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Audit is concerned with pointing out the flaws in policies, flaws in systems, flaws in utilization of funds and analysis of various spending practices and to find out irregularities, misstatements, governance procedures, internal policies evaluation for the financial years 2014-15 to 2018-19. Various irregularities have been noticed by the team of auditors and the report thereof is self-explanatory.

M/s. SIEMENS and DesignTech have to oversee the functions of the clusters and their maintenance. Instead of doing so both of them swindled crores of rupees in a dubious manner. Their acts affected the marrows of economic health of the State.

As per the Memo No.143741/skill/2021 dated 11.07.2021 and 04.09.2021, the Managing Director, APSSDC is instructed to lodge a report with the Crime Investigation Department to make a detailed probe into the case.

I, therefore, lodge this report for taking necessary legal action against the above M/s. SIEMENS and M/s. DesignTech and their bogus shell allies according to Law.

Yours sincerely,


Chairman, APSSDC

Enclosures:

1. Incident report No.23/ST/2017-18 in respect of the assessee M/s. Designed Tech. Systems Limited, Pune of Directorate General GST Intelligence, Pune.
2. Incident report No.23/ST/2017-18 in respect of the assessee Skiller Enterprises India Private Limited, formerly known as PVSPIT Skills Projects Private Limited, New Delhi.
3. Forensic Audit Report of M/s. Sarath and Associates, Chartered Accountants
4. G.O.Ms.No.4 Skill Development, Entrepreneurship and Innovation (Skills) Department dated 30.06.2015
5. Letter from M.D., APSSDC No.1139/SDT/APSSDC/2021 dated 23.06.2021.
6. Letter from M.D., APSSDC No.1224/SD&T/APSSDC/2021 dated 05.07.2021.
7. Memo No.143741/Skill/2021 dated 11.07.2021 of the Principal Secretary, Government directing the M.D., APSSDC to give a report to the C.I.D.

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The report of Chairman APSSDC dated 07.09.2021, Preliminary Enquiry Report dated 09.12.2021 along with enclosures, received at 12.00 hrs on 09.12.2021. As per the instructions of the ADGP, CID. AP., Mangalagiri vide Memo in C.No.1034/C12/CID/2021, dated: 09.12.2021, a case in Cr.No.29/2021 U/S. 166, 167, 418, 420, 465, 468, 471, 409, 201, 109, r/w 120(B) IPC and Sec 13(2) r/w 13(1)(c) and (d) of Prevention of Corruption Act 1988 was registered in CID PS, A.P, Mangalagiri on 09.12.2021 at 12.00 hrs. Original FIR along with the complaint report and enclosures submitted to The Hon'ble 3rd Addl. Session Judge cum special Judge for SPE & ACB cases, Vijayawada and copy of FIR along with complaint report and enclosures sent to the I.O. Sri M.Dhanunjayudu, DSP, EOW-II, CID, AP, Mangalagiri for the purpose of investigation.

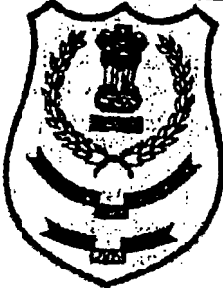
Rajesh 9.12.2021

**Senior Executive Officer,
C.I.D, A.P., Mangalagiri.
Senior Executive Officer
C.I.D., A.P., Mangalagiri.**

True copy

M. Dhanunjayudu 12/12/21
**M. DHANUNJAYAUDU
Dy. Supdt. of Police
EOW-II, CID.,
Mangalagiri
Andhra Pradesh**

Annexure-13 Incident Report of M/s Designtech Systems Ltd.

<p>वस्तु एवं सेवा कर आसूचना महानिदेशालय, पुणे क्षेत्रीय कार्यालय, ए विंग, तीसरी मंजिल, GST भवन, ससून रोड, पुणे - ४११००१. दूरभाष :- ०२०-२६०५२२७६, फैक्स :- ०२०-२६१२५५१८</p>		<p>DIRECTORATE GENERAL OF GST INTELLIGENCE, Pune Zonal Unit, 'A' Wing, 3rd Floor, GST Bhawan Sasoon Road, Pune-411001. Ph:- 020-26052276, Fax :- 020- 26125498 email:- dggstipunezu@gmail.com</p>
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F.No: DGCEI/PRU/INT/42/2017/659

Dated 28.02.2018

To : The Principal Director General, DGGSTI, New Delhi
From : Additional Director General, DGGSTI, PZU

INCIDENT REPORT NO. 23/ST/2017-18

Name and address of the assessee	M/s DesignTech Systems Ltd Commerce Centre, Rambaug Colony, Paud Road Pune -411038 Service Tax registration No. AABCD2335FST001 Range-I, Division-Kothrud, Central GST Pune-II Commissionerate
Description of Services	Information Technology Services
Amount of Service Tax Involved	Rs 9 crores
Amount of service tax recovered	NIL
Investigating Unit	Pune Zonal Unit
Sr. No. Of 335J register	PZU/STAX/23/2017-18
Source of information	Intelligence developed by the officers

M/s DesignTech Systems Ltd, Commerce Centre, Rambaug Colony, Paud Road Pune -38 (in short DesignTech) is in the information technology business, in the field of Distribution of PLM software, product design and engineering services and CAD/CAM Training and IT Training. They are holding service tax registration No. AABCD2335FST001.

2. DesignTech had entered into an agreement with M/s Andhra Pradesh State Skill Development Corporation, Vijaywada (APSSDC) in 2015 for setting up and operating skill development centres in Andhra Pradesh. Subsequently DesignTech had sub contracted a large part of this work to M/s Skillar Enterprises, India Pvt Ltd, New Delhi (in short Skillar) which is in the business of providing project management services. It was seen that Skillar was established only in 2015 after DesignTech had entered into agreement with APSSDC. As part of their work, vide their invoices Skillar had shown that they have provided *Training Software Development including various sub-modules* to DesignTech for a consideration and DesignTech had also paid them royalty and subscription amount towards the same on the basis of invoices issued by Skillar, on which CENVAT credit has been availed by DesignTech. Simultaneous search operations were conducted at the premises of DesignTech and Skillar.

3. The Managing Director of DesignTech when asked as to what has been provided by Skillar as *Training Software Development including various sub-modules* stated that these are Non-CBT courses designed for High end software for advance manufacturing, CAD/CAM, which has been directly delivered by Skillar to Skill development centres in Andhra Pradesh. He also stated that royalty and subscription were paid to Skillar since they have developed these software. Whereas the

Director of Skillar in his statement admitted that the low end technical work has been sub-contracted by DesignTech to Skillar and the *Training Software Development including various sub modules* provided vide their invoices are technical material towards the same. He further admitted that royalty and subscription has been wrongly mentioned in their invoices. Thus both service provider and service receiver had taken contradictory stands regarding the nature of services.

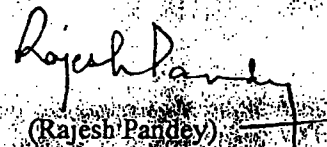
4. The scrutiny of records revealed that said *Training Software Development including various sub modules* shown as supplied by Skillar to DesignTech, were in the records of Skillar shown as purchased by Skillar from M/s Allied Computers International (Asia) Ltd Mumbai (in short M/s ACI), M/s Patrick Info Services Pvt Ltd, M/s IT Smith Solutions Pvt Ltd., M/s Inweb Services Pvt Ltd. all based at New Delhi. Investigations has established that M/s ACI, M/s Patrick Info Services Pvt Ltd, M/s IT Smith Solutions Pvt Ltd, and M/s Inweb Services Pvt Ltd all are shell companies/defunct companies without any business dealings for the past few years. The operators of these shell companies and the active Directors on records of M/s ACI, M/s Patrick Info Services Pvt Ltd, M/s IT Smith Solutions Pvt Ltd, M/s Inweb Services Pvt Ltd. were traced and in their respective statements they have admitted that their companies were shell/defunct companies and were issuing invoices without providing any services.

5. During the investigations it was also noticed that DesignTech had availed CENVAT credit on two invoices from M/s Allied Computers International (Asia) Ltd Mumbai showing provision of *Training Software Development including various sub modules*. The Managing Director of DesignTech has admitted in his statement that he does not have any evidence to show that said services has been received from M/s ACI. All this clearly establishes that no services were delivered by Skillar to DesignTech in their invoices depicting *Training Software Development including various sub modules* and royalty and subscription thereof.

6. Further in the course of investigations, it was noticed that DesignTech had availed of CENVAT credit on invoices of M/s Arihant Traders and M/s GA Sales Pvt Ltd New Delhi showing provision of IT Consultancy services. It was revealed that both these companies do not exist at their respective addresses. The Managing Director of DesignTech admitted in his statement that he does not have any evidence to show that services has been received from these companies.

7. Thus from the investigations it is clear that M/s DesignTech Systems Ltd. has availed inadmissible CENVAT credit to the tune of around Rs. 9 crores without receipt of any input services, which is required to be recovered from them under the provisions of Rule 14 of CENVAT Credit Rules 2004.

8. Further investigations are in progress.



(Rajesh Pandey)
Additional Director General,
DGGSTI, Zonal Unit, Pune

Copy forwarded to:-

- 1) The Chief Commissioner, Central GST, Pune Zone.
- 2) The Commissioner, Central GST Commissionerate Pune-II.
- 3) The Pr. Additional Director General / Additional Director General, DGGSTI, Zonal Unit, Ahmedabad/Bangalore/Chandigarh/Chennai/Delhi/Gurugram/Jaipur/Kolkata/Lucknow/Udhiana/Meerut/Hyderabad/Bhopal/Siliguri/Ratna/Guwahati/Bhubaneswar/Patna/Mumbai/Nagpur/Surat/Coimbatore/Belagavi/Kochi/Vishakapatnam.
- 4) DGGSTI, Regional Unit, Kolhapur/Goa.
- 5) Master File

वस्तु एवं सेवा कर
आसूचना महानिदेशालय,
पुणे क्षेत्रीय कार्यालय,
ए' विंग, तीसरी मंजिल, GST भवन,
ससून रोड, पुणे - ४११००१.
दूरभाष :- ०२०-२६१२५२७६,
फॅक्स :- ०२०-२६१२५४९८



**DIRECTORATE GENERAL
OF GST INTELLIGENCE,**
Pune Zonal Unit,
'A' Wing, 3rd Floor, GST Bhawan
Sasoon Road, Pune-411001.
Ph:- 020-26052276, Fax :- 020-
26125498 email:-
dggstipunezu@gmail.com

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F.No: DGCEI/PRU /TNT/42/2017/628

Dated 28.02.2018

To : The Principal Director General, DGGSTI, New Delhi
From : Additional Director General, DGGSTI, PZU

INCIDENT REPORT NO. 22/ST/2017-18

Name and address of the assessee	M/s Skillar Enterprises India Pvt Ltd (formerly known as PVSP IT Skills Projects Pvt Ltd) 316/ 274 Second Floor, WestEnd Marg, Saidulajab, New Delhi-110030 Service Tax Registration No. AAICP2127JSD001 Range-60, Hauz Khas New Division, Central GST Delhi-South New Commissionerate
Description of Services	Management Consultancy Services
Amount of Service Tax Involved	Rs 8.5 crores (Approx.)
Amount of service tax recovered	Rs 25 lakhs
Investigating Unit	Pune Zonal Unit
Sr. No. Of 335J register	PRU/STAX/22/2017-18
Source of information	Intelligence developed by the officers

M/s Skillar Enterprises India Pvt Ltd (formerly known as PVSP IT Skills Projects Pvt Ltd) 316/ 274, Second Floor, WestEnd Marg, Saidulajab, New Delhi bearing registration No: AAICP2127JSD001 are in the business of providing project management services. Their major customer is DesignTech Systems Ltd, Pune. On the basis of an intelligence, simultaneous search operations were conducted at the premises of DesignTech Systems Ltd, Pune (in short DesignTech) and M/s Skillar Enterprises India Pvt Ltd (in short Skillar).

2. DesignTech had entered into an agreement with M/s Andhra Pradesh State Skill Development Corporation, Vijaywada (APSSDC) in 2015 for setting up and operating skill development centers in Andhra Pradesh. Subsequently DesignTech had sub-contracted a large part of this work to Skillar. As part of this, DesignTech and Skillar had shown in their records that Skillar has provided *Training Software Development including various sub modules* to DesignTech for a consideration and DesignTech had also paid them royalty and subscription amount towards the same. It was seen that Skillar was established only in 2015 after DesignTech had entered into an agreement with M/s Andhra Pradesh State Skill Development Corporation Vijaywada (APSSDC). The behind the scenes promoter of Skillar, one Shri Mukul Agarwal, was found to be different from the Directors of Skillar on record. At the start, Skillar was showing as being operated from different addresses.


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3. Scrutiny of records revealed that Skillar had shown that they have purchased these *Training Software Development including various sub modules* largely from M/s Allied Computers International (Asia) Ltd Mumbai (in short M/s ACI), and had availed CENVAT credit to the tune of Rs 7.14 crores on the basis of invoices issued by M/s ACI to Skillar. Further Skillar had availed CENVAT credit amounting to Rs 1 crore approx on various invoices shown to have been issued by M/s Patrick Info Services Pvt Ltd., M/s IT Smith Solutions Pvt Ltd., M/s Inweb Services Pvt Ltd. all based at New Delhi showing sale of the said *Training Software Development including various sub modules* to Skillar.

4. Searches carried out at premises of M/s ACI, M/s Patrick Info Services Pvt Ltd, M/s IT Smith Solutions Pvt Ltd, and M/s Inweb Services Pvt Ltd revealed that none of these companies were existing at their respective addresses. Further investigations have clearly established that M/s ACI, M/s Patrick Info Services Pvt Ltd, M/s IT Smith Solutions Pvt Ltd, and M/s Inweb Services Pvt Ltd all are shell companies/defunct companies without having done any business for the past few years. The operators of these shell companies and the active Directors on records of M/s ACI, M/s Patrick Info Services Pvt Ltd, M/s IT Smith Solutions Pvt Ltd, M/s Inweb Services Pvt Ltd were traced and in their respective statements they have admitted that their companies were shell/defunct companies and were issuing invoices without providing any services. They also admitted that these companies had received consideration from Skillar without providing any service and the consideration received from Skillar was again routed to some other companies as per instructions received. It was also revealed that M/s ACI and other companies had not paid the service tax amount shown in their invoices to the Government account. M/s ACI is also declared as a shell company by other agencies, as can be seen from the list of 16794 shell companies as prepared by the Ministry of Corporate Affairs. The Chief Operating Officer of Skillar, Shri Mukul Agarwal has also accepted in his statement that Skillar has availed CENVAT credit without receipt of services from M/s ACI, but stated that these were done under the instructions of DesignTech Systems Ltd and Siemens Ltd.

5. Thus from the investigations it is clear that M/s Skillar Enterprises India Pvt Ltd has availed inadmissible CENVAT credit to the tune of around Rs 8.50 crores without receipt of any input services, which is required to be recovered from them under the provisions of Rule 14 of CENVAT Credit Rules 2004. M/s Skillar Enterprises India Pvt Ltd has vide their letter dated 5.2.2018 informed that they have paid Rs 25 lakhs towards the inadmissible CENVAT credit so availed.

6. Further investigations are in progress.


(Rajesh Pandey)
Additional Director General,
DGGSTI, Zonal Unit, Pune

Copy forwarded to:-

- 1) The Chief Commissioner, Central GST, Pune Zone.
- 2) The Pr. Commissioner / Commissioner, Central GST Delhi-South New Commissionerate.
- 3) The Pr. Additional Director General / Additional Director General, DGGSTI, Zonal Unit, Ahmedabad/Bangalore/Chandigarh/Chennai/Delhi/Gurgaon/Jaipur/Kolkata/Mumbai/Ludhiana/Meaning/Hyderabad/Bhopal/Siliguri/Patna/Guwahati/Bhubaneswar/Raipur/Mumbai/Nagpur/Surat/Coimbatore/Belagavi/Kochi/Vishakapatnam
- 4) DGGSTI, Regional Unit, Kolhapur/Goa.
- 5) Master File

Forensic Audit Report 66
Of
APSSDC SIEMENS Project
Andhra Pradesh State Skill Development Corporation



M/s. Sarath & Associates
Chartered Accountants
Vijayawada.

Head office: Hyderabad, Branches: Mumbai, Chennai.



Background

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We, M/S Sarath & Associates are appointed to conduct Forensic Audit for **Andhra Pradesh State Skill Development Corporation** (Herein after called as **APSSDC**) vide engagement letter no. APSSDC-56022/10/2020-FIN AND ACCT – APSSDC. We have earlier submitted our reports and later provided with additional data by APSSDC. Accordingly, this Report consolidates the scope of work specified as per the work order and this report shall be strictly for confidential use and shall be treated as and for usage by APSSDC only.

Restrictions on the use of Forensic Audit Report

Our Reports are Intended solely for the use of Management of the APSSDC and or not intended to be and should not be used by anyone and other than for the specified purpose. Sarath & Associates therefore assumes no responsibility to any user of the report other than the APSSDC. Any other people who choose to rely on our report do so entirely on their own risk. The report should not be circulated, quoted or otherwise referred to for any other purpose, nor included or referred to in whole or in part in any documents without our prior written consent.

We would like to take this opportunity to thank you and your team for cooperation and aiding for execution of this assignment.

Yours Faithfully
For Sarath & Associates
Firm Reg No: 051205

P.L. Sarat
Partner
M.No.237001
Encl: Forensic Audit Report along with Annexure and Exhibits

Copy to:

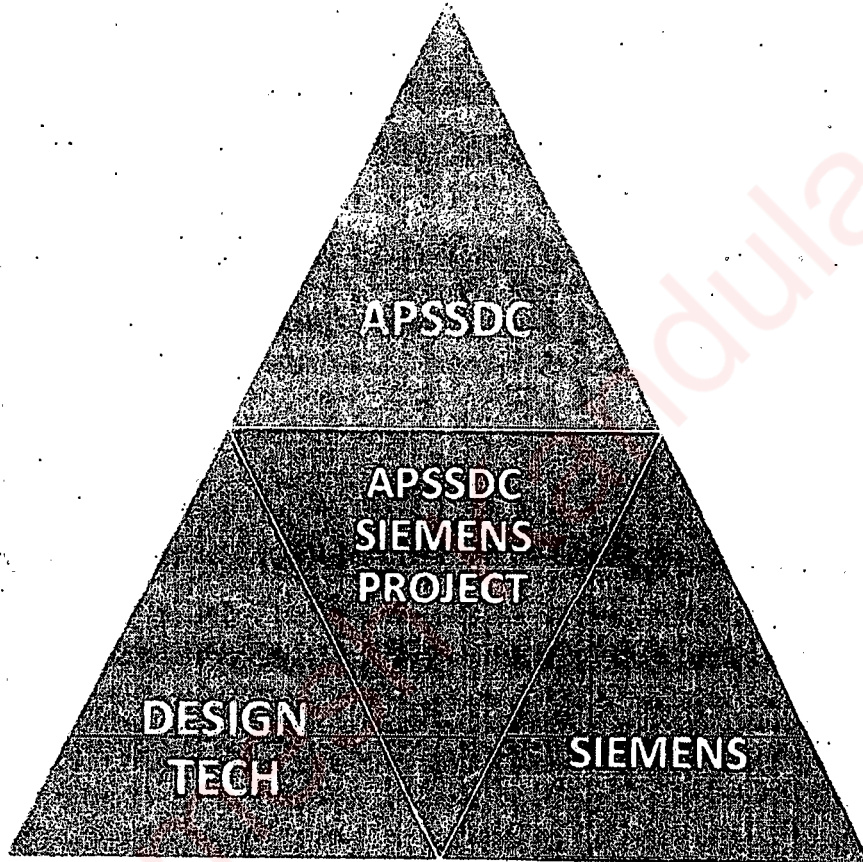
The Managing Director of APSSDC (3rd Floor, Infosight Building, G&J Infra, Near Pathuru Junction, Tadepalli, Guntur – 522502)



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Report on Siemens Project

(To be read in conjunction with annexure, exhibits to this report and the main Forensic Audit Report of APSSDC)



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1) Terms used in the report.

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Acronyms	Description
APSSDC	Andhra Pradesh State Skill Development Corporation Limited
DESIGNTECH	Designtech Systems Private Limited
SIEMENS	Siemens Industry Software India Private Limited
LMS	LMS India Engineering Solutions Private Limited
PVSP	PVSP IT Skill Projects Private Limited (Currently Known as Skillar Enterprise India Private Limited)
ACI	Allied Computers International (Asia) Limited
CITD	Central Institute of Tool Design
FA	Fixed asset
FAR	Fixed Asset Register
S & A	Sarath & Associates
FY 2014 - 15	1 st April 2014 to 31 st March 2015
FY 2015 - 16	1 st April 2015 to 31 st March 2016
FY 2016 - 17	1 st April 2016 to 31 st March 2017
FY 2017 - 18	1 st April 2017 to 31 st March 2018
FY 2018 - 19	1 st April 2018 to 31 st March 2019
INR	Indian Rupees
MCA	Ministry of Corporate Affairs
ROC	Register of Companies
CEO	Chief Executive Officer
CFO	Chief Financial Officer
MD	Managing Director
ED	Executive Director
No	Number
PO	Purchase Order
WO	Work Order
QTY	Quantity
TP	Training Partner
CG	Central Government
SG	State Government
GO	Government Order
AP / A.P.	Andhra Pradesh
LSDA	Licensed Software Designation Agreement
CSR	Corporate Social Responsibility
AOA	Articles of Association
MOA	Memorandum of Association

2) Background of the project:

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- G.O. Ms. No. 20 Planning (VII) Dept., Dt: 26.09.2014.
- G.O. Ms. No. 47 (H.E.) (EC. A2) Dept., Dt: 13.12.2014.
- G.O. Ms. No. 17 GAD (AR&T. I) Dept., Dt: 25.02.2015 & G.O. Ms. No. 52 GAD (AR&T.I) Dept., Dt. 30.01.2015.
- Letter from M.D., CEO, APPSDC, Dated: 22.06.2015.

I. As per G.O. Ms. No. 4 dated 30 .06.2015

In the G.O. 2nd above; the Government has issued orders incorporating Andhra Pradesh State Skill Development Corporation. Ever since APSSDC has been at the forefront of all skill development activities in the State and has been tirelessly scouring new and innovative areas of expertise and high-end technology partners to tap the vast human capital potential in the State with emphasis on empowering the youth. The Corporation in its 3rd Board Meeting held on 13.12.2014 decided to depute a team to visit the SIEMENS Centers of Excellence already established in Gujarat and submit a report. Accordingly, the team has visited the SIEMENS Centers in Gujarat, conducted a detailed study of centers and submitted a report to the Government of AP.

SIEMENS Industry Software Company has been in India since 1980. It has been offering training programmes in collaboration with various State Governments. Government of Andhra Pradesh has also had detailed discussions with SIEMENS Company to accomplish the goal of Knowledge and Skill Mission. A comprehensive presentation was made to the Government on 9th February 2015 about the Skill Development and Training activities being impacted by SIEMENS and their intent in Collaborating with the Government of Andhra Pradesh as was done in Gujarat and their contribution to the economy of the State by the establishment of SIEMENS centers of Excellence, Technical Skill Development Institutions and Skill Development Centers. Further, the Government of A.P has decided that –

Each Cluster comprising of (one) Center of Excellence (COE) and (five) Technical Skill Development Institutions (TSDIs) and skill development centers (SDCs) would be established at a cost of Rs.546,84,18,908/- with SIEMENS and Design Tech providing grant-in-aid of Rs. 491,84,18,908/- (90%) and Government share being Rs. 55,00,00,000/- (10%).

To establish six SIEMENS clusters each costing Rs. 546.84 crore (The total project cost for establishing 6 SIEMENS clusters Rs.3281.04 Crores) with the Government contribution being limited to 10% of the cost.

It has been decided by the Government to the sanction of an amount of Rs. 370,78,80,000/- including taxes for the project for establishing of (6) such clusters distributed throughout the State. For the 3rd year of agreement, the Centers will be handed over to the joint operational control of APSSDC and hosting institution, with appropriate overseeing and handholding by SIEMENS and Design Tech. However, the costs of trainers and equipment maintenance will continue to be borne by SIEMENS and Design Tech for the third year.

Government has also decided to vide G.O.3rd stated above for the establishing of new department of Skill Development, Entrepreneurship, and Innovation (SDEI) with the Andhra Pradesh State Skill Development Corporation (APSSDC) as its implementing (HoD) agency. Accordingly, the Department of SDEI requested the APSSDC, its implementing agency to take further action in the matter and initiate appropriate action to implement the Siemens project and send the action taken report to Government.in the matter.

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In the letter 4th stated above, the Chief Executive Officer, APSSDC has sent a letter dated 22nd June 2015 asking for permission to get into an agreement with SIEMENS and Design Tech and for the sanction of grant as decided by the Government in order to implement the project. The Chief Executive Officer, A.P. State Skill Development Corporation has also submitted the documents to be signed by APSSDC, SIEMENS and Design Tech in this regard.

The Government accorded permission for entering Memorandum of Agreement (MOU) and A.P. State Skill Development Corporation for an amount of Rs. 370,78,80,000/- (Three Seventy Crore Seventy-Eight Lakh Eighty Thousand) towards 10% of cost of the Project from the current year's budget allocation with 90% being met by the grant from Technology Partners.

II. As per G.O.Ms.No.8 dated 05.10.2015.

The Government of AP decided for formation of two committees to monitor the SIEMENS project program and also for scrutinizing and identifying the Skill development centers for imparting training under the SIEMENS.

III. AS per G.O.Rt.No.12 dated 11.09.2015.

As per the letter from M.D and CEO of APSSDC Hyderabad dated 22.06.2015 seeking the permission to enter an agreement with SIEMENS and Designtech and also for sanction of grant of Rs.370,78,80,000/- (Three Seventy Crores Seventy-Eight Lakh Eighty Thousand) towards 10% cost of the project in order to operationalize the SIEMENS project.

IV. As per G.O.Ms.No.5 dated 25.04.2016.

The Government has issued the orders for sanctioning the project of SIEMENS excellence center and technical skill development institutions and also accorded permission for entering into MOU with SIEMENS company. As per the order agreement has been executed between the APSSDC and SIEMENS and DESIGNTECH companies.

Scope of Work

Based on our overall objectives of the engagement and discussions with the Management of APSSDC, the scope of work as mentioned below and the period to conduct the forensic audit was from the FY 2014-15 to 2018-19 (herein after referred as review period).

- 1) Flaws in policies
- 2) Flaws in systems
- 3) Flaws in utilization of funds
- 4) Analysis of various spending practices

In the light of above aspects, the Forensic Audit shall cover the following aspects:

- a) Any irregularities
- b) Misstatements
- c) Governance procedures
- d) Internal policies evaluations



Methodology Adopted

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1. Held Discussions with the Respective Departmental Heads and top Management to understand the process and procedures in relation to APSSDC SIEMENS Project.
2. Obtain the MOA agreements and other supporting documents to analyze the nature of the project, payment terms, persons involved, and payments made.
3. Interactions with the Training partners and obtain the Agreements, Invoices, and other supporting documents to verify the transactions.
4. Verification of financial records available and also with ROC (Registrar of Companies) records to check the genuineness of the transactions.
5. Summarized and presented the findings of the forensic audit to the APSSDC.

3) Data/Information requested and received.**a) Information or data requested from Previous Chief Financial Officer about APSSDC SIEMENS Project**

No information has been received for the mail request regarding the SIEMENS Project through our email dated 22nd and 26th October to Ex CFO (who is no longer working with organisation) enclosed as Annexure-1 (Refer Page no 1 and 2).

b) Information or data requested and received from Executive Director-2 and Project Director of APSSDC SIEMENS Project.

We requested the information on 05-10-2020 and we received the relevant information on 20-05-2021 based on which we have updated our report.

c) Information or data requested and received from Company Secretary & Legal Head about APSSDC SIEMENS Project.

Information/Data requested	Date of Request	Date of Receipt	Information Received
1. All Board Minutes for Inspection.	03-09-2020	03-09-2020, 05-03-2021 and 20-05-2021	Provided the Board Minutes of APSSDC in relation to SIEMENS Project.
2. Minutes of Central Selection committee for scrutinizing and identifying the SIEMENS Skill Development Centers.	03-09-2020	13-06-2021	We received the Review Meeting minutes dated 13-05-2015 of M/s. Skill Development Entrepreneurship & Innovation Department regarding identifying Skill Development Centers (SDC's) and Minutes of



		74	Selection Committee dated 16-02-2016.
3. Minutes of State level monitoring committee and Local Board of Governance committee.	03-09-2020	----	Not Available at APSSDC. Hence, we are unable to comment.
4. Photocopies of Selected Minutes presented for Inspection.	22-09-2020	05-03-2021 and 05-03-2021	Provided the Board Minutes of APSSDC in relation to SIEMENS Project.
5. Relevant HR records	18-08-2020	----	Not Received/ produced for verification, hence we are unable to comment.
6. Relevant Statutory registers	22-10-2020	----	Not received / produced for verification. hence, we are unable to comment.
7. Data requested in relation to SIEMENS Project in relation to Agreement and Other Documents.	21-10-2020	27-10-2020	Data not made available. Hence, we are unable to comment.

d) Information or data requested and received from SIEMENS about APSSDC SIEMENS Project.

S. No.	Information Requested	Date of request	Date of receipt
1	Details of Contract along with agreements executed, Details of authorised persons, Ledger copies of books and others.	21-09-2020	22-09-2020
2	Transaction details between DESIGNTECH and SIEMENS, License Agreements.	23-09-2020	25-09-2020
	Details of Contribution (90%) to the APSSDC Project	23-09-2020	Not Provided

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e) Information or data requested and received from DESIGNTECH APSSDC SIEMENS Project.

S. No.	Information Requested	Date of request	Date of receipt
1	Details of Contract along with agreements executed, Details of authorised persons, Ledger copies of books	25-09-2020	01-10-2020
2	Transaction details between DESIGNTECH and SIEMENS, License Agreements.	25-09-2020	01-10-2020
3	Details of Subcontracts along with supporting	10-10-2020	15-10-2020
4	Details of software and hardware supplied along with supporting documents and others	25-09-2020	01-10-2020

4) **Management personnel and Other Committee Members:**

a) **Officer/Persons signed as per the MOA and License Agreements.**

- MD & CEO of APSSDC
- MD of SIEMENS
- CFO of SIEMENS
- MD of DESIGNTECH

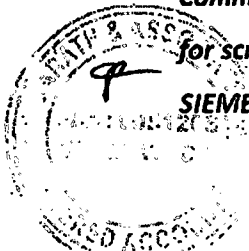
b) **Officers/Persons authorized the payments worth of Rs.330 crores plus taxes.**

- CFO of APSSDC
- Secretary, MD & CEO (FAC)

c) **Officers/Persons who are in the position at the time of Forensic Audit and relevant to the SIEMENS Project.**

- Chairman of APSSDC
- MD & CEO of APSSDC
- executive Director-I
- Executive Director -II (SIEMENS Project)
- Project Director (SIEMENS Project)
- Company Secretary, Legal and Head HR of APSSDC
- CGM Finance
- GM Finance
- Senior Finance Manager

d) **As per the G.O.Ms.No.8 dated 05.10.2015 under the Skill Development, Entrepreneurship & Innovation (Skill) Department, The Government of Andhra Pradesh after careful examination have decided for formation of Two Committees (Monitoring Committee and Centre Selection Committee) headed by government officials to monitor the SIEMENS Project programme and for scrutinizing and identifying the skill development centers for imparting training under the SIEMENS project.**



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e) *As per MOA there is a State Level Monitoring Committee who has to monitor the project.*

For Monitoring the activities of the COE'S and T-SDI'S and conduct the review meetings quarterly

- *Chair CEO of APSSDC*
- *Founder Director from APSSDC Governing Board*
- *Commissioner, Technical education*
- *Managing Director, SIEMENS, or his assigned representative*
- *Managing Director, DESIGNTECH or his assigned representative*
- *Representative from APSSDC advisory council*
- *2 Representatives from industry*

f) *As per MOA there is a Local Board of Governance committee who monitors the project.*

For Monitoring the activities of the COE'S and T-SDI'S and conduct the review meetings monthly.

- *Principal/Director of where COE is installed.*
- *Concerned authority from each of the t-SDIs institutions.*
- *APSSDC Representatives*
- *SIEMENS Representatives*
- *DESIGNTECH Representatives*
- *Local Representative from Technical Education Department*
- *Coordinator for each Institute as selected by APSSDC.*
- *Two Industry Representatives from local area*

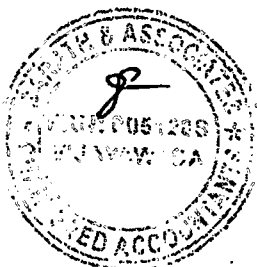


5) Limitations to the scope 72

- a) Most of the software's are not installed or installed without activation key or license as per report of Inventory verification done by Faculty of Department of Technical Education during the year of 2018 and APSSDC provided the Stock Register of SIEMENS Project on 9th June 2021.

However, we did not perform the physical verification of assets, the reason for non-verification of assets physically at sites is due to dropping of that clause of RFP through corrigendum issued after pre bid meeting.

- b) As per the RFP under part-V under documentation it is stated that **"The reference of Documents checked must be part of the audit report"**. Whereas the APSSDC, provided the photocopies of Board Minutes of APSSDC in relation to the SIEMENS project and the minutes of State level monitoring committee and Local Board of Governance committee not available with APSSDC as informed by them.
- c) No information has been received for the mail request regarding the SIEMENS Project through our email dated 22nd and 26th October to Ex CFO (who is no longer working with organisation).
- d) Letter from M.D., CEO, APSSDC Dated 22.06.2015 asking for permission to get into an agreement with SIEMENS and Design Tech and submitted the documents to be signed by APSSDC, SIEMENS and Design Tech in this regard was not available for verification. hence, the adherence of the draft MOA could not be commented upon. In the absence of letter written by the MD, APSSDC, we could not ascertain that actually signed MOA is approved or not by Government of Andhra Pradesh at draft Stage.
- e) Regarding the information furnished on 26.05.2021, pertaining to additional data provided by APSSDC relating to GST Intelligence Reports and related matters, we have gone through the same and incorporated relevant portions of those findings by way of additional disclosures. We have not performed any independent audit of those documents/reports.



6) Executive Summary

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- A. Following are our Observation highlighted while analyzing the MOA with respect to the evaluation report of Secretary to the Government of AP **SKILL DEVELOPMENT E & I** Department and GO.Ms.No.4 Dated 30.06.2015.

SIEMENS Model as per AP SKILL DEVELOPMENT E & I Report	SIEMENS Model as per GO.Ms.No.4 Dated 30.06.2015 under para 3	SIEMENS Model as per MOA	Observation
In his report, it was mentioned (in the case of LD College of Engineering, where in SIEMENS COE has been established in the State of Gujarat), that <u>SIEMENS has to provide its CSR Contribution towards hardware, software and trainer-training and DESIGNTECH have to provide maintenance and training.</u>	"A comprehensive presentation was made to the Govt on 09.02.2015 about <u>Skill Development and Training activities being impacted by SIEMENS & their interest in collaborating with the Govt of Andhra Pradesh as was done in Gujarat</u> and their contribution to the economy of the State by the establishment of SIEMENS centers of excellence, Technical Skill Development Institutions and Skill Development Centers."	MOA between APSSDC, DESIGNTECH and SIEMENS, the DESIGNTECH has to provide both software, hardware and maintenance and also APSSDC made the payment of Rs.370.78 crores to the DESIGNTECH and entering into a new agreement (Named as In between Secretary Skill Development Entrepreneurship & innovation, APSSDC and DESIGNTECH).	The actual project was implemented by the Designtech, however in the absence of letter written by the MD, APSSDC to the government dated 22.06.2015 asking for permission to get into an agreement with SIEMENS and Design Tech, we could not ascertain whether actually signed MOA is approved or not by Government of Andhra Pradesh at draft Stage.

- B. To establish six SIEMENS clusters each costing Rs 546.84 crores (The total project cost for establishing 6 SIEMENS clusters Rs.3281.04 crores) with the Government contribution being limited to 10% of the total cost.

As per para 3(a) of G.O.Ms. NO.4 SIEMENS and DESIGNTECH has to provide Grant-in-Aid of 90% totaling Rs 2,951 crores (491.84*6 clusters) and each cluster comprising of (1) center of excellence (COE) and (5) Technical Skill development Institutions (TSDIs) and Skill Development Centers.

As per the Minutes of 24th Board Meeting of APSSDC dated 25th November 2017 it is stated that "The compliance on Contribution of the remaining 90% of the Project Cost by SIEMENS is to be ascertained as per the terms and conditions of the agreement. Services of component professional agencies to be engaged to evaluate hardware and software under this project and to arrive at the total value of the project and contribution from SIEMENS".

However, the APSSDC did not engage any professional agency till date as informed to us.

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We requested the clarification/information about the 90% contribution from SIEMENS and DESIGNTECH and we have not been provided any information/conformation/valid supporting documents about the same. Hence, it appears that SIEMENS and DESIGNTECH have not brought in any Grant-in-Aid worth of Rs 2,951 crores but utilized the Government contribution of Rs.370.78 crores only for SIEMENS project, unless they provide any other information to the contrary.

- C. As per the MOA and License Agreements between APSSDC, DESIGNTECH and SIEMENS, the actual signatory for SIEMENS was *Mr. Soumyadri Sekhar Bose who signed as Managing director, but the MOA was signed in the name of Mr. Suman Bose*. As per the SIEMENS email dated 25th September 2020 informed that both persons are same. *However, the signatures appear to be completely different.*

Further to this, on 13-06-2021 we have received copy of the Gujarat Siemens MOA with LD College of Engineering from APSSDC, where in Mr. Suman Bose MD was the signatory. For cross checking the authentication of signature we have compared this Gujarat MOA with Siemens-APSSDC MOA. Here also we have noticed distinct difference between both.

It is further observed that the MOA is signed without mentioning the date of signing and without mentioning the government sanction letter number and date. which prima facie appears to be defective as per the Indian Contract Act.

- D. Two contradictory statements were given by both DESIGNTECH and SIEMENS regarding the place of execution of MOA agreement as per the email confirmation given to us.
- E. Out of Rs. 370.78 crores of Govt Contribution, DESIGNTECH has Charged Rs 92 crores for providing the services of Running Interactive Learning Contents and Updates for COE and t-SDIs.

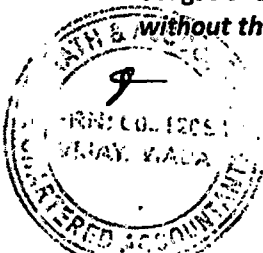
In relation to updates, DESIGNTECH Purchased most of the software from SIEMENS and as per the mail confirmation given by the *SIEMENS, they provided the update and maintenance services for a period of one year only and this cost was already included in the cost of the software as per the bills provided to us by SIEMENS. (Please refer page 20 for detailed)*

In relation to Running Interactive Learning Contents and updates other than from SIEMENS, we are not able to comment on the same due to non-availability of supporting documentation (Expenditure Certificates, Audit reports and Other Technical Reports etc.,) Other than invoices for the amount mentioned above.

- F. Out of Rs. 370.78 crores of Govt Contribution, DESIGNTECH Charged Rs.100.38 Crores for Installation Commissioning, running of centers for 2 years which includes project management, Train the Trainers, running of courses and hand holding for 3rd year.

We are not able to comment on the same due to non-availability of supporting documentation by Designtech (Expenditure Certificates, Audit reports, Installation or Commissioning reports, Other Technical Reports etc.,) other than invoice for the amount mentioned above. *(Please refer page 20 for detailed)*

- G. As per the Para 13 of the MOA both SIEMENS and DESIGNTECH agreed that their rights and obligations under this Agreement shall not be assigned to or in favor of any third party or parties *without the specific written consent of APSSDC.*



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However, DESIGNTECH awarded subcontract to PVSP(SKILLAR) and SM Professional Services Private Limited to supply software, hardware, Maintenance/support services without prior written consent of APSSDC as stipulated.

- H. DESIGNTECH made a payment of Rs.241,78,61,508/- to PVSP IT Skill Projects Private Limited (Currently known as *Skillar Enterprise India Private Limited*) without entering any agreement for supply of software and Hardware. It is important to note that PVSP IT Skill Projects Private Limited was incorporated one month after the execution of MOA between APSSDC, SIEMENS and DESIGNTECH and having no previous experience.
- I. We asked the DESIGNTECH regarding the total amount spent on the SIEMENS project. DESIGNTECH has provided us the Certificate from the Chartered Accountant for Rs. 71,12,62,163/- (Incl. of Taxes) as expenditure bills raised by SIEMENS, whereas the SIEMENS has given us the invoices raised on DESIGNTECH for Rs. 48.72 crores only (incl. of Taxes). Hence, there is difference of Rs. 22.38 crores. which may kindly be take a note of.
- J. Academic or Perpetual Software license and maintenance/support from SIEMENS was provided only for a period of one year and in relation to Siemen's software there was no further renewal for maintenance /support happen for the remaining years for the same, as per the information provided to us by Siemens.
- K. As per the e-mail dated 1st October 2020 DESIGNTECH stated that all the vendors were to be recommended or approved by the SIEMENS only, however, SIEMENS has stated in their email dated 6th October 2020 that there were no approvals given by SIEMENS for suppliers engaged by DESIGNTECH, Hence, SIEMENS has not approved the appointment of Vendors by Designtech.
- L. DESIGNTECH has shown Rs. 173.89 crores (Excluding taxes) as purchases from PVSP(SKILLAR) during the F.Y. 2016-17 but, PVSP(SKILLAR) shown Rs. 143.98 crores as its revenue from Operations as per its audited financials. Thus, there is a difference of Rs. 29.91 crores between both. (Relevant Financials Attached Separately for ready reference)
- M. As per the valuation report provided by CITD, as per Para 8 SIEMENS Provided the Project cost details and valuation summary of the project on 10th December 2015. However the actual Project was implemented by DESIGNTECH, as evidenced by various invoice/documents produced to us.

As per the Para 8.3 of valuation report provided by the CITD cost of insurance for hardware is 1% of the total cost. However, there is *no supporting provided for verification whether they incurred the insurance cost or not*.

- N. DESIGNTECH issued the delivery challans to the APSSDC as the software and hardware was delivered to the respective colleges and we requested the DESIGNTECH to provide the invoices for purchases made from PVSP (SKILLAR) along with supporting documents. However, they have produced the Purchase invoices only without necessary delivery challans.

In those purchase invoices of PVSP (SKILLAR) mentioned that Hardware was shipped to the respective colleges where the labs were established.

Both DESIGNTECH and PVSP supplied same software and hardware to the respective colleges which is contradictory to each other, or it is a matter of transport arrangement which need to be clarified and *both the parties did not mention the mode of delivery in Invoices or Delivery Notes*. (E.g. Delivery Challan of Designtech and Invoice of Skillar in relation to Andhra University)

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- O. As per Para 9 of the MOA DESIGNTECH must maintain the statement of separate account for COE and T-sdi for expenditure incurred, Annual Certificate from Statutory Auditor, Quarterly reports and yearly audit report should be submitted.

However, the above-mentioned documents are not provided for verification, and we are unable to comment on the same.

- P. The Internal Audit and Statutory Audit reports provided to us do not carry any observations relating to the issues of our forensic audit.

COMMENTS ON THE ADDITIONAL INPUTS PROVIDED TO US BY APSSDC

- Q. We have been provided with additional documents/notes pertaining to Siemens Project by APSSDC, which when examined by us, are reportedly pointing towards several confirmed irregularities by the parties with whom APSSDC had entered contract in this regard. Attention is brought to the fact that the paras which are stated below are based on the separate investigation/probe done by the GST Intelligence Unit at Pune, Maharashtra and findings are as per those reports. We have not carried out any independent examination of the matters stated herein below. However, as per those reports, APSSDC was effected and we are reporting the same by way of this updated findings.**

As per the TIMES OF INDIA newspaper report dated on 9th August 2018 and INDIAN EXPRESS newspaper report dated on 4th August 2018 which are available in public domain the DESIGNTECH procured the services through BOGUS INVOICES from the SKILLER and ALLIED COMPUTERS which are shell companies.

And

As per the documents produced to us by APSSDC, which includes Incidence reports and notices, of the Director general of GST intelligence, Pune Zonal unit (Here in after called as DGGI) relating to M/s. Allied Computers International (Asia) Ltd, Skillar Enterprises India Pvt Ltd (Formerly Known as PVSP IT Skills Projects Pvt Ltd.), Designtech Systems Ltd and other additional documents/information provided by APSSDC to us, it is observed that.

Prima facie and reportedly it appears that Designtech and Siemens Diverted the funds worth of Rs.241,78,61,508/- by giving subcontract to the alleged Shell Company- M/s. Skillar Enterprises India Pvt Ltd (Formerly Known as PVSP IT Skills Projects Pvt Ltd.) who reportedly issued the invoices without providing any services.

Further Prima facie and reportedly appears that Designtech and Siemens diverted the funds by giving subcontract to M/s. Allied Computers International (Asia) Ltd-which is a Shell Company by issuing invoices without providing any services.

In the light of above it is observed that, out of Rs 370,78,80,000/- paid by APSSDC (Part of AP Government Contribution), Rs. 241,78,61,508/- Worth payments reportedly made to M/s. Skillar and payments reportedly made to M/s. ACI were diverted via Shell companies.



7) Detailed Observations

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- A. As per the report (On the basis of COE Established in the state of Gujarat as a Model) provided by Secretary to the Government SKILL DEVELOPMENT E & I Department for setting up the COE, tSDIs in the state of Andhra Pradesh, it was stated in the case of LD College of Engineering where SIEMENS COE has been put up in the State of Gujarat, **SIEMENS has to provide its CSR Contribution, hardware, software and trainer-training and DESIGNTECH to provide maintenance and training. As per MOA between APSSDC, DESIGNTECH and SIEMENS, the DESIGNTECH has to provide both software, hardware and maintenance and also APSSDC made the payment of Rs.370.78 Crores (Annexure:2 Refer Page no 13 to 37 for Payments and Refer Page no 38 to 137 for invoices of Designtech) to the DESIGNTECH by entering additional agreement (In between with Secretary Skill Development Entrepreneurship & innovation, APSSDC and DESIGNTECH) under the name of "Undertaking towards the overall valuation for the Siemens Skill Development Project". (Annexure:2 Refer Page no 1 to 12)**

As per GO.Ms.No.4 Dated 30.06.2015 under para3 it mentioned that" A comprehensive presentation was made to the Government on 9th February 2015 about **the Skill Development and Training activities being impacted by SIEMENS and their intent in Collaborating with the Government of Andhra Pradesh as was done in Gujarat** and their contribution to the economy of the State by the establishment of SIEMENS centers of excellence, Technical Skill Development Institutions and Skill Development Centers. However, the actual implementation of the project was done by DESIGNTECH and in the absence of letter written by the MD, APSSDC to the government dated 22.06.2015 asking for permission to get into an agreement with SIEMENS and Design Tech, **we could not ascertain whether the actually signed MOA is approved by Government of Andhra Pradesh at draft stage.**

Extract of Para 3 of GO.Ms.No.4 As follows

3. **SIEMENS Industry Software Company has been in India since 1980. It has been offering training programmes in collaboration with various State Governments. Government of Andhra Pradesh has also had detailed discussions with SIEMENS Company in order to accomplish the goal of Knowledge and Skill Mission. A comprehensive presentation was made to the Government on 9th February, 2015 about the Skill Development and Training activities being impacted by SIEMENS and their intent in Collaborating with the Government of Andhra Pradesh as was done in Gujarat and their contribution to the economy of the State.**

(P.T.O)

-2:

by the establishment of SIEMENS centers of excellence, Technical Skill Development Institutions and Skill Development Centers. Further, the Government has decided that –

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- B. As per para 3(a) of G.O.Ms. NO.4 dated 30-06-2015 stated that, SIEMENS and DESIGNTECH has to provide Grant-in-Aid of 90% totaling Rs 2,951 crores (491.84*6 clusters) and each cluster comprising of (1) center of excellence (COE) and (5) Technical Skill development Institutions (TSDIs) and Skill Development Centers.

Extract of para 3(a) of G.O.Ms. NO.4 as follows.

- (a) A Cluster comprising (1) Center of Excellence (COE) and (5) Technical Skill Development Institutions (TSDIs) and skill development centers (SDCs) would be established at a cost of Rs: 546,84,18,908/- with SIEMENS and Design Tech providing grant-in-aid of Rs. 491,84,18,908/- (90%) and Government share being Rs. 55,00,00,000/- (10%).
- (b) To establish six SIEMENS clusters each costing Rs. 546.84 crore with the Government contribution being limited to 10% of the cost.

As per the Minutes of 24th Board Meeting of APSSDC dated 25th November 2017 mentioned that "The compliance on Contribution of the remaining 90% of the Project Cost by SIEMENS is to be ascertained as per the terms and conditions of the agreement. Services of component professional agencies to be engaged to evaluate hardware and software under this project to arrive at the total value of the project and contribution from SIEMENS". However, as informed to us, APSSDC did not engage any professional agency till date as informed to us.

As per the mail dated 6th October 2020 DESIGNTECH provided the grant and cost calculations for purchase of software and it shown that total value of software cost for 6 clusters (1COE, 5 t-SDIs & SDC's) is Rs.17,054.82 crores. DESIGNTECH offered 85% as discount and 15% as a Grant-in-Aid to the APSSDC. (Annexure:3 Refer Page no 7)

However, majority of the software purchased by DESIGNTECH from SIEMENS and minor from PVSP (SKILLAR) and both did not offer any discount/Grant-in-Aid to the DESIGNTECH in their invoices.

Hence it appears that there is no Grant-in-Aid from both DESIGNTECH and SIEMENS worth of Rs 2,951 crores and total SIEMENS project was established with the initial contribution made by the Government only unless they provide any other information to the contrary.

- C. The Managing Director of SIEMENS as per ROC and MCA records was Mr. Soumyadri Shekhar Bose. However, the agreement signed by Mr. Suman Bose and SIEMENS provided in their email dated 25th September 2020 "Full name of earlier MD is Soumyadri Shekhar Bose and He used a short name Suman Bose" and email dated 5th October, 2020 stated that "There is no document provided by Mr. Soumyadri Sekhar Bose to use his short name". However, as per ROC records his name is still as Mr. Soumyadri Sekhar Bose by the time of Signing the MOA.

Further identified that the signature of Mr. Suman Bose as per the MOA agreement (Annexure 4 Refer Page no 10) and the signature of Mr. Soumyadri Shekhar Bose as per ROC records of M/S LMS India Engineering Solutions Private Limited where he is also a director during the F.Y. 2015-

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16 and signed the financials as on 22nd September 2015 (Annexure 4 Refer Page no 110 to 112) are completely different and submitted as below for your reference.

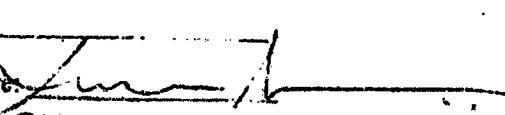
It is further observed that the MOA is signed without mentioning the date of signing and without mentioning the corresponding government sanction letter number and date, which prima facie appears to be defective as per the Indian Contract Act.

Signature of Mr. Suman Bose in MOA


Signature of Mr. Soumyadri Shekhar Bose as per ROC records of LMS

Siemens Industry Software Pvt. Ltd.

Name: _____

Signature: 

Designation: **SUMAN BOSE**
Managing Director - India



Soumyadri Shekhar Bose

As per ROC records, he is a Managing Director for the FY 2014 – 15 & 2015 – 16.

SIEMENS Industry

Company Name	Siemens Industry Software (India) Private Limited
Company CIN	U12500DL1998PTC094315

List of Directors of Siemens Industry Software (India) Private Limited as on 31-March-2015

PAN	DIN	Name	Present residential address	Designation	Date of Appointment	Shareholding % in the company
APUP87372R	02785223	[REDACTED]	APARTMENT NO.8164, DLF Pinnacle, DLF PHASE V, GURGAON, 122 002, Haryana, INDIA	[REDACTED]	30/09/2009	NIL
AGUPM4371L	03358066	Bhaskar Mandal	Flat No.83, Somerset Apt., Plot 58, Nargis Dutt Rd., Pal Hill, Bandra West, MUMBAI, 400050, Maharashtra, INDIA	Director	17/12/2010	NIL
ADBP55077K	06782969	[REDACTED]	S-3 Dhruv Darshan, Sector 26, Near Polytechnic College, Pradhikaran, N.Y.S. Pune, PIN 411 044 Maharashtra	[REDACTED]	18/12/2013	NIL

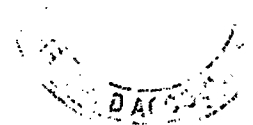
SIEMENS Industry

Company Name	Siemens Industry Software (India) Private Limited
Company CIN	U12500DL1998PTC094315

List of Directors as on 31-March-2016 .

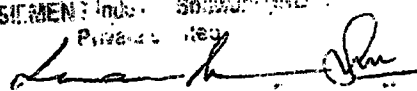

PAN	DIN	Name	Present residential address	Designation	Date of Appointment	Shareholding % in the company
APUP87372R	02785223	[REDACTED]	Apartment No.8164, DLF Pinnacle, DLF Phase V, Gurgaon, 122 002, Haryana, India	[REDACTED]	30/09/2009	NIL
COOP98211L	07709183	Achhar Bhat	2202 Glendale High Street, Hirandani Gardens, Near D Mart, Powai, Mumbai, 400078, Maharashtra, INDIA	Director	28/09/2015	NIL
ADBP55077K	06782969	[REDACTED]	S-3 Dhruv Darshan, Sector 26, Near Polytechnic College, Pradhikaran, N.Y.S. Pune, PIN 411 044 Maharashtra	[REDACTED]	18/12/2013	NIL

As shown in the Attachment it is not clear has to how the same person affixing two different signatures having wide variation from each other, which is strange in Corporate Sector. However, there is no denial of the document by the signatories, and it is not clear us to that, what factors necessitated the signatory to affix two different and widely varied signatures which would confuse



the authorities or reader who use such document leading to questioning of veracity of the document. However, the document was not under challenged.

Further to this, on 13-06-2021 we have received copy of the Gujarat Siemens MOA with LD College of Engineering from APSSDC, where in Mr. Suman Bose MD was the signatory. For cross checking the authentication of signature we have compared this Gujarat MOA with Siemens-APSSDC MOA. Here also we have noticed distinct difference between both. Snapshot of the same is given below: - (Annexure-15 Refer Page 8)

Signature as per Gujarat Siemens MOA	Signature as per APSSDC MOA
Siemens Industry Software P Ltd. of SIEMENS Indus. Software (INDIA) Pvt. Ltd. New Signature:  Name : Suman Bose Designation: Managing Director	Siemens Industry Software Pvt. Ltd. Name: _____ Signature:  Designation: SUMAN GOSE Managing Director-India

D. We requested both DESIGNTECH and SIEMENS to provide the place "where the MOA agreement was executed". We received the response from DESIGNTECH through email dated 1st October 2020 that, *it was executed at "Hyderabad at AP Secretariat"* and from SIEMENS through the email dated 9th October 2020 it was executed at *"APSSDC office in Hyderabad"*. Here we received two contradictory statements from the parties.

E. Out of 370.78 crores DESIGNTECH charged Rs 92 Crores for providing Running Interactive Learning Contents and Updates, however as per the mail conformation given by the SIEMENS stated that they provided the update and maintenance services for a period of one year only and the cost already included in the cost of the software as per the bills provide to us by SIEMENS.

In relation to Running Interactive Learning Contents and Updates other than from SIEMENS, we are unable to comment on the same due to the reason that, non-availability of supporting documents (Expenditure Certificates, Audit reports, Other Technical Reports etc.,) Other than the Invoice for the above.

F. Out of 370.78 crores DESIGNTECH Charged Rs.100.38 Crores for Installation Commissioning, running of centers for 2 years which includes project management, Train the Trainers, Running of courses and hand handling for 3rd year.

We are not able to comment on the same due to non-availability of supporting documentation (Expenditure Certificates, Audit reports, Installation or Commissioning reports, Other Technical Reports etc.,) other than invoice for the amount mentioned above.

G. As per the MOA agreement Para No. 13 SIEMENS and DESIGNTECH agrees that *their rights and obligations shall not be assigned to or transfer in favor of any third party or parties without the written consent of APSSDC.*

As per the purchase invoices provided by the DESIGNTECH, PVSP (SKILLAR) and S M Professional Services Private Limited supplied both hardware, software, and support services worth of Rs.242 crores to the DESIGNTECH.



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Hence, it identified that *DESIGNTECH* was given all the works mentioned in the MOA given as subcontract to outsiders without specific written permission of APSSDC as stipulated.

- H. *DESIGNTECH* purchased most of the Software and Hardware for the SIEMENS project from PVSP(SKILLAR) worth of Rs.241,78,61,508/- (Annexure 5 Refer Page no 3 to 717 for purchase invoices). On verification of ROC records of SKILLAR, we identified that the company was incorporated on 30th July 2015 i.e., one month after the MOA agreement entered in between *DESIGNTECH*, SIEMENS and APSSDC (Annexure-5 Refer Page no 1 & 2).

As per the mail dated 15th October 2020 from *DESIGNTECH* provided invoices regarding purchases made from PVSP (SKILLAR) as follows:

(Rs in Crores)

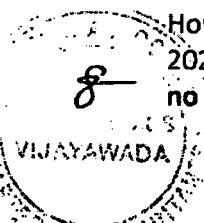
Vendor/Principal/ Partner	Item Description	Basic Price	12.5 % MVAT	14.5 % AP VAT	14% Service Tax	KK C 0.5 %	0.5 % SBC	Total Cost of procurement
PVSP - Total turnkey project - HW 14.5%-AT VAT	Hardware	41.19	0.00	5.97	0.00	0.00	0.00	47.16
PVSP - Total turnkey project - HW 5% AP VAT	Hardware-computers	21.39	0.00	1.07	0.00	0.00	0.00	22.46
PVSP - Total turnkey project - HW 5% AP VAT	Hardware-SW	2.64	0.00	0.13	0.37	0.01	0.01	3.17
PVSP - Total turnkey project- Services (-26L)	Service	41.00	2.26	0.00	5.74	0.21	0.21	49.41
PVSP- Services (5 invoices)	Service	96.82	0.00	0.00	13.55	0.02	0.48	110.88
PVSP-PMO Services and Finalization of SOW & Supply	Service	5.34	0.00	0.00	0.75	0.00	0.03	6.12
SM Professional Services Pvt Ltd.	Testing & Installations	2.00	0.00	0.00	0.28	0.01	0.01	2.30
Total		210.38	2.26	7.17	20.69	0.25	0.74	241.49

As per the Financial statements of the SKILLAR for the FY 2016 – 17 filed with ROC the cost of materials consumed is Rs.99,03,43,303/-, Employment benefit expenses of Rs.1,72,78,290/- and Expenditure on Production, transportation and other expenditure pertaining to exploration and production activities (project Development and management expenses) of Rs.41,94,81,073/- . It is appearing that even PVSP (SKILLAR) also subcontracted majority of the works to others.

It could be noted that *SKILLAR* does not have any previous experience to execute such a high-volume contract and it is incorporated one month after the execution of MOA by one of the promoter *Mr. Praveen Bhatia* who is also a MD of *PROVESTMENT SERVICES LIMITED*, and he resigned as a director of the company (SKILLAR) from 17th November 2015.

- I. As per the certificate issued by Chartered Accountant Firm M/S *C. V. Chitale & Co.* in relation to software and hardware expenditure incurred by *DESIGNTECH* for Purchases of software and others from SIEMENS and LMS as Rs.71,12,62,163/- . (Annexure 6 Refer Page no 1)

However, as per the information provided by the SIEMENS through mail dated 22nd September 2020 "the total purchase made by *DESIGNTECH* from SIEMENS as follows (Annexure:6 Refer Page no 2 to 9):



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Invoice No	Name of the Organization	Invoice value (incl. taxes) (Rs.)
88035401	SIEMENS	41,19,89,419.97
1418000013	LMS	7,54,20,433
Total		48,74,09,852.97

There is a difference between the Auditor certificate and the sale invoices provided by the SIEMENS as Rs.22,38,52,310 which may kindly be taken note of.

- J. As per MOA agreement it appears that Software license and maintenance/support services need to be provided for a period of *ten years (as a life of the project)*. However, as per the invoices and LSDA provided to us by the SIEMENS through the mail dated 22nd September 2020 it is mentioned that the support and maintenance will end by 31st July 2016 (Only for one year) and as per mail dated 25th September 2020 SIEMENS confirmed that there was no renewal for support and maintenance happened for the subsequent years. (Annexure:6 Refer Page no 2 to 11) However, APSSDC informed to us that Designtech is providing maintenance and support services for a period of ten years.
- K. DESIGNTECH stated through the mail dated 1st October 2020 "All the vendors of equipment selected were to be recommended or approved by SIEMENS. All the execution was monitored by SIEMENS".

However, as per the mail dated 6th October 2020 SIEMENS confirmed that "there was no approval given by SIEMENS for suppliers engaged by the DESIGNTECH and silent on Monitoring Accept".

Hence, SIEMENS has not approved the appointment of Vendors by Designtech.

- L. Total Purchases made by DESIGNTECH from PVSP(SKILLAR) during the year 2016 – 17 excluding taxes and total revenue as per the financials of PVSP(SKILLAR) is as follows:

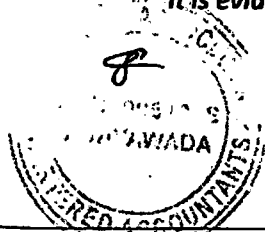
Particulars	Amount
Design tech Purchased from PVSP excluding taxes during 2016-17 (Annexure 5 Refer Page no 3 to 717 for purchase invoices)	1,73,89,72,859
Total Revenue from operations as per financial statements of PVSP(SKILLAR) for the FY 2016-17 (Annexure 5 Refer Page no 805)	1,43,98,42,836
Difference	29,91,30,023

The amount shown in the records provided by the DESIGNTECH for the purchases made from SKILLARS is more than the Revenue from Operations shown by the SKILLARS in the Financial Statements of FY 2016 – 17 filed with ROC.

As per the above information there is a *difference of Rs.29,91,30,023/-*

As per the auditor certificate submitted by the DESIGNTECH (Annexure 5 Refer Page no 809), the total expenditure incurred for software & hardware provided by PVSP (SKILLAR) including taxes was Rs. 241,78,61,508 crores for the F.Y. 2015-16 & 2016-17, whereas per the invoices of PVSP(SKILLAR) provided by DESIGNTECH the total purchases made during the F.Y. 2015-16 & 2016-17 was Rs.239,02,63,675.

It is evident that there is a difference of Rs2,75,97,833.



M. The Following observations identified after verification of valuation report of SIEMENS project done by the CITD.

- As per the Para 8 (As per Annexure:7 Refer Page no 11 and 12) Siemens sent a mail to the CITD in relation to the project cost worth of Rs.3,356 crores (Rs.559.33*6 clusters)

Sl. No	Cost of Component	Current price in INR
1	Services	13,31,76,364
2	Digital courses including IP of industry partners	249,75,00,000
3	Software's	247,78,24,501
4	Hardware including maintenance	48,48,52,657
Total		559,33,43,522

The following observations are identified while verifying the valuation report (As per Annexure:7 Refer Page no 9 to 13 and 16).

SL. No.	Para No.	Observation	Complied at the time of execution of/During the Project.	Remarks
1	6.3.1	The total software and hardware for the labs must be from SIEMENS.	No	--
2	7.4	Records must be maintained or available with APSSDC for online assessments for accurate skill measurement and recorded practical assessments	No	--
3	7.5	3rd party audits to ensure the quality regular faculty and infra audits and systems & process for preventive control. Escalation matrix for corrective control.	No	--
4	7.6	Placement orientation extended support for post training placements and grooming on how to attend interview and Group discussions, creation of profiles and mock interviews.	No	--
5	8.1 & 8.3	insurance of equipment's is mandatory	No	--
6	10	SIEMENS may be requested to provide the continuous upgradations to the software beyond 3 years period.	No	Provided <u>One year Only</u>

The external supporting evidence or market analysis for the valuation cost of component is not available with the report of CITD produced by APSSDC for the verification.



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N. DESIGNTECH issued the delivery challans to the APSSDC as the software and hardware was delivered to the respective colleges and we requested the DESIGNTECH to provide the invoices for purchases made from PVSP (SKILLAR) along with supporting documents. They produced the Purchase invoices without delivery challans.

In that purchase invoices PVSP (SKILLAR) mentioned that Hardware was shipped to the respective colleges where the labs were established.

However, both parties have not provided the mode of delivery of the same in their invoices or Delivery challans. (Annexure: 8).

Both DESIGNTECH and PVSP (SKILLAR) supplied same software and hardware to the respective colleges/Labs which is contradictory to each other, or it is a matter of transport arrangement which need to be clarified.

We did not perform the physical verification of assets, as the scope of the assignment did not cover the same as per the corrigendum issued to RFP after pre bid meeting.

O. As per MOA agreement Para No.4 (Point-H) it is mentioned that ***"it shall assure that assistance from Government of AP is utilized in a proper way for successful implementation of the project. It shall provide progress report on implementation of the project and utilization certificates of the assistance granted by government of AP from time to time"***.

However, DESIGNTECH/SIEMENS did not provide report on implementation of the project and utilization certificates to the APSSDC during the process of implementation of the project.

As per the Para No. 9 of MOA "the activities carried out by the various COE'S and t-SDIs will be reported quarterly to the Government of AP and APSSDC through the state level and local board of governance meetings. In addition to that DESIGNTECH need to maintain a separate account to record the operational expenditure of the COE'S and t-SDIs for the entire project, which shall be certified by the Statutory Auditors and will be submitted to the government of AP and APSSDC at the end of each year. project management audit must be done and report to be submitted quarterly and yearly.

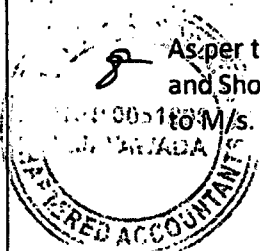
However, the **above-mentioned documents are not available for verification, and we are unable to comment on the same.**

P. After verification of both Internal audit and Statutory Audit reports provided to us, they did not carry any observations relating to the issues of our Forensic Audit.

ADDITIONAL UPDATES BASED ON THE FURTHER INFORMATION PROVIDED TO US BY APSSDC RELATING TO SIEMENS-DESIGNTECH

Q. As per the TIMES OF INDIA newspaper report dated on 9th August 2018 and INDIAN EXPRESS Newspaper dated on 4th August 2018 available in public domain, Directorate General of Goods and Services Tax Intelligence (DGGI), Pune in a press note to INDIAN EXPRESS stated that a "shell firm" Allied Computer International Asia Ltd - issued "fake invoices" of Rs 70 crore to two firms in Delhi and Pune for services that were never supplied. (News Paper Statements attached as per Annexure:9 Refer Page no 1 to 3)

As per the additional documents/reports given to us by APSSDC, which includes Incidence reports and Show Cause Notices issued by the Director General of GST Intelligence, Pune Zonal unit relating to M/s. Allied Computers International (Asia) Ltd, Skillar Enterprises India Pvt Ltd (Earlier known as



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PVSP IT Skills Projects Pvt Ltd.) and Designtech Systems Ltd, following are the key aspects to be noted.

i. Incidence Report pertaining to Allied Computers International (Asia) Ltd:

As per para 1 of incidence report produced to us, it was reported that, Allied Computers International (Asia) Ltd (here in after referred to as M/s. ACI) is a **Non-operating/Shell company** which is raising Tax invoices charging Service tax without providing any services against the said invoices.

As per para 3 and Para 4 of incidence report Stated that, the active directors on Records, Employees of M/s. ACI, admitted that M/s. ACI is a Shell Company and as per para 5 of incidence report M/s. ACI issued bogus invoices to M/s Skillar Enterprises India Pvt Ltd., New Delhi and to M/s Designtech Systems Ltd.

As per para 5 of Incidence report, M/s. Skillar Enterprises India Pvt Ltd, M/s. Designtech Systems Ltd and concerned officials of the both the companies **admitted in their respective statements that they do not have any evidence of services having been received from M/s. ACI.** (Incidence Report Provided as an Annexure-10)

ii. Show cause Notice issued on M/s. Allied Computers International (Asia) Ltd:

Based on an intelligence that M/s Designtech Systems Ltd (Designtech) and PVSP IT Skill Projects Pvt Ltd or M/s. Skillar Enterprises India Pvt Ltd (Skillar), were availing inadmissible credit on bogus invoices issued by various firms including M/s. ACI.

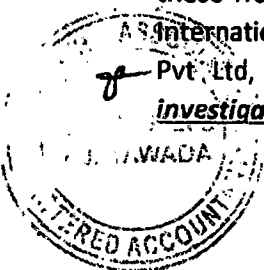
As per para 5.4 to 5.7 and para 5.11 to 5.20 of Show cause notice, The Directors, Auditor, and other related persons of M/s. ACI admitted that M/s. ACI is a Shell company and neither providing any services nor engaged in any kind of trading / manufacturing activities and as per para 5.8 **one of the related persons of M/s. ACI admitted that the company has not provided any services to M/s PVSP IT Skills Project Pvt Ltd and whatever the money received from the Designtech and Skillar was return to them through various channels.** (Show cause Notice Provided as per Annexure-11)

iii. Incidence Report pertaining to M/s. Skillar Enterprises India Pvt Ltd (Formerly Known as PVSP IT Skills Projects Pvt Ltd.):

As per para 1 and para 2 of the Incidence report by the officers of DGGI, Pune Zonal Unit, they have unearthed the fact that, M/s. Skillar/PVSP major customer is Designtech, and it entered into an agreement with M/s. Andhra Pradesh State Skill Development Corporation (APSSDC) in 2015 for setting up operating Skill Development centres in Andhra Pradesh.

Subsequently Designtech sub-contracted a large part of this work to Skillar, and it was seen that Skillar was established only in July 2015 after Designtech had entered an agreement with APSSDC.

As per para 3 of the Incidence Report revealed that Skillar had shown that they have purchased these Training Software Development including Various sub modules from M/s. Allied Computers International (Asia) Ltd Mumbai (M/s. ACI), M/s. IT Smith Solutions Pvt Ltd, M/s. Inweb Services Pvt Ltd, M/s. Bharatiya Global Info Media Ltd and Patrik Info Services Pvt Ltd. **further investigations clearly established that Said companies including Skillar are Shell Companies.**



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As per para 4 of the Incidence report, the active directors of the above said shell companies were traced and in their respective statements, admitted that their companies were Shell companies and were issuing the invoices without providing any services. they also admitted that they receive the consideration from Skillar and again routed through some other companies as per instructions received.

As per para 4 of the Incidence report, the Chief Financial Officer of Skillar has also accepted in his statement that Skillar has availed the CENVAT credit without receipt of services from M/s. ACI, but Stated that these were done under the instructions of Designtech Ltd and Siemens Ltd. (Incidence Report Provided as per Annexure-12)

we also identified that the Skillar was incorporated one month after the execution of MOA agreement and having no experience. Designtech sub-contracted the large part of work to Skillar without prior written consent of the APSSDC and based on financials statements of Skillar, it also sub-contracted the majority of works to others.

iv. Incidence Report pertaining to M/s. Designtech Systems Ltd:

As per para 2, 3 and 4 of the Incidence report, Designtech entered an agreement with APSSDC for setting up operating skill development centres and Designtech had subcontracted large part of work to M/s. Skillar.

Again, Skillar sub-contracted the work to various companies M/s. Allied Computers International (Asia) Ltd Mumbai (M/s.ACI), M/s. IT Smith Solutions Pvt Ltd, M/s. Inweb Services Pvt Ltd and Patrik Info Services Pvt Ltd. The said companies were traced, and the directors of the said companies were admitted that those companies were Shell companies and were issuing invoices without providing any services.

As per para 5, The managing director of Designtech has admitted in his statement that he does not have any evidence to show that said services have been received from M/s. ACI and M/s. Skillar. All these clearly establishes that no Services were delivered by M/s. Skillar and M/s. ACI to M/s Designtech. (Incidence Report Provided as per Annexure-13)

v. Show cause Notice of Designtech & Skillar:

As per the documents produced to us and noted by us, GST Department Conducted searches at Designtech and PVSP/Skillar, it was seen that both Designtech and PVSP/Skillar had availed services from M/s Allied Computers international (Asia) Ltd.

As per para 5, 14, 14.1 to 14.3, 15 to 15.7, 16.6 and 16.8 of show cause notice, the officials of Designtech and Skillar stated that Designtech had subcontracted a large part of this work to PVSP/Skillar. PVSP/Skillar purchased these Training Software Development including Various sub modules from M/s. Allied Computers International (Asia) Ltd Mumbai (M/s. ACI), M/s. IT Smith Solutions Pvt Ltd, M/s. In web Services Pvt Ltd and M/s. Patrik Info Services Pvt Ltd.

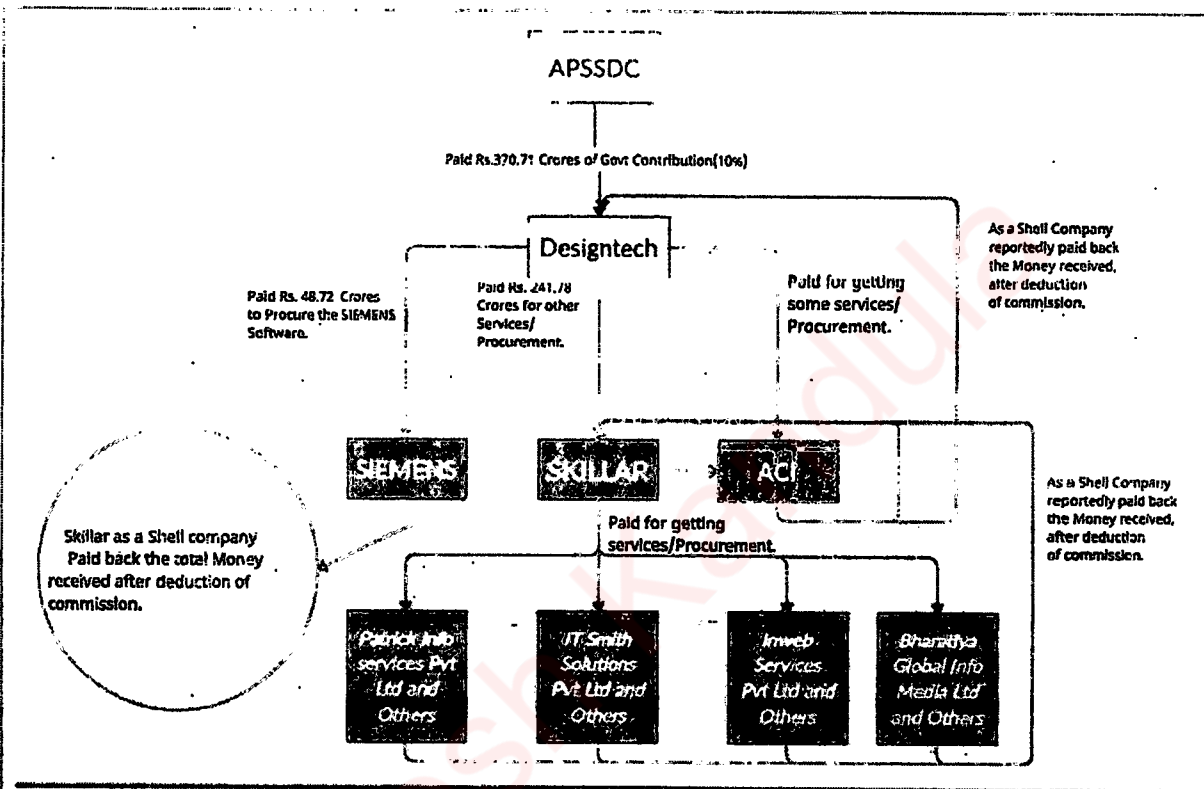
However, as per para 10, 14.4 to 14.7, 14.10 to 14.13, 15.4, 16.10 to 16.12, 16.16 to 16.20, 16.24, 17.1, 17.13, 18.2, 18.3, 19.1 to 19.5, the directors, Auditors and Other related persons of the respective companies admitted that all those companies are Shell Companies and issue the invoices without providing any services and unable to provide the evidence for rendering the services and routed back the money to the Designtech and Skillar through various shell companies.

As per para 21.2, 21.3, 21.4, The Show Cause Notice Further alleged that, establishment of PVSP/Skillar itself was contingent on the contract with APSSDC. The frequent changing of

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addresses and Directors of PVSP/Skillar clearly points out to the design by the promoters of PVSP/Skillar. Further there are inherent contradictions between Designtech and Skillar on the nature of work done. In respect of invoices issued directly by M/s ACI to Design Tech, Managing Director of Designtech clearly admitted that he does not have any evidence to show that services were provided by M/s ACI and Managing Director of Skillar had also admitted that both PVSP/Skillar and Designtech had not received any services from M/s ACI. (Show Cause Notice Provided as per Annexure-14)

Detailed flow of Diverted funds as follows:



Other Observations:

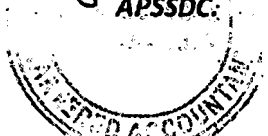
1) Mr. Santosh Sawant was a director of SIEMENS at the time of Signing the Agreement. However, he signed as CFO of SIEMENS. We received the reply from SIEMENS that "As per ROC he is a director, but, within the legal entity he was given the title of CFO". However, the signatures appear to be the same.

Signature of Mr. Santosh Sawant in MOA	Signature of Mr. Santosh Sawant as per ROC records
Name : _____	For Siemens Industry Software (India) Private Limited,
Signature: 	
Designation: SANTOSH SAWANT Chief Financial Officer	Santosh Sawant DIN - 06782969 [Director]

2) As per the mail confirmation dated 25th September 2020 provided by the SIEMENS that "DESIGNTECH is our channel partner having an authority to distribute the software and the agreement for license was signed by SIEMENS and APSSDC." But nothing mentioned about the authority to sell the SIEMENS software by DESIGNTECH.

Hence, it is evident that DESIGNTECH does not have authorization to sell the SIEMENS software to

APSSDC.



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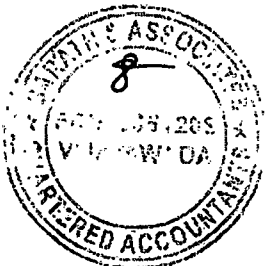
8) Conclusion:

While highlighting the above summary of findings coupled with other specific comments made by us elsewhere in this report covering those points/areas and based on the examination of various records/ financials/ documents coupled with other corresponding documents etc., made available to us, we report that.

- A. As noted from various documents provided by APSSDC to us, which includes Incidence Reports and Show Cause Notices issued by the Director general of GST intelligence, Pune Zonal unit relating to M/s. Allied Computers International (Asia) Ltd, Skillar Enterprises India Pvt Ltd and Designtech Systems Ltd, Designtech and Siemens reportedly diverted the funds to the tune of Rs. 241,78,61,508/- plus payment made to M/s. ACI through various Shell companies.
- B. As per the MOA and License Agreements between APSSDC, DESIGNTECH and SIEMENS, the actual signatory for SIEMENS was Mr. *Soumyadri Sekhar Bose as a Managing director but the MOA was signed by Mr. Suman Bose.* As per the SIEMENS email dated 25th September 2020 informed that *Mr. Soumyadri Sekhar Bose also called as Mr. Suman Bose.* However, the signatures are completely different, and the MOA is signed without mentioning the date of signing and without mentioning the government sanction letter number and date.

Hence, the MOA agreement and the Software license agreements do not appear to be a valid agreement.

- C. Both SIEMENS and DESIGNTECH have not brought in Grant-in-Aid (90%) of Rs 2,951 crores as per the original scheme and APSSDC did not engage any professional agency to evaluate the total project cost and contribution form SIEMENS as per the decision of 24th Board Meeting. They utilized the Government contribution (10%) of Rs.370.78 crores only for SIEMENS project, which is contrary to the original scheme proposed.
- D. DESIGNTECH made a payment of Rs.241,78,61,508/- to PVSP IT Skill Projects Private Limited (Currently known as Skillar Enterprise India Private Limited) without entering any agreement for supply of software and Hardware. The PVSP IT Skill Projects Private Limited was incorporated one month after the execution of MOA and having no previous experience.
- E. DESIGNTECH has shown Rs. 173.89 crores (Excluding taxes) as purchases from PVSP(SKILLAR) during the F.Y. 2016-17 but, PVSP(SKILLAR) shown Rs. 143.98 crores as its revenue as per its audited financials. Thus, there is a difference/shortfall of Rs. 29.91 crores between both, which **could not be reconciled satisfactorily.**
- F. The lapses and non-adherences of the policies and procedures are stated in the relevant parts of the report.



9) Disclaimers

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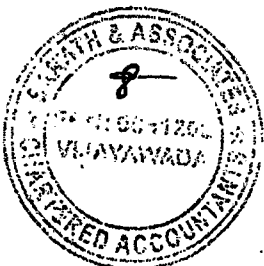
The report and the observations should be read in conjunction with the following.

- a) The engagement was carried out in accordance with engagement letter dated 6th August 2020 and the terms and conditions mentioned therein.
- b) All matters, issues and information referred to in this report are from interactions with identified personnel involved in overseeing/managing the relevant functions/operations of APSSDC and parties which whom APSSDC entered into contract.
- c) Findings are based on the transactions reviewed and are based on the information/documents (including photocopies/scan copies) furnished and to the extent reviewed. Should additional relevant statements or documents be made available subsequently, it may be necessary to revisit the findings accordingly.
- d) We have relied on the documents/information furnished by officers of APSSDC. Photocopies and Scanned documents were provided by officers of APSSDC, its employees and the observations are based on analysis of those documents.
- e) Observations on statutory regulations (if any) do not mean to be an opinion or otherwise. It merely represents our understanding of the facts and possible interpretations of law. Client is advised to take expert opinion before initiating any action.
- f) Client shall be fully and solely responsible for applying independent judgment, with respect to the findings included in this report, to make appropriate decisions in relation to the future course of action, if any. S&A shall not take responsibility for the consequences resulting from decisions based on information included in the report.
- g) Under no circumstances shall S&A be liable, for any loss or damage, of whatsoever nature, arising from information being withheld or concealed from us or misrepresented by any person/agency to which information requests were made.
- h) S&A is not intending or agreeing to act as an expert witness or provide an expert opinion or expert testimony during the course of any legal proceeding or be deemed as representing or advocating any position on behalf of any party in any legal matter or proceeding.
- i) This report is furnished solely for the information of the client with its request to S&A to conduct a forensic audit engagement letter dated 6th August 2020 and should not be used, circulated, quoted or otherwise referred to for any other purpose, nor included or referred to in whole or in part in any document without our prior written consent (Except Regulatory Authorities).
- j) S&A assumes no responsibility to any user of the report other than the Client. Any other persons who choose to rely on our report do so entirely at their own risk (Except Regulatory Authorities).
- k) Information obtained during the search on the identified databases (internet) is included in this report without any further verification. Ascertaining the reasons or genuineness or completeness / correctness of such information was beyond the scope of this engagement.



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- l) For the listings/databases available in the public domain, S&A referred to the listings (available on date of the research) and has presented information accordingly. It is to be noted that some of these databases are not updated regularly.
- m) The information is collated from various secondary information sources available in public domain and through interactions with various individuals. Accordingly, the factual accuracy of such information cannot be otherwise authenticated. Some information included in this report is primarily collected from public sources, thus it is difficult to verify all aspects of the information obtained.
- n) The documents provided for forensic audit was sent by email in excel format by the company officials. In the absence of authority matrix, comment could not be made on whether the supporting documents were adequately authorized or not.
- o) Information for audit was received by email (along with attachments) / shared folders as well as through external drives such as pen drive/ hard disk etc. Accuracy and correctness of such emails / shared folders (and related supporting) and data copied on external drives were not verified for the purpose of this audit.
- p) The identification of the issues in the report is mainly based on the review of records, review of submitted documents, transactions, and physical observation of the events. The outcome of the analysis in the report may not be exhaustive and representing all possibilities beyond the data perused by us.



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GOVERNMENT OF ANDHRA PRADESH
ABSTRACT

Skill Development, Entrepreneurship and Innovation Department – Clearance of project. Establishing SIEMENS Centers of Excellence (COEs) and Technical Skill Development Institutions (TSDIs) and Skill Development Centers (SDCs) in the State of Andhra Pradesh – Approval of Memorandum of Understanding (MoU) - Orders – Issued.

SKILL DEVELOPMNET, ENTREPRENEURSHIP & INNOVATION
(SKILLS) DEPARTMENT

G.O.Ms.No. 4

Dated: 30 .06.2015

Read the following:

1. G.O.Ms.No. 20 Planning (VII) Dept., Dt: 26.09.2014.
2. G.O.Ms.No. 47 (H.E.) (EC.A2) Dept., Dt: 13.12.2014.
3. G.O.Ms.No. 17 GAD (AR&T.I) Dept., Dt: 25.02.2015 & G.O.Ms.No. 52 GAD(AR&T.I) Dept., Dt. 30.01.2015.
4. Letter from M.D., CEO, APPSDC, Dated: 22.06.2015.

ORDER:

As part of the Vision 2029, the Government of Andhra Pradesh has the ambitious plan of being one of top three developed States of the Country within the next five years. As envisaged in the G.O. first cited seven different missions have been formed to prioritize and energize main sectors of growth. "Knowledge and Skills Mission" occupies an important position in order to develop the employable skilled work force in the State of Andhra Pradesh as well as in India.

2. In the G.O. 2nd read above, the Government has issued orders creating Andhra Pradesh State Skill Development Corporation. Ever since APSSDC has been at the forefront of all skilling activities in the State and has been tirelessly scouring new and innovative areas of expertise and high end technology partners to tap the vast human capital potential in the State with its emphasis on empowering the youth. The Corporation in its 3rd Board Meeting held on 13.12.2014 decided to depute a team to visit the SIEMENS Centers of Excellence already established in Gujarat and submit a report. Accordingly, the team has visited the SIEMENS Centers in Gujarat, conducted a detailed study of centers and submitted a report.

3. SIEMENS Industry Software Company has been in India since 1980. It has been offering training programmes in collaboration with various State Governments. Government of Andhra Pradesh has also had detailed discussions with SIEMENS Company in order to accomplish the goal of Knowledge and Skill Mission. A comprehensive presentation was made to the Government on 9th February, 2015 about the Skill Development and Training activities being impacted by SIEMENS and their intent in Collaborating with the Government of Andhra Pradesh as was done in Gujarat and their contribution to the economy of the State

(P.T.O)

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by the establishment of SIEMENS centers of excellence. Technical Skill Development Institutions and Skill Development Centers. Further, the Government has decided that –

(a) A Cluster comprising (1) Center of Excellence (COE) and (5) Technical Skill Development Institutions (TSDIs) and skill development centers (SDCs) would be established at a cost of Rs. 546,84,18,908/- with SIEMENS and Design Tech providing grant-in-aid of Rs. 491,84,18,908/- (90%) and Government share being Rs. 55,00,00,000/- (10%).

(b) To establish six SIEMENS clusters each costing Rs. 546.84 crore with the Government contribution being limited to 10% of the cost.

4. It has been decided by the Government for the sanction of an amount of Rs. 370,78,80,000/- for the project for establishing of (6) such clusters distributed throughout the State. For the 3rd year of agreement, the Centers will be handed over to the joint operational control of APSSDC and hosting institution, with appropriate overseeing and hand holding by SEIMENS and Design Tech. However, the costs of trainers and equipment maintenance will continue to be borne by SEIMENS and Design Tech for the third year.

5. Government has also decided vide G.O.3rd read above for the establishing of new department of Skill Development, Entrepreneurship and Innovation (SDEI) with the Andhra Pradesh State Skill Development Corporation (APSSDC) as its implementing (HoD) agency. Accordingly, the department of SDEI requested the APSSDC, its implementing agency to take further action in the matter and initiate appropriate action to implement the Siemens project and send the action taken report to Government in the matter.

6. In the letter 4th read above, the Chief Executive Officer, APSSDC has sent a letter dated 22nd June, 2015 asking for permission to get into an agreement with SIEMENS and Design Tech and also for the sanction of grant as decided by the Government in order to implement the project. The Chief Executive Officer, A.P.State Skill Development Corporation has also submitted the documents to be signed by APSSDC, SIEMENS and Design Tech in this regard.

7. After careful examination, the Government hereby accord permission for entering into Memorandum of Understanding (MOU) and A.P. State Skill Development Corporation for an amount of Rs. 370,78,80,000/- (Three Seventy Crore Seventy Eight Lakh Eighty Thousand) towards 10% of cost of the Project from the current year's budget allocation with 90% being met by the grant from Technology Partners.

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8. The Managing Director & Chief Executive Officer, AP State Skill Development Corporation shall take further necessary action in the matter.

(BY ORDER AND IN THE NAME OF THE GOVERNOR OF ANDHRA PRADESH)

I.Y.R. KRISHNA RAO
CHIEF SECRETARY TO GOVERNMENT

To
The Managing Director & Chief Executive Officer,
AP State Skill Development Corporation,
Hyderabad.

Copy to
The Secretary to Government, Higher Education Department
The Secretary to Government, Labor Employment & Training
Department
All Departments of Secretariat, A.P. Secretariat, Hyderabad.
The Commissioner, Technical Education Department.
The Commissioner, Labour Employment & Training
The P.S. to Prl. Secretary to C.M.
The P.S. to Chief Secretary to Government.
The P.A. to Secretary, SDEI Department.
The P.S. to Prl. Secretary to Government, Finance Department.
The P.S. to Minister for LET&F, Youth and Sports, SDE&I
SF / SC

// FORWARDED BY ORDER//

SECTION OFFICER

-99- [167]

Note.No.1139/SDT/APSSDC, 2021 dt.23.06.2021

Note Submitted:

- Sub: SD&T Dept. – APSSDC – Submission of Forensic Audit Report on SIEMENS Project – Reg.
- Ref: 1. G.O.Ms.No.4, dt.30.06.2015 of SDE&IT, Govt. of A.P.
 2. Lr.No.Nil, dt.14.03.2020 of Hon'ble Minister for Finance, Govt. of A.P.
 3. Request for Proposal (RFP), dt.23.06.2020
 4. Work Order No.Nil, dt.06.08.2020 to M/s. Sarath & Associates, Chartered Accountants
 5. Lr.No.Nil, dt.12.08.2020 from DSP (Int.), Member of the SIT, Cabinet Sub-Committee, A.P., Vijayawada
 6. Draft report by M/s. Sarath & Associates, Chartered Accountants, dt.10.11.2020
 7. Email communication from APSDRI, dt.31.03.2021
 8. Report of M/s. Sarath & Associates, Chartered Accountants, dt.14.06.2021
 9. Lr.No.Nil, dt.08.06.2021 to the meetings of the Audit Committee & Board of Directors of APSSDC

It is to inform that M/s. Sarath & Associates, Forensic Audit Firm has submitted its report on 14.06.2021 in relation to the Siemens Project vide reference 8th cited.

It is to further inform that the Forensic Audit Report submitted by M/s. Sarath & Associates was placed before the meeting of Audit Committee held on 15th June, 2021. However, the members of the Audit Committee discussed and advised the Management to directly place the Forensic Audit Report on Siemens Project to the Board as they are also being the members of the Board and the RfP for selection of an audit firm to conduct the forensic audit and scope of Forensic Audit were not routed through the Audit Committee earlier.

The Forensic Audit Report was accordingly placed before the Board. The Board of Directors advised the Managing Director to go through the Forensic Audit Report and submit recommendation to the Board with respect to the queries/concerns raised by the Forensic Audit Firm at the next meeting. Findings of the Forensic Auditors along with Management response will be placed at the ensuing meeting of the Board for consideration.

In view of the findings by the Forensic Audit Firm on the Siemens Project and in view of diversion of Funds by Designtech and Siemens which is not under the purview of APSSDC, we may request the Government of Andhra Pradesh to initiate further investigations into the Siemens Project by higher authorities through the appropriate State Government investigation agencies.

The matter has been discussed with Hon'ble Chairman, APSSDC. The draft letter on submission of Forensic Audit Report on Siemens Project to Govt., may be placed at the ensuing meeting of the Board for ratification. Accordingly, a draft letter to Principal Secretary to Govt., Skills Development & Training regarding submission of Forensic Audit Report on Siemens Project is enclosed for approval.

23/6/21

23/6/2021
K. Vijay
9-12-21

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OFFICE OF THE MANAGING DIRECTOR,
ANDHRA PRADESH STATE SKILL DEVELOPMENT CORPORATION (APSSDC)
Dept. of Skills Development & Training, Tadepalli.

Lr.No.1139 SDT APSSDC 2021. dt.23.06.2021

To
The Principal Secretary to Govt.,
Skills Development & Training Department,
A.P. Secretariat, Velagapudi.

Madam,

Sub: SD&T Dept. - APSSDC - Submission of Forensic Audit Report on
SIEMENS Project - Reg.

- Ref: 1. G.O.Ms.No.4, dt.30.06.2015 of SDE&IT, Govt. of A.P.
2. Lr.No.Nil, dt.14.03.2020 of Hon'ble Minister for Finance, Govt. of A.P.
3. Request for Proposal (RFP), dt.23.06.2020
4. Work Order No.Nil, dt.06.08.2020 to M/s. Sarath & Associates,
Chartered Accountants
5. Lr.No.Nil, dt.12.08.2020 from DSP (Int.), Member of the SIT, Cabinet
Sub-Committee, A.P., Vijayawada
6. Draft report by M/s. Sarath & Associates, Chartered Accountants,
dt.10.11.2020
7. Email communication from APSDRI, dt.31.03.2021
8. Report of M/s. Sarath & Associates, Chartered Accountants,
dt.14.06.2021
9. Lr.No.Nil, dt.08.06.2021 to the meetings of the Audit Committee &
Board of Directors of APSSDC

* * *

At the outset, we draw your attention to the letter dated 14th March, 2020 wherein the Hon'ble Minister for Finance, Govt. of A.P. has informed that it has been brought to the notice of the Sub-Committee that certain financial irregularities took place right from the inception of APSSDC. In view of the foregoing, Hon'ble Minister for Finance, Govt. of A.P. has requested APSSDC to conduct forensic audit and furnish a copy of the audit report along with supporting material, whenever irregularities were identified.

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... the above and ... APSSDC issued an order for selection of an audit firm to conduct forensic audit for the period from October 2014 to March 2019. The work order issued to the said firm was issued in favour of M/s. Sarath & Associates, Chartered Accountants (Forensic Audit Firm) vide reference 4th cited. In view of the foregoing, Forensic Audit firm initiated the audit exercise.

It is pertinent to note that, Government of Andhra Pradesh have accorded permission to Andhra Pradesh State Skill Development Corporation ("APSSDC") for entering into an Memorandum of Understanding ("MoU") with M/s. Siemens Industry Software (India) Private Limited ("Siemens") and M/s. Designtech Systems Pvt. Ltd. (formerly known as Designtech Systems Limited) (hereinafter collectively referred to as "Siemens Project") to implement the project. In furtherance to the said G.O., APSSDC executed an agreement with Siemens and Designtech and implemented the project vide G.O.Ms.No.4, dt.30.06.2015 as per the reference 1st cited.

Forensic Audit Firm has conducted its investigation and submitted its draft report on 10.11.2020 in relation to the Siemens Project vide reference 6th cited. However, in the meanwhile, APSSDC has received a communication from the Special Commissioner, AP State Directorate of Revenue Intelligence (APSDRI), Govt. of Andhra Pradesh informing that it was brought to their notice that a network of companies which siphoned off funds from APSSDC through a bogus invoicing scheme pertaining to Siemens Project. The case was detected and taken up by Directorate General of Goods and Services Tax Intelligence (DGGI), Pune and informed APSSDC to take necessary action, which is enclosed herewith and marked as Annexure-I vide reference 7th cited.

APSSDC has circulated the said draft Forensic Audit Report to all the concerned divisions for their responses and organized a conference on 03.02.2021 at APSSDC Head Quarters with all the division heads with respect to the queries raised by the Forensic Audit Firm. M/s. Sarath & Associates, Forensic Audit Firm has submitted its report on 16.05.2021 in relation to the Siemens Project marked as Annexure-II vide reference 8th cited. Findings of Forensic Audit Firm in executive summary of Forensic Audit Report is reproduced herein below for reference:

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REF 3

<p>In his report it was mentioned (in the case of IC College of Engineering, where in 2008, ICEDC has been established in the State of Orissa). <u>SIEMENS has provided its contribution towards Hardware, software and trainer-training and DESIGNTECH have to provide maintenance and training.</u></p>	<p><u>Para 3</u> A copy of the presentation was made to the Govt on 09.12.2017 about the <u>Government and Training centre being presented by SIEMENS and its contribution with the Govt of Andhra Pradesh to be done in Andhra</u> and their contribution to the economy of the State by the establishment of SIEMENS centers of excellence, Technical Skill Development Initiatives and Skill Development Centers.</p>	<p>MOA between APSSDC, DESIGNTECH and SIEMENS. The DESIGNTECH has to provide both software, hardware and maintenance and also APSSDC made the payment of Rs.370.78 crores to the DESIGNTECH and entering into a new agreement (Named as in between Secretary Skill Development Entrepreneurship & innovation, APSSDC and DESIGNTECH).</p>	<p>The project was implemented by the Designer in the absence of letter written by the MD, APSSDC to the government dated 22.08.2018 for asking the permission to get into an agreement with SIEMENS and Design Tech, we could not ascertain whether actually signed MOA is approved or not by Government of Andhra Pradesh at draft stage.</p>
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As per para 3(a) of Govt order No. 1004/2017 dated 09.12.2017, the project cost for establishing of SIEMENS clusters Rs.328.00 crores with the Government contribution being Rs. 100.00 Crores.

As per para 3(a) of Govt order No. 1004/2017 dated 09.12.2017, SIEMENS and DESIGNTECH has to provide Government 50% of O&M cost being Rs. 2,000 crores (Rs. 800 crores) and as per para 3(b) of Govt order No. 1004/2017 dated 09.12.2017, the Government has to provide (a) and (b) Technical Skill Development Initiatives (TSDI) and Skill Development Centers.

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[Faint, mostly illegible text, possibly a header or introductory paragraph.]

We requested the clarification/information about the 90% contribution from SIEMENS and DESIGNTECH and we have not been provided any information/conformation/valid supporting documents about the same. Hence, it appears that SIEMENS and DESIGNTECH have not provided for any Grant-in-Aid under of Rs. 2.00 crores but without the Government contribution of Rs. 370.78 crores only for SIEMENS project unless they provide any other information to the contrary.

- C. As per the MOA and License Agreements between APSSDC, IIT Gandhinagar and SIEMENS, the actual signatory for IIT Gandhinagar is Mr. Suman Bose who signed as Managing Director, but the MOA was signed in the name of Mr. Suman Bose. As per the SIEMENS email dated 25th December 2020 informed that both persons are same. However, the signatures appear to be completely different.

Further to this, on 13-06-2021 we have received copy of the Gujarat Siemens MOA with IIT College of Engineering from APSSDC, where in Mr. Suman Bose MD was the signatory. For cross checking the authentication of signature we have compared this Gujarat MOA with Siemens-APSSDC MOA. Here also we have noticed distinct difference between both.

It is further observed that the MOA is signed without mentioning the date of signing and without mentioning the government sanction letter number and date, which makes the MOA appears to be defective as per the Indian Contract Act.

- D. Two contradictory statements were given by both DESIGNTECH and SIEMENS regarding the place of execution of MOA. However, as per the email confirmation received from SIEMENS.
- E. On 13-06-2021 to create of IIT Gandhinagar, DESIGNTECH has charged Rs 92 crores for providing the services of Design and Project Management and also for the IIT Gandhinagar.

In addition to this, DESIGNTECH has charged cost of the software from SIEMENS and as per the email confirmation received from SIEMENS they provided the software and the license keys for the software of one year only and the license keys are already included in the cost of the software as per the bill of material provided to the IIT Gandhinagar.

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In relation to Running Interactive Learning Contents and updates other than from SIEMENS, we are not able to comment on the same due to non-availability of supporting documentation (Expenditure Certificates, Audit reports and Other Technical Reports etc.,) Other than invoices for the amount mentioned above.

- F. Out of Rs. 370.78 crores of Govt Contribution, DESIGNTECH Charged Rs.100.38 Crores for Installation Commissioning, running of centers for 2 years which includes project management, Train the Trainers, running of courses and hand holding for 3rd year.

We are not able to comment on the same due to non-availability of supporting documentation by Designtech (Expenditure Certificates, Audit reports, Installation or Commissioning reports, Other Technical Reports etc.,) other than invoice for the amount mentioned above. *(Please refer page 20 for detailed)*

- G. As per the Para 13 of the MOA both SIEMENS and DESIGNTECH agreed that their rights and obligations under this Agreement shall not be assigned to or in favor of any third party or parties *without the specific written consent of APSSDC.*

However, DESIGNTECH awarded subcontract to PVSP(SKILLAR) and SM Professional Services Private Limited to supply software, hardware, Maintenance/support services without prior written consent of APSSDC as stipulated.

- H. DESIGNTECH made a payment of Rs.241,78,61,508/- to PVSP IT Skill Projects Private Limited (Currently known as *Skillar Enterprise India Private Limited*) without entering any agreement for supply of software and Hardware. It is important to note that PVSP IT Skill Projects Private Limited was incorporated one month after the execution of MOA between APSSDC, SIEMENS and DESIGNTECH and having no previous experience.
- I. We asked the DESIGNTECH regarding the total amount spent on the SIEMENS project. DESIGNTECH has provided us the Certificate from the Chartered Accountant for Rs. 71,12,62,163/- (Incl. of Taxes) as expenditure bills raised by SIEMENS, whereas the SIEMENS has given us the invoices raised on DESIGNTECH for Rs. 48.72 crores only (incl. of Taxes). Hence, there is difference of Rs. 22.38 crores. which may kindly be take a note of.
- J. Academic or Perpetual Software license and maintenance/support from SIEMENS was provided only for a period of one year and in relation to Siemen's software there was no further renewal for maintenance /support happen for the remaining years for the same, as per the information provided to us by Siemens.
- K. As per the e-mail dated 3rd October 2020 DESIGNTECH stated that all the vendors were to be recommended or approved by the SIEMENS only, however, SIEMENS has stated in their email dated 6th October 2020 that there were no approvals given

by SIEMENS for suppliers engaged by DESIGNTECH. Hence, SIEMENS has to provide the invoices for the same.

- 105 173
- L. DESIGNTECH has shown Rs. 173.89 crore (including Tax boxes) as purchases from PVSP(SKILLAR) during the F.Y. 2016-17 but, PVSP(SKILLAR) shown Rs. 143.93 crores as its revenue from Operations as per its audited financials. Thus, there is a difference of Rs. 29.91 crores between both (Refer relevant Financials Attached Separately for ready reference)

- M. As per the valuation report provided by CITD, as per Para 8 SIEMENS Provided the Project cost details and valuation summary of the project on 10th December 2015. However the actual Project was implemented by DESIGNTECH, as evidenced by various invoice/documents produced to us.

As per Para 8.3 of valuation report provided by the CITD cost of insurance for hardware is 1% of the total cost. However, there is *no supporting provided for verification whether they incurred the insurance cost or not.*

- N. DESIGNTECH issued the delivery challans to the APSSDC as the software and hardware was delivered to the respective colleges and we requested the DESIGNTECH to provide the invoices for purchases made from PVSP (SKILLAR) along with supporting documents. However, they have produced the Purchase invoices only without necessary delivery challans.

In those purchase invoices of PVSP (SKILLAR) mentioned that Hardware was shipped to the respective colleges where the labs were established.

Both DESIGNTECH and PVSP supplied same software and hardware to the respective colleges which is contradictory to each other, or it is a matter of transport arrangement which need to be clarified and *both the parties did not mention the mode of delivery in Invoices or Delivery Notes.* (E.g., Delivery Challan of Designtech and Invoice of Skillar in relation to Andhra University)

- O. As per Para 9 of the MOA DESIGNTECH must maintain the statement of separate account for COE and T-sd for expenditure incurred, Annual Certificate from Statutory Auditor, Quarterly reports and yearly audit report should be submitted.

However, the above-mentioned documents are not provided for verification, and we are unable to comment on the same.

- P. The Internal Audit and Statutory Audit reports provided to us do not carry any observations relating to the issues mentioned above.

Post the exit conference and submission of the Forensic Audit Report on Siemens Project, 6th Meeting of the Audit Committee and 35th Meeting of Board of Directors of APSSDC was conducted on 15.05.2021 virtually vide ref. No. NH.

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dt.08.06.2021 as per the reference 9th cited. In the foregoing meeting of Audit Committee, the members of the Audit Committee discussed and advised the Management to directly place the Forensic Audit Report on Siemens Project to the Board as they are also being the members of the Board and the RfP for selection of an audit firm to conduct the forensic audit and scope of Forensic Audit were not routed through the Audit Committee earlier. The Forensic Audit Report was accordingly placed before the Board. The Board of Directors advised the Managing Director to go through the Forensic Audit Report and submit recommendation to the Board with respect to the queries/concerns raised by the Forensic Audit Firm at the next meeting. Findings of the Forensic Auditors along with Management response will be placed at the ensuing meeting of the Board for consideration.

Forensic Audit Firm have concluded that Designtech and Siemens reportedly diverted the funds to the tune of Rs. 241,78,61,508/- through various shell companies and Designtech and Siemens have utilized the Government contribution (10%) of Rs. 370.78 Crores only for Siemens Project, which is contrary to the original scheme proposed. Special Commissioner, AP State Directorate of Revenue Intelligence (APSDRI), Govt. of Andhra Pradesh informed that it was brought to their notice that a network of companies which siphoned off funds from APSSDC through a bogus invoicing scheme pertaining to Siemens Project was detected and taken up by Directorate General of Goods and Services Tax Intelligence (DGGI), Pune and informed APSSDC to take necessary action.

In view of the findings by the Forensic Audit Firm on the Siemens Project and in view of diversion of Funds by Designtech and Siemens which is not under the purview of APSSDC, we hereby request the Government of Andhra Pradesh to initiate further investigations into the Siemens Project by higher authorities through the appropriate State Government investigation agencies.

Yours faithfully,

Managing Director

Encl.: Annexure - I
Annexure - II

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ACKNOWLEDGEMENT

... to the Principal ...
to Govt. Dept. of Skills Development & Training, Govt. of A.P. from
the C/o Managing Director, APSSDC.

Recd
Cmde d v
Cmde - B
M. A. S. S. D. C.

Signature & Date

Office Secretary (Training)
Skills Development and Training
A.P. Secretariat, Hyderabad
AP 500 002, A.P. 522 238.

Seal

K. J. J.
9-12-21

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**ANDHRA PRADESH STATE SKILL DEVELOPMENT CORPORATION
DEPARTMENT OF SKILLS DEVELOPMENT & TRAINING
GOVERNMENT OF ANDHRA PRADESH**

From
Managing Director
A.P.State Skill Development Corporation
Tadepalli.

To
Principal Secretary to Government
Dept of Skills Development & Training
AP Secretariat, Velagapudi.

Letter No:1224/SD&T/APSSDC/2021-22, Dt 05.07.2021

Madam,

- Sub: SD&T Dept. – APSSDC –Forensic Audit Report on SIEMENS Project –
Furnishing of Resolution of the Board to the Govt–Reg.
- Ref: 1) Audit Committee and Board Meetings of APSSDC held on 15th June
2021
2) Lr.No.1139/SDT/APSSDC/2021, Dt: 23.06.2021 from the Managing
Director, APSSDC to the Principal Secretary to Govt., Skills Development &
Training Department
3) E-mail communication from CS & Legal Officer, APSSDC regarding
circulation of Forensic Audit Report along with necessary enclosures dated
26th June 2021
4) Lr.No.1437417/Skills/2021, Dt: 29.06.2021 from the Principal Secretary
to Govt., Skills Development & Training Department
5) Board Meeting of APSSDC held on 5th July 2021

In the references cited, Board of Directors of Andhra Pradesh State Skill
Development Corporation (APSSDC) at the meeting held on 5th July 2021 have taken
note of submission of Forensic Audit Report on the Siemens Project along
with necessary enclosures to the Govt.

Copy of the resolution passed at the meeting of the Board of Directors of
APSSDC is enclosed for kindreference and information.

Yours faithfully,



Managing Director

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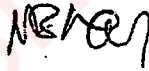
EXTRACTS OF THE RESOLUTION PASSED BY THE BOARD OF DIRECTORS OF ANDHRA PRADESH STATE SKILL DEVELOPMENT CORPORATION IN THE MEETING HELD ON MONDAY, THE 05TH DAY OF JULY, 2021 AT 12.30 P.M AT APSSDC HEAD OFFICCE CONFERENCE HALL,3RD FLOOR ,G & j INFRA BUILDINGS ,TADEPALLI -522501

"RESOLVED THAT submission of Forensic Audit Report along with necessary enclosures on the Siemens Project to the Govt. be and is hereby taken note of.

RESOLVED FURTHER THAT Managing Director of the Company be and is hereby authorized to submit the copy of this resolution to the Govt and are to do all such acts, deeds and things which are necessary or incidental in this regard."

//CERTIFIED TRUE COPY//

FOR ANDHRA PRADESH STATE SKILL DEVELOPMENT CORPORATION



**N.BANGARA RAJU
MANAGING DIRECTOR
(DIN: 02910646)**

- 110 -
GOVERNMENT OF ANDHRA PRADESH
SKILLS DEVELOPMENT AND TRAINING (SKILL) DEPARTMENT

Memo No 1437417/Skill/2021

Dated: 11.07.2021

Sub - SD&T - Andhra Pradesh State Skill Development Corporation (APSSDC) - Forensic Audit Report - Siphoning of public funds by network companies pertaining to Siemens Project - Entrusting the case to Crime Investigation Department for investigation - Orders - Issued.

Ref - 1 G.O.Ms No 4, Skill Development, Entrepreneurship & Innovation (Skills) Dept., dated 30.06.2015.

2 Lr from the MD, APSSDC No. 1139/SDT/APSSDC/2021, dated: 23.06.2021.

3 Lr from the MD, APSSDC No. 1224/SD&T/APSSDC/2021-22, dt: 05.07.2021.

.....

It has been brought to the notice of the Government that the Forensic Audit ordered by the APSSDC has submitted its Report on the Siemens Project, which concluded that M/s. Designtech and M/s. Siemens reportedly diverted the funds to the tune of Rs. 241,78,61,508/- through various shell companies. The said Report also revealed that M/s. Designtech and M/s. Siemens have utilized only the Government contribution of Rs. 370.78 crores (10%) which is in contrary to the original scheme proposed vide GO first cited above. It has also been brought to the notice of the Government, by the Government of India Agencies that a network of companies siphoned off funds from APSSDC through a bogus invoicing scheme pertaining to Siemens Project. Accordingly, APSSDC has submitted a report to the Government vide references 2nd and 3rd cited and requested the Government to initiate further investigation into the matter through appropriate State Government agency, in view of diversion of funds by M/s Designtech and M/s Siemens.

2. Government, after careful examination of the findings of the Forensic Audit report and the request of the MD, APSSDC, decided to entrust the case to Crime Investigation Department of A.P. for a detailed investigation into the above said irregularities.
3. Accordingly, the Additional Director General of Police, C.I.D. is hereby directed to further investigate into the matter in detail, do the needful in accordance with law and submit report to Government immediately. The copy of the report as stated above is enclosed.
4. The MD, APSSDC shall take necessary action duly following the procedures that are required for Investigation of the matter by the Crime Investigation Department.
5. This Memo. is issued with the approval of the Competent Authority.

G. JAYALAKSHMI
PRINCIPAL SECRETARY TO GOVERNMENT

To
The Additional Director General of Police, C.I.D., A.P. Vijayawada
The Managing Director, A.P. State Skill Development Corporation, Tadepalli, Guntur
Copy to
The P.S. to the Principal Secretary/Secretary/Additional Secretary to Chief Minister.
The OSD to Minister (SD&T)
The P.S. to Chief Secretary to Govt.,
The P.S. to Principal Secretary to Govt., Home Department,
The Director General of Police, Andhra Pradesh, Mangalagiri,
The P.S. to Principal Secretary to Govt. (Poll)
The P.S. to Principal Secretary to Govt. SD&T Dept
The General Administration (S.C.A.) Department
SPS:

FORWARDED BY ORDER

SECTION OFFICER

111¹ -

**IN THE HON'BLE COURT OF III ADDL. SESSIONS JUDGE -CUM-
SPECIAL JUDGE FOR SPE & ACB CASES, VIJAYAWADA.**

ANDHRA PRADESH.

REMAND REPORT

In

**Cr.No.29/2021 U/S. 120(B),166, 167, 418, 420, 465, 468, 471, 409, 201, 109,
r/w 34 & 37 IPC and Section 12, 13(2) r/w 13(1) (c) and (d) of Prevention of
Corruption Act, 1988 of CID PS, AP, Mangalagiri.**

Between:

State, CID, represented by its Dy.Suptd.of Police,
Economic Offences Wing-II, Crime Investigation Department,
Andhra Pradesh, Mangalagiri.

...Complainant

And

Sri Nara Chandrababu Naidu, age-73 yrs
S/o N.Kharjura Naidu,
former Chief Minister of Andhra Pradesh,
MLA, Kuppam Assembly Constituency,
Chittoor District. Door No.3-781/1,
Karakatta Road, Undavalli village,
Tadepalli Mandal, Guntur District

... Accused A.37

MAY IT PLEASE YOUR HONOUR,

I. Brief facts of the case: Though the Accused is arrayed in this report as A-37, he is the chief architect and conspirator of the offence.

1. This is a case of

(i) . "Criminal Conspiracy with a common object and intent for Criminal Breach of Trust and Dishonest and or Fraudulent Misappropriation or otherwise conversion for own use, disposal of the property entrusted or under control as a public servant or allows any other person, in violation of the direction of law, so to do by Public Servant or merchant.

(ii) disobeying law with an intent to cause injury and Framing an incorrect document by Public Servants,

(iii). Cheating with knowledge that wrongful loss may ensue to person whose interest, the offender is bound to protect,

(iv) Forgery, Forgery for the purpose of Cheating,

(v). Using a forged document as a genuine one,

(vi). Causing disappearance of evidence of offence or giving false information to screen the evidence,

(vii). Abetment,

(viii). Abusing position as a public servant for obtaining for oneself or for any other person any valuable thing or pecuniary advantage with common intention and co-operation, thereby causing misappropriation and wrongful pecuniary loss to the Govt Exchequer

that occurred prior to 09.12.2021 at the office of the Andhra Pradesh State Skill Development Corporation, Tadepalli, Guntur District and at various other Government offices and places.

B. It was reported on 09.12.2021 at 12 noon, wherein the then officials of APSSDC (Ghanta Subbarao, Dr. K. Lakshmi Narayana, Nimmagadda Venkata Krishna Prasad, and others) Dishonestly and Fraudulently, while holding office as a Public Servant, by abusing their official position, by corrupt and illegal means entered into an agreement which was drafted deliberately, and with criminal conspiracy, contrary to the terms and references of GO.Ms.No.4, Dt.30.06.2015, in connivance with the then MD, Soumyadri Shekar Bose @ Suman Bose of Siemens Industry Software (India) Pvt Ltd, New Delhi, and Vikas Vinayak Khanvelkar, MD of DesignTech, Pune, with an intention to misappropriate and to convert to personal pecuniary benefit of the accused, the funds of the APSSDC which were entrusted to them (worth

rupees around Rs.279 Crores out of Rs.371 Crores), given towards the 10% share of the State Govt. for the Siemens Project. Further, having conspired, they diverted APSSDC funds to a tune of Rs.279 Crores to various associated shell companies, viz. PVSP IT Skills/Skillar Enterprises Pvt Ltd., Allied Computers International (Asia) Ltd., M/s Patrik Info Services Pvt. Ltd., M/s IT Smith Solutions Pvt. Ltd., M/s Inweb Services Pvt. Ltd., M/s. Knowledge Podium, M/s. TalentEdge and others, by raising fake/bogus invoices without executing any work or providing competent services stipulated in the agreement. The shell companies further routed the money through other associated entities and thereby, committed misappropriation of an amount of Rs 279 Crores and caused huge wrongful pecuniary loss to the Govt. Exchequer and corresponding huge pecuniary gain to themselves and others by committing the offences of Criminal Misconduct, Criminal Breach of Trust, Forgery, Forgery for the purpose of Cheating, Using forged document as genuine, Cheating with the knowledge that their acts would cause wrongful loss to the public funds, whose interest the accused were bound to protect.

C. (i) the genesis of the crime is that the accused in the case projected to the Government of Andhra Pradesh as if the Technology Partners [M/s Siemens Industry Software (India) Private Limited (SISW) & M/s DesignTech System Private Limited (DesignTech)] would support a Skill Development Programme in the State of Andhra Pradesh.

(ii) That the project would involve setting up of 6 centres of Excellence and 36 Technical Skill Development Institutions.

(iii) That the estimated cost of the project would be Rs. 3281 Crores (approximately) of which, the technology partners would meet 90% of the cost of the project as Grant-in-kind and that the State Government had to invest only towards 10% of the cost of the project.

(iv) Government orders (GO.Ms.No.4 of SDEI Dept. dtd.30.06.2015) were issued to the effect stating about the objectives, cost estimate and the 90% and 10%

splitting of cost between the Technology Partners and the Government of A.P., respectively.

(v) However, after the issue of the Government orders, a Tripartite Agreement was prepared in such a manner that, in contravention of the letter and spirit of the above said proposals and Government orders, it was mentioned in clause 6(d) of the said agreement, that the Government of Andhra Pradesh would release Rs.371 Crores as a grant for M/s Siemens Industry Software (India) Private Limited (SISW) and M/s DesignTech System Private Limited (DesignTech) to setup the Skill Development Institutions. Conspicuously, the sequence of events envisaged in GO Ms. No. 4 dt. 30.6.2015 warranting the investments from the technology partners is given a complete go-bye. A project which was conceived to be primarily funded to the extent of 90% by Siemens and Designtech, was illegally converted into a government funded project, vide the tripartite agreement. Contrary to the terms and spirit of the said G.O., and the explicit terms of the limited permission granted under the said G.O., the accused conspired for entering into the agreement with a conspiracy to convert the same to their personal pecuniary benefit.

(vi) The release of the entire amount of Rs.371 Crores was done into the account of DesignTech in an urgent manner even before the Skill development institutions were set-up or the valuation of the work was done.

(vii) Subsequent to the receipt of the Rs.371 Crores, with the connivance of the officials of the Government of Andhra Pradesh and APSSDC, officials of M/s SISW and M/s Design Tech siphoned off a major portion of the amount without actually providing the commensurate goods and services.

(viii) Investigation done by the Directorate General of GST Intelligence (DGGI), Pune in 2017-2018 and The Income Tax Department, Pune unit, Maharashtra in 2018 have already established that an amount to the tune of at least "Rs.241 Crores" was misappropriated out of the "Rs.371 Crores" fund

given by the Government of A.P., This was done through utilization of fake invoices provided by affiliated shell companies, which were utilized to carry out a layered transmission of money, without actually providing any hardware, software, courseware, other goods/services, etc., money was drawn out of the bank accounts and passed on through Hawala Transactions.

(ix) A project envisaged to be 90% funded by the Technology partners was converted into a **work order of Rs.371 Crores given on nomination basis** by the accused, in violation of the General Financial rules, Central Vigilance Commission guidelines, etc., and by using a fraudulent modus operandi of generating fake invoices of shell companies with no actual business operations, to siphon off the money. The Government of Andhra Pradesh sustained a huge wrongful loss and the officials in the government and of the Technology partners had huge wrongful gains.

(x) The progress in the investigation was periodically laid before this Hon'ble Court while producing the following accused were arrested:

1. Sri Ghanta Subba Rao – A-1 (remand report dt.13.12.2021)
2. Sri Soumyadri Sekhar Bose A-6 (Remand report dt.10.12.2021)
3. Sri Vikas Vinayak Khanwelkar A-8 (Remand Report dt.10.12.2021)
4. Sri Mukul Chandra Agarwal A—10 (Remand Report dt.10.12.2021)
5. Sri Sirish Chandrakanth Sha (Remand Report dt.14.12.2021)
6. Sri Vipin Sharma (A-25) - (Remand Report dt.23.8.2021)
7. Smt Neelam Sharma (A-28) ((Remand Report dt.23.8.2022)

The above mentioned Remand reports and the orders issued in this regard by the Hon'ble court are enclosed herein.

The Hon'ble High Court of Andhra Pradesh also had made an in-depth perusal of the facts of the case during the hearing on

1. Cri RC no.203 of 2023 of Honble High Court of AP (on the matter of remand refusal orders of GVS Bhaskar) issued orders date 16.3.2023

2. CrI. P no. 3013 of 2023 (on the matter of anticipatory bail plea of GVS Bhaskar) and issued orders date.31.7.2023.

The above-said orders of the Hon'ble High Court of Andhra Pradesh are also enclosed herein.

D. Forensic Audit report: Forensic audit was also conducted by the APSSDC over the said Siemens-APSSDC project and it was found that around Rs.241 Crores was misappropriated by causing wrongful loss to the Government of AP through bogus invoices by the Technology partners, along with others.

E. Registration of the FIR:

(i) Based on the instructions vide Memo in C.No.143741/Skill/2021, dt.11.07.2021 of the Principal Secretary, Govt.of A.P. of Skill Development & Training (Skills) Department (SDT), the written complaint report dt.07.09.2021 was submitted by Sri. K. Ajay Reddy, Chairman, APSSDC .After submission of a Preliminary Enquiry report and after getting permission from the Addl.DG, CID, AP a case in Cr.No.29/2021, U/S 166, 167, 418, 420, 465, 468, 471, 409, 201, 109, r/w 120(B) IPC and Section. 13(2) r/w 13(1)(c) & (d) of Prevention of Corruption Act, 1988 of Crime Investigation Department, Economic Offence Wing, AP was registered on 09.12.2021 at 12:00 hrs against

A1 - Mr. Ghanta Subba Rao, the then Special Secretary to Govt., Skill Development, Entrepreneurship & Innovation Department, and the then Ex-Officio Secretary to Hon'ble Chief Minister, Govt. of A.P., and MD & CEO of APSSDC,

A2. - Dr.K. Lakshminarayana, the then Director of APPSDC,

A3. - Mr. NVK Krishna Prasad, OSD/Spl officer to the then Secretary SDE&I Department,

A4. - Design Tech Systems Pvt Ltd, Pune,

A5. - Skillar Enterprises India Pvt. Ltd (formerly known as PVSP IT Skills Projects Pvt. Ltd. M/s Allied Computers International (Asia) Ltd., Mumbai

(ACI), A6. - Mr. Soumyadri Shekhar Bose @ Suman Bose, the then Managing Director, SIEMENS Industry Software (India) Pvt.Ltd.,

A7. - Mr. Pratap Kumar Kar, Chief Financial Officer, APSSDC,

A8. - Mr. Vikas Vinayak Khanvelkar, Chairman & MD of DesignTech Systems Limited, Pune and on 18 others i.e., Directors of shell companies, Govt officials and other persons (total 26 accused persons) for causing wrongful gain to accused persons, to their shell companies and to other persons and also for causing corresponding wrongful loss of at least Rs.241 Crores to the Govt., Exchequer. The original FIR, Preliminary Enquiry Report along with enclosure were submitted to the Hon'ble Jurisdictional Court and investigated into by Sri. M.Dhanunjayudu, DSP, EOW-2, CID, Andhra Pradesh.

(ii) During the course of the investigation, 141 witnesses were examined so far and their statements were recorded. Hard and soft copies of the material evidence were collected. On verification of the documents and examining the witnesses, investigation disclosed that the accused Nara Chandrababu Naidu orchestrated the deep-rooted conspiracy by playing a key role at various stages, in collusion with the other accused, with a preconceived plan aimed at siphoning off of the funds released from the public exchequer towards the project. His (A-37) name was added to the list of the accused vide memo dated:8.9.2023 submitted to this Hon'ble ACB Court.

(iii) It is also necessary to submit that on the basis of the present FIR and the investigation, the Enforcement Directorate initiated proceedings under the PMLA, 2002 under ECIR No.HYZO/3/2022, dt. 4.3.2023 and the investigation by the Enforcement Directorate are ongoing. The said investigation is into the aspects of money laundering which is clearly writ large on the facts of the case, emanating from the crime proceeds involved in the instant crime. The Enforcement Directorate has caused arrest of 1) Soumyadri Shekhar Bose alias Suman Bose, Ex-MD of M/s Siemens Industry Software India Pvt Ltd, 2) Vikas Vinayak Khanvelkar (MD, M/s Designtech Systems Pvt Ltd), 3) Mukul

Chandra Agrawal, Ex-Financial advisor, and authorized signatory of M/s Skillar Ent India Pvt Ltd and 4) Suresh Goyal, CA in a money laundering case for diversion and misutilization of funds of APSSDC and others. The ED has provisionally attached properties amounting to Rs.31.20 Crore belonging to M/s Designtech Systems Pvt Ltd (DT SPL) in the money laundering case for diversion and misutilization of funds. The ED also filed the prosecution complaint against the above 4 arrested accused.

G. Synopsis of the specific role played by Sri.Nara Chandrababu Naidu (A-37):

A detailed report on the details of this investigation submitted to the Joint Director, Enforcement Directorate, Hyderabad is enclosed herein as an Annexure.

The unfolding of the conspiracy, spearheaded by the then Chief Minister, Nara Chandrababu Naidu (A-37) happened in the following sequence:

- i. The vendors M/s Designtech and M/s SISW approached Nara Chandrababu Naidu through an intermediary, who was a TDP leader – Mr. Illendula Ramesh and submitted the proposal of setting up a Centres of Excellence for Skill Development.
- ii. As a part of the conspiracy to misappropriate the money from the public exchequer, Sri.Nara Chandrababu Naidu orchestrated the incorporation of the A.P. State Skill Development Corporation (APSSDC), bypassing the Council of Ministers and appointed handpicked people, such as Sri. Ghanta Subba Rao and Dr. K. Lakshminarayana, Rtd.IAS as the MD& CEO and the Director of the APSSDC, respectively.
- iii. A new Department for Skill development, Entrepreneurship and Innovation was created as the controlling Department for APSSDC and placed before Sri. K. Atchanaidu, the then Minister.
- iv. Merely based on the power point presentations given by the representatives of M/s Designtech and M/s SISW, Sri.N.Chandrababu

Naidu and Sri.K.Atchannaaidu gave a concurrence to the project without making any market survey or following other cannons of financial propriety.

- v. Hiding the fact that no due diligence was carried out or no detailed project report was prepared, N.Chandrababu Naidu and Sri.K.AtchanNaidu gave a false projection before the Council of Ministers that, the estimated cost of the project would be Rs. 3281 Crores. (approximately) of which, the technology partners would meet 90% of the cost of the project as Grant-in-kind and that the State Government had to invest only towards 10% of the cost of the project.
- vi. The same notefile with proposal for approval of the Draft of (GO.Ms.No.4 of SDEI Dept. dtd.30.06.2015) stating about the 90% and 10% splitting of cost between the Technology Partners and the Government of A.P., respectively and the draft of the **M.O.U / Tripartite Agreement which was in contravention of the letter and spirit of the GO.Ms.No.4**, mentioning only that the Government of Andhra Pradesh would release Rs.371 Crores as a grant for M/s Siemens Industry Software (India) Private Limited (SISW) and M/s DesignTech System Private Limited (DesignTech) to setup the Skill Development Institutions, was approved by the Sri. N.Chandrababu Naidu and Sri. K.AtchanNaidu.
- vii. After the M.O.U was signed, the entire amount of Rs 371 Crores were released in advance by the State Finance Department and the APSSDC to M/s Designtech, even before the sites were selected for setting up the Skill development Centres and without obtaining any performance guarantee or bank guarantee. Despite the objections taken by Smt K.Suneetha, Secretary of Finance Department, that it may not be appropriate to release the amount for various reasons pointed out, and