

CHAPTER–VI

Internal Control

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Introduction

6.1 Internal controls, in simple terms, are activities and safeguards that are put in place by the management of an organisation to ensure that its activities are proceeding as planned. An effective internal control system is a prerequisite for any successful organisation.

Internal control is an integral process that is effected by an entity's management and personnel and is designed to provide reasonable assurance that the following general objectives are being achieved:

- Fulfilling accountability obligations;
- Complying with applicable laws and regulations;
- Executing orderly, ethical, economical, efficient and effective operations; and
- Safeguarding resources against loss.

Audit Findings

6.2 Audit analysed the system of internal controls in NOIDA with reference to the functions of NOIDA laid down in Section 6 of the Uttar Pradesh Industrial Area Development (UPIAD) Act, 1976 and the powers of the State Government, Infrastructure and Industrial Development Department (IIDD) laid down in the UPIAD Act, 1976, as well as other applicable laws. The system of internal control consists of the different components (*viz.* control environment, risk assessment, control activities, information and communication and monitoring) which operates at various levels of an organisation. The audit findings in respect of internal control have also been classified accordingly:

- Governance and policy framework at apex level of Government and Board (as discussed in Paragraphs 6.3 to 6.3.5);
- Compliance of provisions and enforcement at Board level (as discussed in Paragraphs 6.4 to 6.4.7);
- Administration of activities by NOIDA (as discussed in Paragraphs 6.5 to 6.5.6);
- Monitoring system, sharing of information and communication system (as discussed in Paragraphs 6.6 to 6.6.4).

Governance and Policy framework at apex level of Government and Board

6.3 The overarching framework of the Industrial Development Authorities is regulated by UPIAD Act, 1976. Section 18 of this Act provides that the State Government may by notification make rules for carrying out the purposes of this Act. Further, the Board of NOIDA is also required to make policies which are consistent with the framework of the applicable Acts, notably the UPIAD Act, 1976 and the NCRPB Act, 1985.

In this respect, the following lapses at the level of the State Government and the Board of NOIDA were noticed:

Annual Report not being prepared and placed in the legislature by NOIDA

In contravention of the provisions of UPIAD Act, 1976, NOIDA did not prepare and submit Annual Reports to the State Government since more than 20 years.

6.3.1 Section 23 of the UPIAD Act, 1976 provides that NOIDA shall prepare every year a report of its activities during that year and submit the report to the State Government in such form and on or before such date as the State Government may specify and such report shall be laid before both houses of the Legislature.

Audit noticed that the Government has not prescribed so far (March 2020) the form and dates for submission of such reports by NOIDA. NOIDA did not prepare and submit Annual Reports to the Government during the period covered by audit for laying before the State Legislature as statutorily mandated. This indicated that the Government as well as NOIDA failed to comply with the roles assigned in the UPIAD Act, 1976, and consequently inhibited legislative oversight over the activities of NOIDA.

In its reply, NOIDA stated (August 2020) that annual reports have been sent to Government upto the year 1997-98 and rest of the reports will be sent to the Government soon.

Thus, NOIDA has itself accepted the fact that no report has been sent for more than 20 years which clearly reflects that the provisions of the Act were not being complied with. Moreover, the fact remains that the Government has not yet prescribed the form of the said report.

In the Exit Conference, the Government has accepted the audit recommendation to initiate action for ensuring compliance of provisions of the UPIAD Act, 1976 notably relating to preparation of Annual Reports by NOIDA and their laying before the State Legislature.

Form of accounts not approved by the State Government

As required under the provisions of the UPIAD Act, the administrative department (IIDD) of the Industrial Development Authorities (IDAs) failed to prescribe any form of Annual Statement of Accounts resulting in non-standardisation of preparation of accounts among IDAs.

6.3.2 Section 22(1) of UPIAD Act, 1976 provides that NOIDA shall maintain proper accounts and other relevant records and prepare an Annual Statement of Accounts including the Balance Sheet in such form as the State Government may specify.

Audit noticed that the IIDD, Government of Uttar Pradesh (GoUP), which is the administrative head of the Authorities, has not prescribed the form of Annual Statement of Accounts for the Industrial Development Authorities (IDAs) till date (October 2020). In absence of the form prescribed by the GoUP, the preparation of Annual Statements of Accounts by the IDAs was not standardised and there was lack of uniformity in preparation of accounts among these IDAs. While the Annual Statement of Accounts of NOIDA were initially prepared on cash basis of accounting till the year 2017-18 (which have now been revised on accrual basis from the year 2005-06), the accounts of GNIDA were prepared on a hybrid basis (cash basis for a few heads and accrual basis for other heads). This indicated that the GoUP failed to perform its role prescribed in the UPIAD Act, 1976.

In its reply, NOIDA accepted (August 2020) the facts mentioned in the audit observation and stated that accounting policy along with format of accounts have been approved by the Board (March 2019) at the instance of Audit and sent to Government (August 2019) for approval.

The fact remains that no format for the Annual Statement of Accounts has been prescribed by the Government as required under the provisions of the UPIAD Act, 1976 till date (October 2020). This shows non-compliance of the Act by Government as well as NOIDA.

Expenditure/loan beyond mandate of the UPIAD Act, 1976

NOIDA incurred an expenditure of ₹ 5,735.57 crore and provided loan of ₹ 5,587.24 crore against the mandate of UPIAD Act, 1976.

6.3.3 Section 6 (1) of the UPIAD Act, 1976 lays down that the objects of NOIDA shall be to secure the planned development of the industrial area. Further, Section 20(2) regarding 'Fund of the Authority' provides that the fund shall be applied towards meeting the expenses incurred by the Authority in the administration of this Act and for no other purposes. Thus, the provisions of the UPIAD Act, 1976 provide for making expenses only for the defined functions by NOIDA.

Audit observed that NOIDA incurred/committed expenditure of ₹ 5,735.57 crore during the period 2005-06 to November 2019 towards meeting expenditure relating to State Government Departments and entities like Gautam Buddha University, Delhi Metro Rail Corporation, Noida Metro Rail Corporation etc. which was beyond the functions of NOIDA as specified under the UPIAD Act, 1976.

Similarly, Audit further noticed that NOIDA provided loans to other IDAs (GNIDA and Yamuna Expressway Industrial Development Authority) and Institutions during the period 2005-06 to 2017-18 which was also beyond the functions defined under UPIAD Act, 1976. The total outstanding balance of these loans stand at ₹ 5,587.24 crore as on 31 March 2018.

Thus, NOIDA incurred/committed an expenditure of ₹ 5,735.57 crore and provided loan of ₹ 5,587.24 crore beyond the mandate of UPIAD Act, 1976.

In its reply, NOIDA stated (August 2020) that for the development of the notified area of NOIDA and NCR and to facilitate the people of the entire region, these expenditures were incurred and grants/loans were provided with the approval of Government/Board of NOIDA.

The reply of NOIDA that expenditure was sanctioned by Board and Government is not acceptable as these expenses pertained to Department/entities and were not in the purview of the Board's authority.

Further, in the Exit Conference (9 October 2020), the Government stated that the views of Finance Department would be sought in the matter.

Non-compliance with the NCRPB Act, 1985

6.3.4 Government of India enacted (February 1985) National Capital Region Planning Board (NCRPB) Act, 1985 which provided constitution of a Planning Board for the preparation, co-ordination and monitoring the implementation of a plan for the development of National Capital Region (NCR). The development area of NOIDA and GNIDA falls within the ambit of NCR. Therefore, these Authorities and the GoUP, as the participating State, are to comply with the provisions of the NCRPB Act, 1985.

NCRPB Act, 1985 required the participating States to prepare Sub-Regional Plan (SRP) within the framework of the Regional Plan (RP) for NCR prepared by NCRPB and Master Plans (MPs) of Authorities are to be consistent with the SRP of the State.

Audit noticed that GoUP approved SRP 2021 in December 2013 while it approved the MP 2021 of NOIDA in August 2006. Further, GoUP gave NOC to the MP 2031 for NOIDA in September 2011 even though SRP 2031 has not been prepared so far (November 2019). This has resulted in a peculiar situation of a lower level Plan (MP 2031) being approved without approval of higher level plans (viz. SRP and RP for 2031).

This led to deviation from the intended objective of planned development of NCR. Thus, the Board of the Authorities as well as the GoUP failed to observe the overarching framework of the NCRPB Act, 1985 (as discussed in **Paragraphs 2.6.1 and 2.6.2 of Chapter II**).

In its reply, NOIDA stated (August 2020) that MPs for 2021 and 2031 were prepared in the interest of planned development of NOIDA. This decision was taken by the Board after considering the prevailing circumstances. The MPs, so prepared have been incorporated in the SRP.

The reply confirms that NOIDA prepared its MPs and the same were incorporated in the SRP 2021, which was prepared later. This has effectively overturned the hierarchy of planning structure wherein MPs were to be based on SRP and not vice-versa.

Invoking urgency clause rampantly for acquisition of land

6.3.5 NOIDA, in 14¹ out of 15 sampled cases of land acquisition during the period covered in audit, forwarded its proposals to the Additional District Magistrate (Land Acquisition) routinely with a standardised justification note in each and every case for acquisition of land invoking urgency clause under Section 17 of Land Acquisition Act, 1894 (LAA). No specific justification as to why the hearing of the landowners should be dispensed with under Section-5A of LAA was found on record. Protracted delays in actual acquisition thereafter, (as discussed in **Paragraph 3.5.2 of Chapter III** in detail) did not confirm that these acquisitions were such a top priority. The GoUP also accepted these proposals *in toto* and permitted all such acquisitions to take place by invoking the urgency clause.

Thus, it is evident that NOIDA adopted practices which were in divergence of the applicable laws and at the same time, the IIDD failed to discharge its responsibilities for regulating NOIDA in accordance with the provisions of the UPIAD Act, 1976 for issuing notification under Section 6 and necessities for imposing urgency clause under Section 17.

In its reply, NOIDA stated (August 2020) that Section 17 was involved for integrated development of NOIDA. The delays were attributable to litigations by the farmer/owner. NOIDA has not deliberately delayed acquisition and delays were procedural.

The reply is not acceptable as no specific justification was given for invocation of urgency clause for individual cases of acquisition due to which land owners' right to hearing were dispensed with despite protracted delay in each case. In this context, it is pertinent to point out that Hon'ble Supreme Court, in its judgement² has also held that invocation of Sections 17(1) and

¹ In one case of Sorkha Jahidabad village justification was not found in file
² Savitri Devi Vs. State of U.P and others, civil appeal no. 4506 of 2015.

17(4) was wrong. In this respect GoUP has also issued orders (January 2012) for stopping the invocation of urgency clause for acquisition of land.

Compliance of provisions and enforcement at Board level

6.4 The Board of NOIDA is vested with the responsibility to clearly identify strategic objectives of NOIDA, risks in achieving such objectives, enforcing compliance with rules and regulations. Shortcomings noticed in this regard are discussed in the following paragraphs:

Dilution of dominant objective

6.4.1 Section 6(1) of UPIAD Act, 1976 provides that the object of the Authority shall be to secure the planned development of the industrial development area. The Hon'ble High Court of Uttar Pradesh at Allahabad, in the case of *Gajraj and others vs State of UP and others* has, in its judgment (21 October 2011) held that the dominant objective of the Authorities established under the UPIAD Act, 1976 is industrial development, and that the activities of development of residential, commercial and other areas, *etc.* are subservient to industrial development.

Audit noticed that NOIDA diluted the dominant objective of development of industrial area and gave priority to residential development both in the preparation of MPs and during their implementation.

No reply regarding this observation was furnished by NOIDA till date (June 2021).

Dilution of Regulations

6.4.2 NOIDA (Preparation and Finalisation of Plan) Regulations, 1991 (Plan Regulations, 1991) served as guiding principle for proper planning and development of the area in NOIDA. NOIDA had prepared the Master Plan (MP) 2021 in accordance with these Regulations. These Regulations were amended by the Board in July 2010 and NOIDA (Preparation and Finalisation of Plan) (Second Amendment) Regulations, 2010 (Plan Regulations, 2010) were approved and notified³ by GoUP wherein major amendments were made in Sections 2, 4 and 11 of the Plan Regulations, 1991. The stated reason (in 169th Board meeting of NOIDA) for amendments was to carry out changes to MPs in view of changing circumstances and requirements. Through these amendments, major provisions of Plan Regulations, 2010 were diluted by substituting or omitting the clauses with undefined activities under different uses, important alterations in the character of the plan etc. These amendments empowered NOIDA to amend the character of the MP and conferred greater discretion and reduced the requirements for detailed disclosure in the MPs.

During the exit conference (30 September 2020), the Government, acknowledging the need for a review in the matter, directed Chief Executive Officer (CEO), NOIDA to compare the approved Regulations of NOIDA and GNIDA. He stated that wherever a case for strengthening the Regulations in NOIDA was necessary that would be done after such a review.

Misclassification of land uses

6.4.3 NOIDA Plan Regulations, 1991 define the various categories of land uses. This was further elaborated in the MP of NOIDA.

³ Notified vide GoUP notification no. 1422/77-4-10-44 N/85 dated 30.07.2010.

Audit noticed that NOIDA did not follow the stipulated provisions of the Plan Regulations, 1991 and MPs. NOIDA arbitrarily classified activities under different heads by taking advantage of vague definition of categories or by wilful disregard of the provisions of the Plan Regulations, 1991/extant orders as given in **Table 6.1**.

Table 6.1: Instances of violation of stipulated provisions of Plan Regulations, 1991 and MPs

Category/ Sub-category	Nature of Violation	Ref. Para no.
Institutional/ Offices	The plots for offices /corporate offices were allotted in wilful disregard of the definition of Institutional category as per the Plan Regulations, 1991.	5.3.7.1
Institutional/ Farm Houses	The Policy for allotment of Farm Houses rolled out by NOIDA in 2009 was <i>ab initio</i> in contravention of the RP/SRP/MP.	5.3.15
Commercial/Sports City	At the time of introduction of policy of allotment of plots for Sports City in 2008, the Plan Regulations, 1991/MP did not provide for such a category.	5.2.13.1

The Plan Regulations, 1991 were also amended (2010) in a manner to enable exercise of greater discretionary powers at the hands of NOIDA and its officials for changing land uses. Such misclassification not only caused loss to NOIDA but also to the State Exchequer.

No reply regarding this observation was furnished by NOIDA till date (June 2021).

Arbitrary allotments through interview

6.4.4 Out of the four allotment categories, in the Industrial and Institutional (including Farm House) categories, allotments were made on the basis of presentation and interview of the applicants. Audit observed that though applications received were more than the number of plots available under the scheme, no criteria were prescribed for adjudging the most suitable applicant. This absence of criteria enabled the Plot Allotment Committee (PAC) to exercise discretionary powers in allotments and as a result, undue favours were granted and in many cases ineligible applicants were awarded with allotments. The method of allotments through the process of interviews by the PAC, was flawed (as discussed in **Paragraphs 5.3.6 and 5.4.5.2 of Chapter V**).

No reply regarding this observation was furnished by NOIDA till date (June 2021).

Absence of Internal Audit mechanism

There is no system of internal audit put in place by NOIDA for periodical inspection of records of its working.

6.4.5 Internal audit is an independent appraisal function established within an organisation to examine and evaluate its activities as a service to the organisation. The objective of internal audit is to assist members of the organisation in effective discharge of their responsibilities. To this end, internal audit is conducted to examine and evaluate the level of compliance with the organisational rules and procedures so as to provide reasonable assurance to the management on the adequacy or risk management and internal control framework in the organisation.

Audit observed that there was no system of internal audit put in place by NOIDA in spite of the size, functions and responsibilities cast upon it. In the

absence of an Internal Audit, periodical inspection of records of the working of NOIDA could not be carried out. Absence of any internal oversight led to unchecked violation of rules/orders and procedure as brought out in this Report.

In its reply, NOIDA accepted (August 2020) the audit observation and stated that matter will be taken up with the higher authorities for directions to implement the internal audit system in NOIDA.

NOIDA has accepted the audit contention; the compliance thereof will be reviewed in next audit.

Non-formulation of standard working manuals/guidelines:

6.4.6 A manual is a set of written guidelines/instructions approved by the competent authority which standardises the procedure to be adhered to in day-to-day working.

Audit noticed that the Board of NOIDA did not formulate manuals for pricing of the properties and allotments under various categories (except allotment under Industrial, Institutional and commercial categories). In the absence of above manuals, various discrepancies relating to pricing and allotments were noticed (as discussed in **Paragraph 4.7 of Chapter IV**). Further, there was lack of uniformity in the terms and conditions of allotment between various categories of allotments and across the years within same categories of allotment.

This resulted in non-uniformity in the costing procedure over the years by NOIDA and inclusion/exclusion of brochure conditions in various schemes which resulted in the huge losses to NOIDA.

In its reply, NOIDA stated (August 2020) that several requests have been sent to the Government for the approval of guidelines for costing and other activities of the Authority since 2017. As per the recommendations of Audit, the matter would be taken up again with the Government.

The reply confirms the fact that standard working manual/guidelines for most of the important activities do not exist. After more than 40 years of its existence, NOIDA has sent the proposal to the Government which is still pending for approval.

Absence of a dedicated enforcement wing

6.4.7 Section 9(1) of the UPIAD Act, 1976 provides that no person shall erect or occupy any building in the industrial development area in contravention of any building regulations. Enforcement of the Building Regulations and other prevailing rules/policies are necessary for the planned development of the area in NOIDA.

Audit noticed that NOIDA did not form any dedicated enforcement wing due to which NOIDA failed to restrict encroachment of land of NOIDA and illegal construction by the allottees. As a result, as of October 2017, 45,26,464 sqm land worth ₹ 16,385.80 crore (at 2019-20 prices) of NOIDA stands encroached and is not available to NOIDA for any productive use. There were also instances where land allotted for specific purpose were being put to other uses, for example Industrial plots being used for Commercial purpose.

No reply regarding this observation was furnished by NOIDA till date (June 2021).

Administration of activities by NOIDA

6.5 The Board of NOIDA formulates policies and procedures for day-to-day working and conducts the activities in accordance with the laid-down policies to achieve the intended objectives of the organisation. The following deficiencies have been noticed in this regard:

Incorporation of conditions in the scheme brochure without approval of the GoUP

6.5.1 Section 9 (2) of the UPIAD Act, 1976 confers on the Authority the power to make regulations to regulate the erection of the building with the previous approval of the State Government. Accordingly, NOIDA formulates Building Regulations which are notified by the Government of Uttar Pradesh to regulate the erection of buildings within the notified area. The Building Regulations *inter alia* prescribe the permissible Floor Area Ratio (FAR) and Ground Coverage (GC) for various categories of land use.

Audit noticed that the scheme brochures of NOIDA irregularly indicated higher FAR and GC over and above the notified norms as per the prevailing Building Regulations. In the absence of an effective internal control system in NOIDA this irregularity continued year after year and led to undue favour to the allottees. As a result of higher FAR and GC being granted under Commercial and Group Housing categories, NOIDA suffered substantial losses (as discussed earlier in **Paragraph 4.10 of Chapter IV**).

No reply regarding this observation was furnished by NOIDA till date (June 2021).

Launch of scheme brochures prior to approval of Board

6.5.2 The Board failed to ensure the submission of the terms and conditions of the scheme brochures by the respective property wings to it prior to their launch under Group Housing and Commercial categories. In some cases, the scheme brochures were not even submitted to the Board for *post facto* approval. This indicates that the Board failed to exercise basic regulatory control over the functioning of NOIDA (as discussed earlier in **Paragraphs 5.1.6.1 and 5.2.6.1 of Chapter V**).

No reply regarding this observation was furnished by NOIDA till date (June 2021).

Relaxing of Brochure conditions to the detriment of NOIDA

6.5.3 The terms and conditions laid down in the brochure are NOIDA's primary enabler for achievement of the development envisioned and for regulating the allottees. Audit observed that these covenants were relaxed in successive brochures to the benefit of the allottees and to the detriment of NOIDA's interest. In a number of cases such relaxations effected in successive brochures were without obtaining approval of the Board (as discussed earlier in **Paragraphs 5.1.6.6 and 5.1.6.7 of Chapter V**). As a result, numerous projects were lying incomplete causing distress to home buyers who had invested their life savings in such projects.

No reply regarding this observation was furnished by NOIDA till date (June 2021).

Absence of mechanism for reconciliation of payment made by allottees

6.5.4 As per general financial prudence, the head of the Finance wing should ensure the genuineness of the challans deposited by the allottees on a daily basis so as to ascertain the correct dues of the allottees on any given time. Further, this deposit should also be reconciled with the bank on a regular basis. Audit observed that deposits made by the allottees were not being reconciled with the challans and bank statements. Audit further observed that only a few challans were original and most of the challans were photocopies. Therefore, accuracy and correctness of the deposits made could not be ensured in audit due to non-reconciliation by NOIDA (as discussed earlier in **Paragraph 5.1.10 of Chapter V**) and chances of forged deposits shown in the computerised system and non-monitoring overdue amount there against cannot be ruled out.

In its reply, NOIDA stated (August 2020) that, the Authority is working on a system of real time integration of the amounts deposited by the allottees which will facilitate the updation of receipts instantly in the software of NOIDA.

The compliance of the reply will be reviewed in next audit.

Allotment of plots without ensuring its intactness

6.5.5 For integrated development of the allotted area, NOIDA was to ensure that plots allotted to the builders are free from all encumbrances/encroachment and disputes. Audit noticed that NOIDA did not have a system to ensure that the plots were intact (*i.e.* free from all encumbrances), before issuing allotment letters to the allottees. Instead, it had been allotting encroached/undeveloped/disputed/unacquired land, which led to delay in the construction of projects, besides financial losses to NOIDA.

Allotment without ensuring the intactness gave rise to disputes with the allottees, resulting in non-payment of dues, reschedulements and allowance of zero period⁴ and also delays in completion of projects which ultimately impacted the end buyers adversely.

No reply regarding this observation was furnished by NOIDA till date (June 2021).

Non-recovery of cost of minor minerals as per terms of brochure

Against the provisions of the brochures, NOIDA had no system to watch the extraction and sale of minerals by the allottees which resulted in a loss of ₹ 244.31 crore to NOIDA.

6.5.6 NOIDA allots plots to builders on lease of 90 years. The terms and conditions of the brochures⁵ provided that NOIDA had the right to all mines, minerals, coal, washing gold, earth oil, quarries in or under the plot and had full right and power for obtaining it. Ordinary clay and ordinary soil are defined as minor minerals under section 3 (e) of the Mines and Minerals (Development and Regulation) Act, 1957. Therefore, NOIDA has the right over the disposable earth and sand excavated by the builder, if any, below the ground of the plot.

⁴ In the Zero Period allottees are provided the facility of interest waiver for the period possession is not given, and period of instalments increases for the period which was considered as Zero Period.

⁵ Clause W (Overriding Power over Dormant Properties)

Audit noticed that NOIDA had no system to watch the extraction and sale of the minerals by the allottees from the plot allotted to them. When Audit cross-verified with the data of the District Mining Officer on sample basis, it was observed that during the period March 2011 to September 2019, 52 builders/developers disposed of 73.39 lakh⁶ cum ordinary soil and sand valued at ₹ 244.31 crore⁷ (excluding cost of royalty) by payment of ₹ 16.41 crore⁸ towards royalty⁹ at the rate prescribed by the GoUP from time to time. Thus, due to aforesaid failure of the internal control mechanism of NOIDA, it suffered a loss of ₹ 244.31 crore.

Audit noticed that the internal control system prevalent in NOIDA failed to evolve any mechanism to recover such amount towards its saleable value from the builder.

No reply regarding this observation was furnished by NOIDA till date (June 2021).

Monitoring system, sharing of information and communication system

6.6 Monitoring covers day-to-day oversight of activities as well as periodic assessment of activities. This entails establishing systems for assimilating financial, operational and compliance information and sharing of such information with the other Divisions (verticals) as well as the higher Management in order to make informed decisions. Following deficiencies were noticed in the effectiveness of information, communication and monitoring:

Lack of co-ordination between different wings

6.6.1 The various wings of NOIDA viz., Planning, Project, Property and Finance and System wings should work according to the roles assigned to them towards achieving the common goal of the organisation i.e. industrial development and urbanisation.

Audit noticed that there was a lack of co-ordination between different wings of NOIDA as indicated below:

- Completion Certificate for completion of the building of Industrial/Institutional and Commercial plot is issued by the Planning wing and Functional Certificate is issued by the respective Property wings of NOIDA. Neither did the Planning wing send the information of completion to the respective Property wing nor did the respective Property wing make efforts to obtain information from the Planning Wing regarding completion certificate so as to reconcile the status and issue notification to the allottees to obtain Functional Certificate from NOIDA. As a result, the process of levy of penalty on account of delay in completion and functionality of the projects was not streamlined.
- The Systems wing maintains comprehensive data related to allotments of plots under various categories. The Planning wing issues the completion

⁶ Ordinary soil: 33,00,192 cum and sand: 40,38,904 cum

⁷ Sale value of soil (after adjusting royalty): ₹ 4.23 crore; Sale value of sand (after adjusting royalty): ₹ 240.08 crore.

⁸ Ordinary soil: ₹ 4.51 crore and sand: ₹ 11.90 crore.

⁹ As the GoUP removed the royalty payable on ordinary soil with effect from 28 March 2018. Therefore, in case of soil no royalty was paid after 28 March 2018.

certificates on completion of the projects and maintains the records relating to it. However, there was no system of intimating the same to the concerned wing/Systems wing immediately thereby the concerned wings having their own set of data.

In its reply, NOIDA accepted the audit observation and stated (August 2020) that initiatives have been undertaken to overcome these issues. Efforts are underway to present the latest information of the property on its portal irrespective of the wing which deals with it.

The compliance will be reviewed in next audit.

Deficiencies in the data maintained by Information Systems wing

6.6.2 The output reports generated from the data maintained by the Information Systems wing should be able to provide the current status as well as history of transactions/events. The IT system was deficient to the extent that it did not generate the requisite reports bringing out the chronology of important events, the schedule of payments, the subdivisions effected in the plot and the present dues and instead only shows the payments received by NOIDA. Due to this the data provided by NOIDA cannot be relied upon.

In its reply, NOIDA accepted the audit observation and stated (August 2020) that instructions have been issued to property heads to get the data updated and the Property wing is working to update the information property-wise. The compliance will be reviewed in next audit.

Non-maintenance of Management Information System (MIS)

6.6.3 Management Information System (MIS) is a planned system of collecting, storing and dissemination of information in the form needed to carry out the functions of management. Audit noticed that there was no prescribed system of returns for preparation of information, pointing to absence of MIS. Due to non-preparation of the MIS, the activities of the wings could not be effectively monitored by top management.

In its reply, NOIDA accepted the audit observation and stated (August 2020) that efforts are underway to link all the working software on a real-time basis. The dashboard of these softwares have been implemented to generate the MIS to enable the top management to take informed decisions. The compliance will be reviewed in next audit.

Non-maintenance of data regarding employment generated

6.6.4 As per the terms of every Industrial Scheme Brochure, the allottees of Industrial plots were required to employ five *per cent* employees out of their total labour force from the village whose land has been acquired for the purpose of the said Industrial area.

Audit noticed that NOIDA neither asked the allottees to submit information in this connection nor maintained any database in this regard which defeated the welfare measures and employment generation of the local people (as discussed in **Paragraph 5.4.7.2 of Chapter V**).

No reply regarding this observation was furnished by NOIDA till date (June 2021).

Conclusion

The Internal Control system in NOIDA was found to be extremely deficient. Numerous instances of non-compliance with statutory provisions were in evidence. There was non-compliance with standard reporting requirement. Lack of co-ordination between the different wings and weak MIS system in NOIDA were also evident. The GoUP and Board of NOIDA failed to perform their regulatory roles as per UPIAD Act, 1976 and NCRPB Act, 1985. The dilution made in the Regulations coupled with absence of Internal Audit translated in unfettered misuse of powers vested in the hands of officials of NOIDA. Numerous instances of commencement of schemes or changes in brochure without appropriate approvals were in evidence. The weakness in the Internal Control system in NOIDA resulted in exercise of powers beyond the remit of NOIDA, blatant misuse and flouting of extant rules and orders. All of these translated in failure to achieve the objectives of NOIDA, distress for end-use stakeholders like home buyers who invested their life savings in schemes of NOIDA and losses to NOIDA and Government involving tens of thousands of crore of rupees.

There is clear evidence of failure in the governance framework in NOIDA. On the principal counts of governance *viz.* adherence to public interest, maintaining ethics and integrity by the officials of NOIDA, accountability, transparency in decision making and lack of arbitrariness, the findings of Audit as detailed in this Report indicates an abject failure.

Recommendations

Recommendation Number	Recommendation	Response of the Government
22	The Government should initiate action for ensuring compliance of provisions of the UPIAD Act, 1976 notably relating to preparation of Annual Reports by NOIDA and their laying before the State Legislature.	Accepted
23	The Government should ensure that instances of public expenditure beyond the Authority's mandate are routed through the State Budget.	IIDD stated that the views of the Finance Department, GoUP are being sought.
24	The Government, with a view to develop NOIDA as a centre of world class infrastructure with an enabling, fair and non-intrusive environment, should overhaul the Board of NOIDA to curb discretionary powers in hands of officials and consider inclusion of outside professionals of eminence with subject matter expertise in the Board.	The Government agreed to examine the recommendation in light of the provisions of the Act after receipt of the Audit Report.

Recommendation Number	Recommendation	Response of the Government
25	The Government/NOIDA should establish a system of internal audit to ensure compliance with rules and regulations within the Authority and in monitoring the design and functioning of internal control policies and procedures.	Accepted
26	NOIDA should install a Management Information System to enable its Board to make informed decisions and for collection and dissemination of information to improve working within NOIDA.	Accepted
27	Since the existing system of allotments in case of Institutional, Farm Houses, and Industrial categories through interviews, post scrutiny by PAC has been found to be compromised and vitiated, the Government/NOIDA should devise transparent system of allotment afresh, with minimal scope for discretion in the hand of the officials.	Accepted It was stated that in the present guidelines transparency has been brought through Industrial Information System.

Lucknow

The 11 November 2021



(RAJ KUMAR)

Principal Accountant General
(Audit-II),
Uttar Pradesh

Countersigned



New Delhi

The 18 NOV 2021

(GIRISH CHANDRA MURMU)

Comptroller and Auditor General of India

