

## Chapter - III

### Performance Audit relating to Statutory Corporation

#### 3. Performance Audit on the Working of Uttar Pradesh Avas Evam Vikas Parishad

##### Executive Summary

Uttar Pradesh Avas Evam Vikas Parishad (Parishad) was established in April 1966 under the Uttar Pradesh Avas Evam Vikas Parishad Adhiniyam, 1965 (Adhiniyam) with the main objective of providing houses/plots at affordable prices in tune with the State and National Housing Policy towards solving the housing problems being faced by different sections of the society. The Parishad undertakes activities of acquisition of land, development of Land, construction of properties and allotment/sale of properties.

##### **Delay in acquisition of land**

There were delays at every stage of the land acquisition procedure. Though the sites for six schemes were selected during September 2006 to February 2010, the Parishad, however, could not notify the schemes under Section (u/s) 28 of the Adhiniyam despite lapse of 13 months to 54 months. In ten schemes, the Parishad had not taken the possession of land despite lapse of 35 months to 289 months from the date of notification u/s 32 of the Adhiniyam.

There was no system in the Parishad to monitor status of funds provided to the Special Land Acquisition Officer vis-à-vis actual acquisition/possession of land.

The Parishad did not evolve any system to exercise the powers given in the Adhiniyam to restrict and/or remove unauthorized constructions. This resulted in encroachments/ disputes on 858.93 hectare land valued at ₹ 137.44 crore in 42 schemes of the Parishad.

##### **Development of land and construction of properties**

The Parishad failed to achieve the targets of land development and construction of properties. The target for development of land to total land available had been decreasing over the years. It decreased from 29 per cent in 2006-07 to 8.87 per cent in 2010-11. The percentage of actual land developed to the total land available

also decreased from 18.33 per cent in 2006-07 to 4.17 per cent in 2010-11.

The achievement of target set for construction ranged between 38.82 per cent and 71.88 per cent except for the year 2007-08. Further, there was time overrun of more than six months in 70.01 per cent of the total works executed by the Parishad.

The Parishad has not made provisions for rain water harvesting and ground water recharging in eight schemes as required in the Government order of April 2006.

##### **Costing of properties**

The Parishad deviated from the Costing Guidelines in fixing the sale price of properties which resulted in a loss of ₹ 13 crore in one project and enhancement of price by ₹ 30.63 crore in other two projects.

The Parishad also violated the Costing Guidelines as regard to costing of schemes which resulted in enhancement of cost of properties by ₹ 224.60 crore. This defeated the objective of the Parishad to provide housing solutions at affordable cost.

##### **Allotment of properties**

A lot of properties were lying unallotted. The Parishad did not frame any firm plan to liquidate its unsold properties resulting in locking up of Parishad's fund of ₹ 554.05 crore.

The Parishad failed to comply with the provisions of the Viniyam relating to allotment of properties, as a result refund of ₹ 2.09 crore was made in excess of the permissible amount on cancellation of two group housing plots in two schemes.

##### **Manyawar Shri Kashi Ram Ji Sahri Garib Avas Yojna**

For execution of the Yojna launched by the State Government, a major portion of the Parishad's workforce was deployed. The Parishad, however, did not receive centage charges of ₹ 204.82 crore, met additional expenditure of ₹ 21.19 crore from its Infrastructure Fund and loaded the cost of

land amounting to ₹ 41.02 crore provided free of cost for the Yojna on its own schemes.

#### **Internal Control System**

Internal control system of the company was weak as adequate control mechanism towards timely and smooth implementation of schemes did not exist. Internal audit wing was not commensurate with the size and volume of the business of the Parishad.

#### **Conclusion and Recommendations**

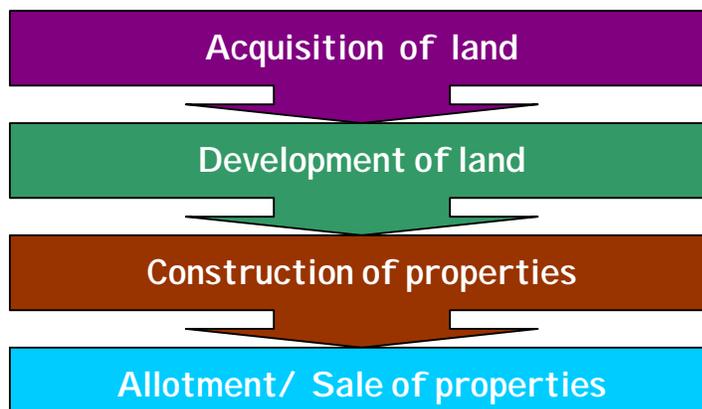
There were delays at every stage of land acquisition and failure in achieving targets. There had been deviations from the

Costing Guidelines. Properties of huge value remained unsold due to non-marketability and encroachments. The market value of nearby plots were not considered for fixation of reserve price resulting in auction of properties at lower prices. The internal control system was weak in the Parishad.

We have made seven recommendations which include adherence to the fixed time frame and follow-up for land acquisition, development and construction activities, effective steps for liquidating unsold properties, to adhere to the provisions of the Costing Guidelines and strengthening the internal control system.

### **Introduction**

3.1 Uttar Pradesh Avas Evam Vikas Parishad (*Parishad*) was established in April 1966 under the Uttar Pradesh Avas Evam Vikas Parishad Adhiniyam, 1965 (*Adhiniyam*) with the main objective of providing houses/plots at affordable prices in tune with the State and National Housing Policy towards solving the housing problems being faced by different sections of the society. Besides normal housing projects, the *Parishad* also carries out activities relating to planning, designing, construction and development of almost all types of urban development projects throughout the State of Uttar Pradesh. The *Parishad* undertakes the following stage-wise activities:



The *Parishad* diversified (December 1993) its activities in execution of deposit works for various State/Central Government Departments/Undertakings on turnkey basis. To achieve this objective, a Global Construction & Consultancy Cell was created in the year 1993.

3.2 The Management of the *Parishad* is vested in a Board comprising 14 members. The Minister, Housing and Urban Planning Department, Government of Uttar Pradesh is the ex-officio Chairman of the Board. The Housing Commissioner is the Chief Executive and a Member of the Board who looks after day-to-day affairs of the *Parishad* with the assistance of an Additional Housing Commissioner-cum-Secretary, four Joint Housing Commissioners, three Deputy Housing Commissioners, a Finance Controller, a Chief Engineer, a Chief Architect and Planner and a Legal Advisor at the

Headquarters. At the field level, there are 40 Construction Divisions and three Electrical Divisions headed by Executive Engineers, 17 Construction Units headed by Project Managers and six Zones of Estate Management Offices headed by Joint/Deputy Housing Commissioners.

#### **Audit objectives**

**3.3** The objectives of the performance audit were to ascertain whether:

- the suitability of land was properly assessed, process of acquisition of land was completed in time and adequate measures were taken to prevent encroachments;
- adequate planning for development of land was made and effective pollution control measures were adopted;
- construction works carried out by the *Parishad* were cost effective and qualitative;
- costing of the properties was done as per the laid down guidelines of the *Parishad*;
- the process of allotment of developed plots (residential, commercial and institutional) and constructed houses was transparent and fair so as to achieve the objective of providing plots/houses to the society at affordable price;
- construction and allotment activities relating to Government schemes were carried out with strict adherence to the conditions laid therein; and
- adequate and effective internal control system exists.

#### **Audit criteria**

**3.4** The audit criteria adopted for assessing the achievement of the audit objectives were as follows:

- Provisions of Uttar Pradesh Avas Evam Vikas Parishad Adhiniyam, 1965 (*Adhiniyam*), Land Acquisition Act, 1894 (LAA) and Land Acquisition Karar Niyamavali, 1997 (LAKN);
- National Housing Policy, State Housing Policy and plan documents of the *Parishad*;
- Orders, Circulars and Manuals of the *Parishad*;
- Costing Guidelines of the *Parishad*;
- Uttar Pradesh Avas Evam Vikas Parishad Bhukhandon Tatha Bhawano ke Panjikan Evam Pradeshan Sambandhi Viniyam, 1979 and Uttar Pradesh Avas Evam Vikas Parishad ki Sampatti ke Nistaran Sambandhi Viniyam, 1980; and
- Guidelines for implementation of the schemes issued by the Government.

#### **Scope and methodology of audit**

**3.5** A performance audit on “Construction and Allotment of Properties” by Uttar Pradesh Avas Evam Vikas Parishad covering the period 2000-01 to 2005-06 was featured in the Report of the Comptroller and Auditor General of India (Commercial), Government of Uttar Pradesh for the year 2005-06 which has been partially discussed by the Committee on Public Undertakings (December 2011).

The present performance audit conducted during January 2011 to June 2011 covered overall activities of the *Parishad* relating to acquisition and

development of land, construction and allotment of properties and implementation of Government schemes for the period 2006-07 to 2010-11.

We examined the records of Head Office, 10 Construction Divisions<sup>1</sup>, three Construction Units<sup>2</sup>, one Electrical Division<sup>3</sup> and two Zones of Estate Management Offices<sup>4</sup> which were selected based on Simple Random Sampling Method.

The methodology adopted for attaining the audit objectives with reference to audit criteria consisted scrutiny of records at Head Office and selected units, interaction with the audited entity's personnel, analysis of data with reference to audit criteria, raising of audit queries, discussion of audit findings with the Management and issue of draft performance audit report to the Management for comments.

### **Financial position and working results**

**3.6** Financial position and working results of the *Parishad* for the last five years up to 2010-11<sup>5</sup> has been depicted in *Annexure-28 & 29* respectively.

Our analysis of the financial position and working results of the *Parishad* revealed the followings:

- The system of accounting was found to be deficient and the financial statements did not reflect a true and fair view for which negative opinions were issued by the C&AG to the *Parishad* on its Financial Statements for the years 2006-07, 2007-08 and 2008-09. No corrective action was taken by the *Parishad* to improve the maintenance of Accounts.
- The percentage of establishment expenses to the cost of property stock sold ranged between 31.41 *per cent* and 90.18 *per cent* during the period 2006-07 to 2010-11. Such high percentage of establishment expenses to the cost of property stock sold indicated the under performance of the *Parishad* in relation to the available manpower resources.
- The Money-in-Transit/Inter-Unit transactions were not reconciled. The balance of ₹ 5.11 crore as on 31 March 2007 increased to ₹ 26.95 crore as on 31 March 2011. The reasons for such increase were non-reconciliation of remittances made by various units to Headquarters and differences between bank account balance of Finance Section and balances as per Bank Statements.

### **Audit findings**

**3.7** We explained the audit objectives, audit criteria and scope of the performance audit to the Management during an 'Entry Conference' held on 24 February 2011. Subsequently, audit findings were reported to the *Parishad* and the State Government in August 2011 and discussed in an 'Exit Conference' held on 13 September 2011. Replies of the Management to some of the audit findings were received in October/November 2011. The views expressed by the Management have been considered while finalising the performance audit report. The audit findings are discussed in subsequent paragraphs.

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<sup>1</sup> CDs 2,3,7,15 and 31 of Lucknow, CDs 1 and 22 of Ghaziabad, CD-6 of Muzaffarnagar, CD-30 of Agra and CD-32 of Saharanpur.

<sup>2</sup> CU-3 of Lucknow, CUs of Jhansi and Meerut.

<sup>3</sup> ED-1 of Lucknow.

<sup>4</sup> Zones of Lucknow and Meerut.

<sup>5</sup> Figures for the year 2010-11 are provisional.

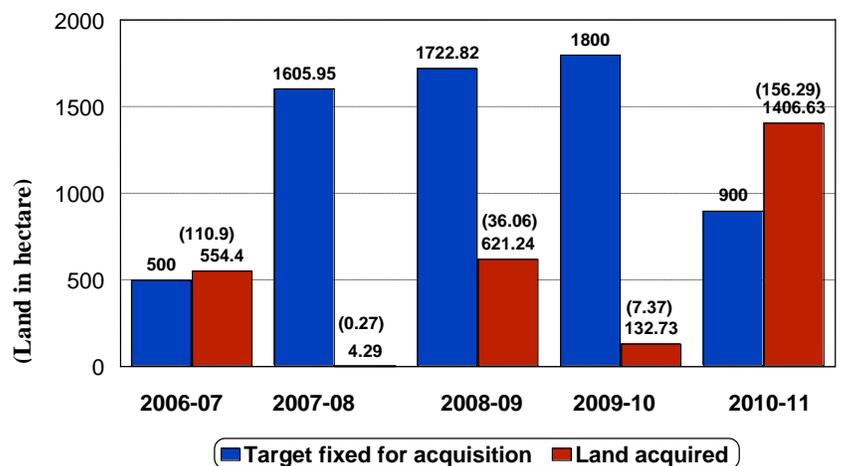
### Acquisition of land

3.8 Land is acquired from landowners for which the following procedure is followed by the *Parishad*:

- The *Parishad* selects suitable land for housing schemes and publishes notification under section (u/s) 28 of the *Adhiniyam* to acquire the selected land specifying the boundaries of the area comprised in the housing scheme.
- Notices for proposed acquisition are issued to the landowners' u/s 29 of the *Adhiniyam*; the landowners may file objections against the scheme or proposed acquisition u/s 30 of the *Adhiniyam*.
- After considering objections of the landowners, the *Parishad*, u/s 31 (1) may either abandon the scheme or submit it to the State Government for its sanction u/s 31 (2).
- With the State Government's approval the scheme is notified u/s 32 of the *Adhiniyam* in Government's Gazette. Proposal along with compensation rate settled with landowners under Land Acquisition Karar Niyamavali, 1997 (LAKN) is sent to the District Administration for acquisition of land under Land Acquisition Act, 1894 (Act).

#### Targets and achievements

3.9 The targets for acquisition of land are fixed on the basis of proposals received from field offices. The targets and achievements of land acquisition during the five years up to 2010-11 are depicted in the bar chart given below:



(Figures in brackets indicate percentage of land acquired to target fixed for acquisition)

Source: Data furnished by *Parishad*.

It would be seen from the above that:

- *Parishad* could achieve the targets only in the years 2005-06 and 2010-11 and there was shortfall during the remaining *three* years.
- There was no consistency in the targets fixed by the *Parishad*. The main reason for such inconsistency was that the targets were fixed on the basis of proposals received from the field offices with no analysis by the *Parishad*'s Headquarters.
- The achievement vis-à-vis targets fixed ranged between 0.27 *per cent* and 156.29 *per cent* during the period 2006-07 to 2010-11. Such huge variations in achievement were due to inadequate follow-up action by the

*Parishad* to get the possession of the notified land which resulted in huge shortfalls in some years and higher achievements in the years in which the backlog created due to shortfall of earlier years were cleared.

The main reasons for shortfall in achievement of the targets of acquisition of land during 2007-08 to 2009-10 were delay in acquisition of land, failure in getting possession of the notified land due to encroachments, lack of co-ordination between the field offices and Headquarters of the *Parishad* etc. as discussed in succeeding paragraphs.

#### ***Delay in acquisition of land***

**3.10** Systemic deficiencies noticed in respect of land acquisition are discussed below:

Despite lapse of 13 months to 54 months from the date of site selection the *Parishad* could not publish notification u/s 28 of the *Adhiniyam*.

- As per the Process Manual of the *Parishad* for Land Acquisition (effective from 01 September 2009), notification u/s 28 of the *Adhiniyam* is to be published within five months from the visit of the Site Selection Committee and its approval of the proposal of the selected site. We noticed that in six schemes<sup>6</sup> for which sites were inspected by the Site Selection Committee during September 2006 to February 2010, the *Parishad* could not notify the schemes u/s 28 of the *Adhiniyam* despite lapse of 13 months to 54 months (up to March 2011). The main reasons for delay in publication of notification u/s 28 of the *Adhiniyam* were lack of adequate follow-up action and monitoring by the *Parishad* Headquarters and lack of co-ordination between the field offices and the *Parishad* Headquarters as discussed below:
  - In Mahoba Yojna, Mahoba, the site was inspected by the Site Selection Committee on 19 July 2008. However, the Report of the Committee along with proposal for notification u/s 28 of the *Adhiniyam* has not yet been submitted (March 2011) by the concerned field office. Thus due to lack of effective follow-up action by the *Parishad* the notification u/s 28 of the *Adhiniyam* could not be published despite lapse of more than three years from the date of site inspection.
  - In Allahabad Jaunpur Marg BVEG Yojna, Allahabad, site was inspected by the Site Selection Committee on 5 December 2006. The concerned field office repeatedly requested the Headquarters for release of funds for preparation of proposal for notification u/s 28 of the *Adhiniyam* instead of meeting it from its own Land Acquisition Budget. The Headquarter belatedly (April 2009) clarified that the same may be paid and adjusted by making a provision in the Land Acquisition Budget. Even after clarifications, the field office failed to submit a proposal for notification u/s 28 of the *Adhiniyam*. During a review meeting held on 11 February 2011 under the chairmanship of the Housing Commissioner, it was decided to inspect the site again and check the viability of the scheme after constituting a committee. This rendered the whole exercise done till date futile.
  - The maximum time limit prescribed in the *Adhiniyam* for submission of the schemes to the State Government u/s 31(1) of the *Adhiniyam* is eight and a half months from the date of issue of first notification u/s 28 of the *Adhiniyam*. We noticed that there was a delay of 19 months to 71 months (up to March 2011) in submitting seven schemes to the

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<sup>6</sup> Bhumi Vikas Evam Grihasthan (BVEG) Yojna No. 2 Extension (Pahasu Marg)-Bulandshahar, BVEG Yojna No. 6-Agra, Allahabad Jaunpur Marg BVEG Yojna-Allahabad, Mahoba Yojna-Mahoba, BVEG Bareilly Shahjahanpur National Highway Yojna-Bareilly, BVEG Bareilly Shahjahanpur By-pass Yojna-Bareilly.

State Government u/s 31(1) of the *Adhiniyam* for its sanction. Eight schemes had not yet been submitted (March 2011) despite a delay of 11 months to 99 months. The *Parishad*, however, did not fix responsibility for the lapses causing undue delays.

- No time limit has been prescribed in the *Adhiniyam* for Government's approval u/s 31(2) and publication of notification u/s 32 of the *Adhiniyam*. We noticed that notification u/s 32 of the *Adhiniyam* for 14 schemes were published after 26 months to 175 months from the date of publication of notifications u/s 28 of the *Adhiniyam*. In case of seven schemes, notifications u/s 32 were not published (March 2011) even after lapse of 20 months to 103 months from the date of publication of notification u/s 28 of the *Adhiniyam*. Such inordinate delay in publication of notifications u/s 32 of the *Adhiniyam* was due to lack of proper follow-up action by the *Parishad* with the State Government.
- After publication of notification u/s 32 of the *Adhiniyam*, the *Parishad* decides the rates of compensation on the basis of agreement with the landowners in the presence of a Committee headed by the District Magistrate. The rates are then approved by the Commissioner. Once the rates of compensation are approved by the Commissioner, the *Parishad* deposits the required amount with the SLAO for its disbursement to the landowners and executes agreements in the prescribed format with the land owners. As per the Process Manual for Land Acquisition (effective from 1 September 2009) the maximum time for obtaining possession of land is one year and eight months from the date of publication of notification u/s 32 of the *Adhiniyam*.

We noticed that in 10 schemes, the *Parishad* could not take possession of the land despite lapse of 35 months to 289 months from the date of notifications u/s 32 of the *Adhiniyam*. Out of the said 10 schemes the *Parishad* could not get possession of 324.63 hectare land in seven schemes even after deposit of ₹ 41.99 crore with SLAO between March 2001 and September 2010. The main reasons for delay in getting possession of the land was that the *Parishad* did not take adequate measures viz., conduct of frequent meetings with the landowners to settle the rates of compensation with the landowners, execution of agreements with the landowners and absence of any system in the *Parishad* to monitor the status of funds provided to the SLAO vis-à-vis actual acquisition/ possession of land. Two interesting cases are discussed below:

- Notification u/s 32 of the *Adhiniyam* for acquisition of 49.66 acres land for Lohramau BVEG Yojna, Sultanpur was published in February 1987. The area of the scheme was later (September 1995) reduced to 26.867 acres. The possession of the scheme could not be taken by the *Parishad* due to differences between the *Parishad* and the SLAO on the rates determined by the SLAO. The *Parishad* later decided (2006) to acquire the land on the basis of agreement with the landowners. However, only two meetings with the landowners were held by the *Parishad* till March 2011 for settlement of the rates of compensation and that too in the year 2006 itself. This indicates inadequate efforts by the *Parishad* for finalization of the rates of compensation and getting possession of the land.
- Notification u/s 32 of the *Adhiniyam* for acquisition of 157.551 hectare land for Vrindavan Yojna No. 4 (Kalli Paschim), Lucknow was published in

February 2004. The Parishad deposited (September 2009) ₹ 13.06 crore with the SLAO and settled the rates of compensation (August 2010) in consensus with the land owners. However, the Parishad failed to execute agreements in the prescribed formats with the concerned landowners. As a result the possession of the land could not be obtained by the Parishad.

The Management accepted (October 2011) that there was delay in the process of acquisition of land but further stated in general that reason for delay was consistent resistance of farmers in the matter. Their reply was, however, silent on specific scheme wise delays pointed out by us.

***Failure in getting possession of the notified land due to encroachment/ disputes***

**3.11** Section 35 of the *Adhiniyam* empowers the *Parishad* to prevent any person from constructing any building or developing any area in contravention of a scheme notified u/s 28 of the *Adhiniyam*. Further Section 73 and Section 82 of the *Adhiniyam* empower the Parishad to levy fine on any person who constructs any building in contravention of Section 35 of the *Adhiniyam* and alter or demolish any such unauthorised construction.

We observed that there was no mechanism in the *Parishad* for exercising the powers given in the *Adhiniyam* which resulted in encroachments/disputes on 858.93 hectare land valued at ₹ 137.44 crore out of total 4294.271 hectare in 42 schemes of the *Parishad* as on March 2011. As a result of encroachments on about 20 *per cent* area of the said schemes, the *Parishad* could neither implement the schemes in a planned manner nor complete developmental activities within scheduled time. A few cases of encroachment/disputes are discussed below:

**3.12** The *Parishad* issued (December 1983) notification u/s 28 of the *Adhiniyam* for acquisition of 797 acre land for Pilibhit By-pass Road Bhumi Vikas Evam Grihasthan Yojna No.7, Bareilly. Out of the above area, 200 acres of land was to be developed by the Bareilly Development Authority and remaining 597 acre land was to be developed by the *Parishad*. The *Parishad* inspected the site after thirteen years (June 1996) and acquired (April 2000) only 71.77 acre land as there were numerous unauthorised constructions in the area. The area of the scheme was divided into two parts *viz.* Pocket 'A' comprising an area of 61.08 acre and Pocket 'B' comprising area of 10.69 acre. An amount of ₹ 1.59 crore was deposited by the *Parishad* with the SLAO (January 2003) for acquisition of 71.11 acre land. Possession of only 10.45 acre land of Pocket 'B' was handed over to the *Parishad* in October 2003. Subsequently, Pocket 'A' was de-notified by the Government (October 2008) on *Parishad's* proposal (July 2006) due to unauthorised constructions and disputes. We noticed that:

- No efforts were made by the *Parishad* to restrain unauthorised constructions due to which the area of the scheme got reduced from 597 acres to 10.69 acre.
- Section 50 of the *Adhiniyam* provides that where any area comprised in a scheme is not required for execution of the scheme, the same may be exempted by the *Parishad* after levying betterment charges from the occupants of the exempted land. The *Parishad* levies betterment charges at the rate of 20 per cent of the prevailing land rate. The *Parishad* though de-notified (October 2008) the area of Pocket-A has not yet levied the betterment charges on the occupants.

The *Parishad* could not utilise 858.93 hectare land valuing ₹ 137.44 crore due to encroachments and disputes.

Betterment charges have not yet been levied despite de-notification of 61.08 acre land in October 2008.

- Award of 10.45 acre land worth ₹ 20.93 lakh was made in favour of the *Parishad* in August 2007 against the deposit of ₹ 1.59 crore with SLAO. The *Parishad* has not preferred any claim for return of ₹ 1.38 crore lying with SLAO for 61.32 acre land.

The Management accepted (October 2011) the audit findings and stated that the area of Pocket-A was de-notified after approval of the Government. The reply was silent about inaction to prevent unauthorised constructions, reasons for non-levy of betterment charges despite recommendations of the High Power Committee and not claiming refund of excess amount lying with SLAO.

Land valuing ₹ 3.60 crore was lying unutilised as the *Parishad* failed to restrict unauthorised constructions in the area of the scheme.

**3.13** Notification u/s 28 of the *Adhiniyam* for acquisition of 1760 acres land for Indira Nagar (Second) Extension Scheme, Lucknow was published in May 1984. The *Parishad* deposited (February/April 2003) ₹ 8.60 crore towards compensation for acquisition of 172.93 acre land in the first phase. Possession of 87.54 acre land was handed over to the *Parishad* during March to June 2004. SLAO returned an amount of ₹ five crore in December 2007, after deducting ₹ 3.60 crore being the compensation paid for the land already handed over to the *Parishad*, as there was no action on part of the *Parishad* for acquisition of remaining land.

We noticed that no efforts were made by the *Parishad* to restrict unauthorised constructions on the land notified u/s 28 of the *Adhiniyam* resulting into large scale unauthorised occupancy in the area of the scheme. Besides, as the unauthorised constructions were in a haphazard way, even the land acquired by the *Parishad* could not be utilised till date (March 2011) resulting into blockade of ₹ 3.60 crore.

Thus, lack of efforts and co-ordination among different wings of the *Parishad* and lack of effective pursuance with the State Government were the main reasons for delay in acquisition of land at various stages. This delay in getting the possession of notified land led to unauthorised constructions and encroachments in the area of the scheme which adversely affected the future development process of these areas.

The Management did not offer any comments (December 2011).

#### Development of land and construction of properties

**3.14** The *Parishad*, after acquisition of land, starts development activities on the land so acquired which includes external and internal development. External development includes construction of main roads, trunk drains, water supply system, sewerage system and external electrification of the scheme. Internal development includes construction of internal roads, internal drains, internal water and sewerage system. Further, the *Parishad* develops plots of various categories viz. commercial, group housing, residential and institutional and constructs houses for people of various income groups.

#### Targets and achievements

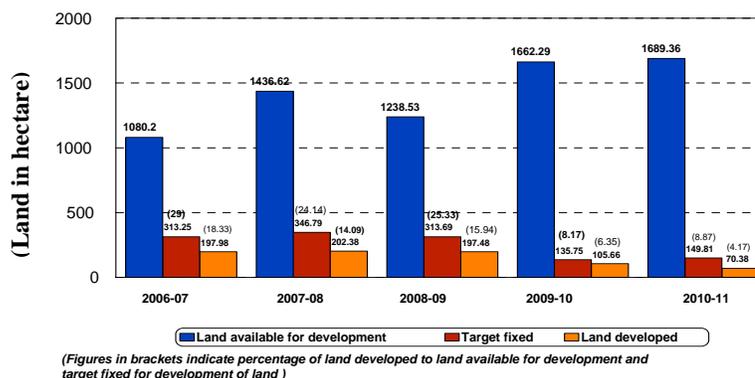
**3.15** The *Parishad* fixes the targets for development of land and construction of properties on the basis of proposals received from field offices.

The targets and achievements of development of land during the five years up to 2010-11 are indicated in the table below:

Sl. No.	Particulars	2006-07	2007-08	2008-09	2009-10	2010-11
1.	Land available for development (Area in hectare)	1080.20	1436.62	1238.53	1662.29	1689.36
2.	Target fixed for development of land (Area in hectare)	313.25	346.79	313.69	135.75	149.81

Sl. No.	Particulars	2006-07	2007-08	2008-09	2009-10	2010-11
3.	Land developed during the year (Area in hectare)	197.98	202.38	197.48	105.66	70.38
4.	Percentage of target fixed for development to total land available for development	29.00	24.14	25.33	8.17	8.87
5.	Percentage of land developed to total land available for development	18.33	14.09	15.94	6.35	4.17
6.	Percentage of land developed to target fixed	63.20	58.36	62.95	77.83	46.98

The target and achievements are depicted in the chart below:

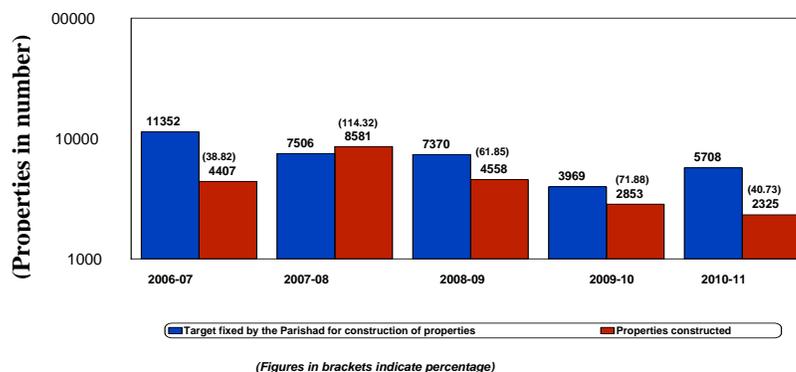


Source: Data furnished by Parishad.

It would be seen from the above that:

- the target fixed by the *Parishad* for development of land to total land available for development had decreasing trend year to year. It decreased from 29 per cent in 2006-07 to 8.87 per cent in 2010-11. Consequently, the percentage of actual land developed to the total land available for development also decreased from 18.33 per cent in 2006-07 to 4.17 per cent in 2010-11.
- the *Parishad* failed to achieve even its lower targets during the five years and the percentage of achievement of target ranged between 46.98 and 77.83 per cent.

**3.16** The targets and achievements of construction of properties during the five years up to 2010-11 have been depicted in the bar chart below:



Source: Data furnished by Parishad.

It would be seen from the above that:

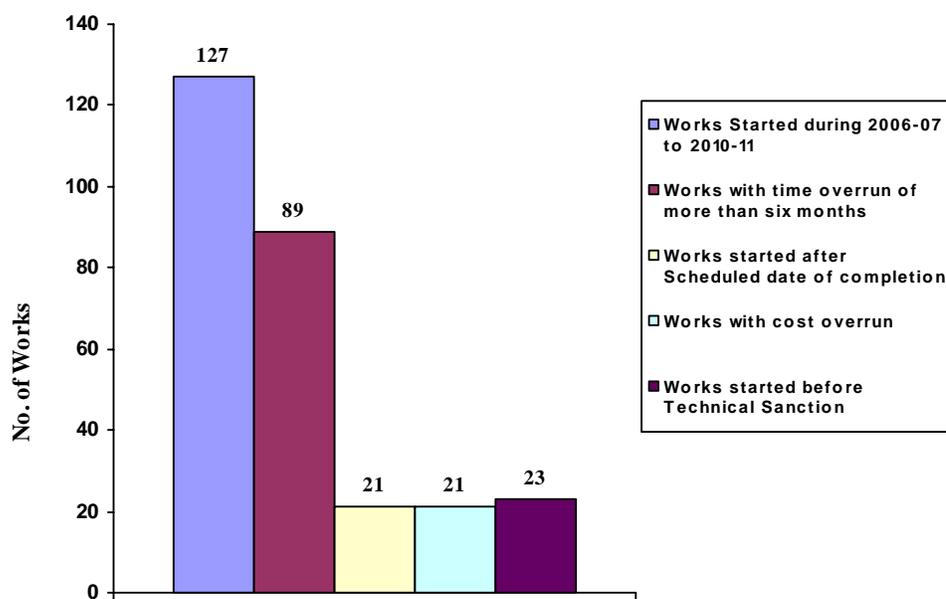
- the *Parishad* could not achieve the targets set for construction except for 2007-08. The achievement ranged between 38.82 *per cent* and 71.88 *per cent* during the last five years up to 2010-11 except in the year 2007-08 when the achievement was higher than the target.
- the number of properties constructed by the *Parishad* had also seen a steady decline from 2008-09.

Thus, the declining trend in planning and execution of the land development activities and steady decline in construction of houses indicated lackadaisical approach of the Management towards the social objective of providing affordable dwellings to the public. The main reason for non-achievement of targets was lack of monitoring and follow up action to complete the works in time. These attributable and other deficiencies in development of land and construction of houses are discussed in succeeding paragraphs.

***Time and cost overrun due to delayed execution of works***

3.17 The Financial Hand Book of the State Government stipulates that no work shall be started without obtaining the administrative approval on the basis of preliminary estimates. After getting the administrative approval, detailed estimates are to be prepared and sanctioned by the competent authority of *Parishad* which amounts to technical sanction of the work. After obtaining the technical sanction, the field offices of the *Parishad* execute the sanctioned works through contractors. To achieve the objective of providing houses/plots at affordable prices to the urban population of the State, effectively, it is necessary that the projects initiated by the *Parishad* are completed within scheduled time and sanctioned cost.

The status of time and cost overrun in *Parishad* works and commencement of works before obtaining technical sanction is depicted in the bar chart below:



Source: Data furnished by *Parishad*.

It would be seen from the above that the *Parishad* undertook 127 works during 2006-07 to 2010-11. In execution of these works/projects, we noticed that:

- there was time overrun ranging between six months to 48 months in 89 works (70.01 per cent) out of total 127 works. Out of the total works, 21 works (16.54 per cent) were started by the *Parishad* after the scheduled date of completion.
- in 21 works (16.54 per cent), there was cost overrun to the extent of ₹ 1.88 crore.
- twenty three (18.11 per cent) works were started before obtaining technical sanctions which indicates that estimates were not accurately calculated and are based on inadequate data.

The *Parishad* failed to complete 95.28 per cent works within scheduled time.

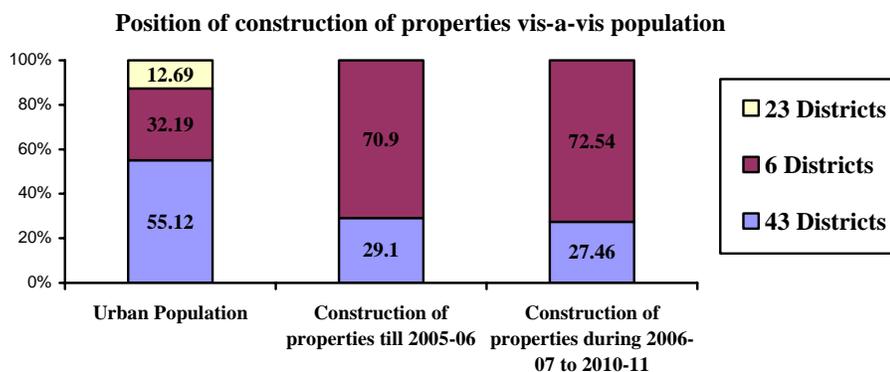
Time overrun in 95.28 per cent works, cost overrun in 16.54 per cent and start of 18.11 per cent works before obtaining technical sanction indicate poor planning, monitoring and control by the Management.

The Management's reply was not received (December 2011).

### **Construction activities in selected districts**

**3.18** The *Parishad* was established (April 1966) for providing houses/plots at affordable prices to all of the urban population of the State. Therefore, it was required to plan and co-ordinate various housing activities in the whole State in a planned manner to ensure expeditious and efficient implementation of housing and improvement schemes in the State.

The position of construction of properties *vis-à-vis* urban population of the State is depicted in the bar chart below:



*Source: Data furnished by Parishad.*

It would be seen from the above that:

The activities of the *Parishad* were largely concentrated in only six districts of the State.

- The activities of the *Parishad* were mainly confined to only six districts<sup>7</sup> of the State which constitute only 32.19 per cent of the total urban population of the State. In these six districts 70.90 per cent of the total properties constructed up to 2005-06 and 72.54 per cent of the properties constructed during 2006-07 to 2010-11 were situated.
- In 23 districts<sup>8</sup> of the State which constitute 12.69 per cent of the total urban population of the State, the *Parishad* has not undertaken any housing development activities till March 2011.

<sup>7</sup> Agra, Ghaziabad, Kanpur, Lucknow, Meerut and Moradabad.

<sup>8</sup> Ambedkarnagar, Bahraich, Balrampur, Chandauli, Chitrakoot, Deoria, Etah, G.B. Nagar, Hamirpur, Jaunpur, Kaushambi, Kushinagar, Lalitpur, Maharajganj, Mahoba, Mau, Ramabai Nagar, Sant Kabir Nagar, Sant Ravidas Nagar, Shravasti, Siddharthnagar, Sonbhadra and Sultanpur.

- In the remaining 43 districts of the State which constitute 55.12 per cent of the total urban population of the State 29.10 per cent of the total properties constructed up to 2005-06 and 27.46 per cent of the properties constructed during 2006-07 to 2010-11 were situated.

Thus due to *Parishad's* orientation towards the solution of housing needs of only a selected few districts and ignoring the housing needs of other districts, the *Parishad* has failed to achieve its objective of providing housing solutions to all urban areas of the State.

The Management did not offer any reply (December 2011).

#### **Architectural plan for Sultanpur Road Yojna**

**3.19** The *Parishad* has a Chief Architect Planner along with a separate well equipped Architecture Wing to prepare the layout plans and integrated designs of the housing schemes. We noticed that the *Parishad*, despite having its own architecture wing, appointed private architects and incurred avoidable expenditure of ₹ 2.31 crore as discussed below:

Despite having its own architectural wing the *Parishad* appointed private architects and paid ₹ 2.31 crore.

- The *Parishad* planned (August 2008) to develop a housing scheme at Sultanpur Road, Lucknow with similar attractions as the nearby Hi-tech city of a private builder<sup>9</sup> and decided to take the services of private Architects. Sajag Consultants, Delhi was awarded (March 2010) the work for preparation of layout plan and integrated design consultancy for ₹ 17.51 lakh.
- The *Parishad* invited (March 2010) quotations for preparation of Detailed Project Report (DPR) of services in respect of above scheme. Sertech Consultants, New Delhi was awarded (August 2010) the work of DPR for ₹ 2.13 crore.

The expenditure of the above architects services could have been avoided by getting it done by its own architectural wing as the scheme had similar features to other *Parishad's* schemes and there was no need to appoint private architect.

Management stated (November 2011) that decision of appointment of private architect was taken with the approval of Housing Commissioner after forming a panel of architects. The reply of the Management is not acceptable as it does not address the audit issue that works could have been done in *Parishad's* architecture wing.

#### **Quality control system**

**3.20** The Building materials (bricks, stone grit, stone ballast, coarse sand etc.) purchased by the CDs/CUs or supplied by the contractors are tested in laboratories of the Divisions/Units. Test results showing status of their quality is reported in *Form-Kha* (report). In case the materials are not of specified standards, remarks are given in the report that materials require grading with stipulation, inter alia, to furnish compliance within seven days.

Scrutiny of reports of 10 CDs/CUs revealed that in samples tested during the period 2006-07 to 2010-11, grading of under/oversize materials was required in 4.34 per cent to 100 per cent of test reports. Further in case of execution of work under Manyavar Shri Kanshiram Ji Shahri Garib Avas Yojna, 35.41 per cent samples (collected up to October 2009) were found to be below standard.

<sup>9</sup> Ansal Properties and Infrastructure.

We noticed that there was nothing on record to establish that materials were tested in laboratories after grading, as compliances of grading were not being reported. In the absence of documentation of testing, after grading as required; reliability of the use of building materials of the specified standard could not be vouchsafed in audit.

Management's reply to the audit observation was not received (December 2011).

#### ***Non deduction of penalty***

**3.21** As per the general conditions of contract, a penalty of one *per cent* or such smaller amount of the estimated cost of the whole work as mentioned in the tender is to be levied for every day that the work remains incomplete after the scheduled date of completion subject to a maximum limit of 10 *per cent* of the total value of the contract bond.

**The Parishad failed to deduct penalty of ₹ 9.95 crore on delayed execution of work.**

We noticed that in case of 105 contract bonds, penalty of ₹ 4.03 crore for delayed execution of work was not levied and in case of 103 contract bonds penalty was short levied to the tune of ₹ 5.92 crore.

The Management did not offer any comments (December 2011).

#### ***Non-construction of Sewage Treatment Plant***

**3.22** As per para no. 14 of State Housing Policy 1995, the *Parishad* has to ensure a pollution free environment to the residents of its schemes. Thus, it was mandatory for the *Parishad* to ensure the discharge of sewage of its housing scheme after treatment.

**The Parishad started construction of two sumpwells at a cost of ₹ 1.55 crore in place of envisaged STPs.**

We noticed that the *Parishad* had developed an area of 210.38 hectare in Vrindavan Yojna No. 1&2, where 5,037 properties have been sold (March 2011) out of the 5,344 properties. Instead of constructing the planned STPs, the *Parishad* started construction of two sumpwells at the cost of ₹ 1.55 crore as a temporary arrangement for disposal of sewage of the schemes. We further noticed that one of the sumpwells was being constructed in a park situated in the mid of the residential area of Sector-6C, Vrindavan Yojna No.1, Lucknow.



**Sumpwell under construction in Sector-6C, Vrindavan Yojna No.1, Lucknow**

The disposal of waste from the sumpwells amounts to disposal of untreated waste which was contrary to the provisions of the State Housing Policy and non-compliance of the Environmental rules.

The Management's reply was not received (December 2011).

#### ***Disposal of garbage***

**3.23** The *Parishad* did not develop any infrastructure for disposal of garbage of its developed residential colonies. The garbage dumped in open places adversely affects the quality of environment creating health hazards.

The Management did not furnish any reply to the observation (December 2011).

**Rain water harvesting**

**3.24** According to the Government order (April 2006), a provision for construction of water reservoirs is required to be made in at least five *per cent* of the total area of the scheme having area of more than 20 acres, to arrest declining groundwater level and for recharging. We noticed that provision for rain water harvesting and ground water recharging systems as required in the Government order was not made by the *Parishad* in any of its eight schemes<sup>10</sup> for which information was furnished by the *Parishad*.

The Management's reply was not received (December 2011).

**Costing of properties**

**3.25** The *Parishad* formulated the Costing Guidelines, 1986 to decide the prices of all types of residential and commercial properties, houses and plots. These guidelines were amended in the years 1988, 1992 and 2001. We noticed deficiencies in observing the Costing Guidelines in deciding the prices of various types of properties as discussed below:

**Inconsistencies in costing**

**3.26** As per Clause 25 of the Costing Guidelines of the *Parishad*, in case of group housing projects of the *Parishad*, land cost should be worked out by dividing the total value of the plot calculated at prevalent land rate of the scheme by the total covered super area of the flats. Further, as per Clause 5.4 of the Costing Guidelines of the *Parishad* the construction cost of houses under self-financing schemes is calculated in the following manner:

Basic construction cost	(A)
Add: Contingencies at the rate of 6 <i>per cent</i> on (A)	(B)
Sub-Total (A+B)	(C)
Add: Supervision/ Centages at the rate of 12 <i>per cent</i> on (C)	(D)
Sub-Total (C+D)	(E)
Add: Maintenance charges at the rate of 2 <i>per cent</i> on (E)	(F)
Sub-Total (E+F)	(G)
Add: Other Centages at the rate of 6 <i>per cent</i> of (G)	(H)
Total construction cost	(I)

The *Parishad* invited applications for 216 multi-storied flats in Shikhar Enclave, Vasundhara Yojna Ghaziabad (January 2011), 896 multi-storied flats in Himalaya Enclave, Vrindavan Yojna No. 4, Lucknow (January 2011) and 616 multi-storied flats in Akash Enclave, Vrindavan Yojna No. 1, Lucknow (September 2009 and July 2010).

We noticed that:

- In Shikhar Enclave the land cost was calculated by adding 10 *per cent* corner charges, 12 *per cent* freehold charges and 16 *per cent* enhancement to 1.5 times the prevalent land rate of scheme instead of calculating it at the prevalent land rate of the scheme. Contingencies at the rate of six per cent of the basic construction cost were not included in the construction cost. These inconsistencies resulted in irregular enhancement in the cost of the flats by ₹ 15.63 crore.
- In Himalaya Enclave the land cost was calculated by adding 16 *per cent* enhancement to 1.5 times the prevalent land rate of the scheme instead of calculating it at the prevalent land rate of the scheme. Contingencies on basic construction cost were charged at the rate of 6.5 *per cent* instead of

**Incorrect calculation of land led to enhancement of cost of flats by ₹ 30.63 crore.**

<sup>10</sup> Vrindavan Yojna No. -1, 2, 3 and 4-Lucknow, Saharanpur-Delhi Road Yojna No. 8-Saharanpur, Vasundhara Yojna-Ghaziabad, Jalaun Yojna-Jalaun and Talpura Yojna-Jhansi.

at 6 *per cent*. Maintenance charges were charged without including administrative charges. These inconsistencies resulted in irregular enhancement of the flats by ₹ 15 crore.

Thus due to incorrect calculation of land cost and construction cost, the cost of flats was irregularly enhanced by ₹ 30.63 crore which adversely affected the objective of the Parishad to provide housing solutions to the urban population of the State at affordable prices.

The Management's reply was not received (December 2011).

**Lower cost fixation led to loss of ₹ 13 crore.**

- In Akash Enclave administrative charges and other centages were charged at the rate of 7.5 *per cent* and 5 *per cent* instead of at 12 *per cent* and 6 *per cent*. Maintenance charges at the rate of 2 *per cent* were not included. Contingencies at the rate of 6 *per cent* were not included in the first phase whereas it was charged at 6.5 *per cent* of the basic construction cost in the second phase. These inconsistencies resulted in fixation of the sale prices of the flats on the lower side resulting in a loss of ₹ 13 crore.

Thus due to incorrect calculation of construction cost, the cost of flats was under-charged by ₹ 13 crore resulting in loss to the *Parishad*.

Management's reply to the audit observation was not received (December 2011).

#### ***Incorrect costing***

**3.27** The initial costing of the schemes is done as per provisions contained in Clause 5.1 to 5.3 of the Costing Guidelines of the Parishad. The initial costing of Vrindavan Yojna No. 3, Lucknow (Vrindavan-3); Vrindavan Yojna No. 4, Lucknow (Vrindavan-4) and Majhola Yojna No. 4 (Part-II), Moradabad (Majhola-4) was done during the year 2008-09 wherein the land rates of the scheme were determined at ₹ 4,500, ₹ 4,500 and ₹ 5,610 per sqm respectively.

We noticed that the *Parishad* violated the costing guidelines, 1986 (as amended to date) in the costing of the said schemes as discussed below:

- In Vrindavan-3, 16 *per cent* on acquisition cost and development expenditure was charged towards payment of interest on borrowings even though there were no borrowings as per *Parishad's* accounts. Provision at the rate of 25 *per cent* of the amount payable to the landowners was not made for enhancement in rate of compensation. Besides, contingencies at the rate of six *per cent* on anticipated expenditure on development were not charged. Administrative charges and excess cost of houses built for economically weaker sections was charged on the remaining saleable area of the land. Saleable area was calculated at 40 *per cent* for educational plots instead of at 50 *per cent*, at nil for plots for public utilities instead of at 50 *per cent* and at nil for economically weaker section houses instead of at 80 *per cent*. As a result of the aforesaid inconsistencies, the land rate of the scheme was fixed on the higher side by ₹ 340 per sqm which resulted in enhancement of the cost of the properties of the scheme by ₹ 22.43 crore.
- In Vrindavan-4, 16 *per cent* on acquisition cost and development expenditure was charged towards payment of interest on borrowings even though there were no borrowings as per *Parishad's* accounts. Contingencies at the rate of 6 *per cent* on anticipated expenditure on development were not charged. Administrative charges of houses built for economically weaker sections were charged on the remaining

saleable area of the land. The layout plan of the scheme was not available; hence, the saleable area of the scheme was calculated on the basis of saleable area of Vrindavan-3. As the calculation of saleable area of Vrindavan-3 itself was incorrect (*Parishad* calculated the saleable area at 38.95 per cent whereas as per our calculations it worked out to 40.51 per cent) as discussed in the previous paragraph the effect of such incorrect calculation was also passed in the costing of Vrindavan-4. Due to the aforesaid inconsistencies the land rate of the scheme was fixed on the higher side by ₹ 335 per sqm which resulted in enhancement of the cost of the properties of the scheme by ₹ 52.55 crore.

- In Majhola-4, 16 per cent on acquisition cost and development expenditure was charged towards payment of interest on borrowings even when there were no borrowings as per *Parishad's* accounts. Contingencies were charged at the rate of 6.5 per cent on anticipated expenditure on development instead of at 6 per cent. Saleable area of educational/religious plots was calculated at 40 per cent instead of at 50 per cent of economically weaker section houses at nil instead of at 80 per cent. As a result of the aforesaid inconsistencies the land rate of the scheme was fixed on the higher side by ₹ 1985 per sqm which resulted in enhancement of the cost of the properties of the scheme by ₹ 149.62 crore.

Fixation of land rates at higher side resulted in enhanced cost of flats by ₹ 224.60 crore.

Thus, incorrect costing in case of the aforesaid has resulted in enhancement of the cost of properties of the schemes by ₹ 224.60 crore<sup>11</sup> (*Annexure-30*) which was against the objective of the *Parishad* to provide houses at affordable prices.

The Management's reply was not received (December 2011).

#### **Annual enhancement of land rate**

**3.28** Para 5.3.6 of the Costing Guidelines of the *Parishad* provides for annual enhancement in land rates of the schemes to be fixed by the Housing Commissioner on the recommendations submitted by Superintending Engineers and Joint Housing Commissioner.

No scientific procedure has been evolved by the *Parishad* for annual enhancement of land rates.

We observed that the *Parishad* has not framed any guidelines regarding the factors to be considered or the methodology to be adopted by the Superintending Engineers and Joint Housing Commissioner for recommending the rate of annual enhancement. As a result the land rates were determined without uniform consideration of any of the external factors, such as, circle rates of nearby area, market rates of the land and demand for properties which led to huge differences in enhancement of land rates of the schemes during the period 2006-07 to 2010-11. The enhancement of land rates of various schemes ranged between zero to 300 per cent with no uniformity in enhancement either within the same scheme in different years or in different schemes within the same year.

The Management did not offer any comments (December 2011).

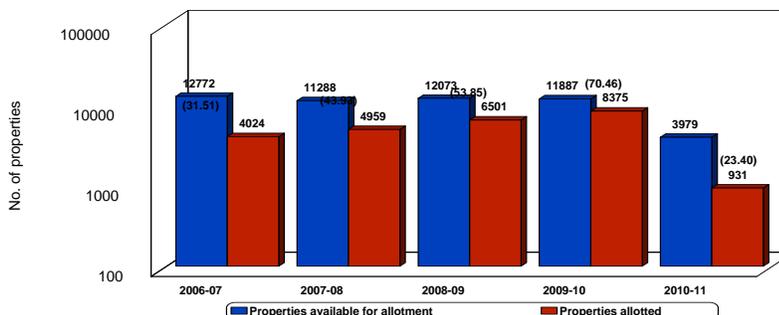
#### **Allotment of properties**

**3.29** The Construction Divisions, after completion of construction of properties, offer it to the Estate Management Offices for allotment/sale according to the rules<sup>12</sup> framed by the *Parishad*. The position of allotment/sale

<sup>11</sup> Vrindavan 3 – ₹ 22.43 crore + Vrindavan 4 – ₹ 52.55 crore + Majhola 4 – ₹ 149.62 crore = ₹ 224.60 crore (*Annexure-30*).

<sup>12</sup> Sampatti Ke Nistarani Sambandhi Viniam, 1980 and Bhukhandon Tatha Bhawano, Panjikanan Evam Pradeshani, Viniam, 1979.

of properties *vis-à-vis* properties available with the Estate Management Offices for the five years up to 2010-11 is depicted in the bar chart below:



(Figures in brackets indicates percentage of properties allotted to properties available for allotment)

As can be seen from the above, the percentage of properties allotted by the *Parishad* to properties available for allotment ranged between 23.40 per cent and 70.46 per cent during the period 2006-07 to 2010-11. This indicated that the *Parishad* has failed to allot its constructed properties timely.

### *Non-marketability of properties*

**3.30** We noticed that there were various bottlenecks in sale of properties resulting in locking up of funds, as discussed below:

- In 33 schemes, 1,068 properties (institutional/commercial/residential plots and houses of various categories) valued at ₹ 554.05 crore remained unsold for one to 21 years. Out of the above, 132 properties valued at ₹ 20.96 crore remained unsold for more than 10 years and 233 properties valued at ₹ 201.81 crore remained unsold for 5 to 10 years. The main reason for non-marketability of these properties was lack of demand due to location at inconvenient places, rates in excess of market price, unauthorised occupancy etc.



**Un-allotted shops in Sector-20, Indira Nagar Yojna, Lucknow**

This has resulted in locking up of *Parishad*'s funds to the extent of ₹ 554.05 crore<sup>13</sup> as well as deterioration of properties with the passage of time.

- In two housing schemes<sup>14</sup>, 58 properties valued at ₹ 1.59 crore could not be allotted by the *Parishad* due to encroachments. No action was taken by

<sup>13</sup> As per Management's calculation of present sale price of the properties.

<sup>14</sup> Indira Nagar Yojna-Lucknow and Obri Yojna-Barabanki.

the Management to get these properties vacated. This deprived the Management of potential revenue of ₹ 1.59 crore.

The Management stated (October 2011) that as compared to the properties constructed and allotted, the numbers of un-allotted properties were nominal. Reply neither justified the construction of these properties nor spells out any future plan to sell the unsold properties.

Loss of potential revenue of ₹ 3.97 crore on two plots which could not be sold in the absence of numbering plan and

- Fifty four<sup>15</sup> shops could not be sold for 18 years despite several attempts. Hence, the *Parishad*, in Board's meeting held in June 2009, decided to sell the area of these shops as two different sizes of commercial plots. We noticed that the *Parishad* could not sell these two plots even after a lapse of two years from the decision as the numbering plan and technical norms of these plots were not made available by the Architect Planner, Meerut who functions under the *Parishad's* own architectural wing. As a result, the *Parishad* was deprived of the potential revenue of ₹ 3.97 crore<sup>16</sup>.

The Management stated (October 2011) that after approval of the layout plan and parameters of the plots, the plots shall be sold through auction. The reply of the Management is not acceptable as the fact remains that even after a lapse of two years from the decision; the *Parishad* had not been able to sell the plots.

LDA constructed parking place in the land of the *Parishad* valued at ₹ 76.90 crore.

- The Lucknow Development Authority (LDA) started constructing (October 2008) a parking place for Ramabai Ambedkar Rally Sthal on *Parishad's* land measuring 32.20 acre valued at ₹ 76.90 crore located in Sector-9 of Vrindavan Yojna No. 2, Lucknow without obtaining legal possession of the land and making payment of the cost of land. The *Parishad* did not resist this construction and also did not take any action for recovery of the cost of land from the LDA. The property, as such, remained in unauthorised possession of LDA.

The Management did not offer any comments (December 2011).

#### **Fixation of reserve price**

**3.31** The *Parishad* sells commercial and group housing plots through auction after fixing a reserve price based on the provisions of the Costing Guidelines. Para 16 of the Costing Guidelines provides that while fixing the reserve price of the land which is to be sold for commercial purposes, the price obtained in the auction of nearby plots is to be kept in view. The land rate is to be fixed at double the rate of the prevalent land rate of the residential plots where auction of properties in nearby plots had not taken place. Thus the reserve price of plots for commercial purpose is to be fixed at twice the prevalent land rate or price obtained in the auction of nearby plots whichever is higher.

We noticed the following:

- The *Parishad* fixed reserve price ranged between ₹ 12,320 and ₹ 13,893 per sqm for commercial plots of two schemes<sup>17</sup> at twice the normal rates, whereas, nearby plots were auctioned for ₹ 13,400 to ₹ 15,650 per sqm. Non consideration of these auctioned rates while fixing reserve price was contrary to the Costing Guidelines. This resulted in a loss of ₹ 50.04 lakh.

<sup>15</sup> In Jagriti Vihar Yojna No.6, Meerut.

<sup>16</sup> Calculated on the basis of land rate ₹ 7500 per sqm (7500x2x1.12x2363=₹ 3.97 crore).

<sup>17</sup> Amrapali Yojna-Lucknow and Madhavpuram Yojna-No.10, Meerut.

The Management stated (November 2011) that reserve price of commercial plots were fixed at twice the prevalent land rate of the schemes. The reply of the Management is not acceptable as reserve price of commercial plots was fixed without considering the prices obtained in earlier auctions, in terms of the Costing Guidelines.

**Incorrect fixation of reserve price for sale of group housing residential plots resulted in short realisation of ₹ 30.47 crore.**

- The *Parishad* fixed reserve price for group housing plots of five schemes<sup>18</sup> at one and half times of normal land rate. The costing guidelines of the *Parishad* do not contain any specific provision for fixing of reserve price of group housing plots. The guidelines only provide for fixing of reserve price of plots sold for commercial purposes and as the group housing plots are sold to builders who further construct and sell flats to others the activity of the builders is of a commercial nature, hence the reserve price of group housing plots should also have been fixed at twice the normal prevalent land rate. Thus, due to fixing the reserve price of group housing plots on the lower side the *Parishad* was deprived of potential revenue of ₹ 30.47 crore.

The Management stated (November 2011) that reserve price of group housing plots is fixed at 1.5 times of the normal land rate of the schemes. The reply of the Management is not acceptable as the plots were sold to builders for group housing purpose which is a commercial activity; therefore, reserve price should have been fixed as applicable for commercial plots.

#### ***Excess refund on cancellation of plots***

**3.32** As per Clause 9 of “U.P. Avas Evam Vikas Parishad ki Sampatti Ke Nistarani Sambandhi Viniyam 1980” (*Viniyam*), in case of commercial properties disposed of through auction, the amount of 10 *per cent* of the highest bid which includes token money (equal to 10 *per cent* of reserve price) shall be deposited by the allottee in the first phase. Clause 9 of the *Viniyam* also provides that if the allottee refuses to accept the allotment after issue of allotment letter, allotment would be cancelled after deducting the amount deposited in first phase.

**The *Parishad* refunded an amount of ₹ 2.09 crore in excess of the prescribed amount.**

We noticed that the *Parishad*, in violation of the provisions of the *Viniyam*, deducted only token money and refunded an amount of ₹ 2.09 crore in excess of the permissible amount on cancellation of two group housing plots in two schemes<sup>19</sup> during November 2009 to March 2010. As a result, the *Parishad* sustained a loss of ₹ 2.09 crore.

The Management stated (November 2011) that as per the *Viniyam*, amount deposited in the first phase includes 10 *per cent* of the reserve price of the plot, which has been duly deducted in the said cases.

The reply of the Management is not acceptable as the *Viniyam* provides that amount deposited in the first phase includes 10 *per cent* of the actual sale price of the plots.

#### ***Undue favour to allottee***

**3.33** The *Parishad*'s orders (April/December 2004) provide that in case of increase in land due to unforeseen reasons or incorrect measurement, value of the land will be increased at the rate of accepted bid together with interest at the rate applicable at the time of sale of land.

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<sup>18</sup> Transport Nagar Yojna No.2-Meerut, Shastri Nagar Yojna No.3-Meerut, Jagriti Vihar Yojna-No.6-Meerut, Amrapali Yojna-Lucknow, Vrindavan Yojna-Lucknow.

<sup>19</sup> Amrapali Yojna-Lucknow and Vasundhara Yojna-Ghaziabad.

The *Parishad* offered (December 2006) four commercial plots with an area of 8,513.75 sqm in Vrindavan Yojna for sale through auction. Bids for the four plots were finalised (January 2007) for total sale value of ₹ 8.69 crore to the Pranam Builders (Private) Limited (PBPL) being highest bidder. The *Parishad* while handing over the possession (January 2007) found that actual area of plots sold to PBPL was in excess by 1,893.88 sqm. The *Parishad* decided (August 2010) to charge the differential amount of plot and interest thereon from 1 January 2008.

Thus, the *Parishad* considered 1 January 2008 instead of January 2007 as base date for charging the interest on excess area of land giving relaxation of 11 months to the allottee. This has given a benefit of ₹ 31.90 lakh to the allottee with consequent loss of revenue to the *Parishad*.

The Management accepted (November 2011) that delay was on part of engineering section of the *Parishad* and further action was pending.

#### **Non execution of rent agreement**

**3.34** In Transport Nagar Yojna No. 2, Meerut, ten shops and one office complex constructed by the *Parishad* were occupied by the Police Department since March 1982. The Government accorded approval (November 1995) for payment of rent for the same by executing agreement.

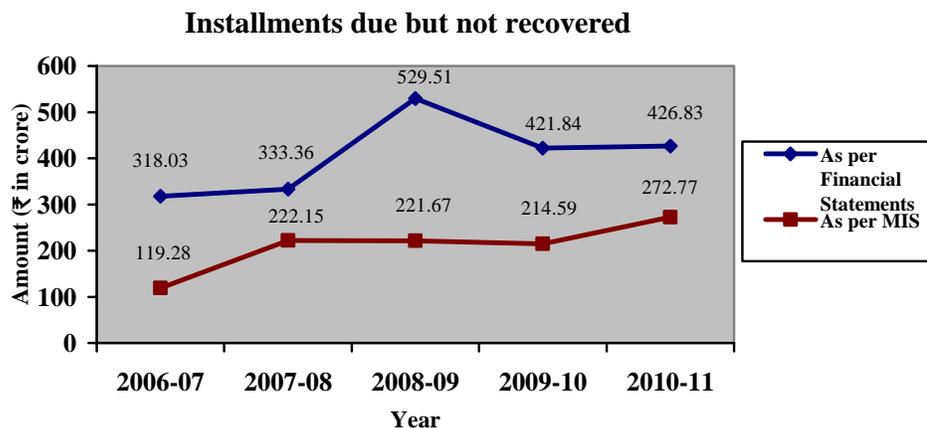
**The *Parishad* failed to execute rent agreement which resulted in non-realisation of rent amounting to ₹ 98.77 lakh.**

We noticed that even after a lapse of almost 16 years of the Government's approval for payment of rent, the *Parishad* had not provided draft agreement to the Police Department for its execution. In the absence of any agreement, the *Parishad's* claim (October 2007) for ₹ 94.23 lakh on account of rent up to August 2007 was not settled by the Police Department. This inaction has caused loss of rental income of ₹ 98.77 lakh<sup>20</sup> up to December 2011.

The Management's reply was not received (December 2011).

#### **Non-recovery of outstanding dues from allottees**

**3.35** The *Parishad* allots properties to people through lottery and/or auction. Thereafter, the sale proceeds are recovered from the allottees in installments according to pre-determined payment schedule which includes the principal amount and interest thereon. The position of outstanding installments during the period 2006-07 to 2010-11 as per Financial Statements and Management Information System (MIS) of the *Parishad* is depicted in the chart below:



As can be seen from above, installments due but not recovered had gone up to

<sup>20</sup> ₹ 94.23 lakh up to August 2007 and ₹ 4.54 lakh [(50 months x (5572+3514))] since September 2007 to December 2011.

₹ 426.83 crore in 2010-11 from ₹ 318.03 crore in 2006-07 as per the financial statements of the *Parishad*; whereas, as per MIS of the *Parishad*, it had gone up to ₹ 272.77 crore in 2010-11 from ₹ 119.28 crore in 2006-07. The main reason for non-recovery of the amount of installments was lack of adequate follow up action *viz.*, issue of recovery certificates, cancellation of plots etc., by the *Parishad*. The mis-match of the figures of outstanding installments in two sets of documents i.e., MIS and financial statements is indicative of weak internal control system.

The Management did not offer any comments (December 2011).

### **Manyavar Shri Kanshiram Ji Shahri Garib Avas Yojna**

**3.36** Government of Uttar Pradesh launched (June 2008) Manyavar Shri Kanshiram Ji Shahri Garib Avas Yojna (Yojna) to provide residential facilities free of cost to the urban poor population. The Yojna was to be implemented by the respective District Magistrate. State Urban Development Authority/District Urban Development Authority, *Parishad* and respective Development Authorities were made the executing agencies of the Yojna. The construction of these residential units was to be done on 'No Profit No Loss' basis. No overheads and any other expenses were admissible to any executing agency. The maximum cost of one residential unit was ₹ 1.75 lakh for first phase and ₹ 2.45 lakh for second phase including expenditure on infrastructure development. Deficiencies noticed in the execution of the Yojna are discussed below:

#### ***Execution of work without recovering administrative charges***

The *Parishad* implemented the scheme without recovering administrative charges amounting to ₹ 204.82 crore.

**3.37** The *Parishad* is a self-sustained Board and depends on the administrative charges or centage recovered from the clients for whom it executes the work. Under the Yojna, the *Parishad* has worked as an executing agency without charging any centage though a major portion of its workforce was deployed for execution of the works of this Yojna. This resulted in deficit of ₹ 204.82 crore<sup>21</sup>.

The Management stated (October 2011) that the Yojna was to be implemented without any centage. However, the *Parishad* had requested the Government to sanction the centage.

The reply is not tenable as the *Parishad* is a self-sustained autonomous body with no financial aid from the Government; hence, it should have demanded the centage at the initial stage.

#### ***Expenditure from Infrastructure Fund***

The *Parishad* incurred expenditure of ₹ 21.19 crore from its Infrastructure fund in violation of the provision of the scheme.

**3.38** The Yojna was to be implemented in a time bound manner and no price escalation was allowed in the first phase. In the second phase, where the site conditions were such that construction could not be completed within the sanctioned cost, expenditure incurred in excess of sanctioned cost was allowed to be met from Infrastructure Fund<sup>22</sup>.

We noticed that while implementing the first phase of the Yojna, the *Parishad* adopted frequent changes in specification and structure of houses, executed excessive earth fillings and site development work and, thus, failed to exercise effective cost control measures. As a result, the construction of the envisaged residential units in 20 districts could not be completed within the sanctioned

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<sup>21</sup> (Phase I : 67444 residential units X ₹ 1.75 lakh =1180.27 crore + Phase II : 18704 residential units X ₹ 2.45 lakh = ₹ 458.25 crore) x 12.5 per cent = 204.82 crore.

<sup>22</sup> Funds created out of *Parishad*'s share of Additional Stamp Duty.

cost and additional expenditure amounting to ₹ 21.19 crore was incurred from the Infrastructure Fund which was irregular.

The Management stated (October 2011) that these works were executed according to the directions of the Government against the money received for it and no money was made available by the *Parishad*.

The reply is not acceptable as Infrastructure Fund was utilised to carryout the work in addition to funds received from the State Government.

#### ***Utilisation of Parishad's land for the Yojna***

**3.39** The *Parishad* allots land to Government, Semi-Government departments and public institutions under the State Government for residential and/or official use through bulk sale and recovers the value of land from the concerned department/institutions as per the prevalent rules.

The 35.15 acre land valued at ₹ 41.02 crore was provided by the *Parishad* free of cost and loaded its cost on the land allotted to public.

We noticed that 35.15 acre land valued at ₹ 41.02 crore in seven own schemes of the *Parishad* was utilised (November 2008 to August 2010) for the purpose of construction of residential units under the Yojna. The *Parishad*, however, did not recover the value of such land and provided the same free of cost to the Yojna and loaded this cost of land on other unsold properties of the schemes.

The Management stated (October 2011) that the *Parishad* charged the value of such land on the schemes and no loss has been incurred by the *Parishad*.

The reply of the Management is not acceptable as the *Parishad* should have demanded the cost of land from the Government instead of loading this cost in the land allotted to public. Recovery of the cost of land from public was against the social justice.

#### **Other interesting cases**

##### ***Undue favour to architects***

**3.40** The State Government (February 1997) has authorised the construction agencies of the State to charge centage at the rate of 12.5 *per cent* on the deposit works which includes one and half *per cent* towards the services relating to preparation of drawing, design and estimates. We noticed that:

- The *Parishad* arbitrarily appointed six architects<sup>23</sup> for preparation of drawings, designs and estimates for the various deposit works during December 2007 to April 2010, without inviting competitive bids.
- Conditions of the appointment included payment of two *per cent* of the cost of the work to the architect against one and half *per cent* admissible to the *Parishad*. This resulted in excess payment of ₹ 87.34 lakh to the architects which was borne by the *Parishad* from its own funds.
- The *Parishad* paid for repetitive works at the rate of 0.50 *per cent* of the cost of work as against 0.25 *per cent* paid by other State Construction Companies<sup>24</sup>. This resulted in excess payment of ₹ 26.82 lakh to the architects.

The Management stated (October 2011) that due to non-availability of sufficient staff in the Architecture wing of the *Parishad*, the architectural and

<sup>23</sup> Rajeev Kumar & Associates, Astro Archineers, Super Traders, Shilanyas, Gems India Designers and Mrudunajali.  
<sup>24</sup> U.P. Rajkiya Nirman Nigam Limited and U. P. Projects Corporation Limited.

structural designing services were outsourced to private architects for which payment at the rate of two *per cent* of the project cost in case of original work and 0.50 *per cent* in case of repetitive works was being made after approval of the Housing Commissioner. As the scope of work of private architects also includes structural designing services, there was no excess payment.

The reply of the Management is not acceptable as only one and half *per cent* of the cost of work was admissible by the Government for Structural drawing and design services.

#### ***Non-levy of Service Tax on construction of residential complex***

**3.41** Construction of residential complex was brought under the Service Tax net with effect from 1 June 2005. An explanation was inserted in the Finance Act, 2010 with effect from 1 July 2010 that construction of a complex which is intended for sale before grant of completion certificate by the competent authority shall be deemed to be service provided by the builder to the buyer (except in case for which no sum is received from the prospective buyer by the builder before the grant of completion certificate). Thus, all money received by the builder in respect of ongoing or future projects, on or after 1 July 2010, was to be treated as money received by the builder against the service provided by the builder to the buyer and hence was taxable.

The *Parishad* opened registration for 216 flats (21 January 2011) in Vasundhara Yojna, Ghaziabad (Shikhar Enclave), 168 flats (31 August 2010) in Vrindavan Yojna No. 1 (Akash Enclave- Phase II) and 896 flats (15 January 2011) in Vrindavan Yojna No. 4 (Himalaya Enclave) after 1 July 2010.

Service tax amounting to ₹ 9.85 crore was not included in the cost of residential flats.

We noticed that the sale prices of the flats were fixed without considering the amount of Service Tax leviable as per explanation to the Finance Act. This resulted in non-inclusion of the amount of ₹ 9.85 crore. As the service tax of ₹ 9.85 crore on the cost of the flats was leviable, this had made the *Parishad* liable to bear it from its own sources.

The Management's reply was not received (December 2011).

#### ***Avoidable payment of Service Tax***

**3.42** Commercial or industrial construction services were covered under Service Tax with effect from September 2004. Service Tax was applicable on the construction of building/civil structure used or to be used for commercial activities. Services on construction of building/civil structure for educational, religious, charitable, health, sanitation or philanthropic purposes were, however, not taxable. Thus, the construction activities not intended for commerce or industry would not attract Service Tax.

The *Parishad* committed for avoidable payment of Service Tax of ₹ 43 lakh on non-taxable services.

The *Parishad* was awarded the work of construction of Hi-Tech Floriculture and Research Centre (2 March 2009) and 200 capacity single seated boys hostel (29 June 2009) at Sardar Vallabh Bhai Patel University of Agriculture and Technology, Meerut at a sanctioned cost of ₹ 9.73 crore and ₹ 10.27 crore respectively. For execution of the above works, the unit entered (6 July 2009, 6 July 2009 and 15 September 2009) into three contract bonds amounting to ₹ 12.95 crore (including service tax ₹ 43 lakh).

The construction of both, Hi-Tech Floriculture & Research Centre and 200 capacity single seated boys hostel does not attract service tax as they are not intended for commerce or industry, hence, no Service Tax was payable to the contractors. Thus, the *Parishad* has committed for avoidable payment of

service tax amounting to ₹ 43 lakh out of which payment of ₹ 26.25 lakh has already been made.

The Management did not offer any comments (December 2011).

#### ***Delay in deposit of statutory deductions***

**3.43** While making payment of bills of contractors/ suppliers deduction at source in respect of income tax and State Value Added Tax (VAT) is made at the prescribed rates from their bills. The taxes so deducted are to be deposited with the concerned tax authorities within the period<sup>25</sup> stipulated in the respective legislations. Non-deposit of Taxes so deducted in time also attracts penalty.

We noticed that the field units of the *Parishad* were not regular in depositing the statutory deductions of income tax and State VAT deducted at source due to which a penalty of ₹ 24.06 lakh had already been imposed (May 2007 to December 2010) by the Tax authorities on the *Parishad*.

The Management's reply was not received (December 2011).

#### **Avoidable expenditure on maintenance**

**3.44** Section 41(1) of the *Adhiniyam* provides that the *Parishad* may hand over any street, laid out or altered by and vested in it to the local authority within whose jurisdiction it lies, after giving it one month's notice when;

- any such street has been duly leveled and metalled;
- lamp posts necessary for the lighting of such street have been provided; and
- water drains and sewers have been provided in such street, in the manner provided in the scheme.

After the scheme is handed over to the local authority, the responsibility of maintenance of the streets is of the respective local authority.

We noticed that six schemes<sup>26</sup> were handed over (1997 to 2006) by the *Parishad* to the concerned local authorities. Even after handing over the schemes, the *Parishad* incurred expenditure of ₹ 3.55 crore on maintenance of these schemes during the period 2006-07 to 2010-11 which was not its obligation.

Management's reply to the audit observation was not received (December 2011).

#### **Monitoring**

**3.45** Proper monitoring is essential for effective and efficient allocation and utilisation of available resources in achieving the predetermined objectives. Deficiencies noticed in monitoring of various activities are discussed in the succeeding paragraphs:

<sup>25</sup> As per Rule 30 of the Income Tax Rules, 1962 the due date for deposit of income tax deducted at source is 7<sup>th</sup> of the next month in which deduction has been made. As per Section 34(6) of the UPVAT Act, 2008 the due date for deposit of VAT deducted at source is 20<sup>th</sup> of the next month in which deduction is made.

<sup>26</sup> Nehru Nagar Yojna No. 1 & 2 -Dehradun, Rajpur Road Yojna-Dehradun, Indira Nagar Yojna-Dehradun, Vasundhara Yojna-Ghaziabad, Talpura Yojna-Jhansi and Indira Nagar Yojna-Lucknow.

### ***Adjustment of Material-at-Site***

**3.46** As per *Parishad's* order (April 2004), balance of 'Material at Site' on account of employees should be adjusted immediately.

We noticed that material of ₹ 8.06 crore issued to 69 Engineers of the *Parishad* between October 2007 and January 2011 was lying unadjusted (March 2011) indicating ineffective monitoring and inaction against the defaulting Engineers.

The Management stated (October 2011) that instructions have been issued to the field offices regarding adjustment of pending material-at-site within 15 days and to adjust the same as per the provisions of FHB-VI.

### ***Non-adjustment of temporary/permanent imprest***

**3.47** As per para 170 of FHB-VI, the temporary/permanent imprest should be adjusted immediately against passed vouchers. Temporary/permanent imprest should not be released to any employee without adjusting the existing imprest.

We noticed that temporary/permanent imprest of ₹ 36.15 lakh was lying unadjusted against 56 officers/officials indicating ineffective monitoring and inaction against the defaulting officers/officials.

The Management stated (October 2011) that instructions have been issued to the field offices regarding adjustment of pending imprest within 15 days and to adjust the same as per the provisions of FHB-VI.

### ***Non recovery of betterment/development charges***

**3.48** Section 50 of the *Adhiniyam* provides that where any area comprised in a scheme is not required for execution of the scheme, the same may be exempted by the *Parishad* after levying betterment charges. The *Parishad* levied betterment/development charges of ₹ 77.07 crore on the owners/occupants in 12 schemes but could recover only ₹ 4.97 crore. The balance amount of ₹ 72.10 crore remained un-recovered as yet (March 2011). The main reasons for non-recovery of betterment/development charges was issue of demand letters to incorrect persons and lack of follow up action like issue of notices and recovery certificates by the *Parishad*.

The Management stated (November 2011) that efforts were being made to realise the betterment/ development charges.

The *Parishad* failed to realise betterment/development charges amounting to ₹ 72.10 crore.

### **Internal control system and internal audit**

**3.49** Internal Control is a management tool designed for providing reasonable assurance for efficiency of operation, reliability of financial reporting and compliance with applicable laws and statutes. Our analysis of internal control procedures/mechanism and internal audit system of the *Parishad* revealed the following deficiencies:

#### ***Physical verification of stock***

**3.50** Physical verification of stock is a tool of internal control for inventory management. Regular physical verification of stock helps management in detection of shortages and misappropriation of stock, segregation of excess and unserviceable stock. Para 230 of the FHB-VI provides that stock should be verified at least once in a year.

We noticed that out of 13 units, physical verification of stock was not conducted for the last two to five years in four units.

The *Parishad* failed to conduct regular physical verification of stock.

The Management stated (October 2011) that instructions have been issued to the field offices to conduct physical verification of stock within 15 days according to the provisions of FHB-VI.

**Weak control mechanism**

**3.51** The following further deficiencies in control mechanism were noticed:

- There was lack of follow-up and monitoring which resulted in non-achievement of targets and delay in acquisition of land, development of land and construction of properties.
- Lack of preventive measures resulted in encroachments and disputes on *Parishad's* land.
- Non-adjustment of material-at-site and temporary/permanent imprest.
- Non recovery of betterment and development charges.
- Non-reconciliation of dues on account of installment due but non-recovered as per financial statement and as per MIS.
- Lack of adequate follow-up action for recovery of dues from allottees.

**Internal audit**

**3.52** The following deficiencies were noticed in the internal audit:

- Audit and Accounting Manuals have not been prepared by the *Parishad*.
- The strength of Internal Audit Wing (IAW) was not commensurate with the size and volume of business of the *Parishad*. Serious findings of special internal audit remained pending for action.
- IAW had not conducted audit of the Headquarters, Chief Architect and Planning Cell, Quality Control Cell and Global Construction and Consultancy Cell of the *Parishad*.

<b>Conclusion</b>
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Performance audit of the *Parishad* disclosed:

- **There were delays at every stage of issuing notifications for acquisition of land which impacted adversely on the objective of providing housing solution to urban population;**
- **Targets for land acquisition, development of land and construction of properties were not achieved;**
- **Provisions of the Costing Guidelines were not strictly adhered to in costing of schemes and sale price of properties;**
- **Properties of huge value remained unallotted due to non-marketability and encroachments;**
- **Reserve prices were fixed on lower side and market value of nearby plots were not considered for fixing reserve price of plots resulting in auction of properties at lower prices;**
- **Excess refunds were made in the cases of cancellation of allotments;**
- **The monitoring and internal control system were found to be deficient.**

### **Recommendations**

- **The *Parishad* needs to adhere the fixed time frame at every step involved in acquisition of land and regularly reconcile position of acquisition process with SLAO to minimise the delays in acquisition of land;**
- **The *Parishad* should strive for achievement of the targets of land acquisition, development and construction of properties;**
- **Provisions of the Costing Guidelines regarding costing of schemes and fixing of reserve/sale price of properties should be adhered to strictly;**
- **Effective action required to liquidate the unsold properties;**
- **In the cases of cancellation of allotments, refunds should be made according to rules;**
- **The *Parishad* needs to ensure that provisions of the Costing Guidelines and Allotment Rules are strictly adhered to;**
- **An effective monitoring and sound internal control mechanism is needed.**