

CHAPTER–I

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Introduction

1.1 U.P. State Industrial Corporation Limited incorporated (March 1961) as a wholly owned Company of Government of Uttar Pradesh (GoUP) under the Companies Act, 1956, was renamed (February 1973) as Uttar Pradesh State Industrial Development Corporation Limited (UPSIDC).

Subsequently, UPSIDC in its status as a Company experienced¹ the following difficulties in development and management of its Industrial Areas (IAs).

- Problem of sanctioning of lay-out plans, and approving change of land use due to dual administrative system. It also did not have the power to impose tax like local bodies (Nagar Nigam and Nagar Palikas) and did not have powers of eviction and enforcement for effective and efficient management of the property of the Company.
- Being a company, UPSIDC had to pay income tax in compliance of various statutory provisions of Companies Act, 1956 and Income Tax Act. It also required deployment of manpower to attend the taxation matters.

GoUP ordered (October 1999) to constitute a new authority under the Uttar Pradesh Industrial Area Development Act, 1976 (UPIAD Act), while maintaining UPSIDC as a shell company with transfer of all the assets and liabilities of UPSIDC to the new authority. UPSIDC in its 231st meeting (December 1999) of the Board of Directors adopted the GoUP order and approved conversion of UPSIDC into an authority considering above difficulties.

GoUP formed² (September 2001) the Uttar Pradesh State Industrial Development Authority (UPSIDA) under Section 3 of the UPIAD Act and declared 123 IAs as Uttar Pradesh State Industrial Development Area under Section 2(d) of the UPIAD Act. As on 31 March 2022³, 154 IAs across the State of Uttar Pradesh covering approximately 49,395.20 acres of land was under UPSIDA.

GoUP issued (27 June 2018) an ordinance⁴ called “The Uttar Pradesh State Industrial Development Corporation Limited (Transfer of Assets and Liabilities) Ordinance, 2018” to provide for the transfer of properties, powers, functions, liabilities, assets, duties and personnel of UPSIDC to UPSIDA. As per provisions of the ordinance, consequent upon such transfer UPSIDC shall remain as a shell company.

Merger of LIDA into UPSIDA

1.1.1 With a view to increase manpower and availability of working capital, GoUP *inter-alia* decided (October 2018) to merge the assets and liabilities of the Lucknow Industrial Development Authority (LIDA) into UPSIDA and instructed LIDA’s Board for further necessary action. LIDA’s Board approved (November 2018) the proposal and forwarded (August 2019) the same to

¹ As per Agenda of 231 Board of Directors meeting held on 3 December 1999.

² Vide notification no. 1418/77-4-2001-267Bha-97 TC-1 dated 5 September 2001.

³ Latest status was not provided by Management.

⁴ Notification issued on 10 September 2018 after approval of legislature on the ordinance.

UPSIDA/GoUP. GoUP notified (March 2021) inclusion of 45 villages of Lucknow and 34 villages of Unnao in UPSIDA.

Another objective for the above action was to ensure the smooth operation along with the preparation of uniform building regulations⁵ applicable in the notified area of the merged entity (*i.e.* LIDA). Audit noticed that UPSIDA in its 38th Board meeting adopted (June 2021) the GoUP approved Master Plan 2010-2031 of Ex-LIDA and Building Regulation-2009 of Ex-LIDA for its notified areas. However, no effort was taken to develop and implement uniform building regulations as per GoUP order (October 2018).

Role of Infrastructure and Industrial Development Department

1.2 UPSIDA functions under the administrative control of Infrastructure and Industrial Development Department (IIDD) of GoUP. IIDD formulates industrial and infrastructure development policies and strategies for GoUP for creating an enabling environment for promoting industrial growth in the State. IIDD performs its function relating to development of IAs through seven⁶ Industrial Development Authorities (IDAs). UPSIDA is one of these seven IDAs. In respect of UPSIDA, IIDD is responsible for:

- making rules for carrying out the purposes of the UPIAD Act, 1976;
- approval of the regulations framed by UPSIDA for administration of its affairs;
- issuing directions to UPSIDA from time to time for efficient administration of the UPIAD Act, 1976;
- requiring UPSIDA to furnish reports, returns and other information from time to time;
- ensuring implementation of Master Plan by UPSIDA; and
- ascertaining that development works have been carried out in accordance with the Master Plan.

Functions of UPSIDA

1.3 As per Section 6 of the UPIAD Act, 1976, the objective of UPSIDA is to secure the planned development of the industrial development area. It is responsible for performing the following functions:

- preparing a plan for development of the industrial development area;
- demarcating and developing sites for industrial, commercial and residential purposes in accordance with the plan;
- providing infrastructure for industrial, commercial and residential purposes;
- providing amenities;
- allocating and transferring, either by way of sale or lease or otherwise, plots of land for industrial, commercial or residential purposes;

⁵ UPSIDA was made nodal for preparation of Uniform building regulation applicable in case of industrial development Authorities (Gorakhpur Industrial Development Authority, Satharia Industrial Development Authority, LIDA) situated outside the national capital region as per GoUP decision (October 2018).

⁶ NOIDA, Greater NOIDA Industrial Development Authority (GNIDA), Yamuna Expressway Industrial Development Authority (YEIDA), Uttar Pradesh Expressway Industrial Development Authority (UPEIDA), Gorakhpur Industrial Development Authority (GIDA), Satharia Industrial Development Authority (SIDA) and Uttar Pradesh State Industrial Development Authority (UPSIDA).

- regulating the erection of buildings and setting up of industries; and
- laying down the purpose for which a particular site or plot of land shall be used, namely for industrial or commercial or residential purpose or any other specified purpose in such area.

Management of UPSIDA

1.4 Section 3 of the UPIAD Act, 1976 provides that UPSIDA shall be a body corporate consisting of 11 members (including Chief Executive Officer as Member Secretary and five members to be nominated by GoUP). Out of these, Principal Secretary, Industries Department, GoUP or his nominee not below the rank of Special Secretary shall be the *ex-officio* Chairman. Section 4 of the UPIAD Act provides that the Chief Executive Officer (CEO) of UPSIDA shall be appointed by GoUP. UPSIDA consists⁷ of the following board members as on 31 March 2024:

- Infrastructure & Industrial Development Commissioner, GoUP- Chairman
- Additional Chief Secretary, GoUP, Finance Department - Member
- Additional Chief Secretary, GoUP, Revenue Department - Member
- Additional Chief Secretary, GoUP, Housing Department - Member
- Principal Secretary, GoUP, Infrastructure & Industrial Development Department - Member
- Principal Secretary, GoUP, Stamp and Registration Department - Member
- Principal Secretary, GoUP, Public Works Department - Member
- Chief Town and Country Planner, GoUP - Member
- Chief Executive Officer (UPSIDA) - Member Secretary
- Chief Executive Officer, New Okhla Industrial Development Authority (NOIDA) - Member

Organisational Structure of UPSIDA

1.5 UPSIDA is headed by a CEO, who is assisted by three Additional Chief Executive Officer (ACEOs). The ACEOs are further assisted by Finance Controller (FC), Principal General Manager (PGM) Engineering, General Manager (GM) Legal, GM (Industrial Area), GM (Architect & Planning), Assistant General Manager (AGM) Establishment, AGM (Najarat), AGM (Estate), AGM (Business Promotion), Senior Land Acquisition Officer (SLAO) and Senior Programmer (Computer).

As on 31 March 2024, the construction activities are carried out by eleven Construction divisions (CD) and four Electrical Divisions (ED) each headed by a Senior Manager (Civil/Electrical) under overall supervision of Principal General Manager (Engineering), who is responsible for development of IAs. The marketing of developed plots is done by the GM (Industrial Area) through 16 Regional/Project Offices headed by the Regional Managers (RMs)/Project Officers (POs).

Entrustment of Audit and Financial position/working results

1.6 GoUP entrusted audit of UPSIDC to the Comptroller and Auditor General of India (CAG) in July 2017. In January 2018, CAG was appointed as the sole

⁷ As provided in GoUP order dated 02 July 2020, Chief Executive officer (UPSIDA) is also held the charge of Managing Director (UPSIDC).

auditor for all authorities under IIDD. UPSIDA did not prepare its financial statements since inception. The Annual Accounts of UPSIDC were finalised up to the year 2013-14 only. The financial position and working results of the UPSIDC for the period 2017-18 to 2022-23 and Ex-LIDA for the four years ending 2020-21 are provided in **Appendix-1.1** and **Appendix-1.2**.

Audit Objectives

1.7 The objectives of Audit were to assess whether:

- Land acquisition, development and construction activities were carried out in an economic, efficient and effective manner;
- Allotment of plots was done in a fair and transparent manner and in accordance with the prescribed procedure; and
- Systems of Internal control were efficient and effective.

Audit Criteria

1.8 Audit examination was done on the basis of following audit criteria:

- The Uttar Pradesh Industrial Area Development Act, 1976;
- The Land Acquisition Act, 1894; and the Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2013;
- The Uttar Pradesh Land Acquisition (Determination of Compensation and Declaration of Award by Agreement) Rules, 1997;
- Industrial Investment and Employment Promotion Policy of GoUP 2017;
- Guidelines, directives, orders, manuals, policies, circulars etc. of the UPSIDA, GoUP;
- Financial Handbooks of GoUP, Uttar Pradesh Public Works Department (UPPWD) directives and orders;
- Directives/Orders of the Board, Annual budgets, Annual Reports and Returns;
- Working Manual for Development and Maintenance of Industrial Areas (WMDMIA), Operating Manual of Industrial Area 2011;
- Master Plans, Zonal Plans, Zoning Regulations and Building Bye-Laws;
- Administrative approvals, financial sanctions, technical sanctions, approvals/clearances/No Objection Certificates;
- Contracts/agreements; and
- Other applicable Acts/ Rules/ Regulations/ Orders.

Scope and Methodology of Audit

1.9 The Performance Audit (PA) conducted during 12 September 2022 to 17 April 2023, covers the performance of UPSIDA (including the performance of UPSIDC and Ex-LIDA) in planning, acquisition of land, infrastructure development, allotment of plots and the internal control system for the period from 2017-18 to 2021-22 (updated up to 31 March 2024 on the basis of records/details/information produced to audit⁸). The details of sampling done for conducting the PA are given in **Table 1.1**.

⁸ Updated during June 2024 to August 2024.

Table 1.1: Details of Sampling

Particulars	Sampling method	Total population	Sample selected	Per cent of sample selected to total population
Land Acquisition				
Resumption	Judgmental	5	5	100
Direct Purchase	Judgmental	7	7	100
LAA Act, 2013	No acquisition was made during period 2017-18 to 2021-22			
Infrastructure Development				
Contract bonds	Stratified through use of <i>IDEA</i> ⁹	440	113	25.68
Allotment of Plots				
Industrial		1585	177	11.17
Plots (area more than 10000 sqm)	Judgmental	44	44	100
Plots (area more than 4000 sqm and less than 10000 sqm)	Stratified random	108	29	26.85
Plots (area up to 4000 sqm)	Stratified random	1433	104	7.26
Residential	Random	five schemes	four schemes	80
Commercial	Judgmental	6	6	100

Audit methodology included:

- Explaining the audit objectives and methodology to the Additional Chief Secretary of the IIDD, GoUP and Management of UPSIDA in the Entry Conference held on 12 September 2022; and
- Scrutiny of records, analysis of data, raising audit queries and interaction with the Management of UPSIDA to assess its performance.

The Draft Performance Audit report was issued (9 June 2023) to the Management of UPSIDA for obtaining their comments. As the Management response was not received, the matter was taken up (30 August 2023) with the Chief Secretary, GoUP for furnishing replies and confirmation of facts and figures of draft report. UPSIDA furnished partial replies during the period from September 2023 to December 2023 which have been suitably incorporated in the Draft Performance Audit Report. Draft Report was also issued to IIDD, GoUP on 12 February 2024 and Exit Conference was held on 15 April 2024 with GoUP and UPSIDA. Replies of GoUP were received on 26 July 2024. Replies and comments/views put forth by IIDD, GoUP/ UPSIDA in the Exit Conference have been duly considered and incorporated in the Performance Audit Report.

Scope Limitations

1.10 UPSIDA had not furnished records / information relating to execution of development and construction activities, allotment of plots and establishment records as detailed in **Appendix-1.3** up to closure of audit in April 2023, and later updated in August 2024, and in October 2025 during specific visit for these records/information.

Recommendation No. 1

UPSIDA may fix responsibility on officials for not providing records/information during the course of audit.

⁹ Interactive data extraction analysis software.

Contents of the Performance Audit Report

1.11 The contents of this Performance Audit Report have been arranged under five chapters which are as follows:

- I. General
- II. Planning and Acquisition of Land
- III. Infrastructure Development in Acquired Land
- IV. Allotment of Plots
- V. System of Internal Control

Chapter I describes entrustment of audit, audit objectives, audit criteria, audit scope and audit methodology. The other four chapters contain audit findings on various aspects of functioning of UPSIDA.

The audit observations in the aforesaid chapters include instances of short recoveries, excess refunds made, refunds/exemptions not claimed and avoidable expenditures.

Acknowledgement

1.12 Audit acknowledges the co-operation and assistance extended by UPSIDA during conduct of this Performance Audit.