Chapter-6

Compliance Audit Observations

Higher Education (Technical Education) Department

6.1 Functioning of Polytechnics

6.1.1 Introduction

Polytechnic is an institution that offers diploma courses for students after completion of secondary education, so as to equip them with adequate skills to meet industrial needs and obtain related placement. Admission to polytechnics is through a State level common entrance examination. As of September 2012, there were 298 (Government: 115; Private: 183) polytechnics in the State, with an annual intake capacity of 72,010 students.

Audit of 21 *(Appendix 6.1)* out of 115 Government Polytechnics was carried out during September 2011 to February 2012 and October 2012 covering the period 2008-12, with the objective of assessing requirement of additional polytechnics and their functioning in terms of adequacy of infrastructure, programmes and faculty, and effectiveness in terms of performance of students and ensuring their placements. Audit findings are given below:

6.1.2 Setting up New Polytechnics

State Government formulated guidelines in January 2008 for approval and setting up of new polytechnics. However, it did not specify the criteria for sanctioning a new polytechnic or the courses to be offered in it. During the period 2008-12, 52 new polytechnics were set up in the State. The new polytechnics were set up without carrying out any study or demand assessment, to determine courses to be offered and course-wise intake to be created in the area where these were set up. There was no evidence in the records made available to audit, to indicate that consultations were held with the industry partners to assess the demand for specific skills and the intake capacity required in various courses to meet such a demand.

Government stated (February 2013) that the new Government Polytechnics were established after considering the (i) skewed ratio of Graduate to Diploma Holder intake, (ii) demand for CEEP[1] exam, (iii) market demand for the courses, (iv) industry requirement of Diploma Holders and (v) access to Technical Education to rural people.

The reply is not acceptable as there was no evidence of conducting any assessment of course-wise requirement of polytechnic seats to be created to meet the industry requirement/market demand. The applications for CEEP are not trade specific and admissions to various trades in Polytechnics are given as per choice (place/course) in order of merit list of CEEP of the applicant. Further, Audit noticed the following:

- No action plan was prepared for setting up of new polytechnics.

[1] Common Entrance Examination for admission into Polytechnics

- While Government stated that new polytechnics were set up keeping in view the skewed ratio of engineers to diploma holders, the courses introduced in the new polytechnics did not match the seats available in various engineering courses. While there were more than one lakh seats available in 'Computer Science Engineering' and 'Information Technology' courses, sanctioned intake in relevant diploma courses in the new polytechnics was only 600, compared to more than 1600 each, sanctioned in traditional courses.
- During the academic year 2008-09, Government introduced 'Diploma in Textile Technology' (DTT) course in 'Obulavaripalli' (YSR (Kadapa) district), the first among the new polytechnics sanctioned (April 2008), with intake capacity of 60. It was however, observed that only seven students were admitted during 2008-09, of who, one student discontinued studies later. Simultaneously, the course was also introduced in Nagari (Pillaripattu, Chittoor district) polytechnic with the same intake capacity of 60, stating that there was heavy demand for the course in the area and acute shortage of technicians in the local industry. Audit however, observed that only 39 students were admitted in the course during 2008-09 and 27 of these discontinued studies later. Even during 2009-10, out of 18 students admitted, 12 students discontinued. This is indicative of the fact that courses were offered without assessing the requirement.
- Specific requests from industry were seen only in respect of 'Diploma in Computing and Commercial Practices' (DCCP) course for introduction in Visakhapatnam district.

6.1.3 Introduction of second shift in existing polytechnics

Apart from setting up 52 new polytechnics during 2008-12, Government also decided to enhance the intake of students through introduction of a second shift in 27 (June 2008: 11; July 2009: 16) existing polytechnics during 2008-12.

The Committee constituted by the Government to examine the proposals for introduction of second shift in Government polytechnics, recommended (November 2008) it in only seven[2] polytechnics. However, second shift was introduced in 16 polytechnics (including nine[3] polytechnics where the Committee specifically advised not to introduce second shift) although the hostel facilities were poor and there was dearth of staff and infrastructure in these institutions.

Further, since All India Council of Technical Education (AICTE) did not approve the second shift in five[4] polytechnics, the Commissioner had to stop admissions to these. Also, starting second shift without creating adequate infrastructure and manpower rendered the whole exercise futile.

[2] GPT at Guntur, Kothagudem, Nalgonda, Nandyal, Srikakulam, Vizianagaram and Government Institute of Electronics, Secunderabad

[3] GPT at Adilabad, Gudur, Hyderabad, Narsipatnam, Nellore, Ongole, Siricilla, Wanaparthy and Zaheerabad

[4] GPT, Srikakulaam, GPT, Narsipatnam, GPT, Gudur, SG GPT, Adilabad and KDR GPT, Wanaparthy

Government attributed (February 2013) the non-approval of the five polytechnics by AICTE to belated submission of applications i.e., after the last date prescribed. It did not, however, state the reasons for introducing the second shift in the nine polytechnics which were specifically not recommended by the Committee.

6.1.4 Skewed ratio of Diploma and Graduate Engineers

As per the AICTE approved norms, the intake ratio of diploma to graduate engineers should be 4:1, which means that, for every four seats in diploma course, one engineering seat should be available. Contrary to these norms, the existing ratio was 1:4 between the diploma and engineering seats availability, which resulted in shortage of qualified technicians. Despite the Government sanctioning 52[5] new polytechnics, the ratio remained static owing to simultaneous increase in the number of engineering colleges, as detailed below.

Table 6.1

Details	2008-09	2009-10	2010-11	2011-12
No. of Polytechnics	207	213	280	298
No. of Engineering Colleges	535	656	707	705
Intake capacity of Polytechnics	49405	63075	65530	72010
Intake capacity of Engineering Colleges	176512	226870	275750	304200
Intake Ratio (Diploma holder to Graduate Engineer)	1: 4	1: 4	1: 4	1: 4

Source: Outcome Budgets for Demand XIV presented to the State Legislature

Government stated (February 2013) that AICTE had been addressed to limit the intake in private un-aided Engineering colleges (Non-Accredited) to 420 seats and in Accredited colleges to 540, and not to sanction new Engineering colleges from 2013-14 academic year onwards.

6.1.5 Sub-Mission on Polytechnics under Coordinated Action of Skill Development

GoI introduced a centrally sponsored scheme in December 2008 called "Sub-mission on Polytechnics under Coordinated Action of Skill Development", which involved 100 *per cent* direct central assistance for implementation of four components *viz*., (i) Strengthening of existing Polytechnics (Upgradation), (ii) Construction of Women's Hostel, (iii) Community Development through Polytechnics (CDTP) and (iv) Establishment of Government polytechnics in underserved districts. GoI released ₹61.69 crore to the polytechnics in the State for implementation of these components during the period 2009-12 (released directly to principals: ₹22.24 crore; through State Consolidated Fund: ₹39.45 crore). As against this, only ₹11.44 crore (18 *per cent*) was utilised by the concerned polytechnics, and the remaining ₹50.25 crore was lying with

[5] 2008-09 (33); 2009-10 (16); 2010-11 (1); and 2011-12 (3) - one polytechnic at Chinamerangi sanctioned in December 2011 did not commence in that year. Effectively, only 52 polytechnics were started during 2008-12

the Principals (₹12.80 crore) and State Government (₹37.45 crore). Government confirmed (February 2013) this position.

The status of implementation of various components of the scheme is given below.

Table 6.2

(₹ in crore)

Name of the component	Brief description	Funds released by GoI	Expenditure	Unspent balance
Up-gradation of Polytechnics	GoI released ₹24.40 crore to 57 Government polytechnics	2009-10: 2.80 2010-11: 3.00 2011-12: 18.60*	2.45	21.95
Construction of Women's hostel buildings	GoI sanctioned ₹one crore each to 46 Government/ Government aided polytechnics based on progress achieved.	2009-10: 5.40 2010-11: 4.50 2011-12: 9.20#	6.28	12.82
Community Development through polytechnics	GoI selected 48 Government polytechnics for surveys, skill development, production enhancement and technical support services to rural masses and slum dwellers.	2009-10: 4.82 2010-11: 1.72 2011-12: 3.65*	2.27	7.92
Establishment of Government Polytechnic in underserved districts	GoI sanctioned ₹12.30 crore (Civil works : ₹8 crore, Equipment : ₹4.30 crore) for Government polytechnic at Vikarabad (Ranga Reddy district)	2009-10: 2.00 2011-12: 6.00	0.44	7.56

** Though BRO was issued (September 2012), funds were not released by the State Government*
 # State Government had not released

Scrutiny of records relating to the above components revealed the following:

6.1.5.1 Up-gradation of Polytechnics

Out of the 42[6] institutes that received funds for implementation of the scheme during 2009-11, only 11 could utilise the funds (₹1.17 crore out of ₹1.20 crore released to them) towards purchase of equipment. Of the remaining 31 institutes, 15 expended ₹1.28 crore out of ₹2.30 crore released to them. 16 Polytechnics could not utilise any amount released to them. Thus, 58 *per cent* of funds (₹3.35 crore out of ₹5.80 crore) released during 2009-11 remained unutilised with the Principals due to delays in tendering process and the polytechnics continue to function with old and obsolete equipment.

Government stated (February 2013) that the un-utilised amounts would be spent by the end of March 2013.

[6] Out of 44 institutes sanctioned, funds were not released to 2 institutes

6.1.5.2 Construction of Women's hostels

Out of the 46 women's hostels sanctioned[7], the State Government awarded contracts for construction works of 36 to various agencies[8]. In respect of the remaining 10 hostels[9], administrative sanction was awaited as of November 2012.

- Out of the 36 hostels, the works entrusted (prior to June 2010) to APHB (6 hostels) and GHMC (2 hostels) has not commenced as of September 2012 as these agencies expressed their inability to take up the works.
- In respect of women's hostel at Government Polytechnic, Proddatur, tenders have not been finalised as of November 2012.
- In respect of the remaining 27 hostels, works were in progress (December 2012). Though the works were to be completed before March 2012, they remained incomplete, as the State Government did not release the requisite funds on time despite the releases made by GoI.
- GoI sanctioned (August 2009) construction of a women's hostel in Government polytechnic for women in Hindupur at a cost of ₹one crore and released ₹20 lakh in the same month. After a gap of more than a year, in November 2010, the Commissioner directed the Principal for submission of plans. The latter however, intimated five months later (April 2011) that the polytechnic would not require any new hostel, as 14 rooms in the existing three storied hostel building (each with accommodation capacity of six to eight) were vacant. Despite this, the department went ahead with construction of hostel building and an amount of ₹14 lakh was incurred on the work (September 2012).

  Government in its reply stated (February 2013) that the construction of new hostel was taken up, as the old hostel required repairs. The reply contradicts the view expressed by the Principal in April 2011 that the college would not require any new hostel building.

Audit observed that the works suffered from delays in finalisation of plans and approvals of layout plans, deviations to plans, delay in issue of instructions by the Commissioner (to Principals) regarding handing over of the lands, delay in placing the amounts with the executing agencies and executing agencies like GHMC, APHB not willing to take up works, etc. As a result, none of the envisaged Women's hostels was completed despite availability of funds. This not only deprived the girl students of the benefit of hostel facilities, but also resulted in the balance Central assistance of ₹27 crore not being released by GoI.

[7] 2008-09: 13; 2009-10: 9; 2010-11: 14; and 2011-12: 10

[8] APEWIDC (13), APHMHIDC (14), AP Housing Board (APHB - 6), Greater Hyderabad Municipal Corporation (GHMC - 2), Panchayat Raj Engineering department (1)

[9] Adilabad (1), East Godavari (1) Karimnagar (2), Nalgonda (1) Nellore (1), Prakasam (2), Visakhapatnam (1) and Warangal (1)

Government, while accepting the audit observations, stated (February 2013) that, the 27 hostel buildings would be completed by March 2013 and the remaining 19 hostel buildings by December 2013.

6.1.5.3 Community Development through polytechnics

GoI releases funds to the polytechnics for implementation of the Scheme of Community Development through Polytechnics, with a view to carrying out need assessment surveys and impart skill development training to the intended target groups, to provide technical and support services to rural masses and slums dwellers. During 2009-11, GoI released ₹6.54 crore directly to the polytechnics for implementation of this scheme. However, the Principals of the concerned institutes utilised only ₹2.27 crore, and the balance ₹4.27 crore was lying in their bank accounts as of September 2012. GoI released (March 2012) a further ₹3.65 crore to the State Government for onward release to the polytechnics, which was not released to the Principals as of September 2012.

Audit scrutiny in this regard revealed the following:

- In nine[10] out of the 21 sampled polytechnics, ₹71.44 lakh (62 *per cent*) out of ₹1.16 crore remained unutilised in the bank accounts of the Principals concerned.
- The polytechnics had spent the recurring grants but could not utilise the non-recurring grants for want of specific permission from the Commissioner.

Scrutiny revealed that, while there were delays in tendering process at Principals level, there were delays at Commissioner level in according permissions. Government while accepting the audit observation, stated (February 2013) that the non-recurring grant would be utilised for purchase of need based equipment and would be spent periodically.

6.1.5.4 Establishment of Government Polytechnics in underserved districts

In order to stimulate the growth of polytechnics in the country, GoI provided a one time financial assistance to the State Government to meet the capital cost of establishing new polytechnics in the districts which do not have any Government/ Government aided polytechnics, and other underserved districts where it may not be easy to establish new polytechnics, under public-private initiative. Under this scheme, GoI sanctioned (July 2009) one polytechnic at Vikarabad in Ranga Reddy District at a cost of ₹12.30 crore. Any additional non-recurring expenditure is to be met by the State Government.

[10] SGM GPT, Abdullapurmet: ₹7.24 lakh/₹13.25 lakh; JN GPT, Ramanthapur: ₹6 lakh/₹10.25 lakh; Institute of Printing Technology, Secunderabad: ₹6.77 lakh/₹13.75 lakh; GPT for women, Medak: ₹6.32 lakh/₹10.25 lakh; Andhra Polytechnic, Kakinada: ₹10.21 lakh/₹14.75 lakh; GPT for Women, Kakinada: ₹11.21 lakh/₹17.85 lakh; BR Ambedkar Model Residential Polytechnic, Rajahmundry: ₹4.43 lakh/₹10.25 lakh; GPT for Minorities, Kurnool: ₹15.25 lakh/₹15.25 lakh; Government Institute of Electronics, Secunderabad: ₹4.00 lakh/₹10.25 lakh

Audit observations in this regard are as following:

- State Government released (June 2011) ₹ two crore (out of ₹ eight crore received from GoI) to the executing agency *viz.*, APHMHIDC and the work was entrusted to the contractor in August 2011.
- Due to identification of faulty boundaries initially, site had to be re-surveyed (October 2011) and layout revised, causing delay in commencing the work. Revised drawings and structural designs were provided to the contractor only in April 2012. Though the work was scheduled to be completed by August 2012, as of December 2012, an amount of ₹1.99 crore was expended and the works are at various stages of completion[11].

In reply, Government assured (February 2013) that, the building would be completed by the end of March 2013 and that the equipment would be procured thereafter.

6.1.6 Deficient infrastructure

Scrutiny of the relevant records in the 21 test checked polytechnics revealed the following deficiencies with regard to availability of infrastructure:

- As per the AICTE norms for category (X) courses (Mechanical, Production, Civil, Electrical, Chemical, Textile, Marine, Aeronautical and allied courses of each) six laboratories and one workshop should be available. Progressive requirement, 2nd year onwards shall be calculated as 2+2 labs/course. In two polytechnics (Narayankhed and Narsapur), there were no laboratory/workshop facilities. In another 16 polytechnics, engineering facilities (i.e., workshop/labs etc.) were not available as per AICTE norms.
- In four polytechnics (Anakapalli, Sangareddy, Siddipet and Narayankhed), there were no library facilities. In 12 out of 21 polytechnics test checked, the post of Librarian was vacant.
- In 13 polytechnics, there was only one room as against the norm of two rooms.
- In four (Anakapalli, Medak, Narayankhed and Sangareddy) new polytechnics, computer laboratory facilities were not available.
- In eight out of 21 test checked polytechnics, the computer-student ratio was double the AICTE norm of 1:8. Further, out of 1269 computers available in 18 polytechnics, only 592 (46 *per cent*) were in working condition.
- In six polytechnics, LAN facility was not available. Internet facility was not provided to students in three colleges.
- In ESC Government polytechnic, Nandyal, machinery and equipment worth ₹23.85 lakh was non-functional.

[11] College building: First Floor roof slab laid; Laboratory block: Brick work in progress; Hostel building: Roof slab laid

- In four polytechnics (Narayankhed, Narsapur, Sangareddy and Srisailam), generator facility was not available. In GPT (Minorities), Kurnool, as against 50 KV capacity generator required, only 25 KV capacity generator was available.
- In three polytechnics (Anakapalli, Narayankhed and Sangareddy) there were no toilet facilities.

Government stated (February 2013) that some of the equipment required for the polytechnics had already been procured and the remaining equipment would be procured during 2013-14 and the institutions would have full infrastructure by the end of 2013-14.

- Government released (March 2009) ₹6.30 crore to 30 newly established polytechnics for procurement of laboratory equipment and library books. While these institutes procured the equipment/books worth ₹6.21 crore immediately, they had to store them in the neighboring polytechnics, since they did not have their own buildings. In 13 of these polytechnics, equipment/books worth ₹1.74 crore was lying in packed condition as of September 2012.
- Practical classes in respect of engineering subjects for the students of the new polytechnics are being conducted in the nearest polytechnic/ engineering colleges, which are at a distance of 30 to 100 km. As a result, these classes are being conducted once a month or during vacation. Thus, the students lacked the facility of simultaneous practical training.

Government while accepting the audit observation, attributed the non-utilisation of the equipment to space constraints and stated that the equipment would be installed in summer 2013 and the facility of simultaneous practical training would be provided thereafter.

6.1.7 Manpower

The polytechnics had a sanctioned strength of 8,301, out of which, 4,094 posts (49 *per cent)* were vacant as of September 2012. Scrutiny of records revealed that huge vacancies existed in the following categories of staff that were essential for functioning of the polytechnics.

Table 6.3

Name of the Post	Sanctioned strength	Existing	Vacancies (*per cent*)
Principal	111	85	26 (23)
Heads of Section	426	186	240 (56)
Senior Lecturers	514	338	176 (34)
Lecturers	2137	765	1372(64)
Senior Instructor	419	212	207 (49)
Administrative Officers	90	32	58(64)
Lab Attender	608	75	533(88)

Source: Records of Commissionerate of Technical Education

In the 21 test checked institutes, 30 out of 91 posts of Heads of Sections and 95 out of 435 posts of lecturers were vacant. As per AICTE norms, the teacher-student ratio should be 1:20. However, as against 842 faculty staff to be in position as per this norm, there were only 510 in 21 colleges test checked, leaving a shortfall of 332 (39 *per cent*).

While accepting the audit observation with regard to crippling vacancies in key cadres, Government stated (February 2013) that, eligible candidates were promoted to the posts of Heads of Sections, Senior Lecturers, Administrative Officers, etc. As regards the vacancies of the Senior Instructors, it was stated that there are no qualified candidates in the feeder categories to consider for promotion to the grade and as and when they become qualified, all these vacancies would be filled up. It was further stated that action to fill 376 vacancies in the cadre of Lab Attenders, etc. was in progress.

6.1.8 Student performance

The details of students who passed the polytechnic course during 2008-11 from Government polytechnics and those provided placement are given below.

Table 6.4

Year	No of students appeared in final exam#	Number of students passed	Pass percentage	No of students provided apprenticeship	No of industry partners	No of students provided employment
2008-09	7250	5798	80	1270	142	920
2009-10	8237	7278	88	1505	183	1120
2010-11	14409	11693	81	1897	202	1730
2011-12	18774	9317	50	Figures not furnished by the department		
	48670	34086	70	4672	527	3770

Source: Records of Commissionerate of Technical Education

 # Figures represent only Government polytechnics

There was a sudden decline in the pass percentage during 2011-12. Scrutiny revealed that the pass percentage in the final exams in new polytechnics (started from 2008-09) was far below that in the old polytechnics (existing before 2008-09). It was 54 *per cent* and 33 *per cent* in new polytechnics, against 85 *per cent* and 54 *per cent* in the old polytechnics during the years 2010-11 and 2011-12 respectively.

Out of the total 24,769 students who passed out during 2008-09 to 2010-11, only 4,672 (19 *per cent*) were provided apprenticeship and only 3,770 (15 *per cent*) were employed. This is an area of concern which has to be addressed at the earliest.

Government, while accepting the audit observation, attributed the poor participation in Apprenticeship training to candidates seeking higher education and their joining in Engineering colleges through the facility of lateral entry for better employment. It was also stated that measures have been initiated to strengthen the placement activities by involving industry in upgrading employability of the Diploma students. It was further stated that, remedial classes were also being conducted to students and the results are expected to improve.

6.1.9 Conclusion

Audit of 21 (out of 115) Government Polytechnics revealed that there was no action plan for setting up of new polytechnics and the courses introduced did not match the seats available in various engineering courses. Second shift was introduced in polytechnics although hostel facilities were poor and there was dearth of staff and infrastructure in these institutions. Under the scheme of "Sub-mission on Polytechnics under Coordinated Action of Skill Development" only a meagre 18 per cent of GoI releases (₹11.44 crore out of ₹61.69 crore) made in 2009-12 was utilised by the concerned polytechnics, leaving the remaining funds unutilised with the Principals (₹12.80 crore/21 per cent) and State Government (₹37.45 crore/ 61 per cent). Audit observed deficiencies in the test checked polytechnics with regard to availability of infrastructure such as laboratory/workshop facilities, LAN facilities, non-functional equipment, toilet facilities, etc. Huge vacancies existed in the categories of staff that were essential for functioning of the polytechnics. Out of the total 24,769 students who passed out during the years 2008-09 to 2010-11, only 4,672 (19 per cent) were provided apprenticeship and only 3,770 (15 per cent) were employed. This is an area of concern which has to be addressed at the earliest.

Higher Education Department
(Jawaharlal Nehru Technological University)

6.2 Delay in completion of Multipurpose Auditorium

Delay in providing drawings and designs by JNTU College of Engineering, Anantapur and change in designs mid-way, coupled with non-award of contract for completion of balance work resulted in unproductive expenditure of ₹1.87 crore in construction of multipurpose Auditorium, with time over run of six years and cost escalation by ₹3.19 crore as of October 2012

Jawaharlal Nehru Technological University (JNTU), accorded (April 2005) sanction for 'Infrastructure development' in JNTU College of Engineering, Anantapur[12] (College) at an estimated cost of ₹12.40 crore. The work involved, *among others*, construction of a multipurpose Auditorium in the College campus at a cost of ₹4.50 crore. Work was awarded (June 2005) to M/s Ramky Infrastructure Limited (contractor) after following due tendering process, with a stipulation to complete it within nine months i.e., by March 2006. While all the other works relating to infrastructure development of the College were completed by April 2008, Auditorium had not yet been completed as of November 2012.

[12] Now called JNTU, Anantapur

Dismantled RCC slabs and stage beam of Auditorium at JNTU, Anantapur (10 August 2012)

Audit scrutiny of the related records in the College in June 2012, revealed that the construction of the Auditorium was held up due to delay by the College in finalising the drawings and designs and handing them over to the contractor. While the work was awarded in June 2005, approved drawings and designs were supplied to the contractor only during August 2005 to September 2006.

Further, while the Agreement between the College and the contractor provided for RCC slabs and stage beam, the College decided (February 2007) to go in for light roof and truss, which involved dismantling of the existing structures. Since the designs for light roof submitted by the contractor in February 2007 and his request for adopting SSR 2007-08 for the balance work did not find favour with the College, the work was foreclosed (July 2007) after completion of about 40 *per cent.* Administrative approval was accorded (April 2011) by the competent authority for ₹5.82 crore to complete the balance work. However, as of June 2012, work was not tendered for and the Auditorium remains in an incomplete shape despite expending ₹1.87 crore.

JNTU, Anantapur stated (September 2012) that the works could not be taken up due to division of University (September 2008) from JNTU, Hyderabad involving distribution of grants, lack of budget allotment for this work to the new University (JNTU, Anantapur) and for want of technical approval by the building committee. The reply is not acceptable as the work was scheduled to be completed by March 2006 i.e., well before division of University. Moreover, the work was foreclosed in July 2007[13], and the College had sufficient time to complete the work before division (September 2008) of the University.

Thus, delay in providing drawings and designs by the College and change in designs mid-way, coupled with non-award of contract for completion of the balance work resulted in unproductive expenditure of ₹1.87 crore, with time over run of six years and cost escalation by ₹3.19 crore as of October 2012.

The matter was reported to Government in August 2012 and despite issue of reminders (September 2012 and February 2013); their reply had not been received (February 2013).

[13] Final payment made in May 2008

Youth Advancement, Tourism and Culture (PMU) Department

6.3 Five Star Hotel project at Shilparamam

Due to non-adoption of the prevalent market value while fixing lease rentals, there is a revenue loss of at least ₹29.36 crore for the lease period of 33 years thereby conferring an undue benefit to the developer to that extent

With a view to promote tourism, State Government decided (February 2005) to set up a five star hotel at Shilparamam, Hyderabad at an estimated cost of ₹80 - 100 crore under Public Private Partnership mode. Two parties *viz.,* (i) Taj GVK Hotels & Resorts Limited and (ii) My Home Group (MHG) submitted (July 2005) offers to the Request for Proposal (RFP). Based on the evaluation of the bids by the Consultant, APITCO Ltd.,[14] the project was awarded (March 2007) to MHG (Developer) on Build, Own and Transfer (BOT) basis for completion within 30 months.

Government allotted (May 2007) 4.337 acres of land at Shilparamam for the purpose on lease basis for a period of 33 years on payment of lease rentals at 5 *per cent* of the basic market value of the land during the first year and thereafter, at an annual increase of 5 *per cent* over the previous year lease rent. Further, the developer was required to pay an Additional Development Premium as per his offered amount or 3 *per cent* of gross receipts, whichever is higher, after the completion of the project.

Audit scrutiny revealed that as per Annexure-2 appended to the RFP, the certified basic market value of the land was ₹4,000[15] per sq. yd. (prevailing in March 2005) and the rate was subject to any revision by the concerned authorities at the time of signing the agreement.

However, the lease agreement, which was signed in May 2007, incorporated the same value as mentioned in the RFP (i.e., ₹4,000 per sq. yd.) without considering the prevailing market value as on the date of agreement. The market value of the land at the time of signing the lease agreement was ₹15,000[16] per sq. yd, which should have been considered for fixing lease rentals. Considering the huge difference of ₹11,000 per sq. yd. between the market value prevailing at the time of signing the agreement and that adopted by the department in the agreement, the State Government had forgone revenue of ₹92.29 crore[17] for the entire lease period of 33 years.

The department replied (July 2012) that, it was clarified to the bidders in the pre-bid meeting, that the lease rentals would be 5 *per cent* of the ***basic market value in force at the time of issuing the Letter of Award (LoA)***. The reply is not acceptable, since the LoA was issued in March 2006 and the market value prevailing at that time was ₹7,500 per sq. yd. and the rate was not used while concluding the agreement in

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[14] Formerly Andhra Pradesh Industrial & Technical Consultancy Organisation Limited

[15] Lr. No. 75/OB/2005 dated 18 March 2005 of the Joint Sub-Registrar-1, R.O. (OB) Ranga Reddy District

[16] As ascertained from the Joint Sub-Registrar-II, R.O., Ranga Reddy District

[17] calculated at 5 *per cent* of value of the land 4.33 acres (1 acre = 4840 sq. yds.) at ₹11,000 (₹15,000 - ₹4,000) per sq. yd. with an annual increase at 5 *per cent* of the previous year lease rent

May 2007. Computing the lease rentals taking into account the prevailing market rate (i.e., ₹7,500 per sq. yd.) as on the date of LoA, the loss to Government would work out to ₹29.36 crore[18].

Thus, due to non-adoption of the prevalent market value while fixing lease rentals, there is a revenue loss of at least ₹29.36 crore for the lease period thereby conferring an undue benefit to the developer to that extent.

Government admitted (November 2012) the lapse of adopting incorrect market rates while fixing lease rentals and stated that the developer had been directed to pay the difference of lease amount for the completed lease period and to conclude the Revised Lease Schedule Agreements at the earliest.

6.4 Bay Park Resorts project at Rishikonda

Non-allotment of full extent of agreed land to the Developer, coupled with lack of urgency and initiative in renegotiating DMA[19] by the Department (consequent upon refusal of de-notification of 13 acres of forest land by MoEF in February 2009) resulted in the project not being completed even after the lapse of over 11 years, thereby defeating the objective of promoting the coastal city of Visakhapatnam as an international tourist destination

State Government awarded (November 2000) the Bay Park Resorts Project[20] to M/s Indo-American Hotels and Resorts (P) Ltd., (Developer) for development through Public Private Partnership (PPP) mode with the objective of promoting the coastal city of Visakhapatnam as an international tourist destination. The project involved provision of the following facilities by the Developer:

⇒ Construction of beach resort

⇒ Development of various tourist related facilities on the beach front like swimming pools, landscaping, sun bathing, water play systems, etc.

On its part, Government was to provide 50 acres of land, free from all encumbrances, charges and other liabilities, to the Developer on lease basis for 33 years.

As per the agreement, major obligations on the part of the Developer firm were:

- obtaining all clearances, licences and approvals (Government would facilitate in obtaining the same);
- payment of lease rent, from the date of handing over of land, at 5 *per cent* of the market value with an escalation of 5 *per cent* per annum;
- payment of additional consideration, on monthly basis, at 2 *per cent* on the gross receipts accruing from the project or ₹50,000 whichever is higher;

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[18] calculated at 5 *per cent* of value of the land 4.33 acres (1 acre = 4,840 sq. yds.) at ₹3,500 (₹7,500 - ₹4,000) per sq. yd. with an annual increase at 5 *per cent* of the previous year lease rent

[19] Development and management Agreement

[20] on the Visakhapatnam-Bheemili road

- achieve financial closure within 120 days (i.e., by April 2001) from the date of agreement; and
- complete the project within 36 months i.e., by December 2003.

Audit scrutiny of the related records in the Project Monitoring Unit of Tourism Department and joint physical inspection of the site in March 2012 revealed the following:

- State Government had not ensured availability of proposed land before awarding the work to the Developer. As against the 50 acres of land to be provided to the Developer, it handed over 37 acres in March 2001 and the Developer was required to obtain clearance from the Ministry of Environment & Forests (MoEF) for the remaining 13 acres, which was located on the sea front. Despite pursuance by the Developer for about eight years to obtain clearance for the forest land, the MoEF refused (February 2009) permission for development of the beach front in the proposed 13 acres.
- Government and the developer mutually agreed (November 2001) to start the project within the available land and the total project as agreed upon was to be completed as and when the balance 13 acres were made available**.** Accordingly, the project cost, time schedules, etc. were required to be revised. This was not done. Neither project cost/time schedules were revised by the developer nor insisted by the department.
- State Government had not taken action to renegotiate the terms of the project pursuant to denial of permission by MoEF to develop forest land on the beach front for leisure and recreational activities.
- Government issued (December 2007) notice for termination of the Lease-cum-Development and Management Agreement (DMA) with the Developer in view of his failure to fulfill the obligations *viz.*, in obtaining necessary clearances/ approvals, achieving financial closure, completion of the project within the stipulated period, etc. as agreed to in the DMA. However, based on the request of the Developer, State Government extended (June 2010) the lease period of the project by seven years i.e., upto March 2014.
- While the Developer was given the full extent of 28 acres of land in March 2001 for development of cottages/resort, as of September 2012, he did not complete construction of even a single cottage. Similarly, although 9 acres (out of 22 acres) of land was handed over in March 2001 on the beach front, the Developer had not taken up any work with regard to provision of facilities.

The status of the project as of March 2012 is given below:

While the Government enunciated a policy for tourism development in 1998 (revised in 2010), it has not taken any measures to expedite the completion of this project, which has been identified as one of the important projects to be developed under PPP mode for tapping tourist potential; nor has it terminated the agreement with the

Developer despite inaction by the latter for over 7 years. It had merely let the initiative remain dormant, thereby letting the potentially revenue earning venture slip away for over 9 years. The Government has not displayed any urgency in completing the project and deriving the envisaged benefits.

Government in its reply (October 2012) admitted the lapse and attributed the delay in completion of the project to delay in obtaining applicable permits from various institutions[21]. However, the reply did not address the question as to why it did not renegotiate the terms with the Developer by re-scoping the project.

Thus, non-allotment of full extent of land to the Developer, coupled with lack of urgency and initiative in renegotiating DMA by the Department resulted in the project not being completed even after the lapse of over 11 years thereby defeating the objective of promoting the coastal city of Visakhapatnam as an international tourist destination.

Finance Department

6.5 Excess payments of dental treatment claims

Non-compliance with Government orders by the DDOs while admitting medical claims and failure of the treasury officers in exercising due diligence while passing the bills, resulted in excess payment of ₹1.06 crore

Government orders of April 2007 relating to medical reimbursement (dental treatment) claims stipulate that:

⇒ *Package rates prescribed in the Central Government Health Scheme (CGHS) rate list should be adopted for regulating the reimbursement of dental treatment claims of the State Government employees both in service/retired and their dependents for the treatment obtained in recognised private hospitals.*

⇒ *Employees should first approach Government Hospital for treatment. In case facilities are not available, they should approach any recognised hospital for treatment, with prior permission of the Government hospital duly obtaining referral letter.*

⇒ *Reimbursement of dental treatment claims to each of the employees or their dependents separately is limited to three times in the entire service or life subject to a ceiling limit of ₹10,000 each time. No relaxation is permissible in this regard.*

⇒ *Cosmetic dental surgery claims should not be reimbursed except in case of road traffic accidents involving surgery of upper and lower jaws.*

Audit scrutiny of vouchers[22] relating to reimbursement claims of dental treatment revealed that 1,854 cases belonging to 34 Departments (covering 23 districts) were

[21] Ministry of Environment and Forest, Visakhapatnam Urban Development Authority, Greater Visakhapatnam Municipal Corporation and Andhra Pradesh Pollution Control Board

[22] in Central Audit

processed (March 2009 to March 2012) by the Drawing & Disbursing Officers (DDOs) without restricting the amounts to CGHS package rates, which resulted in an excess payment of ₹1.06 crore.

As per the codal provisions[23], detailed checks including the applicability of rules, etc. are to be exercised by the DDOs/treasury officers while passing the medical claims of employees. Audit noticed the following procedural lapses by DDOs/treasury officers while admitting the claims:

- In 993 cases (54 *per cent*) of the reimbursement claims, there was no mention about the number of occasions on which the claim (including the current one) was preferred in respect of the individual employees or their dependents separately. No mechanism was in place with the Departments or the Director of Medical Education to check the compliance of this condition. As a result, Audit could not verify whether the claims were restricted to three times throughout the service/ life of the employee as laid down in the extant orders.
- 226 claims (12 *per cent*) involving ₹19.92 lakh were admitted without referral letters from Government hospitals or referral letters were produced from hospitals other than the home district in which the officials were working.
- Eight claims in excess of the ceiling of ₹10,000 were admitted and payments made as per the bill amounts even though Government orders specifically stipulated that no relaxation should be made to reimburse the claims beyond ₹10,000.
- 27 claims relating to cosmetic dental surgery involving ₹2.35 lakh were admitted even though these did not involve road accidents.

Thus, non-compliance with Government orders by the DDOs while admitting the medical claims and failure of the treasury officers in exercising due diligence while passing the bills, resulted in excess payment of ₹1.06 crore.

Government, while admitting the lapses stated (January 2013) that although necessary instructions were issued in the Government orders of April 2007 to avoid misuse of the facilities, in practice, some individuals have been misusing the facilities. It was also stated that the department of Health, Medical & Family Welfare had been requested to initiate remedial/corrective action to control the misuse of medical reimbursement on dental treatment and that the Director of Treasuries & Accounts was instructed to issue necessary guidelines to all the treasury officers in the State to comply with the codal provisions while admitting the dental claims.

[23] AP Integrated Medical Attendance Rules, 1972

Labour, Employment, Training and Factories Department

6.6 Functioning of AP Building and Other Construction Workers' Welfare Board

Government of India enacted 'The Building and Other Construction Workers Welfare Cess Act, 1996' (Act) to provide for the levy and collection of a Cess on the cost of construction incurred by employers, with a view to augmenting the resources of the Building and Other Construction Workers Welfare Board (constituted under the Building and Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996). Based on the Central Act, the State Government enacted the AP Building and Other Construction Workers' (Regulation of Employment and Conditions of Service) Act, 1996, framed Rules in 1999, and constituted the State Board in April 2007 with a Chairman, Secretary and 6 other members, for a period of three years.

The functions of the Board, *inter alia*, include assistance to a beneficiary in case of accident; pension payment to the beneficiaries who have completed the age of sixty years; loans and advances to a beneficiary for construction of a house; Group Insurance Scheme; financial assistance for the education of children; medical expenses for treatment of major ailments; maternity benefits; and other welfare measures and facilities as may be prescribed.

Audit scrutiny (August-September 2012) of the records of the Board since its inception, with a view to assessing the effectiveness of its functioning, revealed the following:

(i) As per the Act, the Board should consist of a Chairperson, a nominee of the Central Government and upto fifteen members, as may be appointed to it by the State Government. The State Board was constituted only in April 2007 i.e., more than a decade after the Act was promulgated. After expiry of the initial term of 3 years of the Board in August 2010, only the Chairman was reappointed and no other member was nominated by the Government. There was no regular post of Secretary in the Board until 2 December 2012 and the Joint Commissioner, Labour, was acting as 'in-charge Secretary' till then.

Government while accepting the Audit observation assured (January 2013) that the full Board would be constituted soon.

(ii) The Act stipulates that Cess should be levied and collected at a rate not exceeding two *per cent* but not less than one *per cent* of the cost of construction[24] incurred by an employer. The Cess levied shall be collected from

[24] cost of construction shall include all expenditure incurred by an employer in connection with the building or other construction work but shall not include cost of land and any compensation paid or payable to a worker or his kin

every employer including deduction at source in relation to a building or other construction work of a Government or of a public sector undertaking or advance collection through a local authority where an approval of such building or other construction work by such local authority is required.

However, no mechanism was instituted by the Board to collect Cess from all the construction employers until June 2011. Thereafter, this task was entrusted to the officials of the Labour Department.

Government stated that notifications were issued appointing the Commissioner of Labour as Chief Inspector and appointing the assessing officers in August 2006 itself. While Audit agrees that these appointments were made, there was, nevertheless, no mechanism until June 2011 to collect Cess from the Construction employers.

(iii) During the period 2007-13 (upto August 2012), the Board had received Cess amounting to ₹851.36 crore by way of voluntary remittances from contractors through online process, deduction at the treasury and pay and accounts office on Government works. Out of this amount, ₹401.89 crore was transferred (January - July 2012) to Personal Deposit (PD) Account, and the balance ₹439.23 crore[25] was lying with the Board as of 31 August 2012. Further, the Board incurred an expenditure of ₹61.66 crore (including administrative expenses) during this period towards implementation of welfare schemes for the benefit of construction workers.

The year-wise details of Cess received and expenditure incurred are given below.

Table 6.5

(₹ in crore)

Year	Opening balance	Cess collected	Interest accrued	Total	Total Welfare expenses	Total Administrative expenses	Transfer of funds to PD account	Total	Closing Balance
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
2007-08	Nil	15.58	0.05	15.63	0.15	0.11	Nil	0.26	15.37
2008-09	15.37	142.01	10.18	167.56	2.14	0.49	Nil	2.63	164.93
2009-10	164.93	201.30	19.60	385.83	5.47	0.63	Nil	6.10	379.73
2010-11	379.73	176.71	24.50	580.94	13.11	0.61	Nil	13.72	567.22
2011-12	567.22	213.48	NA	780.70	33.12	0.78	138.68	172.58	608.12
2012-13 *	608.12	102.28	NA	710.40	7.67	0.29	263.21	271.17	439.23
Total		**851.36**			**61.66**		**401.89**		

**(upto August 2012)   NA: Not available*

Source: Information furnished by the Board

[25] Fixed Deposit Receipts (₹351.12 crore) and SB Account (₹88.11 crore)

Audit observations in this regard are given below:

- Board did not have any details about the buildings sanctioned by the Government. There was also no mechanism for assessment, levy and collection of Cess and follow up action with the concerned authorities *viz.*, treasury officers, PAOs, local authority, etc., in this regard. No records were maintained by the Board to record the source of its receipts.

- There was no mechanism to obtain the details of construction cost in respect of the buildings for which approvals were given by Government, Public Sector Undertakings, Local Bodies and other agencies.

According to the Board, 14,647 establishments have been registered under the Act as of November 2012 including 654 Government and public sector establishments.

Government admitted that Board needed to improve its mechanism to monitor the collection of Cess by Government, Public Sector Undertakings, and Local Bodies and that it has to improve the maintenance of records and action was already initiated in the matter. It was also stated that orders were issued by the Government in December 2009 making the Government departments and Local Bodies responsible to collect Cess at the time of approving plans. Government however, did not offer any remarks with regard to depositing Cess funds in PD account without utilising the amount for the welfare of construction workers.

(iv) Though the Board was constituted in April 2007, it commenced registration of workers only in August 2009 and started implementing the welfare measures from 2009-10 onwards through the Labour Department. As against 21 lakh construction workers existing as per the preliminary survey conducted in 2007, the Board registered 16.97 lakh workers (as of November 2012) and out of them, ID cards were issued to 12.89 lakh (82 *per cent*) workers.

Government in its reply (January 2013) attributed the delay in registration of workers to the writ petitions in the High Court and stated that vigorous publicity campaign was taken up as was required before implementation of the Act, and after that, registration of workers commenced. With regard to the issue of ID cards to workers, it was stated that the Board is in the process of computerising the activity and that, all registered workers would be issued cards soon. It was further stated that the process of computerising every activity, including online registration of workers, issue of ID cards, and speedy settlement of claims was underway.

(v) Further, only five (out of nine major welfare schemes) are being implemented by the Board. The year-wise details of the number of beneficiaries and expenditure incurred on implementation of welfare schemes are detailed below.

Table 6.6

(₹ in lakh)

Welfare schemes	2009-10		2010-11		2011-12		2012-13$	
	No. of workers	Amount spent	No. of workers	Amount spent	No. of workers	Amount spent	No. of workers	Amount spent
Assistance in case of accident	14	27.00	16	21.00	244	397.00	59	89.75
Pension scheme (NPS Lite)*	Nil	Nil	96646	773.17	98516	788.13	NA	NA
Maternity benefit	239	11.95	1310	65.50	3760	188.00	1389	69.45
Provision/improvement of other welfare measures/facilities#	153	45.90	834	250.20	3066	918.05	1606	475.80
Medical expenses for treatment of major ailments	Nil	Nil	1	0.05	64	2.79	42	7.53
Total	**406**	**84.85**	**98807**	**1109.92**	**105650**	**2293.97**	**3096**	**642.53**

* implemented only in three districts as a pilot project (*viz.*, Chittoor - 89,334 workers, Visakhapatnam - 6,185 workers, Warangal - 9,182 workers) during 2010-12

\# includes financial assistance in cases of natural death, funeral expenses and marriage gift

$ upto August 2012 NA: Not available

Source: Information furnished by the Board

The remaining four schemes *viz.*, (i) loans and advances for construction of a house; (ii) premia for Group Insurance Scheme; (iii) assistance for education of children; and (iv) loan or subsidy to a local authority or an employer were not yet implemented.

In its reply, Government stated that all the nine[26] schemes were being implemented by the Board. However, it is to be noted that four[27] (out of nine) schemes quoted by the Board/Government are only sub-schemes and formed part of the main schemes (under the Act and Rules) mentioned in Table 6.6.

(vi) Section 4 of the Act mandated the State Government to constitute a State Building and Other Construction Workers' Advisory Committee, to advise it on matters arising out of the administration of the Act. Although the State Advisory Committee for the Board was formed during June 2007 for a period of three years, it met only once (in August 2008) during the last five years. Further, the Committee was also not re-constituted after the expiry of its term in June 2010.

[26] Accidental Death Relief to Dependents, Partial/Permanent disability, Natural Death, Maternity Benefit, Funeral Expenses, Temporary Disability (due to Hospitalisation), NPS-Lite, Marriage Gift Scheme and Financial assistance to the dependents of Unregistered workers

[27] (i) Natural death, (ii) funeral expenses, (iii) marriage gift, and (iv) financial assistance to the dependents of unregistered workers

Government assured (January 2013) that steps are being taken to reconstitute the Committee.

As brought out above, absence of an appropriate mechanism to ensure that all the construction workers are identified and registered, and the correct amount of Cess is levied and collected from all the building construction employers resulted in the objective of setting up the Board not being fully achieved.

(VANI SRIRAM)

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The