# CHAPTER IV
RECEIPT
MANAGEMENT

Government receipts are collected through e-Treasury and CREDIT applications. Large amounts remain idle in pooling accounts which remain unreconciled for years. Functionality to auto-calculate penal interest for delayed credit of money to government account by agency banks has not been developed, even though provided for in the agreements entered with banks by the Government. Timely defacement of challans is not done and only 44 *per cent* of challans have been defaced.

4.1   Introduction

Article 4 to 39 of Chapter II of KFC Volume I stipulates conditions in respect of receipts, their collection and checks involved. Government receipts include tax and non-tax revenue. The collection of receipts and remittance to concerned heads of account is ensured through cash/ e-payment.

The process of cash collection and its remittance to treasury is as given in **Exhibit 4.1.**

Exhibit 4.1
Process of cash collection and remittance to treasury
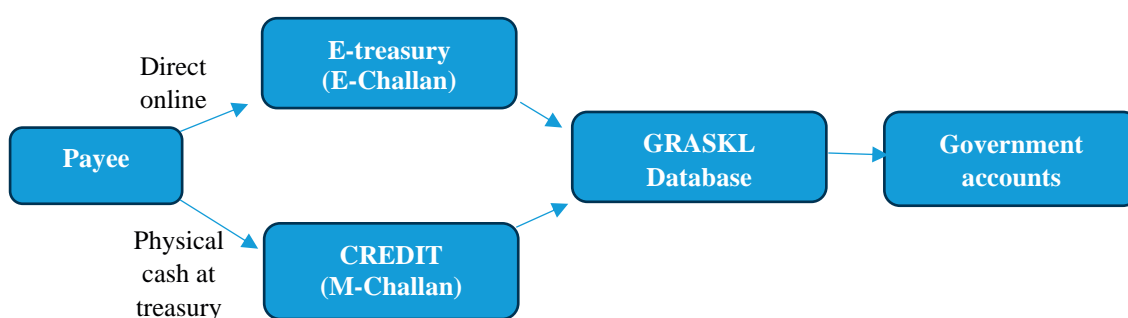
CREDIT is the treasury side application for transactions involving cash/ cheque remittance on behalf of Government of Kerala. Along with the conventional mode of payments directly at the cash counter, IFMS-K permits online payment through the e-Treasury wherein internet banking facility of ten banks[25] and three[26] payment gateways are integrated.

A total of 10,74,45,441 challans amounting to ₹2,83,901.64 crore was collected as government revenue through the e-Treasury and the CREDIT application of treasury for the period from 2016-17 to 2022-23. On receipt of money, challans are generated *via* both applications and accounted for in the GRASKL[27] (Revenue) database which stores data regarding all the

---

[25]   Bank of Baroda, Bank of India, Canara Bank, Federal Bank, IDBI Bank, Indian Bank, Indian Overseas Bank, Punjab National Bank, State Bank of India and Union Bank of India.
[26]   Debit/ Credit/ UPI, QR Code and EPOS.
[27]   Government Receipt Accounting System, Kerala.

government receipts. These challans are submitted to the offices concerned to avail services. The public can submit online refund application in case of any excess/ wrong remittance made *via* the e-Treasury and track status of the refund claims. In case of challans remitted through the CREDIT, refund can be initiated through manual submission of refund application to the DDO concerned. Further, e-Treasury is also integrated with 24 applications of 20 Departments as given in **Appendix 4.1** whereby the public can access the Departmental portals for services.

Scrutiny of applications in the receipt management system revealed the following deficiencies.

4.2　　Unreconciled balances in pooling account of banks

The payments made through the e-Treasury are routed *via* various banks and gateways for final credit to the heads of account concerned. For this purpose, Government (February 2015) empowered banks to hold pooling accounts in favour of Government transactions, which needed to be maintained as per Memorandum of Understanding (MoU) made between treasury and banks. As per the MoU, the revenue collected each day in these pooling accounts are required to be transferred to Government account the next day. The bank needs to provide account statement to prove that no government money remains unaccounted and there is no misappropriation by banks.

Audit noted that Treasury Department had entered MoU with 10 banks and three payment gateways. However, the banks and gateways were not regular in submitting Monthly Statements as prescribed. Audit found from the available monthly statements that unreconciled balances were held in banks as stated below:

- State Bank of India (SBI) has been holding ₹21.77 crore as un-reconciled opening balance for the month of January 2022 which has increased to ₹24.29 crore for the month of July 2022.

- Canara Bank, Punjab National Bank and IDBI have been holding ₹1.62 crore, ₹19.21 lakh and ₹4.43 lakh respectively as un-reconciled opening balances for the month of January 2022.

Despite the prolonged retention of these amounts by the banks, they have not provided necessary Account Statements to Department of Treasury and 10 pooling accounts in the 10 participating banks and three payment gateways remain un-reconciled.

Audit observed that no provision was inbuilt in the system to capture the Monthly Statement from the bank directly into the system.

Government stated (November 2024) that three banks had submitted the Account Statement on unreconciled balances in pooling account and steps have been taken to remit the amount to Government accounts. Communication has been given from Treasury department and RBI to the banks for reconciling figures.

Reply is not tenable as Government's response addresses past discrepancies but lacks a proactive mechanism to ensure automation to capture the monthly statements directly from banks to prevent recurrence which establishes significant gaps in functionalities.

> **Recommendation No. 10**
>
> - Government should develop a functionality to periodically secure account statements from banks *via* the e-Treasury system to enable system based cross-verification, auto detection of transaction errors and synchronised settlement.
>
> - Government should recover the amount lying in the pooling accounts from the banks and responsibility may be fixed for not obtaining monthly statements and account statements.

4.3 Non-development of functionality for auto-calculation of interest

The MoU entered with banks provides prerequisites for effective integration of internet banking of banks with e-Treasury. The participating bank should remit funds every day, electronically or by RTGS[28] or by any other payment mechanism acceptable to RBI on the next working day to the e-Treasury account with RBI. Four conditions are to be followed in case of delayed fund transfer such as interest for delayed period beyond the permissible period[29], liquidated damages for delays beyond the due date @ one *per cent* plus of bank rate and delay-cum-calculation sheet needs to be submitted to the e-Treasury officer by the participating bank and the agreed liquidated damages shall be paid before fifth working day of the next month. It was also prescribed that under no circumstances, the participating bank shall hold the principal amount collected beyond a period of five working days from the due date of payment.

Audit noticed that banks did not submit any delay-cum-calculation sheet to e-Treasury officers. No functionality was developed in e-Treasury application to calculate the interest for delay in remittance of government funds. As per data received from NIC, liquidated damages calculated at the rate of 5.25 *per cent*[30] per annum for the delayed transaction pertaining to the period 2016-17 to 2022-23 amounted to ₹1.05[31] crore.

Government stated (November 2024) that as per RBI directions, banks are showing transaction date and settlement date. The treasury and bank system has been integrated with e-Kuber[32] system. Hence, data is being received daily from e-Kuber to treasury.

---

[28] Real Time Gross Settlement.
[29] Presently to be 'T+1' day excluding 'Put Through Date' or transaction date.
[30] 4.25 *per cent* Bank rate + 1 *per cent.*
[31] Transaction Amount x [Delay/365] x [(Bank rate + 1) / 100].
[32] Core banking system developed by RBI for electronic transfer of funds in Government transactions.

The reply is not tenable as although the data regarding transaction date and settlement date are available, no provision is enabled in the system to auto calculate the interest for the delay period beyond the permissible limit.

Recommendation No. 11

Government should develop a functionality in IFMS-K to auto calculate and claim interest and liquidated damages from banks for delayed credit of money to Government account.


4.4   Deficiencies in defacement of challans

The Treasury Department (December 2021) instructed all DDOs to deface e-challan once the service for which the particular e-challan generated is provided, so that it cannot be reused.

During defacement, a watermark is stamped on the face of the challan stating that the challan has been defaced for the amount along with defacement date, defacement number, remarks and User ID. The details of defacement are stored centrally in the database and are reflected in all subsequent instances when the challan is used. As a result, the defaced challan becomes unusable for any further services from Government. By implementing this mechanism, Government aimed to prevent fraudulent practices and maintain the integrity of receipts and transactions. The challan amount is refundable upto the value of the remaining undefaced portion of the challan. The process flow of defacement and refund process are as given in **Exhibit 4.2**.

Exhibit 4.2
Process flow of Defacement and Refund process
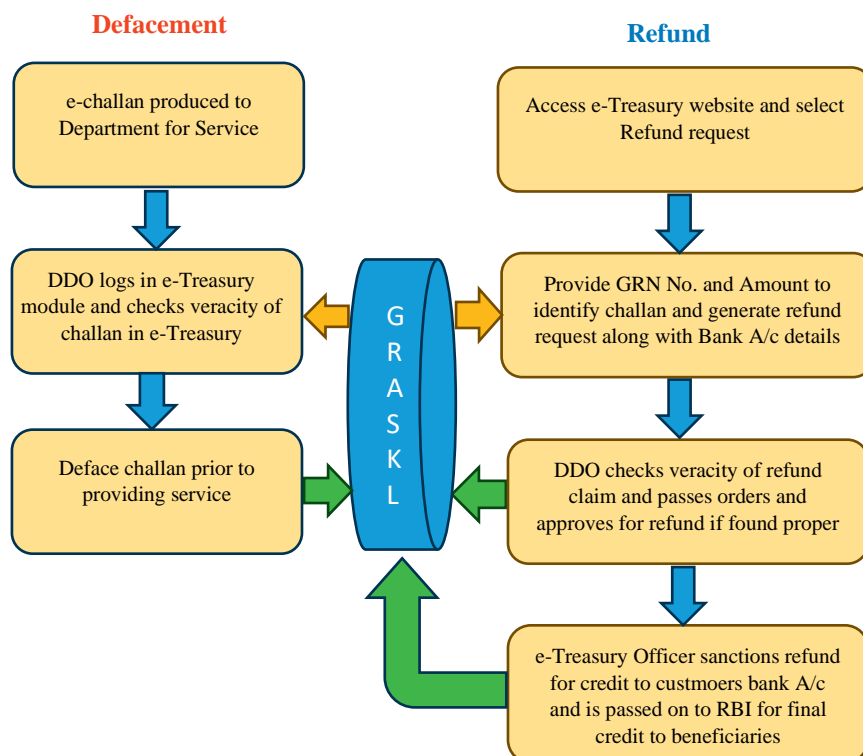
When an e-challan is produced to DDO for any service, the DDO verifies the e-challan in the e-Treasury application and defaces it prior to providing the required service. Refund can be availed for those e-challan for which service has not been availed. Refund request can be raised in the e-Treasury application by providing the necessary details. Once the DDO verifies and approves the refund claim, the e-Treasury officer sanctions the refund for crediting it to the customer's bank account.

Audit noticed the following deficiencies in defacement and refund of challans as detailed in the succeeding paragraphs.

4.4.1   Discrepancies in defacement reports and data analysis

The application provides for the MIS report 'Defacement Report'. The details of defacement are captured in tables of the GRASKL database in the e-Treasury modules.

Audit noticed that the application could not generate the reports for the years 2016-17, 2017-18 and 2022-23. Further, Audit scrutiny of Defacement report generated revealed that out of 3,04,97,837 challans received during the period 2018-19 to 2021-22, only 1,01,39,579 were defaced (33.25 *per cent*) by departments, as per e-Treasury defacement report thereby 2,03,58,258 e-challans amounting to ₹14,232.26 crore remained not defaced as detailed in **Appendix 4.2**.

On verification of database tables used for receipts and defacement of challans for the period 2018-19 to 2021-22, Audit noticed that out of 7,01,96,745 challans generated amounting to ₹1,69,629.76 crore, only 3,47,29,797 challans were defaced (49.47 *per cent*) leaving the balance of 3,54,66,948 challans amounting to ₹1,48,384.52 crore not defaced. The year-wise detail is given in **Appendix 4.3**.

Audit observed that the defacement report generated by system did not match with data analysis conducted by Audit.

Government stated (November 2024) that defacement reports for the year 2016, 2017 *etc*. are available in treasury now.

Reply is not tenable as although some reports have been generated, the department has not explained the discrepancies between the Defacement report and the source database. Further the report for 2022-23 has not been generated.

4.4.2   Defacement of challans over and above challan amount

A challan can be defaced completely or to the extent of service provided, thereby enabling full or partial defacement. Multiple partial defacements are possible against a challan, but the total defaced amount should be restricted to the challan amount.

On verification of treasury data for the period from 2016-17 to 2021-22, Audit noticed that out of 3,73,73,538 challans amounting to ₹26,739.15 crore that were defaced, 14,608 challans amounting to ₹25.59 crore were defaced for ₹56.59 crore. An illustrative case is given in **Exhibit 4.3**.

Exhibit 4.3.

The challan number KL012520520201819M amounting to ₹3.42 lakh is seen defaced for ₹6.84 lakh.

Government stated (March 2023) that the issue of incorrect defacement has been reported to NIC for making corrections/ rectification and the same is in progress. It was further stated that the error came because of fetching the data from an intermediate table and shared into the new database table[33].

On re-verification of treasury data for the period 2016-17 to 2021-22 in the new table reported by Government, it was seen that the issue of incorrect defacement was resolved to some extent. However, the issue still persisted in 258 challans amounting to ₹1.84 crore. These challans were seen defaced for ₹3.48 crore. On further analysis of data for 2022-23, out of 93,56,945 challans amounting to ₹8,553.17 crore that were defaced, it was seen that in respect of two challans amounting to ₹5.20 lakh the challans were defaced for ₹10.39 lakh. The details are provided in **Appendix 4.4**.

Government stated (November 2024) that the issue has been resolved. However, Audit noticed that the issue persists for the challans as detailed above.

---

[33]   Receipt_defaced_details.

4.4.3   Failure to capture defacement details in challans

On verification of treasury data for the period from 2016-17 to 2022-23, Audit observed that 14,376 challans amounting to ₹53.80 crore pertaining to head of account '0030-01-800-99-00 Legal benefit funds stamp' were defaced by the department. It was seen that even though defacement numbers were generated for these challans in the underlying database table, these challans were not seen defaced with the watermark details in e-Treasury portal.

It was seen that Government had rectified the same at the instance of Audit.

4.4.4   Absence of uniqueness in defacement numbers

Any challan defaced should have a unique autogenerated defacement number to ensure that it could be used to trace the exact challan and amount defaced.

Audit observed that for the period from 2016-17 to 2022-23, a total of 15,04,384 defacement numbers were used for defacing 33,09,145 challans. Out of the above, 21 defacement numbers were used more than 50 times for defacement of challans as detailed in **Appendix 4.5**. Audit further noticed that defacement numbers contain a sequential number and the year of defacement while some contain a sequential number alone. This points to multiple methods of generation of defacement number through various processes.

Government stated (November 2024) that the issue has been resolved. However, Audit on reverification found that the deficiency persists.

> **Recommendation No. 12**
>
> Government should modify the application to ensure that every challan defaced is stamped with unique defacement number and the total defaced amount do not exceed the challan amount.

4.5   Deficiencies in refund of E-challans

Article 36 of Kerala Financial Code Vol I stipulates that when an application for a refund is received for any revenue item, the officer who recorded the original revenue should locate the relevant records, verify the claim, and issue the refund order. The refund details must be recorded against the original receipt to prevent any accidental duplicate of refund claims.

e-Treasury has a facility for online submission of refund request. The claimant can submit the request for refund against a Government Reference Number (GRN)[34] through the option 'refund request' in e-Treasury portal and can track the status of refund. On refund of challan, a watermark is

---

[34]   GRN is a unique reference number generated against a challan for identifying the challan in the database.

stamped on the face of the concerned E-challan as *'Refunded for Rs.....'*. Multiple refunds are possible against a single challan until the unused amount of challan is exhausted.

Audit noticed the following deficiencies.

4.5.1   Incomplete Generation of Refund Reports and non-recording of GRN in receipts

a) The year-wise status of refund request received, as per refund report generated in e-Treasury, is detailed in **Appendix 4.6**. It was revealed that the e-Treasury is not generating the reports for the periods 2017-18 and 2018-19 and for the period 2022-23. It was seen that only department-wise monthly reports could be generated.

b) Audit noticed that 20 integrated departments did not provide GRN for the receipts, which is essential for claiming refund. Thus, the public who were provided such receipts would not be able to claim refund, if needed. For example, the Revenue Land Information System (ReLIS) application of Revenue Department which is an online platform used for the payment of land tax, transfer of registry etc., does not record the GRN of challan in the generated receipt.

Government stated (November 2024) that GRN is being sent to customer's mobile through SMS.

The reply is not tenable as a complete report regarding refund requests is essential to identify lapses and take corrective action. Further, the non-inclusion of GRN in receipts of integrated department would prevent the submission of refund claim.

4.5.2   Other deficiencies noticed in refund of challans

Audit noticed that:

a) in three cases the refunded amount was greater than the actual challan amount by ₹0.13 lakh.

b) in case of 151 challans amounting to ₹13.53 lakh, though the refund status shown in e-Treasury as 'pending with department for approval', in the challans it was watermarked as 'Refunded'.

c) in five challans, the defaced value displayed in Refund Request page was higher than the actual challan amount of ₹12.96 lakh.

It was seen that Government had rectified the same at the instance of Audit.

4.5.3   System deficiency in processing of refund requests

Audit observed that in the case of 72 challans which were already refunded for its entire amount of ₹29.36 lakh, subsequent refund requests were

submitted. Some of these challans were not seen watermarked as refunded even though refunds were issued.

Government stated (March 2023) that the issue pointed out by Audit has now been rectified which has been confirmed in audit. However, Audit noticed another instance[35] where the issue persisted. Government stated in November 2024 that the issue has been resolved.

On verification, it was observed that the above case was rectified. However, though the instances pointed out were rectified, the repeated occurrence of such instances indicates that the system lacks controls to restrict the request.

> **Recommendation No. 13**
>
> Application's self-sufficiency may be ensured by including comprehensive reporting on refund requests to identify lapses and take corrective actions. GRN needs to be included in receipts generated by integrated departments.

4.6 Deficiencies in refund of M-challans (Manual Challan)

The refund of government revenue through treasury (other than e-Treasury) is made based on written request received from claimant through the DDO concerned. On verification of original challan remittance by DDO, a sanction order for refund is forwarded to treasury. The treasury again rechecks the remittance and enables provision through refund entry[36] for DDO to draw bill in the BIMS application for processing the refund request. The DDO draws bill which is subsequently passed in treasury for final credit to refund claimant. Test check revealed the following shortfalls with respect to refunds:

4.6.1 Wrong classification of refund on Judicial Stamps

In the Finance Accounts, negative figure appears as receipt under the head of account 0030-01-101 (Court fee realised in stamp).

Audit observed that this was due to misclassification of refund on account of Stamps judicial - Sale of Stamps (0030-01-102-10) under the head 'Court fees realised in stamps' (0030-01-101-10 Deduct Refunds).

In the sanction order for refund of court fee, the sanctioning authority wrongly classified the heads, and the serial number of stamps used were not specified. The Treasury does not insist for serial number of stamps used and without verification allows the refund entry for drawing bills to the same head specified in the sanction order, which results in wrong classification. Further, the system has no functionality to track the original receipt and head

---

[35] KL015177959202122E.
[36] Refund entry is a facility in CREDIT application through which allocation of amount were made available to DDO for drawing refund amount.

of account to which the refund is made. As no validation control is available in CREDIT software to ensure the same, there is a risk of multiple refund in case the sanction order and certificate of payment is presented to treasury again.

Government stated (November 2024) that as the implementation of the online platform for the sale of stamps will come into existence by 2025, it is expected that the refund procedures will also become completely online and the issues would be resolved.

> **Recommendation No. 14**
>
> Government should fix a time frame for refund procedures on sale of stamps to be made online.

4.6.2 Lack of provision for 'Refund Entry' for partial refund

Audit observed that in the case of partial refund requests processed through the CREDIT application for which corresponding government receipt challan details are available, treasury is only able to provide refund entry for the whole challan amount. Hence, treasury is making 'refund entry' for the whole challan amount even in cases of partial refund request of challan amounts. As a result, BIMS application allows submission of bills by DDO for refund for entire amount without restriction to the partial amount requested for refund.

Government stated (March 2023) that the treasury officer is only confirming the challan available at Treasury for the refund. The Department concerned can fully or partially refund the challan. Government further stated (November 2024) that provision is available in offline mode to process partial refund requests.

The reply is not tenable as the CREDIT system has no facility to provide partial refunds and the Treasury officer can only provide a refund of the whole challan amount even in case of partial refund requests.

> **Recommendation No. 15**
>
> Government should implement a functionality in IFMS-K to provide partial refund in the Treasury so that the concerned departments can draw bills only for the sanctioned amount.

4.6.3 Non-mapping of DDO code

Audit observed that Treasury, while taking receipts through challans in CREDIT the entry is made as 'general receipt' instead of specifically mapping it against the DDO concerned. At the time of refunds, since the Treasury is not able to map the DDO code, it reports the case to Treasury Directorate for locating the DDO code to the respective challan.

Government stated (November 2024) that selecting DDO code while accepting the general receipts by the treasury department is not practical at present as those challans only contain the purpose of remittance and depositor details.

The reply is not tenable as non-updation of DDO code in challans results in unwanted correspondence and delay in refund.

> **Recommendation No. 16**
>
> Government should develop a functionality in IFMS-K to map the DDO codes while accepting the challans through the CREDIT.

4.7   Other observations on refund of M-Challans

- No acknowledgement is being given to the claimant as and when a refund request is being raised.

- The claimants of refund have no assurance that their claims were raised by the respective DDO or have any knowledge of the status of their refund claim.

- The status of refund of manual challan cannot be tracked.

Government stated (March 2023 and November 2024) that the DDO has to satisfy himself before giving a refund to the customer and as such DDO concerned is responsible for acknowledgement, status of refund, assurance to claimants and time period for settling claims.

The manual intervention in the refund procedure as stated by Government is time consuming and defeats the purpose of implementation of IFMS-K. Further, Government failed to take remedial measures even though 19 months have passed since its initial response and eight years from inception of IFMS-K.