Compliance Audit Observations

Labour, Employment, Training and Factories Department

3.1 Industrial Training Institutes

Effectiveness of Industrial Training Institutes

The Industrial Training Institutes (ITIs) impart vocational training to the trainees in various trades[99]. The ITIs are intended to ensure uninterrupted supply of skilled manpower to domestic industries/service sectors. The objective of the ITIs is to provide systematic training so as to raise quantitatively and qualitatively industrial production, to reduce unemployment among the educated youth by providing them employable training, and to cultivate and nurture a technical and industrial attitude in the minds of the younger generation. Audit of 'Industrial Training Institutes' revealed the following:

- The Department incurred expenditure of only ₹12.62 crore out of allocated amount of ₹82.65 crore, on capital account meant for ITI buildings, machinery and equipment during the period 2015-18.
- The test checked ITIs had not adequately procured and installed the latest equipment as per revised syllabus by 'National Council of Vocational Training' in 2014. Shortage of 'tools and equipment' worth ₹24.72 crore was observed in seven out of eight test checked ITIs.
- State Government had not released or short released grants to ITIs during the period 2015-18 towards training grant, stipend, maintenance of tools and equipment, technical books and magazines at specified rates.
- Cadre strength of instructors was not sanctioned in rationalised manner as per norms by State Government. Regular instructors were not appointed for the last ten years, against the vacancies which were to be filled within one year.
- Instructors for the subject 'Employability Skills' needed desired qualifications as per Director General of Training (DGT) norms. The Instructors with required qualifications were not appointed in the test checked ITIs.
- ITI pass outs did not adequately utilise the apprenticeship opportunities due to lack of initiative from the ITIs in creating awareness about importance of apprenticeship.
- Placement cells in seven out of eight test checked ITIs were not functioning as per the DGT instructions defeating the objective of setting them up.

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[99] Mechanic Motor Vehicle, Mechanic Diesel, Electrician, Welder, Fitter, etc.

3.1.1 Introduction

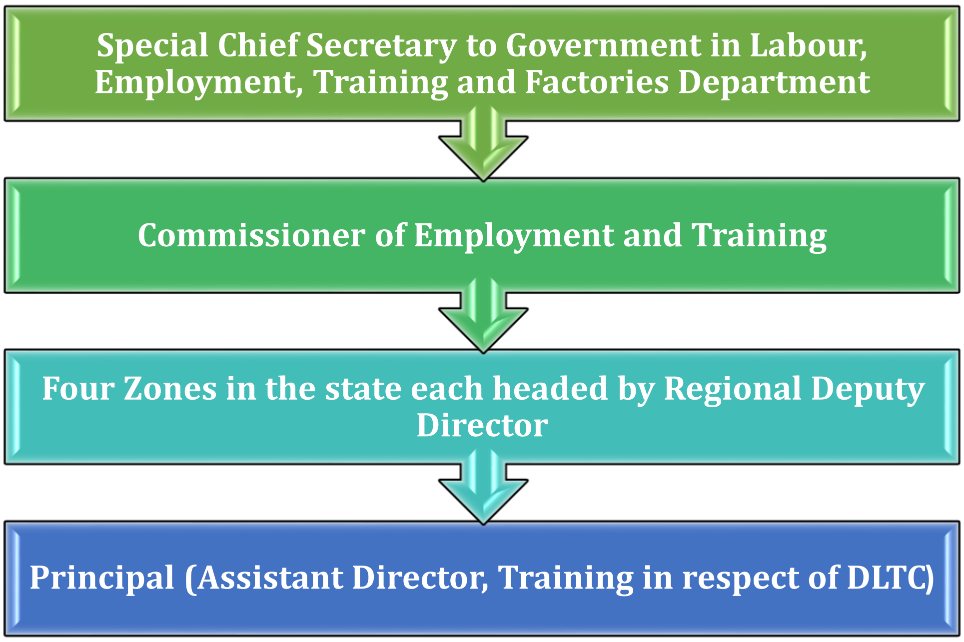
The Industrial Training Institutes (ITIs) impart vocational training to the trainees in various trades. The ITIs are intended to ensure uninterrupted supply of skilled manpower to domestic industries/service sectors. There were 79 ITIs[100] in the State in the Government sector with an annual intake capacity of 15,255. Apart from them, there were 414 ITIs functioning in the private sector as of March 2018.

Directorate General of Training (DGT) in the Ministry of Skill Development and Entrepreneurship, Government of India (GoI), is the apex organisation for development and co-ordination of vocational training programs to meet the skilled manpower requirement of industry. The ITIs are required to follow the manuals and orders issued by DGT.

The National Council for Vocational Training (NCVT) is an advisory body entrusted with the responsibilities of prescribing standards and curricula for training, advising the GoI on the overall policy and programs. It also conducts All India Trade Tests and awards National Trade Certificates.

State Government is responsible for day to day administration of the ITIs, arrangements for smooth conduct of trade tests and implementation of central schemes in their respective States.

Chart-3.1: Oraganisational Chart



During audit (March-June 2018), records pertaining to the period 2015-18 were scrutinised at the office of the Commissioner of Employment and Training and a risk assessment for planning and conduct of audit was carried

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[100] including six District Level Training Centers (DLTCs)

out. Two out of the four Regional Deputy Directors (RDDs) and eight out of the 79 Government ITIs were selected through SRSWOR method[101].As regards details of apprenticeship and employment, the information pertaining to trainees passed during 2014-17 was considered. Joint physical verification of infrastructure in ITIs such as classrooms, workshops, tools and equipment was conducted along with officials of the ITIs. Significant findings noticed during audit are detailed in the following Paragraphs:

Audit Findings

3.1.2 Infrastructure

3.1.2.1 Non-Utilisation of funds

During the period 2015-18, the Government allocated an amount of ₹82.65 crore on capital account, meant for ITI buildings, machinery and equipment. The Department had, however, incurred expenditure of only ₹12.62 crore out of this. Year wise details are shown in **Table 3.1**

Table-3.1: Status of Budget and Expenditure (Capital Account)

(₹in crore)

Year	Budget	Expenditure
2015-16	9.65	6.92
2016-17	45.00	1.60
2017-18	28.00	4.10
Total	**82.65**	**12.62**

Source: Information provided by the office of Commissioner

It was noticed in audit that the infrastructure for the ITIs were inadequate, some of the ITIs were operating from hired accommodation with space less than the norm. State Government had not released or short released grants to ITIs during the period 2015-18 towards training grant, stipend, maintenance of tools and equipment, technical books and magazines as detailed below:

Land and buildings

The DGT, GoI, stipulated norms in connection with land (2003), space for workshops and classrooms (2014) in ITIs. Out of 79 Government ITIs in the State, 56 were located in their own buildings while another 14 were functioning from rent free buildings of other Government Departments[102].The remaining nine ITIs[103]were functioning in rented buildings. Audit verified the details in the eight test checked ITIs and noticed the following:

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[101] Two RDDs out of four: RDD **Guntur** and RDD **Tirupati;** and two ITIs from each zone (out of four zones); ITI(B) **Nellore**; ITI(B) **Ongole**; ITI(G) **B.Thandrapadu**; DLTC **Kadapa**; Residential ITI **Araku**; ITI **Payakaraopeta**; DLTC **Eluru** and ITI **Vijayawada**: were selected based on Simple Random Sampling Without Replacement (SRSWOR) method

[102] Mandal Parishad Development Office, Mandal Revenue office, Zilla Parishad High School, Upper Primary School, etc.

[103] established during 2008

3.1.2.2 Buildings

The DGT, GoI guidelines stipulated the norms for floor space and other requirements for workshops and classrooms in respect of each trade. Scrutiny of records and joint physical verification of the building of ITI Payakaraopeta revealed that the building did not match the requirement of DGT norms. Against 522 Sq.mtrs. of space required for workshops for the five units[104] in the three trades in the ITI, there was only 176 Sq.mtrs. of space. Further, against 250 Sq.mtrs. of space required for classrooms in the ITI, there was only 150 Sq.mtrs. of space available. Thus, there was an overall shortage of 446 Sq.mtrs. of space for workshop and classroom at ITI Payakaraopeta.

As per DGT norms, the workshops for the trades 'Fitter' and 'Mechanic Diesel' should be provided in the Ground Floor. If the machinery of any trade was to be placed at any floor other than ground floor, a certificate regarding safety/suitability of structure from Civil/ Structural Engineer is necessary. In the ITI, the workshops for the trades 'Fitter' and 'Mechanic Diesel' were located in second floor of the building. Further the certificate of safety and suitability of the structure was also not obtained from competent authority.

It was further noticed that the ITI had not installed the equipment (₹14.93 lakh) procured (2013) for the 'Electrician' trade as the institute was established in the second floor and it was not safe to mount the equipment in the building. The students as a result were not given the required practical training in this trade. The Principal had not furnished any reasons for hiring an unsuitable building on rent for the ITI.

The Commissioner stated (August 2018) that there was requirement of funds for construction of buildings for 23 Government ITIs running in rented buildings/buildings of other Departments. The Commissioner also stated that although proposals were included in the budget estimates every year, Government had not allocated funds. Government replied (November 2018) that an amount of ₹69 crore had been allocated for construction of buildings during 2018-19 and the construction would be taken up now. The reply was not acceptable considering the fact that budget had been allotted every year (**Table 3.1**) while the required expenditure had not been incurred. Further, as there was no allotment of land, scope for utilisation of these funds during the year was limited.

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[104] The unit is like section of a class. There may be more than one unit in a trade

3.1.2.3 Land

As per DGT, GoI norms, sufficient[105] land should be available as per requirements based on the strength of an institute for establishing a full-fledged ITI. It was noticed that out of eight test-checked ITIs, one[106] ITI was functioning from rented building. At the request of the Principal of the ITI (September 2009) for allotment of land, the Revenue authorities raised a demand (January 2011) for an amount of ₹1.19[107]lakh towards cost of 2.23 acres of land. Due to non-payment of ₹1.19 lakh, Revenue Department had not alienated the land to the ITI. Revenue authorities informed (November 2017) the Principal that the value of the land was enhanced from August 2017 and the land would now cost ₹52.96 lakh. Government stated (November 2018) that the District Collector had been instructed for identification and allotment of Government land to ITI Payakaraopeta free of cost. The fact, however, was due to inaction of the Department in releasing ₹1.19 lakh, land was not allotted to the ITI.

3.1.3 Tools and equipment

The ITIs in the State follow the curriculum prescribed by NCVT for various trades. The NCVT is a body set up by GoI to prescribe standards and curricula for training imparted in ITIs, conduct trade tests and award certificates to the successful trainees. With a view to keep pace in tune with changes in technology, the NCVT revised the syllabus for various trades of ITIs in 2014. The syllabus had given greater importance to practical training by allocating about 70 *per cent* of the training period to practical training. It was, however, noticed in the test checked ITIs that they had not adequately procured and installed the latest equipment to meet the requirements of the revised syllabus for imparting practical training as follows:

- The Principals of the ITIs in the State had identified (2015) the latest designed 'tools and equipment' for conduct of practical training as per new syllabus. Government, however, had released only ₹24.40 lakh to Residential ITI Araku during 2015-18. Government had not released any money for procurement of 'tools and equipment' to the other seven test checked ITIs. Out of the eight test checked ITIs, four ITIs under PPP[108] mode and three ITIs under VTIP[109] mode procured some equipment with the funds available with the Institute Management Committees

[105] for an ITI with a minimum of 24 units, five acres if hostel facility is not provided and 10 acres if hostel facility is provided

[106] ITI Payakaraopeta in Visakhapatnam district which started functioning in 2008-09

[107] cost of land ₹6.69 lakh minus ₹5.50 lakh already available with them

[108] **Public Private Partnership (PPP):**An interest free loan of ₹2.50 crore is given by the Central government directly to the Institute Management Committee (IMC) Society for its functioning for these ITIs

[109] **Vocational Training Improvement Project (VTIP):** ITIs, under this project are financed using world bank funding project. 17 Government ITIs in Andhra Pradesh were upgraded with a project assistance of ₹3.50 /₹2.00 crore each

(IMCs)[110]. It was noticed that there was still huge shortage of tools and equipment[111]worth ₹24.72 crore[112] in seven (DLTC Kadapa did not furnish details) out of the eight test checked ITIs. As a result, the students had not been imparted practical training as per the revised syllabus with the latest tools and equipment. The objective of skill development to suit the industrial requirement was thus, not achieved. The Government accepted (November 2018) the shortage and stated that the non-procurement was due to non-release of funds.

- In Residential ITI Araku, it was noticed that three units of two different trades (Mechanic Motor Vehicle (MMV) and Mechanic Diesel) with 105 students were functioning with a single set of tools and equipment.
- As per Management manual of ITIs, about 70 *per cent* of the training period is allotted to practical training and the rest to theoretical training. As three units of two different trades were functioning with a single set of tools and equipment in Residential ITI Araku, the objective of 70 *per cent* of practical training was not achieved for the 105[113] students enrolled in these trades. The Principal of the ITI replied (May 2018) that the practical training could not be imparted to the trainees effectively due to lack of machinery.
- ITI (B) Ongole procured (2015-16) tools and equipment worth ₹8.62 lakh in 'Electrician' trade. The equipment[114]were, however, not installed for want of infrastructure like fixation of MCB (Miniature Circuit Breaker), bus bars, panel boards etc. The ITI had kept the equipment idle in the workshops, depriving the students of the intended benefit of practical training. The Principal replied (April 2018) that the equipment would be used after installing the requisite infrastructure.
- The NCVT had deleted (June 2014) the trade 'Mechanic, Radio and TV' for imparting training to the students in ITIs. Accordingly, the ITIs stopped admission into the trade from 2015. The Assistant Director (Training), DLTC, Kadapa, however, purchased (March 2016) tools and equipment worth ₹5.72 lakh pertaining to the deleted trade. The equipment was lying idle rendering the expenditure incurred

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110 The IMC is a committee constituted for each PPP/VTIP ITIs. The responsibility of managing the affairs of the ITI under PPP/VTIP is entrusted with the IMC. The members of IMC represent Industry Partner, State Government, Local Industry and the ITI. The committee is led by the Industry Partner

111 Diesel Generator Set, Oil testing Kit (**Electrician** Trade), Car Jet Washer with accessories, Heavy Commercial Vehicle without frame (**Mechanic Diesel** Trade), Magnetic Particle testing kit (**Welder** Trade), etc.

112 Residential ITI **Araku**:₹1.11 crore; ITI(G) **B.Thandrapadu**:₹0.40 crore; DLTC **Eluru**:₹2.08 crore; ITI(B) **Nellore**:₹9.04 crore; ITI(B) **Ongole**:₹1.66 crore; ITI **Payakaraopeta**:₹0.93 crore; ITI **Vijayawada**:₹9.50 crore

113 42 each during 2016-17 and 2017-18 for Mechanic Diesel and 21 trainees in 2016-18 for MMV trades

114 Capacitor motor, universal motor, oil testing kit, bath impregnating, DC motor, discrete component trainer, etc.

infructuous. The Assistant Director (Training) did not furnish any reasons for the unnecessary purchase.

- The Assistant Director (Training), DLTC Eluru purchased (2010) two cars (₹12.11 lakh) for practical training of students of 'MMV/Mechanic Diesel' trade. One car (Maruthi SX-4) only was, however, used for training purpose.

  The other car was given to the Regional Deputy Director, Kakinada for his use. The car met with an accident (April 2013) and was returned to ITI. It has not been repaired since then. Principal of ITI Eluru stated (September 2018) that the car (Maruti Swift Dzire) was handed over to RDD, Kakinada by the Member Secretary of IMC without authorisation of the IMC. Hence, the car worth ₹5.95 lakh meant for training of students was not serving the intended purpose of training.

- The Principal, ITI Vijayawada purchased (2009 and 2014) two cars at a cost of ₹9.41 lakh for imparting practical training to the students of 'MMV/Mechanic Diesel' trade. It was, however, noticed (June 2018) that the cars had been transferred (February 2013) to the RDD Kakinada (Hyundai make) and to the Commissioner of Employment and Training (Chevrolet make) in October 2016. Principal of ITI Vijayawada replied (August 2018) that cars were transferred to RDD Kakinada and Commissioner based on their requests.

It was noticed from the information obtained from the Commissioner office that three vehicles pertaining to three more ITIs had been transferred to the Commissioner office as detailed in **Table 3.2**:

Table-3.2: Transfer of vehicles from ITIs to Commissioner office

Name of the ITI	Year of purchase	Year of transfer
ITI(G) Chittedu	2013	2014
ITI Chittoor	2014	2014
ITI(M) Punganur	2012	2014

Source: Information provided by the office of Commissioner

Thus, the cars procured for imparting practical training to the students were being used elsewhere and were not being used to meet the intended objective.

Government attributed (November 2018) transfer of cars to commissioner's office to shifting of commissioner's office from Hyderabad to Vijayawada and mobility of officers. The reply was not acceptable as the intended objective of procuring the cars was for imparting practical training to the students, which was not being achieved.

3.1.3.1 Short release of funds

The DGT, GoI had stipulated that each ITI should be provided with grants towards stipend, maintenance of tools and equipment, technical magazines, etc., at specified rates. It was, however, noticed in the test checked ITIs that

Government had not released or short released grants to ITIs during the period 2015-18, as detailed in **Table 3.3**:

Table-3.3: Status of release of funds to ITIs

Budget item	Grant to be given	Audit finding
Training grant (for raw material, consumables, replacement of hand tools, stationery etc.)	₹400 (for engineering trades)/ ₹300 (for non-engineering trades) per month per trainee	Against ₹3.22 crore to be released for the eight test checked ITIs, Government had released only ₹27.51 lakh (8.54 *per cent*). Thus, the ITIs had to manage with the limited funds on these items adversely impacting the practical training.
Stipend	₹100 per trainee per month	Against ₹70.80 lakh to be released for the seven[115] test checked ITIs for 5,900 trainees, Government had released only ₹0.33 lakh (0.05 *per cent*) to one ITI (ITI(G) B.Thandrapadu). Of this, the ITI was stated to have spent an amount of ₹0.29 lakh towards stipend. Thus, the objective of paying stipend on monthly basis to the trainees was not achieved.
Technical books and magazines	₹25 per month per trainee	Against ₹19.90 lakh to be released for the eight test checked ITIs, Government had released only ₹873 (0.04 *per cent*) to only one out of the eight test checked ITIs (ITI(B) Ongole). The ITI had spent a meagre amount of ₹56 on purchase of magazines. Thus, the ITIs had not procured any technical books or magazines for the students of these ITIs during the period covered by audit.
Maintenance of tools and equipment	One to three *per cent* of cost of equipment	Government had not released any funds towards maintenance of tools and equipment. While there was shortage of equipment on one hand, as mentioned in para 3.1.3, some of the existing equipment were also not in working condition due to non-maintenance. It was noticed in Residential ITI, Araku that Petrol engine and diesel engine meant for MMV and Mechanic Diesel trades were not functioning due to dead battery from October 2017.

Government stated (November 2018) that the budget was allocated on certain heads only and had not specified any reasons for non/short release of funds. This indicates the absence of prioritisation on the part of the State Government with regard to implementation of the DGT, GoI instructions for ensuring the quality of training.

[115] except Residential ITI Araku which had not given any details on the stipend. The responsibility of paying stipend to the trainees in Residential ITI Araku is with Tribal Welfare Department

3.1.3.2 Irregular purchase procedure (DLTC Kadapa)

The Assistant Director (Training), DLTC Kadapa received (March 2016) an amount of ₹1.08 crore under the World Bank aided Vocational Training Improvement Project (VTIP) for procurement of 'tools and equipment'. As per VTIP guidelines, procurement of goods should be made through open tender system[116] wherever the estimated cost of material to be procured was more than US $ one lakh. Even in respect of limited tender system, sufficient time should be allowed for submission of bids.

In violation of the above stipulations, the Assistant Director (Training), DLTC Kadapa procured (March 2016) tools and equipment at a cost of ₹one crore (US$ 1.50 lakh approximately) from five firms[117] selected through 'limited tender system'[118] by splitting the tender into three parts, each valuing less than US $ one lakh so as to keep it within the monetary threshold of US $ one lakh and avoid open tender system. Scrutiny of purchase files revealed that the entire purchase process, starting from 'calling of quotations' to 'receipt of stock' was completed in two days (18 and 19 March 2016).

In respect of 'Mechanic, Radio & Television' trade, it was noticed that the stock was received (value ₹5.72 lakh) on 19 March 2016 even before comparative statement for selection of bidder was prepared (22 March 2016). Further, the tools and equipment worth ₹5.72 lakh procured pertained to the trade deleted by the advisory body NCVT (National Council for Vocational Training) and the equipment was lying idle. Considering the non-transparent manner of procurement, it requires detailed investigation.

In his reply (April 2018), the Assistant Director (Training) of the DLTC did not offer any explanation. The Government stated (November 2018) that suitable action would be initiated against the erring officer.

3.1.4 Manpower

3.1.4.1 Shortage of Instructors

The post of 'Instructor' (Training Officer (TO)/Deputy Training Officer (DTO)/Assistant Training Officer (ATO)) was the key post in imparting training to the trainees. As per DGT, GoI guidelines (Training Manual for ITIs), one ATO/DTO post was to be sanctioned to each unit in every trade. The position of post of Instructors, as of February 2020, in eight test checked ITIs is detailed in **Table 3.4**:

[116] invitation to tender by public advertisement
[117] firms located at Vijayawada, Visakhapatnam and Hyderabad
[118] invitation to tender directly from selected firms

Table-3.4: Position of instructors in test checked ITIs

Name of the Test Checked ITIs	Trades	Units	Instructors required as per norms	Men in position (regular /contract)	Vacant posts (Col 4-5)	Percentage of vacant posts
1	2	3	4	5	6	7
Residential ITI Araku	8	17	17	8	9[119]	53
ITI (G) B.Thandrapadu	8	14	14	6	8[120]	57
DLTC / ITI Eluru	6	11	11	5	6[121]	55
DLTC/ ITI Kadapa	8	16	16	9	7[122]	44
ITI (B) Nellore	11	32	32	18	14[123]	44
ITI (B) Ongole	10	21	21	8	13[124]	62
ITI Payakaraopeta	5	10	10	7	3[125]	30
ITI Vijayawada	17	58	58	31	27[126]	47
Total	**73**	**179**	**179**	**92**	**87**	**49**

Source: Information furnished by the test checked ITIs

Against 179 instructors required as per norms, only 92 posts were filled. There were 87 vacancies (49 *per cent*) in the test checked ITIs. It was noticed that more vacancies existed in Fitter and Turner trades (13 and 10 vacancies respectively). Principals of the test checked ITIs replied that the matter would be intimated to higher authorities.

In respect of Residential ITI Araku, it was noticed that a single instructor was taking classes for three units pertaining to two different trades[127]. This was in violation of the norm of one instructor for each unit in a trade. The Principal agreed (May 2018) that practical training could not be imparted to the trainees effectively due to lack of manpower.

Government stated (November 2018) that proposals were submitted by the Department for according permission to fill up the remaining posts on outsourcing basis. Government, however, did not specify the details of action taken on the proposals submitted to it.

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[119] Electrician(2), Fitter(1), Electronic Mechanic(1), Draftsman Civil(1), Welder(1), Computer Operated Programme Assistant (COPA)(1), Mechanic Diesel(2)

[120] Electronic Mechanic (1), Draftsman Civil(2), COPA(1), Mechanic Diesel (2), Stenography(1), Dressmaking (1)

[121] Electrician(1), Refrigeration and Air Conditioning (1), Mechanic Motor Vehicle(1), Welder(2), Mechanic Diesel(1)

[122] Mechanic Motor Vehicle(2), Fitter(1), Machinist(1), Turner(2), Carpentry(1)

[123] Draftsman Civil(1), Electrician (2), Fitter(4), Instrument Mechanic(1), MMV(1), Refrigeration and Air Conditioning (1), Mechanic Diesel(1), Turner(2), Welder(1)

[124] Electrician (3), Fitter(2), MMV(1), Draftsman Civil(1), Turner(2), Electronic Mechanic (1), Stenography(1), Machinist(2)

[125] Draftsman Civil(1), Mechanic Diesel(1), COPA(1)

[126] COPA(2), Electrician(2), Electronic Mechanic (2), Fitter(5), Information & Communication System Maintenance (I&CTSM) (1), Machinist(2), Mechanic Diesel(2), MMV(1), Plastic Processing Operator(2), Refrigeration and Air Conditioning (2), Turner(4), Welder(2)

[127] one unit of Mechanic Motor Vehicle (MMV) trade and two units of Mechanic Diesel trade

3.1.4.2 Qualified Instructors

As per the DGT, GoI provisions, the subject 'Employability Skills' (IT skills, English skills, Communication skills, Occupational Safety and Health, Environment Education, Quality Management Tool and Labour Legislation) is mandatory for all trades. From August 2012, the subject was to be taught as part of the curricula for overall personality development of the trainees. The DGT, GoI had stipulated the qualifications[128] required for the post of 'Instructor' in the subject. It was noticed in all the test-checked ITIs that the Instructors for the various trades were teaching the subject 'Employability skills' even though they did not possess the requisite qualifications. In ITI Vijayawada, however, a separate contract Instructor was appointed (August 2017) to teach this subject, though without the requisite qualification. The Principals of the ITIs replied (March-June 2018) that the matter would be brought to the notice of the higher authorities for appointment of qualified instructors.

Government replied (November 2018) that there was no sanctioned post of regular Instructor for 'Employability Skills' in ITIs and the same had been conducted by utilising the services of the Training Officers (TO) who is in supervisory cadre.

3.1.4.3 Refresher courses for Instructors

All the instructors in ITIs must attend refresher training programme, for two weeks, every alternate year arranged by DGT, GoI/Commissioner/IMC. It was noticed in audit (March-June 2018) that none of the regular/contract instructors in the eight ITIs had attended the refresher training programmes during 2015-18. The Principals of seven test checked ITIs replied that refresher training was not conducted. Government replied (November 2018) that refresher training programmes were being conducted every alternate year and in 2017 teaching staff from 15 ITIs (out of 79 ITIs in the State) attended the training. Government, however, did not clarify as to why the refresher training was not imparted to the teaching staff of the remaining 64 ITIs.

3.1.5 Public Private Partnership (PPP) Scheme

Government of India introduced (2007) the scheme of 'Upgradation of 1,396 ITIs through Public Private Partnership'. The objective of the scheme was to improve the employment outcomes of the graduates from the vocational training system, by making design and delivery of training more demand responsive. To achieve this, an Institute Management Committee (IMC) is

[128] **1**. MBA / BBA / Graduate in Sociology/ Social Welfare/ Economics with two years' experience; Graduate/ Diploma with two years' experience and trained in Employability Skills and must have studied English/ Communication Skills and Basic Computer at 12th / Diploma level and above **or 2**. Existing Social Studies Instructors duly trained in Employability Skills from DGT institutes

constituted for each selected ITI. The IMC has to design an Institute Development Plan (IDP) defining long term goals of the institute and strategies for dealing with challenges faced by the institute, defining Key Performance Indicators (KPIs). The roles of three parties involved in the scheme are briefly described below:

First Party (Central Government) has to guide the PPP Scheme. Based on the IDP, GoI provides interest free loan (₹2.50 crore) to IMC. Out of this ₹2.50 crore, ITI could invest an amount not more than ₹50 lakh (20 *per cent* of ₹2.50 crore) as seed money in banks as Fixed Deposit. The remaining amount has to be spent on the infrastructure, manpower, consumables, etc. The loan was to be repaid in equal instalments over a period of twenty years after expiry of moratorium period of ten years.

Second Party (State Government) should ensure the provision of funds, manpower, constitution of IMC and monitoring of the scheme.

Third Party (Industry Partner) was expected to provide training to faculty members and On Job Training (OJT) to trainees, contribution to ITIs (financial / tools and equipment).

In the State, GoI selected 31 ITIs for upgradation under the scheme. GoI extended an interest free loan of ₹2.50 crore to each of the 31 selected ITIs. Out of the eight test checked ITIs, four[129] were functioning in PPP mode.

3.1.5.1 Non-compliance of PPP scheme guidelines

It was noticed that certain conditions as mentioned in the PPP Memorandum of agreement were not complied with. These are detailed below:

Table-3.5: Non-compliance of conditions of PPP scheme guidelines

Condition of PPP guidelines	Audit finding
The guidelines, though not mandatory, expected the private partner contribution either financially or in the shape of tools and equipment. The guidelines also expected the private partner to provide training to the faculty and On the Job Training to the students of the ITI.	It was noticed in the four test-checked PPP-ITIs, the private partners had not made any contribution including providing training. Government replied (November 2018) that in 13 Government PPP-ITIs out of 31, the Industry Partners were allowing the trainees for on the job training. Government, however, had not explained as to why "On the Job Training" was not allowed by the Industry Partner in respect of the remaining18 PPP-ITIs. Government also did not specify about the financial contribution or contribution in terms of equipment to be made by the Industry partner.

[129] Residential ITI **Araku**; ITI (G) **B.Thandrapadu**; DLTC **Eluru**; ITI (B) **Ongole**

Condition of PPP guidelines	Audit finding
The DGT, GoI instructions (July 2014) stipulated that the unspent balance out of PPP fund[130] including seed money and interest available with IMC after making of all required expenditure at the end of financial year 2015-16 should not exceed ₹one crore. Any balance beyond this amount may be repaid without waiting for moratorium period to GoI. This condition was imposed with a view to encourage ITIs to utilise the funds towards upgradation activities instead of idle investments in banks.	In two PPP-ITIs, there were balances of ₹1.26 crore (ITI (G) B.Thandrapadu) and ₹1.23 crore (DLTC Eluru) against the permitted amount of ₹one crore each indicating non-utilisation of the funds for the intended purpose. The Principals, replied that the amount in excess of ₹one crore would be utilised whenever necessary. The reply is not acceptable as the stipulated period for utilisation of funds was March 2016 and required to be repaid to GoI if unspent. Further, the Commissioner replied (November 2018) that letter had been addressed to the DGT, GoI to accord permission for incurring the expenditure from the amount exceeding ₹one crore instead of repaying the same.

3.1.5.2 Defaults by third party (Industry partner)

As per DGT, GoI instructions (July 2014) for the implementation of PPP scheme, some responsibilities like fixing the salary of the instructors not below the stipulated level, ensuring that at least 10 *per cent* of seats are filled on payment of minimum fee prescribed and achievement of 70 *per cent* level in Key Performance Indicators (KPIs) (as detailed in **Table 3.6**) are given to the IMC. Non-compliance of these will make the IMC liable to prepay an amount of ₹10 lakh from the PPP fund to GoI for each such default which continues for two years without waiting for the moratorium period of ten years from the date of release of fund. The following defaults were noticed in the test checked PPP-ITIs.

Table-3.6: Defaults in implementation of PPP scheme in test checked ITIs

Defaults	Audit finding
Salary of contract Instructors should not be fixed below the stipulated level of ₹14,000 per month.	In all the four test checked PPP-ITIs the salary of contract Instructors was fixed (₹7,000 - ₹12,100) below the specified amount (₹14,000). The Principals of ITIs stated that salary was paid to the contract Instructors as per resolutions of the IMCs. Government confirmed (November 2018) the replies of Principals. This makes the IMCs of the four ITI's liable to prepay ₹10 lakh each from their PPP fund.

[130] interest free loan received from GoI, income from investment and savings, receipts by way of fees and charges for training courses, income earned by running production/service centre, Grants/contribution/donations from any source, etc.

Defaults	Audit finding
IMC should ensure that at least 10 *per cent* of seats are filled on payment of the minimum fee of ₹5,000 per annum. The intent of the Government for this provision is revenue generation for development of ITI and repayment of loan.	Two[131] out of the four PPP-ITIs had not filled 139[132] seats on payment basis. Principals of the two ITIs stated that the trainees were not willing to join the institute on payment basis. The revenue that the two ITIs could generate during 2015-18 worked out to ₹6.95 lakh. While the Government had not given (November 2018) any specific reasons for this it stated in its reply that some of the PPP-ITIs seats were being filled in popular trades such as 'Electrician', 'Fitter' etc. In the absence of candidates interested in joining on payment basis, the intent of Government to make the ITIs generate revenue for development of ITI and repayment of loan was not achieved.
Key Performance Indicators (KPIs) are the performance indicator set by IMC of PPP-ITIs as per the guidelines of the scheme. The purpose of KPIs is to improve the internal as well as the external efficiency of the ITI against the base line information. Non-achievement of 70 *per cent* of the level in KPIs is treated as a default.	Audit noticed that all the four PPP-ITIs[133] had not achieved targeted 70 *per cent* levels during 2015-16 and 2016-17 as detailed in ***Appendix-3.1.*** The Principal of Residential ITI Araku attributed the poor performance to remote location of the ITI. Government had not explained any reasons for non-achievement of targets in respect of these Indicators.

3.1.6 Apprenticeship

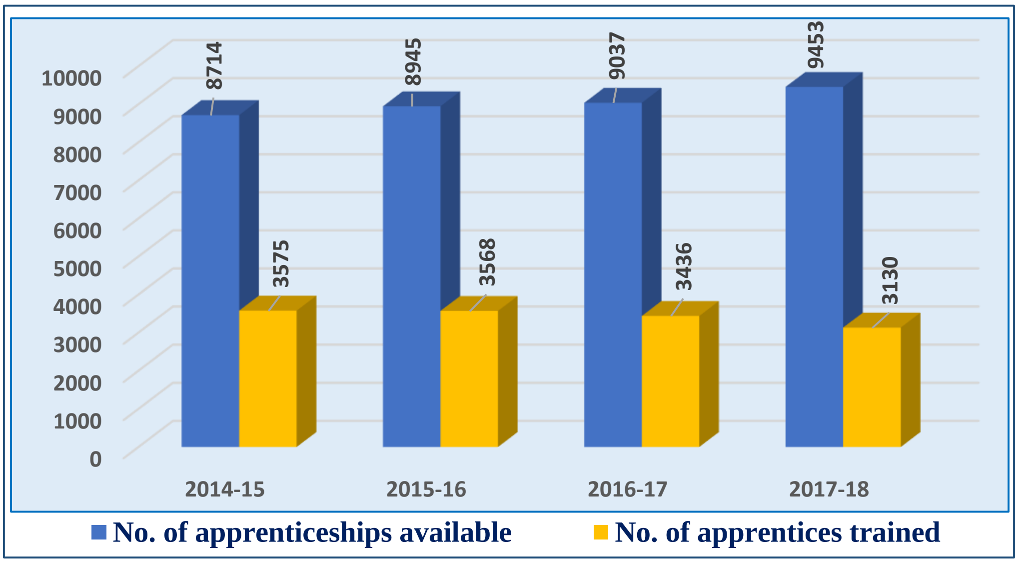
Modern Industry needs skilled workers to operate sophisticated machinery. The skills acquired by the trainees in ITIs were only basic and they need to undergo 'On Job Training' (OJT) in industries to acquire skills. GoI had, therefore, implemented Apprenticeship Scheme (ATS) up to 2015. With a view to give the trainees' real time Industrial experience, GoI introduced (2016) the National Apprenticeship Promotion Scheme (NAPS) to promote apprenticeship training.

The ITI pass outs were eligible to apply for apprenticeship online in DGT portal of GoI. The Principal of one ITI in each district was designated as 'Assistant Apprenticeship Advisor' to look after the apprenticeship activity in the district. It was noticed that the ITI pass outs in the State had not adequately

131 ITI (G) **B.Thandrapadu** (63 seats); ITI (B) **Ongole** (76 seats)
132 10 *per cent* of total 1,391 seats in those ITIs, available during 2015-18
133 Residential ITI **Araku**, ITI(G) **B.Thandrapadu**, DLTC **Eluru** and ITI(B) **Ongole**

utilised the apprenticeship opportunities available to them. Details of apprenticeships available to the trainees in the State and those actually availed during 2014-15 to 2017-18 were as shown in **Chart 3.2**:

Chart -3.2: Apprenticeship details in the State during 2014-18



Source: Information provided by the office of Commissioner

It was noticed in the eight test checked ITIs that the Principals were not maintaining data of trainees of their ITIs who joined apprenticeship. The Commissioner stated (June 2018) that the trainees intending to join apprenticeship were to apply directly through GoI portal and the ITI had no login facility.

The Department had not even taken advantage of novel suggestion of the scheme to appoint 'brand ambassadors'[134] to increase apprenticeships.

3.1.6.1 Apprenticeship Stipend

Under the 'National Apprenticeship Promotion Scheme 2016', GoI reimburses to the industrial establishment, an amount of ₹1,500 per apprentice per month or 25 *per cent* of the stipend already paid by industries to the apprentices, whichever is less.

- During 2016-17, the RDDs Guntur and Tirupati received an amount of ₹44.76 lakh and ₹1.56 crore respectively. Of this, the two RDDs paid ₹43.10 lakh and ₹76.30 lakh respectively to the industrial establishments towards stipend. It was, however, noticed that there was no system to ensure that the stipend was paid to the apprentices in full. The RDDs had paid the amounts to the industrial establishments based on the lists of the apprenticeship trainees submitted by the industrial establishments without confirming if the stipend had been paid in full to the apprentices to their Aadhaar linked bank accounts. Government accepted (November 2018) the audit observation and assured rectification.

[134] appointed to encourage students for apprenticeship by giving wide publicity

- The RDDs, Guntur and Tirupati, made excess payments to the industrial establishments to an extent of ₹3.22 lakh[135]. Government accepted the audit observation and stated (November 2018) that the excess amount would be adjusted in future payments.

3.1.7 Placements

As per DGT, GoI instructions (02 June 2008), each ITI was required to setup 'Placement Cell' to help the ITI pass outs in getting placed in different industries. The State Government would provide appropriate infrastructure and staff including one officer for functioning of the cell. The ITI should also keep track of the pass outs till they are suitably employed for at least three years after completing the training from that institute. These cells should provide counselling and guidance to the trainees by professionals and experts to make them capable of understanding the aspects of technicality, method, etc. for self-employment.

It was noticed that 'Placement Cells' were established in seven[136] out of eight test checked ITIs. They, however, did not have the data and details of all the pass outs (name, address, educational/technical qualification, telephone/mobile number, etc.) and their present status. Counselling and guidance to the trainees by professionals and experts was also not arranged. During 2014-16, 2,797 trainees, out of 3,992 enrolled, had passed in the eight test checked ITIs. Out of those, the ITIs had details of only 294 pass outs who were employed and 119 who were self-employed. In four test checked PPP-ITIs, out of 1,029 ITI pass outs, 82 were placed and 80 were self-employed. Thus, though required to track the pass outs for at least three years, the ITIs did not have the data regarding placements in respect of remaining ITI pass outs.

The Principals of ITIs replied (March-June 2018) that measures would be taken to strengthen the placement cell.

3.1.8 Quality assurance

With a view to maintaining a standard quality assurance mechanism, to give an opportunity to the ITIs lagging behind to improve upon, DGT, GoI introduced (2017) star rated grading of ITIs. The grading was based on benchmark for comparison against certain specific parameters. The parameters included possession of own dedicated land for the ITI, building, high end equipment as per NCVT norms, availability of instructors,

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[135] RDD **Tirupati:**₹1.48 lakh in respect of 18 candidates towards duplicate payments; ₹0.18 lakh towards payments to candidates who did not pass the final trade test
RDD **Guntur:**₹0.16 lakh due to miscomputation of training period; ₹1.40 lakh towards payments to candidates who did not pass the final trade test

[136] Residential ITI **Araku**, DLTC **Eluru**, DLTC **Kadapa**, ITI(B) **Nellore**, ITI(B) **Ongole**, ITI **Payakaraopeta** and ITI **Vijayawada**

percentage of apprenticeship and placement. The DGT provided some incentives like eligibility for financial support, award of best ITI and best principal, allowing new trades in the ITIs graded three or above, although participation of ITIs in the grading system was voluntary.

It was noticed that out of 79 Government ITIs in the State, only 67 ITIs were graded. Of these, only three ITIs got grading three or above. None of the test checked eight ITIs were graded above three. Thus, none of them were eligible for incentives. Non-achievement of higher grading by majority of ITIs may be evidently due to the deficiencies noticed in the test checked ITIs as pointed out above. This indicated that majority of the Government ITIs required qualitative improvement.

3.1.9 Conclusions

- ***Out of the 79 Government ITIs, 23 do not have own buildings and are functioning from other departments' buildings and rented buildings. Government did not allot any budget for permanent buildings for these ITIs even though such proposals are included in the budget estimates.***

- ***The ITIs suffered from shortage of 'tools and equipment' which are essential for practical training and also affects quality of practical training imparted. The students had not been imparted practical training as per the revised syllabus prescribed by National Council for Vocational Training (NCVT) with the latest tools and equipment. Government released very minimal funds for books and magazines, training grants, stipend and maintenance of equipment.***

- ***There was shortage of instructors in the ITIs. In the test checked ITIs only 92 Instructor posts were filled against 179 posts required as per norms. Though DGT, GoI had stipulated qualifications required for the post of 'Instructor' in the subject 'Employability Skills' (IT skills, English skills, Communication skills, Occupational Safety and Health, Environment Education, Quality Management Tool and Labour Legislation), which was mandatory for all trades, it was being taught by Instructors who did not possess the requisite qualifications in all the test-checked ITIs.***

- ***There was non-compliance of PPP scheme guidelines by Industry Partner. With a view to give the trainees' real time Industrial experience, GoI introduced (2016) the National Apprenticeship Promotion Scheme (NAPS) to promote apprenticeship training. The Department had not taken advantage of novel suggestion of the scheme to appoint 'brand ambassadors' to increase apprenticeships. ITI pass outs did not adequately utilise the apprenticeship opportunities.***

- ***Placement cells in ITIs were not functioning as per the DGT, GoI instructions, in seven out of eight test checked ITIs they did not maintain data and details of all the pass outs and their present status. Counselling and guidance to the trainees by professionals and experts was also not arranged. DGT, GoI introduced (2017) star rated grading of ITIs and out of 79 Government ITIs in the State, only 67 ITIs were graded. Of these, only three ITIs got grading three or above indicating that majority of the Government ITIs required qualitative improvement.***

Higher Education Department

3.2 Idle equipment

Rajiv Gandhi University of Knowledge Technologies failed to install equipment valuing ₹1.57 crore for Nuzvid campus due to non-completion of civil and electrical works required for installation of the equipment. The equipment remained idle even after lapse of five years.

Article 4 of AP Financial Code (Vol-I) stipulates that every Government servant should be constantly watchful to see that the best possible value is obtained for all public funds spent by him or under his control and guard scrupulously against every kind of wasteful expenditure from public funds.

It was noted from scrutiny (September 2017) of records of the Rajiv Gandhi University of Knowledge Technologies, Nuzvid that the University placed purchase order (July 2013) on a private firm for supply of 'Servo Hydraulic Testing Machine' (SHM)[137]. The University imported[138] the equipment for Material Testing Laboratory of Metallurgical and Materials Engineering Department of Nuzvid campus, a constituent institute of the University. The equipment was very important for practical training of students, project and research work. The firm delivered the equipment in April 2014 and the University paid ₹1.52 crore (being 90 *per cent* of the cost) to the firm. As per conditions of the purchase order, the balance 10 *per cent* was to be paid after installation and commissioning of the equipment. The warranty period of 36 months from date of acceptance of the equipment by the University expired by March 2017. The equipment was, however, not installed.

Further, the University also purchased and installed (August 2017) a water chiller machine[139](₹4.92 lakh), an ancillary equipment for SHM. The warranty period of this equipment ended in June 2018, and it was also lying idle.

[137] the system is used for testing low cycle fatigue and fracture toughness
[138] from United Kingdom
[139] for heat exchange of the power pack, mandatory for switching on Servo Hydraulic Testing Machine

The Institute replied (July 2018) that the equipment was not installed due to non-completion of civil works (accommodation with strong foundation for installation of the equipment) and electrical works. As of March 2019 the equipment namely, SHM and water chiller machine, were still lying idle.

In a previous Audit Report[140], non-utilisation of a washing machine (₹43 lakh) procured (May 2010) by the same University for Nuzvid campus, had been pointed out. State Government had replied (February 2015) that the equipment could not be installed due to non-completion of building required for installation. A subsequent scrutiny (October 2017) of records of the University and further correspondence indicated that though the construction of the building (₹1.33 crore) was completed in December 2015 but the washing machine remained idle as it was not installed as of March 2019.

Thus, Rajiv Gandhi University of Knowledge Technologies failed to install equipment valuing ₹1.57 crore for Nuzvid campus due to non-completion of civil and electrical works required for installation of the equipment. The equipment remained idle even after lapse of five years. This also deprived the students of key equipment required for practical training and research work.

The matter was reported to State Government in August 2018.

3.3 Non-collection of Affiliation Fee

Owing to absence of internal controls for collection of dues from affiliated colleges, Jawaharlal Nehru Technological University (JNTU) Kakinada failed to collect affiliation fee dues of ₹141.65 crore from the colleges during 2012-17.

As per the Affiliation Procedure and Regulations of the Jawaharlal Nehru Technological University, Kakinada (University), affiliation[141] to a college should be granted only after the remittance of affiliation fee, as per the rates approved by the University from time to time, subject to satisfaction of the conditions. Affiliation fee is the major internal source of income for the University. Affiliation fee is to be paid by the affiliated colleges to the University in respect of each academic year. Affiliation fee is included in the fee structure and is collected by the affiliated colleges from the students admitted. The fee so collected is used for development activities of the University.

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[140] Audit Report (General and Social Sector) No.3/2015-AP for the year ended March 2014 (Para 5.8.1)

[141] affiliation means recognition of the college/courses of the college, by the university as approved by AICTE (All India Council for Technical Education)/PCI (Pharmacy Council of India)/other statuary regulatory bodies and satisfying the academic norms / regulations prescribed for admission to examination for award of degrees, diplomas and other distinctions of the University by the University and to run the academic programmes as per the curriculums prescribed by the University from time to time

There were 262 private colleges affiliated to the University for the academic year 2017-18. It was noticed that, as of July 2018, an amount of ₹141.65 crore pertaining to the years 2012-17 was due from private colleges affiliated to the University. Year wise details of dues from the affiliated colleges are given in **Table 3.7**.

Table-3.7: Details of year-wise dues from the affiliated colleges

(₹in crore)

Year	Amount to be collected	Amount collected (*per cent*)	Amount yet to be collected (*per cent*)	Number of colleges from which the amount was due (total number of colleges)
2012-13	54.37	49.33 (91)	5.04 (9)	77(274)
2013-14	67.78	52.32 (77)	15.46 (23)	122(267)
2014-15	72.22	39.34 (54)	32.88 (46)	166(264)
2015-16	74.75	35.54 (48)	39.21 (52)	211(267)
2016-17	72.88	23.82 (33)	49.06 (67)	256(263)
Total	**342.00**	**200.35 (59)**	**141.65 (41)**	

Source: Information provided by the University

The increasing trend of dues indicated absence of internal controls in place in the University to monitor and ensure collection of the affiliation fee from the colleges affiliated to it. This had resulted in reduction of its monetary resources meant for developmental activities.

Further, as per the AICTE norms 'No Objection Certificate' (NOC) from the affiliating University is prerequisite for closure of a recognised college. It was, however, noticed that the University had issued NOCs for closure of 15 affiliated colleges (2011-15) from which an amount of ₹0.99 crore was due towards affiliation fee.

The University stated (June 2018) that it had issued reminders to the colleges for remittance of the affiliation fee. The reply confirmed the audit finding of absence of internal control measures for collection of the affiliation fee in respect of each academic year before closure of the year and before issuing NOC for closure of recognised colleges. In the absence of internal controls, JNTU Kakinada failed to collect affiliation fee dues of ₹141.65 crore from the colleges for the period 2012-17 causing loss of revenue. Further, owing to issue of NOCs for closure of colleges without realisation of dues, the possibility of recovery of ₹0.99 crore was remote causing additional loss to the University.

The matter was reported to Government (July 2018); reply has not been received (January 2019).

Municipal Administration and Urban Development Department

3.4 Deficient planning for Municipal Office building led to infructuous expenditure

Improper planning by the Narsipatnam Municipality resulted in rendering expenditure of ₹60.78 lakh on the Municipal Office building infructuous.

Narsipatnam Municipality proposed (December 2012) construction of a new municipal office building in Pedaboddepallu under start-up[142] grant by Government of Andhra Pradesh (GoAP).The Municipal Council accorded administrative sanction (December 2012) for ₹50 lakh for the construction of Municipal office building. After completion of tender process, the work was entrusted (August 2013)[143] to a contractor for value of ₹43 lakh with a stipulation to complete it within six months from the date of concluding agreement. The work was to be completed by 31 January 2014.

Scrutiny (December 2017) of records of Narsipatnam Municipality revealed that the Municipality granted (January 2014) extension of time upto 28 February 2014 to complete the construction of the Municipal office building. Due to insufficient funds, the work remained incomplete (as of May 2014) after incurring an expenditure of ₹48.43 lakh. Subsequently, the balance works[144] were taken up (December 2015)[145] with ₹15 lakh allocated under the Special Development Package of GoAP. The work was completed (December 2016) with an additional expenditure of ₹12.35 lakh. Audit noticed that the building was, however, not occupied as of December 2018.

The Municipal Commissioner replied (December 2017) that the building was not in complete shape and was located in the outskirts of the Municipality in an undeveloped area without proper roads. Commissioner assured that action would be taken to procure funds to develop the building and make use of it. The fact was Narsipatnam Municipality had without proper assessment of its requirements, suitability of location and availability of infrastructure facilities like road connectivity had sanctioned construction of the Municipal office building and incurred an expenditure of ₹60.78 lakh[146]. By failing to use the building on the ground it was not fit for its office use and keeping the building unoccupied even after lapse of two years had rendered the expenditure incurred infructuous.

[142] startup grant is an assistance given to new Municipalities/ Corporations for development works
[143] Agreement No.6/2013-14, dated 01.08.2013
[144] flooring, doors and windows
[145] Proceedings Rc.No.88/2015/SDP 2014-15/Dy SO (Plg-I), dated 17.12.2015
[146] ₹48.43 lakh + ₹12.35 lakh

Government accepted the audit comment and stated (December 2018) that the building was not occupied as there was no infrastructure facility available and assured that appropriate action would be taken to put the building in use.

3.5 Avoidable expenditure of ₹88.63 lakh

Non-revision of Contracted Maximum Demand (CMD) by Rajamahendravaram Municipal Corporation resulted in avoidable expenditure of ₹88.63 lakh.

Contracted Maximum Demand[147] (CMD) is the basis on which demands are raised by APEPDCL[148] including minimum charges or penalties on High Tension (HT) electricity consumers. As per clause 6.4 of Andhra Pradesh Retail Power Supply Tariff Rules, the Billing Demand shall be the maximum electricity consumed during the month or 80 *per cent* of the Contracted Maximum Demand (CMD) whichever is higher at the rates applicable from time to time. For consumption in excess of the CMD, charges are payable at two times the normal charges.

As per the General Terms and Conditions of Supply (GTCS) of electricity in AP (January 2006), the consumer can seek reduction of CMD or termination of the HT agreement by giving not less than three months' notice. The Engineer-in-Chief (Public Health) instructed (July 2015) all the Commissioners /Municipal Engineers to analyse the HT Bills and review the electricity consumption charges to fix the CMD accordingly.

Rajamahendravaram Municipal Corporation (RMC) had eight High Tension (HT) electricity connections for water supply arrangements, Sewage Treatment, etc. for which agreements were entered into between the period from June 1988 to March 2008. Scrutiny of electricity bills for the period April 2011 to December 2017of RMC by Audit (March 2018) showed that in respect of three HT connections[149], RMC paid electricity bills at the minimum chargeable rate of 80 *per cent* of CMD, though the actual consumption was less[150].In two other HT connections[151], RMC paid electricity bills at double the rate for the number of units consumed in excess of CMD.

Review of consumption pattern of electricity was necessary to avoid minimum charges when consumption was low and to avoid penalty when consumption exceeded CMD by providing a suitable clause in the agreements. However, audit noticed that no such clause was made in the agreements entered by RMC though such clause was available in the GTCS.

[147] **'Contracted Maximum Demand'** means the maximum demand the consumer intends to put on the system and is so specified in the supply Agreement between the parties

[148] Andhra Pradesh Eastern Power Distribution Company Limited

[149] RJY 301, RJY 659 and RJY 715

[150] consumption ranged from 4.2 KVA to 195.0 KVA for a CMD of 250 KVA

[151] RJY 553 and RJY 613

Further, analysis of electricity consumption pattern as per the instructions of Engineer-in-Chief (PH) was also not done. This led to avoidable expenditure of ₹88.63 lakh during April 2011 to December 2017.

RMC replied that APEPDCL would be addressed for review of CMD.

Thus, RMC incurred loss of ₹88.63 lakh due to non-revision of CMD charges which was avoidable.

Government stated (December 2018) that RMC had filed applications for revision of CMD. The amounts paid so far was loss to the Corporation as it was not recoverable.

3.6 Avoidable payment of ₹2.03 crore from General Fund

Failure of the Urban Local Bodies in ensuring timely remittance to Employees Provident Fund Organisation resulted in avoidable payment towards damages and Interest.

Under the provisions of the Employee's Provident Fund (EPF) and Miscellaneous Provisions Act, 1952, the employer shall deduct the employee's contribution from his wages and remit the recovered amount together with his share to the fund within fifteen days after the end of the month. In case of default, the employer may be liable to pay damages and interest[152] as specified under EPF Act. Central Government notified (January 2011) that Municipal Corporations and Municipal Councils were covered under EPF Act.

Scrutiny of records (September 2015 to January 2018) of Six[153] Urban Local Bodies (ULBs) revealed that the ULBs remitted the EPF contributions to the Employees Provident Fund Organisation (EPFO), with delays ranging between 31 to 1,485 days *(**Appendix-3.2**)* in respect of its contractual employees. As per the provisions of EPF Act, the EPFO levied (between December 2014 and May 2018) damages and interest amounting to ₹3.69 crore[154]on account of delay in remittances on the six ULBs. Out of ₹3.69 crore payable, the ULBs paid an amount of ₹2.03 crore from the Municipal General Fund as damage charges and interest, and balance amount of ₹1.66 crore remained as a committed liability with four[155] ULBs towards these damages and interest. Thus, the said ULBs had incurred an expenditure of ₹2.03 crore from their General Fund which was avoidable had they remitted the EPF contributions in time.

[152] damage charges not exceeding the amount of arrears and interest at the rate of 12 *per cent*

[153] Badwel Municipality (Kadapa District), Eluru Municipal Corporation (West Godavari District), Jaggaiahpeta Municipality (Krishna District), Kanigiri Nagar Panchayat (Prakasham District), Rajam Nagar Panchayat (Srikakulam District) and Rayachoti Municipality (Kadapa District)

[154] damages ₹2.48 crore and interest ₹1.21 crore

[155] Badwel (₹9.95 lakh), Jaggaiahpeta (₹31.12 lakh), Kanigiri (₹2.00lakh) and Rayachoti (₹122.55 lakh)

ULBs attributed the delay in remittance to their weak financial position.

Thus, the failure of the ULBs in ensuring timely remittance to EPFO resulted in avoidable payment towards damages and interest.

Government while stating (December 2018) that four out of six ULBs had remitted the amount of EPF and the other two ULBs made part remittances to EPFO, also assured that instructions would be issued to all the Local Bodies to ensure that amount of EPF deducted was remitted in time to avoid penal charges.

3.7 Non collection of labour cess

Visakhapatnam Metropolitan Region Development Authority (VMRDA) did not levy and collect labour cess in accordance with the provisions of 'The Building and other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996' and Government orders. Test check of building plans revealed that an amount of ₹4.82 crore towards labour cess was not collected by VMRDA.

As per provisions of 'The Building and other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996' and Rules[156], it was mandatory for Controlling Departments of Local Bodies/Authorities[157] which are competent to approve plans for 'Building and other Construction Work' to ensure collection of labour cess. Government ordered (December 2009) that labour cess at the rate of one *per cent* of the 'Estimated Cost of Construction' was to be collected and deposited with Andhra Pradesh Buildings and other Construction Workers Welfare Board (Board). The Board was responsible for formulating and implementing various welfare schemes for the benefit of the building and other construction workers in the State.

Visakhapatnam Metropolitan Region Development Authority (VMRDA[158]) was the competent authority to accord permissions for approval of plans for construction of buildings in its jurisdictional area and to collect labour cess. While conducting Audit of VMRDA (June 2018), it was noticed that, VMRDA had neither levied nor collected labour cess while issuing Building Permit Orders (BPOs). Audit test checked 110 BPOs[159] and worked out the cost for construction of buildings as ₹482 crore[160]. VMRDA had, however, not

[156] The Building and other Construction Workers Welfare Cess Rules,1998

[157] Municipal Administration & Urban Development Department (in respect of all Urban Local Bodies); Panchayat Raj Department (All village Panchayats); Industries and Commerce Department (APIIC and Development Commissioners, SEZs) and all State/Central Government Departments where construction activity takes place involving local labour

[158] Government vide G.O.Rt.No. 302 (MA&UD(M)) dated 05.09.2018 had notified Visakhapatnam Metropolitan Region Development Authority (VMRDA) duly dissolving Visakhapatnam Urban Development Authority(VUDA)

[159] issued between May 2013 and September 2016

[160] based on rate per square feet multiplied with area in square feet (of the permitted building)

collected labour cess amounting to ₹4.82 crore in respect of the building plans approved by it.

Thus, VMRDA failed to fulfil the statutory responsibility of collecting labour cess in violation of relevant provisions of the Act and Rules. In a reply, VMRDA stated (June 2018) that there were no specific instructions from higher authorities regarding collection of labour cess. The reply was not acceptable, as Government in its order (December 2009) stipulated the provision for collection of labour cess by competent authorities.

As a result, the Board had foregone revenue of ₹4.82 crore intended for welfare of construction workers.

During discussion of the Audit paragraph (November 2018), the Metropolitan Commissioner, VMRDA stated that they had introduced online system for Building permissions and the issue was taken care of in the online system. He also agreed to raise the demand and recover the cess in all the cases.

(L V SUDHIR KUMAR)
Principal Accountant General (Audit)
Andhra Pradesh

Hyderabad
The

Countersigned

(RAJIV MEHRISHI)
Comptroller and Auditor General of India

New Delhi
The