Report of the Comptroller and Auditor General of India on Economic Sector for the year ended March 2017

Government of Telangana

Report No. 6 of 2018

Presented to the State Legislature
on 29 March 2018

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PREFACE

This Report for the year ended March 2017 has been prepared for submission to the Governor of Telangana under Article 151 of the Constitution of India for being laid before the Legislature of the State.

The Report contains significant results of Performance Audit on 'Development of Information Technology and Communications infrastructure by ITE&C Department' besides detailed Compliance Audit of Departments of Irrigation and Command Area Development; and Industries and Commerce.

The instances mentioned in this Report are those, which came to notice in the course of test audit for the period 2016-17 as well as those which came to notice in earlier years, but could not be reported in previous Audit Reports. Instances relating to the period subsequent to 2016-17 have also been included, wherever necessary.

The audit has been conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.

Chapter - I

Overview of Economic Sector

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Overview of Economic Sector

1.1 Introduction

The State of Telangana came into existence (2 June 2014) through Andhra Pradesh State Reorganisation Act, 2014. The State covers an area of 1.12 lakh square kilometres. It has a population of 3.50 crore as per 2011 Census. Telangana State earlier had 10 Districts and 464 Mandals. Government of Telangana reorganised them to 31 Districts and 584 Mandals in October 2016.

Government of Telangana consists of 32 Departments at the Secretariat level headed by Special Chief Secretaries/Principal Secretaries/Secretaries. Officers are assisted by Commissioners, Directors and sub-ordinate Officers. Of these 32 Departments, 11 come under the jurisdiction of Economic Sector.

1.2 Authority for Audit

Comptroller and Auditor General of India (CAG) derives authority for audit from Articles 149 and 151 of the Constitution of India and the CAG's (Duties, Powers and Conditions of Service) Act, 1971 (DPC Act). CAG audits Economic Sector departments of the Government as per the following:

- ***Audit of expenditure***, as per section 13[1] of the DPC Act;
- ***Financial audit*** of four autonomous bodies (ABs)[2] under Economic Sector, as per sections 19(2)[3], 19(3)[4] and 20(1)[5] of the DPC Act; and
- ***Audit of other ABs,*** which are substantially funded by the Government, as per section 14[6] of the DPC Act.

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[1] Departments delivering economic services, which include (i) General Economic Services; (ii) Agriculture and allied services; (iii) Industry and Minerals; (iv) Water and Power Development; and (v) Transport and Communications.

[2] (i) Telangana State Electricity Regulatory Commission (TSERC) under Section 19(2), (ii) Telangana Khadi and Village Industries Board (TKVIB) under Section 19(3), (iii) Environment Protection Training and Research Institute (EPTRI) under Section 20(1) and (iv) Telangana State Compensatory Afforestation Fund Management and Planning Authority (TSCAMPA) under Section 20(1) of DPC Act

[3] Audit of the accounts of Corporations (not being Companies) established by or under law made by the Parliament in accordance with the provisions of the respective legislations

[4] Audit of accounts of Corporations (not being companies) established by or under law made by the State Legislature in accordance with the provisions of respective legislations

[5] Audit of accounts of any body or authority on the request of the Governor, on such terms and conditions as may be agreed upon between the CAG and the Government

[6] Audit of all receipts and expenditure of (i) any Body or Authority substantially financed by grants or loans from the Consolidated Fund and (ii) any Body or Authority where the grants or loans to such body or authority from the Consolidated Fund in a financial year is not less than ₹ one crore

Regulations on Audit and Accounts - 2007 and Auditing Standards of the CAG, lay down the principles and methodologies for audits.

1.3 About this Report

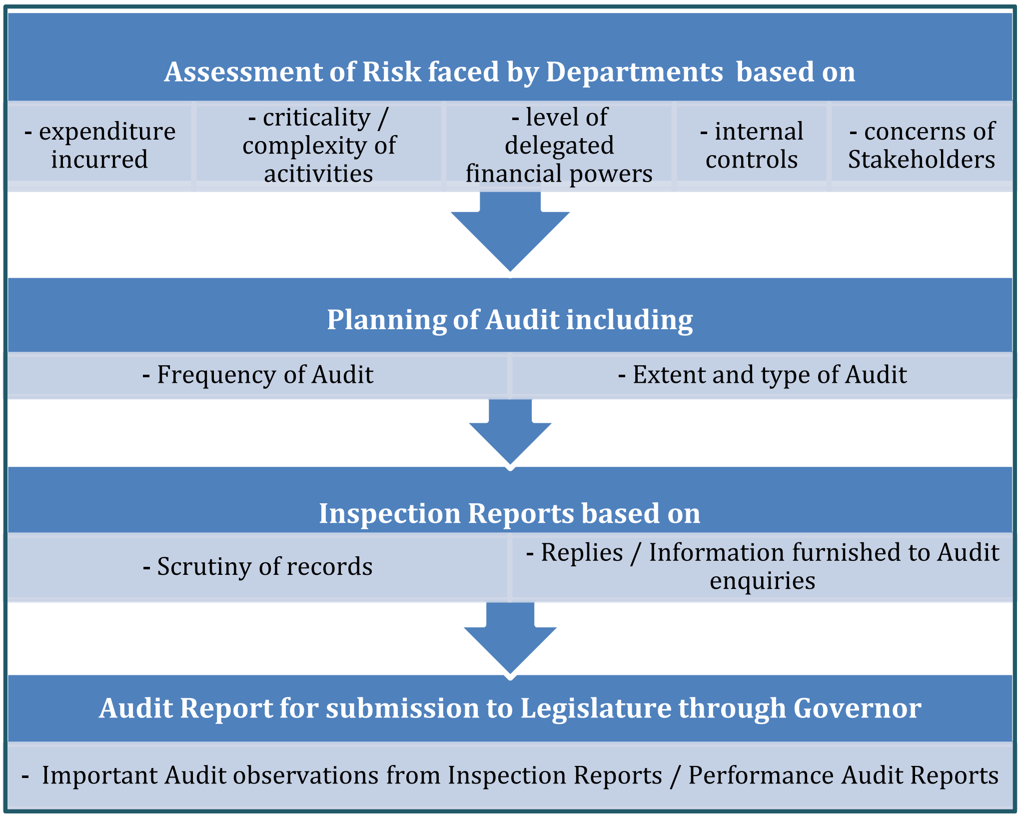
Primary purpose of Audit Reports is to bring important results of audit to the notice of the State Legislature. Audit findings enable the executive to take corrective action in cases of lapses / deficiencies. They also help to frame directives for better governance.

This Report on Economic Sector relates to matters arising from Performance Audit [7] and Compliance Audit [8] of selected programmes and activities of Departments coming under Economic Sector.

1.4 Planning and conduct of audit

The following flow chart depicts planning and conduct of audit:

Chart 1.1: Planning and conduct of audit



7 Performance Audit examines whether the objectives of the programme / activity / Department are achieved economically, efficiently and effectively

8 Compliance Audit covers examination of transactions relating to expenditure of audited entities to ascertain whether the provisions of the Constitution of India, applicable laws, rules, regulations and various orders and instructions issued by competent authorities are being complied with

Audit conducted inspection of various Departments / Organisations under the Economic Sector in 2016-17 and issued 100 Inspection Reports with 826 paragraphs.

1.5 Response of Government Departments

1.5.1 Response to past Inspection Reports

The following process is adopted in respect of Inspection Reports.

- Principal Accountant General (PAG) issues Inspection Reports (IRs) to the heads of offices inspected with a copy to the next higher authority.
- Heads of offices and next higher authorities are required to rectify the defects and omissions mentioned in IRs and report compliance to PAG.
- Half yearly reports of pending IRs are sent to Secretaries of Departments concerned to monitor outstanding audit observations.

As of 30 September 2017, there were 2,029 IRs issued up to March 2017 and consisting of 7673 paragraphs, which were not settled (Department wise break up is given in ***Appendix 1.1***). Of these 2,029 IRs (7,673 Paragraphs), Audit did not receive even first replies in respect of 690 paragraphs in 76 IRs (year-wise break up is given in ***Appendix 1.2***).

Out of 11 Departments under Economic Sector, Irrigation and Command Area Development (I&CAD) Department and Agriculture & Cooperation (A&C) Department had highest number of unsettled audit observations as of 30 September 2017. I&CAD had 769 IRs with 2,502 paragraphs and A&C Department had 437 IRs with 2,020 paragraphs. Of these, 207 IRs with 361 paragraphs (I&CAD Department) and 163 IRs with 389 paragraphs (A&C Department) were outstanding for more than ten years (year-wise details are in ***Appendix 1.3***).

Audit further analysed responses of these two Departments. I&CAD Department did not furnish even initial replies (to be forwarded within one month) in respect of 21 offices for 123 paragraphs issued in 2016-17. Similarly, A&C Department also did not furnish initial replies in respect of 30 offices for 382 paragraphs issued in 2016-17.

Further, 39 paragraphs involving ₹83.69 crore pertaining to I&CAD Department and 115 paragraphs involving ₹341.61 crore pertaining to A&C Department were outstanding as of 30 September 2017 (details are given in ***Appendix 1.4)***. This indicated lack of prompt action on the issues pointed out in audit.

Audit recommends that the Government may strengthen procedures to ensure

(a) prompt action by officers to send replies to Inspection Reports (IRs) / paragraphs as per the prescribed time schedule;

(b) recovery of loss/outstanding advances/over payments in a time bound manner.

1.5.2 Response to present Performance Audit and Compliance Audit reports

Audit forwarded one draft Performance Audits and three Compliance Audits to the Special Chief Secretary / Principal Secretaries concerned during August to October 2017. The Government provided response to all the proposed paragraphs, which have been suitably incorporated in the Report.

1.5.3 Response to recommendations of the Public Accounts Committee

Finance and Planning Department had issued (May 1995) instructions to all Departments for submission of Action Taken Notes (ATNs) on the recommendations of the Public Accounts Committee (PAC) relating to paragraphs included in the Audit Reports. The Departments were to submit ATNs within six months. All the Departments have furnished ATNs as of 30 November 2017, except Irrigation and Command Area Development Department in respect of two[9] recommendations.

1.6 Expenditure by Departments in Economic Sector Grants

Expenditure incurred by Economic Sector Departments during the last three years is given in ***Table 1.1***:

Table 1.1: Table showing expenditure incurred by Economic Sector Departments

(₹ in crore)

Sl. No.	Name of the Department	2014-15*	2015-16	2016-17
1	Agriculture & Co-operation	5,380.31	5,668.08	5,775.06
2	Rain Shadow Areas Development[10]			
3	Animal Husbandry & Fisheries	325.17	543.00	664.91
4	Energy	3,504.49	5,195.32	15,258.32
5	Environment, Forests, Science and Technology	211.75	364.71	430.06
6	Industries & Commerce	670.96	777.56	377.56
7	Information Technology, Electronics & Communications	136.40	87.33	158.19
8	Irrigation and Command Area Development	8,052.87	10,978.72	15,723.72
9	Public Enterprises	0.54	0.80	1.12
10	Roads and Buildings	2,598.97	2,917.20	4,463.44
11	Infrastructure & Investment[11]			
Total		**20,881.46**	**26,532.72**	**42,852.38**

*(**Source:** Appropriation Accounts of Government of Telangana for the relevant years)*

* *These figures represent for the period from 02 June 2014 to 31 March 2015. Expenditure figures from 01 April 2014 to 01 June 2014 were depicted in Audit Report on Economic Sector, Government of Andhra Pradesh*

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9 (i) Para 24.4 and 24.5 in 13th report of X Legislative Assembly and (ii) Para 3.4 in 8th report of XII Legislative Assembly

10 Expenditure of this Department is covered under Grant No. XXVII – Agriculture

11 Expenditure of Infrastructure & Investment is covered under Grant No. XI – Roads, Buildings and Ports

The outlay of the Government on Economic Sector increased in 2016-17 by 61 *per cent* over previous year (2015-16). The increase was mainly due to increase in:

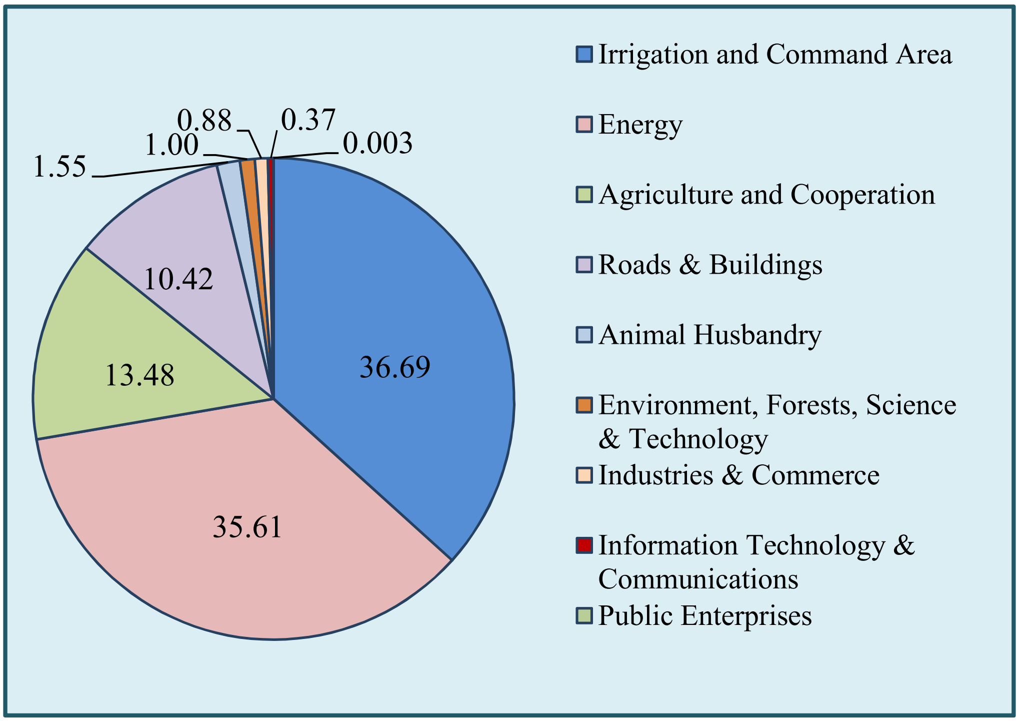
(i) Energy Department (194 *per cent*) due to investments in Power Discoms (₹10,498 crore); and

(ii) Irrigation and Command Area Development Department (43 *per cent*) due to taking up of Kaleshwaram project[12], on which ₹5,072 crore was spent in 2016-17.

The sectoral distribution of expenditure in Economic Sector in 2016-17 is shown in ***Chart 1.2***. Outlay on two Departments viz., I&CAD and Energy Departments comprises 72 *per cent* of total expenditure on Economic Sector.

Chart 1.2 : Expenditure share of different Economic Sector Departments

(in percentage)



*(**Source:** Appropriation Accounts of Government of Telangana)*

[12] After formation of Telangana State, Pranahita Chevella Sujala Sravanthi Project was re-engineered as two separate projects viz., Kaleshwaram and Pranahita projects. Kaleshwaram Project plans to utilise 160 tmc of Godavari waters with a cost of ₹81,000 crore

1.7 Significant Audit Findings

Performance Audit

Development of Information Technology and Communications infrastructure by ITE&C Department

Information Technology (IT) sector is considered as a growth engine of the State. Telangana accounted for around 13 *per cent* (₹40 thousand crore) of total software exports from India. Two policies (Information and Communication Technology policy and Electronic Hardware Policy) formed the basis of framework for development of IT sector in the State. After formation of Telangana State, the Government pronounced a new set of policies in April 2016.

Significant audit findings are summarised below:

- Land parcels offered by the Department lacked basic amenities; hence, firms did not come forward for setting up IT industries. Consequently, no land allotments took place during the last five years.

  [Paragraph 2.1.10.4]

- The Department did not monitor development of infrastructure by IT firms in respect of land already allotted. The IT firms held the land allotted without development for years.

  [Paragraph 2.1.11.2]

- Irregularities in selection of consultants for construction of T-Hub, Phase-II and Innovation in Multimedia, Animation, Gaming and Entertainment (IMAGE) Tower led to extra financial burden of ₹16.70 crore. Change in payment clause with consultant while concluding agreement, resulted in additional financial commitment of ₹ 5.04 crore in IMAGE tower.

  [Paragraph 2.1.10.3 and 2.1.10.6]

- Constructing agency of T-Hub Phase II received undue benefit of ₹13.11 crore during execution, due to post agreement changes. The total cost impact was ₹16.43 crore. The matter needs to be investigated and responsibility fixed.

  [Paragraph 2.1.10.3]

- Telangana State Industrial Infrastructure Corporation (TSIIC) closed the contract of an existing consultant for IMAGE Tower for reasons not on record and appointed a new consultant. This resulted in extra commitment of ₹15.14 crore.

  [Paragraph 2.1.10.6]

- In two cases, Andhra Pradesh Industrial Infrastructure Corporation (APIIC) transferred land 'Title Deeds' to a firm even before completing the project. One firm did not commence the project and surrendered the land. Another firm built up only 1.5 lakh square feet (sft.) of office space as against stipulated 10 lakh sft.

[Paragraph 2.1.11.2 (i) and (iii)]

- Andhra Pradesh Industrial Infrastructure Corporation (APIIC) allowed a firm to surrender the land without imposing penalties. This resulted in undue benefit to the firm to the tune of ₹13.75 crore. The objectives of generation of employment and IT development were not achieved.

[Paragraph 2.1.11.2 (i)]

- The Department allotted 101.03 acres of land to a firm. Of this, 49.61 acres were not suitable for development, due to environmental issues. The Department did not take any action, though the firm utilised only nine out of the remaining 51.42 acres.

[Paragraph 2.1.11.2 (ii)]

The Department did not ensure basic amenities before offering land parcels. Consequently, no land allotments were made during the last five years. Minimum use of allotted land for IT activities was not stipulated. There was no mechanism to monitor the development by IT firms within the time schedules. Prescribed procedures were not followed in the selection of consultants for T-Hub and Innovation in Multimedia, Animation, Gaming and Entertainment (IMAGE) Tower. Undue benefits were extended to the consultant and constructing agency in T-Hub.

Compliance Audits

Implementation of Accelerated Irrigation Benefits Programme

Government of India launched (1996-97) Accelerated Irrigation Benefit Programme (AIBP) to fund major and medium irrigation projects, which were left incomplete due to resource constraints. The Ministry of Water Resources, River Development and Ganga Rejuvenation (MoWR, RD&GR) in GoI was responsible for laying down policy guidelines. The State Government in Irrigation and Command Area Development (I&CAD) Department implemented the irrigation projects under AIBP.

Significant audit findings are summarised below:

- There was a shortfall in receipt of Central Assistant (CA) in respect of J Chokka Rao Devadula Lift Irrigation Scheme (₹496.04 crore) and Sriramsagar Project Stage II (₹31.34 crore). This was due to slow progress in incurring expenditure and utilisation of CA. The main reasons for slow progress were delay in land acquisition, inter- departmental issues.

[Paragraph 3.1.2]

- There was shortfall in availability of water in J Chokka Rao Devadula Lift Irrigation Scheme and Sriramsagar Project Stage II due to improper planning. Improper assessment of water availability led to taking up of additional schemes / constructions with financial burden.

[Paragraph 3.1.3.1]

- Irrigation Potential (IP) was not fixed definitely as prescribed in Public Works Department Code. As a result, there were overlaps with other projects. The targeted IP was reduced in J Chokka Rao Devadula Lift Irrigation Scheme, Sriramsagar Project Stage II and Indiramma Flood Flow Canal.

[Paragraph 3.1.3.2]

- There were excess payments of ₹10.57 crore due to (i) improper calculations in price variation, (ii) short recoveries in seigniorage charges, (iii) non-recovery of mobilisation advance and (iv) payment towards survey and investigation works without execution etc.

[Paragraph 3.1.5]

- No Irrigation facilities were created in Indiramma Flood Flow Canal despite receipt of full Central Assistance by 2008-09 and incurring expenditure of ₹4711.01 crore. This was due to non-completion of required reservoirs. Utilisation of Irrigation Potential (IP) in respect of J Chokka Rao Devadula Lift Irrigation Scheme and Sriramsagar Project Stage II was 18 and zero per cent respectively. This was due to shortfall in availability of water.

[Paragraph 3.1.6]

The main objective of inclusion of sampled irrigation projects under AIBP was to complete the projects in two years. However, the sampled projects remained incomplete even after lapse of more than a decade. Additional items of works had to be taken up due to shortage of availability of water, which increased financial burden. Changes in the scope of the work increased the cost of the project. Creation of irrigation facilities ranged from zero to 74 per cent. Creation of irrigation facilities was nil in respect of Indiramma Flood Flow Canal. Utilisation was also less with only 18 per cent in J Chokka Rao Devadula Lift Irrigation Scheme and zero per cent in Sriramsagar Project Stage II due to shortage of availability of water.

Restoration of minor irrigation tanks under Mission Kakatiya

Government of Telangana took up Mission Kakatiya to revive tank irrigation by restoring all the 46 thousand tanks in a span of five years. The objective of the mission was to enhance development of minor irrigation infrastructure and strengthen community based irrigation management. The main components of Mission Kakatiya works were (i) De-silting, (ii) restoration of feeder channels, (iii) re-sectioning of irrigation channels, (iv) repairs to bunds, weirs etc.

Significant audit findings are summarised below:

- Target for Phase I was unrealistic. There were delays in completion of Phase I works ranging from 20 to 549 days. Consequently, progress in Phase II and Phase III of the Mission was low with 14 and zero per cent respectively.

  [Paragraph 3.2.3]

- An important aim of the Mission was to bring back Gap Ayacut (i.e., difference between irrigation potential created and utilised) of 10 lakh acres into irrigation. However, there was no mention of details of Gap Ayacut in the estimates of individual works.

  [Paragraph 3.2.6]

- Removal of silt was one of the main components under the Mission Kakatiya. There was an average shortfall (33 per cent) in removal of silt in 27 test checked tanks.

  [Paragraph 3.2.4]

- Prioritisation of works was not in accordance with guidelines. Non-priority works were also taken up in Phase I and Phase II.

  [Paragraph 3.2.5]

Chapter - II
Performance Audit

Chapter - II

Performance Audit

Information Technology, Electronics and Communications Department

2.1 Development of Information Technology and Communications infrastructure by ITE&C Department

Executive Summary

Telangana State accounted for around 13 *per cent* (₹40 thousand crore) of total software exports from India. T-Hub innovation centre under phase-I was completed, in which 250 start-ups were incubated. Out of these, 50 start-up ventures had graduated so far. Firms incubated/partnered with T-Hub have won prestigious awards.

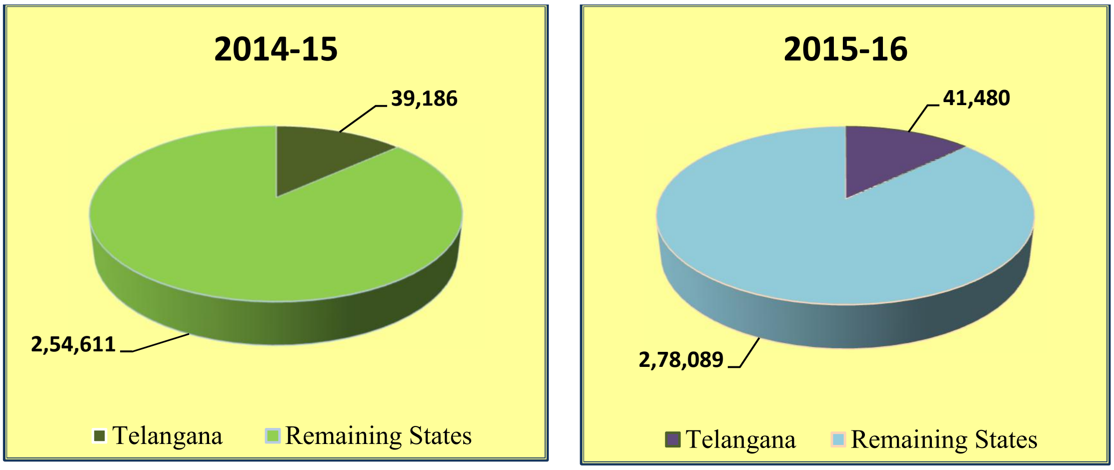
There was persistent mismatch between budget allocations and expenditure under "subsidies" head. Planning for Information Technology Investment Region (ITIR) was deficient. The ITIR remained a non-starter. Two firms, which were to play key role in development of semi-conductor industry in 'Fab City' project failed to promote the industry. Consequently, out of 1075 acres earmarked to Fab City, 712 acres remained unutilised. Department / Telangana State Industrial Infrastructure Corporation (TSIIC) did not ensure minimum contribution from constituent units as per Electronic Manufacture Cluster Scheme guidelines. There were deficiencies in selection of consultants for construction of T-Hub and Innovation in Multimedia, Animation, Gaming and Entertainment (IMAGE) tower, leading to extra financial burden. Changes in payment clause in agreements with consultant resulted in additional financial commitment. Construction agency of T-Hub (Phase II) got undue benefit due to post agreement changes. No land allotments were made in last five years as the Department did not ensure basic amenities before offering land to IT firms. The Department did not ensure commitment / capability of IT firms to invest and complete the projects by IT firms. Monitoring of use of land for IT activities and development as per time schedule was poor. The Department was yet to make provision of State Wide Area Network facilities to the newly formed Districts and Mandals.

2.1.1 Introduction

In Telangana, Information Technology (IT) sector is viewed as a growth engine that could usher in rapid socio-economic development. The State ranked third in software exports in 2014-16[1], accounting for around 13 *per cent* of total software exports from the country (***Chart 2.1***). Growth rate of IT related exports from Telangana stood at 13.85 *per cent* [2], higher than average growth rate in the country (10 *per cent)* [3]. IT sector provided direct employment to 4.31 lakh, besides indirect employment to about 7 lakh persons.

Chart 2.1: Share of Telangana in software exports in comparison to all the remaining States

(Figure - ₹in crore)



***(Source**: Annual reports of Software Technology Parks of India)*

Information Technology, Electronics and Communications Department (ITE&CD) played a crucial role as shown in ***Chart 2.2***:

[1] Annual Reports of Software Technology Parks of India, an autonomous society set up by Ministry of Electronics and Information Technology, Government of India

[2] Annual Report of Information Technology, Electronics and Communications (ITE&C) Department (2017)

[3] Estimated by NASSCOM, a non-profit organisation involved in building an eco-system to bring fruition-technology for good

Chart 2.2: Roles of Information Technology, Electronics and Communications Department

Policy formulation for Information Technology (IT) and Electronic System Design and Manufacture (ESDM)

Conceptualizing and initiating various e-Governance Projects

Promoting investments in IT, IT Enabled Services (ITES) and ESDM and other emerging technologies through proactive measures

Creating a congenial environment for IT and ESDM companies to set up / expand their operations in the State

Monitor the benefits of IT percolating to the last mile of State

Providing strong communications backbone in the State

*(**Source**: Annual Reports of ITE&C Department)*

Two policies[4] formed the basis of framework for development of IT sector in the State during 2012-16. After formation of Telangana as a separate State, the Government pronounced a new set of policies[5] in April 2016.

2.1.2 Organisational setup

ITE&C Department functioned under overall control of a Principal Secretary. He was assisted by Commissioner/Director (Mee Seva), one Public Sector Undertaking (PSU)[6], two joint venture Companies[7] and two registered societies[8].

2.1.3 Scope and methodology of Audit

Performance Audit was conducted during February to June 2017, covering the period from April 2012 to March 2017. Audit procedures included scrutiny of records, issue of audit enquiries, obtaining information and replies and consultation with the Departmental officers. The offices visited included the

[4] Information and Communication Technology (ICT) Policy - 2010 and Electronic Hardware (EH) Policy – 2012

[5] (1) ICT Policy Frame work 2016, (2) Incentives for Expansion of IT / ITES, (3) Electronics Policy, (4) Image Policy, (5) Rural Technology Centres Policy, (6) Innovation Policy (7) Open data Policy, (8) Data Centre Policy and (9) Cyber Security Policy

[6] Telangana State Technology Service Limited (TSTS) formed from Andhra Pradesh Technology Service Limited (APTS) consequent to Andhra Pradesh re-organisation Act, 2014 and provides technical consultancy services to Government Departments and assists in purchases of modern equipment etc.

[7] T-Hub Foundation and Photonics Valley Corporation

[8] Society for Telangana Network (SOFTNET) and Telangana Academy for Skill and Knowledge (TASK)

ITE&CD, Telangana State Industrial Infrastructure Corporation (TSIIC)[9] and Telangana State Technological Services (TSTS).

Audit informed the ITE&CD about Audit objectives, scope, criteria and methodology in an Entry Conference held on 21 April 2017. Audit opinions in this Report are based on information and replies furnished to audit enquiries as well as opinion expressed by Government during the Exit Conference held on 9 November 2017.

2.1.4 Audit Objectives

The objectives of this Performance Audit were to assess whether:

- The IT initiatives were comprehensive and in accordance with policies of the Department;
- Infrastructure projects and IT initiatives were implemented as planned and were serving the intended objectives in a sustainable manner;
- Co-ordination was achieved to meet the needs of other Departments; and
- Initiatives were directed towards building resilient infrastructure, promoting inclusive and sustainable industrialisation and fostering innovation.

2.1.5 Audit Criteria

The findings were benchmarked against criteria, which were sourced from:

(i) Information and Communication Technology (ICT) policies (2005-10, 2010-15, 2016), Electronic Hardware (EH) policy (2012-17);

(ii) Land allotment policy;

(iii) Information Technology Investment Region (ITIR) policy of Government of India;

(iv) Regulations of APIIC / TSIIC for land allotment;

(v) State Finance Code;

(vi) Government Orders issued by State Government from time to time;

(vii) Techno economic feasibility Reports, Detailed project reports;

(viii) Annual budget and expenditure statements;

(ix) Manual of policies and procedures of employment of Consultant issued by Government of India; and

(x) Conditions of RFP / Bids /Agreements for respective packages of projects concerned.

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[9] TSIIC is a company formed from Andhra Pradesh Industrial Infrastructure Corporation (APIIC) consequent to Andhra Pradesh re-organisation Act, 2014 and executes infrastructure projects on behalf of Government

2.1.6 Acknowledgement

Audit acknowledges the cooperation received from ITE&CD, TSIIC, TSTS and Photonic Valley Corporation in conducting this Performance Audit.

Audit Findings

2.1.7 Utilisation of Budget

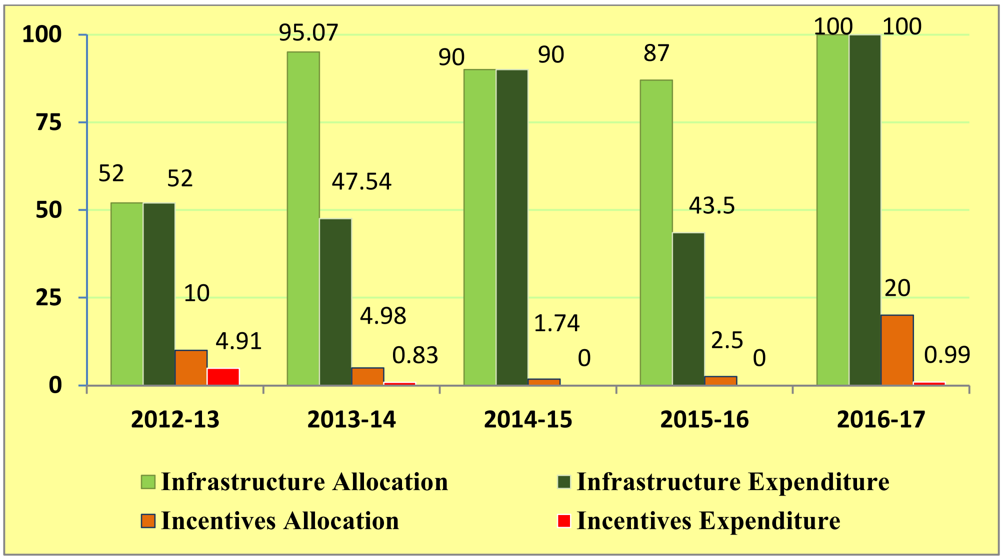
The Department received allocations totaling ₹ 982.05 crore during 2012-17. Out of these, ₹ 463.29 crore pertained to infrastructure development under the following heads of accounts:

- Infrastructure facilities for development of IT: ₹ 424.07 crore (43 *per cent*); and
- subsidies[10]: ₹ 39.22 crore (four *per cent*).

The Departmental focus was on creation of infrastructure with utilisation of 79 *per cent* of the budget (₹ 333.04 crore). Utilisation on subsidies, i.e., disbursement of incentives was only 17 *per cent* (₹ 6.73 crore) as shown in ***Chart 2.3***:

Chart 2.3: Budget allocated and actual expenditure on infrastructure and subsidies

(₹ in crore)



(Source: Information furnished by ITE&C Department)

Further analysis revealed the following:

- The Government took up construction of T-Hub[11] in Hyderabad after formation of Telangana State. It was noticed that 60 *per cent* of the

[10] The head "Subsidies" include incentives for development of infrastructure such as conversion of power tariff, subsidy in power tariff, reimbursement of rent, stamp duty, registration fee etc

expenditure on infrastructure during 2015-16 and 2016-17 was on construction of T-Hub. Other initiatives to provide spurt in IT investments, like development of basic amenities on the land parcels to be offered to IT firms, took a back seat.

- Information and Communication Technology (ICT) and Electronic Hardware (EH) policies provided a wide range of incentives to IT firms for development of IT infrastructure. However, there was no expenditure under subsidies head of account in 2014-15 and 2015-16.

- The Department granted incentives in 34 instances in the last five years. Out of these, 24 cases[12] were in the shape of permissions for conversion of power tariff from Commercial category to Industrial category. Such conversion did not require any budgetary support from the Department as bills would be generated based on the category of power connection.

  There was no expenditure on the following other incentives:

  - special and upfront negotiated packages for mega projects;
  - reimbursement of patent filing costs;
  - reimbursement of 20 *per cent* of expenditure incurred for obtaining quality certifications;
  - contribution of ₹10 lakh per annum for creation of library; and
  - recruitment assistance for recruiting IT professionals etc.

The Government attributed the low utilisation of funds under "subsidies" (November 2017) to poor demand from IT firms. The low demand was due to uncertainties during State bifurcation. Thereafter, the firms were waiting for a new ICT policy, which was declared in April 2016. The Government stated that some time was required for new ICT policy to percolate to the industry.

However, even during 2016-17, the expenditure on incentives was only ₹ 0.99 crore as against budget allocation of ₹ 20 crore. The persistent mismatch between budget allocations and expenditure under "subsidies" head calls for a review by the Department.

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[11] T-Hub is an innovation centre intended to provide a central location (i) for local start up community to network, learn and share and (ii) for investors and start-ups to network, communicate and make deals.

[12] The remaining 10 cases pertained to (i) lease rental refund / subsidy, (ii) investment subsidy, (iii) stamp duty and transfer duty and (iv) power subsidy

2.1.8 Policy formulation and Project planning

2.1.8.1 Planning for Information Technology Investment Region (ITIR)

The Government of India (GoI) pronounced ITIR policy in May 2009. GoI sought to promote investments in IT Enabled Services (ITES) and Electronic Hardware Manufacture (EHM) units through this policy. GoI approved (November 2013) setting up of an ITIR on 202 square kilometres (sqkm). Hyderabad ITIR (HITIR) was to be developed in two phases viz., Phase I during 2013-18 and Phase II during 2018-2038. The ITIR was to generate employment to 68 lakh persons. Development of ITIR required internal infrastructure[13] costing ₹ 13,093 crore and external infrastructure[14] involving a cost of ₹ 4,863 crore. ITIR policy prescribed that the State Government would play a lead role in the following:

- Forming Management Board;
- Identifying and notifying suitable area;
- Selecting the developer,
- Forming a separate urban local body for development and creation of infrastructure[15].

Audit observed the following deficiencies in planning development of ITIR:

(i) ***Projection of investments*****:** Techno-Economic feasibility Report prepared by a consultant[16] projected investments of ₹ 2,19,440 crore towards ITIR, for which no details were made available to Audit. However, the project proposal submitted by the Department to GoI indicated (December 2013) a few investment proposals. Audit noticed that some of these proposals were not workable for the reasons mentioned in ***Table 2.1***:

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13 Infrastructure like Roads, Power, Water and sewerage facilities to be developed by the State Government

14 Infrastructure like Railways, National Highways to be developed with the support of GoI

15 Physical infrastructure -power, water, road connectivity, sewerage and effluent treatment linkages; and Social infrastructure - Residential facilities, Educational and Health facilities, local commercial facilities, recreation facilities and socio – cultural facilities

16 M/s Price Water Coopers

Table 2.1: Details of non-workable investments proposed in ITIR

(₹in crore)

Sl. No.	Firm	Investment projected in Project Proposal	Remarks
1	M/s Sem India Fab[17]	13,838	The MoU ran into legal disputes with Andhra Pradesh Industrial Infrastructure Corporation (February 2010).
2	M/s Nanotech Silicon[18]	9,590	Failed to bring in investment and Chairman of the firm was not traceable (September 2011).
3	M/s Brahmani Infratech Private Limited[19]	1,500	Surrendered land in January 2013 itself.
	Total	**24,928**	

*(**Source**: Project proposal for ITIR, MoUs with respective firms as furnished by ITE&C Department)*

The analysis showed that the investment projections were unrealistic and could not bear fruit. The Government replied (November 2017) that the investment projections were for a combined State and for a cumulative period of 25 years.

The reply was not acceptable as the Government should have reviewed the investment projections after formation of Telangana State.

(ii) *Preparation of Master Plan:* ITIR policy stipulated preparation of a Master Plan (Para 28) followed by notification and freezing of ITIR area (Para 11). Para 32 prescribed the procedure for selection of developer, who was to prepare a Detailed Project Report (DPR).

The State Government decided (November 2014) to prepare a unified Master Plan for the entire Hyderabad Metropolitan Development Authority (HMDA) region. However, no progress was on record regarding preparation of Master Plan (March 2017).

[17] paragraph 2.1.9.1 also refers

[18] paragraph 2.1.9.1 also refers

[19] paragraph 2.1.11.2 (i) also refers

Without a Master Plan, notification and freezing of ITIR area, selection of developer and preparation of DPR could not take place though Phase I of ITIR was to be completed by 2018.

The Government replied (November 2017) that there was no response to the Request for Proposal for preparation of Master Plan and it was decided to prepare a unified Master Plan. However, the Government did not furnish any reasons for non-preparation of Master Plan.

(iii) ***Formation of ITIR Development authority (ITIRDA):*** Para 12 of the ITIR Policy proposed constitution of a separate urban local body for ITIR. The broad functions of the ITIRDA would be to plan enforcement and monitoring of ITIR, development of infrastructure, management of operations and promotion of investments.

Audit observed that ITIRDA was not formed as the HMDA Act, which governs Hyderabad metropolitan region, did not contain a provision for constitution of such special authority. In the absence of an empowered functional authority, implementation of ITIR could not be initiated, despite a lapse of three years after approval.

The Government replied (November 2017) that formation of the functional authority got delayed due to delay in implementation of GoI projects. The reply was not acceptable as the State Government was to play a lead role as per the ITIR policy. The support from GoI was only for two projects with ₹ 165 crore [20] as against ₹ 4,518 crore required for external and internal infrastructure. The remaining development activities were to be planned by the Department itself.

The Government also stated that GoI was reviewing the ITIR policy itself and was planning to come up with a better scheme. However, Audit observed that there was no communication from GoI withdrawing ITIR policy.

Hence, Audit noted that ITIR was a non-starter.

2.1.9 Implementation of projects

2.1.9.1 Development of Fab city

The Government planned to attract semi conductor units into the State by formation of a project (Fab City). The Fab City project envisaged employment to 5.17 lakh persons. Government entered (December 2004 and February 2006) into memoranda of understanding (MoU)[21] with two firms. The firms were to play key role in development of semi conductor

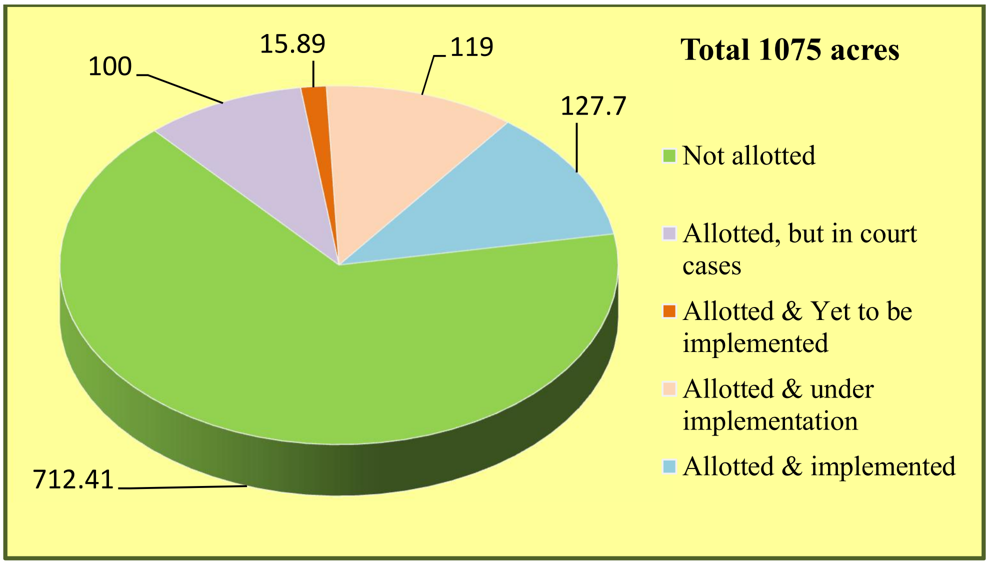
[20] (i) Extension of Multi Model Transport System (MMTS) to Airport with ₹ 85 crore and (ii) Upgradation of Radial Road No.8 connecting Moosapet to BHEL junction with ₹ 80 crore

[21] MoU with (i) Chairman of M/s Intellect Inc., A South Korean firm and (ii) Sem India Inc., USA

manufacturing industry in Fab City by bringing investments. The two firms viz., Sem India and M/s Intellect Inc., were to bring in investment of US$3 billion and US$370 million[22] respectively. APIIC had allotted (August 2006, July 2007) land of 1075 acres for development of Fab City. However, both the firms failed to bring investments as agreed. As a result, majority of the land (66 *per cent*) remained unutilised as shown in ***Chart 2.4***. Employment opportunity was created for only 3016 persons against 5.17 lakh persons. (Details are in ***Appendix 2.1***.)

Chart 2.4 :Land utilisation in Fab City area

(in acres)



(***Source***: *Information furnished by TSIIC*)

Audit observed the following:

- There was no record to show that the potential for semi-conductor industry was assessed before earmarking 1075 acres. This led to non-utilisation of 712 acres for the past ten years.
- The Department did not ensure capability and commitment of the two firms (M/s Intellect Inc., and Sem India Inc., USA) to bring in investments. Both the firms failed to bring in investments.
- There was no record to show that the department made efforts to select alternative firms for development of Fab City as the two firms could not bring investments.

The Government replied (November 2017) that there was huge demand initially. However, the key firms failed to promote the industry. As a result, there were no applications for land allotments and the Fab City remained with

[22] (i) arrange US$80 million of foreign equity component from overseas finance institutes, (ii) finance US$70 million of non-debt financing from captive customers and (iii) US$220 million of debt financing from multinational finance institutes

eight units in 184 acres. It further stated that efforts were being made to use the land for Electronic Hardware Manufacture cluster (EHM) viz., e-City in 603.52 acres.

However, reply of the Government was silent about development of semi conductor industry.

2.1.9.2 Development of e-City and Maheswaram Hardware Park as Electronic Hardware Manufacture Clusters

Government planned (July 2012) the following two Electronic Hardware Manufacturing (EHM) clusters to create employment for 2.5 lakh persons:

(a) e-City in 603.52 acres in the area earmarked for Fab City earlier; and

(b) Maheswaram Hardware Park (MHP) in 310.70 acres

APIIC (TSIIC after formation of Telangana State) was the chief promoter for both EHM clusters. GoI included (April 2017) these two EHM clusters under Electronic Manufacture Cluster (EMC) scheme. The cost approved for these two projects by GoI was ₹ 550.53 crore and ₹ 363.36 crore respectively. Both the projects consisted of seven firms as constituent units each.

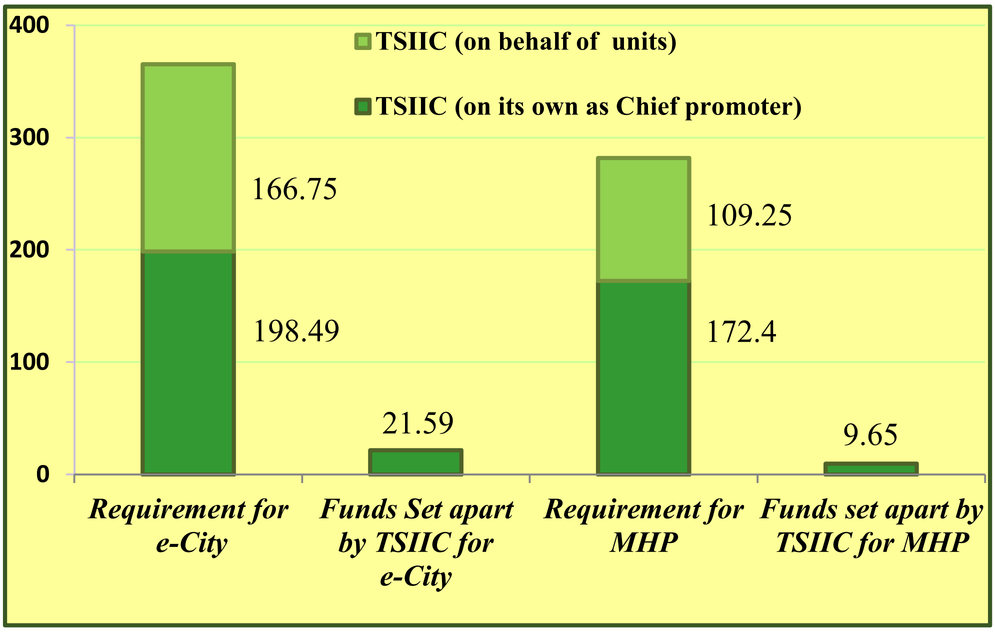
Para 5.6 of EMC guidelines stipulated that the assistance from GoI shall be up to 50 *per cent* of the project cost. The remaining project costs shall be financed by other stakeholders with minimum contribution of 25 *per cent* of the project cost from the units within EMC.

Audit observed that none of the units committed any contribution in both the projects. GoI approved (April 2017) both the projects on the undertaking of the TSIIC to infuse funds on behalf of these units. However, TSIIC kept aside[23] only 6 *per cent* and 3 *per cent* of the total required funds for e-City and MHP respectively (***Chart 2.5***):

[23] amounts kept separately in fixed deposits for these two projects

Chart 2.5 : Requirement of funds to EHMCs and resources set apart

(₹ in crore)



(***Source***: *Records of TSIIC*)

During the Exit Conference (November 2017), the Government stated that it would not be possible to keep entire amounts required for the projects upfront separately. The revenues generated out of allotment to units would be utilised for further development activities. It also stated that administrative sanction was accorded (October 2017) for an amount of ₹83.04 crore and ₹59.68 crore for e-City and Maheswaram Hardware Park respectively.

The reply was not acceptable as it was mandatory for the constituent units to provide a minimum of 25 *per cent* of the project cost as per guidelines, which was not done.

2.1.10 Creating the IT environment - Construction of IT hubs and Centers

2.1.10.1 Establishment of T-Hub in Hyderabad

Government approved (July 2014) setting up of a non-profitable joint venture by the name of "T-Hub Foundation[24]" that was to build India's largest incubator. For this purpose, the Government decided to partner three premier institutes[25]. T-Hub was temporarily set up (November 2015) at a cost of ₹48.47 crore through TSIIC. It was housed in the premises of International

[24] T-Hub was to provide a central location (i) for local start up community to network, learn and share and (ii) for investors and start-ups to network, communicate and make deals.

[25] (i) Indian Institute of Information Technology (Hyderabad) (IIITH), (ii) International School of Business (ISB) and (iii) National Academy of Legal Studies and Research (NALSAR)

Institute of Information Technology, Hyderabad (IIITH) in order to accommodate 200 start-up companies in Phase I. T-Hub was proposed to be shifted later to its own building to be constructed in Game Park Layout at Raidurg in Phase II, which was in progress (April 2017).

T-Hub had so far incubated 250 start-ups[26]. Out of these 50 start-up ventures had graduated so far. The cumulative turnover of these ventures was estimated at ₹ 100 crore. The incubated and graduated ventures generated employment to around 1000 persons. Firms incubated in T-Hub had also won various prestigious awards such as Innovate for Digital India 2.0, Global social venture competition 2017, Khoj 2017 and Innovation and Entrepreneurship competition.

2.1.10.2 Setting up of T-Hub (Phase I) in IIITH campus

The Government felt that construction design of T- Hub was an innovative one in which conventional methods of contracting could not be superimposed. Hence an innovative approach was followed and relaxations were extended for selection of Consultant Architect. As a result, the construction included items outside the Standard Schedule of Rates (SSR). However, even before estimates for non-SSR items were prepared, execution of SSR items in respect of civil and interiors works was entrusted (February 2015 and March 2015) to two firms[27] for ₹ 5.64 crore and ₹ 6.41 crore respectively. Subsequently, non-SSR items were entrusted to the existing agencies without any tender process.

There were no instructions for addition of contractor's profit and VAT to estimates, when rates were obtained from the vendors through quotations or market rates (non-SSR items).

While entrusting non-SSR items to the existing agencies, TSIIC added contractor's profit of 14 *per cent* additionally on the rates obtained from market. Value added tax (VAT) at 3.5 *per cent* was also added though rates quoted by vendors were inclusive of taxes. This resulted in undue benefit of ₹ 93.39 lakh[28] to contractors in 55 sampled items for which quotations were obtained from market.

The TSIIC replied (June 2017) that non-SSR items were routed through the agreement and hence contractor's profit and VAT were added**.** The reply of TSIIC was not acceptable as the rates obtained through quotations from vendors were market rates which were inclusive of Contractor's profit and VAT.

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[26] As per annual report of ITE&CD for the year 2016-17

[27] (i) M/s Chabbara Associates (Civil works) and (ii) M/s KCP Projects (Interiors and furniture)

[28] ₹ 72.68 lakh towards Contractor's profit and ₹ 20.71 lakh towards VAT

2.1.10.3 Permanent building for T-Hub in Raidurg (Phase II)

Administrative approval for construction of permanent T-Hub (Phase II) building at Raidurg was accorded (May 2016) for ₹ 222.32 crore. The work was entrusted to M/s KPC Project Limited (KPCL) on tender for ₹ 168.37 crore and was in progress (March 2017).

(i) Selection of Consultant Architect in Phase II

- Article 51 (b) of Finance Code prohibited entering into contract with indefinite liability. Further, para 5.4 of Manual[29] which was followed for selection of Consultant Architect specified that "*Percentage Contract*" was to be adopted only in cases of "*Fixed Target Cost*".

  However, TSIIC agreed (January 2016) for payments to Consultant Architect[30] on *"Percentage contract*" basis, i.e., he would be paid a percentage (3.78 *per cent)* of the construction cost. The cost of construction of T-Hub at Raidurg, was not fixed. Audit observed that the cost of the work had already escalated by ₹ 16.43 crore (Details are given in ***Table 2.3*** as discussed in ***paragraph 2.1.10.3 (ii)***). As a result, the consultant's receivables increased by ₹62.10 lakh.

  Hence adopting percentage contract was not in the financial interest of the Department / TSIIC. Thus, the procedure adopted by TSIIC created an indefinite liability.

  The TSIIC replied that in the absence of the detailed plans and designs of the proposed building of T-Hub, the estimated cost could not be arrived. Since fixed cost could not be arrived, percentage contract basis was adopted.

  The reply confirmed the audit observation that percentage contract was adopted though target cost was not fixed. It may be noted that TSIIC had earlier rightly engaged an Architect Consultant on lump sum contract basis in respect of Phase I of T-Hub at IIIT campus. There was no reason for adoption of this method in this case.

- As per para 3.8.6 of the manual, minimum qualifying marks or relative qualifying method for quality of technical proposal were to be prescribed in the Request for proposal (RFP). **Minimum qualifying marks were not specified in the RFP. A potential bidder requested for clarifications on the eligibility criteria and procedure for technical evaluation. However, TSIIC did not take any corrective action to issue clarifications to prospective bidders.** No reasons were on record for such deviation despite being raised by a bidder.

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29 Manual of policies and procedures of employment of Consultant

30 M/s Space Group Consortium (later formed a Joint Venture Group and termed as Space Form JV) for preparation of conceptual plans, detailed architectural plans, structural designs, detailed designs and specifications etc

The TSIIC stated (June 2017) that the Government had formed a committee to evaluate technical bids. The Committee decided to select consultant based on Quality cum Cost Based Selection (QCBS) method, duly considering technical and financial scores in 80:20 ratio. The same procedure was informed to all the bidders at the time of presentation. The reply was not acceptable as minimum qualifying marks were not prescribed in the RFP, affecting the fairness of tender process.

- Para 3.9.3 of manual relating to QCBS method stipulated that all the firms which meet the minimum qualifying standards / criteria would stand technically qualified for consideration of financial bids.

  Financial bid of M/s W Design Studio Pvt. Ltd., which secured 71 marks in technical evaluation, was opened, while financial bids of two other firms[31] which secured higher (75) marks were not opened.

  The TSIIC replied that firms which scored 75 marks or more were shortlisted and M/s W Design Studio Pvt. Ltd. was given exemption based on the services rendered for setting up T-Hub in IIITH.

  The reply was not acceptable as (i) financial bids of all firms which secured more (75) marks were not opened for reasons not on record; (ii) opening the financial bid of a firm without getting minimum marks in technical evaluation, gives scope to favoritism; and (iii) appointment of M/s W Design Studio Private Limited in setting up T-Hub in Phase I itself was without tenders.

- Para 3.9.3 of manual stipulated that no further ranking of firms amongst the qualified firms was required and the least cost proposal (L1) was to be considered.

  However, **TSIIC adopted a weightage method for technical and financial scores in 80:20 ratio in contravention to the provision of the Manual. As a result, fourth lowest (L4) firm[32] which quoted 4 *per cent* (negotiated to 3.78 *per cent*) of the construction cost got selected instead of L1 firm[33] which quoted 0.74 *per cent*. This led to extra financial burden of ₹ 4.88 crore[34] at agreement stage itself.** No reasons for such deviation were on record.

  The TSIIC stated (June 2017) that the criteria of 80:20 was informed to all the bidders at the time of presentation.

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31 M/s Edifice Architects Pvt. Ltd. and M/s Murthy & Manyam Associates

32 M/s Space Group and Form Studio

33 M/s W Design Studio Pvt. Ltd.

34 Calculated on estimated contract value of ₹ 160.46 crore at *percentage* difference between the negotiated percentage of 3.78 *per cent* of selected bidder and the lowest bid of 0.74 *per cent* i.e., ₹ 160.46 crore X 3.78/ 100 (–) ₹ 160.46 crore 0.74/100 = ₹ 6.07 crore – ₹ 1.19 crore

The reply was not acceptable as (i) the procedure adopted was in contravention of procedure prescribed and (ii) no evidence in support of informing the firms about the 80:20 criteria was furnished to audit.

Audit noticed similar serious irregularities in selection of consultant architect in construction of Innovation in Multimedia, Animation, Gaming and Entertainment (IMAGE) tower. The lowest bidder quoted 2.30 *per cent*. However, TSIIC selected another firm which quoted 3.55 *per cent* by adopting criteria of 80:20. This resulted in extra financial burden of ₹ 11.82[35] crore on the estimated contract value (₹946 crore) of construction of IMAGE tower.

The above indicate that the entire process of selection of Consultant Architects for T-Hub and IMAGE towers was irregular and violative of Manual provisions. The tender process lacked transparency and fairness. This needs to be probed for fixing the responsibility.

(ii) Construction of T-Hub at Raidurg under Phase II

The bidders were requested to quote tender percentage either in excess or less, on the total estimated contract value (ECV) of ₹ 160.46 crore for construction of T-Hub at Raidurg under Phase II. M/s KPC Project Limited (KPCPL), which quoted 4.93 *per cent* excess on ECV, was entrusted with the work for ₹ 168.37 crore. Schedule 'A' of the agreement indicated quantity and rate for each item of work to be executed.

However, during execution, TSIIC accorded approval for enhancement of rates at the request of the agency with a cost impact of ₹ 16.43 crore (*Table 2.2*).

Table 2.2: Revision of rates by TSIIC after agreement and during execution

(₹ in crore)

Sl. No.	Description of item	Reason for revision	Cost impact of revision	Executed and paid up to March 2017
1	Earth work excavation for building foundations in Hard Rock (blasting prohibited) etc.	Considering the working area as "restricted area" after conclusion of agreement	14.77	12.65
2	Supplying, fitting and placing HYSD bar reinforcement steel for bars	Revising the labour data upwards due to increase in labour rate	1.66	0.46
	TOTAL		**16.43**	**13.11**

*(**Source**: calculations based on files and information furnished by TSIIC)*

[35] calculated on estimated contract value of construction Image tower as follows : 3.55 *per cent* (quoted by M/s Arcop Associates) of ₹ 946.00 crore (-) 2.30 *per cent* (quoted by M/s Tamsheek Engineering) of ₹ 946 crore = ₹ 33.58 crore – ₹ 21.76 crore = ₹ 11.82 crore.

In respect of the restricted area, TSIIC replied (November 2017) that the site was an open area when the tenders were floated. However, during execution high raised buildings had come up in vicinity. Hence, restricted area allowance was permitted after agreement. The reply was not acceptable as the time lag between tenders (August 2016) and agreement (October 2016) was only two months.

In respect of revision of labour data, TSIIC replied (July 2017) that amended building standard data was not available in the Department at the time of preparing estimate. Hence rate was revised as per amended data. The reply was not acceptable as the amended building standard data was in existence from August 2011. Post-agreement upward changes to the rates quoted by the bidder had a cost impact on the public exchequer apart from affecting fair play in tender process. The matter needs to be investigated and responsibility fixed.

2.1.10.4 Allotment of land to IT firms for development through investment

Information and Communication Technology (ICT) and Electronic Hardware (EH) policies provided for allotment of land to IT / EH firms. This was subject to availability and fulfillment of eligibility criteria. A Consultative Committee on IT Industry (CCITI) was to recommend land allotment for IT firms after scrutiny of applications. Consultative Committee on Electronic System Design and Manufacturing (CCESDM) was to recommend allotment of land for EH firms. Based on the recommendations, Department was to enter into a Memorandum of Understanding (MoU) with the IT firms. This was to be forwarded to APIIC / TSIIC for allotment of land. APIIC / TSIIC was to enter into an agreement with IT /EH firms with a stipulation to execute the sale deed after fulfillment of certain criteria[36], within the stipulated time schedule.

The CCITI and CCESDM received 67 and 31 applications respectively, out of which 28 and 7 firms were recommended for allotment. However, no land allotments were made in the last five years.

Government replied (April 2017) that there was resistance from IT firms to accept land parcels offered due to lack of basic amenities and distance from City or existing IT cluster. The reply indicated that the basic amenities were not ensured before offering land parcels.

Audit observed the following deficiencies in land allotment procedures:

- Land allotments were recommended based on applications by the firms. However, no method was prescribed to assess the extent of land actually required by the firms. **As a result, IT firms retained / held allotted land without full development / utilisation. For instance, M/s Infosys**

[36] like built up space, employment generation, investments etc.

Technologies Limited did not take up development in 296 acres (Phase II and III) out of 446 acres of land allotted in May 2007. M/s Wipro utilised only 9 out of 101.03 acres of land at Gopanapally allotted in June 2007, leaving 92 acres of the land idle without any development (*paragraph 2.1.11.2 (ii) also refers*).

Commitment /Financial capability of IT firms for development to bring in required investment was also not assessed. As a result, development on allotted lands was not ensured.

The Government accepted (November 2017) the audit observation and replied that it was done in order to attract multinational companies. Government also stated that M/s Infosys had submitted building plans for approval. M/s Wipro was being served with a show cause notice to submit implementation schedule.

- As per ICT policy 2005-10, 60 *per cent* of allotted land was to be utilised for IT activities and 40 *per cent* for support activities. **However, this stipulation was not specified either in MsoU or in agreements, in seven [37] out of eight test-checked cases [38]. Consequently, the Department/ TSIIC could not enforce stipulated utilisation of land** (Details of land allotted, investment proposals and generation of employment in test checked cases[39] are at ***Appendix 2.2***).

  The stipulation of 60 *per cent* land utilisation for IT activities was discontinued in subsequent ICT policies of 2010 and 2016 making it difficult for the Department to ensure land utilisation primarily for IT activities.

  The Government stated (November 2017) that in the subsequent policies (2010 and 2016) built up space and generation of employment per acre were taken as criteria. Hence, the criterion of 60:40 was not relevant. However, it was not clarified as to how the Government would ensure that the land was utilised for IT purposes.

- **No investments were stipulated in respect of four firms[40]. M/s Wipro did not invest the amounts proposed by it, indicating lack of commitment. M/s Nanotech failed to bring in any investment.**

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[37] except in case of M/s Brahmani Infratech Private Limited (BIPL)

[38] Audit test checked the cases of land allotment which have come up extensions of time as no allotments were made during last five years.

[39] (i) M/s Infosys, (ii) M/s Brahmani Infratech Private Limited, (iii) M/s Wipro Technologies, (iv) M/s JT Holdings Private Limited, (v) M/s Honeywell Technogy, (vi) M/s Taksheel Solutions, (vii) M/s Linus Infotec (India) Private limited (viii) M/s Sifi Technologies

[40] (i) M/s Brahmani Infratech Private Limited, (ii) M/s Honeywell Technology, (iii) M/s Taksheel Solutions, (iv) M/s Linus Infotec (India) Private limited

Thus, utilisation of land allotted and investment by IT firms was not ensured. As a result, the objectives of development through IT firms and employment generation could not be achieved.

2.1.10.5 Creation of external and internal infrastructure for ITIR

As mentioned in paragraph 2.1.8.1, GoI approved (November 2013) setting up of an ITIR in Hyderabad in 202 square kilometres in two phases. Phase I was to be completed with internal infrastructure at a cost of ₹ 3,576 crore and external infrastructure at a cost of ₹ 942 crore by 2018. ITIR was to generate a turnover of ₹ 3,10,849 crore with employment to 68 lakh persons.

(i) ***Projects by State Departments/ Organisations/ Bodies*****:** ITE&C Department could not furnish any information regarding details or progress of infrastructure projects[41].

(ii) ***Projects with assistance from GoI:*** Out of the proposed external infrastructure projects of ₹ 942 crore, GoI approved (November 2013) two projects for assistance viz., (a) *Extension of Multi Model Transport System (MMTS) to Airport* with ₹ 85 crore and (b) *Upgradation of Radial Road No.8 connecting Moosapet to BHEL junction* with ₹ 80 crore in Phase I.

However, both the projects did not commence so far (March 2017) for the following reasons:

- **Extension of MMTS was held up due to lack of consensus between Railways and Airport authorities on termination point for MMTS;** and
- **Radial Road No. 8 was not taken up for the reason that it was not under the purview of Ministry of Road, Transport and Highways (MoRTH).**

Thus, the ITIR, which was expected to generate turnover of ₹ 3,10,849 crore with employment to 68 lakh persons, remained a non-starter.

2.1.10.6 Construction of IMAGE tower in Gaming City

Animation and gaming industry was seen as a sun rise vertical in ITES sector. The Department proposed to build a Game tower (now termed as IMAGE[42] tower) to facilitate building up of incubation space, shared studios, processing labs, media centre.

Architectural and design consultancy services for construction of IMAGE tower at Hyderabad Knowledge City, Raidurg (HKC) was entrusted

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[41] (i) Road works, (ii) sewerage network, (iii) Solid waste management, (iv) Water supply, (v) electrical works, (vi) telecom network, (vii) rainwater harvesting and (viii) land development cost

[42] Innovation in Multimedia, Animation, Gaming and Entertainment

(November 2012) to M/s CR Narayana Rao, LLP. The location of the tower at HKC was changed to another place i.e., Game City, Raidurg as the originally earmarked land was allotted to another firm viz., M/s DLF Developers Private Limited (M/s DLF). In this connection, Audit observed the following:

- **After changing the site from HKC to Game City, TSIIC closed the contract with M/s CR Narayana Rao, LLP for reasons not on record and appointed a new consultant. This resulted in extra commitment of ₹ 15.14 crore[43] at agreement stage.**
- TSIIC paid ₹ 63.80 lakh to M/s CR Narayana Rao, LLP towards preliminary architectural designs, statutory approvals, structural designs etc., for Game tower at first location at HKC. Change in the location rendered this expenditure wasteful.

Government replied (November 2017) that construction in the site allotted to M/s DLF Developers Private Limited (DLF) could not be taken up due to presence of heritage structure nearby. Therefore, the land earmarked to IMAGE tower was allotted to DLF.

However, the fact remained that an amount of ₹63.80 lakh spent on designs etc., became wasteful for which the Government did not furnish any reply.

- **As per clause 5 of bid document for selection of second consultant, the bids submitted by consultant firms were inclusive of all taxes. After finalisation of tenders, TSIIC changed the clause 5 by including the words "*excluding service tax*" in the agreement. This resulted in undue commitment of ₹ 5.04 crore[44] at the agreement stage itself.**

The Government stated (November 2017) that the Service Tax of ₹2.58 lakh already paid (September 2016) to the agency was recovered (August 2017) by TSIIC.

However, no supplemental agreement was concluded by TSIIC to ensure regulation of future payments as per original bid document.

In a similar instance with respect of selection of Architect Consultant for T-Hub (Phase II) also, TSIIC included the words 'excluding service tax' after tendering and at the time of agreement. However, on this being pointed out by audit, TSIIC concluded a supplemental agreement duly rectifying the change.

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[43] calculated based on the difference of percentage between the original consultant firm (M/s CR Narayana Rao at 1.95 *per cent*) and new consultant firm (M/s Aarcop associates at 3.55 *per cent*) on the estimated cost of Image tower i.e, ₹ 946.00 crore (civil works)

[44] calculated at a rate of 15 *per cent* service tax on consultancy fee of ₹ 33.58 crore (i.e, 3.55 *per cent* of estimated project cost of ₹ 946 crore as per RFP (September 2017)

2.1.11 Monitoring of implementation

2.1.11.1 Monitoring of funds released to TSIIC / TSTS

Department was releasing funds to Telangana State Industrial Infrastructure Corporation (TSIIC) and Telangana State Technological Services Limited (TSTS) for taking up different infrastructure development activities:

(i) ***Telangana State Industrial Infrastructure Corporation (TSIIC)*****:** Audit observed the following lapses in respect of monitoring of funds released to TSIIC:

- **The unspent amount of ₹ 88.50 crore was available with TSIIC at the end of financial year 2016-17. Neither TSIIC informed the Department regarding the available balance with it at the end of year nor did the Department obtain the same.**

  Further, the procedure of submission of Utilisation Certificates (UCs), indicating total funds received from the Department and total expenditure incurred by TSIIC was discontinued after 2015-16. This gave scope for diversion / non-utilisation of funds meant for IT infrastructure development.
- **Utilisation Certificates (UCs) were furnished to the Department by TSIIC at the time of release of funds itself instead of after incurring expenditure on the specified purposes.** The Department was not monitoring utilisation of funds thereafter.
- The Department released funds/grants to TSIIC for development of infrastructure. However, TSIIC released (October 2015) ₹ 3.29 crore to T-Hub foundation towards operational activities of T-Hub.

(ii) ***Telangana State Technological Services Limited (TSTS)*****: Neither the Department nor TSTS furnished information regarding expenditure incurred by TSTS from out of the funds (₹150.49 crore[45]) released to TSTS.** However, UCs were promptly submitted in respect of funds released under National e-Governance Plan (NeGP).

Thus, there was no mechanism in place to monitor the utilisation of funds by TSIIC/TSTS. As a result, the Department was not in a position to ascertain availability or utilisation of funds either with TSIIC or TSTS provided for Infrastructure development. This affected further releases and monitoring of proper utilisation of funds already released.

The Government accepted the audit observation regarding UCs. It stated (November 2017) that it was being done to raise invoices to Finance Department for the release of Quarterly Budget. However, it was assured that

[45] 2014-15:₹52.68 crore, 2015-16: ₹24.25 crore and 2016-17: ₹73.56 crore

statements of account to monitor the utilisation of funds would be obtained from TSIIC and TSTS.

2.1.11.2 Monitoring of projects in the lands allotted

Audit observed the following deficiencies in monitoring the progress of development of infrastructure by IT firms on the land allotted.

Regular returns / reports were not prescribed from the firms for obtaining information on progress of land utilisation, built up space, investments, employment generation etc. As a result, the Department could not keep a watch on the progress of development.

The Government replied (November 2017) that it was obtaining updates through TSIIC on the construction activities. However, the fact remained that no returns / reports were prescribed by the Department / TSIIC to monitor the progress. Therefore, it was not clear as to how the updates could be obtained from TSIIC. Further, Department was not insisting on revised implementation schedules while according extensions of time. Reasons for allowing the firms to continue to hold land without development as per agreement were also not on record.

Audit test-checked eight cases and found that in none of the cases, (a) IT infrastructure projects were completed in time (***Appendix 2.2***); (b) investments were made as proposed (except by M/s Infosys Technologies Limited in Phase I, where investment made was ₹ 1677 crore much higher than the stipulated ₹ 400 crore); and (c) employment was generated as stipulated / agreed upon. Four cases are discussed below:

(i) M/s Brahmani Infratech Private Limited (BIPL)

Land allotted	:	250 acres
Memorandum of Understanding and handing over	:	July 2006
Cost of allotment	:	₹ 50 crore
Agreement of Sale and Sale deed execution	:	November 2006 and February 2009
Stipulated time for completion	:	Five years (i.e., by 2011)
Employment generation	:	Target – 45000; Achievement - Nil
Built up space	:	Target - 4.5 million sft; Achievements - Nil
Surrender of land and Amount of refund	:	January 2013 and ₹ 49.75 crore

Key findings:

- **The APIIC issued a notice (30 January 2009) to BIPL for not showing interest in the project. However, within two days of the notice, APIIC transferred (2 February 2009) the title deeds of 150 acres to BIPL, reasons for which were not on record. This was in contravention of agreement of sale[46].**

  The Government replied (November 2017) that the title deed was transferred to facilitate financing from lenders and address concerns of firm's clients. The reply was not acceptable as there was no provision for such facilitation in the agreement.

- **Clause 30 (j) stipulated cancellation of agreement with penalties in case of failure by the BIPL to fulfill its obligations. However, APIIC allowed BIPL to surrender the land as per clause 30 (b) of the agreement.** Further, APIIC did not even obtain legal opinion sought by it earlier in June 2012, before accepting the offer (October 2012) of BIPL to surrender of land.

  Agreement as well as APIIC regulations stipulated refund of amounts to BIPL at the option of APIIC with deduction of certain amounts after cancellation / surrender of land. **Against ₹14 crore of deductible amount (in terms of agreement of sale), APIIC deducted only ₹25 lakh ignoring other deductions and refunded ₹49.75 crore (January 2013). This resulted in undue benefit of ₹13.75 crore to BIPL and loss to APIIC.**

  The Government replied (November 2017) that the offer of surrender made by BIPL was accepted by APIIC Board to avoid litigations by BIPL. The refund of amounts was examined and made as per clause 30 (b).

  The reply was not acceptable as (i) APIIC did not wait for legal opinion and (ii) clause 30 (j) was to be invoked in case BIPL did not fulfill its obligations.

- Cost of structures constructed by the firm was to be paid by APIIC at its option, only on realising the cost of structure after re-allotment[47] of the land. **However, APIIC paid (May 2014) ₹2.30 crore to BIPL towards cost of structures without even re-allotment (as of March 2017). This resulted in payment of ₹2.30 crore to BIPL without re-allotment**.

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46 Clause 15 of the agreement of sale which stipulated title of land shall be conveyed to BIPL only after construction of 4.5 msft and generation of employment to 45000 IT / ITES personnel within five years.

47 clause 24.14/17.3 of APIIC regulations 2012 / 1998 for allotment and clause 30 (j) of agreement

The Government replied that BIPL had claimed ₹4.60 crore for structures. However, the decision to refund ₹2.30 crore (50 *per cent* of the structure cost) was taken duly evaluating the cost of structure and based on their possible demands in future. The reply was not acceptable as it was against APIIC regulations, which stipulated refund of cost of structures would be made on realising cost after re-allotment.

The objectives of creation of 4.5 million sft built up space and employment generation to 45000 IT / ITES personnel remained unachieved. In addition, APIIC allowed BIPL to exit without enforcing the penalties envisaged in the agreement.

(ii) M/s Wipro Technologies at Gopanapally and Vattinagulapally

Land allotted	:	101.03 acres
Memorandum of Understanding and land handing over	:	October 2005 and June 2007
Cost of allotment	:	₹40.41 crore
Agreement of Sale and stipulated time of completion	:	June 2007 and June 2012
Present status	:	Not completed; utilised 9 out 101.03 acres (May 2016)
Employment generation – Target and achievement	:	Target – 10000; Achievement - 700

Key findings:

- The suggestion of Industries and Commerce (I&C) Department (July and August 2005) to allot only 50 acres, instead of entire land at a time was ignored. I&C Department's opinion was vindicated as more than 90 acres remained unutilised for more than ten years.

- Out of 101.03 acres allotted, development in 49.61 acres of land in Vattinagulapally was not feasible due to environment reasons (as per orders[48] of Municipal Administration and Urban Development (MA&UD) Department). ITE&CD was aware of this, however, it went ahead with allotment.

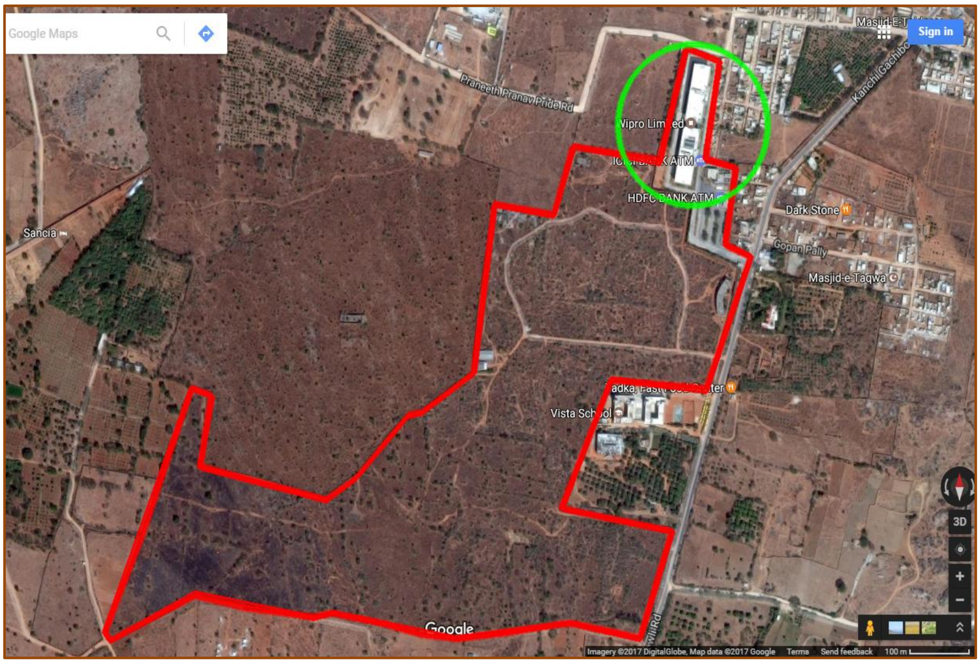
  The Government replied (April 2017) that the intention was to develop and make the area as next IT destination, which otherwise did not have any growth potential due to non-development regulations. The reply confirmed that the land was not useful for development purposes. Hence, allotment of

[48] G.O.Ms. No.111, dated 8.3.1996 lays down restrictions on lay outs and constructions around 10 km radius of Osman sagar and Himayat sagar lakes as per orders of Municipal Administration and Urban Development Department

such land did not serve the purpose of objective of development of IT infrastructure.

Even out of the remaining 51.42 acres at Gopanapally, Wipro utilised only 9 acres. The total area of 101.03 acres allotted to Wipro and area utilised can be seen from ***picture 2.1*** below:

Picture 2.1: Land allotted to M/s Wipro Technologies and area utilised



(***Source***: Annexure to agreement of sale embossed on Google Maps (area allotted to M/s Wipro is bordered in red colour and area utilized is marked in green colour circle))

The investment stipulation in MoU itself was much less when compared to previous land allotment to the same firm, as shown in ***Table 2.3***.

Table 2.3 : Details of MoU, land allotted and investment stipulated to M/s Wipro Technologies

Sl. No.	Description	Month / Year of MoU	Land allotted in acres	Investment stipulated (₹ in crore)
1	MoU for land at Manikonda	January 2001	30.00	100
2	Second MoU for land at Gopanapally and Vattinagulapally	October 2005	100.00	100

(***Source***: *Respective MsoU with Wipro as furnished by IT, E and Department*

Thus the purpose of land allotment for development of IT through investment by IT firms was affected due to specification of lesser investment at MoU stage itself.

Audit also noticed that M/s Wipro made (March 2006) higher investment proposal of ₹450 crore in its application. It also proposed employment generation to 15000 persons. APIIC stipulated lower specifications for investment and employment in the agreement of sale (June 2007). It stipulated investment of ₹ 100 crore and employment to 10,000 persons. This allowed Wipro to invest lesser amount and generate less employment compared to its own proposals.

Memorandum of Understanding (MoU) with the Wipro stipulated an investment proposal of ₹ 100 crore without any mention about the land cost. However, at the time of agreement, the words *"which include fixed assets including land"* were included in the agreement of sale, which were not mentioned in MoU. Thus, Wipro was relieved of investing ₹ 40.41 crore (being cost of land) even before commencement of the project.

Wipro informed (November 2013) the Department that it had invested more than ₹ 111.69 crore. However, this included ₹ 40.41 crore towards land and the net investment actually was only ₹ 71.28 crore.

The Government replied (June 2017) that it still believed that Wipro would bring more value in creating Gopanpally as a next IT destination. The Government further stated (November 2017) that instead of withdrawing the unused land, extension of timeline was considered.

(iii) M/s JT Holdings Private Limited

Extent of Land allotted	:	70 acres
Memorandum of Understanding and land handed over	:	December 2004 and May 2005
Cost of allotment	:	₹ 3.47 crore
Agreement of Sale and sale deed	:	October 2005 and May 2009
Stipulated time of completion	:	Seven years (i.e., by October 2012)
Present status	:	Not completed *(March 2017)*
Employment generation	:	Target 14000; Achievement : Not available

Key findings:

- **Clause 8 of the agreement of sale stipulated that land would be transferred to the firm only on completion of the project by the firm. However, project, title of the land was transferred to the firm by executing a sale deed (May 2009) even before completion of the project. As result, the Department could not enforce compliance criteria by the firm after transfer of title deed.**

The Government replied (November 2017) that the title deeds were transferred to facilitate approval as SEZ.

The reply was not acceptable as (i) the title deed was transferred in May 2009, after SEZ status was obtained (February 2009); (ii) MoU / agreement did not provide for such transfer and (iii) transfer of title deeds was not resorted to in respect of other IT firm projects which also were approved as SEZ. Further, the firm built only 1.5 lakh square feet (sft) against stipulated 10 lakh sft. The Department did not comply with recommendation (November 2016) of the CCITI to obtain timelines for implementation from the firm.

(iv) M/s Honeywell Technology Solution Lab

M/s Honeywell Technology Solution Lab was allotted (August 2006) 10 acres of land with a stipulation to complete the project in five years and employ 2000 persons. Honeywell did not fulfill its obligations of completing the project and creating employment to 2000 persons. The Department did not take any action cancel the allotment (March 2017). A penalty of ₹ 2.62 crore along with interest of ₹ 0.96 crore paid (July 2014) by the firm for shortage of 1310 employees along with a request to execute a sale deed in its favour, was returned by APIIC as per direction of the Department on the ground that sale deed can only be executed after fulfillment of conditions / obligations. On the other hand, the firm informed (January 2017) the Department that it cannot commit definite timelines.

The Government replied (November 2017) that the firm was requested to surrender the unutilised land of 4 acres. However, the firm has shown interest in utilising the balance land for creating office space as per implementation plans and hence, considering its commitment the firm was granted opportunity.

The reply was not acceptable in view of the stand of the firm that it cannot commit any definite timelines.

2.1.12 State Wide Area Network (SWAN)

State Wide Area Network (SWAN) was the backbone network for Government applications, data, voice and video communication between departments and offices. SWAN was implemented from 1999 onwards and a new SWAN replaced it from May 2011 with assistance from GoI under National e-Governance Plan (NeGP). SWAN consisted of two components viz., (i) vertical component from State headquarters to the block level and (ii) horizontal component across various departments at each level.

Government re-organised (October 2016) the administrative framework of districts and mandals by increasing the number of districts from 10 to 31 and number of mandals from 464 to 584. However, services of the existing SWAN operator were extended (June 2017) up to November 2017 without including new District Headquarters (DHQs) and Mandal Headquarters (MHQs) in the list of point of presence (PoP).

The Government replied (November 2017) that proposals were submitted to Finance Department as it required some budgetary support.

2.1.13 Conclusion

No land allotments were made during the last five years despite recommendations of CCITI / CCESDM. The Department did not ensure basic amenities before offering land parcels. Minimum use of allotted land for IT activities was not stipulated. There was no mechanism to monitor the development by IT firms within the time schedules. Before completing the projects, the title deeds were transferred to the firms.

Requirement of land, commitment / capability of the IT firms to invest and to complete the projects were not ensured. As a result the intended objectives of IT projects were not achieved. Prescribed procedures were not followed in the selection of consultants for T-Hub and Image tower. Undue benefits were extended to the consultant and constructing agency in T-Hub.

However, setting up of T-Hub innovation centre under Phase I was completed, in which 250 start-ups were incubated with 50 graduated ventures. The firms incubated / partnered with T-Hub have won several prestigious awards in the field of innovation.

2.1.14 Recommendations

Audit recommends the following:

- ***The Department may consider reviewing budget allocations vis-a-vis expenditure on subsidies towards incentives to firms.***
- ***Requirement of land by IT firms be assessed, and commitment for investment and completion of projects in a time bound manner may be ensured before allotment.***
- ***Progress of land utilisation by firms may be reviewed and kept in line with global trends and development model of the Government.***
- ***Government may consider to extend SWAN facilities to all the newly constituted districts / mandals with required number of points of presence.***

The Government accepted the recommendations in the Exit Conference (November 2017).

Chapter - III

Compliance Audit

Chapter - III

Compliance Audit

Irrigation and Command Area Development Department

3.1 Implementation of Accelerated Irrigation Benefits Programme

3.1.1 Introduction

Government of India (GoI) launched (1996-97) Accelerated Irrigation Benefits Programme (AIBP) to fund irrigation projects of the State Governments. The programme provided Central Assistance (CA) to irrigation projects. The Ministry of Water Resources, River Development and Ganga Rejuvenation (MoWR, RD&GR) in GoI was responsible for laying down policy guidelines. The State Government in Irrigation and Command Area Development (I&CAD) Department implemented the irrigation projects under AIBP. Audit reviewed (May to September 2017) the implementation of the following four (three major and one medium) irrigation projects under AIBP.

Table 3.1: Details of sampled projects included under AIBP

Project	Details of the sampled project
J Chokka Rao Devadula Lift Irrigation Scheme (JCRDLIS)	This is a major lift irrigation scheme. The Scheme was to provide irrigation facilities to 6.46 lakh acres. It envisaged lifting of 38.16 Thousand Million Cubic Feet (TMC) of water from River Godavari. The project consisted of three phases viz., Phase I, Phase II and Phase III. GoI included this project under AIBP in 2006-07 with an approved cost of ₹9,427.73 crore. The expenditure incurred so far was ₹8,547.81 crore as against present administrative approval cost of ₹13,445.44 crore.
Sriram Sagar Project Stage II (SRSP II)	This major irrigation project was an extension of an existing Project, viz., Sriramsgar Project (SRSP). The project envisaged extension of Kakatiya Main Canal of SRSP. It was to provide irrigation facilities to 4.40 lakh acres. The project was started in October 2000. GoI included this project under AIBP in 2005-06 with an approved cost of ₹1,043.14 crore. The expenditure incurred so far was ₹1,158.95 crore as against present administrative approval cost of ₹1,220. 41 crore.
Indiramma Flood Flow Canal (IFFC)	This major irrigation project envisages diversion of flood water of Godavari River from the foreshore of SRSP dam. It was to provide irrigation facilities to 2.51 lakh acres. GoI included this project under AIBP in the year 2005-06 with an approved cost of ₹1,331.30 crore. The expenditure incurred so far was ₹4,711.01 crore as against present administrative approval cost of ₹5,940.09 crore.
Palemvagu Project (PVP)	This is a medium Irrigation project. It was to provide irrigation facilities to 10,132 acres of backward and interior tribal areas. GoI included this project under AIBP in 2005-06 with an approved cost of ₹29.13 crore. The expenditure incurred so far was ₹206.78 crore as against present administrative approval cost of ₹221.48 crore.

All the above projects were to be completed in two years after inclusion under AIBP. None of the projects had completed so far (March 2017).

Audit Findings

3.1.2 Receipt of Central Assistance

Central Assistance (CA) from GoI was important for completion of projects included under AIBP. As per AIBP Guidelines 2006, GoI was to support 25 *per cent* as CA. State Government was to fund the remaining 75 *per cent*. The GoI released CA in two instalments in a year. The first instalment was 90 *per cent*. The balance was to be released after incurring 70 *per cent* of the agreed expenditure. Subsequent releases were based on confirmation of previous expenditure. The details of approved project cost, CA eligible, CA received and CA utilised on the sampled projects as of March 2017 are shown in ***Table 3.2***:

Table 3.2: CA eligible, CA received and CA utilised

(₹in crore)

Sl. No.	Project	Year of inclusion under AIBP	Approved Project cost under AIBP	Central Assistance			Present status
				Eligible	Received (March 2017)	Utilised (March 2017)	
1	**JCRDLIS**	2006-07	9,427.73	2,283.73	1,787.69	1,317.09	In progress
2	**SRSP-II**	2005-06	1,043.14	187.83	156.49	156.49	In progress
3	**IFFC**	2005-06	1,331.30	382.40	382.40	382.40	In progress
4	**PVP**	2005-06	29.13	9.54	9.54	9.54	In progress
	Total		**11,831.30**	**2,863.50**	**2,336.12**	**1,865.52**	

*(**Source:** Information furnished by I&CAD Department, Government of Telangana)*

As can be seen from above, two of the projects[1] did not receive (March 2017) full CA, the shortfall being ₹527.38 crore. The delay in receipt of CA eligible was due to slow progress in incurring expenditure and utilisation of CA. In JCRDLIS, which received majority of the CA, the Department could utilise ₹1,317.09 crore (74 *per cent*) out of ₹1,787.69 crore received as of March 2017. In respect of SRSP II, CA released up to 2009-10 was utilised up to 2016-17.

The Government stated (January 2018) that the main reasons for slow progress were delay in land acquisition, inter-departmental issues and unforeseeable ground conditions for underground excavations.

[1] JCRDLIS: ₹496.04 crore and SRSP Stage II: ₹31.34 crore

Thus, in respect of JCRDLIS and SRSP-II, the objective of achieving early irrigation benefits by completing projects with central assistance under AIBP within two years was not achieved even after ten years.

3.1.3 Project Planning

3.1.3.1 Assessment of water availability

(i) J Chokka Rao Devadula Lift Irrigation Scheme (JCRDLIS): As per the Detailed Project Report (DPR), JCRDLIS was to provide irrigation facilities to 6.46 lakh acres by lifting water at the proposed intake point for 170 days in a year.

Audit noted that water at the intake point could be lifted for only 130 days instead of 170 days as planned. This was due to the fact that the Department did not assess water availability at the proposed intake point. The Department assessed water availability in river Godavari at Perur village, which was at a distance of 13 kilometres from the intake point. This ultimately led to lack of sufficient water availability at the intake point.

Government accepted (January 2018) that the water could not be lifted for 40 days out of 170 days planned. The Government further stated that construction of a barrage (cost: ₹2121 crore) at another place, viz., Thupakulagudem would give a solution to water availability at the intake point for JCRDLIS Project.

The reply confirmed that JCRDLIS did not have sufficient water availability. As a result, construction of a barrage had to be taken up with extra financial burden without any additional irrigation facilities.

(ii) Sriramsagar Project Stage II (SRSP II): Sriramsagar Project (SRSP) had two stages viz., Stage I and Stage II. The water requirement for Stage I and II was 163.69 Thousand Million Cubic Feet (TMC). The estimated availability of water for both SRSP I and SRSP II was 180.19 TMC from three reservoirs. They were SRSP (146.35 TMC), Kadam (23.41 TMC) and Lower Manair Dam (LMD) (10.43 TMC) reservoirs.

Audit observed the following:

- LMD reservoir did not have own catchment area since 1990. Hence, LMD reservoir could not serve water of 10.43 TMC to the project as envisaged.
- The Department abandoned (2002) the area to be served by Kadam reservoir due to problems in acquisition of forest land. As such, 23.41 TMC of water proposed from Kadam reservoir, was not available for the Project.

Thus, SRSP reservoir (146.35 TMC) remained the sole source of water. As a result, there was a shortfall of 17.34 TMC[2] in water availability.

The Government replied (January 2018) that the deficit water in SRSP II was supplemented through another new lift irrigation scheme viz., Baktha Ramdas Lift Irrigation Scheme (BRLIS), constructed with a cost of ₹121.69 crore (March 2017). It further stated that the deficiency of water for SRSP II would also be made up from the ongoing Kaleshwaram Project.

The reply confirmed that the Department had to take up a new lift irrigation scheme with an additional cost of ₹121.69 crore. This was done to compensate for shortfall in water availability in SRSP II.

Thus, improper assessment of water availability led to additional schemes / constructions with financial burden in JCRDLIS and SRSP II Projects. This led to delay in achieving irrigation benefits in projects included under AIBP.

3.1.3.2 Assessment of Irrigation Potential

Public Works Department code prescribed that area to be served under an irrigation project should be fixed definitely during planning stage. However, the Department entrusted execution of works without fixing the irrigation potential definitely as prescribed in the PWD code. Audit noted instances of reduction in the targeted area to which irrigation facilities were to be provided as shown below:

- In JCRDLIS project, 21,004 acres was reduced as the area was also covered under another project, viz., IFFC.
- In SRSP-II project, 42,051 acres was reduced as the area was already covered another project viz., Nagarjuna Sagar Left Canal Project and also under river Musi.
- In IFFC Project, 20,000 acres was reduced due to deletion of a reservoir[3] due to objection from villagers.

Government replied (January 2018) the following:

(i) In respect of JCRDLIS, 21,004 acres was not a reduction but was only an exchange of area with IFFC.

The reply was not acceptable as the Government did not furnish any details of area, which was included in JCRDLIS as a result of such exchange with IFFC. Further, the Department itself informed (July 2017) Audit that there was reduction in the area.

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[2] Difference between water requirement of 163.69 TMC for SRSP Project and water availability in SRSP reservoir 146.35 TMC

[3] Name of the reservoir: Combined Reservoir, which was to serve 32,000 acres. However, the Department adjusted 12,000 acres under another reservoir viz., Mid Manair reservoir. Net reduction was 20,000 acres.

(ii) In SRSP II, new area was to be identified in place of area already covered in other projects.

This confirmed the reduction in the targeted area.

These reductions led to reduced irrigation benefits to a tune of 83,055 acres (*6.36 per cent*) out of targeted area of 13,05,753 acres[4] in three projects included under AIBP.

3.1.3.3 Planning for reservoirs - Resettlement and Rehabilitation (R&R)

The progress of construction of reservoir and other components in irrigation projects was dependent on land acquisition and Resettlement and Rehabilitation (R & R). The process of R&R involved were (i) identification and declaration of affected zone, (ii) conducting Socio Economic Survey, (iii) identification and declaration of resettlement zone, (iv) acquisition of land for resettlement, (v) creation of basic amenities at resettlement zone and (vi) shifting of families to R&R centres.

Audit noted that the Department entrusted execution of works prior to completion of R&R. The Department entrusted (September 2008) the work of "Thotapally Balancing Reservoir" (TBR) of IFFC project to a contracting agency[5] at a contract value of ₹131.68 crore. IFFC project was to serve 1.69 lakh acres downstream of the TBR. Audit noted that the Department did not ensure that the R&R activities were completed before entrustment of execution of Thotapally reservoir work.

Thus, the contracting agency stopped (December 2013) the work after executing the work to a tune of ₹1.24 crore due to non-completion of R&R activities. Subsequently, the Government instructed (January 2016) to delete TBR itself from the Project. It proposed to increase the storage capacity of another reservoir (Gouravelly) in place of Thotapally reservoir.

The Government replied (January 2018) that the project would become uneconomical due to increased cost of R&R after new Land Acquisition (LA) Act came into force. Hence, Thotapally reservoir was deleted.

The reply was not acceptable as the new LA Act came into existence in 2013, whereas the TBR was taken up in September 2008 itself.

As a result, the Department could not provide irrigation facilities to 1.69 lakh acres downstream of TBR in IFFC project. Further, the expenditure of ₹1.24 crore incurred on TBR remained wasteful.

[4] JCRDLIS: 6,14,500 acres; SRSP-II: 4,40,000 acres and IFFC:2,51,253 acres

[5] M/s Variegate Projects Private Limited and G Venkata Reddy & Co (JV) (agency)

3.1.4 Project Execution

Audit noted that cost of the project had increased in respect of two projects as discussed below:

***(i) J Chokka Rao Devadula Lift Irrigation Scheme*: **The alignment of a tunnel in Package-II under Phase-III of the project, costing ₹531.71 crore, was proposed along an ancient thirteenth century temple[6]. During the execution of the work, the local people objected to the blasting for the tunnel, due to a fear that it could endanger the temple.

The Department referred the matter for technical opinion of National Geophysical Research Institute (NGRI), which recommended shifting the alignment of the tunnel. Based on these recommendations, the State Level Standing Committee (SLSC) suggested (September 2014) an alternative tunnel alignment. The alternative tunnel was expected to lead to additional expenditure of ₹44.64 crore.

Instead of taking up alternative tunnel as proposed by SLSC, the Government decided (March 2015) for laying pipeline at a revised cost of ₹1,101.17 crore [7]. This resulted in avoidable commitment of ₹524.82 crore[8]. The work was in progress. Laying of pipeline to an extent of 19.850 kilometres had completed (January 2018) out of 75.900 kilometres. The expenditure incurred was ₹214.21 crore.

However, reasons for not adopting alternative alignment for tunnel as recommended by SLSC were not furnished.

The Government replied that the original DPR envisaged a pressure main pipeline, which was later changed to tunnel to reduce the cost.

However, the Government did not furnish any reasons for not taking up alternative alignment for tunnel as suggested by SLSC.

***(ii) Sriramsagar Stage II Project*:**One of the components in the work on earth excavation & embankment of a branch canal (DBM-71 from KM 0.000 to KM 1.000) included construction of Standing Wave Flume[9] (SWF). The estimated cost of SWFs was ₹17.16 lakh. The Department entrusted (May 2004) the work to an agency for completion by May 2005. Chief Engineer, Central Designs Organisation, communicated approval for drawings of SWF in July 2005, i.e., after completion of agreement period. The agency shifted its men and machinery due to delay in receipt of drawings.

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6 Ramappa temple under the control of Archaeological Survey of India

7 After deducting the cost of excavation of tunnel already executed (₹53 crore)

8 Revised cost with pipeline {₹1101.17 crore – (original cost with tunnel (₹531.708 crore) + additional cost towards alternative tunnel (₹44.64 crore)}

9 Structures used for calculation and calibration of water discharge in the distributary

Audit observed that the Department did not re-entrust the work to another agency after the original contractor shifted his men and machinery. The Chief Engineer of the Project instructed (January 2008) to delete the SWF from the scope of the work after a lapse of two and half years. This deletion was done as construction of SWF was not required in view of the urgency to let out water in distributary system in the next season.

The Department terminated the contract (May 2012). Subsequently, the Chief Engineer issued (February 2013) instructions to take up construction of SWF for calculation and calibration of water discharge in the distributary. Construction of SWF was completed (September 2014) at a cost of ₹1.46 crore.

Thus, delays in approval of designs in time, coupled with delays in deviation and re-entrustment resulted in cost escalation of ₹1.29 crore.

3.1.5 Contract Management

Audit found deviations from agreements in implementation of projects which led to excess payments of ₹10.57 crore as discussed in the following paragraphs.

3.1.5.1 Price variation

The agreement (March 2005) on Palemvagu Project provided for escalation of prices on the actual quantity used in the work, if the price increased by more than five *per cent* over the prevailing market rates / base rate. The escalation up to five *per cent* was to be absorbed by the agency. Audit observed that in the cases of increase in prices of more than five *per* cent, the Department allowed price escalation for the increase from zero to five *per cent* also, which was to be absorbed by the agency. This resulted in excess payment of ₹4.20 crore.

The Government replied (January 2018) that the payments would be reviewed and adjusted.

The excess payment on price escalation needs to be recovered apart from reviewing the reasons for such excess payment and fixing the responsibility.

3.1.5.2 Short recovery of seigniorage charges

As per agreement conditions for Palemvagu Project, seigniorage charges[10] were to be recovered on use of earth by the contractor on the work. The recoveries were to be made from the running account bills of the contractors at rates as prescribed in the agreement.

The contractor executed bund work utilising quantity of 7,86,545 cubic metres (cum) of earth for additional spillway work and was paid (March 2017) an

[10] Royalty on minor minerals (metal, earth, sand)

amount of ₹11.64 crore. However, seigniorage charges were recovered for a quantity of 25,888 cum only, resulting in short recovery of ₹1.67 crore[11] and undue benefit to the contractor.

The Government replied (January 2018) that the earth deposited on downstream due to breach was re-used for embankment. Hence, seigniorage charges need not be recovered.

The reply was not acceptable for the following reasons:

- The rates mentioned in estimates were inclusive of seigniorage charges.
- The agreement also stipulated that seigniorage charges would be recovered based on the theoretical requirement at rates prescribed.

3.1.5.3 Non-recovery of mobilization advance

Contractors were eligible for mobilization advance which was recoverable from the running account bills. On Mid Manair Reservoir work of IFFC, the contractor was paid (March 2006) mobilization advance of ₹16.97 crore (5 *per cent* of the contract value). The scope of work was reduced (November 2010) by ₹255.95 crore due to entrustment of certain portion to other agencies. An amount of ₹12.55 crore, was recovered (April 2010) out of the mobilization of ₹16.97 core. The balance of ₹4.42 crore was not recovered though more than seven years had elapsed.

The Government replied (January 2018) that the agency did not submit any bills after that and hence the mobilisation was not recovered. However, the Department was having deposits / retention money of the agency.

The reply was not acceptable as the Government did not furnish any reasons for not recovering the balance of mobilisation advance from the deposits / retention money of the agency, so far.

3.1.5.4 Short-recovery towards Survey & Investigation not done in respect of field channels

In Package-53 of SRSP-II, the Department noticed (November 2012) that the contractor was paid an amount of ₹1.36 crore towards investigation, designs of minors, sub-minors and structures of field channels. However, the agency did not actually submit the field channel investigation and survey reports. The Department assessed the excess payment as ₹90.54 lakh towards investigation and survey of field channels. Out of this, an amount of ₹62.20 lakh was recovered (March 2013), leaving a balance of ₹28.34 lakh to be recovered.

[11] 760657 cum at ₹22 per cum

Audit observed the following:

- There was no information on record as to how excess payments were made to the agency without actual completion of investigation and survey work. The payments were made even before submission of relevant reports and no action was taken on the erring officers.
- There was no information on record to show recovery of the balance ₹28.34 lakh from the firm.

The Government replied (January 2018) that the recovery of balance amount could not be made as the agency did not carry out the work since then. The Government assured that the amount would be recovered in future bills or from deposit amounts available with the Department.

The reply confirmed the fact that payments were made even before actual execution. However, the reply of the Government was silent on the action taken against the officials responsible for payments before actual execution of work. The reply was also silent on the reasons for non-adjustment of ₹28.34 lakh from out of the deposits of ₹1.88 crore available with the Department since March 2013.

3.1.6 Project completion – Target and achievement

The objective of inclusion of irrigation projects under AIBP was to complete the projects and to reap economic benefits early.

The details of irrigation facilities to be created, actually created so far and their utilisation are shown in ***Table 3.3***:

Table 3.3: Details of irrigation potential contemplated, created and utilised in the sample projects

Sl. No	Project	Irrigation facilities to be created in acres	Irrigation facilities created in acres (March 2017)	Irrigation facilities created as *per cent* of target	Utilisation in acres *(per cent)*	Total expenditure on the project (₹ in crore)
1	JCRDLIS	6,14,500	2,48,320	40	45,682 (*18*)	8547.81
2	SRSP - II	4,40,000	3,24,538	74	0 (*0*)	1158.95
3	IFFC	2,31,253	0	0	0 (*0*)	4711.01
4	PVP	10,132	4,999	49	4,999 (*100*)	206.78
	Total	**12,95,885**	**5,77,857**	**45**	**50,681 (*9*)**	**14624.55**

*(**Source:** Information furnished by I & CAD Department)*

Audit observed the following:

- The objective of completion of these AIBP projects in two years and reaping irrigation benefits early could not be achieved. None of the sampled projects, included (2005-06 and 2006-07) under AIBP, were completed even after more than a decade.

- IFFC, included under AIBP in 2005-06, received entire CA by 2008-09. The expenditure incurred on the project was ₹4711.01 crore (March 2017). This project did not provide any irrigation facilities so far (March 2017). This was due to failure in completion of required reservoirs.
- Utilisation of irrigation facilities created was also low in respect of JCRDLIS and SRSP II due to shortfall in availability of water.
- The targeted area was also reduced as discussed in the earlier paragraphs.

3.1.7 Conclusion

The main objective of inclusion of irrigation projects under AIBP was to complete the projects early viz., in two years. However, the sampled projects remained incomplete even after lapse of more than a decade. Additional items of works had to be taken up due to shortage of availability of water, which increased financial burden. Changes in the scope of the work increased the cost of the project. Creation of irrigation facilities ranged from zero to 74 *per cent* in the sampled projects. Creation of irrigation facilities was nil in respect of IFFC. Utilisation was also less with only 18 *per cent* in JCRDLIS and zero *per cent* in SRSP II due to shortage of availability of water.

3.2 Restoration of minor irrigation tanks under Mission Kakatiya

3.2.1 Introduction

Minor Irrigation (MI) tanks had become defunct or shrunk due to silting and improper maintenance over the years. The Government took up (September 2014) 'Mission Kakatiya[12]' (Mission) to restore all MI tanks (46,531) in the State in phased manner in a span of five years i.e., 20 *per cent* per year. The Mission was to bring back 10 lakh acres of Gap ayacut[13] under tank irrigation.

The objectives of the Mission were to:

(i) develop of minor irrigation infrastructure and

(ii) strengthen community based irrigation management and adopt a comprehensive programme for restoration of tanks.

The components of the Mission were de-silting, repair works, restoration of feeder channels, re-sectioning[14] of irrigation channels etc. Irrigation and Command Area Development Department took up three phases as of August 2017.

Audit reviewed implementation of Mission Kakatiya from launch of the Mission to March 2017. Audit test checked works of 145 tanks costing ₹ 96.40 crore in 15 sampled divisions (***Appendix 3.1***).

Audit Findings

3.2.2 Convergence with other programmes

The objective of Mission Kakatiya was to strengthen community based irrigation management. One of the main components to be taken up under Mission Kakatiya was removal of silt / De-silting of tanks. Government orders (March 2015) directed the Panchayat Raj and Rural Development Department to converge activities under Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) and District Water Management Agency with Mission Kakatiya.

However, it was observed that there was no convergence between the two programmes. Technical sanctions of sampled tanks revealed that excavation works were proposed through machinery under Mission Kakatiya. The Government did not furnish any reply in this regard.

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[12] The name 'Mission Kakatiya' was given to programme in remembrance and tribute to the Kakatiya rulers, who developed large number of irrigation tanks

[13] Ayacut is the local term for command area. Gap Ayacut is the difference between the ayacut that can be irrigated and the ayacut actually under irrigation.

[14] Siltation changes the shape of the bund and the canals. Re-sectioning brings the channel back to original shape through de-silting etc.

3.2.3 Progress of works

Mission Kakatiya aimed to cover all 46,531 tanks in the State in five years in five phases i.e, 20 *per cent* per year. Three phases were taken up as of August 2017. The details of tanks proposed to be taken up, actually taken up and shortfall in Phases I, II and III is shown in ***Table 3.4***.

Table 3.4: Number of tanks to be taken up as per target, actually proposed and taken up and completed as of September 2017

Phase	20 *per cent* tanks to be taken up in each phase	Proposed to be taken up	Admini-strative approval	Technical Sanction	Actually taken up	Actually competed (*per cent*)	Shortfall in taking up (*per cent*)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8) = (2) - (6)
Phase I	9,306	8,165	8,081	8,065	8,040 (*86*)	6,747 (*84*)	1,266(13)
Phase II	9,306	9,113	9,164	8,557	8,315 (*89*)	1,154 (*14*)	991 (11)
Phase III[15]	9,306	4,392	5,727	2,857	2,311 (*25*)	0 (0)	6,995 (75)
Total	**27,918**	**21,670**	**22,972**	**19,479**	**18,666 (*67*)**	**7,901 (*28*)**	**9,252 (33)**

(***Source****:* Information furnished by I&CAD Department and official website for Mission Kakatiya)

- Chief Engineer (Minor Irrigation) instructed (31 December 2014) to restore 9,363 tanks in 2014-15 (Phase I), i.e, within three months. The target of covering 20 *per cent* of tanks within three months swas unrealistic as the entire gamut of processes from administrative approval to execution was to be completed within three months time. The delay in completion of Phase I works ranged from 20 to 549 days in respect of 69 (66 *per cent)* out of 104 works test checked.
- As can be seen from above, only 14 *per cent* of works taken up under Phase II got completed.
- In Phase III, only 25 *per cent* of the targeted tanks were taken up and none of the tanks got completed as of September 2017.
- In all the three phases put together, the Department could complete only 28 *per cent* of the tanks targeted.

The Government replied (November 2017) that 9,099 works were taken up under Phase II. It stated that 6,300 tanks were taken up in Phase III due to heavy rains in September 2016 and almost 40,000 tanks were filled with water. Hence the Department could not take up targeted tanks.

The reply was not acceptable as the Department did not furnish any details in support of the claim of taking up of 6,300 tanks in Phase III (2016-17).

[15] Phase-III works were not started in test-checked divisions as of March 2017

Further, the Department could have planned to take up and complete the works before rainy season.

3.2.4 Removal of silt

Removal of silt or Desilting was an important component of Mission Kakatiya. Removed silt from tank bed could be used as nutrient / fertilizer in farm lands to enhance yield and reduce use of fertilizers. Silt to be removed was to be estimated through preliminary investigations; recording of levels to assess quantum of silt. The farmers were to transport silt to their farms at own cost, if the silt was found to be suitable for agriculture. Removed silt was to be disposed off at the cost of the Department, if the silt was not suitable for agriculture or farmers were not interested to transport the silt to their farms.

(i) Assessment of silt to be removed: There was no evidence on record to show that the field offices had conducted preliminary investigations to assess the quantum of silt to be removed.

The Government replied (November 2017) that the quantity was assessed out of the experiences of Assistant Executive Engineer/Assistant Engineer (AEE/AE).

The reply was not acceptable as the guidelines prescribed specific procedure for assessment of silt to be removed from the tanks.

(ii) Shortfall in removal of silt: In 27 test checked works (cost ₹11.25 crore) silt removed was less than the quantum estimated by Assistant Executive Engineer/Assistant Engineer (AEE/AE). The shortfall was more than 1,000 cubic metres (cum) in each case. Average shortfall was 33 *per cent* (from 10 *per cent* to 100 *per cent* in individual cases) (Details in ***Appendix 3.2***. In all works, 8.08 cum silt was removed as against 12.07 lakh cum estimated).

The Government replied (November 2017) that the farmers were not interest to take silt in some cases as silt was not useful for agriculture.

The reply was not acceptable as guidelines prescribed that priority was to be given to tanks where farmers agreed to transport silt.

Thus, it could not be ensured that the storage capacity of these tanks was restored as intended in absence of proper mechanism to assess the quantum of silt to be removed and shortfalls in execution.

3.2.5 Prioritisation of tanks

The Mission stipulated that priority was to be given to (a) tanks having dependable flow; (b) tanks where farmers agreed to transport silt; (c) chain linked tanks (through which surplus water in one tank can be utilised by another tank in downstream); and (d) tanks not covered under any other programmes. Audit observations in this regard are mentioned in ***Table 3.5***:

Table 3.5: Audit observations, reply of the Government and further remarks on tank to be taken up on priority

Sl. No.	Priority Item	Audit observation	Reply of the Government (November 2017)	Remarks
1	Tanks with dependable flows	The sampled divisions could not produce any records with regard to assessment of dependable flows in tanks for prioritisation.	The Government stated that these tanks were constructed long back duly considering dependable flows and hence it was not necessary to consider dependable yield for restoration.	The reply was not acceptable as guidelines stipulated priority was to be given to tanks with dependable flows.
2	Chain linked tanks	None of the sampled division furnished list of chain linked tanks to Audit.	The Government stated that priority was given to chain linked tanks wherever they existed.	However, the sampled divisions could not furnish list chain linked tanks to audit.
3	Tanks, which were not included earlier under other schemes	Out of the total 10,792 works[16] taken up in 15 sampled divisions under Phases I and II, 184 and 116 tanks were covered earlier under Community based tank management programme (CBTMP) and Repair, Renovation and Restoration (RRR) schemes respectively. The cost of works on these 300 tanks under the Mission was ₹ 120.41 crore.	The Government stated that de-silting was not covered under earlier schemes and hence these were taken up.	The reply was not acceptable as the guidelines did not allow taking up same tanks on the ground that some components were not covered under earlier schemes.

***(Source**: Records furnished by Irrigation and Command Area Development Department)*

Audit also observed that works on non-priority tanks were also taken up under Phase I and Phase II as discussed below:

Mini Tank Bunds: The guidelines of the Mission permitted development of certain tanks as mini tank bunds (MTB) for recreation. However, MTBs were not in the priority list. The Department took up 73 MTBs on priority at a cost of ₹266.80 crore. An amount of ₹66.31 crore was incurred on these MTBs (July 2017) under the Mission.

The Government replied (November 2017) that one tank under each constituency was developed as MTB for recreation.

[16] costing ₹2395.35 crore

The reply was not acceptable as MTBs were for recreation purpose and could not be considered as priority item under the Mission.

3.2.6 Gap Ayacut

The Mission was taken up to bring back 10 lakh acres of Gap Ayacut to irrigation. Audit observed that there was no mention of details of Gap Ayacut in the estimates of individual works.

Two sampled divisions viz., Medak and Vikarabad claimed 100 *per cent* ayacut achievement under Phase II. Audit observed that 446 works (47 *per cent)* out of the total 936 works taken up were not completed as of June 2017.

The Government replied (November 2017) that 5.6 lakh acres of gap ayacut was stabilised.

The reply of the Government was not supported by any evidence. As a result, Audit could not ensure that the Gap Ayacut was brought under irrigation at field level.

Industries and Commerce Department

3.3 Lacuna in design of Telangana State Industrial Project Approval and Self-Certification System (TS-iPASS)

The objective of single point approval was not achieved as the software allowed selective approvals.

Government of Telangana enacted (December 2014) the "Telangana State Industrial Project Approval and Self-Certification System (TS-iPASS) Act, 2014" (Act). The objective was to provide single point approval[17] on behalf of all relevant departments for setting up industrial undertakings. The approval was to be on self-certification basis by the entrepreneur.

As per Section 9 (1) of the Act, the entrepreneur was to submit the application to the Nodal Agency[18] for clearance with the required fees. In response, TS-iPASS online portal[19] interface indicated approvals required from various departments and the respective fees.

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[17] for speedy processing of applications, for issue of various licenses / departmental approvals, clearances required for setting up of industries for promotion of industrial development in the State

[18] Nodal Agencies are District Industries Centres for Small and Micro units; Commissionerate of Industries for Large and Medium units; Industrial Promotion Cell/Chasing Cell at Chief Minister Office for Mega units

[19] https://ipass.telangana.gov.in

Audit scrutiny (March - June 2017) of TS-iPASS showed that the **Software Application did not have controls to ensure that all the approvals were applied for. It also did not provide an option to "Apply Later"**.

Audit noted that only 9 *per cent* entrepreneurs applied for all the approvals; 91 *per cent* of the entrepreneurs applied for only selected approvals as shown in ***Table 3.6***:

Table 3.6: Details of number of applications and approvals sought for

Period	Number of applications from entrepreneurs			Total approvals required to be applied for	Actually applied for (*per cent*)
	Total	Applied for all approvals (*per cent*)	Applied for partial approvals (*per cent*)		
2016-17	1941	177 (*9*)	1764 (*91*)	10147	3223 (*32*)

(Source: Information furnished by Commissioner of Industries)

The entrepreneurs did not apply for 68 *per cent* (6924 in number) of the required number of approvals. The value of prescribed fees for these approvals that were not sought for was ₹ 9.57 crore.

Audit further noted that the other essential approvals required before establishment of the units were ignored as shown in ***Table 3.7***:

Table 3.7: Details of applications for approvals required before establishment of units

Sl. No.	Department / Authority	Total	Applied for	Not applied (*per cent*)
1	Pollution Control Board (Red Category)	148	85	63 (*43*)
2	Pollution Control Board (Orange Category)	441	175	266 (*60*)
3	Fire Department	106	9	97 (*92*)
4	Gram Panchayat No objection Certificate	1425	147	1278 (*90*)

(Source: Information furnished by Commissioner of Industries)

TS-iPASS was issuing approval certificate only for those approvals which were sought by the entrepreneurs. Approvals, which were required but not applied for were not insisted before issue of consolidated approval certificate. This rendered the objective of single point TS-iPASS approval from all the Departments, unachieved.

There was also no mechanism to ensure whether the 1764 units, which applied for partial approvals, had thereafter established units and commenced operations. There is a risk of such units starting operations even without all necessary approvals.

Government accepted (December 2017) that approval was being issued only to the extent for which approvals were sought for, instead of all the approvals required. Government further replied that the units were free to apply for only some of the approvals and informed that system code was being updated to generate TS-iPASS consolidated certificate only after receipt of all approvals required.

The reply confirmed the audit observation that the objective of single point consolidated approval was not achieved.

(AJAIB SINGH)
Principal Accountant General (Audit)
Telangana

Hyderabad
The 20 March 2018

Countersigned

(RAJIV MEHRISHI)
Comptroller and Auditor General of India

New Delhi
The 21 March 2018

Appendices

Appendix 1.1

(Reference to paragraph 1.5.1, page 3)

Department-wise details of Outstanding Inspection Reports and Paragraphs as on 30 September 2017

Sl. No.	Department	Number of outstanding		Earliest year of the outstanding IRs	Number for which even first replies have not been received		Earliest year of the report for which first replies haven not been received
		IRs	Para-graphs		IRs	Para-graphs	
1.	Agriculture and Cooperation	437	2020	1992-93	30	382	2016-17
2.	Animal Husbandry and Fisheries	150	779	2002-03	5	27	2016-17
3.	Energy	5	20	2008-09	--	--	2016-17
4.	Environment, Forests, Science and Technology	256	839	1999-2000	4	52	2016-17
5.	Industries and Commerce	137	538	1992-93	1	12	2016-17
6.	Irrigation and Command Area Development (Irrigation Wing)	769	2502	1990-91	21	123	2016-17
7.	Information Technology , Electronics and communications	8	70	2004-05	--	--	2016-17
8.	Infrastructure and Investment	4	27	2011-12	--	--	2016-17
9.	Transport, Roads and Buildings	243	807	1999-2000	13	82	2016-17
10.	Works and Projects Wing of Finance Department	20	71	2005-06	2	12	2016-17
Total		**2029**	**7673**		**76**	**690**	

Appendix 1.2

(Reference to paragraph 1.5.1, page 3)

Year wise breakup of outstanding Inspection Reports and Paragraphs for which first replies have not been received

Year	Number of Outstanding		Number for which even first replies have not been received	
	IR's	Paragraphs	IR's	Paragraphs
2012-13 and earlier years	1579	4874	--	--
2013-14	100	508	--	--
2014-15	98	546	--	--
2015-16	152	919	--	--
2016-17	100	826	76	690
	2029	**7673**	**76**	**690**

Appendix 1.3

(Reference to paragraph 1.5.1, page 3)

Year-wise details of outstanding Inspection Reports and Paragraphs pending for more than 10 years

Year	Irrigation and Command Area Development Department		Agriculture and Cooperation Department	
	IRs	Paragraphs	IRs	Paragraphs
Up to 2006-07	207	361	163	389
2007-08	106	251	51	205
2008-09	88	258	35	164
2009-10	75	219	22	130
2010-11	69	255	70	308
2011-12	29	94	18	162
2012-13	2	8	1	11
2013-14	59	266	1	21
2014-15	33	184	20	114
2015-16	61	375	26	134
2016-17	40	231	30	382
Total	**769**	**2502**	**437**	**2020**

Appendix 1.4

(Reference to paragraph 1.5.1, page 3)

Major Irregularities commented in Inspection Reports not settled as of September 2017

Sl. No.	Nature of Irregularity	Number of paragraphs	Amount (₹ in lakh)
I&CAD Department			
1	Unfruitful expenditure	11	5243.21
2	Avoidable expenditure	28	3126.39
	Total	**39**	**8369.60**
Agriculture and Cooperation Department			
1	Non-utilization and Diversion of funds	33	7107.11
2	Locking up of Government funds	12	711.04
3	Non recovery/short recovery towards cost of material/S.T/ Seigniorage charges /Security Deposits / Penalties	13	140.31
4	Unfruitful expenditure	18	4789.52
5	Improper utilisation of funds	07	33.90
6	Non-realisation of unspent deposits	04	196.91
7	Irregular drawal of funds	01	1.35
8	Infructuous expenditure	04	7300.49
9	Excess payment	06	7027.34
10	Irregular / un-authorised payments	09	5664.82
11	Inadmissible expenditure	01	42.07
12	Avoidable expenditure	07	1145.91
	Total	**115**	**34160.77**

Appendix 2.1

(Reference to paragraph 2.1.9.1, page 20)

Details of land allotted to various firms in Fab City area and their present status

Sl. No.	Firm name	Extent in Acres	Month / Year of allotment	Employ-ment generated	Implementation status
1	Sem India Fab (p) Ltd	100.00	April 2007	0	Under Implementation (Court case)
2	Renewsys India Pvt Limited	50.00	August 2007	980	Implemented and working Unit
3	XL Telecom & Energy Limited	50.00	January 2008	0	Under Implementation
4	KSK Surya Photovoltaic Ventures Pvt	50.00	January 2008	0	Under Implementation
5	Embedded IT Solutions India Pvt.Ltd	10.02	January 2008	100	Implemented and working
6	Surana Ventures Ltd	10.00	March 2008	82	Implemented and working
7	Radian Solar Pvt Ltd	5.02	June 2008	500	Implemented and working
8	ILFS Waste MGMT & Urban Services Ltd	5.00	December 2008	0	Implemented and working
9	Empire Photovoltaic systems pvt. Ltd	4.00	May 2011	200	Implemented and working
10	APTRANSCO	19.00	March 2011	0	Under Implementation
11	HMDA	25.00	April 2007	0	Implemented and working
12	M/s Bagwathi Products Ltd	18.66	July 2015	675	Implemented and working
13	M/s Celkon Impex Pvt. Ltd	11.45	November 2015	0	Yet to be implemented
14	M/s Smarttrack Solar systems pvt ltd	4.44	January 2015	0	Yet to be implemented
	Sub-Total (A)	**362.59**		**2537**	
EHMC Non-SEZ Area					
1	Frizair Pvt Ltd	4.48	December 2014	0	Yet to be implemented
	Sub-Total (B)	**4.48**		**0**	
Non-SEZ General Park					
1	PRAGATHI Pack (India) Pvt Ltd	5.00	March 2011	170	Implemented and working
2	Ballistick Safety Systems Technology	3.59	August 2011	94	Yet to be implemented
3	B R Industries	1.25	March 2013	0	Under Implementation
4	Nirmala Paper Products	1.82	February 2013	215	Implemented and working
5	Emesco Books	2.73	March 2013	0	Under implementation
	Sub-Total (C)	**14.39**		**479**	
Grand Total (A+B+C)		**381.46**		**3016**	

Appendix 2.2

(Reference to paragraph 2.1.10.4, page 28 and paragraph 2.1.11.2, page 32)

Details of test checked cases of land allotment including investment and employment

Sl. No.	Name of the Firm	Land allotted (in acres)	Land utilized (in acres)	Month / Year of handing over	Stipulated Month / Year of completion	Investment to be made as per MoU / agreement (₹ in crore)	Investment actually made as of March 2017 (₹ in crore)	Employ-ment to be generated	Employ-ment generated (as of March 2017)	Present status of the Project
1	Infosys Phase I	150	302319 sqm	May 2007	April 2010	400	1677	25000	17454	Phase I nearing completion as of March 2017.
	Infosys Phase II and III	296	Nil	May 2007	April 2017	300	Nil		Nil	Phase II and III not taken up.
2	Brahmani Infratech Private Limited	250	Nil	July 2006	June 2011	Not specified	Not available	45000	Nil	Allotment cancelled in January 2013 as the firm failed to complete the project and surrendered land
3	Wipro Technologies at Gopanapally	101.03	9	June 2007	May 2012	100	111	10000	1100	Not completed.
4	JT Holdings	70	NA	May 2005	April 2012	200	Not available	14000	Not available	Not completed.
5	Honeywell Technologies	10	6	August 2006	July 2011	Not specified	130	2000	1000	4 out of 10 acres not utilized so far. CCITI instructed the firm to submit timelines for utilization of remaining 4 acres.
6	Taksheel Solutions	5	500 sqm	February 2006	July 2007	Not specified	--	1000	Not available	Only an unauthorized shed of 500 square meters is constructed
7	Linus Infotech	5	1.75	December 2006	November 2008	Not specified	--	500	Not available	Not Completed
8	Sify Technologies	6923 sqm	NA	January 2013	December 2015	161	Nil (June 2015)	1500	Nil (June 2015)	Not Completed

(Source: Information furnished by IT, E and C Department)

Appendix 3.1
(*Reference to paragraph 3.2.1, page 49*)

Details of divisions selected for test check, number of tanks and value of works

Sl. No.	Name of the Division	No of works in Phase-I	No of works in Phase-II	Total No of tanks / works	Value of works in Phase-I (₹ in crore)	Value of works in Phase-II (₹ in crore)	Value of works (₹ in crore)
1	Adilabad	6	0	6	3.48	0	3.48
2	Asifabad	4	2	6	2.98	2.25	5.23
3	Bhadrachalam	4	5	9	0.79	1.95	2.74
4	Kamareddy	6	5	11	3.02	10.38	13.40
5	Khammam	11	1	12	11.30	0.21	11.51
6	Mahabubnagar	8	1	9	8.10	0.69	8.79
7	Medak	11	3	14	3.89	8.01	11.90
8	Mulugu	5	3	8	1.79	1.00	2.79
9	Nalgonda	5	2	7	2.25	2.62	4.87
10	Nizamabad	5	3	8	4.45	1.52	5.97
11	Sangareddy	13	0	13	5.50	0	5.50
12	Siddipet	8	10	18	2.60	3.33	5.93
13	Suryapet	3	1	4	1.03	0.54	1.57
14	Vikarabad	8	0	8	2.78	0	2.78
15	Warangal	7	5	12	6.84	3.10	9.94
Total		**104**	**41**	**145**	**60.80**	**35.60**	**96.40**

Appendix 3.2

(Reference to paragraph 3.2.4 (ii), *page 51*)

Details of cases where De-silting was only partially executed in completed works

Sl. No.	Division	Tank / work/ village	Agreement Value (in ₹)	Silt quantity to be executed (in cum)	Actually executed (in cum)	Shortfall in silt removal (in cum)	*Per cent*
1	Bhadrachalam	Tegada	1892060	1311	0	-1311	-100.00
2	Medak	Charlapally	3179351	13770	7072	-6698	-48.64
3	Sangareddy	Sangupet	2973869	24000	9726	-14274	-59.48
4	Siddipet	Methupally	2498252	7920	3750	-4170	-52.65
5	Siddipet	Chinnakodur	8629712	17500	0	-17500	-100.00
6	Kamareddy	Polkampet	4775143	14905	6790	-8115	-54.44
7	Nalgonda	Aipoor	5242851	89000	42528	-46472	-52.22
8	Nalgonda	Cherlapally	7152683	146250	68262	-77988	-53.33
Sub total			**36343921**	**314656**	**138128**	**-176528**	**-56.10**
9	Khammam	Narayanapuram	5690495	112528	94869	-17659	-15.69
10	Medak	Suraram	2933723	19159	10150	-9009	-47.02
11	Medak	Chinnachintakunta	5218980	41311	28551	-12760	-30.89
12	Medak	Eshwantharaopet	1798211	12000	9840	-2160	-18.00
13	Medak	Maisapet	5352011	36000	28225	-7775	-21.6
14	Sangareddy	Paidigummal	3184962	23587	13875	-9712	-41.18
15	Sangareddy	Minipur	3790053	47000	34291	-12709	-27.04
16	Siddipet	Ramancha	2020894	3120	1825	-1295	-41.51
17	Siddipet	Waddepally	2014936	10624	7230	-3394	-31.95
18	Warangal	Enugal	6174068	69059	64068	-4991	-7.23
19	Warangal	Liabarthy	6764458	48511	46460	-2051	-4.23
20	Warangal	Nekkonda	6376823	67870	56874	-10996	-16.20
21	Mahabubnagar	Lokirev	2881000	62392	39623	-22769	-36.49
22	Mahabubnagar	Edganpally	5214000	97202	55503	-41699	-42.90
23	Mahabubnagar	Muchintala	3231000	43296	25441	-17855	-41.24
24	Nalgonda	Edda kaparthy	3620648	44200	37227	-6973	-15.78
25	Suryapet	Ganapavaram	3404159	48564	43708	-4856	-10.00
26	Suryapet	Rainigudem	4017786	48128	26097	-22031	-45.78
27	Vikarabad	Kulkacherla	2521368	58500	46929	-11571	-19.78
Sub total			**76209575**	**893051**	**670786**	**-222265**	**-24.88**
Grand total			**112553496**	**1207707**	**808914**	**-398793**	**-33.02**

Glossary

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AIBP		Accelerated Irrigation Benefits Programme
APIIC		Andhra Pradesh Industrial Infrastructure Corporation
ATNs		Action Taken Notes
BIPL		Brahmani Infratech Private Limited
BRLIS		Baktha Ramdas Lift Irrigation Scheme
CA		Central Assistance
CADA		Command Area Development Authority
CBTMP		Community Based Tank Management Programme
CCESDM		Consultative Committee on Electronic System Design and Manufacturing
CCITI		Consultative Committee on IT Industry
CM&CD		Cross Masonry & Cross Drainage
CUM		Cubic Meters
CWC		Central Water Commission
DPR		Detailed Project Report
EH		Electronic Hardware
EHM		Electronic Hardware Manufacture
EMCS		Electronic Manufacture Cluster scheme
EPC		Engineering, Procurement and Construction
GoI		Government of India
HITIR		Hyderabad ITIR
HKC		Hyderabad Knowledge City
HMDA		Hyderabad Metropolitan Development Authority
I&CAD		Irrigation and Command Area Development
IBM		Internal Benchmark
ICT Policy		Information and Communication Technology Policy
IFFC		Indiramma Flood Flow Canal
IIITH		International Institute of Information Technology, Hyderabad
IMAGE		Innovation in Multimedia, Animation, Gaming and Entertainment
IP		Irrigation Potential
IT		Information Technology
ITE&CD		Information Technology, Electronics and Communications Department
ITES		Information Technology enabled services

ITIR		Information Technology Investment Region
ITIRDA		ITIR Development authority
JCRDLIS		J Chokka Rao Devadula Lift Irrigation Scheme
KM		Kilometre
KPCL		KPC Projects Limited
LMD		Lower Manair Dam
MA&UD Department		Municipal Administration and Urban Development Department
MGNREGA		Mahatma Gandhi National Rural Employment Guarantee Act
MHP		Maheswaram Hardware Park
MI		Minor Irrigation
MMTS		Multi Model Transport System
MoEF		Ministry of Environment and Forest
MoRTH		Ministry of Road, Transport and Highways
MoTA		Ministry of Tribal Affairs
MoU		Memorandum of Understanding
MoWR		Ministry of Water Resources
NeGP		National e-Government Plan
NGRI		Geophysical Research Institute
NSP		Normal State Plan
PAC		Public Accounts Committee
PMKSY		Prime Minister Krishi Sinchaye Yojana
PSU		Public Sector Undertaking
PVP		Palemvagu Project
PWD		Public Works Department
QCBS		Quality Cum Cost Based Selection
R&R		Resettlement and Rehabilitation
RD&GR		River Development and Ganga Rejuvenation
RFP		Request for proposal
RRR		Repair, Renovation and Restoration
S&I		Survey and Investigation
SEZ		Special Economic Zone
SLSC		State Level Standing Committee
SMC		South Main Canal
SPV		Special Purpose Vehicle
SRSP		Sri Ram Sagar Project Stage
SSBR		Shankara Samudram Balancing Reservoir

SSR		Standard Schedule of Rates
SWF		Standing Wave Flume
TMC		Thousand Million Cubic feet
TSIIC		Telangana State Industrial Infrastructure Corporation
TSTS		Telangana State Technological Services
UCs		Utilization Certificates
VAT		Value Added Tax