EXECUTIVE SUMMARY

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Why did we take up this audit?

Yamuna Expressway Industrial Development Authority (YEIDA) was established (April 2001) by the Government of Uttar Pradesh (GoUP) under Section 3 of the Uttar Pradesh Industrial Area Development Act, 1976 (UPIAD Act, 1976) to implement the Yamuna Expressway project and for allied development of the region. The main objective of YEIDA is to secure planned development of its industrial development area.

Audit of YEIDA, since its inception had remained outside the purview of the Comptroller and Auditor General of India (CAG) despite it being a Government entity. CAG's organisation made repeated requests between June 2012 and April 2017 seeking audit of YEIDA which was acceded to by GoUP in July/August 2017 and audit of YEIDA, from the year 2005-06, was entrusted to CAG in January 2018.

The performance audit on the working of YEIDA was undertaken with the objective of assessing the performance of YEIDA in various spheres of its functioning such as preparation of plan(s), acquisition of land, development of land and construction of properties, pricing of properties, allotment/sale of properties, regulation of construction activities by the allottees and internal control systems during the period 2005-06 to 2020-21.

The primary focus of the performance audit was on the policies and procedures adopted by YEIDA for land acquisition, development and construction of properties and allotment of properties. Besides, preparation of Master Plans, pricing of properties and internal control mechanism were also scrutinised to bring out deficiencies and recommend remedial measures in these areas.

YEIDA did not furnish certain records/information during the course of audit which adversely impacted the performance audit. Audit recommends that responsibility may be fixed for not providing records/information during the course of audit.

Audit observations included in the Report point out instances of loss of revenue, short recoveries, undue benefits to allottees and avoidable/excess expenditure having aggregate monetary value of ₹ 8,125.52 crore. Since, the audit findings included in the Report were observed in sample cases, Audit recommends that YEIDA may examine similar issues in other remaining cases for remedial action.

What audit found and what do we recommend?

Audit found significant lapses in the policies/ procedures adopted by YEIDA in the area of planning, acquisition of land, development of land and construction of properties, pricing of properties and allotment of properties. The infractions observed by Audit are outlined in the succeeding paragraphs.

Planning

YEIDA had undertaken acquisition, development and construction activities and started allotment of plots for various land uses since 2008-09 in the area classified as agricultural zone in the Regional Plan 2021. Such development activities carried out by YEIDA till approval/ concurrence of NCRPB in June 2013 were not in conformity with the land use plan of the Regional Plan 2021 and violated the provisions of NCRPB Act, 1985 and Regional Plan 2021.

Further, YEIDA has been implementing its Master Plan (Phase-I) 2031 without it being approved by NCRPB. Audit recommends that YEIDA should ensure that any development activity in areas of National Capital Region (NCR) takes place only after obtaining prior approval of NCRPB.

YEIDA also changed land use and allotted plots for specified land uses without obtaining approval of GoUP for change in land use. Audit recommends that YEIDA/GoUP may fix responsibility for allotment of plots for specified land uses without obtaining approval of GoUP for change in land use and take disciplinary action against responsible officials.

Even after lapse of about nine years from the date of approval of Master Plan (Phase-I) 2031 by GoUP, YEIDA had not prepared sector layout plans for 29 out of 52 sectors. Further, YEIDA has identified four urban centres for development in Phase-II. YEIDA, however, had prepared Master Plans of only two urban centres at Aligarh and Mathura till date. Master Plans of remaining two urban centres at Agra and Hathras were yet not finalised. In absence of a Master Plan, execution of unplanned and uncontrolled development and construction activities could not be ruled out which may hinder planned development activities at later stages. Audit recommends that YEIDA should finalise sector layout plans of remaining sectors and Master Plans of remaining urban centres at the earliest.

Acquisition of land

YEIDA in almost all cases of acquisition of land under the provisions of Land Acquisition Act, 1894 (LAA, 1894) forwarded proposals invoking urgency clause using a customary and standard justification. The customary and standard justification did not provide an acceptable basis for invocation of urgency clause and thereby deprived the landowners their right to being heard. Further, even after invoking urgency clause there were inordinate delays at various stages of the acquisition proceedings resulting in excess expenditure. Besides, unwarranted invocation of urgency clause had resulted in lapse of 36 proposals resulting in loss of ₹ 188.64 crore to YEIDA. Audit recommends that YEIDA should ensure abidance with the statutory provisions, as provided for under the Act and exercise due diligence in invoking urgency clause in carrying out land acquisitions.

Government land was resumed in favour of YEIDA at higher rates resulting in excess payment of ₹ 128.02 crore.

YEIDA purchased land beyond requirement without any roadmap for its utilisation resulting in blockade of funds amounting to ₹ 160.23 crore and undue benefit to landowners. Further, YEIDA suffered a loss of ₹ 4.92 crore due to withdrawal of proposals for acquisition of land in three villages not covered in the planned area of YEIDA. Audit recommends that YEIDA should adhere to Master Plan strictly for acquisition of land to avoid loss/blockade of funds. Further, responsibility for unwarranted purchase of land resulting in blockade of YEIDA's funds should be fixed and action taken against the responsible officials.

Land purchased by YEIDA directly from landowners was not mutated in its favour immediately which was fraught with the risk of illegal transfer to other persons. Further, in some cases land mortgaged by the landowners with banks for loans was also purchased by YEIDA. Besides, periodical reconciliation of amount deposited by YEIDA with district authorities for acquisition of land was not done and no efforts were made by YEIDA to obtain refund of ₹ 178.79 crore lying with Additional District Magistrate (Land Acquisition). Audit recommends that follow up mechanism should be strengthened by YEIDA so that the acquired land is mutated without delay and advance paid for land acquisition are reconciled periodically. Further, responsibility should be fixed for inordinate delay in mutation of purchased land and purchase of mortgaged land and action taken against the responsible officials.

In four cases, YEIDA purchased land which it had already acquired resulting in excess payment of ₹ 64.35 lakh. Audit recommends that YEIDA should maintain a khasra-wise database of all lands acquired by it through various modes and also carry out periodical land audit. Further, responsibility needs to be fixed for double payment on purchase of land already acquired.

Development and Construction of Properties

YEIDA could develop only five to 36 *per cent* of the area planned to be developed for institutional, industrial and mixed land use zones till completion of first stage of Master Plan (Phase-I) 2031 in 2021.

YEIDA did not prepare Annual Plans for effective planning and monitoring of development and construction works. In the absence of Annual Plans, YEIDA allocated funds and awarded works without assessment of availability of encumbrance free land and progress of the projects in the preceding year which consequently led to short utilisation of allocated funds on one hand and blockade of funds expended on incomplete projects on the other hand. Audit recommends that YEIDA should prepare Annual Plan for effective monitoring and utilisation of funds in execution of developmental projects as per Master Plan.

YEIDA awarded works at higher rates due to incorrect assessment of justified cost and not considering rates of similar works awarded in the past resulting in excess expenditure of ₹ 3.55 crore.

YEIDA awarded the work to architectural firms at higher rates in comparison to the rates paid by other State Public Sector Undertaking *i.e.,* Uttar Pradesh Rajya Nirman Nigam Limited for similar nature of work resulting in excess expenditure of ₹ 1.61 crore. Further, YEIDA adopted incorrect methodology for evaluation of financial bids under Quality cum Cost Based Selection method resulting in award of work at higher rates to an architectural firm and excess expenditure of ₹ 1.96 crore.

YEIDA obtained performance guarantee/ security deposit at the rate of five *per cent* of the contract amount against the required 10 *per cent* resulting in short deposit of performance guarantee/ security deposit by ₹ 38.63 crore and thereby compromised on safeguarding the execution of work and its financial interests.

Audit recommends that YEIDA should strictly follow the extant rules/ regulations/guidelines in preparation of estimates and framing of tender conditions. Further, responsibility should be fixed where prescribed procedures in preparation of estimates and award of works have not been adhered.

YEIDA failed to comply with Indian Road Congress (IRC) guidelines for construction of roads resulting in deficiencies such as unwarranted execution of surface dressing and seal coat, use of unprescribed material in construction of interlocking concrete block pavement, inadmissible execution of semi-dense bituminous concrete over granular base and laying of close graded premix surfacing of excess thickness which led to avoidable expenditure of ₹ 9.93 crore.

YEIDA short recovered cost of repair of damaged roads by ₹ 1.87 crore from three contractors. Further, YEIDA short deducted Workers' Welfare Cess from the bills of the contractors amounting to ₹ 1.91 crore thereby extended undue favour to the contractors to that extent.

YEIDA neither obtained requisite transit pass nor deducted the prescribed royalty along with cost of minerals amounting to ₹ 35.71 crore from the bills of contractors and thus failed to protect Government revenue. Audit recommends that YEIDA should ensure deduction of statutory dues from the payment made to the contractors.

YEIDA executed development and construction activities in the industrial development area without obtaining prior Environmental Clearance (EC) from State Level Environment Impact Assessment Authority (SEIAA).

Pricing of properties

YEIDA had neither formulated any pricing policy or framed any directive guidelines for fixing of sale prices of properties nor had it adopted the 'model directive principles' for fixing of sale prices issued (November 1999) by the Housing and Urban Planning Department, GoUP. As a result, the basis for determining sale prices was not consistent. Audit recommends that YEIDA should prepare standard policy/guidelines for pricing of properties to streamline the method of pricing.

YEIDA did not consider the input costs adequately resulting in short recovery of costs. Further, YEIDA considered higher saleable area for residential, industrial and institutional properties as compared to approved sector layout plans resulting in calculation of cost of properties recoverable from the allottees on the lower side. Audit recommends that YEIDA should calculate input costs and saleable area correctly before determining sale prices of properties. It should review its methodology for fixing slab-wise sale prices of institutional and industrial properties.

YEIDA fixed the sale price for allotment of plots under the 25-250 acre plot scheme on lower side due to not considering different land uses permissible on the allotted plot and consequently suffered estimated loss of ₹ 469.02 crore. Further, the sale price of built-up flats under a scheme was fixed on the lower side due to incorrect calculation of cost of land to be apportioned in the cost of flats resulting in loss of ₹ 76.97 crore to YEIDA.

YEIDA, fixed prices of Group Housing plots lower than that of individual residential plots during 2008-09 to 2011-12 and at 1.02 to 1.04 times of the prices of individual residential plots during 2012-13 to 2020-21 as against 1.30 to 1.71 times the sale price of residential plots fixed by New Okhla Industrial Development Authority (NOIDA) and 1.5 times fixed by Uttar Pradesh Avas Evam Vikas Parishad and Ghaziabad Development Authority. Further, YEIDA fixed sale prices for allotment of plots for establishment of corporate offices to commercial entities at rates lower than that applicable for allotment of commercial plots resulting in loss of ₹ 122.50 crore to YEIDA. Audit recommends that YEIDA should review the sale prices of plots for Group Housing and Corporate Office to recover genuine prices.

Allotment of properties

(i) Residential Township and Group Housing plots

The eligibility conditions prescribed by YEIDA were not commensurate to the size and value of plot. This allowed applicants to bid for plots of larger size by fulfilling the same technical and financial eligibility criteria as was for plots of smaller size. Besides, YEIDA did not factor in the projects in hands or its own previous allotments to the applicants and considered net worth and solvency of the applicants on case to case basis thereby allowing the applicants to leverage the same net worth and solvency to obtain allotment of multiple plots. Audit recommends that the eligibility criteria for allotment of residential township and group housing plots should be commensurate with the size and value of the plot. Further, the capability of the applicants should be assessed considering the projects in hand. Responsibility should be fixed for framing deficient and inappropriate eligibility conditions favouring incapable bidders and deliberate intention to favour should be investigated through vigilance enquiry.

YEIDA made allotments to applicants who did not meet the prescribed technical eligibility criteria or who did not submit the required documents to establish fulfilment of the prescribed technical eligibility criteria.

In four cases, relevant members of consortium on whose credentials the consortium was able to fulfil the prescribed eligibility criteria for allotment of plot had exited from the consortium before completion of the project. In two cases, the lead member of the consortium had exited the project before issue of temporary occupancy/completion certificate of the project in contravention to the provisions of the scheme brochure. After being pointed out by Audit, YEIDA cancelled (July-August 2022) these two plots. YEIDA allowed members with lower stake in the consortium to become lead member. Further, YEIDA allowed members with minor stake of five *per cent* in the consortium to become relevant member who in some cases fulfilled 100 *per cent* of the eligibility criteria.

YEIDA did not prescribe any eligibility criteria to be fulfilled by the lead member on its own. As a result, in 12 cases, plots were allotted to consortiums wherein no part of the prescribed technical and/or financial eligibility criteria was fulfilled by the lead member. YEIDA allowed sub-division of plot in favour of a relevant member of the consortium who did not fulfil any part of the eligibility criteria prescribed for allotment of the plot and was, therefore, not individually eligible for allotment. Audit recommends that the provisions relating to consortiums should be strengthened to ensure accountability and continued commitment of the lead member as well as relevant members for successful completion of the projects. Deliberate framing of deficient conditions to favour ineligible firms cannot be ruled out and should be investigated from vigilance angle.

YEIDA permitted execution of sub-lease deeds without paying any heed to the capability of the sub-lessees to execute the projects on the sub-leased portions and to pay YEIDA's dues pertaining to the sub-leased portions. Further, YEIDA had permitted sub-lease of land to other developers without levying any transfer charges resulting in loss of ₹ 28.58 crore. Besides, allowing sub-lease also resulted in undue enrichment of an allottee by atleast ₹ 103 crore since the sale consideration was higher than the prevalent reserve price. Audit recommends that sub-lease of plot should be done after ensuring the capability of the sub-lessee and transfer charges should be levied in case of sub-lease of plot to another developer.

The penalty prescribed by YEIDA for delay in execution of lease deed by the allottees in the scheme brochures was not even sufficient to cover the loss of lease rent due to delay in execution of lease deed. Consequently, in five cases where lease deeds were executed with delay, YEIDA suffered loss of ₹ 1.41 crore. Further, YEIDA had not incorporated suitable provision for levy of penalty in scheme brochures due to which it failed to effectively check delays in submission of detailed layout plans, completion of development work and construction of prescribed FAR. Further, despite inordinate delays on the part of the allottees in submission of detailed layout plan and completion of development works and prescribed FAR construction, YEIDA did not cancel allotments of the defaulting allottees. Audit recommends that YEIDA should prescribe sufficient penalty for delay in execution of lease deed and also prescribe penalties for delays at various stages of execution of the project.

YEIDA had not included any condition in the scheme brochures for recovery of post allotment increase in cost of land, opening of escrow account by the allottees and obtaining performance bank guarantee. Audit recommends that provisions to recover post-allotment increased cost from the allottees, opening of escrow account and obtaining performance bank guarantee should be made in the scheme brochures to safeguard the financial interests of YEIDA and end-users.

YEIDA issued conditional permissions to mortgage land to three allottees/ sub-lessees subject to payment of up to date dues despite there being no provision in the scheme brochures for issue of conditional permission to mortgage.

YEIDA issued allotment letters and checklists with delays resulting in loss of interest and lease rent. Audit recommends that YEIDA should prescribe timeframes for issue of allotment letters and checklists and implement them strictly.

YEIDA failed to take timely action against defaulting allottees as per the terms and conditions of the scheme brochures. Audit recommends that YEIDA should strengthen its monitoring mechanism to ensure compliance of the terms and conditions of the brochures and prompt action must be initiated in case of transgressions. Further, responsibility should be fixed for extending undue favour to allottees by not taking action against defaulting allottees.

YEIDA extended undue benefits to allottees due to granting unwarranted zero period, allowing retention of excess land and not forfeiting the prescribed amount on cancellation of allotment.

All the residential township and group housing projects were delayed by more than three to five years and there were overdues of ₹ 4,226.01 crore against the allottees/sub-lessees. Thus, the exercise of allotting of residential township and group housing plots failed to attain both its objectives of providing homes to end users in time and timely payment of YEIDA's dues.

(ii) Industrial, Institutional, Mixed Land Use and Other properties

YEIDA did not prescribe any technical and financial eligibility criteria for allotment of industrial, institutional and mixed land use plots. Thus, the process of allotment was deficient as it did not enable it to shortlist only those applicants who were technically and financially capable of executing the project and in paying off YEIDA's dues in time.

YEIDA allotted institutional, industrial and mixed land use plots and plots under 25-250 acre plot scheme on the basis of interview. Audit recommends that YEIDA should frame model brochure/ scheme terms and conditions for allotment of various categories of properties prescribing objective eligibility criteria commensurate to the size and value of the property to be allotted.

YEIDA suffered loss of ₹ 33.70 crore due to charging of lease rent only on premium recovered against land cost and not on external development charges in special development zone and 25-250 acre plot scheme.

The land use pattern prescribed in one scheme for allotment of mixed land use plots was not in consonance with the land use pattern prescribed in the Master Plan (Phase-I) 2031 for mixed land use zone. This resulted in loss of ₹ 23.37 crore to YEIDA on allotment of two plots.

Due to not providing for levy of location charges in respect of certain preferential locations YEIDA suffered loss of ₹ 2.99 crore.

YEIDA allotted two institutional plots at rates lower than the applicable rates resulting in loss of ₹ 2.71 crore. Further, in one case YEIDA short levied penalty for delay in execution of lease deed due to deficient terms and conditions of the scheme brochure.

YEIDA issued checklists for execution of lease deeds to 10,547 allottees only against allotted 29,009 plots. Thus, YEIDA had failed to issue checklists to 64 *per cent* allottees even after delays of 371 to 4,510 days. Besides, even in cases where checklists had been issued, there were delays of up to 4,488 days. This indicated that YEIDA had launched schemes and allotted plots without ensuring availability of encumbrance free land and completion of development activities leading to failure in timely hand over of possession of plots to the allottees. Audit recommends that YEIDA should ensure that plots are allotted only after ensuring availability of encumbrance free land and development of infrastructure facilities.

YEIDA deviated from its established practice of allotment of plots at rates applicable on the date of allotment and allotted seven plots under 25-250 acre plot scheme and 54 plots in the apparel park at pre-revised rates resulting in loss of ₹ 175.55 crore.

YEIDA did not obtain bank guarantee against exemption in stamp duty in case of one plot allotted under the special development zone scheme and failed to get bank guarantees renewed in case of five plots allotted under the 25-250 acre plot scheme resulting in loss of ₹ 95.59 crore to the State Exchequer towards stamp duty as despite default in compliance of conditions of stamp duty exemption, the amount could not be recovered from the allottees.

Against 1,88,03,164.68 sqm allotted area (excluding area of cancelled/ surrendered plots), lease deeds were executed only for 34 *per cent* area and none of the units/ projects were completed thereby defeating the very purpose of allotment of these plots *viz.,* establishment of industries and institutions and development of commercial spaces.

Corporate Governance and Internal Control

Neither GoUP had prescribed the form and dates for submission of Annual Reports by YEIDA, nor YEIDA prepared and submitted Annual Reports to GoUP for laying before the State Legislature as statutorily mandated. Further, GoUP had also not prescribed the form of Annual Statement of Accounts for the Industrial Development Authorities (IDAs). Audit recommends that GoUP should initiate action for ensuring compliance of provisions of the UPIAD Act, 1976 notably relating to preparation of Annual Statement of Accounts and Annual Reports and their laying in the State Legislature.

In the absence of manuals, various irregularities relating to pricing and allotments were noticed. Further, there was lack of uniformity in the terms and conditions of allotment of various categories of plots and across the years within same categories. Besides, there was no uniformity in the pricing procedure over the years. Audit recommends that YEIDA should formulate manuals/ guidelines for pricing and allotment of properties in order to standardise the procedures to be followed for pricing and allotment of properties.

YEIDA approved building plans of allottees but had neither obtained requisite amount of Workers' Welfare Cess nor any proof regarding deposit of Workers' Welfare Cess by the allottees in violation to provisions of Building and Other Construction Workers' Welfare Cess Rules, 1998. Thus, the monitoring mechanism for ensuring compliance of statutory provisions relating to deposit of Workers' Welfare Cess was deficient. Audit recommends that YEIDA should strengthen its monitoring mechanism and ensure deposit of Workers' Welfare Cess before sanctioning building plan of allottees.

The IT system of YEIDA was deficient as it did not maintain vital data regarding acquisition of land, contracts entered into by YEIDA, plots allotted/ sub-leased to builders, developed plots/flats sub-leased by builders to end-users, approval of maps, issue of completion certificates, *etc*. essential for effective monitoring and control of its activities. Further, there was no prescribed system for preparation and submission of periodic returns/reports on various activities of YEIDA to the higher management. In absence of an effective Management Information System, activities of various sections/departments could not be effectively monitored by the higher management. Audit recommends that YEIDA should install an effective Management Information System to enable its Board to make informed decisions and for collection and dissemination of information to improve working within YEIDA.