

EXECUTIVE SUMMARY

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Introduction

The Government of Uttar Pradesh (GoUP) constituted the New Okhla Industrial Development Authority (NOIDA) in April 1976 under Section 3 of the Uttar Pradesh Industrial Area Development (UPIAD) Act, 1976 with the object of creating a planned, integrated and modern industrial city, well connected to Delhi. As per the UPIAD Act, 1976 the object of the Authority shall be to secure the planned development of the industrial development area. Its other roles and functions include acquisition of land, demarcation and development of sites for various land use i.e. industrial, commercial, and residential purposes and to provide infrastructure. While the Authority has been in operation since April 1976, it was only in July 2017 that the GoUP entrusted the audit of NOIDA to the Comptroller and Auditor General of India (CAG). Thereafter in January 2018, the GoUP appointed CAG as the sole auditor from the year 2005-06 onwards.

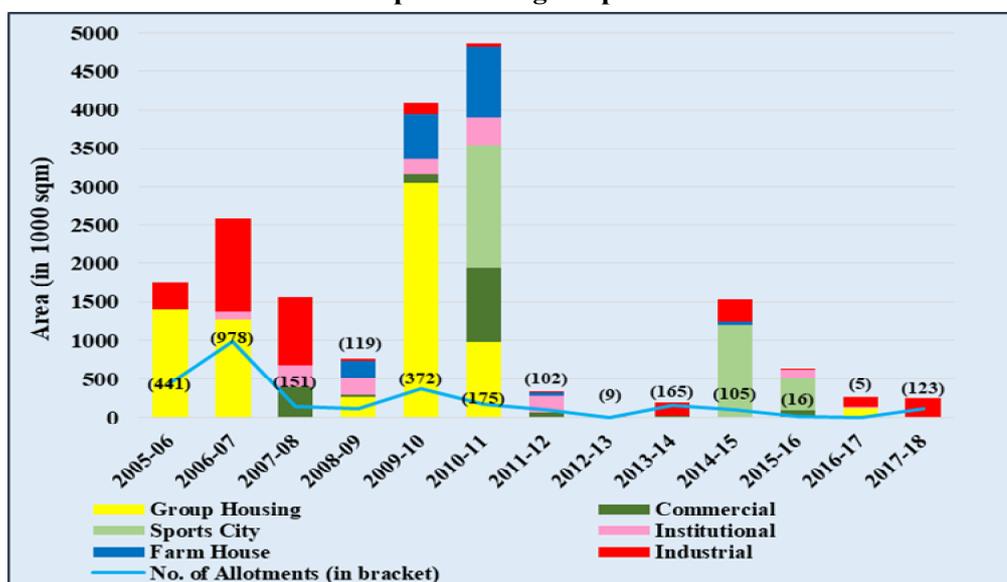
Issues relating to development of NOIDA in close proximity to the national capital, acquisition of land for the said purpose and its allotment for various uses is of considerable interest to a variety of stakeholders. It is in this backdrop that the Performance Audit on “Land Acquisition and Allotment of Properties” in NOIDA, the first of its kind, was undertaken.

What has been covered in this audit?

The primary focus of the performance audit was on the policies and procedures adopted by NOIDA for land acquisition and allotment of properties under the Group Housing, Commercial (including Sports Cities), Institutional (including Farm Houses) and Industrial categories during the period 2005-18. As a corollary, the preparation of Master Plans and pricing of properties were also scrutinised to bring out the scope for improvement in these areas.

As per Master Plan-2031, NOIDA planned to develop an area of 1,527.99 lakh sqm against which it acquired 1,237.58 lakh sqm of land till March 2020. During the period covered in audit, 2005-06 to 2017-18, NOIDA allotted 2,761 properties measuring 188.34 lakh sqm under various categories (excluding residential allotment) as depicted in **Chart 1** below:

Chart 1: Allotments of plots during the period 2005-06 to 2017-18



(Source: As per data provided by NOIDA)

From the allotment data presented in the above chart, it was observed that:

- The highest allotment in terms of area was done in the year 2010-11 with an allotment of 48.61 lakh sqm which was 25.81 *per cent* of the total allotments during the period 2005-06 to 2017-18.
- Out of total allotment of 188.34 lakh sqm, allotment of industrial area, the development of which was the primary objective, constituted only 18.38 *per cent* (34.62 lakh sqm) while the remaining 81.62 *per cent* was for other categories *i.e.* Group Housing- 37.72 *per cent* (71.03 lakh sqm), Commercial- 8.94 *per cent* (16.84 lakh sqm), Sports City- 17.07 *per cent* (32.14 lakh sqm), Institutional- 8.14 *per cent* (15.33 lakh sqm) and Farm House- 9.75 *per cent* (18.37 lakh sqm).
- Most of the allotments for Group Housing category *i.e.* over 98 *per cent* in terms of area took place during the period 2005-06 to 2010-11. Allotment made in 2009-10 itself accounted for 43 *per cent* in this category. Out of the remaining seven years, there was no allotment in six years in this category.

What were the audit objectives?

The audit objectives of the Performance Audit were to assess whether:

- Land was acquired in NOIDA through lawful process and for legitimate development purposes;
- Pricing and allotment of properties were transparent and in accordance with the prescribed procedures; and
- Adequate oversight control of the Government and a robust internal control system in NOIDA existed in respect of acquisition of land and allotment of properties.

What audit found and what is recommended?

Audit found significant lapses in the policies adopted by NOIDA in the area of planning, acquisition of land, pricing of properties and allotment of properties under various categories. Failures were observed at the level of NOIDA’s Board, its management and officials. The infractions observed by Audit are outlined in the succeeding paragraphs.

Planning

(a) Low priority for Industrial Development

NOIDA has the mandate to develop industrial development area. Accordingly, priority should have been accorded to allocation of land for industrial purposes. However, development and allocation of land for industrial purposes did not receive priority and only 23 *per cent* area was developed for industrial activities; instead residential development has been the predominant activity with 52 *per cent* land allocation as of March 2020.

(Paragraph 2.8.5)

(b) Master Plan prepared without a Regional Plan

The policy framework of land acquisition and allotment functions executed by NOIDA are regulated by its Master Plans. The Master Plan was to be prepared

by NOIDA as per the Regional Plan and approved by National Capital Region Planning Board (NCRPB).

Master Plan-2021 of NOIDA was approved by the GoUP on 31 August 2006 with the condition that the approval of NCRPB should be ensured before the plan was made applicable. However, upon NCRPB raising observations on the draft Master Plan, NOIDA decided (April 2008) to revise the plan for the perspective year 2031. The Master Plan-2031 was prepared in March 2011 and submitted to NCRPB and Chief Town and Country Planner (CTCP), GoUP, who communicated their observations thereon. The Master Plan-2031 was prepared even though there was no Regional Plan for 2031. The Master Plan-2021 was replaced with Master Plan-2031 to overcome various deficiencies but the latter also failed to address the issues raised by CTCP and NCRPB. The State Government accorded 'No Objection' to the Master Plan-2031 with the condition that the suggestions given by NCRPB and the CTCP be acted upon by NOIDA and based on the same, implementation of the Master Plan-2031 has been initiated.

Thus, NOIDA prepared the Master Plan-2031 without a corresponding Regional Plan in place without addressing the concerns and observations raised by CTCP/ NCRPB and proceeded with implementation of the unapproved Master Plan despite observations of NCRPB.

(Paragraphs 2.6 to 2.6.2)

(c) Dilution of Plan Regulations

The Master Plans were to be prepared in accordance with NOIDA (Preparation and Finalisation of Plan) Regulations. These Regulations were amended in 2010 and the specific definitions for land uses were swapped with very general definitions/clauses. The requirement for detailed specification for land uses were dispensed with and NOIDA was empowered to make such changes to the Master Plan as it deemed fit. These amendments empowered NOIDA to amend the character of the Master Plan, conferred greater discretion and reduced the requirements for detailed disclosure in the Master Plans. Consequently, land use conversions were regularised by introducing various activities *viz.* sports city and mixed land use, schemes not interrelated with the core objective of NOIDA were launched and various activities not permitted in agriculture use, institutional use and industrial use were allowed causing loss to NOIDA. The dilutions made in the Regulations have also resulted in NOIDA including commercial activities in industrial and recreational categories which resulted in allotments being made at reduced rates and consequential loss to the Authority.

(Paragraphs 2.7 to 2.7.3)

Recommendations		
Recommendation No.	Recommendation	Response of the Government
1	NOIDA should ensure that preparation of Master Plan is in alignment and conformity with the corresponding Regional Plan and Sub Regional Plan approved by NCRPB	Accepted

Recommendation No.	Recommendation	Response of the Government
2	The Infrastructure and Industrial Development Department should ensure that the approvals granted by it to the Master Plans and the amendments thereto are in accordance with the policies of NCRPB so as to ensure coordinated development of NCR.	Accepted
3	The Government should thoroughly review and revise the NOIDA (Preparation and Finalisation of Plan) Regulations, which over time have been progressively diluted and has led to discretion and misuse at the hands of the officials in NOIDA.	Accepted. The Government stated that NOIDA should undertake a thorough review of its Regulations and make appropriate amendment wherever required and after approval of the Board, submit it to the Government for approval

Acquisition of Land

(a) Excessive use of Urgency Clause

Land acquisition by NOIDA during the audit period can be divided into two distinct phases based on the applicable statute in force viz. acquisitions under the Land Acquisition Act, 1894 (LAA, 1894) applicable upto December 2013, and thereafter under the Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2013 Act (2013 Act), which came into force from 1 January 2014.

Audit noticed that land acquisition under LAA, 1894 by NOIDA was predominantly based on use of urgency clause. The invocation of urgency clause enabled the Collector to dispense with the rights of landowners in respect of hearing on objections to proposed land acquisition and acquire the land for NOIDA. Approximately 80 per cent of land was acquired by using this provision. Audit also noticed that NOIDA furnished a standard justification in all sampled cases for invoking the urgency clause which cited requirement of land for industrial development. This standard justification given by NOIDA did not fall under the ambit of conditions laid down in LAA, 1894 for invoking the urgency clause. In spite of very limited land acquisition for industrial purpose, all acquisitions were made by invoking the urgency clause, depriving the farmers/landowners of the opportunity of being heard. Audit scrutiny further revealed that on the one hand NOIDA claimed urgency in acquisition of land while on the other, inordinate administrative delays ranging from 11 to 46 months in submission of the final proposals for land acquisition were observed, indicating that the invocation of urgency clause

was uncalled for. In this context, it is pertinent to point out that the Hon'ble Supreme Court, in its judgement¹, has held that invocation of urgency clause was wrong.

(Paragraphs 3.5.1 to 3.5.3)

(b) Payment of No Litigation Bonus, beyond scope of the Act

After the enactment of the 2013 Act, NOIDA decided to pay a lump sum amount as Rehabilitation and Resettlement/Non-Litigation Bonus to farmers so as to avoid delays and additional burden on account of Social Impact Assessment and Rehabilitation and Resettlement packages. Audit observed that the 2013 Act provides for preparation of a Rehabilitation and Resettlement Scheme and its approval by the competent authority as well as preparation of Social Impact Assessment study and accordingly, taking measures to mitigate the loss to the affected persons. The Authority, instead of preparing a Rehabilitation and Resettlement Scheme, bypassed the laid down procedure of the Act by paying a lump sum amount of ₹ 373.85 crore in lieu thereof. Such payment towards Rehabilitation and Resettlement/No Litigation Bonus was in contravention and beyond the scope of the 2013 Act.

(Paragraph 3.6.1)

(c) Avoidable payouts on account of additional compensation and delay

Audit also noticed failures in due diligence on the part of NOIDA whereby avoidable payment of additional compensation in cases of direct purchases through sale deeds was made, excess payment of additional compensation was made by adopting higher rates of payment, payments were made in respect of ineligible villages and avoidable payments were made on account of delays resulting in additional payouts to the extent of ₹ 520.72 crore. Post-acquisition, land measuring 45,26,464 sqm. remained encroached which indicated lack of follow-up on the part of NOIDA.

(Paragraphs 3.5.4 to 3.5.6 and 3.7.1 to 3.7.2)

Recommendations		
Recomm- endation No.	Recommendation	Response of the Government
4	NOIDA needs to ensure abidance with the statutory provisions, as provided for under the Act and exercise due diligence while invoking the urgency clause in carrying out land acquisitions.	Accepted. Government stated that it has since rescinded the urgency clause.

¹ Savitri Devi vs. State of U.P. and others, civil appeal no. 4506 of 2015

Recommendation No.	Recommendation	Response of the Government
5	Post-acquisition, the follow-up mechanism should be strengthened by NOIDA so that the acquired land is put to productive use at the earliest, mutated without delay and kept unencumbered.	Accepted.

Pricing of properties

(a) Costing of properties: No policy framework

The policy framework for pricing of properties in NOIDA had a serious gap that needs to be addressed: Audit noted that neither any guideline was prescribed by the GoUP nor has NOIDA prepared its own costing manual/standards/norms nor has it adopted guidelines of any other similar Authority/organisation. As a result, a methodological analysis cannot be carried out in respect of costs to be considered, sector-wise rates and category-wise rates, and due to which audit analysis was confined to evaluating the consistency of the practices adopted by NOIDA. It was observed that the components of costing were not consistent during the audit period 2005-18. Besides, the Board of NOIDA fixed the allotment rates arbitrarily due to which NOIDA was deprived of ₹ 1,316.51 crore of revenue. Further, NOIDA did not factor in the increase in development norms (Floor Area Ratio and Ground Coverage) while determining the reserve price for plots being allotted through bidding system. This resulted in provision of higher built-up area without corresponding increase of reserve prices leading to failure in realising revenue amounting to ₹ 13,968.49 crore.

(Paragraphs 4.7, 4.8.8 and 4.10)

(b) Mis-categorisation of sectors and non-inclusion of costs

It was also observed that NOIDA had mis-categorised the sectors in allotment of Group Housing plots which led to lower fixation of reserve price and consequent loss of possible revenue of ₹ 798.69 crore. Further, no mechanism was developed to ensure the recovery of the costs which were not factored in the allotment rates and thus, NOIDA had to bear these costs amounting to ₹ 1,424.56 crore from its own resources.

(Paragraphs 4.7.1 & 4.9.1 to 4.9.3)

Recommendations		
Recommendation No.	Recommendation	Response of the Government
6	Guidelines should be prepared by NOIDA, with advice of professional costing experts, so as to ensure that all costs incurred toward acquisition, development of land and other expenses are factored.	Accepted

Recommendation No.	Recommendation	Response of the Government
7	NOIDA should develop a mechanism to ensure that the sale prices are fixed in strict compliance of the recommendation and any unwarranted deviation causing loss to NOIDA should not be allowed.	Accepted

Allotment of Group Housing Properties

(a) Group Housing Projects: Delay in completion and spiralling dues

During the audit period 2005-06 to 2017-18, NOIDA allotted 67 group housing plots measuring 71.03 lakh sqm which were sub-divided into 113 plots by the allottees. Audit observed that out of the 113 projects, 71 projects were either incomplete or partially completed, which constituted 63 per cent of the total projects. Out of the 1,30,005 flats sanctioned, Occupancy Certificate was not issued for 44 per cent of flats, due to which home-buyers who have invested their lives' savings and hard-earned money in the purchase of flats still remained deprived of possession of their flats. Though the Uttar Pradesh Industrial Area Development (UPIAD) Act, 1976 has prescribed penal measures for defaulters, NOIDA had failed to take action for huge dues against the builders even after lapse of the tenure for payment. Against allotment value of ₹ 14,050.73 crore during 2005-06 to 2017-18, dues of NOIDA pending receipt, as on 31 March 2020, have spiralled to ₹ 18,633.21 crore. The recovery of dues has now become more challenging due to the legal hurdles on account of third party rights being created. This has consequently adversely affected the finances of NOIDA.

(Paragraphs 5.1.3 and 5.1.10.1)

Audit analysed the management of Group Housing category by NOIDA and observed the following reasons leading to the above situation:

(b) Allotments to those not meeting eligibility criteria

In two cases, allotment of more than two lakh sqm, worth ₹ 471.57 crore, was made to companies who failed to even qualify the requirement laid down as part of technical eligibility criteria of having a turnover of ₹ 200 crore from real estate activities.

(Paragraph 5.1.7.1)

(c) Leveraging of net worth for multiple allotments

NOIDA evaluated actual net worth of the applicant case-wise against the required net worth as per criteria but failed to evaluate the net worth in aggregate in case of multiple allotments to the same allottees. Resultantly, allottees obtained more than one allotment by leveraging their net worth multiple times. 10 applicants were allowed to use their net worth upto a maximum of 2.29 times to garner 26 (sub-divided into 43 plots) allotments worth ₹ 4,293.35 crore from NOIDA. Though the previous allotments were known to NOIDA, the Plot Allotment Committee failed to take cognisance of it. Non completion of the projects by the allottees have resulted in distress to

home buyers as 22,653 flats out of 54,987 flats sanctioned in the above 43 projects could not be completed till March 2020.

(Paragraph 5.1.7.2)

(d) Allowing exit of key member after qualification

NOIDA allowed exit of the key consortium members having substantial net worth which was considered for allotment of the plots/projects in 11 cases (within one year of allotment in five cases), leaving the land/project to companies who by themselves were incapable of qualifying for allotment. This resulted in distress to home buyers as 10,769 flats out of 27,370 flats sanctioned in six of the above projects have not been completed till 31 March 2020.

(Paragraph 5.1.8.2)

(e) Sub-division of plots

The GoUP, as a one-time measure, allowed sub-division of plots as part of recession relief measures for existing allottees facing financial problems upto March 2011. But NOIDA at the level of the Chief Executive Officer (CEO) embedded the one-time concession, based on the decision of GoUP, as a permanent feature by incorporating it in its brochures commencing November 2009 and according benefitting not only to the existing allottees encountering difficulties but to all prospective allottees. As a result, large plots allotted to qualified bidders were sub-divided between developers without any basis including to those who would have *ab-initio* not qualified to execute the project. In eight of these sub-division cases, the net worth of the sub-lessee was even less than one crore rupee and yet they were permitted sub-lease of plots worth ₹ 501.62 crore in aggregate. As a result, numerous projects were lying incomplete causing distress to home buyers who had invested their life savings in such projects.

(Paragraph 5.1.8.1)

(f) Sharp reduction in allotment money

NOIDA provided relaxations by reducing the upfront allotment money to be paid by the builders/allottees from 40 *per cent* of the land premium in 2006-07 to as low as 10 *per cent* in 2009-10. This reduction substantially reduced the financial commitment of the developers. Builders in turn garnered more allotments as they enjoyed greater leverage to obtain bigger plots and to take loans from banks on the back of deposit of smaller amount of down-payment. This huge undue favour by NOIDA led to increased outstanding dues on account of deferment of premium of ₹ 2,664.96 crore to the detriment of NOIDA.

(Paragraph 5.1.6.8)

(g) Pending dues: Yet allotment made and mortgage permission granted

NOIDA, rather than taking action as statutorily provided for, made multiple allotments to group companies of Amrapali and Unitech who were in default in payment of dues for earlier allotments which amounted to ₹ 9,828.49 crore as of 31 March 2020 in respect of these two allottees. Further, in violation of its own policies, NOIDA granted mortgage permission to four allottees without payment of dues by them. As on 31 March 2020, the total dues of these four allottees have swelled to ₹ 1,215.12 crore against the allotted value

of ₹ 768.77 crore. While the UPIAD) Act, 1976 has prescribed penal measures for defaulters, the officials of NOIDA failed to take appropriate action. It is pertinent to mention here that the Hon'ble Supreme Court in the case of Bikram Chatterjee and others vs. Union of India and others observed that *“They have violated every condition, but still, Authorities were bent upon to condone everything. This reflects absolute dereliction of duty cast upon the Authority.”*

(Paragraphs 5.1.10.2 to 5.1.10.3)

(h) Removal of clause for opening escrow account

With a view to securing payment of dues by the developers and also ensuring the application of funds collected by the developer from the ultimate buyers on the concerned project, a provision for escrow account was introduced in 2006. However, this clause was removed by the Chief Executive Officer (CEO) in May 2006 from all the subsequent scheme brochures and this fact was not even brought to the knowledge of the Board. As of March 2020, 85 of the 113 allottee builders were in default in payment of instalments of the premium of the allotted plots. By removing the requirement of escrow account, NOIDA has imperiled its own interests as well as those of home buyers in addition to non-completion of the group housing projects.

(Paragraph 5.1.6.6)

Recommendations		
Recommen- -dation No.	Recommendation	Response of the Government
8	Government may consider investigating the nexus between officials of NOIDA and builders and also take action against officials responsible for/involved in abetting irregularities in allotment and post allotment transfer that was detrimental to the interest of the Authority, Government and the home buyers.	Accepted. GoUP directed NOIDA to investigate the cases pointed out by Audit and send suitable recommendation for action, if any fault was found in this regard.
9	NOIDA should ensure effective monitoring of huge pendency of dues together with its recovery from willful defaulters.	Accepted
10	The regulations/orders with respect to mortgage, mutation and exit from projects should be reviewed/revised to minimise discretion at the hands of the officials.	Accepted

Allotment of Commercial properties

(a) Allotment to a few select groups

Audit found that 79.83 *per cent* of total allotments in commercial category plots made during the period 2005-18 were to three groups viz. Wave, Three C and Logix Groups. Despite repeated violations and outstanding dues of ₹ 14,958.45 crore, NOIDA failed to take action against these groups enabling them to hold majority of commercial land. About 75 *per cent* of the area allotted to these groups remained non-functional even after lapse of specified time period, indicating that allotment of land rather than development of projects was the main consideration of the allottees. NOIDA also failed to monitor the execution of projects.

(Paragraph 5.2.7)

(b) Allotments to ineligible entities and transfer without levy of transfer fee

Audit observed that plots worth ₹ 1,680.93 crore for 1,43,250 sqm (14.325 hectare) of land were allotted to entities who were *prima facie* ineligible due to not even meeting the technical eligibility criteria laid down in brochures. Further, the relevant members on whose credentials the consortium qualified the eligibility criteria, subsequently exited the project within a short period, between five days to 13 months from the date of allotment. Thus, land was retained with entities who were incapable of executing the projects. Plots were transferred without levying the requisite transfer fees leading not only loss of ₹ 83.49 crore to NOIDA but also facilitating back door entry to entities not fulfilling the initially laid down qualification criteria. This has resulted in non-execution of projects while NOIDA has facilitated the allottees by continuously relaxing the conditions.

(Paragraphs 5.2.8.2 to 5.2.8.4)

(c) Irregular grant of reschedulement facility

The facility of reschedulement of payments due to the Authority was introduced to provide a one-time relief to allottees but Audit noticed that repeated reschedulements were permitted in seven cases in spite of non-payment. Resultantly, outstandings with respect to these seven allottees have spiraled to ₹ 4,257.58 crore against allotment value of ₹ 2,383.91 crore. NOIDA has also failed to take any action against these seven defaulters as statutorily provided for.

(Paragraph 5.2.10.2)

(d) Incorrect fixation of lease rent

Annual lease rent for commercial builder plots/sports city plots was fixed at a nominal rate of ₹ one per sqm bypassing the Government orders as well as the Board's orders and NOIDA cherry-picked between two sets of order for the benefit of the allottees which resulted in loss of revenue of ₹ 429.92 crore to NOIDA.

(Paragraph 5.2.10.1)

Recommendations		
Recommendation No.	Recommendation	Response of the Government
11	NOIDA should review its policies which have resulted in preponderance of allotments in hands of selected allottees who are having huge dues against them.	Accepted. It was stated that NOIDA would build in proper safeguards in future schemes/brochures to avoid allotment to same entities who were not financially capable to complete multiple projects.
12	NOIDA should initiate disciplinary action against officials who have conferred repeated benefits to allottees in the commercial category, in supercession of NOIDA's interest.	Accepted. It was stated that after the enquiry suitable action would be taken for omission/failure to adherence to conditions of brochures, if any fault is found.

Sports City

(a) Scheme launched without approvals

NOIDA, in deviation from its primary mandate of development of an industrial township, allotted four plots measuring 33.44 lakh sqm during 2011-16 for the integrated development of four sports cities with the aim of holding marquee sports events like National Games, Commonwealth Games and Asiad Games. Three golf courses of nine holes each and one International Cricket Stadium were envisaged in the sports cities along with infrastructure for other games. Audit noticed that at the time of launch of the first sports city scheme during 2008, there was no category of sports city in the Master Plan-2021. The concept of sports city was included in Master Plan-2031 which was approved by the GoUP in 2011 though notably there exists no Regional Plan 2031 corresponding to the Master Plan-2031.

(Paragraphs 5.2.11, 5.2.13.1 and 5.2.13.2)

(b) Insufficient technical eligibility criteria

The envisioned sports city infrastructure necessitated detailed specifications for the facilities with the involvement of serious developers for executing the projects. However, NOIDA failed to lay down any specifications or parameters for the level of intended sports infrastructure. The technical eligibility criteria specified for the developers were based on real estate development rather than development of sports infrastructure. Moreover, technical eligibility criteria of net worth of ₹ 80 crore to ₹ 125 crore was also not commensurate with the value of the sports city plots which ranged between ₹ 837 crore and ₹ 2,264 crore.

(Paragraphs 5.2.13.3 to 5.2.13.5)

(c) Deficiencies in screening and allotments

The lacunae in policy were further accentuated by failures in due diligence; in three out of four allotments, plots worth ₹ 4,500 crore involving area of more than 25 lakh sqm were allotted to ineligible entities who did not even meet the technical eligibility criteria of stipulated net worth, turnover or past experience.

(Paragraphs 5.2.14.1 to 5.2.14.3)

(d) Sub-division of Sports City plots and transfer without levy of transfer fee

Four Sports City plots were sub-divided by the allottee consortiums into 81 parts. The sports facilities were proposed in 34 out of 81 sub-divided plots thereby subverting the very theme of an integrated development of a sports city. Further, out of 81 sub-divided plots, 54 plots were transferred to other than original allottees. Allottees/sub-allottees transferred many of the sub-divided plots to other parties through change in shareholding, however, NOIDA failed to impose transfer charges amounting to ₹ 437.32 crore on transfer of sub-divided plots through change in shareholding.

(Paragraphs 5.2.15.1, 5.2.15.3 to 5.2.15.5 and 5.2.17.2)

(e) 65 acre golf course not possible and no sign of the cricket stadium

Of the sub-divided plots it is notable that the area for golf course in one sports city scheme (SC-01/Sector 150) was divided into 13 non-contiguous plots. Resultantly, there is no possibility of development of a 65 acre golf course as was originally conceived. What is left of a nine-hole golf course are narrow green stretches for playing golf between rows of villas and housing towers. Similarly, in case of the international cricket stadium which was to have been completed by December 2018, a significant part of the land earmarked for it is still to be acquired.

(Paragraphs 5.2.17.2, 5.2.17.3 and 5.2.17.6)

(f) Precedence to housing over sports infrastructure

None of the sports facilities in the Sports city has been completed even though the stipulated time period for completion of sports facilities in the four plots was between October 2016 and December 2019. On the other hand, two group housing projects in the Sports City have been given completion certificate. Consortiums prioritised development of Group Housing projects within the Sports City while placing sports-related development on the back-burner. The facilities intended have either not materialised at all or those created are in complete violation of the Board’s vision.

(Paragraphs 5.2.17.1, 5.2.17.4 and 5.2.17.6)

(g) Undue benefit to the allottees

Audit observed that NOIDA had given incentive to the developers in terms of reduced prices for plots and allowing extra Floor Area Ratio (FAR) and Ground Coverage (GC) for developing sports infrastructure. The allottees, through sub-divisions and prioritising Group Housing have vitiated the envisioned concept and received an undue benefit of ₹ 8,643 crore. NOIDA abdicated its regulatory responsibilities, permitted large scale sub-division of

plots and development of Group Housing in sub-divided plots while placing no focus on the intended creation of sports infrastructure.

(Paragraphs 5.2.15.1, 5.2.17.4 and 5.2.17.5)

Recommendations		
Recommendation No.	Recommendation	Response of the Government
13	The Government should, in light of large scale departure and dilution from the originally planned sporting theme, review the <i>raison d'être</i> of such a category at all.	Accepted Government stated that future Sports City schemes will be taken up after review of sports related projects.
14	If development of Sports City is to be taken up in earnest, then Government should lay down clear norms for development of Sports Cities in consultation with subject matter experts.	Accepted

Allotment of Institutional properties

(a) Allotment of Office Plots under Institutional category

The purpose of making allotments under the Institutional category was to use land/building or part thereof for carrying on any activities like testing, research, demonstration etc. for the betterment of society and it includes educational institutions. However, the allotments made under the Institutional category were *ab-initio* riddled with infirmities. Audit noted that allotments were made for commercial offices under this category thereby providing huge undue advantages of the lower allotment rates, as the ratio of allotment price between institutional and commercial land was from about 4 times to 11 times. The loss to NOIDA on account of allotment of plots to commercial offices under the Institutional category amounted to ₹ 3,032 crore.

(Paragraphs 5.3.1 and 5.3.7.1)

(b) Interviews and allotment to ineligible allottees

The allotment under this category was based on interviews by the Plot Allotment Committee (PAC). The PAC did not have any objective and transparent criteria for assessment of the applications received. As a result the vast amount of discretion was exercised by the members of the PAC and allotments were made to ineligible entities. Entities which were not even incorporated at the time of submission of application, as required under the brochure conditions, were allotted plots. Instances of serious contravention of rules and orders, misrepresentation and concealment of facts by PAC were also noticed. Post-allotment, NOIDA granted undue favours in approval of maps and in fixing terms of payments in contravention of GoUP policies.

(Paragraphs 5.3.6, 5.3.8.2, 5.3.8.3, 5.3.9, 5.3.9.2, 5.3.10.3 and 5.3.11.1)

(c) Allowing inadmissible rebates to IT/ITES plots

In violation of GoUP orders, NOIDA allowed universal application of rebate of 25 per cent on sector rate to all the Information Technology/Information Technology Enabled Services (IT/ITES) units irrespective of the investment being made by them instead of providing rebate to mega units having investment proposal of ₹ 50 crore and above. This was continued even after October 2012 when GoUP had discontinued the rebate. Thus, NOIDA provided undue favour to the allottees which resulted in loss of ₹ 147.40 crore on 153 allotments made for the IT/ITES units.

(Paragraph 5.3.7.2)

(d) Purpose of allotments not achieved

Audit noticed that only eight per cent of the allotments made under the Institutional category during the audit period are functional and a large number of plots were also found to have been transferred defeating the very purpose of allotments under the Institutional category.

(Paragraphs 5.3.6 and 5.3.8.2)

Recommendations		
Recomm- endation No.	Recommendation	Response of Government
15	The Government should clearly define the activities permitted under the Institutional category to avoid misinterpretation/misuse on account of vague definitions.	Accepted.
16	NOIDA should consider taking stringent action against officials, in particular those in the Plot Allotment Committee, who in a number of cases concealed, misrepresented and suppressed material facts, thus, enabling entirely ineligible entities to get allotment of plots.	Accepted in principle. The Government stated that after receiving a factual report from NOIDA, it will examine and take necessary action if there was any malfeasance or misconduct.

Allotment of Farm House Plots

(a) Scheme launched without Government approval

Two schemes were launched during 2008-11 for allotment of farm house plots in which 18.37 lakh sqm area was allotted to 157 applicants. Audit noted that the Farm House scheme were launched without prior requisite clearances and due diligence. The scheme of NOIDA was *ab initio* in contravention of the Regional Plan which permitted establishment of Farm Houses outside *abadi* (inhabited) area. The Farm House category was introduced without GoUP approvals relating to Building Regulations.

(Paragraphs 5.3.15.1 to 5.3.15.4)

(b) Low and questionable fixation of reserve price

NOIDA acquired agricultural land from farmers and made allotment of farmhouses in close proximity to well-developed areas with corporate offices having infrastructure that commanded a substantial premium in the real estate market. The minimum allotment area was 10,000 sqm with activities like swimming pool, dwelling unit, playground etc. permitted. Though the beneficiaries of the allotment of farmhouses were going to be entities/individuals who clearly did not lack the capacity to pay, yet the allotment rate fixed by the Authority was ₹ 3,100 per sqm compared to minimum land rate of ₹ 14,400 in 2008-09. Such low rates fixed by the Authority for allotment of farmhouses was highly questionable, did not serve public interest and led to undue favour of over ₹ 2,833 crore to the beneficiaries and corresponding loss to NOIDA.

(Paragraph 5.3.15.5)**(c) Blatant violations in allotment of Farm House Plots**

- In the allotment of farm house plots, it was observed that the PAC did not have any objective and transparent criteria for interview and assessment of the applications received. The PAC was vested with vast discretionary powers. It adjudged the application as satisfactory or unsatisfactory without detailing the basis of its judgement. Reservation of plots in subsequent schemes was also done for selective applicants in contravention of the terms and conditions. Of the 51 allotments taken up for detailed examination by Audit, in 47 cases it was observed that one or more brochure conditions were violated and in 11 cases even the consultant UPICO's specific negative report with respect to the applicant was not taken cognisance of by the PAC. In two allotment cases the applicant company was not even incorporated at the time of submission of the application. Allotments made on the recommendation of PAC reveal a blatant disregard for scheme guidelines and a wilful role in concealment and misrepresentation of material facts, whereby ineligible allottees were made allotment of farm houses.

(Paragraphs 5.3.16, 5.3.17.3 and 5.3.18.1)

Recommendations		
Recommendation No.	Recommendation	Response of the Government
17	The Government should review the entire scheme of allotment of farmhouses and take a considered decision on dealing with allotments already made, which was flawed and vitiated.	Response of Government awaited
18	Even if the Scheme of Farmhouses is to be continued by the Government, after a review, the existing pricing needs a thorough review keeping in view the paying capacity of prospective allottees and use the farmhouses are being put to.	Accepted

Recommendation No.	Recommendation	Response of the Government
19	The members of the PAC and the concerned CEO responsible for allotment of farmhouse plots who blatantly disregarded all norms and allotted plots to undeserving cases should be held accountable and action taken against them.	Response of Government awaited

Allotment of Industrial Plots

(a) Objective of industrialisation: Position thereagainst

The main objective of NOIDA is to develop the industrial area. NOIDA developed 18.36 per cent of land for industrial use, of which only 32.91 per cent area could be made functional by March 2020. Thus, the actual functional industrial area was only five per cent of the total area which shows that NOIDA has failed to achieve its main objective of industrialisation.

(Paragraph 5.4.2)

(b) Discretion in allotment due to absence of parameters

Audit evaluated the reasons, constraints and loopholes causing delays in the development of industrial area and observed that the system of allotment was riddled with infirmities. Allotments were made on basis of interviews of applicants by the PAC, which conferred a large amount of discretion on the PAC. No parameters were prescribed for the PAC for evaluating the applicants/ projects. PAC adjudged the application as satisfactory or unsatisfactory, without detailing the basis of its judgement. As a result, cases of undue favours in allotment were noticed and discretionary allotments were made. Instances of NOIDA management directing the PAC to reconsider their selection/ rejection of proposed allotment were also noticed.

(Paragraphs 5.4.6.1 to 5.4.6.3)

(c) Undue advantage to the allottees due to Mixed Land Use Policy

Deviation from NOIDA’s core objective of industrialisation was noticed as NOIDA brought out a policy for Mixed Land Use, whereby commercial activities were allowed on industrial plots. The policy was meant to regularise unauthorised commercial activities, yet it covered in its ambit only three activities viz. auto showrooms, museums and art galleries. Audit noticed that the conversion charges approved by GoUP were further reduced by NOIDA, while implementing this policy. The Mixed Land Use policy was implemented to pass on undue favours at NOIDA’s expense.

(Paragraphs 5.4.6.4 and 5.4.6.5)

(d) Allotment to CBS International: Violations and yet no action

NOIDA allotted a plot measuring 1,02,949 sqm to CBS International Projects Limited (CBS) in the Industrial area at a premium of ₹ 52.77 crore for establishment of IT Park on the terms and conditions prevailing in Institutional areas. Audit noticed that CBS was *ab-initio* ineligible for allotment because

M/s Burchill VDM, an overseas company, was not the shareholder in CBS at the time of application by CBS but was shown as such to leverage its financials to enable CBS to qualify for allotment of the plot. As the terms and conditions laid down for IT/ITES, a certain percentage was allowed for residential and commercial use for captive purposes. Notably, the condition regarding captive use of residential and commercial space was omitted while according approval letter of maps. CBS along with Bhutani group openly advertised for sale of residential studio apartments and commercial spaces to non-IT/ITES units whereas the same was to be given to only IT/ITES units for their captive use. The instant case points to serious failure on the part of the concerned officials of NOIDA in non-incorporation of the clause of captive use and further inaction for preventing sale of commercial and residential portion for non-captive use which has resulted in undue benefit to the allottee to the extent of ₹ 745.56 crore.

(Paragraph 5.4.8)

Recommendations		
Recommendation No.	Recommendations	Response of the Government
20	The Government/NOIDA should develop clear cut guidance on mixed land use, so that the sanctity of individual categories of land use is maintained, in the overall context of development of NOIDA.	Accepted. The Government directed NOIDA to bring a compounding scheme with a definite window for conversion and to avoid post allotment changes.
21	The Government/NOIDA should undertake a thorough review of its existing policy which has not borne its desired results with respect to utilisation of areas designated in the Master Plan-2021 for industrial purposes.	Accepted. It was stated that the Government has already enacted legislation in the matter and will issue further direction.

Internal Control

Lack of sound internal control mechanism

The findings of audit point to serious gaps in the governance structure of NOIDA which has translated in extremely poor outcomes for all the principal stakeholders viz. the Authority, State Government, industries and the public at large and specifically for the home buyers etc. There is evidence of a complete disregard of basic tenets of governance viz., adherence to public interest, accountability, transparency in decision making, ethics and integrity, to name a few. The Performance Audit Report is replete with instances of contravention of rules and orders, willful concealment of facts, etc. It brings out exercise of power beyond the remit of NOIDA and misuse and flouting of extant rules and orders. NOIDA did not prepare the annual reports for laying

before both houses of the Legislature in compliance of the Uttar Pradesh Industrial Area Development Act, 1976. Absence of any internal audit led to unchecked violation of rules/orders and procedures as brought out in this Report. All of these translated into 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 the Government involving thousands of crore of rupees.

(Paragraphs 6.3.1, 6.3.4, 6.3.6, 6.4.1, 6.4.2, 6.4.5, 6.5.3, 6.5.5 and 6.5.6)

Recommendations		
Recommendation No.	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.	Infrastructure and Industrial Development Department 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.
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

Recommendation No.	Recommendation	Response of the Government
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.

