

CHAPTER III

PERFORMANCE REVIEWS

This Chapter presents three reviews and two long paragraphs. The performance reviews include review on 'Mahithi' – the Millennium Policy for Information Technology and Bio-technology-2000, review on Implementation of Child Labour (Prohibition and Regulation) Act, 1986 and review on Working of Minor Irrigation Projects. Besides, there are long paragraphs on Working of Government Film and Television Institute, Hesaraghatta and Stores procurement in Minor Irrigation Department.

INFORMATION TECHNOLOGY AND BIO-TECHNOLOGY DEPARTMENT

3.1 'Mahithi' – The Millennium Policy for Information Technology and Bio-technology - 2000

Highlights

State Government announced (March 2000) a new policy called 'Mahithi'-the Millennium Information Technology Policy, aimed at spreading information technology and related skills to rural youth, creating state-of-the-art infrastructure and offering various tax concessions to attract software entrepreneurs. The implementation of the policy had many deficiencies. Enrolment of students in computer education courses remained low since the Department failed to enroll the students from higher primary schools to the high schools which had vacant seats. During 2001-04, another 5.35 lakh students received education for less time than prescribed. Substantial portion of the Software Technology Park at Hubli, equipped with the state-of- the-art infrastructure was not made available to software entrepreneurs. The Indian Institute of Information Technology, Bangalore had been offering advanced training to engineering graduates without approval of the All India Council of Technical Education.

Out of 9.11 lakh students enrolled in 1,000 selected high schools, 5.35 lakh students received computer education for less than the prescribed minimum three hours per week; the agencies were, however, paid at full rates resulting in wasteful expenditure of Rs.29 crore.

(Paragraph 3.1.9)

Failure of the Department to enroll students from higher primary schools to such high schools as had vacant seats resulted in denying computer education to 1.78 lakh students of higher primary schools.

(Paragraph 3.1.10)

Software Technology Park at Hubli established at a cost of Rs.32.26 crore was not available to entrepreneurs due to non-transfer of title even after one and a half years of its acquisition.

(Paragraph 3.1.17)

Bio-tech Park had not been established despite purchase (February 2003) of 85 acres of land at a cost of Rs.13.96 crore due to litigation.

(Paragraph 3.1.19)

Expenditure of Rs.2.06 crore on purchase of 496 generators for imparting computer education in high schools was rendered unfruitful as funds were not provided for fuel.

(Paragraph 3.1.11)

The Indian Institute of Information Technology, Bangalore (IIITB) and the Karnataka Bio-technology and Information Technology Society (KBITS) diverted Rs.5.75 crore to purposes (rent and advertisement) other than those for which funds were released.

(Paragraph 3.1.7)

Four companies engaged in Information Technology Enabled Services were granted entry tax exemption of Rs.1.03 crore though these were not eligible.

(Paragraph 3.1.21)

No candidates were enrolled in five (out of 13) Yuva.com centres and the computers supplied to these centres remained idle, rendering expenditure of Rs.31.25 lakh unfruitful. Subsidy of Rs.20.32 lakh was paid in excess to the companies of which Rs.17.78 lakh were recovered as of September 2004.

(Paragraphs 3.1.13 and 3.1.14)

3.1.1 Introduction

Karnataka is in the forefront of Information Technology (IT) and registering tremendous growth. With the objective of retaining the pioneering position, ensuring further development of IT and increasing employment potential, State Government announced (March 2000) a new policy called 'Mahithi'- the Millennium Information Technology Policy. State Government also announced (March 2001) the Millennium Bio-technology (BT) Policy whose features were similar to that of 'Mahithi'. State Government performed the role of facilitator by identifying agencies and providing funds to achieve the objectives of the policy.

3.1.2 Objectives of 'Mahithi' - Millennium Policy on Information Technology and Bio-technology

Salient objectives of 'Mahithi' were as follows:

- ↘ Spreading of information technology to rural areas and to youth through Computer Education and Training
- ↘ Electronic governance of Government Departments
- ↘ Creation of infrastructure and providing fiscal incentives.

3.1.3 Organisational set-up

The following agencies implemented programmes of the Millennium policy as indicated against each:

Name of the Agency	Details of the programmes
Secretary to Government/ Director, Department of Information Technology and Bio-Technology (ITBT)	Framing of budget proposals, promotional activities, co-ordination and supervision of the work done by KEONICS and KBITS and overall monitoring
Karnataka Bio-technology and Information Technology Society (KBITS) established by State Government	Processing of claims of software companies for grant of tax concessions and their registration, processing of subsidy claims of companies running training centres, raising and utilisation of Housing and Urban Development Corporation (HUDCO) loan on purchase of land for Bio-technology Park
Karnataka State Electronics Development Corporation Limited (KEONICS)	Raising of loan through Mahithi Bonds, its utilisation on creation of infrastructure, training centres, IITB, etc.
Commissioner for Public Instruction (CPI)/Director, Department of State Educational Research and Training (DSERT)	Computer education in high schools

3.1.4 Audit objectives

Audit objectives were to assess

- ↘ Whether funds provided were judiciously utilised
- ↘ Extent to which computer education and training programmes reached the intended beneficiaries
- ↘ Extent of efficacy of infrastructure creation and fiscal concessions to attract software entrepreneurs
- ↘ Extent of implementation of electronic governance.

3.1.5 Audit coverage

The implementation of programmes during 2001-04 was reviewed through test-check of records in the Department of IT (DIT), KBITS, KEONICS, Police and Treasury Departments and Director, DSERT. Significant audit findings are discussed in following paragraphs. Out of total expenditure of Rs.309.18 crore, various programmes covering an expenditure of Rs.220.32 crore were audited.

Financial Management

3.1.6 Funds provided and expenditure

Funds for computerisation of certain Departments (Police, Treasuries, Revenue, etc.), IITB, computer education in high schools, etc., were provided from the budget. Funds raised through Mahithi Bonds were utilised for creation of infrastructure, imparting training, local area network in the Secretariat, Agro-Bio Informatic Centre, etc. Loan obtained from HUDCO was utilised on establishing Bio-technology Park and IITB, etc. The details of the funds provided and expenditure were as follows:

(Rupees in crore)

Year	Source of funds				Total funds	Expenditure				Total expenditure
	Budget Provision	ZPs	Mahithi Bonds	HUDCO Loan		Budget Provision	ZPs	Mahithi Bonds	HUDCO Loan	
2000-01	54.14	10.94	60.00	-	125.08	41.10	-	-	-	41.10
2001-02	72.01	-	-	-	72.01	59.32	10.94	60.60	-	130.86
2002-03	74.69	-	-	-	74.69	68.79	-	0.84	-	69.63
2003-04	48.64	-	-	19.84	68.48	47.90	-	-	19.69*	67.59
Total	249.48	10.94	60.00	19.84	340.26	217.11	10.94	61.44*	19.69	309.18

* Excess expenditure was met out of interest earned on Mahithi Bond Account

Expenditure of Rs.32.26 crore (paragraph 3.1.17) incurred from Mahithi Bond account remained unfruitful, while Rs.5.75 crore were diverted for different purposes as discussed in paragraph 3.1.7. Rupees.8.96 crore spent out of HUDCO loan also remained unfruitful as discussed in paragraph 3.1.19.

3.1.7 Diversion of funds

Out of the loan of Rs.20 crore obtained (May 2003) from HUDCO for establishing Bio-technology Park (Rs.16 crore) and expansion of IITB (Rs.four crore), KBITS under the orders of Secretary, IT&BT Department diverted Rs.1.75 crore on advertisement/promotional activities of the Department.

Similarly, IITB diverted Rs.four crore towards rent of building for the period 2000-04 out of capital grant of Rs.5.10 crore released during 2000-01 from Mahithi Bond Account. The Secretary, IT&BT justified (September 2004) diversion on the plea that fees collected from students were not sufficient to meet the rentals. However, diversion of capital grant towards recurring expenditure was irregular.

* IITB-Rs.seven crore, IITH-Rs.0.75 crore, Bio-Tech Park-Rs.8.96 crore, others-Rs.2.98 crore

3.1.8 Non-utilisation of funds

Funds to the extent of Rs.1.36 crore remained unutilised with KBITS as detailed below:

- ❏ As of March 2003, KBITS earned interest of Rs.41.90 lakh on funds released to it by KEONICS from Mahithi Bond Account. According to instructions of Government (March 2001), interest earned was to be credited to Mahithi Bond Account. However, KBITS had not transferred the interest to Mahithi Bond Account.
- ❏ An amount of Rs.93.74 lakh recovered (October 2002 to January 2004) by KBITS from agencies running Yuva.com centres (training centres) towards the cost of supply of computers was retained by it, as there were no instructions from Government for its utilisation. The Secretary stated (September 2004) that these funds would be utilised for payment to the agencies running training centres.

Implementation of 'Mahithi' – The Millennium Policy for Information Technology

One of the objectives of Millennium Policy on IT was to spread information technology to rural areas through computer education and training. Details of targets, achievements and deficiencies are as follows:

3.1.9 Deficiencies in Computer Education

Government selected (August 2000) 1,000 high schools (A category-264, B category-272 and C category-464), one in each Hobli headquarters* and entered (December 2000) into agreements with three agencies viz., NIIT, APTECH and EDUCOMP for imparting computer education to students. These agreements stipulated, *inter alia*, that computer education would be provided for a minimum of three hours (four periods each of 45 minutes) per student per week, internet for two hours per student per annum and supply of computer hardware by the agencies. These agencies were eligible for payment of Rs.14.69 lakh, Rs.19.10 lakh and Rs.24.20 lakh per school in category A, B and C[□] respectively for a period of five years (payable on quarterly basis).

District and quarter-wise reports furnished (June 2001 to March 2004) by the nominated engineering colleges (one in each district) to DSERT indicated only the number of schools in which computer education was imparted for three hours, two hours and one hour. The details of student population, number of schools in each category and number of hours of computer education and computer aided education in core subjects were not indicated. The number of schools and student population receiving prescribed hours or less hours of

* Headquarters for a group of villages is called Hobli

□ Schools with students' strength up to 150, 151 to 250, 251 to 550 categorised as A, B and C respectively

education as compiled by Audit on the basis of data collected from DSERT, were as under:

Year	Number of schools	Student population* (in lakh numbers)	Number of schools	Student population* (in lakh numbers)	Number of schools	Student population* (in lakh numbers)	Number of internet hours to be provided	Actually provided
	With three hours		With two hours		With one hour		(in lakh numbers)	
2001-02	585	1.71	327	0.95	88	0.26	6.60	2.91 (44)
2002-03	447	1.39	389	1.21	164	0.51	6.32	1.91 (30)
2003-04	214	0.66	544	1.68	242	0.74	6.46	0.93 (14)

* Total student population receiving computer education for three, two and one hour worked out considering average student strength per school.

Figures in brackets in the last column indicate percentage

Out of 9.11 lakh students, 5.35 lakh students received computer education for less than minimum of three hours

As against maximum enrolment capacity of 10.89 lakh students, 9.11 lakh[♦] students were enrolled in these 1,000 high schools during 2001-04. Of these, 3.84 lakh and 1.51 lakh students received computer education for two hours and one hour per week respectively in 415, 553 and 786 schools during the period. While software for computer aided education in respect of two subjects *viz.*, Science and English was not provided at all by the Department, computer aided education for other two subjects (Social Science and Mathematics) was provided from March 2003 after a delay of nearly two years.

Student population of 3.10 lakh* was not provided training in internet facilities. The remaining students were provided training in internet for 52 minutes per student per annum on an average against required two hours.

These deficiencies were attributed (June 2004) by Director, DSERT to power shortages and power shutdown. Though, power shortage/power shutdown especially in rural areas was generally a known fact, State Government/ Director did not take cognisance of the same to initiate any remedial measures till May 2003, when petrol generators were supplied to 496 schools in categories A and B. These generators were also not put to use due to non-provision of funds for fuel.

Failure of the Government/Department to ensure adequate power supply to the schools and provide software for computer-aided education caused impediments in programme implementation. The agencies were paid Rs.91 crore at full rates (withholding Rs.two crore for not providing internet facility) in spite of the fact that there was shortfall in the number of hours of computer education provided in the schools during the three years. Instead of the prescribed three hours per week, only one to two hours of computer education per week was actually given. The payment made to the agencies at full rates for three hours per week led to wasteful expenditure of Rs.29 crore as detailed in **Appendix 3.1**.

♦ 2.92 lakh, 3.11 lakh and 3.08 lakh during 2001-02, 2002-03 and 2003-04 respectively

* 1.41 lakh in 549 schools in 2001-02, 1.01 lakh in 355 schools in 2002-03 and 0.68 lakh in 264 schools in 2003-04

3.1.10 Students deprived of Computer Education

Due to non-compliance with instructions, 1.78 lakh students were deprived of computer education which could have been provided to them without any extra cost

According to instructions (June 2001) issued by Director, DSERT, students from higher primary schools were to be enrolled in high schools (selected under Mahithi) having less student strength than the maximum stipulated in the agreement. It was noticed that student strength in 781, 546 and 562 schools was less than the maximum during 2001-02, 2002-03 and 2003-04 respectively. Enrolment of students in 319, 322 and 240 schools during 2001-04 was less than 75 per cent of the maximum. As higher primary schools were available in such places, compliance with said instructions would have enabled 1.78 lakh more students of these schools to get the benefit of computer education without any extra expenditure as detailed below:

Year	Number of schools in			Number of students at maximum strength	Actual students enrolled	Deficiency
	A	B	C			
Category				(Numbers in lakh)		
2001-02	251	264	266	2.50	1.79	0.71
2002-03	144	146	256	1.99	1.47	0.52
2003-04	145	115	302	2.17	1.62	0.55
Total				6.66	4.88	1.78

CPI/Director at the State level also did not ensure compliance with the aforementioned instructions regarding enrolment of students. This resulted in denial of computer education to 1.78 lakh students. The Director, DSERT stated (September 2004) that this aspect would be looked into when the electric power position improves. The reply was not tenable, as the admission of 1.78 lakh students would have given them computer education for whatever duration was possible under the existing power situation.

3.1.11 Unfruitful expenditure on generators

Generators remained unused due to non-provision of funds for fuel

Though 496 generators were purchased at a cost of Rs.2.06 crore and supplied (May 2003 to July 2003) to 496 schools, the same had not been put to use as funds were not provided for fuel. While according sanction for purchase of generators (December 2002), Government instructed to purchase fuel from the funds allotted to School Development and Maintenance Committee (SDMC). However, SDMC did not provide funds due to financial constraints and Director/CPI also did not take any action. As a result, generators remained idle, rendering expenditure of Rs.2.06 crore unfruitful.

3.1.12 Training programmes

There were lapses like non-selection of candidates from BPL list, deficiencies in inspection, failure to upload bio-data of candidates on departmental website

In order to enable rural youth to get quality training in computer usage/information technology, as envisaged in the IT Millennium Policy, the State Government accorded (December 2000) sanction to establish 234 training centres. These training centres were called Yuva.Com Centres (Centres). One Government Undertaking (KEONICS) and three private companies (NIIT, APTECH and Software Solutions Integrated) established (January 2001 to August 2002) one centre in each assembly constituency. Government subsidised fees (50 per cent) charged by the companies from the trainees and provided infrastructure (computers, hardware) at Rs.6.25 lakh per centre. The

total expenditure incurred was Rs.16.11 crore (infrastructure-Rs.14.19 crore, subsidy-Rs.1.92 crore). These agencies were to impart training in various courses with different duration and curricula as approved by the Department of IT&BT for a period of five years and upload bio-data of successful candidates into the website of the Department to enable such candidates to secure jobs. Scrutiny revealed the following:

- ❯ The firms selected candidates for all the seats as the Zilla Panchayats (ZPs)/Taluk Panchayats (TPs) who were to select candidates up to 50 per cent of seats from below poverty line (BPL) families, did not do so.
- ❯ The officers of ZPs, Deputy Commissioners and the Project Director, Swarnjayanti Gram Swarozgar Yojana (SGSY) in each district were to visit centres and furnish reports to Chief Executive Officer (CEO), ZP and the Director, Information Technology and Bio-technology. But, such visits were not made. Periodicity of such visits had also not been prescribed except for Project Director, SGSY.
- ❯ Out of 86,355 candidates enrolled, 63,497 candidates completed (December 2003) training. However, bio-data of only 37,187 candidates was uploaded to the website of the Department. Details of candidates who secured employment were not available with the Department. No reasons were on record or furnished to Audit for the companies not claiming subsidy of Rs.52.60 lakh (at the minimum rate of Rs.200 per course per trainee) from the Government and also for not uploading the bio-data of the remaining candidates.

In the absence of periodical inspections, details of candidates sponsored by ZPs, non-disbursement of subsidy and failure of uploading of bio-data of candidates and evaluation of training in all centres, the claim of having trained 63,497 candidates and optimum utilisation of infrastructure supplied at a cost of Rs.14.19 crore was not susceptible to verification.

3.1.13 Non-utilisation of infrastructure in Yuva.Com Centres

Infrastructure supplied to five Yuva.com centres during January 2002 to April 2002 had not been put to use as no training was imparted in these centres. Thus, expenditure of Rs.31.25 lakh on supply of infrastructure to these centres was rendered unfruitful.

3.1.14 Excess payment of subsidy to Yuva.com centres

Failure to restrict subsidy to 50 per cent of fee resulted in excess payment of Rs.20.32 lakh

Scrutiny of disbursement cases of subsidy of Rs.1.92 crore revealed excess payment of Rs.20.32 lakh by KBITS to the companies. Excess payment was due to not restricting subsidy to 50 per cent of fees charged by the companies. State Government admitted (June 2004) the excess payment and recovered Rs.17.78 lakh as of September 2004.

3.1.15 Indian Institute of Information Technology, Bangalore (IIITB)

IIITB had been functioning without approval of AICTE

State Government approved (July 1998) establishing of IIITB. The Institute was registered under the Karnataka Societies Registration Act, 1960. IIITB, *inter alia*, offered advanced training courses in software to graduate engineers and awarded certificates on successful completion of courses without approval of the All India Council of Technical Education (AICTE). AICTE objected (May 2001) to conducting training courses without their approval and urged IIITB to withdraw courses. Despite these objections, 502 (2000-04) graduate engineers were awarded certificates in advanced training courses in software. State Government which had provided Rs.19.10 crore* for the infrastructure, had not taken any action to get the approval of AICTE so far. State Government stated (September 2004) that IIITB had been making efforts to get approval of the AICTE.

3.1.16 Computerisation of treasuries under the programme of electronic governance

Most important objective of prevention of over drawal of funds in excess of Budget not achieved

Under the programme of electronic governance, the activities of treasuries along with those of a few other departments were computerised. Computerisation of treasuries was completed at a cost of Rs.36 crore through the Computer Maintenance Corporation of India and the Software Technology Park of India and the treasuries started rendition of compiled accounts from November 2002. Scrutiny of records in the Directorate of Treasuries revealed (April 2004) that the objective of timely rendition of accounts and prevention of withdrawal of funds in excess of budget provision had not been achieved. Funds were drawn in excess of budget provision under 38 Heads of Account while in respect of another 13 Heads of Account, provisions were incorrectly uploaded and 25 departments (out of 104 departments) did not upload budget provisions. Data on expenditure and revenue, DDO-wise, was also not generated. Further, there were delays ranging from 12 to 68 days in rendition of monthly accounts (27 treasuries for March 2003 and April 2003, 17 treasuries for October 2003, 20 treasuries for March 2004), besides non-submission of vouchers for Rs.10.11 lakh for November 2002 and repetition of voucher numbers.

Deputy Director of Treasuries (Network), Bangalore, stated (May 2004) that Chief Controlling Officers of some departments were not familiar with computerised formats and therefore, budget provisions were not uploaded.

Creation of infrastructure

The Mahithi policy provided for establishing Software Technology Parks (STP) at Hubli and Mangalore and incubation centres under the programme for creation of infrastructure. Scrutiny of records revealed that the objectives

* Capital grant Rs.five crore in November 1998, Rs.two crore in January 2001 from budget grant, Rs.5.10 crore from Mahithi Bond Account and Rs.seven crore from HUDCO loan

of establishing STP, Hubli and incubation centres had not been achieved as discussed in following paragraphs.

3.1.17 Software Technology Park, Hubli

Failure to get title of the building even after five years rendered expenditure of Rs.32.26 crore unfruitful

KEONICS identified Hubli as the potential place for software development and took possession of a building with floor area of 3.40 lakh sq.ft. to establish a Software Technology Park (STP) after payment (February 1999) of Rs.one crore against the agreed value of Rs.23 crore. The building was built (1996-99) by Hubli Dharwad Municipal Corporation (HDMC) out of HUDCO loan. With the announcement of the IT Millennium Policy, Government accorded (November 2000) *post facto* approval for purchase of the building for Rs.15.84 crore only as against Rs.23 crore demanded by HDMC and decided to repay the loan to HUDCO. The Government also approved remodeling of the building which was completed (September 2002) at a cost of Rs.16.42 crore. As HDMC did not transfer the title of the building, demanding the value of Rs.23 crore as decided in January 1999, KEONICS could not market any space except 57,353 sq.ft. (40,129 sq.ft. to Software Technology Park of India (STPI) and IITB during September 2001 and December 2001, free of cost and 17,224 sq.ft. to four private entrepreneurs on monthly rent during April 2002, November 2002 and February 2004).

State Government stated (June 2004) that KEONICS was unable to market space due to non-transfer of title in its favour. KEONICS had also not recovered rent of Rs.63.66 lakh from the entrepreneurs and not entered into agreement with them for the same reason. Thus, failure of the Government to get the title transferred in favour of KEONICS even after five years of taking possession of the building with sale/lease area of 2.83 lakh sq.ft resulted in non-achievement of the objective besides rendering expenditure of Rs.32.26 crore* largely unfruitful.

State Government, in spite of availability of funds in Mahithi Bond Account also delayed repayment of loan to HUDCO till May 2001 due to administrative procedures, resulting in avoidable expenditure of Rs.3.27 crore towards interest.

3.1.18 Incubation Centres

Functioning of Incubation Centre was not ensured

State Government released grant of Rs.1.3 crore[⊗] to 13 engineering colleges located in different district headquarters through Deputy Commissioner of respective district, at the rate of Rs.10 lakh. Colleges were to establish Incubation Centres providing space, computers and communication facilities. New entrepreneurs desirous of setting up software business were to utilise facilities available in the Incubation Centres for short periods and pay rent for the period during which the facilities were used. Out of 13 Centres, utilisation

* Rs.29.03 crore out of Mahithi Bond Account and Rs.3.23 crore out of State Government budget

⊗ December 2000 - Rs.10 lakh, March 2001- Rs.90 lakh, December 2001- Rs.20 lakh and March 2003 - Rs.10 lakh

certificates were furnished by 11 Centres while activity reports were furnished (August 2004 to October 2004) by nine Centres only. Scrutiny of their activity reports revealed that three Centres (Madikeri, Mandya established in March 2002 and Tumkur established in April 2004) were not functioning, two Centres (Shimoga and Chitradurga) were implementing job orders such as taking computer prints and remaining four Centres (Belgaum, Bellary, Uttara Kannada and Gadag) established between January to November 2002 functioned for one to six months only. Thus, the purpose of establishing Incubation Centres had not been achieved which rendered the expenditure of Rs.1.3 crore largely unfruitful.

3.1.19 Bio-technology park not established

KBITS purchased (February 2003) 85.85 acres of land from the Karnataka Industrial Area Development Board in Electronic City at a cost of Rs.13.96 crore (Rs.8.96 crore paid out of HUDCO loan and Rs.five crore by KEONICS) for establishing Bio-tech Park. The land, despite demand from certain companies for allotment, could not be developed due to litigation on certain portions of the land (10 acres). As such, the project of establishing Bio-tech Park had not taken off, in spite of huge investment out of borrowed funds. Consequently, the investment of Rs.13.96 crore remained unfruitful.

Tax concessions and advertisement charges

3.1.20 Decline in growth of Software Companies

As envisaged in the IT Millennium Policy, Government provided various tax concessions (sales tax exemption, entry tax exemption, rebate on purchase of land and stamp duty/registration charges) to attract software companies. The software companies were to register with KBITS to avail of tax concessions. Seven hundred and fifty seven software companies were in existence as of April 2000. Details of software companies established, registered with KBITS, companies which availed concessions and software exports during 2000-04 were as follows:

Year	Software exports (Rs.in crore)	Number of Companies		Concessions			
		Established	Registered with KBITS	Sales Tax	Stamp Duty	Entry Tax	Total
2000-01	7,475	165	-	-	-	-	-
2001-02	9,904	110	12	1	-	11	12
2002-03	12,350	116	32	1	12	6	19
2003-04	18,100	131	19	3	NA	3	6

KBITS had granted tax concessions aggregating Rs.60.90 crore. The impact of tax concessions on attracting software companies was marginal as only 37 companies out of 522 availed of the concession. The share of software export

had also declined from 38 *per cent* (2000-01) to 36 *per cent* (2003-04) of the total national exports⁵³.

3.1.21 Grant of exemption of entry tax to ineligible companies

KBITS granted entry tax exemption of Rs.1.03 crore to companies though not eligible

Companies engaged in any of the sectors (computing devices, network controller cards, memory storage units, printers and output devices, networking products, software, power supplies to computer systems, networking/cabling, *etc.*) as stipulated in the IT Millennium Policy were considered software companies and were eligible for tax concessions. However, KBITS granted (2001-02 and 2002-03) entry tax exemption of Rs.1.03 crore to four companies engaged in Information Technology Enabled Services (ITES) (Call Centres, Medical Transcriptions, *etc.*). KBITS while conceding (March 2004) that ITES companies were not eligible for tax exemption as per the IT Millennium Policy, stated that Business Process Outsourcing (BPO) policy provided for such concession to ITES companies. However, BPO policy had not been approved by the State Government. Grant of entry tax exemption in anticipation of approval of BPO policy by the Government was irregular.

3.1.22 Excess payment of advertisement charges

Exorbitant rate for advertisement resulting in excess payment of Rs.58.58 lakh

Department of Information Technology entrusted the work of releasing departmental advertisements through newspapers and magazines to two firms during 2001-02 and 2002-04 without calling for tenders in violation of the Karnataka Transparency in Public Procurement Act, 1999. As and when these agencies presented bills to the Department, the same were sent to KBITS for payment and the amount was reimbursed to KBITS later. Scrutiny of bills revealed that rates charged by these agencies for advertisement of different sizes (Black and White) were much higher than the rates fixed by the Directorate of Information and Publicity for similar advertisements. This resulted in excess payment of Rs.58.58 lakh. KBITS stated (June 2004) that payments were made according to the instructions of the Secretary, IT Department. The Government stated (September 2004) that entrustment of advertisement work to these agencies was on the grounds of their professionalism, expertise and knowledge. However, these agencies released advertisements in the same newspapers (Economic Times, Times of India, Hindustan Times, *etc.*) with which Directorate of Information and Publicity had rate contracts. Also, advertisements were released during 2004-05 through the Directorate of Information and Publicity. The reply had, therefore, no merit.

⁵³

Year	Value of National export (Rupees in crore)	Contribution from State (Rupees in crore)	Percentage
2000-01	19,576	7,475	38
2003-04	50,278	18,100	36

3.1.23 Monitoring and Evaluation

For monitoring the implementation of the computer education programme, quarterly reports for each district were to be obtained, checked and deficiencies rectified. This was not done by the Director, DSERT. There were also deficiencies in the training programme due to non-inspection of the Centres by the nominated officers.

Evaluation of training programme by officers of various Government Departments nominated by the IT Department covered 169 centres (85 in August 2002, 84 in September 2003) and performance of the remaining 65 centres was not evaluated.

3.1.24 Conclusions

- ✚ Full capacity of the 1,000 high schools selected for computer education programme was not utilised since students from higher primary schools were not shifted to high schools which had vacancies. Also students did not receive computer training for the prescribed number of hours due to inadequate power supply arrangements.
- ✚ Computer-aided education was not provided in two subjects *viz.*, English and Science while in Mathematics and Social Science, it was provided from March 2003 due to delay in providing software.
- ✚ The agencies imparting computer training in Yuva.Com Centres had not uploaded bio-data of 26,310 trained candidates, thereby depriving them of the benefits of placement for jobs.
- ✚ Software Technology Park, Hubli had not been made available to entrepreneurs, due to indecision of State Government regarding purchase price payable to HDMC.
- ✚ The impact of tax concessions on attracting software companies was marginal, as most of the companies (485 out of 522) had not availed of the concessions.

3.1.25 Recommendations

- ✚ State Government should ensure enrolment of maximum number of students in high schools under the Mahithi programme and also ensure that the prescribed hours of computer education are followed.
- ✚ Periodical progress reports regarding functioning of Incubation Centres in the engineering colleges should be obtained and reviewed.
- ✚ Necessary steps for ensuring marketing of space of STP, Hubli need to be expedited.