

## CHAPTER-VI

### 6. Compliance Audit Observations relating to Departments and Entities (other than PSUs) under Economic Sector

Important audit findings emerging from test check of transactions made by the various departments/entities are included in this Chapter.

#### Energy Department

#### 6.1 Government Receipt kept out of Government Account

##### **Failure of the State Government in constituting the State Electricity Regulatory Commission Fund resulted into receipt of ₹ 102.01 crore of the Uttar Pradesh Electricity Regulatory Commission being kept out of Government Account.**

Article 266 (1) of the Constitution of India *inter alia* stipulates that all revenue receipts and all loans raised by the State Government shall form part of the Consolidated Fund of the State. Further, Article 266 (2) stipulates that other public moneys received by or on behalf of the Government of a State shall be credited to the Public Account of the State.

Section 82 (1) of the Electricity Act, 2003 (Act) provides that every State Government shall, for the purpose of this Act, constitute a Commission for the State to be known as State Electricity Regulatory Commission, provided that the State Electricity Regulatory Commission, established by a State Government under Section 17 of the Electricity Regulatory Commission Act, 1998 and functioning as such shall be the State Commission for the purposes of this Act. At the level of the Union Government, Section 76 of the Act provides that there shall be a Commission to be known as the Central Electricity Regulatory Commission (CERC) for the purpose of the Act. The CERC, established under Section 3 of the Electricity Regulatory Commission Act, 1998 and functioning as such shall be deemed to be the Central Commission for the purposes of this Act. Sections 99 and 103 of the Act further provide that there shall be constituted a Fund to be called the Central Electricity Regulatory Commission Fund and State Electricity Regulatory Commission Fund respectively for the Central and State Government and there shall be credited all grants and loans given by the respective Government, all fees received and all other funds received by the respective Commission from such other sources as decided by the respective Government.

The power to make rules/regulations relating to constitution of fund/payment of fees and all other sums received from other sources by the Government/Commission flow from the following provisions of the Act:

Section 176/180: Power of Central Government/State Government to make rules respectively.

Section 178/181: Powers of Central Commission/State Commission to make regulations respectively.

Audit noticed (April 2019) that in exercise of the powers conferred by Section 176 of the Act, the Central Government constituted the “Central Electricity Regulatory Commission Fund (Constitution and the manner of application of the Fund) and Form and Time for preparation of Budget Rules, 2007”. These Rules prescribe that the Fund shall be called the Central Electricity Regulatory Commission Fund<sup>1</sup> and the Fund shall be opened under the Public Account of India.

It was further noticed that the Government of Uttar Pradesh did not make any rules for constitution of the State Electricity Regulatory Commission Fund in spite of the same powers being conferred on the State Government by Section 180 of the Act. The Uttar Pradesh Electricity Regulatory Commission (UPERC), however, made the “Uttar Pradesh Electricity Regulatory Commission (Fees and Fines) Regulations, 2010” under the powers conferred under Section 181 of the Act under which the fees received by the Commission shall be deposited in a bank account to be maintained by the Commission.

The receipts of the Uttar Pradesh Electricity Regulatory Commission need to be aligned to the provisions of the Constitution and the Electricity Act, 2003 on the lines of the Central Electricity Regulatory Commission.

Thus, due to non-constitution of rules for creation of the State Electricity Regulatory Commission Fund by the State Government, the fee collected by the UPERC are being kept in a nationalised bank account of UPERC, out of Public Account. As such, as of March 2019, an amount of ₹ 102.01 crore<sup>2</sup> was kept outside the Public Account of the State in violation of Article 266(2) of the Constitution.

In reply (June 2020), the Government accepted the contention of audit and directed the Energy Department to frame rules for the Uttar Pradesh Electricity Regulatory Commission Fund and transfer the amount of ₹ 102.01 crore to the Public Account of the State.

## **Housing and Urban Planning Department**

### **6.2 Undue benefit to the developer by allowing higher FAR retrospectively without charging it**

**The Department’s decision to allow higher FAR retrospectively to Hi-tech township developers without levy of any charges led to undue benefit of ₹ 170.99 crore to a developer.**

In order to mitigate the housing problems in urban areas and promote planned development of cities, Government of Uttar Pradesh (GoUP) formulated (November 2003) a Hi-tech Township Policy (Hi-tech Township Policy, 2003) with the objective of inviting private developers for the development of Hi-tech townships with minimum investment of ₹ 750 crore on land holding

<sup>1</sup> The Fund shall comprise of grants/loans given by the Central Government, all fees and all sums from other sources received by the Central Commission. CERC can withdraw the amount from the Fund against its annual budget after approval of the Central Government.

<sup>2</sup> Fee, fines and other charges collected: ₹ 95.74 crore + Interest received on bank deposits: ₹ 6.27 crore.

of 1,500 acre. The floor area ratio (FAR<sup>3</sup>) allowed to Hi-tech township developers was 1.5 along with density<sup>4</sup> of 150 dwelling units/750 persons per hectare.

GoUP decided (September 2007) to levy City Development Charges (CDC) on Hi-tech township developers at the rate of ₹ 1.50 lakh per acre in cities having Municipal Corporations in order to augment the existing infrastructure of the concerned city. Further, Housing and Urban Planning Department, GoUP (Department) extended (August/December 2008) the benefit of higher density of 200 dwelling units/1000 persons per hectare and FAR of 2.5 to the Hi-tech township developers and also increased the rate of CDC to ₹ 3.00 lakh per acre.

The Department vide its order (23 April 2010) clarified that CDC will not be levied retrospectively in case of those developers who were selected under the Hi-tech Township Policy, 2003 and had signed MoUs in 2005 for the original approved area of the townships. However, the Department did not levy charges<sup>5</sup> for higher density and higher FAR on the original approved area allowed retrospectively to these developers vide its order of August 2008.

Test check of records (January 2018) of Lucknow Development Authority (LDA) revealed that a developer<sup>6</sup> was selected (May 2005) by GoUP for development of a Hi-tech Township in Lucknow. An MoU was signed between the developer and LDA in November 2005. Scrutiny of records further revealed that as per Government order (23 April 2010), the developer was exempted from paying CDC amounting to ₹ 34.92 crore (*Appendix-6.1*) on approved layout of 1,765 acre of land on the ground that it was introduced in 2007 and hence not applicable on the developer who was selected under the Hi-tech Township Policy, 2003 and entered into MoU with LDA in 2005. At the same time, the Department allowed higher FAR without levy of charges<sup>7</sup> of ₹ 170.99 crore (*Appendix-6.2*) in 24 cases (216.38 acre) though the developer was selected way back in May 2005 and approval of layouts of the Hi-tech Township was made during the period from November 2006 to November 2008. This was, therefore, detrimental to the financial interest of LDA.

Thus, allowing exemption of CDC retrospectively to the developer on the ground that the developer was selected before imposition (2007) of CDC and yet not levying charges on the developer for higher FAR as allotment was made under the Hi-tech Township Policy, 2003 resulted in loss to LDA to the extent of ₹ 170.99 crore.

The matter was reported to the Government (March 2020). Reply is still awaited (September 2020).

<sup>3</sup> The quotient obtained by dividing combined covered area of all floors of a building by total area of a plot.

<sup>4</sup> The residential density expressed in terms of the number of dwelling units/persons per hectare.

<sup>5</sup> As Department did not levy any charges for higher FAR allowed retrospectively to Hi-tech Township developers, Audit has considered the rate applicable for purchasable FAR for calculation of charges payable for higher FAR.

<sup>6</sup> M/s Ansal Properties and Infrastructure Limited.

<sup>7</sup> Calculated by Audit at the rate applicable for purchasable FAR.

## Lucknow Development Authority

### 6.3 Avoidable payment of interest on security deposit due to deficient contract clause

**The Lucknow Development Authority had to pay interest of ₹ 2.40 crore due to failure to incorporate standard clause in the contracts for deduction of security deposit.**

Finance Department, Government of Uttar Pradesh (GoUP) vide its order dated 22 March 1983 directed that an amount of 10 *per cent* of the contract cost should be deposited as security deposit<sup>8</sup> at the time of execution of the contract. Further, the standard contract document (G.P.W. Form-9) of the Lucknow Development Authority (Authority), approved by GoUP (March 1972), added that the contractor shall permit the Department to deduct security amount at the rate of 10 *per cent* from each running bill for work done till the required 10 *per cent* of the tender amount is reached including earnest money deposited along with the tender.

The Authority awarded (May 2010<sup>9</sup> and June 2011<sup>10</sup>) two contracts for construction of multi-storey apartments (Shristi Apartments and Smriti Apartments at Sector-J, Jankipuram Scheme) to a contractor<sup>11</sup> at contract price of ₹ 82.84 crore and ₹ 92.23 crore respectively on turnkey basis.

Audit observed (March 2019) that the Authority inserted a security deposit clause in the General Conditions of the Contract entailing deposit by the contractor at the rate of two *per cent* of the contract cost in violation of the stipulated 10 *per cent* as per the GoUP Order and G.P.W. Form-9 approved by GoUP. Resultantly, security deposit of ₹ 1.66 crore in case of Shristi Apartments and ₹ 1.86 crore in case of Smriti Apartments was deposited by the contractor instead of ₹ 8.28 crore and ₹ 9.22 crore to be deposited respectively (being 10 *per cent* of the contract cost), thereby providing undue favour to the contractor in both the contracts and jeopardising the possible cost recovery in case of default by the contractor. Audit noticed that both the contracts were cancelled (Shristi Apartments in December 2017 and Smriti Apartments in February 2018) by the Authority due to delay in completion of the work, however, the Authority could not recover an amount of ₹ 12.06 crore (₹ 4.32 crore in case of Shristi Apartments and ₹ 7.74 crore in case of Smriti Apartments) from the contractor so far (September 2020). Had the Authority obtained applicable security deposit as per GoUP order/standard contract document, non-recovery of cost of ₹ 11.68 crore<sup>12</sup> from the contractor could have been avoided.

<sup>8</sup> The amount of security deposit is inclusive of earnest money deposited by the contractor. The purpose of taking the security deposit is that in case the contractor defaults in execution of work, the security deposit can be forfeited and penalty can be imposed as per terms and conditions of the contract.

<sup>9</sup> Contract bond No.2181/Chief Engineer dated 02.07.2010.

<sup>10</sup> Contract bond No.2512 dated 28.06.2011.

<sup>11</sup> M/s Marg Limited.

<sup>12</sup> In case of contract for Shristi Apartments entire recoverable amount of ₹ 4.32 crore could have been recovered had the security deposit not been short recovered by ₹ 6.62 crore (₹ 8.28 crore - ₹ 1.66 crore) and in case of contract for Smriti Apartments, against the recoverable amount of ₹ 7.74 crore, the amount to the extent of short recovered security deposit *i.e.* ₹ 7.36 crore (₹ 9.22 crore - ₹ 1.86 crore) could have been recovered.

The Authority also failed to explicitly mention in the Notice Inviting Tender (NIT) or in the Letter of Award (LoA) for deposit or deduction of 10 *per cent* security deposit in terms of the extant orders of the Government. The Authority, however, started (February 2011 and February 2012) making deduction of the security deposit (at the rate of 8 *per cent*) from the running bills of the contractor in both the cases to undo the deficiency in the contract clause.

The deduction of security deposit from the running bills was challenged (May 2014) by the contractor in arbitration. The Arbitrator, in its interim order (May 2015) directed the Authority not to deduct security deposit from the running bills of the contractor. The Authority, however, kept on deducting security deposit from the running bills of the contractor upto January 2017 and deducted a total amount of ₹ 5.40 crore in the case of Shristi Apartments contract and ₹ 4.77 crore in case of Smriti Apartments contract.

Consequently, the Arbitrator, in its final Award (October 2016), directed the Authority to refund the deducted amount of security deposit to the contractor along with interest at the rate of 10 *per cent* per annum as it was deducted without any provision in the contracts. In compliance, the Authority refunded (March 2017) the excess deducted security deposit of ₹ 10.17 crore along with interest of ₹ 2.40 crore<sup>13</sup> to the contractor.

Thus, the Authority had to refund the amount of deducted security deposit and also had to pay interest amounting to ₹ 2.40 crore due to its failure to incorporate the standard clause for deduction of security deposit at the rate of 10 *per cent* in the NIT/LoA/Contract document. This lapse occurred due to lack of due diligence by the officials<sup>14</sup> of the Authority responsible for entering into the contracts.

The Authority in its reply (December 2019) stated that in compliance to the award of the Arbitrator, ₹ 2.40 crore was paid by the Authority as interest. This amount has been recouped by including it in costing of the apartments, hence there is no loss to the Authority.

The reply of the Authority refers only to the arbitration award and payment there against. However, it does not indicate the action it proposes to take against officials responsible for non-compliance of the extant GoUP orders and the standard contract document approved by GoUP. Further, recouping the cost by including it in costing of the apartments will only involve cost escalation for end users/buyers on account of non-compliance of the standard contract document by the officials of the Authority.

The matter was reported to the Government (July 2020). Reply is still awaited (September 2020).

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<sup>13</sup> Interest paid in case of Shristi Apartments: ₹ 1.53 crore and in case of Smriti Apartments: ₹ 0.87 crore.

<sup>14</sup> Executive Engineer and Assistant Engineer.

## **Lucknow Development Authority**

### **6.4 Undue favour to the Contractor**

#### **Execution of extra item of pile work at higher rate resulted in undue benefit to the contractor to the extent of ₹ 1.41 crore.**

Government of Uttar Pradesh approved (March 2013) construction of Jai Prakash Narain International Centre (JPNIC)<sup>15</sup> with a project cost of ₹ 265.59 crore<sup>16</sup> and appointed Lucknow Development Authority (LDA) as executing agency. LDA awarded (May 2013) the work of construction of JPNIC<sup>17</sup> to a contractor<sup>18</sup> at a cost of ₹ 149.60 crore (12.35 per cent above the estimated cost).

The original building layout plan submitted (January 2013) by the consultant did not have provision for a helipad. However, as per the requirement of National Building Code, provision for roof top helipad was subsequently made in the work. Consequently in June 2013, 600 mm diameter pile work<sup>19</sup> was substituted by 1,000 mm diameter pile work in the foundation as proposed by the consultant (June 2013) after considering the load factor on the building as per norms. LDA on the basis of aforesaid requirement approved (August 2013) use of 1,000 mm diameter pile work in the foundation work as an extra item.

Audit noticed (December 2017) that the rates of 1,000 mm pile work in the foundation were taken from Delhi Schedule of Rates (DSR) 2012 in the deviation statement<sup>20</sup> and got approved (23 August 2013) from the Vice Chairman without considering the lower rate of the item given in DSR 2013 which was released by the CPWD on 14 August 2013 (*i.e.* prior to approval of the deviation statement). It was further noticed that the deviation statement for all extra items<sup>21</sup> involved in the execution of work was approved (May 2014) by misstating the fact that the rates of extra items have been taken as lower of DSR 2012 *plus* tender percentage above estimated cost (12.35 per cent) and DSR 2013 .

Thus, due to non-consideration of the rates of DSR 2013 in approval of deviation statement of extra items, LDA made payment of 1000 mm pile work to the contractor at the rate of ₹ 8,773.69 per metre (DSR 2012 *plus* 12.35 per cent) instead of at the rate of ₹ 8,201.40 per metre (DSR 2013). This led to undue benefit of ₹ 1.41 crore<sup>22</sup> to the contractor against the total executed quantity of 24,680 metre and loss to Government exchequer to the same extent.

<sup>15</sup> Project consisting of main building (convention centre), museum building, parking services, site development, Public Health Engineering facilities, electrical and fire systems, solar panels *etc.*

<sup>16</sup> Revised to ₹ 864.99 crore in November 2016.

<sup>17</sup> Construction of convention centre and museum building.

<sup>18</sup> Shalimar Corp. Limited.

<sup>19</sup> Proposed initially by the consultant.

<sup>20</sup> Deviation statement was prepared by Junior Engineers and Assistant Engineers of LDA.

<sup>21</sup> Out of 36 items in the deviation statement, rate for item of 1,000 mm pile work was taken as per DSR-2012 and rate of item of extra cement was taken as per DSR 2013. For the remaining 34 items, the rates were not available in DSR 2013.

<sup>22</sup> 24,680 metre x ₹ 572.29 (rate difference).



In reply, the Authority stated (March 2018) that while forwarding the deviation of 1,000 mm diameter pile work for approval (8 August 2013), DSR 2013 was not released by CPWD, hence the rate of DSR 2012 plus 12.35 per cent was considered and allowed. The reply is not acceptable as DSR 2013 was released by CPWD before approval of extra item rate by the Vice Chairman on 23 August 2013 and therefore the rate should have been revised as per DSR 2013, effective at the time of approval.

The matter was reported to the Government (December 2019). Reply is still awaited (September 2020).

### **Meerut Development Authority**

#### **6.5 Exorbitant expenditure on construction of residence for Vice Chairman**

**The Meerut Development Authority incurred infructuous expenditure of ₹ 2.94 crore on a plot of land valuing ₹ 5.36 crore for construction of a residential house for its Vice-Chairman in violation of the norms of the State Government.**

As a matter of financial prudence, any work should be undertaken only after a proper assessment of entitlement, financial viability and feasibility to ensure the achievement of objectives of the proposed project and that funds are gainfully utilised.

Government of Uttar Pradesh (GoUP) prescribed (February 2009)<sup>23</sup> residential entitlement for State Government employees on the basis of revised pay scales applicable from 01 January 2006. As per this order, an officer in pay band PB-3 (₹ 15,600-39,100 with grade pay ₹ 7,600) was entitled for a residence of Type-V category. Further, Public Works Department (PWD), GoUP order (November 2011) provided plinth area of 225.40 square metres (2,426 square feet) for Type-V category residence. Accordingly, the Vice Chairman (VC) of the Meerut Development Authority (Authority) was entitled<sup>24</sup> for a Type-V residence having an area of 225.40 square metres (sqm.).

In its 99<sup>th</sup> Board meeting, the Authority approved (April 2013) the construction of a residential house for the VC at its *Ganga Nagar* Residential Scheme on a plot of area 2,000 sqm. (21,528 sq. feet). Further, due to encroachment and a court case at *Ganga Nagar* Scheme, the Authority at its 104<sup>th</sup> Board meeting (December 2014), approved shifting the site of the residential house for the VC to Sector 2 of its *Shatabdi Nagar* Residential Scheme on a plot of area of 4,664.46 sqm. (50,208 sq. feet) valuing ₹ 5.36 crore which was reclaimed from the Forest Department. The Authority awarded (May 2015) the work to a contractor for an estimated cost of ₹ 6.95 crore (revised to ₹ 7.17 crore<sup>25</sup> in September 2015) with scheduled completion period upto November 2016. Thus, the total estimated cost of the

<sup>23</sup> Vide order no. R-168/32-2-2009-27/2001.

<sup>24</sup> As the Authority has no rules/guidelines for residential entitlement of VC, the provisions of the GoUP/PWD order have been mentioned being criteria for residential entitlement for officers of All India Services in Uttar Pradesh.

<sup>25</sup> Due to provision of M-25 grade concrete in place of RCC (1:1.5:3) as per drawings submitted by consultant.

VC's residence amounted to ₹ 12.53 crore including land cost. The construction was started in May 2015 and continued up to October 2016.

Audit observed (November 2017) that the proposed VC residence comprised a triple storey residential building having covered area of 20,000 sq. feet<sup>26</sup> apart from a recreation area of 9,700 sq. feet. The recreation area consisted of facilities of a swimming pool and health club with gym, steam, sauna, snooker and table tennis.

Audit further observed that a Committee constituted (November 2016) by the Authority to propose alternative uses of the incomplete building, concluded in its feasibility report that the building cannot be used for residential purposes due to its impractical design having several architectural flaws, high maintenance costs, *etc.* They further suggested to auction the building, which indicates that the entire construction work was planned without assessing its feasibility and financial viability.

Consequently, the Board, in its 108<sup>th</sup> meeting (December 2016), considering excessive cost of the project, repair and maintenance expenditure to be incurred in future and utility of the building to the Authority decided to postpone the under-construction work and to explore its other usage or its sale through auction on *as-is-where-is* basis. Accordingly, the Authority, after incurring expenditure of ₹ 2.94 crore<sup>27</sup> on the building, stopped (December 2016) the construction work.

Thus, due to construction of the VC residence on an unjustified huge plot area without entitlement and financial viability, expenditure of ₹ 2.94 crore incurred on the construction work became infructuous along with further erosion of its value with the passage of time. Also, valuable land costing ₹ 5.36 crore remained blocked. Moreover, in the e-auction held during October 2019 and November 2019, no applicant applied to purchase the building.

It was highly imprudent and against established norms of propriety on the part of the Authority to incur expenditure of ₹ 8.30 crore (cost of land *plus* construction) for a residence for the VC on 20,000 sq. feet while he was only entitled to a Type-V house of area 2,426 sq. feet as per the GoUP order of February 2009.

In reply, the Authority stated (June/September 2020) that construction work was stopped considering excessive cost of construction, likely high expenditure on maintenance in future and utility of the building to the Authority. No decision has yet been taken (September 2020) for disposal of the half-constructed building. Efforts are being made to dispose it through auction.

The reply of the Authority does not explain how the Board of the Authority approved the proposal in the first place, in violation of norms of entitlement. Absence of participation in the e-auction held in October 2019 and November

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<sup>26</sup> As per the feasibility report of the Committee constituted by the Authority in November 2016 to propose alternative uses of the incomplete building.

<sup>27</sup> ₹ 2.33 crore paid to the contractor + ₹ 0.12 crore on fees paid to architect + ₹ 0.01 crore on tendering process + ₹ 0.48 crore towards pending payments (₹ 0.43 crore of contractor and ₹ 0.05 crore of architect).



2019 also indicates its poor design and consequently poor sustainability and usage of the half-constructed building. The instant case points to abdication of due diligence by the Board in respect of the proposal related to the Vice Chairman of the Authority.

The matter was reported to the Government (July 2020). Reply is still awaited (September 2020).

**Recommendation:**

The Government should consider reviewing the existing procedure of according approvals in respect of proposals involving specifically the Chief Executive/Vice Chairman/equivalents of all Development Authorities in view of the control failure by the Board.

**Ghaziabad Development Authority**

**6.6 Undue favour to the developer**

**The Ghaziabad Development Authority granted undue favour to a developer by non-recovery of administrative charges of ₹ 2.51 crore.**

Government of Uttar Pradesh formulated a policy for acquisition and development of land through private capital investment in urban areas in May 2005 to meet the growing demand for housing and civic infrastructure and to promote private investment in the housing sector. As per the provisions of this policy, the concerned Development Authority/Uttar Pradesh Awas Evam Vikas Parishad shall facilitate in assembly and development of land by the developer at his cost. The policy further, provides that the developer shall pay acquisition charges for the land including ten *per cent* administrative charges to the Development Authority for acquisition of land through it.

Audit scrutiny (January 2016 and November 2019) revealed that the Ghaziabad Development Authority (Authority) moved two proposals during October 2010 to December 2010 for acquisition of 22.3608 hectare of land for an integrated township developer<sup>28</sup>. The acquisition of land was done during the period February 2013 to May 2015 and sale deeds were executed in favour of the developer during the period February 2013 to June 2015 after realising land premium of ₹ 25.14 crore. Audit noticed that the Authority did not include administrative charges amounting to ₹ 2.51 crore (**Appendix-6.3**) in the acquisition charges of the land recovered from the developer.

Thus, due to non-inclusion of administrative charges in the amount to be paid by the developer to the Authority, undue favour amounting to ₹ 2.51 crore was extended to the developer.

The Authority in its reply (July 2018 and March 2020) accepted the audit contention and stated that administrative charges could not be levied due to lack of clarity on their recovery. Further, a demand letter has been issued (July 2020) to the integrated township developer for recovery of administrative charges. As such, the administrative charges are still to be recovered from the developer (September 2020). No responsibility has been fixed for failure to recover above administrative charges.

<sup>28</sup> Agarwal Associates Promoters Limited.

The matter was reported to the Government (March 2020). Reply is still awaited (September 2020).

**Environment, Forest and Climate Change Department, GoUP**

**6.7 Non-levy and non-realisation of premium and lease rent**

**The Forest and Wildlife Department failed to levy and realise premium and lease rent amounting to ₹ 22.53 crore on transfer of forest land for non-forest use.**

Government of India (GoI) approved diversion of forest land measuring 20.969 hectare to three lessees<sup>29</sup> in three Divisions<sup>30</sup> of the Forest and Wildlife Department (Department) during the period July 1999 to November 2015 for non-forest use. Accordingly, Government of Uttar Pradesh (GoUP) issued notifications for approval relating to transfer of forest land measuring 20.969 hectare on lease basis during the period August 2000 to October 2016. The lease deeds were to be executed for periods of 25 years and 30 years. As per GoUP approval, possession of land was to be handed over to the lessees only after deposit of premium equal to the value of land as per current market rate fixed by the District Magistrate (DM) and annual lease rent at the rate of 10 per cent of the value of premium by the lessees.

Audit noticed (October-November 2019) that despite the conditions in the GoUP approval, the forest officials<sup>31</sup> of the respective divisions did not execute lease deeds with the lessees and realise lease premium of ₹ 16.91 crore at the prevailing market rate and annual lease rent at the rate of 10 per cent of the premium amounting to ₹ 5.62 crore<sup>32</sup> (*Appendix-6.4*) so far (June 2020) although the land was in possession of the lessees. The reasons for the same were not found on records furnished to audit.

Thus, due to failure to ensure compliance of the Government orders related to handing over of forest land for non-forest use only after deposit of premium and lease rent and execution of the lease deeds by the divisional forest officials, the Department failed to realise premium and lease rent amounting to ₹ 22.53 crore<sup>33</sup>.

In reply, the Department accepted the audit observation and stated (June 2020) that in case of M/s Bajaj Hindustan Sugar Limited, market rate of land from DM Gonda has not been received so far. After receipt of market rate, the assessment will be made and amount will be recovered from the lessee. In case of Dedicated Freight Corridor Corporation of India Ltd, it was stated that the matter has been referred to the State Government and recovery would be made as per decision of the Government. In case of UP State Electricity Board<sup>34</sup> (UPSEB), the recovery certificate has been issued to DM Jhansi for recovery of dues. Further, the Department stated that instructions have been issued in

<sup>29</sup> Bajaj Hindustan Sugar Ltd, Dedicated Freight Corridor Corporation of India Ltd. and UP State Electricity Board.

<sup>30</sup> DFO Gonda, DFO G.B. Nagar and DDSF Lalitpur.

<sup>31</sup> Conservator of Forest and Divisional Forest Officer.

<sup>32</sup> The lease premium and lease rent has been calculated upto September 2019.

<sup>33</sup> The component of interest has not been taken into account.

<sup>34</sup> Presently Dakshinanchal Vidyut Vitran Nigam Limited.

May 2020 regarding handing over of forest land only after completing all legal formalities and recovery of dues from the user agencies.

The fact remains that the Forest Divisions in the above cases handed over the land without executing the lease deeds and realising the premium and lease rent. The Department also failed to monitor and safeguard the financial interest of the State Government and fix accountability for the lapses in the above cases.

The matter was reported to the Government (February 2020). Reply is still awaited (September 2020).

### **Infrastructure and Industrial Development Department**

#### **Greater Noida Industrial Development Authority**

##### **6.8 Extra expenditure due to award of sweeping contract at higher rate**

**Lack of due diligence by the Greater Noida Industrial Development Authority in preparing cost analysis led to award of two sweeping contracts at higher rate resulting in extra expenditure of ₹ 1.60 crore which will further increase to ₹ 3.04 crore till the completion of the contract.**

Greater Noida Industrial Development Authority (GNIDA) invited (May 2016) two e-tenders for the Integrated Mechanical and Manual Sweeping (IMMS) of main roads of Greater Noida township. The first e-tender was for sweeping area of 260.27 hectare (Part-I) while the other e-tender was for sweeping area of 163.22 hectare (Part-III) for a period of seven years each.

The tender committee of GNIDA awarded (August 2016) contracts for both Parts-I and III sweeping areas to the lowest bidder<sup>35</sup> at a negotiated rate of ₹ 470 per hectare per day, which was lower than the analysed rate of ₹ 474.47 per hectare per day of GNIDA. The total contract value was ₹ 31.25 crore and ₹ 19.60 crore respectively for Part-I and Part-III.

Audit noticed (October 2018) that the rate of ₹ 474.47 per hectare per day analysed by GNIDA was on the higher side due to incorrectly adopting the following:

- cost of a set of two centre brushes per sweeping machine in place of cost of one centre brush per sweeping machine per month; and
- annual cost of uniform in place of monthly cost of uniform for the workers.

Audit also analysed the rate per hectare per day by applying the correct rates of centre brush and uniforms which worked out to ₹ 441.94 per hectare per day. Hence, the analysed rate of ₹ 474.47 per hectare per day calculated by GNIDA was on the higher side by ₹ 32.53 per hectare per day (**Appendix-6.5**) due to incorrect application of rates of centre brushes for the sweeping machines and uniforms for the workers in analysing the rates.

<sup>35</sup> M/s Antony Waste Handling Cell Private Limited.

Thus, due to lack of due diligence by the officials<sup>36</sup> of the Health Department of GNIDA while preparing cost analysis of rates for sweeping contracts, GNIDA incurred an excess expenditure of ₹ 1.60 crore<sup>37</sup> during the period from September 2016 to May 2020 on work executed under both the contracts on account of higher awarded rate by ₹ 28.06<sup>38</sup> per hectare per day. This excess expenditure will further increase up to ₹ 3.04 crore<sup>39</sup> till the completion of the contract period of seven years.

GNIDA, in its reply (June 2020), accepted the audit observation relating to incorrect rates for uniforms for the workers in the cost analysis. Further, GNIDA stated that it had rightly taken the cost of two centre brushes for two machines for each of the two packages (both Part-I and III) amounting to ₹ 1,41,961.42<sup>40</sup> per month.

The reply of the GNIDA regarding centre brushes is not acceptable as the rate for two brushes was wrongly taken in place of one brush resulting in excess costing per month. GNIDA had applied the rate of four brushes in monthly costing whereas only two brushes were required for two machines per month. Audit further observed from the cost analysis for the Part-II contract entered into (May 2012) with the same contractor that only two main (centre) brushes for two machines per month were taken, thereby confirming the audit contention.

The matter was reported to the Government (January 2020). Reply is still awaited (September 2020).

### **Audit Impact**

#### **6.9 Extra expenditure in execution of extra item of work**

Greater Noida Industrial Development Authority (Authority) awarded (October 2011) work of construction of administrative office building of the Authority to a contractor for ₹ 188.81 crore at 33.66 *per cent* above the estimated cost of the work. As per clause 13 (iii) of the general conditions of contract, if the altered, additional or substituted work includes any work for which no rates are specified in the contract nor can the rates be derived from the similar class of work in the contract, then such work shall be carried out at the rates entered in the DSR-2007 minus/plus percentage which the total tendered amount bears to the estimated cost of the entire work put to tender.

Scrutiny of the extra items executed revealed that the Authority approved 6,340.24 sq. meter of 12 MM pre-laminated particle board (both side laminated with double sided self-adhesive high bonding tape to MS frame work) of “Greenlam Company Make” as an extra item. However, contrary to the above condition in clause 13 (iii) of the contract, the Authority allowed higher rate of ₹ 3,409.82 per sq. meter for the above extra item of particle board of “Greenlam Company Make” instead of ₹ 1,685.86<sup>41</sup> per sq. meter

<sup>36</sup> Assistant Manager, Manager and Senior Manager.

<sup>37</sup> 1,350 days \* 423.49 hectare\*₹ 28.06 per hectare per day.

<sup>38</sup> Contract rate of ₹ 470 per hectare per day minus correct analysed rate of ₹ 441.94 per hectare per day.

<sup>39</sup> Excess Liability accrued during the period of contract (₹ 50.85 crore - ₹ 47.81 crore).

<sup>40</sup> ₹ 70,980.71 \* 2 packages = ₹ 1,41,961.42.


<sup>41</sup> As per DSR-2007 *plus* 33.66 *per cent*.

which was higher by ₹ 1,723.96 per sq. meter. This resulted in an extra expenditure of ₹ 1.09 crore.

The Authority in its reply (June 2020) accepted the contention of Audit and stated that a sum of ₹ 1.10 crore has been recovered against the amount of ₹ 1.09 crore pointed out by Audit.

Lucknow

The 19 FEBRUARY 2021

  
(JAYANT SINHA)  
Principal Accountant General  
(Audit-II),  
Uttar Pradesh

Countersigned

New Delhi

The 23 FEB 2021

  
(GIRISH CHANDRA MURMU)  
Comptroller and Auditor General of India