THIRTEENTH KERALA LEGISLATIVE ASSEMBLY

COMMITTEE
ON
PUBLIC ACCOUNTS
(2011-2014)

TWENTIETH REPORT

(Presented on 13th December, 2012)

SECRETARIAT OF THE KERALA LEGISLATURE
THIRUVANANTHAPURAM
2012

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On

Paragraphs relating to Taxes, General Education and Information Technology Departments contained in the Reports of the Comptroller and Auditor General of India for the years ended 31st March 2007, 2008 and 2009 (Civil).

2/2013.

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INTRODUCTION

I, the Chairman, Committee on Public Accounts, having been authorised by the Committee to present this Report, on their behalf present the Twentieth Report on Paragraphs relating to Taxes, General Education and Information Technology Departments contained in the Reports of the Comptroller and Auditor General of India for the years ended 31st March 2007, 2008 and 2009 (Civil).

The Report of the Comptroller and Auditor General of India for the year ended 31st March, 2007 (Civil) was laid on the Table of the House on 26th February, 2008, the Report of the Comptroller and Auditor General of India for the year ended 31st March, 2008 (Civil) was laid on the Table of the House on 23rd June, 2009 and the Report of the Comptroller and Auditor General of India for the year ended 31st March, 2009 (Civil) was laid on the Table of the House on 25th March, 2010 respectively.

The Committee considered and finalised this Report at the meeting held on 10th December, 2012.

The Committee place on record their appreciation of the assistance rendered to them by the Accountant General in the examination of the Audit Report.

Dr. T. M. Thomas Isaac,
Chairman,
Committee on Public Accounts.

Thiruvananthapuram,
13th December, 2012.

REPORT

TAXES, GENERAL EDUCATION AND INFORMATION TECHNOLOGY DEPARTMENTS

AUDIT PARAGRAPH

Failure to operationalise Computerised Information System.

The Department failed to operationalise Computerised Information System despite investing ₹ 19.57 crore over a period of ten years

Government decided (1998) to modernize the operations of the Check-posts and different offices in Commercial Taxes Department (CTD) through a well designed, Computerized Information System. The development of Kerala Commercial Taxes System (KCTS) was entrusted to M/s Tata Info Tech Limited (TIL) and Kerala State Electronics Development Corporation (KELTRON) during January 2000. As per the tripartite agreement executed between CTD, KELTRON and TIL, the software KCTS was to be developed at a cost of ₹ 70 lakh within 12 months. Mention was made in paragraph 5.1.5(3) of the Report of the Comptroller and Auditor General of India for the year ended 31st March, 2002 (Civil) about the delay in commissioning the software developed for computerization of the Commercial Taxes Department due to non-availability of hardware and connectivity between servers and offices.

A review of the further progress in the implementation of Computerised Information System conducted during February-March 2007 revealed that the delay in providing hardware and connectivity persisted and as a result a working software has not yet been installed as detailed below:

(a) The Department invited tenders for procurement of hardware during November 2002 to facilitate online data entry. At the processing stage it was decided that off-line data entry would be less expensive. This resulted in delay in issuing supply order till October 2003. The installation of hardware supplied during January 2004 was also delayed till September 2004 due to delay in site preparation.

(b) KCTS was to be run in client-server architecture. In order to integrate the data at State level, Local Area Networks (LAN) connecting all computers within each office and Wide Area Network (WAN) linking all the offices to the Commissionerate were essential. Though the work order for setting up of LAN at a cost of ₹ 77.30 lakh was issued in September 2004, it was completed only during October 2005 due to delay in site readiness. The work order for WAN was issued only in April 2007.

(c) Though BSNL leased line connections were taken for District Offices and Check posts during March 2004, the Department did not take any steps to integrate the computers in 248 CTOs in 127 locations.

(d) Consequent on the introduction of Value Added Tax sanction was accorded (April 2005) for the development of VAT software at a cost of ₹ 140 lakh and the work was entrusted to M/s CMC limited during June 2005. But only two modules were operational at limited number of Commercial Tax Offices and Check posts as of March 2007, though acceptance certificate was issued on 18th December, 2006 for operation of 12 modules. The remaining 10 modules were yet to be operationalised in Deputy Commissioner's Office or Commercial Tax Offices for want of WAN.

Though the Department had incurred an expenditure of ₹ 19.57 crore up to March 2007, which included ₹ 10.80 crore spent towards development of KCTS, site preparation, procurement of hardware, software, networking and training, the Department stated (July 2007) that KCTS lacked utility in the scenario of KVAT. Consequently (i) ₹ 63 lakh representing 90 per cent of software development cost was rendered wasteful; (ii) the expenditure of ₹ 1.01 crore incurred (March 2004) towards procurement of license of SCO Unixware and Oracle 8i became wasteful; and (iii) 26 Servers and 943 PCs and other hardware costing ₹ 5.10 crore procured during January 2004 were idling at various Offices for more than three years. The Department also incurred unnecessary expenditure of ₹ 1.20 crore (March 2006) towards the purchase of 354 PCs for the input of data in the monthly returns filed by the registered dealers.

Though the Department invested another ₹ 8.77 crore for the development and installation of KVAT software, the Computerised Information System proposed during 1998 has not yet materialized. A critical aspect of VAT Administration is the verification of input tax credit claims to ensure that the amount claimed by the dealer has been remitted by the dealer selling them and KVAT was developed for the computerized processing of returns and refunds. As there is no manual system for such cross verification, the input tax credit claimed during 2005-06 and 2006-07 were admitted and refund allowed without any cross verification.

[Audit paragraph 4.4.6 contained in the Report of C&AG for the year ended 31st March, 2007 (Civil)]

(Notes furnished by Govt. on the above audit paragraph is included as Appendix II of this Report)

Based on the audit paragraph, the Committee pointed out that though the department had invested an amount of ₹ 19.57 crore for a period of 10 years, the proposed computerised information system was not materialised and they could not even set-up the Wide Area Network effectively. The Committee enquired the latest position of the case.

2. The Secretary, Taxes Department replied that the audit objection was not justifiable because Sales Tax Department was the first Department in the State which successfully implemented the Computerisation process owing to which the Tax collection was happening at the optimum level. Not only that, the Sales Tax Department received an award from the Central Government for the implementation of a very effective e-Governance system. The Secretary added that all returns were filed online and the Department had even implemented a system that could compare the filed returns and correct mistakes, if found.

3. The Committee responded that the facts deposed by the Secretary were about the current scenario, but the Accountant General's remarks were about the period prior to April 2007. For this, the Secretary, Taxes Department told that it was in the year 2005 when KVAT Act came into force the software was developed for the General Sales Tax Act which was prevalent before 2005. Though software for the new KVAT Act was changed, all the hardware bought was used for the KVAT Act.

4. The Committee then enquired about expenditure side of the matter such that the audit which was conducted on the year 2006, ie. after KVAT Act came into force. Even though during the period of ten years mentioned here, KGST Act had been followed for nine years, the Department could spend only ₹ 2 crore, out of the ₹ 19.57 crore. So the Committee enquired the reason for balance amount left unspent.

5. The Commissioner, Commercial Taxes Department deposed that ₹ 63 lakh was spent for Software Development for KGST and this software became obsolete when VAT came into existence. The Secretary, Taxes Department supported the Commercial Taxes Commissioner's arguments by adding that the Committee's inference that money was wasted in the context was not correct. By reading out the audit objection about the delay in setting up of Local Area Network/Wide Area Network (LAN/WAN) for linking offices of Taxes Commissionerate, the Committee mentioned that work order for the setting up of Local Area Network at a cost of ₹ 77.30 lakh was issued in September 2004, and the work was completed in October 2005. But the tender for WAN was invited only in 2007. The Secretary submitted that the tender quoting ₹ 1.69 crore was forwarded to Government on 18-8-2006. This tender was rejected based on a petition and was retendered at a higher rate of ₹ 1.90 crore to the same party, that is M/s Frontier Software. The Committee reiterated that the work order was issued only in April 2007 after a delay of two years.

6. To a query from the Committee about the present position of the case, the Commissioner, Commercial Taxes Department apprised that their Department had achieved 100% computerisation and became the only State in India to do this. The amount spent for the Computersation is 0.05% of collection which is a global bench mark.

7. The Committee remarked that the revenue collection got better in the State mainly because of the introduction of VAT system and through the Amnesty Scheme. However the Department was answerable to the idling of the hardware and servers for 2 to 3 years, which was bought in the year 2004. The Secretary, Taxes Department told that the hardware would always be used even if software is changed. The Committee retorted that the guarantee period of every hardware expired after three years and also remarked that many Departments had kept packets of computers without even breaking the seals which had been reported many a time by the Accountant General. The Commissioner, Commercial Taxes Department admitted that the guarantee period of the hardware got expired. The Committee enquired whether there were any unsealed computers at present as reported by Accountant General. The Secretary, Taxes Department said that situation had changed contrastingly and currently there was dearth of IT equipments in their offices and that they were constantly raising demand for more and more software and hardware.

8. The Committee then enquired about another issue related to the software "Computerised Information System" proposed during the year 1998 which was developed for giving input tax credit. As it could not function, the input tax credit claimed during 2005-06 and in 2006-07 were admitted without any verification. The Commissioner, Commercial Taxes Department deposed that the input credit system was being built up module-wise and currently the final module was being done. On a random basis a manual cross checking of data was being done. At present cross verification of data pertaining to any place in India could be done through this software. To a query from the Committee whether the Department could retrieve the deficit amount found during random checks, the Commissioner told that cross checking was the main purpose of the system, however evading from the exact question or the expected output of such a process.

Conclusion/Recommendation

9. **The Committee is disappointed to note that the department had not properly utilised the amount of ₹ 19.57 crore earmarked for the computerisation of the Commercial Taxes Department over a period of ten**

years. The Committee came to the conclusion that the sole reason for the failure in implementation of computerisation was not the introduction of KVAT Act because out of the ten years in question, the Department was following the KGST Act for nine years. Hence the department could not escape from the responsibility for the failure in implementation of the scheme simply by blaming the new legislation on taxation.

10. **Even though the Committee expressed its satisfaction over the current performance of Commercial Taxes Department, it could find no justification for the failure on the part of the department in keeping hardware and software costing ₹ 5.10 crore, idle for 2 to 3 years and warranty period was only for 3 years. The Committee also observed that the delay in materialising the Computersied Information System had resulted in admitting the input tax credit claims for two years without any cross verification. The Committee urges the department to inform measures taken to retrieve the deficit amount if any, found during cross checking of data.**

GENERAL EDUCATION DEPARTMENT

AUDIT PARAGRAPH

Irregularities in accounting transactions and cash management in Kerala State Open School

Financial rules and procedures were not followed in Kerala State Open School which led to diversion of ₹ 6.74 crore by SCERT, non-maintenance of accounts, non-adjustment or belated adjustment of advances and lack of prudent cash management.

Government approved (April 1999) establishment of the Kerala State Open School (KSOS) as a separate wing of the State Council of Educational Research and Training (SCERT), a society registered under the Travancore Cochin Literary, Scientific and Charitable Societies Act, 1955, to give opportunities for continuing education to drop outs from schools and to provide facility for private registration to students who do not get admission to Plus Two courses.

Scrutiny of the records of the KSOS revealed non-adherence to financial rules and procedures, mismanagement of cash, non-adjustment/belated adjustment of advances, etc. as detailed below:

(i) During 2005-06 and 2006-07, receipts amounted to ₹ 8.20 crore and ₹ 7.10 crore respectively whereas the expenditure was ₹ 3.15 crore and ₹ 4.80 crore respectively. Neither separate accounts were prepared for KSOS nor the transactions were incorporated in the accounts of SCERT.

Government stated (July 2008) that accounts of KSOS for 1999-02 had since been prepared and preparation of accounts for the years from 2002-03 was in progress.

(ii) SCERT diverted ₹ 6.74 crore out of KSOS funds up to 31st March, 2007 towards its expenditure on plan schemes as the grant-in-aid received from Government was less than its actual requirements. This had not been replenished so far. Government stated (July 2008) that sanction was issued for utilisation of ₹ 1.29 crore from KSOS funds as a stop-gap arrangement for the training programme for Higher Secondary teachers and that the Director of Higher Secondary Education had agreed to settle the account shortly. But the reply of Government was silent on the balance amount of ₹ 5.45 crore.

(iii) There was a closing balance of ₹ 15.5 crore as on 31st March, 2006, in savings bank accounts (₹ 7.5 crore) and current account (₹ 8 crore) kept by KSOS with State Bank of Travancore (SBT), Poojappura. On conversion of the current account on 10th April, 2006 as savings bank account the balance (₹ 8.27 crore)* was transferred to savings bank account. Meanwhile on 5th April, 2006, as against financial provision the Director opened a new savings bank account at Canara Bank, Thrivikramangalam branch in his own name and deposited ₹ 2 crore by withdrawing the money from his joint account with the Finance Officer at SBT, Poojappura without any specific reason. Based on the decision (April 2007) of the Governing Body of SCERT, ₹ 10 crore was deposited in June 2007 as Fixed Deposit (FD) for a period of one year in State Bank of India which carried an interest of 10 per cent. Had this amount along with ₹ 2 crore held with Canara Bank been deposited in FD from April 2006 onwards, the interest that would have been additionally earned by KSOS would be about ₹ 91 lakh for the period April 2006 to May 2007 calculated at the difference in interest rate of FD (10 per cent) and savings bank (3.5 per cent). Government stated (July 2008) that the amounts were retained in SB account as the requirement of funds for implementation of various schemes at short notice was not predictable.

(iv) KSOS had been disbursing the amounts in lump sum to the implementing officials for various programmes as temporary advances. Article 99 of Kerala Financial Code stipulate that these advances should be settled within a reasonable time and in cases where unutilised amount had not been surrendered or adjustment bills not submitted in time, the

* Included ₹ 27 lakh credited to the account subsequently by way of various fees.

entire amount of advance with interest at 18 per cent was recoverable from the recipients. During 2006-07, KSOS had disbursed temporary advances of ₹ 4.41 crore in 862 cases. Of this, in 854 cases refunds of excess advance of ₹ 2.16 crore were made indicating that the temporary advances were made without any assessment, hence they were far in excess of actual requirements. In some cases, only part of the advance was settled and the balance retained by the officers for long periods. In the absence of a separate set of accounts for KSOS, the exact amount of unsettled advances could not be quantified. Government stated (July 2008) that action had been initiated to settle the balance amount of advances on a time bound basis and stringent action including levying of interest for delay in settlement was being taken. Thus the funds collected and utilised by KSOS are not properly monitored by SCERT, though KSOS was formed as a separate wing, to ensure financial prudence. This has resulted in huge accumulation of unutilised balances in nationalised banks and diversion of a part of the funds for its own purpose by SCERT which was against the objectives/guidelines of the scheme.

[Audit paragraph 4.5.5 contained in the Report of C&AG of India for the year ended 31st March, 2008 (Civil)]

(Notes furnished by Govt. on the above audit paragraphs is included as Appendix II of this Report)

11. Based on the audit observation, the Committee enquired the reason for diverting ₹ 6.74 crore out of Kerala State Open Schools (KSOS) funds up to March 2007 towards SCERT's expenditure on plan-schemes. The Committee also raised doubts on the procedure of diverting a plan fund. The Committee wanted to know whether the fund was reflected in SCERT account. The Secretary, General Education Department deposed that Kerala State Open School was a part of SCERT and came into existence as a separate entity in 1999-2000. This was not a Government funded unit but formed with course fees and caution deposits mainly intended to drop-outs from open schools. The Secretary added that SCERT being the parent organisation, the fund received was utilised for some other purpose. However that was done in the initial stages and as soon as the Accountant General pointed out the issue, it had been stopped, from 2007-08 onwards.

12. At this point, the Committee said that out of ₹ 6.74 crore, ₹ 1.29 crore had been spent towards KSOS training and sanction had been obtained for the same as well. But there was no reference for the remaining ₹ 5.45 crore which the Committee viewed dubious. The Secretary, General Education Department

apprised that the remaining amount of ₹ 5.45 crore was given to the Director, Higher Secondary Education and was spent for a purpose which was not meant. He said that it was not the Open School which utilised the amount, however it could not be termed as a diversion. Expressing its displeasure at the stand of the Department, the Committee reiterated that this was exactly what is called a diversion. Not only that the Director opened a new Savings Bank Account in Canara Bank and deposited ₹ 2 crore without obtaining anybody's permission.

13. To the query of the Committee, the Secretary, General Education Department explained that for conducting training under schools of SCERT, the money from Open School was used as there was excess fund with them. The Committee retorted that the SCERT was said to have no account. The Secretary, General Education Department apprised that initially there was no fund in SCERT. But when there was dearth of fund for conducting a training based on a request from Higher Secondary Department, Government allowed to borrow money from KSOS. Sanction was obtained for ₹ 1.29 crore only. The balance amount of ₹ 5.45 crore had been accounted in SCERT account and used for the Higher Secondary Training. The Director, SCERT supplemented the Secretary, General Education Department by saying that there was clear record for the balance amount and the total amount spent was ₹ 8,33,64,420. The Committee concluded that initially there was no separate account maintained for KSOS and hence it could not be submitted at the time of audit, but SCERT recorded the expenditure and it was submitted later.

14. The Director, SCERT apprised that, action was taken in the year 2007 to check and correct the accounts and expenditure which got mixed between KSOS and SCERT and the task was assigned to the group 'Indian Institute of Public Accounts'.

15. The Committee raised a few more queries about the remaining ₹ 5.45 crore such that the period during which this amount was expended, whether sanction was sought before spending the amount or after spending the amount etc. The Director, SCERT replied that ₹ 5.45 crore was spent during the period up to 2006 based on the order dated 11-2-2006. However some amount was spent even before the issuance of that order mainly because of the dearth of fund. The Committee then directed that prior sanction should be obtained before spending any amount as per the provisions laid down in Rules for expenditure and stood firm on the point that the Department had no rights to spent money without getting prior sanction and discarded the contention of the Director that paucity of funds might have prompted them to go ahead with spending fund from a different account.

16. The Committee mentioned that the Government had given advance funds even before, but with a condition to settle the accounts within a stipulated time frame. The Committee then asked whether any such condition was put forth in the present case. The Director, SCERT replied that the advance amount should be settled within 15 days from the allotment date and if not, an interest @ 18% would be levied. In this case out of ₹ 1,62,820 due from KSOS on account of interest, ₹ 93,204 was yet to be recovered. He also added that ₹ 2.165 crore was given as advance and the accurate data regarding interest is not available with them. However interest @ 18% was levied from the allottees on account of the funds released in advance from the year 2007 onwards and accounts had been cleared as well. But a few cases were still pending with the court.

17. The Committee then invited its attention towards transfer of funds amounting to ₹ 2 crore into the bank account of the Director and said that on 5th April, 2005, in violation of financial provision, the Director opened a new savings bank account at Canara Bank, Thrivikramangalam Branch in his own name and deposited the amount after withdrawing the money from his joint account with the Finance Officer at SBT, Poojappura without any specific reason. The Committee opined that this was a clear case of corruption which warranted disciplinary action against the delinquent officers and enquired whether any action was taken against this Director. The Director, SCERT answered that the amount was transferred based on an order from the Government and the amount was deposited in the name of the Director, SCERT with prior permission. But later, in the light of Accountant General's observation, the amount was again deposited in the old account along with the interest for one year.

18. The Committee remarked that instead of depositing it in the name of Director, SCERT, it was put in the own 'Name' of Dr. E. Valsalakumar, Director, SCERT which was an entirely different scenario.

19. The Secretary, Finance (Expenditure) Department who agreed with the views of the Committee supplemented that the Director opened an account based on the Department's sanction which was only on the official name of Director, SCERT, but not in his own name. The Committee added that the official capacity was only for 'Director, SCERT', not for the own name of the Director and hence termed this action as highly irregular. The Director, SCERT was still advocating their position by mentioning the Government order which said that "Government has examined the matter and pleased to accord sanction to open and operate a Bank Account in the name of Director SCERT." The Committee strongly disagreed the contention of the Director and stated that the action of the Director having opened a new S.B. account in his own name and the Government

order issued for transfering the fund into a single account instead of a joint account was not tenable. The Committee felt the need for taking disciplinary action against the delinquent.

Conclusion/Recommendation

20. **The Committee is perturbed to note that the department had diverted ₹ 6.74 crore from Kerala State Open Schools Funds towards SCERT's plan funds, violating the norms of reappropriation of Funds and without obtaining the required sanction from the Government. The Committee views seriously the action of the department and suggests that strict instructions be issued to ensure that such lapses does not occur in future.**

21. **Regarding the transfer of fund worth ₹ 2 crore into the personal account of Director SCERT, the Committee views it as a clear case of corruption and financial misappropriation and opined that the action of the Director as well as the sanction accorded by the Government for transferring the fund into a single account instead of joint account was illegal. The Committee recommends to take stringent action against those responsible.**

AUDIT PARAGRAPH

Irregular expenditure on distribution of workbooks to non-focus group children in violation of SSA guidelines

Expenditure of ₹ 1.96 crore was incurred under the Sarva Shiksha Abhiyan Scheme for distributing workbooks free of cost to non-focus group children of Classes I to VII against the scheme guidelines.

The State Level Monitoring Committee of Sarva Shiksha Abhiyan (SSA) approved (March 2008) the printing of a workbook named 'Kanikonna' to be distributed to the students of Classes I to VII before 15th April, 2008 for making their vacation more creative and meaningful. The District Project Offices of SSA were allowed to arrange the printing work themselves. The printing work was done through printing presses under the co-operative sector and Government Autonomous Bodies like the Kerala Audio Visual and Reprographic Centre, Thiruvananthapuram and the Kerala Books and Publications Society, Kakkanad, Ernakulam.

As per the guidelines, workbooks can be provided to only focus group children (SC/ST/Girl students) in Classes I to VII. It was noticed in audit that the workbooks were distributed free of cost to children of non-focus groups and expenditure of ₹ 1.96 crore* incurred on distribution of workbooks to non-focus groups was charged to the SSA accounts. As it was against the guidelines of SSA, the expenditure incurred on this from SSA funds was irregular.

* In respect of 13 districts for which information was made available.

The State Project Director, SSA stated (June 2009) that all groups were included to avoid creation of social problems by neglecting some sections in the society. Government stated (October 2009) that the commitment was that the material should be distributed to all children from Classes I to VII during the vacation period. The reply is not in consonance with the guidelines/norms of SSA which restricts the distribution of workbooks to focus-group children only and the Government should have met the expenditure on provision of workbooks to non-focus children from its own funds.

[Audit paragraph 2.5.2 contained in the Report of C&AG for the year ended 31st march, 2009 (civil)]

(Notes furnished by Govt. on the above audit paragraph is included as Appendix II of the report)

22. With respect to the audit observation, the Committee enquired the reason for acting against the guidelines and prescribed norms of Sarva Shiksha Abhiyan, during distribution of work books free of cost to non-focus group children of classes I to VII at a total cost of ₹ 1.96 crore. The Secretary, Finance (Expenditure) Department apprised that from March 2008 onwards, a decision was taken in All India Level to give books to both non-focus and focus groups children. Supplementing the views of the Finance (Expenditure) Secretary, the Committee added that the Director put forth the request to Government of India mainly to avoid discrimination between children on the same class while distributing study materials. Due to this action more students got benefited which was a positive outcome.

Conclusion/Recommendation

23. **No comments**

INFORMATION TECHNOLOGY DEPARTMENT

Loss of Rental Income Due to Relaxation in Leasing Criteria

Relaxation in criteria adopted for leasing out area in 'VISMAYA' building of INFOPARK resulted in loss of ₹ 1.86 crore towards rent for a period of three years from May 2005

INFOPARKS, KERALA, a society registered under the Travancore Cochin Literary, Scientific and Charitable Societies Registration Act, 1955 promoted by the Government of Kerala for IT infrastructure development came into being on 27th October, 2004 with the transfer of 91.90 acres of land and assets thereon owned by Kerala Industrial Infrastructure Development Corporation Limited (KINFRA). INFOPARKS KERALA constructed another building 'VISMAYA' in

October 2005 with a total area of 232866 square feet space in eight floors (including ground floor). The ground floor of the building was leased out to five different firms. While calculating the leased portion of the ground floor area, lobby, toilets, corridors, stairs etc. were excluded from rent as 'common area' as they were utilised by all the tenants.

The entire first and fourth floors of the building was leased out to M/s. U.S. Technology and M/s. Wipro Limited respectively whereas the entire second and third floors was leased out to M/s. Affiliated Computer Services. In all the above cases common area which included toilet, lobby, corridors, etc., were included for calculation of leased area because the entire floor area was leased out to a single entity. But this criteria was not adopted in the case of M/s. Tata Consultancy Services (TCS) to whom the entire fifth, sixth and seventh floors were leased out for a period of five years from May 2005 @ ₹ 16 per sq.ft. per month plus ₹ 3.50 per sq.ft. per month towards service charges. In the instant case, 'common area' of 26550 sq.ft. which included lobby, toilets, corridors etc., were excluded from calculation of lease rent to be paid by private institutions. Thus relaxation in criteria to fix leased out area in case of TCS resulted in loss of lease rent of ₹ 1.86 crore for a period of three years from May 15, 2005 onwards.

Government stated (May 2008) that the TCS was the first major IT company of international repute to acquire space in the INFOPARK when the park was struggling to rent out the built up space and inclusion of the common area in the space leased out to TCS had to be considered in this context. As the other IT companies viz., ACS of India and Wipro had also entered into lease from May 2005 itself, at higher or equal rental alongwith lease rent for common area included in the amount to be paid by lessee there was no need for extending a concession or favour to TCS alone which had led to a loss of ₹ 1.86 crore to auditee.

[Audit paragraph 4.5.6 contained in the Report of C&AG for the year ended 31st March, 2008 (Civil)]

(Notes furnished by Govt. on the above audit paragraph are included as Appendix II of this Report)

24. On examining the audit observation the Committee understood that while leasing out floors of Kochi INFOPARK building, VISMAYA, different criteria were adopted for M/s. TATA Consultancy Services to whom the entire 5th, 6th and 7th floors were leased for a period of five years starting from May 2005. While common area (lobby, toilet, corridor) was included for calculation of rent for M/s. US Technologies and M/s. Wipro who occupied ground to 4th

floors, it was not followed in the case of M/s. Tata Consultancy Services. The Committee enquired the reason for such a disparity shown towards firms which resulted in the loss of ₹ 1.86 crore in terms of lease rent.

25. The CEO, INFOPARK explained to the Committee that it was only in October 2004 that INFOPARK was formed as a society though the launching of the same happened in November 2003. From its formation in the year 1993 till the year 2005, not a single multi-national company could be invited to our State. The only big company in INFOPARK during that period was M/s. UST Global. Moreover during that period all thought about Bangalore and Hyderabad whenever the idea of IT-outsourcing arose. In order to bring Kerala into the radar it was highly essential to induce some confidence in some multi-national companies by providing an environment conducive to their operations. The first multi-national company came to Kerala was M/s. TCS and only after signing the lease agreement with M/s. TCS, other companies followed.

26. The Committee still had apprehensions about the explanation given and said that audit objection was something different about leasing of various floors of the building. The Technical Advisor, INFOPARK apprised that the construction of building 'VISMAYA' started in August 2003 and completed in October 2005. However the lease agreement with M/s. TCS was signed nine months before the completion of building i.e. on 12th January, 2005. WIPRO and other companies joined the INFOPARK subsequently. While M/s. TCS, the first company to sign the agreement came to INFOPARK, the construction of toilet, lobby, cafeteria etc. was not completed and hence the concession was given to them in rent. The Technical Advisor also added that currently around 104 companies were functioning with about 14000 employees at INFOPARK and some concessions should be given in order to boost IT development.

27. Quite satisfied with the response, the Committee enquired about the job opportunities in call centre profession in Kerala. The CEO, INFOPARK replied that there wasn't any interest among job aspirants for call-center profession now-a-days because the youth resources are professionally educated and interested in programming and engineering field. The Committee opined that students in arts and science colleges should be given training in English languages so as to improve their communication skills as well as their voice and accent which would enable them to take up call center profession with ease. This could be either mandatory or optional, but in either case a training to improve spoken english should be given to our graduate students. This suggestion was backed by the CEO, INFOPARK and he added that such a training would help students to prove their efficiency in IT field.

Conclusion/Recommendation

28. **No Comments.**

AUDIT PARAGRAPH

IT Audit of Akshaya, an e-Governance Project of Government of Kerala

Highlights

Akshaya, an ongoing e-governance project for providing Information Communication Technology accessibility and services to the citizens of the State aims to bridge the gap between 'the information rich and the information poor'. The project involves setting up of Information Communication Technology enabled centres called Akshaya e-kendras run by private entrepreneurs selected for the purpose. A review of the performance of the project revealed various shortfalls/deficiencies, viz., inadequate planning at various levels, inadequate monitoring during implementation, lack of co-ordination among Government departments, etc., resulting in nonsustainability of the e-kendras.

- Imparting 100 per cent e-literacy to every household, the primary objective of the project, was not completed even after three years. Only ₹ 28.62 lakh (41 per cent) out of the targeted 69.83 lakh households had been trained so far.

- Owing to the low turn-out of beneficiaries in the roll-out phases, ₹ 39.56 crore transferred from Local Self Government Institutions to the project remained idle.

- Due to improper selection of beneficiaries, 93.14 per cent of the sponsored candidates from among the socio-economically marginalised sections of society did not complete the e-vidya course.

- Insufficient server capacity led to overloading of the server on peak days of e-payments. A non-secured site was used for financial transactions and users were compelled to share passwords since the required number of user ids was not provided.

- The e-kendras could not perform the role of e-governance since the backend providers of information, ie., Government departments, were not ready for dissemination of information even after six years of implementation of the project.

- As against the targeted employment generation of 50000 jobs and direct investment of ₹ 500 crore by the Government, Local Self Government Institutions and Akshaya Centre Entrepreneurs during 2003-06 the achievement was only 6818 and ₹ 124.46 crore respectively.

Introduction

Government of Kerala launched (November 2002) the 'Akshaya' project, aiming to improve governance and ensure delivery of essential services to citizens in terms of e-technology enabled information and communication, particularly for the benefit of disadvantaged sections of society. The project involved setting up of around 9000 multipurpose community technology centres called Akshaya Centres (e-kendras) across the State which were the facilitation centres of the project. Akshaya Centre Entrepreneurs (ACEs)* were to set-up these e-kendras. The project catered to 65 lakh families. The proposed number of e-kendras across Kerala were subsequently (April 2005) reduced to 3000.

Delivery model planned for e-kendras

Akshaya aims at three types of service delivery models towards achieving sustainability. The first type comprises five core services in the model of 'Government to Citizens' (G2C). These services are (1) imparting training, (2) disseminating information, (3) enabling e-transactions, (4) facilitating e-governance and (5) acting as a communication hub. The second type relates to industry/business in the model of 'Business to Consumers' (B2C). Under this, e-kendras are at liberty to have tie-ups with various companies/business units to facilitate the services provided by them. The final type of models has a social perspective and provides room for social activities like clubs for kids, farmers, unemployed youth and women. The e-kendras were also endeavouring 'Citizens to Citizens' (C2C) services like establishing a networked farmers community throughout Kerala having access to information on market demand, prices, good agricultural practices, etc. They were also to help farmers for direct sale of their products without any intermediaries.

Organisational Set-up

The Akshaya project is implemented through the Kerala State IT Mission (KSITM) and is governed at the apex level by the Information Technology Department headed by a Secretary who is also the Chairman of KSITM. Akshaya has a Director at the State level and district project offices in all districts, headed by Assistant District Co-ordinators. District Collectors act as District Co-ordinators who are vested with the responsibility of financial transactions.

The District Project Office, Malappuram, from where the activities are piloted, has been given the status of a State Field Office and is directly under the control of KSITM.

* Entrepreneurs selected under the project from the locality who were to function on the social entrepreneurship model for running the e-kendras.

Objectives of the project

Akshaya was envisaged to achieve the following basic objectives:

- Ensuring access points for Information and Communication Technology (ICT) services to all sections of the society located in the remotest parts of the State so as to bridge the digital divide between the information rich and the information poor.
- Providing e-literacy training to at least one member each in 65 lakh households.
- Facilitating locally relevant content and delivery of services such as e-transactions and e-governance.
- Generating over 50000 employment opportunities and direct investment of over ₹ 500 crore in three years.

Financial Status

Up to March 2009, Government incurred an expenditure of ₹ 11.78 crore for the implementation of the project. Funds provided by Local Self Government Institutions (LSGI) were ₹ 61.69 crore for e-literacy and e-learning activities.

Scope of Audit

Performance audit of the e-governance project, Akshaya, was conducted during May to August 2008 and covered Malappuram and Kannur districts in addition to KSITM and the State Project Office. A draft performance audit report was issued (September 2008) to which the Government replied in October 2008. Since project activities had not been implemented throughout the State by 2008, a further review was conducted during July-August 2009 covering four* out of 14 districts to especially examine the effectiveness of remedial measures stated to have been initiated by the Government.

Audit Methodology

As this is an e-governance project envisaged to convey the potential benefits of Information Technology to the general public, especially the rural masses through e-kendras, Audit mainly concentrated on the formation, management and functioning of these e-kendras. For this, visits to selected e-kendras and interviews with the field staff and entrepreneurs on the basis of a questionnaire prepared for the purpose, were undertaken. The validity of the survey findings were ensured by cross-checking the information with that of the

* Ernakulam, Kollam, Kozhikode and Malappuram.

project offices. In addition, analysis of the Akshaya household database using CAATs*, and examination of IT security of the network application and software for e-payment were done. An entry conference was held with the Secretary, Information Technology Department in January 2008. An exit conference was also held with the Secretary in October 2009.

Audit Objectives

The main objectives of audit were to examine whether the project succeeded in achieving the envisaged socio-economic development in general and in particular whether:

- ICT services could be provided to the entire rural population bridging the digital divide and whether entire households were covered under the e-literacy programme;
- The five core services were effectively implemented;
- e-kendras were economically viable to ensure sustainability to deliver the intended services to citizens;
- the contents developed were useful, adequate and were effectively delivered to the citizens and
- the envisaged employment opportunities and direct investment in the project were achieved.

Audit Criteria

Audit depended on the project vision documents, guidelines and Government orders issued in this respect.

Acknowledgements

We would like to place on record our sincere thanks for the co-operation extended by the Government of Kerala, KSITM, Akshaya State Project Office, District Project Offices, especially the State field Office, Malappuram and the ACEs, who participated in the field survey.

Audit Findings

Audit noticed certain deficiencies in planning and implementation of the project. Some important findings are listed below:

Digital divide: Rural coverage;

Delay in implementation.

* Computer Assisted Audit Techniques.

During November 2002, the Government of Kerala sanctioned the implementation of the project at an estimated cost of ₹ 1.50 crore. The project was officially inaugurated by the President of India on 18th November, 2002 and commenced in Malappuram District as a pilot project.

The e-kendras were envisaged to be run by ACEs selected for the purpose. The e-kendras were opened in locations proposed by local bodies with necessary infrastructure. The e-kendras were supposed to cater to the requirements of around 2000-3000 families. The initial activity, e-literacy envisaged training of one member from each household that had no e-literate member. For imparting e-literacy, an entrepreneur was paid ₹ 140* per trainee and the amount was shared by the Local Self Government Institutions (LSGI) and the trainee at the rate of ₹ 120 and ₹ 20 respectively. Malappuram district was declared 100 per cent e-literate on 31st March, 2004.

Followed by e-literacy, e-learning and e-pay programmes were introduced in Malappuram after a break of about two years. The project covered seven† districts in 2006 and the remaining six‡ districts in 2007. In the roll-out phases, all the programmes were taken up simultaneously. The first phase programme viz. imparting e-literacy to citizens had not been completed in 13 out of 14 districts in which the programme was rolled out in the first and second phases, even after three/two years respectively. Implementation of the follow-up activities viz. e-learning and e-payment programmes were not completed in six districts in the second phase (August 2009). Implementation of each stage was ad hoc in the absence of a project report detailing the strategies, target dates for completion of e-literacy, phases of roll-out, further services to be provided to citizens, steps for conducting on the pilot project before the project was rolled out. Empowerment of the State Project Office and the District Project Offices to enforce control measures and issue guidance was not done. Co-ordination of all the departments/LSGIs/bodies concerned was not ensured. All of these were found to be the reasons for the delays in implementation.

KSITM stated (October 2009) that the e-payment and e-learning programmes were implemented on the basis of demands from the local areas. This reinforces the conclusion that the implementation was on ad hoc basis.

Non-representation of e-kendras in rural areas

According to the existing directions of the State Project Office, one e-kendra each was to be established to cater to 2000-3000 households in every

* The contribution was reduced to ₹ 120 in a ratio of 80:40 after the State-wide roll-out.

† Ernakulam, Kannur, Kasaragode, Kollam, Kozhikode, Pathanamthitta and Thrissur.

‡ Alapuzha, Idukki, Kottayam, Palakkad, Thiruvananthapuram and Wayanad.

LSGI. Accordingly, every Grama Panchayat (GP) was to have two* e-kendras to deliver the envisaged services to citizens. However, the representation of e-kendras in the GPs was found to be as shown below:

Representation of E-Kendras In GPs

Number of GPs with two or more e-kendras	602
Number of GPs with one e-kendra	346
Number of GPs with no e-kendra	51

Source: Details furnished by Director, Akshaya.

The shortage or non-representation was caused either due to closing down of unviable e-kendras or lack of volunteers interested in opening new e-kendras.

In remote and rural areas, which lacked sufficient transportation facilities, e-kendras were not functioning effectively as they were not able to sustain themselves due to insufficient income.

Districts like Idukki and Wayanad are unevenly populated because of their hilly topography. Since e-kendras were limited to two each in a GP, citizens of these districts, who required the services most, could not avail of ICT services. These areas are sparsely populated and as a result, the number of people utilising the services rendered by e-kendras were less. So it was difficult for the ACEs to operate within the limited income generated by the available activities/facilities.

e-literacy

No source data to identify the eligible beneficiaries

The primary objective of the project was to make at least one person computer-literate in every household in the State. For achieving the objective, Government directed the Local Self Government Department to provide funds for the project for imparting e-literacy training at ₹ 80 per trainee. Imparting e-literacy training at subsidized rates to more than one member in a family or to a member from a family where computer literates were already available was not envisaged. Government claimed that 28.62 lakh (41 per cent) families were trained under the scheme. The targeted number of households was stated to be 69.83 lakh on the basis of electoral rolls. However, no list of eligible households was available with the project. An amount of ₹ 21.86 crore was spent on e-literacy alone. In the absence of the source database, payments made to ACEs

* Average population of a GP is taken as 6000-7000; so number of e-kendras in a panchayat is fixed as two.

could not be checked in audit. KSITM stated (October 2009) that the beneficiary list was based on the Census 2001. However, none of the auditee units was able to produce the list to Audit.

Irrelevance of e-literacy in the roll-out phase

The intention of the Government through the e-literacy programme was to provide e-literacy training to at least one member of each household, which did not have even a single e-literate member. However, the programme became insignificant in the roll-out phase due to the fast penetration of IT even in villages, mostly because of the compulsory and formal IT education introduced in schools. This was evident from the fact that only 35.84 per cent of households joined the course in the roll-out phases.

Idling of funds transferred from Local Self Government Institutions

Owing to low response to the training programmes in the roll-out phases, funds to the tune of ₹ 39.56 crore transferred by the LSGIs to the project remained idle in the project account for years. No decision was taken (August 2009) by the Government to re-allocate funds for other purposes. KSITM stated (October 2009) that the issue was under consideration.

Unrealistic estimation of income

A vision document published in the official website of Akshaya project, contained an income generation model for e-kendras from project activities. Accordingly, the monthly average net income of an ACE was projected to be ₹ 9,000. However, the result of a field survey* conducted by Audit revealed that they were incurring a loss of ₹ 1,069 per month on an average. A comparative analysis of the claims of the project and the audit findings are given in Appendix III. As evident from the analysis, the major income was derived from activities of their own and not from the programmes of Akshaya.

The vision document also envisaged reduced electricity tariff rates to ACEs at the rates applicable for educational institutions. However, it was observed that though the e-kendras were struggling with the problem of non-sustainability, Kerala State Electricity Board (KSEB) imposed commercial tariff on electricity consumed by e-kendras.

Five core services

The five core roles envisaged to be performed by e-kendras were those of training centres, information kiosks, e-transaction centres, e-governance cells and communication hubs.

* Sixty e-kendras in four districts were surveyed in July-August 2009.

TRAINING

e-vidya course

The main course developed as a follow-up training programme for the new e-literates viz., e-vidya* attracted less public response. The reasons for this were that the course content was too basic and that it lacked acreditation by any reputed agency and had no value in the job market. LSGIs earmarked funds for sponsoring women and socio-economically marginalised factions of the society for undergoing the e-vidya course. Selection of beneficiaries was also done by the LSGIs concerned. No minimum eligibility conditions were fixed for selection of candidates. Selection of candidates without considering their willingness, aptitude and minimum qualification resulted in a dropout rate of 93.14 per cent among the sponsored candidates. This resulted in deprival of income for the ACEs.

Lack of a comprehensive structured courseware

The vision document of the Akshaya project envisaged e-kendras to conduct courses like spoken English, Arabic Typing Tutor, hardware assembling and maintenance, e-tuitions, etc. However, no courseware was developed by the project except Arabic Typing Tutor and spoken English.

Information kiosk

One of the key roles of e-kendras was to function as information disseminators so that citizens living in rural areas and places far away from district/State Headquarters could get the required information from Government offices right from the Government Secretariat to village offices through their nearby e-kendras. It was found that many Government departments and other institutions had hosted information, forms, etc., which were required by the public on their websites. Dissemination of information to the public was, however, not done effectively by the e-kendras due to the following reasons:

(i) Directions were not given by the Government to their various departments, public sector institutions, LSGIs, etc., to provide the required information to the e-kendras.

(ii) Adequate publicity was not given by Government regarding the availability of facilities in the e-kendras so that citizens could approach these e-kendras for their needs.

* An MS Office tutorial package developed in vernacular mainly as a self learning package requiring less assistance of a tutor. Course fee was ₹ 450 with an additional ₹ 50 as examination fee.

(iii) The ACEs were not fully aware about the scope of services which they had to provide to the public. They were not trained to effectively liaise with departments/institutions for collecting the information to disseminate to the public.

The e-kendras were envisaged to act as front offices of Government departments and other public institutions. The services intended to be provided, inter alia, were issuing of forms relating to the services offered, and help desk activities like helping/advising citizens to fill forms, to prepare applications/ requests/complaints etc., in specific prescribed formats. These activities would not only help the public especially illiterates, but also the Government departments. Audit found that, only two e-kendras* were providing help desk activities in the entire State. KSITM stated (October 2009) that action was being taken to implement the recommendations of Audit regarding the extent of information that can be disseminated through the e-kendras, issue specific directions to all departments/other public institutions involved in providing such information to e-kendras and also provide adequate publicity about the services/ information that can be available in the e-kendras.

e-payment

The objective of introducing e-payment was to extend FRIENDS† services, which were located only in district headquarters, to rural and remote places. The various e-services intended to be included were e-transactions in respect of various utility bills, university fees, flight/train/bus tickets, etc.

Limited coverage of utility bills

Arrangements were made in the e-kendras for e-payment of utility bills/fees in respect of BSNL‡, KSEB, the Kerala Water Authority and Calicut University. The other e-pay facilities available in FRIENDS centres such as those for building tax, property tax, land tax, road tax and fees etc., had not been extended to the e-kendras so far. While BSNL gave commission at Rupees five per bill, ACEs were permitted to collect Rupees five per bill from the consumers in respect of all other bills in addition to the bill amounts. The commission received from making e-payments after deducting service tax was the main source of income to the ACEs from the envisaged activities.

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* One in the District Collectorate and the other in the office of the Superintendent of Police, Kollam.

† Fast, Reliable, Instant, Effective, Network for Disbursement of Service (FRIENDS), an e-service project of the State Government set-up in all district headquarters for enabling payment of utility bills.

‡ Bharat Sanchar Nigam Ltd.

According to the State Project Office figures, the average number of bills received for e-payment by an e-kendra in a month was 116, involving an average total cash transaction of ₹ 42,108 and average total commission of only ₹ 520. Had all the e-pay facilities available in the FRIENDS centres been extended to e-kendras, they would have succeeded in attracting more public support and become financially viable. KSITM stated (October 2009) that about 10 more services were planned for introduction at the Akshaya Centres.

Server issues

ACEs were provided login access to the Akshaya server through http://www.e-kendra.org for facilitating e-transactions. Utility bills were generally received by ACEs in large numbers on or close to the pay-by-dates. Owing to heavy net traffic on these days, the server became so busy that the ACEs found it difficult to make e-payments in respect of all the bills they had collected. The initial server capacity made available for starting e-transactions in Malappuram district in the pilot phase was not enhanced to meet the increased demands even after rolling out the scheme to the entire State (August 2009).

Audit observed that as the ACEs had difficulty in remitting the bills on peak days, they had to restrict the number of bills on the last dates causing hardship to the public. KSITM stated (October 2009) that action was being taken to solve the problems.

Non-secured site for financial online transaction

Financial transactions enabled through web-based applications require secured websites, capturing of IP addresses, use of complex passwords, etc. Storage of transaction details and log files can act as an audit trail in locating unauthorised activities and for initiating timely remedial measures. Compromise in any of these control measures would lead to the risk of unauthorised access to the system and consequent malpractices. The website of Akshaya enabling e-payment was seen as a secured one — https://www.e-kendra.org/pay/login/login.aspx. However, immediately after the login procedure, the site was seen to be proceeding to a non-secured site viz., http://www.e-kendra.org/pay/akshaya/hhdetails.aspx, wherein e-payments involving financial transactions were made. On this being pointed out in audit, KSITM stated (October 2009) that financial transactions were carried out through the State Bank of India (SBI) website and not through the Akshaya website (e-kendra.org). However, it was found that the transactions were carried out through the Akshaya website which proceeded to a non-secured site. Thus, the particular webpage where financial transactions were being carried out was an unsecured one.

Risk of fraud due to sharing of password

Access to the Akshaya server was permitted to the ACEs and user ids and passwords were given to them for the purpose. The ACEs deployed employees for making e-transactions. Despite demands from them for additional user ids, only one user id was provided to an e-kendra, forcing them to share passwords among them. There was no provision to capture the IP addresses of computers from which logins were permitted. This could lead to malpractices being committed by employees without leaving an audit trail. Audit observed that in respect of an e-kendra in Malappuram district, one of the employees was logging on to the ACEs account and made e-payment of bills debiting the bank account of the ACE without his knowledge. By the time the ACE detected the malpractice, his account was siphoned of to the extent of above ₹ 10,000. In the survey conducted by Audit two other ACEs also stated that similar type of incidents occurred in their centres. On this being pointed out, Government stated (October 2008) that new e-payment software was being developed for secured e-transactions. However, the new software had not been installed (August 2009).

Denial of e-filing facilities to the ACEs

The Commercial Taxes Department allows online filing of tax returns. Some e-kendras have been authorised to provide e-filing services in respect of commercial tax returns, for which they have been given user ids and passwords by the department. ACEs are paid a commission of ₹ 23 per case by the department. The facility is convenient for traders, especially those who do not have internet facilities of their own. Though the Government wanted to extend this service to all the ACEs, it was observed that the Commercial Taxes Department restricted the facility to 58 out of 177 e-kendras in Kozhikode district.

e-governance cell

One of the objectives of the project was to convert e-kendras as last mile units for e-governance delivery in respect of the following:

(i) public grievance redressal system;

(ii) decision support system;

(iii) online processing of application;

(iv) information dissemination services;

(v) digital extension of campaign/awareness programmes.

However, none of the above services were available to the citizens since the backend providers of information were Government departments, which were not ready for dissemination even after six years of implementation of the project.

Communication Hub

The e-kendras were envisaged to perform the role of communication hubs, through which ICT based communication facilities were to be provided to citizens reaping benefits of the intranet. Programmes like ‘District Collector online’ by which citizens in remote localities and far-off places could communicate with the District Collector through the Akshaya intranet, seeking redressal of their grievances, were envisaged to be made available. However, except for a wireless network connectivity provided in Malappuram district, no other e-kendras were networked through intranet. Even in Malappuram, no intranet services were made available to the public and the available wireless connectivity has also ceased to exist (July 2009). The role of e-kendras as communication hubs was, therefore confined to only internet browsing centres.

Non-achievement of target in respect of locally relevant content development

The project envisaged enabling citizens to effectively acquire knowledge through a robust information system, including locally relevant information pertaining to each Grama Panchayat. Rupees one crore for every district was envisaged to be set apart for the development of locally relevant content. However, only general topic compact disks (CDs) on agriculture, health care, education, career and law were developed in 2002, at a total expenditure of ₹ 57.02 lakh. The CDs were made available to all the e-kendras for public viewing. Eighty five per cent of the ACEs surveyed stated that these CDs attracted little response from the public.

Non-achievement of target on employment generation

One of the objectives of the project was generation of over 50,000 employment opportunities during the first three years (2003-06) of implementation of the project with a direct investment of over ₹ 500 crore by the Government, Local Self-Government Institutions and ACEs. However, audit scrutiny revealed that the employment generated in eight years was only 6818 as shown in the following table:

EMPLOYMENT GENERATION

Area of employment	*Employment generated*
State Project Office	10
District Project Offices (5 x 14 Districts)	70
Akshaya Centre Entrepreneurs	2246
ACE’s employees (2 x 2246 e-kendras)	4492
Total	6818

Source: *Information furnished by Director, Akshaya.*

Against the anticipated amount of ₹ 500 crore, the direct investment was found to be only ₹ 124.46 crore, as shown below:

DIRECT INVESTMENT

Source of investment	*Total amount (Rupees in crore)*
LSGI	61.69
Project	11.78
ACE investment (2246 nos. x ₹ 2.27 lakh)	50.99
Total	124.46

Source: *Information furnished by Director, Akshaya and result of audit survey.*

Lack of co-ordination with KSEB

The success of the e-kendras mainly depended on their credibility and usefulness among the public. This success in turn was dependent on the support and co-operation of the departments/agencies whose services e-kendras helped to deliver to the public. Lack of an effective mechanism for co-ordination with KSEB resulted in frequent problems for the consumers who remitted power bills at e-kendras. A few instances noticed during field inspection are detailed below:

(i) KSEB fined consumers at ₹ 30, when their bills were paid through e-transactions at e-kendras, claiming that they had later found shortage of Rupees one or two* in cases where the consumer paid the amounts as per the authentic bills issued to the consumers.

(ii) KSEB disconnected power supply of consumers who had paid their bills through e-kendras, before ensuring whether the payment scrolls had been received from FRIENDS.

(iii) KSEB did not accept proof of payments produced by ACEs to the effect that the payments had been made in time.

On this being pointed out, Government stated (October 2008) that steps had already been initiated to address the issue but Audit found that the issues still remained (August 2009) unattended. Despite the fact that the credibility and the existence of the project were at stake, Government had not succeeded in solving the issue even after nearly a year.

Improper maintenance of household database

To make e-payments easy, web-based software was developed by Akshaya and furnished to ACEs for making a database of the persons making use of

* In spot billing manually calculated bills were served by spot billers to the consumers. When the meter reading was input into the information system, difference of Rupees one or two would arise due to rounding/carry over.

e-payment facilities through the e-kendras. ACEs were required to capture full details of the consumers from their bills when they approached the e-kendras for the first time so that the information could be made use of for future transactions. The database was maintained district-wise and centrally controlled by C-DIT*. The ACEs were not informed about the importance of the database as a result of which, care was not taken by them while capturing the details in the bills. Data analysis using CAATs† revealed the following:

(i) A total of 39914 out of 213389 records were found to be filled with junk characters due to improper data capture.

(ii) The system lacked input controls to ensure uniformity of data.

(iii) A total of 82167 telephone numbers had been recorded without their STD codes.

Since there were no unique fields in the database like voters id, with which a consumer could be uniquely identified, the database could not be used for any useful purpose.

Conclusion

The Akshaya project started with expectations of bridging the digital gap and enabling of e-governance initiatives through e-kendras as a channel to reach citizens located even in the remotest parts of the State. After completion of the pilot phase of e-literacy implemented in Malappuram district the envisaged benefits had not been fully achieved in the roll-out phase. Inadequate planning at various levels, lack of a proper monitoring mechanism during implementation, lack of adequate Government support and lack of coordination among Government departments/institutions hindered the sustainability and further development of e-kendras. Even after six years of starting the project, the Government departments were not in a position to disseminate information properly through the e-kendras.

Recommendation

Government should:

♦ consider providing supportive measures to non-sustainable e-kendras so that the envisaged benefits of e-governance reach the rural populace, especially in districts like Idukki and Wayanad;

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* Centre for Development of Imaging Technology, a public sector undertaking of the State Government.

† Computer Assisted Audit Techniques.

- ♦ examine fund requirements for e-literacy and initiate action to re-allocate the unutilised funds immediately;
- ♦ decide on the details of information that can be made available for dissemination to the public and issue specific directions to all departments/ other public institutions involved in providing such information to e-kendras;
- ♦ provide adequate publicity about the services that are available in the e-kendras;
    - extend services of e-payment facilities for all types of payments relating to all departments and
    - ensure that a mechanism is in place to effectively co-ordinate all stakeholder departments to extend support to Akshaya for the smooth functioning of e-kendras, which would eventually enhance its credibility and acceptability among the public.

The above points were referred to Government in September 2009. Reply had not been received (October 2009).

[Audit paragraph 1.4 contained in the Report of C&AG for the year ended 31st March, 2009 (Civil)]

(Notes furnished by Govt. on the above audit Paragraph is included as Appendix II of this Report)

Conclusion/Recommendation

29. **The Committee recommends that the Government should provide supportive measures to non-sustainable e-kendras so that the benefits of e-governance reach the rural populace especially in district like Idukki and Wayanad. The Committee urges the department to examine fund requirements for e-literacy and initiate action to re-allocate the unutilised funds immediately. The Committee directs the department to decide the details of information that can be made available for dissemination to the public and issue specific directions to all departments/other public institutions involved in providing such information to e-kendras. The Committee also emphasises the need for providing adequate publicity about the services that are available in the e-kendras and also urges the**

IT department to take necessary steps to extend services of e-payment facilities for all types of payments relating to all departments. The Committee remarks that an effective mechanism should be derived to co-ordinate all stakeholder departments to extend support to Akshaya for the smooth functioning of e-kendras.

DR. T. M. THOMAS ISAAC,
Chairman,
Committee on Public Accounts.

Thiruvananthapuram,
13th December 2012.

APPENDIX I

SUMMARY OF MAIN CONCLUSION/RECOMMENDATION

Sl. No.	*Paragraph No.*	*Department concerned*	*Conclusion/Recommendation*
(1)	(2)	(3)	(4)
1	9	Taxes	The Committee is disappointed to note that the department had not properly utilised the amount of ₹ 19.57 crore earmarked for the computerisation of the Commercial Taxes Department over a period of ten years. The Committee came to the conclusion that the sole reason for the failure in implementation of computerisation was not the introduction of KVAT Act because out of the ten years in question, the Department was following the KGST Act for nine years. Hence the department could not escape from the responsibility for the failure in implementation of the scheme simply by blaming the new legislation on taxation.
2	10	,,	Even though the Committee expressed its satisfaction over the current performance of Commercial Taxes Department, it could find no justification for the failure on the part of the department in keeping hardware and software costing ₹ 5.10 crore, idle for 2 to 3 years and warranty period was only for 3 years. The Committee also observed that the delay in materialising the Computersied Information System had resulted in admitting the input tax credit claims for two years without any cross verification.

(1)	(2)	(3)	(4)
			The Committee urges the department to inform measures taken to retrieve the deficit amount if any, found during cross checking of data.
3	20	General Education	The Committee is perturbed to note that the department had diverted ₹ 6.74 crore from Kerala State Open Schools Funds towards SCERT's plan funds, violating the norms of reappropriation of Funds and without obtaining the required sanction from the Government. The Committee views seriously the action of the department and suggests that strict instructions be issued to ensure that such lapses does not occur in future.
4	21	„	Regarding the transfer of fund worth ₹ 2 crore into the personal account of Director, SCERT, the Committee views it as a clear case of corruption and financial misappropriation and opined that the action of the Director as well as the sanction accorded by the Government for transferring the fund into a single account instead of joint account was illegal. The Committee recommends to take stringent action against those responsible.
5	29	Information Technology	The Committee recommends that the Government should provide supportive measures to non-sustainable e-kendras so that the benefits of e-governance reach the rural populace especially in districts like Idukki and Wayanad. The Committee urges the department to examine fund requirements for e-literacy and initiate action to re-allocate the

(1)	(2)	(3)	(4)
			unutilised funds immediately. The Committee directs the department to decide the details of information that can be made available for dissemination to the public and issue specific directions to all departments/other public institutions involved in providing such information to e-kendras. The Committee also emphasises the need for providing adequate publicity about the services that are available in the e-kendras and also urges the IT Department to take necessary steps to extend services of e-payment facilities for all types of payments relating to all departments. The Committee remarks that an effective mechanism should be derived to co-ordinate all stakeholder departments to extend support to Akshaya for the smooth functioning of e-kendras.

APPENDIX II

ACTION TAKEN NOTES ON C&AG'S REPORTS

I. (a)	Department	..	Commercial Taxes
(b)	Subject/Title of the Review Paragraph	..	Failure to operationalise Computerised Information System
(c)	Paragraph No.	..	4.4.6
(d)	Report No. and year	..	For the year ended 31-3-2007
II. (a)	Date of receipt of the Draft Para/Review in the Department	..	13-3-2008
(b)	Date of Department's reply	..	13-8-2008
III.	Gist of Paragraph/Review	..	(a) The Department invited tenders for procurement of hardware during November 2002 to facilitate online date entry. At the proceessing stage it was decided that off-line date entry would be less expensive.

This resulted in delay in issuing supply order till October 2003. The installation of hardware supplied during January 2004 was also delayed till September 2004 due to delay in site preparation.

(b) KCTS was to be run in client-server architecture. In order to integrate the data at State level, Local Area Networks (LAN) connecting all computers within each office and Wide Area Network (WAN) linking all the offices to the Commissionerate were essential. Though the work order for setting up of LAN at a cost of ₹ 77.30 lakh was issued in September 2004, it was completed only during October 2005 due to delay in site readiness. The work order for WAN was issued only in April 2007.

(c) Though BSNL leased line connections were taken for District Offices and

		Checkposts during March 2004, the Department did not take any steps to integrate the computers in 248 CTOs in 127 locations. (d) Consequent on the introduction of Value Added Tax sanction was accorded (April 2005) for the development of VAT software at a cost of ₹ 140 lakh and the work was entrusted to M/s. CMC Limited during June 2005. But only two modules were operational at limited number of Commercial Tax Officers and Check Posts as of March 2007, thoug acceptance certificate was issued on 18th December, 2006 for operation of 12 modules. The remaining 10 modules were yet to be operationalised in Deputy Commissioners Officer or Commercial Taxes Offices for want of WAN. (iii) 26 Servers and 943 PCs and other hardware costing ₹ 5.10 crore procured during January 2004 were idling at various Offices for more than three years. The Department also incurred unnecessary expenditure of ₹ 1.20 crore (March 2006) towards the purchase of 354 PCs for the input of data in the monthly returns filed by the registered dealers.
IV.(a)	Does the Department agree with the facts and figures included in the paragraph? ..	No
(b)	If not, Please indicate areas of disagreement and also attach copies of relevant documents in support. ..	The implementation of the KCTS project has taken considerably more time than expected. The main reasons are the strike of Government employees in 2002, the time taken for completing and stabilizing the pilot project, training of staff and entry of data of registered dealers. In order to integrate the computers in 248 Commercial Taxes Offices in 127 buildings,

the Government have sanctioned the setting up of WAN at a cost of ₹ 4.33 crore (non-recurring) and ₹ 58.90 lakh recurring. Based on the Technical Committee recommendations a proposal for awarding the work to M/s. Frontier Business System (Private) Limited at the lowest rate of ₹ 1,69,66,628 was sent to Government on 18-8-2006. However the Government ordered to re-tender following a petition against the selection of DAX Routers with Nortel VPN Concentrator. A fresh proposal for award of the contract to the same firm at a cost of ₹ 1,92,85,555 was forwarded to Government during March 2007 and the Government accorded sanction for awarding the contract to the lowest bidder vide G.O.(Ms.) 91/2007/TD dated 11-4-2007. It is true that there have been some delays in setting up the WAN for the Department. The Department has tried to harness the advantages in the changing situation to reduce costs. When the WAN was originally envisaged there was no SII and KSWAN. The WAN planned by the Department tries to piggy back on the SII to the extent possible without compromising on the security needs and performance of the system.

Though Routers required for the Commissionerate and District Offices/ Check posts were procured during 2003, the Router purchased for HQ had only two serial interfaces which were not sufficient to integrate 14 District Office Servers. For this purpose an additional network module NM-ICE-IB I port channalised E1/ISDN/ PRI network module was to be installed in the router. At the relevant time the Commissioner of commercial Taxes was classified as a minor head of department with purchasing powers only up to ₹ 30,000; it was in these circumstances the proposal for purchase of 2 MB network card costing ₹ 1.46 lakh was sent to Government for sanction on 25-11-2005. Sanction for the purchase of the card was issued by Government on 25-1-2006 vide G.O.(Ms.) No. 9/2006/TD dated 25-1-2006. But it was decided not to procure the Card and utilize KSWAN for CTD WAN. The leased line connections are upgraded and are being used by the Commercial Taxes Department.

All modules are not operational due to the delay in setting up of WAN. At present all modules are operational due to implementation of WAN.

The KVAT Act, 2003 requires dealers to submit returns every month to their assessment offices. Accordingly, the department is receiving monthly returns from 12998 dealers, quarterly returns from about 25000 dealers and all the dealers have to file annual return. Earlier on, under KGST there were manual registers in which date of receipt of returns from first point sellers was recorded and assessees who failed to file the returns were reminded. But the volume of return under KVAT has increased to such unmanageable levels that in most offices of the Commercial Taxes Department the manual registers have not been updated. A huge bank of computers is required to deal with the deluge of data under the KVAT. The present number of computers with Department is grossly inadequate when compared to the enormity of this task. Moreover, the returns that were being

		received in the initial years needed to be inputted, so that when the VAT software is ready for use there is no further loss of time involved in inputting data. For the data entry of returns the Department needs sufficient desktop computers. The number of computers is calculated on the basis of the returns filed by the dealer's monthly/ quarterly/annually. It was in these circumstances the Department made a proposal to utilize the balance fund for procuring additional PC's for the Commercial Taxes Department offices for inputting the data in the monthly returns of the dealers. It is not true that there has been wasteful expenditure of ₹ 5.10 crore due to idling of hardware procured during KCTS project. The hardware procured in 2004 is still being used for KVATIS.
V. (a)	Does the Department agree with the audit conclusions?	.. No
(b)	If not, Please indicate specific areas of disagreement with reasons for disagreement and also attach copies of relevant documents where necessary	.. As stated in para IV (b)
VI.	Remedial action taken:	
(a)	Improvement in system and procedure including internal controls	The Commercial Taxes Department has acquired a lot of hardware and software and has established a WAN throughout the State linking all Offices of the Department. A permanent mechanism is required to oversee the efficient deployment of these resources and to ensure that all the vendors are supplying services as per their Service Level Agreements. In the circumstances the Department has constituted an Information Technology Management Cell as per Circular No. 3-C/07/CT.

The KVATIS computerized system involves the functioning of Hardware, Software and Netwrorking components to work in tandem. If any one fails, the system fails. The down time in this situation is very critical especially in Check Posts and Intelligence Wing where information up to the point of time is required. Hence identifying the problem area and trouble shooting and co-ordinating is crucial to successful implementation of this computerised system.

In order to attain this objective the Department has initiated steps for creating 200 nos. of permanent post for availing the skilled service of System Supervisors for enhancing the efficiency of the computerization and allied activities.

(b)	Recovery of overpayment pointed out by Audit	.. Not Applicable
(c)	Recovery of under assessment, Short levy or other dues	.. Not Applicable
(d)	Modification in the schemes and programmes including financing pattern	.. Not Applicable
(e)	Review of similar cases/ complete scheme/project in the light of findings of sample check by audit	.. Not Applicable

ACTION TAKEN NOTE ON THE REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

1.	(a)	Department	..	General Education
	(b)	Subject/Title of Review/Paragraph	..	Kerala State Open School (KSOS)
	(c)	Paragraph No.	..	4.5.5
	(d)	Report No. and year	..	Report of the Comptroller and Auditor General of India for the year ended 31-3-2008 (Civil)
II.	(a)	Date of receipt of the Draft Paragraph/Review in the Department	..	31-5-2008
	(b)	Date of Department's reply	..	29-7-2008
III.		Gist of Paragraph/Review	..	Irregularities in accounting transactions and cash management in KSOS
IV.	(a)	Does the Department agree with the facts and figures included in Paragraph?	..	Reply attached in separate sheet
	(b)	If not, please indicate the areas of disagreement and also attach copies of relevant documents in support	..	..
V.	(a)	Does the Department agree with the Audit conclusions	..	Reply attached in separate sheet
	(b)	If not, please indicate specific areas of disagreement with reasons for disagreement and also attach copies of relevant documents, where necessary	..	..
VI.		Remedial Action Taken	..	Reply attached in separate sheet
	(1)	Improvement in system and procedures including internal controls	..	
	(2)	Recovery of over payment pointed out by Audit	..	

(3) Recovery of under assessment short levy or other dues	..
(4) Modifications in the schemes and programmes including financial pattern	..
(5) Review of similar cases/complete scheme/project in the light of finding of simple check by Audit	..

GENERAL EDUCATION (D) DEPARTMENT

ACTION TAKEN NOTE (ATN) ON PARA 4.5.5 OF THE AUDIT REPORT (CIVIL) OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA FOR THE YEAR ENDED 31ST MARCH, 2008 REGARDING IRREGULARITIES IN ACCOUNTING TRANSACTIONS AND CASH MANAGEMENT IN KERALA STATE OPEN SCHOOL

Sl. No.	*Audit Para*	*Audit Finding*	*Action Taken*
(1)	(2)	(3)	(4)
1	4.5.5(i)	Financial rules and procedures were not followed in Kerala State Open School which led to diversion of ₹ 6.74 crore by SCERT, non-maintenance of accounts, non-adjustment or belated adjustment of advances and lack of prudent cash management. During 2005-2006 and 2006-07, receipts amounted to ₹ 8.20 crore and ₹ 7.10 crore respectively whereas the expenditure was ₹ 3.15 crore and ₹ 4.80 crore respectively. Neither separate accounts were prepared for KSOS not the transactions were incorporated in the accounts of SCERT. Government stated (July 2008) that accounts of KSOS for 1999-2002 had since been prepared and preparation of accounts for the years from 2002-03 was in progress.	The receipts include caution deposit collected from the students which is to be refunded on completion of the course. The State Open School was established as a separate wing of SCERT subject to the condition that it will become an independent institution as and when financially viable. Now it is housed in SCERT building and at present the entire expenses on account of electricity, water, telephone etc., are met by SCERT. Further, the salary of Director and his office, Finance Officer, Accounts Officer, Cashier etc., whose services are available to KSOS also are at present met by SCERT. A scheme to apportion the common expenses and to charge a suitable portion thereof to KSOS is under consideration. Moreover the proposal for the separation is under consideration of Government. As and when separation is effected, KSOS requires own buildings, vehicles, furniture, additional staff etc. Once this is done, the expenditure of KSOS would go up.

(1)	(2)	(3)	(4)
			The accounts of KSOS for the years 1999-2000 to 2007-2008 have also since been prepared.
	4.5.5(ii)	SCERT diverted ₹ 6.74 crore out of KSOS funds up to 31st March, 2007 towards its expenditure on plan schemes as the grant-in-aid received from Government was less than its actual requirements. This had not been replenished so far. Government stated (July 2008) that sanction was issued for utilization of ₹ 1.29 crore from KSOS funds as a stop-gap arrangement for the training programme for Higher Secondary Teachers and that the Director of Higher Secondary Education had agreed to settle the account shortly. But the reply of Government was silent on the balance amount of ₹ 5.45 crore.	It is a fact that part of the surplus funds of KSOS was utilized by SCERT for meeting its requirements. This was due to the fact that grant received from Government was less than the actual requirements of SCERT for implementation of its programmes. However, the position has since changed and hence from 2007-08, such drawals from KSOS have been dispensed with. Now a proposal to repay a sizeable amount of the advance to KSOS is under the active consideration of SCERT.
	4.5.5(iii)	There was a closing balance of ₹ 15.5 crore as on 31st March, 2006, in savings bank accounts (₹ 7.5 crore) and current account (₹ 8 crore) kept by KSOS with State Bank of Travancore (SBT), Poojappura. On conversion of the current account on 10th April, 2006 as saving bank account the balance (₹ 8.27 crore) was	The amounts were retained in current and SB accounts earlier, as the requirement of funds for implementation of various schemes at short notice was not predictable. However, after reviewing the cash balance in the bank accounts, ₹ 10 crore were transferred to FD account in June 2007. Subsequently an amount of ₹ 6 crore were transferred to FD on 29-11-2008.

(1)	(2)	(3)	(4)
		transferred to savings bank account. Meanwhile on 5th April, 2006, as against financial provision, the Director opened a new savings bank account at Canara Bank, Thrivikramangalam branch in his own name and deposited ₹ 2 crore by withdrawing the money from his joint account with the Finance Officer at SBT Poojappura without any specific reason. Based on the decision (April 2007) of the Governing Body of SCERT, ₹ 10 crore was deposited in June 2007 as Fixed Deposit (FD) for a period of one year in State Bank of India which carried an interest of 10 per cent. Had this amount along with ₹ 2 crore held with Canara Bank been deposited in FD from April 2006 onwards, the interest that would have been additionally earned by KSOS would be about ₹ 91 lakh for the period April 2006 to May 2007 calculated at the difference in interest rate of FD (10 per cent) and savings bank (3.5 per cent). Government stated (July 2008) that the amounts were retained in SB Account as the requirement of funds for implementation of various schemes at short notice was not predictable.	As per G.O (Rt.) No. 2380/06/Fin. dated, 29-3-2006, Government have issued orders to open and operate an account for SCERT at Canara Bank, Kunchalumood, Thiruvananthapuram in the name of the Director, SCERT. Hence the account was opened in the name of the Director. On being pointed out that this procedure was not correct, the same has been made a joint account with the Finance Officer. No amount had been withdrawn from this account while it was held in the single name of the Director. At present the bank balances are being reviewed periodically, with a view to transfer surplus funds to Fixed Deposit fetching higher rate of interest.

(1)	(2)	(3)	(4)
	4.5.5(iv)	KSOS had been disbursing the amounts in lump sum to the implementing officials for various programmes as temporary advances. Article 99 of Kerala Financial Code stipulate that these advances should be settled within a reasonable time and in cases where unutilized amount had not been surrendered or adjustment bills not submitted in time, the entire amount of advance with interest at 18% was recoverable from the receipients. During 2006-07, KSOS had disbursed temporary advances of ₹ 4.41 crore in 862 cases. Of this, in 854 cases refunds of excess advance of ₹ 2.16 crore were made indicating that the temporary advances were made without any assessment, hence they were far in excess of actual requirements. In some cases, only part of the advance was settled and the balance retained by the officers for long periods. In the absence of a separate set of accounts for KSOS, the exact amount of unsettled advances could not be quantified. Government stated (July 2008) that action had been initiated to settle	Advances are paid to the programme implementing officers for payment of remuneration/ honorarium to participants in various training programmes and seminars. While doing so, advances had to be paid reckoning the total number of participants for the training programme. In case some of the participants did not turn up, a portion of the advance will have to be refunded. Earlier, there was delay in the settlement of advances. Of late, the system has been improved considerably and there is at present not much delay in the settlement of advances. This is due to the adoption of certain stringent steps taken by the Organization recenty, as under: (1) The officer, who deployed for visiting the places of programmes, shall verify the records as regards TA, DA and remuneration etc., and admit the same in the claim form before disbursement of amounts. This official shall return the balance amount of advance drawn by him on the very next day to the cash section. (2) Strict instructions have been issued to settle the advances within 15 days of completion of the programmes for which the advances have been drawn. (3) 18% penal interest is levied for belated settlements.

(1)	(2)	(3)	(4)
		the balance amount of advances on a time-bound basis and stringent action including levying of interest for delay in settlement was being taken. Thus the funds collected and utilized by KSOS are not properly monitored by SCERT, though KSOS was formed as a separate wing, to ensure financial prudence. This has resulted in huge accumulation of unutilized balances in nationalized banks and diversion of a part of the funds for its own purpose by SCERT which was against the objectives/ guidelines of the scheme.	The deficiencies in the cash management and accounting pointed out in the Audit paragraph are mainly due to the absence of trained hands. A study has recetly been got conducted by an external agency on the deficiencies in the cash management system including unsettled advances in SCERT/KSOS. Their recommendations are being considered with a view to implement them. Once this is done, such irregularities would be avoided.