

# **CHAPTER–I**

## **General**



## CHAPTER-I

### General

#### Introduction

#### Background

**1.1** In 1972, under the provisions of the U.P. Regulation of Building Operations Act, 1958, the Government of Uttar Pradesh (GoUP) declared 50 villages of the district Bulandshahr, situated close to Delhi as “Yamuna-Hindon-Delhi Border Regulated Area” with the objective of regulating its development and to address pressures of speculative land dealings in this area. Subsequently, GoUP constituted<sup>1</sup> (April 1976) the New Okhla Industrial Development Authority (NOIDA) in the same region under Section 3 of the Uttar Pradesh Industrial Area Development (UPIAD) Act, 1976 with the objective of creating a planned, integrated and modern industrial city, well-connected to Delhi. NOIDA is under the administrative control of the Infrastructure and Industrial Development Department (IIDD) of GoUP. As of March 2020, the development area of NOIDA covered 81 villages with aggregate land of 20,316 hectare. Out of this area, NOIDA has prepared Master Plan (MP)-2031 for 15,279.80 hectare. MP-2031 was approved by the State Government in September 2011. NOIDA has acquired 12,375.79 hectare land in 69 villages up to March 2020.

#### Role and powers of Department

**1.2** IIDD functions as the arm of GoUP to formulate and implement industrial and infrastructure development policies and strategies of GoUP by creating an enabling environment for promoting industrial growth in the State. It performs its function relating to development of industrial areas through eight Industrial Development Authorities (IDAs)<sup>2</sup> constituted under the UPIAD Act, 1976 and one company<sup>3</sup>, incorporated under the Companies Act, 1956. NOIDA is one of these eight IDAs. IIDD is responsible for implementation of the policies of GoUP and has been given powers under the UPIAD Act, 1976 to regulate the functioning of NOIDA. IIDD with respect to NOIDA is responsible for:

- ensuring that all steps in the process of land acquisition for the industries are completed in a time-bound manner;
- issuing directions to NOIDA from time to time for efficient administration of the UPIAD Act, 1976;
- approval of the regulations framed by NOIDA for administration of affairs;
- control of NOIDA by requiring them to furnish any report/return and other information;

<sup>1</sup> vide Notification dated 17 April 1976.

<sup>2</sup> New Okhla Industrial Development Authority (NOIDA), Greater NOIDA Industrial Development Authority (GNIDA), Yamuna Expressway Industrial Development Authority (YEIDA), Uttar Pradesh Expressway Industrial Development Authority (UPEIDA), Lucknow Industrial Development Authority (LIDA), Gorakhpur Industrial Development Authority (GIDA), Satharia Industrial Development Authority (SIDA) and Uttar Pradesh State Industrial Development Authority (UPSIDA).

<sup>3</sup> U. P. State Industrial Development Corporation Limited (UPSIDC).

- ensuring proper implementation of Master/Development Plans by NOIDA; and
- ascertaining that development works have been undertaken in accordance with their plans.

### **Role/functions of NOIDA**

**1.3** As per Section 6 of the UPIAD Act, 1976, the object of NOIDA is to secure the planned development of the industrial development area. NOIDA is responsible for performing the following functions:

- acquiring land in the industrial development area, by agreement or through proceedings under the Land Acquisition Act;
- preparing a plan for the development of the industrial area;
- demarcating and developing sites for industrial, commercial and residential purposes in accordance with the plan;
- providing infrastructure for industrial, commercial and residential purposes;
- providing amenities;
- allocation and transfer, either by way of sale or lease or otherwise, plots of land for industrial, commercial or residential purposes;
- regulating the erection of buildings and setting up of industries; and
- laying down the purpose for which a particular site or plot of land shall be used, namely for industrial or commercial or residential purpose or any other specified purpose in such area.

### **Management of NOIDA and administrative control of the Government**

#### ***Management of NOIDA***

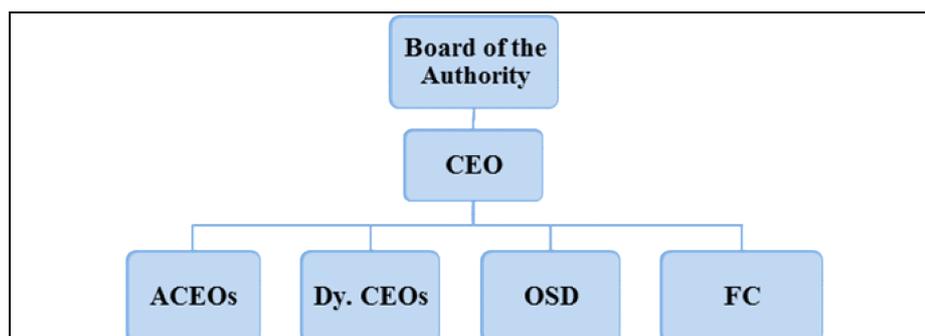
**1.4** As per Section 3 of the UPIAD Act, 1976, NOIDA shall be a body corporate consisting of 11 members (including five members to be nominated by GoUP). Out of these, the Secretary, Industries Department, GoUP or his nominee not below the rank of Joint Secretary-ex-officio shall be the Chairman. Section 4 of the UPIAD Act, 1976 provides that the Chief Executive Officer (CEO) of NOIDA shall be appointed by the State Government. Section 5 (1) of the UPIAD Act, 1976 provides that subject to such control and restrictions as may be determined by general or special orders of the State Government, NOIDA may appoint such number of officers and employees as may be necessary for the performance of its functions and may determine their grades and designations. The CEO is a whole-time officer of NOIDA, who carries out day-to-day affairs with the help of Additional Chief Executive Officers (ACEOs), Deputy Chief Executive Officers (DCEOs), Officers on Special Duty (OSD) and a Finance Controller (FC). The actual constitution of the Board of NOIDA is given in **Chart 1.1**.

Chart-1.1: Constitution of Board of NOIDA



The organisational structure is depicted in **Chart 1.2**.

Chart-1.2: Organisational Structure



### *Administrative control of the Government*

**1.5** NOIDA functions under the administrative control of the IIDD, GoUP. The Department of Appointment and Personnel, GoUP appoints Indian Administrative Services (IAS) and Provincial Civil Services (PCS) officers directly to NOIDA as ACEOs/DCEOs and OSD. Besides, an officer from Finance & Accounts Services of the State is posted as FC by the Finance Department, GoUP. Moreover, Principal Secretaries/Secretaries to GoUP are members of the Board which is the highest decision making body of NOIDA.

### **Entrustment of Audit and finalisation of Accounts**

#### *Entrustment of Audit*

**1.6** Audit of NOIDA, since its inception in 1976, has been essentially outside the purview of the Comptroller and Auditor General of India (CAG) except for a brief period during 2003-04 to 2005-06 when audit of receipts of NOIDA was undertaken by the designated audit office<sup>4</sup>. However, comprehensive audit, though sought for through repeated references by the CAG's organisation between February 2004 to April 2017 was not acceded to.

<sup>4</sup> Office of the Principal Accountant General (Audit-II), Uttar Pradesh, Lucknow (erstwhile Office of the Accountant General (Commercial and Receipt Audit), Uttar Pradesh, Lucknow

It was only in July 2017 that the GoUP entrusted the audit of NOIDA, and three<sup>5</sup> other IDAs to the CAG with immediate effect. Later on (January 2018) GoUP appointed CAG as the sole auditor for all<sup>6</sup> authorities under IIDD from the year 2005-06 onwards and for the future also. Prior to entrustment of audit of NOIDA to CAG, Local Fund Auditors were conducting the audit of NOIDA.

### ***Status of finalisation of Accounts***

1.7 NOIDA had prepared its financial statements upto the year 2017-18 on cash basis and the financial statements upto the year 2011-12 had been certified by the Local Fund Audit Department as per the requirement of Section 22 of the UPIAD Act, 1976. CAG has been entrusted with the Audit of NOIDA from the year 2005-06 onwards on 17 January 2018. Financial statements for the period from 2012-13 to 2016-17 were submitted (January 2018) by NOIDA to the Office of the Principal Accountant General (Audit-II), Uttar Pradesh, Lucknow. Audit of the accounts for the year 2012-13 was started but NOIDA intimated that it was revising its financial statements from cash basis to accrual basis of accounting to ensure compliance with Accounting Standards (AS) issued by the Institute of Chartered Accountants of India (ICAI) and on the basis of observations issued by the Office of the Principal Accountant General (Audit II), U.P., Lucknow on the accounts of 2012-13. The revised financial statements for the period from 2005-06 to 2017-18 have been submitted by NOIDA to the Office of the Principal Accountant General (Audit-II), Uttar Pradesh, Lucknow in February 2021.

### **Audit Objectives**

1.8 The objectives of the present Performance Audit of ‘Acquisition of Land and Allotment of Properties in NOIDA’ 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 existed in NOIDA respect of acquisition of land and allotment of properties.

### **Audit Criteria**

1.9 Audit examination was done on the basis of the following audit criteria:

- Provisions of the UPIAD Act, 1976 and National Capital Region Planning Board (NCRPB) Act, 1985 to assess the purpose for undertaking land acquisition;
- Provisions of the Regional Plan (RP)-2021 of NCRPB, Sub-Regional Plan (SRP)-2021 of GoUP, MP-2021 and 2031 of NOIDA to assess legitimate development purposes of various land acquisitions;
- Provisions of the Land Acquisition Act, 1894 (LAA), the Uttar Pradesh. Land Acquisition (Determination of Compensation and Declaration of Award

<sup>5</sup> Greater Noida Industrial Development Authority (GNIDA), Yamuna Express way Industrial Development Authority (YEIDA) and Uttar Pradesh State Industrial Development Authority (UPSIDA).

<sup>6</sup> NOIDA, GNIDA, YEIDA, UPEIDA, LIDA, GIDA, SIDA and UPSIDA.

by Agreement) Rules, 1997 (*Karar Niyamawali*) and the Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2013 (2013 Act) to assess whether land acquisitions were in accordance with the procedures and methods prescribed under these Acts and Rules;

- Guidelines/instructions from GoUP and the Board/CEO of NOIDA for costing of properties and fixing of premium/reserve price for allotment;
- Work procedure of NOIDA for execution of development works and its accounting to assess whether development cost was recovered through the costing of land;
- Property allotment policies, procedures and terms and conditions of brochures<sup>7</sup> of schemes were examined with respect to provisions of the Industrial and Service Sector Investment Policy, 2004, Infrastructure & Industrial Investment Policy, 2012, and Uttar Pradesh Information Technology Policies, 2004 and 2012;
- Government orders issued by IIDD, resolutions as per the Board's agenda and minutes, administrative and annual reports and physical & financial progress reports so as to evaluate the performance of NOIDA regarding land acquisition and allotment of properties.

### Scope and Methodology of Audit

**1.10** The present Performance Audit, conducted during December 2018 to November 2019, covers the performance of NOIDA in acquisition of land for legitimate development purposes, pricing and allotment of properties and also includes an evaluation of the oversight control of the Government and the internal control system in NOIDA for the period from 2005-06 to 2017-18.

The major activities of land acquisition and allotment of properties in NOIDA were carried out during 2006-07 to 2012-13. Out of 24 notifications for land acquisition (issued till March 2018), 22 notifications pertain to the period prior to 2012-13. Similarly, out of 7,287 cases of allotments made during April 2005 to March 2018 under various categories, 6,820 cases pertain to the period prior to 2012-13.

In respect of land acquisition, the sample for examination was selected on the basis of random sampling for cases of acquisition below 100 hectare. However, all the cases of acquisition over 100 hectare have been selected for examination. In respect of allotment of properties, the allotments made during 2005-2018 have been covered in this audit and the sample size has been determined on the basis of stratified random sampling. In such cases, related sanction of maps has also been a part of audit scrutiny. Details of sampling are given in **Table 1.1**:

<sup>7</sup> Brochure is a document containing complete terms and conditions for the allotment of properties. Terms and conditions of the brochure are also included in the lease deed.

**Table 1.1: Details of Sampling**

	Method	Total no. of cases	Sample selected	Percentage of sample selected to total cases	Files submitted during the course of audit
<b>Land Acquisition</b>					
Under LA Act	Random	24	15*	62.5	15
Through Agreements	Random	1134	115	10.14	115
Resumption <sup>8</sup>	Judgmental	7	7	100	7
<b>Total</b>		<b>1165</b>	<b>137</b>	<b>11.76</b>	<b>137</b>
<b>Land Allotments</b>					
Industrial	Stratified Random	1865	83	4.66	83
Institutional & IT		511	107	20.94	104
Commercial		320	46	14.37	39
Group housing/Builders		113	46	39.65	42
<b>Total</b>		<b>2809</b>	<b>282</b>	<b>10.04</b>	<b>268</b>

\*Includes 10 cases of acquisition of land greater than 100 hectare.

Audit methodology included:

- explaining the audit objectives to IIDD, GoUP and NOIDA in an entry conference held on 28 December 2018;
- scrutiny of records, analysis of data, raising audit queries, joint physical verification, interaction with the officers of the Government to assess efficacy of control of IIDD over NOIDA and interaction with the Management of NOIDA at the office of NOIDA; and
- collection of data from other Government Departments and agencies viz. Registrar of Companies (RoC), U.P. Real Estate Regulatory Authority (UPRERA), U.P. Power Corporation Limited (UPPCL) etc., analysis of data, its cross verification with the data of NOIDA and raising audit queries.

The draft Performance Audit Report was issued (January 2020) to the Government and NOIDA for obtaining their comments. The replies of NOIDA and comments/views put forth by the Government in the exit conference held on 08 September 2020, 30 September 2020 and 09 October 2020 have been suitably incorporated in the Performance Audit Report. During the process of scrutiny, the report was revised and the revised report was again issued to the Government on 16 September 2021 for which no response was received within the stipulated time of two weeks.

### **Scope Limitation**

**1.11** The Audit team faced some constraints related to submission of records and information. Out of a total of 282 files related to allotment which were requisitioned, only 268 files were examined in audit as the remaining 14 files could not be produced during the course of audit from December 2018 to November 2019. As NOIDA submitted these files/information after the

<sup>8</sup> The land of *Gram Samaj* is Government land left at the disposal of *Gram Samaj*. NOIDA sends proposals to the District Collector for resumption of the land of *Gram Samaj* based on which the Divisional Commissioner issues notification for resumption of land in favour of the NOIDA mentioning the value of land. The land is thereafter resumed in favour of the NOIDA on the payment of amount mentioned in the notification.

closure of audit in August/September 2020 (**Appendix 1.1**), these records will be examined in the next audit of NOIDA.

### **Contents of the Audit Report**

**1.12** This report contains six chapters as follows:

- I. General
- II. Planning
- III. Acquisition of Land
- IV. Pricing of Properties
- V. Allotment of Properties
- VI. Internal Control

Chapter-I describes entrustment of audit, audit objectives, audit criteria, audit scope and methodology. The other five chapters contain audit findings. Chapter-V Allotment of Properties is further divided in four sub-chapters namely Allotment of Group Housing plots, Allotment of Commercial plots (including Sports City plots), Allotment of Institutional plots (including Farm House plots) and Allotment of Industrial plots.

### **Acknowledgement**

**1.13** Audit acknowledges the cooperation and assistance extended by the officials of NOIDA and IIDD, GoUP during conduct of the Performance Audit.

