regularly review the quality of performance and output through field visits, quality assurance checks and inspections. A report on Punarjani prepared by Chief Operating Officer (COO), Kudumbashree revealed that 1,794 persons were trained under the scheme as shown in Table 3.6.

**Table 3.6: Target and achievement in training by PIAs**

Name of the PIA	Target	Achievement	Percentage covered	No. of persons certified	No. of persons placed
M/s SB Global Educational Resources Pvt. Ltd.	1200	297	24.75	NIL	6
M/s Isha Systems Pvt. Ltd.	1700	1290	75.88	NIL	NIL
M/s Ramakrishna Educational Institutions	500	207	41.40	NIL	NIL
<b>TOTAL</b>	<b>3400</b>	<b>1794</b>	<b>52.76</b>	<b>NIL</b>	<b>6</b>

(Source: Report prepared by COO, Kudumbashree)

The training agencies failed in obtaining affiliation from NCVT or SSC. Consequently, no assessment and certification was done for any of the 1,794 trained women, as required under the Agreement. Audit observed that the scheme was a failure in view of the fact that only six out of the targeted 3,400 trainees were provided with employment.

Government stated (February 2018) that women belonging to prescribed age category may not be willing to take up jobs outside their home districts and that the desired outcome of the scheme was not only to provide wage employment, but to motivate and impart skill training for taking up self-employment programmes also.

The reply of Government was not correct in view of the fact that the scheme required placements to be offered to at least 75 per cent of trained candidates assuring a minimum monthly salary of ₹6,000. In fact, Kudumbashree did not ensure that the agencies imparted skill training and awarded duly recognised certificates after completion of the training, not to mention the meagre number of women who got placed.

**[Audit Paragraph 3.8.2 contained in the Report of the Comptroller and Auditor General of India for the year ended 31<sup>st</sup> March 2017. (General and Social Sector)]**

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

*(Excerpts from the discussion of Committee with officials concerned)*

27) Regarding the audit para the Director (A&F), Kudumbashree informed that though 1794 members were trained as part of Punarjani project, the agency could not issue the certificates as per the MoU and hence the final instalment of payment had not been released. Among those who were trained, only six persons got employment and a case was pending before the court.

**Conclusion/Recommendation**

**28) No comments**

**3.9 Non-achievement of targets under Mahila Kisan Sashakthikaran Pariyojana**

Government of India launched (January 2011) the 'Mahila Kisan Sashakthikaran Pariyojana' (MKSP) as a sub-component of the National Rural Livelihood Mission (NRLM) to empower women in agriculture by making systematic investments to enhance participation and productivity and create and sustain agriculture based livelihood of rural women. The scheme guidelines envisaged funding by GOI upto 75 per cent of the project cost submitted by the State Government/PIAs under MKSP. In its project proposal approved by GOI (July 2011) for collective farming through women farming groups (Joint

Liability Groups (JLGs)), Kudumbashree envisaged participation of 1.50 lakh women farmers forming 30,000 farming groups in agriculture for the year 2010-11, to be incrementally increased over the years. It was envisaged to additionally bring into cultivation 24,000 Ha of land over the existing 44,514 Ha so that production could be increased and the gap between supply and demand reduced, thereby contributing to food security.

The project costing ₹ 79.87 crore for a period of three years targeting 1.50 lakh beneficiaries was accepted (July 2011) by GOI. The project cost was proposed to be funded by GOI (₹ 36.12 crore), GOK (₹ 27.85 crore), leverage from NRLM (₹ 14.70 crore) and Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) (₹ 1.20 crore) respectively. The GOI and GOK share of contributions were to be released in three instalments in the ratio 25:50:25. GOI released ₹ 27.09 crore in two instalments, viz., ₹ 9.03 crore (25 per cent of ₹ 36.12 crore) in November 2011 and ₹ 18.06 crore (50 per cent of ₹ 36.12 crore) in February 2016. The guidelines required GOK to release its corresponding matching share within one month of receipt of the respective instalment of the Central share. The project, due for completion in November 2014 was later extended to September 2016 and further to April 2018 on request from Kudumbashree. The following deficiencies were noticed in the implementation of the scheme.

### 3.9.1 Non-release of State share

Against the release of ₹ 27.09 crore by GOI during 2011-16, GOK was to release ₹ 20.89 crore<sup>28</sup> as its proportionate share of funding for the scheme. It was observed that the first instalment of State share (25 per cent), which was due on December 2011 amounting to ₹ 6.96 crore was not released by GOK but was expended wrongly from the Plan fund of Kudumbashree Mission in three spells<sup>29</sup>. Thus, GOK is yet to release its due share of ₹20.89 crore to Kudumbashree.

28 Since GOK was to release ₹ 27.85 crore as State Share, and since GOI had released 75 per cent of ₹ 36.12 crore, GOK was to release 75 per cent of ₹ 27.85 crore, i.e., ₹ 20.89 crore.

29 ₹ 3.14 crore in January 2013, ₹ three crore in April 2013 and ₹ 0.82 crore in May 2013.

Audit observed that the recommendations (June 2014) of the Subject Committee of the State Legislature<sup>30</sup> to allocate ₹ 20.89 crore as GOK share for the years 2012-13 and 2013-14 to Kudumbashree was not complied with by GOK (December 2017). Kudumbashree further confirmed (December 2017) that ₹ 15.90 crore due from NRLM and MGNREGS was not received from them.

Government stated (February 2018) that Kudumbashree, anticipating the delay in receipt of State share from Government, opted for using the State Plan fund for meeting the State share, and later recouping the same from the State Government. It was also stated that the second instalment of State share was approved in principle, the release of which would facilitate the third and final share of the project. However, the fact remains that the first instalment of State share was not yet released and recouped to Kudumbashree plan fund.

### **3.9.2 Status of implementation of MKSP**

Audit examined the status of implementation of the scheme. The MKSP, with a project cost of ₹ 79.87 crore and due for completion originally in 2014 received only ₹ 34.05 crore<sup>31</sup> (43 per cent) upto October 2017. It was observed that a GOI review (July 2015) of the physical and financial progress of the project revealed that Kudumbashree did not utilise even the first instalment of GOI share of assistance.

Referring to a Midterm Report on targets and achievement submitted (2014) to GOI, Kudumbashree replied (September 2017) that 38,716 Ha land was brought under cultivation by 50,000 groups comprising of 2.42 lakh members thereby attaining its target. Kudumbashree further stated (October 2017) that since the focus was on yearly targets, 30,000 Ha was under cultivation on consistent basis, against the target of minimum 24,000 Ha of land.

The reply was not acceptable for the following reasons:

- A report on Baseline Survey of 2011-12 made it evident that even before the launch of MKSP in the State, Kudumbashree was promoting collective

30 Subject Committee Report of the State Legislature on the scrutiny of Demands for Grants 2013-14 of the Local Administration, Rural Development and Housing.

31 ₹ 27.09 crore (GOI share) + ₹ 6.96 crore (Plan fund of Kudumbashree).

farming and that 44,514 Ha of land was being cultivated by 45,776 JLGs, comprising 2.45 lakh women members. Thus, the claim by Kudumbashree of cultivating 38,716 Ha of land under MKSP was not correct when reckoned against the fact that it was already cultivating 44,514 Ha prior to commencement of the scheme.

- Audit obtained details from 36 CDSs in four test-checked districts, which showed that out of 4,474 JLGs, only 2,316 JLGs were active. Since, almost 48 per cent of the JLGs were inactive as of March 2017, the contention of Kudumbashree on the area brought under group cultivation and the number of JLGs currently active, was questionable.

The scheme also suffered from shortage of funds as was evident from the short release of 57 per cent of funds amounting to ₹ 45.82 crore, with the last instalment from GOI received in February 2016. Thus, the assertion from Kudumbashree of having achieved/exceeded the target is not sustainable.

Government stated (February 2018) that as per project objectives and midterm report submitted by Kudumbashree to GOI, the number of JLGs/area cultivated did not figure as success parameters of the project and instead, hike in productivity and income generated by farmers were some of the envisaged objectives, which were achieved by Kudumbashree. This contention of Government is not correct as seen from the fact that the project proposal for MKSP clearly had, as its objectives (i) participation of 1.50 lakh women farmers and (ii) bringing in approximately 24,000 Ha of land under cultivation, thereby increasing production, reducing gap between supply and demand and contributing to food security. Audit observed that the claim by GOK, of Kudumbashree enhancing productivity and ensuring generation of income by farmers under the scheme was not sustainable, since the scheme suffered from shortage of funds of ₹ 45.82 crore (57 per cent) and the objectives of bringing 1.50 lakh women farmers and approximately 24,000 Ha of land under cultivation were not attained.

Government, on Audit's observation that almost 44 per cent JLGs were inactive as of March 2017, remarked that the JLGs found inactive could be due



to the field visit by Audit being undertaken in the month of March, when majority of farming activities undertaken by JLGs were curtailed due to acute water shortage for the crops. The justification offered by Government was also not borne out by facts, as the audit observation was based on replies received from the test-checked CDSs on the total number of inactive JLGs during 2012-17, as on 31 March 2017.

**[Audit Paragraphs 3.9, 3.9.1 and 3.9.2 contained in the Report of the Comptroller and Auditor General of India for the year ended 31<sup>st</sup> March 2017. (General and Social Sector)]**

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

*(Excerpts from the discussion of Committee with officials concerned)*

29) The Director (A&F), Kudumbashree informed that during the audit period, the target set by the project could not be achieved. However, after the audit period, achievement exceeded the target. At present, the project has been wound up. The Committee agreed with the reply.

30) While considering the audit para, the Director (A&F), Kudumbashree informed that the first instalment of the Central share was obtained for the project and the amount equivalent to State share was utilised from the Plan fund of Kudumbashree as the first instalment of the State share had not been sanctioned. Later, the second instalment of both Central and State share was obtained. Action had been taken to get the first instalment of State share and to ratify the utilisation of Plan fund. When asked about which Department was responsible to release the State share, the Principal Secretary, Local Self Government Department submitted that the fund was being released by the Local Self Government Department with the concurrence of the Finance Department and that fund was being released as Central share together with the State share amounting to 40% in respect of Centrally Sponsored Schemes.

31) The Director (A&F), Kudumbashree informed that the scheme has been wound up.

## **Conclusion/Recommendation**

### **32) No comments**

#### **3.10 Impact of schemes for creating awareness among NHG members**

Kudumbashree, recognising the need to enhance awareness of rising trend of violence against women in the State, launched schemes like the 'Gender Self Learning Programme' (GSLP) and 'Sreesakthi' in 2008 and 2010 respectively. While the GSLP was aimed at facilitating NHGs to discuss issues focusing on aspects of their lives and livelihoods they could relate to, with focus on discrimination, violence and inequality, the Sreesakthi was a web portal intended to provide a useful venue for discussing issues and ideas, creating modules, collating programme reports, clearing doubts, and, most importantly, helping women become computer and technology savvy.

Under GSLP, each woman represented in the network was regarded as a participant, information provider and knowledge creator. The contents of the learning modules were to be prepared by local women resource persons. Three Modules<sup>32</sup> and handouts were prepared by Kudumbashree State Mission to help the NHG members to discuss and learn on their own in NHG meetings.

Audit observed from the beneficiary survey that both the GSLP and the Sreesakthi programmes did not achieve the intended results. Of the 147 NHGs, which responded to the survey questionnaire in the four test-checked districts, GSLP module based discussions were held only in 40 NHGs. Ten NHGs did not offer any remarks to Audit on whether discussions were conducted or not. The Sreesakthi programme cannot also be called a success in view of the fact that of the 43 lakh NHG members, there were only 29,029 registered users of the web portal, which translates to less than one per cent of the total members of NHGs making use of the web portal. It was seen that only 143 out of 702 NHG members (20 per cent) surveyed were aware of the web portal which could be a possible reason for lesser number of NHG members accessing the portal.

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<sup>32</sup> Three modules viz., Women and Employment, Women and Health and Women and Mobility.

Government stated (February 2018) that the number of registered users for Sreesakthi, viz., 29,029 was an achievement since it was the consequential result of training given to 6,000 women from Community Based Organisations. The reply is not acceptable as Government did not explain why, despite the passage of 10 years, Kudumbashree failed to ensure conduct of GSLP module based discussions in 107 of the 147 NHGs surveyed by Audit as revealed in the beneficiary survey of Audit. Government reply was also silent on why, despite the passage of seven years from November 2010, less than one per cent of the total members of NHGs accessed the portal.

**[Audit Paragraph 3.10 contained in the Report of the Comptroller and Auditor General of India for the year ended 31<sup>st</sup> March 2017. (General and Social Sector)]**

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

*(Excerpts from the discussion of Committee with officials concerned)*

33) When the Committee asked for the details regarding the audit para, the Assistant Programme Manager, Kudumbashree submitted that the programme referred to in the para was meant for preparing a forum for discussing issues related to women and their position in the society. Initially training sessions were conducted at State and District level and the number of trained persons was not sufficient to disseminate the objective of the project at all levels. So the decision was taken to give training through resource persons to a person selected from each NHG. In that way it was ensured that the efficacy of the project had been made available at all levels. Besides activity based awareness programs were also conducted by the NHGs. When the Committee wanted details regarding the execution of the project, the Assistant Programme Manager, Kudumbashree informed that certain modules were created for discussing women related issues and actions for their empowerment. The Assistant Programme Manager, Kudumbashree added that a resource person was monitoring the module based discussions at State and District level. The Committee agreed with the reply.

## **Conclusion/Recommendation**

### **34) No comments**

### **3.11 Implementation of Mediasree project**

The project 'Mediasree' was conceived by Kudumbashree to provide training to the Kudumbashree women in video making as a step towards starting a Kudumbashree channel. Scrutiny of records revealed significant irregularities in the implementation of the Project as discussed below.

#### **3.11.1 Inadequate training given to beneficiaries**

The Executive Committee of Kudumbashree sought (September 2014) to disseminate information on the innovative, relevant and much needed interventions of Kudumbashree through a Kudumbashree TV channel. Towards this end, it invited (September 2014) Expressions of Interest (EOI) from Public/Private companies for providing training in video making to selected members from all the CDSs as an initial training engagement. Kudumbashree planned to engage these trained women as community reporters for its proposed channel. It was envisaged that the women could also be entrusted with the task of video documenting of meetings/conferences/events etc., by Local Self Government Institutions, Government departments and other agencies. The project intended to provide a sustainable livelihood to Kudumbashree members through capacity building and training in audio-visual sector.

Of the nine parties, which responded to the EOI issued by Kudumbashree, agreement was signed (November 2014) with M/s. South Asian College of Journalism - Film - New Media, Kozhikode (Agency), which was found eligible to implement the Mediasree project in two phases at a cost of ₹ 60 lakh, exclusive of Service Tax. It was proposed, under Phase I, to conduct an initial two day workshop to generate awareness of the project for 2,144 members from 1,072 CDSs, i.e., two members<sup>33</sup> from each CDS. Phase II named 'Framesree' was envisaged as a 20-day training programme for 140 women in 28 employment groups, each group comprising of five selected members. Audit

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<sup>33</sup> CDS Chairperson and one member.

observed that the MoU entered into between Kudumbashree and the agency clearly stipulated that it was the responsibility of the agency to train 140 women for 20 days and to ensure competence of the trainees in reporting, video production, script writing, camera and editing. The MoU did not include a penalty clause which could be invoked in the event of failure of either party to deliver on the terms of the MoU.

Audit observed that despite releasing ₹ 51 lakh of the ₹ 60 lakh payable to the agency, training was given only to 109 members against the targeted 140 members. It was further observed that the women were trained for only 11 days against the required 20 days. The training given to the beneficiaries was, therefore, not as envisaged in the MoU, either in terms of number of women trained or stipulated number of days of training.

The project, which was due for completion in March 2015, remained to be completed (December 2017). In the absence of a penalty clause, the agency could not also be proceeded against, legally. Government stated (February 2018) that training was paused due to allegations raised against the agency and that it was decided to resume the training sessions through Government approved agencies or academies. Audit observed that the reply offered by Government failed to explain why Kudumbashree did not monitor execution of the agreement for the successful implementation of the project. Government could not also explain the failure to institute a penalty clause resulting in inability to proceed legally against the Agency for violating contractual provisions.

**[Audit Paragraphs 3.11 & 3.11.1 contained in the Report of the Comptroller and Auditor General of India for the year ended 31<sup>st</sup> March 2017. (General and Social Sector)]**

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

*(Excerpts from the discussion of Committee with officials concerned)*

35) When the Committee enquired about the para, the Principal Secretary, Local Self Government Department informed that the Vigilance report on the

project was received in the Department in 2019 but the file could not be opened due to a technical issue in e-office and NIC was informed of the matter. The Principal Secretary added that more details would be made available after examining the report.

36) The Committee enquired about the non inclusion of penalty clause in the agreement of the project. The Director (A&F), Kudumbashree submitted that the lapse mentioned was understood to have come under the purview of Vigilance enquiry and the Principal Secretary, Local Self Government Department informed that only after receiving the Vigilance report the issue of non inclusion of penalty clause could be examined.

### **Conclusion/Recommendation**

**37) The Committee notes with concern that the Department did not take any effective steps to rectify the technical issue in the e-office file received in 2019 related to the Vigilance enquiry report about the Mediasree project. Therefore, the Committee directs the Department to take urgent steps to rectify the said issue as early as possible and to submit a detailed report regarding the action taken based on the Vigilance enquiry report.**

#### **3.11.2 Irregular award of contract by Kudumbashree**

The Executive Director, Kudumbashree, informed (November 2014) Government that a project under Mediasree for video documentation of the achievements of Grama Panchayats (GP) in the State would be implemented by M/s. South Asian College of Journalism – Film - New Media, Kozhikode (agency), which was selected through a transparent process. It was also stated that the Kudumbashree members who had undergone specialised training under the project would be involved in the video documentation and that GPs may release necessary funds for the production of the documentaries from their Plan/own funds. Subsequently, GOK issued orders (February 2015) for production of documentaries on local history, ongoing projects and achievements of developmental schemes of Local Self Government Institutions (LSGIs) of the State by utilising the services of the agency. An agreement was signed (May 2015) between Kudumbashree and the agency to produce video

documentaries at ₹ 65,000 per GP. Payment to the agency was to be made in three instalments<sup>34</sup>. Video documentation of 434 GPs out of 518 GPs which opted to participate in the project, were completed at a cost of ₹ 2.82 crore, of which ₹ 2.12 crore was paid to the agency till December 2017.

The following irregularities were noticed in the award of the contract and the implementation of the project.

### **3.11.2.1 Award of work without tendering**

The agency was earlier (November 2014) entrusted with the work of providing training in video making to 140 members at a contracted price of ₹ 60 lakh. It was seen that the work of production of documentaries on the achievement of LSGIs, which was outside the scope of the earlier agreement, was entrusted to the agency without inviting EOI from other parties. Audit observed that the selection was made based on an EOI issued earlier, which was specifically for training. Thus, the assertion of ED Kudumbashree to GOK that the selection of the agency for the work of production of documentaries was made transparently was factually incorrect.

Scrutiny of the Agreement entered into between Kudumbashree and the agency revealed that the total value of the contract was not specified. Instead, it was stated that the agency would be paid ₹ 65,000 per documentary made on each GP. Audit observed that the value of work, if all 978 GPs had opted for video documentation of their achievements would work out to ₹ 6.36 crore, which was to be specified in the agreement in place of ₹ 65,000, which was the cost per GP. Since 518 GPs had opted to participate in the project, the contractual amount would work out to ₹ 3.36 crore. The agency was paid ₹ 2.12 crore till September 2017. As the contract value was high, it was imperative that transparent procurement procedures like tendering were followed before award of the work.

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34 First instalment of 60 per cent of total expenditure of ₹ 65,000 to be paid as advance, 25 per cent of the balance to be paid on completion and acceptance of the documentary by Kudumbashree on the basis of quality and balance 15 per cent after handing over the documentary to the respective Panchayats.

**[Audit Paragraphs 3.11.2 & 3.11.2.1 contained in the Report of the Comptroller and Auditor General of India for the year ended 31<sup>st</sup> March 2017. (General and Social Sector)]**

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

*(Excerpts from the discussion of Committee with officials concerned)*

38) Regarding the audit para, the Director (A&F), Kudumbashree informed that certain lapses had occurred in selecting the agencies for the execution of the project. But at present, revamped procedures were being adopted. The Committee agreed with the reply.

**Conclusion/Recommendation**

**39) No comments**

**3.11.2.2 Failure to engage trained Kudumbashree Workers for production of documentaries**

The proposal submitted by ED Kudumbashree seeking approval of GOK for the production of documentaries specified that the services of such Kudumbashree members who had undergone specialised training in the Mediasree project along with the assistance of professionals from the visual media field would be utilised for making documentaries of the local bodies. Audit observed that the agreement with the Agency did not provide for the utilisation of the services of 109 trained Kudumbashree workers, due to which their services were not utilised.

In the Exit Conference (January 2018), ACS accepted the observations made by Audit on the Mediasree project. It was also stated that a Vigilance enquiry would be advised on the matter since Government was more than convinced of the observations made by Audit on the implementation of the project.



**[Audit Paragraph 3.11.2.2 contained in the Report of the Comptroller and Auditor General of India for the year ended 31<sup>st</sup> March 2017. (General and Social Sector)]**

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

*(Excerpts from the discussion of Committee with officials concerned)*

40) Regarding the audit para, the Director (A&F), Kudumbashree submitted that the matter was in the purview of Vigilance enquiry.

**Conclusion/Recommendation**

**41) The Committee directs the Department to submit a detailed report regarding the action taken based on the submission of Vigilance enquiry report on the failure of the Department to engage Kudumbashree workers for video documentation within two months.**

**3.12 Implementation of Community College programme in association with the Tata Institute of Social Sciences (TISS), Mumbai**

The Governing Body of Kudumbashree Mission approved (April 2013) opening of a Community College, in collaboration with the Tata Institute of Social Sciences, Mumbai (TISS). It was envisaged that the Community College would generate capacity amongst a cadre of Community Researchers from among the Kudumbashree women. To begin with, TISS was to offer one-year postgraduate diploma in Development Praxis<sup>35</sup> in the campus of Loyola College at Thiruvananthapuram. A Memorandum of Understanding (MoU) was executed (August 2014) between Kudumbashree and TISS to offer the course to the members of Kudumbashree. As per MoU, TISS would conduct the programme and develop the academic framework and course structure of the programme. TISS would also provide ongoing support towards effective implementation of the programme and award Diploma/Degrees to the students who enrol in the programme. Kudumbashree was to provide necessary financial/human resources

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35 Focuses on the practice of development and its relation to theory.

and infrastructure for running the programme and monitor the progress of the programme periodically. Kudumbashree paid ₹ 26 lakh of the ₹ 28 lakh payable to TISS for executing the programme till December 2017.

Audit observed the following lapses in execution of the project:

- No feasibility study was conducted by Kudumbashree before commencing the Community College.
- MoU was signed between TISS and Kudumbashree without inviting tenders/Expression of Interest. Kudumbashree replied that the agreement was signed with TISS as it was one of the best institutions in the country contributing significantly to policy, planning, action strategies and human resource development and quality education to students. Reply of Kudumbashree was not acceptable as provisions of Stores Purchase Manual do not exempt any company/institution from the tendering process.
- Specific details regarding the project cost, liability clause, etc., were not incorporated in the MoU.
- Apart from the first batch of 43 students who joined the course in 2015- 16, no further batches were trained and the programme was discontinued in 2016.

The ED Kudumbashree did not initiate action to pursue the conduct of courses through the Community College as envisaged, which adversely impacted upon the prospects of capacity building among women.

Government replied (February 2018) that permission was given only for a single batch as a pilot project and that policy decisions on expanding the project were yet to be taken. The reply was not acceptable, as the agreement did not mention that it was a pilot project. The MoU spelt that the agreement shall remain in force till any one of the parties or both wished to withdraw from the collaboration by giving at least 12 months' written notice to the other partner.

However, no documentary evidence for withdrawal of either parties from the agreement was available on record.

Absence of timely monitoring of the progress of the programme and failure to provide continued support in terms of financial and human resources and infrastructure by Kudumbashree defeated the envisaged objective of capacity building for women community researchers.

Recommendation 3.3: Kudumbashree must ensure transparency in tendering processes so that works are awarded to the most competent agencies.

**[Audit Paragraph 3.12 contained in the Report of the Comptroller and Auditor General of India for the year ended 31<sup>st</sup> March 2017. (General and Social Sector)]**

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

*(Excerpts from the discussion of Committee with officials concerned)*

42) When the Committee enquired about the subject mentioned in the para, the Director (A&F), Kudumbashree informed that MoU might have been signed with TISS as it was considered a Centre of Excellence. He further informed that later the programme had been wound up.

#### **Conclusion/Recommendation**

**43) The Committee directs the Department to strictly comply with the provisions stipulated in the Stores Purchase Manual and ensure transparency and efficiency in awarding its projects to various implementing agencies. The Committee recommends regular monitoring of the progress of implementation of each project to ensure the achievement of the goals envisaged.**

### 3.13 Financial Management

#### 3.13.1 Unrealistic Annual Plan

The Kudumbashree State Mission prepared and submitted each year, an Annual Plan Proposal to GOK, which formed part of the State Plan. Details of the Annual Plan Proposal submitted to the GOK, amount provided in the annual budget and funds received and expenditure incurred by the Mission for the last five years from 2012-13 to 2016-17 are as shown in Table 3.7.

**Table 3.7: Details of funds received and expended by Kudumbashree during 2012-17**

( ₹ in crore)

Year	Annual Plan Proposal (AP)	Budget Provision (BP)	Percentage of BP to AP	Fund received	Expenditure	Percentage of expenditure against AP
2012-13	120.00	84.17	70	84.17	60.32	50
2013-14	160.00	90.00	56	90.00	86.54	54
2014-15	200.00	115.49	58	50.00	86.16	43
2015-16	330.65	122.96	37	75.00	83.87	25
2016-17	275.26	130.00	47	130.00	124.29	45

(Source: Details received from Kudumbashree mission)

It was observed that Plans were prepared by the Mission component-wise, viz., 'Organisation', 'Social Development' and 'Local Economic Development' and not Project/scheme wise. During the years 2012-17, the Annual Plan Proposal proposed by Kudumbashree increased steadily from ₹ 120 crore in 2012-13 to ₹ 330.65 crore in 2015-16. However, provision made in the budget was not proportionate and ranged from ₹ 84.17 crore in 2012-13 to ₹ 130 crore in 2016-17. There was shortfall in receipt of funds during 2014-16 amounting to ₹ 113.45 crore against the Budget provision of ₹ 238.45 crore. Percentage of Budget provision to Annual Plan proposal ranged from 37 to 70 and percentage of expenditure to Annual Plan proposal ranged from 25 to 54. Audit observed that despite less budget provision and failure to expend funds received from

GOK, Kudumbashree continued to prepare plan proposals with a higher outlay each year. Kudumbashree informed that less release of funds by GOK was due to Government policy and projects/schemes of Kudumbashree were not adversely affected since the districts would utilise the funds on priority basis only.

Audit observed that the contention of Kudumbashree that less provision of funds by GOK resulted in districts prioritising expenditure with no adverse effect on projects/schemes was in itself supportive of the fact that the Annual Plans proposed by Kudumbashree were unrealistic.

Government replied (February 2018) that the audit observation was noted for future guidance.

**[Audit Paragraphs 3.13 & 3.13.1 contained in the Report of the Comptroller and Auditor General of India for the year ended 31<sup>st</sup> March 2017. (General and Social Sector)]**

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

*(Excerpts from the discussion of Committee with officials concerned)*

44) When the Committee enquired about the subject mentioned in the audit para, the Programme Officer, Kudumbashree submitted that realistic annual plans were being implemented at present, rectifying the anomalies pointed out in the audit.

### **Conclusion/Recommendation**

**45) No comments**

**3.13.2 Kudumbashree did not assess requirements before release of funds leading to large unspent balances with District Missions**

While conducting analysis of the financial statements for the years 2014-16, Audit observed that the State Mission Office transferred funds to District Offices without assessing the balance funds available with them, as detailed in Table 3.8.

**Table 3.8: Details of funds transferred by State Mission office to District Mission office**  
( ₹ in crore)

District Office	2014-15		2015-16	
	Released to District Office	Closing Balance as on 31 March 2015*	Released to District Office	Closing Balance as on 31 March 2016*
Thiruvananthapuram	5.68	4.32	6.69	4.66
Kollam	3.05	4.49	4.41	3.89
Pathanamthitta	3.90	3.03	4.46	2.42
Alappuzha	3.35	2.75	6.45	2.89
Kottayam	3.85	1.25	5.82	2.70
Idukki	5.02	0.96	4.49	1.89
Ernakulam	9.03	1.64	9.27	2.70
Thrissur	6.67	3.92	6.55	1.71
Palakkad	7.98	3.02	5.16	2.13
Malappuram	5.39	2.45	8.21	2.92
Kozhikode	6.75	3.52	7.40	1.90
Wayanad	6.31	2.04	5.59	2.09
Kannur	5.62	0.50	6.94	3.06
Kasargod	5.34	1.11	4.87	1.70
<b>Total</b>	<b>77.94</b>	<b>35.00</b>	<b>86.31</b>	<b>36.66</b>

\* Including bank and cash balances

(Source: Audited Annual Accounts of Kudumbashree mission)

As evident from the table, the Thiruvananthapuram District Mission had unspent balance of ₹ 4.32 crore at the end of 2014-15. However, ₹ 6.69 crore

was again released to the Mission during 2015-16. Thus, 42 per cent of the funds viz., ₹ 4.66 crore remained unspent with the District Mission. Similarly, unspent balances with the District Missions of Kollam and Pathanamthitta were 43 per cent and 32 per cent respectively. About 30 per cent of the funds received remained unspent with the various District Missions in the State as on 31 March 2016.

Failure of Kudumbashree to monitor and assess the requirement of funds of the District Missions resulted in the parking of excess funds in the District Offices. Government stated (February 2018) that steps were initiated to release funds to district missions as per their requirement and on the basis of utilisation certificates in due intervals.

**[Audit Paragraph 3.13.2 contained in the Report of the Comptroller and Auditor General of India for the year ended 31<sup>st</sup> March 2017. (General and Social Sector)]**

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

*(Excerpts from the discussion of Committee with officials concerned)*

46) When the Committee enquired about the para, the Programme Officer, Kudumbashree clarified that there were instances of non utilisation of fund earlier, but at present, as action plan was being formulated as per the requirements of the NHGs, the issue of non utilisation of funds was not occurring. When the Committee wanted to know whether there was a monitoring system for evaluating fund utilisation, the Programme Officer, Kudumbashree replied that such a system was active at official level and at district panchayat level. The Committee opined that the inclusion of MLAs in the monitoring system would be expedient.

### Conclusion/Recommendation

47) The Committee directs the Department to take appropriate steps to ensure the efficacy of the plan fund utilisation monitoring system of Kudumbashree.

#### 3.13.3 Receipt of Government funds towards the close of the financial year

Kudumbashree prepared and submitted Annual Plans to Government for a complete financial year. Audit observed from a verification of Treasury Savings Bank statements for 2012-16 that major portion of the Government funds were received towards the close of the financial year as detailed in Table 3.9.

**Table 3.9: Details of fund received towards close of the financial year**

Financial Year	Total fund received during the year (₹ in crore)	Amount and date of fund received towards close of the financial year		Percentage of fund received towards close of the financial year (in per cent)
		Amount (₹ in crore)	Date	
2012-13	84.17	39.17	31.03.2013	47
2013-14	90.00	60.00	31.03.2014	67
2014-15	50.00	25.00	30.03.2015	50
2015-16	75.00	50.00	29.02.2016	67

(Source: Account statement of special TSB Account)

Government stated (February 2018) that funds released towards the end of the year could be utilised in the next financial year for paying the claims of previous year. Further in many schemes, funds would be released as and when required. Thus, plan funds were utilised by Kudumbashree and its goals were achieved.

The reply is not justifiable in view of the fact that funds received at the end of the financial year during the period 2012-13 to 2015-16 ranged from ₹ 25 crore to ₹ 60 crore i.e. 47 per cent to 67 per cent of the total fund received during those years. This prevented Kudumbashree from utilising the same for the whole or part of that particular financial year. Audit observed that receipt of



funds towards the close of a year impacted upon effective implementation of scheduled activities as detailed in paragraph 3.9.2, thereby rendering the Annual Plan process irrelevant.

**[Audit Paragraph 3.13.3 contained in the Report of the Comptroller and Auditor General of India for the year ended 31<sup>st</sup> March 2017. (General and Social Sector)]**

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

*(Excerpts from the discussion of Committee with officials concerned)*

48) Since similar matter was discussed earlier, the Committee made no comments.

### **Conclusion/Recommendation**

49) **No comments**

#### **3.13.4 Irregularities in accounting**

Annual Accounts of Kudumbashree Mission for the period upto 2015-16 were audited by Chartered Accountants and adopted in the Annual General Body Meetings of the Mission. Review of the audited Annual Accounts revealed grave deficiencies which are detailed below:

##### **3.13.4.1 Non-maintenance of Cash Book and connected records**

The Rules and Regulations framed by Kudumbashree required that the Mission should keep, at its registered office, proper books of account detailing all sums of money received and expended by the Mission and purposes thereof, as also the assets and liabilities of the Mission. Rule 92(a) of the Kerala Treasury Code (KTC) required every officer receiving and handling cash on behalf of Government to maintain a Cash Book in Form TR 7A. It stipulated that the cash book should be closed regularly and checked completely. The Head of the office should verify the totalling of the cash book or have this done by some

responsible subordinate other than the writer of the cash book and initial it as correct.

The Director (Accounts and Finance) and Accounts Officer were officers of the Finance Department of GOK deputed to Kudumbashree Mission, who were expected to be well versed with the provisions of KTC. However, Audit observed that Kudumbashree did not maintain manual cashbook, ledger and advance registers and instead, maintained cashbook in Excel software during 2012-14 and Tally software from 2014-15. It was noticed that there was no internal control mechanism to ensure authentication of data by competent authorities by attesting daily printouts to guard against data manipulation, which was violative of provisions in KTC. In the absence of such authentication, the correctness of the data could not be ascertained in Audit.

**[Audit Paragraphs 3.13.4 & 3.13.4.1 contained in the Report of the Comptroller and Auditor General of India for the year ended 31<sup>st</sup> March 2017. (General and Social Sector)]**

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

*(Excerpts from the discussion of Committee with officials concerned)*

50) When the Committee directed to give an explanation regarding the audit para, the Director (A&F), Kudumbashree informed that Cash Book was maintained manually earlier, but softwares such as Tally, BIMS, PHMS were being used at present. The Director added that statutory audit by Kudumbashree Accounts and Audit Service Society (KAASS) and State audit were being conducted through which the irregularities in accounting had been rectified considerably. The Committee agreed with the reply.

51) The Director (A&F), Kudumbashree submitted that Cash Book was being maintained and closed daily at the end of the day after certifying it by the District Mission Coordinator in the District Mission, Accounts Officer in State Mission and Member Secretary in CDS. The Committee accepted the reply.

## Conclusion/Recommendation

### 52) No comments

#### 3.13.4.2 Mis-statements in Financial Statements and lax financial standards

Audit noticed that the audit of accounts was completed upto 2015-16 and yet to be completed for 2016-17. Scrutiny of the audited statements of accounts for the years 2012-13 to 2015-16 revealed that the Chartered Accountants qualified the financial statements by pointing out significant deficiencies like improper maintenance of books of accounts, non-maintenance of vouchers and supporting documents for many transactions at the District Mission Offices, Utilisation Certificates regarding transfer of funds to CDSs from District Mission offices not made available, etc.

Our test-check revealed certain serious mis-statements in the financial statements of the Kudumbashree Mission, which were not qualified by the Chartered Accountants as follows.

- In the Balance Sheet of Kudumbashree State Mission as on 31 March 2013, unutilised share of grants from GOI/GOK/Urban Local Bodies amounting to ₹ 54.88 crore, which was to be accounted as a liability of Kudumbashree, was wrongly deducted from the Assets. Audit observed that besides undervaluation of assets of Kudumbashree, the financial statement wrongly depicted the grants received as utilised.
- Audit observed that during 2013-14 an amount of ₹ 10.13 crore was transferred to 14 District Mission Coordinators for implementation of SJSRY<sup>36</sup> which was shown as 'Fund in Transit' in the Statement of Accounts of the State Mission for the year. The amount continued to be exhibited as 'Fund in Transit' in the accounts of the State Mission during the subsequent years 2014-15 and 2015-16, despite the District Missions having booked the fund received in their accounts during the first quarter of 2014-15. Since the 'Fund in Transit' shown in the accounts of

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<sup>36</sup> Swarna Jayanthi Shahari Rozgar Yojana.

Kudumbashree for the year 2013-14 were already accounted by the District Missions in 2014-15, it is evident that the position of cash and bank balance of Kudumbashree was not correctly reflected in its accounts for the years 2014-16. The veracity of accounts was, therefore, suspect.

The ACS stated (January 2018) that non-detection of such a huge amount by Kudumbashree reveals the incompetency in management of accounts and suggested that a qualified financial professional may be appointed in charge of Accounts and finances of Kudumbashree to ensure financial discipline and propriety.

- As per the Audited Annual Accounts of Kudumbashree for the year 2014-15, the unutilised balance under the NRLM was stated to be ₹ 59.99 crore. However, a verification of Fund Flow Statement of the NRLM for the year 2014-15 revealed that the closing balance was only ₹ 16.18 crore. Since the balance of ₹ 16.18 crore as appearing in the statements of accounts of NRLM agrees with the balance as per its bank account, the accounts of NRLM appear to be correct.

Audit, therefore, examined the statements of accounts of Kudumbashree and NRLM for the year 2014-15 to determine how the inflation of ₹ 43.81 crore occurred in the accounts of Kudumbashree. It was seen that receipts of ₹ 33.28 crore in NRLM accounts was wrongly booked as ₹ 59.89 crore in the Kudumbashree accounts. Similarly, against payment of ₹ 37.23 crore in NRLM accounts, amount booked in Kudumbashree accounts was ₹ 20.04 crore. Thus, Kudumbashree inflated the unutilised balance of NRLM as shown in its accounts by ₹ 43.81 crore.

Kudumbashree stated (May 2017) that the receipts and payments from Kudumbashree to NRLM and vice versa were transferred from its Plan funds and that the balance shown in the consolidated Receipts and Payments Account of ₹ 16.18 crore was correct. The reply was misleading and not acceptable in view of the fact that the discrepancies as

pointed out by Audit resulted in Kudumbashree inflating the unutilised balance of NRLM in its accounts by ₹ 43.81 crore.

- The Balance Sheet of Kudumbashree Mission as on 31 March 2016 revealed assets of ₹763.12 crore, which included ₹271.95 crore receivable from various Grama Panchayats. However, as per schedule this amount was shown as liability of ₹271.95 crore payable to Grama Panchayats and as asset as per Balance Sheet. This apparent mistake on the face of accounts was also not seen qualified by the Chartered Accountants. It was observed that the funds receivable from Grama Panchayats constituted 54 per cent of the total funds receivable of the Kudumbashree Mission. Analysis of the financial statements of the preceding years revealed that dues from Grama Panchayats showed an increasing trend as shown in **Table 3.10**.

**Table 3.10: Details of fund receivable ( ₹ in crore)**

Year	Total funds receivable	Funds receivable from Grama Panchayats	Percentage of funds due from Grama Panchayats to total funds receivable
2012-13	317.25	178.62	56
2013-14	388.21	217.38	56
2014-15	452.11	248.13	55
2015-16	500.55	271.95	54

*(Source: Audited Annual Accounts of Kudumbashree mission)*

On seeking reasons from Kudumbashree for not recovering the amounts due from Grama Panchayats, it was stated (November 2017) that there was misclassification in the Annual accounts and that reclassification would be done in the succeeding years.

Audit is of the view that the audited accounts of the Kudumbashree Mission for the years 2012-16 were not free from material mis-statements and

failed to give a correct view about the financial transactions of Kudumbashree during these years.

Government informed (February 2018) that all remarks of audit were discussed by present auditors with District Missions and that rectification reports was received from districts. The reply of GOK was factually not correct, since Audit clarified with Kudumbashree that the rectification reports stated to have been received from districts were with reference to the qualifications made by the Chartered Accountants in the Annual Accounts 2013-16 and not on the mis- statements in financial statements and lax financial standards pointed out in this report. Kudumbashree also replied (February 2018) that the points referred to in the Performance Audit report would be rectified in the ensuing years' Annual Accounts.

*Recommendation 3.4: GOK may take all steps to ensure that the accounts of Kudumbashree are more professionally managed to ensure financial discipline and propriety.*

**[Audit Paragraph 3.13.4.2 contained in the Report of the Comptroller and Auditor General of India for the year ended 31<sup>st</sup> March 2017. (General and Social Sector)]**

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

*(Excerpts from the discussion of Committee with officials concerned)*

53) The Committee enquired whether qualified professionals could be entrusted for examining financial statements. The Principal Secretary, Local Self Government Department replied that the Chief Financial Officer from Finance Department was examining the financial statements and, audited statements and individual projects were being monitored by Chartered Accountants.

54) When the Committee decided to give recommendation to get immediate replies on the irregularities pointed out by the Accountant General, the Senior Deputy Accountant General informed the Committee that 32 misappropriation

cases related to non maintenance of financial records including those related to the audit period had been found by the Accountant General. The Principal Secretary, Local Self Government Department explained that there was an inbuilt financial management system for the new Centrally Sponsored Schemes being executed by the Kudumbashree which was regularly being reviewed by the Chartered Accountants and that a monitoring and tracking system was in place through public financial management system. The Principal Secretary added that replies to audit observations would be made available at the earliest. The Principal Secretary further informed that monitoring of the utilisation of funds sanctioned to Mission offices was carried out by the Head Quarters and that the Executive Director would be asked to make all Local Self Government Department institutions and related systems more alert and efficient to plug financial misappropriations and lapses.

### **Conclusion/Recommendation**

**55) The Committee expresses its displeasure over the serious financial misappropriations and lapses in the accounts statements of Kudumbashree pointed out by the audit. Hence, the Committee directs the Department to take necessary steps to ensure that the accounts of Kudumbashree are more professionally managed to maintain financial discipline and transparency, and to furnish reply to the audit observations within two months.**

#### **3.14 Inefficient Management Information System**

The present Management Information System (MIS) at Kudumbashree Mission was developed by the Centre for Development of Advanced Computing (CDAC) in 2010 on the basis of Software Requirement Specification (SRS) prepared in 2007. Four additional software modules viz., Training, Interest Subsidy, Action Plan and Human Resources were developed in-house. It was seen that the Kudumbashree Mission had itself identified at least 37 deficiencies in the existing MIS software like (i) absence of provision to add APL/BPL data while entering NHG member details, interest subsidy in linkage to loan repayment, etc., (ii) edit certain items like thrift amount, age, category wise, etc. Audit observed that failure of Kudumbashree Mission to initiate necessary

action to develop and incorporate modules on 11<sup>37</sup> schemes launched after 2010 rendered the MIS ineffective. During the Exit Conference (January 2018), ACS, while accepting the audit observation, stated that the required software could have been developed in-house by their own staff of trained computer professionals. In its reply, Government stated (February 2018) that steps were initiated to develop a comprehensive MIS, incorporating all newly formulated programmes.

**[Audit Paragraph 3.14 contained in the Report of the Comptroller and Auditor General of India for the year ended 31<sup>st</sup> March 2017. (General and Social Sector)]**

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

*(Excerpts from the discussion of Committee with officials concerned)*

56) When the Committee enquired about the audit para, the Director (A&F), Kudumbashree informed that an Integrated Enterprise Resource Planning (ERP) software was being developed for Kudumbashree, under the supervision of IT Mission, with the support of Digital University. The Committee accepted the reply.

**Conclusion/Recommendation**

57) **No comments**

**3.15 Internal Audit**

Kudumbashree lacked a full-fledged Internal Audit Mechanism for verification of transactions and records of the State Mission as well as its district offices. Audit noticed that during 2012-17, inspection of only eight District Missions was conducted between April 2016 and January 2017. Scrutiny of six reports of inspections handed over to audit revealed observations like payment vouchers not available, award of work without inviting tender, collecting

<sup>37</sup> Revolving Fund and Community Investment Fund under Micro Finance, Social Development, Urban projects, Livelihood, Gender programmes, Insurance, DDU-GKY, Marketing, Animal Husbandry, Elderly and special NHG and Attappady Special Projects.



quotations from same parties without inviting tenders, etc. No procedure was prescribed for initiating follow-up action on the inspection reports. It is pertinent to note that while significant irregularities in the award of major contracts were pointed out in this Performance Audit report, the Internal Audit of the State Mission Office was not conducted till date (October 2017).

Government assured (February 2018) that utmost care would be taken to strengthen the internal audit system and address the deficiencies pointed out by Audit.

**[Audit Paragraph 3.15 contained in the Report of the Comptroller and Auditor General of India for the year ended 31<sup>st</sup> March 2017. (General and Social Sector)]**

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

*(Excerpts from the discussion of Committee with officials concerned)*

58) Regarding the audit para, the Director (A&F), Kudumbashree submitted that the internal audit wing had been ramped up at present and that the audit was being conducted in all district mission offices by Internal Audit Wing, and that Kudumbashree audit was being carried out by the State Audit Department. When asked about the audit of NHGs, the Director (A&F), Kudumbashree submitted that the reports prepared by the KAASS Team were being examined and certified by the Chartered Accountants. The Committee accepted the reply.

### **Conclusion/Recommendation**

59) **No comments**

### **3.16 Laxity in furnishing replies to observations made in Inspection Reports**

The response of Kudumbashree Mission to the Accountant General's Inspection Reports on its local audit of accounts and records was very poor. It

was noticed that Inspection Reports for the period dating back to 2008-09 were pending settlement (Appendix III).

Article 63 (c) of Kerala Financial Code stipulated that the first replies to Inspection Reports should be sent within four weeks from the date of receipt of the Inspection Report. Audit observed that first replies to Inspection Reports pertaining to the years 2011-12 and 2012-13 were yet to be furnished by Kudumbashree (December 2017).

During the Exit Conference (January 2018), ACS assured that Kudumbashree would furnish replies to all pending Inspection Reports before 15 March 2018.

**[Audit Paragraph 3.16 contained in the Report of the Comptroller and Auditor General of India for the year ended 31<sup>st</sup> March 2017. (General and Social Sector)]**

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

*(Excerpts from the discussion of Committee with officials concerned)*

60) Regarding the audit para, the Director (A&F), Kudumbashree admitted that some laxity had occurred in timely submission of reply to audit objections earlier, but at present, replies were being furnished in time. The Director added that reply to all audit paragraphs, except those in the latest audit report, had been furnished. The Committee accepted the reply.

### **Conclusion/Recommendation**

**61) No comments**

#### **3.17 Response of Government to Audit**

Government while accepting the findings of Audit in this report, stated (February 2018) that Audit did not consider the achievements of Kudumbashree in implementation of its schemes and the various awards it had garnered, while framing observations. Besides questioning the methodology adopted by Audit,

Government opined that the size of the sample was not representative, resulting in isolated findings being generalised in the report.

Reply of the Government was not correct as the objectives of the Performance Audit (PA), audit criteria, scope and methodology which included sampling pattern adopted were discussed and agreed upon by Government in the Entry Conference as mentioned in paragraph 3.5. Audit, thus, afforded every opportunity to Government/Kudumbashree to present their views before commencement of Audit. The PA was conducted strictly in accordance with the Performance Auditing Guidelines issued by the Comptroller and Auditor General of India. The outcome of the PA was based on the findings generated during the course of the audit exercise and not on the achievements or the number of awards obtained by the audited entity. The methodology adopted for conduct of the PA was unbiased and impartial.

The fact that Government accepted almost all the findings in the PA and appreciated audit observations as evidenced from the minutes of Exit Conference held on 09 January 2018, makes it evident that the allegations made by Government are superfluous and non-sustainable. The attempts of Government to discredit the results of audit are therefore regrettable.

### **3.18 Conclusion**

The Performance Audit revealed systemic deficiencies in the implementation of various schemes for the empowerment of women. There was no effective monitoring of the working of Micro Enterprises for ensuring sustained operation and profitability of the ventures. Works were awarded to Programme Implementation Agencies by following an opaque selection process. Kudumbashree did not tender works and ensure the selection of competent agencies resulting in the schemes not being able to deliver the intended results. Financial Management was poor and the audited Statements of Accounts carried material mis-statements. Internal control systems were weak. Inspection Reports of Accountant General for the period dating back to 2008-09 were pending settlement.

**[Audit Paragraph 3.17 and 3.18 contained in the Report of the Comptroller and Auditor General of India for the year ended 31<sup>st</sup> March 2017. (General and Social Sector)]**

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

*(Excerpts from the discussion of Committee with officials concerned)*

62) The Committee opined that the shortcomings were being rectified by Kudumbashree and suggested to take necessary steps to implement more projects, based on its 25 years of experience.

#### **Conclusion/Recommendation**

63) **The Committee recommends the Department to provide necessary financial and administrative assistance to Kudumbashree to conceive and implement more innovative projects with the objectives of product diversification, employment generation and IT enabled services.**

Thiruvananthapuram,  
12<sup>th</sup> March 2025.

**SUNNY JOSEPH,**  
Chairperson,  
Committee on Public Accounts.

**APPENDIX I****SUMMARY OF MAIN CONCLUSIONS / RECOMMENDATIONS**

Sl No.	Para No.	Department concerned	Conclusion / Recommendation
1	4	Local Self Government	The Committee expresses its displeasure on the failure of the Department to obtain the entire Central share of the project and to achieve the target even after the extended period of the project. The Committee observes that the failure in timely submission of the Utilisation Certificate to Government of India led to the non release of entire Central share. Therefore, the Committee directs to set up a regular monitoring mechanism for ensuring the timely submission of Utilisation Certificates with regard to Centrally Sponsored Schemes.
2	14	Local Self Government	The Committee expresses its displeasure over the laxity on the part of Kudumbashree in conducting the mandatory training to Micro Enterprises through Community Development Societies, and observes that lack of adequate training may lead to incompetency and stagnation of the Micro Enterprises. Hence, the Committee directs the Department to furnish year wise detailed report of Performance Improvement Programme Training provided to MEs, including allocation & utilisation of fund and participation of MEs.

3	19	Local Self Government	The Committee expresses its displeasure on the lack of seriousness on the part of Kudumbashree in implementing the project, 'branding of Kudumbashree products' and directs the Department to furnish a report on the present status of the project within two months.
4	22	Local Self Government	The Committee observes that the MIS Software Development project for Kudumbashree was awarded to Gulati Institute of Finance and Taxation (GIFT), an agency which is not competent in the field of software development, without following the tender procedure. The initial payment made to the GIFT became unfruitful, as the agency failed to execute and complete the work within the stipulated time frame. The Committee, therefore, directs the Department to be more vigilant so that such flaws are not recurred in future.
5	24	Local Self Government	The Committee directs the Department to furnish the present position of the case filed by the institutions associated with the project as detailed by the Kudumbashree Officials in connection with the Audit Paragraph.

6	37	Local Self Government	The Committee notes with concern that the Department did not take any effective steps to rectify the technical issue in the e-office file received in 2019 related to the Vigilance enquiry report about the Mediasree project. Therefore, the Committee directs the Department to take urgent steps to rectify the said issue as early as possible and to submit a detailed report regarding the action taken based on the Vigilance enquiry report.
7	41	Local Self Government	The Committee directs the Department to submit a detailed report regarding the action taken based on the submission of Vigilance enquiry report on the failure of the Department to engage Kudumbasree workers for video documentation within two months.
8	43	Local Self Government	The Committee directs the Department to strictly comply with the provisions stipulated in the Stores Purchase Manual and ensure transparency and efficiency in awarding its projects to various implementing agencies. The Committee recommends regular monitoring of the progress of implementation of each project to ensure the achievement of the goals envisaged.
9	47	Local Self Government	The Committee directs the Department to take appropriate steps to ensure the efficacy of the plan fund utilisation monitoring system of Kudumbashree.

10	55	Local Self Government	The Committee expresses its displeasure over the serious financial misappropriations and lapses in the accounts statements of Kudumbashree pointed out by the audit. Hence, the Committee directs the Department to take necessary steps to ensure that the accounts of Kudumbashree are more professionally managed to maintain financial discipline and transparency, and to furnish reply to the audit observations within two months.
11	63	Local Self Government	The Committee recommends the Department to provide necessary financial and administrative assistance to Kudumbashree to conceive and implement more innovative projects with the objectives of product diversification, employment generation and IT enabled services.



71

## Role of Kudumbashree in the Socio-Economic Empowerment of Woman

Audit Report ( General and Social Sector) for the year ended March 2017

### APPENDIX II NOTES FURNISHED BY THE GOVERNMENT

Para	Observations	Action Taken
3.1	<b>Introduction</b> Government of Kerala (GOK) approved (1997) the recommendations of a Special Task Force for setting up the State Poverty Eradication Mission (SPEM) with the objective to eradicate absolute poverty from the State over a period of ten years. The SPEM was registered (November 1998) under the Travancore-Cochin Literary, Scientific and Charitable Societies Registration Act, 1955, and started functioning on 01 April 1999 under the Local Self Government Department. It was named Kudumbashree Mission. As of March 2017, there were 2.77 lakh Neighbourhood Groups (NHGs) with 43 lakh members, 19,854 Area Development Societies (ADS) and 1,073 Community Development Societies (CDS) under Kudumbashree in the State. Kudumbashree membership is open to all adult women, limited to single membership per family.	No Remarks
3.2	<b>Organisational Set up</b> The State Mission Office of Kudumbashree at Thiruvananthapuram with a field office in each district, supports and facilitates the activities of the community network across the State. Governance of the Mission is vested with the Governing Body comprising of 28 members, chaired by the Minister for Local Self-Government, Government of Kerala. The Executive	No Remarks

	<p>Committee consisting of eight members was to oversee the Mission's administration. The Principal Secretary, Department of Local Self-Government is its chairperson and the Executive Director of Kudumbashree Mission is its convenor. For effective convergence of the programme, it has a three-tier structure of women community network comprising NHGs at the base level, ADS at ward level and CDS at Grama Panchayat/Municipality/Corporation level. A Neighbourhood Group (NHG) consists of 10 to 20 women members represented by a member of the age of 18 years and above from one family. NHG is the base unit of the three tier organisational structure of Kudumbashree. Area Development Society (ADS) is the middle level of the Kudumbashree structure. An ADS is formed at the ward level of the Grama Panchayat/Municipality/Corporation. Each NHG shall be affiliated to the ADS. The Community Development Society (CDS) is the apex body of the Kudumbashree organisational structure having jurisdiction at Grama Panchayat/Municipality/Corporation level. Each NHG, which adopts the bye laws of Kudumbashree shall be given affiliation to the CDS representing the area in which the NHG is situated.</p>	
<p><b>3.3</b></p>	<p><b><u>Audit Objectives</u></b></p> <p>The Performance Audit was conducted to assess whether :</p> <ul style="list-style-type: none"> <li>• The welfare schemes of Kudumbashree were properly planned and implemented effectively for the removal of poverty and achievement of self-sufficiency of women and were envisioned to achieve Government of India adopted United Nations Sustainable</li> </ul>	<p>No Remarks</p>

	<p>Development Goals of ending poverty in all its manifestations and establishing gender equality by 2030;</p> <ul style="list-style-type: none"> <li>• The financial management under Kudumbashree was efficient and effective; and</li> <li>• The institutional framework established under Kudumbashree was efficient and effective for the achievement of objectives of the Mission.</li> </ul>	
<p><b>3.4</b></p>	<p><b><u>Audit Criteria</u></b></p> <p>The audit criteria for evaluation of performance of Kudumbashree were derived from:</p> <ul style="list-style-type: none"> <li>➤ Bye Laws, Memorandum of Association;</li> <li>➤ Rules and Regulations of Kudumbashree Mission;</li> <li>➤ Relevant orders issued by Government/Local Self Government Departments;</li> <li>➤ Annual Plan and Budget documents of Kudumbashree Mission;</li> <li>➤ Kerala Financial Code and Treasury Code;</li> <li>➤ Guidelines of Government of India schemes viz., National Rural Livelihood Mission (NRLM) and National Urban Livelihood Mission (NULM); and</li> <li>➤ Targets and indicators of Sustainable Development Goals of United Nations Development Programme.</li> </ul>	<p>No Remarks</p>
<p><b>3.5</b></p>	<p><b><u>Audit Coverage and Methodology</u></b></p> <p>The Performance Audit was conducted from May 2017 to September 2017 covering the period from 2012-17. Records were test-checked in the Government</p>	<p>No Remarks</p>

Secretariat, the State Mission Office at Thiruvananthapuram, four selected District Mission offices, CDSs, ADSs and NHGs. In the first stage of sampling, the State Mission Office and connected administrative offices in Thiruvananthapuram district were selected. In the second stage, the four districts of Wayanad, Thrissur, Alappuzha and Thiruvananthapuram were selected using Simple Random Sampling method. In the third stage, 10 per cent of CDS with a minimum of six CDSs from a district were selected by Stratified Random Sampling method. Thus, 36 CDSs, 72 ADSs and 144 NHGs were selected for test-check. Additionally, 12 Exclusive Tribal NHGs in Wayanad District were also selected locally.

Audit conducted a preliminary study to obtain background information on the subject. An Entry Conference was held on 11 April 2017 with the officials of Kudumbashree Mission and Government wherein the scope, objectives, methodology and criteria were discussed and agreed upon. Audit methodology included sample beneficiary survey to assess whether the beneficiaries of various schemes for educational and skill development had actually derived the intended benefits and enhanced their capability. The findings of the Performance Audit were discussed in the Exit Conference held on 09 January 2018 with the Additional Chief Secretary to Government, Local Self Government Department (ACS), the Executive Director of Kudumbashree (ED) and other senior officers. Response of Government was obtained and included in the report.

**3.6 Receipt and Utilisation of funds**

Kudumbashree received funds for its activities from:

Plan funds of the Government of Kerala (GOK)/Government of India (GOI), Participating institutions like National Bank for Agriculture and Rural Development (NABARD), Scheduled Tribe Development Department (STDD), Social Justice Department and Local Self Government Institutions. Recurring and non-recurring grants made by the GOI/GOK for the furtherance of the objectives of the Mission.

Details of financial assistance received by the Mission are given below:

Year	OB	Receipts	Total	Expenditure	CB
2012-13	53.91	207.13	261.04	135.81	125.23
2013-14	125.23	209.16	334.39	221.59	112.80
2014-15	112.80	185.35	298.15	191.28	106.87
2015-16	106.86	148.48	255.34	178.65	76.69
2016-17	76.70	272.82	349.52	262.67	86.85

The table shows that the balance of funds available with Kudumbashree at the end of each year ranged from `76.69 crore to `125.23 crore, revealing that funds at the disposal of Mission were not utilised in full.

**Audit Findings**

During 2012-17, Kudumbashree implemented GOK schemes like Gender Self Learning, Tribal Project, Micro Finance, Micro Enterprise Activities, Samagra (Animal Husbandry), Joint Liability Group (JLG) Farming, etc.

Most of the projects implemented by Kudumbashree are multi-year projects of the central government lasting for ten, twelve or fifteen years. As per the annual plan prepared for the respective year, the target/funds are not utilized but the shortfall is rectified in subsequent years and the final target is 100% achieved. statement contains the expenditure of plan funds. Utilization certificates of the funds available from the Central Government have been given to the Central Government in due course and has been approved by the Central Government. The plan fund allocation required as per the budget allocation is (often) received at the tag end of the year. During the financial year funds were available on 1/8/2017, 6/11/2017 and 26/3/2018. The amount provided on demand for various projects is not a reserve but an amount to be spent urgently. Therefore, it is requested to omit the reference that the funds available to the Mission were not fully utilized.

	<p>During this period, Kudumbashree also implemented 1242 schemes of the Government of India. However, only eight 43 GOI schemes were operational in 2016-17. Audit, besides examining records relating to GOK schemes, also examined three GOI implemented schemes which impacted women empowerment, viz., Mahila Kisan Sashaktikaran Pariyojana (MKSP), Deen Dayal Upadhyaya Grameen Kaushalya Yojana (DDU-GKY) and NRLM. The results of Audit are detailed below :-</p>	
<p><b>3.7</b></p>	<p><b><u>Functioning of Micro Enterprises</u></b> Kudumbashree envisaged promotion and development of Micro Enterprises (MEs) as an important strategy to facilitate economic empowerment of the poor. The strategy provided for women of each NHG to start an ME, either individually or in groups, within a single NHG or women from several NHGs grouped together. It was envisaged to provide subsidy of `7,500 or 30 per cent of total project cost whichever was lower to individual entrepreneurs. Group entrepreneurs were entitled to subsidy of `10,000 per member subject to a maximum of ` one lakh or 50 per cent of total project cost, whichever was less. It was also envisaged to promote MEs by making available financial assistance through Revolving Fund44, Innovation Fund45, Technology Fund46, Technology Upgradation Fund47, Second Dose Assistance to Micro Enterprises and Crisis Management Fund49. While the Crisis Management Fund given to eligible MEs was to be refunded to Kudumbashree, all the other funds were to be given to the MEs as financial assistance without need for repayment. Training</p>	<p><b>No Remarks</b></p>

<p>programmes for existing enterprises like Performance Improvement Programmes as well as training for capacity building and technology upgradation were also envisaged observations of Audit on the functioning of MES are given below.</p>																																																	
<p><b>3.7.1 Inactive Micro Enterprises</b></p> <p>The ME consultants of Kudumbashree/CDSs were to assess the requirements for expansion and technological upgradation of MES and facilitate planning of projects to be undertaken by MES. They were also entrusted with timely detection of problems faced by MES, and seek solutions to these problems from appropriate levels. The CDSs were to submit details of MES, which were inactive/slowing down to District missions, who were to initiate steps to revive them. Details obtained from Kudumbashree revealed that around 35 per cent of the MES were inactive and non-functional as of March 2017 as shown in Table 3.2.</p> <table border="1" data-bbox="290 443 766 1249"> <thead> <tr> <th>Sl No</th> <th>Districts</th> <th>Registered MES</th> <th>Active MES</th> <th>Inactive MES</th> <th>In active MES (Percent)</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>Trivandrum</td> <td>4187</td> <td>783</td> <td>3404</td> <td>81.30</td> </tr> <tr> <td>2</td> <td>Kollam</td> <td>264</td> <td>246</td> <td>18</td> <td>6.82</td> </tr> <tr> <td>3</td> <td>Pathanamthitta</td> <td>840</td> <td>733</td> <td>107</td> <td>12.74</td> </tr> <tr> <td>4</td> <td>Alappuzha</td> <td>318</td> <td>71</td> <td>247</td> <td>77.67</td> </tr> <tr> <td>5</td> <td>Kottayam</td> <td>1612</td> <td>1359</td> <td>253</td> <td>15.69</td> </tr> <tr> <td>6</td> <td>Idukki</td> <td>1535</td> <td>1033</td> <td>502</td> <td>32.70</td> </tr> <tr> <td>7</td> <td>Ernakulam</td> <td>8078</td> <td>5783</td> <td>2295</td> <td>28.41</td> </tr> </tbody> </table>	Sl No	Districts	Registered MES	Active MES	Inactive MES	In active MES (Percent)	1	Trivandrum	4187	783	3404	81.30	2	Kollam	264	246	18	6.82	3	Pathanamthitta	840	733	107	12.74	4	Alappuzha	318	71	247	77.67	5	Kottayam	1612	1359	253	15.69	6	Idukki	1535	1033	502	32.70	7	Ernakulam	8078	5783	2295	28.41	<p>Micro Enterprises Consultants are appointing to provide entrepreneurship training to Kudumbashree members who are interested in starting Micro enterprises and provides services in activities including DPR preparation. Kudumbashree Neighborhood groups are forming micro enterprises by collecting money from their thrift and other venture funds. There is also a tendency for various units to engage in enterprise activities (seasonal/temporary) during festivals etc. Such units operate only during festivals and fairs and tend to engage in other activities during off-seasons. As these are only seasonally active, there is a possibility of falling into the group of inactive units. This results in an increase in the number of dead units. Monitoring systems including 'Enterprise Performance Tracking software' have been set up to provide statistics of the enterprises on a monthly basis. A mobile app available on the Google Play Store from the link <a href="https://play.google.com/store/apps/details?">https://play.google.com/store/apps/details?</a></p>
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8	Thrissur	1250	585	665	53.20
9	Palakkad	1556	1210	346	22.24
10	Malappuram	1148	920	228	19.86
11	Kozhikode	2972	2274	698	23.49
12	Waynad	467	160	307	65.74
13	Kannur	2372	1697	675	28.46
14	Kasaragod	921	901	20	2.17
	Total	27520	17755	9765	35.48

A study conducted (August 2013) by the Gulati Institute of Finance and Taxation (GIFT) on the request of Kudumbashree reported that the data available with the District Missions regarding MEs under their jurisdiction was doubtful. Audit observed that the quality of data on inactive MEs as maintained by Kudumbashree was suspect. It was seen that against the high percentage of inactive MEs reported by Kudumbashree in Thiruvananthapuram (81.30 per cent), Alappuzha (77.67 per cent), Thrissur (53.20 per cent) and Wayanad (65.74 per cent) as per Table 3.2, test-check of 36 out of 288 CDs (12.50 per cent) revealed that the percentage of inactive MEs was 40.99, 49.27, 51.39 and 44.16 respectively. The possibility of more number of inactive MEs in the remaining 87.50 per cent cannot be ruled out.

Audit surveyed 62 of the 163 MEs in the 147 NHGs50.



<p>Audit also conducted a survey of 702 members belonging to 147 NHGs. Convenors of 21 out of 62 MES surveyed claimed difficulty in making a sustainable livelihood from Mes, which was analogous to the findings of GIFT that 1,001 out of 1,246 MES were running at a loss.</p> <p>Audit observed that that ME Consultants/CDSs did not submit details of inactive MES to District Missions and as a result, no data on inactive MES was maintained at the State Mission Office. Government, while admitting these facts, stated (February 2018) that a campaign was initiated to revive all defunct MES and that a regular online system of monitoring was being designed for concurrent evaluation of MES.</p>	
<p>Recommendation 3.1 Kudumbashree may facilitate continuous handholding of MES at all levels to ensure that MES remain active and economically viable.</p>	
<p><b>3.7.2</b> <b>Lack of awareness of Mes regarding availability of various funds</b> The Mission envisaged rendering assistance from various funds available. The actual funds provided were as shown in Table 3.3. The above table revealed that meagre assistance was given to MES by Kudumbashree under Revolving, Innovation, Technology and Technology Upgradation funds. During 2012-17, while `2.06 crore was paid as financial assistance under the Revolving Fund to 682 MES, the assistance rendered under the Innovation Technology and Technology Upgradation funds was only `0.19 crore, `1.15 crore and `0.39 crore to 17, 80 and 26 MES</p>	<p>Various funds are providing to Kudumbashree enterprises to help and encourage entrepreneurs for the formation and innovation of Micro Enterprises. Kudumbashree issued guidelines for the eligibility to avail each fund, fund amount and procedure to be followed for availing various funds and made necessary amendments in 2017. MECs are providing information to entrepreneurs about the financial assistance and the criteria for</p>

	<p>respectively. However, analysis of accounts of Kudumbashree revealed huge balances available under these funds, which could have been given to the MEs. The beneficiary survey conducted by Audit revealed low awareness among the NHG members about various funds. Out of 702 NHG members surveyed, only 91 members were aware of Crisis Management Fund, 64 members were aware of the Technology Fund and 40 members were aware of the Technology Upgradation Fund. Audit observed that due to lack of awareness of Mes regarding availability of the above funds, the demand for funds raised by the MEs was low and the funds under these heads remained undisbursed.</p> <p>The CDS, being the apex body of the three tier organisational structure of Kudumbashree Mission, and the District Mission Offices did not function effectively for facilitating the various funds available at the disposal of the Mission for the benefit of MEs. Government failed in ensuring that proper initiatives were made by Kudumbashree Mission in spreading adequate awareness among the NHG members of the availability of various types of assistance for the support of the MEs.</p> <p>Government stated (February 2018) that the District Mission Offices were given direction to give adequate publicity and awareness about the various financial aids to MEs.</p>	<p>availing them. Trainings are also provided in various schemes to clarify the financial assistance available from various funds. Neighborhood members are informed about such funds through various media such as entrepreneurship classes, articles, campaigns, websites, mobile apps etc. Instructions are given at the district level to monitor the income and expenditure figures of the enterprises and provide eligible funds and this is implemented through the MECs and Block Coordinators. Apart from the KAAS team, a special audit team for micro-enterprises has been established in every district during the current financial year to provide information on funds including auditing and book-keeping of micro-enterprises. Through the Kudumbashree school project, each neighborhood was educated about Kudumbashree and Kudumbashree projects in detail by giving classes and textbooks. In the above circumstances the said reference is requested to be omitted.</p>
<p><b>3.7.3</b></p>	<p><b><u>Setting up of MEs without preparation of detailed project report.</u></b></p> <p>The guidelines issued by Kudumbashree for setting up of MEs stipulated that before starting an ME, the individual enterprise or enterprise group should prepare a Detailed</p>	<p>Enterprise formation is now being done by preparing a detailed project report with the help of MECs as per ME formation guidelines. All units have to prepare DPR to get bank loan and subsidy. It is strictly</p>

<p>Project Report (DPR) including a feasibility study of the ME, with the assistance of the ME Consultant and submit the report to the concerned CDS. A feasibility study helps in determining legal and technical feasibility apart from the economic viability of a project. In case of MES availing subsidy, the CDSs were to submit DPRs to the bank for sanction of loan. The loan sanctioning letter from the bank along with the project report are subsequently forwarded by the CDS to the District Mission Coordinators, who after scrutiny, transfer the subsidy directly to the bank account of the MES. It was seen that out of 2,359 MES registered during 2012-17 in the selected 36 CDSs, only 1,278 MES (54.18 per cent) submitted the DPRs including the feasibility study. The ME Consultants, the CDSs and the District Mission Co-ordinators failed to ensure formulation of DPRs including feasibility study by all registered MES to facilitate their productive and successful sustenance. Had the submission of DPRs with feasibility study been insisted upon by CDSs/District Missions for all MES, which was necessary for getting financial support, the proportion of MES turning inactive could have been minimised. Government admitted in reply (February 2018) that some of the earlier projects missed out on DPRs and affirmed that they were being currently insisted upon for all MES.</p>	<p>Followed procedure for units to submit DPR to get Kudumbashree benefits. Seasonal and thrift-based ventures have found that some do not follow this process. It helps and motivates to turn these into sustainable ventures. Such self-formed enterprises are assured that DPR is necessary to avail Kudumbashree benefits and provide support to stabilize and find markets. Such initiatives help the CDS officials and MECs to become self-sufficient MES through systematic activities and awareness classes while registering with CDS. In this way, Kudumbashree is providing assistance and system for following up all initiatives, auditing and book keeping. In the above circumstances the said reference is requested to be omitted.</p>
<p><b>3.7.4 Conduct of Entrepreneurship development programmes for Mes</b>          The Micro Enterprise Scheme Guidelines envisaged general orientation programme to identify potential entrepreneurs and entrepreneurship development programme (EDP) for those who participated in the general orientation programme and were interested in setting up MES. Further, Performance Improvement Programme (PIP) was to be conducted mandatorily nafter six months of starting of each ME. Data obtained from 36 test-checked CDSs revealed shortage in</p>	<p>The Kudumbashree State Mission has developed various guidelines and circulars to provide direction and excellence to the entrepreneurs through proper monitoring systems to ascertain the PIP activities, as per their objectives and requirements. More PIPs have been sanctioned in the current financial year as well for initiatives in various sectors</p>

85

<p><b>3.7.5</b> <b>3.7.5.1</b></p>	<p>conduct of PIPs as shown in Table 3.4. <b>Table 3.4: Details of training conducted in the 36 test-checked CDSs</b></p> <table border="1"> <thead> <tr> <th>Year</th> <th>No. of Mes started in 36 CDSs</th> <th>No. of Mes given PIP training</th> <th>Percentage of Mes given PIP training</th> </tr> </thead> <tbody> <tr> <td>2012-13</td> <td>450</td> <td>33</td> <td>7.33</td> </tr> <tr> <td>2013-14</td> <td>560</td> <td>34</td> <td>6.07</td> </tr> <tr> <td>2014-15</td> <td>791</td> <td>54</td> <td>6.83</td> </tr> <tr> <td>2015-16</td> <td>326</td> <td>31</td> <td>9.51</td> </tr> <tr> <td>2016-17</td> <td>232</td> <td>41</td> <td>17.</td> </tr> <tr> <td>Total</td> <td>2359</td> <td>193</td> <td></td> </tr> </tbody> </table> <p>Audit noticed that the mandatory participation of all MEs in the PIPs was not ensured by Kudumbashree. Training was given to only 193 of the 2,359 Mes (8.18 per cent) established in the test-checked CDSs during the period 2012-13 to 2016-17. It was observed that CDSs were lax in conducting training. Out of 36 CDSs, only three<sup>52</sup> CDSs conducted PIPs each year during 2012-17. In two<sup>53</sup> CDSs, PIPs were conducted thrice, in one<sup>54</sup> CDS, PIPs were conducted twice.</p>	Year	No. of Mes started in 36 CDSs	No. of Mes given PIP training	Percentage of Mes given PIP training	2012-13	450	33	7.33	2013-14	560	34	6.07	2014-15	791	54	6.83	2015-16	326	31	9.51	2016-17	232	41	17.	Total	2359	193		<p>like nutrimix, santhwanam, cloth bag manufacturing, IT and Haritha Karma Sena. Kudumbashree is preparing plans to grant more PIPs and refresher courses to the entrepreneurs in the upcoming annual plans as well. Kudumbashree is also thinking of procedures to standardize the PIP process for subsequent fund availability by ensuring PIPs for enterprises on completion of 6 months. Through this activity, the sustainability of the enterprises can be ensured to an extent. In the above circumstances the said reference is requested to be omitted.</p>
Year	No. of Mes started in 36 CDSs	No. of Mes given PIP training	Percentage of Mes given PIP training																											
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<p><b>3.7.5</b> <b>3.7.5.1</b></p>	<p><b>Marketing Initiatives by Kudumbashree</b> <b>Monthly Markets</b></p> <p>Kudumbashree conceived (April 2015) a strategy of monthly markets to make available a permanent market network for sale of its products, thereby facilitating a sustainable source of income to the entrepreneurs. These monthly markets were to be held by the CDSs at the district, taluk, block, municipal and panchayat levels. The conduct of monthly</p>	<p>Kudumbashree Product Marketing focused on creating and strengthening the marketing avenues such as Trade Fairs, Permanent Markets, Online Marketing, Product Promotion Campaigns for product penetration inside the network and community based marketing networks to establish steady B2C Supply chain for</p>																												

<p>markets was entrusted to CDSs, which were to identify and facilitate sites for the markets. Data regarding conduct of monthly markets, details of income received and expenditure incurred by CDSs on conducting monthly markets, number of participants in the market, analysis of consumer details, etc., were to be forwarded to the State Mission by the Marketing Consultant of the District Mission within the first five days of the ensuing month. Test-check of 36 CDSs by Audit revealed that during 2012-17, only three CDSs organised monthly markets as stipulated in the guidelines. It was observed that only 259 (6.86 per cent) of the 3,778 Mes participated in the monthly markets during 2016-17.</p> <p>Audit observed that the State Mission did not obtain the above mentioned details on markets held, from District Missions in the test-checked districts. The State Mission informed that the details were awaited from the District Missions.</p> <p>Government confirmed (February 2018) that failure of CDSs to keep track of markets and maintain essential data resulted in absence of data at the State level. The fact remains that had the State Mission effectively monitored the activities of CDSs/District missions, more number of monthly markets could have been held.</p>	<p>enterprises thereby generating sustainable income to entrepreneurs engaged in livelihood activities and establishing structured market places governed by community system to support enterprises in their different growth levels. Marketing of Kudumbashree products has seen a good level of progress through streamlined channels of business. Kudumbashree enterprises participation in trade fairs has significantly increased. Kudumbashree has conducted monthly markets periodically in 245 LSIs, participated and conducted in trade fairs as part of regional, district festivities and participated in national and international fairs to provide exposure to Micro Enterprises and food units promoted by the mission. Kudumbashree has conducted Saras Melas, National level fairs and ensured participation of entrepreneurs in similar fairs conducted across the country. The Mission also intervenes in conducting fairs across the all CDS as part of Onam, Vishu and Christmas festivities to tap the market-benefiting mission promoted enterprises.</p> <p>Monthly markets are a marketing initiatives</p>
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by the Kudumbashree Mission to enable the market for Kudumbashree products, especially the products of start-up enterprises, thereby providing regular income to the entrepreneurs. In order to organize the Kudumbashree monthly markets efficiently and transform the management of monthly markets into a major activity of CDSs, the organization of markets is carried out by the CDSs under the supervision of the District Mission. The selected CDSS are responsible for bringing all the entrepreneurs of the block to the monthly markets, attracting more customers to the monthly markets, ensuring the quality of the products, making suitable changes in the markets based on the needs and opinions of the customers and increasing the social recognition of the monthly markets. Monthly markets are conducted in 152 rural CDS, 87 Municipal CDS and 6 Corporations CDS. Monthly markets are marketing platforms for kudumbashree products for 3-4 days at specific place every month at selected CDS in each block and each urban local area.

<p><b>3.7.5.2</b></p>	<p><b>Failure in the branding of Kudumbashree Products</b></p> <p>Kudumbashree invited Expression of Interest (September 2014) from designers/companies to accomplish brand development and the right 'Marketing Mix' to market the selected products and services of MES owned by women entrepreneurs under the Mission effectively to its target population of consumers of selected products and services of Kudumbashree. M/s. Eggs Creative Solution (agency) was selected and work awarded for `1.75 crore. A Memorandum of Agreement was executed (July 2015), which specified the branding exercise to be completed with six milestones<sup>57</sup>. An advance of `0.29 crore was sanctioned and paid (July 2015) as 50 per cent for the first and second milestones. As per the Memorandum of Agreement executed on 28 July 2015, the agency was to complete all six milestones within 18 months by January 2017. It was noticed that the project which was to be completed within 18 months, was yet to complete even the first milestone, despite the passage of 29 months (December 2017). Audit observed that the progress of the project was held up because of various reasons like the reports on brand and market study not submitted in a manner acceptable to Kudumbashree, failure of Kudumbashree to approve the logo for branding submitted by the agency, etc. Audit observed that failure of Kudumbashree to ensure successful completion of the work resulted in failure to develop brand identity, besides inability to develop an ideal marketing mix to market its selected products and services effectively.</p> <p>During the Exit Conference (January 2018), the ED Kudumbashree cited failure to find common ground on the design of the logo proposed by the agency and non-submission of Brand study report in the prescribed manner by the selected firm, as reasons for lack of progress in the</p>	<p>The progress of the project was hampered by the inability of the selected agency to complete and submit the brand study report, a major milestone of the branding project, on time as prescribed. But Kudumbashree approved the new logo for marketing needs prepared by the Agency and introduced the selected 10 products in the market with the changes suggested by the Agency with the new logo. Necessary instructions have been given to the the Agency for satisfactory completion of the Brand Study Report and for taking the project forward. Actions related to branding are in progress. In the above circumstances, the said reference is requested to be omitted.</p>
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	<p>branding exercise. Government replied (February 2018) that progress of the project was held up mainly due to non-submission of 'Brand study report' by the selected firm. Audit was further informed that Kudumbashree had since approved the logo and steps undertaken to review the projects and speed up its implementation. Audit observed that laxity of Kudumbashree in resolving the issue resulted in failure to brand its products and develop the right marketing mix for its products.</p>	
<p><b>3.7.6</b></p>	<p><b><u>Irregular Award of Work of Mis Software without Tender</u></b>  Paragraph 7.11 of Stores Purchase Manual stipulated that advertised tender (open tender) should be used as a general rule and must be adopted, whenever the estimated value of the contract is `10 lakh or more. Paragraph 7.13 clarified that in all cases of open tender, it was essential that wide publicity was given to the tender. Audit noticed violation of these provisions by Kudumbashree as shown below.  Kudumbashree was making use of Management Information System (MIS) software developed by Centre for Development of Advanced Computing (C-DAC) since 2010. A pre-survey report<sup>8</sup> submitted (November 2012) by GIFT identified serious gaps in the quality of database of MEs operating under Kudumbashree Mission. These included details of a single ME entered multiple times, discrepancies in name, address and area of operations of MEs, name of schemes under which MEs were functioning, product/service profile, etc. Subsequently, Kudumbashree entered (May 2013) into an agreement with GIFT for developing a database in which all data on MEs were to be entered and handed over. The software was to be designed in such a manner that the District Missions of Kudumbashree would be able to update the data as and when required, segregated as well as the consolidated data be made available to Kudumbashree</p>	<p>Gulati Institute of Finance and Taxation has been tasked with creating the data base of Micro Enterprises. As part of this, Kudumbashree had signed a memorandum of understanding with this organization. On the basis of the MoU, GIFT Collected the data of Micro Enterprise units and recorded in a software. But in this software there was no customization and only static data. This software will not be useful for Kudumbashree Mission, if it is not able to update on a timely basis. This matter was reported to GIFT but no further action was taken by them. Therefore, as per Clause 9 of the MoU, the final installment amount in connection with the development of the software did not allocated to GIFT. Also, data obtained as part of data collection, ME Data software was created in collaboration with Kerala Start Up Mission.</p>



<p>and necessary reports generated. As per terms of the agreement, `0.15 crore was paid to GIFT. Audit observed that Kudumbashree did not initiate procedures for award of work through tender and the work was entrusted to GIFT without considering their competence in the field. GIFT was specialised only in the fields of research, training and consultancy in the areas of finance and taxation and had facilities only in Law, Public Finance, Accounting and Management. The incompetence of GIFT to execute the work of development of database on Mes was evident from the fact that the work was outsourced by GIFT to a third party. The work, which was due for completion in May 2014 is yet to be completed (January 2018). There was no provision to initiate action against GIFT, for non-fulfilment of the terms of contract. Though the agreement stipulated that any dispute between the two parties shall be referred to the Principal Secretary of the Department of Local Self Government, whose decision shall be binding on both the parties, Kudumbashree did not initiate any action against GIFT, for the non-fulfilment of the terms of the contract.</p> <p>Government stated (February 2018) that since GIFT conducted a study on building institutional capacities of Kudumbashree units, they had knowledge of all MES and hence the job of developing the portal was entrusted to them. It was also stated that GIFT, an autonomous institution formed by GOK 'for undertaking research, training, consultancy and publication in the area of Public Economics was entrusted with the software analytical part as otherwise analysis of study would not have been comprehensive'. The reply is not acceptable since development of software was not in their sphere of competence and in fact, GIFT outsourced the work to a third party. Kudumbashree should have invited tenders as stipulated in the revised Stores</p>	<p>Kudumbashree is currently using this software. Therefore, no legal action has been taken against GIFT.</p>
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<p><b>3.8 &amp; 3.8.1</b></p>	<p>Purchase Manual, 2013 and ensured effective execution and completion of the work by competent agencies.</p>	<p><b>Implementation of Punarjani Scheme</b></p> <p>'Punarjani' was a skilling and placement programme implemented (September 2014) by Kudumbashree for training 5,000 women aged between 35 and 50 years. The scheme was targeted to improve the socio-economic status of the most disadvantaged women in the society like widows, unwed mothers, women abandoned by husbands, victims of domestic violence, human trafficking and persons with disabilities. The training, with a duration of three months comprising modules on soft skills, English and Sector Skills was to be imparted at the district level. On successful completion of the training, participants were to be given certificates approved by the National Council for Vocational Training (NCVT) or Sector Skill Council (SSC) or other approved agencies and placements offered to at least 75 per cent of the trained candidates assuring a minimum monthly salary of `6,000</p> <p>The first stage of the programme envisaged training of 3,400 women in nine districts and aimed to provide jobs to at least 2,550 candidates. Kudumbashree invited Expression of Interest and agreements were entered into with three Project Implementing Agencies (PIAs), as detailed in Table 3.5.</p> <p>Audit noticed the following deficiencies in the implementation of the scheme</p>	<p>In the financial year 2014-15 as part of the Punarjani project, it is seen that the implementing officers had selected the PIA (Project implementing agencies) by publishing the MOU on the website alone. Kudumbashree is the implementing agency of various training programs funded by central and state governments. Kudumbashree currently follows strictly on publishing EOIRFP in all the national newspapers and websites and other mediums. Also, the EOIRFP published by Kudumbashree is included with indicators that can be evaluated effectively. As the PIA didn't comply with the MOU, no further installments were released after the first installment. In this regard, one of the PIA Sri Ramakrishna educational institute has filed a writ petition WP(C) No. 36102/2017. As per the judgment of the Honorable high court dated 6th June 2018 on this writ petition, Director (A&amp;F) Kudumbashree has heard the petitioner. The matter was further examined and it is informed that the petitioner is not entitled to get the second installment of the training fee. This judgment was complied with, by issuing an order by the executive</p>
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32

	<p>director kudumbashree (Order no. 6410/M/14/ksho dated 28/07/2018). Another PIA Isha learning systems Pvt LTD has filed a writ petition WP (C) No.35916 of 2016 and a counter affidavit was given by kudumbashree on 21/12/2016. On 16 March 2021 judgment by the honorable high court, it was directed kudumbashree to release the 40 percent second installment amount to the Isha learning systems PVT LTD. An Appeal had filed before the honorable high court of Kerala against the decision of the judgment, on 27 January 2023. The high court was pleased to stay the operation of the judgment dated 16 March 2021 as per the interim order of 28 February 2023.</p>
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<p>3.8.1</p>	<p><b>Lack of transparency in selection of Project implementing Agencies.</b></p> <p>Paragraph 7.13 of the Stores Purchase Manual stipulated that in all cases of open tender, it was essential that wide publicity be given to the tender. GOK also stipulated<sup>62</sup> compliance with the provisions contained in the orders dated 18 December 2003 of the Central Vigilance Commission (CVC) on Improving transparency in Procurement/Sale, etc. The CVC stipulated that in addition to the existing rules and practices regarding giving publicity of tenders through newspapers, trade journals and providing tender documents manually and through post, etc., the complete bid documents along with application form shall be published on the website of the organisation. Kudumbashree did not comply with these provisions as detailed below.</p> <p>Contrary to stipulations contained in the Stores Purchase Manual to ensure wide publicity to the tender, the invitation for Expression of Interest (EOI) was published only on the website of Kudumbashree and not in any newspaper. Audit observed that even though the EOI was invited from various skill and placement agencies on 05 September 2014, the minutes of a meeting held at the Kudumbashree State Mission Office on 30 August 2014 indicated that Kudumbashree had already decided upon M/s. SB Global Education Resources Private Ltd. as the agency to implement the scheme in Malappuram, Thrissur, Ernakulam and Alappuzha. It was observed that the Chief Operating Officer of M/s. SB Global Education Resources Private Ltd., attended the meeting during which the agency was entrusted to conduct a Skill Gap Assessment in the selected districts. Audit noticed that the terms of payment for services to be rendered and timeline for submission of detailed budget and draft Memorandum of Understanding (MoU) by the agency</p>	<p>Explained in above para</p>
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<p>were finalised during the meeting. The agency had also agreed to enter into MoU/Agreement as well as provide offer letter to trained women. Therefore, it was evident that the decision to award the work to M/s. SB Global Education Resources Private Ltd., was taken even before issue of the EO1 on 05 September 2014. An MoU was executed (September 2014) with M/s. SB Global Education Resources Private Ltd. at a contracted cost of `1.66 crore including service tax.</p> <p>Kudumbashree, thus, violated the stipulations contained in the Stores Purchase Manual requiring it to resort to open tender whenever the estimated value of the contract was `10 lakh or more and wide publicity to be given to the tender. As such, the process of award of work to M/s. SB Global Education Resources Private Ltd. was vitiated.</p> <p>Government replied (February 2018) that the meeting was convened to decide upon the strategies for implementation of the project and no decision was taken to entrust the project to any agency. It was also stated that work was awarded subsequently on the basis of EO1. The reply of Government is wrong and factually misleading and does not offer any explanation to the observations of Audit. It is therefore quite evident that Kudumbashree decided upon the above agency as the implementing agency for the project without complying with the provisions of Stores Purchase Manual on award of contracts.</p>	
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95

<p><b>3.8.2</b></p>	<p><b><u>Failure of Kudumbashree in ensuring successful implementation of the scheme.</u></b></p>	<p>1794 persons were trained as per the project but after the completion of training by the agencies no certificates were issued by the National Council for Vocational Training (NCVT) Sector Skill Council (SSC) or any other recognized agencies as per the agreement. Due to such breach of agreement, no further fund was paid except the advance amount paid at the time of signing the MoU as the first installment. No applications for further funding of training agencies have been granted. Two writ petitions in this regard are pending before the Hon'ble High Court. The case is ongoing since 2016. As the matter is pending before the court, no specific steps have been taken to recover the advance amount. In the affidavit filed in these cases, all the information regarding breach of agreement mentioned in the earlier audit has been conveyed to the High Court. It has been audited and no displeasure has been recorded with respect to the counter affidavit. Ramakrishna Institute has been asked to recover the money.</p> <p>It is informed that action is being taken to recover the advance amount subject to the court decision.</p>
<p>The MoU entered into by Kudumbashree with the Project Agencies clearly stipulated the responsibility of Kudumbashree to regularly review the quality of performance and output through field visits, quality assurance checks and inspections. A report on Punarjani prepared by Chief Operating Officer (COO), Kudumbashree revealed that 1,794 persons were trained under the scheme as shown in Table 3.6.</p> <p>The training agencies failed in obtaining affiliation from NCVT or SSC. Consequently, no assessment and certification was done for any of the 1,794 trained women, as required under the Agreement. Audit observed that the scheme was a failure in view of the fact that only six out of the targeted 3,400 trainees were provided with employment.</p> <p>Government stated (February 2018) that women belonging to prescribed age category may not be willing to take up jobs outside their home districts and that the desired outcome of the scheme was not only to provide wage employment, but to motivate and impart skill training for taking up self-employment programmes also.</p> <p>The reply of Government was not correct in view of the fact that the scheme required placements to be offered to at least 75 per cent of trained candidates assuring a minimum monthly salary of ` 6,000. In fact, Kudumbashree did not ensure that the agencies imparted skill training and awarded duly recognised certificates after completion of the training, not to mention the meagre number of women who got placed.</p>		

3.9	Non -achievement of targets under Mahila Kisan Sashaktikaran Pariyojana	No remarks
	<p><b>Sashaktikaran Pariyojana</b></p> <p>Government of India launched (January 2011) the 'Mahila Kisan Sashaktikaran Pariyojana' (MKSP) as a sub-component of the National Rural Livelihood Mission (NRLM) to empower women in agriculture by making systematic investments to enhance participation and productivity and create and sustain agriculture based livelihood of rural women. The scheme guidelines envisaged funding by GOI upto 75 per cent of the project cost submitted by the State Government/PIAs under MKSP. In its project proposal approved by GOI (July 2011) for collective farming through women farming groups (Joint Liability Groups (JLGs)), Kudumbashree envisaged participation of 1.50 lakh women farmers forming 30,000 farming groups in agriculture for the year 2010- 11, to be incrementally increased over the years. It was envisaged to additionally bring into cultivation 24,000 Ha of land over the existing 44,514 Ha so that production could be increased and the gap between supply and demand reduced, thereby contributing to food security.</p> <p>The project costing `79.87 crore for a period of three years targeting 1.50 lakh beneficiaries was accepted (July 2011) by GOI. The project cost was proposed to be funded by GOI (`36.12 crore), GOK (`27.85 crore), leverage from NRLM (`14.70 crore) and Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) (`1.20 crore) respectively. The GOI and GOK share of contributions were to be released in three instalments in the ratio 25:50:25. GOI released `27.09 crore in two instalments, viz., `9.03 crore (25 per cent of `36.12 crore) in November 2011 and `18.06 crore (50 per cent of `36.12 crore) in February 2016. The guidelines required GOK to release its corresponding matching share within one month of receipt of the respective instalment of the Central share. The project, due for completion in</p>	

	November 2014 was later extended to September 2016 and further to April 2018 on request from Kudumbashree. The following deficiencies were noticed in the implementation of the scheme.	
<p><b>3.9.1</b></p> <p><b><u>Non release of State share</u></b></p> <p>Against the release of `27.09 crore by GOI during 2011-16, GOK was to release `20.89 crores as its proportionate share of funding for the scheme. It was observed that the first instalment of State share (25 per cent), which was due on December 2011 amounting to `6.96 crore was not released by GOK but was expended wrongly from the Plan Fund of Kudumbashree Mission in threespells. Thus, GOK is yet to release its due share of `20.89 crore to Kudumbashree.</p> <p>Audit observed that the recommendations (June 2014) of the Subject Committee of the State Legislature to allocate `20.89 crore as GOK share for the years 2012-13 and 2013-14 to Kudumbashree was not complied with by GOK (December 2017). Kudumbashree further confirmed (December 2017) that `15.90 crore due from NRLM and MGNREGS was not received from them.</p> <p>Government stated (February 2018) that Kudumbashree, anticipating the delay in receipt of State share from Government, opted for using the State Plan fund for meeting the State share, and later recouping the same from the State Government. It was also stated that the second</p>	<p>DPR of MKSP Project was approved by Ministry of Rural Development for a period of three years. Later the project period was extended to 2020 March in three phases. The project was envisaged in a phased manner so as to achieve the targets with the stipulated time frame. For this, the central and state shares were to be received in time. But since the first installment of state share was delayed, for the timely completion and smooth execution of the project, plan fund was taken to carry on with the speed of implementation. This may be viewed as an act of good faith for the welfare of the poor women farming community.</p>	



	<p>instalment of State share was approved in principle, the release of which would facilitate the third and final share of the project. However, the fact remains that the first instalment of State share was not yet released and recouped to Kudumbashree plan fund.</p>	
<p><b>3.9.2</b></p>	<p><b><u>Status of Implementation of MKSP</u></b>          Audit examined the status of implementation of the scheme. The MKSP, with a project cost of `79.87 crore and due for completion originally in 2014 received only `34.05 crore<sup>66</sup> (43 per cent) upto October 2017. It was observed that a GOI review (July 2015) of the physical and financial progress of the project revealed that Kudumbashree did not utilise even the first instalment of GOI share of assistance.          Referring to a Midterm Report on targets and achievement submitted (2014) to GOI, Kudumbashree replied (September 2017) that 38,716 Ha land was brought under cultivation by 50,000 groups comprising of 2.42 lakh members thereby attaining its target. Kudumbashree further stated (October 2017) that since the focus was on yearly targets, 30,000 Ha<sup>67</sup> was under cultivation on consistent basis, against the target of minimum 24,000 Ha of land. The reply was not acceptable for the following reasons:</p>	<p>Launched in 2011 with a financial outlay of 79.92 Cr (36.12 Cr central share, 27.9 state share and 15.9 convergence ) with a project period of three years and period of implementation extended three times, the project ended in March 2020. Achieved the targets within the stipulated time frame. The closure report of the project are submitted to MORD. From the Balance amount of the project, the state share were refunded the respective source and the central share will be refund after getting the information from MORD.</p>

- A report on Baseline Survey of 2011-12 made it evident that even before the launch of MKSP in the State, Kudumbashree was promoting collective farming and that 44,514 Ha of land was being cultivated by 45,776 JLGs, comprising 2.45 lakh women members. Thus, the claim by Kudumbashree of cultivating 38,716 Ha of land under MKSP was not correct when reckoned against the fact that it was already cultivating 44,514 Ha prior to commencement of the scheme.
- Audit obtained details from 36 CDSs in four test-checked districts, which showed that out of 4,474 JLGs, only 2,316 JLGs were active. Since, almost 48 per cent of the JLGs were inactive as of March 2017, the contention of Kudumbashree on the area brought under groupcultivation and the number of JLGs currently active, was questionable.  
The scheme also suffered from shortage of funds as was evident from the short release of 57 per cent of funds amounting to `45.82 crore, with the last instalment from GOI received in February 2016. Thus, the assertion from Kudumbashree of having achieved/exceeded the target is not sustainable.  
Government stated (February 2018) that as per project objectives and midterm report submitted by Kudumbashree to GOI, the number of JLGs/area cultivated did not figure as success parameters of the project and instead, hike in productivity and income generated by farmers were some of the envisaged objectives, which were achieved by Kudumbashree. This contention of Government is not correct as seen from the fact that the project proposal for MKSP clearly had, as its objectives (i) participation of 1.50 lakh women farmers and (ii) bringing in approximately 24,000 Ha

<p>of land under cultivation, thereby increasing production, reducing gap between supply and demand and contributing to food security. Audit observed that the claim by GOK, of Kudumbashree enhancing productivity and ensuring generation of income by farmers under the scheme was not sustainable, since the scheme suffered from shortage of funds of `45.82 crore (57 per cent) and the objectives of bringing 1.50 lakh women farmers and approximately 24,000 Ha of land under cultivation were not attained. Government, on Audit's observation that almost 44 per cent JLGs were inactive as of March 2017, remarked that the JLGs found inactive could be due to the field visit by Audit being undertaken in the month of March, when majority of farming activities undertaken by JLGs were curtailed due to acute water shortage for the crops. The justification offered by Government was also not borne out by facts, as the audit observation was based on replies received from the test-checked CDSs on the total number of inactive JLGs during 2012-17, as on 31 March 2017.</p>	
<p><b>3.10</b> <b>Impact of Schemes for creating awareness among NHG members</b></p> <p>Kudumbashree, recognising the need to enhance awareness of rising trend of violence against women in the State, launched schemes like the 'Gender Self Learning Programme' (GSLP) and 'Sreesakthi' in 2008 and 2010 respectively. While the GSLP was aimed at facilitating NHGs to discuss issues focusing on aspects of their lives and livelihoods they could relate to, with focus on discrimination, violence and inequality, the Sreesakthi was a web portal intended to provide a useful venue for discussing issues and ideas, creating modules, collating programme reports, clearing doubts, and, most importantly, helping women become computer and technology savvy.</p>	<p>Apart from economic empowerment, women's status self-study process is a project started in 2008 with the aim of creating a women-friendly space to recognize the status and rights of women. This learning process is also a non-formal education process. This is ongoing member-led learning in neighborhood groups with neighborhood group meetings. Two modules for study in neighboring groups were delivered in book form. But the term Gender Self-Learning Program may not be familiar to Neighbors. On the contrary, they are familiar</p>

	<p>Under GSLP, each woman represented in the network was regarded as a participant, information provider and knowledge creator. The contents of the learning modules were to be prepared by local women resource persons. Three Modules<sup>67</sup> and handouts were prepared by Kudumbashree State Mission to help the NHG members to discuss and learn on their own in NHG meetings.</p> <p>Audit observed from the beneficiary survey that both the GSLP and the Sreesakthi programmes did not achieve the intended results. Of the 147 NHGs, which responded to the survey questionnaire in the four test-checked districts, GSLP module based discussions were held only in 40 NHGs. Ten NHGs did not offer any remarks to Audit on whether discussions were conducted or not. The Sreesakthi programme cannot also be called a success in view of the fact that of the 43 lakh NHG members, there were only 29,029 registered users of the web portal, which translates to less than one per cent of the total members of NHGs making use of the web portal. It was seen that only 143 out of 702 NHG members (20 per cent) surveyed were aware of the web portal which could be a possible reason for lesser number of NHG members accessing the portal.</p> <p>Government stated (February 2018) that the number of registered users for Sreesakthi, viz., 29,029 was an achievement since it was the consequential result of training given to 6,000 women from Community Based Organisations. The reply is not acceptable as Government did not explain why, despite the passage of 10 years, Kudumbashree failed to ensure conduct of GSLP module based discussions in 107 of the 147 NHGs surveyed by Audit as revealed in the beneficiary survey of Audit. Government reply was also silent on why, despite the passage of seven years from November 2010, less than one per cent of the total members of NHGs accessed the portal.</p>	<p>with this learning process on the topics of women and employment, women and health, and women and freedom of movement.</p> <p>As per the evaluation and opinion of the gender resource persons who have implemented this project at the district level, book tour, crime mapping, gender resource centers, community counselling, gender help desk-Snehita, vigilante groups, vulnerability mapping, Neetham - gender campaign, sthreepakshanavakeralam are being implemented in the years since 2012.</p> <p>In the above circumstances the said reference is requested to be omitted.</p>
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<b>3.11</b>	<b>Implementation of Media Sree Project</b> The project 'Mediasree' was conceived by Kudumbashree to provide training to the Kudumbashree women in video making as a step towards starting a Kudumbashree channel. Scrutiny of records revealed significant irregularities in the implementation of the Project as discussed below	No remarks

### 3.11.1

#### Inadequate training given to beneficiaries

The Executive Committee of Kudumbashree sought (September 2014) to disseminate information on the innovative, relevant and much needed interventions of Kudumbashree through a Kudumbashree TV channel. Towards this end, it invited (September 2014) Expressions of Interest (EOI) from Public/Private companies for providing training in video making to selected members from all the CDSs as an initial training engagement. Kudumbashree planned to engage these trained women as community reporters for its proposed channel. It was envisaged that the women could also be entrusted with the task of video documenting of meetings/conferences/events etc., by Local Self Government Institutions, Government departments and other agencies. The project intended to provide a sustainable livelihood to Kudumbashree members through capacity building and training in audio-visual sector.

Of the nine parties, which responded to the EOI issued by Kudumbashree, agreement was signed (November 2014) with M/s. South Asian College of Journalism - Film - New Media, Kozhikode (Agency), which was found eligible to implement the Mediasree project in two phases at a cost of ₹60 lakh, exclusive of Service Tax. It was proposed, under Phase I, to conduct an initial two day workshop to generate awareness of the project for 2,144 members from 1,072 CDSs, i.e., two members<sup>68</sup> from each CDS. Phase II named 'Framesree' was envisaged as a 20-day training programme for 140 women in 28 employment groups, each group comprising of five selected members. Audit observed that the MoU entered into between Kudumbashree and the agency clearly stipulated that it was the responsibility of the agency to train 140 women for 20 days and to ensure competence of the trainees in reporting, videoproduction,

As all the files related to Mediasree are under vigilance investigation, all activities related to the project have been halted. The aim was to prepare video documentation about the history, present and achievements of local self-government bodies. As per Government Order (Rt) No. 3206/2014/LSGD dated 05.12.2014, it was ordered to make video documentation of local self-government bodies. The vigilance investigation related to Mediasree was completed and the report was submitted and which is being under process.

104

	<p>script writing, camera and editing. The MoU did not include a penalty clause which could be invoked in the event of failure of either party to deliver on the terms of the MoU.</p> <p>Audit observed that despite releasing `51 lakh of the `60 lakh payable to the agency, training was given only to 109 members against the targeted 140 members. It was further observed that the women were trained for only 11 days against the required 20 days. The training given to the beneficiaries was, therefore, not as envisaged in the MoU, either in terms of number of women trained or stipulated number of days of training.</p> <p>The project, which was due for completion in March 2015, remained to be completed (December 2017). In the absence of a penalty clause, the agency could not also be proceeded against, legally. Government stated (February 2018) that training was paused due to allegations raised against the agency and that it was decided to resume the training sessions through Government approved agencies or academies. Audit observed that the reply offered by Government failed to explain why Kudumbashree did not monitor execution of the agreement for the successful implementation of the project. Government could not also explain the failure to institute a penalty clause resulting in inability to proceed legally against the Agency for violating contractual provisions.</p>	
<b>3.11.2</b>	<p>Irregular award of contract by Kudumbashree</p> <p>The Executive Director, Kudumbashree, informed (November 2014) Government that a project under Mediasree for video documentation of the achievements of Grama Panchayats (GP) in the State would be implemented by M/s. South Asian College of Journalism –</p>	<p>No Remarks</p>

<p>Film - New Media, Kozhikode (agency), which was selected through a transparent process. It was also stated that the Kudumbashree members who had undergone specialised training under the project would be involved in the video documentation and that GPs may release necessary funds for the production of the documentaries from their Plan/own funds. Subsequently, GOK issued orders (February 2015) for production of documentaries on local history, ongoing projects and achievements of developmental schemes of Local Self Government Institutions (LSGIs) of the State by utilising the services of the agency. An agreement was signed (May 2015) between Kudumbashree and the agency to produce video documentaries at `65,000 per GP. Payment to the agency was to be made in three instalments. Video documentation of 434 GPs out of 518 GPs which opted to participate in the project, were completed at a cost of `2.82 crore, of which `2.12 crore was paid to the agency till December 2017. The following irregularities were noticed in the award of the contract and the implementation of the project</p>	<p>The aim was to prepare video documentation about the history, present and achievements of local self-government bodies. As per Government Order (Rt) No. 3206/2014/LSGD dated 05.12.2014, it was ordered to make video documentation of local self-government bodies. The vigilance investigation related to Mediashree was completed and the report was submitted and which is being under process.</p>
<p><b>3.11.2.1</b></p>	<p><b>Award of work without tendering</b></p> <p>The agency was earlier (November 2014) entrusted with the work of providing training in video making to 140 members at a contracted price of `60 lakh. It was seen that the work of production of documentaries on the achievement of LSGIs, which was outside the scope of the earlier agreement, was entrusted to the agency without inviting EOI from other parties. Audit observed that the selection was made based on an EOI issued earlier, which was specifically for training. Thus, the assertion of ED Kudumbashree to GOK that the selection of the agency for the work of production of documentaries was made transparently was factually incorrect.</p>



106

<p>Scrutiny of the Agreement entered into between Kudumbashree and the agency revealed that the total value of the contract was not specified. Instead, it was stated that the agency would be paid `65,000 per documentary made on each GP. Audit observed that the value of work, if all 978 GPs had opted for videodocumentation of their achievements would work out to `6.36 crore, which was to be specified in the agreement in place of `65,000, which was the cost per GP. Since 518 GPs had opted to participate in the project, the contractual amount would work out to `3.36 crore. The agency was paid `2.12 crore till September 2017. As the contract value was high, it was imperative that transparent procurement procedures like tendering were followed before award of the work</p>	
<p><b>3.11.2.2 Failure to engage trained Kudumbashree Workers for production of documentaries.</b></p> <p>The proposal submitted by ED Kudumbashree seeking approval of GOK for the production of documentaries specified that the services of such Kudumbashree members who had undergone specialised training in the Mediasree project along with the assistance of professionals from the visual media field would be utilised for making documentaries of the local bodies. Audit observed that the agreement with the Agency did not provide for the utilisation of the services of 109 trained Kudumbashree workers, due to which their services were not utilised.</p>	<p>The aim was to prepare video documentation about the history, present and achievements of local self-government bodies. As per Government Order (Rt) No. 3206/2014/LSGD dated 05.12.2014, it was ordered to make video documentation of local self-government bodies. The vigilance investigation related to Mediasree was completed and the report was submitted and which is being under process.</p>
<p>In the Exit Conference (January 2018), ACS accepted the observations made by Audit on the Mediasree</p>	

<p><b>3.12</b></p>	<p>project. It was also stated that a Vigilance enquiry would be advised on the matter since Government was more than convinced of the observations made by Audit on the implementation of the project.</p>	<p><b>Implementation of Community College Programme in association with the Tata Institute of Social Sciences (TISS), Mumbai</b>          The Governing Body of Kudumbashree Mission approved (April 2013) opening of a Community College, in collaboration with the Tata Institute of Social Sciences, Mumbai (TISS). It was envisaged that the Community College would generate capacity amongst a cadre of Community Researchers from among the Kudumbashree women. To begin with, TISS was to offer one-year postgraduate diploma in Development Praxis<sup>70</sup> in the campus of Loyola College at Thiruvananthapuram. A Memorandum of Understanding (MoU) was executed (August 2014) between Kudumbashree and TISS to offer the course to themembers of Kudumbashree. As per MoU, TISS would conduct the programme and develop the academic framework and course structure of the programme. TISS would also provide ongoing support towards effective implementation of the programme and award Diploma/Degrees to the students who enrol in the programme. Kudumbashree was to provide necessary financial/human resources and infrastructure for running the programme and monitor the progress of the programme periodically. Kudumbashree paid `26 lakh of the `28 lakh payable to TISS for executing the programme till December 2017.</p> <p>Audit observed the following lapses in execution of the project</p> <ul style="list-style-type: none"> <li>• No feasibility study was conducted by Kudumbashree them.</li> </ul>	<p>Kudumbashree, a poverty alleviation agency in Kerala, is carrying out various activities. 43 lakh families in 2.7 lakh neighborhood groups are members of the Kudumbashree system. That means about 60% of the total families in Kerala are members of the Kudumbashree system. Membership in Kudumbashree is given to one person from a family. Kudumbashree is implementing activities focusing on three areas namely women empowerment, social empowerment and economic empowerment. Community College was an innovative project undertaken by Kudumbashree as part of social empowerment. This was a scheme to teach Post Graduate Diploma in Development Praxis free of cost to selected interested members of 43 lakh families under the Kudumbashree system. It was noticed that the deserving members of the Kudumbashree system or their children were not able to continue their education due to various circumstances. Therefore, the project was started in such a way as to help them.</p>
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<p>before commencing the Community College.</p> <ul style="list-style-type: none"> <li>• MoU was signed between TISS and Kudumbashree without inviting tenders/Expression of Interest. Kudumbashree replied that the agreement was signed with TISS as it was one of the best institutions in the country contributing significantly to policy, planning, action strategies and human resource development and quality education to students. Reply of Kudumbashree was not acceptable as provisions of Stores Purchase Manual do not exempt any company/institution from the tendering process.</li> <li>• Specific details regarding the project cost, liability clause, etc., were not incorporated in the MoU.</li> <li>• Apart from the first batch of 43 students who joined the course in 2015-16, no further batches were trained and the programme was discontinued in 2016.</li> </ul> <p>The ED Kudumbashree did not initiate action to pursue the conduct of courses through the Community College as envisaged, which adversely impacted upon the prospects of capacity building among women.</p> <p>Government replied (February 2018) that permission was given only for a single batch as a pilot project and that policy decisions on expanding the project were yet to be taken. The reply was not acceptable, as the agreement did not mention that it was a pilot project. The MoU spelt that the agreement shall remain in force till any one of the parties or both wished to withdraw from the collaboration by giving at least 12 months' written notice to the other partner. However, no documentary evidence for withdrawal of either parties from the agreement was available on record.</p> <p>Absence of timely monitoring of the progress of the programme and failure to provide continued support in terms of financial and human resources and infrastructure by</p>	<p>The project was implemented in collaboration with the Tata Institute of Social Science, Mumbai, which is the best institution in India and a deemed university in the field of social science. TISS has excelled in management courses and rural development courses. Moreover, when various agencies including the government are recruiting new candidates, those who have passed TISS are given preference. In this situation, initial discussions were held with TISS Mumbai and based on this, the proposal was prepared and submitted to the Kudumbashree Governing Body for approval. Kudumbashree State Mission is a mission registered under the Charitable Societies Act. Its policy decisions are taken by the governing body which is chaired by the Minister of State Local Self-Government Department and the Principal Secretary of Local Self-Government Department as Vice-Chairman. The policy decision regarding Kudumbashree Community College has been approved by the Governing Body which met on 08.04.2013. Tata Institute of Social Sciences, Mumbai is one of the best institutes in India and has the best academic standards. Being a deemed university, this course implemented in collaboration with</p>
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	<p>Kudumbashree defeated the envisaged objective of capacity building for women community researchers.</p> <p>Recommendation 3.3: Kudumbashree must ensure transparency in tendering processes so that works are awarded to the most competent agencies</p>	<p>Kudumbashree is very beneficial for the future of the students. It was decided to implement the Kudumbashree Community College project through TISS because TISS can provide better quality of education to the students.</p> <p>43 children have successfully completed the course through the first batch of community colleges. TIS and Kudumbashree have to discuss and decide on starting the next batches and take a policy decision.</p>																																			
<p><b>3.13</b> <b>3.13.1</b></p>	<p><b>Financial Management</b> <b>Unrealistic annual plan</b></p> <p>The Kudumbashree State Mission prepared and submitted each year, an Annual Plan Proposal to GOK, which formed part of the State Plan. Details of the Annual Plan Proposal submitted to the GOK, amount provided in the annual budget and funds received and expenditure incurred by the Mission for the last five years from 2012-13 to 2016-17 are as shown in Table 3.7.</p> <table border="1" data-bbox="917 985 1284 1792"> <thead> <tr> <th>Year</th> <th>2012-13</th> <th>2013-14</th> <th>2014-15</th> <th>2015-16</th> </tr> </thead> <tbody> <tr> <td></td> <td>120</td> <td>160</td> <td>200</td> <td>330</td> </tr> <tr> <td></td> <td>84</td> <td>90</td> <td>115</td> <td>122</td> </tr> <tr> <td></td> <td>70</td> <td>56</td> <td>58</td> <td>37</td> </tr> <tr> <td></td> <td>84</td> <td>90</td> <td>50</td> <td>75</td> </tr> <tr> <td></td> <td>60</td> <td>86</td> <td>86</td> <td>83</td> </tr> <tr> <td></td> <td>50</td> <td>54</td> <td>43</td> <td>25</td> </tr> </tbody> </table>	Year	2012-13	2013-14	2014-15	2015-16		120	160	200	330		84	90	115	122		70	56	58	37		84	90	50	75		60	86	86	83		50	54	43	25	<p>Kudumbashree has been working by revising the priority of projects and programs due to the government not allocating the amount as per annual campaign plan to the government. (Audit, when calculating the amount spent, the percentage of the annual plan recommendation has been spent and the available amount has been spent in full). It can be seen that each year the plan is prepared based on the activities that can be implemented by Kudumbashree in that year. It is informed that in the event that the government allocates less than the annual plan recommendation as budget allocation, the annual plan is changed accordingly.</p>
Year	2012-13	2013-14	2014-15	2015-16																																	
	120	160	200	330																																	
	84	90	115	122																																	
	70	56	58	37																																	
	84	90	50	75																																	
	60	86	86	83																																	
	50	54	43	25																																	

	2016-17	275	130	47	135	124.29	45
<b>3.13.2</b>	<p>It was observed that Plans were prepared by the Mission component-wise, viz., 'Organisation', 'Social Development' and 'Local Economic Development' and not Project/scheme wise. During the years 2012-17, the Annual Plan Proposal proposed by Kudumbashree increased steadily from `120 crore in 2012-13 to `330.65 crore in 2015-16. However, provision made in the budget was not proportionate and ranged from `84.17 crore in 2012-13 to `130 crore in 2016-17. There was shortfall in receipt of funds during 2014-16 amounting to `113.45 crore against the Budget provision of `238.45 crore. Percentage of Budget provision to Annual Plan proposal ranged from 37 to 70 and percentage of expenditure to Annual Plan proposal ranged from 25 to 54. Audit observed that despite less budget provision and failure to expend funds received from GOK, Kudumbashree continued to prepare plan proposals with a higher outlay each year. Kudumbashree informed that less release of funds by GOK was due to Government policy and projects/schemes of Kudumbashree were not adversely affected since the districts would utilise the funds on priority basis only. Audit observed that the contention of Kudumbashree that less provision of funds by GOK resulted in districts prioritising expenditure with no adverse effect on projects/schemes was in itself supportive of the fact that the Annual Plans proposed by Kudumbashree were unrealistic. Government replied (February 2018) that the audit observation was noted for future guidance.</p>						
<b>3.13.2</b>	<p><b>kudumbashree did not assess requirements before it is correct to observe that the bulk of the</b></p>						

111

	<p><b>release of funds leading to large unspent balance with district Missions</b></p> <p>While conducting analysis of the financial statements for the years 2014-16, Audit observed that the State Mission Office transferred funds to District Offices without assessing the balance funds available with them, as detailed in.</p> <p>As evident from the table, the Thiruvananthapuram District Mission had unspent balance of `4.32 crore at the end of 2014-15. However, `6.69 crore was again released to the Mission during 2015-16. Thus, 42 per cent of the funds viz., `4.66 crore remained unspent with the District Mission. Similarly, unspent balances with the District Missions of Kollam and Pathanamthitta were 43 percent and 32 per cent respectively. About 30 per cent of the funds received remained unspent with the various District Missions in the State as on 31 March 2016.</p> <p>Failure of Kudumbashree to monitor and assess the requirement of funds of the District Missions resulted in the parking of excess funds in the District Offices. Government stated (February 2018) that steps were initiated to release funds to district missions as per their requirement and on the basis of utilisation certificates in due intervals.</p>	<p>funds available to Kudumbashree from the government are available towards the tag end of the financial year. It is in the above situation that the funds in the district missions are left behind at the end of the financial year. The said amount was used to spend the amount for the claims of the previous year in the next financial year. It is informed that on the basis of audit observation, care is being taken to get funds from the government early and to assess the need of district missions and provide funds at appropriate intervals. At present, since implementation of SNA system in CSSs, the blockage of fund at district level is completely avoided.</p>
<p><b>3.13.3</b></p>	<p><b><u>Receipt of government funds towards the close of the financial year</u></b></p> <p>Kudumbashree prepared and submitted Annual Plans to Government for a complete financial year. Audit observed from a verification of Treasury Savings Bank statements for 2012-16 that major portion of the Government funds were received towards the close of the financial year as detailed in Table 3.9.</p> <p>Government stated (February 2018) that funds released</p>	

	<p>towards the end of the year could be utilised in the next financial year for paying the claims of previous year. Further in many schemes, funds would be released as and when required. Thus, plan funds were utilised by Kudumbashree and its goals were achieved. The reply is not justifiable in view of the fact that funds received at the end of the financial year during the period 2012-13 to 2015-16 ranged from `25 crore to `60 crore i.e. 47 per cent to 67 per cent of the total fund received during those years. This prevented Kudumbashree from utilising the same for the whole or part of that particular financial year. Audit observed that receipt of funds towards the close of a year impacted upon effective implementation of scheduled activities as detailed in paragraph 3.9.2, thereby rendering the Annual Plan process irrelevant.</p>	
<p><b>3.13.4</b></p>	<p><b><u>Irregularities in accounting</u></b> Annual Accounts of Kudumbashree Mission for the period upto 2015-16 were audited by Chartered Accountants and adopted in the Annual General Body Meetings of the Mission. Review of the audited Annual Accounts revealed grave deficiencies which are detailed below:</p>	<p>Kudumbashree's cash book was prepared using Excel software for the financial year 2012-14 and Tally software from 2014-15. A manual cashbook was not maintained as the information was kept in electronic form. It is informed that daily printout of cash book is being taken and certified as per audit observation. Director (A&amp;F) and Accounts Officer of Kudumbashree are appointed from GAD, Government of Kerala. The Governing Body meeting held on 10.10.2018 has decided Agenda No. 18 to appoint a Chief Finance Officer. Accordingly an Additional Secretary from Finance Department has been appointed as CFO and he is looking after all the financial</p>

<p><b>3.13.4.1</b></p>	<p><b><u>Non -maintenance of Cash Book and connected records</u></b></p> <p>The Rules and Regulations framed by Kudumbashree required that the Mission should keep, at its registered office, proper books of account detailing all sums of money received and expended by the Mission and purposes thereof, as also the assets and liabilities of the assets and liabilities of the Mission. Rule 92 (a) of the Kerala Treasury Code (KTC) required every officer receiving and handling cash on behalf of Government to maintain a Cash Book in Form TR 7A. It stipulated that the cash book should be closed regularly and checked completely. The Head of the office should verify the totalling of the cash book or have this done by some responsible subordinate other than the writer of the cash book and initial it as correct.</p> <p>The Director (Accounts and Finance) and Accounts Officer were officers of the Finance Department of GOK deputed to Kudumbashree Mission, who were expected to be well versed with the provisions of KTC. However, Audit observed that Kudumbashree did not maintain manual cashbook, ledger and advance registers and instead, maintained cashbook in Excel software during 2012-14 and Tally software from 2014-15. It was noticed that there was no internal control mechanism to ensure authentication of data by competent authorities by attesting daily printouts to guard against data manipulation, which was violative of provisions in KTC. In the absence of such authentication, the correctness of</p>	<p>documents and financial transactions in order.</p>
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Kudumbashree's cash book was prepared using Excel software for the financial year 2012-14 and Tally software from 2014-15. A manual cashbook was not maintained as the information was kept in electronic form. It is informed that daily printout of cash book is being taken and certified as per audit observation. Director (A&F) and Accounts Officer of Kudumbashree are appointed from GAD, Government of Kerala. The Governing Body meeting held on 10.10.2018 has decided Agenda No. 18 to appoint a Chief Finance Officer. Accordingly an Additional Secretary from Finance Department has been appointed as CFO and he is looking after all the financial documents and financial transactions in order.



	<p>the data could not be ascertained in Audit.</p>	
<p><b>3.13.4.2</b></p>	<p><b><u>Mis-statements in Financial Statements and Law Financial Standards</u></b></p> <p>Audit noticed that the audit of accounts was completed upto 2015-16 and yet to be completed for 2016-17. Scrutiny of thebe completed for 2016-17. Scrutiny of the audited statements of accounts for the years 2012-13 to 2015-16 revealed that the Chartered Accountants qualified the financial statements by pointing out significant deficiencies like improper maintenance of books of accounts, non-maintenance of vouchers and supporting documents for many transactions at the District Mission Offices, Utilisation Certificates regarding transfer of funds to CDSs from District Mission offices not made available, etc.</p> <p>Our test-check revealed certain serious mis-statements in the financial statements of the Kudumbashree Mission, which were not qualified by the Chartered Accountants as follows.</p> <ul style="list-style-type: none"> <li>• In the Balance Sheet of Kudumbashree State Mission as on 31 March 2013, unutilised share of grants from GOI/GOK/Urban Local Bodies amounting to `54.88 crore, which was to be accounted as a liability of Kudumbashree, was</li> </ul>	<p>The audit of Kudumbashree State District Missions up to the financial year 2020-21 has been completed and the audit for the financial year 2021-22 is underway. Special attention is paid to timely completion of audit and correction of deficiencies. Vouchers are also kept records related to the financial transactions of the State District Missions. All financial transactions conducted by the Mission are through BAMS, BIMs, This is done through PFMS, RTGS and NEFT systems.</p> <p>The disbursement certificate of each fund provided by the State Mission to the District Missions and by the District Missions to the CDS is provided in a timely manner.</p>

115

wrongly deducted from the Assets. Audit observed that besides undervaluation of assets of Kudumbashree, the financial statement wrongly depicted the grants received as utilised.

- Audit observed that during 2013-14 an amount of `10.13 crore was transferred to 14 District Mission Coordinators for implementation of SJSRY71 which was shown as 'Fund in Transit' in the Statement of Accounts of the State Mission for the year. The amount continued to be exhibited as 'Fund in Transit' in the accounts of the State Mission during the subsequent years 2014-15 and 2015-16, despite the District Missions having booked the fund received in their accounts during the first quarter of 2014-15. Since the 'Fund in Transit' shown in the accounts of Kudumbashree for the year 2013-14 were already accounted by the District Missions in 2014-15, it is evident that the position of cash and bank balance of Kudumbashree was not correctly reflected in its accounts for the years 2014-16. The veracity of accounts was, therefore, suspect.

The ACS stated (January 2018) that non-detection of such a huge amount by Kudumbashree reveals the incompetency in management of accounts and suggested that a qualified financial professional may be appointed in charge of Accounts and finances of Kudumbashree to ensure financial discipline and propriety.

- As per the Audited Annual Accounts of Kudumbashree for the year 2014-15, the

<p>unutilised balance under the NRLM was stated to be `59.99crore. However, averification of Fund Flow Statement of the NRLM for the year 2014-15 revealed that the closing balance was only `16.18crore. Since the balance of `16.18 crore as appearing in the statements of statements of accounts of NRLM agrees with the balance as per its bank account, the accounts of NRLM appear to be correct</p> <p>Audit, therefore, examined the statements of accounts of Kudumbashree and NRLM for the year 2014-15 to determine how the inflation of `43.81 crore occurred in the accounts of Kudumbashree. It was seen that receipts of `33.28 crore in NRLM accounts was wrongly booked as `59.89 crore in the Kudumbashree accounts. Similarly, against payment of `37.23 crore in NRLM accounts, amount booked in Kudumbashree accounts was `20.04 crore. Thus, Kudumbashree inflated the unutilised balance of NRLM as shown in its accounts by `43.81 crore.</p> <p>Kudumbashree stated (May 2017) that the receipts and payments from Kudumbashree to NRLM and vice versa were transferred from its Plan funds and that the balance shown in the consolidated Receipts and Payments Account of `16.18 crore was correct. The reply was misleading and not acceptable in view of the fact that the discrepancies as pointed out by Audit resulted in Kudumbashree inflating the unutilised balance of NRLM in its accounts by `43.81 crore.</p> <ul style="list-style-type: none"><li>• The Balance Sheet of Kudumbashree Mission as</li></ul>	
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115

on 31 March 2016 revealed assets of `763.12 crore, which included `271.95 crore receivable from various Grama Panchayats. However, as per schedule this amount was shown as liability of `271.95 crore payable to Grama Panchayats and as asset as per Balance Sheet. This apparent mistake on the face of accounts was also not seen qualified by the Chartered Accountants. It was observed that the funds receivable from Grama Panchayats constituted 54 per cent of the total funds receivable of the Kudumbashree Mission. Analysis of the financial statements of the preceding years revealed that dues from Grama Panchayats showed an increasing trend as shown in Table 3.10.

**Table 3.10: Details of fund receivable**

Year	Total Funds receivable	Funds receivable from Gramapanchayats	Percentage of funds due from Gramapanchayats total funds receivable
2012-13	317.25	178.62	56
2013-15	388.21	217.38	56
2014-16	452.11	248.13	55
2015-16	500.55	271.95	54

On seeking reasons from Kudumbashree for not recovering the amounts due from Grama Panchayats, it was stated (November 2017) that there was misclassification in the Annual accounts and that

	<p>reclassification would be done in the succeeding years.</p> <p>Audit is of the view that the audited accounts of the Kudumbashree Mission for the years 2012-16 were not free from material mis-statements and failed to give a correct view about the financial transactions of Kudumbashree during these years.</p> <p>Government informed (February 2018) that all remarks of audit were discussed by present auditors with District Missions and that rectification reports was received from districts. The reply of GOK was factually not correct, since Audit clarified with Kudumbashree that the rectification reports stated to have been received from districts were with reference to the qualifications made by the Chartered Accountants in the Annual Accounts 2013-16 and not on the misstatements in financial statements and lax financial standards pointed out in this report. Kudumbashree also replied (February 2018) that the points referred to in the Performance Audit report would be rectified in the ensuing years' Annual Accounts.</p> <p>Recommendation 3.4: GOK may take all steps to ensure that the accounts of Kudumbashree are more professionally managed to ensure financial discipline and propriety.</p>	
<p><b>3.14</b></p>	<p><b>Inefficient Management Information System</b></p> <p>The present Management Information System (MIS) at Kudumbashree Mission was developed by the Centre for Development of Advanced Computing (CDAC) in 2010 on the basis of Software Requirement Specification (SRS) prepared in 2007. Four additional software modules viz., Training, Interest Subsidy, Action Plan and Human Resources were developed in-house. It was seen that the Kudumbashree Mission had itself identified at least 37 deficiencies in the existing MIS software like (i)</p>	<p>Kudumbashree has decided to develop the existing solutions renew for an Integrated Enterprise Resource Planning (ERP) solution using funds allocated by the Rebuild Kerala Initiative, and has received administrative sanction from the Department. As per Order No. 270/2018/ITD dated 23/10/2018, Digital University has been mandated as a support agency and technical consultancy service provider for IT and e-Governance activities in</p>

15

	<p>absence of provision to add APL/BPL data while entering NHG member details, interest subsidy linkage to loan repayment, etc., (ii) edit certain items like thrift amount, age, category wise, etc. Audit observed that failure of Kudumbashree Mission to initiate necessary action to develop and incorporate modules on 1172 schemes launched after 2010 rendered the MIS ineffective. During the Exit Conference (January 2018), ACS, while accepting the audit observation, stated that the required software could have been developed in-house by their own staff of trained computer professionals. In its reply, Government stated (February 2018) that steps were initiated to develop a comprehensive MIS, incorporating all newly formulated programmes.</p>	<p>the government. The work study to get the final study report to be submitted before the technical committee under the supervision of the IT department has been completed and the work will start immediately after receiving the report.</p>
<p><b>3.15</b></p>	<p><b>Internal Audit</b> Kudumbashree lacked a full-fledged Internal Audit Mechanism for verification of transactions and records of the State Mission as well as its district offices. Audit noticed that during 2012-17, inspection of only eight District Missions was conducted between April 2016 and January 2017. Scrutiny of six reports of inspections handed over to audit revealed observations like payment vouchers not available, award of work without inviting tender, collecting quotations from same parties without inviting tenders, etc. No procedure was prescribed for initiating follow-up action on the inspection reports. It is pertinent to note that while significant irregularities in the award of major contracts were pointed out in this Performance Audit report, the Internal Audit of the State Mission Office was not</p>	<p>Internal audit system has been established since 2016 and internal audit is being conducted in the districts. Necessary instructions are given for effective and efficient management of accounts in District Missions. Ensuring that the internal audit system continues to function effectively. As per GO (Rt) no 4221/2017/FIN Government have entrusted State Audit Department to audit the accounts of Kudumbashree and the office of Kerala State Audit Department has started functioning in State Mission Office.</p>

<p>conducted till date (October 2017). Government assured (February 2018) that utmost care would be taken to strengthen the internal audit system and address the deficiencies pointed out by Audit.</p>	
<p><b>3.16</b> <b>Laxity in furnishing replies to observations made in Inspection Reports.</b></p> <p>The response of Kudumbashree Mission to the Accountant General's Inspection Reports on its local audit of accounts and records was very poor. It was noticed that Inspection Reports for the period dating back to 2008-09 were pending settlement (Appendix 3.1). Article 63 (c) of Kerala Financial Code stipulated that the first replies to Inspection Reports should be sent within four weeks from the date of receipt of the Inspection Report. Audit observed that first replies to Inspection Reports pertaining to the years 2011-12 and 2012-13 were yet to be furnished by Kudumbashree (December 2017). During the Exit Conference (January 2018), ACS assured that Kudumbashree would furnish replies to all pending Inspection Reports before 15 March 2018.</p>	<p>The State Poverty Alleviation Mission (Kudumbashree) was registered under the Charitable Societies Act on 17 May 1998 with the aim of poverty alleviation and women empowerment in Kerala. Being a mission, there are no permanent appointments in Kudumbashree. Kudumbashree engages the services of professionals for various projects on an annual contract basis. Very few employees are working in Kudumbashree Mission on non-service basis from Central, State Government/Public Sector Institutions. Many of the employees who are appointed under the other service system return to their parent department after one-year term. The employees who are appointed on contract basis are given the responsibilities of planning and executing projects. Being a mission mode organization, the aim is to plan and complete projects in a time bound manner. In the past, lack of staff and lack of</p>

		<p>continuity was a hindrance to the timely submission of audit reports. Audit paragraphs for 2008-2009, 2009-2010 to the year 2012-2013 had finalized. Also the reply for all the audit passages from the year 2013-2014 to 2018-2019 has been given to the Accountant General. Please note that currently no audit paragraph responses is pending. In view of the above explanation, para 3.16 of the Performance Audit of the Accountant General is requested to be omitted.</p>
<p><b>3.17</b></p>	<p><b><u>Response of Government to Audit</u></b></p> <p>Government while accepting the findings of Audit in this report, stated (February 2018) that Audit did not consider the achievements of Kudumbashree in implementation of its schemes and the various awards it had garnered, while framing observations. Besides questioning the methodology adopted by Audit, Government opined that the size of the sample was not representative, resulting in isolated findings being generalised in the report.</p> <p>Reply of the Government was not correct as the objectives of the Performance Audit (PA), audit criteria, scope and methodology which included sampling pattern adopted were discussed and agreed upon by Government in the Entry Conference as mentioned in paragraph 3.5. Audit, thus, afforded every opportunity to Government/Kudumbashree to present their views</p>	<p>Kudumbashree has incorporated the audit recommendations and taken necessary steps to increase the efficiency of the project implementation and implement the projects in a better way. Kudumbashree Mission takes care to provide timely documents and records as required by the Accountant General's Audit Team during audit attendance. In the 2019-2020 audit of the Accountant General, the cooperation of Kudumbashree State Mission is specially mentioned.</p>



<p>before commencement of Audit. The PA was conducted strictly in accordance with the Performance Auditing Guidelines issued by the Comptroller and Auditor General of India. The outcome of the PA was based on the findings generated during the course of the audit exercise and not on the achievements or the number of awards obtained by the audited entity. The methodology adopted for conduct of the PA was unbiased and impartial.</p> <p>The fact that Government accepted almost all the findings in the PA and appreciated audit observations as evidenced from the minutes of Exit Conference held on 09 January 2018, makes it evident that the allegations made by Government are superfluous and non-sustainable. The attempts of Government to discredit the results of audit are therefore regrettable.</p>	
<p><b>3.18</b></p> <p><b>Conclusion</b></p> <p>The Performance Audit revealed systemic deficiencies in the implementation of various schemes for the empowerment of women. There was no effective monitoring of the working of Micro Enterprises for ensuring sustained operation and profitability of the ventures. Works were awarded to Programme Implementation Agencies by following an opaque selection process. Kudumbashree did not tender works and ensure the selection of competent agencies resulting in the schemes not being able to deliver the intended results. Financial Management was poor and the audited Statements of Accounts carried material mis-statements. Internal control systems were weak.</p> <p>Inspection Reports of Accountant General for the period</p>	<p>One of the most important means of livelihood offered by Kudumbashree is self-employment. Kudumbashree is implementing various schemes to strengthen the entrepreneurship sector and make micro enterprises profitable and sustainable. Micro Enterprise Consultants at Local Self-Government level, Block Coordinators at Block level, Program Manager at District level, a large system is in place consisting of Program Manager and State level officials.</p> <p>A.E., Mobile application is developed provides day-to-day information about the</p>

123

dating back to 2008-09 were pending settlement.

microenterprise sector to all levels of officials. In this way, the need of each enterprise will be identified and further steps will be taken to provide assistance accordingly. Thus Kudumbashree has taken all measures to improve the micro entrepreneurship system. The audit paragraphs up to the year 2008-09, 2009-10 to 2012-13 had finalized. Also reply for audit passages from 2013-14 to 2018-19 have been prepared and submitted to the Accountant General. It is informed that there are currently no audit passages remaining to be answered.

M.S. BIJUKUTTAN  
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**APPENDIX III**  
**APPENDICES FROM AG's AUDIT REPORT**

**Inspection Reports/Paragraphs to be settled**

*(Reference: Paragraph 3.16; Page: 70)*

Year and IR Number	No. of Part II A paragraphs	No. of Part II B paragraphs	No. of paragraphs on which first reply not received
2008-09 IR/8-2805	2	0	0
2009-10 IR/8-2908	0	12	0
2010-11 IR/8-3206	0	11	0
2011-12 and 2012-13 IR/8-3285	0	25	25
2013-14 IR/8-3412	0	23	0
2014-15 and 2015-16 IR/8-3649	0	17	0
<b>Total</b>	<b>2</b>	<b>88</b>	<b>25</b>