

CHAPTER III

Financial Management

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This chapter deals with the adequacy of financial management in Ghaziabad Development Authority.

Audit Objective: Whether the financial management of the Authority was effective.

Brief snapshot of the chapter:

- Receipt and expenditure incurred by GDA decreased during 2017-22.
- During 2017-22, GDA maintained 132 to 148 bank accounts in 19 to 22 different banks. It did not avail auto sweep facility for nine saving/current accounts which resulted into loss of interest amounting to ₹ 73.87 lakh during the period 2017-22.
- GDA failed to recover outstanding loan with interest which resulted in non-receipt of funds amounting to ₹ 64.27 crore till March 2022.
- State Government had not disbursed outstanding dues of GDA towards two *per cent* additional stamp duty of ₹ 347.43 crore for the period 2017-22, which resulted in non-receipt of revenue from GoUP.

3.1 Introduction

The Uttar Pradesh Urban Planning and Development Act 1973 (Act, 1973) envisages provision of finance for administration of the Act by the authorities in their development area. The Act and Government Orders (GOs) specify activities for revenue realisation and incurring expenditure thereagainst.

3.2 Fund of the Authority

As per Section 20 of the Uttar Pradesh Urban Planning and Development Act 1973, the Authority shall have to maintain its own fund to which shall be credited- (a) all money received by the Authority from the State Government by way of grants, loans, advances or otherwise; (b) all moneys borrowed by the Authority from sources other than the State Government by way of loans or debentures; (c) all fees, tolls and charges received under the Act; (d) by disposal of lands, buildings and other properties, movable and immovable and (e) by way of rents and profits or in any other manner or from any other source.

The Act also envisages that the fund of the Authority shall be applied towards meeting the expenses incurred by the Authority in the administration of the Act and for no other purposes. The State Government may make such grants, advances and loans to the Authority as that Government may deem necessary

for the performance of the functions of the Authority under this Act and all grants, loans and advances made shall be on such terms and conditions as the State Government may determine.

Scrutiny of records revealed that GDA realised money under revenue and capital receipts and incurred expenditure thereagainst in different heads as mentioned in the *Appendix-3.1 (A&B)*.

Audit findings on financial management have been discussed in the succeeding paragraphs:

3.3 Target and achievement

GDA prepared budget each year showing estimated receipt and expenditure under different heads such as sale of properties, development charges and levies, income from rent, additional stamp duty, construction/development works etc. Details of year-wise actual *vis-à-vis* targeted receipts and expenditure during 2017-22 have been depicted in **Table 3.1**.

Table 3.1: Statement showing actual vis-a-vis targeted receipt/expenditure of GDA

(₹ in crore)

Year	Target	Actual	Shortfall (col. 2- col. 3)	Shortfall (in per cent) (col.4*100)/ col. 2
(1)	(2)	(3)	(4)	(5)
Receipt				
2017-18	2472.94	1087.03	1385.91	56.04
2018-19	2504.98	2041.52	463.46	18.50
2019-20	1435.30	606.54	828.76	57.74
2020-21	919.19	549.65	369.54	40.20
2021-22	1020.32	604.13	416.19	40.79
Expenditure				
2017-18	2803.62	1043.17	1760.45	62.79
2018-19	2255.54	2189.41	66.13	2.93
2019-20	1343.80	768.35	575.45	42.82
2020-21	931.83	561.42	370.41	39.75
2021-22	1001.81	561.65	440.16	43.94

(Source: Receipt and Expenditure statement of GDA)

It is evident from Table 3.1 that:

- GDA did not achieve targeted receipt during 2017-18 to 2021-22 and shortfall remained in the range of 40 per cent to 58 per cent except in the year 2018-19. Audit further noticed that the increase in receipt in 2018-19 was not due to increase in receipt of revenue but was a result of receipt of loan from financial institutions/bank of ₹ 1,029.46 crore.
- Targeted expenditure during 2017-22, except 2018-19, was quite low and shortfall was in the range of 40 to 63 per cent.

Audit analysis further revealed that receipt and expenditure under most of the categories/heads declined during 2017-22 as mentioned in Appendix-3.1 (A&B).

Major part of receipts and expenditure was receipts through sale/allotment of properties & development charges and expenditure on construction/development work & land acquisition. Achievement *vis-a-vis* targets of receipts and expenditure under these categories are given in **Table 3.2**.

Table 3.2: Major activity-wise receipt & expenditure

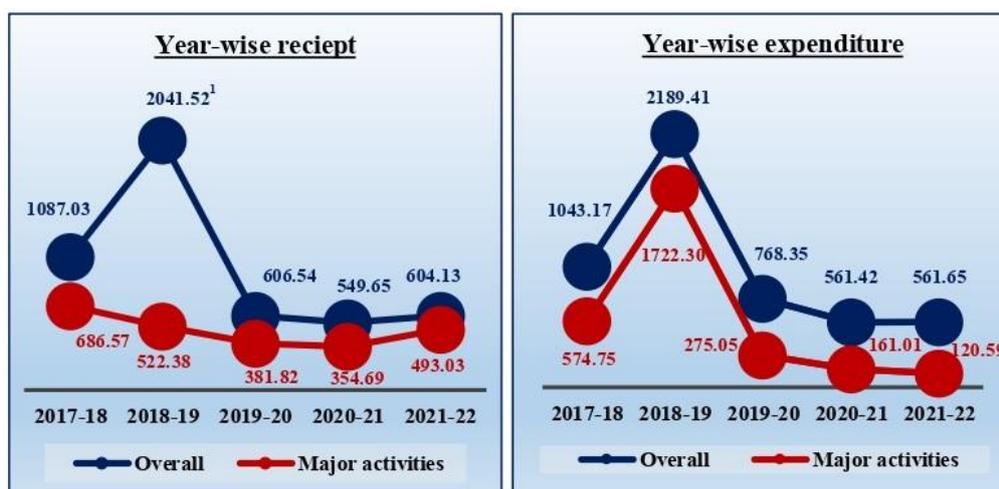
(₹ in crore)

Year	Receipt					
	Sale/allotment of properties		Development charges and levies		Total	
	Target	Actual	Target	Actual	Target	Actual
(1)	(2)	(3)	(4)	(5)	(6)	(7)
2017-18	300.00	343.06	500.41	343.51	800.41	686.57
2018-19	406.99	174.75	521.11	347.63	928.10	522.38
2019-20	359.00	142.03	573.75	239.79	932.75	381.82
2020-21	292.41	182.03	401.49	172.66	693.90	354.69
2021-22	373.75	303.89	397.49	189.14	771.24	493.03
Total	-	1,145.76	-	1,292.73	-	2,438.49
Year	Expenditure					
	Land acquisition		Construction / Development work		Total	
	Target	Actual	Target	Actual	Target	Actual
(1)	(2)	(3)	(4)	(5)	(6)	(7)
2017-18	1,500.00	136.01	1,000.00	438.74	2,500.00	574.75
2018-19	800.00	1,180.15	800.00	542.15	1,600.00	1,722.30
2019-20	200.00	57.35	500.00	217.70	700.00	275.05
2020-21	50.00	13.77	300.00	147.24	350.00	161.01
2021-22	200.00	7.78	300.00	112.81	500.00	120.59
Total	-	1,395.06	-	1,458.64	-	2,853.70

(Source: Receipt and Expenditure statement of GDA)

It is evident from Table 3.2 that receipts through sale/allotment of properties and development charges and levies declined by 48 *per cent* during 2020-21 as compared to 2017-18, but slightly improved in the year 2021-22. Similarly, expenditure on land acquisition and construction/development work declined by 79 *per cent* during 2021-22 as compared to 2017-18. The year wise status of receipt and expenditure under major activities *vis-à-vis* overall receipts and expenditure has also been depicted in **Chart 3.1**.

Chart 3.1: Year-wise receipt and expenditure vis-à-vis variation in major activities



The State Government in its reply (March 2024) stated that during last few years considerable difficulties had occurred in achieving the budgeted targets due to deficit in receipt of fund from sale of properties, compounding fees & fees from approval of maps and in view of the corona pandemic. However, efforts were being made to achieve the targets in future.

Fact remains that even after March 2022, similar shortfall of actual receipt and expenditure against targets persisted during 2022-23 and 2023-24 as depicted in Table 3.3.

Table 3.3: Statement showing actual vis-à-vis targeted receipt/expenditure of GDA

(₹ in crore)

Year	Target	Actual	Shortfall (col. 2- col. 3)	Shortfall (in per cent) (col 4*100)/ col. 2
(1)	(2)	(3)	(4)	(5)
Receipt				
2022-23	1134.36	652.27	482.09	42.50
2023-24	1206.13	820.67	385.46	31.96
Expenditure				
2022-23	1021.01	618.93	402.08	39.38
2023-24	1158.41	589.84	568.57	49.08

(Source: Receipt and Expenditure statement of GDA)

Further, receipt and expenditure under the major activities also ranged from 58 to 66 per cent and 31 to 36 per cent respectively during 2022-24 as given in Table 3.4.

¹ Due to borrowing of loan (para 3.3)

Table 3.4: Major activity-wise receipt & expenditure

(₹ in crore)

Year	Receipt			
	Sale/allotment of properties		Development charges and levies	
	Target	Actual	Target	Actual
(1)	(2)	(3)	(4)	(5)
2022-23	586.10	281.94	324.73	244.21
2023-24	587.20	280.09	373.65	351.57
Total	-	562.03	-	595.78
Year	Expenditure			
	Land acquisition		Construction / Development work	
	Target	Actual	Target	Actual
(1)	(2)	(3)	(4)	(5)
2022-23	200.00	29.49	320.00	159.83
2023-24	250.00	63.09	400.00	139.93
Total	-	92.58	-	299.76

(Source: Receipt and Expenditure statement of GDA)

3.4 Management of fund

3.4.1 Maintenance of bank accounts

The Act, 1973 envisages that subject to any directions of the State Government, the Authority may keep in current account of any scheduled bank such sum of money out of its fund as it may think necessary for meeting its expected current requirements and invest any surplus money in such manner as it thinks fit.

Besides as per the policy of the concerned banks auto sweep facility could have been availed on the bank accounts to obtain higher interest rates on the deposits.

Scrutiny of records revealed that GDA maintained 132 to 148 bank accounts which were operated in 19 to 22 different banks during 2017-18 to 2021-22. Out of these, eight saving bank accounts and one current bank account had balances ranging between ₹ 2.94 lakh and ₹ 30.75 crore during the period October 2018 to March 2022 as detailed in *Appendix-3.2*. However, GDA did not obtain/avail auto sweep facility in these nine bank accounts to get benefit of higher interest rates on the deposits. Resultantly, GDA was deprived of earning interest amounting to ₹ 73.87 lakh² as detailed in Appendix-3.2 during October 2018 to March 2022.

The State Government in its reply (March 2024) stated that most of the bank accounts opened by GDA in various banks were inactive/dormant, therefore, auto sweep facility in those accounts was not worthy. The State Government further stated that as per the approval (December 2022) of the Vice Chairman, the amount available in those inactive bank accounts has been transferred to the main deposit account of GDA. The State Government also stated that most of the accounts are being used as payment accounts of GDA in which money

² Calculation for auto sweep= Minimum balance in a month*minimum FD rate/12, Calculation for Saving=Maximum saving rate*minimum balance/12

is transferred only for a certain period of time for a particular payment. In auto sweep facility, no interest is earned on the amount available in banks for less than seven days. In view of this, auto sweep facility was not taken for payment accounts. The State Government also added in reply that GDA had already availed auto sweep facility in three bank accounts³ and auto sweep facility in remaining bank accounts has been obtained in October 2023.

Fact remained that auto sweep facility was not availed in aforesaid nine bank accounts even though these nine bank accounts had sufficient deposits during October 2018 to March 2022, which led to loss of interest amounting to ₹ 73.87 lakh.

3.4.2 Providing unsecured loan

Scrutiny of records of GDA disclosed that on the request of Hapur Pilakhua Development Authority (HPDA) the Board of GDA decided (August 2007) to provide loan of ₹ 50 crore to HPDA for acquisition of land for Anand Vihar Yojana developed by HPDA. The Board in this respect constituted a committee to finalise the terms and conditions for providing such loan to HPDA. Accordingly, a five member committee was constituted which finalised the terms and conditions for granting loan to HPDA in September 2007 as mentioned below:

- The loan would be provided for a period of one year only.
- Interest would be charged at the rate of nine *per cent* per annum.
- HPDA would provide equitable mortgage of its properties (valued at ₹ 86.17 crore) in favour of GDA, which will have the right to sale the mortgaged properties in case of default.

Scrutiny of records revealed that GDA released loan to HPDA on 29 October 2007 which was to be returned in one year with nine *per cent* rate of interest as per agreed terms and conditions. However, GDA did not ensure mortgage of the said 12 properties (valued at ₹ 86.17 crore) in its favour by HPDA.

Audit further noticed that HPDA did not adhere to the condition of repayment of loan to GDA and even after a lapse of more than 14 years from the disbursement of loan, only ₹ 41.87 crore was repaid to GDA upto March 2022. Out of this repayment, GDA adjusted⁴ ₹ 33.03 crore against interest and ₹ 8.84 crore against principal amount. The balance amount of loan as of March 2022 was ₹ 41.15 crore, besides outstanding interest of ₹ 23.12 crore.

Audit further observed that GDA requested (October 2016) HPDA to provide the current status of the properties on the security of which the loan was provided. In this respect HPDA placed a proposal before its Board describing details of current status (November 2016) of balance proposed assets (cost ₹ 52.01 crore) for security. Further, as mentioned in the agenda note submitted

³ Punjab National Bank account number 4052000100171364 and 3703001100001950 and I.C.I.C.I bank account number 695505600350.

⁴ As per calculation provided by the GDA.

to HPDA Board, HPDA was not able to repay loan with interest due to recession in real estate and its limited income. In view of this HPDA decided to request the State Government to waive interest amount and to sale developed land to GDA for repayment of the balance principal amount.

The State Government in its reply (March 2024) stated that HPDA had paid ₹ 8.13 crore in April 2023 and requested⁵ (May 2023) to adjust it against the principal amount and to waive off entire interest amount. However, GDA had informed⁶ (October 2023) that it is not possible to waive off the interest and demanded total amount of ₹ 61.71 crore including interest.

Fact remains that loan was disbursed by GDA without ensuring equitable mortgage of the property as recommended by the committee to finalise the terms and condition for granting loan to HPDA. As a result, unsecured loan was disbursed to HPDA and the loan was not recovered even after the lapse of 16 years as against the target of one year.

3.4.3 Non-receipt of GDA share in additional stamp duty

Clause 39 of the UPUP&D Act 1973 envisages levy and collection of two *per cent* additional stamp duty on any deed of transfer of immovable property in the case of immovable property situated within a development area. All collection resulting from the additional stamp duty was to be transferred, after deduction of incidental expenses, if any, to the Development Authority/Authorities, UPAVP and the Municipal Corporation/Board in such proportion as may from time to time be determined by the State Government. Further, as per GoUP order (September 2013), additional stamp duty so collected after deduction of eight *per cent* incidental charges shall be paid by the GoUP to dedicated Urban Transport Fund, Development Authorities, UPAVP and Municipalities in the prescribed proportion.

Scrutiny of records of GDA revealed that the additional stamp duty was realized by the six offices of Sub-Registrar in Ghaziabad district at the time of registration of the properties in the name of allottee. Accordingly, GDA demanded ₹ 347.43 crore⁷ for the period 2017-18 to 2021-22, which was yet to be received from the State Government.

The State Government in its reply (March 2024) stated that demand had been raised to the Housing and Urban Planning Department from time to time for payment of outstanding additional stamp duty of ₹ 421.87 crore, which included outstanding dues of ₹ 74.44 crore for the period prior to 2017-18. It further stated that the outstanding stamp duty has been increased to ₹ 585.43 crore till September 2023.

Fact remains that ₹ 585.43 crore of additional stamp duty was not released to GDA till September 2023.

⁵ Through its letter No. 1139/Accounts/HPDA/2023 dated 31.05.2023.

⁶ Through its letter 1194/L.E./2023 dated 25.10.23

⁷ GDA's demand vide letter dated June 2020 (₹ 197.97 crore), November 2020 (₹ 4.52 crore), November 2020 (₹ 13.69 crore), April 2021 (₹ 22.11 crore), June 2021 (₹ 22.61 crore), December 2021 (₹ 12.81 crore), January 2022 (₹ 23.04 crore), February 2022 (₹ 26.37 crore), May 2022 (₹ 24.31 crore).

To sum up, income of GDA decreased during 2017-22, which also led to decrease in expenditure on development works. Available resources were not prudently utilised as auto sweep facility was not availed to get higher rate of interest on the balances in the bank accounts. State Government had not disbursed the share of additional stamp duty due to be disbursed to GDA as envisaged in UPUP&D Act, 1973.

Recommendation 4: *Ghaziabad Development Authority should ensure optimal and efficient utilisation of available financial resources.*