

Chapter 2

Housing and Urban Planning Department

2.1 Performance Audit of Lucknow Development Authority

Executive Summary

Lucknow Development Authority (Authority) was set up in September 1974 under Uttar Pradesh Urban Planning and Development Act, 1973. The Performance Audit of the Authority was carried out covering the period of five years up to 2014-15.

Audit findings pertaining to various sections of the Authority are discussed below:

Finance Section***Irregular expenditure from Infrastructure Development Fund***

The Authority incurred an expenditure of ₹ 4.29 crore from Infrastructure Development Fund on works not covered under infrastructure development.

(Paragraph 2.1.6.5)

Property Section***Avoidable expenditure due to violation of codal provisions***

The Authority suffered a loss of ₹ 30.88 crore due to initiating land acquisition proceedings for deposit works of State Government without ensuring availability of funds.

{Paragraph 2.1.7.3(i)}

Planning Section***Loss due to short/non-recovery of fee/charges***

The Authority suffered a loss of ₹ 30.16 crore due to short/non-recovery of fees/charges such as Floor Area Ratio (FAR) fee, Purchasable FAR fee, City Development Charges, External Development Charges, Land Use Conversion Charges and Stacking & Supervision charges in accordance with Building Bye-laws and GoUP orders.

(Paragraph 2.1.8.3)

Non-levy of labour cess on sanction of maps

The Authority failed to put in place a mechanism to assess and collect labour cess on the estimated cost of construction of buildings/houses (wherever estimated cost exceeded ₹ 10 lakh) which led to non-collection of labour cess amounting to ₹ 35.52 crore.

(Paragraph 2.1.8.4)

Engineering Section***Avoidable expenditure on execution of Group Housing Project***

The Authority awarded the work of construction of Group Housing scheme in contravention to the Central Vigilance Commission guidelines and incurred avoidable expenditure of ₹ 18.28 crore.

(Paragraph 2.1.9.1)

Under charge towards the cost of land

Application of incorrect rate of land in costing of flats resulted in loss of ₹ 28.59 crore to the Authority.

(Paragraph 2.1.9.1)

Hi-tech and Integrated Township Section

Undue favour to the developers

The Authority failed to levy land use conversion charges amounting to ₹ 7.25 crore and administrative charges amounting to ₹ 6.65 crore in acquisition of land.

{Paragraph 2.1.10.1 & 2.1.10.2 (i)}

Sale Section

Allotment of residential properties in contravention to the GoUP Policy

The Authority, in contravention to GoUP policy (1992), allotted more than one property to 167 applicants. It also failed to cancel the allotments of properties and recover the equivalent value of properties from these allottees amounting to ₹ 24.41 crore.

(Paragraph 2.1.11.1)

Enforcement Section

Failure to take action against unauthorised constructions

The Authority failed to take any action against the 3,822 unauthorised constructions.

(Paragraph 2.1.12.2)

2.1.1 Introduction

The Government of Uttar Pradesh (GoUP) set up (September 1974) Lucknow Development Authority (Authority) under Uttar Pradesh Urban Planning and Development Act, 1973 (Act) with prime objectives to:

- promote and secure development of Lucknow area;
- carry out building, engineering, mining and other operations;
- execute works in connection with supply of water & electricity;
- dispose off sewage and to provide and maintain other services and amenities; and
- acquire, own, manage and dispose-off land and other properties for such development.

2.1.2 Organisational Structure

As per section-4 of the Uttar Pradesh Urban Planning and Development Act, 1973 the Authority is a body corporate, having perpetual succession and a common seal with power to acquire, hold and dispose off properties. The day to day activities of the Authority is managed by a Vice Chairman who is assisted by a Secretary, an additional Secretary, a Finance Controller, a Chief Town Planner and a Chief Engineer. The organisational chart and charter of duties of officers of the Authority is detailed in **Appendix-2.1**. The Authority performs its functions through eight sections *viz.* finance, property, planning,

engineering, hi-tech/integrated township, sale, enforcement, and *nazul* as detailed in table 2.1.1 below:

Table 2.1.1: Statement showing details of various sections with assigned works and sectional heads

Section	Work assigned	Headed by
Finance	Management of all the financial matters of the Authority.	Secretary/Additional Secretary
Property	Land acquisition and all work related to <i>gram Samaj</i> , <i>nazul</i> and ceiling land.	Secretary
Planning	Planning as per the Master Plan/the Bye-laws and approval of maps.	Chief Town Planner
Engineering	Development works of schemes.	Chief Engineer
Hi-tech and Integrated township	Facilitation of hi-tech/integrated township schemes of the Government.	Secretary
Sale	Sale of properties developed in the schemes.	Joint/Dy. Secretaries
Enforcement	Action under the Act on un-authorized constructions and encroachments.	Secretary/Additional Secretary
Nazul	Management/administration of <i>nazul</i> land	Joint Secretary/ <i>Nayab Tehsildar</i>

Constitution of Board of Authority

According to the Act, the Board of Authority (Board) consists of a Chairman, a Vice Chairman, six *ex-officio* members (Secretary, Housing and Urban Planning Department, Secretary, Finance Department, Chief Town and Country Planner, Managing Director, U.P. Jal Nigam, *Mukhya Nagar Adhikari* and District Magistrate of Lucknow), four members from Lucknow Nagar Nigam, and other members not exceeding three as may be nominated by the State Government.

2.1.3 Audit Objectives

The objectives of the Performance Audit were to ascertain, whether:

- process of acquisition of land was completed in time after assessing the suitability of land.
- adequate planning for development of land was made, the schemes conformed to the Master Plan and maps/layout sanctioned in compliance with Building Bye-laws and other applicable rules and the allotment of land was transparent.
- works were awarded and executed in accordance with the stipulated codal provisions and instructions.

2.1.4 Audit criteria

The criteria of audit were drawn from the following sources:

- The Uttar Pradesh Urban Planning and Development Act, 1973;
- Land Acquisition Act, 1894 and *Karar Niyamawali*, 2012;
- Uttar Pradesh Development Authorities, Finance and Accounts Manual, 2004 (Manual) ;

- State Housing Policy, 1995 and Hi-tech and Integrated Township Policies;
- Building Bye-laws (Bye-laws) 2000 & 2008 as amended in 2011, Government orders issued by Housing & Urban Planning Department, GoUP and Master Plan 2021;
- Uttar Pradesh Public Works Department (UPPWD) Schedule of Rates (SOR) and Central Public Works Department (CPWD) Delhi Schedule of Rates (DSR);
- Board's agenda and minutes, administrative and annual reports, physical and financial progress reports of the Authority.

2.1.5 Scope and Methodology of audit

The working of the Authority was last reviewed and featured in Audit Report (Civil), GoUP for the year ended 31 March 2007 which has been discussed by the Public Accounts Committee (PAC) in January 2009, November 2009 and April 2011. The present Performance Audit covers the period from 2009-10 to 2014-15. During the audit period 18 cases of land acquisition (433.31 hectare) were finalised out of which nine cases (56.741 hectare) were examined by audit. The Authority had undertaken 15 Group Housing schemes, nine deposit works of GoUP¹, 33 works out of Infrastructure Fund (more than ₹ one crore) and 122 cases of development works from its own budget (more than ₹ one crore) during 2009-15. Out of this, four cases of Group Housing, three cases of deposit works, eight works of Infrastructure Fund and 30 cases of development works were selected for audit on the basis of stratified random sampling. Besides, 50 out of total 253 cases of maps sanctioned for properties involving area more than 2,000 sqm in each case, were selected for examination along with 19 out of 39 cases of bulk sale of properties during 2009-10 to 2014-15.

We explained the audit objectives to the Management during Entry Conference (14 October 2014) with Vice Chairman and Deputy Secretary, GoUP. The audit was carried out between 5 August 2014 and 11 June 2015 during which performance of the Authority was evaluated.

The Authority furnished its reply in July 2015. Considering the reply of the Authority the performance audit report was issued (August 2015) to the Authority and to the Government. The reply of the Government is still awaited (October 2015). The Exit Conference was held on 20 August 2015 in which the Management accepted the audit observations and recommendations.

Audit Findings

The audit findings pertaining to various sections are discussed in succeeding paragraphs:

2.1.6. Finance Section

Finance Section deals with management of all the financial matters. It prepares budget estimates, supplementary budgets, revised budgets etc. and maintains

¹ Excluding seven works which were got executed through Uttar Pradesh Rajkiya Nirman Nigam Limited (UPRNN) and already covered in "Performance Audit of Construction of Memorial" and printed in CAG's Audit Report, (Non-PSUs), GoUP, 2012-13.

books of accounts and other accounting records. It prepares Income and Expenditure Account, Balance Sheet etc.

2.1.6.1 Financial Status

The status of income and expenditure of the Authority during 2010-11 to 2014-15 is detailed in table-2.1.2 as given below:

Table 2.1.2: Statement showing income and expenditure of the Authority

(₹ in crore)						
Sl.	Particulars	2010-11	2011-12	2012-13	2013-14	2014-15
1	2	3	4	5	6	7
	Income					
1	Allotment/auction sale of plots/houses/ bulk sale	575.77	852.74	400.25	282.73	154.66
2	Rent (including lease rent)	2.70	10.11	3.87	3.74	11.05
3	Interest from bank	26.32	53.17	76.01	96.76	105.68
4	Other income	25.86	96.20	83.94	88.52	120.42
5	Increase in stock in trade	(13.78)	473.37	48.19	655.81	304.34
6	Excess of prior year income over prior year expenses	00	-0.29	29.94	163.80	124.67
7	Total	616.87	1485.30	642.2	1291.36	820.82
	Expenditure					
8	Development expenses (Net of prior year adjustment, if any)	89.23	301.62	82.54	300.82	351.85
9	Construction expenses	387.44	1062.44	371.71	507.43	45.54
10	Land acquisition expenses	66.94	40.32	58.67	218.73	189.39
11	Establishment and other expenses	83.77	92.59	112.89	116.37	129.83
12	Total	627.38	1496.97	625.81	1143.35	716.61
13	Excess of income over expenditure (7-12)	(10.51)	(11.67)	16.39	148.01	104.21

(Source: Income and Expenditure Accounts of the Authority)

The above table shows that the total expenditure of the Authority increased at an annual average rate of 31.45 per cent, whereas total income grew at an annual average rate of 37.17 per cent during 2010-15. During last five years, the Authority sustained losses amounting to ₹10.51 crore in 2010-11 and ₹ 11.67 crore in 2011-12 while it earned profit ranging between ₹ 16.39 crore and ₹ 148.01 crore during the remaining years under review.

Audit findings on functioning of the Finance Section are discussed below:

2.1.6.2 Lack of budgetary control

As per para 2.1 and 2.2 of the Uttar Pradesh Development Authorities, Finance and Accounts Manual 2004 (Manual), preparation of budget estimates should be an annual exercise based on annual work plan which would be approved by the Board of Authority by the end of the previous year. We noticed that there was a negative variation of 38 per cent to 63 per cent in budgeted income to actual income and 50 per cent to 66 per cent in budgeted expenditure to actual expenditure during 2011-12 to 2014-15 as detailed in

Authority failed to achieve budgeted income and incurred excess expenditure which negated the very purpose of the budgetary control

Appendix-2.2. This negated the very purpose of the budgetary control exercise in the Authority.

The Authority stated (July 2015) that the variation in budgeted income and expenditure occurred on account of delay in acquisition/completion of certain projects due to agitation by land owners.

2.1.6.3 Failure to get Accounts Audited

As per provisions contained in section 22 (2) of the Act, the accounts of the Authority were subject to audit annually by the Examiner, Local Fund Accounts (ELFA), provided that in place of or in addition to the ELFA, the GoUP may entrust the audit to the Accountant General, Uttar Pradesh or to any other Auditor. We noticed that the Authority prepared the account for the years 2009-10 to 2014-15, but neither submitted the accounts to ELFA nor to the Accountant General for audit as a result the accounts of the Authority for the year 2009-10 to 2014-15 remained unaudited till date.

The Authority stated (July 2015) that audit of all *challans* of income and expenditure, vouchers and work files is carried out by ELFA. The reply is not acceptable as audit of annual statements of accounts of the Authority by ELFA has not been carried out so far.

2.1.6.4 Non reconciliation of balances

As per provisions contained in part IV of section 27 of the Manual, the Authority should prepare a reconciliation between the balance as per bank statement and balances in bank accounts as per cash book on monthly basis and corrective steps should be taken in case of any difference noticed between them. We noticed that as on 31 March 2015, despite reconciling balances of 41 bank accounts by engaging Chartered Accountants, differences of balances as per bank statements (₹ 461.68 crore) and bank accounts as per cash book (₹ 614.55 crore) amounting to ₹ 152.87 crore was persisting from previous years. In absence of proper reconciliation, possibility of fraud, misappropriation of funds could not be ruled out.

The Authority stated (July 2015) that the differences pertain to previous years and efforts are being made to reconcile the bank accounts.

2.1.6.5 Irregular expenditure from infrastructure development fund (IDF)

As per GoUP order (January 1998), 90 *per cent* of the income of the Authority pertaining to development charges, land use conversion charges, freehold charges, registration fees etc and 50 *per cent* of compounding charges etc was to be kept in a fund with a view to contribute towards infrastructure development of the city. We noticed that Authority incurred an expenditure of ₹ 4.29 crore on works not covered under infrastructure development as depicted in table-2.1.3 given below:

Authority neither submitted the accounts to ELFA nor to the Accountant General for audit for the years 2009-10 to 2014-15

An expenditure of ₹ 4.29 crore was incurred out of infrastructure development fund on works not covered under infrastructure development

Table 2.1.3: Statement showing inadmissible expenditure incurred on works out of IDF

	Items of Expenditure	Amount (₹ in lakh)
1	Construction and renovation work in CBCID building	62.87
2	Replacement of the lifts at Vikas Deep Commercial Complex	38.00
3	Construction and renovation work Authority building	328.10
Total		428.97

(Source: Progress report of Infrastructure fund)

Authority stated (July 2015) that the expenditure was incurred in view of the urgency of the work and only after approval of the IDF committee. The reply is not acceptable as the nature of expenditure incurred was not permissible under the infrastructure development works.

Recommendations:

- The Authority should take immediate steps for getting its account audited and the differences of bank balances persisting since long should be reconciled.
- It should use the infrastructure fund for the intended purpose only.

2.1.7 Property Section

Property section of the Authority is entrusted with the work of land acquisition along with other miscellaneous works related to *Gram Samaj* land. Secretary of the Authority is the sectional head of the property section, assisted by one Joint Secretary, two Deputy Secretaries, two *Tehsildars*, 12 *Ameens* and 10 Surveyors.

2.1.7.1 Acquisition of land

Land Acquisition Act, 1894 (LAA) empowers the Authority to acquire land for development of housing schemes and for other public purposes. As per the GoUP order (July 2006) approval of Board, was necessary for land acquisition schemes involving area of more than 25 acres.

The Authority acquired 5,702.36 hectare of land up to 31 March 2015 out of which it could utilise 5,334.16 hectare and 35.43 hectare of land is yet to be utilised whereas 332.77 hectare of land was under dispute due to disagreement with land owners on issues relating to compensation. Besides above, the Authority had paid ₹ 349.70 crore to Special Land Acquisition Officer (SLAO) for land acquisition proposals of 797.95 hectare, during September 2007 to December 2013, which were pending for acquisition till March 2015 due to stay orders issued by the Hon'ble High Court on account of demand for increased compensation by the land owners.

2.1.7.2 Loss due to cancellation of land acquisition proposals

During the audit period, 18 cases of land acquisition (433.31 hectare) were finalised out of which 376.57 hectare land was acquired in nine cases while nine cases of acquisition (56.741 hectare) were cancelled due to various reasons i.e. as per direction of GoUP, advice of the Additional Advocate General, non transfer of *Nazul* land and dispute over title of land as detailed in **Appendix-2.3**. Thus, the Authority suffered a loss of ₹ 31.36 crore in cancellation of land acquisition proposals as discussed below:

2.1.7.3 Avoidable expenditure due to violation of codal provision

(i) As per provisions contained in rule 129 (v) of GFR 2005, no works shall be commenced or liability incurred in connection with it until funds to cover the charge during the year have been provided by competent authority. We noticed that the Authority on the verbal instructions of GoUP initiated land acquisition proceedings for GoUP projects for two deposit works i.e. parking and helipad without receipt of requisite funds (**Appendix-2.4**) and deposited ₹ 285.33 crore with the SLAO from its own sources during the period from June 2008 to August 2011. We noticed that the acquisition proceeding of land for helipad was deferred (September 2008) by the Board on instruction of GoUP while land proceeding for parking was de-notified (July 2012) by the Authority on the opinion of Additional Advocate General. As a result, the SLAO deducted² (June 2015) acquisition charges of ₹ 30.88 crore (**Appendix-2.4**) against these proposals which has not been claimed by the Authority from GoUP till date (October 2015) which has resulted in loss to the Authority.

Authority did not furnish (October 2015) any specific reasons for starting the deposit works without ensuring funds from the GoUP.

(ii) As per provisions contained in Manual of the Authority, before taking up a new scheme /project, status of land acquisition, approval and sanctions to be sought from respective Government agencies should be available. We noticed that the Authority without ensuring the status of availability of land and approval of the GoUP, launched (February 2009) the Group Housing scheme on proposed 6.93 hectare land and invited registration from public thrice³. The scheme could not take off as *Nazul* land was not transferred by the GoUP. The Hon'ble High Court directed (March 2011) the Authority that no advertisement shall be issued unless the land has been transferred to the Authority. In view of non-availability of the land and directions of the Hon'ble High Court, the Authority finally decided (March 2011) to cancel the scheme and refunded the registration money to the allottees along with interest of ₹ 21 lakh. This also necessitated cancellation of acquisition proposal of requisite land, thereby incurring cancellation charges of ₹ 27 lakh deducted by SLAO. Thus, due to not following the codal provisions, the Authority suffered loss of ₹ 48 lakh.

Authority did not furnish (October 2015) any reasons for launching the Group Housing scheme without ensuring the availability of land.

Recommendation:

The Authority should ensure receipt of funds before execution of deposit works and also ensure availability of land before launching any new scheme.

2.1.8 Planning Section

Planning section of the Authority is entrusted with preparation of Master Plan, Zonal Development Plan and sanction of maps of properties in accordance with the GoUP orders and Building Bye-laws (Bye-laws). Planning section is

² The SLAO deducts 25 per cent of acquisition charge after preliminary survey, 35 per cent after notification under Section 4, 50 per cent after notification under section 6 and 100 per cent after declaration of award.

³ During 11.2.2009 to 10.3.2009, 25.6.2009 to 25.8.2009 and 15.1.2011 to 28.2.2011.

The Authority suffered loss of ₹ 48 lakh due to launching of group housing project without ensuring availability of land

headed by the Chief Town Planner of the Authority, who is assisted by one Assistant Town Planner, 20 draftsmen and six tracers. We noticed that:

2.1.8.1 Delay/non-preparation of Master Plan and Zonal Development Plans

As per the provisions contained in Section 8 of the Act, the Authority was to prepare a Master Plan and Zonal Development Plans for the development area and submit it to the GoUP for approval. The GoUP approved (February 1992) a Master Plan which remained effective till 2001. However, we during audit noticed that process of preparation of new Master Plan-2021 was started in 2002 and it could only be approved in March 2005. As a result implementation of new Master Plan 2021 was delayed by four years.

We also noticed that the Authority failed to prepare the Zonal Development Plans for all the 22 zones of Lucknow area even after lapse of 10 years from the approval of Master Plan-2021 in March 2005.

The Authority did not furnish any specific reply about delay in preparation of Master Plan-2021. However, stated (July 2015) that efforts are being made to prepare the Zonal Development Plans. The fact remains that Zonal Development Plans have not been prepared even after lapse of 10 years from the approval of the Master Plan-2021.

2.1.8.2 Sanction of maps

For sanction of maps, four sets of proposed maps are to be submitted along with requisite fees, lease/ license deed documents regarding ownership, site plan etc. The Authority sanctions maps in accordance with Bye-laws and other regulations applicable at the time of sanction. The requirements for sanction of maps are given in table 2.1.4 below:

Table 2.1.4: Details of requirements for sanction of map

S.N	Area of plot (sqm)	Requirement of Sanction of Map
1.	Above 300	Requires sanction of the Authority
2	Up to 300	Considered as deemed sanctioned on the basis of certificate of Architect, if not rejected by the Authority within thirty days from the date of deposit of map with requisite fees.

(Source: Bye-laws 2008)

Further, power of sanction of map for plots having area from 301 to 1,000 sqm, rests with Secretary/Additional Secretary of the Authority and for plot area above 1,000 sqm, rests with Vice Chairman of the Authority.

2.1.8.3 Violation of Building Bye-laws and Government orders

The Authority sanctioned 253 maps (having area more than 2,000 sqm) during the period 2009-10 to 2014-15. Out of this, Audit selected 50 cases of sanction of maps for detailed scrutiny. However, Management furnished files and records relating to 22 cases only. We noticed cases of violation of Building Bye-laws and Government orders in sanctioning of maps which resulted in short/non-recovery of prescribed fee amounting to ₹ 30.16 crore and other irregularities as mentioned below:

FAR charges of ₹ 10.85 crore were short recovered in sanctions of four maps

Short recovery of Floor Area Ratio charges (FAR)

The Floor Area Ratio (FAR) is the ratio of a building's total floor area to the size of the piece of land upon which it is built. We noticed that the Authority, in contravention to provisions of applicable Bye-laws applied incorrect District Magistrate (DM) circle rate, incorrect factor and calculated FAR charges on the basis of old Bye-laws etc. which resulted in short recovery of FAR charges to the extent of ₹ 10.85 crore in approval of four maps as detailed in **Appendix-2.5**.

Non-recovery of purchasable FAR charges

Purchasable FAR is the maximum permissible limit of FAR which can be purchased subject to compliance of Bye-laws and payment of prescribed charges over and above the basic FAR.

The GoUP while issuing amended Bye-laws of 2011, introduced a provision that in new/undeveloped areas, where the land belonged to the private owners, FAR exceeding 1.5 but upto 2.5 shall be allowed for which purchasable FAR charges shall be payable. We noticed that the Authority while approving group housing map of one developer did not levy purchasable FAR fee amounting to ₹ 79.67 lakh⁴.

The Authority did not furnish any reply (October 2015).

Non recovery of City Development Charges (CDC)

Short recovery of city development charges to the extent of ₹ 1.41 crore

Section 2 (ddd) of the Act, defines City Development Charges (CDC) as the charge levied on a private developer under section 38-A of the Act for the development of land in order to strengthen the infrastructural facilities of the city as development of private townships shall cause pressure on the existing infrastructure of the city. Clause 3.5.1 (VII) of Bye-laws further provided that in case the land belongs to the developer or had not been allotted by the Authority/UPAVP⁵, CDC on purchasable FAR shall be payable at the rate of 15 per cent of the prevailing DM circle rate.

We noticed that the Authority failed to levy CDC on extra FAR allowed to the extent of ₹ 1.41 crore to two developers as detailed in **Appendix-2.6**.

Non-levy of External Development Charges

Non-levy of external development charges of ₹ 7.54 crore

Clause 3.5.1(VIII) of Bye-laws provides for levy of development charges (both internal and external) at the time of approval of maps of group housing/multi-storey buildings at existing developed colonies. External development charges are levied by the Authority for strengthening infrastructural facilities of the area for which map is to be sanctioned. Board approved (September 2009) categorisation of *Mahayojna* area into *Nirmit*, developed, undeveloped and undefined area and decided to levy development charges in all other areas except in *Nirmit* areas belatedly in July 2011. However, the Authority did not levy external development charges amounting to ₹ 7.54 crore while approving maps of two developers as detailed in **Appendix-2.7**.

⁴ Purchasable Area: 14,226.37 sqm*circle rate: ₹ 3,500 per sqm*factor: 0.4/basic FAR: 2.5

⁵ Uttar Pradesh *Avas Evam Vikas Parishad*

Non-levy of land use conversion charges

Non-recovery of land use charges of ₹ 1.52 crore

The GoUP directed (March 2005) that change in land use shall be admissible only after receipt of the fee and completing the procedure prescribed in the Act. The GoUP order (August 2001) further provided that for conversion of the land use from agriculture to commercial, conversion charges at the rate of 1.5 times of prevalent DM circle rate on 75 per cent of the total land (for area between two to five acre) shall be payable. However, in contravention to the above provisions, the Authority adjusted agricultural land of one developer measuring 10,115.69 sqm, in the commercial layout of the Authority without levying land use conversion charges amounting to ₹ 1.52 crore (2.50 acre*0.75*2.00 crore/hectare or ₹ 0.81 crore per acre).

Authority did not furnish any reply (October 2015).

Loss due to non-revision of stacking and supervision charges

Authority suffered loss of ₹ 7.99 crore due to non-revision of rates of stacking and supervision charges in time

The GoUP authorised (February/May 1998) Development Authorities to levy stacking charges, supervision fees and strengthening fees at prescribed rates at the time of approval of maps. These rates were to be revised on the basis of CPWD cost index from time to time as detailed in **Appendix-2.8(a)**.

We noticed that the Authority failed to revise these charges timely (revised in the year 2000 and belatedly in July 2011). As a result, it failed to earn additional income to the extent of ₹ 7.99 crore in respect of stacking and supervision charges alone during 2009-10 and 2010-11 (**Appendix-2.8b**).

Authority did not furnish any reply (October 2015).

Sanction of maps without incorporating provision of houses for Economically Weaker Section and Lower Income Group

Authority approved maps of group housing without ensuring provision of EWS/LIG houses

As per the GoUP order (January 2010 & September 2011) provision for Economically Weaker Sections (EWS) and Lower Income Group (LIG) houses was to be made to the extent of 10 per cent each of total residential units approved. We noticed that in two cases Authority approved the maps of group housing without ensuring above provision as detailed in **Appendix-2.9**.

2.1.8.4 Non-levy of Building and Other Construction Workers' Welfare Cess (labour cess) on maps sanctioned by the Authority

The Government of India (GoI) notified (August 1996) the 'Building and Other Construction Workers' Welfare Cess Act, 1996'. The GoUP order (December 2010/August 2011) made it mandatory for every Development Authority sanctioning maps/layouts to ensure collection of labour cess at the rate of one per cent of the construction cost where the cost of construction exceeded ₹ 10 lakh and deposit it with the account of the Labour Welfare Board (LWB).

Authority failed to recover labour cess amounting to ₹ 35.52 crore on sanction of maps

We noticed that the Authority failed to put in place a mechanism to assess and collect labour cess on the estimated cost of construction of buildings/houses wherever estimated cost⁶ exceeded ₹ 10 lakh while sanctioning maps/layouts. The Authority sanctioned 6,728 maps of different categories during the period from September 2011 to March 2015, out of

⁶ Calculated on the basis of covered area of such plots multiplied by the average DM circle rates for valuation.

these, 5,219 maps were for other than departmental/ official⁷ where the estimated cost exceeded ₹ 10 lakh and necessitated collection of labour cess prior to sanction of maps. Thus, non-collection of labour cess, resulted in violation of the GoUP orders and non recovery and deposit of the cess amounting to ₹ 35.52 crore (approx) to the LWB (**Appendix-2.10**).

Authority did not furnish any reply (October 2015).

Recommendations:

- The Authority, while sanctioning of maps, should ensure correct levy of prescribed fee/charges in accordance with applicable Building By-laws and GoUP orders.
- It, while sanctioning of maps, should ensure provision of houses for economically weaker sections and lower income groups in compliance of GoUP orders.
- It should also ensure levy and deposit of labour cess to Labour Welfare Board on approval of maps as per Government orders.

2.1.9 Engineering Section

Engineering section is entrusted with the responsibility of the execution of construction and development works in new and upcoming schemes of the Authority. It also holds the responsibility of execution of contracts/ issue of work orders for execution of works, verification of bills pertaining to works and bills of other expenses along with obtaining sanctions for the payments. Engineering section is headed by the Chief Engineer of the Authority assisted by three Superintending Engineers, 12 Executive Engineers, 46 Assistant Engineers and 156 Junior Engineers as on 31 March 2015. All powers for sanction and execution of development work vests with the Vice Chairman of the Authority.

Audit findings relating to test checked group housing schemes, deposit works, development works sanctioned out of infrastructure fund executed by engineering section of the Authority are discussed below:

2.1.9.1 Execution of Group Housing (GH) schemes

In view of the depleting land bank, the Board decided (March 2008) for construction of multi-storied residential units commonly known as Group Housing (GH). Out of 15 GH schemes executed by the Authority during our audit period, four GH schemes were selected for test check. The details of selected schemes are given in **Appendix-2.11**. Out of four GH schemes selected, construction work in three GH schemes is complete and one GH scheme is under progress. We noticed following irregularities:

Avoidable expenditure on execution of Group Housing Project

The Authority invited (March 2010) tenders for construction of 566 flats on RCC framed structure. We noticed that the Authority subsequently changed (April 2010) the method of the work from framed structure to Mivan

⁷ Not considered for the purpose of calculating financial impact on the presumption that labour cess on such construction might have been deposited by the concerned departments/offices.

technology⁸ and requested (April 2010) the tenderers to submit their consents to execute the work on Mivan technology. Since the first lowest bidder did not agree to execute the work on Mivan technology at previously quoted rates, the Authority awarded (4 May 2010) the contract to second lowest bidder at their quoted rates resulting in avoidable expenditure of ₹ 18.28 crore.

We noticed that award of the work to second lowest bidder was in violation to the guidelines (March 2007) of the Central Vigilance Commission (CVC) which stipulated that in case the lowest tenderer backs out, there should be re-tender. Had the Authority exercised due diligence and restricted the rates to those offered by lowest bidder, avoidable expenditure of ₹ 18.28 crore could have been avoided (**Appendix-2.12**).

Authority stated (July 2015) that the work was awarded to second lowest bidder as first lowest bidder did not agree to execute the work at previously quoted rates. The reply is not acceptable as the Authority failed to comply with the directives of CVC.

Under charge towards cost of the land

Authority under recovered cost of land amounting to ₹ 28.59 crore due to incorrect levy of sector rate in costing

The Board of the Authority approved (September 2009) construction of Group Housing scheme of River view apartment phase-II. Accordingly registrations were invited in November 2009. We noticed that while costing of flats (October 2013) rate of land had been taken at ₹ 4,400 per sqm (for flats allotted up to January 2011) as against the prevailing land rate of Authority at ₹ 7,000 per sqm (applicable with effect from August 2009). Thus, application of incorrect rates of land in costing of flats resulted in loss of ₹ 28.59 crore⁹ to the Authority.

Authority did not furnish any reply (October 2015).

Violation of codal provisions

In test check of four GH schemes, we noticed several violations of GoUP orders/Board directives and provisions contained in the Manual of the Authority such as absence of e-tendering, third party surveillance, grant of interest free mobilisation advance to the contractors and execution of works without preparation of detailed estimate in all the sampled cases (**Appendix-2.13**).

2.1.9.2 Execution of deposit works

Out of three deposit works, selected in audit, we noticed the followings irregularities in execution of work of *Janeshwar Mishra Park*:

Avoidable expenditure by awarding work at higher rates

Authority incurred avoidable expenditure of ₹ 57.66 lakh by awarding work at higher rates

The Bill of Quantity (BOQ) of Jogging Track and Pedestrian Walk Way included construction of granular sub-base of 15,911 cum (Jogging Track 8,715 cum, Pedestrian Walk Way 7,196 cum) by providing coarse graded material. The rate of this item as per latest Schedule of Rate (SOR) of CPWD (DSR 2013) was ₹ 2,018.50 per cum (DSR code 16.78). However, the Authority prepared BOQ on the basis of rate of ₹ 2,370.40 per cum and

⁸ In Mivan technology the walls, column and slabs are casted in one continuous pour of concrete.

⁹ (₹ 7,000 minus ₹ 4,400)*1,09,955 sqm actual quantity executed=₹ 28,58,83,000

awarded the work at three *per cent* above. This resulted in avoidable expenditure of ₹ 57.66 lakh¹⁰ on execution of 15,909 cum work till January 2015.

Authority stated (July 2015) that estimate was prepared on the basis of rates provided in the SOR of UPPWD. However, despite issuing a letter (October 2015) seeking details of item number of relevant SOR of UPPWD to the Authority, no details had been furnished (November 2015).

Undue favour to the contractor

Authority extended undue favour of ₹ 51.91 lakh to contractor by awarding work on the basis of polished kota stone against rough kota stone actually used

After award of Jogging Track and Pedestrian Walk Way works, the Authority made (April 2014) additional provision of rough *Kota* stone flooring of 40,559 sqm (Jogging Track 6,979 sqm, Pedestrian Walkway 33,580 sqm) at analysed rate of ₹ 719 per sqm. We noticed that cost analysis of the work included cost of polished *Kota* stone instead of rough *Kota* stone. The revised rates as analysed by audit on the basis of cost of rough *Kota* stone works out to ₹ 591 per sqm only. Hence, award of work at the rate of ₹ 719 per sqm resulted in undue benefit to the contractor on payment (January 2015) of ₹ 51.91 lakh on execution of work of 40,559 sqm rough *Kota* stone flooring.

Authority stated (July 2015) that analysed rates of SOR of UPWD had been used. The reply is not acceptable as Authority had used rate analysis of polished *Kota* stone of DSR/CPWD schedule of rate instead of rough *Kota* stone.

Recommendations:

- Authority should strictly adhere to the canons of financial propriety in execution of work.
- It should ensure correct application of rate of land in costing of flats.

2.1.10 Hi-tech and Integrated Section

2.1.10.1 Implementation of Hi-tech Township Schemes

The GoUP, with a view to mitigate the housing problems in the urban areas and to promote planned development of the city, formulated a policy (November 2003) to invite private developers with minimum investment of ₹ 750 crore on 1,500 acres of land. This policy was called Hi-tech Township Policy and was amended from time to time. We noticed that GoUP selected (2005-06 to 2014-15) three developers¹¹ to develop Hi-tech Township on 8,014.03 acre of land. The progress of various developers in implementation of projects is given in **Appendix-2.14**. We further noticed that out of three developers, only two developers¹² had acquired 3,072.45 acre of land. Moreover, only one developer¹³ has so far started the development work which was selected for test check in audit. The audit findings in respect of test checked developer is discussed below:

¹⁰ Actual executed quantity 15,909 cum * {(₹ 2,370.40 plus three per cent) minus (₹ 2,018.50 plus three per cent)}

¹¹ Ansal P & I limited, M/s Garv Buildtech and Sahara India Commercial Corporation

¹² Ansal P & I limited, M/s Garv Buildtech

¹³ Ansal P & I limited

Authority extended undue benefit of ₹ 7.25 crore to developer by non- levy of land use conversion charges

Undue benefit to the Developer

As per terms and conditions of the Memorandum of Understanding (MoU) (November 2005) with the developer, if the site selected by the developer falls outside the limits of development area of Master Plan 2021, it shall be brought within development area and if such land needed conversion of land use, land use conversion charges as prescribed by GoUP shall be payable by the developer.

We noticed that as per approved DPR (May 2006) of one developer, agricultural land measuring 64.77 hectare required land use conversion as it was falling outside the limits of the development area of Master Plan-2021. However, the developer neither submitted the proposal for land use conversion nor deposited the requisite fee and continued to carry out development works even after execution of development agreement (November 2006). The GoUP amended (January 2008) the Act by introducing new section (38A) granting exemption from levy of land use conversion charges where the land use of a particular land is changed as a result of coming into operation of Master Plan or Zonal Development Plan. After this amendment, the agriculture land of the developer was brought within development area of Master Plan 2021 by extending (January 2009) the development area of the Master Plan 2021. However, the Authority exempted (July 2010) the developer from levy of land use conversion charges, amounting to ₹ 7.25 crore (64.77 hectare*0.70* ₹ 0.32 crore*0.50) under the provisions section 38 A.

We observed that benefit of changes made in the Act in January 2008 could not be applied retrospectively (November 2005) and thus, the Authority extended undue benefit to the developer and also suffered loss of ₹ 7.25 crore.

Authority stated (July 2015) that land area of the Developer which was falling outside of the development area of the Master Plan 2021 was brought within Master Plan by extending (January 2009) the Master Plan 2021. Moreover, land use conversion charges were exempted as per the directives (July 2010) of GoUP. The reply is not acceptable as GoUP directives (July 2010) provided exemption of land use conversion charges to only those area which have been included in the new Master Plan. As the Master Plan 2021 of Authority was already approved in 2005 hence exemption was irregular. Moreover, the benefit of the amendment of Act (January 2008) can not be given retrospectively when the terms and conditions of the MoU (November 2005) provided for levy of these charges.

2.1.10.2 Implementation of Integrated Township Scheme

The GoUP formulated (May 2005) a policy called Integrated Township Policy inviting private developers to develop housing schemes of up to 500 acres. The Authority granted licenses to eight developers for development of Integrated Township projects during 2009-10 to 2014-15. The progress of these developers in implementation of projects is given in **(Appendix-2.15)**.

We noticed that out of eight developers, only five developers¹⁴ have executed

¹⁴ Eldeco City Pvt Ltd, Viraj Construction Pvt Ltd, Emmar MGF, Omaxe Pvt Ltd and ANS Construction Pvt Ltd.

development agreements so far. We selected four developers¹⁵ out of five developers who has entered into development agreement.

As on March 2015, against the license of 1,501.41 acres, the developers purchased land measuring 965.72 acres but failed to complete the development in any of the projects within the scheduled period of five years from the date of development agreement. Thus, the basic objective of mitigating the housing problem and planned development of the city could not be achieved (**Appendix-2.15**). Audit findings in respect of test checked cases are discussed below:

Undue favour to the Developers

Authority extended undue benefit of ₹ 6.65 crore by non-realising administrative charges on acquisition of land for private developers

(i) In contravention to the provisions of the Policy (May 2005), the Authority did not realise administrative charges at the rate of 10 *per cent* of the cost of the land acquired by the Authority amounting to ₹ 6.65 crore from three private developers (**Appendix-2.16**).

Authority stated (July 2015) that acquisition of land in favour of private developers was made in accordance with the provisions of the Integrated Township Policy (May 2005). The reply is not acceptable as the policy itself provided for admissibility of administrative charges to the Authority in case land is acquired by the Authority for the private developers for implementation of the projects.

Authority extended undue benefit of ₹ 1.60 crore to the private developer by not forfeiting the license fee

(ii) As per terms and conditions of the Integrated Township Policy, the license fee charged from developers was to remain valid for two years and could be extended for one more year. We noticed that the Authority had granted (August 2006) license to one developer¹⁶. Despite the fact that the project of the developer was cancelled due to non-implementation of the scheme within the aforesaid limit, the Authority failed to forfeit the license fee amounting to ₹ 1.60 crore and adjusted (November 2010) the same against a new license issued in favour of the same developer for another township project. This resulted in undue favour to the developer to the extent of ₹ 1.60 crore.

Authority stated (July 2015) that a committee under the chairmanship of Vice Chairman decided that the license fee may be adjusted with the condition that if any adverse comment is received from the GoUP, the same will have to be re-deposited by the developer. The reply is not acceptable as the fee amounting to ₹ 1.60 crore should have been forfeited after lapse of the license period or extension in July 2009.

Ineffective monitoring of Hi-tech and Integrated Township projects

The Authority failed to review and monitor the progress of development works *vis-a-vis* milestones provided in the development agreement

In order to monitor the progress in implementation of the scheme, the GoUP directed (November 2011) to all Development Authorities (DAs) to review and monitor the progress of development works *vis-a-vis* milestones provided in the development agreement of Hi-tech and Integrated projects by including the same as agenda item in their Board meeting. We noticed that monitoring as stipulated in the GoUP order is not being done. Out of the 11 selected developers for Hi-tech/Integrated Township, only six developers have

¹⁵ Eldeco City Pvt Ltd, Viraj Construction Pvt Ltd, Emmar MGF and Omaxe Pvt Ltd.

¹⁶ Emmar MFG Land

executed development agreements and five developers have started the work. No action was taken against the developers for delay in creation of infrastructure and failure to ensure to the terms and conditions of the agreement. Thus, the prime objective of the GoUP of formulation and implementation of the schemes remained largely unfulfilled.

Authority stated (July 2015) that letters had been issued from time to time to developers for timely completion of the projects. The reply is not acceptable as no effective measures were adopted by the Authority to monitor and review the progress of such schemes against milestones provided in the development agreement by reviewing them in Board meetings.

Recommendations:

- The Authority should ensure levy of prescribed charges from the developers.
- It should also review and monitor the progress of implementation of the schemes of Hi-tech and Integrated Township schemes as per GoUP directives.

2.1.11 Sale Section

Sale section of the Authority is entrusted with the sale of developed properties under the different schemes of the Authority. The allotment/sale of properties is done either through draw of lots after registration of prospective buyers or through open auction. Sale section is headed by the Secretary/Additional Secretary of the Authority and assisted by three Joint Secretaries, two Deputy Secretaries and other supporting staffs. We conducted examination of the procedures and policy of allotment and audit trial on the data bank maintained by the Authority in respect of allotment of properties. During audit period the Authority sold 13,898 properties (509 institutional/commercial properties and 13,389 residential plots/houses/flats) and 2,108 properties (978 institutional/commercial properties and 1,130 residential plots/houses/flats) were lying vacant as on March 2015. We noticed:

2.1.11.1 Allotment of residential properties in contravention to the GoUP Policy

The GoUP Policy (1992) provides that a person having a property in the development area of Authority is not eligible for registration in any other scheme of residential plot/buildings. To ensure the compliance of above provisions, Authority required every applicant to give an affidavit that no other plot/house is available with applicant or his/ her dependents, in development area of Authorities. Further, the terms and conditions of registration provided that if this declaration is found to be untrue in future, the Authority shall have the right to cancel the allotted plot/buildings and forfeit the entire deposited amount. If the registration deed was already executed, an amount equal to the value of plot/buildings will be recovered from them as land revenue.

We noticed that the Authority did not devise any system to verify the affidavits submitted by the applicants with reference to the properties already allotted by it. An analysis of data of allotment of residential properties as on 31 March 2015 revealed that Authority had allotted more than one property to 167 applicants (157 applicants-two properties, nine applicants-three properties and one applicant-four properties). We further, noticed that 27 applicants were

The Authority, in contravention to the GoUP Policy, allotted more than one property to 167 applicants

allotted more than one property on the same day. Thus, the Authority not only failed to ensure compliance of the GoUP policy/affidavit, but also failed to cancel the allotment of such property and recover the equivalent value of plots from these allottees amounting to ₹ 24.41 crore assuming cancellation of latest allotted properties (**Appendix-2.17**).

Authority confirmed that there is no system in place to check if the allottee was previously a beneficiary of any property by the Authority or otherwise.

2.1.11.2 Irregular Allotment of properties

GoUP Policy (January 1992) provides for procedure of allotment and registration of residential plots/houses by all development authorities and *Uttar Pradesh Awas & Vikas Parishad*. The Policy provided for selection of applicants through lottery if the number of registered applicants is more than the available properties. We noticed that 53 properties were irregularly allotted on direct and first cum first serve basis, during the period from 2009-10 to 2014-15 (**Appendix-2.18**).

The Authority did not provide any justification for irregular allotment of these properties.

Recommendation:

The Authority should adhere to the provisions of the GoUP Policy in allotment of properties.

2.1.12 Enforcement Section

Enforcement section of the Authority is responsible for taking action under the Act on un-authorized constructions and encroachments. Enforcement section is headed by the Secretary/ Additional Secretary of the Authority assisted by two Superintendent Engineer, two Executive Engineers and four Assistant Engineers with 39 Junior Engineers. We noticed following deficiencies in the working of enforcement section:

2.1.12.1 Violation of Bye-laws

Enforcement section of the Authority failed to perform its duties and check the violation of Bye-laws in respect of unauthorised construction of mobile towers and ATM, non-installation of rain water harvesting system and solar water heating system as pointed out in the **Appendix-2.19**.

2.1.12.2 Failure to take action against unauthorised constructions

Section 27 of the Uttar Pradesh Urban Planning and Development Act, 1973 (Act) provides that where any development has commenced or is being carried on or has been completed in contravention of the Master Plan or Zonal Development Plan or without the permission, approval or sanction, the Authority shall order for demolition of such structure by the owner thereof. The GoUP directed (August 2010) that such unauthorised construction should be demolished at the preliminary stage itself and responsibility be fixed against the defaulting officials.

The Authority had identified 4,695 (compoundable 2,838, demolition 1,857) illegal constructions during the period October 2009 to March 2015. Against this, 338 cases (12 *per cent*) could be compounded, 535 cases (29 *per cent*)

The Authority failed to stop and check the growth of unauthorised construction and its compounding/demolition

only could actually be demolished out of the total reported cases and no action has been taken against the remaining 3,822 unauthorised constructions.

Thus, the Authority failed to stop and check the growth of such unauthorised construction and its compounding/demolition. No actions against the delinquent officials were taken by the Authority.

Authority stated (July 2015) that action for ensuring the compliance of the provisions contained in the Act is being taken and demolition of unauthorised construction is being done on priority.

2.1.13 *Nazul* Section

Nazul refers to any land or building which, being the property of the Government, is not administered as a State property. The management/administration of Government land and the related activities are governed by Uttar Pradesh *Nazul* Manual-1949. As per survey done by the Authority, the *Nazul* land on lease as at 30 November 2008 was 18.64 lakh sqm out of which 1.68 lakh sqm of land was made freehold by the Authority during 2009-10 to 2014-15 (**Appendix-2.20**). We noticed:

The freehold of two plots¹⁷ was done after taking premium at the rate of ten *per cent* of circle rate considering the rate applicable to nine meter to 12 meter wide road. We noticed that DM circle rate provided for charging premium at the rate of 20 *per cent* if the plot was situated at 12 meter to 18 meter road. As the plot was actually situated on 42 feet wide (12.8 meter) road, premium of 20 *per cent* (applicable for road width of 12-18 meter) was to be charged on the circle rate. This led to under charge of ₹ 11.46 lakh (**Appendix-2.21**).

The Management accepted (July 2015) the finding. However, the Management did not initiate any recovery proceedings in the matter.

2.1.14 Non-production of records

Despite assurance by Secretary, *Awam Shahri Niyojan* (AESN) during entry conference, the information/records relating to encroachment of land (property section), approval of maps (planning section), development and construction works (engineering section), allotment of properties (sale section) and details of unauthorised colonies (enforcement section) were not furnished to audit. Due to non production of records and information sought in various audit memos (**Appendix-2.22**), the audit of sampled cases could not be done.

2.1.15 Conclusion and recommendations

Finance Section

- The Authority did not get its accounts audited for the years 2009-10 to 2014-15 and also did not reconcile the old differences persisting and appearing in the bank accounts of the cash book and bank statements since long.

Recommendation: The Authority should take immediate steps for getting its account audited and the differences of bank balances persisting since long should be reconciled.

¹⁷ Plot no. 11 and 11C A.P Sen Road measuring 4,428.252 sqm

- The Authority incurred an expenditure of ₹ 4.29 crore from Infrastructure Development Fund on the works not covered under infrastructure development.

Recommendation: The Authority should use the infrastructure fund for the intended purpose only.

Property Section

The Authority suffered a loss of ₹ 30.88 crore due to initiating land acquisition proceedings for deposit works of State Government without ensuring availability of funds.

Recommendation: The Authority should ensure receipt of funds before execution of deposit works.

Planning Section

- The Authority suffered a loss of ₹ 30.16 crore due to short/non-recovery of fees/charges such as Floor Area Ratio (FAR) fee, Purchasable FAR fee, City Development Charges, External Development Charges, Land Use Conversion Charges and Stacking & Supervision charges in accordance with Building Bye-laws and GoUP orders.

Recommendation: The Authority, while sanctioning of maps, should ensure correct levy of prescribed fee/charges in accordance with applicable Building By-laws and GoUP orders.

- The Authority, while sanctioning of maps, failed to ensure provisions of houses for economically weaker section and lower income group.

Recommendation: The Authority, while sanctioning of maps, should ensure provisions of houses for economically weaker section and lower income groups in compliance of GoUP orders.

- The Authority failed to put in place a mechanism to assess and collect labour cess on the estimated cost of construction of buildings/houses (wherever estimated cost exceeded ₹ 10 lakh) which led to non-collection of labour cess amounting to ₹ 35.52 crore.

Recommendation: The Authority should ensure levy and deposit of labour cess to Labour Welfare Board on approval of maps as per Government orders.

Engineering Section

- The Authority awarded the work of construction of Group Housing scheme in contravention to the Central Vigilance Commission guidelines and incurred avoidable expenditure of ₹ 18.28 crore.

Recommendation: Authority should strictly adhere to the canons of financial propriety in execution of work.

- Application of incorrect rates of land in costing of flats resulted in loss of ₹ 28.59 crore to the Authority.

Recommendation: The Authority should ensure correct application of rate of land in costing of flats.

Hi-tech & Integrated Township Section

- The Authority failed to levy land use conversion charges amounting to ₹ 7.25 crore and administrative charges amounting to ₹ 6.65 crore in acquisition of land.

Recommendation: The Authority should ensure levy of prescribed charges from the developers.

- The Authority also failed to monitor the development of Hi-tech/ Integrated Township schemes *vis-a-vis* milestones provided in Development Agreement.

Recommendation: The Authority should review and monitor the progress of implementation of the schemes of Hi-tech and Integrated Township schemes as per GoUP directives.

Sale Section

The Authority in contravention to GoUP policy (1992) allotted more than one property to 167 applicants. It also failed to cancel the allotment of properties and recover the equivalent value of properties from these allottees amounting to ₹ 24.41 crore.

Recommendation: The Authority should adhere to the provisions of the GoUP Policy in allotment of properties.

Enforcement Section

The Authority failed to take any action against the 3,822 unauthorised constructions.

Infrastructure and Industrial Development Department

2.2 Performance Audit of Development of Industrial Areas by Infrastructure and Industrial Development Department

Executive Summary

Infrastructure and Industrial Development Department (Department), functions as a government arm to formulate and implement industrial and infrastructure development policies of the Government of Uttar Pradesh. It performs its function relating to development of industrial areas through eight Industrial Development Authorities (Authorities) constituted under the Uttar Pradesh Industrial Area Development Act, 1976 (Act-1976) and one company, incorporated under the Companies Act, 1956. Performance Audit of Department, two Authorities i.e. Gorakhpur Industrial Development Authority (GIDA) and Lucknow Industrial Development Authority (LIDA) and U. P. State Industrial Development Corporation Limited (UPSIDC) was conducted during 27 July 2015 to 1 October 2015 covering the period from 2012-13 to 2014-15. Audit findings pertaining to Department, UPSIDC, GIDA and LIDA are discussed below:

Infrastructure and Industrial Development Department

No direction for time bound acquisition of land

The Department did not prescribe guidelines for time-bound acquisition of land for industrial use in pursuance of the Infrastructure and Industrial Investment Policy 2012. This has resulted in delay in acquisition of land by the authorities.

(Paragraph 2.2.5.4)

Non-approval of regulations framed under Act-1976

The Department failed to approve the regulations prepared by the Authorities in pursuance of the Act-1976 as of 31 March 2015.

(Paragraph 2.2.5.5)

Non-monitoring of the Authorities/UPSIDC

The Department failed to put in place a monitoring mechanism in pursuance of the Act-1976. It neither prescribed any periodical Reports>Returns/Accounts to be submitted by the Authorities nor ensured proper implementation of the Master Plan/Development Plan by the Authorities/ UPSIDC.

(Paragraph 2.2.5.6)

U. P. State Industrial Development Corporation Limited

Acquisition of land

UPSIDC failed to make proper assessment of feasibility of land acquisition, arrangement of funds and persuasions with the farmers leading to dropping of many land acquisition proposals resulting in loss on account of deduction of acquisition charges by SLAO amounting to ₹ 10.11 crore and blockage of funds of ₹ 38.24 crore.

(Paragraph 2.2.6.5)

Development of land

UPSIDC incurred expenditure of ₹ 27.93 crore during 2012-13 to 2014-15 on maintenance and up-gradation work in the industrial areas which was not permissible as per Operating Manual.

(Paragraph 2.2.6.6)

Allotment of land

UPSIDC failed to achieve its target of allotment of developed land. Moreover, 1,092.65 acre of developed land valuing ₹ 814.41 crore remained unallotted and 1,846.13 acre of allotted land valuing ₹ 1,098.16 crore remained unutilised due to allottee units being sick/closed as of 31 March 2015.

(Paragraphs 2.2.6.7 & 2.2.6.7.5)

Gorakhpur Industrial Development Authority***Planning***

GIDA did not prepare the Plan Regulations for development of notified areas as per the Act-1976.

(Paragraph 2.2.7.4)

Acquisition, Development and Allotment of land

GIDA did not fix any target for acquisition of land, its development and allotment during last three years. Further, due to improper persuasion of land acquisition proceedings, an amount of ₹ 25.64 crore remained blocked with SLAO.

(Paragraphs 2.2.7.5 to 2.2.7.7)

Lucknow Industrial Development Authority***Planning***

LIDA could not finalise its Master Plan for development of notified areas even after lapse of ten years of its constitution.

(Paragraph 2.2.8.4)

Acquisition and Development of land

LIDA did not acquire any land during last three years and incurred loss in land acquisition besides blockage of funds. It did not develop any land and incurred infructuous expenditure on taking up the development works on disputed land.

(Paragraphs 2.2.8.5 & 2.2.8.6)

2.2.1. Introduction

Infrastructure and Industrial Development Department (Department), functions as a government arm to formulate and implement industrial and infrastructure development policies and strategies according to specific needs and objectives for enabling socio-economic development of the State.

The Uttar Pradesh Industrial Area Development Act, 1976 (Act-1976) provides for the development of certain areas in the State into industrial areas through constitution of Industrial Development Authorities (Authorities). The

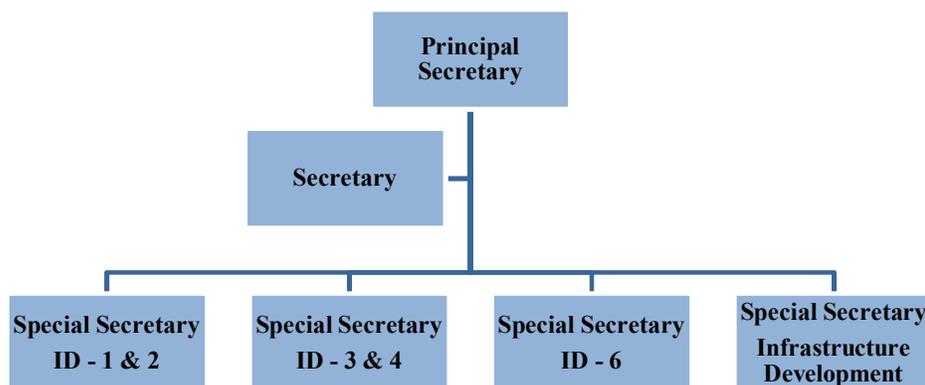
Department performs its function relating to development of industrial areas through eight Industrial Development Authorities¹⁸ and a Company¹⁹.

Authorities/UPSIDC acquire land, prepare plan, undertake development works for industrial, commercial, institutional and residential purpose, allot land/plots to industries and others and maintains these industrial areas.

Organisational Structure

The Department is headed by Principal Secretary who is assisted by a Secretary and four Special Secretaries. The organisational structure of the Department is given in chart-2.2.1 below:

Chart 2.2.1: Organisational Structure



The functioning of the Department has been divided in six sections as detailed in **Appendix-2.23**.

2.2.2 Audit Objectives

The objectives of the Performance Audit were to ascertain, whether:

- the acquisition of land and its development were as per relevant Acts, regulations and as per laid down procedures and manual provisions;
- the allotment of land/plots were as per applicable pricing policy, terms & conditions of allotment, provisions of manual;
- the land was utilised for the intended purpose, transfer/subletting of allotted land was within the rules/regulations;
- adequate controls and monitoring mechanism were in place and exercised by the Department over the authorities and UPSIDC to safeguard the best interests of public and develop the industrial area as per policy.

2.2.3 Audit Criteria

The criteria of audit were drawn from the following sources:

¹⁸ New Okhla Industrial Development Authority (NOIDA), Greater NOIDA Industrial Development Authority (GNIDA), Yamuna Expressway Industrial Development Authority (YEIDA), Uttar Pradesh Expressway Industrial Development Authority (UPEIDA), Lucknow Industrial Development Authority (LIDA), Gorakhpur Industrial Development Authority (GIDA), Satharia Industrial Development Authority (SIDA) and Uttar Pradesh State Industrial Development Authority (UPSIDA).

¹⁹ U. P. State Industrial Development Corporation Limited (UPSIDC).

- The Land Acquisition Act, 1894 and The Uttar Pradesh Land Acquisition (Determination of Compensation and Declaration of Award) Rules, 1997 (*Karar Niyamwali*);
- The Uttar Pradesh Industrial Area Development Act, 1976;
- Industrial and Service Sector Investment Policy 2004 of GoUP and Infrastructure and Industrial Investment Policy, 2012 of GoUP;
- Financial Handbook, PWD schedule of rates, Agenda notes, Board Resolutions, Annual Budgets, Annual Reports and Returns;
- Development plans, building regulations and contracts of the Authorities and UPSIDC;
- Working manual and Operating manual of the UPSIDC and Authorities.

2.2.4 Scope and Methodology of Audit

The audit was conducted during 27 July 2015 to 1 October 2015. The records of sections 3 & 4 of the Department dealing with land acquisition and monitoring of activities of Authorities/UPSIDC, UPSIDC and two authorities (GIDA and LIDA) under the jurisdiction of audit were selected covering the period from 2012-13 to 2014-15 and approved by Nodal Statistical Officer. Records of the Department related to proposals of land acquisition, implementation of plans and development works, the directions on allotment of land, role in development of industrial areas as per relevant provisions of Act and Industrial Policies were examined. Records of the UPSIDC and Authorities related to preparation and implementation of regulations and Master Plan, land acquisition, development and allotment, were also examined.

Audit Methodology included explaining the audit objectives to the Principal Secretary, Department during entry conference held on 4 August 2015, scrutiny of records, interaction with the personnel of the auditee organisations, raising audit queries and issue of Performance Audit Report to the Department/UPSIDC/ Authorities for comments.

The Performance Audit Report was issued on 21 October 2015 to the Department/UPSIDC/Authorities. Their reply was received during the Exit Conference held on 5 November 2015. The reply as received has been suitably incorporated in the Report.

Audit findings

Department/Authorities-wise audit findings are discussed in succeeding paragraphs.

2.2.5 Infrastructure and Industrial Development Department

2.2.5.1 Introduction

The Infrastructure and Industrial Development Department (Department) formulates and implements infrastructure and industrial development policies and strategies for industrial development of Uttar Pradesh by creating enabling environment for industrial growth in Uttar Pradesh. In this endeavour, the Department is guided by the Infrastructure and Industrial Investment Policy.

The GoUP formulated “The Industrial and Service Sector Investment Policy, 2004” (Policy-2004) and “Infrastructure and Industrial Investment Policy 2012” (Policy-2012).

The need of new policy arose for achieving the objectives of twelfth Five Year Plan and to have industry friendly reforms giving impetus to promotion of industries, infrastructure facilities, and employment generation. The new features of Infrastructure and Industrial Investment Policy 2012 envisage:

- establishing Uttar Pradesh as the most preferred destination for investment by accelerating industrial development;
- creation of a conducive business environment; and
- development of high-end infrastructure facilities in order to create new employment opportunities.

2.2.5.2 Financial Status

The budgetary details of the Infrastructure and Industrial Development Department for the three years from 2012-13 to 2014-15 are given in table-2.2.1 as below:

Table 2.2.1: Details of plan and non-plan allocation *vis-a-vis* expenditure during 2012-13 to 2014-15

Particular	2012-13		2013-14		2014-15 ²⁰
	Allocation	Expenditure	Allocation	Expenditure	Allocation
Plan	168.01	154.51	1065.46	643.95	3254.14
Non-Plan	19.07	18.48	17.40	14.38	9.16
Total	187.08	172.99	1082.86	658.33	3263.57

(Source – Budget of the Department)

We noticed that major allocation of Plan expenditure was for Lucknow – Agra Expressway (₹ 2,900.70 crore), transfer to Infrastructure Development Fund - 2014 (₹ 500 crore) and Industrial Investment Promotion Scheme 2006 (₹ 383.47 crore) during this period.

2.2.5.3 Role of the Department in development of Industrial Areas

The main function of the Department is to implement Infrastructure and Industrial Investment Policy, 2012 of the GoUP. The Department has also to ensure the compliance of the Act-1976 by the Authorities/UPSIDC. The Industrial Policy 2004 & 2012 and Act-1976 have given followings powers to the Department to regulate the functioning of the Authorities/UPSIDC:

- all steps in the process of land acquisition for the industries should be completed in a time bound manner.
- to approve the regulations framed by the Authorities for administration of their affairs;
- control the Authorities by requiring them to furnish any Report>Returns and other information.

²⁰ Expenditure for year 2014-15 was not furnished to audit

- to ensure proper implementation of Master/Development Plans by the Authorities and ascertaining that development works have been undertaken in accordance with their plans;

Further, as per the Land Acquisition Act, 1894 (LAA), land acquisition proposals relating to Authorities/UPSIDC, obtained through SLAO of concerned districts, are also required to be examined by the Department for issue of notification u/s 4 and u/s 6 and imposition of urgency clause u/s 17.

UPSIDC was incorporated (March 1961) by the GoUP under the Companies Act, 1956 with the objective to promote, establish and execute industries under the administrative control of the Department. GIDA and LIDA were constituted in 1989 and 2005 respectively under section 3 of Act-1976 with the objectives of planned development of industrial and urban township within notified area. UPSIDC, GIDA and LIDA acquires land, prepares plan, undertakes development works for industrial, commercial, institutional and residential purposes, allot land/plots to industries and others and maintain these industrial areas.

We examined the functioning of the Department with respect to above mentioned roles of the Department and noticed the following deficiencies:

2.2.5.4 No direction to Authorities for time bound acquisition of land

As per Policy 2004 & 2012, all steps in the process of land acquisition for the industries should be completed in a time bound manner to enable the timely execution of industrial projects. The procedure for land acquisition under various clauses is detailed in **Appendix-2.24**.

We noticed that no direction relating to time bound acquisition of land as per government policy was issued by the Department. The targets for land acquisition by the Authorities/ UPSIDC were fixed by themselves. We also noticed instances of delays in acquisition of land and withdrawal of proposals in UPSIDC, GIDA and LIDA resulting in deduction of acquisition charges, blockage of fund and extra burden on them as discussed in succeeding paragraphs.

In reply, Department stated that time frame of one year for issuing notification u/s 6 from the date of issue of notification u/s 4 was fixed in the LAA and thus, no other time frame could be fixed. The reply is not acceptable as delays at various stages of acquisition proceedings by Authorities/UPSIDC were noticed before issuance of notification u/s 4 and non-settlement of disputes with farmers for which no time frame has been fixed in LAA. The Department should have fixed time frame for these stages of land acquisition as per the provisions of the Policy 2012.

2.2.5.5 Non-approval of regulations framed under Act-1976.

Section 19 of the Act-1976 empowers the Authorities to make regulations/plans for the administration of their affairs with the prior approval of the Department. The Authorities were required to frame Regulations²¹, viz.

Department is yet to approve the various regulations submitted by the Authorities

²¹ Plan Regulation provides for preparation and approval of Development Plan/Master Plan; Land Development Regulation provides process for land development along with permissible land uses; Building Regulation provides for approval for erection of buildings; and Service Regulation provides for terms and conditions of services for staff of Authorities.

Plan Regulation, Land Development Regulation, Building Regulation and Service Regulation.

We noticed that two Authorities (UPSIDA and LIDA) had framed regulations which were pending for approval at the Department level and therefore, these Authorities were managing their affairs without approved regulations (**Appendix-2.25**).

While accepting the audit observation, the Department stated that action will be taken in this regard by monitoring the issues.

2.2.5.6 Non-monitoring of the Authorities/UPSIDC

Department did not monitor the functioning of the Authorities/ UPSIDC

The monitoring of the Authorities by the Department is required to be ensured under the provisions of the Act-1976 which provides (section 42) that the Department may require the Authorities to furnish any Reports>Returns and other information. The Department also has the power to ensure proper implementation of Master/Development Plan and ascertaining that development works have been undertaken in accordance with the Plan.

We noticed that the Department did not prescribe any periodical reports/returns/accounts to be furnished by the Authorities and also did not monitor as to whether the development works were undertaken in accordance with the provisions of Master Plan or otherwise. However, Authorities/UPSIDC were furnishing the details of achievement of their activities against their own target to the Department.

In reply, the Department stated that it monitors activities/important issues of Authorities through monthly meetings. The reply is not acceptable as no document was produced to audit, though called for, to ascertain either at the Department or UPSIDC level that the implementation of plan was ensured by the Department or otherwise. Moreover, it was noticed in one test checked Authority (GIDA) that implementation of Development Plan was not ensured by the Department.

2.2.5.7 Issue of incorrect notification of land acquisition

Department issued incorrect notification leading to cancellation of land acquisition proceedings and loss to an Authority

As per the provisions of the Land Acquisition Act, 1894 (LAA), the land can either be acquired under section 16 (normal acquisition) or by invoking urgency clause under section 17 of LAA. Land acquisition proceedings started under urgency clause has to be completed in urgency clause.

Out of five cases of land acquisition checked in GIDA, in one case the proceeding of land acquisition was cancelled due to issue of incorrect notification u/s 6(1)/16 by the Department after issue of preliminary notification u/s 4(1)/17. On this being pointed out by SLAO, the Commissioner and Director, Directorate of land acquisition intimated that the notification was incorrect. This resulted in deduction of ₹ 31.69 lakh as acquisition charges by SLAO.

No reply was furnished by the Department.

Recommendations:

- The Department should issue necessary guidelines to Authorities/UPSIDC to complete the process of land acquisition in a time bound manner.
- It should expedite approval of all regulations submitted by Authorities.
- It should also develop a mechanism for proper monitoring and control over the activities of Authorities/UPSIDC to achieve planned, effective and efficient development of industrial areas.

2.2.6 U. P. State Industrial Development Corporation Limited**2.2.6.1 Organisational Structure**

The Management of UPSIDC is vested with the Board headed by Chairman. Managing Director is executive head and assisted by Joint Managing Director, General Manager (Legal), Finance Controller and Chief Engineer as depicted in **Appendix-2.26**.

To achieve the objectives of development of Industrial areas, UPSIDC prepares Development plan, acquires land, undertakes development and allotment of land and maintains the industrial areas.

2.2.6.2 Financial Status

As per the provisions of the Companies Act, 1956, UPSIDC had to finalise its annual accounts for each financial year within six months from the close of the financial year. We noticed that UPSIDC has finalised its accounts only upto 2010-11. Accounts for the year 2011-12 to 2013-14 have been prepared on provisional basis and accounts for 2014-15²² are yet to be prepared. The financial status of the UPSIDC as per their provisional Balance Sheets of 2012-13 and 2013-14 is given in table-2.2.3 as below:

**Table 2.2.3: Details of financial status of UPSIDC
for the year 2012-13 and 2013-14**

Particulars	(₹ in crore)	
	2012-13	2013-14
(A) Sources of Funds		
Share Capital	24.07	24.07
Reserve & Surplus	496.19	530.74
Unsecured Loans	49.43	49.43
Deferred Tax Liability	5.78	5.83
Total	575.47	610.07
(B) Application of funds		
Fixed Assets	100.89	100.47
Investments	1.79	1.78
Net Current Assets	472.79	507.82
Total	575.47	610.07

(Source: provisional Annual Accounts)

2.2.6.3 Physical Status

The physical status of UPSIDC relating to land acquisition, development and allotment is given in table-2.2.4 as below:

²² UPSIDC has not prepared Balance Sheet for the year 2014-15

Table 2.2.4: Details of physical status of land acquisition, development and allotment

(area in acre)

Year	Land Acquisition		Land Development		Land Allotment	
	Target	Achievement	Target	Achievement	Target	Achievement
2012-13	250	1.17	450	0	590	566.00
2013-14	250	214.00	431	180	600	625.00
2014-15	250	2480.52	781	10	700	136.13

(Source: progress reports)

It is evident from the above table that achievement of land acquisition, development and allotment was low as compared to its target except in cases of land acquisition in 2014-15 and land allotment in 2013-14. During 2014-15 the actual acquisition of land exceeded the target mainly due to resumption of Gram Sabha land of area 150.95 acre and transfer of Government land of area 1,494.39 acre for mega food park at Bareilly, milk processing plant at Lucknow and expansion of Naini industrial area at Allahabad.

2.2.6.4 Planning

Development of Industrial Areas without notifying under the Act-1976

The Department notified (September 2001) 123 industrial areas of UPSIDC as notified area. We noticed that against the 123 notified industrial areas of UPSIDC, it had developed 146 numbers of industrial areas as of March 2015. Thus, UPSIDC developed 23 additional industrial areas without notifying the areas by the Department.

UPSIDC accepted the audit observation and stated that proposal had been sent to the Department to get the new 23 industrial areas notified under the Act-1976. The fact remains that UPSIDC is working in areas not notified by the Department.

2.2.6.5 Acquisition of land

The land acquisition section of UPSIDC acquires land from Gram Sabhas and private land owners as per the provisions of the Land Acquisition Act, 1894 (LAA) and is responsible for conducting survey of the area, preparation of proposal, pursuance with Special Land Acquisition Officer (SLAO) and with the Department for notification and resolving the disputes with land owners regarding rates of compensation, etc. As on 31 March 2015, the UPSIDC had land area of 41,709.46 acres.

We noticed cases of dropping of land acquisition proposals resulting in deduction of acquisition charges by SLAO, blockage of funds with SLAO and delay in acquisition resulting in extra burden on UPSIDC as discussed below:

Dropping of land acquisition proposals due to inadequate efforts

- UPSIDC dropped 51 land acquisition cases involving area of 7,554.39 acre in which ₹ 85.74 crore was blocked with SLAO as of 31 March 2015. We examined 21 out of 51 dropped cases. We noticed that UPSIDC suffered a loss of ₹ 10.11 crore on deduction of acquisition charges, besides blockage of ₹ 38.24 crore to be refunded by SLAO, in 11 out of 21 test checked cases. The main reasons for dropping of these 11 cases were failure of the UPSIDC in

Acquisition proposals were dropped due to incorrect assessment of feasibility resulted in loss ₹ 10.11 crore and blockage of funds of ₹ 38.24 crore

assessment of feasibility of land acquisition, arrangement of funds and persuasions of farmers as detailed in **Appendix-2.27**.

In reply, UPSIDC accepted the audit observation and stated that out of 20 dropped cases, 18 cases were dropped after review of these cases under new Acquisition Policy 2011 of GoUP; one case was dropped due to rejection by the Divisional Committee; and one case was dropped due to shortage of fund. The reply is not acceptable as these cases were dropped due to failure of the UPSIDC in assessment of feasibility of land acquisition, arrangement of funds and persuasions with the farmers as per the records seen in audit.

UPSIDC suffered loss of ₹ 13.20 crore and blockage of fund of ₹ 30.83 crore due to issuance of time barred notification.

- Further, it was also noticed that in one case, the land acquisition proceedings for Leather city, Hapur was quashed (July 2011) by the Hon'ble Supreme Court because notification under section 6 was issued after the prescribed period of one year. Thus, UPSIDC has incurred a loss of ₹ 13.20 crore on account of deduction of acquisition charges by SLAO besides blockage of ₹ 30.83 crore on account of compensation distributed among farmers as detailed in **Appendix-2.28**.

In reply, UPSIDC stated that in case of Leather city, Hapur, efforts are being made to get refund of blocked fund. The fact remains that UPSIDC incurred loss and blockage of fund in acquisition.

Delay in acquisition of land

UPSIDC had to pay ex-gratia of ₹ 123.26 crore to land owners due to delay in land acquisition by 10 years and delay in distribution of compensation to land owners

We examined three cases of land acquisition involving area of 1,642.472 acres out of 11 cases. We noticed that in one case, UPSIDC decided to establish a SEZ at Unnao near Kanpur for which land acquisition started in 2002. UPSIDC executed an agreement under *Karar Niyamawali, 1997* with land owners in 2007. However, the rate of compensation was approved in 2010 and its actual distribution started in 2011. Delay in distribution of compensation to land owners resulted in resentment of land owners forcing UPSIDC to declare, an ex-gratia of ₹ seven lakh per *bigha*²³ for 1,100.562 acres private land amounting to ₹ 123.26 crore in July, 2014 to settle the issue. Thus, inordinate delay in land acquisition by ten years resulted in payment of ex-gratia to the land owners by UPSIDC.

In reply, UPSIDC did not furnish any reason for delay in acquisition of land.

2.2.6.6 Development of land

The development works on acquired land is carried out by Executive Engineers of Divisions which are headed by Chief Engineer at Headquarter. After the acquisition of land, the engineering section of UPSIDC develops land by constructing roads, electric supply facilities, water supply and sewerage facilities, parks, etc. in the industrial area after preparation of layout. Development works are funded by the UPSIDC.

During 2012-13 to 2014-15, UPSIDC developed only 190 acres of land against the target of 1,662 acre of land resulting in shortfall by 88.57 per cent.

In reply, UPSIDC stated that due to proposed revised Land Acquisition Bill in 2013, there was resistance by farmers for compensation package. Hence, even

²³ One *bigha* is equal to 0.625 acre approx.

after acquisition of land at many places, development work could not be done due to protest of land owners.

During 2012-13 to 2014-15, UPSIDC executed 164 contract works valuing ₹ 275.61 crore in three Divisions (II, III and V). Out of this 46 works valuing ₹ 109.20 crore were selected for test check in audit. However, due to non-production of related records i.e., estimates and payment files, etc. by the engineering section of UPSIDC, the audit of 46 selected works contracts could not be vouchsafed.

Maintenance of developed areas

UPSIDC incurred ₹ 27.93 crore on maintenance of developed industrial areas from its fund which fall in the jurisdiction of Municipal Bodies

Besides, development of industrial area, engineering section of UPSIDC also undertakes maintenance and upgradation work of existing industrial areas. As per clause 8.02 of Operating Manual 2011 read with Government Order, it has been decided that the UPSIDC will not take up the maintenance/ infrastructure development work from its fund in the areas which fall in the territorial jurisdiction of Municipal Bodies. We noticed that the UPSIDC incurred expenditure of ₹ 27.93 crore during 2012-13 to 2014-15 on maintenance and up-gradation work in the industrial area on which no expenditure was required to be incurred as per provisions made in clause 8.02 of Operating Manual 2011 (**Appendix-2.29**).

In reply, UPSIDC stated that in absence of proper maintenance by municipal bodies, essential works of maintenance has been done by it for which recovery will be made from allottees. The reply is not acceptable as no details of any efforts made towards recovery were furnished to audit.

2.2.6.7 Allotment of land

After development, the plots are transferred to Regional Offices by the Construction Divisions for allotment. During 2012-13 to 2014-15, UPSIDC fixed target of allotment of 1,890 acre of developed area against which 1,327 acres of land was allotted leaving 563 acres of land unallotted (30 per cent).

We selected allotment cases of three Regional Offices (Lucknow, Faizabad and Kanpur) out of twelve Regional Offices. UPSIDC did not provide a list of plots allotted by these Regional Offices during 2012-13 to 2014-15. Allotment cases relating to these Regional Offices were selected for test check from the minutes of the meetings of the Board of Directors. Besides, records of bulk allotment, land use changes, etc. at the HQs were also analysed in test checked records.

We noticed cases of violation of provisions of Government policy, violation of provisions of manual, undue favour to allottee, loss due to absence of penal provision in the Operating Manual and non-utilisation of land to optimum level as discussed in succeeding paragraphs:

2.2.6.7.1 Violation of provisions of Government policy/guidelines

Loss of administrative charges

UPSIDC did not retain ₹ 4.86 crore being administrative charges on transfer of land to an allottee

GoUP accorded sanction (October 2013) for transfer of 20 acre (80,960 sqm) of government land to UPSIDC for allotment to M/s Banaskantha District Co-operative Milk Producers Union Limited, Palanpur, Gujarat (allottee) at the rate of ₹ 4,800 per sqm for setting of dairy plant at Lucknow. Out of ₹ 4,800 per sqm, ₹ 2,200 per sqm was to be paid to the *Pashupalan Vibhag*, ₹2,000 per

sqm was to be deposited in Lucknow Metro Fund²⁴ and ₹ 600 per sqm (12.5 per cent) was to be retained by the UPSIDC for meeting administrative charges of ₹ 4.86 crore.

We noticed that UPSIDC obtained (January 2014) possession of 20 acre of land from *Pashupalan Vibhag* and allotted (February 2014) to allottee. UPSIDC paid (December 2014) an amount of ₹ 38.86 crore to *Pashupalan Vibhag*. However, UPSIDC did not transfer ₹ 16.19 crore to Lucknow Metro Fund and also did not retain ₹ 4.86 crore for meeting its administrative charges in terms of Government directions (October 2013). This resulted in excess payment of ₹ 16.19 crore to *Pashupalan Vibhag* and loss of ₹ 4.86 crore to UPSIDC on account of administrative charges. Besides above, actual area of the land was found (January 2015) 18.28 acre (73,939.83 sqm) only as against 20 acres, but UPSIDC paid for 20 acre which resulted in excess payment of ₹ 1.54 crore²⁵ to *Pashupalan Vibhag*.

In reply, UPSIDC stated that land was acquired as per the Government order at the rates of ₹ 2,200 per sqm and it has taken possession of 20 acres of land from *Pashupalan Vibhag*, hence there was no loss.

The reply is not acceptable since as per G.O. dated October 2013, out of total ₹ 38.86 crore UPSIDC was required to deposit ₹ 17.81 crore to *Pashupalan Vibhag* and ₹ 16.19 crore was to be deposited with Lucknow Metro Fund and remaining ₹ 4.86 crore was to be retained by it to meet administrative expenditure. No reply in respect of taking possession of 18.28 acres of land against 20 acres due from *Pashupalan Vibhag*, which has also resulted in loss of ₹ 1.54 crore, was furnished.

Excess contribution and non-recovery of acquisition charges

GoUP decided to establish a Theme Park at Agra. As per GoUP policy (November 2013), UPSIDC had to contribute only 20 per cent of the cost of land. UPSIDC entered into a Memorandum of Understanding (MoU) in August 2014 with M/s Kingdom Entertainment Private Limited for constitution of a Special purpose Vehicle (SPV) for establishment of a Theme Park at Agra. As per GoUP Order (May 2008), UPSIDC was to recover 12.5 per cent of cost of acquisition of land from the allottee but it did not made any such provision in the MoU.

We noticed that UPSIDC paid ₹ 534.15 crore to Agra Development Authority (₹ 342 crore) and to SLAO, Agra (₹ 192.15 crore) for the acquisition of land (1,059 acre) for Theme Park up to September 2015 instead of restricting its contribution to ₹ 106.83 crore (20 per cent) of land cost. For this, UPSIDC borrowed (October 2014) ₹ 450 crore at the interest rate of 13.20 per cent per annum from NOIDA Authority. Thus, UPSIDC made excess contribution of ₹ 427.32 crore being 80 per cent of total cost of land. Moreover, UPSIDC could not recover an amount of ₹ 53.42 crore from the SPV as acquisition charges being 12.5 per cent of cost of land.

UPSIDC did not restricts its investment to 20 per cent as per GoUP policy and failed to recover acquisition charges of ₹ 53.42 crore

²⁴ Lucknow Metro Fund has been created by GoUP for financing the construction of Lucknow Metro.

²⁵ 80,960 sqm minus 73,939.83 sqm = 7,020.17 sqm; 7,020.17 sqm * ₹ 2,200 per sqm = ₹ 1,54,44,374

In reply, UPSIDC stated that Board has taken decision that all cost including interest will be recovered from SPV at the time of handing over of land to it. UPSIDC accepted the issue of administrative charges and stated that it would be put to the Board for final decision.

The fact remains that UPSIDC has invested 100 *per cent* of cost of land as against 20 *per cent* as provided in the GoUP Policy (November 2013) and administrative charges remained unrecovered till date (October 2015).

2.2.6.7.2 Violation of provisions of manual

Undue favour by allotting commercial plot at industrial rate

UPSIDC allotted a commercial plot at industrial rates resulting in loss of ₹ 55.02 lakh

Clause 2.09 (6) of Operating Manual, 2011 provides that rates of commercial plot is to be fixed at twice the rates of industrial plots. Clause 11.01 of the Operating Manual 2011 also states that allotment of commercial plots shall be made through bidding, which may be single or double bid system.

UPSIDC allotted (August 2013) an industrial plot measuring 968 sqm at Sarojini Nagar, Lucknow to Lucknow Times (Allottee). The Allottee requested (September 2013) to change the above plot with commercial plot having area 1,400 sqm situated in Sarojini Nagar, Lucknow at industrial rate.

We noticed that UPSIDC instead of allotting the plot by inviting the bids after fixing the reserve price at double the industrial rate decided (December 2013) to allot the plot (C-8) at the industrial rate giving undue benefit to the allottee amounting to ₹ 55.02 lakh (1,400 sqm x ₹ 3,930 being difference of commercial and industrial rate).

In reply, UPSIDC stated that the Board decided (December 2013) to convert the commercial plot into industrial plot and to allot it to Lucknow Times at industrial rate.

Reply is not acceptable as the change in land use from commercial to industrial can be approved by Board of UPSIDA and not by Board of UPSIDC. A approval of UPSIDA was not obtained so far (October 2015).

Loss due to non-conversion of industrial plot into commercial

UPSIDC allotted a commercial plot at industrial rates resulting in loss of ₹ 23.89 lakh

UPSIDC invited bids (October 2011) for the allotment of a commercial plot measuring 608 sqm at Amousi Industrial Area. However, UPSIDC did not allot the plot to highest bidder (₹ 4,810 per sqm) in anticipation of getting higher rates.

We noticed that subsequently UPSIDC decided (March 2015) to allot the same plot at industrial rate (₹ 3,930 per sqm). This resulted in loss of ₹ 23.89 lakh (608 sqm * ₹ 3,930 being difference of commercial and industrial rate).

In reply, UPSIDC stated that the plot was originally part of industrial plot and the proposal for conversion of the plot from industrial to commercial was put up (December 2011) to UPSIDA Board. UPSIDA Board decided to put up the complete proposal by sub-committee however the same was not done. It further stated that the decision to allot the aforesaid plot was taken (March 2015) by the UPSIDC Board in view of the fact that the plot was already encroached by the allottee.

The reply confirms the fact that UPSIDC not only failed to pursue the matter of conversion of the plot from industrial to commercial but also failed in evacuating the encroacher and safeguarding its properties.

Non-recovery of time extension fee

UPSIDC did not recover time extension fee despite order of Hon'ble High Court

Clause 8.01 of Operating Manual 2011 provides for payment of time extension fee in case the production is not commenced within two years of allotment.

UPSIDC leased (August 2006) a plot measuring 38.0431 hectares to M/s Gujarat Ambuja Cement (allottee). Allottee applied time extension (July 2008) to UPSIDC along with request (November 2013) for waiver of fee for time-extension ₹ 76.17 lakh and interest ₹ 46.94 lakh (upto 30 November 2012) which was not accepted by the UPSIDC. The allottee started (February 2010) production without paying the time-extension fee.

The allottee filed a writ petition before Hon'ble High Court, Allahabad for waiver of time extension fee who ordered (October 2013) that the petitioner may make a comprehensive representation, raising his grievances before Managing Director, UPSIDC (MD) within two weeks from the date of order and MD has to take a decision within four weeks from the date of representation. The court further ordered that the parties shall abide by the decision of MD, UPSIDC. Subsequently, the allottee represented (6 November 2013) to MD but no order has been passed by MD till date. The allottee is yet to deposit the time extension fee and interest resulting in loss of ₹ 1.23 crore to the UPSIDC.

UPSIDC accepted the observation and stated that further action in the matter of time-extension fee is being taken.

The reply confirms the fact that UPSIDC failed to take a decision on time extension fee even after lapse of two years from the date of issue of order by Hon'ble High Court which has resulted in undue favour to the allottee.

2.2.6.7.3 Undue favour to the allottee

UPSIDC extended undue favour to an allottee by allowing FAR of 2.15 instead of admissible FAR of 1.5

Construction of building on the land leased by UPSIDC is governed by Building Regulations 2004 (Regulation 2004). As per clause 3.71.3 of Regulation 2004, a Floor Area Ratio (FAR) of 1.5 was admissible for the Hotel Project. We noticed that UPSIDC extended undue favour to an allottee by allowing (November 2008) a FAR of 2.15 for Hotel Projects on the basis of the same being admissible in the Building regulation of Greater NOIDA.

In reply, UPSIDC stated that higher FAR was allowed to the allottee on his request. The reply is not acceptable as UPSIDC should allow FAR as admissible in its Building regulation and not as per the request of the allottee. Records also indicate non applicability of Greater NOIDA Building regulations in UPSIDC.

2.2.6.7.4 Loss due to absence of penal provision in the Operating Manual

Operating Manual/Building Regulation applicable to UPSIDC provided for construction of building by the lessees after approval of building plan by the UPSIDC. Building Regulations of other industrial development authorities²⁶ provided that if the lessee undertakes construction without applying for

²⁶ NOIDA, Greater NOIDA, YEIDA and LIDA

approval of building plan, a compounding charges of ₹ 1,000 per sqm of the covered area shall be levied. However, Operating Manual/Building Regulation of UPSIDC did not contain similar penal provisions.

In test checked cases of allotment, we noticed that UPSIDC allotted (November 2006) land measuring 1,468.28 acres (59.42 lakh sqm) to Rosa Power Supply Company Limited (RPSL) which constructed the plant and started production in December 2009 but submitted Building Plan to UPSIDC in April 2012 which is yet to be approved by UPSIDC. However, in absence of any penal provision in Operating Manual/Building Regulation in UPSIDC, it failed to impose penalty on covered area of 2,04,864 sqm.

UPSIDC accepted the fact that penalty could not be imposed due to absence of any such provisions in the Building Regulation.

2.2.6.7.5 Non-utilisation of developed land

The Industrial and Investment Policies of GoUP envisaged to accelerate industrial development in the State. It was, therefore, necessary for UPSIDC to ensure that at least the developed industrial areas are being optimally utilised.

- We noticed that in 75 out 146 industrial areas, 1,658.73 acre of developed industrial land was un-allotted as on March 2015. We further noticed that in nine industrial areas the percentage of un-allotted industrial land (1,092.65 acre) ranged from 36 *per cent* to 100 *per cent*. This resulted in not only hampering the growth of industries in the State but also blockage of ₹ 814.41 crore (**Appendix-2.30**).

In reply, UPSIDC stated that allotted plots are cancelled due to default in the compliance to the terms and conditions of lease agreements committed by the allottee. The fact remains that a substantial part of developed industrial areas is not being utilised.

Policy 2012 stipulates that land of sick and locked out units will be included in land bank.

- We further observed that in 88 industrial areas of UPSIDC, 3,999.61 acre of allotted industrial land remained unutilised due to units being sick/closed as on 31 March 2015. We further noticed that in 19 industrial areas the percentage of unutilised industrial land (1,846.13 acre valuing ₹ 1,098.16 crore) by sick/closed units ranged from 51 *per cent* to 100 *per cent* (**Appendix-2.31**). However, UPSIDC did not make any effort to include these areas in its land bank as per Policy 2012.

In reply, UPSIDC stated that it had no policy to ensure the utilisation of plots of sick/closed units. The reply is not acceptable because Policy 2012 clearly stipulates to include land of sick/closed units in the land bank.

Recommendations:

- UPSIDC should make efforts to ensure timely acquisition of land to avoid loss and blockage of funds.
- It should make efforts to recover the maintenance charges from the allottees of the areas transferred to Local Bodies.

Total 1,658.73 acre of developed industrial land was un-allotted as of March 2015

Total 3,999.61 acre of allotted industrial land remained unutilised due to units being sick/closed

- It should ensure that all developed land are allotted in time and monitor effective utilisation of allotted lands.
- The land pertaining to sick/closed units should be included in its land bank as per Policy 2012.

2.2.7 Gorakhpur Industrial Development Authority

2.2.7.1 Organisational Structure

The management of GIDA is vested in a Board headed by Chairman. Chief Executive Officer is the executive head of the Authority and is assisted by Additional/ Deputy Chief Executive Officer and General Manager (Finance) for discharging day to day activities as detailed in **Appendix-2.32**.

2.2.7.2 Finance Section

Financial Status

As per section 22 (1) of Act-1976 the GIDA shall maintain proper accounts and other relevant records and prepare annual statement of accounts including the Balance Sheet in such form as the State Government may specify. We noticed that GIDA has prepared its annual accounts upto 2013-14 and accounts for 2014-15²⁷ are yet to be prepared. The financial status of GIDA as per their Balance Sheet of 2012-13 and 2013-14 is given in table-2.2.5 as below:

Table 2.2.5: Details of financial status of GIDA for the year 2012-13 and 2013-14

(₹ in crore)		
Particulars	2012-13	2013-14
(A) Sources of Funds		
Capital Contribution	15.00	15.00
General Fund	(5.96)	(5.69)
Grant for Food Park (from Central Govt.)	0.81	0.81
Unsecured Loans & Advances	10.00	10.00
Total	19.85	20.12
(B) Application of funds		
Fixed Assets	7.99	8.24
Site Development Projects	27.04	35.19
Investments & FDRs with Banks	13.05	14.25
Net Current Assets	(28.23)	(37.56)
Total	19.85	20.12

(Source: Annual Accounts of GIDA)

Non-repayment of loan

Department had provided loan / grant for specific purposes. Department on request of GIDA sanctioned (November 2006) loan of ₹ 9.28 crore for

²⁷ GIDA has not prepared Balance Sheet for the year 2014-15

development of four schemes²⁸ at the interest rate of 15 per cent per annum with rebate of 3.5 per cent on timely repayment within ten years.

Despite having sufficient fund, GIDA did not repay the GoUP loan which resulted in liability of ₹ 11.60 crore towards interest

We noticed that despite having sufficient fund GIDA did not repay the loan which resulted in liability of ₹ 11.60 crore towards interest on loan as on March 2015. Further, the fund was diverted for construction of 132 KV sub-station instead of developing its four schemes on the direction (November 2007) of Industrial Development Commissioner.

In reply, GIDA stated that pursuance for conversion of loan into interest free loan/ grant was being made (March 2007) to the Department. Reply is not acceptable as the Department had already denied (April 2007) the waiver of interest of the loan.

2.2.7.3 Physical Status

The physical status of various activities of GIDA regarding land acquisition, development and allotment is given in table-2.2.6 as below:

Table 2.2.6: Details of physical status of land acquisition, development and allotment

(figures in acre)

Year	Land Acquisition		Land Development		Land Allotment	
	Target	Achievement	Target	Achievement	Target	Achievement
2012-13	0	0	0	0	0	0.00
2013-14	0	0	0	22	0	0.00
2014-15	0	152	0	0	0	197.10

(Source: Progress report)

It is evident from the above table that GIDA did not fix any target for land acquisition, its development and allotment during 2012-13 to 2014-15.

2.2.7.4 Planning

GIDA has notified area of 21,106.42 acres. It was necessary for GIDA to prepare a Plan Regulation and Development Plan for proper development of the area. We noticed that GIDA did not prepare Plan Regulation even after 26 years of its constitution. GIDA prepared Development plan 2012-2032 in July 2015 i.e. with a delay of three years. Thus, there was no development plan in force during 2012-13 to 2014-15. No Reply for delay was furnished by GIDA.

2.2.7.5 Acquisition of land

GIDA resumes/acquires land from *Gram Sabha* and private land owners under the provisions of Land Acquisition Act, 1894 (LAA) and is responsible for conducting survey of the area, preparation of proposal, pursuance with SLAO and with the Department for notification and resolving the disputes with land owners regarding compensation rates or other. The acquisition of land is carried out by land acquisition section headed by General Manager (Administration). It had acquired land of 1,537 acres up to 31 March, 2012. During last three years ending March 2015, no physical target was fixed for land acquisition and achievement of land acquisition was 152 acres. Out of nine ongoing land acquisition cases involving 846.20 acres area, five cases involving area of 795 acres were test checked in audit. Audit findings are discussed below.

²⁸ Sahjanwa Awasiya Yojana ₹ 4.79 crore, Sansthatag Kshetra Vikas Yojana ₹ 2.83 crore, Const. of master drain in industrial sector 13 & 15 ₹ 0.90 crore & Textile Park Yojana ₹ 0.76 crore

Delay in acquisition of land due to submission of incomplete proposal to SLAO and non-settlement of disputes with land owners resulted in blockage of fund ₹ 25. 64 crore and extra burden ₹ 3.76 crore on GIDA

Inordinate delay in acquisition of land

We during audit noticed cases of delay in acquisition of land in two villages i.e., *Harraiya Kanoongo* and *Kaleshar* due to submission of incomplete proposal to SLAO and non-settlement of disputes with land owners resulting in blockage of fund of ₹ 25. 64 crore, delay in acquisition of land of another two villages i.e., *Pipra* and *Tenuhari* due to non-settlement of disputes with land owners despite incurring extra burden of ₹ 3.76 crore on account of payment of ex-gratia.

In reply, GIDA stated that due to dispute with land owners and litigations the land could not be acquired. The reply confirms the fact that GIDA failed in proper persuasion of land acquisition proceedings which has resulted in extra burden of ₹ 3.76 crore to GIDA.

2.2.7.6 Development of land

GIDA after acquisition of land is responsible for preparation of layout plan and execution of development works involving construction of roads, drains, parks, electrical supply, water supply and sewerage system. The development works is carried out by Construction & Maintenance Section of GIDA which is headed by General Manager (Construction & Maintenance). GIDA executes the development works by allotting the works to government construction agency on deposit work basis after allowing centage charges. Out of 1,537 acres of land acquired, GIDA had developed 1,250 acres of land up to 31 March 2012. During 2012-13 to 2014-15, GIDA did not fix any physical target for development of land and it has developed only 22 acres of land during 2013-14.

In reply, GIDA stated that due to court cases on acquisition of land of three villages and disputes with farmers on acquired land, the development could not be done. The reply confirms the fact that GIDA failed to settle the dispute with farmers which resulted in non-development of land in position. Moreover it did not fix any target of development during last three years.

2.2.7.7 Allotment of land

GIDA had allotted 687.31 acres of Industrial land up to 31 March, 2012. During the year 2012-13 to 2014-15, GIDA did not fix physical target for allotment of land and it allotted 197.10 acres of industrial land till March 2015. There was no allotment of industrial plots in 2012-13 and 2013-14 and details of allotment and allotment files for the year 2014-15 were not furnished to audit. However, during audit we noticed seven bulk allotment cases having area of 507.24 acres upto 31 March 2015 out of which four cases having area of 360.20 acres were test checked in audit.

We noticed that Department under Government order (July 2006) had allowed various benefits to M/s Gallant Ispat Limited (GIL) in allotment of land. IDC directed (August 2006) GIDA not to recover administrative charges, overhead charges, lease rent, interest and peripheral development charges from GIL and submit the details of loss incurred by GIDA to Department for reimbursement. GIDA calculated the loss of ₹ 4.15 crore and submitted (August 2006) the same to Department. We noticed that the same has not been reimbursed by the Department till March 2015.

GIDA failed to pursue GoUP for reimbursement of ₹ 4.15 crore being expenses incurred in allotment of land to M/s Gallant Ispat Limited

2.2.7.8 Monitoring of the functions of GIDA

We observed that no target for acquisition, development and allotment of land was fixed to attain its objectives and there was less acquisition and very less development indicating weak monitoring by higher authorities and Board. No separate reporting was made regarding units constructed and units under production to the Board, thus utilisation of land could not be ascertained.

Recommendations:

- GIDA should prepare Plan Regulations as required by the Act-1976 and get it approved by the Department.
- It should fix the target for acquisition of land and ensure its development and allotment to promote industrialisation.
- It should also make efforts to ensure timely acquisition of land to avoid loss and blockage of funds.

2.2.8 Lucknow Industrial Development Authority (LIDA)

2.2.8.1 Organisation Structure

The management of LIDA is vested with a Board headed by Chairman. Chief Executive Officer is the executive head of LIDA and is assisted by Additional Chief Executive Officer, Senior Manager (Project), Town Planner, *Tehsildar* and Senior Finance and Accounts Officer as detailed in **Appendix-2.33**.

2.2.8.2 Finance Section

Financial Status

As per section 22 (1) of Act-1976 the LIDA shall maintain proper accounts and other relevant records and prepare annual statement of accounts including the Balance Sheet in such form as the State Government may specify. We noticed that LIDA has prepared its annual accounts upto 2013-14 and accounts for 2014-15²⁹ are yet to be prepared. The financial status of LIDA as per their Balance Sheet of 2012-13 and 2013-14 is given in table-2.2.7 as below:

Table 2.2.7: Details of financial status of LIDA for the year 2012-13 and 2013-14

(₹ in crore)		
Particulars	2012-13	2013-14
(A) Liabilities		
Surplus Fund	(8.55)	2.79
Loan from GoUP	41.00	41.00
Loan from HUDCO	23.76	19.62
Advance from UPSIDC	0.20	0.20
Advance for Sale of land	19.79	18.93
Current Liabilities	9.44	17.29
Total	85.64	99.83
(B) Assets		
Fixed Assets	0.14	0.14
Investments	19.55	22.78
Work in progress	64.79	76.81
Cash at bank	1.09	0.03
Loans & Advances	0.05	0.05
Tax Deducted at Source	0.02	0.02
Total	85.64	99.83

(Source: Annual Accounts of LIDA)

²⁹ LIDA has not prepared Balance Sheet for the year 2014-15

Instead of paying government loan, LIDA kept funds in fixed deposits

Non-repayment of loan

LIDA received ₹ 41 crore during December 2005 to March 2008 from GoUP as short term loan which was repayable within five years along with interest at the rate ranging between 18 and 19 *per cent* per annum, including penal interest, if due. LIDA requested (September 2007) the GoUP to convert the loan into seed capital or extend repayment period to eight years after making it interest free loan which was rejected by the Government (August 2008).

We noticed that repayment of principal amount and interest was not made by LIDA up to March 2015. This resulted in an outstanding liability of ₹ 97.19 crore (principal ₹ 41 crore and interest ₹ 56.19 crore) as on 31 March 2014.

In reply, LIDA stated that the main reason for non-refund of Government loan was due to not having any definite income by the Authority.

Reply is not acceptable as the amount of ₹ 8.34 crore refunded by the SLAO was not deposited in the Government account and kept in fixed deposit, which otherwise could have minimised the liability of Government loan to that extent.

2.2.8.3 Physical Status

The physical status of LIDA regarding land acquisition, development and allotment is given in table-2.2.8 below:

Table 2.2.8: Details of physical status of land acquisition, development and allotment

(figures in acre)

Year	Land Acquisition		Land Development		Land Allotment	
	Target	Achievement	Target	Achievement	Target	Achievement
2012-13	500	0	80	0	100	25
2013-14	500	0	0	0	148	0
2014-15	812	0	0	0	0	0

(Source: Progress reports)

It is evident from the above table that LIDA did not fix any target for land development during 2013-14 and 2014-15 and for allotment in 2014-15. Moreover, the achievement of targets in all the three years was negligible.

2.2.8.4 Planning

LIDA has notified area of 74,120.12 acres. It was necessary for LIDA to prepare a Plan Regulation and Master Plan for proper development of the area. We noticed that LIDA prepared Plan Regulation in 2013 which was yet to be approved by the Department. However, it failed in finalising the Master Plan for its notified area even after ten years of its constitution, resulting in non-achievement of its objective of industrial development of the area.

In reply, LIDA stated that Master Plan has been approved by the Board of Directors and sent to Government for approval. The reply confirms the fact that LIDA failed to finalise the Master Plan even after ten years of its constitution.

2.2.8.5 Acquisition of land

LIDA resumes/acquires land from *Gram Sabha* and private land owners under the provisions of LAA and is responsible for conducting survey of the area, preparation of proposal, pursuance with SLAO and with the Department for

notification and resolving the disputes with land owners regarding compensation rates or other. The acquisition of land is carried out by land acquisition section headed by *Tahsildar*. It had acquired land of 279.48 acres up to 31 March 2012 which is disputed and case is pending in Hon'ble Supreme Court. During April 2012 to March 2015, LIDA could not acquire any land despite fixing a target of 1,812 acres. Thus, there was no achievement against the targets. LIDA had four ongoing land acquisition cases in *Natkur, Miranpur Pinwat, Banthra Sikandarpur* and *Kurauni* villages involving an area of 1,985.14 acres and all the four cases were test checked in audit. Audit findings are discussed below.

Delay in acquisition of land

Delay in acquisition of land resulted in loss of ₹ 7.06 crore and blockage of funds ₹ 6.45 crore

We noticed that LIDA could not acquire land as the acquisition of land in *Natkur, Miranpur Pinwat* and *Banthra Sikandarpur* villages was quashed by Hon'ble High Court due to delay in issuance of notification u/s 6/17 by the Department and non-preparation of Master Plan. This has resulted in loss of ₹ 7.06 crore on account of deduction of acquisition charges by SLAO. Moreover, an amount of ₹ 6.45 crore was blocked in resumption of *Gram Sabha* land due to delay in survey and planning for its utilisation.

In reply, LIDA stated that notification under section 4/17 and 6/17 was issued by the Department for acquisition for planned industrial development. It further stated that survey was done for utilisation of *Gram Sabha* land and the same would be put up in next Board meeting.

The reply is not acceptable as notification was quashed by Hon'ble High Court due to delay in issuance of notification and preparation of master Plan for which LIDA and the Department were responsible resulting in deduction of acquisition charges of ₹ 7.06 crore. Further, LIDA could not take decision for utilisation of *Gram Sabha* land even after lapse of three years resulting in blockage of ₹ 6.45 crore.

2.2.8.6 Development of land

LIDA after acquisition of land is responsible for preparation of layout plan and execution of development works involving construction of roads, drains, parks, electrical supply, water supply and sewerage system. Development of land is carried out by development section headed by Senior Manager (Project). LIDA has not developed any land out of available land of 279.48 acre up to 31 March 2012. During 2012-13, it had fixed target of development of 80 acres and did not fix any target during 2013-14 and 2014-15 and there was no development of land during 2012-13 to 2014-15.

During 2012-13 to 2014-15, it undertook only one development work on disputed land in *Karauni* village for establishing of IT park which could not be developed due to quashing of land acquisition resulting in abandoning the IT park scheme and expenditure of ₹ 47.50 lakh incurred on it proved to be infructuous.

In reply, LIDA stated that the decision of Hon'ble High Court, Lucknow Bench has not given its verdict when the scheme was launched and the expenditure of ₹ 47.50 lakh was incurred on advertisement of the scheme.

The fact remains that the scheme was launched on land which was under litigation.

2.2.8.7 Allotment of land

Allotment of land is done by allotment section headed by Senior Manager (Project). LIDA has not allotted any land up to 31 March 2012. During 2012-13 and 2013-14 LIDA had fixed the target of allotment of 100 acres and 140 acres respectively and did not fix the target for the year 2014-15 and it has allotted only 25 acres of land indicating shortfall in achievement of targets.

2.2.8.8 Monitoring of the functions of LIDA

LIDA was constituted in 2005. There was no proper system of monitoring the functions. The purpose of constitution of LIDA for planned development of area was not fulfilled which indicates improper monitoring.

Recommendations:

- LIDA should finalise its Master Plan at the earliest.
- It should make efforts to ensure timely acquisition of land to avoid loss and blockage of funds.
- It should also ensure clear title of land before incurring expenditure on development of land.

2.2.9 Conclusion and recommendations

Infrastructure and Industrial Development Department (Department)

- The Department did not prescribe guidelines for time bound acquisition of land for industrial use in pursuance of the Infrastructure and Industrial Investment Policy 2012. This has resulted in delay in acquisition of land by the authorities.

Recommendation: The Department should issue necessary guidelines to Authorities/UPSIDC to complete the process of land acquisition in a time bound manner.

- The Department failed to approve the regulations prepared by the Authorities in pursuance of the Uttar Pradesh Industrial Area Development Act, 1976 (Act-1976) as of 31 March 2015.

Recommendation: The Department should expedite approval of all regulations submitted by Authorities.

- The Department failed to put in place a monitoring mechanism in pursuance of the Act-1976. It neither prescribed any periodical Reports>Returns/Accounts to be submitted by the Authorities nor ensured proper implementation of the Master plan/Development plan by the Authorities/ UPSIDC.

Recommendation: The Department should develop a mechanism for proper monitoring and control over the activities of Authorities/UPSIDC to achieve planned, effective and efficient development of industrial areas.

U.P. State Industrial Development Corporation Limited (UPSIDC)

- UPSIDC failed to make proper assessment of feasibility of land acquisition, arrangement of funds and persuasions with the farmers leading to dropping of many land acquisition proposals resulting in loss on account of deduction of acquisition charges by SLAO amounting to ₹ 10.11 crore and blockage of funds of ₹ 38.24 crore.

Recommendation: UPSIDC should make efforts to ensure timely acquisition of land to avoid loss and blockage of funds.

- UPSIDC incurred expenditure of ₹ 27.93 crore during 2012-13 to 2014-15 on maintenance and up-gradation work in the industrial areas which was not permissible as per Operating Manual.

Recommendation: UPSIDC should make efforts to recover the maintenance charges from the allottees of the areas transferred to Local Bodies.

- UPSIDC failed to achieve its target of allotment of developed land. Moreover, 1,092.65 acre of developed land valuing ₹ 814.41 crore remained unallotted and 1,846.13 acre of allotted land valuing ₹ 1,098.16 crore remained unutilised due to allottee units being sick/closed as of 31 March 2015.

Recommendation: UPSIDC should ensure that all developed land are allotted in time and monitor effective utilisation of allotted lands. Further, the land pertaining to sick/closed units should be included in its land bank as per Policy 2012.

Gorakhpur Industrial Development Authority (GIDA)

- GIDA did not prepare the Plan Regulations for development of notified areas as per Act-1976.

Recommendation: GIDA should prepare Plan Regulations as required by the Act-1976 and get it approved by the Department.

- GIDA did not fix any target for acquisition of land, its development and allotment during last three years.

Recommendation: GIDA should fix the target for acquisition of land and ensure its development and allotment to promote industrialisation.

- Due to improper persuasion of land acquisition proceedings, an amount of ₹ 25.64 crore remained blocked.

Recommendation: GIDA should make efforts to ensure timely acquisition of land to avoid loss and blockage of funds.

Lucknow Industrial Development Authority (LIDA)

- LIDA could not finalise its Master Plan for development of notified areas even after lapse of ten years of its constitution.

Recommendation: LIDA should finalise its Master Plan at the earliest.

- LIDA did not acquire any land during last three years and incurred loss in land acquisition besides blockage of funds.

Recommendation: LIDA should make efforts to ensure timely acquisition of land to avoid loss and blockage of funds.

- LIDA did not develop any land and incurred infructuous expenditure on taking up the development works on disputed land.

Recommendation: LIDA should ensure clear title of land before incurring expenditure on development of land.

Department of Additional Source of Energy

2.3 Long Paragraph on Implementation of Off-Grid Renewable Energy Projects by Uttar Pradesh New and Renewable Energy Development Agency

2.3.1 Introduction

Renewable Energy can be either grid connected or off-grid. Under grid-connected, projects are connected to the conventional electricity grid and the energy generated is fed into the grid while under off-grid projects, the energy generated is not fed into the grid but is used for local requirement.

Uttar Pradesh is an energy deficient State and the shortage of electricity ranged between 11.34 *per cent* and 21.63 *per cent* during 2008-09 to 2014-15 which is far above the national deficit of 3.6 *per cent*.

As on July 2015, out of total installed capacity of 15,721.80 MW of energy in the State, share of grid-connected renewable energy was only 989.86 MW (6.30 *per cent*). Of this, the contribution of the State was only 25.10 MW (2.54 *per cent*) and remaining 964.76 MW (97.46 *per cent*) was installed by private sector.

The Government of Uttar Pradesh (GoUP), with the objectives of promoting new and renewable energy, setup (1983) an agency named Uttar Pradesh New and Renewable Energy Development Agency (UPNEDA) under Department of Additional Source of Energy, GoUP. UPNEDA is working as a nodal agency for the State in the field of Renewable Energy (RE) Sector.

During 2007-08 to 2014-15 a total of ₹ 452.62 crore was received by UPNEDA from GoUP and Ministry of New and Renewable Energy (MNRE). Out of this ₹ 448.69 crore (99.13 *per cent*) was received for implementation of off-grid projects. Thus, the main focus of UPNEDA during 2007-08 to 2014-15 was on implementation of off-grid power projects.

2.3.2 Organisational Structure

The Executive Committee of UPNEDA is headed by Chairman, Secretary to GoUP, Department of Additional Sources of Energy. The Director (nominated by the State Government) is the Chief Executive Officer of UPNEDA. The organisational set up of UPNEDA has been depicted in **Appendix-2.34**.

2.3.3 Audit Objectives

The objectives of the audit were to ascertain, whether:

- financial management was adequate and funds were utilised economically, effectively & efficiently;
- planning for exploitation of solar energy was adequate and effective;
- schemes were implemented timely and effectively; and
- monitoring mechanism and supervision was adequate.

2.3.4 Audit Criteria

The criteria of audit were drawn from the following sources:

- Guidelines of the various projects, financial sanction of GoI/State Government, Standard procedure for award of work and their management;
- Departmental orders, circulars etc. issued from time to time; and
- Progress reports, physical verification reports, review reports, utilisation certificates etc.

2.3.5 Scope and Methodology of Audit

The audit was conducted during May 2014 to October 2014, April 2015 to May 2015 and 1 July 2015 to 9 July 2015 covering various aspects relating to implementation of off-grid Renewable Energy projects by UPNEDA during 2007-08 to 2014-15. This includes Solar Street Lights (SSLs), Solar Power Packs (SPs), Solar Home Lights (SHLs), Solar Power Plants (SPPs), Solar Water Heater (SWHs), Biogas etc.. Audit examination involved scrutiny of records of Headquarter office of UPNEDA to examine 100 *per cent* cases of procurement of SSLs, SPs, SHLs, SWHs, Biogas, and 65 *per cent* of SPPs.

Audit Methodology included explaining the audit objectives to the Management of UPNEDA during entry conference held on 8 July 2014, scrutiny of records, interaction with the personnel of the auditee organisation, raising of audit queries and issue of long paragraph to the Management for comments.

The long paragraph was issued (August 2015) to the UPNEDA and the Government. The reply of UPNEDA has been received (October 2015) and suitably incorporated in the Report. An Exit Conference was held on 22 July 2015 with Director of UPNEDA to discuss the audit findings. The outcome of the exit conference has been suitably incorporated in the Report. The reply of the Government is awaited (October 2015).

Audit Findings

2.3.6 Financial status

During 2007-08 to 2014-15 a total of ₹ 452.62 crore was received by UPNEDA from GoUP (₹ 344.73 crore) and MNRE (₹ 107.89 crore). Out of this ₹ 448.69 crore was received for implementation of off-grid projects against which an amount of ₹ 365.49 crore was actually spent as summarised in table-2.3.1 and also detailed in **Appendix-2.35**.

Table-2.3.1: Fund received and expenditure made during 2007-08 to 2014-15 under off-grid projects

(₹ in crore)

Off-Grid Projects									
Year	Particulars	SSL	Solar Power Pack ³⁰	SHL	Solar Power Plants	Mini-Grid Power plant ¹	Solar Water Heater	Bio-Gas	Total
1	2	3	4	5	6	8	7	9	10
2007-08	Receipt	1.67	-	1.92	0	-	0.05	-	3.64
	Expenditure	1.67	-	1.92	0	-	0.05	-	3.64

³⁰ Bio-gas started in 2010-11, Mini-grid in 2011-12 and for Solar Power Packs one time fund was received in 2014-15.

1	2	3	4	5	6	8	7	9	10
2008-09	Receipt	4.02	-	0	0	-	1.15	-	5.17
	Expenditure	4.02	-	0	0	-	0.08	-	4.1
2009-10	Receipt	4.61	-	8.84	7.26	-	0.44	-	21.15
	Expenditure	4.61	-	8.84	7.26	-	0.31	-	21.02
2010-11	Receipt	28.84	-	18.51	16.46	-	0.58	1.25	65.64
	Expenditure	28.84	-	18.51	9.42	-	0.55	0.27	57.59
2011-12	Receipt	35.45	-	0.95	4.04	2.14	0.91	0.25	43.74
	Expenditure	35.34	-	0.95	4.01	0.84	0.89	0.54	42.57
2012-13	Receipt	53.85	-	0	0.82	-	2	0	56.67
	Expenditure	53.85	-	0	0.82	-	0.16	0.47	55.3
2013-14	Receipt	44.64	-	0	0	-	0	0.40	45.04
	Expenditure	44.64	-	0	0	-	0.42	0.40	45.46
2014-15	Receipt	61.38	111.09	34.59	0	-	0	0.58	207.64
	Expenditure	31.57	87.43	16.23	0	-	0	0.58	135.81
	Total Fund received	234.46	111.09	64.81	28.58	2.14	5.13	2.48	448.69
	Actual Expenditure	204.54	87.43	46.45	21.51	0.84	2.46	2.26	365.49

(Source: Information furnished by UPNEDA)

It is evident from the above table that most of the expenditure incurred was on solar street lights and solar power packs only. Besides, the above very less expenditure was incurred on other components such as wind energy (₹ 0.25 crore) and Training and Promotional activities (₹ 3.67 crore) during the same period.

2.3.7 Physical status of projects

UPNEDA prepares its annual plan of expenditure for the works on RE and sends it to GoUP for making provision in the State Budget. For obtaining Central Finance Assistance (CFA), it prepares proposals for different off-grid projects and sends it to MNRE for approval. After getting approval from MNRE the execution of works are carried out by UPNEDA. The physical target & achievements of the projects are detailed in table-2.3.2.

Table 2.3.2: Target, achievement and shortfall of off-grid projects during 2007-08 to 2014-15

Sl. No.	Particulars	Target (in number)	Achievement (in number)	Shortfall	
				Number	Per centage
A	Solar Projects				
1	Solar Street Lights	157059	142310	14749	9.39
2	Solar Power Packs	42181	40918	1263	2.99
3	Solar Home Lights	77809	69585	8224	10.57
4	Power Plants				
	(i) Solar Power Plant	669	634	35	5.23
	(ii) Mini-grid Solar Power Plants	47	23	24	51.06
5	Solar Water Heaters	22.29lakh/LPD	14.81 lakh/LPD	7.48	33.55
B	Non-Solar Projects				
6	Biogas	2500	2311	189	7.56

(Source: Records furnished by UPNEDA)

It is evident from the above table that the shortfall in achievement of physical targets in respect of off-grid projects ranged between 3 and 51 *per cent*. The status of functioning of SSLs, SPs, SHLs, SPPs and Bio-gas were not made available to audit though called for (August 2015).

2.3.8 Planning

Considering the deficit of energy in the State, it was necessary for the State to formulate a policy for all sources of RE sector. However, GoUP/UPNEDA failed to formulate a policy for RE sector as of March 2015 except a Mini-Hydro Policy and Solar Energy Policy (grid connected) which were formulated in 2009 and 2013 respectively. A policy on off-grid RE sector is yet to be made in the absence of which the activities of UPNEDA was mainly focused on Ministry of New and Renewable Energy's (MNRE) off-grid schemes, except solar power packs which was a State Government Project.

2.3.9 Execution of the Projects

We noticed that of the various components of off-grid solar/non-solar equipments, UPNEDA executes the work of supply and installation of Solar Street Lights, Solar Power Packs, Solar Home Lights and Solar Power Plants. However, Solar Water Heaters and Bio-gas plants are procured directly by the beneficiaries and after installation the UPNEDA provides subsidy to the beneficiaries. The audit findings in respect of execution of off-grid projects/components are discussed below:

2.3.10 Off-grid solar projects

2.3.10.1 Solar Street Lights (SSLs)

Solar Street Lights (SSLs) are raised light sources which are powered by photovoltaic panels generally mounted on the lighting structure or integrated in the pole itself. During 2007-08 to 2014-15 UPNEDA was to install 1,57,059 SSLs against which it could install 1,42,310 (90.61 *per cent*) SSLs at a cost of ₹ 204.54 crore till March 2015. Audit findings in respect of SSLs are discussed below:

Avoidable expenditure in procurement of SSLs

UPNEDA formed (August 2010) a Technical Committee for comparing efficiency of CFL and LED based SSLs system. The Technical Committee observed (August 2010) that LED based SSLs were more efficient than a CFL based SSLs in terms of luminosity, life, solar panel and battery. Moreover, LED based SSLs were also economical.

We noticed that in spite of the fact that LED based SSLs were more efficient and cost effective, UPNEDA procured (March 2011 to December 2011) 18,067 CFL based SSLs under "Project Mode"³¹ scheme at higher price and incurred an extra expenditure of ₹ 9.88 crore (**Appendix-2.36**).

In reply, the Management stated (July 2015) that CFL based SSLs were purchased under Project Mode scheme on the basis of approvals of MNRE.

³¹ A project where there is a Project Report which, inter alia, include client details, technical & financial details, O&M and monitoring arrangements.

Reply is not acceptable as approvals (March 2011 to October 2011) of MNRE was based on proposals of UPNEDA which were sent to MNRE during February 2011 to September 2011 i.e. after the recommendation of the technical committee (August 2010).

Non-maintenance of SSLs after expiry of AMC

After installation of SSLs, these are handed over to beneficiaries like *Gram Sabha, Gram Panchayat* etc. but are maintained by the vendors for a initial period of five years under annual maintenance comprehensive warrantee (AMC). After expiry of AMC period, the *Gram Sabha, Gram Panchayat* are responsible for maintenance but as per as per MNRE's guideline, UPNEDA has the option to take over the project or handover the project to the same supplier or any other firm as approved by the GoUP for maintaining the project after expiry of five years of AMC period.

We noticed that during 1999-2000 to 2009-10, 7,862 SSLs were installed and handed over to beneficiaries like *Gram Sabha, Gram Panchayat* etc. A survey conducted (October/November 2013) by UPNEDA revealed that out of 7,862 installed SSLs, 4,719 SSLs (60 *per cent*) valuing ₹ 11.85 crore were lying non-functional as of March 2015 either because of defective battery or luminary or both.

It is pertinent to mention here that the solar panels used in the SSLs have a life span of 15 to 20 years. Thus, optimum utilisation of the SSLs after completion of AMC period could not be ensured due to not making provision for maintenance of SSLs after expiry of AMC.

In reply, the Management stated (July 2015) that after the expiry of AMC period it is the responsibility of the beneficiary to maintain the SSLs. Reply confirms the fact that no arrangements have been made by the UPNEDA for proper maintenance and optimum utilisation of solar panels.

Recommendation:

UPNEDA should observe canons of financial propriety in execution of projects. It should be pro-active in ensuring that implemented projects are functional even after the expiry of AMC period.

2.3.10.2 Solar Power Pack:

Solar Power Packs (SPs) is a project to provide a solar power pack in each houses being constructed *under Lohiya Gramin Awas Yojna* of GoUP. Each SPs consisted of 120 watt solar panel, 120 AH battery, 3 LED lights, one DC ceiling fan and one mobile charging point. UPNEDA was to install 42,181 SPs against which it could install 40,918 (97 *per cent*) as on 31 March 2015.

Excess payment due to non-availing of VAT exemption

GoUP sanctioned (November 2013) and UPNEDA awarded (February/May 2014) the work of supply & installation of 42,181 SPs in 27 districts to two firms at the rate of ₹ 28,850 (inclusive of all taxes) per SPs. As on 31 March 2015, 40, 918 (97 *per cent*) SPs were installed.

Further, GoUP exempted (26 September 2014) SPs supplied for *Lohiya Gramin Awas Yojna* from levy of VAT. However, we noticed that UPNEDA did not avail the exemption of VAT and made excess payment of ₹ 3.04

crore³² on supply of 22,941 SPs after the date of notification of exemption of VAT.

In Exit Conference, Management stated (July 2015) that after audit observation no VAT is being paid to the firm and the payment made towards VAT after date of exemption will be recovered from the firm. However, till date no action for recovery has been initiated.

2.3.10.3 Solar Power Plants

Solar Power Plants are stand alone solar power plants installed at the request of the various public and private institutions to provide energy within their campus/building. During 2007-08 to 2014-15, UPNEDA was to install 716 Solar Power Plants (SPPs) against which it could install 657 SPPs. We noticed that out of test checked 460 Solar Power Plants, 399 (87 per cent) could be installed till March 2015. Out of 399 installed plants, 182 plants (46 per cent) were non-functional as of March 2015 resulting in unfruitful expenditure of ₹ 5.70 crore besides loss of generation of potential energy of 283.9 kW (**Appendix-2.37**). Audit findings in respect of test checked SPPs are discussed below:

Non-Installation of Solar Power Plants (SPPs) at Rajkiya Ashram Paddhati Vidyalayas

MNRE accorded approval (July 2010) for installation of 57 SPPs in each 57 *Rajkiya Ashram Padhati Vidyalayas* run by the Social Welfare Department, in the State with total project cost of ₹ 9.06 crore (Department's share ₹ 6.29 crore and MNRE's share ₹ 2.77 crore).

UPNEDA awarded (November 2010) the work for supply and installation of all 57 SPPs with five years maintenance period to M/s Gangotri Enterprises, Lucknow (M/s GEL) at a cost of ₹ 9.56 lakh per SPP (including ₹ 20,000 as AMC cost) to be completed within three months from the date of order.

We noticed that the M/s GEL could supply and install only 22 SPPs upto April 2011 for which a total payment of ₹ 1.44 crore (being 70 per cent of cost of 22 plants) was made. All the 22 plants were non-functional as on July 2015. The firm was requested several times for completing the work but it did not complete the work and therefore, the work order was cancelled and firm was blacklisted (October 2011).

However, UPNEDA did not make any effort to get the remaining work of installation of 35 SPPs executed by inviting fresh tenders (October 2015). Moreover, it also failed to ensure proper maintenance of 22 installed SPPs resulting in unfruitful expenditure of ₹ 1.44 crore on non-functional SPPs.

In reply, the Management stated (July 2015) that it has decided to make the installed 22 SPPs functional and maintain them. However, 22 SPPs costing ₹ 1.44 crore were still lying non-functional as of October 2015.

Non - installation of Solar Power Plant at UPPCL Headquarter

MNRE sanctioned (January 2011) a proposal for installation of two Solar Power Plants at *Shakti Bhawan*, headquarter office of the Uttar Pradesh Power Corporation Limited (UPPCL), Lucknow. These plants were to be installed by

³² (Sukam 16,616 plus Minda 6,325)=22,941)* ₹ 1,326.2(VAT) per power pack

July 2011. UPNEDA issued (May 2011) work order to M/s Jaiswal Battery Services (M/s JBS) at a cost of ₹ 63.81 lakh.

During execution of work it came to notice (July 2011) that certain extra civil work would be involved in the project and therefore UPNEDA sought extension upto November 2011 which was accorded by MNRE (September 2011). Further, M/s JBS also requested (September 2011) UPNEDA for extension of time upto November 2011 but the UPNEDA cancelled (November 2011) the order of the M/s JBS on the ground that the work was of important nature. Subsequently, it issued fresh order on M/s *Gangotri Enterprises Limited* (M/s GEL), on the same rate, terms and conditions without mentioning the increased scope of civil work. The work was to be completed within 45 days. The firm did not make any progress upto May 2012 even after lapse of six months from the date of award of work (November 2011). Consequently, UPPCL cancelled (May 2012) the order and UPNEDA had to refund the advance amount along with interest of ₹ 2.33 lakh to UPPCL (March 2014).

Thus, due to lack of proper planning in finalising the scope of civil work at the initial stage and at the time of re-awarding the work, the work could not be completed.

In reply, the Management stated (October 2015) that extra civil work was required as UPPCL insisted that the load of the plant should not be put on the roof. The fact remains that there was lack of proper planning by UPNEDA in installation of SPPs on the building of UPPCL.

Failure of 1.2 kW Mini - Grid Solar Photovoltaic (SPV) Power Plant due to ill conceived project

Mini-grid Solar Power Plants Project is a project in which energy is supplied to group of villagers from a standalone solar power plant by establishing a mini-grid.

MNRE sanctioned (October 2011) an amount of ₹ 78.61 lakh against the proposal of UPNEDA (September 2011) for installation of 47 numbers of 1.2 kW mini grid Solar Photo Voltaic (SPV) Power Plants in 47 villages of 29 districts in the State during 2011-12 and released ₹ 40 lakh (October 2011). GoUP also released (December 2011) its share of ₹ 1.74 crore. Under this project, each house was to be provided a total load of three watt for LED light.

UPNEDA issued (December 2011) work orders for supply, installation and commissioning of above plants within 15 days along with five years comprehensive warranty to five firms³³ at the rate of ₹ 3.60 lakh per plant.

We noticed that:

- Only 23 plants in 11 districts could be installed (September 2012) by two firms³⁴ with delay ranging from five to nine months. The rest of the firms could not supply the plants and their orders were cancelled (April 2012).
- Each plant was to have 200 connections with a variation of 10 *per cent*. In none of the plant this condition was fulfilled and number of connections

³³ M/s Gautam Polymers, M/s Communications and Systems Engineering (P) Ltd, M/s Granzore Engineering (P) Ltd, M/s Automation Electronics, M/s Minda NextGen Tech. Ltd.

³⁴ M/s Gautam Polymers(22 plants) and M/s Minda NextGen Tech limited (1 plant)

ranged from 46 to 176. The main reason for less connection was faulty design of the power plants which did not fulfill the requirement of villagers.

- As of March 2015 all the 23 installed plants were non-functional since October 2013.

In reply, the Management stated (July 2015) that main reason for the failure of the plants was the faulty design of the project.

Thus, expenditure of ₹ 82.80 lakh incurred on installation of 23 plants, proved infructuous due to faulty/defective design of the project.

Recommendations:

- UPNEDA should ensure timely completion of projects by introduction of a system of taking performance bank guarantee at the time of award of work.
- It should also assess and carry out proper study and survey of the site conditions before placing the order.

2.3.10.4 Non-monitoring of online complaints

All the solar projects implemented by UPNEDA are maintained by the vendors for a period of five years from the date of their installation under AMC warranty. For ensuring the timely maintenance of installed equipments, UPNEDA installed (December 2014) an online system for recording the complaints of the beneficiary regarding non-functioning of the solar equipments under AMC period through a toll free complaint number³⁵.

We noticed that during the period December 2014 to April 2015 a total of 3,051 complaints were made out of which 2,198³⁶ were pending (April 2015). Besides, 182 solar power plants were also lying non-functional for which no online complaints were made. Some complaints were made repeatedly but were not being attended to by the vendors or attended after abnormal delays (one to three months). Despite this no action was taken by UPNEDA against the vendors.

In reply, management stated (July 2015) that the firms are regularly attending to the complaints. The Management's reply is not acceptable as pendency of 2,198 complaints as on 30 April 2015 indicates that vendors are not attending the complaints in time and UPNEDA is not monitoring it.

Recommendation:

UPNEDA should monitor the status of disposal of complaints lodged through online complaint system.

2.3.11 Off-grid non-solar projects

Non-solar projects include those projects which do not use Sun Energy to produce renewable energy like biogas. The biogas plants utilise cow dung to generate energy. We during audit noticed the followings:

³⁵ 1800 180 0005

³⁶ Solar Street Lights- 1,519, Solar Power Packs-551, Solar Home Lights-128

Biogas Plants

Under biogas projects, family size biogas plants are constructed by beneficiaries to produce gas from cow dung which is basically used for cooking purpose.

Non-achievement of target and non-adherence to project guidelines

The project of National Biogas Manure Management Programme (NBMMP) was launched in 2010-11 by MNRE in UPNEDA. Under this project family size biogas plants were to be constructed by beneficiaries for which a Central Finance Assistance (CFA) of ₹ 8,000 upto May 2014 and thereafter at the rate of ₹ 9,000 was to be provided to each beneficiary after commissioning of the plant by them.

UPNEDA was allotted a target of 2,500 biogas plants for the period 2010-11 to 2014-15 (500 each year) and a fund of ₹ 2.48 crore was allotted by MNRE. Out of this, 2,311 plants could be installed by UPNEDA for which a subsidy of ₹ 2.26 crore was released to the beneficiaries. The cases of non-compliance of the guidelines of MNRE are given below:

- As per clause 16 of the guidelines of NBMMP, UPNEDA was required to prepare district and micro plans by following cluster of villages/area approach for selection of biogas plant beneficiaries but it was not done by UPNEDA as of March 2015.
- As per clause 20 of the guideline of NBMMP, UPNEDA was to select at least two villages each month for determining the status of biogas plants set up earlier in these villages but this was done only once in May 2012.
- As per clause 12 of the guidelines of NBMMP, training programmes by Biogas Development Training Center (BDTC) set up in Lucknow was to be organised for which CFA was to be claimed by BDTC. It was noticed that only one programme was organised by BDTC (2011-12).

In reply, the Management accepted and stated (July 2015) that it has recently (2010) started the work of Bio-gas hence, no district and Micro Plans has been prepared and project offices have been given directions to serialize the plants. It further stated that training programmes by BDTC was organised in 2011-12 for which CFA was released separately. Thereafter no CFA was released hence no training was carried out.

The Management's reply in respect of training programme is not acceptable because as per guidelines of NBMMP, it was the responsibility of UPNEDA to organise the training programmes and submit the claims for CFA.

2.3.12 Training Centre

GoI and GoUP, with the objectives of providing skilled manpower in the field of renewable energy, jointly set up a Research, Development and Training Centre at Lucknow (1991-92) and Mau (1993). The training centres were to impart trainings to develop, manufacture, operate and repair and maintenance skills in the people of the area. During 2007-08 to 2014-15, UPNEDA received fund of ₹ 78.75 lakh (MNRE's share ₹ 33.75 lakh and GoUP's share ₹ 45 lakh) against which an amount of ₹ 72.47 lakh was incurred on imparting training during 2007-08 to 2014-15.

We noticed that during 2007-08 to 2014-15, 58 training programmes of capacity building in repairing of RE components were conducted at Lucknow training centre while only one training programme was conducted at Mau training centre. Audit finding in respect to training centre at Mau is discussed below:

Non-utilisation of training centre for intended purpose

UPNEDA constructed (1993) a training centre at Mau at a cost of ₹ 1.76 crore after approval of MNRE (November 1991). We noticed that since its inception only one training was organised in March 2014. Neither any research work was done nor any proposal was sent to MNRE for release of grant etc. which defeated the very purpose of setting up of this centre. The building is not being utilised for intended purpose but for running the Project Office at Mau. Thus, the training centre constructed at the cost of ₹ 1.76 crore remained unutilised for intended purpose since 1993. In absence of training, the required capacity building could not be created.

In reply, the Management stated (July 2015) that the efforts are being made to arrange the required facilities at Mau for imparting training.

Recommendation:

UPNEDA should ensure that funds spent on creating infrastructure for training and research purposes are optimally utilised.

2.3.13 Conclusion and recommendations

- In contravention to canons of financial propriety, UPNEDA incurred extra expenditure of ₹ 12.92 crore in installation of Solar Street Lights (SSLs) and Solar Power Packs. It also did not develop any mechanism to maintain the installed solar equipments after expiry of AMC period.

Recommendation: UPNEDA should observe canons of financial propriety in execution of projects. It should be pro-active in ensuring that implemented projects are functional even after the expiry of AMC period.

- Out of 460 test checked sanctioned Solar Power Plants (SPPs) only 399 SPPs (87 per cent) could be installed of which 182 plants (46 per cent) valuing ₹ 5.70 crore were non-functional due to non-completion of work by vendors, improper survey of scope of work by UPNEDA and faulty design of the projects by UPNEDA.

Recommendation: UPNEDA should ensure timely completion of projects by introduction of a system of taking performance bank guarantee at the time of award of work. It should also assess and carry out proper study and survey of the site conditions before placing the order.

- UPNEDA did not monitor the status of disposal of complaints lodged through online complaint system.

Recommendation: UPNEDA should monitor the status of disposal of complaints lodged through online complain system.

- The training centre constructed at a cost of ₹ 1.76 crore at Mau was not being utilised for intended purposes since 1993.

Recommendation: UPNEDA should ensure that funds spent on creating infrastructure for training and research purposes are optimally utilised.

Department of Micro, Small and Medium Enterprises and Export Promotion

2.4 Long Paragraph on Implementation of New Coal Distribution Policy in the State

2.4.1 Introduction

Ministry of Coal, Government of India (GoI) formulated (October 2007) a New Coal Distribution Policy (NCDP), effective from 1 April 2008, for distribution of coal to different categories of consumers which *inter-alia* included those Micro, Small and Medium Enterprises³⁷ (MSMEs) whose coal requirement is less than 4,200 MT per annum. NCDP envisaged the State Government to (a) work out genuine requirement of MSMEs for coal on a transparent and scientific manner; (b) procure coal through an agency notified by the State under a Fuel Supply Agreement (FSA) with Coal India Limited (CIL) and distribute coal to MSMEs of the State; and (c) evaluate genuine consumption and monitor use of coal by MSMEs.

With a view to supply coal to MSMEs in Uttar Pradesh as per provisions of NCDP, the Department of Micro, Small and Medium Enterprises and Export Promotion (Department) formulated (May 2008) an Operational Modulate (Modulate) and nominated (April 2008) Uttar Pradesh Small Industries Corporation Limited (UPSIC) as procurement and distribution agency for coal and made Directorate of Industries (DI) responsible for evaluation and monitoring of distributed coal.

2.4.2 Organisational Structure

The organisational structure and role of all the three agencies involved, is depicted in **Appendix-2.38**.

2.4.3 Audit Objectives

The objectives of the audit were to ascertain, whether:

- adequate planning was done to assess genuine requirement of coal on a transparent and scientific manner by the Department;
- the procurement and distribution of coal was economical, efficient and effective; and
- there was efficient and effective monitoring of the distribution and use of coal by beneficiaries.

2.4.4 Audit Criteria

The criteria of audit were drawn from the following sources:

- NCDP 2007 as amended in 2013; MSME Act, 2006; and Operational Modulate (2008) issued by the GoUP;
- Guidelines, instructions, circulars, orders issued by the GoI and/or GoUP in respect of NCDP; and

³⁷ Enterprises which are engaged in manufacturing and production of goods and have invested upto ₹ 10 crore in their plant and machinery.

- Terms and conditions of Fuel Supply Agreement and other contracts.

2.4.5 Scope and Methodology of audit

The audit of three area offices/depot of UPSIC and nine District Industries Centers (DIC) under the DI was conducted (November 2014 - April 2015) to ascertain the compliance of NCDP and Modulate by the concerned Department/Agency. Audit Methodology included explaining the audit objectives to the top Management of GoUP, DI and UPSIC during entry conference held on 9 December 2014, scrutiny of records, raising of audit queries and issue of long paragraph to the Management/Government for comments. An Exit Conference was held on 8 September 2015 with the the Principal Secretary, Department of Micro, Small and Medium Enterprises and Export Promotion, DI and UPSIC. The replies of the UPSIC, DI and Government have been received and incorporated suitably.

Audit Findings

The audit findings are discussed in succeeding paragraphs:

2.4.6 Assessment of Annual Coal Requirement of MSMEs

As per clause 3.1 of NCDP, State Government is required to work out genuine coal requirement of MSMEs in a transparent and scientific manner. Para 4 of the Modulate provides for allocation of coal to only those MSMEs which are registered at the DICs. Further, para 3 of the Modulate prescribes assessment of annual requirement of coal of MSMEs by a three member committee at district level. We noticed that in nine test checked DICs, the process of assessment of requirement of coal was deficient as discussed below:

- The data of registered coal user MSMEs was crucial for assessment of requirement of coal of MSMEs. However, in all the nine DICs test checked, the complete and reliable data of coal user MSMEs was not available.
- All the nine DICs failed to assess the annual requirement of coal of MSMEs through the aforesaid mechanism as either committees were not formed or its meetings were not held.

However, the Department assessed (December 2008) the coal requirement of MSMEs of the State as 17.95 lakh MT in 2008-09 on the basis of demand of 32 districts. Thereafter, this assessment was never reviewed even after a lapse of more than six years. Thus, the assessment of coal requirement of 17.95 lakh MT was not in compliance to the provisions of the NCDP during 2009-10 to 2014-15.

In reply, the DI stated (October 2015) that the requirement of coal of MSMEs was never reviewed as additional demand of coal was not made by any district. The reply is not acceptable as mechanism of assessment of requirement of coal was not functioning properly. Thus, the assessment of requirement of coal was neither scientific nor transparent as envisaged in New Coal Distribution Policy.

Recommendation:

The Government should ensure availability of complete and reliable data of registered coal user MSMEs and proper functioning of the committee for

assessment of genuine requirement of coal in a fair, scientific and transparent manner as envisaged in NCDP.

2.4.7 Procurement of Coal

In compliance to the provisions of the NCDP, GoUP notified UPSIC as its agency for procurement and distribution of coal in the State. After assessment of coal requirement, the Department submits its demand of coal to the GoI. Thereafter, CIL intimates the quantity of coal allocated to UPSIC. The process of procurement of coal includes execution of FSA by UPSIC with coal companies and appointment of coal coordinator who makes arrangements for lifting of coal, its transportation from collieries to the coal depot of UPSIC through railways. The status of the assessed annual coal requirement, allocations made by the CIL, quantity under FSA and actual lifting of coal by UPSIC during last six years upto 31 March 2015 is given in table-2.4.1 below:

Table-2.4.1: Assessed coal requirement and Actual lifting of coal
(Quantity in lakh MT)

Year	Assessed Coal requirement of MSMEs by GoUP	Coal allocation made by GoI	Quantity under FSA with CCL/ SECL	Actual lifting of coal against the FSA	Short lifting of coal by the UPSIC	Per centage of short lifting	Reasons for Short lifting
2009-10	17.95	7.95	7.95	7.70	0.25	3.14	Negligible quantity of short lifting
2010-11	17.95	9.41	9.41	9.17	0.24	2.55	Negligible quantity of short lifting
2011-12	17.95	11.39	11.39	10.03	1.36	11.94	Non-submission of lifting programme
2012-13	17.95	11.39	11.39	6.55	4.84	42.49	Cancellation of rakes due to low grade coal.
2013-14	17.95	11.39	11.39	1.34	10.05	88.24	Delay in FSA due to late appointment of coal coordinator
2014-15	17.95	11.39	7.63 ³⁸	2.14 ³⁹	3.15	41.28	Nomination of another agency in July 2014.
TOTAL	107.70	62.92	59.16	36.93	19.89		

(Source: Compiled from the information furnished by the UPSIC and GoUP)

As is evident from the above table, the UPSIC lifted only 36.93 lakh MT coal (62.42 per cent) against the FSA quantity of 59.16 lakh MT, during 2009-10 to 2014-15, leaving 19.89 lakh MT (37.58 per cent) coal unlifted. The main reasons for short lifting of 19.89 lakh MT coal as intimated by UPSIC, were delay in execution of FSA and non-submission of lifting programme of coal to coal companies, as discussed below:

³⁸ FSA for 3.76 lakh MT was to be done by Uttar Pradesh Co-operative Federation.

³⁹ Lifting of UPSIC only. This does not include 2.34 lakh MT coal pending for loading

- UPSIC has to enter the FSA with coal companies at the beginning of each financial year after allotment of coal by CIL. The delay in execution of FSA causes lapse of allotment of coal on pro-rata basis. We noticed that in 2013-14, 7.97 lakh MT of the allocated coal lapsed due to delay of five-six months in execution of FSA.
- After entering FSA, the UPSIC arranges for the railway rakes and submits a programme of lifting of coal to coal companies. We noticed that 4.66 lakh MT of allocated coal remained unlifted due to failure in submission of lifting programme by UPSIC.
- Further, 7.26 lakh MT of coal was not delivered by the coal companies despite submission of lifting programme by the UPSIC without assigning any reason.

In reply, UPSIC stated (September 2015) that the delay in signing of FSA in 2013-14 was mainly due to writ petition regarding appointment of coal coordinator. The fact remains that due to failure of UPSIC to execute FSA in time and non-submission of lifting programme, coal allotted lapsed in these years.

Recommendation:

The Government should ensure that the Uttar Pradesh Small Industries Corporation Limited enters into Fuel Supply Agreement with coal companies timely and also lift full quantity of coal as per Fuel Supply Agreements.

2.4.8 Distribution of Coal

Para 3.1 of the NCDP stipulates that State Government Agencies would be free to devise their own distribution mechanism. However, the said mechanism should inspire public confidence and should result in distribution of coal in a transparent manner.

During 2009-10 to 2014-15, UPSIC distributed 36.62 lakh MT coal valuing ₹1,049.42 crore to MSMEs of the State as given in table-2.4.2 below:

Table-2.4.2: Distribution of coal to MSMEs during 2009-10 to 2014-15

Year	For the State			For nine test checked DICs		
	Number of MSMEs	Quantity of coal Sold (in lakh MT)	Gross value of sales (₹ in crore)	Number of MSMEs	Quantity of coal Sold (in lakh MT)	Gross value of sales (₹ in crore)
2009-10	1,596	7.00	160.28	549	3.58	83.93
2010-11	1,651	9.12	223.31	580	4.94	120.93
2011-12	2,103	7.69	218.13	668	2.42	66.89
2012-13	2,189	7.76	260.59	676	3.26	106.42
2013-14	884	2.56	92.19	353	1.39	48.61
2014-15	781	2.49	94.92	324	1.34	50.39
	Total	36.62	1,049.42		16.93	477.17

(Source: Compiled from the information furnished by the UPSIC)

We during audit of nine test checked DICs also seen that 16.93 lakh MT coal valuing ₹ 477.17 crore was distributed to MSMEs by UPSIC during 2009-10 to 2014-15. The deficiencies noticed in distribution of coal are discussed below:

2.4.8.1 Distribution of coal to ineligible MSMEs

Clause 3 of NCDP and para 1 of the Modulate provides for distribution of coal to only those registered MSMEs whose annual coal requirement is less than 4,200 MT. However, UPSIC distributed 36,048.58 MT coal valuing ₹ 9.19 crore to three MSMEs in 2009-10 and to five MSMEs in 2010-11 in excess of prescribed limit of 4,200 MT per annum (**Appendix-2.39**).

In reply, UPSIC stated (September 2015) that the above aspect has been covered and streamlined from the year 2011-12. The fact remains that 36,048.58 MT coal valuing ₹ 9.19 crore were distributed to ineligible MSMEs.

2.4.8.2 Distribution of coal in excess of ceiling prescribed by UPSIC

UPSIC, in consultation with Brick Klin Association, decided (May 2011) a uniform ceiling for supply of 600 MT coal per annum or annual capacity of MSMEs, whichever is lower. However, after May 2011, UPSIC distributed 1.60 lakh MT coal valuing ₹ 9.76 crore⁴⁰ to 282 MSMEs in excess of the ceiling of 600 MT per annum prescribed by UPSIC (**Appendix-2.40**).

In reply, UPSIC stated (September 2015) that coal was supplied to the MSMEs who have deposited money to the extent of capacity assessed by GM, DIC. The fact remains that UPSIC did not adhere to ceiling fixed by it.

2.4.8.3 Distribution of coal in excess of annual requirement/capacity

MSMEs, submit EM-2 at the time of their registration which indicate their annual requirement of coal. However, UPSIC distributed 11,716.14 MT coal valuing ₹ 71.35 lakh to 20 MSMEs which was in excess of their annual requirement (**Appendix-2.41**).

In reply, UPSIC stated (September 2015) that the EM-2 does not reflect assessed capacity because it was not derived from physical assessment of site. The reply is not acceptable as assessed capacity cannot be more than the capacity declared by the entrepreneurs themselves.

2.4.8.4 Recovery of inadmissible incidental charges from MSMEs

Clause 3.1 of NCDP provides that the agency would be entitled to charge from MSMEs actual freight and up to five *per cent* margin as service charge, over and above the basic price of coal charged by the coal company.

UPSIC charged the price of coal from MSMEs as per above provisions up to June 2010 but thereafter it recovered additional incidental charges of ₹ 13.35 crore⁴¹ from the MSMEs and paid to the coal coordinator which was earlier borne by the coordinator itself. Thus, UPSIC recovered inadmissible incidental charges of ₹ 13.35 crore from MSMEs.

In reply, UPSIC stated (September 2015) that these charges are levied from the MSME units as these are part of the landed cost of the coal. Reply is not acceptable as the inclusion of the above charges in costing of coal was in contravention to the provisions of NCDP.

⁴⁰ Calculated at the rate of ₹ 609 per MT being the lowest basic cost of coal during 2009-10 to 2014-15

⁴¹ Left Behind Charges ₹ 5.93 crore, *plus* Wharfage ₹ 4.82 crore *plus* Demurrage ₹ 2.60 crore

Recommendation:

The Government should ensure distribution of coal to eligible MSMEs as per prescribed norms and fixation of selling price of coal by UPSIC in accordance with provisions of NCDP.

2.4.9 Monitoring of Distributed Coal

The NCDP had emphasised (October 2007) the need of maintaining transparency and fairness in distribution of coal and to take appropriate action to prevent its misuse. The process of monitoring prescribed ((May and December 2008)) by the Department required verification of distributed coal by the GM, DICs through spot verification and scrutiny of records of the MSMEs; submission of a monthly report by the DICs to DI; and submission of a monthly report by the DI to the Department. The DI reiterated (December 2011) DICs to verify 100 *per cent* of distributed coal.

In nine DICs, test checked, only 12.42 lakh MT coal (73.36 *per cent*) was verified by the DICs against the distributed coal of 16.93 lakh MT during 2009-10 to 2014-15 (**Appendix-2.42**). Thus, 4.51 lakh MT coal (26.64 *per cent*) remained unverified for which reasons were not available on record. The deficiencies noticed in verification of distributed coal by nine DICs test checked, are discussed below:

- Verification of distributed coal in these DICs ranged between 3.55 *per cent* and 89.68 *per cent* against prescribed 100 *per cent* verification.
- In deviation of prescribed procedure, DICs verified distributed coal on consolidated basis instead of MSME wise verification; verified distributed coal on the basis of review meetings with field officers instead of spot verification and scrutiny of records; and verified total quantity of distributed coal in a month on the basis of verification of only three to four MSMEs.
- DICs did not submit prescribed verification report to DI at regular interval and therefore, DI also could not submit prescribed returns to the Department. However, the Department and DI did not initiate any action.

In reply, the DI stated (October 2015) that verification of distributed coal could not be carried out due to delay/non-submission of sales list of coal by the UPSIC. The reply confirms deficient verification and monitoring process which failed to check misuse of coal, as required in NCDP.

Recommendation:

The Government should ensure compliance of the prescribed process of verification and monitoring of distributed coal at all levels to prevent misuse of coal as envisaged in NCDP.

2.4.10 Conclusion and recommendations

- The process of the assessment of genuine requirement of coal of Micro, Small and Medium Enterprises (MSMEs), as envisaged in New Coal Distribution Policy (NCDP), was deficient as neither complete and reliable data of registered coal user MSMEs was available nor the functioning of the Committees was proper.

Recommendation: The Government should ensure availability of complete and reliable data of registered coal user MSMEs and proper functioning of the committee for assessment of genuine requirement of coal in a fair, scientific and transparent manner as envisaged in NCDP.

- Due to delay in execution of Fuel Supply Agreements and non-submission of coal lifting programme to coal companies, Uttar Pradesh Small Industries Corporation Limited (UPSIC) failed to lift 37.58 per cent of contracted quantity of coal under Fuel Supply Agreements.

Recommendation: The Government should ensure that the Uttar Pradesh Small Industries Corporation Limited enters into Fuel Supply Agreement with coal companies timely and also lift full quantity of coal as per Fuel Supply Agreements.

- In contravention to provisions of NCDP, UPSIC distributed coal to MSMEs in excess of prescribed norms and recovered inadmissible incidental charges of ₹ 13.35 crore from MSMEs.

Recommendation: The Government should ensure distribution of coal to eligible MSMEs as per prescribed norms and fixation of selling price of coal by UPSIC in accordance with provisions of NCDP.

- The compliance of the prescribed process of verification and monitoring of distributed coal in the Department and Directorate of Industries to prevent misuse of coal as envisaged in NCDP was deficient.

Recommendation: The Government should ensure compliance of the prescribed process of verification and monitoring of distributed coal at all levels to prevent misuse of coal as envisaged in NCDP.