

## CHAPTER III LOCAL SELF GOVERNMENT DEPARTMENT

### 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>40</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.

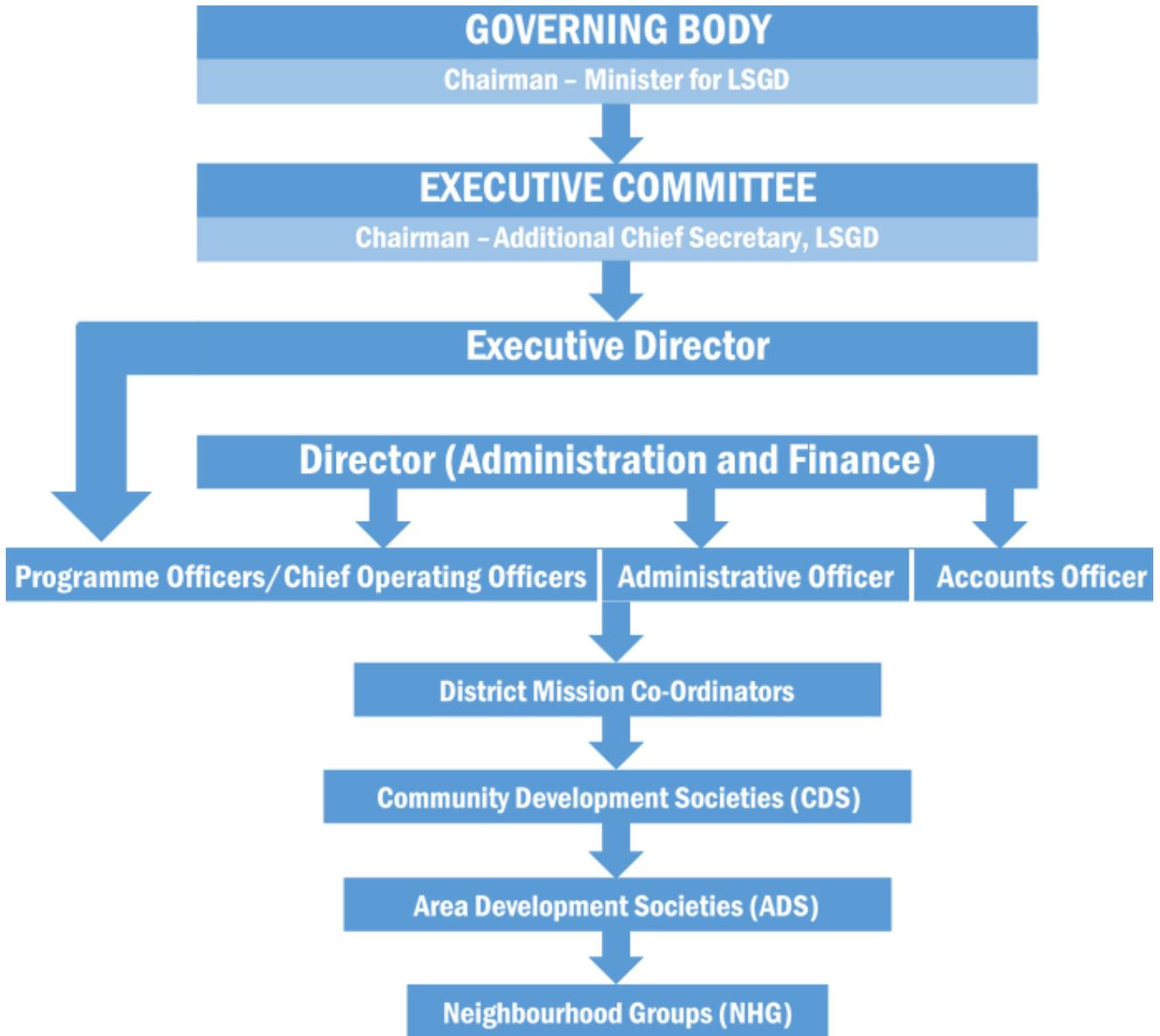
### 3.2 Organisational set up

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 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**.

<sup>40</sup> The name Kudumbashree in Malayalam language means 'prosperity of the family'.

**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>41</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>42</sup> schemes of the Government of India. However, only eight<sup>43</sup> 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 Sashakthikaran Pariyojana (MKSP), Deen Dayal Upadhyaya Grameen Kaushalya Yojana (DDU-GKY) and NRLM. The results of Audit are detailed below.

<sup>41</sup> 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.

<sup>42</sup> Mahila Kisan Sashakthikaran 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).

<sup>43</sup> The term period of four schemes, viz., SJSRY, BSUP, IHSDP, VAMBAY ended prior to 2016-17.

### 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>44</sup>, Innovation Fund<sup>45</sup>, Technology Fund<sup>46</sup>, Technology Upgradation Fund<sup>47</sup>, Second Dose Assistance to Micro Enterprises<sup>48</sup> and Crisis Management Fund<sup>49</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**.

<sup>44</sup> 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.

<sup>45</sup> 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.

<sup>46</sup> Technology fund – A fund to procure advanced and innovative technologies for setting up MEs.

<sup>47</sup> Technology Upgradation fund – A fund to upgrade the technology already acquired by the MEs.

<sup>48</sup> 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.

<sup>49</sup> 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>50</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.**

### 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**.

<sup>50</sup> Out of 156 NHGs selected (144+12 ST NHGs) for survey by Audit, 147 responded.

**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)									
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>51</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.***

### **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,

<sup>51</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.

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.

### 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>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

<sup>52</sup> Edathua in Alappuzha district, Karakulam in Thiruvananthapuram district and Thondernad in Wayanad district.

<sup>53</sup> Kandanassery in Thrissur District and Thanneermukkam in Alappuzha district.

<sup>54</sup> Thrikkunappuzha in Alappuzha District.

and in four<sup>55</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.

### **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>56</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.

#### **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

<sup>55</sup> Aryancode, Kattakkada, Kadinamkulam and Thiruvananthapuram Corporation CDS III in Thiruvananthapuram district.

<sup>56</sup> Kanjikkuzhy in Alappuzha district and Chalakkudy and Chavakkad in Thrissur district.

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.

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 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.

### **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>58</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

<sup>57</sup> Kudumbashree brand identity, product preparation, brand promotion, sales promotion and consultancy, quality assurance and certification and other initiatives of brand identity.

<sup>58</sup> Pre survey report on 'Developing database of Micro Enterprises under the Kudumbashree Mission'.

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>59</sup>. 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.

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.

### 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>60</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.

<sup>59</sup> M/s. Saturn Systemwares Private Ltd.

<sup>60</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>61</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 noticed the following deficiencies in the implementation of the scheme.

### 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>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.

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 provide offer

<sup>61</sup> Alappuzha, Ernakulam, Thrissur, Malappuram, Kannur, Thiruvananthapuram, Kollam, Palakkad and Kozhikode districts.

<sup>62</sup> Note 2 below paragraph 7.33 (ix) of the Stores Purchase Manual.

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.

### 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 Learning 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.

### 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>63</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

<sup>63</sup> 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.

spells<sup>64</sup>. Thus, GOK is yet to release its due share of ₹20.89 crore to Kudumbashree.

Audit observed that the recommendations (June 2014) of the Subject Committee of the State Legislature<sup>65</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>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 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 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.

<sup>64</sup> ₹3.14 crore in January 2013, ₹ three crore in April 2013 and ₹0.82 crore in May 2013.

<sup>65</sup> Subject Committee Report of the State Legislature on the scrutiny of Demands for Grants 2013-14 of the Local Administration, Rural Development and Housing.

<sup>66</sup> ₹27.09 crore (GOI share) + ₹6.96 crore (Plan fund of Kudumbashree).

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.

### 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>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.

Audit observed from the beneficiary survey that both the GSLP and the Sreesakthi programmes did not achieve the intended results. Of the 147 NHGs,

<sup>67</sup> Three modules viz., Women and Employment, Women and Health and Women and Mobility.

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.

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.

### 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>68</sup> from each CDS. Phase II named ‘Framesree’ was envisaged as a 20-day training programme for 140 women in 28

<sup>68</sup> CDS Chairperson and one member.

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, 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.

### 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>69</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.

<sup>69</sup> 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.

### **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.

### **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.

## **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>70</sup> in the campus of Loyola College at Thiruvananthapuram. A Memorandum of Understanding (MoU) was executed

<sup>70</sup> Focuses on the practice of development and its relation to theory.

(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 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.***

### 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.

#### 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
Kasaragod	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.

### 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.

### 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.

#### **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>71</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 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

<sup>71</sup> Swarna Jayanthi Shahari Rozgar Yojana.

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 were 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.***

### **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>72</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.

### **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 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

<sup>72</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.

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.

### **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 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.

### **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.