

## CHAPTER 2

### 2.1 Performance Audit of Kanpur Development Authority

#### Executive Summary

Kanpur 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 during 9 December 2013 to 15 July 2014 covering the period of five years up to 2013-14.

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

#### **Finance Section**

##### ***Loss due to non-availing auto-sweep facility***

The Authority maintained nine current bank accounts without any justification on records. Further, it failed to avail *auto-sweep* facility for current accounts which deprived the Authority from earning interest amounting to ₹ 3.61 crore between April 2009 and March 2014.

(Paragraph 2.1.6.3)

#### **Property Section**

##### ***Avoidable payment of penal compensation***

Non-compliance of the order of the Hon'ble High Court requiring determination of the compensation for the possession of land in *Panki Ganga Ganj* area, resulted in avoidable payment of penal compensation amounting to ₹ 145.23 crore.

(Paragraph 2.1.7.1)

##### ***Acquisition of disputed land***

An amount of ₹ 4.32 crore deposited for acquisition of land measuring 16.367 hectare, with ADM (LA) remained blocked and no effort was made to get refund of the amount paid by the Authority despite lapse of more than seven years.

(Paragraph 2.1.7.2)

#### **Planning Section**

##### ***Delay in preparation of new Master Plan***

Absence of new Master Plan over a long span of 15 years entailed the unplanned growth of the city, encroachments on the GoUP land and unauthorised constructions.

(Paragraph 2.1.8.1)

##### ***Non/short recovery of Floor Ratio Area Charges***

Six maps were approved in contravention to Building Bylaws, which resulted in short recovery of Floor Area Ratio charges to the extent of ₹ 7.75 crore.

(Paragraph 2.1.8.3)

##### ***Approval of Group Housing Map on railway land***

A group housing map was approved on the land marked as railway land in contravention to the Zoning Regulation of Master Plan-2021.

(Paragraph 2.1.8.4)

**Engineering Section**

***Expenditure from Infrastructure Fund***

An expenditure of ₹ 9.01 crore was incurred out of infrastructure fund on works not covered under infrastructure works.

*(Paragraph 2.1.9.3)*

***Non deposit of Labour Cess***

The Authority recovered cess of ₹ 9.17 crore on account of approval of maps. However, it did not deposit ₹ 5.19 crore with cess collector (Labour Department) as of September 2014.

*(Paragraph 2.1.9.4)*

**Sale Section**

***Irregular Sale of residential plot at agricultural rate***

The Authority allotted land at circle rate applicable for agriculture land in place of residential land rates, resulted in short recovery of revenue amounting to ₹ 4.55 crore.

*(Paragraph 2.1.10.1)*

**Enforcement Section**

***Operation of Multiplexes without completion certificate***

Due to failure of the Authority to take action under Section 27 of the Uttar Pradesh Urban Planning and Development Act, 1973, four Multiplexes were running without obtaining completion certificates.

*(Paragraph 2.1.11.2)*

**2.1.1 Introduction**

The work of housing and development of the city was carried out by the Improvement Trust up to 1945, thereafter; the Development Board started working and was in operation up to 1960, when *Nagar Mahapalika* was established. The Government of Uttar Pradesh (GoUP) set up Kanpur Development Authority (Authority) under Uttar Pradesh Urban Planning and Development Act, 1973 (Act) *vide* notifications (September 1974 and May 1975) with the prime objectives to:

- promote and secure development of Kanpur area;
- carryout 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.

The Performance audit of the Authority has been taken up under Section 13 of the Comptroller & Auditor General of India (Duties, Power and Conditions of Services) Act 1971.

## 2.1.2 Organisational Structure

As per Section-4 of the Act, the Authority is a body corporate, having perpetual succession and a common seal with power to acquire, hold and dispose-off properties.

### 2.1.2.1 Constitution of Board of Authority

According to Act, the Board of Authority (BoA) 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 Kanpur Nagar and Kanpur *Dehat*), four member from Kanpur Nagar Nigam, and such other members not exceeding three as may be nominated by the State Government.

### 2.1.2.2 Status of the Authority

The day to day activities of the Authority are under the control of 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 following sections detailed in **Table 2.1.1**:

**Table 2.1.1: Details of various sections and assigned works**

Section	Work assigned	Headed by
Property	Land acquisition and all work related to <i>gram Samaj, nazul</i> and ceiling land.	Secretary
Planning	Planning as per the Master Plan/the Building Bylaws and approval of maps.	Chief Town Planner
Engineering	Development works of schemes.	Chief Engineer
Sale	Sale of properties developed in the schemes.	Joint/Deputy Secretary
Enforcement	Action under the Act on un-authorized constructions and encroachments.	Secretary/Additional Secretary.
Finance	Management of all the financial matters of the authority.	Secretary.

(Source: U P Urban Planning & Development Act 1973, Finance & Accounts Manual 2002 and information furnished by the Authority)

As per the GoUP order (July 2008) proposal of acquisition schemes involving area more than 25 acre of land requires approval of Board of the Authority. Besides, budget for each financial year, proposal relating to cases of land use changes and all policy matters relating to different sections of the Authority are required to be approved by the Board of the Authority.

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

#### **2.1.4 Audit criteria**

The following were the sources of audit criteria adopted for the Performance audit:

- The Uttar Pradesh Urban Planning and Development Act, 1973;
- State Housing policy 1995;
- Building by-laws 2008;
- Master Plan 2021 and Zonal Development Plans;
- Government Orders issued by Housing & Urban Planning Department of the GoUP;
- 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 Performance audit covers the period from 2009-10 to 2013-14. All nine cases of land acquisition in which compensation was paid during the audit period were examined during Performance Audit. Out of 412 contracts entered into by the Authority during the audit period, for construction and development of properties valuing ₹ 426.57 crore, 127 contracts (30.83 *per cent*) valuing ₹ 319.43 crore and covering 74.88 *per cent* of the total value involved, were selected as sample on the basis of stratified random sampling done through IDEA. Besides, 40 out of total 135 cases of maps sanctioned for properties involving area more than 1,000 sqm were examined along with 15 out of 43 cases of bulk sale of properties during 2009-10 to 2013-14.

We explained the audit objectives to the management in an 'Entry Conference' held on 14 March 2014 with Vice Chairman. The audit was carried out during 9 December 2013 to 15 July 2014 during which performance of the Authority was evaluated. An Exit conference was held on 22 September 2014 with Chairman of the Authority.

The Performance Audit report was issued to the Authority (August 2014) and the GoUP (October 2014). The replies of the Authority were received (September 2014) and replies of the GoUP are still awaited (November 2014). The replies and views of the Authority received have been considered while finalising the audit findings.

#### **Audit Findings**

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

#### **2.1.6 Finance Section**

Finance Section of the Authority deals with management of all the financial matters of the authority. Finance section maintains coordination in all financial matters of the Authority it gives comment and offers suggestions in all matters having financial implication and all such proposals moved to the Board. It also prepares budget, maintains financial books and other accounting records. Secretary/Additional Secretary is the sectional head assisted by one Finance Controller/ Chief Account Officer, one Account Officer, one Assistant Account Officers, one Accountant and two Assistant Accountants.

### 2.1.6.1 Income and Expenditure

The Authority maintains its own fund to meet the expenses incurred by the Authority in the administration of the Act and for no other purposes. The income and expenditure of the Authority for the last five years are given below in Table 2.1.2.

**Table 2.1.2: Income and Expenditure of the Authority**

(₹ in crore)						
Sl. No.	Particulars	2009-10	2010-11	2011-12	2012-13	2013-14
<b>Income</b>						
1	Allotment/auction sale of plots/houses/ bulk sale	72.47	114.34	77.64	103.55	172.34
2	Income from Stamp duty	2.43	1.60	1.43	1.89	2.16
3	Income from Investment	22.64	22.91	38.23	47.66	51.85
4	Other income from properties	22.27	27.78	11.97	29.30	13.80
5	Other Misc. Income	18.94	19.20	27.31	10.11	153.32
<b>Total</b>		<b>138.75</b>	<b>185.83</b>	<b>156.68</b>	<b>192.51</b>	<b>393.47</b>
<b>Expenditure</b>						
6	Development expenses	2.30	4.00	5.19	11.85	22.95
7	Construction work	8.45	0.68	1.20	0.61	0.08
8	Parks & Plant Preservation	1.77	1.70	1.37	0.79	2.27
9	Cost of Sales (Proportionate cost of developed land)	55.81	85.75	58.23	77.99	129.83
10	Other expenditure (Depreciation, Establishment and Miscellaneous expenditure)	48.22	67.23	85.02	68.28	80.62
<b>Total</b>		<b>116.55</b>	<b>159.36</b>	<b>151.01</b>	<b>159.52</b>	<b>235.75</b>
11	Excess of income over expenditure	22.20	26.47	5.57	32.99	157.72
<b>Sub-Total</b>		<b>138.75</b>	<b>185.83</b>	<b>156.68</b>	<b>192.51</b>	<b>393.47</b>

(Source: Audited Balance Sheets of last five years)

It would be seen from the above table that the total expenditure of the Authority increased at annual average rate of 14.02 *per cent*, whereas total income grew at an annual average growth rate of 24.56 *per cent* during 2009-14.

Audit findings on inefficient financial management are discussed in succeeding paragraphs:

#### 2.1.6.2 Loss of interest due to investment in fixed deposits at lower rates

The Authority failed to formulate any policy for investment of surplus funds and invested the same in different Banks without ensuring maximum returns. We compared the interest rate of the various Fixed Deposits (FDRs) made during January 2009 to March 2014 considering the FDRs made on the same day and found that interest rate varied between 5.50 and 9.75 *per cent per annum*. The Authority failed to avail the opportunity of parking the surplus funds at higher rate and has been deprived of the interest earnings amounting to ₹ 0.75 crore as detailed in **Appendix 2.2**.

No specific reply was furnished by the Authority.

#### 2.1.6.3 Loss due to not availing auto-sweep facility

Banks provide auto sweep facility to their customers, on their request, to enable automatic investment of surplus fund lying in current accounts into term deposits. It also allows automatic encashment of term deposits when funds are required to meet an impending expenditure. Interest at the rate of 2.75 *per cent* is provided on the amount transferred to term deposits from current account. The threshold limit for transfer to term deposits from current

account is ₹ two lakh and an average quarterly balance of ₹ two lakh is to be maintained in the current account.

**The Authority failed to avail auto-sweep facility in current bank accounts which deprived the Authority of earning interest amounting to ₹ 3.61 crore.**

We noticed that the Authority maintained nine current bank accounts without justification on records. Further, it failed to avail *auto-sweep* facility for current accounts which deprived the Authority from earning interest amounting to ₹ 3.61 crore as detailed in **Appendix 2.3** between the period April 2009 and March 2014.

In reply, the Authority did not provide any justification for parking the surplus fund at lower rates.

#### **2.1.6.4 Recovery of rent at lower rate**

Erstwhile Kanpur Nagar *Mahapalika* rented covered area of 812.32 sqm for a Branch of State Bank of India at *Moti Jheel* on 11 December, 1967. After the establishment (September 1974) of the Authority, the tenancy of the bank was shifted to it. The copy of the rent agreement was neither available with the Authority nor with the Bank authorities therefore the rent was decided on mutual consent which remained lower than the minimum rent of the area prescribed by the District Magistrate, Kanpur. Thus, due to recovery of rent at lower rates the Authority suffered loss of revenue to the extent of ₹ 1.40 crore between the period January 2007 and March 2014 as detailed in **Appendix 2.4**.

**The Authority suffered loss of revenue to the extent of ₹ 1.40 crore, due to recovery of rent at lower rates.**

In reply the Authority stated (September 2014) that they have asked (April 2014) the bank to deposit the balance amount of rent or to vacate the premises. Besides, legal action has also been initiated against the bank, however, the bank authorities had not responded.

#### **2.1.6.5 Absence of Internal Audit**

As per provision of Section 12 of Finance & Accounts Manual, the Authority was required to maintain a full-fledged Internal Audit Section to carry out audits extensively throughout the year.

We noticed that no internal audit was functioning in the Authority as required by the Finance & Accounts Manual of the Authority. As a result cases of violation of Act, Master Plan, applicable rules & regulations could not be detected by the Authority.

*Authority needs to invest funds in secured and beneficial interest bearing options. Authority may also put a sound internal control mechanism in place.*

### **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*, *nazul* and ceiling land. Secretary of the Authority is sectional head of the property section, assisted by one Joint Secretary, three *Tahsildars*, two *Lekhpals*, 24 *Ameens* and nine *Surveyors*.

#### **Acquisition of land**

Land Acquisition Act, 1894 (LAA) empowers the Authority to acquire land from the persons for development of housing schemes and for other public purposes.

As per the GoUP order (July 2008) approval of Board, was necessary for land acquisition schemes involving area more than 25 acre. All nine cases of land

acquisition in which compensation was paid during the audit period were examined during Performance audit.

As of 31 March 2014, the Authority was having possession of 5,296.41 hectare land out of which it could utilise only 2,888.02 hectare land whereas 1,063.91 hectare land was under disputes and 1,344.48 hectare land remained un-utilised despite availability.

Proposals for acquisition of land in respect of 160.745 hectare land were awaiting final award from ADM (LA). Besides, for 67.417 hectare land, only preliminary notifications were issued during February 2010 to June 2013. Thus, land acquisition proposal of 228.162 hectare land were pending till July 2014 due to dispute and encroachment on land.

Specific findings on Land acquisition are discussed in succeeding paragraphs:

#### 2.1.7.1 Avoidable payment of penal compensation

Non-compliance of the order of the Hon'ble High Court, requiring determination of the compensation for the possession of land in Panki Ganga Ganj area, resulted in avoidable payment of penal compensation amounting to ₹ 145.23 crore.

The Hon'ble High Court of Allahabad in its order dated 30 November 1984 upheld the acquisition of *Panki Ganga Ganj* area and directed to 'determine the compensation in accordance with Section 14 of the Act'. The Order of Hon'ble High Court had never been complied with and compensation was not re-fixed as per directions of the Hon'ble High Court given in November 1984.

We noticed that Hon'ble High Court of Allahabad in its order dated 10 January 2013 further directed to determine the compensation for the possession of land of *Panki Ganga Ganj* area and to prepare an award within three months. For compliance of subsequent order of January 2013, a sum of ₹ 174.43 crore was paid (₹ 60.33 crore in May 2013 & ₹ 114.10 crore in June 2013) to ADM (LA) in respect of 811-15-10 *Bigha* land covered under above cases which included penal amount of compensation of ₹ 145.23 crore.

Thus, non compliance of the order (November 1984) of the Hon'ble Court, resulted in avoidable payment of penal compensation amounting to ₹ 145.23 crore<sup>1</sup>.

Further, out of the land for which compensation was paid, land of 62 *arazi* numbers (Measuring 46.576 *bigha*) could not be taken over as the land was already being used as Ash pond for *Panki* Power House of Uttar Pradesh Rajya Vidyut Utpadan Nigam Limited (UPRVUNL). Thus, compensation of ₹ 10 crore<sup>2</sup> paid in respect of land possessed by UPRVUNL was remained unfruitful. No effort was made to get back the land from UPRVUNL.

The Authority while confirming the audit observation stated (September 2014) that no action was initiated at the level of SLAO. Fact remains that the Authority failed to take timely action to comply the order (November 1984) of the Hon'ble High Court of Allahabad which led to higher payment of compensation.

#### 2.1.7.2 Acquisition of disputed land

Section-16 of LAA provides that possessed land should be free from all encumbrances. Authority proposed to acquire (December 2002) 83 *gata* numbers measuring 23.868 hectare land in *Panki Gangaganj* Village, for developing the *Mahaveer Nagar* Extension housing scheme. Authority paid a sum of ₹ 6.87 crore between February 2003 and February 2006 for the same.

<sup>1</sup> ₹ 50.22 crore in respect of 281, *Bigha* land and ₹ 95.01 crore in respect of 530.15 *Bigha* land.

<sup>2</sup> 46.576 *Bigha*\* ₹ 21.50 lakh.

ADM (LA) declared award (April 2008) of 8.11 hectare land against the proposal of 23.868 hectare land in favour of Authority and award for remaining land (15.758 hectare) could not be declared due to disputes on the title of the land. Further, possession of only 7.501 hectare land was given (January 2007) to the Authority by ADM (LA). Authority requested (August 2009) ADM (LA) to provide the possession of the remaining land of 0.609 hectare (8.11 minus 7.501 hectare) which is still awaited (November 2014).

We noticed that above proposal of acquisition of land was sent without ascertaining the fact that land was free from all encumbrances. Further it was noticed that out of 83 *gata* numbers proposed for acquisition, a management college was existing on the 4 *gata* numbers measuring 0.763 hectares and 49 *gata* numbers measuring 15.755 hectares were under dispute. As a result, the Authority could not commence its housing scheme even after receipt of 7.501 hectare land. Thus, payment of ₹ 1.98 crore made for land for which possession was taken could not achieve its objective.

Further, an amount of ₹ 4.32 crore deposited (February 2006) for remaining land, measuring 16.367 hectare (23.868 minus 7.501 hectare) of acquisition proposal (December 2002), with ADM (LA) remained blocked and no effort was made to get refund of the amount paid by the Authority despite lapse of more than seven years.

The Authority replied (September 2014) that scheme could not be started as land is in scattered form and possession of entire notified land has not been received from ADM (LA). Reply is not acceptable as actual status of land to be acquired was not ascertained before submitting (December 2002) the proposal for land acquisition.

### 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 By-laws. Planning section was headed by the Chief Town Planner of the Authority, who is assisted by one Town Planner, two Assistant Town Planners and eight Junior Engineers. Audit findings relating to planning section are discussed in succeeding paragraphs:

#### 2.1.8.1 Delay in preparation of new Master Plan

As per Section 8 of the Act, the Authority was to prepare a Master Plan for the development area. Section 10 provides that after its preparation, every plan was to be submitted by Authority to the GoUP for approval.

The Authority adopted the Master Plan-1991 (applicable for the period from 1970 to 1991) of the GoUP since its inception in 1974 which remained effective till 1991. After the cessation of Master Plan-1991, preparation of new Master Plan was not done and consequently Master Plan-1991 remained effective till approval (November 2006) of new Master Plan. The process of preparation of new Master Plan-2021 was started in 2002 and it could only be approved in November 2006. Absence of revised/new Master Plan over a long span of 15 years entailed the unplanned growth of the city, encroachments on the GoUP land and unauthorised constructions which are still causing disputed change of land use and irregular compounding of unauthorised construction as discussed in different paragraphs of this report.

Further, Section-9 of the Act provides that simultaneously with the preparation of the Master Plan or as soon as may be thereafter, the Authority was to

**Absence of new Master Plan over a long span of 15 years entailed the unplanned growth of the city, encroachments on the GoUP land and unauthorised constructions.**



proceed with the preparation of a Zonal Development Plan for each of the zone into which the Development Area may be divided. Thus, the Authority was required to prepare the Zonal Development Plan for all the 11 zones of Kanpur Development Area but the Authority failed to prepare the same till date. Non-preparation of Zonal Plan led to haphazard constructions and entailed frequent conversion of land use.

In reply, the Authority accepted (September 2014) the delay in preparation of new Master Plan-2021. The Authority further replied that proposals for preparation of Zonal Development Plan of three zones were approved in January 2013 out of which Zonal Plan of one zone is under process. Fact remains that Zonal Development Plan of each zone was not prepared in accordance with Section 9 of the Act.

### 2.1.8.2 Irregularities relating to sanction of maps

For sanction of maps, four sets of proposed maps is to be deposited along with requisite fees, lease/ license deed documents regarding ownership, site plan. The Authority sanctions maps submitted to it in accordance with Building Bylaws and other regulations applicable at the time of sanction. As per the GoUP order of May 1997 sanction requirement for maps were as given in **Table 2.1.3.**

**Table 2.1.3: Requirement of Sanction of Map**

Sl.No	Area of plot (sqm)	Requirement of Sanction of Map
1.	Above 300	Required sanction of the Authority
2	101 to 300	Considered as deemed sanctioned on the basis of certificate of Architect
3	Below 100	No sanction of the Map of Authority was required subject to fulfilment of conditions of Master Plan.

(Source: The Government of Uttar Pradesh Order No 1614 dated 01 May 1997)

Further, powers of sanction of map rests with Chief Town Planner/Town Planner for plots up to 500 sqm area, for plots having area from 500 to 1000 sqm, it rest with Secretary/Additional Secretary and for plot area above 1000 sqm it rest with Vice Chairman of the Authority. The Authority sanctioned 135 maps (having area more than 1000 sqm) during the period covered under Performance Audit. Out of this, Audit examined 40 cases of sanction of maps for detailed scrutiny and found cases of violation of Building Bylaws viz. non/short recovery of charges for Floor Area Ratio, inadequate provision of parking space, compounding etc. which are discussed in succeeding paragraphs:

### 2.1.8.3 Non-compliance of Building Bylaws

Irregularities noticed on non-compliance of building bylaws which resulted in undue favour to builders as discussed below:

#### *Non/Short recovery of Floor Area Ratio charges*

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 Building Bylaws, allowed excess FAR to the builders by way of non recovery of charges for purchasable FAR, by not deducting the area covered under park/open space/road widening from gross area and by allowing FAR in excess as required under the auction conditions which has resulted in short recovery of FAR charges to the extent of ₹ 7.75 crore in approval of six maps as detailed in **Appendix 2.5 (A).**

Six maps were approved in contravention to Building Bylaws, which resulted in short recovery of Floor Area Ratio charges to the extent of ₹ 7.75 crore.

### ***Inadequate provision for parking space***

As per Clause 3.10.3 of Building By-laws 2008, car space of one car for each flat area of 50 to 75 sqm, 1.25 car for each flat area of 75 to 150 sqm and 1.5 car for flats having area above 150 sqm, was required for group housing properties. From September 2011, car space of 1.5 was required as parking space for every 100 sqm of floor area and 10 *per cent* of the total parking area was to be provided for visitors parking.

We noticed that in two cases parking space sanctioned in Maps remained less than that required as per above provisions as detailed in **Appendix 2.5 (B)**.

Inadequate provision of parking space led to unplanned development.

*The Authority may put a mechanism in place to comply with the provisions contained in Master Plan and Building Bylaws while sanctioning of maps.*

#### **2.1.8.4 Approval of group housing map on railway land**

As per Clause 11.1.9.1 of Zoning Regulation of Master Plan 2021, land area marked for specific uses in the Master Plan was allowed for the same use only. We noticed that as per Master Plan-2021 plot no.84/250 *Jhakarkati*, Kanpur was marked as railway land. The Authority, however, approved (March 2012) a map to construct group housing on the same land in contravention to the Zoning Regulation of Master Plan 2021. No action for cancellation of approval of said map has yet been taken.

In the Exit Conference, the VC stated that a request has been forwarded to the GoUP for cancellation of map approved on railway land.

#### **2.1.8.5 Sanction of Map without change of land use**

As per Clause 11.1.9.1 of Zoning Regulations under Master Plan-2021, land marked for specific use in Master Plan can only be used for that purpose.

Further as per Section 13 of the Act, the Authority may make any amendments in the master plan which in its opinion do not affect the character of the plan. It further provided that before making any amendments in the plan, the Authority shall publish a notice in at least one newspaper having circulation in the development area inviting objections and suggestions from any person with respect to the proposed amendments before such date as may be specified in the notice and shall consider all objections and suggestions that may be received by the Authority or the State Government.

During Performance Audit, it was noticed that Village *Ishwariganj* was marked as 'green verge/open space' and village *Baikunthpur* as 'residential' in the Master Plan-2021. However, we noticed that compounding map for use of land for educational purpose was sanctioned in March 2012 on plot numbers. 334 to 344 and 378 to 380 of *Ishwariganj* village and plot numbers 308, 334, 315, 332, 375, 381 of *Baikunthpur* village without conversion/change of land use.

In reply (September 2014), the Authority did not provide any reason for sanction of map without conversion/change of land use.

#### **2.1.8.6 Short levy of Development Charges**

As per the GoUP order (December 2001) development charges at prevailing rate were leviable on total covered area of the project.

A group housing map was approved on the land marked as railway land in contravention to the Zoning Regulation of Master Plan-2021.

Authority short levied development charges to extent of ₹ 5.01 crore.

We noticed that in one case<sup>3</sup>, the Authority levied (March 2012) development charges on constructed area (8923.56 sqm) in place of covered area (76112 sqm) which has resulted in short recovery of ₹ 5.01 crore<sup>4</sup>.

No specific comment was offered by the Authority in this regard.

#### 2.1.8.7 Non-Provision of houses for Economic Weaker Section and Lower Income Group

As per the GoUP order (September 2011) provision for Economically Weaker Sections (EWS) and Lower Income Group houses was to be made to the extent of 10 per cent of total residential units approved. We noticed that in seven<sup>5</sup> cases Authority approved the maps of group housing without ensuring above provisions and in one case Authority approved the map for group housing (*Mahaveer Sahkari Avas Samiti*) which provided only 24 units in place of 103 units required as per the GoUP order (September 2011).

No reply to the above observation was submitted by the Authority.

### 2.1.9 Engineering Section

Engineering section of the Authority is entrusted with the responsibility of the execution of construction and development works in new and upcoming schemes of the Authority. It determines the cost of various properties. 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 four Executive Engineers, 12 Assistant Engineers and 50 Junior Engineers as on November 2014. All powers for sanction and execution of development work vests with the Vice chairman of the Authority.

Audit findings relating to works executed by Engineering Section are discussed below:

#### 2.1.9.1 Delay in development of land and construction works

The Authority executed various development works viz. roads, water lines, sewer lines, drains, and parks etc. under 18 development schemes during 2009-10 to 2013-14. The achievement *vis-a-vis* the works planned for 18 development schemes, during the last five years, is given in **Table 2.1.4** below:

**Table 2.1.4: Details of works planned and taken up by the Authority**

Year	No. of works taken up under 18 schemes	
	Planned in Budget	Actually Taken up
2009-10	7	5
2010-11	N.A.	14
2011-12	15	12
2012-13	16	3
2013-14	15	10
	53	44

(Source: Contract bond register and annual budget of the Authority)

Authority entered into 412 contracts valuing ₹ 426.57 crore during the audit period, for construction and development of properties, out of which 127 contracts (30.83 per cent) valuing ₹ 319.43 crore and covering 74.88 per cent

<sup>3</sup> Maharana Pratap Educational Centre.

<sup>4</sup> (76112 sqm-8923.56 sqm)\* ₹ 746.

<sup>5</sup> Diviniti Housing Pvt Ltd, Hariom Agrawal & Others, Sukhdam Infra, Hari Ganesh Pvt Ltd, M G Infra Pvt Ltd, Smt. Taslim Asraf and Smt. Dulari Devi.

of the total value of the contract involved, were selected on the basis of stratified random sampling done through IDEA along with implementation of *Manyavar Shri Kanshiram Ji Sahari Garib Avas Yojna*. Audit noticed that:

- No scheduled dates for completion of above 18 development schemes were fixed. Without scheduled completion period Authority could not control the delays in completion of schemes executed. As a result, out of 18 schemes, only seven schemes were completed and handed over to Local Authorities during the period from 2009 to 2014. One scheme named O Block *Kidwai Nagar* out of the above 18 development schemes, commenced during 1979, is still lying pending for completion and handing over to local authorities. Besides, eight schemes commenced during the period from 2004-05 to 2008-09 are still lying incomplete despite lapse of more than five years. Consequently, only 44 construction works, planned in the yearly budget of the Authority, could be taken up and balance nine works could not be taken up as of March 2014. Further, out of 44 works taken up only 12 works were completed during 2009-14. However, delays in completion of works/schemes could not be quantified due to non-fixation of schedule date of completion of development schemes.

- As per contract conditions for delay in completion of contract from schedule date of completion a penalty at the rate of one *per cent* of the total value of work was to be levied for every day of delay in completion of contract subject to maximum 10 *per cent* of the value of the work. In contracts, selected for audit, we noticed that there were delays in completion of 35 contracts but, Authority levied correct penalty in only four cases. In 19 contracts, there was a delay of nine months but no penalty was levied by the Authority, however, leviable penalty worked out to ₹ 26.78 lakh. In remaining 12 contracts, Authority levied penalty of ₹ 10.20 lakh only, against required penalty of ₹ 84.91 lakh without any reasons on records. Thus, Authority provided undue benefit of ₹ 1.02 crore to contractors by non/short levy of penalty for delay in execution of contract works.

Authority provided undue benefit of ₹ 1.02 crore to contractors by non/short levy of penalty for delay in execution of contract works.

#### **2.1.9.2 Execution of *Manyavar Shri Kanshi Ram Ji Shahri Garib Avas Yojna***

The GoUP introduced (June 2008) *Manyavar Shri Kanshiram Ji Sahari Garib Avas Yojna* (MSKJSGAY) to provide residential facilities free of cost to the urban poor population. The scheme was implemented in three phases. Authority was one of the executing agencies<sup>6</sup> to carry out the construction work under the scheme. Against the target of 5400 houses; 1500 houses in Phase I (June 2008), 1900 houses in Phase II (January 2010) and 2000 houses in Phase III (April 2011) involving estimated cost ₹ 126.80 crore, Authority completed (December 2009) construction work of 1500 houses under Phase-I with expenditure of ₹ 29.35 crore. Construction work of 3231 houses including development works of Phase-II and Phase-III was still in progress with expenditure of ₹ 96.89 crore (November 2014).

As per the GoUP order of January 2014, the scheme was closed and works under the scheme were required to be completed by 15 February 2014 and compliance report along with remaining unutilised amount was to be deposited to the GoUP by 16 February 2014. We noticed that Authority failed to get the remaining work completed by 16 February 2014 due to inadequate supervision

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<sup>6</sup> State Urban Development Authority/District Urban Development Authority and Uttar Pradesh Awas Evam Vikas Parishad were other executing agencies.

and monitoring of the works executed through contractors and deficiencies in selection of contractors. Consequently, Authority failed to submit the compliance report as per required schedule.

As per MSKJSGAY guideline (July 2008) works were to be completed within sanctioned cost of work and no further cost escalation was allowed. We noticed that in violation of the scheme guidelines the Authority incurred an extra expenditure of ₹ 9.27 crore under the MSKJSGAY (Phase-II) due to delay in completion and execution of works, which remained unrealised from the GoUP, even after closure of the scheme in January 2014.

The Authority accepted the facts and stated (September 2014) that amount will be adjusted in the scheme on receipt of fund from the GoUP. The reply is not acceptable as chances of receipt of fund from the GoUP under MSKJSGAY are remote as the scheme has already been closed by the GoUP *vide* order dated 27 January 2014.

*The Authority may restrict the expenditure within the monetary limits and complete the works within the time schedules prescribed under the schemes.*

### 2.1.9.3 Irregular Expenditure from Infrastructure fund

As per Office Memorandum of the GoUP number 152 (15 January 1998) 90 per cent of the income of the Authority pertaining to development charges, land use conversion charges, freehold charges, registration fees and 50 per cent of compounding charges was to be kept in a fund with a view to contribute towards infrastructure development of the city.

The Empowered Sub-Committee of the Committee on Infrastructure constituted by Planning Commission of India prescribed (January and April 2008) the broad definition of infrastructure which includes Electricity (including generation, transmission and distribution) and Repair and Maintenance of power stations, Non- Conventional Energy (including wind energy and solar energy), Water supply and sanitation (including solid waste management, drainage and sewerage) and street lighting, Telecommunications, Roads & bridges, Ports, Inland waterways, Airports, Railways (including rolling stock and mass transit system), Irrigation (including watershed development), Storage, Oil and gas pipeline networks.

We noticed that Authority incurred an expenditure of ₹ 9.01 crore which were not covered under above definition of infrastructure expenditure as defined by committee constituted by Planning Commission:

Items of Expenditure	Amount (₹ in crore)
Payment for handing over services of four colonies <sup>7</sup>	7.87
Renovation work in Commissioner's office	0.84
Purchase of bicycle for police	0.30
<b>Total</b>	<b>9.01</b>

In reply the Authority did not provide any justification for sanction of these works under infrastructure fund.

### 2.1.9.4 Non deposit of labour cess

Under Section 3 of the 'Building and Other Construction Workers' Welfare Cess Act, 1996' (applicable from February 2009 in the State), cess is to be levied and collected from the employer at the rate not less than one per cent of the cost of construction incurred by the employer. Further, as per the GoUP

<sup>7</sup> GautamVihar, Jarauli phase-2, Panki and Barra-6.

An expenditure of ₹ 9.01 crore was incurred out of infrastructure fund on works not covered under infrastructure works.

notification dated 15 September 2010, cess is to be levied at the rate of one *per cent* of the construction cost in respect of residential houses having cost more than ₹ 10 lakh. The Building and Other Construction Workers' Welfare Cess Rules, 1998 elaborated that the cess levied under section 3(1) of the said act was to be paid by an employer within thirty days of completion of the construction project or within thirty days of the date on which assessment of cess payable was finalised, whichever is earlier, to the cess collector.

We noticed that the Authority released payment of ₹ 27.25 crore in respect of 47 contracts executed during the period 2009-10 to 2010-11 without deduction of labour cess of ₹ 27.25 lakh from the contractors. Further, in 18 contracts, short deduction of ₹ 11.21 lakh was made. This had resulted in undue benefit to the contractors and loss to the State ex-chequer.

**Authority recovered cess of ₹ 9.17 crore on account of approval of maps. However, it did not deposit ₹ 5.19 crore with cess collector (Labour Department).**

Further, Authority ordered (January 2011) to recover the labour cess on approval of maps. We noticed that the Authority recovered ₹ 9.17 crore on approval of maps as labour cess during January 2011 to March 2014 but it deposited only ₹ 3.98 crore and balance amount of ₹ 5.19 crore was not deposited to cess collector (Labour Department) as required under section 3(1) of the Building and Other Construction Workers' Welfare Cess Rules, 1998.

The Authority stated (September 2014) that amount will be deposited on receiving the demand from Labour Department. Reply is not acceptable as amount once deducted had to be deposited with the concerned authority under the rules.

#### **2.1.10 Sale Section**

Sale section of the Authority is entrusted with the sale of developed properties under the different scheme of the Authority. Sale section performs works relating to registration, mutation and freehold of properties. The allotment/sale of properties is done either through draw of lots after registration of prospective buyers or through open auction. On selection of applicants through above process, it issues allotment letters to successful applicants and executes registered agreements of sale of property. Sale section was headed by the Secretary/Additional Secretary of the Authority and assisted by two Joint Secretary, three Deputy Secretary, three Accountants and five Head clerks.

##### **2.1.10.1 Irregular Sale of residential plot at agricultural rate**

As per allotment rules (clause 3.2 of chapter 17 of Finance and Account Manual 2002), an allotment of land was to be done through lottery of plots or through auction after giving wide publicity. In contravention to the above a part of residential land measuring 4615.22 sqm (Plot no. 1283, 1284 & 1285 in *Bairi Akbarpur Bangar*) was allotted (May 2010) to a builder<sup>8</sup> at circle rate of ₹ 1,200 per sqm applicable for agriculture land in place of residential land rates of ₹ 10,000 per sqm, which resulted in short recovery of ₹ 4.55 crore<sup>9</sup>.

The Authority accepted the observation and stated that land was sold to prevent encroachment. Fact remains that residential land was sold at the land rate of agricultural land.

*The Authority may ensure adherence of allotment rules as defined in 'Finance and Account manual of the Authority while allotment/sale of land.*

<sup>8</sup> Rohit Real Estate Private Limited.

<sup>9</sup> (₹ 51690464 minus ₹ 62,02,856).

### 2.1.11 Enforcement Section

Enforcement section of the Authority is responsible for taking action under the Act on un-authorized constructions and encroachments. Enforcement section was headed over by the Secretary/Additional Secretary of the Authority assisted by two Executive Engineers and four Assistant Engineers with 20 Junior Engineers.

As per the GoUP order of 23 June 1997, primary responsibility for preventing encroachment rests with concerned Assistant Engineer. Section 26-D of the Act provides that whoever specially entrusted with the duty to stop or prevent the encroachment or obstruction under the Act willfully or knowingly neglects or deliberately omits to stop or prevent such encroachment or obstruction shall be punishable with simple imprisonment for a term which may extend to one month or with fine which may extend to ten thousand rupees or both.

We noticed that Enforcement Section of the Authority failed to perform its duties and we found instances where Authority failed to check the unauthorised constructions as pointed out in succeeding paragraphs:

#### 2.1.11.1 Compounding of group housing maps

As per Clause 3.3.5 and 3.3.6 of Compounding Bylaws 2009, compounding is admissible for the unauthorised construction done to the extent of 10 *per cent* of permissible covered area and Floor Area Ratio (FAR) with restriction on further unauthorised construction.

We noticed that in violation of the above provision, Group housing maps were sanctioned (February 2007 to March 2010) by the Authority violating the prescribed limit of 10 *per cent* of covered area and Floor Area Ratio.

For one plot<sup>10</sup>, compounding was allowed (June 2008 to March 2010) to the extent of 715.27 sqm against the original sanction of 582.83 sqm which was 22.72 *per cent* of the permissible covered area and FAR was approved to the extent of 4,989.53 sqm against the original sanction of 2,309.08 sqm which was 116.08 *per cent* of permissible FAR. Similarly, for another plot<sup>11</sup>, FAR was approved (July 2008 to December 2009) to the extent of 5,436.55 sqm against the original sanction of 3,062.20 sqm which was 77.60 *per cent* of permissible FAR. In both the cases enforcement section failed to check the construction done beyond permissible limit.

The Authority stated (September 2014) that compounding was done within the limit of 10 *per cent*. Reply is not acceptable as compounding of unauthorised portion and FAR was allowed in excess of ten *per cent* of permissible covered area and FAR, in violation of clause 3.3.5 and 3.3.6 of Compounding Bylaws 2009.

#### 2.1.11.2 Operation of Multiplexes without completion certificate

As per section 27 of the Act, for any construction done in contravention of Master Plan, Zonal Development Plan or without permission, approval by the Authority, Authority have right to demolish, remove or felling such construction.

Section-15A of the Act provides that no person shall occupy or permit to be occupied any commercial building or use or permit to be used such building or

<sup>10</sup> Plot number 4/276P having gross area 2112.57 sqm situated at Parwati Bagla Road.

<sup>11</sup> Plot number 4/276 having gross area 2438.61sqm situated at Parwati Bagla Road.

**Four Multiplexes were running without obtaining completion certificates required under section 15A of the Act.**

part there of affected by any work until completion certificate is issued by the Authority.

We noticed that Authority approved the maps in respect of four multiplexes<sup>12</sup> in the city which were running without obtaining completion certificates despite lapse of 14 years from the date of sanctioning the map from the Authority as required under section 15A of the Act. But enforcement section of the Authority failed to take any action in this regard under section 27 of the Act.

The Authority accepted the audit observation and stated that completion certificate has not been issued yet. Further, in Exit Conference Chairman stated that a system of taking bank guarantee would be evolved for obtaining completion certificate before operation of commercial buildings. Fact remains that enforcement section failed to discharge its prime duties.

*Enforcement section needs to prepare schedule for regular inspection of sites to check and control the unauthorised constructions.*

#### **2.1.12 Conclusion**

- The Authority failed to avail the opportunity of parking the surplus funds at higher rate and has been deprived of the interest earnings amounting to ₹ 0.75 crore. The Authority maintained nine current bank accounts without any justification on records. Further, it failed to avail *auto-sweep* facility for current accounts which deprived the Authority from earning interest amounting to ₹ 3.61 crore between April 2009 and March 2014.
- Non-compliance of the order of the Hon'ble High Court requiring determination of the compensation for the possession of land in *Panki Ganga Ganj* area, resulted in avoidable payment of penal compensation amounting to ₹ 145.23 crore.
- Absence of new Master Plan over a long span of 15 years entailed the unplanned growth of the city, encroachments on the GoUP land and unauthorised constructions. Six maps were approved in contravention to Building Bylaws, which had resulted in short recovery of Floor Area Ratio charges to the extent of ₹ 7.75 crore. Besides, a group housing map was approved on the land marked as railway land in contravention to the Zoning Regulation of Master Plan-2021.
- The Authority recovered cess of ₹ 9.17 crore on account of approval of maps, however, it did not deposit ₹ 5.19 crore with cess collector (Labour Department) as of September 2014.
- Authority allotted land at circle rate applicable for agriculture land in place of residential land rates, resulted in short recovery of revenue amounting to ₹ 4.55 crore.
- Due to failure of the Authority to take action under Section 27 of the Uttar Pradesh Urban Planning and Development Act, 1973, four Multiplexes were running without obtaining completion certificates.

<sup>12</sup> *Rave-3* (May 2000), *Rave @ Moti* (October 2005), *Z Square Mall* (April 2006) and *South X Mall* (March 2011).



## Department of Micro, Small & Medium Enterprises and Export Promotion

### 2.2 Long paragraph on implementation of the various schemes through District Industries Centres

#### 2.2.1. Introduction

The new industrial policy statement of 1977 of the Government of India (GoI) emphasised upon effective promotion of cottage and small industries widely dispersed in rural area and small towns. For the fulfilment of this objective, the industrial policy also provided for establishment of District Industries Centres (DICs) in all the district to provide services and support required by small and cottage entrepreneurs. Suitable financial and organisational support was to be provided to these centres through State Government.

In pursuance to the GoI objectives, the Government of Uttar Pradesh (GoUP) established DICs in 69 districts during 1978-79, which presently covers the work of entire 75<sup>13</sup> districts of the State.

During the period covered under Audit (2010-11 to 2013-14), DICs implemented 29 schemes at a cost of ₹ 347.14 crore including four schemes sponsored by the GoI (₹ 264.23 crore) and 25 schemes financed by the GoUP (₹ 82.91 crore) as detailed in **Appendix 2.6** and summarised in the **Table 2.2.1** given below:

**Table 2.2.1: Total expenditure incurred on the GoI and the GoUP Schemes through 69 DICs during the audit period from 2010-11 to 2013-14**

(₹ in crore)						
Sl. No.	Particulars	2010-11	2011-12	2012-13	2013-14	Total
1	Four Schemes sponsored by the GoI	114.79	9.61	26.24	113.59	264.23
2	25 Schemes financed by the GoUP	16.03	17.13	20.91	28.84	82.91
	Total	130.82	26.74	47.15	142.43	347.14

(Source: Information provided by Directorate of Industries)

#### 2.2.2 Organisational Structure

Directorate of Industries (DI) is the functional wing of the Department of Micro, Small & Medium Enterprises (MSME) and Export Promotion (EP), GoUP. DICs are under the administrative control of DI. Each DIC is headed by General Manager (GM) and assisted by Managers, Assistant Managers and Supporting Staff (**Appendix 2.7**). DICs are responsible for implementation of various schemes meant for MSMEs in Uttar Pradesh.

#### 2.2.3 Audit Objectives

The objectives of Audit were to ascertain:

- effective utilisation of budget allotted for schemes and expenditure incurred there against;
- compliance of the GoI/ GoUP orders, scheme guidelines etc.;
- effective implementation and monitoring of the schemes to achieve intended objectives.

<sup>13</sup> Including six newly created Districts viz. Auraiya (Etawah), Sant Kabir Nagar (Basti), Shamli (Muzaffarnagar), Sambhal (Moradabad), Hapur (Ghaziabad) and Amethi (Sultanpur).

#### 2.2.4 Audit Criteria

Long paragraph on Implementation of various schemes through DICs was benchmarked against the criteria derived from the following sources:

- Industrial Policy Statement of the Government of India (GoI), 1977;
- The Micro, Small and Medium Enterprises Development Act, 2006;
- Orders of the GoUP, DI and scheme guidelines.

#### 2.2.5 Scope and Methodology of Audit

The Audit covered the period from 2010-11 to 2013-14. The audit was conducted during July 2013 to February 2014. During test check the implementation of two out of four schemes sponsored by the GoI and four out of 25 schemes financed by the GoUP were selected in 15 out of 69 DICs on expenditure basis.

Scheme wise details of the expenditure incurred on the selected schemes of the 15 test checked DICs during 2010-11 to 2013-14 are given in **Appendix 2.8** and summarised in **Table 2.2.2** given below:

**Table 2.2.2: Total expenditure incurred on selected Schemes of 15 test checked DICs during period from 2010-11 to 2013-14**

(₹ in crore)						
Sl. No.	Particulars	2010-11	2011-12	2012-13	2013-14	Total
1	Two Schemes sponsored by the GoI	44.83	1.65	0.00	29.50	75.98
2	Four Schemes financed by the GoUP	0.88	0.96	1.08	1.26	4.18
	Total	45.71	2.61	1.08	30.76	80.16

(Source: Information provided by Directorate of Industries).

We explained the audit objectives, criteria and methodology to the Department of MSME & EP during an Entry Conference held with Principal Secretary on 31 January 2014. An Exit Conference was held on 28 August 2014 during which audit findings were discussed with the Commissioner and Director of Industries, Uttar Pradesh. The replies of the GoUP have been considered and appropriately incorporated in the report.

#### Audit Findings

Audit findings are grouped under the two categories namely Schemes sponsored by the GoI and Schemes financed by the GoUP and are discussed below:

##### **Schemes sponsored by Government of India**

During the years 2010-11 to 2013-14, an expenditure of ₹ 264.23 crore was incurred on implementation of four schemes sponsored by the GoI. Scheme wise expenditure is given in (**Appendix 2.6**). During the audit, we test checked two out of four schemes sponsored by the GoI viz. Prime Minister Employment Generation Programme and Micro & Small Enterprises - Cluster Development Programme.

Scheme wise findings are as detailed below:

##### **2.2.6 Prime Minister Employment Generation Programme**

The Government of India introduced a new credit linked subsidy programme called 'Prime Minister Employment Generation Programme (PMEGP)' during 2008-09. Objectives of the scheme were to generate employment opportunities

in rural as well as urban areas of the country through setting up of new self-employment ventures/projects/micro enterprises like Printing Press, Steel Fabrication unit etc. The scheme was to be administered by the Ministry of Micro, Small and Medium Enterprises, GoI. *Khadi and Village Industries Commission (KVIC)*, Mumbai was nodal agency of the scheme at the national level and DICs were the implementing agencies at State level.

The maximum cost of the project admissible for subsidy was ₹ 25 lakh and ₹ 10 lakh for Manufacturing sector (Brick Industry, Carpet industry etc.) and Service sector (Photography, Mobile repairing etc.) respectively. The amount of subsidy ranged from 15-35 *per cent* of the project cost depending upon area (urban/rural) and category of beneficiaries (General/Special including SC, ST, Other Backward Class, women etc.).

During the period covered in audit the scheme was operated through the DICs in 2010-11 and 2013-14 only and remained inoperative during the year 2011-12 and 2012-13 to cover up the backlog of subsidy. Under the scheme 69 DICs disbursed loan to 6656 beneficiaries against the target of 6591 beneficiaries. Against the loan disbursed amounting to ₹ 338.70 crore in 2008-09 and 2009-10, after lock in period of three years, subsidy of ₹ 163.19 crore was to be disbursed to 6761 beneficiaries but subsidy of ₹ 135.94 crore was disbursed to 5629 beneficiaries only as of March 2014.

#### 2.2.6.1 Generation of employment

Main objective of the scheme was to generate employment opportunities through establishment of micro enterprises. For measuring the attainment of main objective year wise targets for the two years in which scheme was operated, were fixed. Status of target and achievement for employment generation is detailed in table 2.2.3 below:

**Table: 2.2.3: Status of target and achievement of employment generation under PMEGP**

Year	Targeted employment (Numbers)	Achievement (Numbers)	Achievement (in percentage)
2010-11	33280	18694	56.17
2013-14	26104	18118	69.40

(Source: Information provided by Directorate of Industries).

It would be seen from the table that during both the years targeted employment could not be generated.

#### *Audit Findings*

During the test check of 15 DICs covered for audit following irregularities were noticed as discussed below:

#### 2.2.6.2 Non-maintenance of records of actual availment of capital expenditure

Clause 8.3 of the Scheme guidelines provided that, banks were to claim subsidy on the basis of projection of capital expenditure in the project report and sanction thereof. Subsidy on the actual availment of capital expenditure only, was to be retained by bank and excess, if any, was to be refunded to KVIC, immediately after the project was ready for commencement of production/business. As implementing agency, the DICs were to monitor the scheme. Besides, KVIC instructed, the DICs to maintain data after obtaining information relating to capital expenditure incurred by the beneficiaries and

Due to non-maintenance of the records, authenticity of release of subsidy amounting to ₹ 54.54 crore to 1996 beneficiaries could not be vouchsafed.

extent of utilisation of the subsidy from banks, to ensure proportionate retention/refund of subsidy by banks.

In test checked 15 DICs, no records in support of actual availment of capital expenditure by the beneficiaries were maintained to ascertain proportionate retention/refund of subsidy by banks. As a result, authenticity of release of subsidy amounting to ₹ 54.54 crore to 1996 beneficiaries could not be vouchsafed.

In reply, the Government stated (October 2014) that the DI have issued instructions to the GM, DICs for compliance of the provisions.

#### **2.2.6.3 Failure to ensure refund of subsidy**

As per scheme guidelines the amount of subsidy was to be credited in beneficiaries' account, after three years from the date of first disbursement of loan, otherwise, the amount of subsidy was to be refunded back to KVVC. Further, Joint Director of Industries instructed (August 2011) the GM, DICs to conduct cent *per cent* physical verification of units established under the scheme and to ensure refund of subsidy of closed/ defunct units to KVVC.

The DICs did not ensure refund of subsidy by the banks released for units not established by the entrepreneurs.

We noticed that in four<sup>14</sup> out of 15 test checked DICs, 62 units, which were financed in 2008-09 and 2009-10, were lying either closed or under construction as on 31 March 2014. But the DICs did not ensure the refund of the subsidy by banks amounting to ₹ 92.31 lakh to KVVC in respect of these 62 units not established by the entrepreneurs.

In reply, the Government stated (October 2014) that, the directions to the GM, DICs have been issued for pursuing banks for refund of subsidy in above cases.

#### **2.2.7 Micro & Small Enterprises - Cluster Development Programme**

The Government of India introduced Micro & Small Enterprises Cluster development programme (MSE-CDP) in the year 2006. Main objective of the scheme was to enhance the productivity and competitiveness as well as capacity building of micro and small enterprises through financial support. Under the scheme, cluster is defined as a group of industries located very close to each other, producing similar products/services like Carpet Cluster Bhadohi, Pottery Cluster Khurja etc. For carrying out any cluster project a separate entity was to be formed namely Special Purpose Vehicle (SPV), it may be a Co-operative Society, Registered Society, Trust or a Company.

In Uttar Pradesh, the DIC was the implementing agency to ensure satisfactory and time bound implementation of the activities. As per modified guidelines (2010) of the Scheme, financial assistance was to be provided to cluster units for:

- technical assistance, capacity building, market development etc. being called soft intervention activities. For such activities the GoI grant was limited to 75 *per cent* of maximum project cost of ₹ 25 lakh;
- construction of Common Facility Centers like Design Centres, Training Centre etc., being called hard interventions. For which the GoI grant was limited to 70 *per cent* of maximum project cost of ₹ 15 crore;

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<sup>14</sup> Sant R. Nagar (Bhadohi), Azamgarh, Moradabad, Gorakhpur.

- development of infrastructure such as development of land, provision of water supply, drainage etc. for which the GoI grant was limited to 60 per cent of maximum project cost of ₹ 10 crore.

#### 2.2.7.1 Approval of cluster proposal

In all the 69 DICs, total 37 projects, costing ₹ 95.42 crore were approved by the GoI since inception (2006) (Appendix 2.9). Out of the above, in 25 projects costing ₹ 14.17 crore, an amount of ₹ 11.62 crore was received till 2013-14. Two projects costing ₹ 11.28 crore were cancelled and remaining 10 projects costing ₹ 69.97 crore are under progress as of March 2014.

A test check of records of 15 DICs revealed that the GoI approved 19 projects (12 soft interventions and seven hard interventions) costing ₹ 50.38 crore during 2008-09 to 2013-14 against the 63 identified proposals costing ₹ 207.81 crore (32 soft interventions costing ₹ 4.62 crore and 31 hard interventions costing ₹ 203.19 crore). Main reasons for non-approval of remaining 44 proposals (20 soft interventions and 24 hard interventions) costing ₹ 157.44 crore were non-submission of online applications, non-adherence of guidelines, failure in obtaining the validation of action plan by the SPV members etc. (Appendix 2.10). We noticed that the GoUP did not ensure follow up of scheme guidelines for submission of proposals to the GoI, which adversely affected the objective of industrialisation in the State.

In reply, the GoUP stated (October 2014) that the DICs are being instructed to sensitise the SPVs for online filing of proposals and adhering the guidelines of the schemes and further stated that action is being taken for sending revised proposals after removing the shortcomings.

#### Audit findings

Audit findings noticed in 15 test checked DICs are discussed in succeeding paragraphs:

#### 2.2.7.2 Non completion of cluster development activities

As per clause 7 of the scheme guidelines, soft intervention activity was to be completed within 18 months. We noticed that out of 12 approved soft intervention projects, implementation of the soft intervention in one project of Steel Furniture Cluster, Lucknow sanctioned in 2009-10 at a cost of ₹ 7.80 lakh, has not been completed so far (March 2014), even after a lapse of more than four years.

The Government accepted (October 2014) and stated that the remaining work will be carried out and the funds will be utilised in future. The fact remains that due to non-completion of soft intervention activity within stipulated time, the scheme objective of providing support for sustainability and growth of Steel Furniture cluster units of the State could not be achieved.

#### 2.2.7.3 Cancellation of cluster development project

Common Facility Centre (CFC) for Leather Cluster, Gorakhpur was approved by the GoI in 2009-10 for project cost of ₹ 2.53 crore. The share of the GoI, GoUP and SPV was ₹ 1.52 crore, ₹ 76.03 lakh and ₹ 25.34 lakh respectively. The GoUP released its share of ₹ 76.03 lakh (October 2010). As per guidelines issued by Uttar Pradesh Pollution Control Board (UPPCB), tannery industries were to be established at a minimum distance of 1.5 kms away from the population area.

The Government did not ensure follow up of scheme guidelines for submission of proposals to GoI resulting in non approval of identified cluster proposals costing ₹ 157.44 crore in 15 test checked DICs which adversely affected the objective of industrialisation in the State.

Implementation of the soft intervention in one project of Steel Furniture Cluster, Lucknow sanctioned in 2009-10, could not be completed so far (March 2014) even after a lapse of more than four years.

Project of Leather Cluster, Gorakhpur was cancelled due to non-adherence of guidelines of UP Pollution Control Board.

We noticed that the DIC Gorakhpur failed to observe above requirement and proposed Leather Cluster CFC within 1.2 km from the population area. Consequently, during site inspection of proposed CFC, the UPPCB found that the actual distance of the site was less than prescribed minimum distance of 1.5 km from population area. It was, South West: 0.12 km, East: 0.50 km, North: 1.2 km, East South: 0.50 km and West North: 1.2 Km in actual. UPPCB denied 'No Objection Certificate' (NOC) in September 2011 and as a result the GoI did not release its share for the CFC and the GoUP share was also refunded in January 2013. Ultimately, Leather Cluster CFC could not be developed and scheme objective was adversely affected.

In reply, the GoUP (October 2014) accepted that due to non-receipt of NOC from the UPPCB, the proposal of Leather Cluster CFC has been dropped.

Fact remains that the NOC was not provided for the project on account of non-adherence of requirement of minimum distance of 1.5 km from population area. During site visit, the UPPCB also found that the actual distance of the site was less than the prescribed minimum distance of 1.5 km from population area. Due to non-adherence of the UPPCB guidelines Scheme objective remained unachieved.

#### **2.2.7.4 Violation of scheme guidelines**

Common Facility Centre (CFC) for Scissor Cluster, Meerut was approved by the GoI in February 2010 with project cost of ₹ 5.11 crore. The share of the GoI, GoUP and SPV was ₹ 1.98 crore, ₹ 1.49 crore and ₹ 1.64 crore respectively. As per the scheme guidelines, the CFC was required to commence the operation within two years from the date of approval by the GoI, which expired in February 2012. The date was further extended upto June 2014 by the GoI. The GoUP and SPV released its share but due to non-submission of action plan for completion of work and approved valuers' report for valuation of cost of building constructed by the SPV, the GoI did not release its share till (September 2014). The construction of the CFC building was completed (March 2014) and machinery was yet to be installed.

In reply, the GoUP stated (October 2014) that action is being taken for removal of shortcomings by the SPV.

*The Government may take steps for effective monitoring of the compliance of the GoI requirements to ensure satisfactory and time bound implementation of the projects.*

#### **Schemes financed by Government of Uttar Pradesh**

During the years 2010-11 to 2013-14, 69 DICs incurred an expenditure of ₹ 82.91 crore out of ₹ 92.01 crore allotted for implementation of 25 schemes financed by the State. Expenditure under the scheme was 90.11 *per cent* of the budget allocation of the scheme. Scheme wise details of expenditure incurred are given in (**Appendix 2.6**).

During the audit, we test checked four out of 25 schemes financed by the GoUP *viz.*:

- Up-gradation of infrastructure facilities in the Industrial Estates;
- Collective training Scheme for self employment of persons of Scheduled Caste;
- Collective training Scheme for self employment of persons of Scheduled Tribe and;

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**The Government failed to receive GoI share of ₹ 1.98 crore for setting up of Common Facility Centre for Scissor cluster, Meerut due to non-submission of action plan and approved valuers' report for cost of the building.**

- Handicrafts Marketing Promotion Scheme.

Scheme wise audit findings are discussed below:

### 2.2.8 Up-gradation of infrastructure facilities in the Industrial Estates

An Industrial Estates (IEs) Scheme was introduced by the GoUP in second five year plan (1956-61) to provide developed land/shed and infrastructure viz. roads, electricity, water, drains etc. to the small scale industries with a view to encourage establishment, expansion and modernisation of small scale industries. Under the Scheme, industrial land having area more than five acres, developed at district level was termed as large IEs and industrial land having average area of two acres developed at *Tehsil* level, was termed as mini IEs.

The status of establishment of IEs in 69 DICs since inception till April 2014 is detailed in table 2.2.4.

**Table 2.2.4: Status of allotment of plots/sheds in Industrial Estates**

Sl. No.	Particulars	Period of Establishment	No. of Established IEs	No. of Available plots/sheds	No. of Plots/sheds allotted	No. of Plots/sheds lying vacant	Percentage of vacant plots/sheds
1	Large IEs	1960-1970	80	4786	4703	83	1.73
2	Mini IEs	1985-1992	170	7961	6086	1875	23.55
Total			250	12747	10789	1958	15.36

(Source: Records of DI)

In 2007-08 for providing infrastructure facilities such as road, drainage, drinking water facilities etc. in the existing IEs, the GoUP commenced a scheme named “Up-gradation of Infrastructure Facilities in the Industrial Estates”

The GoUP has so far released ₹ 9.40 crore for up-gradation of infrastructure facilities in 46 IEs of 45 DICs during 2007-08 to 2013-14.

In 15 DICs test checked, an amount of ₹ 39.83 lakh only was released to the DIC Azamgarh and Amroha against which an amount of ₹ 20 lakh (2010-11) and ₹ 19.83 lakh (2012-13) was utilised by these two DICs for construction and maintenance of road and drainage respectively.

#### **Audit findings**

Test check of 15 DICs revealed the following:

##### **2.2.8.1 Absence of infrastructure facilities**

In 15 DICs test checked, we noticed that out of 3732 available plots, 614 plots of 11 DICs were lying un-allotted (April 2014). The total area of the vacant plots in 11 DICs was 45.67 acres costing ₹ 5.43 crore (**Appendix 2.11**). One of the main reasons for non-allotment of plots was absence of adequate infrastructure facilities viz.; road, drainage, drinking water etc. Thus, due to failure of the DICs to ensure adequate infrastructure facilities, existing plots remained un-allotted which defeated the purpose of the scheme to augment small scale industries.

In reply, the GoUP accepted (October 2014) the fact of inadequate infrastructure facilities and consequent lack of interest of the local entrepreneurs in allotment of plots. The GoUP further stated that instructions have been issued to all the GMs, DICs for allotment of vacant plots.

**The DICs failed to ensure adequate infrastructure facilities in existing Industrial Estates due to which 614 plots of 11 out of 15 DICs test checked remained un-allotted.**

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Thirty nine plots allotted during 1983 to 2010, were not cancelled despite failure of allottees to establish the industries within three years of allotment of plots.

Fact remains that the DICs failed to provide required infrastructure facilities in established IEs even after lapse of 22 years.

#### **2.2.8.2 Non-cancellation of plots for un-established units**

As per revised directives on the Industrial Estates Scheme (April 1992), if beneficiary failed to establish the industrial unit within three years of allotment or within two years of taking possession of plot whichever is earlier, allotted plots may be cancelled. In 15 test checked DICs, we noticed that 13 DICs did not maintain the records showing updated status of the working of the units to whom plots were allotted. In remaining two DICs<sup>15</sup> the allotments of 39 plots allotted during 1983 to 2010, costing ₹ 4.62 crore (**Appendix 2.12**), were not cancelled despite failure of allottees to establish the industries within three years of allotment of plots.

In reply, DI stated (December 2014) that reasons for non-cancellation of plots has been called from respective DICs.

#### **2.2.8.3 Non- development of plots in existing Industrial Estate**

Director of Industries directed (1991) to stop developing new mini IEs, but there was no restriction on development of plots in existing IEs. There was no target of number of plots/sheds to be developed in each existing IEs. We noticed that as per the records of the DI, land of mini IE, *Awala* of DIC Bareilly was lying undeveloped since establishment (1992). Reasons for non-development of plots of the mini IE was not found on records though called for (December 2013).

No reply was furnished by the Government in this regard.

*The Government should ensure development of plots/infrastructure facilities in existing IEs for optimum utilisation of assets created.*

#### **2.2.9 Collective Training Scheme for self employment of persons of Scheduled Caste/Scheduled Tribe under Special Component Plan**

The GoUP initiated a scheme for providing industrial training to the persons of Scheduled Caste/Scheduled Tribe for generating cent *per cent* self employment. This scheme was run under the Special Component Plan (SCP) and was to be financed by the Social Welfare Department of the GoUP. Objectives of the scheme were to provide industrial training to the persons of schedule caste and schedule tribe and to monitor cent *per cent* self employment for trained candidates. The DICs were made the nodal agency for implementation of the Scheme. Training was to be imparted by the Government/Semi-Government institutions like Industrial Training Institutes, Polytechnics etc., selected by the DICs in selected trades like carpentry plumbing etc. (**Appendix 2.13**).

In 69 DICs, during the period from 2010-11 to 2013-14 an expenditure of ₹ 15.20 crore was incurred on training for self employment of persons of Scheduled Caste/Scheduled Tribe under Special Component Plan against the budget allotment of ₹ 15.21 crore. The cost of the training per session was ₹ 2.64 lakh (approximate) including ₹ 15,500 for office maintenance of the DIC and ₹ 1.80 lakh as stipend to the trainees.

#### ***Audit findings***

Findings noticed during the audit are discussed below:

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<sup>15</sup> DIC Bareilly and DIC Kanpur Nagar.



**2.2.9.1 Non-Generation of cent per cent self employment**

Main objective of the scheme was concentrated on generation of cent per cent self employment for trained candidates. During 2010-14, 69 DICs trained 20807 candidates after incurring expenditure of ₹ 15.20 crore against the target of 20819 candidates but only 7013 candidates (34 per cent) got self employment.

DICs did not prepare the register to watch the follow up of the status of self employment of the trained candidates.

We analysed the reasons for lower percentage of generation of self employment and noticed that as per the Scheme guidelines, every DIC was required to maintain a register consisting details of the trainees viz. name, address, trade etc. and status of self employment to ensure the follow-up of self employment of the candidates who have undergone the training programme. We noticed that register to watch the follow-up of the status of self employment of the trained candidates to ascertain the achievement of scheme objectives, was not prepared by all the 15 DICs test checked. In absence of follow up register, the DICs were unable to know the trades which are generating self employment and trades which are not generating employments. This information was vital for deciding trades for training in future. Consequently, during last four years, trainings imparted by the DICs could fetch only 34 per cent self employments for trained candidates.

In reply, the Government stated (October 2014) that, all the GM, DICs have been instructed to prepare the follow-up registers for monitoring of self employment generation.

**2.2.9.2 Non-adherence of norms of women participation**

As per the scheme guidelines, at least 33 per cent participation of the woman candidates was to be ensured while selecting the candidates for each year. It was observed that six<sup>16</sup> DICs out of 15 DICs, failed to ensure 33 per cent participation of women candidates in each year of training. The actual women trainees in these six DICs ranged from five to 32 per cent.

In contravention of the scheme guidelines, DICs failed to ensure 33 per cent participation of women candidates in six out of 15 test checked DICs.

In reply, Government accepted (October 2014) the audit observation and stated that directions for ensuring 33 per cent participation of women candidates have been issued to all the GM, DICs by the directorate.

*The Government should ensure that trained candidates are engaged in self employment to achieve the scheme objective.*

**2.2.10 Handicrafts Marketing Promotion Scheme**

The Government of Uttar Pradesh launched, “The Uttar Pradesh Handicrafts Marketing Promotion Scheme 2012” in January 2013, to provide financial aid to the artisans of the State for participation in the fair/exhibition. The objectives of the scheme were to enable the artisans to get a reasonable price for their products through direct participation in fairs and exhibitions and to give national and international recognition to their craftsmanship.

**Audit finding**

Audit finding on the implementation of the scheme are discussed below:

**2.2.10.1 Under Utilisation of Fund**

The details of the fund received from the GoUP and utilisation thereagainst by all the 69 DICs are given in **Appendix 2.14** and summarised in **Table 2.2.5** below:

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<sup>16</sup> DIC- Meerut, Moradabad, Bareilly, Amroha, Agra and Bhadohi.

**Table 2.2.5: Fund received and utilised by the DICs**

(₹ in lakh)			
Year	Fund released	Fund utilised	Percentage utilisation
2012-13	122.65	23.88	19.47
2013-14	150.00	89.61	59.74
<b>Total</b>	<b>272.65</b>	<b>113.49</b>	<b>41.62</b>

(Source: information provided by the DI)

It is evident from the above that out of ₹ 2.73 crore released under the scheme, an amount of ₹ 1.14 crore only, was utilised by all 69 DICs leaving ₹ 1.59 crore unutilised as of March 2014. Utilisation of the fund was only 41.62 per cent of the fund released. Further, there was no expenditure during 2012-13 and 2013-14 in 14 out of 69 DICs.

In test checked 15 DICs, against ₹ 70.79 lakh released during 2012-14, the utilisation of the fund was only ₹ 43.61 lakh (62 per cent) as of March 2014.

Further, as per the scheme guidelines, the DICs were required to widely disseminate the information of this scheme among the artisans of their districts. The DICs were to issue participation letters to the artisans for participating in the fair/exhibitions notified by the DI.

However, the DICs failed to widely publicise the scheme and did not send the participation letters to the artisans. As a result artisans could not be attracted for the scheme and funds remained under-utilised.

In reply, the GoUP accepted (October 2014) the low utilisation of fund and non-attraction of artisans and stated that departmental action has been taken against the concerned officials. Fact remains that the scheme objective of providing financial assistance to artisans for enabling recognition of craftsmanship could not be achieved and deprived the artisans to get a reasonable price for their products by participating in fair/exhibition.

#### 2.2.11 Conclusion

- Under Prime Minister Employment Generation Programme, due to non-maintenance of the records, authenticity of release of subsidy amounting to ₹ 54.54 crore to 1996 beneficiaries could not be vouchsafed. Further, the DICs also did not ensure the refund of subsidy by banks, released for units not established by the entrepreneurs.
- Under Micro & Small Enterprises-Cluster Development Programme, implementation of the soft intervention in Steel Furniture Cluster, Lucknow sanctioned in 2009-10, could not be completed (March 2014), even after a lapse of more than four years. Consequently, scheme objective of providing support for sustainability and growth of Steel Furniture cluster units of the State could not be achieved. Further, Project of Leather Cluster, Gorakhpur was cancelled due to non-adherence of guidelines of the Uttar Pradesh Pollution Control Board.
- Under Up-gradation of Infrastructure Facilities in the Industrial Estates Scheme, the DICs failed to ensure adequate infrastructure facilities in existing Industrial Estates due to which 614 plots of 11 out of 15 DICs test checked remained un-allotted. Further, thirty nine plots allotted during 1983 to 2010, were not cancelled despite failure of allottees to establish the industries within three years of allotment of plots.

- In contravention of the guidelines of Collective Training Scheme for self employment of persons of Scheduled Caste/Scheduled Tribe Scheme, the DICs failed to ensure 33 *per cent* participation of women candidates in 6 out of 15 test checked DICs.
- Under Handicrafts Marketing Promotion Scheme, DICs failed to widely publicise the scheme which has resulted in under-utilisation of funds amounting to ₹ 1.59 crore.